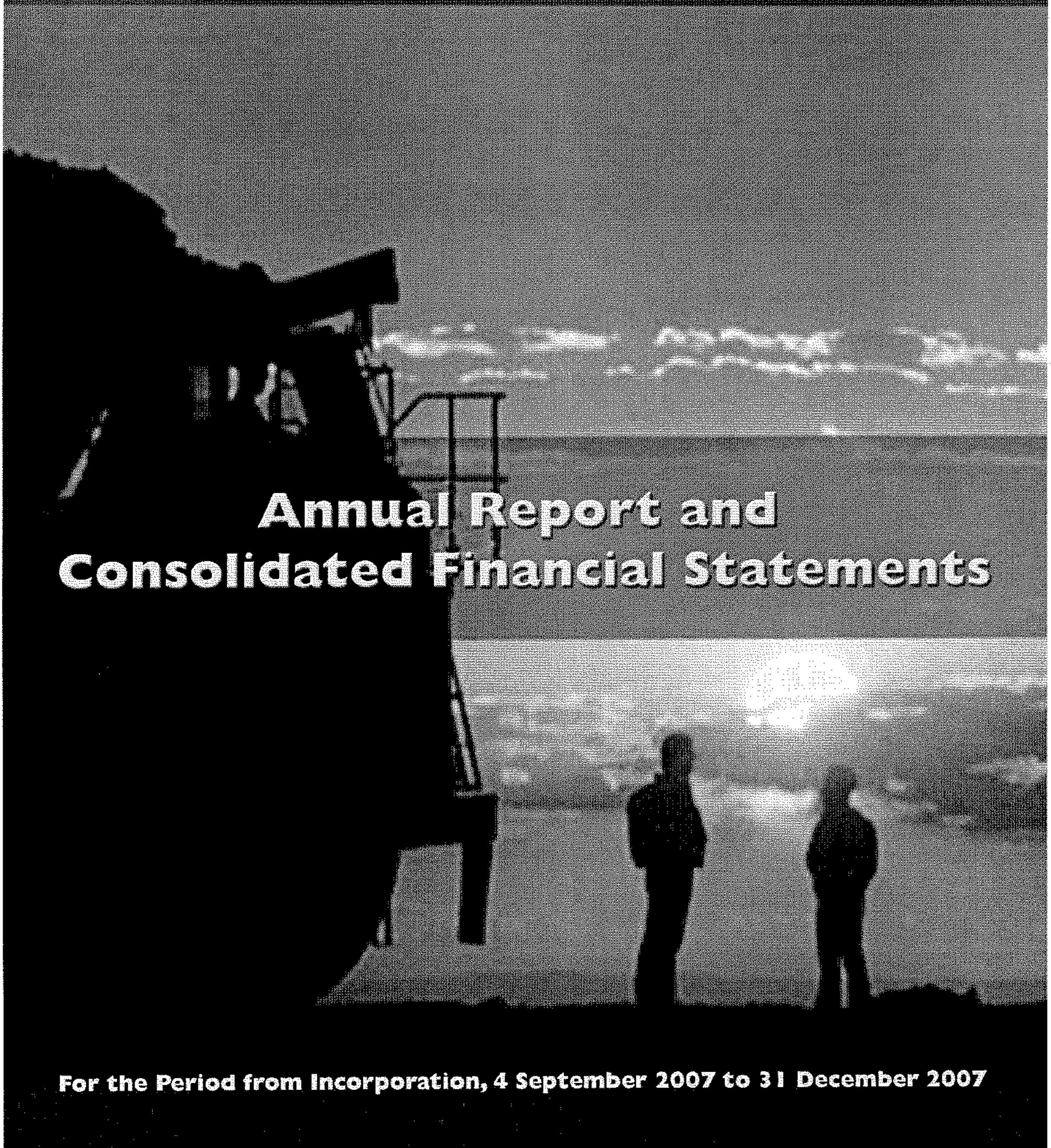
PALLINGHURST RESOURCES (Guernsey) Limited



Annual Report and Consolidated Financial Statements

For the Period from Incorporation, 4 September 2007 to 31 December 2007

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COMPANY INFORMATION

Directors

Stuart Platt-Ransom (appointed 4 September 2007)
Arne Frandsen (appointed 4 September 2007)
Brian Gilbertson (appointed 4 September 2007)
Clive Harris (appointed 4 September 2007)

Administrator, Secretary and Registered Office

Legis Fund Services Limited
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GY1 4HP
Channel Islands

Investment Manager

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Cayman Islands

Auditor

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Structural Facilitator and Investment Bank

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22 Victoria Street
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Listing Sponsor

Reid Listing Services Limited
Argyle House
41a Cedar Avenue
Hamilton HM12
Bermuda

Annual Sponsor and Broker

First Bermuda Group Limited
Maxwell R Roberts Building
1 Church Street
Hamilton HM11
Bermuda

INTRODUCTION

Unless defined elsewhere in this document, defined words and phrases shall have the meaning ascribed to them in the Prospectus of the Company, dated 5 September 2007.

STRUCTURE

Pallinghurst Resources (Guernsey) Limited was launched on 5 September 2007. The Company's purpose is to carry on the business of an investment holding company in Investments falling within the Investment Scope.

INVESTMENT OBJECTIVES

To develop and execute a number of investment opportunities in the global natural resources sector and in the Approved Investment during the investment period (five years following the Initial Closing Date), the principal objective of which is to create value to Investors.

INVESTMENT POLICY

The Company invests in Investments falling within the Investment Scope and in the Approved Investment. The Company holds, whether directly or indirectly, through one or more special purpose vehicles to ensure the most efficient corporate structure, a initial minimum of 20% interest in each Investment Vehicle, subject to the limitations below:

(a) the aggregate Investment by the Company in any Investment Vehicle may not exceed the greater of 30% of the Company's Funds or US$100 million, unless such excess Investment is approved by Investors by Ordinary Resolution. Aggregate Investments shall for this purpose include any guarantees and undertakings provided by the Company with respect to an Investment Vehicle but shall exclude any Temporary Investments; and

(b) Temporary Investments may, when added to the Company's other investments in an Investment Vehicle, not exceed the greater of 40% of the Company's Funds or US$150 million. The Investment Manager will use reasonable endeavours to reduce the aggregate amount invested in a single Investment Vehicle to the greater of 30% of the Company's Funds or US$100 million within the 12-month period following the date on which such Investment is concluded, unless such excess Investment is approved by Investors by Ordinary Resolution.

