PALLINGHURST

Pallinghurst Resources Limited

ANNUAL REPORT 2011

Cover photos from left to right

Rock outcrops at Jupiter's Mount Mason DSO hematite project in the Central Yilgarn, Australia.

Fabergé's emerald and diamond Romanov Necklace, set with 2,225 gemstones totalling 363 carats, including 79 emeralds from Gemfields.

Platmin's flagship Pilanesberg Platinum Mine and the two contiguous Consolidation properties Sedibelo and Magazynskraal.

Welcome from management

We invest alongside the Pallinghurst Co-Investors, controlling mining businesses and the luxury brand Fabergé, with the aim of producing superior returns.

Delivering our vision

Identify

Acquire

De-risk

Platinum Group Metals

Eastern Bushveld properties

Platmin owns interests in various exploration and development projects located on the Eastern Limb of the Bushveld Complex. Mphahlele and Grootboom are in the final phases of their engineering studies. These projects offer the potential for future growth.

Steel Making Materials

Mount Ida

Jupiter's Mount Ida magnetite iron ore project is located in the Central Yilgarn region of Western Australia. Mount Ida has an inferred resource of 530 million tonnes at 31.9% Fe. This is based only on the central section, or approximately 30% of the strike length, supporting an expectation of a total resource of 1.1–1.3 billion tonnes. Mount Ida is expected to be a world class asset, with an anticipated life of mine of over 30 years.

Gemfields

Madagascar

Gemfields owns exploration licences in Madagascar covering emeralds, rubies, sapphires and tourmalines. Madagascar is recognised as one of the most exciting coloured gemstone regions in the world. Gemfields is now proceeding with further exploration in Madagascar, in light of its improving political situation.

Mozambique (Rubies)

Gemfields acquired a 75% interest in the Montepuez ruby deposit in June 2011, which is located in the Cabo Delgado province in Mozambique. The deposit covers 34,000 hectares and is believed to be one of the largest ruby concessions in private hands in the world. Gemfields has commenced sampling and drilling, and expects to begin production by the end of 2012.

Fabergé

Manage

Grow

Realise

Sedibelo

The Sedibelo property is located between PPM and Magazynskraal on the Western Limb of the Bushveld Complex. The Pallinghurst Co-Investors have agreed to acquire 49.9% of the Sedibelo property. Sedibelo is one of the three key assets for the African Queen consolidation, with an estimated resource of 20 million 4E PGM ounces (including 5.99 million 4E resources in Sedibelo West, which Platmin agreed to acquire during 2011).

Magazynskraal

The Magazynskraal property is located east of Sedibelo on the Western Limb of the Bushveld Complex. Magazynskraal is one of the three assets for the African Queen consolidation and has an estimated resource of 23 million 4E PGM ounces.

PPM

The Pilanesberg Platinum Mine ("PPM"), located on the Western Limb of the Bushveld Complex, is Platmin's key operating asset. The Group holds indirect interests in PPM via Platmin and the Moepi Group companies. PPM declared commercial production from January 2011 and has forecast monthly production of 12,000 4E PGM ounces by mid-2012. PPM is one of the three key assets for the African Queen consolidation and has an estimated resource of 10.9 million 4E PGM ounces (excluding Sedibelo West).

Mount Mason

Jupiter's Mount Mason Direct Shipping Ore hematite project is also located in the Central Yilgarn, close to Mount Ida. Mount Mason has a total measured/indicated resource of 5.9 million tonnes at a grade of 60.1% Fe. The Mount Mason scoping study indicated a robust operation producing at a rate of 1.5 million tonnes per annum. If port access can be secured, it is anticipated that Mount Mason will quickly generate free cash flows in excess of AUD80 million per annum.

Tshipi Borwa

Tshipi Borwa is located on the south-western outer rim of the Kalahari Manganese Field. Tshipi Borwa has a manganese resource of 163 million tonnes, at an average grade of 37.1%, which can be mined by open pit. Construction of the manganese mine commenced during 2011. It is anticipated that the mine will produce 2.4 million tonnes per annum of manganese ore, and will have a life of mine of over 60 years.

Kariba (Amethysts)

Gemfields owns a 50% interest in Kariba, the largest amethyst mine in the world, which is located in southern Zambia, near Livingstone. Kariba has seen improved performance, resulting from recent operational and sales initiatives.

Kagem (Emeralds)

Gemfields owns a 75% interest in Kagem, the single largest emerald mine in the world, which is located near Kitwe in Zambia. Since the acquisition in 2007, significant focus has been on Kagem's operational efficiency; resulting in record production of 33 million carats for the twelve months to 30 June 2011, almost double that of the prior year.

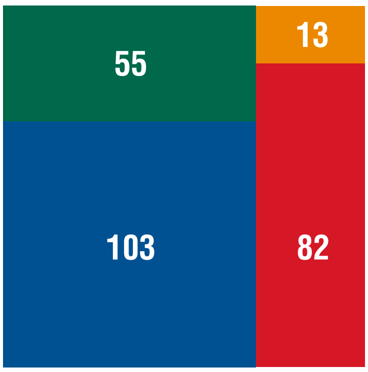
Fabergé

The Pallinghurst Co-Investors acquired the trademarks, licences and rights relating to the Fabergé name during 2007. Since acquisition, Fabergé has been reunited with the Fabergé family, collections of high jewellery released and retail presence expanded. Fabergé continues to be on track to liberate the significant value inherent in the name.

Our value

Net funds invested by Investment Platform

US$253m



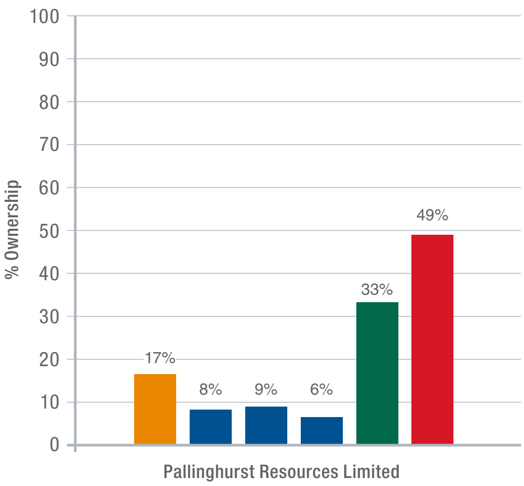
Net Asset Value per Investment Platform
at 31 December 2011

US$338m

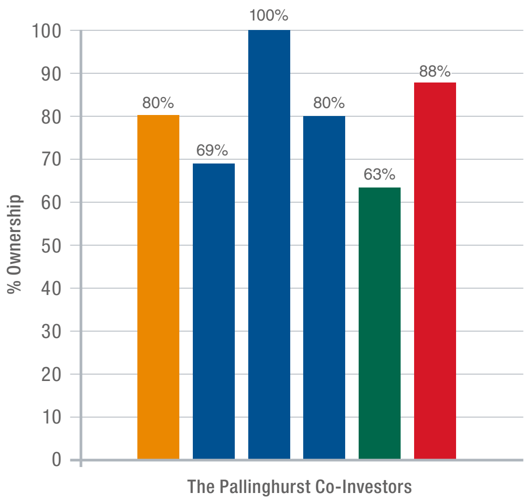
Platinum Group Metals
Jupiter
Gemfields
Fabergé

Control of each of the investments

PRL ownership at 31 December 2011



Pallinghurst Co-Investors' aggregate ownership, including PRL, at 31 December 2011



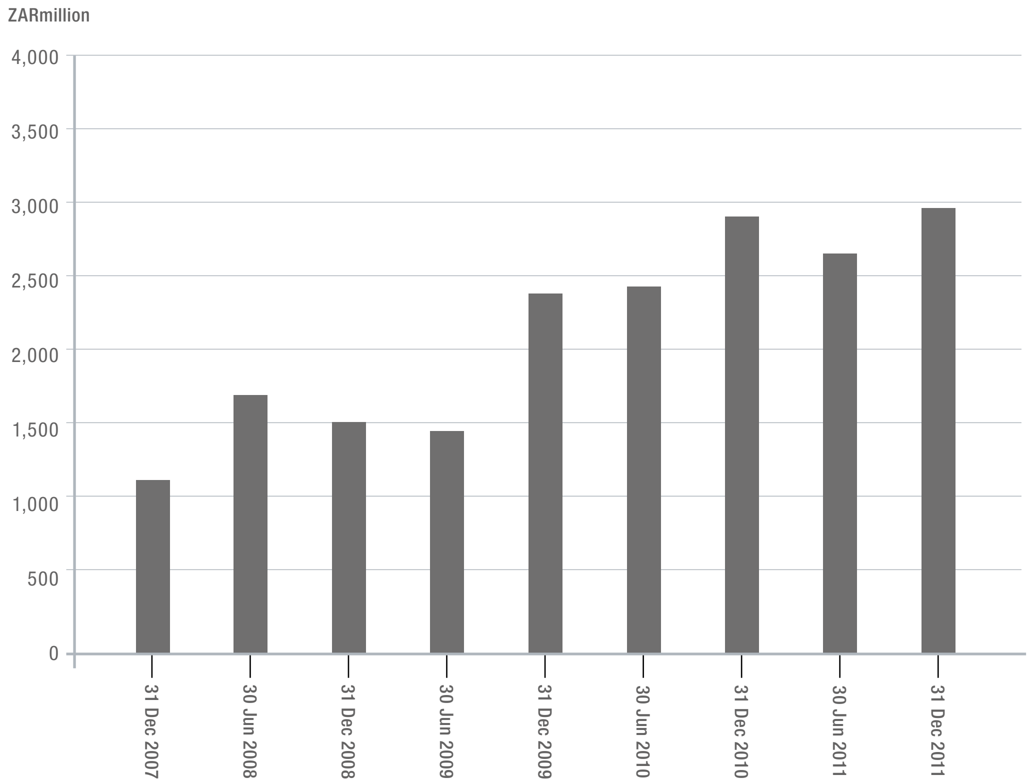
From left to right
Jupiter
Platmin
Moepi
Magazynskraal
Gemfields
Fabergé

Net Asset Value per share

31 December 2011 versus 31 December 2010

ZAR6.25 ↑ 3%

Historic Net Asset Value



The Pallinghurst Co-Investors

AMCI CAPITAL

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

APG

Algemene Pensioen Groep ("APG") is one of Europe's largest pension funds. It carries out collective pension schemes for participants in the education, government and construction sectors, housing corporations and energy and utility companies. APG manages pension assets of approximately €300 billion (January 2012) for these sectors. APG works for over 30,000 employers and provides for the income of more than 4.5 million participants and administers over 30% of all collective pension schemes in the Netherlands.
www.apg.nl

ENERGY AND MINERALS GROUP

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

INVESTEC

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

PALLINGHURST RESOURCES LIMITED

www.pallinghurst.com

POSCO

POSCO is the largest steel producer in South Korea and the third largest producer in the world (based on 2010 steel output). POSCO owns and operates two major steel plants, Pohang and Gwangyang. POSCO have entered into offtake agreements with both Jupiter and Tshipi.
www.posco.com

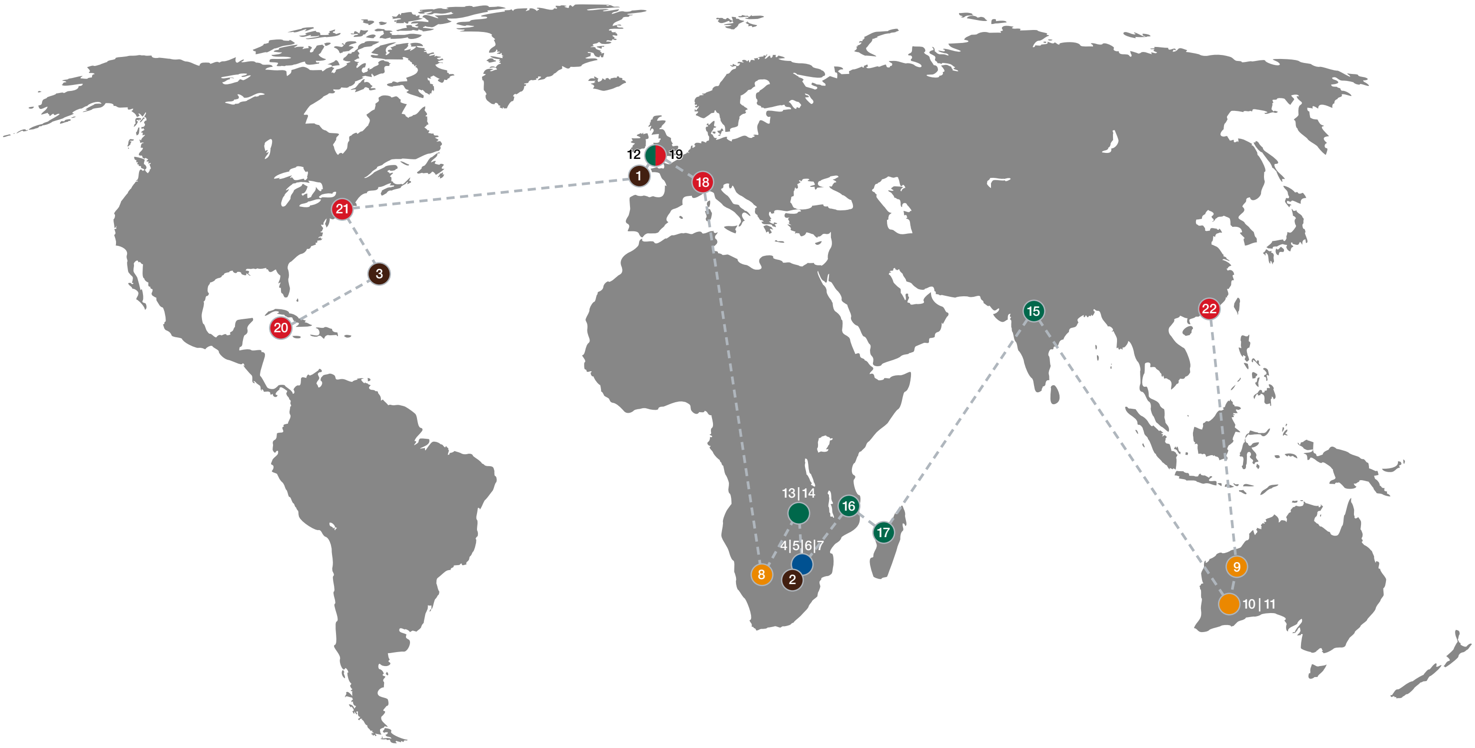
SMEDVIG

Smedvig Capital is a London-based private equity firm founded in 1996 by John Hewett and Peter Smedvig. Smedvig Capital makes direct investments as lead investor, as well as investing with other third party private equity funds including Pallinghurst. Smedvig Capital has a broad mandate to invest across a range of industries and has considerable experience in successfully investing in the natural resources sector globally.
www.smedvigcapital.com

TEMASEK

Temasek is the Asia investment company headquartered in Singapore. Temasek invests in many areas, including resources, with assets concentrated principally in Singapore, Asia and growth markets, with a portfolio valued at approximately SGD200 billion.
www.temasek.com.sg

Our world



PALLINGHURST RESOURCES LIMITED		LOCATION	NOTES
1	Pallinghurst Resources Limited	Guernsey	Registered office
2	Pallinghurst Resources Limited	Johannesburg	Primary listing
3	Pallinghurst Resources Limited	Bermuda	Secondary listing
PLATINUM GROUP METALS			
4	Pilanesberg Platinum Mine	Western Limb, Bushveld Complex	PGM mine
5	Sedibelo	Western Limb, Bushveld Complex	PGM exploration
6	Magazynskraal	Western Limb, Bushveld Complex	PGM exploration
7	Eastern Limb projects	Eastern Limb, Bushveld Complex	PGM exploration
STEEL MAKING MATERIALS			
8	Tshipi Borwa	Hotazel, Northern Cape	Manganese mine, under development
9	Oakover	East Pilbara, Western Australia	Manganese exploration
10	Mount Mason	Central Yilgarn, Western Australia	Iron ore (DSO hematite) exploration
11	Mount Ida	Central Yilgarn, Western Australia	Iron ore (magnetite) exploration
COLOURED GEMSTONES			
12	Gemfields plc	London, United Kingdom	Registered office/AIM listing
13	Kagem	Near Kitwe, northwest Zambia	Emerald mine
14	Kariba	Near Livingstone, southern Zambia	Amethyst mine
15	Gemfields plc	Jaipur, India	Cutting and polishing facility
16	Montepuez	Northern Mozambique	Ruby mine, under development
17	Gemfields plc	Madagascar	Gemstone exploration
FABERGÉ			
18	Fabergé	Geneva, Switzerland	Boutique
19	Fabergé	London, United Kingdom	Offices/boutique/concession
20	Fabergé	Grand Cayman, Cayman Islands	Registered office
21	Fabergé	New York	Boutique
22	Fabergé	Hong Kong	Concession

Chairman's statement

Few could have predicted the turbulence of 2011. Extraordinary events affecting global markets included the devastating tsunami in Japan and the political and military uprisings across much of North Africa and the Middle East. The period also saw further crises in the banking sector, sovereign debt default and downgrades in the credit ratings of many countries. These events had a significantly negative impact on equity market performance and business confidence in general. Pallinghurst and its portfolio companies have not been immune to these events, with the reversal of a substantial portion of the gains in Jupiter's valuation achieved during 2010.

However, I am pleased to report that significant progress has been made in each of the four investment platforms during the past year. Most recently, agreement was reached for the regional consolidation of the three contiguous PGM properties acquired over the past few years. We also welcomed the Industrial Development Corporation as a key partner in the consolidated PGM initiative, with the IDC agreeing to make an equity investment of ZAR3.24 billion. These are important steps in the creation and crystallisation of value for the Company's single largest investment.

Jupiter successfully raised AUD150 million and approved its portion of the funding required to build South Africa's newest open pit manganese mine at Tshipi Borwa. With construction well underway, Tshipi Borwa is on track to commence production by the end of 2012, with a sizeable resource capable of sustaining more than 60 years of production.

Gemfields has again delivered record breaking auction results, earning higher revenues and prices per carat than previously seen. A significant milestone on the road to becoming the world's leading coloured gemstones producer was reached with the acquisition of a controlling interest in a large ruby deposit in Mozambique. Since the year end, Gemfields' share price has climbed significantly as the market has begun to recognise its potential.

For the first time in almost a century, Fabergé has returned to London, with the opening of its Mayfair boutique. New collections were launched successfully, putting Fabergé in a position to unlock the significant value inherent in its name.

It has given me pride to witness the transformation of our portfolio companies from what we identified as "unloved assets" upon acquisition, into what is now a portfolio of attractive and valuable investments, well positioned to realise superior investment returns.

The Company has achieved a modest increase in its Rand denominated net asset value, but in US dollar terms, due to the significant drop in the Jupiter share price, the Company recorded a loss for the year. Also, there has been a further widening of the gap between the Company's net asset value and its market capitalisation. To address this, the Board is continuing to explore a number of initiatives, including an additional listing. However, our key focus is on assisting our portfolio companies in making the right decisions in order to maximise their inherent value.

Despite the volatile economic situation, I am confident that each investment platform will grow, develop and generate significant value for the Company.

Brian Gilbertson
Chairman

Chief Executive's statement

Dear fellow shareholders,

On the roadshow for the Company's IPO in September 2007, we told all prospective shareholders that, for the first round of capital, we should allow for a ten year realisation period. Simply put, during the first five years we would plough the fields, sow the grain and attend to the green shoots. During the following five years we would aim at timing the harvest in a way which would maximise the returns to shareholders. We are now in the fifth year and I am pleased to report that, as per the initial plan, our first four investment platforms are indeed entering the predicted "harvesting period".

We set ambitious targets for our investments from the outset, and the ten year horizon enables us to be patient in the realisation, so to secure the maximum return to all shareholders. As an example, in 2007 the strategy for Gemfields to emulate the De Beers diamond industry model in the fragmented coloured gemstone industry was met with some scepticism. However, Gemfields has now achieved its market leading position in the emerald sector. It is about to apply the same business model to rubies, having recently acquired a world class deposit in Mozambique. In only a few years, what was once an ambitious plan is now close to becoming reality.

When we made the first investment into the PGM sector, we did so with the aim of creating a major new industry player, which would benefit from a long life and low cost production. On 29 March 2012, an important announcement confirmed the consolidation of the four PGM assets in which Pallinghurst has invested. It also reported the acquisition of a 16% stake in the consolidated vehicle for an investment of ZAR3.24 billion by the IDC, the South African Sovereign investor. This is a tangible confirmation of the realisation of our PGM vision and strategy.

Since its re-launch less than 30 months ago, Fabergé has achieved a remarkable repositioning at the top of the luxury goods sector. Its fine craftsmanship and design have received widespread acclaim. Innovative initiatives (such as the Fabergé Big Egg Hunt which has generated more than a million articles and references) have greatly increased public awareness of the brand. Fabergé is now a high profile business with a distribution network which includes London, Hong Kong, Geneva and soon New York, and of course also the industry leading "Global Flagship" for an online "Shop Window". The achievements of the Fabergé team validate our strategy for the brand, and position the investment attractively for further value creation.

As the original portfolio now enters the mature stage, the management time required to drive the strategies forward has been reduced. We therefore intend to pursue a number of attractive new investment opportunities, both within the current portfolio as well as in developing investment platforms. Also, it is likely that Fabergé will seek a further capital injection to enable them to complete their strategy. In such situations, your Company must avoid value destructive dilution at this late stage of their development, and follow our rights in such capital raisings.

