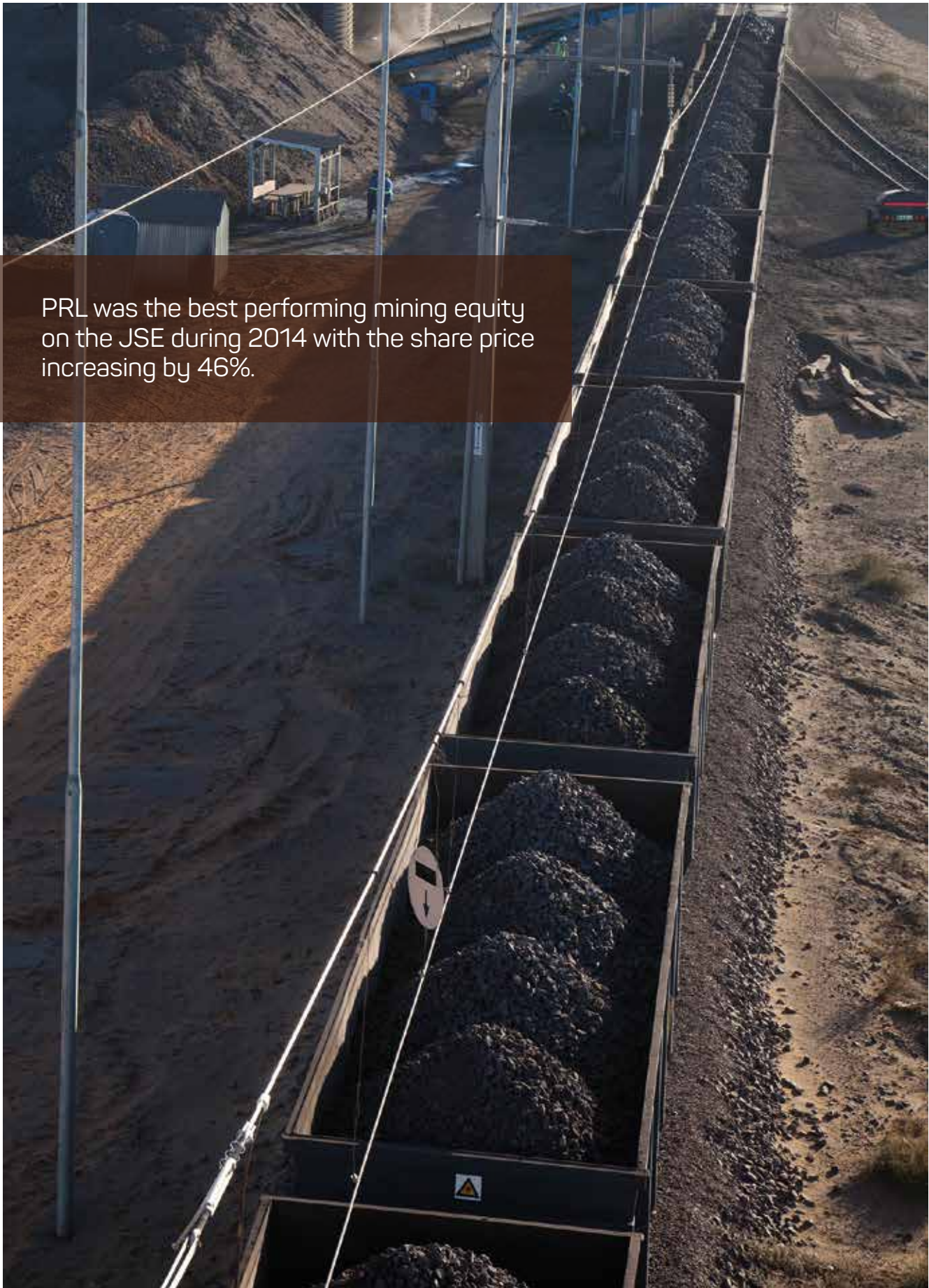




PALLINGHURST



Pallinghurst Resources Limited
ANNUAL REPORT 2014



PRL was the best performing mining equity on the JSE during 2014 with the share price increasing by 46%.

Above:
Manganese ore at Tshipi's state of the art rapid load-out station.


Cover images, from left to right:

The 40 carat rough "Rhino Ruby" discovered by Gemfields at its Montepuez ruby mine in Mozambique in 2014.
The Fabergé Pearl Egg, the first egg created in the "Imperial Class" since 1917 while the Fabergé name and Fabergé family have been united.
UG2 ore from Sedibelo Platinum Mines.

HIGHLIGHTS

NAV increased to


ZAR5.9 billion

 **35%**

Profit after tax

**ZAR690 million/
US\$55 million**

Share price has increased by

 **46%** during 2014

- Sedibelo Platinum Mines recorded its first year of profitability.
- Sedibelo Platinum Mines achieved a record of more than three million fatality free shifts.
- Tshipi Borwa more than doubled its production and export volumes to over two million tonnes of manganese ore.
- Tshipi anticipates achieving record profits for its latest financial year.
- Gemfields' new ruby business realised revenues of US\$77 million from its first two auctions.
- Gemfields' emerald auctions set records for both per carat prices and revenues.

"In a year where the industry found itself in troubled times, I am pleased to report profits for all our three business platforms, leading to a strong financial performance by the Company for 2014. This success has been reflected in the share price, which was one of the best performing stocks on the JSE during 2014."

Arne H. Frandsen
Chief Executive

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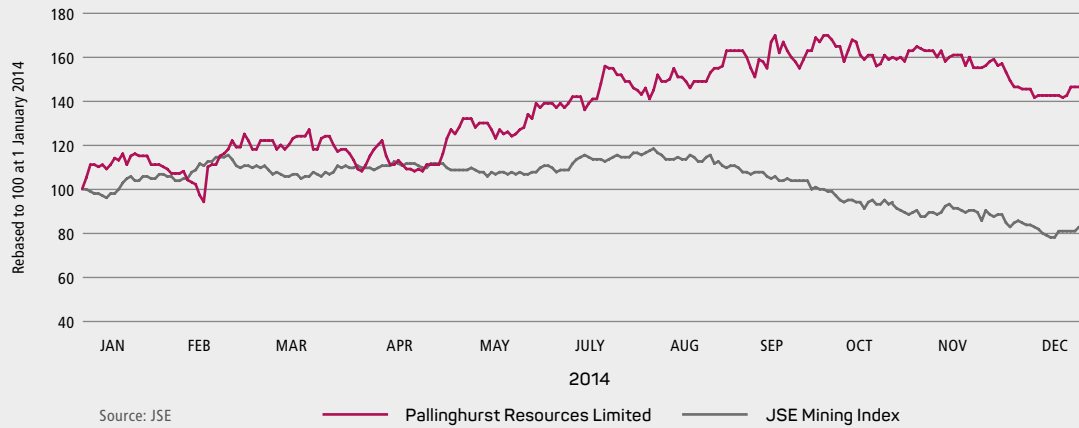
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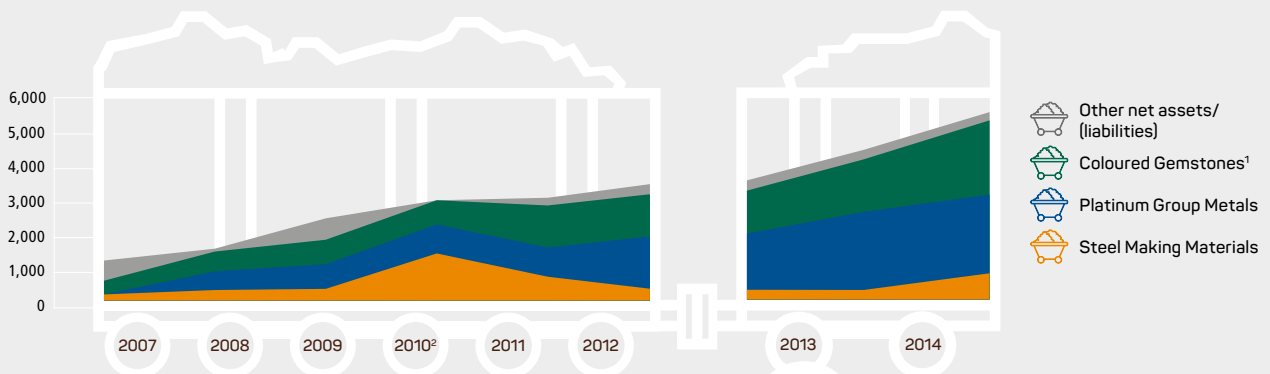
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VALUE

Pallinghurst Resources Limited Share Price vs JSE Mining Index

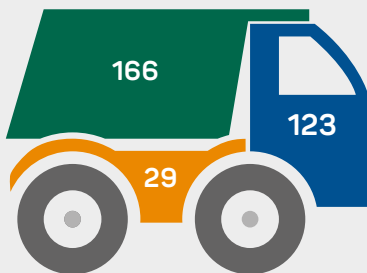


Net Asset Value by Investment Platform (in ZAR)



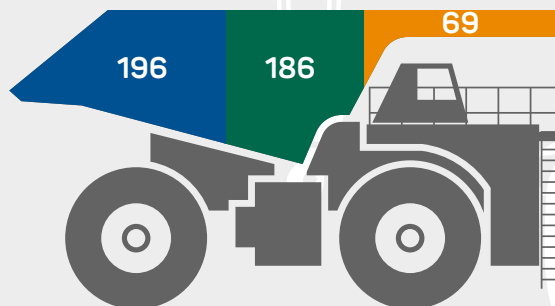
1 Coloured Gemstones segment includes investment in Fabergé prior to Gemfields Fabergé Merger (completed January 2013).
 2 Other net liabilities at 31 December 2010 were ZAR283 million, these liabilities have been attributed to each Investment Platform on a pro rata basis.

NET FUNDS INVESTED BY INVESTMENT PLATFORM at 31 December 2014



US\$318 m

NET ASSET VALUE PER INVESTMENT PLATFORM at 31 December 2014

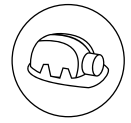


US\$451 m

- Coloured Gemstones
- Platinum Group Metals
- Steel Making Materials



Opencast operations at the Pilanesberg Platinum Mine.



CHAIRMAN'S STATEMENT



When we created the Company in 2007, we highlighted to shareholders the volatility and cyclical nature of the resources industry. We have seen commodity markets reach significant highs since then, based on predictions of continued growth in emerging markets, but currently commodity prices are low and pessimism is widespread.

Our strategy throughout this period has been to create industry-leading businesses regardless of the market environment. Despite market volatility, the progress of each of our investments has vindicated this strategy. Even in the current weak markets, each is uniquely positioned to realise the significant inherent value which we identified at the outset.

When we initially invested in Gemfields, some may have questioned our vision of developing a small, loss-making producer of emeralds into the "De Beers for Coloured Gemstones". So it has been pleasing to see the transformation of Gemfields, first into the world's largest emerald miner, and more recently into a major producer of rubies. I have every confidence that Gemfields will be able to apply its unique business model to the sapphire properties it is exploring in Sri Lanka.

In manganese, we have in only a few years built Tshipi Borwa from bare *veldt* into what is now one of the world's leading producers. Key to this success was the implementation of a clear "exploration to mining" strategy, the building of a strong management team and the support of our partner, Ntsimbintle, which initiated the first exploration activities. Each partner in the venture brought unique

skills to the operation and its own financial backing, surely one of the finest examples of a Black Economic Empowerment partnership in the South African mining industry.

Our investment into the PGM industry would not have been achieved without the support of our partner, the Bakgatla Ba Kgafela Tribe, which had interests in a range of PGM properties and a shared vision to create a "PGM Producer for the 21st Century". Together, we acquired adjoining properties and consolidated them into a single operation with a sizeable resource base, capable of being extracted in a safe and sustainable way for decades to come. Although 2014 was a difficult year for the PGM industry, with significant disruptions experienced by the three largest producers, Sedibelo Platinum Mines has again achieved record production, has further growth opportunities, and is testing what could be industry-transforming beneficiation technologies.

Although commodity prices are currently depressed, our robust operations should withstand the storm, even for an extended period. Each of our operations is well-positioned to deliver its full value for shareholders when the upturn comes, as surely it will.

I thank my fellow Directors and the management teams of our portfolio companies for their hard work and substantial contributions during the past year.

Brian Gilbertson
Chairman

CHIEF EXECUTIVE'S STATEMENT

I am pleased to report another strong financial performance by the Company for 2014 with profit for the year rising to US\$55 million and Net Asset Value ("NAV") increasing by 35% in ZAR terms. This is quite an achievement given the weak commodity prices over the period and highlights the merit of our investment strategy as well as the value we continue to add to our investments – even in challenging markets. The Company's share price has also responded well and was one of the best performing stocks on the JSE during the year. However, the inherent value has much further potential and the Company's shares are still trading at a significant discount to underlying NAV.

Platinum Group Metals

Despite a gloomy PGM industry performance highlighted by the unprecedented five month labour strikes at the three largest platinum producers in South Africa, Sedibelo Platinum Mines achieved another production record in 2014 with annual dispatches of 154,400 4E PGM ounces. Sedibelo Platinum Mines also registered its first full year profit and has performed well into 2015. I am particularly proud of its safety record, which recently exceeded three million fatality-free shifts. Through a strategic acquisition of a contiguous property, Sedibelo Platinum Mines' resource base was increased to over 100 million 4E PGM ounces. In addition, Sedibelo Platinum Mines successfully raised a further US\$65 million of equity capital in 2014, one of the largest mining equity raisings in South Africa during the year. The additional funds will enable Sedibelo Platinum Mines to pursue further growth opportunities while remaining debt-free and maintaining one of the most conservative balance sheets in the industry. Sedibelo Platinum Mines also remains focussed on an IPO once market conditions improve.

Steel Making Materials

Tshipi Borwa more than doubled its production and export volumes to over two million tonnes of manganese ore, making it one of the world's largest manganese mines. This is a remarkable achievement given that Tshipi Borwa, which only commenced production a little over two years ago, has continued to operate profitably despite the recent decline in the manganese price. Tshipi's management team has also demonstrated the mine's ability to produce well in excess of two million tonnes per annum. If solutions can be found to resolve the transportation constraints, Tshipi Borwa will be able to rapidly increase its capacity to over three million tonnes per annum.

Coloured Gemstones

Gemfields' new ruby business saw immediate success with its first two auctions realising aggregate revenues of US\$77 million, more than the total acquisition and operating costs of the project to the end of 2014. Bulk sampling at Montepuez saw markedly increased ruby production during the scaling-up of its operations. The potential of the Montepuez deposit is truly world-class and represents a valuable asset in the Gemfields portfolio. The emerald business maintained its strong performance, with increasing revenues and per carat prices seen throughout the year. Through its successful



NAV has increased by 35% in ZAR terms.

auction system, Gemfields has now positioned itself as the world's leading supplier of emeralds. Gemfields continues to unlock Fabergé's growth potential with improvements in its financial metrics and the recent unveiling of the Fabergé Pearl Egg, the first egg created in the "Imperial Class" since 1917 while the Fabergé name and Fabergé family have been united. Gemfields' strong revenue generation has been reflected in its share price, which increased by 40% during the year. We anticipate further increases as the ruby operation starts to realise its full potential and Gemfields seeks to replicate its successful business formula to sapphires and beyond.

We remain focussed on enhancing and unlocking the full value of each of our three investment platforms. Although the current market environment is not necessarily conducive to divestments at optimal value, we continue to prepare the assets for eventual exit. When commodity prices and market sentiment recover, each of our investments will be well-positioned to realise significant value for shareholders.

Arne H. Frandsen
Chief Executive

PLATINUM GROUP METALS

Strong demand for PGMs is expected to continue as the global population grows, global economies expand and the consuming middle class in emerging markets increases.



Production drilling and blast hole preparation at the Pilanesberg Platinum Mine.



HIGHLIGHTS

- » Sedibelo Platinum Mines recorded its first year of profitability
- » Sedibelo Platinum Mines achieved a record of more than three million fatality-free shifts

Investment strategy

In 2007, Pallinghurst identified the platinum group metals (“PGM” or “PGMs”) industry as having attractive investment fundamentals. PGMs are essential to a wide range of industries and do not have any substitutes in their main applications, particularly in automotive catalytic converters. An estimated 20% of consumer products either contain PGMs or use them during the manufacturing process. Demand for PGMs is also driven by their use in high-end jewellery, investments in physical metals and Exchange Traded Funds. Strong demand for PGMs is expected to continue as the global population grows, global economies expand and the consuming middle class in emerging markets increases.

Conversely, the supply of PGMs is constrained. The Bushveld Complex (“BC”), north of Johannesburg, South Africa, contains approximately 80% of the world’s known PGM resources and accounts for over 80% of the world’s annual output. Significant safety, operating cost and capital expenditure challenges arise from the ever increasing depth of mining. Recent industry-wide labour disputes have disrupted production and taking all these factors into consideration, South African production is likely to remain flat in the near to medium-term. The diverse and solid demand dynamics, combined with ongoing supply pressures and high barriers to entry, should bring stronger future prices.

Investment history

In 2007, Pallinghurst identified three shallow PGM deposits north of the Pilanesberg on the Western Limb of the BC which, while individually attractive, could benefit significantly from economies of scale and synergies if combined into a consolidated entity. Pallinghurst assembled a consortium of Pallinghurst Co-Investors, including the Group, to invest in this PGM strategy. The Bakgatla Ba Kgafela Tribe (the “Bakgatla”), which already held interests in the deposits, joined the consortium as its Black Economic Empowerment (“BEE”) partner.

Over a period of five years, the Pallinghurst Co-Investors, including the Group, acquired the Pilanesberg Platinum Mine (“PPM”), Sedibelo and Magazynskraal, and in 2012, consolidated them into a single contiguous operation with shallow resources of approximately 70 million 4E PGM (platinum, palladium, rhodium and gold) ounces. This consolidation was a key step to unlocking the investment value inherent in the property, which promises safe and low cost operations for many years to come.

Immediately following the successful completion of the consolidation, the Industrial Development Corporation (“IDC”) invested ZAR3.24 billion into the newly created Sedibelo Platinum Mines Limited (“Sedibelo Platinum Mines”, formerly Platmin Limited). The funds have been used to develop the consolidated operations, acting as a catalyst for wealth and job creation, and helping to create a “PGM producer for the 21st Century”, with a focus on developing shallow orebodies that are safer and economically advantageous to mine.

Sedibelo Platinum Mines

During 2014, the PGM industry in South Africa was shaken by the labour strikes coordinated by the Association of Mineworkers and Construction Union (“AMCU”) that began in January at the three largest platinum producers. The strikes lasted approximately five months, inflicting losses on operations that produce a significant portion of global PGMs.

Against this backdrop, Sedibelo Platinum Mines achieved record production in 2014 with annual dispatches of 154,400 4E PGM ounces. Given depressed metal prices, the key focus has been on cost containment and accordingly Sedibelo Platinum Mines recorded a profit of over US\$2 million, its first year of profitability. Sedibelo Platinum Mines continues its production ramp-up across the consolidated properties taking advantage of its large resource base.

Despite the significant reduction in supply caused by the strikes, the platinum price did not respond as might have been expected. The explanation may lie in the large above-ground platinum stockpiles held by industrial users and built up by producers in advance of the strikes. However, these reserves have been significantly reduced with the World Platinum Investment Council estimating above-ground stocks to be 2.77 million ounces at the end of 2014 compared to 3.47 million ounces one year earlier.

During 2014, Sedibelo Platinum Mines acquired Kruidfontein, a property contiguous to and directly down-dip of Magazynskraal. Kruidfontein contains an estimated 32 million 4E PGM ounces, increasing Sedibelo Platinum Mines’ resources to over 100 million 4E PGM ounces. Given its shallow resource base, Sedibelo Platinum Mines expects to benefit from considerable safety and cost advantages in an industry which is mining increasingly deeper, technically challenging and marginally profitable deposits.

In June 2014, Sedibelo Platinum Mines invested in the “Kell technology”, an innovative hydrometallurgical alternative to the smelting of PGM concentrates. Kell is an environmentally friendly process, requiring only a small amount of electricity compared to traditional smelting, and has the potential to increase PGM recoveries. Testing has provided encouraging results with increased recoveries of not only 4E PGMs, but also base metals such as copper, cobalt and nickel.

During the second half of 2014, a further US\$65 million of capital was invested into Sedibelo Platinum Mines by two Pallinghurst Co-Investors. The funds will enable Sedibelo Platinum Mines to pursue further growth opportunities while maintaining a strong balance sheet.

Sedibelo Platinum Mines’ existing open pit operations employ over 2,000 people, many of whom are from the local Bakgatla community. The expansion of operations is expected to increase the number of sustainable jobs for the Bakgatla, be a catalyst for community



Opencast operations at the Pilanesberg Platinum Mine.

Sedibelo Platinum Mines, with its large, sustainable and relatively shallow resource base, is well-positioned to benefit and remains ready to undertake a listing when market conditions are favourable.



Loading material at the Pilanesberg Platinum Mine.

development, and provide lasting social benefits for the region. Sedibelo Platinum Mines also maintains a strong emphasis on worker safety, recently reaching a milestone of three million fatality-free shifts.

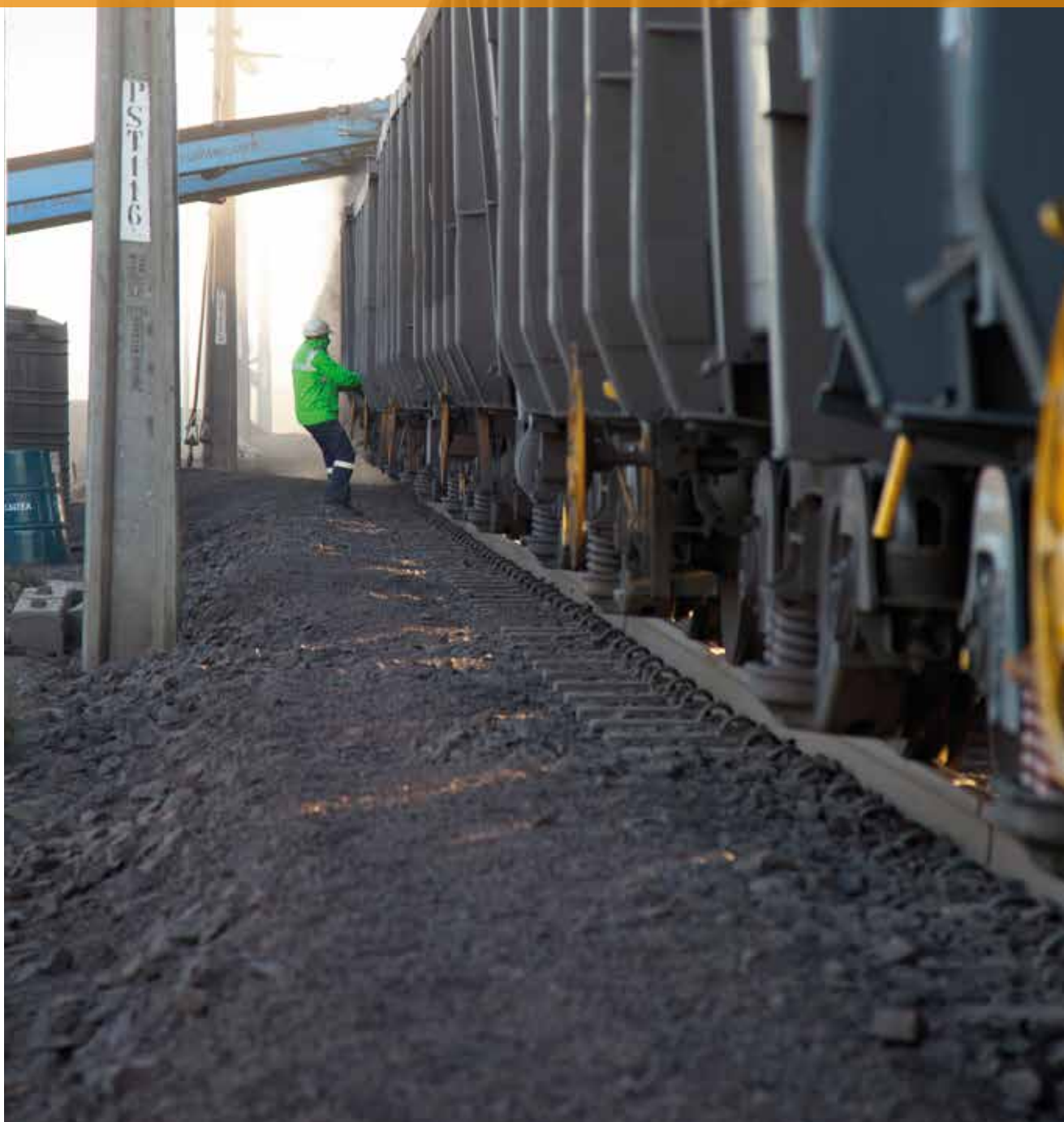
Sedibelo Platinum Mines maintains and develops local roads and water supplies, provides training and development programmes to improve mining related skills and also funds scholarships for local community members to attend full-time educational studies. This tangible commitment to and involvement in the local community is one of the cornerstones for the successful development of the PGM portfolio.

