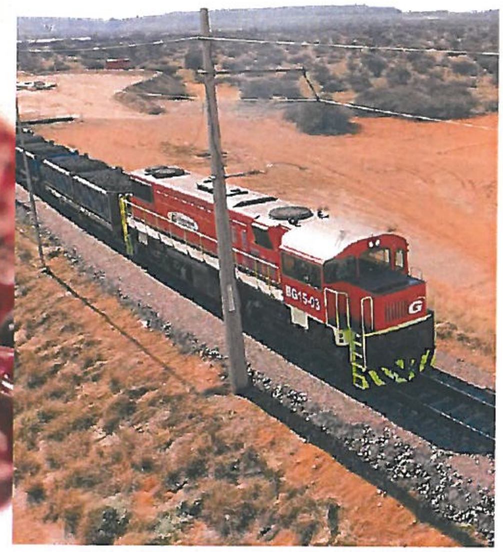
# PALLINGHURST





Pallinghurst Resources Limited

# INTERIM REPORT 2015

*Above:*
Amethyst pocket at Kariba, Zambia.

*Cover images, from left to right:*
Production drilling and blast hole preparation at the Pilanesberg Platinum Mine.
Rough Mozambican rubies from Montepuez being viewed at a Gemfields auction.
Train loaded with manganese ore from Tshipi's rapid load-out station.

# Investment Manager's Report

for the six months ended 30 June 2015

This year has so far been very challenging for the natural resources industry with many commodity prices at multi-year lows and nearly all listed companies invested in the sector experiencing major share price falls. Whilst Gemfields has been an exception to that pattern, with an improving financial performance and share price, our Investment Portfolio is not immune to these industry-wide difficulties. Although we have seen decreases in some of the carrying values, I am pleased to report that these declines have been more than offset by the increases. Accordingly, the Company's net asset value has risen over the past six months and we recorded a net profit of over US$3 million. This result highlights the merit of holding three separate investment platforms, which has been our long-held strategic stance.

Some of the key investment highlights so far this year include:

- SPM achieved record PGM dispatches of 82,500 ounces for the first six months of the year.
- Over 3.2 million fatality-free shifts were recorded at SPM.
- Tshipi produced and exported over two million tonnes of manganese ore in its second full year of operations.
- Tshipi was profitable in its second consecutive financial year, despite low manganese prices.
- Gemfields generated record auction revenues of US$154 million for its financial year to 30 June 2015.
- Gemfields released a CPR for its Montepuez ruby deposit which includes Probable Ore Reserves of 432 million carats of ruby and corundum, a post-tax NPV of US$1 billion and an IRR of 312%.

These achievements demonstrate the solid progress our investments continue to make and we remain confident that when commodity prices recover, each of our three platforms will be uniquely positioned to realise their significant inherent value for shareholders.

**Arne H. Frandsen**
Chief Executive

## Platinum Group Metals ("PGM")

This year has been challenging for the PGM industry, with demand impacted by slowing global growth. Although demand continues to exceed supply, significant above-ground stockpiles, particularly of platinum, have been sufficient to cover the deficit.

Despite this difficult environment, Sedibelo Platinum Mines Limited ("SPM") has developed well, with record metal dispatches of 82,500 ounces of 4E PGM for the six months to 30 June 2015, a 15% increase from the 2014 comparable period. This has been achieved through increased volumes and an optimisation process leading to an improvement in metal recoveries at its Pilanesberg Platinum Mine ("PPM"). PPM management has also been improving operational efficiency and cutting costs, which together with increased production has lowered unit costs.

SPM places a strong emphasis on workplace safety and has achieved a record of over 3.2 million fatality-free shifts, a considerable achievement in any mining environment. SPM continues to support the social and economic development of the local community, including making improvements to the local water and road infrastructure.

SPM continues to develop its new "Kell" technology, an environmentally friendly PGM beneficiation process that has the potential to transform the industry. Kell requires much less electricity than traditional smelting and has the potential to increase recoveries not only of PGMs, but also the base metals copper, cobalt and nickel. Kell continues to show encouraging recovery results and is being trialled in a pilot plant.

The cost-cutting initiatives at SPM will provide support through the current depressed market conditions and position the company well to benefit from any PGM industry recovery. The long-term supply and demand fundamentals remain positive; SPM, with its large, sustainable and relatively shallow resource base, is ready to proceed with a listing when market conditions are favourable.

## Steel Making Materials

The year has also been difficult for manganese producers, with significant price declines as a result of slowing demand from China. Despite the difficult backdrop, Tshipi Borwa completed its ramp up, more than doubling its production and exports to over two million tonnes of manganese ore in its financial year to 28 February 2015. Tshipi Borwa recorded its second consecutive year of profit, a significant achievement in a low price environment and is again on track to export two million tonnes for the financial year to 28 February 2016.

Tshipi's commitment to the safety of its employees has resulted in a safer mining environment, with only one Lost Time Injury recorded in the first half of 2015. Tshipi also continues to plant trees to offset construction activities, and promotes local community development through infrastructure projects and educational development programmes.

Despite the current low price environment, the medium to long-term supply/demand fundamentals for manganese remain favourable. Tshipi has established itself as a significant player in the South African manganese ore industry and is well placed to benefit when the market recovers.

As a result of the current low iron ore price, Jupiter Mines Limited ("Jupiter") has placed its Mount Ida magnetite and Mount Mason hematite projects in the Central Yilgarn region of Western Australia on care and maintenance. Jupiter continues to monitor the iron ore market and is ready to restart work on these projects once market conditions are favourable.