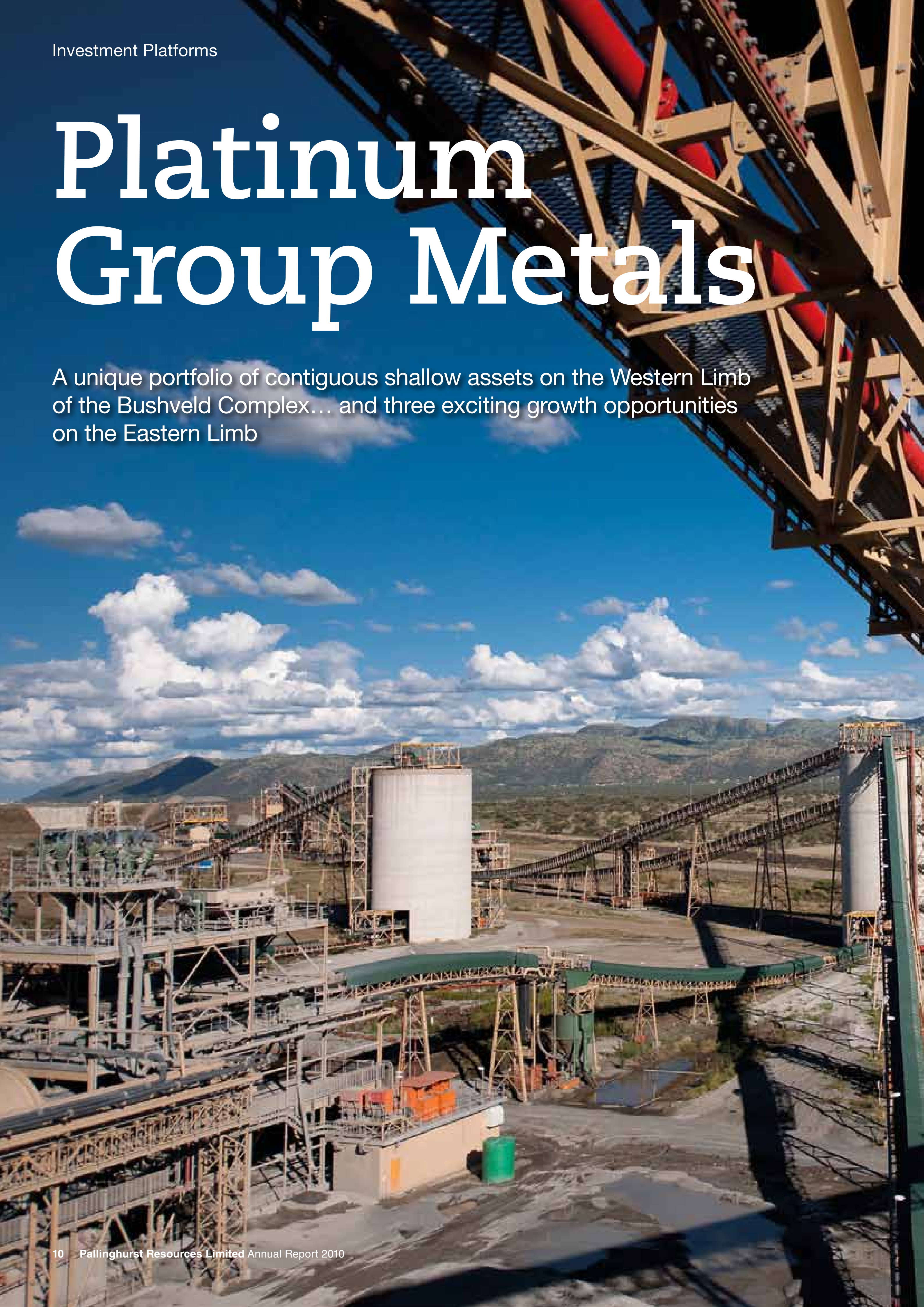
As your management team has stressed, we will only raise capital when we have specific use for the funds, and in our best judgement, now is the right time to raise incremental equity capital for the Company. The Board has therefore approved a renounceable rights offer of up to ZAR800 million at ZAR2.24 per share. I intend to follow my rights in full, as will my fellow partners of the Investment Manager.

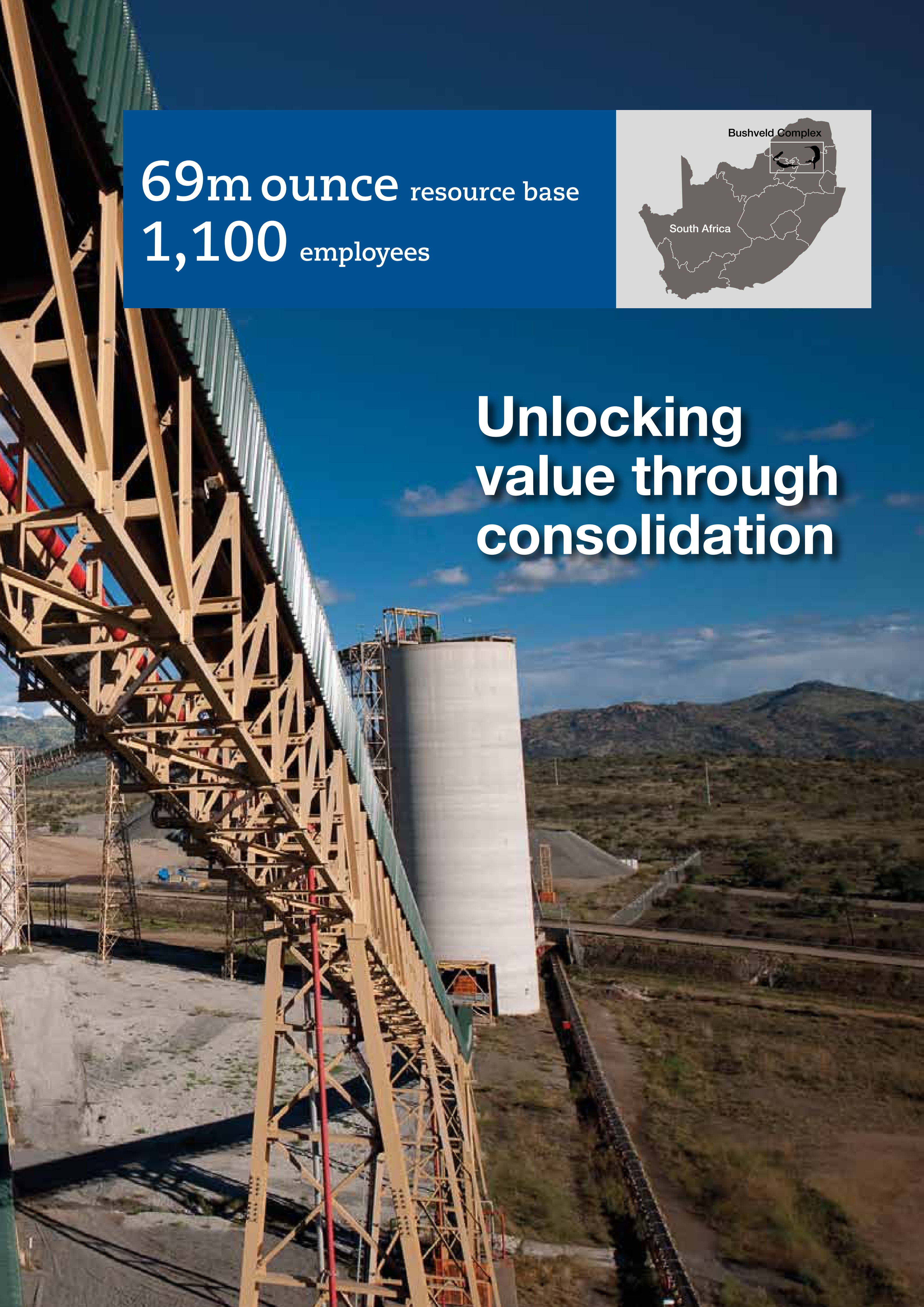
The Company is entering an exciting new phase with the strategies of the original Investment Portfolio being largely achieved. I am confident that the value of each will substantially increase as they move towards fulfilment. The raising of new funds will also enable participation in new opportunities, positioning the Company well for long-term growth and value creation.

Arne H. Frandsen
Chief Executive

Platinum Group Metals

A unique portfolio of contiguous shallow assets on the Western Limb of the Bushveld Complex… and three exciting growth opportunities on the Eastern Limb





69m ounce resource base
1,100 employees

Unlocking value through consolidation

Platinum Group Metals

Highlights

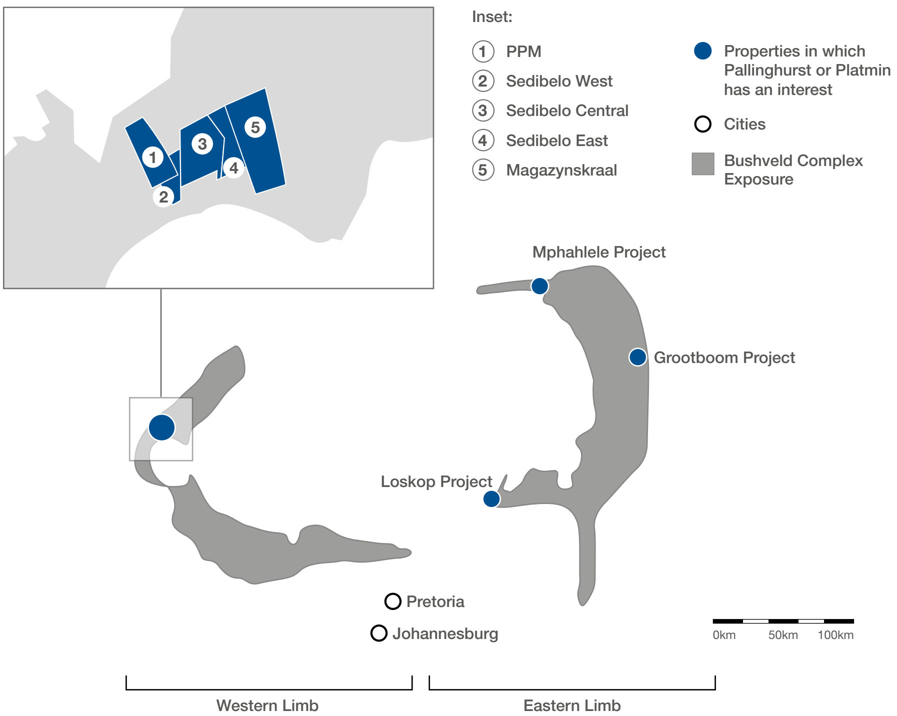
- Agreement to proceed with the Consolidation
- Industrial Development Corporation agree to invest into consolidated PGM vehicle

PGM strategy

Platinum Group Metals ("PGMs") are essential to a wide range of industries. An estimated 20% of all consumer products either contain PGMs or require them in their production, making PGMs both unique and essential to industrialised economies. However, PGM resources are rare and occur predominantly in South Africa; according to the South African Department of Mineral Resources ("DMR"), 88% of the world's platinum reserves are located in South Africa. The diverse and solid demand dynamics, combined with on-going supply pressures and high barriers to entry, continue to make the outlook for the PGM industry very attractive.

For the past four years, Pallinghurst has been executing its strategy of acquiring and consolidating three shallow, contiguous properties on the Western Limb of the Bushveld Complex of South Africa, to create a low cost PGM producer of industry significance with a large and shallow resource base.

PGM properties in the Bushveld Complex



Investment history

In August 2008, the Pallinghurst Co-Investors and Black Economic Empowerment ("BEE") partner, the Bakgatla Ba Kgafela Tribe ("Bakgatla") jointly acquired an indirect interest in Boynton Investments, the 72.4% subsidiary of Platmin Limited ("Platmin"). Boynton Investments owns the Pilanesberg Platinum Mine ("PPM") on the Western Limb of the Bushveld Complex and growth prospects Mphahlele, Grootboom and Loskop on the Eastern Limb.

In December 2008, the Company and the Pallinghurst Co-Investors acquired a controlling interest in Platmin and obtained DMR approval to acquire an interest in Magazynskraal, a property in close proximity to PPM. The Magazynskraal transaction secured the Pallinghurst Co-Investors the right to acquire 49.9% of Sedibelo, a property which lies between Magazynskraal and the eastern boundary of the PPM opencast pit.

The Consolidation

In March 2011, a set of transactions was announced that provide the platform for the consolidation of the three contiguous properties of PPM, Sedibelo and Magazynskraal (the "Consolidation"), allowing the resource to be optimally mined. As the first step of the Consolidation, Platmin agreed to acquire the Western area of the Sedibelo property ("Sedibelo West") for US$75 million. The Sedibelo West transaction will increase Platmin's 4E PGM

(platinum, palladium, rhodium and gold) resources, extend the life of mine, provide operational flexibility and provide access to non-oxidised material at depth. In addition, the Pallinghurst Co-Investors agreed to increase their aggregate interest in Magazynskraal to 40% (an additional 6.6%) and to acquire a 49.9% interest in the balance of the Sedibelo property and strategic water and electricity rights necessary for the operation of the Consolidation properties.

These transactions, which remain subject to DMR approval, represented an important development in the PGM strategy. In March 2012, the Pallinghurst Co-Investors and the Bakgatla agreed to implement the Consolidation of the last known shallow PGM resource on the Western Limb of the Bushveld Complex, with potential for significant synergies.

Also in March 2012, the Industrial Development Corporation of South Africa Limited ("IDC") agreed to invest, upon Consolidation, a total of ZAR3.24 billion in return for 16.2% of the Consolidation vehicle and to establish a beneficiation joint venture. The IDC investment is expected to complete during 2012 and funds generated are to be used exclusively in South Africa, specifically for the development of the consolidated PGM operations. The introduction of the IDC as a cornerstone investor is a significant step in the PGM strategy to create a low cost producer of industry significance.

Other key developments

In March 2011, the US$26 million short-term loan extended by the Group to Platmin in 2010 was repaid in full. The loan facility was completed on arm's length commercial terms, generating fees and interest of approximately US$3 million. The US$135 million Platmin convertible notes were also converted into new common shares in March 2011.

Due to a variety of technical and operational challenges, including unsatisfactory contractor performance and lower than expected recoveries from the weathered and oxidised surface ore, the production build up at PPM has been slower than originally planned. In particular, an illegal riot in June 2011 by a small group of employees from MCC Contracts (Proprietary) Limited, severely disrupted production and damaged specialised equipment owned by PPM's mining contractor, negatively impacting the performance in the second half of 2011. In the 12 months to 31 December 2011, sales of 4E PGMs were in excess of 70,000 ounces.

During the second half of 2011, Platmin reorganised its mining contracts to enable each contractor to focus on its core competencies. This involved the separation of responsibility for the mining sub-cycles of drilling, blasting, waste overburden stripping and reefing.

In December 2011, Platmin redomiciled from British Columbia to Guernsey and delisted from the Johannesburg Stock Exchange and the Toronto Stock Exchange, as well as the London Stock Exchange's Alternative Investment Market ("AIM"). Platmin intends to relist its shares by December 2012 and expects this to occur once the Consolidation has taken place and the PGM production build up is further advanced.

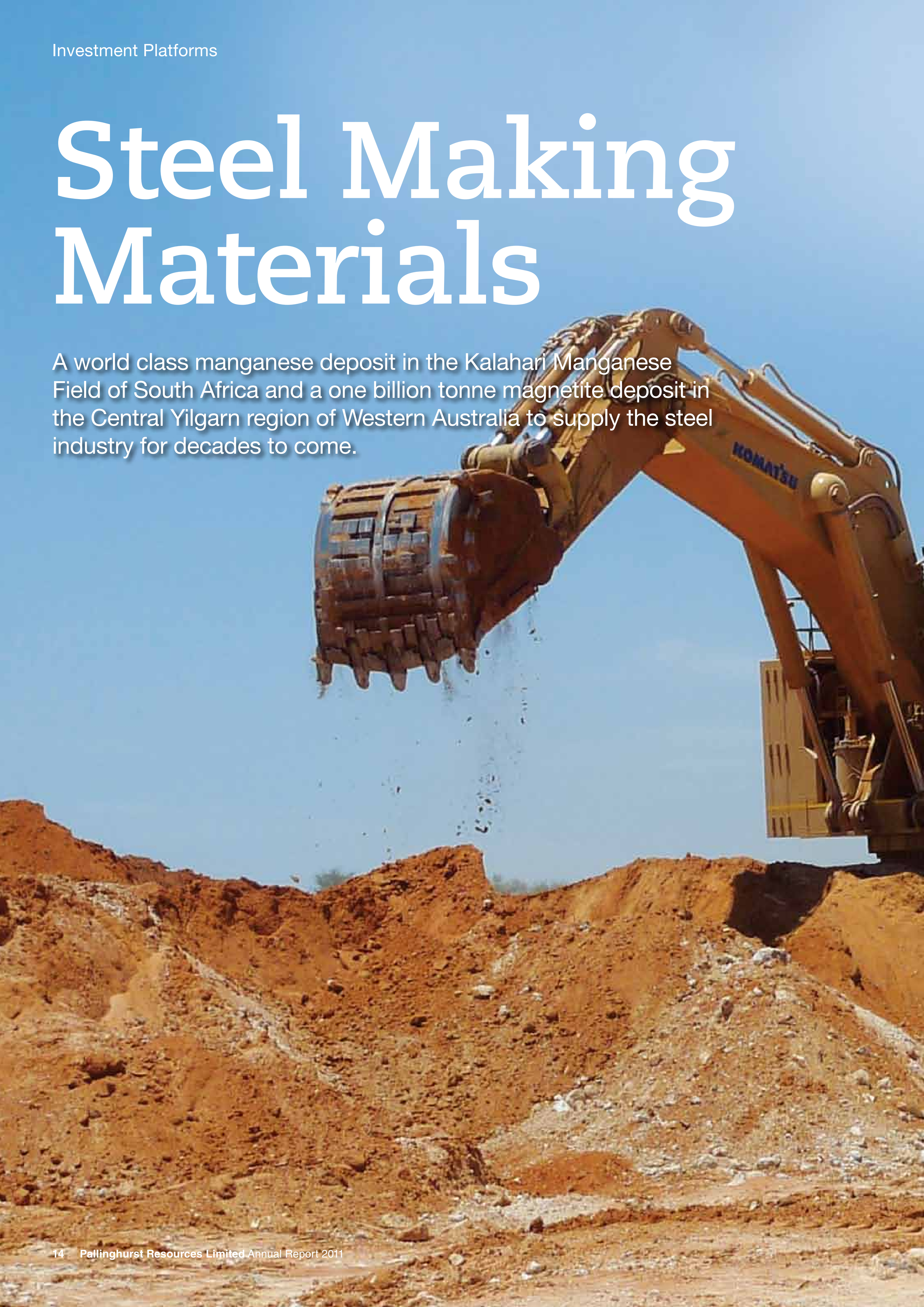
The work for the preliminary feasibility study on the Magazynskraal property was completed during 2011 and the definitive feasibility study has commenced. In anticipation of the Consolidation, the feasibility study on the Magazynskraal property was extended to include the eastern area of the Sedibelo property, known as Sedibelo East.

Outlook

Demand for PGMs is expected to strengthen over the long-term based on environmental considerations, technological developments, world economic growth and population increases (particularly in China, India and other emerging nations). Against a prevailing backdrop of structural supply problems in South Africa, the Company's PGM investments are well placed to benefit as Platmin continues its build up to full production capacity and as the Consolidation is implemented.

Steel Making Materials

A world class manganese deposit in the Kalahari Manganese Field of South Africa and a one billion tonne magnetite deposit in the Central Yilgarn region of Western Australia to supply the steel industry for decades to come.

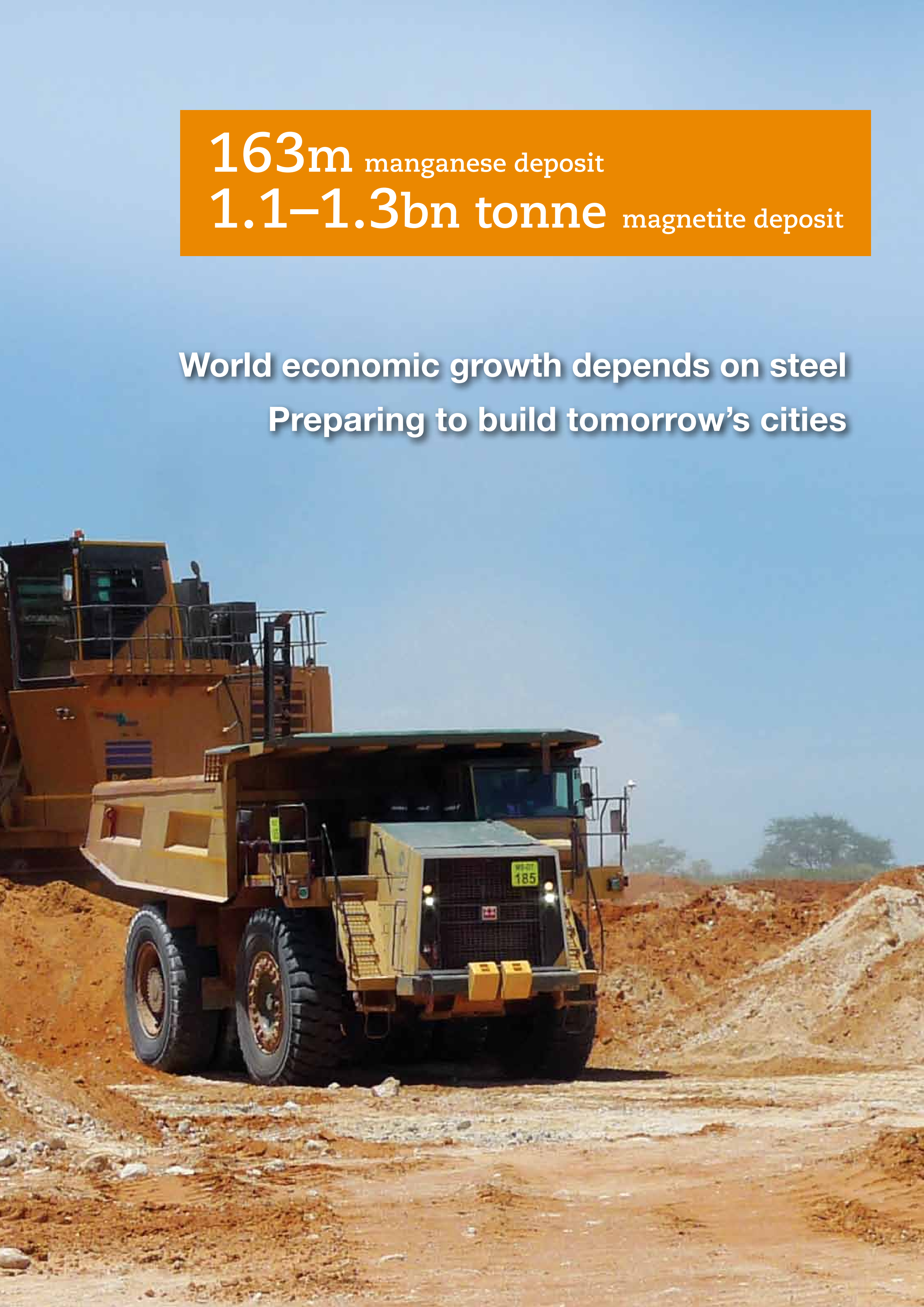


163m manganese deposit

1.1–1.3bn tonne magnetite deposit

World economic growth depends on steel

Preparing to build tomorrow’s cities



Steel Making Materials

Highlights

- Commencement of construction of the Tshipi Borwa open cast manganese mine
- Jupiter successfully raises AUD150 million
- Feasibility studies in progress at Mount Mason and Mount Ida

Steel Making Materials strategy

Despite the turbulence experienced in the economies of many developed nations, emerging countries such as China have sustained average GDP growth rates in excess of 10% per annum over the past decade. Maintaining high growth rates will require significant expansion of infrastructure, for which large supplies of steel are imperative. Global steel production has increased to meet this rising demand, from 850 million tonnes in 2001 to 1.5 billion tonnes during 2011. Increased demand for steel resulting from continued growth in the emerging markets, and sustained demand from the mature economies, is forecast to support demand for steel-making input raw materials. Our Steel Making Materials strategy is to develop a platform to supply the key raw materials (in particular manganese, iron ore and coking coal) required for the production of steel.