Outlook

As significant supply challenges exist for the PGM industry and demand has exceeded supply for the fourth consecutive year, many commentators are predicting a stronger performance for PGM prices in 2015. Sedibelo Platinum Mines, with its large, sustainable and relatively shallow resource base, is well-positioned to benefit and remains ready to undertake a listing when market conditions are favourable.

STEEL MAKING MATERIALS

Steel is an important driver of the global economy and has shown consistent growth through a number of economic cycles, in particular when developing economies expand rapidly.



Rail car inspection at Tshipi.



HIGHLIGHTS

- » Tshipi Borwa more than doubled its production and export volumes to over two million tonnes of manganese ore
- » Tshipi anticipates achieving record profits for its latest financial year

Investment strategy

In 2007, Pallinghurst identified the raw materials needed for steel-making as having attractive investment fundamentals. Steel is an important driver of the global economy and has shown consistent growth through a number of economic cycles, in particular when developing economies expand rapidly.

Manganese is a key component in steelmaking, removing impurities and increasing the strength and impact resistance of steel. The global supply of manganese is concentrated within South Africa, with approximately 80% of the world's known economically mineable manganese deposits located in the Kalahari Manganese Field ("KMF") in the Northern Cape Province.

Investment history

In 2008, Pallinghurst assembled a consortium of Pallinghurst Co-Investors, including the Group, to acquire a 49.9% interest in Tshipi é Ntle Manganese Mining (Pty) Limited ("Tshipi"), an early stage manganese exploration opportunity within the KMF. The property is well-located, situated adjacent to Samancor's Mamatwan manganese mine that has been in operation since 1964, and its deposit is an extension of the same ore body. The balance of 50.1% of Tshipi's shares is held by Ntsimbintle Mining (Pty) Limited ("Ntsimbintle"), a broad-based BEE consortium consisting of Safika Resources, Nkojane Economic Prospecting and a number of national and local economic development and community organisations and social trusts, and OM Holdings Limited ("OMH"), an Australian Securities Exchange ("ASX") listed integrated manganese mining and trading house. The Pallinghurst Co-Investors provided exploration funding, proving a 189 million tonne manganese deposit at an estimated average grade of 37%.

In 2010, South Korea's POSCO, one of the world's largest steel producers, acquired a stake in Tshipi from the existing Pallinghurst Co-Investors. This transaction realised a profit for the Group, a significant valuation uplift, and introduced to Tshipi the skills and expertise of a leading manganese end-user. In 2011, Jupiter Mines Limited ("Jupiter"), then an ASX-listed company in which the Group already held an investment, acquired the Pallinghurst Co-Investors' 49.9% interest in Tshipi. Jupiter delisted from the ASX on 10 January 2014.

Tshipi Borwa

In 2011, following the granting of the necessary administrative approvals and licenses, the decision was taken to construct Tshipi Borwa, an open pit manganese mine. Through a rapid commissioning of the mine and related infrastructure, by the end of 2012 Tshipi Borwa had mined, railed and exported its first manganese ore.

The ramp-up at Tshipi Borwa saw over one million tonnes of manganese ore produced and over nine hundred thousand tonnes exported in its financial year to 28 February 2014. Tshipi recorded a profit for that twelve month period, a significant achievement

in its first full year of operations. Output more than doubled in the financial year to 28 February 2015 with 2.1 million tonnes produced and exported.

Tshipi's management team has demonstrated the mine's ability to produce well in excess of two million tonnes per annum but remains constrained by the logistics of transporting its ore to port. Transnet currently provides three bulk trains per week to Tshipi for transport to Port Elizabeth and Saldanha, although staff, train and power shortages in South Africa have reduced Transnet's ability to meet its targets. Alternative road and rail solutions have been implemented to increase the logistics capacity available to Tshipi, including the use of sea containers and open-top containers ("skiptainers"). If solutions can be found to resolve the transportation constraints, Tshipi Borwa will be able to quickly increase its capacity to over three million tonnes per annum.

Tshipi's state of the art rapid load out station was commissioned during 2014, enabling the loading of bulk trains in less than four hours and skiptainers in less than two hours, much faster than most of its competitors. This rapid loading ability positions Tshipi Borwa well to be supplied with additional trains when there is spare capacity on the network. Tshipi's eight kilometre rail siding is also the largest in the KMF, capable of accommodating over 200 wagons.

OM Tshipi ("OMT"), jointly owned by Jupiter, Ntsimbintle and OMH, markets all of the manganese ore produced by Tshipi. The OMT structure enables Jupiter to capture a portion of the marketing fee typically paid to external marketers. OMT combines the network and management expertise of its shareholders and is on track to become a major supplier of manganese.

While the manganese price has fallen over the past few years, this has been mitigated by Tshipi Borwa's increased production, which has reduced unit costs to below budget. Favourable exchange rates and the recent decline in the price of diesel have also helped Tshipi become one of the lowest cost manganese producers. Tshipi anticipates achieving record profits for its latest financial year to 28 February 2015.

Tshipi's management team, led by Brendan Robinson, has been critical to its successful development. Mr Robinson was appointed CEO in February 2014, having been closely associated with the project for many years including as Tshipi's CFO since 2011.

Environment, safety and corporate social responsibility

Tshipi is committed to minimising its impact on the environment and contributing to the development of the community in which it operates. Tshipi Borwa provides direct employment for approximately 1,300 people and as a result of its commitment to utilise and develop local service providers, fosters an estimated 2,000 additional jobs in associated businesses. Such job opportunities are rare in

Tshipi is one of the world's largest and lowest cost manganese producers and is well-positioned to benefit as market conditions improve.



Rock dumps at Tshipi Borwa.

remote rural areas such as the John Taolo Gaetsewe District Municipality where Tshipi Borwa is located.

Tshipi also promotes local community development by providing funding for a water infrastructure project, which provides the local Maphiniki Community with a sustainable water supply, and through promoting home ownership amongst its employees. Tshipi has also partnered with the Northern Cape Department of Education and the University of Johannesburg to provide a teacher development programme in the district. The programme provides local teachers with the knowledge and practical skills to support learners who have special educational needs.

Tshipi also organises sporting events in order to meet and interact with local communities and identify additional needs where it can

provide assistance. The sports events are also used to promote a healthy lifestyle and raise awareness of conditions like diabetes, obesity and other illnesses.

Tshipi Borwa is a surface, open-cut mine, which typically is the safest mining operation. Tshipi adds to this structural advantage with its strong emphasis on worker safety programmes and procedures. No fatalities have ever occurred at Tshipi Borwa and this strong safety record continued with only one reportable lost time injury ("LTI") during 2014, an impressive achievement over a twelve month period.

Jupiter's Central Yilgarn iron ore assets

Jupiter holds two iron ore exploration assets in the Central Yilgarn region of Western Australia, the Mount Mason Direct Shipping Ore ("DSO") hematite project and the Mount Ida magnetite project.



Taking samples during the loading of a train at Tshipi Borwa.

Mount Mason has a measured/indicated DSO resource of 5.9 million tonnes at a grade of 60.1% Fe (iron) and has the potential to produce two million tonnes per annum. Mount Ida has a JORC-compliant inferred resource of 1.85 billion tonnes at 29.48% Fe and has the ability to produce ten million tonnes per annum of high grade magnetite concentrate.

The two projects are located within 110 kilometres of an existing railway line to Esperance, which has a deep water port capable of taking Capesize vessels and proven ability to handle bulk commodities, in particular iron ore. During July 2014, Jupiter initiated a tender process with a view to assess the economic viability of Mount Mason. Due to the current weak iron ore price environment, Jupiter has suspended work on Mount Mason and Mount Ida until conditions improve.

Outlook

Tshipi's low cost structure should enable it to withstand the current low manganese price environment, and as one of the world's largest and lowest cost manganese producers, it is well-positioned to benefit as market conditions improve.

COLOURED GEMSTONES

Since its first auction under Pallinghurst's ownership in July 2009, Gemfields has seen increased demand for its responsibly sourced and transparently supplied emeralds, highlighting the success of its formalised and consistent method of marketing rough coloured gemstones by auction.



Gemfields' Chama Pit at Kagem, Zambia.



HIGHLIGHTS

- » Gemfields' new ruby business realised revenues of US\$77 million from its first two auctions
- » Gemfields' emerald auctions set records for both per carat prices and overall auction revenues

Investment strategy

In 2007, Pallinghurst identified the coloured gemstone sector as an "overlooked" industry that offered a unique investment opportunity. Demand for coloured gemstones by the jewellery and fashion sectors was increasing, but supply was constrained and fragmented due to the lack of large, reliable producers able to consistently deliver sufficient quantities of gemstones. Pallinghurst saw an opportunity to unlock value by bringing capital, scale and professionalism to the industry, to which end it assembled a consortium of Pallinghurst Co-Investors, including the Group.

Kagem, an emerald mine in the "Copperbelt" region of northern Zambia – currently producing nearly a quarter of the world's emeralds – was the consortium's first acquisition in the sector. Kagem had been producing emeralds for nearly 20 years, but was performing badly due to a combination of poor management, theft, shareholder conflicts and a lack of capital. Through a series of transactions, the consortium acquired 75% of Kagem, with the balance held by the Government of the Republic of Zambia. In pursuing its vision for consolidating the sector, the consortium acquired majority control of AIM-listed Gemfields plc ("Gemfields") by selling Kagem to Gemfields in a reverse takeover during 2008.

Pioneering auction system

Gemfields implemented an innovative grading and auction system for selling its rough gemstones. The auctions are held in secure locations, with the material separated into different homogenous lots and certified to have been produced either by Gemfields or obtained by Gemfields from third parties. The world's leading gemstone buyers submit sealed bids for individual lots. A sale occurs if the highest bid received exceeds a pre-determined, but undisclosed, reserve price. The auctions have brought a level of professionalism and transparency previously not seen in the industry.

As there was no industry standard for assessing rough coloured gemstones, Gemfields established its own grading system to assess each gem according to its individual characteristics (size, colour, shape and clarity). This approach has been instrumental in providing buyers with confidence regarding the consistent quality of the material on offer. Gemfields used this grading system to develop two auction classes, one offering higher quality gemstones and the other for the larger volumes of lower quality gems.

Strong emerald auction results

Since its first auction under Pallinghurst's ownership in July 2009, Gemfields has seen increased demand for its responsibly sourced and transparently supplied emeralds, highlighting the success of its formalised and consistent method of marketing rough coloured gemstones by auction.

In February 2014, a higher quality rough emerald and beryl auction was held in Lusaka, Zambia. A total of 0.62 million carats were sold for US\$36.5 million, then a record revenue figure, and at the then

highest average price achieved at a Gemfields emerald auction of US\$59.31 per carat.

In May 2014, Gemfields held an auction of traded rough emeralds in Jaipur, India. The emeralds sold at the auction were predominantly of higher quality and comprised Zambian and Brazilian gemstones obtained by Gemfields in the open market (as opposed to having been mined and exported by Kagem). Revenues achieved from the auction were US\$13.5 million, at an average price of US\$50 per carat.

In August 2014, a lower quality emerald and beryl auction was held in Lusaka. A total of 11.58 million carats were sold for US\$15.5 million, representing an average price of US\$1.34 per carat. The auction saw the sale of 1.5 tonnes of low grade beryl, material that had not been sold in the three prior lower quality auctions. On a comparable basis therefore, excluding this low grade beryl, the average per carat price realised was a record US\$3.61, representing a 9% increase on the US\$3.32 per carat achieved at the previous lower quality emerald auction in November 2013.

In November 2014, Gemfields held another auction of higher quality rough emerald and beryl in Lusaka. A total of 0.53 million carats were sold for US\$34.9 million, representing the highest average price achieved at any Gemfields emerald auction of US\$65.89 per carat.

In February 2015, a further lower quality emerald and beryl auction was held in Lusaka. A total of 3.9 million carats were sold for US\$14.5 million, representing an average price of US\$3.72 per carat, a record for Gemfields' lower quality emerald auctions.

Gemfields' 18 auctions of emeralds and beryl mined at Kagem since July 2009 have generated US\$325 million in total revenues and the two auctions of traded emeralds have realised a further US\$22 million. Gemfields continues to achieve increases in per carat prices (on a quality-for-quality basis), a significant endorsement of Gemfields' pioneering strategy of selling its responsibly sourced emeralds and beryl through its innovative grading system and auction platform.

Kagem operations

Emerald and beryl production in Gemfields' financial year to 30 June 2014 fell by a third to 20.2 million carats, with the grade also falling 11% to 253 carats per tonne. However, production for the six months to 31 December 2014 saw an increase to 12.1 million carats at a grade of 202 carats per tonne. The reduction in grade reflects the characteristic volatility of coloured gemstone mining and is expected to recover in due course.

Further increases in production are expected as the high wall pushback programme opens new areas for mining and additional locations are identified within the Kagem licence area through its continuous exploration programme. Positive results from recent



Gemfields' cut and polished rubies from Montepuez, Mozambique.

bulk sampling have identified two prospective new locations and additional evaluation is ongoing in order to identify the ultimate viability of these resources.

The enhanced CCTV infrastructure and other security initiatives implemented to date continue to yield positive results, as is shown by the reduction in the volume of material reportedly available in the local, informal markets. However, the security of the sizeable mining licence area remains an ongoing challenge and Kagem is implementing additional initiatives to help improve security and combat theft.

Kagem has implemented sector-leading environmental and safety standards and these have led to the Environmental Council of Zambia awarding Kagem the highest possible category of environmental compliance. The excellent safety record at Kagem has continued, with no reportable injuries since taking over responsibility for the mine in 2009.

Gemfields aims to be a leader in sustainable corporate social responsibility, ensuring that local communities benefit from the presence of Gemfields in a manner that is meaningful and sustainable. These policies reinforce Gemfields' position as a reliable and trusted source of ethically produced gemstones. In the context of its sustainable corporate social responsibility programme, Gemfields maintains a focus on four key areas: health, education, farming and cultural awareness.

Kagem provides medical care to its employees and their families, promotes HIV/AIDS awareness, has invested in workers' accommodation and provides sports and recreational facilities. Kagem upgrades and maintains key parts of the local road network and has provided equipment for local medical clinics and schools. Kagem also provides education, advice and raw materials to local farmers and then buys their produce at market prices.

Kagem has also recently commenced work on the construction of the local district's first secondary school and a four-ward health centre expansion at the nearest medical clinic, providing improved healthcare facilities to the local community. Then Acting-President of Zambia, H.E. Dr Guy Scott, officially launched the US\$1.3 million programme with a ground-breaking ceremony in January 2015.

Montepuez ruby mine

Gemfields began its expansion into other major coloured gemstones in 2012 when it acquired 75% of a large ruby deposit near the town of Montepuez in northern Mozambique. The mining licence covers

340 square kilometres and is believed to be the most significant recently discovered ruby deposit in the world. Additional controlling interests in selected neighbouring properties have also been acquired in anticipation of future expansion.

The operation has been scaled-up quickly, with 6.3 million carats of ruby and corundum produced for the six months to 31 December 2014, being almost half of the total 14.7 million carats extracted since 2012. Investment in additional equipment has significantly increased mining capacity and processing performance as part of the expansion of activities. The requisite core infrastructure is now in place to accommodate a smooth transition to commercial mining.

Given the size and nature of the Montepuez ruby licence, illegal mining and theft remain key challenges. New infrastructure and a significant security presence have brought much improvement in this area since Gemfields first began operations in 2012.

As part of the newly established sustainable corporate social responsibility programme at Montepuez, Gemfields has constructed wells to provide clean drinking water and completed improvements to the local maternity ward. Funding has also been provided for upgrades to local roads and tractors have been purchased for use by local farmers.

Strong ruby auction results

Gemfields successfully established its second major gemstone revenue stream at the inaugural auction of rough ruby and corundum, where 1.82 million carats were sold for US\$33.5 million, representing an average price of US\$18.43 per carat. The auction was held in Singapore in June 2014 and comprised both high and low quality material according to Gemfields' proprietary grading and sorting framework, based on similar principles to those successfully applied to Zambian emeralds. Gemfields invited its existing emerald customers to the auction, some of whom were successful in bidding for ruby and corundum parcels. The ability of Gemfields to attract buyers to a range of different coloured gemstones is an important development for the industry and is expected to increase demand for all of Gemfields' products.

In December 2014, Gemfields held its second auction of predominantly higher quality rough ruby in Singapore. A total of 62,936 carats were sold for US\$43.3 million, the highest revenues achieved at any Gemfields auction, and also representing the highest average price ever achieved of US\$689 per carat. The auction included the successful sale of an exceptional 40.23 carat rough ruby, known as the "Rhino Ruby".

Gemfields has developed into a sizeable multi-gemstone producer and is well-positioned to deliver further consolidation in the gemstone industry.

The new ruby business generated a combined US\$76.8 million in aggregate revenues from its first two auctions, both held in 2014. These revenues exceeded the total acquisition and development cost of Montepuez to date, a significant achievement for any new operation. The next auction of predominantly lower quality rough ruby and corundum is scheduled to take place in Jaipur, India in April 2015 and an auction of predominantly higher quality rubies is also scheduled to take place in Singapore in June 2015.

Kariba amethyst mine

Gemfields owns a 50% interest in Kariba, the largest amethyst mine in the world, which is located in southern Zambia near Livingstone. Following a recent capital injection totalling US\$2.5 million by Gemfields and ZCCM-IH (which owns the remaining 50%), additional mining and processing equipment has been installed and key existing infrastructure rehabilitated. Accordingly, production in the six months to 31 December 2014 has more than doubled to 574 tonnes when compared to the same period in 2013.

Gemfields sold 510 tonnes of medium and commercial grade amethyst during the six months to 31 December 2014 for US\$750,000. Revenues achieved from 25.2 million carats of higher grade amethyst sold at the auction held in Lusaka during February 2015 were US\$0.45 million, at an average price of 1.77 US cents per carat.

Fabergé

Gemfields' ownership of the iconic Fabergé name helps boost the international presence and perception of coloured gemstones and has contributed to the increase in demand for Gemfields' responsibly sourced gems.

Fabergé has focussed on creating new collections including jewellery, timepiece collections in collaboration with world leading Swiss watchmakers, and bespoke *objets d'art*. The new collections, founded on the artistic use of colour in the form of coloured gemstones and enamel, will be launched during 2015.

In February 2015, Fabergé unveiled The Fabergé Pearl Egg at the Doha Jewellery & Watches Exhibition, the first egg created in the "Imperial Class" since 1917 while the Fabergé name and Fabergé family have been united. Pearls for the creation were sourced in collaboration with the Al Fardan family, one of the world's most renowned pearl collectors.

Financial

Gemfields achieved revenues of US\$160.1 million and net profit after tax of US\$16.3 million for its financial year to 30 June 2014. For the six months to 31 December 2014, Gemfields achieved revenues of US\$103.4 million and net profit after tax of US\$23.2 million.

During April 2014, the Company extended a US\$15 million unsecured twelve month working capital facility to Gemfields,



Fabergé Secret Garden Bracelet.

which has now been fully drawn. Gemfields entered into the facility due to the intermittent nature of its auction revenues and the ongoing costs related to the development of its ruby, rough gemstone trading and Fabergé businesses.

Acquisitions

Gemfields' success in applying its proven mining, grading and auction system to the new ruby deposit provides confidence that additional gemstone deposits can be added to the portfolio and developed into profitable assets. Gemfields continues to evaluate acquisition opportunities as well as potential expansions and improvements at its existing Kagem and Montepuez operations.

In September 2014, Gemfields entered into a joint venture to progress opportunities in the Sri Lankan sapphire and gemstone sector with the acquisition of a 75% interest in a number of exploration licences in the country. A trading licence has also been obtained in Sri Lanka and a token shipment of sapphire has been sent to Gemfields in London. Gemfields has also acquired a 75% interest in an emerald exploration licence in Ethiopia and expects to conclude acquisitions in additional coloured gemstone prospects internationally.

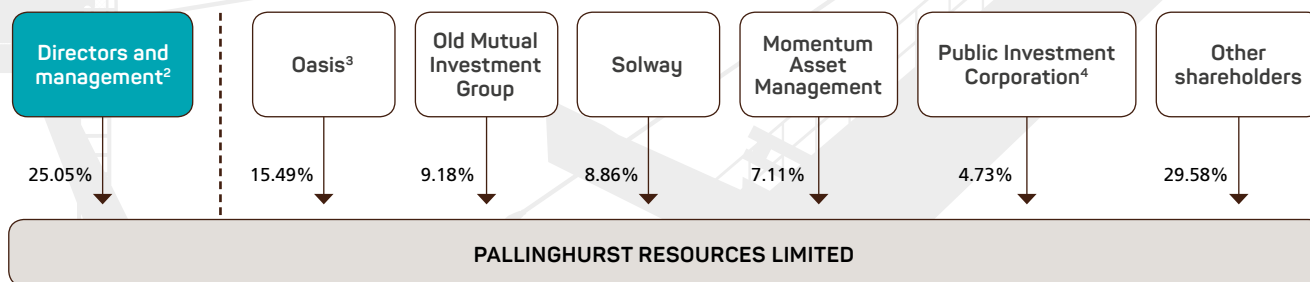
Outlook

Gemfields continues to see increases in demand and prices for its responsibly sourced gemstones and expects this trend to continue. Gemfields has developed into a sizeable multi-gemstone producer and is well-positioned to deliver further consolidation in the gemstone industry. The existing revenue streams also represent significant opportunities for continued growth.

ABOUT THE GROUP

Shareholders

PRL has no single controlling shareholder; the largest shareholder is Dr Wiese who holds an interest of 19.89%¹. PRL's shareholder base is set out in the diagram below:



¹ Dr Wiese holds indirect interests in PRL shares via various entities, totalling 19.60%. In addition, certain shares are held by members of Dr Wiese's immediate family, totalling a further 0.29%.

² Directors and management category includes shareholdings of Executive Directors, Non-Executive Directors and Partners of the Investment Manager. It also includes certain shares held by family members of Dr Wiese.

³ The Oasis shareholding includes interests held by Oasis Asset Management and Oasis Crescent Capital.

⁴ The Public Investment Corporation is one of the largest investment managers in Africa. It is owned by the South African government and invests funds on behalf of the Government Employees Pension Fund and the Unemployment Insurance Fund.

Structure

Pallinghurst Resources Limited ("PRL", the "Company" or the "Group") is incorporated in Guernsey under company registration number 47656 and is authorised in Guernsey by the Guernsey Financial Services Commission ("GFSC"). The "Group" is Pallinghurst Resources Limited, all entities controlled by the Company (its subsidiaries), and any associates or joint ventures. PRL's primary listing is on the JSE Limited ("JSE") and its secondary listing is on the Bermuda Stock Exchange ("BSX"). The Company's main objective is to carry on the business of an investment holding company in investments falling within its Investment Scope (see below).

Report and Financial Statements

This annual report is for the year ended 31 December 2014 (the "Annual Report"), and covers the Group.

The annual financial statements contained within the Annual Report also cover the Group and are for the year ended 31 December 2014 (the "Financial Statements").

Investment Objectives

The Group, either alone or with other parties, participates in investments falling within the Investment Scope, following advice from Pallinghurst (Cayman) GP L.P. (the "Investment Manager"). The principal objective is to provide shareholders with a high overall rate of return.

Investment Scope

The Group monitors opportunities across the commodities spectrum, with a primary focus on underperforming assets, businesses that lack direction, are poorly managed, stranded or distressed. The Investment Manager seeks to develop strategic platforms in pursuit of consolidation, vertical integration, turn-around opportunities and

expansion projects. The Group targets investments in businesses that hold mines, smelters, refineries and processing plants. The preference is for brownfields opportunities, although investments in businesses with attractive development opportunities are also considered.

Investment Policy

The Group invests in accordance with the Investment Scope as detailed above. The Investment Policy has not changed since the Company's inception.

PRL's status as a Guernsey closed-end Company

PRL has an initial life-span of ten years. PRL is required to hold meetings in which shareholders can consider whether PRL should be liquidated (after returning its assets to its shareholders), or whether its life should be extended for another year, at certain future dates. The first and second of these shareholder meetings must occur on or before 14 September 2017 and 14 September 2018, the tenth and eleventh anniversaries of 14 September 2007, the date PRL was first capitalised, subsequent to its incorporation on 7 September 2007. PRL must then hold a third shareholder meeting, prior to 14 September 2019 (the twelfth anniversary of 14 September 2007) in which shareholders will be asked to vote (by special resolution) on whether PRL should be wound up, or whether its life should be extended indefinitely. If PRL's life is extended indefinitely, the Directors are required to identify an exit mechanism for any shareholders who wish to dispose of their shares.

The Group's relationship with the Pallinghurst Co-Investors

The Group has an affiliation with certain other investors, known collectively as the "Pallinghurst Co-Investors" or as strategic equity partners. The Investment Manager acts on behalf of both the Group and certain other Pallinghurst Co-Investors. The Group usually



Loading manganese ore at Tshipi Borwa.

makes investments alongside the other Pallinghurst Co-Investors, although it may also act alone. The Pallinghurst Co-Investors usually have the collective ability to control or exert significant influence over the investments in the Group's Investment Portfolio. The Pallinghurst Co-Investors are able to cooperate to achieve the strategic objectives recommended by the Investment Manager.