### Coloured Gemstones

Gemfields plc ("Gemfields") has performed well, generating record auction revenues of US$154 million in its financial year to 30 June 2015 and increases in production at both its Kagem emerald mine in Zambia and its Montepuez ruby deposit in Mozambique. This positive performance has been reflected in the Gemfields share price, which has risen by 30% in the first half of the calendar year.

The new ruby business continues to perform well with two auctions held so far in 2015. In April 2015 an auction of predominantly lower quality rough ruby and corundum was held in Jaipur, India, generating revenues of US$16 million at an average price of US$4.03 per carat. An auction of predominantly higher quality rough ruby was then held in Singapore in June 2015, generating revenues of US$29 million at an average price of US$617 per carat. One of the highlights of the auction was a rare matching pair of rough rubies, with a combined weight of 45 carats. The rubies were named the "Eyes of the Dragon" by the buyer and reflect the exclusivity of Montepuez's higher quality production.

The significant potential of the new ruby deposit at Montepuez was formally confirmed in July 2015 when Gemfields released a Competent Persons Report ("CPR") covering only 36 square kilometres out of the 336 square kilometre licence area. The CPR estimates a post-tax net present value for the 36 square kilometre project area of US$1 billion and an IRR of 312%. The CPR also gives an Indicated and Inferred Mineral Resource of ruby and corundum of 467 million carats and Probable Ore Reserves of 432 million carats.

The emerald auctions also continue to generate strong revenues, with a lower quality rough emerald and beryl auction in Lusaka, Zambia in February 2015 realising revenues of US$15 million. The average price of US$3.72 per carat was a new record for lower quality emerald and beryl auctions and an increase of 12% over the previous record per carat average price. A predominantly higher quality rough emerald auction was held in Singapore in September 2015. A total of 0.59 million carats were sold for US$34.7 million, representing an average price of US$58.42 per carat.

Gemfields has now held 19 auctions of emerald and beryl produced at Kagem which have generated revenues totalling US$360 million. The four auctions of ruby and corundum produced at Montepuez have generated revenues of US$122 million.

During the year to 30 June 2015, emerald and beryl production at Kagem increased by 50% to 30 million carats, with the grade 4% lower at 242 carats per tonne. In the same period, production of ruby and corundum at the Montepuez ruby deposit increased by 30% to 8.4 million carats.

Gemfields' strong safety record is evidenced by more than 3.5 million shifts free of reportable injuries at Kagem being recognised by the Mines Safety Department of Zambia. Gemfields also has many projects that assist local communities and strong progress was made in the past year on the construction of a secondary school and the upgrade of a village health centre.

Gemfields' luxury brand, Fabergé, saw an increase of 31% in sales orders agreed for its financial year to 30 June 2015 and the unveiling of a range of new jewellery and timepiece collections. The Fabergé Pearl Egg presented at the Doha Jewellery & Watches Exhibition in February 2015 was the first egg created in the "Imperial Class" since 1917 while the Fabergé name and Fabergé family have been united. Fabergé's luxury positioning adds consumer appeal to Gemfields' products through the promotion of coloured gemstones, and increases demand in the coloured gemstone industry.

Gemfields' position as the world's leading supplier of responsibly sourced coloured gemstones rests on its success of applying its unique mining, grading, auctioning and marketing techniques to its operations. The global coloured gemstone market continues to grow strongly and Gemfields has the potential to expand through its existing emerald and ruby businesses and to apply its successful model to sapphires and other coloured gemstones.

**Pallinghurst (Cayman) GP L.P.**
September 2015

# Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2015

| | Notes | 1 January 2015 to 30 June 2015 US$ '000 (reviewed) | 1 January 2014 to 30 June 2014 US$ '000 (reviewed) | 1 January 2014 to 31 December 2014 US$ '000 (audited) |
|---|---|---|---|---|
| **INCOME** | | | | |
| **Investment Portfolio** | | | | |
| Unrealised fair value gains | 2 | 57,801 | 106,426 | 80,146 |
| Unrealised fair value losses | 2 | (51,314) | – | (19,109) |
| | | **6,487** | **106,426** | **61,037** |
| **Investment Portfolio revenue** | | | | |
| Loan interest income | 2 | 368 | 135 | 556 |
| | | **368** | **135** | **556** |
| **Net gain on investments and income from operations** | | **6,855** | **106,561** | **61,593** |
| **EXPENSES** | | | | |
| Investment Manager's Benefit | 4 | (3,124) | (2,574) | (5,593) |
| Operating expenses | | (550) | (382) | (609) |
| Foreign exchange gains | | 2 | – | – |
| | | **(3,672)** | **(2,956)** | **(6,202)** |
| **Net gain from operations** | | **3,183** | **103,605** | **55,391** |
| Finance income | | 5 | 6 | 8 |
| Finance costs | | – | – | (2) |
| **Net finance income** | | **5** | **6** | **6** |
| **Profit before fair value gain of associates** | | **3,188** | **103,611** | **55,397** |
| Fair value gain of associates | | 13 | 7 | 11 |
| **Profit before tax** | | **3,201** | **103,618** | **55,408** |
| Tax | | – | – | (4) |
| **NET PROFIT AFTER TAX** | | **3,201** | **103,618** | **55,404** |
| Other comprehensive income | | – | – | – |
| **TOTAL COMPREHENSIVE INCOME** | | **3,201** | **103,618** | **55,404** |
| **Basic and diluted earnings per ordinary share – US$** | **7** | **0.004** | **0.136** | **0.073** |

