



PALLINGHURST



Pallinghurst Resources Limited
INTERIM REPORT 2017



Above
Kagem mine in Zambia.

Cover images, from left to right
Silicate and UG2 milling sections at the Pilaesberg Platinum Mine.
Fabergé egg earrings from the Heritage collection.
Aerial view of the Tshipi mine site.

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Highlights and Chief Executive's Statement

- PRL was transformed from a closed-end investment vehicle into a long-life operating mining company, with effect from 1 August 2017.
- Gemfields plc was acquired via a public market offer, which successfully completed post the period end.
- SPM dispatched 62,000 ounces of PGM's in the first six months of the year, while building up to an accumulated 4.4 million fatality-free shifts.
- Tshipi became the largest exporter of manganese ore from South Africa, selling 2.3 million tonnes in its financial year to 28 February 2017, and another 1.5 million tonnes in the six months to 31 August 2017.
- Tshipi distributed ZAR1 billion to its shareholders in February 2017 and a further ZAR500 million in September 2017.
- Gemfields achieved its highest ever single-auction revenue in June 2017 when US\$55 million of rough rubies were sold in Singapore. Two emerald auctions in the first half of this year, generated a further US\$37 million.

The period from January 2017 has proven to be one of the most important in PRL's 10 year life. In June, a supermajority of the shareholders supported the transformation of PRL into a long-life mining company. As our first transformational deal, backed by 96% of PRL's shareholders, we acquired all of the shares in Gemfields, which now becomes a fully owned subsidiary of PRL. The key aim of your management team is to restore Gemfields to a strong financial position by revitalising its operations and to realise our vision of becoming "the coloured gemstones equivalent of De Beers". I am pleased to report that the integration is well advanced and significant cost benefits are being realised. The new management team is in place with initial operating results from both Kagem and Montepuez being encouraging. In our steel making materials division, Jupiter delivered an outstanding performance with PRL receiving its maiden distribution from that investment, with a further distribution expected in the second half of 2017. Our Sedibelo PGM mine continues to operate in a most challenging environment, and has successfully implemented drastic cost cutting measurements. Its safety record of almost 4.5 million fatality free shifts remains one of the best in the industry.

We thank our shareholders for their support for both the transformation of PRL and the acquisition of Gemfields. Our team is motivated and fully committed to developing PRL to its full potential as an operating mining company. Our revised business plan is well advanced, and following approval, this will be communicated to all shareholders.

Arne H. Frandsen
Chief Executive

Investment Manager's Report

for the six months ended 30 June 2017

Financial results

For the year to date, Pallinghurst Resources Limited ("PRL", the "Company" or the "Group") posted a Total Comprehensive Loss of US\$81 million, of which almost all is due to unrealised write downs in asset valuations. There are two areas where the write downs took place:

Firstly, since the year-end 2016 valuation, the Gemfields share price has declined to 32 pence per share. Despite Gemfields being subject to the PRL takeover offer and a third party unsuccessfully making an offer at 45 pence per share, accounting convention requires that the listed share price of 32 pence at 30 June 2017 should be used in valuing this investment. Accordingly, PRL had to write down this investment by US\$64 million, accounting for 79% of the Comprehensive Loss for the period.

In addition, notwithstanding the SPM valuation of approximately US\$3 billion in the recent Competent Person's Report, the challenging environment for platinum producers, and the political uncertainty in South Africa, in particular the unease and value destruction caused by the release of the Mining Charter III, has led to an unrealised value adjustment of US\$16 million.

Jupiter Mines had a strong performance due to Tshipi's low-cost base and strong manganese prices, but no material valuation increase has been made in these accounts. Should the strong financial performance continue, such an upward value adjustment may be applied at the end of the financial year.

All three of the Company's investments represent attractive value propositions for shareholders. In future years, PRL accounts will consolidate Gemfields operating results, which should reduce these (sometimes radical) swings in asset values being reflected through the Consolidated Statement of Comprehensive Income.

Platinum Group Metals ("PGM")

Whilst the US dollar prices of platinum and palladium increased by 3% and 24% respectively during the first half of the year, the PGM environment remains challenging for all producers. The strengthening of the ZAR against the US dollar has added further pressure on all South African PGM producers – including Sedibelo Platinum Mines Limited ("Sedibelo / SPM") as most costs are denominated in ZAR and revenues in US dollars.

In response to the current adverse PGM market environment, Sedibelo continues to focus on cost cutting and cash preservation rather than on increasing output. This has enabled the company to withstand the currently depressed markets without seeking new shareholder capital. Sedibelo's subsidiary, Pilanesberg Platinum Mines, dispatched 62,000 ounces of 4E PGM in the half year, down by 23% over the comparative period in 2016.

Sedibelo has also continued the development of its industry-changing Kell technology. The Kell technology is an innovative hydrometallurgical alternative to the smelting of PGM concentrates. It is an environmentally friendly process which is significantly less capital intensive, can operate at lower costs, and uses only approximately a fifth of the electricity required of a conventional PGM refinery. A landmark agreement was reached between KellTech (in which Sedibelo holds a material interest) and the Zimbabwean government, that could lead to a US\$500 million investment in beneficiation in Zimbabwe. The beneficiation investment would be in the form of Kell beneficiation plants, owned through a joint venture between the Zimbabwe Mineral Development Company and KellTech.

SPM places a strong emphasis on workplace safety and has recently achieved a record of over 4.4 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 building health clinics, schools, water and road projects and offering internships to community members at the mine.

The cost-cutting initiatives and technological advances at SPM are providing support through the continued difficult market conditions. The long-term supply and demand fundamentals remain positive. SPM, with its large and relatively shallow resource base with a strong balance sheet with no debt, is well-positioned to benefit from any recovery in the PGM industry.

Investment Manager's Report/cont.

for the six months ended 30 June 2017

Steel Making Materials

The manganese market had a volatile start to 2017 with the 37% FOB spot manganese price decreasing by 46% (from US\$7.45 to US\$4.03/dmtu) over the first six months of the year. This large decline in the first six months was partially due to industry-wide production increases that took advantage of the high prices seen towards the end of 2016. Since then, the spot price has remained relatively strong at long-term levels as China's demand for steel has held firm.

Tshipi é Ntle Manganese Mining (Pty) Limited ("Tshipi") is performing exceptionally well and responded rapidly to the stronger prices, increasing production, whilst continuing to optimise its costs. Accordingly, Tshipi sold 2.3 million tonnes of manganese ore in its financial year to 28 February 2017, 53% higher than the prior year. Tshipi saw record revenues and profit for the year and distributed ZAR1 billion to its shareholders. Jupiter Mines Limited ("Jupiter") received ZAR499 million in February 2017 and distributed approximately US\$54 million to its shareholders, with PRL receiving approximately US\$10 million.

Tshipi is targeting exports of 3 million tonnes for the 2017/18 financial year and is well on target to achieve this with over 1.5 million tonnes sold for the six months to 31 August 2017. Jupiter announced that Tshipi exported over 1.3 million tonnes for the five months to July 2017 making Tshipi the largest exporter of manganese ore from South Africa, and at these levels is the third largest seaborne manganese producer globally.

In September 2017, Tshipi distributed an additional ZAR500 million to its shareholders whilst retaining its debt-free balance sheet. Jupiter will use its 49.9% share as part of a further distribution of US\$25 million to be made to its shareholders by the end of the year, with PRL due to receive approximately US\$4.6 million.

Jupiter received US\$2.3 million as a result of the exit from OM Tshipi (S) Pte Ltd ("OMT"), the joint venture set-up to market and sell manganese ore produced by Tshipi. Subsequent to the exit from OMT, Jupiter now markets and sells its 49.9% share of the ore produced by Tshipi.

Jupiter released its financial statements for the year ended 28 February 2017 recording a total comprehensive profit of AUD200 million which was largely due to the reversal of the prior year's impairment of its interest in Tshipi as well as its share of Tshipi's profit.

Jupiter's Mount Ida magnetite and Mount Mason hematite projects in the Central Yilgarn region of Western Australia remain on care and maintenance. Jupiter continues to monitor the iron ore market and is ready to recommence work on these projects once market conditions are favourable.

In March 2017, Jupiter and its partner Main Street 774 (Pty) Limited launched an initiative to investigate strategic options to realise shareholder value from Tshipi. This may result in a trade sale or Initial Public Listing. Bank of America Merrill Lynch were appointed as lead advisors to progress these options.

Coloured Gemstones

Gemfields plc ("Gemfields") experienced a challenging period, with auction revenues declining by 24% to US\$133 million in its financial year ending 30 June 2017 (versus US\$174 million in the prior year). While performance at the Montepuez ruby mine remained strong, the Kagem emerald mine saw gem production fall more than 37% to 19 million carats, the lowest figure in seven years. Emerald prices remained robust, but lower production, especially of high value gems, meant Kagem's auction revenues fell 53% to US\$47.5 million in its financial year ending 30 June 2017 (versus US\$101.4 million in the prior year).

Gemfields held one rough ruby auction in the first six months of the year, in June 2017 in Singapore, and achieved its highest ever auction revenue when US\$55 million of rough rubies were sold at an average price of US\$61.13 per carat. This was the eighth auction of rubies and corundum produced at Montepuez, which have collectively generated revenues of US\$281 million.

Investment Manager's Report/cont.

for the six months ended 30 June 2017

Demand for Gemfields' emeralds remains strong with Gemfields holding two auctions in the first six months of the year. A higher quality rough emerald auction was held in February 2017 in Lusaka, Zambia which generated revenues of US\$22 million at an average price of US\$63.61 per carat. In May 2017, a commercial quality rough emerald auction was held in Jaipur, India generating revenues of US\$15 million at US\$4.68 per carat, the second highest average price ever achieved for a commercial quality rough emerald auction. 100% of the emeralds offered at the Jaipur auction were sold, a strong indication of the continued demand for Gemfields' responsibly sourced gems. Gemfields' 25 auctions of emerald and beryl mined at Kagem since July 2009 have generated US\$474 million in aggregate revenues.