Investment history and description of assets

Manganese is a brittle, silver-grey metal that is used across a range of products from batteries to beverage cans, but its principal application, approximately 90% of its use, is for the manufacture of steel. Manganese removes impurities, such as sulphur and oxygen, and increases the strength and impact resistance of steel. Approximately 80% of the world's known economically mineable manganese deposits are located in the Kalahari Manganese Field ("KMF") in South Africa. The KMF spans approximately 400 km^2 and contains an estimated 20 billion tonnes of resources at grades of between 20–48% manganese.

During 2008, the Investment Manager formed Tshipi é Ntle Manganese Mining (Pty) Limited ("Tshipi"), a manganese joint venture vehicle that is currently owned 49.9% by Jupiter Mines Limited ("Jupiter") and 50.1% by a subsidiary of Ntsimbintle Mining (Pty) Limited ("Ntsimbintle"). 26% of Ntsimbintle is owned by OM Holdings Limited ("OMH") and 74% by a Broad Based BEE consortium consisting of Safika Resources, Nkojane Economic Prospecting, and certain national and local economic development and community organisations, and social trusts.

Tshipi's key asset is Tshipi Borwa, a manganese property located on the south-western outer rim of the KMF, adjacent to Samancor's Mamatwan manganese mine, which has been in operation since 1964. Tshipi Borwa has a manganese resource of 163 million tonnes, at an average grade of 37.1%, which can be mined by open pit. The manganese ore is continuous over the strike of the property, commencing at a depth of approximately 70 metres, and is contained within a 30–35 metre mineralised zone, dipping gradually to the north-west at approximately five degrees. Tshipi Borwa holds a new order mining right and construction of the manganese mine commenced during the year.

Tshipi also holds exploration rights in a manganese prospect in the north of the KMF, Tshipi Bokone, located in close proximity to Samancor's high grade Wessels underground manganese mine. Tshipi is presently drilling this property and undertaking exploration work to identify high grade deposits capable of exploitation by underground mining.

In 2008, the Group invested in Jupiter, an Australian Stock Exchange ("ASX") listed exploration company, with key prospects located in the Central Yilgarn region of Western Australia. Jupiter's Mount Mason prospect has measured/indicated resources of 5.9 million tonnes of high grade hematite (60.1% Fe). The nearby Mount Ida prospect has inferred resources of 530 million tonnes of magnetite (31.9% Fe) from approximately 30% of the strike length, supporting an expected resource of 1.1–1.3 billion tonnes across the entire prospect.

In 2010, Jupiter acquired the Pallinghurst Co-Investors' 49.9% stake in Tshipi, thereby consolidating the Group's two Steel Making Materials investments.

Construction of the Tshipi Borwa manganese mine

Following receipt of the requisite licences and permits, and funding commitments from Jupiter and Ntsimbintle, Tshipi approved the construction of South Africa's newest open pit manganese mine at Tshipi Borwa. It is expected that the 163 million tonne resource will sustain a 2.4 million tonne per annum operation for the next 60 years, creating significant benefits for South Africa's most impoverished province.

Mining of the deposit is expected to be relatively straightforward. The bulk earth moving works commenced in June 2011, removing the top soil and stockpiling this for use in the rehabilitation phase. The various layers of Kalahari formation will then be pre-stripped, exposing the banded iron and manganese layers below. The manganese ore will be drilled, blasted and trucked to the primary crusher, which will feed the main run of mine ("ROM") stockpile. The material will then go through the secondary crushing and wet screening processes in order to produce both a fine and a lumpy product. These products will then be conveyed to the product stockpiles for loading by a state-of-the-art rapid load-out station on to trains.

Since the bulk earth moving works commenced, rapid progress has been made with site clearance, establishment of construction operations, laying of road and rail foundations, and the equipping and construction of the rail siding. In late 2011, Tshipi signed a contract mining agreement with Aveng Moolmans and the pre-strip mining commenced to remove the overburden and expose the manganese ore below. Additional work has been completed by Tshipi on the plant, infrastructure, housing and offices. The capital required to construct the mine remains within the ZAR1.7 billion budget and the project is on track for production to commence during the second half of 2012.

Tshipi's strong ownership structure brings a variety of expertise to the project. POSCO, one of the world's largest steelmakers, invested at an early stage and has contributed its end-user expertise. POSCO has also signed an offtake agreement to acquire up to 20% of Tshipi's ore at future prevailing prices. OMH, the ASX-listed integrated manganese mining and trading house, has taken a 13% effective interest in Tshipi via Ntsimbintle. Ntsimbintle is a strong, well-funded BEE partner with interests in a range of manganese properties in the KMF. Ntsimbintle is led by Saki Macozoma, a successful South African businessman and a former managing director of Transnet, South Africa's railway network operator. Mr Macozoma has significant experience in rail and logistics, both critical to the success of Tshipi.

Tshipi Borwa is situated adjacent to the South African national railway network that is operated and managed by Transnet. A rail siding, together with a Transnet-approved rapid load-out station, is under construction. On completion, this will enable Tshipi to quickly load its ore on to trains. Tshipi expects Transnet to grant it an initial entitlement of rail capacity to Port Elizabeth, but also has the option to rail its ore to Durban or truck it by road.

South Africa's President, Jacob Zuma, recently unveiled a new 16 million tonne per annum manganese export channel through Ngqura as part of the South African Government's plan to unlock the country's key mineral resources and exports. Significantly increased funding to Transnet was also announced to expand and improve its service delivery, particularly in bulk freight haulage. As Ngqura plays an increasing role in the export of South Africa's minerals, it is likely to facilitate the export of Tshipi's production.

Tshipi plans to process saleable product from the lower 15 metres of the mineralised zone ("Bottom Cut"), given its high 37.1% average grade and large 163 million tonne resource base. The top 15 metres of mineralisation contains an additional 145 million tonnes averaging 31.6% ("Top Cut"). Although the Top Cut is a lower grade, it is possible to improve the product through selective mining and/or post-

Steel Making Materials

mining processing. As the Top Cut must be mined in order to access the deeper higher grade resource, incremental sales generated from the Top Cut would not incur any significant increase in mining cost, but would result in a direct reduction in the stripping ratio and a reduction of the fixed costs per tonne of ore mined.

Tshipi Borwa will provide a significant boost to the local economy in the Northern Cape, creating permanent employment for approximately 400 people and, as a result of Tshipi's commitment to utilise and develop local service providers, an estimated 2,000 additional jobs will be added in associated businesses. Job opportunities like these are rare in remote rural areas such as the John Taolo Gaetsewe District Municipality where Tshipi Borwa is located. In addition, Tshipi has also established an employee housing assistance programme to promote home ownership and is developing improved water infrastructure in the district.

Tshipi is committed to minimising its impact on the environment and will plant more than 2,000 camelthorn acacia trees on the Tshipi Bokone property. Furthermore, in partnership with the Endangered Wildlife Trust, Tshipi is supporting the study of the threatened Secretary Bird, one of South Africa's most iconic creatures. The Secretary Bird features on South Africa's coat of arms and was once a common sight in the Northern Cape but numbers have declined dramatically. With Tshipi's support, ornothologists plan to use the knowledge gained from the study to develop improved protection measures for this treasure of the Kalahari.

Jupiter and the Central Yilgarn iron ore assets

Jupiter announced an AUD150 million new equity capital raising in January 2011 in order to fund the next developmental phases of its three key projects – Tshipi Borwa, Mount Mason and Mount Ida. AUD98.5 million was placed with new third party, blue chip institutions and following shareholder approval in April 2011, the balance was placed with the Pallinghurst Co-Investors. In order to minimise dilution, the Group invested AUD5.5 million in the AUD150 million capital raising. During October and November 2011, Jupiter undertook a share buyback, increasing the Group's see through interest to 16.7%. The Pallinghurst Co-Investors, in aggregate, control 80.0% of the share capital of Jupiter.

A scoping study on the Mount Mason Direct Shipping Ore ("DSO")/hematite project was completed in May 2011. The study was based on the inferred mineral resource of 5.75 million tonnes of hematite iron ore grading 59.9% Fe and indicated a robust operation producing DSO at a rate of 1.5 million tonnes per annum. The

resource model was then updated in December 2011 improving to a total measured/indicated resource of 5.9 million tonnes at a grade of 60.1%. The feasibility study is expected to be completed by April 2012, and receipt of the project permits by the end of 2012. If port access can be secured, the Mount Mason project has the potential to quickly generate free cash flows in excess of AUD80 million per year, at an IRR of over 70%, and to establish Jupiter as a producer in the Central Yilgarn region prior to the development of the flagship Mount Ida magnetite project.

In January 2011, Jupiter announced an inferred magnetite resource in the central section of its Mount Ida magnetite project of 530 million tonnes at 31.9% Fe. The central section represents only 30% of the target length of the strike and supports the initial conceptual expectation of 1.1–1.3 billion tonnes of magnetite iron ore. Subsequently, Jupiter announced the completion of the scoping study based on the assumption of extracting 25 million tonnes per annum of ore to produce ten million tonnes per annum of high grade magnetite concentrate. The study found Mount Ida to be technically and financially robust, indicating an average operational cash cost of AUD63 per tonne to produce an estimated magnetite iron concentrate grade in excess of 68% and containing low levels of impurities. The total capital expenditure for the establishment of such an operation has been estimated at AUD1.6 billion, generating an NPV of AUD1.7 billion and an IRR of 20%.

Jupiter is presently drilling the central section of Mount Ida as part of a feasibility study that is expected to result in an increase in the resource base and to bring the inferred resource into measured/indicated status. There is good access to ground water in the area and energy can be generated by a purpose built plant utilising gas from the nearby Goldfields Gas Transmission Pipeline.

The two projects are located within 110 kilometres of existing rail to the Port of Esperance, a deep water port capable of taking the large Cape-size vessels, with proven ability to handle bulk commodities, in particular iron ore. In January 2012, the Australian Government announced its commitment to expand the iron ore handling capacity at the Port of Esperance by up to 20 million tonnes per annum. The expansion is expected to unlock the Yilgarn region's potential to emerge as Australia's second-largest iron ore producing area outside the Pilbara.

Outlook

Demand for steel in the emerging nations remains strong, particularly in China (which now accounts for almost half of global steel production) and India (expected to become the world's second largest steel manufacturer by 2016). The Governments of South Africa and Australia have demonstrated their intention to capitalise on this demand through commitments to expand infrastructure in the regions where the Group's Steel Making Materials investments are located. As Tshipi Borwa begins production later this year and feasibility studies are completed on Mount Mason and Mount Ida, Jupiter is well positioned to take advantage of these developments and benefit from increased demand.

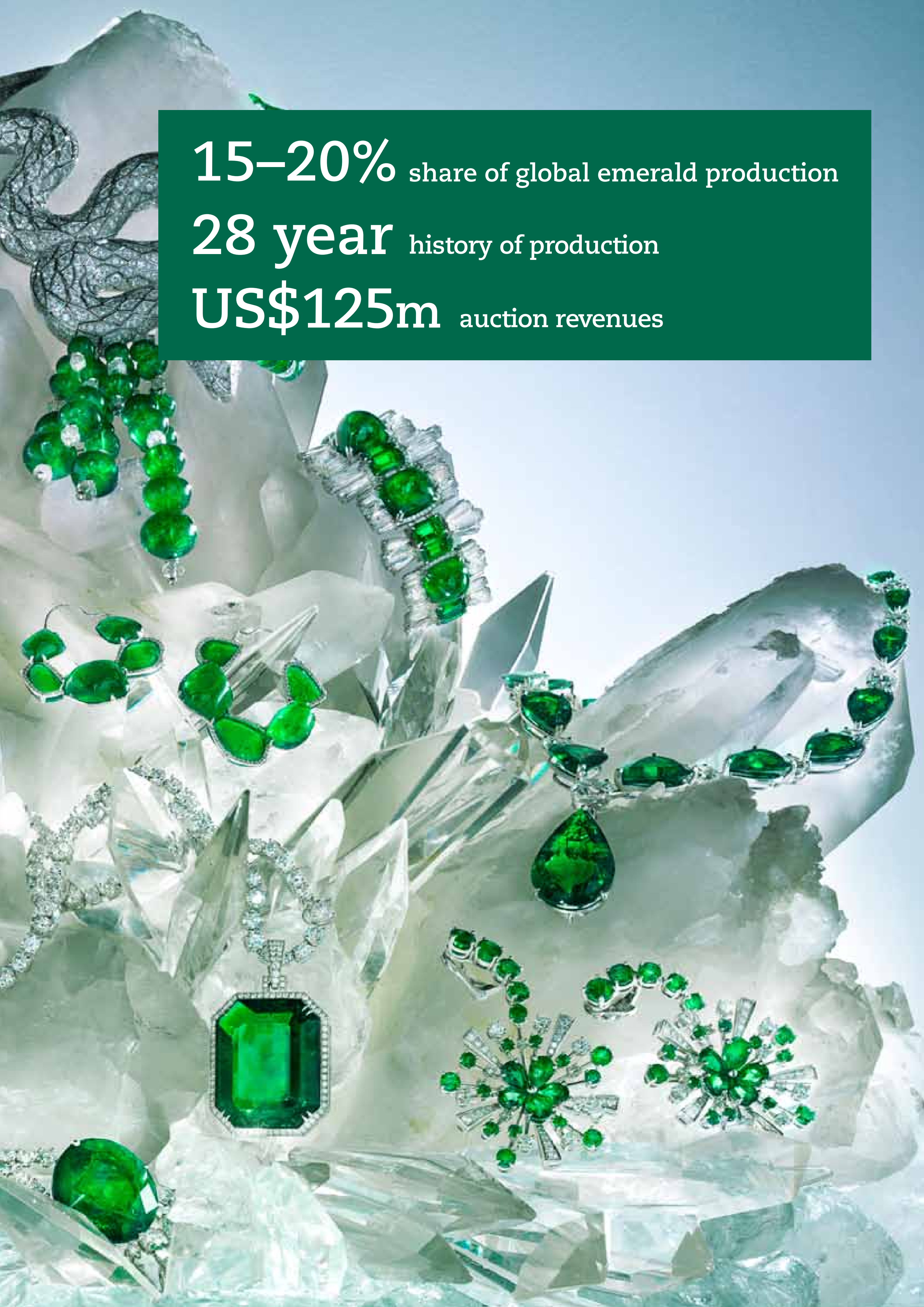
Gemfields

Ensuring consistent supply of ethically produced coloured gemstones

15–20% share of global emerald production

28 year history of production

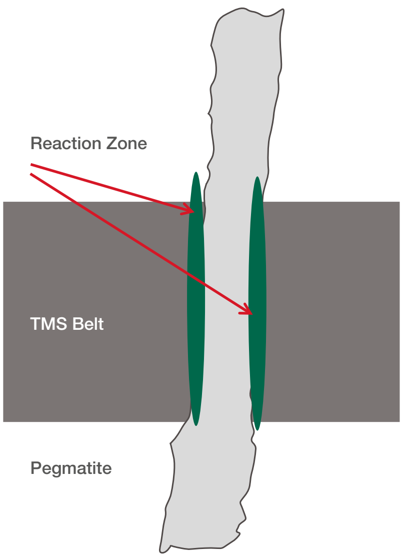
US$125m auction revenues



Gemfields

Operational Highlights

- US$52.5 million of auction revenues during 2011
- Record increases in price per carat



Emerald bearing ore: Simplified Reaction Zone

Investment strategy and history

During 2007, Pallinghurst identified the coloured gemstone industry as a unique investment opportunity. Demand for coloured gemstones by the jewellery and fashion sectors was increasing despite a lack of large, reliable suppliers able to consistently deliver adequate quantities of gemstones. Pallinghurst perceived an opportunity to unlock significant value in an overlooked, underdeveloped and fragmented sector. It believed that demand could be enhanced and profitability improved by bringing substantial capital, scale and professionalism to the industry.

In 2007, the Pallinghurst Co-Investors acquired a controlling interest in the Kagem emerald mine and in June 2008, Kagem was vended into AIM-listed Gemfields plc via a reverse takeover in return for approximately 55% of the enlarged group. Various corporate actions followed, resulting in the Pallinghurst Co-Investors' ownership of Gemfields increasing to 63.3%, which includes the Group's 33.1% stake.

Gemfields' objective is to become the world's leading coloured gemstone producer, pursuing consolidation and vertical integration on an international scale. With an initial focus on the emerald sector, Gemfields is implementing coordinated marketing and supply mechanisms for the premium coloured gemstone market, akin to those found in the diamond sector.

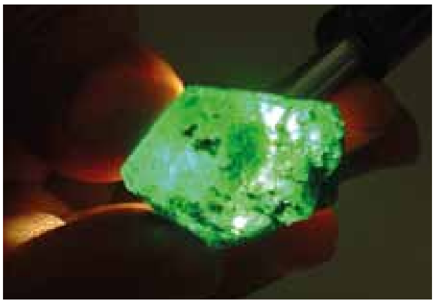
A core pillar of Gemfields' strategy is to bring a guaranteed supply of ethically-produced, conflict-free rough gemstones of certified provenance directly from the mine to the market.

Operating assets

Gemfields' primary operations are in Zambia, where it owns 75% of the Kagem emerald mine (now the largest in the world) and 50% of Kariba Minerals Limited, the world's largest amethyst mine. The Zambian Government owns the remaining stakes in both Kagem and Kariba. Kagem, which has been in operation for 28 years, is located in the central part of the Ndola Rural Emerald Restricted Area, in the "Copperbelt" region of Zambia and encompasses an area of approximately 40 km^2. Kariba is located in southern Zambia near Livingstone, home of the Victoria Falls.

Geology

Zambian emeralds form when two different rock types with contrasting characteristics come into contact with one another under extreme conditions. The processes involved make emeralds one of the rarest of gemstones, much rarer than diamonds. In the case of Zambian emeralds, formation requires the specific combination of the intrusion of volcanic pegmatite into high grade metamorphic rock called Talc Magnetite Schist ("TMS"). Due to a complex reaction taking place at high pressure and temperature, a chemical

interaction between the pegmatite and the TMS brought about a soft, thin "Reaction Zone" where the emerald bearing fluids collected and crystallised. The trace element chromium, which is contained within the TMS, was absorbed into the crystals giving Zambian emeralds their rich and saturated green colour.

There are six known TMS belts within the Kagem licence having a total strike length of over 15 kilometres, in particular a 1.7 kilometre strike known as the Fwaya-Fwaya belt. Only the Fwaya-Fwaya belt has been professionally mined to date. The other belts, from which emeralds have been recovered historically, remain future targets.

Turnaround at Kagem

Since acquisition, significant focus has been on operational efficiency, in particular on improving Kagem's infrastructure. New mining equipment has been purchased and the processing plant upgraded. Additional personnel hires and implementation of better management systems, including monitoring and control procedures, have significantly improved security around the mine site and the washing plant. These measures have considerably increased mining capabilities, resulting in significantly higher gemstone production than that achieved historically.

Kagem's record production of 33 million carats for the 12 months to 30 June 2011 (almost double that of the prior year) illustrates the magnitude of the turnaround. A three year project to push back the pit wall was formulated and a contractor commenced removing waste material in June 2011. The focus on expansion of the pit resulted in lower production of 8.8 million carats for the six months to 31 December 2011, but long-term benefits are expected once the push back project opens access to additional Reaction Zone areas. The intended increase in production will enable the Company to continue to supply the market with consistent and meaningful quantities of quality emeralds, a cornerstone of the original investment strategy.

The value of a gemstone is largely dependent on its size and colour, with shape and clarity also important factors. Prices for rough emeralds vary widely, from over US$1,000 per carat for very high quality material, of which very little is produced, through to US$0.01 per carat for low quality material, which is produced in large volumes. As there was previously no universal grading system for coloured gemstones, Gemfields has implemented its own system that assesses each emerald according to its individual characteristics and classifies stones within a spectrum of more than 100 grades.

In accordance with this grading system, Gemfields has developed higher grade auctions that offer its superior quality material and lower grade auctions catering for the larger volume of lower value material. The material for both types of auctions is offered by way of sealed bid tenders, where all Kagem material placed on offer is certified by Gemfields as natural, untreated and of Zambian origin. Invitations to the auctions are made to selected market participants only, and the world's top gem houses and emerald lapidaries compete to secure an invitation.

Record auction results

Gemfields decided to hold only one auction of higher quality rough emeralds during the year, in Singapore in July 2011. This strategy proved successful with the auction generating the highest revenue from any Gemfields' auction to date, surpassing the aggregate revenues of the two similar auctions in the prior year. In Singapore, 0.74 million carats were sold for US$31.6 million, representing an average price of US$42.71 per carat. The auction was Gemfields' fifth auction of higher quality rough emeralds, with each successive auction achieving improved per carat prices. In just two years since the first auction of higher quality material, the July 2011 auction achieved a five-fold increase in total revenue and an increase in average per carat price of almost ten times, a clear indication of robust growth

Gemfields

in both price and demand for emeralds, particularly Gemfields' ethically sourced Zambian emeralds.

Gemfields held a lower grade rough emerald and beryl auction in Jaipur in March 2011, its second lower grade auction under Pallinghurst's ownership. A total of 13 million carats were sold for US$9.9 million, representing an average price of US$0.77 per carat. A further lower grade rough emerald and beryl auction was held in Jaipur in November 2011, realising total revenues of US$11.0 million from ten million carats sold, an average price of US$1.12 per carat, representing a 46% increase compared to the March 2011 auction, and a three-fold increase in per carat price since the first lower grade auction in March 2010.

In March 2012, following the year end, Gemfields held a further higher quality emerald auction in Singapore. A total of 0.69 million carats were sold for US$26.2 million, representing an average price of US$38.25 per carat. Gemfields has now completed nine auctions over the past three years, generating total revenues of US$125 million, a significant endorsement of Gemfields' formalised and consistent method of selling coloured gemstones by auction.

Gemfields' successful auctions, combined with efficient cost control and strong production, have translated into record profits. Audited net profit after tax for the year to 30 June 2011 was US$21.4 million, an eight-fold increase on the prior year. On 5 March 2012, Gemfields announced unaudited net profit after tax for the six months to 31 December 2011 of US$22.0 million, higher than the record profits of the prior full year. At 31 December 2011, Gemfields held cash balances of US$32.4 million and inventory of US$22.1 million. Gemfields values its inventory at production cost, which provides further upside to the business as the auctions have demonstrated that its inventory can be sold at multiples of production cost.