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

# Condensed Consolidated Balance Sheet

as at 30 June 2015

| | Notes | 30 June 2015 US$ '000 (reviewed) | 30 June 2014 US$ '000 (reviewed) | 31 December 2014 US$ '000 (audited) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Investments in associates | | 1,277 | 1,260 | 1,264 |
| **Investment Portfolio** | | | | |
| Listed equity investments | 2 | 243,312 | 208,090 | 185,511 |
| Unlisted equity investments | 2 | 214,067 | 288,191 | 265,381 |
| | | **457,379** | **496,281** | **450,892** |
| **Total non-current assets** | | **458,656** | **497,541** | **452,156** |
| **Current assets** | | | | |
| **Investment Portfolio** | | | | |
| Loans and receivables | 2 | – | 9,935 | 15,256 |
| Trade and other receivables | | 1,690 | 1,515 | 128 |
| Cash and cash equivalents | | 14,383 | 10,934 | 4,082 |
| Other investments | | 77 | 29 | 28 |
| **Total current assets** | | **16,150** | **22,413** | **19,494** |
| **Total assets** | | **474,806** | **519,954** | **471,650** |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | | 154 | 289 | 199 |
| **Total current and total liabilities** | | **154** | **289** | **199** |
| **Net assets** | | **474,652** | **519,665** | **471,451** |
| **Capital and reserves attributable to equity holders** | | | | |
| Share capital | | 8 | 8 | 8 |
| Share premium | | 375,227 | 375,227 | 375,227 |
| Retained earnings | | 99,417 | 144,430 | 96,216 |
| **EQUITY** | | **474,652** | **519,665** | **471,451** |

*The accompanying notes form part of these Financial Statements.*

# Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2015

| | Notes | 1 January 2015 to 30 June 2015 US$ '000 (reviewed) | 1 January 2014 to 30 June 2014 US$ '000 (reviewed) | 1 January 2014 to 31 December 2014 US$ '000 (audited) |
|---|---|---|---|---|
| **Net cash generated from/(used in) operating activities** | 5 | **10,299** | **(12,973)** | **(19,825)** |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **10,299** | **(12,973)** | **(19,825)** |
| **Cash and cash equivalents at the beginning of the period/year** | | **4,082** | **23,907** | **23,907** |
| Foreign exchange gain on cash | | 2 | – | – |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR** | | **14,383** | **10,934** | **4,082** |

*The accompanying notes form part of these Financial Statements.*

# Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2015

| | Share capital US$ '000 | Share premium US$ '000 | Retained earnings US$ '000 | Total equity US$ '000 |
|---|---|---|---|---|
| Balance at 1 January 2014 (audited) | 8 | 375,227 | 40,812 | 416,047 |
| Total comprehensive income for the period | – | – | 103,618 | 103,618 |
| **Balance at 30 June 2014 (reviewed)** | **8** | **375,227** | **144,430** | **519,665** |
| Total comprehensive loss for the period | – | – | (48,214) | (48,214) |
| **Balance at 31 December 2014 (audited)** | **8** | **375,227** | **96,216** | **471,451** |
| Total comprehensive income for the period | – | – | 3,201 | 3,201 |
| **Balance at 30 June 2015 (reviewed)** | **8** | **375,227** | **99,417** | **474,652** |

*The accompanying notes form part of these Financial Statements.*

# Notes to the Interim Financial Statements

for the six months ended 30 June 2015

## 1. Accounting policies

The financial statements within the Interim Report are for the period from 1 January 2015 to 30 June 2015 (the "Interim Financial Statements"). The financial information for the year ended 31 December 2014 that has been included in these Interim Financial Statements does not constitute full statutory financial statements as defined in The Companies (Guernsey) Law, 2008.

The information included in this document for the comparative year was derived from the Annual Report and Financial Statements for the year ended 31 December 2014 (the "Annual Financial Statements"), a copy of which has been delivered to the Guernsey Financial Services Commission, the Johannesburg Stock Exchange ("JSE") and the Bermuda Stock Exchange ("BSX"). The auditor's report on the Annual Financial Statements was unqualified, did not draw attention to any matters by way of emphasis, and stated that the Annual Financial Statements had been properly prepared in accordance with The Companies (Guernsey) Law, 2008.

### Basis of accounting

These Interim Financial Statements have been prepared in accordance with IAS34 *Interim Financial Reporting* ("IAS34") and applicable legal requirements of The Companies (Guernsey) Law, 2008. They do not include all of the information required for full financial statements and are to be read in conjunction with the Annual Financial Statements. The Annual Financial Statements were prepared under 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 Annual Financial Statements also comply with the JSE Listings Requirements and the BSX Listing Regulations.

The principal accounting policies applied are consistent with those adopted and disclosed in the Annual Financial Statements. The Interim Financial Statements have been prepared on the historic cost basis, except for the valuation of certain equity investments held within the Investment Portfolio. These equity investments are measured at fair value not historic cost. Historic cost is generally based on the fair value of the consideration given in exchange for the assets. Other than information contained within the Condensed Consolidated Statement of Cash Flows, the Interim Financial Statements have been prepared on the accruals basis.

### Interim results

Materially all of the Group's results are related to investment valuations and are not directly affected by seasonality or the cyclicality of operations. An investment's most recent financial results do not necessarily directly impact upon the fair value of that investment and other factors are usually more relevant in determining fair value than seasonality or the cyclicality of operations.

### Going concern

The Directors have reassessed the Group's balance sheet and the principal risks applicable to the Group's operations at the interim reporting date. The Directors have concluded that the going concern basis of accounting is appropriate for preparing the Interim Financial Statements.

### Changes and amendments to IFRS

A number of amendments to IFRS have become effective for financial periods beginning on (or after) 1 January 2015, and are therefore applicable for these Interim Financial Statements. These amendments have not had a material impact on the Group.