Kagem's ore grade in its financial year ending 30 June 2017 fell to 158 carats per tonne, down 34% from 241 carats per tonne in the prior year. During the same period, ruby and corundum production at Montepuez fell by 14% to 8.8 million carats from 10.3 million carats in the prior year (on a grade that declined from 35 carats per tonne to 16 carats per tonne, reflecting the intended increase in processing of lower grade but higher quality ore from the Mugloto pits).

Gemfields aims to promote excellence in mining coloured gemstones and to have as little impact on the environment as possible. At Kagem, the Chapula Secondary School and Nkana Clinic continued to be supported during the period and were handed over to the community following further improvements. The Masasa Bridge connecting the Lumpuma chiefdom was rehabilitated and work with the agricultural societies continued to be strengthened with additional training and technical support. At Montepuez, support continues to be given to encourage farmers to produce higher value crops with over 200 farmers benefitting from the project. A mobile clinic was officially launched, treating some 4,000 patients per month, and Montepuez completed construction of a new school whilst rehabilitating two others.

Gemfields' luxury brand, Fabergé, saw both an increase in the number of pieces sold and a decrease in operating costs during the first six months of the year when compared to the prior year period. Fabergé's presence at BaselWorld saw it launch the Visionnaire Chronograph timepiece, alongside new jewellery pieces. The Visionnaire Chronograph timepiece has been shortlisted for the prestigious Grand Prix de Horlogerie de Geneve, the third consecutive year in which a Fabergé timepiece has been shortlisted for what is widely regarded as the "the Oscars of the watchmaking industry". Fabergé won an award in both 2015 and 2016.

Gemfields announced the cessation of operations in both Colombia and Sri Lanka. The withdrawal from Colombia was primarily due to the conditions precedent not being satisfied in the stipulated timeframe. Gemfields interests in exploration licences in Sri Lanka are currently being maintained. Gemfields is currently focussing on optimising its existing portfolio of core assets, namely Kagem, Montepuez and Fabergé. Bulk sampling operations have also commenced at the Dogogo South emerald prospect in southern Ethiopia.

Pallinghurst's offer for Gemfields

Pallinghurst has been the founding and largest shareholder of Gemfields since it and the Pallinghurst Co-Investors contributed Kagem to Gemfields for shares and supported a contemporaneous share placing in July 2008. Gemfields is a core component of Pallinghurst's value proposition to its shareholders and unlocking its full value potential is of paramount importance to the Company. Despite many positive developments, the share price of Gemfields did not reflect its inherent value, which has in turn adversely affected the share price performance of Pallinghurst.

Gemfields remains an attractive and unique business but its structure meant that Gemfields was constrained by limited access to equity and debt capital markets, low liquidity in the trading of Gemfields shares and a high cost base contributing to depressed profitability. Pallinghurst believe that the restructuring and integration of Gemfields will enable it to perform to its full potential, materially improving trading liquidity and promoting a re-rating of the enlarged Group.

Accordingly, on 19 May 2017, PRL announced the terms of an offer for the whole of the issued and to be issued share capital of Gemfields, other than the shares already held by PRL (the "PRL Offer"). Each Gemfields shareholder was entitled to receive 1.91 PRL shares for each Gemfields share they held. The PRL Offer valued each Gemfields share at 38.5 pence on 19 May 2017.

Investment Manager's Report/cont.

for the six months ended 30 June 2017

The "independent" Gemfields board of directors opposed the PRL Offer which led to Fosun Gold Holdings Limited ("Fosun") announcing on 20 June 2017 the terms of a cash offer for the whole of the issued and to be issued share capital of Gemfields (the "Fosun Offer"). The Fosun Offer valued each Gemfields share at 45 pence and the "independent" Gemfields board of directors agreed a US\$2 million break fee if the PRL Offer or any higher offer was declared unconditional. On 26 June 2017, the PRL Offer was declared wholly unconditional and the Fosun Offer lapsed and the break fee became payable. Related financial and other advisory costs of approximately US\$5 million was agreed by the "independent" Gemfields board of directors in opposing the PRL Offer, which has added additional financial pressure to Gemfields, which already had incurred record debt levels.

Gemfields was delisted from the AIM market of the London Stock Exchange on 28 July 2017. In August 2017, as the level of Gemfields share acceptances surpassed 90% of the shares to which the PRL Offer related, the Company commenced the compulsory acquisition process of the remaining Gemfields shares. Once the compulsory acquisition process is complete, PRL will own 100% of Gemfields.

With Gemfields now under PRL's control, a thorough review and analysis of the operations, including processes, plans, budgets and financial position is underway. Certain operational improvements have already been made at Kagem and an encouraging increase in the recovery of premium emeralds has already been seen. Premium emeralds are the highest grade of gemstones produced by Kagem and form the large majority of Kagem's total revenue. A selection of these premium emeralds will be offered as part of the predominantly high-quality emerald auction in Lusaka, Zambia from 2–5 October 2017.

Pallinghurst (Cayman) GP L.P.

September 2017

INTERIM FINANCIAL STATEMENTS AND ADMINISTRATION

INTERIM FINANCIAL STATEMENTS

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Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2017

| | Notes | 1 January 2017 to 30 June 2017 US\$ '000 (reviewed) | 1 January 2016 to 30 June 2016 US\$ '000 (reviewed) | 1 January 2016 to 31 December 2016 US\$ '000 (audited) |
|--|-------|--|--|---|
| INCOME | | | | |
| Investment Portfolio | | | | |
| Unrealised fair value gains | 2 | 918 | 3,987 | 49,768 |
| Unrealised fair value losses | 2 | (80,296) | (34,177) | – |
| Realised gain on disposal of Jupiter shares | 4 | 5,337 | – | – |
| | | (74,041) | (30,190) | 49,768 |
| Investment Portfolio revenue | | | | |
| Loan interest income | 2 | 222 | 358 | 619 |
| | | 222 | 358 | 619 |
| Net (loss)/gain on investments and income from operations | | | | |
| | | (73,819) | (29,832) | 50,387 |
| EXPENSES | | | | |
| Investment Manager's Benefit | 6 | (2,442) | (2,715) | (4,988) |
| Operating expenses | | (552) | (466) | (904) |
| Gemfields Acquisition – transaction costs | 5 | (4,387) | – | – |
| Foreign exchange gains | | 2 | 11 | 9 |
| | | (7,379) | (3,170) | (5,883) |
| Net (loss)/gain from operations | | | | |
| | | (81,198) | (33,002) | 44,504 |
| Finance income | | 19 | – | 1 |
| Finance costs | | (5) | (2) | (3) |
| Net finance income/(costs) | | | | |
| | | 14 | (2) | (2) |
| (Loss)/profit before fair value gain of associates | | | | |
| | | (81,184) | (33,004) | 44,502 |
| Fair value gain of associates | 2 | 2 | 61 | 71 |
| (Loss)/profit before tax | | | | |
| | | (81,182) | (32,943) | 44,573 |
| Tax | | (3) | (2) | (3) |
| NET (LOSS)/PROFIT AFTER TAX | | | | |
| | | (81,185) | (32,945) | 44,570 |
| Other comprehensive income | | | | |
| | | – | – | – |
| TOTAL COMPREHENSIVE (LOSS)/INCOME | | | | |
| | | (81,185) | (32,945) | 44,570 |
| Basic and diluted (loss)/earnings per ordinary share – US\$ | | | | |
| | 10 | (0.11) | (0.04) | 0.06 |

All elements of total comprehensive (loss)/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 2017

| | Notes | 30 June 2017 US\$ '000 (reviewed) | 30 June 2016 US\$ '000 (reviewed) | 31 December 2016 US\$ '000 (audited) |
|--|-------|---|---|--|
| ASSETS | | | | |
| Non-current assets | | | | |
| Investments in associates | 2 | 1,267 | 1,255 | 1,265 |
| Investment Portfolio | | | | |
| Listed equity investments | 2 | 179,390 | 124,426 | 164,615 |
| Unlisted equity investments | 2 | 173,675 | 154,100 | 193,869 |
| | | 353,065 | 278,526 | 358,484 |
| Total non-current assets | | 354,332 | 279,781 | 359,749 |
| Current assets | | | | |
| Investment Portfolio | | | | |
| Loans and receivables | 2 | – | 6,662 | 4,948 |
| Cash and cash equivalents | | 12,935 | 1,690 | 1,218 |
| Trade and other receivables | | 1,253 | 1,376 | 1,175 |
| Other investments | | 14 | 21 | 12 |
| Total current assets | | 14,202 | 9,749 | 7,353 |
| Total assets | | 368,534 | 289,530 | 367,102 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Trade and other payables | | 5,470 | 150 | 207 |
| Total current and total liabilities | | 5,470 | 150 | 207 |
| Net assets | | 363,064 | 289,380 | 366,895 |
| EQUITY | | | | |
| Capital and reserves attributable to equity holders | | | | |
| Share capital | 9 | 12 | 8 | 8 |
| Share premium | 9 | 475,896 | 375,227 | 375,227 |
| Reserve for own shares | 9 | (23,319) | – | – |
| Retained losses | | (89,525) | (85,855) | (8,340) |
| Total equity | | 363,064 | 289,380 | 366,895 |

The accompanying notes form part of these Financial Statements.