The relationships between the Group and the other Pallinghurst Co-Investors enable the Group to take an active part in the management of and strategic direction at each investment, which would not otherwise be possible (as the Group's individual interests are below 50%). The Pallinghurst Co-Investors typically share the same commercial and strategic objectives and cooperate effectively although each Pallinghurst Co-Investor retains legal title and influence over their individual shareholdings, and is ultimately able to determine its own course of action. The Group benefits from these relationships in many ways, including the following:

- A broader scope of investments can be contemplated as the Investment Manager can consider the level of funding on offer from all of the Pallinghurst Co-Investors rather than PRL alone.
- This funding scope can make an approach by the Pallinghurst Co-Investors more attractive or credible to a potential target company or group than a stand-alone approach by the Group.
- The Pallinghurst Co-Investors are able to exercise a greater level of influence or control over each investment than if they were acting alone.

- The Group may be able to diversify by participating in a larger number of separate investments.
- As the Pallinghurst Co-Investors might collectively own a controlling interest in an investment, a valuation by a potential acquirer could include a premium for control which would not otherwise be the case.

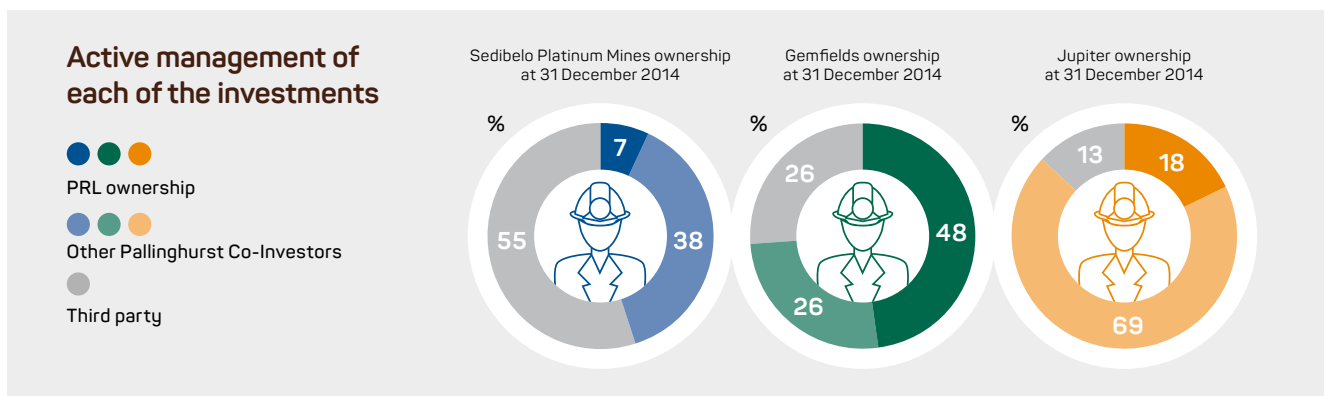
In addition, PRL is entitled to a minimum of 20% of the combined Pallinghurst Co-Investor interest in an investment at the point of acquisition, subject to certain conditions. The other Pallinghurst Co-Investors do not benefit from any similar entitlements.

Private equity status

The Group is considered by the Directors to be a private equity or venture capital¹ organisation. The Directors have considered the following key factors in making this determination:

- The stakes taken in the Group's investments are usually significant, although not controlling.
- The Executive Directors and/or representatives of the Investment Manager usually participate in the executive leadership/management of each investment.
- The investments are usually innovative in nature.
- A defined exit strategy usually exists for each investment.

¹ The Directors use the terms "private equity" and "venture capital" interchangeably throughout this document. The Directors acknowledge that certain users of the Financial Statements may attribute slightly different meanings to the two terms, but these differences are not relevant to the Group.



ABOUT THE GROUP/CONT.

The Pallinghurst Co-Investors

AMCI CAPITAL

AMCI Capital is a leading private equity house that specialises in global energy and resources investments, and employs some of the world's leading energy and mining industry experts. AMCI Capital is a private equity fund of the AMCI Group. The AMCI Group is an active global investor in coal, iron ore, base metals, power, shipping, logistics and trading.
www.amcicapital.com

APG

Algemene Pensioen Groep ("APG") is one of Europe's largest pension funds. It carries out collective pension schemes for participants in the education, government and construction sectors, housing corporations and energy and utility companies. APG manages pension assets of approximately €396 billion (November 2014) for these sectors. APG provides for the income of around 4.5 million participants and looks after the pension of one in five families in the Netherlands.
www.apg.nl

ENERGY AND MINERALS GROUP

The Energy and Minerals Group ("EMG") is a US-based private equity fund invested in selected areas of the energy infrastructure and natural resources sectors. EMG enters into equity investments in entities with talented and experienced management teams, focussed on hard assets that are integral to existing and growing markets.
www.emgtx.com

INVESTEC

Investec Bank Limited ("Investec") is an international banking group. Investec operates in three principal markets, the United Kingdom, South Africa and Australia providing a diverse range of financial products and services.
www.investec.com

PALLINGHURST RESOURCES LIMITED

www.pallinghurst.com

POSCO

POSCO is the largest steel producer in South Korea and the sixth largest producer in the world (based on 2013 steel output). POSCO owns and operates two major steel plants, Pohang and Gwangyang.
www.posco.com

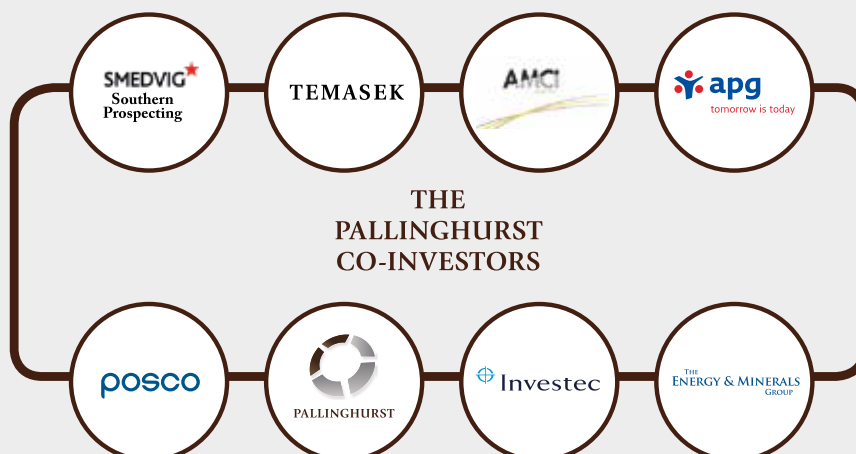
SMEDVIG/SOUTHERN PROSPECTING GROUP

The Smedvig family invests across a range of asset classes and has considerable experience in successfully investing in the natural resources sector globally. The Smedvig Family Office makes direct investments as a lead investor within property, private equity and thematically related investments, as well as investing with third party private equity funds.
www.smedvigcapital.com

The Southern Prospecting Group invests in the identification, acquisition and turning to account of exploration and mining opportunities. Historically, it was responsible for securing the mineral rights that gave rise to Impala Platinum, the world's second largest platinum producer.

TEMASEK

Temasek is the Asia investment company headquartered in Singapore. Temasek invests in many areas, including resources, with assets concentrated principally in Singapore, Asia and growth markets, with a portfolio valued at approximately SGD223 billion (March 2014).
www.temasek.com.sg



The Pallinghurst Co-Investors are able to cooperate to achieve the strategic objectives recommended by the Investment Manager.



Gemfields' rough emeralds from Kagem, Zambia.

PRINCIPAL RISKS

Before investing in the Group, prospective investors should consider the following risks and uncertainties carefully. This list is intended to describe only the major risks and uncertainties that could have a material impact upon the Group and is not intended to be a comprehensive list. These risks are under active review by the Board, who are collectively responsible for the Group's risk management.

The Group's main operating activity is to enter into and hold investments, which are primarily in the natural resources sector, with a view to making returns for shareholders. The performance of the Group's investments is critical to the Group's prospects. Accordingly, the key risks have been split between risks to the Investment Portfolio and direct risks to the Group.

Key risks to the Investment Portfolio

The key risk to the Group is that its investments may not perform well. This could result in lower investment valuations with a corresponding impact on the Group's NAV. This may make it more difficult for the Group to achieve profitable realisations of its investments which could have other adverse consequences, such as making it more difficult to raise capital. The key risks to the Investment Portfolio are set out below:

Macroeconomic risks

The global macroeconomic outlook can have a major impact on the Group's investments. The Group does not consolidate any mining assets or hold physical commodities on its balance sheet, so commodity price changes have no direct impact on the Financial Statements. However, commodity prices can have a significant impact on the valuation of the Group's investments and can impact on the viability of assets the Group has invested or may invest in. The commodities of most relevance to the Group based on the current Investment Portfolio are PGMs, manganese and iron ore. The pricing profile for emeralds, rubies, sapphires and other coloured gemstones will also impact on the valuation of Gemfields. Suppliers or customers may come under pressure. Potential divestments are more difficult in the current macroeconomic climate.

Country risks

The Group holds investments which operate in countries including South Africa, Australia, Zambia, Mozambique and Sri Lanka. Relevant risks associated with these countries and other countries in which the Group's investments might operate include regulatory risks, foreign exchange fluctuations, inflation, industrial relations problems, and other local economic conditions. Governments may introduce changes to the tax or regulatory environments in which the Group's investments operate.

Resources sector and mining risks

The Group's investments are focussed in the resources sector and have associated operational performance, political, economic, legal and similar risks. These risks could affect all of the Group's investments simultaneously. Exploration activities are generally speculative

in nature and there can be no assurance that any mineral deposits will be discovered, successfully extracted or processed. The development, mining and processing of mineral deposits gives rise to significant uncertainties and operations are subject to all of the hazards and risks normally encountered in such activities. Mining rights and permits may not ever be granted or may be revoked.

As mining investments move into production, the associated risks may change significantly. Costs may become difficult to predict and control. Energy security, safety and sustainable development are all likely to become more significant. Maintaining good relationships between management, employees and unions can be critically important. Strikes by employees may significantly affect the operating performance of an investment. Other specific mining risks include "resource nationalism", which could see the sequestration of mining assets or punitive taxation by national governments.

Safety is a key performance metric for each of the Group's investments. Mining activities are subject to environmental and safety laws and labour and occupational health legislation. A breach of environmental or safety laws and regulations could result in the imposition of fines, or closure of operations on a temporary or permanent basis. Any environmental damage could create negative publicity for the Group and its investments. Such breaches could also affect any future mining licence applications by the Group's investments. Damage to, or destruction of, an investment's facilities or property, environmental damage or pollution and, together with potential legal liability, could have a material adverse impact on an investment's business, operations and financial performance.

Under the terms of the United Kingdom's Bribery Act 2010 (the "Bribery Act"), failure to prevent bribery is now a corporate offence. Mining and resources is a relatively high risk industry for issues such as bribery, extortion or blackmail. Any such incidents could result in restricted activities, reputational damage and financial penalties and even if entirely unfounded and unproven, any allegations of corruption/bribery could lead to significant reputational damage for the Group or one of the investments.

Concentration risk

The failure of or fall in value of any of the Group's investments would be likely to have a material impact. The Group has consolidated its assets into the three current Investment Platforms through various corporate actions. Although the reduction in the number of separate investments has occurred in line with the Group's strategic objectives, the limited number of separate investments creates a significant risk.

Direct risks to the Group

Liquidity risk

The Group does not usually have material current asset or liability balances other than cash, as its business is to hold investments

The Board are collectively responsible for the Group's risk management.

rather than carry out other operating activities. The Directors monitor the Group's cash balances and expenditure on a regular basis and take appropriate steps as necessary to ensure that the Group has sufficient funding in place. The Group's cash balance is relatively low at the current time and the Directors are focussed on how best to increase the Group's liquid assets and mitigate this risk.

Counterparty risk

The Group holds materially all of its cash balances with two counterparties, Deutsche Bank International Limited, which is an indirect subsidiary of Deutsche Bank Group ("Deutsche") and HSBC Bank plc ("HSBC"). The Group also holds certain cash balances with Investec Bank (Channel Islands) Limited, a subsidiary of Investec. The Group's subsidiaries and associates may also hold cash balances with various other banks; these are usually immaterial amounts. The Group's investments hold cash balances with a range of counter-parties. Bankruptcy or insolvency of any of these counterparties could have a significant adverse impact on the Group.

Exchange rate risk

The Group's investments are denominated in currencies other than the US\$ including ZAR, AUD and GBP. These assets are translated into US\$ at each balance sheet date and the Group's Consolidated Statement of Comprehensive Income includes related unrealised foreign exchange gains or losses. The Group also realises foreign exchange gains or losses on occasion, usually relating to the completion of transactions in assets denominated in currencies other than the US\$. A key tenet of the Group's treasury policy is that materially all of the Group's cash is held in US\$, other than amounts allocated for a specific foreign currency investment, which are usually held in the relevant currency. The Group's cash balance is therefore not subject to material foreign exchange risk in most circumstances.

Risk of inaccurate reporting or loss of accounting records

The valuation of the Investment Portfolio each reporting period is complex and subjective; if the Group's investment valuations were misstated, this could materially affect both the Group's NAV and its reputation. The Directors have made various key accounting policy choices and other subjective decisions, particularly with regard to investment valuations. The Group's external financial reporting is reliant on the integrity of various information systems at Orangefield Legis Fund Services Limited ("Orangefield Legis", previously "Legis Fund Services Limited"). Failure of information systems could lead to the loss of accounting records and other information. The integrity and quality of Orangefield Legis' staff is also important. The relative importance of certain risks compared to others changes over time, in particular as the Group has changed over time and the Investment Portfolio has developed. Users of the Financial Statements should also anticipate further changes in the future. There have been no material changes to the Group's risk profile since the reporting date.



Gemfields' rough rubies from Montepuez, Mozambique.



DIRECTORS

EXECUTIVE DIRECTORS

Brian Gilbertson (71)

BSc (Maths & Physics), BSc (Hons) in Physics, MBL and PMD
Chairman

Appointed at IPO in September 2007

Brian Gilbertson has extensive experience in the global natural resources industry. In his early career, he was managing director of Rustenburg Platinum Mines Limited, which gained recognition as the world's foremost producer of platinum in the 1980s. Later, as executive chairman of Gencor Limited, Mr Gilbertson led the restructuring of the South African mining industry into the post-Apartheid era, transforming Gencor Limited into a focussed minerals and mining group. During this period he held ultimate responsibility for Impala Platinum Holdings and for Samancor Limited, the world's largest producer of manganese and chrome ore and alloys. Important initiatives included the Hillside and Mozal aluminium projects and the purchase of the international mining assets (Billiton plc) of the Royal Dutch Shell Group.

In 1997, Gencor Limited restructured its non-precious metals interests as Billiton plc and, with Mr Gilbertson as executive chairman, Billiton plc raised US\$1.5 billion in an Initial Public Offering on the LSE, taking the company into the FTSE100. In 2001, Billiton plc merged with BHP Limited to create what is widely regarded as the world's premier resources company, BHP Billiton plc.

In late 2003, Mr Gilbertson led the mining group Vedanta Resources plc to the first primary listing of an Indian company on the LSE in the second largest Initial Public Offering of the year. He was chairman of Vedanta Resources plc until July 2004. In 2004 he initiated the foundation of Incwala Resources Proprietary Limited, a pioneering Black Economic Empowerment corporation in South Africa, and was its first chairman until March 2006.

In 2004, Mr Gilbertson joined Sibirsko-Uralskaya Aluminum Company (SUAL), an aluminium producer in Russia and led the company into the US\$30 billion merger with RUSAL and the alumina assets of Glencore International A.G., creating the largest aluminium company in the world. Mr Gilbertson established Pallinghurst Advisors LLP and the Investment Manager during 2006 and 2007 respectively, and is the chairman of and a partner in both entities. Mr Gilbertson is also the chairman of both Jupiter and Sedibelo Platinum Mines and is a director of Tshipi. Mr Gilbertson is a British and South African citizen.

Arne H. Frandsen (48)

BA, LLB, Master in Law from University of Copenhagen, Postgraduate Research and Studies in Japan and South Africa
Chief Executive

Appointed at IPO in September 2007

Following completion of his degrees, Arne H. Frandsen undertook extensive legal research in Europe, Japan and South Africa, leading

to the publishing of a number of articles as well as a book. Once his research was successfully completed, Mr Frandsen moved to London to start a professional career as an investment banker. Mr Frandsen has over ten years of investment banking experience with Goldman Sachs and JPMorganChase, providing strategic advice and structuring mergers and acquisitions as well as corporate finance transactions for clients in 30 different countries, raising in excess of US\$20 billion of capital.

From 2004, Mr Frandsen acted as client executive for JPMorganChase in South Africa, followed by a year as chief executive officer of Incwala Resources Proprietary Limited, one of South Africa's leading Black Economic Empowerment mining companies.

Mr Frandsen joined Pallinghurst in 2006 and is a partner of both Pallinghurst Advisors LLP and the Investment Manager. In addition, Mr Frandsen is responsible for Pallinghurst's PGM interests and is a director of Sedibelo Platinum Mines. Mr Frandsen is a Danish citizen and is resident in Switzerland.

Andrew Willis (35)

MBA (INSEAD), ACCA Affiliate Accountant, ACIS, BA/BCom
Finance Director

Appointed 25 November 2008

Andrew Willis has over 15 years' experience in international finance, structuring and private equity. Mr Willis started his professional career as an accountant in New Zealand and after moving to Europe studied at INSEAD and was awarded an MBA. Before joining Pallinghurst Advisors LLP in 2006, he spent three years with pan-European private equity investment manager Candover Investments plc.

Mr Willis is a partner of the Investment Manager and is a British and New Zealand citizen and is a resident of Guernsey.

NON-EXECUTIVE DIRECTOR

Dr Christo Wiese (73)

BA LLB D.Comm (h.c.)

Appointed 11 February 2013

Christo Wiese has been a prominent figure in the South African business community for more than 40 years. Dr Wiese practised at the Cape Bar in the 1970s before joining Pepkor Holdings of which he has been the chairperson and controlling shareholder since 1981. Dr Wiese is also the chairman and controlling shareholder of Shoprite Holdings which was unbundled from Pepkor in 2000 and today has a market capitalisation of more than US\$8 billion. The two companies are respectively Africa's largest clothing and food retailers with an extensive footprint across sub-Saharan Africa in particular. Between them they operate some 6,000 stores in 19 countries employing more than 140,000 people.

Dr Wiese is also the chairman and controlling shareholder of diverse companies listed on the JSE, including the investment holding company Brait SE, the international property group Tradehold and Invicta Holdings, which specialises in the supply of agricultural and industrial equipment. Dr Wiese is a former chairman of the Industrial Development Corporation of South Africa and has served on various boards, amongst others, the South African Reserve Bank, Sasol, Sanlam and PSG.

Dr Wiese has been the recipient of many honours and distinctions during his years in business. In 1997 his *alma mater*, the Stellenbosch University, bestowed on him an honorary doctorate in commerce. His interests extend to wine and conservation and he owns Lourensford, the largest wine estate in the Cape Winelands, as well as a private game reserve on the fringes of the Kalahari Desert.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Stuart Platt-Ransom (46)

Chartered FCSI, CMgr FCMI, FInstLM, FloD

Lead Independent Non-Executive Director

Chairman of the Remuneration and Nomination Committees

Member of the Audit Committee

Appointed at IPO in September 2007

Stuart Platt-Ransom is the executive chairman of Orangefield Legis Fund Services, a role he was appointed to following the acquisition of the Legis Fund Services division of the Legis Group in 2014, where Mr Platt-Ransom has been the chief executive officer since his appointment in 2007. Mr Platt-Ransom spent the previous twelve years with State Street Corp in its South Africa, Luxembourg, Dublin, London and Guernsey offices in various roles. Prior to that, he worked for GAM in the Isle of Man.

Mr Platt-Ransom serves as a director on a number of companies including a bank owned trust company, listed private equity and property company structures and is a partner in a venture capital investment company.

Mr Platt-Ransom is a Chartered Fellow of the Chartered Institute for Securities & Investment, a Chartered Manager & Fellow of the Chartered Management Institute, a Fellow of the Institute of Leadership & Management and a Fellow of the Institute of Directors. He is a British and South African citizen and is a resident of Guernsey.

Martin Tolcher (51)

Chartered FCSI

Chairman of the Audit Committee

Member of the Remuneration and Nomination Committees

Appointed 25 November 2008

Martin Tolcher has been involved within the fund administration industry in Guernsey for over 25 years. Mr Tolcher has worked at senior levels for three Guernsey subsidiaries of Bermudan and



Brian Gilbertson



Arne H. Frandsen



Andrew Willis



Dr Christo Wiese



Stuart Platt-Ransom



Martin Tolcher

Canadian international banks, gaining considerable experience in a wide variety of offshore fund and private equity structures.

Mr Tolcher joined Legis Fund Services Limited in 2005 and was appointed managing director at the beginning of 2007, a position he held until the end of 2010. Mr Tolcher remained a director of that company until September 2011.

Since November 2011 Mr Tolcher has been self-employed as an independent non-executive director, and holds directorships within other fund structures domiciled in Guernsey, including a number listed on the London Stock Exchange and Channel Islands Securities Exchange. Mr Tolcher is a Chartered Fellow of the Chartered Institute for Securities & Investment. Mr Tolcher is a British citizen and is a resident of Guernsey.

DIRECTORS/CONT.

Clive Harris (60)

BSc (Econ), ACA

Member of the Audit, Remuneration and Nomination Committees

Appointed at IPO in September 2007

Clive Harris serves as an independent non-executive director to a number of prominent onshore and offshore investment funds, managers and other regulated entities and has extensive experience in the fields of company management, investment services, and the governance and administration of hedge funds.

Mr Harris graduated in 1976 from The University of Wales with a BSc (Econ) with combined honours in Accountancy and Law. In 1979 Mr Harris qualified as a Chartered Accountant with the City of London office of Deloitte Haskins & Sells. Mr Harris has resided in the Cayman Islands since December 1979 where he was employed for some 20 years as a director and managing director of International Management Services Limited, and was a partner in its associated accounting firm.

In 2001, Mr Harris took up a consulting position with the Bank of Bermuda (Cayman) Limited (now part of HSBC) and was subsequently



Clive Harris

appointed managing director and head of Global Fund Services during a time of reorganisation, leaving the Bank on its completion in 2003.

Mr Harris is a Chartered Accountant (England and Wales), a member of the Institute of Directors (UK), and sits on the executive committee of the Cayman Islands Directors' Association. Mr Harris is a British and Cayman Islands citizen, and is resident in the Cayman Islands.



Recent meeting of the Directors in Guernsey

From left to right: Arne H. Frandsen, Andrew Willis, Dr Christo Wiese, Brian Gilbertson, Stuart Platt-Ransom, Martin Tolcher, Clive Harris

PERMANENT ALTERNATES

Chris Powell (37)

ACA

Permanent alternate to Andrew Willis

Mr Powell joined the finance team of Pallinghurst Advisors LLP in 2008. He has a broad remit including financial reporting, financial accounting, investor relations, compliance and human resources.

Mr Powell was employed in Deloitte's London audit practice from 2000, where he gained experience in the private equity industry, financial reporting and IFRS. In 2004, Mr Powell joined Anglo American plc in London where he worked on the group consolidation and technical accounting issues. He was also involved in a wide range of finance projects and strategic initiatives across the Anglo American group, particularly in South Africa.

Mr Powell became a Permanent Alternate to Mr Willis during March 2013. He is a Chartered Accountant (England and Wales) and a British citizen.

Brian O'Mahoney (44)

FCA, MBA (Manchester Business School)

Permanent alternate to Stuart Platt-Ransom

Brian O'Mahoney is the group finance director at the Orangefield Legis Group having joined in January 2011, bringing with him



Chris Powell



Brian O'Mahoney

17 years of experience in the finance industry. Having moved to Guernsey as a newly qualified accountant in 1994, Mr O'Mahoney has since worked in auditing, private banking and wealth management. During this time he has held a number of senior roles with responsibilities in both the Channel Islands and London including, most recently, that of chief financial officer for Kleinwort Benson's Channel Islands operations.

Mr O'Mahoney is a Fellow of the Institute of Chartered Accountants in Ireland and holds an MBA from Manchester Business School.

Mr O'Mahoney was appointed as a Permanent Alternate to Mr Platt-Ransom on 29 February 2012.

PARTNERS OF THE INVESTMENT MANAGER

Sean Gilbertson (42)

BSc (Mining Engineering)

Sean Gilbertson graduated as a mining engineer from Wits University in South Africa having spent time in the country's deep-level gold and platinum mines. Mr Gilbertson worked as project financier for Deutsche Bank in Frankfurt and London specialising in independent power projects and public/private partnerships.