Whilst the Company has the ability to gear its balance sheet, each Investment is generally ring-fenced by the Company and the funding of each Investment is based on the strength of such Investment's balance sheet and/or cash flow potential, thereby increasing the insolvency remoteness of each Investment.

INVESTMENT SCOPE

The Company maintains a global focus across the commodities spectrum, with a primary focus on underperforming assets, businesses that lack direction, are poorly managed, stranded or distressed. The Company targets Investments in businesses that hold mines, smelters, refineries, and processing plants with a strong preference for brown-fields opportunities, although Investments in businesses with attractive development opportunities are also considered.

Investments include, but are not limited to, the acquisition and disposal of ordinary shares, preference shares, debentures, loan stocks, other securities, options and warrants of and in listed and in unlisted companies and/or other vehicles that focus in the global natural resources sector.

The Company intends to invest in more than ten Investments. At 31 December 2007, the Company had entered into four Investments, one of which had been Realised. The Company has since entered into further Investment.

INVESTMENT MANAGER'S REPORT

For the Period from Incorporation, 4 September 2007 to 31 December 2007

SUMMARY OF THE PERIOD

The period since incorporation has been a busy one with the Company listing on the Bermuda Stock Exchange, investing or agreeing to invest in five projects, and realising one of these at a profit.

The highlights of the period to 31 December 2007 were as follows:

- In September, the Company listed on the Bermuda Stock Exchange ("BSX") with subscriptions of US$169 million.
- Also in September, the Company acquired a 46.8% see-through interest in Fabergé for US$26 million. In November, Mark Dunhill was appointed as CEO of Fabergé.
- The Company acquired a stake in Consolidated Minerals, which was sold during the period for a profit of US$6.2 million, at an IRR in excess of 150%.
- The Company acquired a 33% see-through interest in Kagem, the largest emerald mine in Africa. Kagem was shortly thereafter conditionally sold to AIM-listed emerald miner Gemfields Resources, which will result in the enlarged Gemfields producing some 15% to 20% of global emerald production.
- Manganese exploration joint venture was established with BEE partner Ntsimbintle in South Africa's Kalahari basin.
- The Company provided a guarantee over loan funding to Moepi Group to settle in-the-money options in Boynton, a South African platinum explorer controlled by TSX/AIM-listed Platmin Limited ("Platmin") , as part of a wider platinum strategy.

INCORPORATION AND LISTING

The Company was incorporated on 4 September 2007, and listed on the BSX on 26 September 2007 with total subscriptions of US$169,316,000. The management team of the Investment Manager of the Company subscribed for US$11 million, and has undertaken not to cede, pledge, dispose of or otherwise encumber such shares during the Investment Term of the Company.

The Company has undertaken to list its shares on the stock exchange of the JSE Limited ("JSE") by September 2008, subject to the receipt of the requisite regulatory approvals. The regulatory process has commenced and the Company is seeking a listing of its shares on the JSE in advance of September.

INVESTMENTS AND REALISATION

Fabergé Limited:

In January 2007, Fabergé Limited, a company owned and controlled by members of the Investment Manager and certain strategic equity partners, acquired Unilever Plc's world-wide portfolio of trademarks, licences and associated rights relating to the Fabergé brand name. Unilever had owned the brand since 1989, when it purchased Fabergé Inc (then a leading cosmetics company) for US$1.55 billion.

A portfolio of some 1,700 trademarks and nine licensing agreements were acquired from Unilever plc. Since acquisition, the number of trademarks has increased to over 3,000 to ensure global protection of the name and to assist in the global re-establishment of the luxury brand. Conversely, the number of licensing agreements has reduced to seven as part of the strategy to rationalise the Fabergé products and services to only world-class, luxury items. Currently, the licence agreements cover products including jewellery, glassware, cutlery, neckties and objects of art. The licensees pay royalties calculated as a percentage of their sales. Rationalisation of the existing licence agreements is expected to continue.

In September 2007, the Company, indirectly acquired a see-through majority interest in Fabergé Limited. In accordance with the conditions of acquisition, minority interests were sold at a profit to the Company, to strategic equity partners. At 31 December 2007, the Company held a 46.8% see-through interest in Fabergé Limited at a net cost of US$26 million.

In October 2007, Fabergé Limited announced the historic reunification of the Fabergé brand with the Fabergé family after over 50 years of separation. Accordingly, the two great-granddaughters of Peter Carl Fabergé were appointed alongside Fabergé experts to the Fabergé Heritage Council to oversee the unified Fabergé in its pursuit of excellence and exclusivity.

In November 2007, Mark Dunhill joined Fabergé as Chief Executive Officer. He left his position as President of the eponymous luxury company Alfred Dunhill, after 13 years with the company. In a short space of time, Mark has assembled a formidable team from companies such as Cartier, Condé Nast, De Beers LV, UBS, Clifford Chance and Ernst & Young.

Consolidated Minerals Limited:

During the period, the Company, along with certain strategic equity partners, indirectly, acquired a stake in Consolidated Minerals Limited shares and convertible bonds and the entire stake was also sold in December 2007. The overall profit from the Investment to the Company was US$6.2 million, at an IRR in excess of 150%.

Kagem Mining Limited/Gemfields Resources Plc:

In October 2007, the Company, along with certain strategic equity partners, indirectly, via an entity called Rox Limited, acquired a 75% stake in Zambian emerald mining company, Kagem Mining Limited. The ownership of the remaining 25% is held by the Government of Zambia. Kagem is also the name of the major asset of Kagem Mining Limited, an open pit emerald mine, which is located on the Fwaya-Fwaya emerald belt, near Kitwe. Kagem is the largest emerald mine in Africa, but had experienced many years without the necessary working capital funding to mine efficiently and effectively. Immediately upon acquiring the asset, significant investment was made in new equipment and infrastructure development and security measures have been upgraded with Indian army-trained security personnel now based on-site. In addition, a management contract was immediately signed with AIM-listed Gemfields Resources Plc ("Gemfields"), the owner and operator of the adjacent emerald mine on the same emerald belt. Gemfields have a team of experienced professionals in emerald mining, and have overseen much of the development of the Kagem mine.