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2017

| | Notes | 1 January 2017 to 30 June 2017 US\$ '000 (reviewed) | 1 January 2016 to 30 June 2016 US\$ '000 (reviewed) | 1 January 2016 to 31 December 2016 US\$ '000 (audited) |
|--|-------|--|--|---|
| Cash outflows from operations | 7 | (3,412) | (3,431) | (5,876) |
| Loans extended to investments | | – | – | (4,925) |
| Loans repaid by investments | | 5,000 | 3,500 | 10,000 |
| Loan interest received | | 169 | – | 400 |
| Proceeds from disposal of Jupiter shares | | 10,105 | – | – |
| Net cash flows from operating activities | | 11,862 | 69 | (401) |
| Cash flows from financing activities | | | | |
| Gemfields Acquisition – share issue transaction costs paid in the period | | (147) | – | – |
| Net cash outflow from financing activities | | (147) | – | – |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 11,715 | 69 | (401) |
| Cash and cash equivalents at the beginning of the period/year | | 1,218 | 1,610 | 1,610 |
| Foreign exchange gain on cash | | 2 | 11 | 9 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR | | 12,935 | 1,690 | 1,218 |

The accompanying notes form part of these Financial Statements.

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2017

| | Share capital US\$'000 | Share premium US\$'000 | Reserve for own shares US\$'000 | Retained (losses)/ earnings US\$'000 | Total equity US\$'000 |
|--|---------------------------|---------------------------|---------------------------------------|---|--------------------------|
| Balance at 1 January 2016 (audited) | 8 | 375,227 | – | (52,910) | 322,325 |
| Total comprehensive loss for the period | – | – | – | (32,945) | (32,945) |
| Balance at 30 June 2016 (reviewed) | 8 | 375,227 | – | (85,855) | 289,380 |
| Total comprehensive income for the period | – | – | – | 77,515 | 77,515 |
| Balance at 31 December 2016 (audited) | 8 | 375,227 | – | (8,340) | 366,895 |
| Gemfields Acquisition – shares issued in exchange for Gemfields shares acquired | 4 | 102,042 | – | – | 102,046 |
| Gemfields Acquisition – share issue transaction costs | – | (1,373) | – | – | (1,373) |
| Gemfields Acquisition- own shares acquired | – | – | (23,319) | – | (23,319) |
| Total comprehensive loss for the period | – | – | – | (81,185) | (81,185) |
| Balance at 30 June 2017 (reviewed) | 12 | 475,896 | (23,319) | (89,525) | 363,064 |

The accompanying notes form part of these Financial Statements.

Notes to the Interim Financial Statements

for the six months ended 30 June 2017

1. Accounting policies

The financial statements within the Interim Report are for the period from 1 January 2017 to 30 June 2017 (the "Interim Financial Statements"). The financial information for the year ended 31 December 2016 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 2016 (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. The auditor's report on the Annual Financial Statements was unqualified and stated that the Annual Financial Statements gave a true and fair view, were in accordance with International Financial Reporting Standards ("IFRS") and complied with The Companies (Guernsey) Law, 2008. The following emphasis of matter was included in their report:

Emphasis of Matter – Upcoming expiry of initial life-span

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made concerning the Company's intention to extend its initial life-span. The initial life-span of the Company is scheduled to end on 14 September 2017 unless it is extended or the Articles of Incorporation are changed by resolution of the shareholders. The exact nature of any extension to the Company's life beyond 14 September 2017 cannot presently be determined as it is subject to shareholder vote at a general meeting of the Company, which has not yet been held. The financial statements have been prepared on a going concern basis which we consider to be appropriate.

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 IFRS as issued by the International Accounting Standards Board ("IASB"), 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 cyclicity 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 cyclicity of operations.

Going concern basis of accounting

The Directors have considered the likely cash flows and costs of the Group, for twelve months subsequent to the signature of the Interim Financial Statements, and have concluded that the Group has adequate resources to continue in its activities for the foreseeable future. The Group has significant assets that could be either sold or leveraged for short term finance, should this be necessary. The Interim Financial Statements have, therefore been prepared on the going concern basis.

Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2017

1. Accounting policies/continued

Changes and amendments to IFRS

A number of amendments to IFRS have become effective for financial periods beginning on (or after) 1 January 2017, 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 2017 to 30 June 2017 is as follows:

| Investment | Opening at 1 January 2017 US\$'000 (reviewed) | Unrealised fair value gains US\$'000 (reviewed) | Unrealised fair value losses US\$'000 (reviewed) | Realised gains US\$'000 (reviewed) | Accrued interest income and structuring fee US\$'000 (reviewed) | Additions and disposals US\$'000 (reviewed) | Closing at 30 June 2017 US\$'000 (reviewed) |
|---|--|--|---|--|---|--|--|
| <i>Listed equity investments</i> | | | | | | | |
| Gemfields ¹ | 164,615 | – | (63,952) | – | – | 78,727 | 179,390 |
| | 164,615 | – | (63,952) | – | – | 78,727 | 179,390 |
| <i>Unlisted equity investments</i> | | | | | | | |
| Jupiter ² | 79,461 | 918 | – | 5,337 | – | (10,105) | 75,611 |
| Sedibelo Platinum Mines ³ | 114,408 | – | (16,344) | – | – | – | 98,064 |
| | 193,869 | 918 | (16,344) | 5,337 | – | (10,105) | 173,675 |
| Total non-current | 358,484 | 918 | (80,296) | 5,337 | – | 68,622 | 353,065 |
| <i>Loans and receivables</i> | | | | | | | |
| Gemfields – US\$5 million loan ⁴ | 4,948 | – | – | – | 222 | (5,170) | – |
| Total current | 4,948 | – | – | – | 222 | (5,170) | – |
| Total Investment Portfolio | 363,432 | 918 | (80,296) | 5,337 | 222 | 63,452 | 353,065 |

¹ The unrealised fair value loss on Gemfields of US\$63.952 million includes an unrealised foreign exchange loss of US\$10.297 million. The Group acquired an additional US\$78.727 million interest in Gemfields as part of the Gemfields Acquisition during June 2017. The additional interest acquired has been valued at the PRL share price (on the day of each tranche of acceptances) converted at the 1.91 Offer ratio and the daily US\$/ZAR exchange rate.

² The unrealised fair value gain on Jupiter of US\$0.918 million does not include any foreign exchange as the valuation is denominated in US\$. The realised gain on Jupiter of US\$5.337 million does not include any foreign exchange as the cash receipt was denominated in US\$. The Company disposed of 6% of its shares to Jupiter at a price of US\$0.40 per share. The transaction completed on 13 March 2017 with the Company receiving US\$10.1 million, see Note 4 Realised gain on Jupiter Buy-Back.

³ The unrealised fair value loss on SPM of US\$16.344 million does not include any foreign exchange as the valuation is denominated in US\$.

⁴ The Group made a loan to Gemfields of US\$4.925 million (US\$5 million less an arrangement fee of US\$0.075 million). The loan, including interest and arrangement fee was repaid by Gemfields on 30 June 2017.

Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2017

2. Investment Portfolio/continued

The reconciliation of the Investment Portfolio valuations from 1 January 2016 to 30 June 2016 was as follows:

| Investment | Opening at 1 January 2016 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 2016 US\$'000 (reviewed) |
|--|--|--|---|---|--|--|
| <i>Listed equity investments</i> | | | | | | |
| Gemfields ¹ | 158,603 | – | (34,177) | – | – | 124,426 |
| | 158,603 | – | (34,177) | – | – | 124,426 |
| <i>Unlisted equity investments</i> | | | | | | |
| Jupiter ² | 35,705 | 3,987 | – | – | – | 39,692 |
| Sedibelo Platinum Mines | 114,408 | – | – | – | – | 114,408 |
| | 150,113 | 3,987 | – | – | – | 154,100 |
| Total non-current | 308,716 | 3,987 | (34,177) | – | – | 278,526 |
| <i>Loans and receivables</i> | | | | | | |
| Gemfields – US\$10 million loan ³ | 9,804 | – | – | 358 | (3,500) | 6,662 |
| Total current | 9,804 | – | – | 358 | (3,500) | 6,662 |
| Total Investment Portfolio | 318,520 | 3,987 | (34,177) | 358 | (3,500) | 285,188 |

¹ The unrealised fair value loss on Gemfields of US\$34.177 million includes an unrealised foreign exchange loss of US\$15.104 million.

² The unrealised fair value gain on Jupiter of US\$3.987 million does not include any foreign exchange as the valuation is denominated in US\$.

³ The Group made a loan to Gemfields of US\$9.776 million (US\$10 million less an arrangement fee of US\$0.224 million). The loan, including interest and arrangement fee was repaid by Gemfields on 9 December 2016.

Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2017

2. Investment Portfolio/continued

The reconciliation of the Investment Portfolio valuations from 1 January 2016 to 31 December 2016 was as follows:

| Investment | Opening at 1 January 2016 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 2016 US\$'000 (audited) |
|--|---|---|--|--|---|---|
| <i>Listed equity investments</i> | | | | | | |
| Gemfields ¹ | 158,603 | 6,012 | – | – | – | 164,615 |
| | 158,603 | 6,012 | – | – | – | 164,615 |
| <i>Unlisted equity investments</i> | | | | | | |
| Jupiter ² | 35,705 | 43,756 | – | – | – | 79,461 |
| Sedibelo Platinum Mines | 114,408 | – | – | – | – | 114,408 |
| | 150,113 | 43,756 | – | – | – | 193,869 |
| Total non-current | 308,716 | 49,768 | – | – | – | 358,484 |
| <i>Loans and receivables</i> | | | | | | |
| Gemfields – US\$10 million loan ³ | 9,804 | – | – | 596 | (10,400) | – |
| Gemfields – US\$5 million loan ⁴ | – | – | – | 23 | 4,925 | 4,948 |
| | 9,804 | – | – | 619 | (5,475) | 4,948 |
| Total current | 9,804 | – | – | 619 | (5,475) | 4,948 |
| Total Investment Portfolio | 318,520 | 49,768 | – | 619 | (5,475) | 363,432 |

¹ The unrealised fair value gain on Gemfields of US\$6.012 million includes an unrealised foreign exchange loss of US\$26.336 million.