In 1998, Mr Gilbertson co-founded globalCOAL, a company that played a central role in the commoditisation of the thermal coal industry, and was appointed chief executive officer in 2001 when the business was acquired by industry players including Anglo American plc, BHP Billiton plc, Glencore International AG and Rio Tinto plc. He was also co-founder of the pioneering Spectron eMetals trading platform for category I and II members of the London Metals Exchange.

Mr Gilbertson is a founding partner of both Pallinghurst Advisors LLP and the Investment Manager and is primarily responsible for Pallinghurst's Coloured Gemstone strategy. Mr Gilbertson is a director of Gemfields plc and Fabergé Limited, as well as assorted related companies. Mr Gilbertson is a British and South African citizen.

Priyank Thapliyal (43)

Metallurgical Engineer, BTech, MEng, MBA (Western Ontario, Canada)

Priyank Thapliyal acted as deputy to Anil Agarwal (founder and chairman of Vedanta) and was responsible for spearheading the



Sean Gilbertson



Priyank Thapliyal

main strategic developments that resulted in the listing of Vedanta on the London Stock Exchange ("LSE") in December 2003. The listing has been credited for transforming Vedanta from a US\$100 million Indian copper smelting company in 2000 to the current multi-billion dollar LSE-listed company. A significant part of this value uplift was attributable to the US\$50 million acquisition of a controlling stake in Konkola Copper Mines in Zambia in November 2004, which was initiated and led by Mr Thapliyal.

Mr Thapliyal is a founding partner of both Pallinghurst Advisors LLP and the Investment Manager. Mr Thapliyal is primarily responsible for Pallinghurst's Steel Making Materials strategy and is a director of Jupiter and Tshipi. Mr Thapliyal is a British and Indian citizen.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation, fair presentation and integrity of the Annual Report and Financial Statements, in accordance with International Financial Reporting Standards ("IFRS"), the financial reporting guides issued by the Accounting Practices Committee of the South African Institute of Chartered Accountants (the "SAICA Reporting Guides") and the financial reporting pronouncements issued by the Financial Reporting Standards Council of South Africa (the "FRSC Pronouncements"), the JSE Listings Requirements, the BSX Listing Regulations and The Companies (Guernsey) Law, 2008.

The Directors are responsible for the following:

- Maintaining adequate accounting records and an effective system of risk management.
- The consistent selection and application of appropriate accounting policies.
- Making reasonable accounting estimates.
- Safeguarding shareholders' investments and the assets of the Group.
- The presentation of information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- The provision of additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The audit report is set out in the Annual Financial Statements section of this document. The auditors have unrestricted access to all accounting records and to the audit committee.

Having considered the Group's current financial position, risks and opportunities, the Directors consider it appropriate that the annual financial statements be prepared on the going concern basis.

Approval of Annual Report and Financial Statements

The Annual Report and Financial Statements for the year ended 31 December 2014 were approved on 20 March 2015 and will be presented to shareholders at the annual general meeting on 5 August 2015. The Financial Statements are signed on the Directors' behalf by:

Arne H. Frandsen
Chief Executive
20 March 2015

Andrew Willis
Finance Director
20 March 2015

DIRECTORS' REPORT

The Directors are pleased to present the Group's Annual Report and Financial Statements for the year ended 31 December 2014.

Nature of business

Pallinghurst Resources Limited was incorporated in Guernsey on 7 September 2007 and listed on the BSX on 26 September 2007. The Group subsequently listed on the JSE on 20 August 2008.

The Group is an investment holding company with investments within the resources sector.

Corporate Governance

The Group subscribes to the King Code of Governance Principles and the King Report on Governance ("King III"). The Directors are satisfied that the Group has complied with all material aspects of King III during 2014, as set out in the Corporate Governance Report within this Annual Report.

Financial results

The results for the year are shown in the Consolidated Statement of Comprehensive Income. The Directors do not recommend the payment of a dividend.

Retirement and re-election of Directors

In accordance with the Company's articles of association, Dr Christo Wiese and Mr Stuart Platt-Ransom will offer themselves for re-election at the annual general meeting to be held on 5 August 2015.

Shareholder meetings

The Group's sixth annual general meeting was held on 22 September 2014. The following resolutions were considered and passed:

1. The adoption of the Company's annual report and financial statements for the year ended 31 December 2013.
2. The reappointment of Saffery Champness as auditor and authorisation that the Board agree its remuneration.

3. The re-election of Martin Tolcher as a Director.
4. The re-election of Clive Harris as a Director.
5. The re-election of Martin Tolcher (Chair), Stuart Platt-Ransom and Clive Harris to the Audit Committee.

The Group's next annual general meeting is scheduled for 5 August 2015. Full details are set out in the notice of annual general meeting which is included at the end of the Annual Report. The Directors consider that passing the resolutions to be proposed at the AGM will be in the best interests of the Company and shareholders as a whole and unanimously recommend that share-holders vote in favour of each of them, as they intend to do in respect of their own holdings.

Independent auditor

The Audit Committee recommended to the Board that Saffery Champness should be reappointed as the Company's auditor until the conclusion of the 2016 AGM. The Board agreed with this recommendation and accordingly, an ordinary resolution will be proposed at the forthcoming AGM for the reappointment of Saffery Champness as independent auditor, and to authorise the Directors to agree their level of remuneration.

Directors' and Officers' liability insurance

The Company holds Directors' and Officers' liability insurance. The level of cover and cost of the insurance is reviewed on an annual basis.

Going concern

The Directors have considered the likely cash flows and costs of the Company for twelve months subsequent to the signature of the Financial Statements and have concluded that the Company has adequate resources to continue in its activities for the foreseeable future. The Financial Statements have, therefore, been prepared on the going concern basis.

Board composition

Director	Designation	Appointment date
Mr Brian Gilbertson	Executive Director – Chairman	4 September 2007
Mr Arne H. Frandsen	Executive Director – Chief Executive	4 September 2007
Mr Andrew Willis	Executive Director – Finance Director	25 November 2008
Dr Christo Wiese	Non-Executive Director	11 February 2013
Mr Stuart Platt-Ransom	Independent Non-Executive Director	4 September 2007
Mr Clive Harris	Independent Non-Executive Director	4 September 2007
Mr Martin Tolcher	Independent Non-Executive Director	25 November 2008
Mr Chris Powell	Permanent alternate to Andrew Willis	22 March 2013
Mr Brian O'Mahoney	Permanent alternate to Stuart Platt-Ransom	29 February 2012

DIRECTORS' REPORT/CONT.

Omission of Company-only financial information from the Financial Statements

The Financial Statements are presented on a consolidated basis as required by IFRS. The Directors believe that the Group's results as presented provide all material, relevant information to users of the Financial Statements and are satisfied that the provision of Company-only financial information would not contain any significant additional information which would be of interest. Accordingly, Company-only financial information has been omitted from the Financial Statements, as permitted by Section 244 of The Companies (Guernsey) Law, 2008, and sections 8.62(a) and 8.62(d) of the JSE Listings Requirements.

Auditor confirmation

Each of the Directors, at the date of approval of the Financial Statements, confirms that:

1. So far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
2. Each Director has taken all steps he ought to have taken to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of The Companies (Guernsey) Law, 2008.

On behalf of the Directors

Arne H. Frandsen
Chief Executive
20 March 2015

Andrew Willis
Finance Director
20 March 2015



The Fabergé Pearl Egg (open), the first egg created in the "Imperial Class" since 1917 while the Fabergé name and Fabergé family have been united.

CORPORATE GOVERNANCE REPORT

Approach to Corporate Governance

The Board is the focal point of the Group's corporate governance and is ultimately accountable and responsible for the affairs of the Group. The JSE Listings Requirements include certain mandatory requirements relating to corporate governance. This Corporate Governance Report explains how the Group adheres to these requirements. In addition, the Group adheres to the principles of King III on a "comply or explain" basis. A register of how the Group complies with the principles of King III (the "King III Register") is maintained on the Company's website, www.pallinghurst.com. This details how compliance with each separate principle has been achieved. The Board is satisfied that the Group complies with principles and recommendations of King III with certain exceptions as described below.

Board responsibilities

The Board's responsibilities include providing strategic direction and overseeing the performance of the Group's investment portfolio. This includes reviewing the performance of current investments and evaluating potential acquisitions and divestments. The Board is also responsible for determining policies and processes which seek to ensure the integrity of the Group's risk management and internal controls, implementing and maintaining the Group's communication strategy and for ensuring the integrity and effectiveness of the Group's governance processes.

Board composition

King III recommends that a Board should comprise a balance of Executive and Non-Executive Directors, with a majority of Non-Executive Directors. The Board currently consists of three Executive Directors and four Non-Executive Directors. Mr Platt-Ransom, Mr Harris and Mr Tolcher are considered independent in the context of King III. Dr Christo Wiese is not considered independent in the context of King III due to his shareholding in the Company (which is above 5%).

The roles of the Chairman and Chief Executive are formalised, separate and clearly defined. This creates a balance of power and authority and means that no individual is able to exercise unrestricted power. King III recommends that the Board should be led by an independent non-executive chairman who should not be the chief executive officer of the Company. The offices of Chairman and Chief Executive are separate. The Chairman of PRL, Mr Gilbertson, is an Executive Director, which does not comply with King III. The other members of the Board believe that the Chairman's wealth of knowledge and experience mean that he is best placed to provide overall leadership to the Board.

Mr Platt-Ransom is the Company's Lead Independent Non-Executive Director ("LID"). The LID's main responsibilities are to chair any meeting in which the Chairman has a conflict of interest, and to give stakeholders a point of contact separate from the Executive Directors.

Executive Directors

The Executive Directors, Brian Gilbertson (Chairman), Arne H. Frandsen (Chief Executive) and Andrew Willis (Finance Director) are responsible for the Group's strategic direction and everyday management. The Executive Directors often act as directors of the Group's investments; for example, Mr Gilbertson is the Chairman of Sedibelo Platinum Mines and Jupiter, and Mr Frandsen is a director of Sedibelo Platinum Mines. In addition, the Executive Directors attend each of the Company's Board meetings.

Board meetings

Board meetings are scheduled on a quarterly basis each year, to consider the Group's strategy, performance, investment valuations and other issues. Additional Board meetings may be convened on an ad hoc basis. Directors use their best endeavours to be present at Board meetings and participate fully, frankly and constructively. Matters are decided at Board meetings by a majority of votes. In case of an equality of votes the chair of the meeting shall have a second, casting vote which ensures that no single individual has unfettered powers of decision making. Four Board meetings were held during 2014 at which all resolutions were agreed unanimously.

Board Committees

The Board has established certain committees to assist in discharging its responsibilities. Reports from the audit committee, remuneration committee and nomination committee are included within this Annual Report.

Rotation of Directors

The Company's articles of association specify that one-third of the Non-Executive Directors shall retire from office at each AGM, by rotation. In addition to these retiring Directors, any Director appointed since the previous AGM also retires from their office. However, a retiring Director can be re-elected at the same AGM and if re-elected is deemed to have not vacated their office.

Company Secretary

Orangefield Legis acts as the Group's Company Secretary, rather than a specific individual. Orangefield Legis employs a number of individuals who are able to assist the Board as necessary, with experience in areas including corporate governance, directors' fiduciary responsibilities, compliance and private equity fund structures.

The Company Secretary presents the Board with a governance update at each scheduled meeting; the update usually includes operational issues, the UK Bribery Act and the Guernsey Code of Corporate Governance. Other issues are raised as appropriate. Orangefield Legis also considers other non-binding codes, rules and standards, assesses the impact and recommends a suitable course of action to the Board. The Board takes responsibility for deciding whether to follow the recommendations of the Company Secretary and for ensuring compliance with applicable laws.

The Board is required to consider and satisfy itself on an annual basis on the competence, qualifications and experience of the company secretary (as a consequence of the Company's JSE listing). The Board believe that they are better-served by having access to a broader range of advice via Orangefield Legis than employing an individual as company secretary. Orangefield Legis is regulated by the GFSC and employs individuals with a wide range of skills and experience that the Board is able to draw upon as required. The Board are satisfied the Company Secretary has the requisite competence, qualifications and experience to carry out the required responsibilities. The Board also engage external legal counsel and other advisors as necessary. The Board are satisfied that the relationship between Orangefield Legis (as the Company Secretary) and the Board is at arm's length.

Risk management

The Directors are responsible for the Group's system of internal controls, which is designed to provide reasonable assurance against material misstatement and loss. The Group's system of internal controls is designed to provide assurance on the maintenance of proper accounting records and the completeness and accuracy of financial information used by the Board for decision making and provision to shareholders. The internal control system includes the following elements:

- A Risk Register which is monitored on an ongoing basis.
- An organisational structure and division of responsibilities.
- Policies and procedures governing financial reporting, accounting and payments.

Investment valuations

The Directors are collectively responsible for the estimation of the fair value of each investment each reporting period. In addition, an independent valuer is engaged (the "Independent Valuer") to review the Group's investment valuations. The Independent Valuer provides an opinion that the valuation of each investment as determined by the Directors has been prepared using a methodology and approach which is reasonable, is consistent with the concept of fair value under IFRS, and is in accordance with the International Private Equity and Venture Capital ("IPEVC") Valuation Guidelines (the "IPEVC Valuation Guidelines").

Sustainability reporting

The Directors recognise the importance of sustainable development. As an investment holding company, the Company does not have

a significant direct impact on the natural environment in which it operates. Responsibility for sustainable development is largely retained by the investments within the Group's Investment Portfolio. Detailed sustainability information for the Group's Investment Portfolio can usually be obtained from publicly available information relating to the relevant investments.

Shareholder communication with the Board

Shareholders are able to communicate with the Board either by attending the AGM in person or by submitting proxy voting forms. The Directors regularly meet with analysts, investors and the South African media. PRL also communicates with shareholders via its annual report, interim report, press announcements, circulars and announcements through the Stock Exchange News Service ("SENS").

Internal audit

King III recommends that all companies implement an internal audit function. The Group utilises Orangefield Legis Fund Services Limited as its administrator. Orangefield Legis are responsible for the provision of the Company's accounting function and the Board believe that it would not be appropriate for the Group to appoint its own internal audit function.

Sustainability reporting

King III recommends that the Board should seek independent assurance on the Group's sustainability reporting. Key responsibilities for sustainability reporting are largely retained by the Group's investments, Sedibelo Platinum Mines, Gemfields and Jupiter. Where possible, the Board uses its influence on the Group's investments to ensure that independent assurance is provided on their sustainability reporting.

Dealing in securities

PRL has a defined policy for the conduct of Directors in relation to dealing in PRL's shares. The JSE Listings Requirements define closed periods, which are around the time of the annual results, the interim results, or around the release of any other major announcements, price sensitive negotiations, acquisitions or disposals, or pending the release of any other price sensitive information. Directors (and their close family members) are prohibited from trading in PRL's shares during these closed periods. Directors are able to trade PRL shares outside of these periods, after first obtaining approval in writing from the Chairman and the Finance Director. Any transactions are advised to the JSE and BSX and are published on SENS and on the Company's website.

REPORT OF THE AUDIT COMMITTEE

Introduction

The Audit Committee is pleased to present its report for the year ended 31 December 2014 as recommended by King III. The committee is constituted by the Board, has an independent role and is accountable both to the Board and to shareholders.

The committee's mandate is set out in its terms of reference and includes the following responsibilities:

- Monitoring the accuracy and integrity of the Group's financial and other reporting.
- Monitoring the effectiveness of risk management processes and internal controls at Orangefield Legis.
- Recommending the appointment of external auditors to shareholders on an annual basis.
- Reviewing the scope, results and cost effectiveness of the independent valuer.
- Reviewing the expertise and experience of the Finance Director.

Composition

The committee comprises the following independent non-executive directors, who have the requisite skills and experience to fulfil the committee's duties:

- Mr Tolcher (Chair)
- Mr Harris
- Mr Platt-Ransom

The members of the committee were nominated for re-election by the Board and were re-elected by the shareholders at the Company's Annual General Meeting held on 22 September 2014.

Meetings

In addition to the committee members, the Chief Executive and Finance Director may attend meetings by invitation. The chair of the committee usually meets separately with both the Finance Director and the auditor, Saffery Champness ("Saffery") in advance of committee meetings. The committee may meet with Saffery either formally or informally, throughout the year; the audit partner has access to the committee via Mr Tolcher. The chair of the committee decides whether to convene any unscheduled meetings and who should be invited to such meetings. The committee met four times during 2014.

Internal audit

The Group utilises a third party administrator, Orangefield Legis. The provision of the Company's accounting function is one of Orangefield Legis' key duties. The Audit Committee has recommended to the Board that the Group should not appoint its own internal audit function.

Orangefield Legis is regulated by the GFSC and maintains a robust environment for systems and controls, with separate Risk and Compliance functions. This environment is reviewed by Orangefield Legis' auditor, PricewaterhouseCoopers ("PwC"), as part of Legis' annual audit process. In addition, Orangefield Legis has engaged PwC to produce a report on internal controls in accordance with International Standard of Assurance Engagements 3402: Assurance Reports on Controls at a Service Organisation. The most recent report is dated 21 January 2015 and reports on the internal controls in place at 31 October 2014. The report concluded that Orangefield Legis had designed and put in place suitable control procedures in order to meet its control objectives. The Audit Committee is satisfied that Orangefield Legis' internal controls are adequate and fit for purpose.

Chief Information Officer

King III suggests that a company should appoint a specific Chief Information Officer, with responsibility for Information Technology governance. The Board are collectively responsible for Information Technology governance. As the Company is an investment holding company, the Company does not directly own any Information Technology assets. Orangefield Legis has a formal programme of Information Technology risk management and a Head of Information Technology. The Audit Committee do not believe that it would be appropriate for the Group to appoint a Chief Information Officer. The Board have concurred with this recommendation.

Duties carried out in 2014

During the year ended 31 December 2014, the committee carried out its duties as required by King III and its terms of reference. The committee performed the following statutory duties:

- Considered the qualifications, independence and objectivity of Saffery and approved their terms of engagement. After consideration of the services provided during the year and a review of their effectiveness, the committee has recommended to the Board that Saffery should be reappointed as auditor until the conclusion of the 2016 AGM.
- Approved the fees paid to Saffery during 2014, which were solely for audit services.
- Ensured that the independence of Saffery has not been compromised by the receipt of fees for non-audit services or for any other reason.

In addition, the committee performed the following duties in line with its mandate:

- Reviewed the group annual and interim financial statements for compliance with IFRS, the JSE Listings Requirements and The Companies (Guernsey) Law, 2008.
- Reviewed significant judgments and unadjusted differences resulting from the audit and interim review.

-
- Approved the valuation of the Group's Investment Portfolio.
 - Ensured that the Group's accounting policies are suitable and considered the adoption of new and amended accounting standards.
 - Assessed and was satisfied that no accrual should be made for the Performance Incentive.
 - Considered the performance of Orangefield Legis' accounting function.
 - Reviewed and were satisfied with the independence, objectivity and performance of the Independent Valuer.
 - Reviewed and was satisfied that the Finance Director continues to possess the appropriate expertise and experience to carry out his responsibilities as Finance Director.
 - Reviewed the Audit Committee report included in the Company's previous annual report.

Annual Report and Financial Statements

The committee has reviewed this Annual Report and Financial Statements and has concluded that they comply, in all material respects, with IFRS, the JSE Listings Requirements and The Companies (Guernsey) Law, 2008. The committee has therefore recommended the approval of the Annual Report to the Board.

Conclusion

The committee is satisfied that it has considered and discharged its responsibilities in accordance with its mandate and its terms of reference during 2014.

Martin Tolcher

Chair of the Audit Committee

REMUNERATION COMMITTEE REPORT

Introduction

The Remuneration Committee is pleased to present its report for the year ended 31 December 2014 as recommended by King III. The committee is constituted by the Board, has an independent role and is accountable both to the Board and to shareholders.

The committee performed the following duties in line with its mandate:

- Monitors amounts paid to the Investment Manager and negotiates the terms of and/or renewal of any agreements entered into with the Investment Manager.
- Determines levels of remuneration for each member of the Board.
- Determines levels of remuneration for any members of management or staff.

Composition

The committee comprises the following independent non-executive directors, who have the requisite skills and experience to fulfil the committee's duties:

- Mr Platt-Ransom (Chair)
- Mr Tolcher
- Mr Harris

Meetings

The committee meets as often as required and not less than once per year. The committee met twice during 2014; all members attended both meetings. Members of the Remuneration Committee do not participate when the level of their personal remuneration is considered.

Remuneration Policy

Each Director should be remunerated fairly and responsibly. The remuneration paid to each Director should take into account the individual's level of skills and experience. The level of responsibility and endeavour associated with additional roles (such as participation on board committees) should be rewarded appropriately. The amount payable to Non-Executive Directors is limited to a maximum of US\$40,000 per annum. Directors' fees are not dependent on attendance at meetings. The Executive Directors are not remunerated for their role as Directors. The Company does not currently employ any members of management or staff.

Remuneration Committee activity during 2014

- The committee reviewed the Remuneration Committee report included in the Company's previous annual report.
- The committee monitored the relationship with the Company's Investment Manager.
- The committee agreed to increase the fee payable for each Non-Executive Director from US\$25,000 per annum to US\$30,000 per annum (with effect from 1 January 2014).
- The committee recommended that shareholders approve the Company's remuneration policy in a non-binding advisory vote at the Company's annual general meeting held on 22 September 2014.
- The committee noted the results of this non-binding advisory vote.

Non-Executive Directors' fees

Non-Executive Directors are subject to retirement by rotation and re-election by shareholders in accordance with the Company's articles of association. The fees paid to Non-Executive Directors for 2014 were as follows:

31 December 2014	Directorship of the Company US\$'000s	Directorship of other Group companies US\$'000s	Audit Committee US\$'000s	Lead Independent Director US\$'000s	Total US\$'000s
Stuart Platt-Ransom	30	–	3	2	35
Clive Harris	30	5	3	–	38
Martin Tolcher	30	–	5	–	35
Dr Christo Wiese	30	–	–	–	30
Total	120	5	11	2	138

31 December 2013	Directorship of the Company US\$'000s	Directorship of other Group companies US\$'000s	Audit Committee US\$'000s	Lead Independent Director US\$'000s	Total US\$'000s
Stuart Platt-Ransom	25	–	3	2	30
Clive Harris	25	5	3	–	33
Martin Tolcher	25	–	5	–	30
Dr Christo Wiese ¹	22	–	–	–	22
Patricia White ²	5	–	–	–	5
Total	102	5	11	2	120

¹ This relates to the period 11 February 2013–31 December 2013.

² This relates to the period 1 January 2013–15 March 2013.

Stuart Platt-Ransom

Chair of the Remuneration Committee

NOMINATION COMMITTEE REPORT

Role of the Nomination Committee

The Nomination Committee assists the Board in setting and administering the Company's nominations and succession policy. The committee is constituted by the Board and is accountable both to the Board and to shareholders. The committee assists the Board in its oversight of the following areas:

- Review of the structure, size and composition of the Board on an ongoing basis, with the recommendation of any changes to the Board as necessary.
- The identification of suitable candidates for appointment to the Board.
- Oversight of the reappointment process for all Directors at the point of or their retirement by rotation in accordance with provisions in the Company's articles of association.

Composition

The committee comprises the following independent non-executive directors, who have the requisite skills and experience to fulfil the committee's duties:

- Mr Platt-Ransom (Chair)
- Mr Tolcher
- Mr Harris

Meetings

The Nomination Committee meets as often as required and not less than once per year; one meeting was held during 2014.

Nomination Committee activity during 2014

- The committee reviewed the Nomination Committee report included in the Company's previous annual report.
- The committee confirmed that the structure, size and composition of the Board remain appropriate and have not recommended any specific changes to the Board.
- The committee confirmed that the reappointment process being undertaken for the Company's 2015 annual general meeting is in line with the provisions in the Company's articles of association.

Stuart Platt-Ransom

Chair of the Nomination Committee



Mining operations at the Pilanesberg Platinum Mine.