On 18 December 2007, the reverse take-over of Gemfields by Rox Limited was announced. The transaction, if approved by Gemfields shareholders on 5 June 2008, will result in Kagem being vended into Gemfields (together with a licence to use the Fabergé name on their premium gemstones) in exchange for a fully diluted interest of 55% of the enlarged group. The new Gemfields would produce some 15% to 20% of global emerald production. Under AIM rules, trading in Gemfields shares was suspended upon the December announcement, and resumed on release of the re-admission document on 14 May 2008. The re-admission document also announced a GBP30 million share placing at 45p, conditional on the Kagem transaction being approved, of which Rox Limited subscribed for approximately 54.4%. The 45p placing price represents an uplift of some 40% on the Company's investment in Rox. The re-admission document can be found on Gemfields website (www.gemfields.co.uk), under "Investor Information – AIM Announcements".

Joint Venture with Ntsimbintle in the Kalahari Basin:

In November 2007, a subsidiary of the Company, along with certain strategic equity partners, signed a joint venture agreement with Ntsimbintle Mining (Pty) Limited, a Black Economic Empowerment group with manganese exploration rights within South Africa's Kalahari Basin. The joint venture agreement provides that the Company together with certain strategic partners, by funding all costs in preparing a bankable feasibility study ("BFS") and subsequently taking a decision to mine, will earn a 49% interest in the properties. The BFS drilling results-to-date have been encouraging.

Boynton Investments (Pty) Limited ("Boynton"):

On 31 December 2007, the Company provided the Moepi Group (Pty) Limited ("Moepi Group") with a guarantee over loan funding of US$25 million in order that they could settle significantly discounted options over 7.8% of Boynton, a platinum exploration company situated in the Bushveld Igneous Complex of South Africa, source of approximately 80% of the world's platinum group metals ("PGM") resources. The options take Moepi Group's total stake in Boynton to approximately 26%. Boynton is a private company controlled by Platmin, a US$800 million TSX/AIM listed company, whose only major asset is its 73% stake in Boynton. The guarantee over loan funding was the first step towards the indirect acquisition by the Company, and certain strategic equity partners, of Moepi Group, as part of a wider PGM strategy.

The fundamental supply/demand dynamics for PGM makes it a promising area for investment. In addition, the Investment Manager's executive team has significant in-house experience of PGM. As a result of challenges on the supply side (partly driven by the current electricity shortage and operational challenges being experienced by all the players) all PGM's have seen explosive price increases, with platinum prices holding near all time highs ($2,200/oz). Pallinghurst is seeking to create a significant new platinum company through the consolidation of a number of properties in the Bushveld Igneous Complex.

Pallinghurst (Cayman) GP L.P.

May 2008

DIRECTORS' REPORT

The Directors present their report and financial statements for the period from incorporation on 4 September 2007 to 31 December 2007.

INCORPORATION

The Company was incorporated on 4 September 2007.

RESULTS AND DIVIDENDS

The result for the period is shown in the Consolidated Income Statement on page 11. The Directors do not recommend payment of a dividend.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity is that of an investment-holding group, primarily within the metals and mining sector, and also an investment in Fabergé Limited. Pallinghurst Resources (Guernsey) Limited was incorporated in Guernsey on 4 September 2007. The Directors expect the general level of activity to increase.

DIRECTORS

The Directors who served the Company during the period and to date were as shown on page 2.

AUDITOR

Saffery Champness has been appointed as the Company's auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

On behalf of the board

Brian Gilbertson	Stuart Platt-Ransom
Date: 28 May 2008	Date: 28 May 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable Guernsey law and generally accepted accounting standards. The Directors are required by The Companies (Guernsey) Law, 1994 to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 1994. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error, or non-compliance with law and regulations.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Pallinghurst Resources (Guernsey) Limited

We have audited the financial statements of Pallinghurst Resources (Guernsey) Limited for the period ended 31 December 2007 which comprise the consolidated income statement, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated statement of cash flows, the Company income statement the Company statement of changes in equity, the Company balance sheet, the Company statement of cash flows and the related notes.

This report is made solely to the Company's members, as a body, in accordance with section 64 of The Companies (Guernsey) Law, 1994. 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 described in the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of financial statements in accordance with applicable law and International Financial Reporting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 1994. We also report to you if in our opinion the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Director's Report and the Investment Manager's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the group's and the parent company's affairs at 31 December 2007 and of their respective profits for the period then ended; and
- the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 1994.

Saffery Champness
Chartered Accountants
Guernsey
Date: 28 May 2008

CONSOLIDATED INCOME STATEMENT

For the Period from Incorporation, 4 September 2007 to 31 December 2007

	Note	4 Sept 07 to 31 Dec 07 US$
Income		-
Expenses		
Investment Manager's Benefit	3	(2,328,095)
Administrative expenses	4	(330,787)
Total		(2,658,882)
Loss from operations		**(2,658,882)**
Other income		
Gain on part disposal of investments	8	4,876,409
Break fee income		2,025,736
Loan interest income	6	10,561
Total		6,912,706
Net finance income	5	1,202,830
Profit before share in loss of associates		**5,456,654**
Share in loss of associates	7	(1,325,286)
Net profit for the period		**4,131,368**
Earnings and diluted earnings per share		**24.40**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Period from Incorporation, 4 September 2007 to 31 December 2007

	Share capital US$	*Share premium US$*	*Retained earnings US$*	*Foreign exchange translation reserve US$*	*Total US$*
Balance at 4 September 2007	–	–	–	–	–
Net profit for the period	–	–	4,131,368	–	4,131,368
Foreign exchange translation reserve	–	–	–	17,463	17,463
Issue of share capital	1,695	166,928,777	–	–	166,930,472
Balance at 31 December 2007	**1,695**	**166,928,777**	**4,131,368**	**17,463**	**171,079,303**