² The unrealised fair value gain on Jupiter of US\$43.756 million does not include any direct foreign exchange gain/loss as the valuation is denominated in US\$.

³ The Group made a loan to Gemfields of US\$9.776 million (US\$10 million less an arrangement fee of US\$0.224 million). The loan, including interest and arrangement fee was repaid by Gemfields on 9 December 2016.

⁴ The Group made a loan to Gemfields of US\$4.925 million (US\$5 million less an arrangement fee of US\$0.075 million). The loan, including interest and arrangement fee was repaid by Gemfields on 30 June 2017.

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 The Directors have estimated that the value of SPM is US\$1.5 billion; the Group's indirect 6.54% interest has therefore been valued at US\$98 million.

The Directors have considered a range of sources in determining the valuation of SPM. The primary source used by the Directors in their valuation is a competent person's report prepared by an independent third party as at 31 December 2016 ("the CPR"). The CPR is the latest available report used by the Directors in their valuation of SPM at 30 June 2017.

The CPR includes discounted cash flow ("DCF") analysis to value SPM's key assets and includes a range of valuations. The preferred valuation of SPM at 31 December 2016 given by the CPR is US\$2.94 billion; the Group's indirect 6.54% interest on this basis would be valued at US\$192 million.

The DCF analysis is based on a number of predictions and uncertainties including forecast PGM prices, production levels, costs, discount rates, exchange rates and the consolidated mine plan. Changing any of these assumptions may materially affect the implied valuation. The Directors note that the valuation of SPM is sensitive to various key inputs, in particular the platinum price, the palladium price, the discount rate and production levels.

Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2017

2. Investment Portfolio/continued

Sedibelo Platinum Mines Limited – equity/continued

The CPR used information from a range of sources to forecast PGM prices. The platinum price was forecast to be within a range of US\$1,038 to US\$1,302 over SPM's life-of-mine. Using the same range of sources at 30 June 2017, the forecasts for platinum have fallen to within a range of US\$979 to US\$1,300 over SPM's life-of-mine. The palladium price was forecast to be within a range of US\$704 to US\$820 over SPM's life-of-mine. Using the same range of sources at 30 June 2017, the forecasts for palladium have risen to within a range of US\$785 to US\$863 over SPM's life-of-mine. Platinum, the key PGM produced by SPM, has traded below its forecast price for the first six months of 2017 and long-term forecasts for platinum have reduced, which implies a reduction in the CPR valuation. Accordingly, the Directors have applied a 5% reduction in the forecast PGM prices used in the CPR; utilising sensitivity analysis from the CPR, this results in an 11% reduction in the valuation of SPM.

The Directors note that due to the higher political risk associated with South Africa, including the downgrade of South Africa's credit rating and the release of Mining Charter III during the period, implies that a higher Weighted Average Cost of Capital ("WACC") should be used in the DCF model, which further implies a reduction in the CPR valuation. The post-tax USD real WACC used in the CPR for the DCF valuations of SPM's key assets is 8.10%. Given the political uncertainty, the Directors believe that a higher USD WACC could be justified and have applied a WACC of 9%; utilising sensitivity analysis from the CPR, this results in a further 9% reduction in the valuation of SPM.

The market price of listed PGM companies often differs to the underlying Net Asset Value ("NAV") – the size of the discount or premium is dependent on many factors and can fluctuate significantly, particularly in periods of significant equity market volatility, which has been seen over the past couple of years. Comparable members of SPM's peer group of listed PGM companies were trading at an average discount to NAV of approximately 28% on 30 June 2017 and the Directors believe that an equivalent discount should be applied as part of the overall discount applied to the CPR.

The Directors further note that the long-term US\$/ZAR exchange rate used in the DCF model of US\$1/ZAR16.65 differs from the Directors long term view of US\$1/ZAR13.10 and production at SPM is in line with budget for 2017.

All these factors imply a significant discount could be applied to the CPR preferred valuation of US\$2.94 billion. Accordingly, whilst the Directors note that any adjustment made to the CPR is subjective, they have valued SPM at US\$1.5 billion, approximately a 49% discount to the CPR preferred valuation.

The Group's valuation of SPM has been determined taking into account a consensus of recent analyst reports for forecast PGM prices for 2017 and beyond. For the purposes of the disclosures required by IFRS13 Fair Value Measurement ("IFRS13") and using sensitivity analysis included within the CPR, if the forecasted PGM prices were 10% lower than the current consensus for forecast PGM prices, presuming all other indicators and evidence was unchanged, the valuation of SPM included in the balance sheet would decrease from US\$98 million to US\$74 million. The related fair value decrease of US\$24 million would be recognised in profit and loss. The Directors consider this to be a realistic potential movement in PGM prices. Alternatively, if the post-tax real USD WACC used in the CPR was 10% compared to the Directors' estimated post-tax real USD WACC of 9% (i.e. 11% higher), presuming all other indicators and evidence were unchanged the valuation of SPM included in the balance sheet would decrease from US\$98 million to US\$88 million. The related fair value decrease of US\$10 million would be recognised in profit and loss. The Directors consider this to be a realistic potential movement in the WACC in the current environment. Production is also an important factor in determining the valuations. An adjustment to production levels would also have consequent effects on variable costs, thereby reducing the impact on fair value versus the pricing analysis. The CPR does not provide such sensitivity analysis for changes in production.

Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2017

2. Investment Portfolio/continued

Sedibelo Platinum Mines Limited – equity/continued

Other considerations No secondary valuation methodologies have been considered for the Company's investment in SPM as the CPR has a recent effective date, being 31 December 2016.

Gemfields plc – equity

The Group's cash cost of investment for SPM is approximately US\$123 million and the Group's initial PGM investment was made in August 2008.

Nature of investment The Group holds an equity interest in Gemfields, the producer of coloured gemstones. Gemfields owns emerald assets in Zambia and Ethiopia, ruby assets in Mozambique and amethyst assets in Zambia. Gemfields was listed on AIM at 30 June 2017.

The Group owns a see-through interest of 77.57% in Gemfields at 30 June 2017, valued at US\$179 million, see Note 5 *Gemfields Takeover*.

Fair value methodology Market Approach- Listed share price

Other considerations The Group's interest in Gemfields is valued at the 30 June 2017 mid-price of GBP0.3213 per share, translated at the closing rate of US\$1/GBP0.7690.

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

The Group's cost of investment is approximately US\$198 million and the Group's initial investment was made in October 2007.

Jupiter Mines Limited – equity

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

Fair value methodology Combination of Income, Market and Cost Approach applying 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 2017 is US\$410 million; the implied valuation of the Group's 18.43% interest is US\$76 million.

Jupiter's 49.9% interest in Tshipi has been valued based on a competent person's report prepared by an independent third party as at 31 December 2016. The competent person's report includes a DCF analysis for Tshipi Borwa and includes a range of valuations. The preferred valuation of 100% of Tshipi Borwa at 31 December 2016 given by the competent person's report is US\$1,436 million; the Group's indirect interest (through Jupiter's 49.9% interest in Tshipi) on this basis would be valued at US\$132 million. The Directors have estimated that the fair value of Jupiter's 49.9% interest in Tshipi at 30 June 2017 is US\$357 million with the implied valuation of the Group's see through interest being US\$66 million. The DCF analysis is based on a large number of predictions and uncertainties including revenues, production levels, costs and exchange rates. Changing any of the assumptions may materially affect the implied valuation, in particular the long-term forecast manganese price. The Directors have considered each of the variables and have applied different assumptions for the long-term manganese price and long-term US\$/ZAR exchange rate than those used in the DCF, which has reduced the implied valuation.

Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2017

2. Investment Portfolio/continued

Jupiter Mines Limited – equity/continued

The Directors have applied a long-term 37% FOB manganese price of US\$3.55 per dry metric tonne unit (“dmtu”) in the DCF model, which is the average price over the five years to 30 June 2017. This price compares to the average five-year price (at 31 December 2016) of US\$3.65 per dmtu used to value Tshipi at 31 December 2016. The Directors believe that long-term past performance is a sensible indicator to what might happen to the manganese price going forwards, particularly given the volatility of the manganese market over the past 18 months. The Directors further note that the long-term US\$/ZAR exchange rate used in the DCF model of US\$1/ZAR14.82 differs from the Directors long term view of US\$1/ZAR13.10, which is the same long-term rate used in the Directors valuation of Tshipi at 31 December 2016.

For the purposes of the disclosures required by IFRS13, if the forecast manganese price of US\$3.55 per dmtu used in the valuation declined by 10% and presuming all other indicators and evidence were unchanged, the valuation of Jupiter included in the balance sheet would decrease from US\$76 million to US\$57 million. The fair value decrease of US\$19 million would be recognised in profit and loss. The Directors consider this to be a realistic potential movement in the manganese price. If the forecast exchange rate of US\$1/ZAR13.10 used in the valuation declined by 10% (i.e. the Rand strengthening against the US\$) and presuming all other indicators and evidence were unchanged, the valuation of Jupiter included in the balance sheet would decrease from US\$76 million to US\$56 million. The fair value decrease of US\$20 million would be recognised in profit and loss. The Directors consider this to be a realistic potential movement in the foreign exchange rate in the current environment. Production is also an important factor in determining the valuations. An adjustment to production levels would also have consequent effects on variable costs, thereby reducing the impact on fair value versus the pricing analysis. The competent person’s report does not provide such sensitivity analysis for changes in production.

Jupiter’s other assets have been valued using a range of different valuation methodologies. Jupiter has made certain shareholder loans to Tshipi which have been valued at amortised cost, which the Directors consider approximates to fair value. Jupiter’s interests in Mount Mason and Mount Ida have been written down to zero due to the uncertainty over the future prospects for each asset, however the Directors note that the iron ore price has shown some signs of recovery which could lead to a revaluation of the assets in future reporting periods. Jupiter’s cash has been included at cost which approximates to fair value. Jupiter has no material liabilities.