## 2. Investment Portfolio

The reconciliation of the Investment Portfolio valuations from 1 January 2015 to 30 June 2015 is as follows:

| Investment | Opening at 1 January 2015 US$ '000 (reviewed) | Unrealised fair value gains US$ '000 (reviewed) | Unrealised fair value losses US$ '000 (reviewed) | Accrued interest income and structuring fee US$ '000 (reviewed) | Additions and disposals US$ '000 (reviewed) | Closing at 30 June 2015 US$ '000 (reviewed) |
|---|---|---|---|---|---|---|
| *Listed equity investments* | | | | | | |
| Gemfields[1] | 185,511 | 57,801 | – | – | – | 243,312 |
| | 185,511 | 57,801 | – | – | – | 243,312 |
| *Unlisted equity investments* | | | | | | |
| Jupiter[2] | 69,253 | – | (7,847) | – | – | 61,406 |
| SPM[3] | 196,128 | – | (43,467) | – | – | 152,661 |
| | 265,381 | – | (51,314) | – | – | 214,067 |
| Total non-current | 450,892 | 57,801 | (51,314) | – | – | 457,379 |
| *Loans and receivables* | | | | | | |
| Gemfields loan[4] | 15,256 | – | – | 368 | (15,624) | – |
| | 15,256 | – | – | 368 | (15,624) | – |
| Total current | 15,256 | – | – | 368 | (15,624) | – |
| **Total Investment Portfolio** | **466,148** | **57,801** | **(51,314)** | **368** | **(15,624)** | **457,379** |

*1 The unrealised fair value gain on Gemfields includes an unrealised foreign exchange gain of US$1.8 million.*
*2 The unrealised fair value loss on Jupiter does not include any foreign exchange as the valuation is denominated in US$.*
*3 The unrealised fair value loss on SPM does not include any foreign exchange as the valuation is denominated in US$.*
*4 The Group made a loan to Gemfields of US$15 million in two separate tranches during 2014. The loan, including interest and the arrangement fee was repaid by Gemfields on 30 April 2015.*

The reconciliation of the Investment Portfolio valuations from 1 January 2014 to 30 June 2014 is as follows:

| Investment | Opening at 1 January 2014 US$ '000 (reviewed) | Unrealised fair value gains US$ '000 (reviewed) | Unrealised fair value losses US$ '000 (reviewed) | Accrued interest income and structuring fee US$ '000 (reviewed) | Additions and disposals US$ '000 (reviewed) | Closing at 30 June 2014 US$ '000 (reviewed) |
|---|---|---|---|---|---|---|
| *Listed equity investments* | | | | | | |
| Gemfields[1] | 144,361 | 63,729 | – | – | – | 208,090 |
| | 144,361 | 63,729 | – | – | – | 208,090 |
| *Unlisted equity investments* | | | | | | |
| Jupiter[2] | 30,257 | 42,697 | – | – | – | 72,954 |
| SPM | 215,237 | – | – | – | – | 215,237 |
| | 245,494 | 42,697 | – | – | – | 288,191 |
| Total non-current | 389,855 | 106,426 | – | – | – | 496,281 |
| *Loans and receivables* | | | | | | |
| Gemfields loan[3] | – | – | – | 135 | 9,800 | 9,935 |
| | – | – | – | 135 | 9,800 | 9,935 |
| Total current | – | – | – | 135 | 9,800 | 9,935 |
| **Total Investment Portfolio** | **389,855** | **106,426** | **–** | **135** | **9,800** | **506,216** |

*1 The unrealised fair value gain on Gemfields includes an unrealised foreign exchange gain of US$4.7 million.*
*2 The unrealised fair value gain on Jupiter does not include any foreign exchange as the valuation is denominated in US$.*
*3 The Group committed to provide a loan to Gemfields of up to US$15 million for general working capital purposes. At 30 June 2014 the balance of the loan was US$9.935 million including interest and a pro-rated element of the arrangement fee. The loan, including interest and the arrangement fee, was fully repaid by Gemfields on 30 April 2015.*

# Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2015

## 2. Investment Portfolio (continued)

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 (audited) | Unrealised fair value gains US$ '000 (audited) | Unrealised fair value losses US$ '000 (audited) | Accrued interest income and structuring fee US$ '000 (audited) | Additions and disposals US$ '000 (audited) | Closing at 31 December 2014 US$ '000 (audited) |
|---|---|---|---|---|---|---|
| *Listed equity investments* | | | | | | |
| Gemfields[1] | 144,361 | 41,150 | – | – | – | 185,511 |
| | 144,361 | 41,150 | – | – | – | 185,511 |
| *Unlisted equity investments* | | | | | | |
| Jupiter[2] | 30,257 | 38,996 | – | – | – | 69,253 |
| SPM[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 |
| *Loans and receivables* | | | | | | |
| Gemfields loan[4] | – | – | – | 556 | 14,700 | 15,256 |
| | – | – | – | 556 | 14,700 | 15,256 |
| Total current | – | – | – | 556 | 14,700 | 15,256 |
| **Total Investment Portfolio** | **389,855** | **80,146** | **(19,109)** | **556** | **14,700** | **466,148** |

1 *The unrealised fair value gain on Gemfields includes an unrealised foreign exchange loss of US$8.3 million.*
2 *The unrealised fair value gain on Jupiter does not include any foreign exchange as the valuation is denominated in US$.*
3 *The unrealised fair value loss on SPM does not include any foreign exchange as the valuation is denominated in US$.*
4 *The Group committed to provide a loan to Gemfields of up to US$15 million for general working capital purposes. At 31 December 2014 the balance of the loan was US$15.256 million including interest and a pro-rated element of the arrangement fee. The loan, including interest and the arrangement fee was fully repaid by Gemfields on 30 April 2015.*

### Gemfields plc – equity

Nature of investment — The Group holds an equity interest in Gemfields; the world's leading supplier of responsibly sourced coloured gemstones and is listed on the AIM market of the London Stock Exchange.