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET
at 31 December 2007

	Note	2007 US$
ASSETS		
Non-current assets		
Investments in associates	**7**	57,277,347
		57,277,347
Current assets		
Loan receivable	**6**	2,287,929
Trade and other receivables	**10**	25,620,098
Cash and cash equivalents		86,113,647
		114,021,674
LIABILITIES		
Current liabilities		
Trade and other payables	**11**	(219,718)
		(219,718)
TOTAL NET ASSETS		**171,079,303**
Capital and reserves attributable to equity holders		
Share capital	**12**	1,695
Share premium	**12**	166,928,777
Foreign exchange translation reserve		17,463
Retained earnings		4,131,368
TOTAL EQUITY		**171,079,303**
NAV per share		**1,010.41**

The financial statements on pages 14 to 31 were approved and authorised for issue by the Board of Directors on 28 May 2008 and were signed on its behalf by:

Brian Gilbertson
Date: 28 May 2008

Stuart Platt-Ransom
Date: 28 May 2008

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Period from Incorporation, 4 September 2007 to 31 December 2007

	4 Sept 07 to 31 Dec 07 US$
Net profit for the period	**4,131,368**
Adjustments for:	
Gain on part disposal of investments	(4,876,409)
Break fee income	(2,025,736)
Loan interest income	(10,561)
Net finance income	(1,202,830)
Share in loss of associates	1,325,286
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS	**(2,658,882)**
Increase in trade and other receivables	(1,078)
Increase in trade and other payables	175,286
	174,208
CASH FLOWS FROM OPERATING ACTIVITIES	**(2,484,674)**
Investing activities	
Loan advanced	(2,287,929)
Investments in associates	(104,868,386)
Part disposal of investments	25,578,135
Break fee income	2,025,736
NET CASH USED IN INVESTING ACTIVITIES	**(79,552,444)**
Financing activities	
Issue of ordinary and management shares	166,930,472
Net finance income	1,202,830
NET CASH GENERATED FROM FINANCING ACTIVITIES	**168,133,302**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**86,096,184**
Cash and cash equivalents at the beginning of the period	–
Foreign exchange translation reserve	17,463
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**86,113,647**

The accompanying notes form part of these financial statements.

COMPANY INCOME STATEMENT

For the Period from Incorporation, 4 September 2007 to 31 December 2007

	Notes	4 Sept 07 to 31 Dec 07 US$
Income		–
Expenses		
Investment Manager's Benefit	**3**	(2,328,095)
Administrative expenses	**4**	(233,589)
Total		(2,561,684)
Loss from operations		**(2,561,684)**
Other income		
Gain on part disposal of investments	**8**	4,876,409
Break fee income		2,025,736
Loan interest income	**6**	10,561
Total		**6,912,706**
Net finance income	**5**	1,202,285
Net profit for the financial period		**5,553,307**
Earnings and diluted earnings per share		**32.80**

The accompanying notes form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the Period from Incorporation, 4 September 2007 to 31 December 2007

	Share capital US$	*Share premium US$*	*Retained earnings US$*	*Total US$*
Balance at 4 September 2007	–	–	–	–
Net profit for the period	–	–	5,553,307	5,553,307
Issue of share capital	1,695	166,928,777	–	166,930,472
Balance at 31 December 2007	**1,695**	**166,928,777**	**5,553,307**	**172,483,779**

The accompanying notes form part of these financial statements.

COMPANY BALANCE SHEET
At 31 December 2007

	Note	2007 US$
ASSETS		
Non-current assets		
Investments in subsidiaries	**8**	60,914,964
Current assets		
Trade and other receivables	**10**	25,619,020
Cash and cash equivalents		86,086,225
		111,705,245
LIABILITIES		
Current liabilities		
Trade and other payables	**11**	(136,430)
		(136,430)
TOTAL NET ASSETS		**172,483,779**
Capital and reserves attributable to equity holders		
Share capital	**12**	1,695
Share premium	**12**	166,928,777
Retained earnings		5,553,307
TOTAL EQUITY		**172,483,779**
NAV per share		**1,018.71**

The accompanying notes form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

For the Period from Incorporation, 4 September 2007 to 31 December 2007

	4 Sept 07 to 31 Dec 07 US$
Net profit for the period	**5,553,307**
Adjustments for:	
Gain on part disposal of investments	(4,876,409)
Break fee income	(2,025,736)
Net finance income	(1,202,285)
Loan interest income	(10,561)
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS	(2,561,684)
Increase in trade and other receivables	–
Increase in trade and other payables	91,997
	91,997
CASH FLOWS FROM OPERATING ACTIVITIES	**(2,469,687)**
Investing activities	
Investments in subsidiaries	(107,180,716)
Part disposal of investments	25,578,135
Break fee income	2,025,736
NET CASH USED IN INVESTING ACTIVITIES	**(79,576,845)**
Financing activities	
Issue of ordinary and management shares	166,930,472
Net finance income	1,202,285
NET CASH GENERATED FROM FINANCING ACTIVITIES	**168,132,757**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**86,086,225**
Cash and cash equivalents at the beginning of the period	–
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**86,086,225**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Period from Incorporation, 4 September 2007 to 31 December 2007

1. INCORPORATION

Pallinghurst Resources (Guernsey) Limited (the "Company") was incorporated in Guernsey on 4 September 2007, launched on 5 September, and listed on the Bermuda Stock Exchange on 26 September 2007 with total subscriptions of US$169,316,000. The management team of the Investment Manager of the Company subscribed for US$11,000,000, and have undertaken not to cede, pledge, dispose of or otherwise encumber such shares during the Investment Term of the Company.

2. ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by, or adopted by, the International Accounting Standards Board (the "IASB"), interpretations issued by the International Financial Reporting Interpretation Committee, applicable legal and regulatory requirements of Guernsey Law. These financial statements cover both the individual Company and the Group. The "Group" is defined as Pallinghurst Resources (Guernsey) Limited and all entities under its common control.