Other key developments

Gemfields continued to raise its brand profile through the appointment of a Mumbai-based public relations agency and by sponsoring the Retail Jeweller India Awards in August 2011, where it launched, in conjunction with selected Indian jewellers, the "Emeralds for Elephants" collection with a fashion show. In April 2011, Gemfields launched its first ever emerald advertising campaign, entitled "Uniquely You", in the Indian market, with advertisements placed in 12 fashion and lifestyle magazines. In August 2011, further advertisements were placed to coincide with the Indian wedding and festival season. The Indian advertising



campaign is primarily targeted at retail consumers and is designed to increase retail demand, so increasing price tension in the emerald supply chain, a strategy that has been successfully implemented by De Beers in the diamond market. Building on the platform established within India and more recently the United Arab Emirates, Gemfields now plans to expand its marketing and public relations initiatives into China and key European and African markets.

During February 2009, Gemfields initiated a trial underground mining project at Kagem, with the incline shaft and tunnel system designed, developed and constructed by the in-house team. By 31 December 2011, the trial project had achieved a total linear development of 305 metres and produced 223,000 carats. Underground mining has the potential to transform Zambian emerald mining by reducing rock handling requirements and allowing mining operations to follow the ore zone in a "surgical" fashion, without the need to strip and move all of the surrounding barren rock. The project continues to deliver encouraging results and has motivated the development of a comprehensive and in-depth underground mine plan. If Gemfields' trial underground shaft proves successful, the model could be rolled out to access further emerald ore bodies across Gemfields' licence areas.

Since acquisition, Kagem has improved its compliance with relevant international environmental and safety standards. It currently holds the highest possible category of compliance, following a number of elevations granted by the Environmental Council of Zambia. Gemfields has also embarked on a "Zero Carbon Project" aiming to neutralise the effect of emissions and to date over 100,000 trees have been planted. Gemfields has also invested in sustainable local community development projects, from educating farmers in land development and farming skills, to building and equipping schools and medical clinics.

In line with its objective to become the world's leading coloured gemstone producer, Gemfields announced in June 2011 the acquisition of 75% of a potentially world class ruby deposit in the Montepuez district of the Cabo Delgado province in northern Mozambique. The deposit comprises mining and exploration rights covering approximately 34,000 hectares and is believed to be one of the largest ruby concessions in private hands in the world. While the quality of the rubies has been likened to that produced in Burma and at Winza in Tanzania, mining has previously taken place only on a relatively small and informal scale. Following the satisfaction of all outstanding conditions for the acquisition in February 2012, the operations are now being expanded considerably, with the first production expected before the end of 2012.

Outlook

The record breaking auctions highlight the robust demand for Gemfields' ethically sourced emeralds, despite the uncertain global economic environment. Prices are expected to remain strong and will benefit from any improvement in the global economic outlook. Increased production is expected as the benefits of the capital investment to increase the mineable Reaction Zone areas are realised at Kagem and the first rubies are realised from the new operation in Mozambique.

Fabergé

The pursuit of excellence in creativity, design and craftsmanship – creating a profitable business with high growth potential.

Fabergé

Highlights

- Significantly expanded product offering
- Enhanced retail presence with new locations in London, New York and Hong Kong
- Paris launch of first egg-shaped designs since 1917

Investment strategy and history

Fabergé is one of the most iconic names in history and to this day remains synonymous with artistry and craftsmanship of the highest order. In 2007, the Pallinghurst Co-Investors acquired the global portfolio of trademarks, licences and associated rights relating to the Fabergé name.

Pallinghurst's vision centres on restoring the Fabergé name to its former glory by embracing the core principles of Peter Carl Fabergé's legacy: the pursuit of excellence in creativity, design and craftsmanship. Pallinghurst saw an opportunity to adopt this ethos and philosophy to bring about a new era of contemporary Fabergé masterpieces, and to reestablish Fabergé as one of the world's most exclusive and valuable names in luxury goods.

Collections

Following the acquisition, the Fabergé name was reunited with the Fabergé family from which it had been separated for more than 50 years. The Fabergé Heritage Council, which includes members of the Fabergé family, was established to provide guidance to the revitalised Fabergé on strategy, philosophy and product design. A team of luxury sector specialists was recruited to implement the Fabergé vision and the renaissance of Fabergé began in September 2009, with a highly successful international launch of Fabergé's first high jewellery collection since 1917, dubbed *Les Fabuleuses*, created in collaboration with the late Frédéric Zaavy.

Fabergé launched the all-white-diamond *Carnet de Bal* collection during London's Russian Week in December 2010. Fusing tradition and modernity, the *Carnet de Bal* collection draws inspiration from winter themes and works by Peter Carl Fabergé to deliver contemporary interpretations of styles reminiscent of the *Belle Époque*.

In March 2011, the *Constructivist* collection was launched at BaselWorld 2011, the world's largest and most important jewellery and watch trade fair. The collection consists of important jewellery pieces influenced by the powerful modernist Russian art movement of the same name. Fabergé also unveiled three ranges of handcrafted timepieces from the *Fabergé Horlogerie* collection.

During Paris Couture week in July 2011, Fabergé unveiled its first egg-shaped designs. The first collection, named *Les Fameux*, comprises 12 high jewellery couture egg pendants, each illustrating a traditional Russian proverb, through complex, multi-layered concepts brought to life by fine craftsmanship. The eggs pave the way for private commissions, honouring Peter Carl Fabergé's passion for creating personalised gifts. The second collection, entitled *Les Favourites* is a broader collection of fine jewellery egg pendants, but at a more accessible price point than *Les Fameux*, with a repertoire of approximately 60 different designs.

Boutiques and outlets

Fabergé opened its first exclusive salon in the prominent luxury retail area of Geneva in December 2009, the first retail presence outside Russia since 1915 (when the former London boutique at 173 Bond Street was closed). Fabergé's return to London occurred in November 2011 with the opening of a boutique at 14a Grafton Street in Mayfair. This was followed by a dedicated Fabergé counter in the Fine Jewellery Room at Harrods, one of the world's most famous department stores. Fabergé has continued to expand its global retail presence, opening a concession within the Fine Jewellery Room of Lane Crawford, Hong Kong's leading speciality store of designer brands and the imminent opening of a new boutique at 694 Madison Avenue in New York in May 2012.

Sales of selected Fabergé items can now also be conducted through 'Fabergé's Global Flagship Online Store' at www.faberge.com. The website is designed to replicate the traditional high jewellery purchasing experience which had previously been confined to a traditional retail environment. www.faberge.com stands apart from the typical retail website experience by combining an immediate worldwide interface with highly personalised client service.



Other key developments

Fabergé has finalised a programme of rationalising its ten inherited licence agreements, with only one active licence remaining. The termination of the licences provides direct control of the brand, ensuring that the supply of Fabergé products and services remains world class.

During the year, Fabergé embarked on its first advertising campaign, collaborating with Mario Testino, one of the world's leading fashion photographers. The campaign presents Beegee Margenyte, the Russian-Lithuanian model, adorned with impressive pieces from a range of Fabergé's collections, including the Nymphea bracelet from *Les Fabuleuses*. The advertisements were first placed in the December 2011 issues of high-end fashion magazines across Europe and the United States, including Vogue and Tatler. The advertisements received impressive media coverage internationally and Fabergé received numerous requests from magazines to feature the products used in the shoot.

Fabergé's strategy of engaging directly and personally with its customers has seen carefully tailored events held throughout the world. Recent notable exhibitions have been held at the Ritz in Paris during Fall/Winter Fashion Week, at the American International Fine Art Fair in Palm Beach, and the Doha Jewellery and Watch Exhibition in Qatar. Fabergé again participated in BaselWorld 2012 in Switzerland, the world's largest and most important jewellery and watch trade fair.

As a profile-raising initiative, Fabergé collaborated with two charities in "The Fabergé Big Egg Hunt", the largest, most interactive egg hunt ever held in London. From 21 February 2012 until Good Friday on 6 April 2012, participants will seek out over 200 designer eggs, each measuring some 75 centimetres in height, in high profile locations around central London. The ultimate prize is the "Diamond Jubilee Egg", a unique egg crafted with 500 grams of 18 carat rose gold featuring 60 gemstones, one for each year of Her Majesty the Queen's reign.

Each of the 200 eggs featured in the hunt has been uniquely designed and decorated by a leading designer or artist, including Candy & Candy, Diane von Furstenberg, Theo Fennell, Zaha Hadid, Nicky Haslam and Vivienne Westwood, and will be sold at auction to raise funds for charity. The goal is to raise £2 million split equally between Action for Children, the leading UK provider of family and community centres, and the Elephant Family, an organisation for the protection of the endangered Asian Elephant.

Outlook

The successful repositioning of Fabergé in the upper echelons of the luxury sector, combined with an expanded product offering and retail footprint, have established a solid platform for growth as Fabergé continues to develop an internationally recognised business capable of competing with the market leaders.

Directors

Executive Directors

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

Mr Gilbertson has extensive experience in the global natural resources industry. In his early career, he was Managing Director of Rustenburg Platinum Mines Limited, which gained recognition as the world's foremost producer of platinum in the 1980s. Later, as Executive Chairman of Gencor Limited, Mr Gilbertson led the restructuring of the South African mining industry into the post-Apartheid era, transforming Gencor Limited into a focused minerals and mining group. During this period he held ultimate responsibility for Impala Platinum Holdings and for Samancor Limited, the world's largest producer of manganese and chrome ore and alloys. Important initiatives included the Hillside and Mozal aluminium projects and the purchase of the international mining assets (Billiton plc) of the Royal Dutch Shell Group. In 1997, Gencor Limited restructured its non-precious metals interests as Billiton plc and, with Mr Gilbertson as Executive Chairman, Billiton plc raised US$1.5 billion in an initial public offering on the LSE, taking the company into the FTSE100. In 2001, Billiton plc merged with BHP Limited to create what is widely regarded as the world's premier resources company, BHP Billiton plc. In late 2003, Mr Gilbertson led the mining group Vedanta Resources plc to the first primary listing of an Indian company on the LSE in the second largest Initial Public Offering of the year. He was Chairman of Vedanta Resources plc until July 2004. In 2004 he initiated the foundation of Incwala Resources (Proprietary) Limited, a pioneering Black Economic Empowerment Corporation in South Africa, and was its first Chairman until March 2006. In 2004, Mr Gilbertson joined Sibirsko-Uralskaya Aluminum Company (SUAL), an aluminium producer in Russia and led the company into the US$30 billion merger with RUSAL and the alumina assets of Glencore International A.G., creating the largest aluminium company in the world. Mr Gilbertson established Pallinghurst Advisors LLP and the Investment Manager during 2006 and 2007 respectively, and is the Chairman of and a partner in both entities. Mr Gilbertson is a British and South African citizen.

Arne H. Frandsen – Chief Executive
(BA, LLB, Master in Law from University of Copenhagen, Postgraduate Research and Studies in Japan and South Africa)

Following completion of his degrees, Mr Frandsen undertook extensive legal research in Europe, Japan and South Africa, leading to the publishing of a number of articles as well as a book. Once his research was successfully completed, Mr Frandsen moved to London to start a professional career as an Investment Banker. Mr Frandsen has over ten years of investment banking experience with Goldman Sachs and JPMorganChase, providing strategic advice and structuring mergers and acquisitions as well as corporate finance transactions for clients in 30 different countries, raising in excess of US$20 billion of capital. From 2004, Mr Frandsen acted as Client Executive for JPMorganChase in South Africa, followed by a year as Chief Executive Officer of Incwala Resources (Proprietary) Limited, one of South Africa's leading Black Economic Empowerment mining companies. Mr Frandsen joined Pallinghurst Advisors LLP in 2006 and is a partner of the limited liability partnership and the Investment Manager. In addition, Mr Frandsen is an executive director of many of the companies in which the Company has invested. Mr Frandsen is a Danish citizen.

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

Mr Willis has over ten years' experience in international finance, structuring and private equity. He started his professional career as an accountant in New Zealand and after moving to Europe studied at INSEAD and was awarded an MBA.

Before joining Pallinghurst Advisors LLP in 2006, he spent three years with pan-European private equity investment manager Candover Investments plc. Mr Willis is the Finance Director of a number of resource related companies advised by Pallinghurst Advisors LLP. Mr Willis is a partner of the limited liability partnership and the Investment Manager. Mr Willis is a British and New Zealand citizen.

Independent Non-Executive Directors

Stuart Platt-Ransom
(Chartered FCSI, CMgr, FInstLM, MIoD)

Mr Platt-Ransom is the Managing Director of the Legis Group, a role to which he was appointed in July 2007. Mr Platt-Ransom spent the previous 12 years with State Street Corp in its South Africa, Luxembourg, Dublin, London and Guernsey offices in various management, operational, business development and relationship management roles. Prior to that, he worked for GAM in the Isle of Man. Most recently, Mr Platt-Ransom was the Managing Director of State Street's business in Guernsey and was responsible for its business in Africa from 2002 to 2006.

Mr Platt-Ransom serves as a director on the Legis Group companies and in addition holds a number of external directorships on listed private equity and property company structures as well as a Guernsey based investment management company. Mr Platt-Ransom is a Chartered Fellow of the Chartered Institute for Securities & Investment, a Chartered Manager & Fellow of the Chartered Management Institute, a Fellow of the Institute of Leadership & Management and a Member of the Institute of Directors. Mr Platt-Ransom is a British and South African citizen and is a resident of Guernsey.

Clive Harris
(BSc (Econ), ICAEW)

Mr Harris is a British and Cayman Islands citizen, and is resident in the Cayman Islands. He is a Chartered Accountant (England and Wales), a member of the Society of Trust and Estate Practitioners, and of the Institute of Directors (UK). He sits on the executive committee of the Cayman Islands Directors' Association. Mr Harris graduated in 1976 from The University of Wales with a BSc (Econ) with combined honours in Accountancy and Law. In 1979 he qualified as a Chartered Accountant with the City of London Office of Deloitte Haskins & Sells. He has resided in the Cayman Islands since December 1979 where he was employed for some 20 years as a director and Managing Director of International Management Services Limited, and was a partner in its associated accounting firm. In 2001, Mr Harris took up a consulting position with the Bank of Bermuda (Cayman) Limited and was subsequently appointed Managing Director and head of Global Fund Services during a time of reorganisation, leaving the Bank on its completion in 2003. Mr Harris has extensive experience in the fields of company management, investment services, and the governance and administration of Hedge Funds and Special Purpose Vehicles, and since 2004 has been self-employed, serving as an independent

Directors

non-executive director to a number of Cayman Island funds, managers and other regulated entities.

Martin Tolcher
(Chartered FCSI)

Mr Tolcher has been involved within the fund administration industry in Guernsey for nearly 25 years. He has worked at senior levels for three Guernsey subsidiaries of Bermudan and Canadian international banks, gaining considerable experience in a wide variety of offshore fund and private equity structures. He joined Legis Fund Services Limited in 2005 and was appointed Managing Director at the beginning of 2007, a position he held until the end of 2010. He remained a director of that company until September 2011. Mr Tolcher holds non-executive directorships within other Guernsey fund structures, including a number listed on the London and Channel Islands Stock Exchanges. Mr Tolcher is a Chartered Fellow of the Chartered Institute for Securities & Investment. He is British and resident in Guernsey.

Patricia White
(ICAS, FCSI)

Ms White is Managing Director of Legis Fund Services Limited and has over 20 years' experience in the offshore finance industry. Qualifying as a member of the Institute of Chartered Accountants of Scotland in 1988, her career in the offshore finance industry began in Guernsey with KPMG. Subsequently she was appointed as Assistant Director of Finance with Leopold Joseph before entering the funds industry with CIBC, Cayman Islands as a Mutual Funds Account Manager. Following her return to Guernsey she joined Butterfield Fund Services Limited where she had operational responsibility for a variety of projects including implementation of their fund administration system.

Ms White joined Legis as former Managing Director of Anson Fund Managers Limited during which time she was also director of its group companies in addition to holding a number of external directorships. Ms White is also a Chartered Fellow of the Chartered Institute for Securities & Investment.

Permanent Alternate

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

Recent meeting of the Directors in Guernsey
From left to right: Martin Tolcher, Stuart Platt-Ransom, Brian Gilbertson, Andrew Willis, Arne H. Frandsen

Partners of the Investment Manager

Sean Gilbertson
(BSc (Mining Engineering))

Mr Gilbertson is the former Chief Executive Officer of Global Coal Limited, a company that played a central role in the standardisation of international coal trading and is owned, *inter alia*, by subsidiaries or related entities of Anglo American plc, BHP Billiton plc, Glencore International A.G. and Rio Tinto plc. Mr Gilbertson is also the co-founder of the pioneering Spectron eMetals trading platform for category I and II members of the London Metals Exchange and is a former project finance banker with Deutsche Bank.

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

Mr Thapliyal acted as deputy to Anil Agarwal (Founder and Chairman of Vedanta) and was responsible for spearheading the main strategic developments that resulted in the listing of Vedanta on the London Stock Exchange in December 2003. The listing has been credited for transforming Vedanta from a US$100 million Indian copper smelting company in 2000 to the current US$5 billion (by market capitalisation) London Stock Exchange listed company. A significant part of this value uplift was attributable to the US$50 million acquisition of a controlling stake in Konkola Copper Mines in Zambia in November 2004, which was initiated and led by Mr Thapliyal.

Partners of the Investment Manager
From left to right: Sean Gilbertson, Brian Gilbertson, Priyank Thapliyal, Andrew Willis, Arne H. Frandsen

About the Group

Structure

Pallinghurst Resources (Guernsey) Limited was incorporated on 4 September 2007 in accordance with Guernsey Law, under company registration number 47656 and is regulated in Guernsey by the Guernsey Financial Services Commission ("GFSC"). It initially listed on the Bermuda Stock Exchange ("BSX") on 26 September 2007 and subsequently inward listed on the securities exchange of the Johannesburg Stock Exchange ("JSE") on 20 August 2008, with the JSE becoming the primary listing and the BSX becoming the secondary listing.

On 22 May 2009, a change of name from Pallinghurst Resources (Guernsey) Limited to Pallinghurst Resources Limited (the "Company") was approved by shareholders at an Extraordinary General Meeting ("EGM").

The Company's main objective is to carry on the business of an investment holding company in investments falling within its Investment Scope (see below).

Report and Financial Statements

This annual report is for the year ended 31 December 2011 (the "Annual Report"), and covers the Group. The "Group" is Pallinghurst Resources Limited and all entities controlled by the Company (its subsidiaries), and its associates and joint ventures. The annual financial statements contained within the Annual Report also cover the Group and are for the year ended 31 December 2011 (the "Financial Statements").

Investment Objectives

On the advice of Pallinghurst (Cayman) GP L.P. (the "Investment Manager"), the Group, either alone or with selected strategic equity partners, on a case-by-case basis, utilises its financial ability, unique expertise and execution skill in the resources sector to participate in investments falling within the Investment Scope, with the principal objective of providing investors with a high overall rate of return.

Investment Scope

The Group monitors opportunities across the commodities spectrum, with a primary focus on underperforming assets, businesses that lack direction, are poorly managed, stranded or distressed. The Investment Manager, on behalf of the Group, seeks to develop strategic platforms in pursuit of consolidation, vertical integration, turn-around opportunities and expansion projects. The Group targets investments in businesses that hold mines, smelters, refineries and processing plants. The preference is for brownfields opportunities, although investments in businesses with attractive development opportunities are also considered.

Investment Policy

The Group invests in accordance with the Investment Scope as detailed above and in Fabergé Limited ("Fabergé"). The Company's Investment Policy has been set out in various documents since the inception of the Company including the prospectus dated 5 September 2007, previous annual and interim reports, and a circular to shareholders issued on 7 September 2009 regarding the rights offer. The Investment Policy has not changed since the inception of the Group, and the Directors do not anticipate that it is likely to change in the foreseeable future.

Number of investments in the Investment Portfolio

At 31 December 2011, the Group had entered into ten investments and exited from four. The Group therefore currently holds six separate individual equity investments within four separate investment platforms, Luxury Brands (Fabergé), Steel Making Materials (Jupiter), Coloured Gemstones (Gemfields) and Platinum Group Metals (Platmin, Moepi and Magazynskraal). The Directors have announced a rights issue subsequent to the year end; the new funds raised may be allocated to new investment opportunities, so the number of investments and investment platforms may increase during 2012.

Status as a Guernsey closed-end company

The Company is a closed-end Guernsey company. The Company's Articles of Association (the "Articles") require that shareholders are asked to vote on whether the Company should be liquidated and return its assets to its shareholders at certain future dates. These shareholder meetings must occur on or before 14 September 2017, 14 September 2018, or 14 September 2019; these dates are the tenth, eleventh and twelfth anniversaries of 14 September 2007, when the Company was first capitalised, subsequent to its incorporation on 7 September 2007.

The Group's relationship with the Pallinghurst Co-Investors

The Group has an affiliation with a number of other investors (known collectively as the "Pallinghurst Co-Investors", which also are described as strategic equity partners). Pallinghurst (Cayman) GP L.P. acts as the investment manager for both the Group and these other investors. The Group usually makes investments alongside the other Pallinghurst Co-Investors, although it may also act alone.

The Pallinghurst Co-Investors collectively have the ability to control all of the investments in the Group's portfolio of investments (the "Investment Portfolio"); they cooperate to achieve the strategic objectives recommended by Pallinghurst (Cayman) GP L.P. This enables the Group to take an active part in the management and strategic direction at each investment; which would not usually be the case for a company holding interests of less than 50% in each of its investments.

The Pallinghurst Co-Investors typically share the same commercial and strategic objectives and cooperate effectively although each Pallinghurst Co-Investor retains legal title and influence over their individual shareholdings, and is ultimately able to determine its own course of action.

As a Pallinghurst Co-Investor, the Group benefits in many ways, including the following:

- The Investment Manager is able to access much higher levels of funding than if they were acting solely on behalf of the Group, meaning that a broader scope of investments can be contemplated;
- This funding scope can make an approach by the Pallinghurst Co-Investors more attractive or credible to a potential target company or group than a stand-alone approach by the Group;
- The Pallinghurst Co-Investors are able to exercise a greater level of influence or control over each investment than if they were acting alone; and
- The Group is able to diversify by participating in a larger number of investments, as it usually only partially funds each investment.

The Group also has entitlement to an initial minimum interest of 20% of the collective Pallinghurst Co-Investor ownership of each investment on acquisition, subject to certain conditions; the other Pallinghurst Co-Investors have no such similar entitlements.

Private equity status

The Group is considered by the Directors to be a venture capital/private equity[1] organisation. The Directors have considered the following key factors in making this determination:

- The stakes taken in many of the investments are significant, although not controlling. The Executive Directors and/or the Investment Manager usually participate in the management of each investment;
- The investments are generally innovative in nature; and
- The investments typically have defined exit strategies.