The Group owns a see-through interest of 47.6% in Gemfields at 30 June 2015, valued at US$259 million.

Fair value methodology — Listed share price

The Group's interest in Gemfields is valued at the 30 June 2015 mid-price of GBP0.5975 per share, translated at the closing rate of US$1/GBP0.6358.

Other considerations — 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.

## 2. Investment Portfolio (continued)

### Jupiter Mines Limited – equity (continued)

| | |
|---|---|
| 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 30 June 2015 is US$333 million; the implied valuation of the Group's 18.5% interest is US$61 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 discounted cash flow ("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 forecast manganese prices, costs and exchange rates. Changing any of these assumptions may materially affect the implied valuation. The valuation is based on the "preferred valuation" contained in the independent valuation report, less an adjustment to take into account more recent lower manganese prices.

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, referred to above, to value Tshipi Borwa. Jupiter has made certain shareholder loans to Tshipi, these have been valued at amortised cost (including accrued interest). Jupiter's interest in Mount Mason has been estimated by the Directors based on an independent valuation prepared for Jupiter's board of directors, which compares various similar companies to imply a valuation for Mount Mason. Jupiter's interest in Mount Ida has been valued on a similar basis. Jupiter's cash has been included at fair value.

Jupiter has no material liabilities.

**Other considerations**

Jupiter's net assets per its most recent audited balance sheet at 28 February 2015 were US$350 million. After making certain adjustments (mostly foreign exchange), Jupiter's net assets at 30 June 2015 were estimated to be US$331 million. This compares with the Directors' valuation of Jupiter of US$333 million which implies that the Directors' valuation is reasonable.

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 independent valuation report used recent manganese prices as a proxy for likely future prices throughout the life of mine. The Directors have considered certain price forecasts for manganese in agreeing the valuation of Tshipi Borwa at 30 June 2015. This is in contrast to the reporting periods ending 31 December 2014 and 30 June 2014 when only current prices were utilised. The manganese price is predicted to increase from its current lows over Tshipi Borwa's life to levels that are not materially different to those used in previous reporting periods. Therefore the Directors do not consider that any adjustment is required to the valuation. Iron ore prices will have a significant impact on the future valuations of Mount Ida and Mount Mason.

The Group owned an effective 18.5% interest in Jupiter at 30 June 2015. 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.

### Sedibelo Platinum Mines Limited – equity

| | |
|---|---|
| Nature of investment | The Group holds an equity interest in SPM, a producer of PGMs with interests in the Bushveld Complex in South Africa. |
| Fair value methodology | Directors' estimate |

# Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2015

## 2. Investment Portfolio (continued)

### Sedibelo Platinum Mines Limited – equity (continued)

The Directors have estimated that the value of SPM is US$2.34 billion; the Group's indirect 6.5% interest has therefore been valued at US$153 million.

The Directors have considered a range of sources in determining the valuation of SPM. The primary source of evidence was the valuation implied by two recent equity investments into SPM. These equity investments were made during July and November 2014 and were for US$61.1 million and US$4 million respectively. The valuation of SPM implied by these investments is US$2.34 billion.

The Directors' valuation of SPM at 31 December 2014 was US$3 billion.

**Other considerations**

A competent person's report was produced for the SPM board of directors as at 31 December 2013 which the Directors have considered. The competent person's report includes DCF analysis to value SPM's key assets and includes a range of valuations. The Directors have then utilised more recent forecasts for PGM prices over the duration of SPM's life; forecast PGM prices around 30 June 2015 are lower compared to late 2013 and the valuation in the competent person's valuation has been adjusted downwards.

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 SPM's life-of-mine. Using the same range of sources at 30 June 2015, the platinum price is now forecast to be within a range of US$1,151 to US$1,850 over SPM's life-of-mine. The palladium price was forecast to be within a range of US$780 to US$1,191 over SPM's life-of-mine. Using the same range of sources at 30 June 2015, the palladium price is now forecast to be within a range of US$800 to US$925 over SPM's life-of-mine.

The Directors note that the valuation of SPM is sensitive to various key inputs, in particular the platinum price, the palladium price and other PGM prices. Costs, inflation and foreign exchange rates are also key estimates. Differences between the assumptions as included in the DCF model and the actual rates will have a material impact on the valuation.

The implied valuation of SPM using the competent person's report with an adjustment for the decline in PGM prices is US$2.35 billion, which is materially similar to the Directors' estimate of US$2.34 billion at 30 June 2015.

The Group's cash cost of investment for SPM 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 – 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 was repaid, with accrued interest, on 30 April 2015.

**Fair value methodology**

Amortised cost – effective interest method

The value of the loan to Gemfields was calculated using the effective interest method, with the arrangement fee accruing evenly over the projected life of the loan. The outstanding balance on the date of repayment, 30 April 2015, including interest and arrangement fee, was US$15.6 million. The effective interest rate on the loan during the period was approximately 7.5%, and throughout the duration of the loan was approximately 7.4%.

**Other considerations**

On 19 August 2015, the Group made a further loan of US$10 million to Kagem Mining Limited, a 75% subsidiary of Gemfields plc. The loan is due for repayment by 15 December 2015.

## 2. Investment Portfolio (continued)

### Fair value hierarchy

The Group owns certain financial instruments that are measured at fair value subsequent to initial recognition. The equity investments held within the Investment Portfolio fall into this category. The Group also extends loans to investments within the Investment Portfolio on occasion, which are categorised as *Loans and receivables*. The Group also owns certain other equity investments which do not form part of the Investment Portfolio, held within *Other investments* on the balance sheet.