FINANCIAL STATEMENTS AND ADMINISTRATION

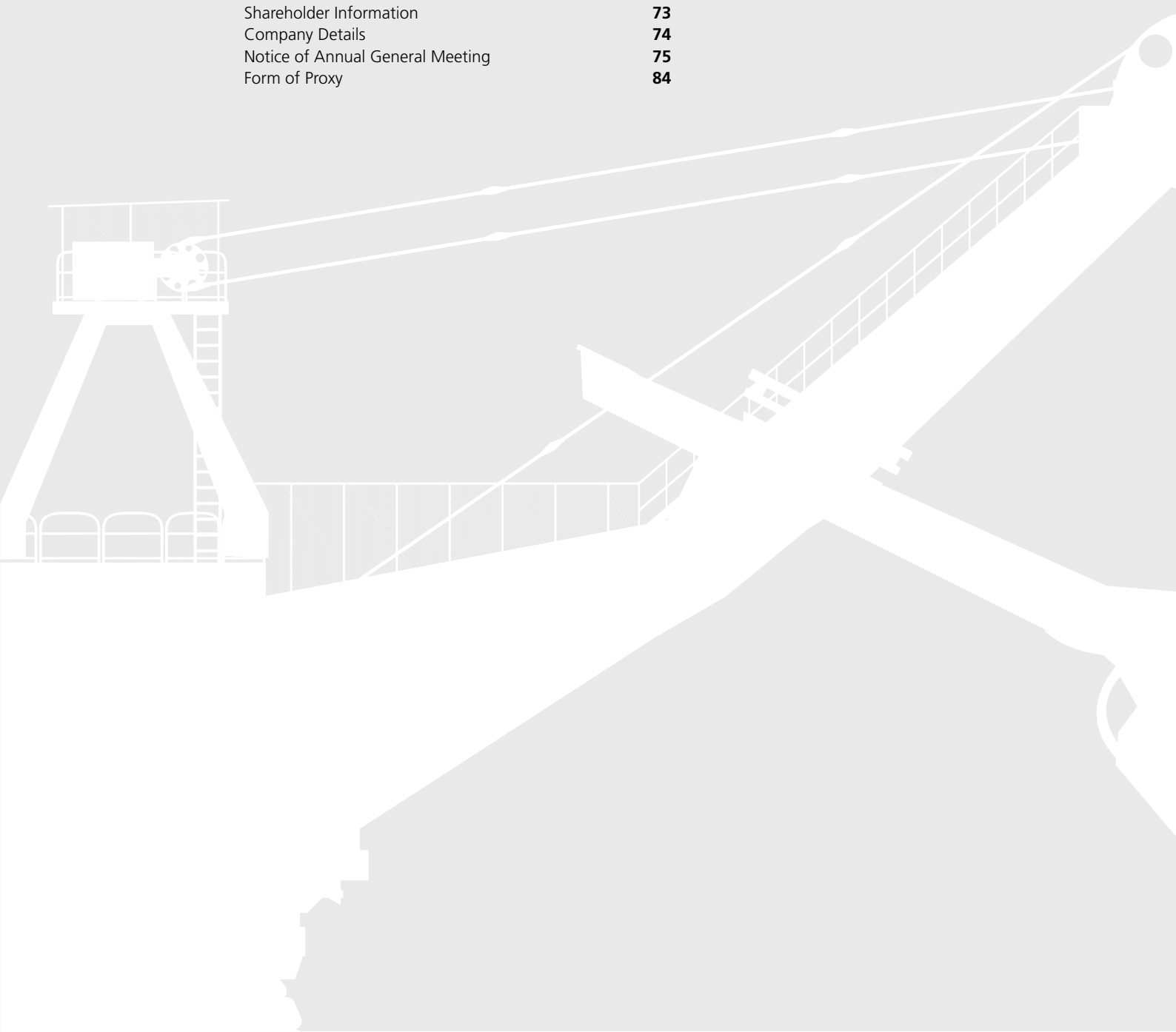
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Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014

	Notes	1 January 2014 to 31 December 2014 US\$ '000	1 January 2013 to 31 December 2013 US\$ '000
INCOME			
Investment Portfolio			
Unrealised fair value gains	2	80,146	51,458
Unrealised fair value losses	2	(19,109)	(10,503)
Realised fair value loss on disposal of Fabergé equity shares	3	–	(7,952)
Realised loss on conversion of Fabergé loan to Gemfields shares	3	–	(12,027)
		61,037	20,976
Investment Portfolio revenue			
Loan interest income	2	556	–
		556	–
Net gain on investments and income from operations		61,593	20,976
EXPENSES			
Investment Manager's Benefit	5	(5,593)	(5,220)
Operating expenses	6	(609)	(895)
Foreign exchange gains		–	24
		(6,202)	(6,091)
Net gain from operations		55,391	14,885
Finance income	7	8	32
Finance costs		(2)	–
Net finance income		6	32
Profit before fair value gain/(loss) of associates		55,397	14,917
Fair value gain/(loss) of associates	8	11	(224)
Profit before tax		55,408	14,693
Tax	9	(4)	(4)
NET PROFIT AFTER TAX		55,404	14,689
Other comprehensive income		–	–
TOTAL COMPREHENSIVE INCOME		55,404	14,689
Basic and diluted earnings per ordinary share – US\$		0.07	0.02

All elements of total comprehensive income for the year and comparative year are attributable to owners of the parent. There are no non-controlling interests. The accompanying notes form part of these Financial Statements.

Consolidated Balance Sheet

as at 31 December 2014

	Notes	31 December 2014 US\$ '000	31 December 2013 US\$ '000
ASSETS			
Non-current assets			
Investments in associates	8	1,264	1,253
Investment Portfolio			
Listed equity investments	2	185,511	174,618
Unlisted equity investments	2	265,381	215,237
		450,892	389,855
Total non-current assets		452,156	391,108
Current assets			
Investment Portfolio			
Loans and receivables	2	15,256	-
Trade and other receivables	10	128	1,152
Cash and cash equivalents		4,082	23,907
Other investments		28	58
Total current assets		19,494	25,117
Total assets		471,650	416,225
LIABILITIES			
Current liabilities			
Trade and other payables	11	199	178
Total current and total liabilities		199	178
Net assets		471,451	416,047
Capital and reserves attributable to equity holders			
Share capital	12	8	8
Share premium		375,227	375,227
Retained earnings		96,216	40,812
EQUITY		471,451	416,047

The Financial Statements were approved and authorised for issue by the Directors on 20 March 2015 and were signed on its behalf by:

Arne H. Frandsen
Chief Executive
20 March 2015

Andrew Willis
Finance Director
20 March 2015

The accompanying notes form part of these Financial Statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2014

	Notes	1 January 2014 to 31 December 2014 US\$ '000	1 January 2013 to 31 December 2013 US\$ '000
Net cash used in operating activities	13	(19,825)	(8,464)
Investing activities			
Amounts invested in associates		–	(63)
Amounts returned from associates		–	434
Net cash from investing activities		–	371
Financing activities			
Net cash from financing activities		–	–
NET DECREASE IN CASH AND CASH EQUIVALENTS		(19,825)	(8,093)
Cash and cash equivalents at the beginning of the year		23,907	31,976
Foreign exchange gain on cash		–	24
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		4,082	23,907

The accompanying notes form part of these Financial Statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

	Share capital US\$'000	Share premium US\$'000	Retained earnings US\$'000	Total equity US\$'000
Balance at 1 January 2013	8	375,227	26,123	401,358
Total comprehensive income for the year	–	–	14,689	14,689
Balance at 31 December 2013	8	375,227	40,812	416,047
Total comprehensive income for the year	–	–	55,404	55,404
Balance at 31 December 2014	8	375,227	96,216	471,451

The accompanying notes form part of these Financial Statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

1. Significant accounting policies

The Company is incorporated in Guernsey under The Companies (Guernsey) Law, 2008. The Company's registered office address is stated on the final page of the Annual Report entitled *Company Details*.

The Company's accounting policies are the same as those of the Group. Company-only financial information has been omitted from these Financial Statements, as permitted by The Companies (Guernsey) Law, 2008, Section 244, and sections 8.62(a) and 8.62(d) of the JSE Listings Requirements.

Where possible, the Group's significant accounting policies have been disclosed as part of the relevant note they relate to specifically, as the Directors believe this is more useful to a user of the Financial Statements. Other significant accounting policies have been disclosed below.

A. Statement of Compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the financial reporting guides issued by the Accounting Practices Committee of the South African Institute of Chartered Accountants (the "SAICA Reporting Guides") and the financial reporting pronouncements issued by the Financial Reporting Standards Council of South Africa (the "FRSC Pronouncements"). The Financial Statements also comply with the JSE Listings Requirements, the BSX Listing Regulations and The Companies (Guernsey) Law, 2008 and show a true and fair view.

Adoption of the "Investment Entities Amendments"

The Group adopted the various standards known as the "package of five" effective 1 January 2013. The adoption of the package of five did not have a material impact on the Group. In October 2012, the IASB issued "Investment Entities (Amendments to IFRS10, IFRS12 and IAS27) (the "Investment Entities Amendments")". Where an entity meets the definition of an investment entity under IFRS10, it is required to account for investments in joint ventures, associates and certain controlled entities at fair value through profit or loss. The Investment Entities Amendments became effective from 1 January 2014.

New standards and interpretations not applied

The IASB has introduced guidance entitled *Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS10, IFRS12 and IAS28*. This introduces clarifications to the requirements when accounting for investment entities and is effective for periods commencing 1 January 2016. The Directors do not anticipate material changes as a result of this amendment.

The IASB has issued amendments to IAS1 *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The Disclosure Initiative is designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements, resulting in clearer and more useful information for users of the financial statements. The Directors have considered these principles whilst preparing this Annual Report and will continue to review the process for preparing the financial statements on an ongoing basis.

In addition, the IASB has issued certain standards (or amendments to existing standards), which are to be applied to financial statements with periods commencing on or after the dates included below and which have not been applied in the current year, as follows:

Standard	New standard or amendment	Effective for annual periods beginning on or after	Description
IFRS8 <i>Operating Segments</i> ("IFRS8")	Amendments	1 July 2014	Amendments to certain disclosure requirements.
IFRS9 <i>Financial Instruments</i> ("IFRS9")	New Standard	1 January 2018	Various changes to categorisation of financial assets and liabilities and other changes.

1. Significant accounting policies/continued

The Directors do not believe that the implementation of the amendment to IFRS8 will have a material impact on the Group's financial reporting as the changes to the standard are limited. The Directors believe that the impact of the changes required to implement IFRS9 may be material; however, as the effective date for the standard is not until 2018, a detailed analysis of the impact of these changes on the Group has not yet taken place. The IASB has also issued various other standards, which are considered unlikely to have an impact on the Group or its financial reporting.

B. Basis of preparation

The Financial Statements are presented in United States dollars ("US\$") which is the functional currency of the Company and the Group's presentation currency. Using the US\$ as the Group's presentation currency means that the Financial Statements can be compared with other similar companies. Amounts have been rounded to the nearest thousand (or million) as appropriate, for ease of presentation.

The preparation of financial statements in conformity with IFRS requires the Directors to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The following judgments are significant:

Valuations

The most critical accounting estimates and assumptions relate to the valuation of the Group's portfolio of investments. Determining the fair value of the Group's unlisted investments is both difficult and subjective. Estimates and assumptions used are reviewed periodically and the Directors believe that their estimates of fair value are materially accurate.

The Company is an investment entity

The Directors have agreed that the Company meets the following criteria which define an investment entity:

- The Company invests solely to provide returns from capital appreciation, investment income or both.
- The Company measures the performance of all its investments on a fair value basis.
- The Company does not plan to hold its investments indefinitely and has an exit strategy for each investment.

In addition, the Company holds a number of investments and has a large number of shareholders, both of which are considered typical characteristics of an investment entity. In consequence, it has been necessary to assess the nature of the Company's holdings in subsidiaries to determine the impact of adoption of the Investment Entities Amendments. The Group does not currently hold any subsidiaries which form part of the Investment Portfolio. If the Group holds any such subsidiaries in the future, these would be accounted for at fair value. The Group does hold investments in certain subsidiaries which provide investment-related services; the accounting treatment has not changed for these entities, which are consolidated in line with the previous accounting treatment.

The Group holds certain investments in associates that are investment holding entities and do not form part of the Investment Portfolio. These investments in associates are now accounted for at fair value. Other than as disclosed above and in Note 8 *Investments in associates*, the adoption of the Investment Entities Amendments has not had any other impact on the Financial Statements in the current or comparative years.

Going concern basis of accounting

The Directors have considered the likely cash flows and costs of the Company for twelve months subsequent to the signing of the Financial Statements and have concluded that the Company has adequate resources to continue in its activities for the foreseeable future. The Financial Statements have, therefore, been prepared on the going concern basis.

Notes to the Consolidated Financial Statements/cont.

for the year ended 31 December 2014

1. Significant accounting policies/continued

C. Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the Group's Financial Statements, the results and financial position of each Group company are expressed in US\$, which is the functional currency of the Company and the presentation currency for the Financial Statements.

Transactions entered into by Group companies are recorded in their functional currencies at the exchange rate on the day of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised in the income statement.

D. Consolidation

(i) Subsidiaries

The Company is deemed to control an investee if it has all of the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the Group's returns.

Subsidiaries (other than those that form part of the Investment Portfolio) are consolidated into the Group's financial statements on a line-by-line basis.

(ii) Associates

Where the Group has significant influence, but not control, over the financial and operating policies of an entity, it is an associate. The Group usually holds associates as part of the Investment Portfolio; the value of these investments to the Group is through their marketable value as part of the Investment Portfolio rather than as a medium through which a business is undertaken. The Group therefore measures these investments at fair value even though the Group has significant influence over the investments.

The Group holds certain investments in associates that do not form part of the Investment Portfolio (usually as investment holding companies). In previous reporting periods, these associates were equity accounted. Since the adoption of the "Investment Entities Amendments" on 1 January 2014, these associates are now accounted for at fair value.

(iii) Joint ventures

Interests in joint ventures that are held as part of the Group's Investment Portfolio are carried in the balance sheet at fair value.

E. Income

The Group's revenue for the purposes of IAS1 is represented as *Net gains/(losses) on investments and income from operations*. This represents the overall increase in net assets from the Investment Portfolio and constitutes the following amounts:

- Unrealised fair value gains and losses – these amounts are movements in the carrying value of investments during the period. Foreign exchange gains and losses on investments are included within these fair value gains and losses.
- Realised gains/losses on transactions – these gains/losses may arise on divestments, acquisitions, equity for equity swaps, loan conversions and similar transactions. The gains/losses usually represent the difference between the fair value of the consideration received and the fair value of the assets disposed as part of the transaction. "Realised" is used to describe gains or losses on transactions where assets are either realised in return for cash or cash equivalents, or for other assets such as new equity interests or similar.

1. Significant accounting policies/continued

- iii) Income from loans and receivables is recognised with reference to the principal outstanding and the effective interest rate applicable, which is the rate that discounts the estimated future cash flows through the life of the loan to the current carrying value.
- iv) Dividends from investments are recognised when the right to receive payment is established.

F. Derivatives

The Group may acquire derivatives as part of the Investment Portfolio in certain circumstances, such as convertible notes, convertible bonds or other equity derivatives. Derivatives may also be used by the Group on occasion to manage risks, usually (although not exclusively) related to the management of foreign currency risk, particularly when entering into or exiting from an investment denominated in a currency other than the US\$. This risk management is normally implemented by the use of foreign currency forward contracts. Currency swaps may also be utilised in certain circumstances, either to facilitate the making of new investments, or whilst raising new capital. Derivatives are recognised initially at fair value on the contract date and subsequently remeasured to the fair value at each reporting date, with changes in fair value recognised in profit or loss.

2. Investment Portfolio

Accounting policy

An investment is considered to be part of the Group's Investment Portfolio if its value to the Group is through its marketable value rather than as a medium through which a business is undertaken. The Group accounts for all such equity investments at fair value. If an equity interest held by the Group is under 20%, it is accounted for at fair value under IFRS13 *Fair Value Measurement* ("IFRS13"). The Group also holds equity interests that are over 20% and which meet the definition of either an associate or a joint venture under IAS28. Interests in associates and joint ventures that are held as part of the Group's Investment Portfolio are also measured at fair value under IFRS13. All equity investments within the Investment Portfolio are therefore accounted for on a similar, comparable basis. This is normal practice in the private equity industry and makes the Financial Statements comparable with those of similar organisations.

The Investment Portfolio includes listed and unlisted equity investments. The Investment Portfolio may also include loans and receivables, other equity instruments such as convertible notes or debentures, or other financial instruments.

All investments are recognised initially at the fair value of the consideration given. Any subsequent change in the fair value of the investment acquired is recognised in profit or loss as an unrealised gain or loss. The Directors determine the fair value measurement of each investment subsequently, using the most appropriate basis. Fair value under IFRS13 is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If such a transaction does not exist, an estimate of fair value is made by the Directors. Listed equity investments in an active market are usually valued at the mid-price on the valuation date. The valuation of unlisted equity investments involves judgements and estimates by the Directors. A number of different valuation methods can be used for unlisted investments. These include the cost of investment, which is normally used for recent investments, or valuing the investment in line with the price of a recent investment by a third party in an arm's length transaction. Discounts for illiquidity may be applied to valuations where appropriate and if allowed by IFRS.

The Group's reporting complies with all material aspects of the IPEVC Valuation Guidelines when determining what method to use to determine fair value. The IPEVC Valuation Guidelines specify the valuation methodology which is the most appropriate to use for each individual investment at each point in the investment's lifecycle. The methodologies used to determine fair value recommended by the IPEVC Valuation Guidelines include using an earnings or turnover multiple, share of net assets, the discounted cash flows ("DCFs") or earnings of the underlying business, the DCFs of the investment, or a relevant industry valuation benchmark. The Directors consider all of these other valuation methodologies where appropriate.

Notes to the Consolidated Financial Statements/cont.

for the year ended 31 December 2014

2. Investment Portfolio/continued

The Directors also consider whether there are any factors that could indicate a diminution of value in an investment has occurred, including the following:

- The performance of the investment compared to original expectations.
- Any unexpected deterioration in the cash position of the underlying business.
- Any adverse or unexpected results from drilling or exploration activities.
- External factors such as deterioration in the global economy or the relevant industry.

Loans made to portfolio companies are measured at fair value through profit or loss from inception. These loans usually accrue interest which may either be added to the principal loan balance or settled in cash.

The holding period for the Investment Portfolio is invariably greater than one year. The Investment Portfolio is therefore classed as "non-current" in its entirety. If clear evidence exists that an asset will be realised within a year, the balance would then be classified as a current asset. This is normal practice in the venture capital industry and presents more useful information to shareholders.

Further information on each of the Group's investments has been provided below. This disclosure is intended to ensure that users of the financial statements understand how each investment has been valued and the risks associated with each investment valuation. In addition, the disclosure meets certain requirements related to the Group's JSE listing.

The reconciliation of the Investment Portfolio valuations from 1 January 2014 to 31 December 2014 is as follows:

Investment	Opening at 1 January 2014 US\$'000	Unrealised fair value gains US\$'000	Unrealised fair value losses US\$'000	Accrued interest income and structuring fee US\$'000	Additions and disposals US\$'000	Closing at 31 December 2014 US\$'000
<i>Listed equity investments</i>						
Gemfields ¹	144,361	41,150	–	–	–	185,511
	144,361	41,150	–	–	–	185,511
<i>Unlisted equity investments</i>						
Jupiter ²	30,257	38,996	–	–	–	69,253
Sedibelo Platinum Mines ³	215,237	–	(19,109)	–	–	196,128
	245,494	38,996	(19,109)	–	–	265,381
Total non-current	389,855	80,146	(19,109)	–	–	450,892
<i>Loans and receivables</i>						
Gemfields – US\$15 million loan ⁴	–	–	–	556	14,700	15,256
	–	–	–	556	14,700	15,256
Total current	–	–	–	556	14,700	466,148
Total Investment Portfolio	389,855	80,146	(19,109)	556	14,700	466,148

¹ The unrealised fair value gain on Gemfields of US\$41.150 million includes an unrealised foreign exchange loss of US\$8.252 million.

² The unrealised fair value gain on Jupiter of US\$38.996 million does not include any foreign exchange as the valuation is denominated in US\$.

³ The unrealised fair value loss on Sedibelo Platinum Mines of US\$19.109 million does not include any foreign exchange as the valuation is denominated in US\$.

⁴ The Group has provided a loan to Gemfields of US\$14.7 million (US\$15 million less arrangement fees of US\$0.3 million or 2%). The loan was drawn down in two tranches, the first US\$9.8 million in April 2014 and the second US\$4.9 million in October 2014. Interest is also payable, calculated per the agreement at three month US\$ LIBOR plus 4.5%. The outstanding balance of the loan at 31 December 2014 is US\$15.256 million. The loan is due for repayment by 30 April 2015.

2. Investment Portfolio/continued

The reconciliation of the Investment Portfolio valuations from 1 January 2013 to 31 December 2013 is as follows:

Investment	Opening at 1 January 2013 US\$'000	Unrealised fair value gains US\$'000	Unrealised fair value losses US\$'000	Accrued interest income and structuring fee US\$'000	Additions and disposals US\$'000	Closing at 31 December 2013 US\$'000
<i>Listed equity investments</i>						
Gemfields ¹	59,569	20,717	–	–	64,075	144,361
Jupiter ²	38,106	–	(10,503)	–	2,654	30,257
	97,675	20,717	(10,503)	–	66,729	174,618
<i>Unlisted equity investments</i>						
Fabergé	33,456	–	–	(7,952)	(25,503)	–
Sedibelo Platinum Mines ³	184,495	30,742	–	–	–	215,237
	217,951	30,742	–	(7,952)	(25,503)	215,237
<i>Loans and receivables</i>						
Fabergé – US\$50 million loan ⁴	50,599	–	–	(12,027)	(38,572)	–
	50,599	–	–	(12,027)	(38,572)	–
Total non-current	366,225	51,459	(10,503)	(19,979)	2,654	389,855
Total current	–	–	–	–	–	–
Total Investment Portfolio	366,225	51,459	(10,503)	(19,979)	2,654	389,855

¹ The unrealised fair value gain on the Gemfields investment of US\$20.717 million includes an unrealised foreign exchange gain of US\$4.412 million.

² The unrealised fair value loss on the Jupiter investment of US\$10.503 million is net of an unrealised foreign exchange gain of US\$5.433 million.

³ The unrealised fair value gain on the Sedibelo Platinum Mines investment of US\$30.742 million does not include any foreign exchange as the valuation is denominated in US\$.

⁴ The Group exercised its right to convert its US\$50 million loan to Fabergé into equity and immediately vended these new Fabergé shares into Gemfields in return for new Gemfields shares, effective 28 January 2013, see Note 3 Realised loss on Gemfields/Fabergé Merger.

Sedibelo Platinum Mines Limited – equity

Nature of investment The Group holds an equity interest in Sedibelo Platinum Mines, a producer of PGMs with interests in the Bushveld Complex in South Africa.

Fair value methodology Directors' estimate

The Directors have estimated that the value of Sedibelo Platinum Mines is US\$3.0 billion; the Group's indirect 6.54% interest has therefore been valued at US\$196 million.

The Directors have considered a range of sources in determining the valuation of Sedibelo Platinum Mines. The primary source is a competent person's report prepared by an independent third party as at 31 December 2013. The competent person's report includes discounted cash flow ("DCF") analysis to value Sedibelo Platinum Mines' key assets and includes a range of valuations. The Directors have then utilised more recent forecasts for PGM prices over the duration of Sedibelo Platinum Mines' life; forecast PGM prices around 31 December 2014 are lower compared to late 2013 and the valuation in the competent person's valuation has been adjusted downwards. The Directors' valuation of Sedibelo Platinum Mines at 31 December 2013 was US\$3.2 billion, compared to US\$3.0 billion at 31 December 2014.

Notes to the Consolidated Financial Statements/cont.

for the year ended 31 December 2014

2. Investment Portfolio/continued

Sedibelo Platinum Mines Limited – equity/continued

The DCF analysis is based on a large number of predictions and uncertainties including forecast PGM prices, costs, exchange rates and the consolidated mine plan. Changing any of these assumptions may materially affect the implied valuation. These factors will have an impact on the likely valuation of Sedibelo Platinum Mines for its IPO, which is expected to occur once market conditions are favourable.

The Directors also note the increase in the mining reserves and production levels of Sedibelo Platinum Mines during the year, which has had a positive effect on the implied valuation of the asset. The Directors have therefore determined that a valuation of Sedibelo Platinum Mines at US\$3.0 billion is reasonable. The valuation methodology complies with IFRS and the IPEVC Valuation Guidelines but should be treated with caution due to its subjectivity.

The Group's valuation of Sedibelo Platinum Mines has been determined taking into account a consensus of recent analyst reports for forecast PGM prices for 2015 and beyond. If the forecast PGM prices were 9% lower than the current consensus for forecast PGM prices, presuming all other indicators and evidence was unchanged, and using sensitivity analysis included within the competent person's report, the valuation of Sedibelo Platinum Mines included in the balance sheet would decrease from US\$196 million to US\$153 million. The related fair value decrease of US\$43 million would be recognised in profit or loss.

The competent person's report used information from a range of sources to forecast PGM prices. The platinum price was forecast to be within a range of US\$1,663 to US\$2,382 over Sedibelo Platinum Mines' life-of-mine. Using the same range of sources at 31 December 2014, the platinum price is now forecast to be within a range of US\$1,369 to US\$1,850 over Sedibelo Platinum Mines' life-of-mine. The palladium price was forecast to be within a range of US\$780 to US\$1,191 over Sedibelo Platinum Mines' life-of-mine. Using the same range of sources at 31 December 2014, the palladium price is now forecast to be within a range of US\$881 to US\$925 over Sedibelo Platinum Mines' life-of-mine.

Other considerations The consolidation of three contiguous properties, the PPM, Sedibelo and Magazynskraal, was completed on 3 December 2012. The completion of the consolidation and the investment by the IDC implied a fair value of the Group's indirect interest of US\$176 million. The Directors note that the Group's valuation at 31 December 2014 is not dissimilar to the fair valuation implied by the investment by the IDC.

The Group's cash cost of investment for Sedibelo Platinum Mines is approximately US\$123 million. The Group's first PGM investment was the acquisition of an interest in the Moepi Group made in August 2008.