As a result of being a venture capital organisation, the Company is able to make certain accounting policy choices under International Financial Reporting Standards ("IFRS"). The most important of these is the election to account for interests in associates within the Group's Investment Portfolio under International Accounting Standard ("IAS") 39 *Financial Instruments: Recognition and Measurement*, as financial instruments, with movements in fair value taken directly through the income statement, rather than equity accounting under IAS28 *Investments in Associates* ("IAS28"). A similar exemption exists in IAS31 *Interests in Joint Ventures* ("IAS31") and the Company chooses to use this exemption in the same way.

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

Directors' Report

The Directors present their report and Financial Statements for the year ended 31 December 2011.

Results and dividends

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

Principal activities and review of the business

The Group makes investments within the resources sector, and also holds an investment in Fabergé.

Omission of Company only financial information from the Financial Statements

The Directors believe that the Financial Statements, which are presented on a Group basis as required by IFRS, provide all material, relevant information to the Company's stakeholders, and have satisfied themselves that the Company only financial information does not contain any significant additional information which would be of use. Accordingly, Company only financial information has been omitted from these Financial Statements, as permitted by The Companies (Guernsey) Law, 2008, Section 244, and the JSE Listing Requirements 8.62(a) and 8.62(d).

Annual General Meeting

The Annual General Meeting ("AGM") will be held on Friday 18 May 2012.

Directors

The Directors of the Company during the year and to date are as shown in the Company Information section.

Auditor

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

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

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

Saffery Champness have been appointed as the Company's auditor and a resolution to reappoint them will be proposed at the AGM.

On behalf of the Directors

Andrew Willis
29 March 2012

Stuart Platt-Ransom
29 March 2012

Principal Risks and Uncertainties

The Group makes and holds various investments, and does not directly carry out any other operating activities. The performance of the Group's Investment Portfolio is therefore the most significant factor in determining the Group's Net Asset Value ("NAV").

Shareholders should carefully consider the following risks and uncertainties, which may not be comprehensive, before investing in the Company.

Key risks to the Investment Portfolio

Macroeconomic risks

The macroeconomic outlook is uncertain and could adversely impact on the Group's investments. Macroeconomic problems could impact on the Group in various ways.

The Group does not consolidate any mining assets or hold any physical commodities on its balance sheet, so commodity price changes have no direct impact on the Financial Statements. However, certain prices, particularly of PGMs, iron ore and manganese, can impact on the valuation of the Group's investments. The prices of certain precious and semi-precious gemstones are also relevant, in particular, the prices of emeralds, rubies and amethysts; these prices are less predictable than other commodities.

A poor macroeconomic outlook could create other difficulties for the Group's investments. Suppliers or customers may come under pressure. Governments may introduce changes to the tax and regulatory environments in which the investments operate. These factors could result in a material adverse impact on the Group's future prospects.

Resources sector and country risk

The Group investments are focused on the resources sector. All such investments have associated operational performance, political, economic, litigation, foreign currency and country risks. If the sector encounters difficulties, these could adversely affect more than one investment simultaneously.

The Group is invested in various countries including South Africa, Australia and Zambia. Specific risks associated with different countries in which the Group is invested may include risks associated with regulatory, tax, foreign exchange fluctuations, industrial relations problems, and other local economic conditions.

The Group's investments could also suffer from future unanticipated events or problems. The Group holds a limited number of investments, each of which is usually material, and the failure of any single investment could have a significant adverse impact on the Group.

The Group's Investment Portfolio contains unlisted investments, which can present different risks compared to listed investments. Unlisted investments may be illiquid, and it may not be possible for the Group to divest of its investments at their current valuations. The management team may not be large and the performance and retention of a small number of key personnel may be vital to success.

Mining risk

Exploration, extraction and processing activities are generally speculative in nature and there can be no assurance that any mineral deposits will be discovered, successfully extracted or processed. The exploration, development, mining and processing of mineral deposits gives rise to significant uncertainties and operations are subject to all of the hazards and risks normally encountered in such activities. Costs can be difficult to predict.

Exploration, extraction and processing activities are usually subject to environmental and safety laws and labour and occupational health legislation. A breach of environmental laws and regulations could result in the imposition of a fine, or closure of operations. Any environmental damage could create negative publicity for the investment, which could also affect the Group. Such breaches could also affect any future mining licence applications by the Group's investments.

Damage to, or destruction of, an investment's facilities or property, environmental damage or pollution and, together with potential legal liability, could have a material adverse impact on the business, operations and financial performance of an investment. As mining companies move closer towards production, the risks associated with the investments significantly change and develop. Material new types of risk such as energy security, safety, sustainable development, employee relations and the risks associated with mining rights and permits are all likely to become more significant. Other specific mining risks include "resource nationalism", which could see the sequestration of mining assets by national governments, or the adverse impact caused by the rejection of applications for mining permits or licences.

Principal Risks and Uncertainties (continued)

Other risks facing the Investment Portfolio

The Group's investments may also face other risks in their normal course of business. For the Group's listed investments, including Jupiter and Gemfields, these risks are further articulated in their respective financial statements, which are publicly available. The Fabergé investment faces various risks associated with a luxury brand in the early stages of its development.

Direct risks to the Group

Liquidity risk

The Group's cash balance has decreased over time as the Group has become more fully invested. The Directors are pursuing various avenues to ensure that the Group is able to continue to operate effectively. The Directors have announced that the Group will seek to raise new equity capital, from existing shareholders during the first half of 2012. The Group may also seek to put borrowing facilities in place or dispose of assets, in part or in full. It is possible that the Group will not be successful in the pursuit of these alternatives, which would have adverse implications.

Counterparty risk (banking or other)

Materially all of the Group's cash balances are held in US$, with Investec Bank (Channel Islands) Limited, a subsidiary of Investec Bank plc ("Investec"), which is rated as BBB minus by Fitch ratings. The Group's subsidiaries and associates hold immaterial cash balances with various other banks. Bankruptcy or insolvency of any of these entities, but particularly Investec, could have a significant adverse impact on the Group.

Exchange rate risk

The Group's investments are denominated in a variety of currencies. The Group's treasury policy states that all balances should be held in US$ other than when there will be a known, material investment outflow in a foreign currency other than the US$. If such an outflow is anticipated, the relevant balance is translated to the relevant currency. This ensures that the Group does not carry material foreign exchange risk on its balance sheet in most circumstances.

External reporting – risk of failure to accurately report financial or other information

The Group's external financial reporting is reliant on various IT systems, plus the integrity and quality of staff at the Administrator and Investment Manager. Failure of information systems could lead to the loss of accounting records, which could ultimately lead to a material error in the Group's financial reporting.

The valuation of the Investment Portfolio each reporting period is complex and subjective, and if the valuations were misstated, this could materially affect both the Group's NAV and its reputation.

Users of the Financial Statements should anticipate further changes in the Group's risk profile over time. As the Group has developed and become more fully invested, the relative importance of certain risks compared to others has changed and developed. There have been no material changes to the risk profile of the Group since 31 December 2011.

Corporate Governance Report

Introduction

The Board is the focal point of the Group's corporate governance and is ultimately accountable and responsible for the key processes and the performance and affairs of the Group and the Company.

The Company's primary listing is on the JSE, and the Company therefore complies with the King corporate governance code, in line with all JSE-listed companies. The 2002 *King Committee Report on Corporate Governance* ("King II") was replaced in March 2010 by the *King Report on Governance for South Africa* ("King III"), which was issued in September 2009.

King III follows an "apply or explain" approach meaning that in situations where a company does not apply the specific principles or recommendations of King III, this should be fully explained. Where the Group does not fully comply with King III, an explanation has been provided below.

Board responsibilities

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

Chairman and Board composition

During 2011, the Board comprised three Executive Directors, Mr Gilbertson (Chairman), Mr Frandsen (Chief Executive), Mr Willis (Finance Director), and three Non-Executive Directors, Mr Harris, Mr Platt-Ransom, Mr Tolcher.

On 29 February 2012, the following changes were approved by the Board:

- Ms White, who previously acted as Permanent Alternate to Mr Platt-Ransom and Mr Tolcher, was appointed as a Director;
- Ms White accordingly resigned as a Permanent Alternate to Mr Platt-Ransom and Mr Tolcher; and
- Mr O'Mahoney was appointed as a Permanent Alternate to Mr Platt-Ransom and Ms White.

King III recommends that a Board should comprise a balance of Executive and Non-Executive Directors, with a majority of Non-Executive Directors. The Directors believe that the Board's composition was appropriate historically, given the Group's size and its nature as an investment holding company. The new appointments give the Board a broader range of representation and experience.

All the Non-Executive Directors are considered to be independent in the context of King III.

King III recommends that the Board should be led by an independent Non-Executive Chairman who should not be the CEO of the Company. The Chairman is an Executive Director, meaning the Company's practice does not comply with King III. However, the rest of the Board believe that the Chairman's wealth of knowledge and experience in the mining industry mean that he is best placed to provide overall leadership to the Board. Furthermore, the Directors believe that it would not be appropriate for the Company to be led by a Non-Executive Chairman, given the Company's nature as an investment holding company.

King III recommends that companies appoint a Lead Independent Non-Executive Director ("LID"). On 29 February 2012, the Directors resolved to appoint Mr Platt-Ransom as the first LID, effective immediately. 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.

Appointment of new Directors

The Board collectively consider new Board appointments as and when the need arises. Due to the Group's size, there is no separate nomination committee. When appointing a new Director, the Board ensures that the individual would be able to devote enough time to the Group's affairs, has an appropriate level of skills and experience, and that the Board's collective skills and experience would remain appropriate.

Rotation of Directors

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

Board meetings

A minimum of four Board meetings are usually held each year, to consider strategic and financial issues and the Group's performance and investment valuations. Additional Board meetings are convened on an *ad hoc* basis, if necessary, to deal with issues promptly.

Directors use their best endeavours to be present at Board meetings and participate fully, frankly and constructively.

Corporate Governance Report (continued)

Matters are decided at Board meetings by a majority of votes. In case of an equality of votes the chairperson of the meeting shall have a second, casting vote. This ensures that no one individual has unfettered powers of decision making.

Four Board meetings were held during 2011. All decisions taken during 2011 were unanimous.

Role of independent valuer

The Directors have estimated the fair value of the individual investments. The Company has, in addition, engaged an independent valuer (the "Independent Valuer") who has provided an opinion that the valuations of each investment as determined by the Directors have been prepared using a methodology and approach which is reasonable and consistent with the concept of fair value, and is in accordance with the International Private Equity and Venture Capital ("IPEVC") valuation guidelines (the "Valuation Guidelines").

Board Committees

Audit and Remuneration Committees have been established to assist the Board in discharging its responsibilities. The members of these committees are all also Directors of the Company.

Audit Committee

The Audit Committee consists of Mr Platt-Ransom (Chairman), Mr Harris and Mr Tolcher.

The Executive Directors and the audit partner may be invited to attend Audit Committee meetings. The Audit Committee met twice during 2011. The audit partner has direct access to all Audit Committee members throughout the year.

The Audit Committee's terms of reference include the following duties:

Financial Reporting

The Audit Committee monitors the integrity and accuracy of the Group's financial reporting, and focuses on:

- The valuation of the Investment Portfolio;
- Ensuring that the Group's financial reporting complies with IFRS;
- New and amended accounting standards and changes to the Group's accounting policies;
- Reviewing the Group's cash position and going concern status;
- Reviewing the calculation of the Investment Manager's Benefit;
- Reviewing the calculation of the Performance Incentive accrual;
- Any significant adjustments resulting from the audit;
- Any other significant areas of judgement; and
- The role of the Finance Director.

It is the view of the Audit Committee that Mr Willis continues to possess the appropriate expertise and experience to meet the responsibilities of his position as Finance Director.

The Auditor and the Independent Valuer

The Audit Committee considers:

- The appointment, reappointment, qualification, independence, scope and effectiveness of the auditor;
- The scope, results and cost effectiveness of the audit and the independence and objectivity of the auditor;
- The auditor's letter of engagement;
- The auditor's management letter and any response from the Company;
- Whether to engage the auditor for any non-audit services; and
- The scope, results and cost effectiveness of the Independent Valuer.

The Directors are of the opinion that the auditor has observed a high level of business and professional ethics during the year, and that their independence has not been impaired in any way.

Listing, compliance and legal regulations

The Audit Committee monitors the Group's compliance with the JSE Listing Requirements, and oversees any communications with the JSE.

The Audit Committee also monitors the Group's adherence to the recommendations of King III, as far as they are appropriate. Where not appropriate, the Audit Committee ensures that appropriate disclosure is included to explain the non-compliance in the Group's financial reporting.

The Audit Committee also monitors the Group's compliance with the BSX Regulations, Guernsey Company Law and any other relevant legal requirements or regulations.

Internal controls and risk management

- Review of the quality of the Group's external reporting and communication with stakeholders;
- Review the effectiveness, quality, integrity and reliability of the Group's risk management processes and internal controls; and
- To assess areas dependent on IT or adequate internal controls.

Remuneration Committee

The Remuneration Committee members are Mr Gilbertson, Mr Frandsen and Mr Willis. The Remuneration Committee meets once a year and is responsible for determining the fees for the Non-Executive Directors. The committee members have agreed not to receive any fees for their services as Executive Directors, therefore the decisions made by the members are considered to be free from conflict and thus independent.

Directors are each entitled to receive fees for their services as determined by the Remuneration Committee.

In accordance with the Company's Articles, this fee is currently limited to US$40,000 per Director per annum. The Non-Executive Directors have each earned a fee of US$25,000 per annum since 1 January 2010.

King III recommends that the Remuneration Committee should consist of Non-Executive Directors, of whom the majority should be independent. However, the Directors have resolved that it is appropriate for the Remuneration Committee to consist of the Company's Executive Directors, as the role of the Remuneration Committee is solely to determine the remuneration of the Non-Executive Directors. The Executive Directors are not remunerated for their role as Directors.

One meeting of the Remuneration Committee was convened during 2011.

Risk management

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

- An organisational structure and division of responsibilities;
- Established policies and procedures; and
- Established mechanisms to ensure compliance.

Risk and internal audit

King III recommends that the Board appoint an internal audit function, which should be focused on risk.

The Company utilises a third party administrator, Legis Fund Services Limited ("Legis", or the "Administrator"). As administrator, one of the key duties of Legis is to provide the Company's accounting function. Legis is regulated by the GFSC and is required to maintain a robust systems and controls environment and to maintain separate Risk and Compliance functions. This environment is reviewed by Legis' auditor as part of the annual audit process.

Legis separately engages their auditor to produce an AAF01/06 report on internal controls on an annual basis; the most recent report is dated 24 October 2011. This report concluded that Legis had designed suitable and effective control procedures in place in order to meet its control objectives. Accordingly, the Directors believe that it is not appropriate for the Group to appoint its own internal audit function.

IT governance

King III suggests that a company should appoint a specific Chief Information Officer, with responsibility for IT governance.

The Board are collectively responsible for IT governance. As the Company is an investment holding company, the Company does not directly own any IT assets. Legis have a formal programme of IT risk management and a Chief Information Officer, who manages the Company's IT risk at Legis. The Directors believe that it is not appropriate to appoint a Chief Information Officer.

Insurance

The Company has taken out a directors' and officers' liability insurance policy, which also includes certain cover for other Group companies, including entities within the Investment Portfolio.

Sustainability reporting

The Directors recognise the importance of sustainable development. As an investment holding company, the Company does not have a significant direct impact on the natural environment in which it operates. The responsibilities for sustainable development are largely retained by the investments within the Group's Investment Portfolio. Detailed sustainability information for the Group's Investment Portfolio can usually be obtained from publicly available information relating to the relevant investments.

Communication with stakeholders

The Directors regularly present to shareholders on the Group's financial performance and strategy. The Directors maintain regular contact with analysts, institutional investors and the South African media.

The Group ensures communication with stakeholders who do not have access to electronic media by publishing various announcements, including its interim and final results, in South African daily newspapers (usually *Business Day* and the *SakeBurger*). The Company also maintains a website which contains information on the Group, www.pallinghurst.com.

Corporate Governance Report (continued)

Trading in the Company's shares

Directors may not trade the Company's shares during certain "closed" periods, which are as follows:

- Between 1 January and the date on which the annual results are announced on the JSE and BSX;
- Between 1 July and the date on which the interim results are announced on the JSE and BSX; and
- If the Company is in the process of price sensitive negotiations, acquisitions or disposals, or pending any other price sensitive announcements.

Directors are able to trade the Company's shares outside of these periods, after first obtaining approval in writing from the Chairman and the Finance Director. Details of any transactions by Directors in the shares of the Company are advised to the JSE for publication on SENS, and are also advised to the BSX for publication. Details of Directors' dealings in the Company's shares are detailed in Note 20 *Related party transactions*.

Statement of Directors' Responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report, which complies with the requirements of The Companies (Guernsey) Law, 2008.

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with The Companies (Guernsey) Law, 2008, the JSE Listing Requirements and the AC500 Standards issued by the Accounting Practices Board of the South African Institute of Chartered Accountants. The Directors have prepared Financial Statements for the Group in accordance with IFRS as required by the JSE Listing Requirements.

IAS1 *Presentation of Financial Statements* ("IAS1") requires that financial statements present fairly, for each financial year, the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's ("IASB") *Framework for the preparation and presentation of financial statements*. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. A fair presentation also requires the Directors to:

- Consistently select and apply appropriate accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- Provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

FINANCIAL STATEMENTS
and Other Information

Independent Auditor's Report

to the shareholders of Pallinghurst Resources Limited

We have audited the financial statements of Pallinghurst Resources Limited for the year ended 31 December 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

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

Respective responsibilities of Directors and Auditor

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

Scope of the audit of the financial statements

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

In addition, we read the other information contained in the annual report to identify inconsistencies with the audited financial statements. This other information comprises the sections entitled Overview, Review (which includes the Chairman's Statement and the Chief Executive's Statement), Investment Platforms, People, Governance and Other Information. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

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

Matters on which we are required to report by exception

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

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

Saffery Champness
Chartered Accountants
Guernsey
29 March 2012

Consolidated Income Statement

for the year ended 31 December 2011

	Notes	2011 US$	2010 US$
INCOME			
Investment Portfolio			
Unrealised fair value gains	11	14,533,179	158,296,305
Unrealised fair value losses	11	(150,362,622)	(22,464,899)
Unrealised foreign exchange gains	11	–	11,166,657
Unrealised foreign exchange losses	11	(1,395,079)	(396,482)
Net (loss)/gain on Platmin Note	11	(180,033)	47,062
Realised foreign exchange gain on Jupiter forward contract	5	429,330	–
Realised fair value loss on acquisition of Jupiter shares	5	(1,478,098)	–
Net realised gain on Tshipi Jupiter transaction		–	46,004,512
Net realised gain on POSCO transaction		–	7,073
		(138,453,323)	192,660,228
Investment Portfolio revenue			
Loan interest income	4	893,057	1,704,239
Structuring fee and other income	6	–	1,548,771
		893,057	3,253,010
Net (losses)/gains on investments and income from operations		**(137,560,266)**	**195,913,238**
EXPENSES			
Investment Manager's Benefit	7	(4,627,775)	(4,626,149)
Performance Incentive accrual reversal/(accrual)	7	32,512,233	(32,512,233)
Operating expenses	8	(773,239)	(909,035)
Net foreign exchange (losses)/gains		(3,620)	76,038
		27,107,599	(37,971,379)
(Loss)/profit from operations		**(110,452,667)**	**157,941,859**
Finance income	9	136,228	494,051
Finance costs		–	–
Net finance income		**136,228**	**494,051**
(Loss)/profit before share in loss of associates		**(110,316,439)**	**158,435,910**
Share in loss of associates	12	(4,105,703)	(292,114)
(Loss)/profit before tax		**(114,422,142)**	**158,143,796**
Tax credit/(expense)	16	42,113,518	(42,113,518)
NET (LOSS)/PROFIT FOR THE YEAR		**(72,308,624)**	**116,030,278**
Basic and diluted (loss)/earnings per ordinary share	21	**(0.15)**	**0.24**

All elements of (loss)/profit for the year and the comparative year are attributable to owners of the parent company. There are no non-controlling interests. The accompanying notes form part of these Financial Statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

	2011 US$	2010 US$
NET (LOSS)/PROFIT FOR THE YEAR	(72,308,624)	116,030,278
Other comprehensive income	–	–
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(72,308,624)	116,030,278

All elements of (loss)/profit for the year and the comparative year are attributable to owners of the parent company. There are no non-controlling interests. The accompanying notes form part of these Financial Statements.

Consolidated Balance Sheet

as at 31 December 2011

	Notes	2011 US$	2010 US$
Non-current assets			
Investments in associates	12	21,067,826	1,614,492
Investment Portfolio			
Listed investments	11	125,191,591	302,349,201
Unlisted investments	11	190,456,562	137,000,863
Loans and receivables	11	22,436,091	31,864,724
Platmin Note	11	–	9,182,662
		338,084,244	480,397,450
Total non-current assets		**359,152,070**	**482,011,942**
Current assets			
Trade and other receivables	13	1,179,732	1,212,962
Cash and cash equivalents		5,274,327	29,405,459
Total current assets		**6,454,059**	**30,618,421**
Total assets		**365,606,129**	**512,630,363**
Non-current liabilities			
Deferred tax liability	16	**–**	**42,113,518**
Current liabilities			
Performance Incentive accrual	7	–	32,512,233
Trade and other payables	15	203,642	293,501
Total current liabilities		**203,642**	**32,805,734**
Total liabilities		**203,642**	**74,919,252**
Net assets		**365,402,487**	**437,711,111**
Share capital	17	4,760	4,760
Share premium	17	300,226,258	300,226,258
Retained earnings		65,171,469	137,480,093
Equity		**365,402,487**	**437,711,111**
NAV and tangible NAV per share	21	**0.77**	**0.92**

The enclosed Financial Statements were approved and authorised for issue by the Directors on 29 March 2012 and were signed on its behalf by:

Andrew Willis Stuart Platt-Ransom

The accompanying notes form part of these Financial Statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2011

	Notes	2011 US$	2010 US$
Cash outflows from operations	18	(5,457,643)	(5,642,892)
Additions to investments	11	(5,568,750)	(14,730,651)
Loans extended to investments	11	(18,500,000)	(28,845,409)
Acquisition of Platmin Note	11	–	(9,135,600)
Loan repayments from investments	11	28,821,690	–
Proceeds from disposal of investment		–	6,867,572
Finance income received	9	136,228	494,051
Net cash used in operating activities		**(568,475)**	**(50,992,929)**
Cash flows from investing activities			
Investments in associates	12	(23,559,037)	(30,452)
Net cash used in investing activities		**(23,559,037)**	**(30,452)**
Cash flows from financing activities			
Cash flows from financing activities		–	–
Net cash from financing activities		**–**	**–**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(24,127,512)**	**(51,023,381)**
Cash and cash equivalents at the beginning of the year		29,405,459	80,406,350
Exchange (loss)/gain on cash		(3,620)	22,490
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**5,274,327**	**29,405,459**

The accompanying notes form part of these Financial Statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

	Share capital US$	Share premium US$	Retained earnings US$	Total equity US$
Balance at 1 January 2010	**4,760**	**300,226,258**	**21,449,815**	**321,680,833**
Total Comprehensive Income for the year	–	–	116,030,278	116,030,278
Balance at 31 December 2010	**4,760**	**300,226,258**	**137,480,093**	**437,711,111**
Total Comprehensive Loss for the year	–	–	(72,308,624)	(72,308,624)
Balance at 31 December 2011	**4,760**	**300,226,258**	**65,171,469**	**365,402,487**

The accompanying notes form part of these Financial Statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2011

1. General information

The Company is incorporated in Guernsey under the Companies (Guernsey) Law, 2008. The address of the Company's registered office is on the final page of the Annual Report entitled Company Information. The Company is an investment holding company.