Basis of preparation

The financial statements are presented in US Dollars. They are prepared on the historical cost basis. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied, unless otherwise stated.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Basis of consolidation

Subsidiaries

The consolidated financial statements comprise the accounts of the Company and all of its subsidiaries up to 31 December 2007. Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Associates are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of these entities from the date that significant influence commences until the date that significant influence ceases. Although this has not occurred during the period, when the Group's share of losses exceeds its interest in an entity, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of an entity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Interest income

This is recognised on an accruals basis.

Break fee income

The Group received a share of a break fee paid by Consolidated Minerals Limited during the period. All such income is recognised on an accruals basis.

Expenses

Expenses are recognised on an accruals basis. The Investment Manager's Benefit, finance costs and all other expenses are charged through the Income Statement.

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and deposits with original maturity of less than three months.

Functional currency

The functional currency of both the Group and the Company is US Dollars.

Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate are recorded at the rates ruling when the transactions occur.

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 immediately in the consolidated income statement.

Subsidiaries

The Company has no investments other than in subsidiaries. These are recognised at historical cost. Fair value information has not been disclosed as the fair value cannot be measured reliably since no active market exists for these investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently measured at amortised cost using the effective interest rate method.

Share capital

Ordinary shares are classified as equity. The Company incurred share issue costs consisting of Structural Facilitator and Investment Bank Fees which have been offset against share premium as this is a share issue cost.

Financial liabilities

Financial liabilities include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

A provision is recognised if, because of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007 and have not been applied in preparing these consolidated financial statements:

IFRS 8: Operating Segments, introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 financial statements, will require the disclosure of segment information. It is not expected to have any impact on the consolidated financial statements.

Revised IAS 23: Borrowing Costs, removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

IFRIC 11 IFRS 2: Group and Treasury Share Transactions, requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Group's 2008 financial statements, with retrospective application required. It is not expected to have any impact on the consolidated financial statements.

IFRIC 12: Service Concession Arrangements, provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Group's 2008 financial statements, is not expected to have any effect on the consolidated financial statements.

IFRIC 13: Customer Loyalty Programmes, addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group's 2009 financial statements, is not expected to have any impact on the consolidated financial statements.

IFRIC 14 IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements ('MFR') on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Group's 2008 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

The adoption of these standards, interpretations and amendments is not expected to have a significant effect on the Group results of operations or financial position.

3. INVESTMENT MANAGER

Investment Manager

Under the terms of an appointment made by the Board on 4 September 2007, Pallinghurst (Cayman) GP L.P. was appointed as Investment Manager to the Company.

The executives of the Investment Manager have an unrivalled track record in creating value in the mining industry with in-depth knowledge of the assets, companies, people and trends. The executives are recognised for their strategic insight and vision, are highly regarded by international investors, and are renowned for pioneering innovative transactions. The Investment Manager executives consist of the following:

Mr Brian P. Gilbertson (former Chairman of Gencor, former Chief Executive of BHP Billiton, former CEO of SUAL, current Chairman of Pallinghurst Resources LLP), Arne H. Frandsen (former CEO of Incwala and senior banker with Goldman Sachs and JPMorganChase), Sean T. Gilbertson (former CEO of globalCOAL and investment banker with Deutsche Bank) and Priyank Thapliyal (former executive of Vedanta plc and investment banker with CIBC).

NOTES TO THE FINANCIAL STATEMENTS (continued)

The Investment Manager has over 70 years of collective experience in the resources sector.

Investment Manager's Benefit and Performance Incentive

The Investment Manager is entitled to an Investment Manager's Benefit of 1.5% per annum of the funds subscribed for in the Company during the 'Investment Period' (up to five years from 1 February 2007). With effect from the end of the Investment Period, an amount of 1.5% per annum of the lesser of the aggregate acquisition cost or market value (as determined by the most recent independent valuation) of unrealised investments of the Company during the relevant account period.

The total charge to the Income Statement during the period was US$2,328,095 for the Investment Manager's Benefit.

In addition, and subject to the conditions below, the Investment Manager is entitled to Performance Incentive in respect of Investments made by the Company before the termination, if applicable, of the Investment Management Agreement, calculated as follows:

(1) all aggregate proceeds which are not allocated to or held for further investments during the Investment Period and/or which are received after the Investment Period, will be allocated entirely to shareholders until such time as the shareholders have received an aggregate amount of the Company's funds plus the Hurdle (see below for definition);

(2) following the receipt by shareholders of proceeds equal to funds subscribed for in the Company during the Investment Period plus the Hurdle, the Investment Manager or its Associate is entitled to all further proceeds until it has received an amount equal to 25% of the Hurdle; and

(3) thereafter, Aggregate Proceeds will be allocated 80% to shareholders and 20% to the Investment Manager or its Associate.

The Hurdle above is defined as an amount of 8% per annum (compounded annually on 31 December each year) on the total amount of the subscriptions received from shareholders, still retained by the Company (including any amounts already compounded) and calculated on a daily basis.

Terms of the Investment Management Agreement

The Investment Manager has been appointed in order to provide the Company with investment advisory and management services in relation to investments falling within the investment scope.

The Investment Management Agreement may be terminated:

(a) automatically on the date of winding-up of the Company;

(b) by the Company, at any time from its commencement, by shareholders in extraordinary general meeting by special resolution if such termination is as a result of the Investment Manager's cause. No further annual Investment Manager's Benefit or Performance Incentive shall be payable on or after the date of such termination. The termination of the Investment Management Agreement shall not take effect until the shareholders have by special resolution approved the appointment of a replacement investment manager;

(c) by shareholders, at any time from its commencement, in general meeting by ordinary resolution, if such termination is as a result of:

   (i) Brian P. Gilbertson failing to devote substantially all of his professional time to the business and affairs of the Programme; and/or

   (ii) Brian P. Gilbertson ceasing to be an executive of the Investment Manager or its Associates.