IFRS13 *Fair Value Measurement* 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.

A breakdown of the Group's financial assets at Fair Value through Profit or Loss ("FVTPL"), categorised as Level 1, Level 2 and Level 3 assets is included below:

| 30 June 2015 | Level 1 US$ '000 (reviewed) | Level 2 US$ '000 (reviewed) | Level 3 US$ '000 (reviewed) | **Total US$ '000 (reviewed)** |
|---|---|---|---|---|
| *Financial assets at FVTPL* | | | | |
| Equity investments | 243,312 | – | 214,067 | **457,379** |
| Gemfields loan | – | – | – | **–** |
| Investments in associates | – | – | 1,277 | **1,277** |
| Other investments | 77 | – | – | **77** |
| | 243,389 | – | 215,344 | **458,733** |

| 30 June 2014 | Level 1 US$ '000 (reviewed) | Level 2 US$ '000 (reviewed) | Level 3 US$ '000 (reviewed) | **Total US$ '000 (reviewed)** |
|---|---|---|---|---|
| *Financial assets at FVTPL* | | | | |
| Equity investments | 208,090 | – | 288,191 | **496,281** |
| Gemfields loan | – | – | 9,935 | **9,935** |
| Investments in associates | – | – | 1,260 | **1,260** |
| Other investments | 29 | – | – | **29** |
| | 208,119 | – | 299,386 | **507,505** |

| 31 December 2014 | Level 1 US$ '000 (audited) | Level 2 US$ '000 (audited) | Level 3 US$ '000 (audited) | **Total US$ '000 (audited)** |
|---|---|---|---|---|
| *Financial assets at FVTPL* | | | | |
| Equity investments | 185,511 | – | 265,381 | **450,892** |
| Gemfields loan | – | – | 15,256 | **15,256** |
| Investments in associates | – | – | 1,264 | **1,264** |
| Other investments | 28 | – | – | **28** |
| | 185,539 | – | 281,901 | **467,440** |

# Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2015

## 2. Investment Portfolio (continued)

### Level 3 fair value reconciliation

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

| | US$ '000 |
|---|---|
| As at 1 January 2014 (audited) (restated) | 216,490 |
| Fair value gain on associates[1] | 7 |
| Unrealised fair value gains | 42,697 |
| Jupiter reclassification upon delisting[2] | 30,257 |
| Loans extended to Gemfields | 9,800 |
| Accrued interest on Gemfields loan | 135 |
| As at 30 June 2014 (reviewed) (restated) | **299,386** |
| Fair value gain on associates[1] | 4 |
| Unrealised fair value losses | (22,810) |
| Loans extended to Gemfields | 4,900 |
| Accrued interest on Gemfields loan | 421 |
| As at 31 December 2014 (audited) | **281,901** |
| Fair value gain on associates[1] | 13 |
| Unrealised fair value losses | (51,314) |
| Accrued interest and structuring fee on Gemfields loan | 368 |
| Repayment of Gemfields loan | (15,624) |
| **At 30 June 2015 (reviewed)** | **215,344** |

1 *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.*

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. 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. Each of SPM, Jupiter and Gemfields is a separate legal entity and each has a discrete board of directors with a clear set of responsibilities. Each investment is assessed on this basis and as such, each of the Group's operating segment may include multiple mines and other assets.

### 3. Segmental reporting (continued)

The segmental information provided to the CODM for the period ended 30 June 2015 is as follows:

| 30 June 2015 | PGMs[1] US$ '000 (reviewed) | Steel Making Materials[2] US$ '000 (reviewed) | Coloured Gemstones[3] US$ '000 (reviewed) | Unallocated US$ '000 (reviewed) | Total US$ '000 (reviewed) |
|---|---|---|---|---|---|
| *Income statement* | | | | | |
| Unrealised fair value gains | – | – | 57,801 | – | 57,801 |
| Unrealised fair value losses | (43,467) | (7,847) | – | – | (51,314) |
| Loan interest income | – | – | 368 | – | 368 |
| Net segmental (expense)/income | (43,467) | (7,847) | 58,169 | – | 6,855 |
| Other income | | | | – | – |
| Net (losses)/gains on investments and income from operations | | | | | 6,855 |
| Expenses, net finance income, fair value gain of associates and taxation | | | | (3,654) | (3,654) |
| **Net segmental (loss)/profit** | **(43,467)** | **(7,847)** | **58,169** | **(3,654)** | **3,201** |
| *Balance sheet* | | | | | |
| **Net Asset Value** | **152,661** | **61,406** | **243,312** | **17,273** | **474,652** |

*1 The unrealised fair value loss on the PGMs segment does not include any foreign exchange as the valuation is denominated in US$.*
*2 The unrealised fair value loss on the Steel Making Materials segment does not include any foreign exchange as the valuation is denominated in US$.*
*3 The unrealised fair value gain on the Coloured Gemstones segment includes an unrealised foreign exchange gain of US$1.8 million.*

The segmental information provided to the CODM for the period ended 30 June 2014 is as follows:

| 30 June 2014 | PGMs US$ '000 (reviewed) | Steel Making Materials[1] US$ '000 (reviewed) | Coloured Gemstones[2] US$ '000 (reviewed) | Unallocated US$ '000 (reviewed) | Total US$ '000 (reviewed) |
|---|---|---|---|---|---|
| *Income statement* | | | | | |
| Unrealised fair value gains | – | 42,697 | 63,729 | – | 106,426 |
| Unrealised fair value losses | – | – | – | – | – |
| Loan interest income | – | – | 135 | – | 135 |
| Net segmental income | – | 42,697 | 63,864 | – | 106,561 |
| Other income | | | | – | – |
| Net gains on investments and income from operations | | | | | 106,561 |
| Expenses, net finance income, fair value gain of associates and taxation | | | | (2,943) | (2,943) |
| **Net segmental profit/(loss)** | **–** | **42,697** | **63,864** | **(2,943)** | **103,618** |
| *Balance sheet* | | | | | |
| **Net Asset Value** | **215,237** | **72,954** | **218,025** | **13,449** | **519,665** |