Other considerations

The Directors have compared the price set for the Jupiter buy-back of US\$0.40 per share against the sum-of-the-parts valuation of US\$0.19 per share. The Directors note that at the time Jupiter first announced the US\$55 million distribution to shareholders, 21 November 2016, the manganese price was trading at US\$7.29 per dmtu and that the buy-back price per share was underpinned by long-term manganese price assumptions of between US\$4-5 per dmtu, which are higher than the US\$3.55 per dmtu price used by the Directors in the valuation of Jupiter. As the share buy-back comprised an off-market transaction that was offered to all of Jupiter’s shareholders, with a high acceptance rate of 98%, it is not considered by the Directors to be a third party or external market transaction. Accordingly, the Directors believe that the \$0.40 per share is not a better estimate of the fair value of Jupiter as at 30 June 2017 than the primary fair value methodology used in these Financial Statements. Further details of the Jupiter buy-back are disclosed in Note 4 *Realised gain on Jupiter Buy-Back*.

The Group owned an effective 18.43% interest in Jupiter at 30 June 2017. The Group’s cash cost of investment is approximately US\$19 million and the Group’s initial investment into Jupiter was made in May 2008.

Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2017

2. Investment Portfolio/continued

Gemfields plc – US\$5 million loan

Nature of investment On 13 December 2016, the Group agreed to provide a loan of US\$5 million to Gemfields, in line with the Group's strategy of providing financial support to its investments. The loan was repaid with accrued interest on 30 June 2017.

Valuation 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 loan was repayable with accrued interest on 30 June 2017. The outstanding balance on the date of repayment, 30 June 2017, including interest and arrangement fee, was US\$5.17 million. The effective interest rate of the loan throughout the duration of the loan was approximately 9.04%.

Gemfields plc – US\$10 million loan

Nature of investment On 18 December 2015, the Group agreed to provide a loan of up to US\$10 million to Gemfields, in line with the Group's strategy of providing support to its investments. The loan was repaid, with accrued interest, on 9 December 2016.

Valuation 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 loan was repayable in instalments; US\$1 million was repaid on 31 March 2016, US\$2.5 million on 30 June 2016, US\$2.5 million on 30 September 2016 and US\$4 million with accrued interest on 9 December 2016. The outstanding balance on the date of repayment, 9 December 2016, including interest and arrangement fee, was US\$4.4 million. The effective interest rate of the loan throughout the duration of the loan was approximately 6.53%.

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 owns certain other equity investments which do not form part of the Investment Portfolio, held within Other investments on the balance sheet.

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

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

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

Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2017

2. Investment Portfolio/continued

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 2017 | Level 1 US\$'000s (reviewed) | Level 2 US\$'000s (reviewed) | Level 3 US\$'000s (reviewed) | Total US\$'000s (reviewed) |
|----------------------------------|------------------------------------|------------------------------------|------------------------------------|----------------------------------|
| <i>Financial assets at FVTPL</i> | | | | |
| Equity investments | 179,390 | – | 173,675 | 353,065 |
| Investments in associates | – | – | 1,267 | 1,267 |
| Other investments | 14 | – | – | 14 |
| | 179,404 | – | 174,942 | 354,346 |

| 30 June 2016 | Level 1 US\$'000s (reviewed) | Level 2 US\$'000s (reviewed) | Level 3 US\$'000s (reviewed) | Total US\$'000s (reviewed) |
|----------------------------------|------------------------------------|------------------------------------|------------------------------------|----------------------------------|
| <i>Financial assets at FVTPL</i> | | | | |
| Equity investments | 124,426 | – | 154,100 | 278,526 |
| Investments in associates | – | – | 1,255 | 1,255 |
| Other investments | 21 | – | – | 21 |
| | 124,447 | – | 155,355 | 279,802 |

| 31 December 2016 | Level 1 US\$'000s (audited) | Level 2 US\$'000s (audited) | Level 3 US\$'000s (audited) | Total US\$'000s (audited) |
|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| <i>Financial assets at FVTPL</i> | | | | |
| Equity investments | 164,615 | – | 193,869 | 358,484 |
| Investments in associates | – | – | 1,265 | 1,265 |
| Other investments | 12 | – | – | 12 |
| | 164,627 | – | 195,134 | 359,761 |

Level 3 fair value reconciliation

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

| | 30 June 2017 US\$'000 (reviewed) | 30 June 2016 US\$'000 (reviewed) | 31 December 2016 US\$'000 (audited) |
|------------------------------------|--|--|---|
| Opening | 195,134 | 151,307 | 151,307 |
| Fair value gain of associates | 2 | 61 | 71 |
| Jupiter part disposal ¹ | (4,768) | – | – |
| Unrealised fair value gains | 918 | 3,987 | 43,756 |
| Unrealised fair value losses | (16,344) | – | – |
| Closing | 174,942 | 155,355 | 195,134 |

¹ The Company sold back 6% of its shares to Jupiter at a price of US\$0.40 per share. The transaction completed on 13 March 2017 with the Company receiving US\$10.1 million, see Note 4 Realised gain on Jupiter Buy-Back. The fair value of the shares sold back to Jupiter at the time the transaction completed was US\$0.19 per share.

Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2017

3. Segmental reporting

The Chief Operating Decision Maker ("CODM") is Mr Brian 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 segments may include multiple mines and other assets.

The segmental information provided to the CODM for the period ended 30 June 2017 is as follows:

| 30 June 2017 | 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) |
|--|---|--|--|---------------------------------------|---------------------------------|
| <i>Income statement</i> | | | | | |
| Unrealised fair value gains | – | 918 | – | – | 918 |
| Unrealised fair value losses | (16,344) | – | (63,952) | – | (80,296) |
| Realised gains | – | 5,337 | – | – | 5,337 |
| Loan interest income | – | – | 222 | – | 222 |
| Net segmental (expense)/income | (16,344) | 6,255 | (63,730) | – | (73,819) |
| Other income | | | | – | – |
| Net loss on investments and income from operations | | | | | (73,819) |
| Expenses, net finance income, fair value gain of associates and taxation | | | | (7,366) | (7,366) |
| Net segmental (loss)/profit | (16,344) | 6,255 | (63,730) | (7,366) | (81,185) |
| <i>Balance sheet</i> | | | | | |
| Net Asset Value | 98,064 | 75,611 | 179,390 | 9,999 | 363,064 |

1 The unrealised fair value loss on SPM of US\$16.344 million does not include any foreign exchange as the valuation is denominated in US\$.

2 The unrealised gain on Jupiter of US\$0.918 million does not include any foreign exchange as the valuation is denominated in US\$. The realised gain on Jupiter of US\$5.337 million does not include any foreign exchange as the valuation is denominated in US\$.

3 The unrealised fair value loss on Gemfields of US\$63.952 million includes an unrealised foreign exchange loss of US\$10.297 million.

Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2017

3. Segmental reporting/continued

The segmental information provided to the CODM for the period ended 30 June 2016 was as follows:

| 30 June 2016 | 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) |
|--|--------------------------------|--|--|---------------------------------------|---------------------------------|
| <i>Income statement</i> | | | | | |
| Unrealised fair value gains | – | 3,987 | – | – | 3,987 |
| Unrealised fair value losses | – | – | (34,177) | – | (34,177) |
| Loan interest income | – | – | 358 | – | 358 |
| Net segmental income/(expense) | – | 3,987 | (33,819) | – | (29,832) |
| <i>Other income</i> | | | | | |
| Net loss on investments and income from operations | | | | | (29,832) |
| Expenses, net finance income, fair value gain of associates and taxation | | | | (3,113) | (3,113) |
| Net segmental profit/(loss) | – | 3,987 | (33,819) | (3,113) | (32,945) |
| <i>Balance sheet</i> | | | | | |
| Net Asset Value | 114,408 | 39,692 | 131,088 | 4,192 | 289,380 |

1 The unrealised fair value gain on the Steel Making Materials segment of US\$3.987 million does not include any foreign exchange as the valuation is denominated in US\$.

2 The unrealised fair value loss on the Coloured Gemstones segment of US\$34.177 million includes an unrealised foreign exchange loss of US\$15.104 million.

The segmental information provided to the CODM for the year ended 31 December 2016 was as follows:

| 31 December 2016 | PGMs US\$'000 (audited) | Steel Making Materials ¹ US\$'000 (audited) | Coloured Gemstones ² US\$'000 (audited) | Unallocated US\$'000 (audited) | Total US\$'000 (audited) |
|---|-------------------------------|---|---|--------------------------------------|--------------------------------|
| <i>Income statement</i> | | | | | |
| Unrealised fair value gains | – | 43,756 | 6,012 | – | 49,768 |
| Unrealised fair value losses | – | – | – | – | – |
| Loan interest income | – | – | 619 | – | 619 |
| Net segmental expense | – | 43,756 | 6,631 | – | 50,387 |
| <i>Other income</i> | | | | | |
| Net gain on investments and income from operations | | | | | 50,387 |
| Expenses, net finance income, fair value gain/(loss) of associates and taxation | | | | (5,817) | (5,817) |
| Net segmental profit/(loss) | – | 43,756 | 6,631 | (5,817) | 44,570 |
| <i>Balance sheet</i> | | | | | |
| Net Asset Value | 114,408 | 79,461 | 169,563 | 3,463 | 366,895 |

1 The unrealised fair value gain on the Steel Making Materials segment of US\$43.756 million does not include any direct foreign exchange gain/loss as the valuation is denominated in US\$.

2 The unrealised fair value gain on the Coloured Gemstones segment of US\$6.102 million includes an unrealised foreign exchange loss of US\$26.336 million.

Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2017

4. Realised gain on Jupiter Buy-Back – March 2017

On 23 January 2017, Jupiter announced the details of an off-market equal access share buy-back to return up to US\$55 million to its shareholders. All Jupiter shareholders were made an equal offer to buy-back 6% of their shares in Jupiter, at a set price of US\$0.40 per share.

The Company, as an 18.45% shareholder in Jupiter (prior to the Jupiter buy-back) had the right to have 6% of its 421,042,093 Jupiter shares bought-back. The Company accepted the buy-back by Jupiter, resulting in the sale of 25,262,526 shares in Jupiter for US\$0.40 per share. The buy-back price per share was underpinned by Jupiter's long-term manganese price assumptions of between US\$4-5 per dmtu, which are higher than the price used by the Directors in the valuation of Jupiter. The transaction completed on 13 March 2017 with the Company receiving US\$10.105 million. At 13 March 2017, the Directors' most recent estimate of the fair value of the Jupiter shares was US\$0.19 per share, being the valuation as at 31 December 2016.

The realised gain on the Jupiter buy-back was as follows:

| Realised gain on Jupiter shares bought back | Number of shares | Price per share in US\$ | US\$ |
|---|------------------|-------------------------|------------------|
| Fair value of Jupiter shares at date of receipt (13 March 2017) | 25,262,526 | 0.19 | (4,767,640) |
| Buy-back price of the 6% of Jupiter shares bought back by Jupiter (13 March 2017) | 25,262,526 | 0.40 | 10,105,010 |
| Realised gain on Jupiter shares | | | 5,337,370 |

Subsequent to the Jupiter share buy-back and as at 30 June 2017 the Company owns 395,779,567 Jupiter shares or 18.43% of the issued share capital of Jupiter.

5. Gemfields Takeover

On 19 May 2017, the Company's Board announced the terms of an offer to acquire the entire issued and to be issued share capital of Gemfields, other than the Gemfields shares already held by the Company (the "Offer"). Under the terms of the Offer, each Gemfields shareholder was entitled to receive 1.91 PRL shares for each Gemfields share.

On 26 June 2017, the Company's shareholders voted in favour of the resolution approving the Offer and the Offer became wholly unconditional. During the period 26 – 30 June 2017, the Company acquired 170,444,135 additional Gemfields shares (in return for 1.91 PRL share for each Gemfields share) for total consideration US\$78,727,379 (between ZAR2.89 – ZAR3.12 per PRL share). The acquisition cost of these additional Gemfields shares is based on the PRL share price (on the day of each tranche of acceptances) converted at the 1.91 Offer ratio and the daily US\$/ZAR exchange rate. The Company had the legal right to the 170,444,135 Gemfields shares at the reporting date although these shares had not been transferred to PRL until after the end of the period.

The Offer closed on 1 August 2017 when the Company had received valid acceptances from Gemfields shareholders (including the Company's own interest) representing 96.98% of the Gemfields shares in issue. As the level of acceptances from the Gemfields shares has surpassed 90% of the Gemfields shares to which the Offer related, the Company commenced the compulsory acquisition process of the remaining Gemfields shares under Sections 979-982 of the Companies Act 2006.

Impact of the Gemfields Acquisition on equity

The below table illustrates the impact of the Gemfields Acquisition during the period on share capital and share premium:

Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2017

5. Gemfields Takeover/continued

| | Share Capital US\$'000s | Share Premium US\$'000s |
|--|----------------------------|----------------------------|
| Balance at 1 January 2017 | 8 | 375,227 |
| Gemfields Offer – Gemfields shares acquired | 3 | 78,724 |
| Gemfields Offer – transaction costs | – | (1,373) |
| Gemfields Offer – own shares acquired | 1 | 23,318 |
| At 30 June 2017 | 12 | 475,896 |

Further details on the impact on equity are detailed in Note 9 *Share Capital*.

Gemfields Acquisition costs

The costs associated with the Gemfields Acquisition during the period can be broken down as follows:

| Costs | US\$'000s |
|--|--------------|
| Financial Advisor and transaction sponsor | 3,000 |
| Independent Reporting Accountants | 300 |
| Legal Advisor to PRL as to South African Law | 242 |
| Legal Advisor to PRL as to English Law | 1,615 |
| Legal Advisor to PRL as to Guernsey Law | 242 |
| Legal Advisor to PRL as to Zambian Law | 14 |
| Legal Advisor to PRL as to Mozambique Law | 3 |
| Administration | 71 |
| Documentation and Listing fees | 42 |
| UK Regulatory | 115 |
| Printing and postage | 116 |
| | 5,760 |

The Directors have allocated US\$4.4 million (approximately 75%) of the Gemfields Acquisition costs to profit and loss and US\$1.4 million to equity (approximately 25%) due to these costs being associated with the issuance of new shares.

6. Investment Manager's benefits

Pallinghurst (Cayman) GP L.P. (the "Investment Manager") was appointed on 4 September 2007. The Investment Manager acted through its general partner, Pallinghurst GP Ltd. The Investment Manager provides advisory and management services to the Group and to certain other Pallinghurst Co-Investors.

The Investment Manager was entitled to an Investment Manager's Benefit ("IMB") each accounting period. The basis for calculation of the IMB changed subsequent to 14 September 2012, the end of the Investment Period¹. Prior to the end of the Investment Period, the IMB was calculated as 1.5% per annum of the amount subscribed for by shareholders in the Company. From the end of the Investment Period until 14 September 2017, the basis for calculation was 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 in profit or loss for the IMB during the six months ending 30 June 2017 was US\$2,442,000 (six months to 30 June 2016: US\$2,715,000; year ending 31 December 2016: US\$4,988,000). The IMB paid in advance, as per the terms of the Investment Management Agreement, for the third quarter of 2017 is US\$1,130,000. The IMB prepaid for the third quarter of 2016 was US\$1,199,000 and the IMB prepaid for the first quarter 2017 was US\$1,074,000. The IMB prepaid for the third quarter of 2017 is for the period 1 July 2017 – 14 September 2017.

Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2017

6. Investment Manager's benefits/continued

At the Company's General Meeting on 26 June 2017, shareholders voted in favour of extending the life of the Company by a further 50 years, and of the termination of the Investment Management Agreement effective 14 September 2017 for no consideration. From 15 September 2017, the Company is responsible for its own investment management activity. The Company has entered into employment contracts with the Executive Directors to undertake this function, namely, Mr Brian Gilbertson as Executive Chairman, Mr Frandsen as Chief Executive, Mr Willis as Finance Director, Mr Sean Gilbertson as Chief Investment Officer and Mr Thapliyal as Chief Operating Officer. Mr Sean Gilbertson and Mr Thapliyal were appointed Directors of the Company, effective 17 July 2017.

Performance Incentive

Subject to certain conditions, the Investment Manager was 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, is split between the shareholders (80%) and the Investment Manager² (20%). This was subject to a Hurdle³ of 8% per annum; until the Hurdle was reached, the Investment Manager was not entitled to any Performance Incentive. The Investment Manager would only receive the Performance Incentive if aggregate returns to shareholders over the life of the Company are in excess of 8% per year.

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

The provision for the Performance Incentive was calculated as follows:

- (a) The Group's Aggregate Proceeds⁴ are allocated entirely to shareholders until such time as shareholders have received an aggregate amount of the Company's Funds⁵ plus the Hurdle.
- (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.

The Directors have not provided for a Performance Incentive in the current or prior periods.

At the Company's General Meeting on 26 June 2017, shareholders voted in favour of termination of the Investment Management Agreement. Accordingly, effective 14 September 2017, the Performance Incentive was also terminated for no consideration.

Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2017

7. Cash flows from operations

| | Notes | 1 January 2017 to 30 June 2017 US\$'000 (reviewed) | 1 January 2016 to 30 June 2016 US\$'000 (reviewed) | 1 January 2016 to 31 December 2016 US\$'000 (audited) |
|---|-------|---|---|--|
| Net (loss)/profit after tax | | (81,185) | (32,945) | 44,570 |
| <i>Adjustments for:</i> | | | | |
| Unrealised fair value gains | 2 | (918) | (3,987) | (49,768) |
| Unrealised fair value losses | 2 | 80,296 | 34,177 | – |
| Realised gain on Jupiter Share Buy-Back | 4 | (5,337) | | |
| Loan interest income and structuring fee | 2 | (222) | (358) | (619) |
| Unrealised fair value (gain)/loss on Other investments | | (2) | 27 | 36 |
| Fair value gain of associates | | (2) | (61) | (71) |
| Tax expense | | 3 | 2 | 3 |
| Finance income | | (19) | – | (1) |
| Finance costs | | 5 | 2 | 3 |
| Foreign exchange gain on cash | | (2) | (11) | (9) |
| Operating cash flows before movements in working capital | | (7,383) | (3,154) | (5,856) |
| (Increase)/decrease in trade and other receivables | | (78) | 286 | 487 |
| Increase/(decrease) in trade and other payables | | 4,035 | (559) | (502) |
| Cash used in operations | | (3,426) | (3,427) | (5,871) |
| Finance income | | 19 | – | 1 |
| Finance costs | | (5) | (1) | (3) |
| Tax paid | | – | (3) | (3) |
| Net cash used in operating activities | | (3,412) | (3,431) | (5,876) |

8. 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 Brian Gilbertson is the chairman of SPM, Jupiter and Gemfields, and Mr Frandsen is executive deputy chairman of SPM and deputy chairman of Gemfields. Mr Brian Gilbertson and Mr Frandsen were appointed to the Gemfields board effective 28 July 2017.

The Investment Manager acted through its general partner, Pallinghurst GP Ltd. The directors of Pallinghurst GP Ltd are Mr Brian 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 Ltd. Certain expenses are incurred by Pallinghurst GP Ltd on behalf of the Group and are then reimbursed to Pallinghurst GP Ltd at cost. The Company's reimbursement of the expenses settled by Pallinghurst GP Ltd during the six months ending 30 June 2017 was US\$16,493 (six months to 30 June 2016: US\$8,994; year ending 31 December 2016: US\$40,598). The Group's outstanding balance with Pallinghurst GP Ltd at 30 June 2017 was US\$17,033 (30 June 2016: US\$1,762; 31 December 2016: US\$Nil).