In the event that the Investment Management Agreement is terminated:

(1) pursuant to (a) or (c) above, the Investment Manager shall be entitled to receive 100% of any Performance Incentive in respect of those Investments which had been made at the time of the termination of the Investment Management Agreement; and

(2) pursuant to (b) above, the Investment Manager shall not be entitled to receive any Performance Incentive, whether earned at the time of the termination of the Investment Management Agreement or otherwise.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. ADMINISTRATIVE EXPENSES

Group	4 Sept 07 to 31 Dec 07 US$
Audit fee	25,000
Directors' fees	5,333
Legal and professional fees	148,820
Management and administration fees	67,115
Formation fees	25,230
Listing, sponsors, regulatory and filing fees	18,105
Travel costs	28,680
Other administration expenses	12,504
	330,787

Company	4 Sept 07 to 31 Dec 07 US$
Audit fee	25,000
Formation fees	11,267
Directors' fees	5,333
Legal and professional fees	82,703
Administration and secretarial fees	49,304
Listing, sponsors, regulatory and filing fees	18,105
Travel costs	28,680
Other administration expenses	13,197
	233,589

5. FINANCE INCOME

Group	4 Sept 07 to 31 Dec 07 US$
Finance income	
Interest received on bank deposits	1,202,830
Net finance income	**1,202,830**

Company	4 Sept 07 to 31 Dec 07 US$
Finance income	
Interest received on bank deposits	1,202,285
Net finance income	**1,202,285**

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. LOAN

	2007 ***US$***
Balance at 4 September 2007	–
Additions made during the period	2,287,929
Disposals during the period	–
Balance at 31 December 2007	**2,287,929**

Schedule of loan	***2007*** ***US$***
Project Kalahari loan	**2,287,929**

In October, the Company, along with certain strategic equity partners, entered indirectly into a joint venture with Ntsimbintle, a BEE group with manganese exploration rights within South Africa's Kalahari Basin. The joint venture provides that the Company and the strategic equity partners, by funding all costs in preparing a bankable feasibility study ("BFS"), and by taking a decision to mine will earn a 49% interest in the properties. The Company has provided pre-incorporation loan funding to Pallinghurst Kalahari (Mauritius) Limited ("Pallinghurst Kalahari") in order for Pallinghurst Kalahari to acquire an initial equity participation in the joint venture, in terms of the agreement concluded with Ntsimbintle. The Company has an entitlement to subscribe for shares in Pallinghurst Kalahari, subject to the receipt of the requisite regulatory approvals. The terms of the loan are interest bearing (at a rate of 1 month USD LIBOR +2%), unsecured and repayable within twelve months. Accrued interest as at 31 December 2007 of US$10,561 is shown in trade and other receivables.

7. INVESTMENTS IN ASSOCIATES

Fabergé Conduit Limited

The Group, through The Pallinghurst Resources Fund L.P., invested US$51,565,891 for a 100% shareholding in Fabergé Conduit Limited, an unlisted company incorporated in the Cayman Islands. The sole asset of Fabergé Conduit Limited is an investment in Fabergé Limited, of which it owns 91.55% and which specialises in luxury brands. In accordance with the agreements for purchase, the Group disposed of part of its shareholding in Fabergé Conduit Limited, recording a gain of US$473,624 and resulting in a shareholding of 51.0878% as at 31 December 2007.

At a general meeting of Fabergé Conduit Limited, on a poll, every shareholder is entitled to one vote in respect of all equity shares regardless of the number of shares held. Accordingly, this investment is classified as an investment in an associate due to the Group having the ability to exert significant influence through its shareholding, but not a subsidiary due to the voting rights of all shareholders as outlined above.

Rox Conduit Limited

The Group, through The Pallinghurst Resources Fund L.P., invested US$31,940,124 for a 49.1385% shareholding in Rox Conduit Limited, an unlisted company incorporated in the Cayman Islands. The sole investment of Rox Conduit Limited is an investment in Rox Limited, of which it owns 89.75% and which specialises in emerald mining.

At a general meeting of Rox Conduit Limited, on a poll, every shareholder is entitled to one vote in respect of all equity shares regardless of the number of shares held. Accordingly, this investment is classified as an investment in an associate due to the Group having the ability to exert significant influence through its shareholding.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Pallinghurst Investor (Dutch) B.V

The Group, through Pallinghurst Consolidated (Dutch) B.V., invested US$21,431,327 for a 20.6667% shareholding in Pallinghurst Investor (Dutch) B.V., an unlisted company incorporated in the Netherlands. The sole investment of Pallinghurst Investor (Dutch) B.V. is a 100% interest in Pallinghurst Resources Australia Limited. Pallinghurst Resources Australia Limited acquired an interest in Consolidated Minerals Limited, which was disposed of prior to the period-end.

	Fabergé Conduit Limited	***Rox Conduit Limited***	***Pallinghurst Investor (Dutch) BV***	***Total***
Number of shares in issue	51,795.891	100	900	
Number of shares held by Pallinghurst	26,461.380	49.1385	186	
Percentage holding in associates	51.0878%	49.1385%	20.6667%	
The Group's voting percentage	25%	49.1385%	20.6667%	
	US$	***US$***	***US$***	***US$***
Investment in associates	26,461,381	31,940,124	201,128	58,602,633
Loss for the period attributable to the Group	(1,111,030)	(206,385)	(7,871)	(1,325,286)
Net assets attributable to the Group	25,350,351	31,733,739	193,257	57,277,347

8. INVESTMENTS IN SUBSIDIARIES

	2007 US$
Balance at 4 September 2007	–
Additions during the period	107,225,149
Part disposals during the period (cost)	(46,310,185)
Balance at 31 December 2007	**60,914,964**

The Group's investments in associates are held by its subsidiaries.

Subsidiary	***Date of acquisition***	***Domicile***	***Number of shares in issue and owned by the Company***	***Ownership interest and voting percentage***
Pallinghurst Resources (Guernsey) GP Limited	21.9.07	Guernsey	2	100%
The Pallinghurst Resources Fund L.P.	26.9.07	Cayman Islands	n/a	99.99%
Pallinghurst Consolidated (Cayman) Limited	26.9.07	Cayman Islands	1	100%
Pallinghurst Consolidated (Lux) S.à r.l.	26.9.07	Luxembourg	201,304	100%
Pallinghurst Consolidated (Dutch) B.V.	26.9.07	The Netherlands	180	100%

During the period, the Company received a total of US$ 51,186,594 from or on behalf of its subsidiary, The Pallinghurst Resources Fund L.P., consisting of returns of capital totalling US$ 46,310,185 and capital gains of US$ 4,876,409. These funds resulted from the sale of the investment in Consolidated Minerals Limited and the part sale of the investment in Fabergé Conduit Limited.