Gemfields plc – equity

Nature of investment The Group holds an equity interest in Gemfields, the producer of coloured gemstones. Gemfields owns Zambian emerald and amethyst assets, ruby assets in Mozambique and sapphire assets in Sri Lanka. Gemfields is listed on AIM.

The Group owns a see-through interest of approximately 48% in Gemfields at 31 December 2014, valued at US\$186 million.

Fair value methodology Listed share price

The Group's interest in Gemfields is valued at the 31 December 2014 mid-price of GBP0.46 per share, translated at the closing rate of US\$1/GBP0.6420.

2. Investment Portfolio/continued

Gemfields plc – equity/continued

Other considerations No secondary valuation methodologies have been considered for the Company's investment in Gemfields as it is a listed equity.

The Group's cost of investment is approximately US\$119 million and the Group's initial investment was made in October 2007.

Jupiter Mines Limited – equity

Nature of investment The Group holds an equity interest in Jupiter. Jupiter is based in Perth, Western Australia and its main asset is a 49.9% interest in the Tshipi manganese joint venture in South Africa.

Fair value methodology Directors' estimate

Each of Jupiter's material assets has been valued separately to determine an appropriate valuation for 100% of Jupiter. The Directors have estimated that the fair value of Jupiter at 31 December 2014 is US\$375 million; the implied valuation of the Group's 18.45% interest is US\$69 million.

Jupiter's 49.9% interest in Tshipi Borwa has been valued based on an independent valuation report, prepared as at 30 April 2014. The independent valuation report includes a DCF analysis to value Tshipi Borwa and includes a range of valuations. The DCF analysis is based on a large number of predictions and uncertainties including costs and exchange rates. Revenue is derived assuming that a single manganese price (the spot price at the time the independent valuation report was produced) will prevail over the life of mine. Changing any of the assumptions may materially affect the implied valuation. The basis for the valuation is the "preferred valuation" contained in the independent valuation report. This "preferred valuation" has subsequently been adjusted, after taking into account the lower manganese price since the production of the independent valuation report, and Tshipi Borwa's recent operating performance.

The Tshipi Borwa valuation is particularly sensitive to the manganese price. However, the decrease in the manganese price in US\$ terms has been accompanied by a weaker ZAR against the US\$, meaning that although Tshipi Borwa's revenue is lower (in US\$ terms), its costs (which are mainly denominated in ZAR) are also lower and the reduction in revenue is partially offset. A decline of (for example) 10% in the manganese price used in the valuation would therefore have a complex impact. For the purposes of the disclosures required by IFRS13, if the manganese price used in the valuation declined by 10% (compared to 31 December 2014) at the balance sheet date and presuming all other indicators and evidence was unchanged, the valuation of Jupiter included in the balance sheet would decrease from US\$69 million to US\$52 million. The decrease of US\$17 million would be recognised in profit or loss.

Jupiter's other assets have been valued using a range of different valuation methodologies. Tshipi also holds exploration rights in Tshipi Bokone, another manganese prospect located in the Kalahari Manganese Field. The Directors have used the "preferred valuation" contained within the independent valuation report to value Tshipi Bokone. Jupiter has made certain shareholder loans to Tshipi which have been valued at fair value (equal to principal plus accrued interest). Jupiter's interests in Mount Mason and Mount Ida have been valued based on the exploration expenditure for each project capitalised on Jupiter's balance sheet, less an adjustment (due to the uncertainty over the future prospects for each asset). Jupiter's cash has been included at cost. Jupiter has no material liabilities.

Other considerations Jupiter's interim reviewed balance sheet at 31 August 2014 included net assets of US\$397 million. The Directors note that the Group's valuation at 31 December 2014 is not dissimilar to the net assets of Jupiter at 31 August 2014.

Notes to the Consolidated Financial Statements/cont.

for the year ended 31 December 2014

2. Investment Portfolio/continued

Jupiter Mines Limited – equity/continued

The Directors note that the valuation of Jupiter is sensitive to various key inputs, in particular the manganese price for Tshipi Borwa and Tshipi Bokone. The Directors believe that using recent manganese prices represents a reasonable estimate for the future manganese price throughout the life of mine, but note that any deviation in this price could have a material impact on valuation. The prevailing iron ore price will have a significant impact on the future valuations of Mount Ida and Mount Mason.

The Group owned an effective 18.45% interest in Jupiter at 31 December 2014. The Group's cash cost of investment is approximately US\$29 million and the Group's initial investment into Jupiter was made in May 2008.

Gemfields plc – loan

Nature of investment The Group agreed to provide a loan of up to US\$15 million to Gemfields, in line with the Group's strategy of providing support to its investments. The loan is repayable, with accrued interest, on 30 April 2015. There are no penalties for early repayment.

Fair value methodology Amortised cost- effective interest method

Interest on the loan to Gemfields has been calculated using the effective interest method meaning that any interest income, fees or similar amounts are accrued for evenly as the loan becomes due for repayment. The outstanding balance of the loan at 31 December 2014, including interest, is US\$15.256 million. The effective interest rate on the loan at 31 December 2014 is approximately 7.2%.

Fair value hierarchy

IFRS13 requires disclosure of fair value measurements under the following hierarchy:

Level	Fair value input description
Level 1	Listed prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Inputs other than listed prices included within level one that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The Group's valuation of Jupiter is based on a number of different valuation methodologies, with each of Jupiter's material assets valued separately. However, the investment in Jupiter as a whole has been categorised as Level 3 as the most significant inputs to the Jupiter valuation as a whole are Level 3 inputs.

2. Investment Portfolio/continued

A breakdown of the Group's financial assets at FVTPL, categorised as Level 1, Level 2 and Level 3 assets is included below:

	31 December 2014				31 December 2013 (restated)			
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<i>Financial assets at FVTPL</i>								
Equity investments	185,511	–	265,381	450,892	174,618	–	215,237	389,855
Gemfields' loan	–	–	15,526	15,526	–	–	–	–
Investments in associates ¹	–	–	1,264	1,264	–	–	1,253	1,253
Other investments ²	28	–	–	28	58	–	–	58
	185,539	–	281,901	467,440	174,676	–	216,490	391,166

¹ As disclosed in Note 1 Significant accounting policies and Note 8 Investments in associates, since the adoption of the Investment Entities Amendments on 1 January 2014, certain investments in associates which were previously equity accounted are now accounted for at fair value and accordingly are included in the table above. The 2013 comparative figures have been restated to include these balances, effective 1 January 2013.

² At 31 December 2013, certain Other investments were omitted from the Level 1 balance in error; these assets have now been included in the restated 2013 comparative table disclosed above.

Level 3 fair value reconciliation

A reconciliation of the Group's investments during the year is provided below:

	2014 US\$'000	2013 US\$'000 (restated)
Opening ¹	216,490	219,887
Fair value gain/(loss) of associates	11	(224)
Additions to associates	–	63
Reclassification to Other investments	–	(88)
Amounts returned from associates	–	(434)
Unrealised fair value gains	38,996	65,902
Unrealised fair value losses	(19,109)	(35,161)
Disposals	–	(25,503)
Realised loss on Gemfields/Fabergé Merger	–	(7,952)
Jupiter reclassification upon delisting ²	30,257	–
Loan to Gemfields	15,226	–
Closing	281,901	216,490

¹ As disclosed in Note 1 Significant accounting policies and Note 8 Investments in associates, since the adoption of the Investment Entities Amendments on 1 January 2014, certain investments in associates which were previously equity accounted are now accounted for at fair value and accordingly are included in the table above. The 2013 comparative figures have been restated to include these balances, effective 1 January 2013.

² Jupiter delisted from the ASX effective 10 January 2014. The investment in Jupiter has been reclassified from a Level 1 to a Level 3 investment, effective the date of the delisting.

Other information

It is unlikely that the Group will invest in more than ten investments as the Investment Period has ended.

3. Realised loss on Gemfields/Fabergé Merger

Gemfields completed its merger with Fabergé on 28 January 2013. The shareholders of Fabergé (including the Group) vended their equity interests in Fabergé in return for 213,999,999 new shares in Gemfields representing approximately 40% of Gemfields' fully diluted enlarged share capital; the Group's 49% interest in Fabergé was vended into Gemfields as part of this element of the transaction.

Notes to the Consolidated Financial Statements/cont.

for the year ended 31 December 2014

3. Realised loss on Gemfields/Fabergé Merger/continued

The Group had also made certain loans to Fabergé totalling US\$50 million (excluding interest, including structuring fees). The Group exercised its right to convert its US\$50 million loan to Fabergé into equity (conditional upon completion of the transaction) and immediately vended these new Fabergé shares into Gemfields in return for new Gemfields shares, also effective 28 January 2013.

The Group realised a loss for accounting purposes on completion of the Gemfields/Fabergé Merger, as follows:

	US\$'000
<i>Realised fair value loss on disposal of Fabergé equity shares</i>	
Fair value of 60,290,905 Gemfields shares receivable	25,503
Fair value of Fabergé equity interest at previous reporting date	(33,455)
	(7,952)
<i>Realised loss on conversion of Fabergé loan to Gemfields shares</i>	
Fair value of 91,184,694 Gemfields shares receivable	38,572
Previous carrying value of Fabergé loan at previous reporting date	(50,599)
	(12,027)

The Group has owned approximately 48% of the enlarged Gemfields since the completion of the Gemfields/Fabergé Merger. The fair value of the Gemfields shares acquired at 28 January 2013 was US\$64.075 million. There are no equivalent transactions or amounts for the year ended 31 December 2014.

4. Segmental reporting

The Chief Operating Decision Maker ("CODM") is Mr Gilbertson, the Chairman, who measures the performance of each operating segment by assessing the fair value of the Group's Investment Portfolio on a regular basis. The Group's segmental reporting is based around three Investment Platforms, PGMs, Steel Making Materials, and Coloured Gemstones, each of which is categorised as an operating segment.

The segmental information provided to the CODM for the year ended 31 December 2014 is as follows:

31 December 2014	PGMs ¹ US\$'000	Steel Making Materials ² US\$'000	Coloured Gemstones ³ US\$'000	Unallocated US\$'000	Total US\$'000
<i>Income statement</i>					
Unrealised fair value gains	–	38,996	41,150	–	80,146
Unrealised fair value losses	(19,109)	–	–	–	(19,109)
Loan interest income	–	–	556	–	556
Net segmental (expense)/income	(19,109)	38,996	41,706	–	61,593
Other income				–	–
Net gains on investments and income from operations					61,593
Expenses, net finance income, fair value gain/(loss) of associates and taxation				(6,189)	(6,189)
Net segmental (loss)/profit	(19,109)	38,996	41,706	(6,189)	55,404
<i>Balance sheet</i>					
Net Asset Value	196,128	69,253	200,767	5,303	471,451

¹ The unrealised fair value loss on the PGMs segment of US\$19.109 million does not include any foreign exchange as the valuation is denominated in US\$.

² The unrealised fair value gain on the Steel Making Materials segment of US\$38.996 million does not include any foreign exchange as the valuation is denominated in US\$.

³ The unrealised fair value gain on the Coloured Gemstones segment of US\$41.150 million includes an unrealised foreign exchange loss of US\$8.252 million.

4. Segmental reporting/continued

The segmental information provided to the CODM for the year ended 31 December 2013 is as follows:

31 December 2013	PGMs ¹ US\$'000	Steel Making Materials ² US\$'000	Coloured Gemstones ³ US\$'000	Unallocated US\$'000	Total US\$'000
<i>Income statement</i>					
Unrealised fair value gains	30,742	–	20,716	–	51,458
Unrealised fair value losses	–	(10,503)	–	–	(10,503)
Realised fair value loss on disposal of Fabergé equity shares	–	–	(7,952)	–	(7,952)
Realised loss on conversion of Fabergé loan to Gemfields shares	–	–	(12,027)	–	(12,027)
Net segmental income/(expense)	30,742	(10,503)	737	–	20,976
Other income				–	–
Net gains on investments and income from operations					20,976
Expenses, net finance income, fair value gain/(loss) of associates and taxation				(6,287)	(6,287)
Net segmental profit/(loss)	30,742	(10,503)	737	(6,287)	14,689
<i>Balance sheet</i>					
Net Asset Value	215,237	30,257	144,361	26,192	416,047

¹ The unrealised fair value gain on the PGMs segment of US\$30.742 million does not include any foreign exchange as the valuation is denominated in US\$.

² The unrealised fair value loss on the Steel Making Materials segment of US\$10.503 million is net of an unrealised foreign exchange gain of US\$5.433 million.

³ The unrealised fair value gain on the Coloured Gemstones segment of US\$20.716 million includes an unrealised foreign exchange gain of US\$4.412 million.

5. Investment Manager's benefits

Investment Manager

Pallinghurst (Cayman) GP L.P. (the "Investment Manager") was appointed on 4 September 2007. The Investment Manager acts through its general partner, Pallinghurst GP Limited. The Investment Manager provides investment advisory and management services to the Group and to certain other Pallinghurst Co-Investors as detailed in the *About the Group* section.

The Partners of the Investment Manager are the following individuals:

- Brian Gilbertson
- Arne H. Frandsen
- Andrew Willis
- Sean Gilbertson
- Priyank Thapliyal

The Partners of the Investment Manager have over 100 years of collective experience in the resources sector. They have an in-depth knowledge of assets, companies, people and trends. They are recognised for their strategic insight and vision, are highly regarded by international investors, and are renowned for pioneering innovative transactions.

The Investment Manager is entitled to an Investment Manager's Benefit ("IMB") each accounting period. The basis for calculation of the IMB changed subsequent to 14 September 2012, the end of the Investment Period¹. Prior to the end of the Investment Period, the IMB was calculated as 1.5% per annum of the amount subscribed for in the Company. Since the end of the Investment Period, the basis for calculation is 1.5% per annum of the lower of either the aggregate acquisition cost, or the fair value, of the Group's unrealised investments (based on the Group's most recent published financial statements).

Notes to the Consolidated Financial Statements/cont.

for the year ended 31 December 2014

5. Investment Manager's benefits/continued

The total charge to the Consolidated Statement of Comprehensive Income for the IMB during 2014 was US\$5,593,000 (2013: US\$5,220,000). It is not possible to accurately predict the future annualised Investment Manager's Benefit as the calculation is affected by the valuation of the Group's investments and by any investment acquisitions or disposals. No prepayment had been made for the IMB at 31 December 2014 (31 December 2013: US\$1,107,000), as the quarterly payment for the IMB was made in early January 2015.

Performance Incentive

Subject to certain conditions, the Investment Manager is entitled to a Performance Incentive related to the performance of the Group's investments. The excess of the total funds returned, and/or available for return, to shareholders, over the total amount subscribed in each separate capital raising to date, will be split between the shareholders (80%) and the Investment Manager² (20%). This is subject to a Hurdle³ of 8% per annum; until the Hurdle is reached, the Investment Manager is not entitled to any Performance Incentive. The Investment Manager would only receive the Performance Incentive if aggregate returns to shareholders over the life of the Company are in excess of 8% per year.

The Directors assess whether a provision for the Performance Incentive should be made at the end of each reporting period. The Directors also assess whether the provision should be accounted for as a current or non-current liability, based on their best assessment of the likely timing of any outflow.

The provision for the Performance Incentive is calculated as follows:

- The Group's Aggregate Proceeds⁴ are allocated entirely to shareholders until such time as shareholders have received an aggregate amount of the Company's Funds⁵ plus the Hurdle.
- Thereafter, the Investment Manager is allocated all further Aggregate Proceeds until it has been allocated an amount equal to 25% of the Hurdle.
- Aggregate Proceeds are then allocated 80% to Investors and 20% to the Investment Manager.

¹ The Investment Period commenced on 14 September 2007 and ended on 14 September 2012.

² Any Performance Incentive payment may be made to the Investment Manager or an affiliate, at the election of the Investment Manager.

³ The Hurdle is calculated as 8% of the Company's Funds, compounded annually and calculated daily.

⁴ Aggregate Proceeds are equal to the Group's NAV after adding back any provision for the Performance Incentive. For this calculation, it is assumed that all investments will be disposed of at their current fair value, with no associated transaction costs, and that all proceeds will be distributed immediately. The Group's NAV, after adding back any provision for the Performance Incentive, is therefore the best estimate of the total amount available for distribution.

⁵ The Company's Funds are equal to the sum of the Company's share capital and share premium.

6. Operating expenses

	2014 US\$'000	2013 US\$'000
Amounts paid to Auditor	131	125
Independent Valuer's fees	37	33
Other legal and professional fees	20	78
Directors' fees	138	120
Administration costs	195	489
Listing, sponsor and regulatory filing fees	58	20
Fair value loss on Other investments ¹	30	30
	609	895

¹ Fair value loss on Other investments includes foreign exchange loss of US\$3,000 (fair value loss of US\$30,000 in 2013 is net of a foreign exchange gain of US\$4,000).

7. Finance income

	2014 US\$'000	2013 US\$'000
Interest received on bank deposits	8	32
	8	32

8. Investments in associates**Accounting policy**

The Group holds certain investments in associates that do not form part of the Investment Portfolio (usually as investment holding companies). In previous reporting periods, these associates were equity accounted. Since the adoption of the "Investment Entities Amendments" on 1 January 2014, these associates are now accounted for at fair value. The fair value of these associates is invariably similar to the Group's share of their net assets and this was the case for each associate throughout 2013 and 2014. The amount included in Investments in associates at 31 December 2013 is unchanged at US\$1,253,000 although the basis for accounting is now fair value rather than equity accounting in both the current and prior year.

The fair value of the Group's investments in associates is as follows:

	2014 US\$'000	2013 US\$'000
Pallinghurst Ivy Lane Capital S.à r.l.	1,158	1,177
Other associates	106	76
Closing	1,264	1,253

Pallinghurst Ivy Lane Capital S.à r.l. ("Ivy Lane") was previously named Pallinghurst Ivy Lane Capital Limited; the entity was renamed and redomiciled to Luxembourg, effective 31 December 2014. Ivy Lane's place of business is Luxembourg (prior to 31 December 2014, its place of business was Mauritius). Ivy Lane acts as an investment holding company for the Group's investment in Sedibelo Platinum Mines. The Group's interest in Ivy Lane "A" class shares is 23.65%; this also represents the Group's voting percentage. There are no significant restrictions or regulatory requirements which could impact on the ability of Ivy Lane to transfer funds, such as dividends or repayment of loans, back to the Company. Ivy Lane's year end is 31 December. Ivy Lane does not have any contingent liabilities.

There are no significant restrictions or regulatory requirements which could impact on the ability of the Group's other associates to transfer funds, such as dividends or repayment of loans, back to the Company. These other associates do not have any contingent liabilities.

Notes to the Consolidated Financial Statements/cont.

for the year ended 31 December 2014

9. Tax

Accounting policy

Taxation for the year comprises current and deferred tax. Current and deferred tax is charged or credited to the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity, in which case the taxation effect is recognised in equity. There are no items recognised directly in equity in the current year, hence there are no related tax charges or credits.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in countries where the Company operates and generates taxable income. The Company is incorporated in Guernsey and is an 'Exempt Collective Investment Scheme' under the Income Tax (Zero-10) (Guernsey) (No 2) Law, 2007.

Deferred tax is provided for in accordance with IAS12 *Income Taxes*, providing for the tax effect of temporary differences between the carrying amount of assets and liabilities for accounting purposes and the amounts used for tax assessment. Deferred tax assets and liabilities are measured using tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill on an asset or liability in a transaction (other than in a business combination) that affects neither taxable profit nor accounting profit.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle those assets on a net basis. Unrecognised deferred tax assets may be recognised in the future if sufficient taxable profits become available in the relevant jurisdictions.

The Group's tax expense is split between current and deferred tax as follows:

	2014 US\$'000	2013 US\$'000
Current tax	4	4
Deferred tax	–	–
Tax expense	4	4

The Company is exempt from Guernsey income tax under the Income Tax (Zero-10) (Guernsey) (No 2) Law 2007 and pays an annual exemption fee of £600 which is included in operating costs. Where applicable, taxation for other jurisdictions is calculated at the relevant prevailing tax rates.

The tax charge for the year reconciles to the profit per the Consolidated Statement of Comprehensive Income as follows:

	2014 US\$'000	2013 US\$'000
Profit before tax	55,408	14,693
Tax at the Guernsey tax rate of 0% (2013: 0%)	–	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	4	4
Tax expense for the year	4	4

9. Tax/continued

The Group's effective tax rate is 0.01% (2013:0.03%).

No amounts relating to tax have been recognised either in other comprehensive income, or directly in equity. The Group has not recognised any deferred tax assets in either the current or prior year. Deferred tax assets and liabilities may be offset where the Group has a legally enforceable right to do so. No such offsetting has occurred in the current or prior years.

At the balance sheet date, the Group had incurred fair value losses on its investments of US\$38.349 million (2013: US\$79.860 million). No deferred tax asset has been recognised in relation to these temporary differences as it is not considered probable that there will be future taxable profits available, in the relevant jurisdictions, for the Group to utilise these temporary differences. The temporary differences may be carried forward indefinitely. Temporary differences relating to the unremitted earnings of overseas subsidiaries and associates are not significant. The Group had no other tax losses or credits at the year end.

10. Trade and other receivables

Accounting policy

Trade and other receivables include prepayments. A provision for impairment of trade and other receivables is made if there is evidence that amounts are unlikely to be recovered.

	2014 US\$'000	2013 US\$'000
Prepaid Investment Manager's Benefit	–	1,107
Other prepayments	32	36
Other amounts receivable	96	9
	128	1,152

11. Trade and other payables

Accounting policy

Trade and other payables are stated based on the amounts which are considered to be payable to third parties at the balance sheet date.

	2014 US\$'000	2013 US\$'000
Audit fee accrual	97	101
Administration costs payable	7	44
Accrual for Independent Valuer's fee	19	18
Director's fees	5	13
Other payables	71	2
	199	178

Notes to the Consolidated Financial Statements/cont.

for the year ended 31 December 2014

12. Share capital

Accounting policy

Shares issued are recognised at the fair value of consideration received, with the excess over the nominal value of the shares credited to share premium. Directly attributable share issue costs are deducted from share premium rather than included in profit or loss.

The Company has issued ordinary shares and Management Shares. Ordinary shares entitle the holder to a vote in shareholder meetings and to receive dividends. In the event of the Company's windup, Management Shares carry the right to receive notice of, attend and vote at any general meeting of the Company, provided that no ordinary shares are in issue at such date. Holders of the Management Shares will only receive their nominal value once the holders of the ordinary shares have received the fair value of their shares. Accordingly, the holders of Management Shares do not have the right to receive nor participate in any distributions of the Company, including dividends.

Authorised share capital:

	2014 US\$	2013 US\$
Ten Management Shares of US\$1 each	10	10
999,000,000 ordinary shares of US\$0.00001 each	9,990	9,990
	10,000	10,000

Issued share capital:

	2014 US\$	2013 US\$
Two Management Shares of US\$1 each	2	2
760,452,631 ordinary shares of US\$0.00001 each	7,604	7,604
	7,606	7,606

13. Cash outflows from operations

	Notes	2014 US\$'000	2013 US\$'000
Net profit after tax		55,404	14,689
<i>Adjustments for:</i>			
Unrealised fair value gains	2	(80,146)	(51,458)
Unrealised fair value losses	2	19,109	10,503
Realised fair value loss on disposal of Fabergé equity	3	–	7,952
Realised loss on conversion of Fabergé loan to Gemfields shares	3	–	12,027
Additions to investments	2	–	(2,654)
Loans extended to investments	2	(14,700)	–
Accrued loan interest income	2	(556)	–
Unrealised fair value loss on Other investments		30	30
Fair value (gain)/loss of associates	8	(11)	224
Tax expense	9	4	4
Foreign exchange gain on cash		–	(24)
Operating cash flows before movements in working capital		(20,866)	(8,707)
Decrease in trade and other receivables		1,024	228
Increase in trade and other payables		21	19
Cash used in operations		(19,821)	(8,460)
Tax paid		(4)	(4)
Net cash used in operating activities		(19,825)	(8,464)

Notes to the Consolidated Financial Statements/cont.

for the year ended 31 December 2014

14. Financial risk management

Capital structure

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern while taking advantage of strategic opportunities in order to provide sustainable returns for shareholders.

The Group's capital mostly consists of equity shares. There are also two Management Shares. The Company's articles of association restrict borrowing to 30% of total assets. The Group currently has no borrowing or borrowing facilities and therefore the Directors do not formally monitor the Group's gearing ratio. The Group is not subject to any external capital requirements. No dividends have been paid out to shareholders since incorporation. No changes have been made to the Group's capital management objectives, policies or procedures during either 2014 or 2013.