The financial statements are presented in United States dollars ("US$") because the primary economic environment in which the Group operates is denominated in US$. Foreign operations are included in accordance with the policies set out in Note 3 *Accounting policies*.

2. Adoption of new and revised Standards

Standards affecting the Financial Statements

On 12 May 2011, IFRS13 *Fair Value Measurement* ("IFRS13") was published as part of the IASB's stated agenda to update and standardise fair value measurement under IFRS. IFRS13 establishes a single framework for measuring fair value, which applies to both financial and non-financial items. It provides guidance on the determination of fair value and introduces consistent requirements for disclosure on measurement. IFRS13 is compulsory for reporting periods beginning on or after 1 January 2013.

The Group early adopted IFRS13 during 2011 and reported under IFRS13 in its interim reporting for the six months ended 30 June 2011. The adoption of IFRS13 has had a minor impact on the valuation of the Group's listed investments compared to the previous valuations determined under IAS39 *Financial Instruments: Recognition and measurement* ("IAS39"). Two prices are usually quoted for an equity listed on a stock exchange, the bid price (the price that a buyer will pay) and the ask price (the price the seller will accept). The mid price is the average of the bid and ask price.

The Directors consider the mid price to be a better representation of fair value than the bid price, and the mid price is now used to value the Group's listed investments. Valuation using the mid price for listed investments is allowed by IFRS13, whereas IAS39 required the use of the bid price. The adoption of IFRS13 has had a minor impact on the Group's investment valuations.

Standards not affecting the Group's reported result or its financial position

The following new and revised standards and interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these Financial Statements, but with the exception of the amendment to IFRS1 *First-time adoption of International Financial Reporting Standards* ("IFRS1"), may impact the accounting for the Group's future transactions or arrangements.

IFRIC19 *Extinguishing Financial Liabilities with Equity Instruments* — The interpretation provides guidance on accounting for "debt for equity swaps" from the perspective of the borrower. If the Group incurred debt and then extinguished this debt in exchange for equity, this may now result in a gain or loss, whereas previously no gain or loss would have been recognised.

Amendment to IFRS1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* — The amendment provides a limited exemption for first time adopters from providing comparative fair value hierarchy disclosures under IFRS7 *Financial Instrument Disclosures* ("IFRS7").

IAS24 (2009) *Related Party Disclosures* ("IAS24") — The revised Standard has a new, clearer definition of a related party, and certain inconsistencies that existed under the previous definition have been removed.

Amendment to IAS32 *Financial Instruments: Presentation* ("IAS32") *Classification of Rights Issues* — Under the amendment, rights issues of instruments issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency and which otherwise meet the definition of equity are classified as equity.

The following amendments were made as part of *Improvements to IFRSs (2010)*. Similarly, the adoption of these amendments has not had any significant impact on the amounts reported in these Financial Statements, but could impact the accounting for the Group's future transactions or arrangements.

Amendment to IFRS3 *Business Combinations* ("IFRS3") — IFRS3 has been amended so that only those non-controlling interests which are current ownership interests and which entitle their holders to a proportionate share of net assets upon liquidation can be measured at fair value or the proportionate share of net identifiable assets. Other non-controlling interests are usually measured at fair value.

Amendment to IFRS7 — The amendment clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated financial assets.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

2. Adoption of new and revised Standards (continued)

New IFRS accounting standards not yet adopted

The following new standards have been issued but not yet adopted by the Group. Whilst the Directors have not yet fully determined what the impact of each change will be, it is anticipated that the impact of these new standards may be significant.

On 12 November 2009, the IASB issued IFRS9 *Financial Instruments* ("IFRS9") as the first step in its project to replace IAS39. IFRS9 introduces new requirements for classifying and measuring financial assets, and originally had to be applied for periods commencing 1 January 2013 or later, with early adoption permitted.

On 28 October 2010, the IASB reissued IFRS9, incorporating new requirements on accounting for financial liabilities, and carrying over from IAS39 the requirements for derecognition of financial assets and financial liabilities. The Basis for Conclusions was also restructured, and IFRIC9 and the 2009 version of IFRS9 were withdrawn.

On 16 December 2011, the IASB issued Mandatory Effective Date and Transition Disclosures (amendments to IFRS9 and IFRS7), which amended the effective date of IFRS9 to annual periods beginning on or after 1 January 2015, and modified the relief from restating comparative periods and the associated disclosures in IFRS7.

Once adopted, all financial assets and liabilities within the scope of IFRS9 will be accounted for in accordance with the standard. The impact on the Group's balance sheet may be significant.

The IASB also issued three new accounting standards on 12 May 2011, IFRS10 *Consolidated Financial Statements* ("IFRS10"), IFRS11 *Joint Arrangements*, ("IFRS11"), and IFRS12 *Disclosures of Involvement with Other Entities* ("IFRS12").

IFRS10 replaces IAS27 *Consolidated and Separate Financial Statements* ("IAS27") and SIC-12 *Consolidation – Special Purpose Entities* ("SIC-12"). The objective of IFRS10 is to create a single basis for consolidation for all entities, based on control. The standard provides a revised definition of control, with detailed application guidance.

The guidance within IAS27 relating to separate financial statements has not been replaced but has been amended for the issuance of IFRS10 and retained within IAS27 *Separate Financial Statements*, which was issued in May 2011 ("IAS27 2011").

IFRS11 is the new standard used to account for joint arrangements, including joint operations and joint ventures, and partially replaces IAS31. IAS28 *Investments in Associates and Joint Ventures* was also issued in May 2011, and supersedes both IAS28 *Investments in Associates* ("IAS28"), which was last amended in 2000, and IAS31.

IFRS12 requires extensive disclosures relating to an entity's interests in subsidiaries, joint arrangement, associates or unconsolidated structured entities. The key principle is that an entity should disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements.

Each of the three new standards, and two amended standards, is effective for annual periods commencing on or after 1 January 2013, although early application is permitted as long as each of the other standards (together known as the "package of five") is adopted at the same time.

The Group currently takes advantage of the scope exemptions for venture capital companies contained within IAS28 and IAS31, and accounts for associates and joint ventures within the Investment Portfolio at fair value under IAS39. The Directors have assessed whether the "package of five" will impact on the Group's valuations or balance sheet, and believe that new measurement exemptions will mean there should be no significant difference to the Group's valuations post adoption, and therefore the impact of the "package of five" will be limited. The Directors have not yet decided whether to early adopt the "package of five".

The following new and revised standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

IFRS1 (amended)	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS7 (amended)	*Disclosures- Transfers of Financial Assets*
IAS1 (amended)	*Presentation of Items of Other Comprehensive Income*
IAS12 (amended)	*Deferred Tax: Recovery of Underlying Assets*
IAS19 (revised)	*Employee Benefits*
IAS32 (amended)	*Clarification of requirements for offsetting financial instruments*
IFRIC20 (new interpretation)	*Stripping Costs in the Production Phase of a Surface Mine*

The Directors do not expect that the adoption of any of these standards and interpretations will have a material impact on the Group's financial statements in future periods. These standards will be applied in the first financial period for which they are required. The Directors will consider whether to early adopt specific standards where appropriate.

3. Accounting policies

Basis of accounting

The Financial Statements have been prepared in accordance with IFRS and interpretations as issued by the IASB. The Financial Statements also comply with the JSE Listing Requirements, the BSX Regulations and The Companies (Guernsey) Law, 2008.

The 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 Consolidated Statement of Cash Flows, the Financial Statements have been prepared on the accruals basis. The principal accounting policies adopted by the Group are set out below.

Basis of consolidation

The Financial Statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating activities of an entity so as to obtain benefits from its activities.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Intercompany transactions and balances between the Group and its subsidiaries are eliminated upon consolidation.

The existence and effect of potential voting rights that are presently exercisable are considered when assessing whether the Group controls another entity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Going concern

At the date of these Financial Statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in its activities for the foreseeable future. The Financial Statements have therefore been prepared on the going concern basis.

The Group's cash balance has decreased over time as the Group has become more fully invested. The Directors are pursuing various avenues to ensure that the Group is able to continue to operate effectively. The Group may seek to raise new equity capital, or seek to put borrowing facilities in place or dispose of assets, in part or in full. It is possible that the Group will not be successful in the pursuit of these alternatives, which would have adverse implications.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group and the Company in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS3 are recognised at their fair values at the acquisition date.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

3. Accounting policies (continued)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the fair value of the consideration paid over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. If the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the Consolidated Income Statement. Transaction costs incurred in connection with business combinations are expensed.

Acquisition of investments

As the Group is an investment holding company, accounting for new investments is as important as accounting for new subsidiaries.

A new investment is incorporated into the Group's balance sheet, at the date of acquisition, at the fair value of the asset acquired. The fair value of the consideration paid includes the fair value of assets given and any liabilities incurred or assumed. The fair value of the investment acquired and the fair value of the consideration are usually, but not always, equivalent. Any difference between the fair value of the asset acquired and the fair value of the consideration paid is recognised immediately in profit or loss. Any subsequent changes in the fair value of the investment acquired are recognised in profit or loss. Transaction costs incurred in connection with the acquisition of investments are expensed.

Investments in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The Group's associate entities include those associates that are held as part of the Investment Portfolio, and associate entities through which the Group holds its underlying investments.

Associates that hold the Group's underlying investments

Associates which hold the Group's underlying investments are accounted for using equity accounting.

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost and adjusted for post-acquisition changes in the Group's share of associate's net assets.

Equity accounting involves recognising the Group's share of its associates' earnings for the year in the income statement. The results of associate entities acquired and disposed of during the year are included from the effective dates of acquisition to the effective dates of disposal.

The Group's interest in associates is carried at an amount that reflects its share of the net assets of the associate and any goodwill identified on acquisition of the associate, net of accumulated impairment loss. The total carrying amount of associates is evaluated annually for impairment.

The most recent financial information of associates is used. Adjustments are made to the associate's financial results for material transactions and events in the intervening period. Losses of associates in excess of the Group's interest are not recognised unless there is a binding obligation to contribute to the losses.

When a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Associates that are part of the Group's Investment Portfolio

Associates that are held as part of the Group's Investment Portfolio are measured at fair value under IAS39.

Joint ventures

A joint venture entity is an entity in which the Group holds a long-term interest and shares joint control over the strategic, financial and operating decisions with one or more other venturers under a contractual arrangement.

Joint ventures that are part of the Group's Investment Portfolio

Investments in joint ventures that are held as part of the Group's Investment Portfolio are measured at fair value under IAS39.

Joint ventures incorporated to hold the Group's underlying investments

Joint ventures incorporated for the purpose of holding underlying investments are accounted for using proportionate consolidation. The Group's proportionate share of the assets, liabilities, revenue and expenses of these joint ventures are combined on a line-by-line basis with similar items in the primary statements.

Accounting for the Investment Portfolio

(i) Classification

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

The Group has elected to account for all investments that are held as part of the Group's Investment Portfolio at fair value. This includes associates over which the Group may have significant influence, and joint venture entities which the Group jointly controls with one or more other venturers.

This is normal practice in the venture capital industry and makes the Financial Statements comparable with those of similar organisations.

(ii) Recognition and derecognition

Recognition and derecognition occurs on the date where the acquisition or sale of an investment is under a contract whose terms require the unconditional delivery or settlement of the investment.

(iii) Initial measurement

Listed and unlisted equity investments are designated at "fair value through profit or loss" ("FVTPL") at inception and are initially measured at the fair value of consideration paid. All investments are held at cost until it is appropriate to measure fair value on a different basis.

(iv) Subsequent measurement of fair value

The Directors determine the measurement of each investment within the Investment Portfolio at fair value, using the most appropriate basis.

Fair value under IFRS13 is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where no such transaction exists, an estimate of fair value is made by the Directors.

Listed equity investments in an active market are usually valued at the mid price on valuation date.

The valuation of unlisted equity investments involves judgements and estimates by the Directors. A number of different valuation methods can be used for unlisted investments. These include the cost of investment, which is normally used for recent investments, or valuing the investment in line with the price of a recent investment by a third party in an arm's length transaction. Discounts for illiquidity may be applied to investment valuations where appropriate and if allowed by IFRS.

The Group complies with all material aspects of the Valuation Guidelines when determining what method to use to determine fair value. The Valuation Guidelines specify the valuation methodology which is the most appropriate to use for each individual investment at each point in the investment's lifecycle.

Other methodologies to determine fair value recommended by the Valuation Guidelines include using an earnings or turnover multiple, share of net assets, the discounted cash flows ("DCFs") or earnings of the underlying business, the DCFs of the investment, or a relevant industry valuation benchmark. The Directors may use any of these other valuation methodologies if deemed appropriate.

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

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

(v) Loans and receivables

The Investment Portfolio includes loans made to portfolio companies. These loans and receivables are recognised initially at fair value and are subsequently measured at amortised cost.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

3. Accounting policies (continued)

These loans are repayable at various future dates, which may be within or outside of twelve months. All such loans are disclosed as non-current assets in the balance sheet. When a loan has been made to a portfolio company, it is often the case that the loan will be extended or converted into an equity interest at the end of its official term. Therefore, despite the legal terms of any loan agreement, the Directors believe that all loans to portfolio companies should be shown as non-current assets, to give a full picture of the Group's financial position, and because the loan may not be repaid in cash. Accordingly, all loans made to portfolio companies are included within the Investment Portfolio and shown as non-current assets. This is normal practice in the venture capital industry and presents more useful information to shareholders. If the Directors believed that a specific loan to a portfolio company would be repaid within twelve months, the balance would be classified as current.

(vi) Fair value measurement hierarchy
IFRS7 requires disclosure of fair value measurements under the following hierarchy:

- Listed prices (unadjusted) in active markets for identical assets or liabilities (level one);
- 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 two); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level three).

The level in the fair value hierarchy within which the asset or liability is categorised is determined on the basis of the lowest input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into one of the three levels.

(vii) Amendment to presentation of fair value and foreign exchange movements
In previous reporting periods, fair value gains or losses on investments in the Investment Portfolio were presented as a single net number on the face of the Income Statement. Foreign exchange gains or losses on investments were also presented net on the face of the Income Statement. The fair value gain or loss and the foreign exchange gain or loss on each investment was included in the segmental reporting and investment notes.

The Directors have chosen to amend this presentation in the current year. Gross fair value gains, gross fair value losses, gross foreign exchange gains and gross foreign exchange losses are each now presented on the face of the Income Statement. The Financial Statements contain the same information, presented slightly differently. A user of the Financial Statements is now able to see the gross fair value gain and the gross fair value loss directly on the face of the Income Statement. Previously, if a user had wanted this specific information, they would have needed to review the Group's segmental reporting and investments notes to review the relevant gains/losses by investment. This detail is still included in the aforementioned notes.

The change does not impact on the Balance Sheet or any component of equity in the current or any prior periods.

The Directors therefore believe that the inclusion of a restated Balance Sheet at 31 December 2009 (the beginning of the earliest prior period presented) would not be helpful to users of the Financial Statements and a third balance sheet has not been presented.

Trade and other receivables
The Group's operating activities are to acquire, hold and dispose of investments; it does not carry out other trading activities. The trade and other receivables balance may relate to balances receivable upon the exit from an investment. Trade and other receivables also includes prepayments.

Trade and other receivables are recognised initially at fair value and are subsequently measured at amortised cost. A provision for impairment of trade and other receivables is made if there is sufficient evidence that the Group will not be able to collect all amounts due according to the original terms.

Cash and cash equivalents
Cash and cash equivalents represent cash balances held at bank and in on demand deposits. All the Group's cash balances are either accessible on demand, or with a notice period of up to 32 days. Cash and cash equivalents are categorised as loans and receivables for the purpose of IAS39.

Trade and other payables
Trade and other payables are not interest bearing and are initially recognised at fair value and subsequently measured at amortised cost. Trade and other payables denominated in foreign currencies are translated into US$ at the balance sheet date.

Share capital
i) Ordinary Shares
Ordinary Shares are classified as equity. Issued share capital is stated at the amount of the proceeds received less directly attributable issue costs.

ii) Management Shares
Management Shares are also classified as equity. The Management Shares are intended for use at the point when the Company is wound up. In the event of a windup, Management Shares carry the right to receive notice of, attend and vote at any general meeting of the Company, provided that no ordinary shares are in issue at such date. Holders of the Management Shares will only receive their nominal value once the holders of the Ordinary Shares have received the fair value of their shares. Accordingly, the holders of Management Shares do not have the right to receive nor participate in distributions of the Company, including dividends.

Gains/losses on investments
Gains/losses realised on disposal of investments are calculated as the net proceeds of the disposal less the carrying value of the asset in the balance sheet at the date of disposal.

Unrealised movements in the fair value of investments relate to changes in the fair value of investments between the opening and closing balance sheet date. Unrealised foreign exchange gains and losses occur when investments are denominated in currencies other than US$ and relate to the movement in exchange rates between the opening and closing balance sheet date.

Investment Portfolio revenue
Portfolio revenue is directly related to the return from investments within the Investment Portfolio. The balance includes fee income earned directly from portfolio companies, interest on loans made to portfolio companies and dividends received from portfolio companies.

Portfolio revenue is recognised in profit or loss when the Group's right to receive payment is established and the amount of revenue can be measured reliably.

Other income
Other income includes dividends received from entities not within the Investment Portfolio and other income not related to the Investment Portfolio.

Other income is recognised in profit or loss when the Group's right to receive payment is established and the amount of income can be measured reliably.

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

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

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

The only current impact of deferred tax on the Company relates to deferred tax on unrealised fair value gains/losses within the portfolio of investments.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

3. Accounting policies (continued)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets on a net basis.

Unrecognised deferred tax assets may be recognised in the future if sufficient taxable profits become available in the relevant jurisdictions.

Earnings Per Share ("EPS")

EPS is a key performance measure, based on attributable profit for the year divided by the weighted average number of ordinary shares in issue during the year.

Diluted Earnings Per Share ("DEPS") is presented when the inclusion of potential ordinary shares has a dilutive effect on earnings per share. There are no dilutive indicators or dilutive ordinary shares in issue, and as such DEPS is equal to EPS in the current and prior year.

Headline Earnings Per Share ("HEPS")

HEPS is similar to EPS, except that attributable profit specifically excludes certain items, as set out in Circular 3/2009 "*Headline earnings*" ("Circular 3/2009") issued by the South African Institute of Chartered Accountants ("SAICA").

The gain or loss on disposal of an associate would normally be excluded from headline earnings (and HEPS). However, per Circular 3/2009, private equity companies should include gains or losses on disposal of associates in HEPS because any profit realised on the disposal of these investments is considered to be part of the trading results of private equity operations and the profit does not relate to the capital platform of the business as would normally be the case. Circular 3/2009 further explains that in this context, the choice to recognise an investment in an associate at fair value through profit or loss, instead of applying equity accounting, does not imply that the investment is part of the capital or platform of the business and should not have any impact on the decision to include the gain or loss on disposal of associates within headline earnings. Therefore where a gain or loss is made on the disposal of an associate that is part of the Investment Portfolio the item is included within headline earnings. If an associate that is part of the capital structure of the Group were to be disposed of the arising gain or loss would be excluded from headline earnings in line with the guidance from SAICA.

Foreign currencies

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

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

For the purpose of presenting Financial Statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of significant influence over an associate that includes a foreign operation, or loss of joint control over a jointly controlled entity that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

Derivatives

Derivatives are occasionally used by the Group to manage risks associated with foreign currency fluctuations. These usually relate to the Investment Portfolio, particularly when entering into and exiting from investments. This risk management is normally implemented by the use of foreign currency forward contracts.

The Directors also consider the use of currency swaps in certain circumstances, either to facilitate the making of new investments, or if appropriate whilst raising new equity share capital.

The Group may also acquire derivatives as part of the Investment Portfolio in certain circumstances, such as entering into convertible notes, convertible bonds or other equity derivatives.

Derivatives are recognised initially at fair value on the contract date and subsequently remeasured to the fair value at each reporting date. Changes in the fair value of financial instruments are taken to the income statement, or other comprehensive income if appropriate.

Critical accounting judgements and estimates
In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions that materially affect the reported amounts of assets, liabilities, income and expenses.

The most critical accounting estimates and assumptions relate to the valuation of the Group's portfolio of investments. Carrying out impairment assessments for the Group's unlisted investments is both difficult and subjective. Details of the fair valuation methodologies for each investment are set out in Note 11 *Investments*.

Estimates and assumptions used are reviewed periodically. Although the Directors' estimates of fair value are subjective, the Directors believe that they are materially accurate.

4. Segmental reporting

The Group's segmental reporting is based around its four investment platforms (Luxury Brands, Steel Making Materials, Coloured Gemstones and PGMs), each of which is categorised as an operating segment.

The Chief Operating Decision Maker ("CODM") is Mr Gilbertson, the Chairman, who measures the performance of each operating segment by assessing the fair value of the Group's Investment Portfolio on a regular basis.