The Directors have assessed the value of these unlisted investments at the period-end and do not consider there to be any permanent diminution in value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. TAXATION

The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and 1992, and is charged an annual exemption fee of £600. From January 2008, this law is superseded by the Income Tax (Zero-10) (Guernsey) (No 2) Law 2007. The company will continue to pay the annual exempt tax fee of £600, as it is an 'Exempt Collective Investment Scheme' under the new law.

10. TRADE AND OTHER RECEIVABLES

Group	***2007 US$***
Amount receivable for the sale of Consolidated Minerals Limited	25,608,459
Interest receivable regarding Project Kalahari loan	10,561
Other amounts receivable	1,078
	25,620,098

Company	***2007 US$***
Amount receivable for the sale of Consolidated Minerals Limited	25,608,459
Amounts receivable from subsidiary regarding Project Kalahari loan interest	10,561
	25,619,020

11. TRADE AND OTHER PAYABLES

Group	***2007 US$***
Directors' fees payable	2,000
Administration fees payable	64,133
Pallinghurst (Cayman) GP L.P.	73,111
Audit fee accrual	25,000
Other	55,474
	219,718

Company	***2007 US$***
Directors' fees payable	2,000
Administration fees payable	36,317
Pallinghurst (Cayman) GP L.P.	73,111
Audit fee accrual	25,000
Other	2
	136,430

The fair value of trade and other payables are the same as the carrying values.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. SHARE CAPITAL

	No.	2007 US$
Authorised share capital		
Management shares of USD 1 each	10	10
Ordinary shares of USD 0.01 each	999,000	9,990

Issued and fully paid-up

	No.	2007 Share capital US$	2007 Share premium US$
Management shares of US$ 1 each			
Balance at 4 September 2007	–	–	–
Issued	2	2	–
Redeemed	–	–	–
Balance at 31 December 2007	**2**	**2**	**–**
Ordinary shares of US$ 0.01 each			
Balance at 4 September 2007	–	–	–
Issued	169,316	1,693	169,314,307
Share issue costs	–	–	(2,385,530)
Redeemed	–	–	–
Balance at 31 December 2007	**169,316**	**1,693**	**166,928,777**
Total shares in issue	**169,318**	**1,695**	**166,928,777**

The management shareholders have no right to receive dividends. Upon a winding up of the Company, after all creditors, liquidation costs and the fair market value of the ordinary shares have been paid, the management shareholders shall receive the nominal value of their shares. The management shareholders have the right to receive notice of and vote at any general meeting of the Company if there are no ordinary shares in issue.

The ordinary shareholders have the right to receive dividends. Upon a winding up of the Company, after all creditors and liquidation costs have been paid, they have received the fair market value of their ordinary shares and the nominal value of the management shares have been paid they are entitled to any surplus.

The holders of the Ordinary Shares have the right to receive notice of, to attend, and vote at any general meeting of the Company. Each holder of an Ordinary Share, who is present in person or by proxy, at a general meeting has, on a show of hands, one vote and, on a poll, every such holder, who is present in person or by proxy, has one vote in respect of each Ordinary Share held by them.

The following describes the nature and purpose of each balance within equity:

Capital/Reserve	*Description and purpose*
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value less any share issue costs.
Foreign exchange	Gain/Losses arising on retranslating the net assets of overseas operations into dollars.
Retained earnings	Cumulative net gains losses recognised in the consolidated income statement.

During the period, the Company incurred share issue costs of US$2,385,530 consisting of the Structural Facilitator and Investment Bank Fee paid to Investec for its services shortly after the Company listed its shares on the Bermuda Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. FINANCIAL INSTRUMENTS

Financial instruments and risk profile

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including interest rate risk and foreign exchange rate risk).

Principal financial instruments

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies, and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- loans and receivables;
- cash at bank; and
- loans and payables.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and polices. The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables.

The carrying amount of the financial assets best represents the maximum credit risk exposure at the balance sheet date. This relates to the financial assets carried at amortised cost, as they have a short-term maturity.

Credit risk arising from the loan receivable is considered small due to the short-term settlement period. The maximum loss exposure is US$2,287,929.

Substantially all the cash of the Group is held with the Investec Bank (Channel Islands) Limited. Bankruptcy or insolvency of the Bank may affect the Group's rights with respect to the cash held by the bank. The Group monitors the credit rating of the Bank.

US$25,608,459 of the trade and other receivables were received since the period-end. The company's exposure to credit risk from this balance at the period-end was therefore not significant.

Liquidity risk

Liquidity risk mainly arises from the Group's investment in unlisted investments.

Investments in unlisted entities, such as those the Group is likely to make, are intrinsically riskier than investments in listed entities as such unlisted entities may be smaller, more vulnerable to changes in markets and technology, relatively illiquid and dependent on the skills and commitment of a small management team. Information on the financial and operational performance of unlisted entities is likely to be more difficult to obtain and may be less reliable than would be the case for listed entities.

Investments may be illiquid, long-term in nature, difficult to value and subject to legal and other restrictions on transfer. There can be no assurances that the Group will be able to liquidate a particular investment at the time, and on the terms, it desires. The Group is likely to be committing a substantial portion of its funds to investments whose shares or instruments are not listed or dealt on any stock exchange. Such investments are likely to involve a high degree of risk. The Group may invest in entities involved in the early stages of development, including exploration, which may involve significant uncertainties.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Market risk

The Group is exposed to the specific market risks associated with mining as well as the general ones of changes in foreign currency exchange rates, interest rates and market prices. The specific risk are the uncertain nature of mining, operational risk, environmental compliance and legislation change risks, political and economic risks, and risks resulting from the limited number of and the competition for these investments.