*1 The unrealised fair value gain on the Steel Making Materials segment does not include any foreign exchange as the valuation is denominated in US$.*
*2 The unrealised fair value gain on the Coloured Gemstones segment includes an unrealised foreign exchange gain of US$4.7 million.*

# Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2015

## 3. Segmental reporting (continued)

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

| 31 December 2014 | PGMs[1] US$ '000 (audited) | Steel Making Materials[2] US$ '000 (audited) | Coloured Gemstones[3] US$ '000 (audited) | Unallocated US$ '000 (audited) | Total US$ '000 (audited) |
|---|---|---|---|---|---|
| *Income statement* | | | | | |
| 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 of associates and taxation | | | | (6,189) | (6,189) |
| **Net segmental (loss)/profit** | **(19,109)** | **38,996** | **41,706** | **(6,189)** | **55,404** |
| *Balance sheet* | | | | | |
| **Net Asset Value** | **196,128** | **69,253** | **200,767** | **5,303** | **471,451** |

*1 The unrealised fair value loss on the PGMs segment does not include any foreign exchange as the valuation is denominated in US$.*
*2 The unrealised fair value gain on the Steel Making Materials segment does not include any foreign exchange as the valuation is denominated in US$.*
*3 The unrealised fair value gain on the Coloured Gemstones segment includes an unrealised foreign exchange loss of US$8.3 million.*

## 4. Investment Manager's benefits

### Investment Manager's Benefit

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 Period[1]. Prior to the end of the Investment Period, the IMB was calculated as 1.5% per annum of the amount subscribed for by shareholders 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).

The total charge to the Consolidated Statement of Comprehensive Income for the IMB during the six months ending 30 June 2015 was US$3,124,000 (six months to 30 June 2014: US$2,574,000; year ending 31 December 2014: US$5,593,000). It is not possible to accurately predict the future annualised IMB as the calculation is affected by the valuation of the Group's investments and by any investment acquisitions or disposals.

### 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 Manager[2] (20%). This is subject to a Hurdle[3] 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.

## 4. Investment Manager's benefits (continued)

The provision for the Performance Incentive is calculated as follows:

(a) The Group's Aggregate Proceeds[4] are allocated entirely to shareholders until such time as shareholders have received an aggregate amount of the Company's Funds[5] plus the Hurdle.

(b) Thereafter, the Investment Manager is allocated all further Aggregate Proceeds until it has been allocated an amount equal to 25% of the Hurdle.

(c) 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 is equal to the amounts subscribed for by shareholders in the Company, prior to certain related costs and foreign exchange.*

## 5. Cash outflows from operations

| | Notes | 1 January 2015 to 30 June 2015 US$ '000 (reviewed) | 1 January 2014 to 30 June 2014 US$ '000 (reviewed) | 1 January 2014 to 31 December 2014 US$ '000 (audited) |
|---|---|---|---|---|
| **Net profit after tax** | | 3,201 | 103,618 | 55,404 |
| Adjustments for: | | | | |
| Unrealised fair value gains | 2 | (57,801) | (106,426) | (80,146) |
| Unrealised fair value losses | 2 | 51,314 | – | 19,109 |
| Loans extended to Gemfields | 2 | – | (9,800) | (14,700) |
| Loan repaid by Gemfields | 2 | 15,624 | – | – |
| Accrued interest | 2 | (368) | (135) | (556) |
| Unrealised fair value (gain)/loss on Other investments | | (49) | 29 | 30 |
| Tax expense | | – | – | 4 |
| Foreign exchange gain on cash balances | | (2) | – | – |
| Fair value gain of associates | | (13) | (7) | (11) |
| **Operating cash flows before movements in working capital** | | **11,906** | **(12,721)** | **(20,866)** |
| (Increase)/decrease in trade and other receivables | | (1,562) | (363) | 1,024 |
| (Decrease)/increase in trade and other payables | | (45) | 111 | 21 |
| **Cash generated from/(used in) operating activities** | | **10,299** | **(12,973)** | **(19,821)** |
| Tax paid | | – | – | (4) |
| **Net cash generated from/(used in) operating activities** | | **10,299** | **(12,973)** | **(19,825)** |

## 6. 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 as directors of the Group's investments. Mr Gilbertson is the chairman of SPM and Jupiter, and Mr Frandsen is a director of SPM.

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.

# Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2015

## 6. Related party transactions (continued)

Orangefield Legis Fund Services Limited ("Orangefield Legis") acts as the Group's administrator, company secretary and registrar. Mr Platt-Ransom is a director of Orangefield Legis and certain entities within the Orangefield Legis group. Mr O'Mahoney resigned as Permanent Alternate to Mr Platt-Ransom on 12 May 2015. The Group's relationship with Orangefield Legis is at arm's length.

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 4 *Investment Manager's benefits*.