The Income Statement segmental information provided to the CODM for the year ended 31 December 2011 is as follows:

	PGMs US$	Steel Making Materials US$	Coloured Gemstones US$	Fabergé US$	Unallocated US$	Total US$
31 December 2011						
Income						
Unrealised fair value gains	–	–	14,533,179	–	–	14,533,179
Unrealised fair value losses	(5,211,360)	(145,151,262)	–	–	–	(150,362,622)
Unrealised foreign exchange gains	–	–	–	–	–	–
Unrealised foreign exchange losses	(1,317,174)	(49,059)	(28,846)	–	–	(1,395,079)
Net unrealised loss on Platmin Note	(180,033)	–	–	–	–	(180,033)
Realised foreign exchange gain on Jupiter forward contract	–	429,330	–	–	–	429,330
Realised loss on Jupiter shares	–	(1,478,098)	–	–	–	(1,478,098)
Loan interest income	343,506	–	–	549,551	–	893,057
Net segmental (expense)/income	**(6,365,061)**	**(146,249,089)**	**14,504,333**	**549,551**	**–**	**(137,560,266)**
Other income					–	–
Net gains on investments and income from operations						**(137,560,266)**
Expenses, net finance income, share of loss of associates and taxation					65,251,642	**65,251,642**
Net segmental (loss)/profit	**(6,365,061)**	**(146,249,089)**	**14,504,333**	**549,551**	**65,251,642**	**(72,308,624)**

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

4. Segmental reporting (continued)

The comparative Income Statement segmental information for the year ended 31 December 2010 is as follows:

	PGMs US$	Steel Making Materials US$	Coloured Gemstones US$	Fabergé US$	Unallocated US$	Total US$
31 December 2010						
Income						
Unrealised fair value gains	12,498,665	129,176,653	16,620,987	–	–	158,296,305
Unrealised fair value losses	(22,464,899)	–	–	–	–	(22,464,899)
Unrealised foreign exchange gains	3,155,761	8,010,896	–	–	–	11,166,657
Unrealised foreign exchange losses	–	–	(396,482)	–	–	(396,482)
Net unrealised gain on Platmin Note	47,062	–	–	–	–	47,062
Net realised gains on Tshipi Jupiter transaction	–	46,004,512	–	–	–	46,004,512
Net realised gain on POSCO transaction	–	7,073	–	–	–	7,073
Loan interest income	1,592,775	99,924	–	11,540	–	1,704,239
Structuring income	1,040,000	–	–	375,000	–	1,415,000
Net segmental (expense)/income	**(4,130,636)**	**183,299,058**	**16,224,505**	**386,540**	**–**	**195,779,467**
Other income					133,771	133,771
Net gains on investments and income from operations						195,913,238
Expenses, net finance income, share of loss of associates and taxation					(79,882,960)	(79,882,960)
Net segmental (loss)/profit	**(4,130,636)**	**183,299,058**	**16,224,505**	**386,540**	**(79,749,189)**	**116,030,278**

The segmental information provided to the CODM for the reportable segments for the year ended 31 December 2011 is as follows:

	PGMs US$	Steel Making Materials US$	Coloured Gemstones US$	Fabergé US$	Total US$
31 December 2011					
Investment Portfolio					
Listed investments	–	85,755,778	39,435,813	–	125,191,591
Unlisted investments	103,450,358	–	–	87,006,204	190,456,562
Loans and receivables	–	–	–	22,436,091	22,436,091
Total segmental assets	**103,450,358**	**85,755,778**	**39,435,813**	**109,442,295**	**338,084,244**
Investments in associates, current assets and liabilities					27,318,243
Net assets					**365,402,487**

The comparative segmental information provided for the year ended 31 December 2010 is as follows:

	PGMs US$	Steel Making Materials US$	Coloured Gemstones US$	Fabergé US$	Total US$
31 December 2010					
Investment Portfolio					
Listed investments	50,981,604	226,436,117	24,931,480	–	302,349,201
Unlisted investments	49,994,659	–	–	87,006,204	137,000,863
Loans and receivables	28,478,184	–	–	3,386,540	31,864,724
Platmin Note	9,182,662	–	–	–	9,182,662
Total segmental assets	**138,637,109**	**226,436,117**	**24,931,480**	**90,392,744**	**480,397,450**
Investments in associates, current assets and liabilities					(42,686,339)
Net assets					**437,711,111**

5. Realised foreign exchange gain on Jupiter forward contract and fair value loss on acquisition of Jupiter shares

On 31 January 2011, Jupiter announced that it intended to raise AUD150 million by way of an issue of new equity shares. The majority of the funds have been allocated towards Jupiter's 49.9% share of the capital expenditure for the Tshipi Borwa project. As part of the capital raising, Jupiter issued 214,340,334 shares at AUD0.70 per share.

The Group contributed AUD5.5 million to the capital raising in return for 7,857,143 new Jupiter shares. The capital raising was partially to new investors (AUD98.5 million) and partially to "related parties" (per the Australian Stock Exchange's ("ASX") definition of a related party) including the Group (AUD51.5 million). The new shares were issued in two tranches; the issue of shares to "related parties" required approval at a shareholder EGM, which occurred on 6 April 2011. The Group received its new shares on 29 April 2011. Its effective interest in Jupiter was diluted from 18.2% to 16.5% on this date.

On 8 February 2011, a Group company placed a forward contract with Rabobank, committing to acquire US$5,568,750 for AUD5,500,000, giving an effective exchange rate of US$1:AUD0.9877. The fair value of the contract acquired was equal to the consideration paid and no gain or loss was recognised on initial acquisition.

On 6 April 2011, at the Jupiter EGM, the capital raising was approved and the Group received 7,857,143 shares on 29 April 2011.

The Group realised a foreign exchange gain on the forward contract, as follows:

	Amount AUD	Amount US$
Realised foreign exchange gain on Jupiter forward contract		
Fair value of forward contract at inception	(5,500,000)	(5,568,750)
Fair value of forward contract on completion	5,500,000	5,998,080
Realised foreign exchange gain on forward contract	–	429,330

The fair value of the shares fell between 8 February 2011 and 29 April 2011 resulting in a loss on acquisition, as follows:

	Number of shares	Price per share AUD	Amount AUD	Amount US$
Realised fair value loss on acquisition of Jupiter shares				
Fair value of Jupiter shares at date of commitment	*7,857,143*	*0.7000*	(5,500,000)	(5,998,080)
Fair value of Jupiter shares at date of receipt	*7,857,143*	*0.5275*	4,144,643	4,519,982
Realised fair value loss on Jupiter shares			(1,355,357)	(1,478,098)

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

6. Structuring fee and other income

	2011 US$	2010 US$
Platmin structuring fee	–	1,040,000
Fabergé structuring fee	–	375,000
Other income	–	133,771
	–	1,548,771

The structuring fees relate to the loan arrangements entered into with Platmin and Fabergé. See Note 11 *Investments* for more detail.

The Platmin structuring fee earned during 2010 was added to the outstanding loan balance and was repaid with the outstanding loan balance on 28 February 2011.

The Fabergé structuring fee earned during 2010 was added to the outstanding loan balance and is accruing interest at three month US$ London Interbank Offered Rate ("LIBOR") plus 4%.

7. Investment Manager's benefits

Investment Manager

Pallinghurst (Cayman) GP L.P. (the "Investment Manager") was appointed as investment manager to the Company on 4 September 2007. The Investment Manager provides the Company with investment advisory and management services.

The Partners of the Investment Manager are the following individuals:

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

The Partners of the Investment Manager have extensive experience in the mining industry, with an in-depth knowledge of assets, companies, people and trends. They are recognised for their strategic insight and vision, are highly regarded by international investors, and are renowned for pioneering innovative transactions.

The Partners of the Investment Manager have over 100 years of collective experience in the resources sector.

Investment Manager's Benefit

The Investment Manager is entitled to an Investment Manager's Benefit of 1.5% per annum of the amount subscribed for in the Company during the Investment Period[1]. With effect from the end of the Investment Period, the Investment Manager is entitled to an amount of 1.5% per annum of the lesser of the aggregate acquisition cost or fair value of the Company's unrealised investments during the relevant period.

The total charge to the Income Statement for the Investment Manager's Benefit during the year was US$4,627,775 (2010: US$4,626,149).

Performance Incentive

Subject to certain conditions, the Investment Manager is entitled to a Performance Incentive related to the performance of the Group's investments. The excess of the total funds available for return to shareholders, over the total amount subscribed for in the Company, will be split between the shareholders and the Investment Manager[2] in the ratio 80%/20%. This is subject to meeting a Hurdle[3] of 8% per annum; until the Hurdle is reached, the Investment Manager is not entitled to the Performance Incentive, ensuring that the Investment Manager would only be rewarded if aggregate returns to shareholders are in excess of 8% per year.

Whether a sufficient return has been made, and whether the Performance Incentive is payable, is only assessed at the end of the Investment Period. However, the Directors assess whether a Performance Incentive accrual should be made at the end of each reporting period. The Directors also assess whether the accrual should be accounted for as a current or non-current liability, based on their best assessment of the likely timing of any outflow.

The accrual for the Performance Incentive is calculated as follows:

(a) The Group's Aggregate Proceeds[4] are allocated entirely to shareholders until such time as shareholders have received an aggregate amount of the Company's Funds[5] plus the Hurdle;
(b) Thereafter, the Investment Manager is allocated all further Aggregate Proceeds until it has been allocated an amount equal to 25% of the Hurdle; and
(c) Aggregate Proceeds are then allocated 80% to Investors and 20% to the Investment Manager.

An accrual for the Performance Incentive of US$32,512,233 was made at 31 December 2010. During the year to 31 December 2011, the fall in the Group's NAV has meant that the Performance Incentive accrual previously recognised has been reversed, and is US$nil at the year end (31 December 2010: accrual of US$32,512,233).

1 The Investment Period commenced on 14 September 2007. The Investment Period can end under various circumstances, including if shareholders approve that the period should end in a general meeting by special resolution. The Investment Period may end on 14 September 2012, the five year anniversary of the Company's incorporation, unless shareholders agree that it should be extended. The Investment Period has not yet ended.

2 A Performance Incentive payment could be made to the Investment Manager or to an affiliate of the Investment Manager.

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

4 Aggregate Proceeds are effectively equal to the Group's NAV, after adding back any accrual for the Performance Incentive. For the purposes of the accrual calculation, it is assumed that investments will be disposed of for an amount equal to their current fair value, with no associated transaction costs, and full distribution of proceeds to shareholders. The Group's NAV, after adding back any Performance Incentive accrual, is therefore the best current estimate of what the total amount available for distribution would be.

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

8. Operating expenses

	2011 US$	2010 US$
Amounts paid to Auditor	141,404	117,603
Independent Valuer's fees	62,663	57,946
Other legal and professional fees	4,624	38,630
Directors' fees	80,000	77,500
Administration costs	346,363	501,382
Expenses reimbursed to the Investment Advisor	69,242	53,768
Listing, sponsor and regulatory filing fees	68,943	62,206
	773,239	**909,035**

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

9. Finance income

	2011 US$	2010 US$
Interest received on bank deposits	123,218	494,051
Interest received on loan to associate	13,010	–
	136,228	**494,051**

10. Tax

	2011 US$	2010 US$
Current tax	–	–
Deferred tax credit/(expense) (see Note 16 *Deferred tax*):	42,113,518	(42,113,518)
Tax credit/(expense)	**42,113,518**	**(42,113,518)**

The prevailing rate of tax in Guernsey is 0%. The Company pays an annual exempt tax fee of £600, as it is an 'Exempt Collective Investment Scheme' under the Income Tax (Zero–10) (Guernsey) (No 2) Law 2007. This fee is included in operating costs. Where applicable, taxation for other jurisdictions is calculated at the relevant prevailing rates.

The tax charge for the year reconciles to the (loss)/profit per the Consolidated Income Statement as follows:

	2011 US$	2010 US$
(Loss)/profit before tax	(114,422,142)	158,143,796
Tax at the Guernsey corporation tax rate of 0% (2010:0%)	–	–
Deferred tax credit/(expense) for the year (see Note 16 *Deferred tax*)	42,113,518	(42,113,518)
Tax credit/(expense) for the year	**42,113,518**	**(42,113,518)**

The Group should normally anticipate a tax rate of zero, based on the 0% corporate tax rate in Guernsey. The Group's effective tax rate in 2010 was 26.6%, based on the recognition of a deferred tax liability relating to an increase in fair value of the Jupiter investment. In 2011, this fair value increase reversed, resulting in a deferred tax credit of US$42,113,518 during 2011. The Group's effective tax rate during 2011 was (36.8%), based on the recognition of this deferred tax credit.

The deferred tax credit of US$42,113,518 (2010: expense of US$42,113,518) relates solely to the changes in fair value of the Jupiter investment. See Note 16 *Deferred tax* for more detail.

No amounts relating to tax have been recognised either in other comprehensive income, or directly in equity.

11. Investments

The reconciliation of the Investment Portfolio from 1 January 2011 to 31 December 2011 is as follows:

Investment	Opening at 1 January 2011 US$	Unrealised fair value gains US$	Unrealised fair value losses US$	Unrealised foreign exchange losses US$	Realised foreign exchange gain on Jupiter forward contract US$	Net realised loss on acquisition of Jupiter shares and loss on Platmin note US$	Additions and disposals US$	Accrued interest & structuring fee US$	Platmin reclassi-fication [4] US$	Closing at 31 December 2011 US$
Listed equity investments										
Platmin Ltd	50,981,604	–	(5,211,360)	(1,317,174)	–	–	9,002,629	–	(53,455,699)	–
Gemfields plc	24,931,480	14,533,179	–	(28,846)	–	–	–	–	–	39,435,813
Jupiter Mines Ltd	226,436,117	–	(145,151,262)	(49,059)	429,330	(1,478,098)	5,568,750	–	–	85,755,778
	302,349,201	**14,533,179**	**(150,362,622)**	**(1,395,079)**	**429,330**	**(1,478,098)**	**14,571,379**	**–**	**(53,455,699)**	**125,191,591**
Unlisted equity investments										
Fabergé Ltd	87,006,204	–	–	–	–	–	–	–	–	87,006,204
Moepi Group (Boynton)	13,373,315	–	–	–	–	–	–	–	–	13,373,315
Richtrau No 123 Ltd (Magazynskraal)	36,621,344	–	–	–	–	–	–	–	–	36,621,344
Platmin Ltd	–	–	–	–	–	–	–	–	53,455,699	53,455,699
	137,000,863	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**53,455,699**	**190,456,562**
Loans and receivables										
Fabergé Ltd [1]	3,386,540	–	–	–	–	–	18,500,000	549,551	–	22,436,091
Platmin Ltd [2]	28,478,184	–	–	–	–	–	(28,821,690)	343,506	–	–
	31,864,724	**–**	**–**	**–**	**–**	**–**	**(10,321,690)**	**893,057**	**–**	**22,436,091**
Platmin Note										
Platmin Note [3]	9,182,662	–	–	–	–	(180,033)	(9,002,629)	–	–	–
	9,182,662	**–**	**–**	**–**	**–**	**(180,033)**	**(9,002,629)**	**–**	**–**	**–**
Total Investment Portfolio	**480,397,450**	**14,533,179**	**(150,362,622)**	**(1,395,079)**	**429,330**	**(1,658,131)**	**(4,752,940)**	**893,057**	**–**	**338,084,244**

1 *The Group has provided a commitment to loan Fabergé up to US$25,000,000, which can be drawn down until 31 July 2012. At 31 December 2011, Fabergé had drawn down US$21,500,000. The US$375,000 structuring fee for the arrangement of the loan accrued at the date of the first drawdown. The loan is earning interest at three month US$ LIBOR plus 4%. A further US$3,000,000 has been drawn down since 31 December 2011; the outstanding balance at the date of signature of this Annual Report is US$24,500,000 (excluding interest and structuring fee). The balance of the loan, including interest, is due for repayment by 31 August 2012.*

2 *The Group provided a loan of US$25,845,409 to Platmin in two tranches during March and May 2010. The loan earned interest at the Johannesburg Interbank Agreed Rate ("JIBAR") plus 2%. Platmin repaid the outstanding loan of US$28,821,690 including accrued interest and the structuring fee on 28 February 2011.*

3 *The Group acquired an indirect interest in a convertible note issued by Platmin (the "Platmin Note") on 13 May 2010. The fair value of the Platmin Note at 31 December 2010 was US$9,182,662. On 31 March 2011 the convertible notes were converted in full. The Group received an indirect interest in 10,875,716 shares in Platmin. The fair value of the Platmin shares received was US$9,002,629, and the Group realised a loss on conversion of US$180,033. As a result of the conversion, the Group's see through interest in Platmin decreased from 7.64% to 7.49%.*

4 *Platmin delisted from AIM, the JSE and the TSX during 2011. Platmin suspended its listing on the JSE on 23 December 2011, and the last JSE trading day was 22 December 2011. Accordingly, the Group's investment in Platmin has been reclassified from listed to unlisted equity investments in the "Platmin reclassification" column.*

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

11. **Investments** (continued)

The reconciliation of the Investment Portfolio from 1 January 2010 to 31 December 2010 is as follows:

Investment	Opening at 1 January 2010 US$	Unrealised fair value gains US$	Unrealised fair value losses US$	Unrealised foreign exchange gains US$	Unrealised foreign exchange losses US$	Net realised gains on Tshipi Jupiter and POSCO transactions US$	Additions and disposals US$	Accrued interest & structuring fee US$	Closing at 31 December 2010 US$
Listed equity investments									
Platmin Limited	58,776,378	–	(22,464,899)	3,155,761	–	–	11,514,364	–	50,981,604
Gemfields plc	8,330,300	16,620,987	–	–	(348,545)	–	328,738	–	24,931,480
Jupiter Mines Ltd	15,844,993	129,176,653	–	8,010,896	–	74,886,368	(1,482,793)	–	226,436,117
	82,951,671	**145,797,640**	**(22,464,899)**	**11,166,657**	**(348,545)**	**74,886,368**	**10,360,309**	**–**	**302,349,201**
Unlisted equity investments									
Fabergé Ltd	86,633,377	–	–	–	–	–	372,827	–	87,006,204
Moepi Group (Boynton)	10,029,986	3,343,329	–	–	–	–	–	–	13,373,315
Richtrau No 123 Ltd (Magazynskraal)	27,466,008	9,155,336	–	–	–	–	–	–	36,621,344
Tshipi	29,940,000	–	–	–	–	(29,932,927)	(7,073)	–	–
	154,069,371	**12,498,665**	**–**	**–**	**–**	**(29,932,927)**	**365,754**	**–**	**137,000,863**
Loans and receivables									
Fabergé Ltd [1]	–	–	–	–	–	–	3,000,000	386,540	3,386,540
Tshipi	1,320,594	–	–	–	(47,937)	1,058,144	(2,430,725)	99,924	–
Platmin [2]	–	–	–	–	–	–	25,845,409	2,632,775	28,478,184
	1,320,594	**–**	**–**	**–**	**(47,937)**	**1,058,144**	**26,414,684**	**3,119,239**	**31,864,724**
Platmin Note									
Platmin Note [3]	–	47,062	–	–	–	–	9,135,600	–	9,182,662
	–	**47,062**	**–**	**–**	**–**	**–**	**9,135,600**	**–**	**9,182,662**
Total Investment Portfolio	**238,341,636**	**158,343,367**	**(22,464,899)**	**11,166,657**	**(396,482)**	**46,011,585**	**46,276,347**	**3,119,239**	**480,397,450**

1 *The Group has committed to loan Fabergé up to US$25,000,000, which can now be drawn down until 31 July 2012. At 31 December 2010, Fabergé had drawn down US$3,000,000. The outstanding balance of US$3,386,540 at 31 December 2010 includes the US$375,000 structuring fee and interest of US$11,540 calculated at three month US$ LIBOR plus 4%.*

2 *The Group provided a loan of US$25,845,409 to Platmin in two tranches during March and May 2010. The loan earned interest at JIBAR plus 2%. The balance of the loan at 31 December 2010, including interest and structuring fee, was US$28,478,184. Platmin repaid the loan, including interest and structuring fee, on 28 February 2011.*

3 *The Group acquired an indirect interest in a convertible note issued by Platmin (the "Platmin Note") on 13 May 2010. The initial terms were as follows:*

- *The Platmin Note was non-interest bearing and denominated in US$;*
- *The Platmin Note could be converted into Platmin shares at any time between acquisition and 31 December 2010; and*
- *The Platmin Note had a conversion ratio of 1:US$1.215, and was convertible into 7,519,013 Platmin equity shares.*

The terms of the convertible note were subsequently amended; the period of conversion was first extended on 22 December 2010 and on 18 February 2011, Platmin announced a reduction of the conversion price from 1:US$1.215 to 1:US$0.84. The period of conversion was extended again on 28 February 2011. The reconciliation of the valuation of the Platmin Note from acquisition until 31 December 2010 is as follows:

	US$
Cost of Platmin Note	*9,135,600*
Unrealised gain recognised at acquisition	*1,683,550*
Fair value of Platmin Note at acquisition	*10,819,150*
Unrealised fair value loss between 13 May 2010 and 31 December 2010	*(1,636,488)*
Fair value of Platmin Note at 31 December 2010	*9,182,662*

The valuation methodologies and other details for the Group's investments at 31 December 2011 are detailed below. The JSE requires certain further information to be disclosed on the Group's ten largest investments. Fewer than ten separate investments were held at current and prior balance sheet dates; accordingly the following details are included for each investment in the Investment Portfolio.

Platmin Limited

Nature of investment	Platmin is a mineral exploration, development and producing company engaged in the exploration and the development of PGM projects, all located in the Bushveld Complex. Platmin owns a 72.39% interest in Boynton, which owns the PPM. The remaining 27.61% interest in Boynton is owned by the Moepi Group companies. The Group's indirect interest in Platmin was 7.49% at 31 December 2011. The Group's initial investment was made in December 2008. The Group's cost of investment is US$52,834,183.
Fair value methodology	Platmin has now delisted from all of its previous listings, which were on the TSX, AIM and the JSE. It is therefore no longer possible to value Platmin using a listed share price. Platmin commissioned a valuation report during the period which contained a range of valuations. The Directors have valued Platmin from within this range, based on a share price of CAD0.80 per share, and the closing exchange rate of US$1:CAD1.0200. Platmin's last day of trading on the TSX was 23 December 2011; the mid price of Platmin shares was CAD0.1475. The Directors do not believe that this price gives an accurate reflection of Platmin's fair value. This price was based on low volumes of shares traded; this lack of liquidity is one of the reasons why the Platmin Board of Directors chose to delist Platmin in the first place.

Gemfields plc

Nature of investment	Gemfields is a leading international coloured gemstone producer, primarily focused on emeralds, and listed on AIM. The Group owns a see through interest of 33.09% in Gemfields plc. The Group's cost of investment is US$55,198,324 and the initial investment was made in October 2007.
Fair value methodology	Listed share price The closing Gemfields mid price on AIM of GBP0.2375 per share, translated at the closing exchange rate of US$1:GBP0.6471.