Pallinghurst GP Ltd received investment advice from the Investment Advisor, Pallinghurst Advisors LLP ("PALLP"), a limited liability partnership incorporated in the United Kingdom and regulated by the Financial Conduct Authority. PALLP is a related party to the Group as Mr Brian Gilbertson is both a Member of PALLP and Chairman of the Company. Mr Sean Gilbertson who was appointed to the board effective 17 July 2017 is also a Member of PALLP. Certain expenses were incurred by PALLP on behalf of the Group and are then reimbursed to PALLP at cost. The Company's reimbursement of the expenses settled by PALLP during the six months ending 30 June 2017 was US\$68,622 (six months to 30 June 2016: US\$17,294; year ending 31 December 2016: US\$49,667). The Group's outstanding balance with PALLP at 30 June 2017 was US\$62,903 (30 June 2016: US\$16,385; 31 December 2016: US\$Nil).

Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2017

8. Related party transactions/continued

Vistra Guernsey acts as the Group's administrator and Company Secretary. Mr Platt-Ransom ceased to be a Director of Vistra Guernsey and entities within the Vista Guernsey group during 2016. The Group's relationship with Vistra Guernsey is at arm's length. The Group's expense for services rendered by Vistra Guernsey during the six months ending 30 June 2017 was US\$78,000 (six months to 30 June 2016: US\$78,000; year ending 31 December 2016: US\$164,000). The Group's outstanding balance with Vistra at 30 June 2017 was US\$39,000 (30 June 2016: US\$Nil; 31 December 2016: US\$Nil).

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 6 *Investment Manager's benefits*.

The amounts paid to the Non-Executive Directors for services during the six months to 30 June 2017 are set out below:

| 1 January 2017 to 30 June 2017 | 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 | 18 | – | 1 | 1 | 20 |
| Clive Harris | 18 | 1 | 1 | – | 20 |
| Martin Tolcher | 18 | – | 2 | – | 20 |
| Dr Christo Wiese | 18 | – | – | – | 18 |
| Lumkile Mondli | 18 | – | – | – | 18 |
| Total | 90 | 1 | 4 | 1 | 96 |

At the Company's General Meeting, held on 26 June 2017, shareholders resolved that the maximum amount payable as Directors' fees be increased to US\$100,000 per Director per annum, with effect from 14 September 2017, the fee payable for each Non-Executive Director increased from US\$35,000 per annum to US\$40,000 per annum. The amounts paid to the Non-Executive Directors for services during the six months to 30 June 2016 are set out below:

| 1 January 2016 to 30 June 2016 | 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 | 18 | – | 1 | 1 | 20 |
| Clive Harris | 18 | 1 | 1 | – | 20 |
| Martin Tolcher | 18 | – | 2 | – | 20 |
| Dr Christo Wiese | 18 | – | – | – | 18 |
| Lumkile Mondli | 18 | – | – | – | 18 |
| Total | 90 | 1 | 4 | 1 | 96 |

Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2017

8. Related party transactions/continued

The amounts paid to the Non-Executive Directors for services during 2016 are set out below:

| 1 January to 31 December 2016 | 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 | 35 | – | 3 | 2 | 40 |
| Clive Harris | 35 | 2 | 3 | – | 40 |
| Martin Tolcher | 35 | – | 5 | – | 40 |
| Dr Christo Wiese | 35 | – | – | – | 35 |
| Lumkile Mondi | 35 | – | – | – | 35 |
| Total | 175 | 2 | 11 | 2 | 190 |

9. Share Capital

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

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

Issued and allotted share capital:

| | Number of shares | Share Capital US\$ | Share Premium US\$ | |
|---|----------------------------------|--------------------|--------------------|-----------------|
| Management Shares (unlisted) | | | | |
| Management Shares of US\$1 each | | | | |
| Balance at 30 June 2016, 31 December 2016 and 30 June 2017 | 2 | 2 | – | |
| Ordinary Shares (listed) | | | | |
| Ordinary Shares of US\$0.00001 each | | | | |
| Balance at 30 June 2016 and 31 December 2016 | 760,452,631 | 8 | 375,227 | – |
| Allotted during Gemfields Offer period – June 2017 | 421,824,444 | 4 | 100,669 | – |
| Effect of own shares held | – | – | – | (23,319) |
| | 1,182,277,075¹ | 12 | 475,896 | (23,319) |
| Total Share Capital 30 June 2017 | | 12 | 475,896 | (23,319) |

¹ The total of shares allotted includes 96,276,146 PRL shares allotted to an associate included within the Group that are omitted from the calculation of Per Share Information included within Note 10 Per Share Information. Total number of shares in issue as at 30 June 2017 excluding these shares is 1,086,000,929.

Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2017

9. Share Capital/continued

On 19 May 2017, the Company's Board announced the terms of an offer to acquire the entire issued and to be issued share capital of Gemfields, other than the Gemfields shares already held by the Company (the "Offer"). Under the terms of the Offer, each Gemfields shareholder was entitled to receive 1.91 PRL shares for each Gemfields share.

The Offer went wholly unconditional on 26 June 2017 as the number of acceptances of the Offer from Gemfields' shareholders surpassed 60% as well as the Company receiving the requisite approval from the Company's shareholders at the General Meeting on 26 June 2017 to approve the transaction.

By 30 June 2017, the Company had unconditional agreements to acquire 220,850,494 Gemfields shares (in return for 1.91 PRL shares for each Gemfields share) for total consideration of US\$102 million (between ZAR2.89 – ZAR3.12 per PRL share). The acquisition cost of these Gemfields shares is based on the PRL share price (on the day of each tranche of acceptances) converted at the 1.91 Offer ratio and the daily US\$/ZAR exchange rate. The Company has accounted for an additional 421,824,444 PRL shares (220,850,494 Gemfields shares multiplied by the 1.91 Offer ratio) being issued during the period 26–30 June 2017, due to the Offer being wholly unconditional.

Included within the agreement to acquire 220,850,494 Gemfields shares was 50,406,359 shares owned by the Group through its interest in Fabergé Conduit Limited. Consequently, US\$23 million of the total consideration of US\$102 million reflects the consideration paid by PRL for shares already held by the PRL Group and is therefore deducted from the value of the Group equity.

10. Per Share information

NAV per share and (Loss)/Earnings Per Share ("LPS" or "EPS") are key performance measures for the Group. NAV per share is based on net assets divided by the number of ordinary shares in issue at 30 June 2017. (LPS)/EPS is based on (loss)/profit for the year divided by the weighted average number of ordinary shares in issue during the period. There are no dilutive indicators or dilutive ordinary shares in issue.

Headline (Loss)/Earnings Per Share ("HLPS" or "HEPS") is similar to (LPS)/EPS, except that attributable profit specifically excludes certain items, as set out in Circular 2/2015 "Headline earnings" ("Circular 2/2015") issued by SAICA. None of these exclusions are relevant to the Group and (LPS)/EPS is equal to (HLPS)/HEPS in the current and prior periods.

The Group's EPS is as follows:

| | 30 June 2017 (reviewed) | 30 June 2016 (reviewed) | 31 December 2016 (audited) |
|---|----------------------------|----------------------------|-------------------------------|
| (Loss)/profit for the period/year – US\$'000 | (81,185) | (32,945) | 44,570 |
| Weighted average number of shares in issue ¹ | 768,936,425 | 760,452,631 | 760,452,631 |
| (Loss)/earnings Per Share – US\$ | (0.11) | (0.04) | 0.06 |

¹ The weighted average number of shares for the period ending 30 June 2017 is as follows:

| Period | Number of shares allotted | Effect of own shares held | Number of shares | Number of days | Weighted average number of shares for the period |
|---|------------------------------|------------------------------|------------------|-------------------|--|
| Shares in issue 1 January 2017 – 25 June 2017 | – | – | 760,452,631 | 176 | 739,445,652 |
| Shares allotted 26 June 2017 | 393,179,614 | (96,276,146) | 1,057,356,099 | 1 | 5,841,746 |
| Shares allotted 27 June 2017 | 151,526 | – | 1,057,507,625 | 1 | 5,842,584 |
| Shares allotted 28 June 2017 | 195,393 | – | 1,057,703,018 | 1 | 5,843,663 |
| Shares allotted 29 June 2017 | 21,559,169 | – | 1,079,262,187 | 1 | 5,962,775 |
| Shares allotted 30 June 2017 | 6,738,742 | – | 1,086,000,929 | 1 | 6,000,005 |
| | | | | 181 | 768,936,425 |

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

Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2017

10. Per share information/continued

NAV per share

The Group's NAV per share is as follows:

| | 30 June 2017 (reviewed) | 30 June 2016 (reviewed) | 31 December 2016 (audited) |
|-----------------------------|----------------------------|----------------------------|-------------------------------|
| Net assets – US\$'000 | 363,064 | 289,380 | 366,895 |
| Number of shares in issue | 1,086,000,929 | 760,452,631 | 760,452,631 |
| NAV per share – US\$ | 0.33 | 0.38 | 0.48 |

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.

11. 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.

12. 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. Fabergé's New York retail outlet at 694 Madison closed during March 2017 and the Directors' assessment of the contingent liability at 30 June 2017 is US\$Nil. The Directors' assessment of the contingent liability at both 31 December 2016 and 30 June 2016 was US\$0.219 million.

The Group had no other significant contingent liabilities or contingent assets at 30 June 2017, 30 June 2016 or 31 December 2016.