The amounts paid to the Non-Executive Directors for services during the six months to 30 June 2015 are set out below:

| 1 January 2015 to 30 June 2015 | Directorship of the Company US$ '000 (reviewed) | Directorship of other Group companies US$ '000 (reviewed) | Audit Committee US$ '000 (reviewed) | Lead Independent Director US$ '000 (reviewed) | Total US$ '000 (reviewed) |
|---|---|---|---|---|---|
| Stuart Platt-Ransom | 15 | – | 1 | 1 | 17 |
| Clive Harris | 15 | 2 | 2 | – | 19 |
| Martin Tolcher | 15 | – | 3 | – | 18 |
| Dr Christo Wiese | 15 | – | – | – | 15 |
| **Total** | **60** | **2** | **6** | **1** | **69** |

The amounts paid to the Non-Executive Directors for services during the six months to 30 June 2014 are set out below:

| 1 January 2014 to 30 June 2014 | Directorship of the Company US$ '000 (reviewed) | Directorship of other Group companies US$ '000 (reviewed) | Audit Committee US$ '000 (reviewed) | Lead Independent Director US$ '000 (reviewed) | Total US$ '000 (reviewed) |
|---|---|---|---|---|---|
| Stuart Platt-Ransom | 15 | – | 1 | 1 | 17 |
| Clive Harris | 15 | 2 | 2 | – | 19 |
| Martin Tolcher | 15 | – | 3 | – | 18 |
| Dr Christo Wiese | 15 | – | – | – | 15 |
| **Total** | **60** | **2** | **6** | **1** | **69** |

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

| 1 January 2014 to 31 December 2014 | Directorship of the Company US$ '000 (audited) | Directorship of other Group companies US$ '000 (audited) | Audit Committee US$ '000 (audited) | Lead Independent Director US$ '000 (audited) | Total US$ '000 (audited) |
|---|---|---|---|---|---|
| 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** |

## 7. Per share information

### Accounting policy

NAV per share and Earnings Per Share ("EPS" or "Earnings Per Share") 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 30 June 2015. 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 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 NAV per share is as follows:

| | 30 June 2015 (reviewed) | 30 June 2014 (reviewed) | 31 December 2014 (audited) |
|---|---|---|---|
| Net assets – US$ '000 | 474,652 | 519,665 | 471,451 |
| *Number of shares in issue* | *760,452,631* | *760,452,631* | *760,452,631* |
| **NAV per share – US$** | **0.624** | **0.683** | **0.620** |

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:

| | 30 June 2015 (reviewed) | 30 June 2014 (reviewed) | 31 December 2014 (audited) |
|---|---|---|---|
| Profit for the year – US$ '000 | 3,201 | 103,618 | 55,404 |
| *Weighted average number of shares in issue* | *760,452,631* | *760,452,631* | *760,452,631* |
| **Earnings Per Share – US$** | **0.004** | **0.136** | **0.073** |

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.

## 8. Financial instruments and risk management

### Capital management

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 to provide sustainable returns to shareholders. The Group's capital structure has not changed since the year-end.

## 9. 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, which completed on 28 January 2013, was that Gemfields either take over as guarantor from the Company, or that Gemfields indemnify the Group against any potential liability to the landlord. Gemfields have provided an indemnity to the Group against any loss from this guarantee. The Directors' assessment is that the maximum amount of the 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 30 June 2015, 30 June 2014 or 31 December 2014.

# Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2015

## 10. Commitments

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

## 11. Events occurring after the end of the period

### US$10 million loan to Kagem Mining Limited ("Kagem")

On 10 August 2015, the Group entered into a commitment to lend Kagem, a 75% subsidiary of Gemfields plc, up to US$10 million. The loan commitment was drawn down in full and paid to Kagem on 19 August 2015. The loan will be utilised for inventory investment and working capital. The formal interest rate is three month US$ LIBOR plus 4.5%. In addition, the US$10 million includes an arrangement fee of US$0.2 million which will be amortised over the life of the loan. The amount drawn down plus interest is due for repayment by 15 December 2015. The effective interest rate on the loan is likely to be around 11%.

### Approval of Interim Financial Statements

The Interim Financial Statements were approved by the Directors and authorised for issue on 10 September 2015.

### Review by Saffery Champness

The Interim Report has been reviewed by the Group's auditor, Saffery Champness, who have provided a report to the Company (the "Independent Review Report"). The Independent Review Report confirms that nothing has come to the auditor's attention that might cause them to believe that the Interim Report was not prepared, in all material respects, in accordance with IAS34, the SAICA Reporting Guides and the FRSC Pronouncements. The Independent Review Report does not necessarily report on all of the information contained in this Interim Report. Any reference to future financial information included in the Interim Report has not been reviewed or reported on by the auditors. Shareholders are advised that in order to obtain a full understanding of the nature of the auditors' engagement they should obtain a copy of the Independent Review Report together with the accompanying financial information. The Independent Review Report is available from the Company's registered office.

# Company Details

### Directors
Brian Gilbertson
Arne H. Frandsen
Andrew Willis[1]
Dr Christo Wiese
Stuart Platt-Ransom[2]
Martin Tolcher
Clive Harris
Chris Powell[1] (resigned 25 June 2015)
Brian O'Mahoney[2] (resigned 12 May 2015)

*1 Mr Powell acted as Permanent Alternate to Mr Willis.*
*2 Mr O'Mahoney acted as Permanent Alternate to Mr Platt-Ransom.*

### General Partner of the Investment Manager
Pallinghurst GP Limited[3]
2nd Floor
23-25 Le Pollet
St Peter Port
Guernsey
GY1 1WQ
Channel Islands

*3 Previously Pallinghurst (Cayman) GP Limited*

### Investment Advisor (London)
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United Kingdom

### Legal Advisor (Guernsey)
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Channel Islands

### Legal Advisor (Bermuda)
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Canon's Court
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### Investment Bank and JSE Sponsor
Investec Bank Limited
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South Africa

### South African Transfer Secretary
Computershare Investor Services (Pty) Limited
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### Administrator, Company Secretary and Registrar
Orangefield Legis Fund Services Limited[4]
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*4 Previously Legis Fund Services Limited*

### Registered Office
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