CREDIT RISK

The Group is subject to credit risk on its loans, receivables and cash. The Group may make loans to investments within the Investment Portfolio; the Group has currently extended a US\$15 million loan to Gemfields. The non-repayment of this loan would have a material effect on the Group. The Group provides against any loan where non-repayment is considered likely for any reason. No such provision has been recorded against the Gemfields' loan and the fair value of the loan has not been reduced to reflect Gemfields' credit risk at any point. The Group holds materially all of its cash balances with two counterparties, Deutsche Bank International Limited, which is an indirect subsidiary of Deutsche Bank Group ("Deutsche") and HSBC Bank plc ("HSBC"). The Group also holds certain cash balances with Investec Bank (Channel Islands) Limited, a subsidiary of Investec. The Group's subsidiaries and associates may also hold cash balances with various other banks; these are usually immaterial amounts. The Group's investments hold cash balances with a range of counterparties. Bankruptcy or insolvency of any of these counterparties could have a significant adverse impact on the Group.

The Group's exposure to counterparty risk at 31 December 2014 is set out below:

Counterparty	Location	Credit rating (Fitch)	2014 US\$'000	2013 US\$'000
Gemfields	United Kingdom	n/a	15,256	–
Deutsche	Guernsey	A plus	2,061	12,209
HSBC	United Kingdom	AA minus	1,986	11,640
Investec	Guernsey	BBB minus	1	24
Other counterparties	Various	n/a	130	34
Total			19,434	23,907

Bankruptcy or insolvency of any of these counterparties could have a significant adverse impact on the Group. The Group's subsidiaries and associates also hold immaterial cash balances with various other banks. The failure of one of these counterparties would be unlikely to have a significant impact on the Group. The Directors monitor the Group's range of counterparties to ensure that the Group's credit/counterparty risk is at an appropriate level.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities. The Group does not hold any financial liabilities at discounted values and does not have any commitments to make any specific further investments at the current time. The Directors monitor the Group's liquidity and cash balances on an ongoing basis.

MARKET RISK

The significant market risks affecting the Group are currency risk, interest rate risk, price risk and commodity risk. Most of this risk relates to the investments within the Investment Portfolio, which are carried at fair value and are often denominated in foreign currencies.

14. Financial risk management/continued

Currency risk

The Group undertakes transactions and holds assets and liabilities in currencies other than the US\$ and is therefore exposed to currency risk. The Group may enter into equity or loan investments in currencies other than the US\$. These balances are translated at the end of each reporting period, and the related foreign exchange gain or loss is included in the Consolidated Statement of Comprehensive Income. The Directors consider the denomination of each investment as part of the initial decision as to whether to invest in an asset.

The Group's policy is to hold all material cash balances in US\$ at all times, other than when allocated for a specific investment or for specific, material expenses. Cash balances are translated into a currency other than US\$ only when an outflow of cash is imminent, or if required for legal or similar reasons. The Group may occasionally hold balances in currencies other than the US\$ for a material investment which is considered likely but is not yet certain, giving rise to potential foreign exchange risk if the investment does not occur and the balance is translated back into US\$ at a different exchange rate. Alternatively, for specific material cash outflows (which would usually be for either an investment or expenses), the Group may choose to enter into an appropriate hedging strategy, such as a forward contract or option, to minimise the Group's foreign exchange exposure. The Group does not usually designate these derivatives as hedges, or apply hedge accounting; gains and losses on both the derivative and the hedged item will usually offset naturally within the Consolidated Statement of Comprehensive Income.

The sensitivity analysis has been performed based on the sensitivity of the Group's net financial assets to movements in foreign exchange rates assuming the currency has moved 10% versus the US\$.

At 31 December 2014	US\$ US\$'000	GBP US\$'000	EUR US\$'000	AUD US\$'000	Total US\$'000
Net financial assets	270,638	200,767	14	–	471,419
Sensitivity analysis					
Impact on the Income Statement, assuming a 10% movement against the US\$	n/a	20,077	1	–	20,078

At 31 December 2013	US\$ US\$'000	GBP US\$'000	EUR US\$'000	AUD US\$'000	Total US\$'000
Net financial assets	240,243	144,387	8	30,257	414,895
Sensitivity analysis					
Impact on the Income Statement, assuming a 10% movement against the US\$	n/a	14,439	1	3,026	17,466

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its cash balances. The Group's policy is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments which are for a maximum of one year and are usually for shorter time periods than that. This maintains the Group's liquidity levels whilst also ensuring a return for shareholders on uninvested cash. During the current and prior year, all uninvested cash was accessible either on demand, or shortly afterwards.

In addition, the Group may make interest bearing loans to its investments; the Group has made a loan of US\$15 million to Gemfields which is outstanding at 31 December 2014. The Group may make non-interest bearing loans to companies within the Investment Portfolio in certain circumstances.

Notes to the Consolidated Financial Statements/cont.

for the year ended 31 December 2014

14. Financial risk management/continued

31 December 2014	Repayable within one month US\$'000	Repayable within one to six months US\$'000	Repayment not anticipated US\$'000	Total US\$'000
Cash and cash equivalents	4,082	–	–	4,082
Gemfields loan	–	15,256	–	15,256
Loans and receivables	–	96	–	96
Financial assets subject to interest rate risk	4,082	15,352	–	19,434

31 December 2013	Repayable within one month US\$'000	Repayable within one to six months US\$'000	Repayment not anticipated US\$'000	Total US\$'000
Cash and cash equivalents	23,907	–	–	23,907
Loans and receivables	–	–	–	–
Financial assets subject to interest rate risk	23,907	–	–	23,907

An analysis of the expected maturity of the Group's financial assets at the balance sheet date is shown below. Expected maturities are usually based on contractual maturities. The sensitivity analyses below have been determined based on the exposure to interest rates for the Group's financial instruments at the balance sheet date. When the Directors consider the impact of changes in interest rates on the Group, a 0.5% increase or decrease is used for analysis. The Directors consider this to be a reasonably possible change in interest rates in the current interest rate environment.

At 31 December 2014	Repayable within one month US\$'000	Repayable within one to six months US\$'000	Repayment not anticipated US\$'000	Total US\$'000
Financial assets subject to interest rate risk	4,082	15,352	–	19,434
<i>Sensitivity analysis</i>				
Impact on the Income Statement, assuming a 0.5% movement in interest rate	20	77	–	97

At 31 December 2013	Repayable within one month US\$'000	Repayable within one to six months US\$'000	Repayment not anticipated US\$'000	Total US\$'000
Financial assets subject to interest rate risk	23,907	–	–	23,907
<i>Sensitivity analysis</i>				
Impact on the Income Statement, assuming a 0.5% movement in interest rate	120	–	–	120

14. Financial risk management/continued

Price risk

Price risk is the risk that the price for listed investments fluctuates with a corresponding impact on the Consolidated Statement of Comprehensive Income. The Directors' valuations for unlisted investments are also likely to increase or decrease over time. The Directors believe that disclosure of a 25% decrease/increase in the fair values of the Group's investments is reasonably possible and presents relevant information to shareholders. A 25% change in the fair value of investments would have the following impact on the Consolidated Statement of Comprehensive Income:

	2014			2013		
	Quoted US\$'000	Unquoted US\$'000	Total US\$'000	Quoted US\$'000	Unquoted US\$'000	Total US\$'000
Total	46,378	66,661	113,039	43,655	54,123	97,777

Commodity risk

The Group has significant investments in mining assets and changes in commodity prices are a key risk to the business. However, the Group does not consolidate any mining assets or hold any physical commodities on its balance sheet, so commodity price changes have no direct impact on the Financial Statements. The impact of commodity prices is therefore omitted from this analysis (as it is not possible to quantify the impact). Nonetheless, users of the Financial Statements should be aware that commodity price movements, particularly of PGMs, manganese and iron ore, and coloured gemstone prices, are likely to impact on the valuations of the Group's investments.

Sensitivity analyses representative for the position throughout the year

The sensitivity analyses presented above are based on the financial instruments held at the year end. The sensitivity analyses presented for 31 December 2014 are considered likely to be representative of the financial instruments held and risks to the balance sheet in the immediate future. The mix of financial instruments is broadly similar at 31 December 2014 compared to 31 December 2013. Nonetheless, users of the Financial Statements should be aware that the Group's risk profile can change over time; for example, if the Group divested of an investment, its exposure to market risks would change. As there is uncertainty as to how the Group's risk profile will change in the future, no further more representative sensitivity disclosure has been disclosed as the Directors do not believe that it would be useful.

15. Related party transactions

The Group's subsidiaries, joint ventures and associates are related parties. Investments within the Group's Investment Portfolio are also usually related parties; the Investment Portfolio consists of investments held at fair value and loans to portfolio companies. Certain individuals act as both Directors of the Company and also as directors of the Group's investments. Mr Gilbertson is the chairman of Sedibelo Platinum Mines and Jupiter, and Mr Frandsen is a director of Sedibelo Platinum Mines. The Investment Manager acts through its general partner, Pallinghurst GP Limited. The directors of Pallinghurst GP Limited are Mr Gilbertson, Mr Frandsen, Mr Willis, Mr Harris and Mr Tolcher. The Investment Manager is a related party due to the common directorships between the Group and Pallinghurst GP Limited. Orangefield Legis acts as the Group's administrator, company secretary and registrar. Mr Platt-Ransom, Mr O'Mahoney and Ms White are directors of Orangefield Legis and/or certain entities within the Orangefield Legis group. Ms White resigned from the Board on 15 March 2013. The Group's relationship with Orangefield Legis is at arm's length.

Notes to the Consolidated Financial Statements/cont.

for the year ended 31 December 2014

15. Related party transactions/continued

Related party transactions include entering into equity investments, exiting from equity investments and loan transactions. Related party transactions related to the Group's investments are detailed in Note 2 *Investment Portfolio*. Certain amounts are payable by the Group to the Investment Manager as disclosed in Note 5 *Investment Manager's benefits*.

The amounts paid to the Non-Executive Directors for services during 2014 are set out below:

31 December 2014	Directorship of the Company US\$'000	Directorship of other Group companies US\$'000	Audit Committee US\$'000	Lead Independent Director US\$'000	Total US\$'000
Stuart Platt-Ransom	30	–	3	2	35
Clive Harris	30	5	3	–	38
Martin Tolcher	30	–	5	–	35
Dr Christo Wiese	30	–	–	–	30
Total	120	5	11	2	138

31 December 2013	Directorship of the Company US\$'000	Directorship of other Group companies US\$'000	Audit Committee US\$'000	Lead Independent Director US\$'000	Total US\$'000
Stuart Platt-Ransom	25	–	3	2	30
Clive Harris	25	5	3	–	33
Martin Tolcher	25	–	3	–	28
Dr Christo Wiese ¹	22	–	–	–	22
Patricia White ²	5	–	–	–	5
Total	102	5	9	2	118

¹ Amount relates to the period 11 February 2013–31 December 2013.

² Amount relates to the period 1 January 2013–15 March 2013.

15. Related party transactions/continued

The interests in PRL equity shares held by the Directors are set out below:

	31 December 2014		31 December 2013	
	Number of shares	Interest	Number of shares	Interest
Dr Christo Wiese ¹	149,034,253	19.60%	146,783,799	19.30%
The Brian Gilbertson Discretionary Settlement ²	24,261,669	3.19%	24,261,669	3.19%
Arne H. Frandsen	3,727,460	0.49%	3,727,460	0.49%
Andrew Willis	2,446,054	0.32%	2,446,054	0.32%
Clive Harris	437,652	0.06%	437,652	0.06%
	179,907,088	23.66%	177,656,634	23.36%

¹ At 31 December 2014, Dr Wiese held indirect interests in 149,034,253 PRL shares via various entities. In addition, certain family members held a further 2,204,700 shares; including these interests would increase Dr Wiese's shareholding to 19.89%.

² A discretionary trust of which Brian Gilbertson is a beneficiary.

There have been no changes to these shareholdings up to the date of signature of the Annual Report.

The interests in PRL equity shares held by the other Partners of the Investment Manager are set out below:

	31 December 2014		31 December 2013	
	Number of shares	Interest	Number of shares	Interest
Sean Gilbertson	4,175,536	0.55%	4,175,536	0.55%
Priyank Thapliyal	4,175,536	0.55%	4,175,536	0.55%
	8,351,072	1.10%	8,351,072	1.10%

There have been no changes to these shareholdings up to the date of signature of the Annual Report.

The Group's expense for services rendered by Orangefield Legis during 2014 was US\$157,000 (2013: US\$110,000).

Notes to the Consolidated Financial Statements/cont.

for the year ended 31 December 2014

16. Per share information

Accounting policy

NAV per share and Earnings Per Share ("EPS") are key performance measures for the Group. NAV per share is based on net assets divided by the number of ordinary shares in issue at 31 December 2014. EPS is based on profit for the year divided by the weighted average number of ordinary shares in issue during the year. There are no dilutive indicators or dilutive ordinary shares in issue.

Headline Earnings Per Share ("HEPS") is similar to EPS, except that attributable profit specifically excludes certain items, as set out in Circular 2/2013 "Headline earnings" ("Circular 2/2013") issued by the South African Institute of Chartered Accountants ("SAICA"). None of these exclusions are relevant to the Group and EPS is equal to HEPS in the current and prior year.

NAV per share

The Group's US\$ NAV per share is as follows:

	31 December 2014	31 December 2013
Net assets – US\$'000	471,451	416,047
Number of shares in issue	760,452,631	760,452,631
NAV per share – US\$	0.62	0.55

Tangible NAV is similar to NAV but excludes intangible assets such as goodwill or IT software. The Group does not hold any intangible assets and NAV is equal to Tangible NAV.

The Group's EPS is as follows:

	31 December 2014	31 December 2013
Profit for the year – US\$'000	55,404	14,689
Weighted average number of shares in issue	760,452,631	760,452,631
Earnings Per Share – US\$	0.07	0.02

There are no reconciling items between EPS and HEPS and they are equal to each other. There are no dilutive shares and HEPS is equal to dilutive HEPS.

17. Subsidiaries

The Group's subsidiaries are set out below. All interests are held directly or indirectly by the Company and are consolidated within these Financial Statements. The note includes all of the Group's subsidiaries, none have been omitted.

Company	Country of incorporation	Group % interest at 31 December 2014	Group % interest at 31 December 2013
Pallinghurst Resources (Guernsey) GP Ltd	Guernsey	100	100
The Pallinghurst Resources Fund L.P.	Cayman Islands	99.99	99.99
Pallinghurst Consolidated (Cayman) Ltd	Cayman Islands	100	100
Pallinghurst Consolidated (Lux) S.à r.l.	Luxembourg	100	100
Pallinghurst Consolidated (Dutch) B.V.	The Netherlands	100	100
Pallinghurst Steel Feed (Dutch) B.V.	The Netherlands	100	100

There are no restrictions on any assets or liabilities of any of these subsidiaries.

18. Contingent liabilities and contingent assets

The Group has acted as a limited guarantor for the lease of Fabergé's New York retail outlet at 694 Madison Avenue since 31 August 2011. One of the conditions of the Gemfields/Fabergé Merger was that Gemfields either take over as guarantor from PRL, or that Gemfields indemnify the Group against any potential liability to the landlord. Gemfields have provided an indemnification to the Group against any loss from this guarantee. The Directors' assessment is that the maximum amount of the Group's contingent liability continues to be US\$0.2 million, although any such loss should be recoverable from Gemfields under the terms of the indemnity.

The Group had no other significant contingent liabilities or contingent assets at 31 December 2014 or 31 December 2013.

19. Commitments

The Group had no material commitments at the date of signature of these Financial Statements.

20. Events occurring after the end of the year

Approval of Annual Report

The Annual Report was approved by the Directors and authorised for issue on 20 March 2015.

Independent Auditor's Report

to the shareholders of Pallinghurst Resources Limited

We have audited the financial statements of Pallinghurst Resources Limited for the year ended 31 December 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

This report is made solely to the Company's members, as a body, in accordance with section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the United Kingdom Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view;
- are in accordance with International Financial Reporting Standards; and
- comply with The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company;
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Saffery Champness
Chartered Accountants
Guernsey
20 March 2015

Shareholder Information

for the year ended 31 December 2014

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1,000 shares	426	11.68	227,535	0.03
1,001 – 10,000 shares	1,726	47.33	8,437,936	1.11
10,001 – 100,000 shares	1,189	32.60	38,392,134	5.05
100,001 – 1,000,000 shares	239	6.55	70,571,323	9.28
1,000,001 shares and over	67	1.84	642,823,703	84.53
	3,647	100	760,452,631	100
Distribution of shareholders				
Banks	36	0.99	46,740,577	6.15
Brokers	6	0.16	102,607	0.01
Close Corporations	61	1.67	2,958,322	0.39
Endowment Funds	6	0.16	1,752,764	0.23
Individuals	2,966	81.33	84,895,491	11.16
Insurance Companies	9	0.25	107,822,238	14.18
Investment Companies	4	0.11	45,174,295	5.94
Mutual Funds	38	1.04	107,623,581	14.15
Nominees and Trusts	343	9.40	61,494,206	8.09
Other Corporations	32	0.88	785,479	0.10
Pension Funds	26	0.71	64,919,007	8.54
Private Companies	119	3.26	235,658,881	30.99
Public Companies	1	0.03	525,183	0.07
	3,647	100	760,452,631	100
Public/non-public shareholders				
Public shareholders	3,634	99.64	572,194,471	75.24
Non-public shareholders	13	0.36	188,258,160	24.76
Holdings of Directors and Partners of the Investment Manager ¹	13	0.36	188,258,160	24.76
	3,647	100	760,452,631	100
Shareholders holding 5% or more				
			Number of shares	%
Dr Christo Wiese ²			149,034,253	19.60
Old Mutual Investment Group (South Africa) (Pty) Limited			69,836,017	9.18
Solway Finance Limited			67,386,056	8.86
Oasis Crescent Capital (Pty) Ltd			59,433,951	7.82
Oasis Asset Management Ltd			58,395,290	7.68
Momentum Asset Management			54,085,902	7.11

¹ Dr Wiese's interest has been included within "Holdings of Directors and Partners of the Investment Manager" rather than as a "Shareholder holding 10% or more". Five PRL Directors and two Partners of the Investment Manager own shares in PRL, as detailed in the financial statements. For the split of public/non-public shareholders disclosed above, each of Dr Wiese's interests has been classified as a separate shareholder; this has increased the number of separate shareholdings to 13.

² At 31 December 2014, Dr Wiese held indirect interests in 149,034,253 PRL shares via various entities. In addition, a further 2,204,700 shares, or 0.29%, are held by members of Dr Wiese's immediate family; including these shares would increase Dr Wiese's total shareholding to 19.89%.

Company Details

Directors

Brian Gilbertson
Arne H. Frandsen
Andrew Willis¹
Dr Christo Wiese
Stuart Platt-Ransom²
Martin Tolcher
Clive Harris
Chris Powell¹
Brian O'Mahoney²

¹ Mr Powell acts as Permanent Alternate to Mr Willis.

² Mr O'Mahoney acts as Permanent Alternate to Mr Platt-Ransom.

General Partner of the Investment Manager

Pallinghurst GP Limited³
2nd Floor
23–25 Le Pollet
St Peter Port
Guernsey, GY1 1WQ
Channel Islands

³ Previously Pallinghurst (Cayman) GP Limited.

Investment Advisor (London)

Pallinghurst Advisors LLP
54 Jermyn Street
London
SW1Y 6LX
United Kingdom

Legal Advisor (Guernsey)

Mourant Ozannes
1 Le Marchant Street
St Peter Port
Guernsey
GY1 4HP
Channel Islands

Legal Advisor (Bermuda)

Appleby Global
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Investment Bank and JSE Sponsor

Investec Bank Limited
100 Grayston Drive
Sandton, 2196
South Africa

South African Transfer Secretary

Computershare Investor Services (Pty) Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001
South Africa

Administrator, Company Secretary and Registrar

Orangefield Legis Fund Services Limited⁴
11 New Street
St Peter Port
Guernsey
GY1 2PF
Channel Islands

⁴ Previously Legis Fund Services Limited.

Registered Office

11 New Street
St Peter Port
Guernsey
GY1 2PF
Channel Islands

Investment Advisor (South Africa)

Pallinghurst Advisors (Pty) Limited
PO Box 12160
Die Boord
Western Cape, 7613
South Africa

Legal Advisor (South Africa)

Edward Nathan Sonnenbergs Inc
150 West Street
Sandton, 2196
South Africa

BSX Sponsor

Clarien Investments Limited
25 Reid Street, 4th Floor
Hamilton HM11
Bermuda

Auditor

Saffery Champness Chartered Accountants
PO Box 141
St Sampson
Guernsey
GY1 3HS
Channel Islands

Notice of Annual General Meeting

All terms defined in the Annual Report, to which this notice of Annual General Meeting ("AGM") is attached, shall bear the same meanings when used in this notice of AGM.

NOTICE IS HEREBY GIVEN that the AGM of shareholders of the Company will be held at Legis House, 11 New Street, St Peter Port, Guernsey on Wednesday, 5 August 2015 at 11 a.m. (British Summer Time) to conduct such business as may lawfully be dealt with at the AGM.

Shareholders are advised that meeting participants (including proxies) may be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the AGM. Forms of identification that will be accepted include a driver's licence or passport.

Dates and voting

The Board has determined the following:

- Those shareholders registered on the Company's shareholders' register on Friday, 19 June 2015 will receive notice of the AGM.
- Those shareholders registered on the Company's shareholders' register at 11 a.m. (British Summer Time) on Thursday, 30 July 2015 will be eligible to participate and vote. In the event that the AGM is adjourned, those shareholders registered on the shareholders' register four full business days (in Guernsey) before the time of any adjourned meeting will be eligible to participate and vote.
- Voting will be by way of a poll and every shareholder, present in person or represented by proxy and entitled to vote, shall be entitled to one vote for every share held.

Proxies

A shareholder is entitled to attend the AGM in person and vote or to appoint a proxy (or proxies) to attend and to speak and, on a poll, vote instead of him/her. A proxy need not be a shareholder. A shareholder may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him/her. The appointment of a proxy will not prevent a shareholder from subsequently attending the AGM and voting in person.

To be effective, a Form of Proxy, and any power of attorney or other authority under which it is signed (or a certified or notarised copy of any such authority) must be completed, signed and either lodged, not less than three business days before the time for holding the meeting or adjourned meeting, at the following address:

Computershare Investor Services (Pty) Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001
South Africa
(PO Box 61051, Marshalltown, 2107 South Africa)

OR lodged, not less than two business days before the time for holding the meeting or adjourned meeting, at the following address:

PO Box 91
Legis House
11 New Street
St Peter Port
Guernsey, GY1 3EG
Channel Islands

OR

faxed not less than two business days before the time for holding the meeting or adjourned meeting to +44 1481 712167

Notice of Annual General Meeting/cont.

for Pallinghurst Resources Limited (the "Company")

OR

emailed not less than two business days before the time for holding the meeting or adjourned meeting to fund.enquiries.gg-spt@orangefield.com.

Forms of Proxy submitted for the original meeting will remain valid for any adjourned meeting. **If you do not intend to attend the AGM please complete and return the form of proxy as soon as possible.**

Ordinary resolutions

For each of the ordinary resolutions to be passed, it must be supported by more than 50% of the votes cast.

Ordinary resolution 1: To adopt the Company's Annual Report for the year ended 31 December 2014.

The Group's Annual Report for the year ended 31 December 2014, including the financial statements, auditor's report and Directors' report, has been distributed as required and will be presented to shareholders at the AGM. The Annual Report can be found on the Company's website, www.pallinghurst.com.

Ordinary resolution 2: To re-elect Dr Christo Wiese, who is retiring by rotation, as a Director of the Company.

It is proposed that Dr Christo Wiese, who was first appointed as a Director on 11 February 2013 and who retires in accordance with the terms of the Company's articles of association, and who is eligible and available for re-election, is re-elected as a director of the Company with immediate effect.

A curriculum vitae for Dr Christo Wiese is included in the Annual Report in the Governance section.

Ordinary resolution 3: To re-elect Stuart Platt-Ransom, who is retiring by rotation, as a Director of the Company.

It is proposed that Stuart Platt-Ransom, who was first appointed as a Director on 4 September 2007 and who retires in accordance with the terms of the Company's articles of association, and who is eligible and available for re-election, is re-elected as a director of the Company with immediate effect.

A curriculum vitae for Stuart Platt-Ransom is included in the Annual Report in the Governance section.

Ordinary resolution 4: Election of Audit Committee members.

It is proposed that Stuart Platt-Ransom, an independent non-executive director of the Company, is elected to the Company's Audit Committee (subject to his re-election as a Director pursuant to ordinary resolution 3).

It is proposed that Martin Tolcher, an independent non-executive director of the Company, is elected to the Company's Audit Committee.

It is proposed that Clive Harris, an independent non-executive director of the Company, is elected to the Company's Audit Committee.

Curricula vitae for Stuart Platt-Ransom, Martin Tolcher and Clive Harris are included in the Annual Report in the Governance section.

Ordinary resolution 5: To reappoint Saffery Champness as the Company's auditor (until the conclusion of the 2016 annual general meeting) and to authorise the Directors to fix their remuneration.

It is proposed that Saffery Champness be reappointed as the Company's auditor until the conclusion of the 2016 annual general meeting, in line with the recommendation of the Audit Committee to the Board.

Special resolutions

For each of the special resolutions to be passed, it must be supported by not less than 75% of the votes cast.