Uncertain nature of mining

The exploration for, development, mining and processing of mineral deposits involves significant uncertainties and such an investment's operations will be subject to all of the hazards and risks normally encountered in such activities. These hazards and risks include unusual and unexpected geological formations, rock falls, flooding, technological difficulties, metallurgical complexities, and other climatic conditions, any one of which could result in damage to, or destruction of, an investment's facilities or property, environmental damage or pollution. These, together with potential, legal liability could have a material adverse impact on the business, operations and financial performance of the investment. Although precautions to minimise such risk will be taken, even a combination of careful evaluation, experience and knowledge of such risk may not mitigate or eliminate all of the hazards and risks.

Operational risk

As is common with all mining and associated processing ventures and luxury goods brands, there is uncertainty and risk associated with the operating parameters and costs that can be difficult to predict and are often affected by factors outside the investment's control. With all natural resources operations, there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Natural resources exploration, extraction, and processing activities are speculative in nature and there can be no certainty that any minerals deposits will be discovered, successfully extracted, or processed.

Environmental compliance and legislation change risks

Natural resources exploration, extraction, and processing activities are subject to various laws and regulations relating to the protection of the environment. The operations of an investment may require approval by relevant environmental authorities. A breach of such laws and regulations may result in the imposition of fines and penalties or closure of operations and there is a risk that new rules and regulations could be enacted or that existing rules and regulations could be applied in a manner, which would limit or curtail exploration, production or development of an investment. Amendments to the current laws and regulations governing the protection of the environment, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of an investment.

Political and economic risks

Each country in which the Group may invest will have its own set of risks relating to legislation, tax, language and the market. The Directors will assess these country specific risks prior to making an investment; however, the success of investments may be affected by the political and economic stability of the relevant countries in which investments are acquired.

Risk of limited number of and competition for investments

The Group participates in a limited number of investments and, therefore, the aggregate return to the Group may be substantially adversely affected by the unfavourable performance of a single investment. Companies in the natural resources sector may have many alternative sources of capital and the competition for investments may be intense, especially during periods of favourable industry conditions. There can be no assurance that the Investment Manager will be able to identify and implement investments or that it will be able to fully invest the Group's funds. The fewer the investments that the Group makes, the greater the risk is that poor performance of any one investment will significantly affect the Group as referred to above.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

This risk arises because the Group has investments in various parts of the world whose functional currency is not the same as the functional currency in which the group companies are operating. Although its focus on global natural resources reduces the Group's operational risk in that, it has diversified into several markets; the group's net assets or cash flows arising from such overseas operations are exposed to currency risk resulting from the adverse movements of those currencies relative to the US Dollar.

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 because part of the Company's funds are held as cash with the Investec Bank (Channel Islands) Limited. The rate of interest on the Company's accounts is based on the US Federal Reserve rate.

Interest Rate Sensitivity:

The Group had closing Cash at bank of US$86,113,647. The Group is sensitive to the movements in the US Federal Reserve interest rates, which are the primary interest rates, to which Group is exposed. If the US Federal Reserve interest rates increased or decreased by 50 basis points at the period-end, then income for the period would have increased or reduced by US$114,555, respectively.

	50 basis point increase US$	***50 basis point decrease US$***
Profit/(Loss)	114,555	(114,555)

Market prices

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in marker prices (other than those arising from interest rates risk or currency risk). Those changes may be caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The market price of minerals and natural commodities is volatile and affected by numerous factors, which are beyond the control of the Group. These factors include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events, and international events, as well as a range of other market forces. Sustained downward movements in the market price of minerals and natural commodities could render less economic, or uneconomic, some or all of the activities undertaken by an investment.

14. RELATED PARTY TRANSACTIONS

The Investment Manager, Administrator and Secretary are all related parties of the Group due to common directors. The Investment Manager's Benefit and Performance Incentive are disclosed in Note 3. There are no balances owing at 31 December 2007. The Administrator is entitled to annual minimum fees totalling US$80,000, payable quarterly in arrears. The amounts owing at the period-end are disclosed in Note 11.

Stuart Platt-Ransom and Clive Harris each receive a director's fee of US$8,000 per annum. All the other directors have waived their fees. The amounts owing at the period-end are disclosed in Note 11.

The Brian Gilbertson Discretionary Settlement, a discretionary trust of which Brian Gilbertson is a beneficiary, owns 5.90% and Arne Frandsen owns 0.15% of the Company at 31 December 2007.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. SEGMENTAL REPORTING

	Luxury brands US$	Mining US$	Other US$	Group US$
Income	–	–	–	–
Profit/(Loss) for the period	473,624	6,439,082	(1,456,052)	5,456,654
Assets	25,350,351	59,835,023	86,113,647	171,299,021
Liabilities	–	–	(219,718)	(219,718)
Share in loss of associates	(1,111,030)	(214,256)	–	(1,325,286)
Investments in associates	26,461,381	32,141,252	–	58,602,633
Net assets attributable to the Group	25,350,351	31,926,996	–	57,277,347

	Africa US$	Australasia US$	Other US$	Group US$
Income	–	–	–	–
Profit/(Loss) for the period	10,561	6,428,521	(982,428)	5,456,654
Assets	34,021,668	25,620,098	111,657,255	171,299,021
Liabilities	–	–	(219,718)	(219,718)
Share in loss of associates	(206,385)	(7,871)	(1,111,030)	(1,325,286)
Investments in associates	31,940,124	201,128	26,461,381	58,602,633
Net assets attributable to the Group	31,733,739	193,257	25,350,351	57,277,347

16. CONTINGENT LIABILITY

On 31 December 2007, the Company provided the Moepi Group (Pty) Limited ("Moepi Group") with a guarantee over loan funding of US$25 million in order that they could settle significantly discounted options over 7.8% of Boynton, a platinum exploration company situated in the Bushveld Igneous Complex of South Africa, source of approximately 80% of the world's platinum group metals resources.

The guarantee had not been called upon nor had it expired on the date of signature of the account.

There were no other contingent liabilities at 31 December 2007.

17. POST-BALANCE SHEET EVENT NOTE

On 25 April 2008, the Company made a loan of US$10 million to Fabergé Limited. The loan is unsecured, bears interest at LIBOR plus 4% until the repayment date and LIBOR plus 18% thereafter and is repayable on 31 July 2008.