13. Commitments

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

14. Events occurring after the end of the period

Gemfields Takeover

Gemfields is a leading supplier of coloured gemstones and owns emerald assets in Zambia and Ethiopia, ruby assets in Mozambique and amethyst assets in Zambia. In 2008, the Company and the Pallinghurst Co-Investors became the majority shareholders of Gemfields by contributing the Kagem emerald mine to Gemfields, its core operating asset, for shares. Subsequently, in 2013, the Company and the Pallinghurst Co-Investors contributed Fabergé Ltd to Gemfields. The Gemfields investment formed a core component of the Company's value proposition and therefore unlocking Gemfields' full value potential is of paramount importance to the Company.

Despite many positive developments, the share price of Gemfields did not reflect its inherent value. Accordingly, on 19 May 2017, the Company announced the terms of an offer to acquire the entire issued and to be issued share capital of Gemfields, other than the Gemfields shares already held by the Company (the "Offer"). See Note 5 Gemfields Takeover. The Directors believe that the acquisition will enable Gemfields to perform to its full potential, materially improve trading liquidity and promote a re-rating of the enlarged Group.

Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2017

14. Events occurring after the end of the period/continued

On 1 August 2017, the Company's total shareholding had reached 96.98% of the entire issued share capital of Gemfields. As the level of Gemfields share acceptances surpassed 90% of the shares to which the Offer related, the Company commenced the compulsory acquisition process of the remaining Gemfields shares under Sections 979-982 of the Companies Act 2006.

The Company gained full control of Gemfields on 28 July 2017, being the day Gemfields delisted from AIM. Given that the Company only gained board control of Gemfields on 28 July 2017, it has not been possible to determine the fair values of the assets and liabilities acquired by the date of these interim financial statements. The Company is therefore unable to disclose all the information required by paragraph B64 (e)-(q) of IFRS3 Business Combinations. As Gemfields was loss-making for the twelve months to 30 June 2017, the acquisition may have an initial negative impact on the Group's HEPS and EPS.

Extension of the Company

The Company is currently structured as an investment entity, listed on the main market of the JSE. Given the diverse nature of its investments it prepares its financial statements in accordance with investment entity accounting which reflects the underlying investments at fair value. There are no other similar mining investment entities currently listed on the JSE.

The Company's initial life-span was due to end on 14 September 2017. At the Company's General Meeting on 26 June 2017, shareholders approved the resolution to amend the Company's Articles to extend the life of the Company as a closed-ended investment company by 50 years. The Company became an operating mining company upon taking board control of Gemfields and will apply for its listing to be moved to the "Diversified Mining" sector of the JSE main board.

The Board reminds Shareholders that notwithstanding the proposed continued closed-ended status of the Company, Shareholders are still able to realise the value of their investments through the trading platforms of either the JSE or the BSX (as appropriate) where the Company's equity securities are admitted to trading.

Board composition

At the Company's initial public offering in 2007, the Company's executives committed to managing the Company for at least ten years. As part of the Gemfields Offer, and the extension of the Company for a further 50 years, the Company's executives have committed to manage the Company for another five years.

Mr Brian Gilbertson as Executive Chairman, Mr Frandsen as Chief Executive and Mr Willis as Finance Director have each provided a renewed five-year commitment to the Company. In addition, Mr Sean Gilbertson has been appointed as the Chief Investment Officer and Mr Thapliyal as the Chief Operating Officer and have provided the same commitment. Mr Sean Gilbertson and Mr Thapliyal were both Partners of the Investment Manager prior to being appointed to the Board effective 17 July 2017. The Company's executive management will lead operations in London, South Africa, Zambia and Mozambique, with dedicated teams in the field.

After ten years of service, Mr Harris and Mr Platt-Ransom resigned as independent non-executive Directors and from all Board committees with effect from 11 July 2017. Furthermore, Mr Erich Clarke and Mr Kwape Mmela were appointed as independent non-executive Directors effective 31 July 2017.

Mr Mondli has been appointed as a member of each of the Audit Committee, Nomination Committee (Chair) and Remuneration Committee and as the Company's Lead Independent Non-Executive Director ("LID"). The LID's main responsibilities are to chair any meeting in which the Chairman has a conflict of interest, and to give stakeholders an additional point of contact.

Mr Mmela has been appointed to both the Remuneration Committee (Chair) and Nomination Committee and Mr Clarke has been appointed to the Audit Committee.

Notes to the Interim Financial Statements/cont.

for the six months ended 30 June 2017

14. Events occurring after the end of the period/continued

Jupiter Buy-Back – September 2017

On 11 September 2017, Jupiter announced the details of an off-market equal access share buy-back to return up to US\$25 million to its shareholders. All Jupiter shareholders were made an equal offer to buy-back 4% of their shares in Jupiter, at a set price of US\$0.29 per share.

The Company, as an 18.43% shareholder in Jupiter has the right to have 4% of its 395,779,567 Jupiter shares bought-back. The Company intends to accept the buy-back by Jupiter, which will result in the sale of 15,831,183 shares in Jupiter for US\$0.29 per share. The Directors' estimate of the fair value of the Jupiter shares at 30 June 2017 is US\$0.19 per share. The transaction is expected to complete in late October or early November with the Company receiving US\$4.6 million.

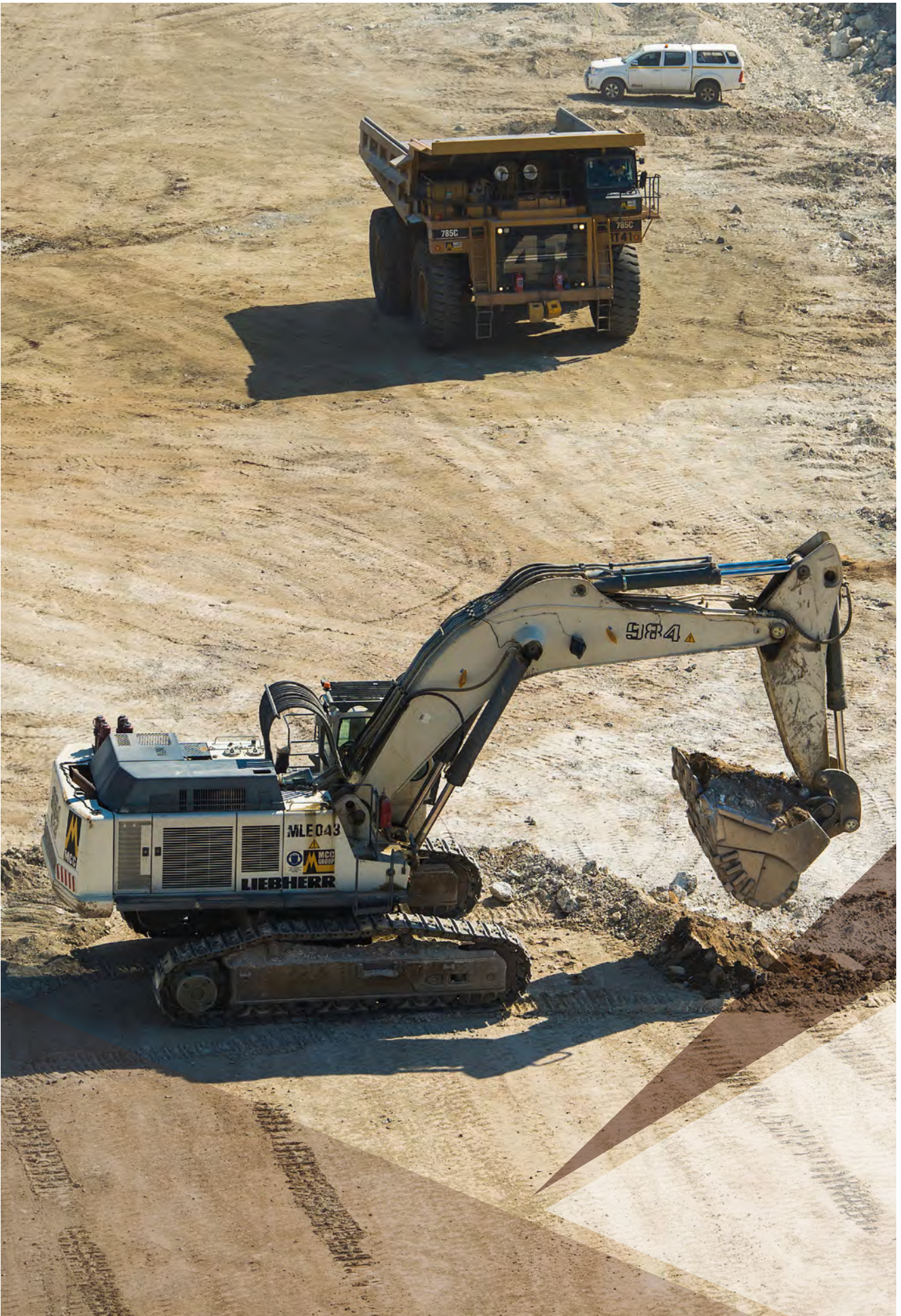
This transaction will be accounted for in the Company's financial statements for the year ending 31 December 2017.

Approval of Interim Financial Statements

The Interim Financial Statements were approved by the Directors and authorised for issue on 14 September 2017.

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.



Above
Waste stripping at the Pilanesberg Platinum Mine.

Company Details

Executive Directors

Brian Gilbertson
Arne H. Frandsen
Andrew Willis
Sean Gilbertson¹
Priyank Thapliyal¹

Non-Executive Directors

Dr Christo Wiese
Stuart Platt-Ransom²
Martin Tolcher
Clive Harris²
Lumkile Mondli
Kwape Mmela³
Erich Clarke³

¹ Appointed 17 July 2017

² Resigned 11 July 2017

³ Appointed 31 July 2017

General Partner of the Investment Manager

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Channel Islands

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Sponsor

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Registrar and Bermudan Transfer Secretary

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South African Transfer Secretary

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