Background to the special resolutions

The Companies (Guernsey) Law, 2008, as amended, was introduced in Guernsey on 1 July 2008 as a significant revision of Guernsey's company legislation, replacing the Companies (Guernsey) Law 1994, as amended. This revision was designed to modernise Guernsey's company legislation to introduce the flexibility required of a modern corporate structure.

One of the effects of the introduction of the Companies (Guernsey) Law, 2008, as amended, was that certain provisions in the constitutional documents of Guernsey companies designed to work under the Companies (Guernsey) Law 1994, as amended, no longer worked (or no longer worked as intended). As such, at the time the new legislation came into force, transitional provisions allowed for, amongst other things, a company to continue to operate using its existing memorandum and articles of incorporation. The transitional provisions in respect of a company continuing to function in respect of constitutional documents drafted for use under the Companies (Guernsey) Law 1994, as amended, will expire on 31 December 2016 (as extended with effect from 7 May 2015).

One of the reasons this transitional provision has been extended (it having an initial expiration date of 1 January 2010) was to allow companies making changes to their memorandum and articles of incorporation to do so with the benefit of certain expected amendments to the Companies (Guernsey) Law, 2008, as amended. That is, the extension of the transitional provision sought to ensure that a company did not make changes to its articles and then have to make further changes once the amendments to the Companies (Guernsey) Law, 2008, as amended, were effected. The Company has been advised that there is now clarity in Guernsey as to the further amendments to the Companies (Guernsey) Law, 2008, as amended, meaning that a single update of the Company's memorandum and articles of incorporation for compliance with the Companies (Guernsey) Law, 2008, as amended, is possible.

Many Guernsey companies, particularly listed Guernsey companies, have already updated their memorandum and articles of incorporation to comply with the Companies (Guernsey) Law, 2008, as amended. It is therefore proposed that certain amendments are made to the Company's existing memorandum of association (to be renamed the "Memorandum of Incorporation") and that new articles of incorporation ("Articles of Incorporation") replace the Company's existing articles of association, to reflect those changes brought in pursuant to the Companies (Guernsey) Law, 2008, as amended. The Articles of Incorporation have also been updated (where relevant) to reflect changes to the JSE Listings Requirements applicable to the Company and comments on the Articles of Incorporation received from the JSE.

The following is a summary of the material amendments proposed in respect of both the memorandum of association and the articles of association but should not be considered an exhaustive list of all the proposed changes. Changes of a minor, technical or clarifying nature are not highlighted below.

Shareholders are advised not to rely on the following summary alone but rather to read the amended Memorandum of Incorporation and the Articles of Incorporation and to seek independent legal or financial advice as appropriate. Copies of the existing articles of association and the proposed Articles of Incorporation will be available for inspection at the Company's registered office, and from the office of the Investment Advisor in South Africa, during usual business hours on weekdays (excluding public holidays) from the date of this Notice of Meeting until the conclusion of the AGM. Copies of all documents will also be available at the AGM.

References below to a particular article refer to the new Articles of Incorporation.

Special resolution 1: Conditional upon special resolution 2 also being passed, to amend the Company's memorandum of association (renamed as the Memorandum of Incorporation)

The amended Memorandum of Incorporation includes the following changes:

1. the front page of the amended Memorandum of Incorporation will reflect that the Company was incorporated under the Companies (Guernsey) Law, 1994, as amended; however, that, following adoption of the Memorandum of Incorporation and Articles of Incorporation, it will continue to be organised under the Companies (Guernsey) Law, 2008, as amended;

Notice of Annual General Meeting/cont.

2. under the Companies (Guernsey) Law, 2008, as amended, the memorandum of association is referred to as a "Memorandum of Incorporation". Therefore any references to the term "memorandum of association" will be replaced with the term "Memorandum of Incorporation";
3. the Company will be stipulated as being a 'non-cellular company' to comply with the Companies (Guernsey) Law, 2008, as amended;
4. whereas the Companies (Guernsey) Law, 1994, as amended, required the Company to have a prescribed set of objects, the Companies (Guernsey) Law, 2008, as amended, permits the objects of a company to be unrestricted and therefore the objects and powers of the Company will be stipulated as 'not restricted' and the list of objects for which the Company was incorporated will be deleted. The effect of this change is not to expand upon the activities of the Company but, rather, to reduce the risk of the imposition of unnecessary restrictions;
5. there is no longer a requirement under the Companies (Guernsey) Law, 2008 as amended, for companies to maintain authorised share capital; as such paragraph 5 of the existing memorandum of association, which refers to authorised share capital, will be deleted;
6. paragraph 6 of the existing memorandum of association (stating that shares will be paid up according to the terms of their allotment as the Directors think fit) will be deleted in its entirety as the issue and allotment of shares is now dealt with in the body of the Articles of Incorporation and no longer need form part of the Memorandum of Incorporation; and
7. the final paragraph (common signature) of the memorandum of association will be deleted in its entirety and moved to the Articles of Incorporation (Article 32) as, under the Companies (Guernsey) Law, 2008, as amended, a company's common signature need no longer form part of its Memorandum of Incorporation.

Accordingly, special resolution 1 reads as follows:

1. Conditional upon special resolution 2 also being passed, to amend the Company's memorandum of association as follows:
 - a. in accordance with regulation 2(1)(b) of the Companies (Transitional Provisions) Regulations, 2008 (the "Regulations") the Company's memorandum of association be amended by the deletion of paragraphs 5, 6 and 7 in their entirety;
 - b. in accordance with section 38(5) of the Companies (Guernsey) Law, 2008, as amended, paragraph 3 of the Company's memorandum of association be amended so that the objects of the Company be deleted and replaced in their entirety by the insertion of the following statement and relabelled paragraph 5: "The objects and powers of the Company are not restricted.";
 - c. in accordance with regulation 2(1)(a) of the Regulations, a new paragraph 3 be inserted into the Company's memorandum of association which reads: "The Company is a non-cellular company", in accordance with the requirements of section 15(2)(c) of the Companies (Guernsey) Law, 2008, as amended; and
 - d. in accordance with regulation 2(1)(a) of the Regulations, paragraph 4 of the Company's memorandum of association be amended so that it reads: "The liability of each Member of the Company is limited to the amount (if any) for the time being unpaid on the shares held by him", in accordance with the requirements of section 15(2)(d) of the Companies (Guernsey) Law, 2008, as amended.

Special resolution 2: Conditional upon special resolution 1 also being passed, to adopt the Company's new Articles of Incorporation in substitution for and to the exclusion of the Company's existing articles of association

The Articles of Incorporation include the following changes:

1. under the Companies (Guernsey) Law, 2008, as amended, articles of association are referred to as 'Articles of Incorporation'. Therefore references to the term 'articles of association' will be replaced with the term 'Articles of Incorporation';

2. under the Companies (Guernsey) Law, 2008, as amended, standard articles are prescribed pursuant to section 16(2) thereof. These standard articles have been specifically disapplied in their entirety in order for the Company to maintain its bespoke Articles of Incorporation – Article 1;
3. certain definitions will be added and/or amended in the Articles of Incorporation in order to comply with the Companies (Guernsey) Law, 2008, as amended, and also to reflect amendments made to update historic and/or outdated information regarding the Company – Article 2;
4. amendments to the provisions relating to share capital will be made as a consequence of the Company no longer being required to maintain an authorised share capital and to conform with the Companies (Guernsey) Law, 2008, as amended. The Articles of Incorporation now state that the Directors have authority to issue shares for a period of five (5) years, following adoption of the Articles of Incorporation. Following the expiry of the five (5) year period the Directors will require shareholder approval to extend this authority for a further period (not exceeding five (5) years). This authority remains subject to the Company's existing pre-emption provisions (Article 6.2) which remain unaffected by the adoption of the Articles of Incorporation, and subject also to the JSE Listings Requirements – Articles 4.2 and 4.3;
5. in addition to the above, references in the existing articles of association to authorised share capital have been removed;
6. provisions in relation to the repurchase of shares by the Company will be updated to clarify that the Company may make payment for any repurchases from any account or source (as permitted under the Companies (Guernsey) Law, 2008, as amended). Provision will also be made that any repurchases will be subject to the JSE Listings Requirements – Article 4.6;
7. provisions in relation to the issue of shares generally will be updated to clarify, *inter alia*, that the Company may issue redeemable shares and shares of no par value or par value, or a combination of both, subject in each case to the JSE Listings Requirements. Further, a new provision will be inserted to provide that if any fraction of a share is to be issued then, subject to compliance with the JSE Listings Requirements, fractions of less than 0.5 may be rounded down to the nearest whole number and fractions of 0.5 or more may be rounded up to the nearest whole number. This latter amendment is a requirement of the JSE Listings Requirements – Article 5;
8. provisions in relation to the variation of class rights will be updated to clarify that any variation of class rights will be subject to the JSE Listings Requirements and that any proxy or proxies attending a class meeting on behalf of a shareholder will be treated as holding only those shares which they are authorised to exercise voting rights in respect of. Further, the quorum applicable to separate general meetings of a particular class has been increased from two to three persons present in person or by proxy holding at least one-third of the issued shares of that class. This latter amendment is a requirement of the JSE Listings Requirements – Article 6;
9. amendments to the redemption provisions will be made to reflect that there is no longer a power under the Companies (Guernsey) Law, 2008, as amended, for a company to apply to the Royal Court of Guernsey for an order to place the company into compulsory winding up. In the circumstances set out in Article 9.4 it has been recommended that the Directors instead propose a special resolution that the Company be placed in voluntary liquidation – Article 9.4;
10. amendments to the provisions relating to interests in shares will be made to (i) remove the Directors' powers to serve a 'direction notice' upon shareholders in certain circumstances, restricting voting rights, participation in distributions and transfers of shares for those relevant shareholders, and (ii) include a statement that the Company does not have the power to claim a lien on shares. These amendments are a requirement of the JSE Listings Requirements – Article 10;
11. provisions in relation to the transfer and transmission of shares will be updated to (i) remove the previous restriction on the transfer of shares set out in Article 13.3 relating to 'direction notices' (which is now obsolete) and (ii) include a statement to the effect that any instruments of transfer signed by a shareholder and accepted by the Company will be deemed to remain in full force and effect and actionable by the Company until such time as express notice is given to the Company revoking the same. These are amendments required by the JSE Listings Requirements – Article 13.3 and Article 13.10;
12. amendments to the provisions relating to alteration of capital will be made to include, *inter alia*, clarification that a special resolution of the Company is no longer required for a reduction in share capital, capital redemption reserve or any share premium account (to reflect the replacement of the capital maintenance model with the solvency model under the Companies (Guernsey)

Notice of Annual General Meeting/cont.

Law, 2008, as amended, and further that under the Companies (Guernsey) Law, 2008, as amended, it is no longer possible to convert shares into stock or vice-versa. In each case any alterations of capital under Article 14 are subject to the Companies (Guernsey) Law, 2008, as amended, and the JSE Listings Requirements – Article 14;

13. a further provision relating to alteration of capital will be added stating that the Board may only create a new class of shares in the Company following the adoption of the Articles of Incorporation with the sanction of investors by way of special resolution. This is an amendment required by the JSE Listings Requirements – Article 14.4;
14. provisions in relation to the more detailed prescribed requirements for holding general meetings of the Company will be included, *inter alia*, prescribing a time limit of 15 months between each annual general meeting and detailing the business to be addressed at each such meeting – Article 15;
15. provisions in relation to the more detailed prescribed requirements for notice of general meetings will be included, *inter alia*, allowing for the publication of notices on the internet (with all changes being subject to and in accordance with the requirements of the Companies (Guernsey) Law, 2008, as amended, clarifying who should receive notices of any general meeting and the information each such notice should contain and clarifying the requirements relating to the giving of special notice) – Article 16;
16. provisions in relation to the more detailed prescribed requirements for proceedings at general meetings will be added. Further, the provisions regarding the Chairman's right to have a second or casting vote at general meetings in the case of an equality of votes will be removed. This latter amendment is a requirement of the JSE Listings Requirements – Article 17;
17. provisions regarding the requirements for appointment of proxies will be updated to include a uniform timescale for the delivery of proxies to the Company in the run up to a general meeting (as set by the Companies (Guernsey) Law, 2008, as amended). The Companies (Guernsey) Law, 1994, as amended, was silent on this point. Provision will also be made for any proxy instruments (together with any powers of attorney or other authority required in connection thereto) to be deposited at the Company's branch office in South Africa and/or the Company's registered office. This is compliant with the JSE Listings Requirements – Article 19;
18. provisions regarding the number and appointment of Directors will be updated to reflect the requirement under the Companies (Guernsey) Law, 2008, as amended, that any Director appointed to the Company must be eligible to act in accordance with the Companies (Guernsey) Law, 2008, as amended and further that the Company in general meeting shall approve any person appointed by the Directors to fill a casual vacancy or otherwise. The latter amendment is compliant with the JSE Listings Requirements – Article 20;
19. the provisions regarding the election and re-election of Directors to the Board of the Company will be amended to specify that the Board of Directors, through the nomination committee (if the Company has a nomination committee at the relevant time), should recommend the eligibility of a person to be appointed or re-appointed to the Board, taking into account the past performance and contributions made by such person. This is an amendment required by the JSE Listings Requirements – Article 20.3;
20. amendment to the aggregate ordinary remuneration of Directors will be made so that the amount is such as is approved by the Company in general meeting from time to time. This is not a requirement under the Companies (Guernsey) Law, 2008, as amended; however, this amendment has been included so that the Articles of Incorporation reflect that the Company's remuneration arrangements are as approved by shareholders – Article 21.2;
21. amendment will be made to the provisions in respect of borrowing powers of the Company to reflect the JSE Listings Requirements, to the effect that granting special privileges to holders of debt instruments (including attending and voting at general meetings and the appointment of directors) is prohibited – Article 23;
22. the provisions relating to transactions with Directors will be deleted and replaced with a new set of provisions headed 'Conflicts of Interest' regarding the disclosure of Directors' interest in transactions with the Company and their ability to count in the quorum and vote notwithstanding such interests (as the case may be), so as to comply fully with the new position set out by the Companies (Guernsey) Law, 2008, as amended. The new provisions will include, *inter alia*, the requirement for Directors to make disclosures to the Board in respect of transactions in which they have an interest, clarification on what constitutes interest in a transaction and clarification on a Director's ability to attend and vote on matters relating to any transaction in which they have an interest – Article 25;

23. amendments in relation to the disqualification and removal of Directors will be made allowing, *inter alia*, for removal of Directors if they become ineligible pursuant to the Companies (Guernsey) Law, 2008, as amended – Article 26;
24. provisions with regard to the proceedings of Directors' meetings will be updated to, *inter alia*, clarify that the procedure for the conduct of Directors' meetings will also apply equally to any meetings of a committee of the Directors formed pursuant to the Articles of Incorporation, to clarify that Directors may pass written resolutions in the absence of holding a formal meeting, provided such resolutions are signed by each Director (or his alternate) entitled to receive notice of a meeting of the Board (or of any committee). In addition, the Chairman's second or casting vote at Directors' meetings in case of an equality of votes will be removed. This is not a requirement of the Companies (Guernsey) Law, 2008, as amended; however, this amendment has been included at the request of the Board – Article 27;
25. the provisions relating to director vacancies (where the number of directors has fallen below the minimum number fixed by the Articles of Incorporation) will be amended to reflect that the Board must fill any vacancy (or vacancies) within three months of the date that the number fell below the minimum, or summon a general meeting to do so. Pursuant to the amended provisions, the Board's authority will not be limited during this three month period; however, after the expiry of the three month period the remaining directors will only be permitted to act for the purpose of filling the vacancy or summoning a general meeting to do so. This is an amendment required by the JSE Listings Requirements – Article 27.5;
26. a new provision will be added to Article 27 of the Articles of Incorporation stating that the record date for all transactions of Directors must be as set out in the JSE Listings Requirements. This is an amendment required by the JSE Listings Requirements – Article 27.10;
27. provisions with regard to the appointment of the company secretary will be updated to reflect that removal of the company secretary will also be at the discretion of the Directors – Article 29;
28. provision will be included covering the requirement for a resident agent to be appointed in certain circumstances under the Companies (Guernsey) Law, 2008, as amended – Article 30;
29. wording concerning the common signature of the Company, as was previously detailed in the memorandum of association, will now be included in the Articles of Incorporation – Article 32;
30. amendments to the existing position with regard to the payment of dividends will be made, with authority to pay such dividends (and the method by which such dividends are paid) being vested ultimately with the Board (to reflect the coming into force of the new solvency test model as provided by the Companies (Guernsey) Law, 2008, as amended). The Company no longer has the power to determine dividends in general meeting, which is, under the Companies (Guernsey) Law, 2008, as amended, a power of the Board. Further, the existing provision regarding the setting aside of any sums as reserves will be updated to reflect that such sums may be set aside by Directors out of profits of the Company or otherwise to reflect the position under the Companies (Guernsey) Law, 2008, as amended, allowing for more flexibility – Article 34;
31. further amendments to the provisions relating to dividends will be made to reflect the JSE Listings Requirements, including (i) an express statement that dividends are to be payable to shareholders registered as at the date subsequent to the date of declaration or date of confirmation of the dividend, whichever is the latter, and (ii) the expansion of the provisions relating to unclaimed dividends to refer to unclaimed 'monies' due to shareholders in their capacities as shareholders, including but not limited to dividends or distributions – Article 34.2 and Article 34.3;
32. in addition to paragraph 31 above, clarification will be added to the provisions regarding the payment of dividends, permitting (with the approval of shareholders in general meeting) distributions *in specie* (for example whole or part payment by the distribution of specific assets) – Article 34.6;
33. express provisions regarding 'Capitalisation of Profits' will be inserted so as to clarify the procedure for capitalisation of any amounts standing to the credit of the Company's reserve accounts or amounts otherwise available for distribution – Article 35;
34. insertion of express provisions regarding the accounts and reports of the Company will be made to comply with the more extensive requirements regarding the content of company accounts under the Companies (Guernsey) Law, 2008, as amended,

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including, *inter alia*, matters of content, preparation, mechanics of approval and maintenance of the same at the Company's registered office. Further, any references to 'balance sheet' will be replaced with 'annual financial statements of the Company'. The latter amendment is a requirement of the JSE Listings Requirement – Article 36;

35. amendment of the section in the existing articles of association headed 'Notices' will be made to, *inter alia*, provide for service and communication by electronic means to reflect the position under the Companies (Guernsey) Law, 2008, as amended, allowing for more flexibility and also to clarify the deemed service provisions relating to notices served by post – Article 38;
36. the provisions relating to the winding up of the Company will be amended to reflect that the circumstances whereby the Company shall be wound up shall be those under the Companies (Guernsey) Law, 2008, as amended, rather than the Companies (Guernsey) Law, 1994, as amended. For the avoidance of doubt there have been no changes to the circumstances and process by which the Company can be voluntarily wound up under the Companies (Guernsey) Law, 2008, as amended. The special terms applicable to holders of Ordinary Shares and Management Shares on the winding up of the Company remain unaffected by these proposed amendments – Article 39;
37. the Companies (Guernsey) Law, 2008, as amended, has introduced provisions limiting the validity of indemnities granted by a company to its directors and other officers. The indemnity provisions which apply to the Directors, secretary and officers of the Company will be deleted and replaced to reflect the limitations on the indemnity available to officers of the Company pursuant to the Companies (Guernsey) Law, 2008, as amended. The Articles of Incorporation maintain the ability for the directors to purchase and maintain insurance for the benefit of, *inter alia*, current or former Directors, officers or employees as they deem appropriate/necessary – Article 41; and
38. the provision relating to the requirement to obtain approval of the Bermuda Stock Exchange for any amendments to the Company's Articles of Incorporation will be removed as this is inconsistent with the listing rules of the Bermuda Stock Exchange and instead replaced with a provision that any amendment to the Articles of Incorporation of the Company must be approved by a special resolution of the shareholders, save where such amendment is required by the Companies (Guernsey) Law, 2008, as amended or under an order of the Royal Court of Guernsey. This is an amendment required by the JSE Listings Requirements – Article 44.

Accordingly, *special resolution 2* reads as follows:

2. *Conditional upon special resolution 1 also being passed, that the regulations contained in the document produced to the meeting (entitled "Pallinghurst Resources Limited- new Articles of Incorporation" for the purposes of identification), be and are hereby approved and adopted as the new Articles of Incorporation in substitution for and to the exclusion of the existing articles of association of the Company.*

Notice of Annual General Meeting/cont.

Non-binding advisory vote

There is no minimum percentage of voting rights required for a non-binding advisory vote.

Endorsement of the Company's Remuneration Policy

The Board asks the shareholders to cast a non-binding advisory vote on the Company's Remuneration Policy as set out within the Remuneration Committee Report within the Governance section of the Annual Report. The Remuneration Committee will consider the outcome of this vote, although it will not be binding on the Company or the Board.

By order of the Board

Orangefield Legis Fund Services Limited
11 New Street
St Peter Port
Guernsey
GY1 2PF
Channel Islands

20 March 2015



PALLINGHURST

FORM OF PROXY

PALLINGHURST RESOURCES LIMITED (the "Company")

FOR USE AT THE ANNUAL GENERAL MEETING TO BE HELD ON 5 AUGUST 2015.

I/We (FULL NAMES IN BLOCK CAPITALS PLEASE) _____

Of (ADDRESS) _____

being (a) member(s) of the Company appoint the Chairman of the meeting or (see note 1) _____

as my/our proxy and, on a poll, to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Legis House, 11 New Street, St Peter Port, Guernsey, GY1 2PF, Channel Islands on Wednesday, 5 August 2015 at 11 a.m. and any adjournment thereof.

Please indicate with an 'X' in the spaces provided how you wish your votes to be cast on the resolutions specified.

Ordinary Resolutions:

1. To adopt the Company's Annual Report and Consolidated Financial Statements for the year ended 31 December 2014 (the "Annual Report").
2. To re-elect Dr Christo Wiese, who is retiring by rotation, as a Director of the Company.
3. To re-elect Stuart Platt-Ransom, who is retiring by rotation, as a Director of the Company.
4. To elect each of Stuart Platt-Ransom (subject to his re-election as a Director pursuant to ordinary resolution 3), Martin Tolcher, and Clive Harris to the Company's Audit Committee.
5. To reappoint Saffery Champness as the Company's auditor (until the conclusion of the 2016 annual general meeting) and to authorise the Directors to fix their remuneration.

For	Against	Abstain

Special Resolutions:

1. Conditional upon special resolution 2 also being passed, to amend the Company's memorandum of association as follows:
 - a. in accordance with regulation 2(1)(b) of the Companies (Transitional Provisions) Regulations, 2008 (the "Regulations") the Company's memorandum of association be amended by the deletion of paragraphs 5, 6 and 7 in their entirety;
 - b. in accordance with section 38(5) of the Companies (Guernsey) Law, 2008, as amended, paragraph 3 of the Company's memorandum of association be amended so that the objects of the Company be deleted and replaced in their entirety by the insertion of the following statement and relabelled paragraph 5: "*The objects and powers of the Company are not restricted.*";
 - c. in accordance with regulation 2(1)(a) of the Regulations, a new paragraph 3 be inserted into the Company's memorandum of association which reads: "*The Company is a non-cellular company*", in accordance with the requirements of section 15(2)(c) of the Companies (Guernsey) Law, 2008, as amended; and
 - d. in accordance with regulation 2(1)(a) of the Regulations, paragraph 4 of the Company's memorandum of association be amended so that it reads: "*The liability of each Member of the Company is limited to the amount (if any) for the time being unpaid on the shares held by him*", in accordance with the requirements of section 15(2)(d) of the Companies (Guernsey) Law, 2008, as amended.

For	Against	Abstain

2. Conditional upon special resolution 1 also being passed, that the regulations contained in the document produced to the meeting (entitled "Pallinghurst Resources Limited – new Articles of Incorporation" for the purposes of identification), be and are hereby approved and adopted as the new Articles of Incorporation in substitution for and to the exclusion of the existing articles of association of the Company.

For	Against	Abstain

Non-binding advisory vote:

1. To endorse the Company's Remuneration Policy (as set out within the Remuneration Committee Report).

For	Against	Abstain

Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on any resolution as he/she may think fit.

Signature _____

Dated this _____ day of _____ 2015

Notes

1. If you so desire you may delete the words "Chairman of the meeting" and insert the name of your own choice of proxy, who need not be a member of the Company. Please initial such alteration.
2. In order to be valid, the proxy form must be lodged at Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown 2107) not less than three business days before the time for holding the meeting or adjourned meeting, OR lodged at the Company's registered office PO Box 91, c/o Orangefield Legis Fund Services Limited, Legis House, 11 New Street, St Peter Port, Guernsey, GY1 3EG, Channel Islands, faxed to +44 1481 712167 or emailed to fund.enquiries.gg-spt@orangefield.com, not less than two business days before the time for holding the meeting or adjourned meeting.
3. A corporation must execute the proxy under its common seal or under the hand of an officer or attorney duly authorised.
4. In the case of joint holders, the vote of the senior holder shall be accepted to the exclusion of other joint holders, seniority being determined by the order in which the names stand in the register in respect of the joint holding.