Jupiter Mines Limited

Nature of investment	Jupiter is the ASX-listed mining company through which the Steel Making Materials strategy is being pursued. Jupiter owns various assets in Western Australia, including the Mount Ida magnetite iron ore project, the Mount Mason DSO hematite project, and a 49.9% interest in the Tshipi manganese joint venture in South Africa. The Group's initial investment into Jupiter was made in May 2008. The Group owned an effective 16.66% interest in Jupiter at the year end. The Group's cash cost of investment is approximately US$14 million.
Fair value methodology	Listed share price The closing Jupiter mid price of AUD0.2800 per share on the ASX, translated at the closing foreign exchange rate of US$1:AUD0.9829.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

11. Investments (continued)

Fabergé Limited

Nature of investment	Fabergé is a luxury brand. The Group currently owns an effective 49.1% interest in the ordinary shares of Fabergé Limited. The Group's cost of investment is US$60,976,074. The Group's initial investment was made in September 2007.
Fair value methodology	Price of recent investment Fabergé completed a capital raising during September 2009 to both existing and new investors, including the Group. The Directors valued the investment in Fabergé in line with the price per share of this capital raising. Fabergé is unlisted, there have been relatively few transactions in Fabergé shares and determining the fair value of the Group's investment is difficult. The Directors have consistently applied the price of recent investment methodology since September 2009, but acknowledge that the September 2009 capital raising price becomes less recent and relevant as time passes, and that using this event for valuation becomes more difficult. The Directors have concluded that the current valuation methodology is reasonable, but stress its subjectivity. There have been various transactions in Fabergé shares since September 2009 at a similar price per share to the September 2009 price. These transactions were each immaterial, but nonetheless give some support to maintaining this valuation level. The Directors have considered whether other valuation methodologies could be suitable for Fabergé, and in particular whether a valuation based on DCF analysis could be relevant. DCF analysis is based on various assumptions, including Faberge's projected cash inflows and outflows, and the discount rate that should be used. Accordingly, depending on what assumptions are used, DCF analysis could imply a materially higher, or materially lower, Fabergé valuation. For this reason, the Valuation Guidelines recommend "extreme caution" in the use of DCF analysis for valuation of unlisted investments, and note that the use of another methodology, such as the price of a recent investment, is more likely to be appropriate in most circumstances. After having considered all the relevant indicators, the Directors have concluded that there is no conclusive contradictory evidence to either increase or decrease the valuation. The Directors therefore have concluded that the fair value at the previous reporting date remains the best estimate of fair value, and have continued to use this valuation. This treatment complies with IFRS and is required by the Valuation Guidelines. Fabergé's most recent annual report, for the year to 31 March 2011 was issued on 5 August 2011. The audit opinion, from BDO LLP, was positive, and did not draw attention to any emphases of matter. Fabergé's net assets at 31 March 2011 were US$57 million (audited). Fabergé's net assets at 31 December 2011 were US$45 million (unaudited). The Group's 49.1% share of Fabergé's net assets at 31 December 2011 would have been approximately US$22 million, whereas the fair value of the Group's investment at 31 December 2011 was US$86,633,377. This difference effectively equates to the incremental value added to the Fabergé brand since the initial acquisition during 2007 because, in line with the requirements of IAS38 *Intangible Assets*, this internally generated goodwill is not capitalised on Fabergé's own balance sheet.

The Moepi Group companies- Boynton

Nature of investment	The Moepi Group companies hold a 27.61% interest in Boynton, the other 72.39% of which is owned by Platmin. Boynton is an unlisted operating company with interests in various PGM projects in the Bushveld Complex. The Group owns an effective 2.48% interest in the ordinary shares of Boynton via the Moepi Group companies.
Fair value methodology	Price of recent investment- acquisition cost The Group's cost of investment is US$13,373,315. The Group's initial investment was made in August 2008. The Directors have assessed the investment for any indicators of impairment, based mainly on PGM prices and do not believe that any such indicators exist. The Directors believe that the fair value of each of the Group's African Queen assets is prudent in the context of the anticipated Consolidation.

Richtrau No 123 (Pty) Ltd- Richtrau/Magazynskraal

Nature of investment	Richtrau is the company which owns the prospecting right over the Magazynskraal property. Magazynskraal is located on the Western Limb of the Bushveld Complex in close proximity to the Pilanesberg Platinum Mine and Sedibelo. Studies suggest that Magazynskraal has an estimated resource of 23 million 4E PGM ounces. The Group owns an effective 6.19% interest in the ordinary shares of Richtrau.
Fair value methodology	Price of recent investment- acquisition cost The Group's cost of investment is US$36,621,344. The initial investment was made in December 2008. Richtrau is an unlisted company, with platinum reserves but no operations. Using similar companies to value Richtrau is relatively difficult as no prospect/company is exactly the same. Valuation is therefore relatively difficult and subjective. The Directors have assessed the investment for any indicators of impairment, based mainly on PGM prices and do not believe that any such indicators exist. The Directors believe that the fair value of each of the Group's African Queen assets is prudent in the context of the anticipated Consolidation.

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12. Investments in associates

The Group's share of the aggregated assets and liabilities and the net (loss)/profit of the Group's principal investments in associates were as follows:

Entity	Rox Conduit Limited	Rox Limited	Pallinghurst Kalahari (Mauritius) Limited	Pallinghurst Ivy Lane Capital Limited	Pallinghurst Investor Consortium (Pty) Ltd	Other	Total
Country of incorporation	Cayman Islands	Cayman Islands	Mauritius	Mauritius	South Africa		
	US$	US$	US$	US$	US$	US$	US$
2011							
(Loss)/profit for the year	(100,590)	2,595	(109,248)	(2,007,883)	(1,872,195)	(18,382)	(4,105,703)
Balance sheet:							
Assets	133,550	768,715	27,031	21,257,603	–	52,294	22,239,193
Liabilities	(8,609)	–	(136,279)	–	(1,020,374)	(6,105)	(1,171,367)
Net assets/(liabilities)	**124,941**	**768,715**	**(109,248)**	**21,257,603**	**(1,020,374)**	**46,189**	**21,067,826**
2010							
(Loss)/profit for the year	(22,164)	(41,310)	(511,820)	76,285	187,120	19,775	(292,114)
Balance sheet:							
Assets	227,496	769,068	–	176,536	381,734	64,572	1,619,406
Liabilities	(1,966)	(2,948)	–	–	–	–	(4,914)
Net assets/(liabilities)	**225,530**	**766,120**	**–**	**176,536**	**381,734**	**64,572**	**1,614,492**

As described in Note 23 *Commitments*, a series of transactions was announced during March 2011 that provides the platform for the consolidation of PPM, Sedibelo and Magazynskraal. In particular, the Pallinghurst Co-Investors will acquire a 49.9% stake in Sedibelo, and interests in certain other assets. It is anticipated that the cash outflows will be material to the Group.

During 2011, US$23,559,037 (2010: US$30,452) was invested into two of the Group's associates, Pallinghurst Ivy Lane Capital Limited ("Ivy Lane", formerly known as Ivy Lane Capital Limited), and Pallinghurst Investor Consortium (Pty) Ltd ("PIC Pty"), allocated for the Group's share of various anticipated outflows. The difference between the net assets of Ivy Lane at 31 December 2011 (US$21,257,603) and 31 December 2010 (US$176,536) is mostly due to this inflow.

The associates listed above are all investment holding companies, and accordingly do not earn any revenue or other income, other than, in some instances, finance income.

All associates' financial year ends are 31 December.

All holdings in associates are over 20% except for PIC Pty, in which the Group's shareholding is 18.56%. Although the Group's interest is below 20%, the Group has significant influence over PIC Pty. The other shareholders are other Pallinghurst Co-Investors; each shareholder, including the Group, is able to exert significant influence over their shareholding, as the Pallinghurst Co-Investors are able to act collectively to control the entity, see *About the Group* for more detail.

The fair value of each associate is considered to be equal to the consolidated net asset value. None of the associates are listed on a stock exchange.

The Group holds interests in two investments, Gemfields and Fabergé, which would usually be equity accounted for as associates, as the Group's interests are each between 20% and 50%. The Group accounts for these investments under IAS39 at fair value as outlined in Note 3 *Accounting policies*.

The distribution of dividends or repayment of loans from PIC Pty would be subject to South African Exchange Controls. There are no other significant restrictions or regulatory requirements which could impact on the ability of any of the Group's associates listed above, to transfer funds, such as dividends or repayment of loans, back to the Group.

13. Trade and other receivables

	2011 US$	2010 US$ (restated)
Prepaid Annual Management Benefit	1,156,944	1,156,944
Other prepayments	18,856	56,018
Interest receivable	3,918	–
Other amounts receivable	14	–
	1,179,732	**1,212,962**

In the prior year, certain prepayments were classified as other amounts receivable. The 2010 balance has been restated to categorise these prepayments correctly.

14. Cash and cash equivalents

	2011 US$	2010 US$
Cash and cash equivalents	5,274,327	29,405,459
	5,274,327	**29,405,459**

15. Trade and other payables

	2011 US$	2010 US$
Audit fee accrual	93,081	93,545
Administration costs payable	71,386	83,018
Accrual for Independent Valuer's fee	31,027	28,064
Reimbursable expenses owed to the Investment Advisor	8,105	–
Other payables	43	79,874
Directors' fees payable	–	9,000
	203,642	**293,501**

Notes to the Consolidated Financial Statements (continued)

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16. Deferred Tax

The following table discloses the Group's deferred tax liabilities at 31 December 2011 and 31 December 2010:

	Revaluation of investments held at FVTPL US$	Total US$
At 1 January 2010	–	–
Charged to the Income Statement	(42,113,518)	(42,113,518)
At 31 December 2010	**(42,113,518)**	**(42,113,518)**
Credited to the Income Statement	42,113,518	42,113,518
At 31 December 2011	**–**	**–**

At 31 December 2010, the Group recognised a deferred tax liability relating to the unrealised fair value gains on the Jupiter investment. This gain, multiplied by relevant Australian tax rates, resulted in a potential liability of US$42,113,518. During 2011, the valuation of the Group's investment in Jupiter has significantly declined, and the tax base of the asset is now above its carrying amount, so a credit of US$42,113,518 has been recognised in the Income Statement, reducing the liability to zero. In periods prior to 2010, the Group did not have any unrealised fair value gains which resulted in the need to provide for a deferred tax liability.

The Group has not recognised any deferred tax assets in either the current or prior year. Deferred tax assets and liabilities may be offset where the Group has a legally enforceable right to do so. No such offsetting has occurred in the current or prior years.

At the balance sheet date the Group had unrecognised tax losses of US$21,633,206 (2010:US$30,266,844). No deferred tax asset has been recognised in relation to these losses as it is not considered probable that there will be future taxable profits available, in the relevant jurisdictions, for the Group to utilise these losses. The losses may be carried forward indefinitely.

Temporary differences relating to the unremitted earnings of overseas subsidiaries and associates are not significant.

17. Share capital

Authorised share capital:

	2011 US$	2010 US$
Ten Management Shares of US$1 each	10	10
999,000,000 Ordinary Shares of US$0.00001 each	9,990	9,990
	10,000	**10,000**

Issued and fully paid up

	Number of shares	Share capital US$	Share premium US$
Management Shares (unlisted)			
Management Shares of US$1 each			
Balance at 31 December 2011 and 2010	**2**	**2**	**–**
Ordinary Shares (listed)			
Ordinary Shares of US$0.00001			
Balance at 31 December 2011 and 2010	**475,803,860**	**4,758**	**300,226,258**
Total share capital 31 December 2011 and 2010		**4,760**	**300,226,258**

Ordinary Shares

No Ordinary Shares have been issued or redeemed in the current or prior year.

Management Shares

The Management Shares are not listed on the JSE or BSX. No Management Shares have been issued or redeemed in the current or prior year.

18. Cash (outflows)/inflows from operations

	Notes	2011 US$	2010 US$
Net (loss)/profit for the year		**(72,308,624)**	**116,030,278**
Accrued interest and structuring fee		(893,057)	(3,253,010)
Unrealised fair value gains	11	(14,533,179)	(158,296,305)
Unrealised fair value losses	11	150,362,622	22,464,899
Unrealised foreign exchange gains	11	–	(11,166,657)
Unrealised foreign exchange losses	11	1,395,079	396,482
Net loss/(gain) on Platmin Note	11	180,033	(47,062)
Net realised gain on Tshipi/Jupiter transaction		–	(46,004,512)
Realised foreign exchange gain on Jupiter forward contract	5	(429,330)	–
Realised fair value loss on acquisition of Jupiter shares	5	1,478,098	–
Net realised gain on POSCO transaction		–	(7,073)
Net foreign exchange loss/(gain) on cash balances		3,620	(22,490)
Finance income received	9	(136,228)	(494,051)
Share in loss of associates	12	4,105,703	292,114
Accrued expenses		31,027	93,545
Decrease/(increase) in trade and other receivables		33,230	(100,933)
(Decrease)/increase in trade and other payables		(32,633,119)	32,358,365
Tax (credit)/expense		(42,113,518)	42,113,518
Net cash outflows from operations		**(5,457,643)**	**(5,642,892)**

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

19. Financial instruments and financial risk management

The Group's capital structure

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

The Group's capital mostly consists of equity shares. There are also two Management Shares, as described in Note 17 *Share capital*. The Company's Articles restrict borrowing to 30% of total assets. The Group currently has no borrowing or borrowing facilities and therefore the Directors do not formally monitor the Group's gearing ratio. The Group is not subject to any external capital requirements. No dividends have been paid out to shareholders since incorporation. No changes have been made to the Group's capital management objectives, policies or procedures during either 2011 or 2010.

Significant accounting policies

Details of the Group's significant accounting policies for each class of financial asset, financial liability and equity instrument, including for initial recognition and subsequent remeasurement are disclosed in Note 3 *Accounting policies*.

Analysis of financial assets and liabilities

	2011 US$	2010 US$ (restated)
Financial assets		
Cash and cash equivalents	5,274,327	29,405,459
Fair Value Through Profit or Loss		
Investment Portfolio		
Listed investments	125,191,591	302,349,201
Unlisted investments	190,456,562	137,000,863
Platmin Note	–	9,182,662
Loans and receivables		
Investment Portfolio		
Loans and receivables	22,436,091	31,864,724
Other loans and receivables	3,932	–
Financial liabilities		
Other financial liabilities- amortised cost	(203,642)	(32,805,734)

The methodologies used to determine the fair value of the Group's listed and unlisted equity investments are based on the Valuation Guidelines. The specific methodologies for each investment are disclosed more fully in Note 11 *Investments*. The fair values of the Group's unlisted equity investments in Moepi and Magazynskraal approximate to their carrying values.

On occasion, the Group makes loans to investments within the Investment Portfolio, including, in the current and prior periods, loans to Fabergé and Platmin. These investments may be unlisted and may not be assessed regularly by external credit rating agencies, meaning that no formal credit rating would exist.

The Group's only loan at the balance sheet date is the Fabergé loan (US$22,436,091, including accrued interest and structuring fee). Fabergé is unlisted, and does not have an external credit rating. The Directors believe that the risk of Fabergé defaulting on the loan is remote. However, the Directors acknowledge that Fabergé may request that the loan is converted into equity, rather than repaid; any such request would be considered at the appropriate time. The Directors have access to Fabergé's strategic planning and details of its financial position, and are fully aware of why it requires loan funding. As such, whilst the Directors believe that there is some credit risk associated with the loan, the risk is acceptable.

Other loans and receivables reflect interest receivable balances within the Group; no credit losses are anticipated, and the carrying value should equate to fair value.

The carrying value of other financial liabilities held at amortised cost equated to fair value, due to the short-term maturities of these instruments. The Group did not hold any financial liabilities carried at FVTPL during the year.

There have been no reclassifications between categories of financial assets during 2011 (2010: no reclassifications). The Group's equity investment in Platmin continues to be categorised as at FVTPL; although it is now an unlisted investment, rather than listed, its IAS39 categorisation remains unchanged and no further disclosure is required.

The prior financial liabilities liquidity risk disclosure included deferred tax liabilities as a financial liability (financial liabilities were stated as US$74,919,252, not US$32,805,734). The 2010 balance has therefore been restated to exclude deferred tax liabilities, as these are statutory, not contractual, liabilities and are not financial liabilities. Additionally, US$38,116 of prepayments at 31 December 2010 have been categorised as prepayments rather than Other loans and receivables, and omitted from the comparative IFRS7 analysis.

Financial instruments and risk profile

The Group is exposed in varying degrees to a variety of financial instrument related risks. The Directors monitor each of these risks, and an approved risk management policy is in place. The types of risk exposure and quantification of the level of exposure in the balance sheet is provided as follows:

- Market risk (including interest rate risk, foreign exchange rate risk, price risk on the Group's Investment Portfolio, and commodity risk);
- Credit risk; and
- Liquidity risk.

The Group does not enter into derivative financial instruments for speculative purposes, and does not trade derivatives. There are currently no open derivative positions within the Group.

Market risk

The significant market risks affecting the Group are foreign exchange risk, interest rate risk and market price risk (relating to the Investment Portfolio).

The sensitivity analyses disclosed below show the potential impact of possible changes in relevant foreign exchange rates, interest rates and listed/unlisted equity prices on the Group's financial position at the year end. The only relevant assumption that has been made is that all sensitivities impacting the Income Statement also impact equity.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed or measured during the period.

Foreign exchange risk

The Group undertakes transactions and holds assets and liabilities denominated in foreign currencies. It is therefore exposed to foreign exchange risk.

IFRS7 considers the foreign exchange exposure relating to non–monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, the Directors monitor the exposure on all foreign currency denominated assets and liabilities. The table below has therefore been analysed between monetary and non–monetary items to meet the requirements of IFRS7.

The Group has entered into various equity and loan investments, denominated in currencies other than the US$. These are translated at the end of each reporting period, and the related foreign exchange gain or loss is reflected in the Income Statement. The Directors consider the denomination of each investment as part of the initial investment appraisal process.

The Group's policy is to hold all cash balances in US$ at all times, other than when allocated for a specific investment or for specific, material expenses. Cash balances are translated into a currency other than US$ only when an outflow of cash is imminent, or if required for legal or statutory reasons.

The Group may occasionally hold balances in currencies other than the US$ for a material investment which is considered likely but is not yet certain, giving rise to potential foreign exchange risk if the investment does not occur and the balance is translated back into US$ at a different exchange rate. Alternatively, for specific material cash outflows, on investments or expenses, the Group may choose to enter into an appropriate hedging strategy, such as a forward contract or option, to minimise the Group's foreign exchange exposure. The Group does not usually designate these derivatives as hedges under IAS39, or apply hedge accounting; gains and losses on both the derivative and the hedged item will usually offset naturally within the Income Statement. The Group entered into a derivative during the year in relation to the Group's acquisition of Jupiter shares, see Note 5 *Realised foreign exchange gain on Jupiter forward contract and fair value loss on acquisition of Jupiter shares* for more detail. The Group did not hold any other similar derivatives during the year or at the year end.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

19. Financial instruments and financial risk management (continued)

Allocation of the Group's financial assets and financial liabilities by currency

The carrying amounts by currency of the Group's financial assets and liabilities are as follows:

Financial assets and liabilities at 31 December 2011

Currency[1]	Investments at FVTPL US$	Loans and receivables US$	Cash and cash equivalents US$	Total financial asset exposure to currency risk US$	Financial liabilities at amortised cost US$	Total financial liability exposure to currency risk US$
US$	137,000,863	22,439,688	5,209,928	164,650,479	(203,642)	(203,642)
GBP	39,435,813	–	98	39,435,911	–	–
ZAR	53,455,699	335	59,854	53,515,888	–	–
EUR	–	–	4,105	4,105	–	–
CAD[2]	–	–	–	–	–	–
AUD	85,755,778	–	342	85,756,120	–	–
Total	**315,648,153**	**22,440,023**	**5,274,327**	**343,362,503**	**(203,642)**	**(203,642)**

1 Currency is the functional currency in which each class of financial asset is denominated. The quantitative values disclosed above are in US$.

2 In previous reporting periods, the Group classified its investment in Platmin in CAD for the purposes of IFRS7, as Platmin's primary listing was on the TSX. Platmin has now delisted from the TSX, AIM and the JSE. Platmin has been categorised above as a ZAR-denominated asset.

Financial assets and liabilities at 31 December 2010:

Currency[1]	Investments at FVTPL US$	Loans and receivables US$	Cash and cash equivalents US$	Total financial asset exposure to currency risk US$	Financial liabilities at amortised cost US$	Total financial liability exposure to currency risk US$
US$	137,000,863	31,902,840	29,202,896	198,106,599	(32,805,734)	(32,805,734)
GBP	24,931,480	–	1,121	24,932,601	–	–
ZAR	–	–	159,722	159,722	–	–
EUR	–	–	41,720	41,720	–	–
CAD[2]	60,164,266	–	–	60,164,266	–	–
AUD	226,436,117	–	–	226,436,117	–	–
Total	**448,532,726**	**31,902,840**	**29,405,459**	**509,841,025**	**(32,805,734)**	**(32,805,734)**

1 Currency is the functional currency in which each class of financial asset is denominated. The quantitative values disclosed above are in US$.

2 At 31 December 2010, the Group classified the investment in Platmin as a South African asset for its segmental reporting, to reflect where the majority of Platmin's assets are located. However, Platmin's primary listing was on the TSX, and therefore the Group's currency risk exposure for IFRS7 was reported as CAD.

Foreign exchange sensitivity analysis

The Group's Investment Portfolio is denominated in various currencies, which fluctuate against the US$.

If the US$ strengthens relative to the various currencies in which the Group's financial assets are held, the Group's assets denominated in currencies other than US$ would decline in the value and vice versa.

The principal non-functional currencies to which the Group is exposed to are the British pound sterling, South African rand, euro, the Canadian dollar and the Australian dollar. Based on the Group's net financial assets and liabilities at 31 December 2011, a weakening of the US$ against the currencies illustrated in the following table, with all other variables held constant, would have affected result after tax, and equity as follows:

31 December 2011

Currency movement	Loss after tax US$	Equity US$
Movement of 1.2% in GBP/US$	473,231	473,231
Movement of 10.3% in ZAR/US$	5,512,136	5,512,136
Movement of 2.2% in EUR/US$	90	90
Movement of 1.9% in AUD/US$	1,629,366	1,629,366

At 31 December 2010, a weakening of the US$ against the following currencies, with all other variables held constant, would have affected result after tax, and equity as follows:

31 December 2010

Currency movement	Profit after tax US$	Equity US$
Movement of 4.1% in GBP/US$	1,022,237	1,022,237
Movement of 1.6% in CAD/US$	962,628	962,628
Movement of 3% in AUD/US$	6,793,084	6,793,084

The Group's analysis of financial assets and liabilities has been restated, see above, which has had a minor impact on the 2010 currency movement analysis presented above.

The Group's financial asset and liability profile does not remain constant and, therefore, these sensitivities should be used with care.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its cash balances and interest bearing loans made to companies within the Investment Portfolio.

The Group's policy is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments (less than one year) in order to maintain liquidity, while achieving a satisfactory return for shareholders. During the current and prior year, all uninvested cash was accessible either on demand, or shortly afterwards.

The Group may make loans to companies within the Investment Portfolio, in either US$ or relevant local currencies. These loans are usually based on the relevant national inter-bank rates and accordingly any changes in these interest rates would have an impact on the Income Statement.

The Group may make non-interest bearing loans to companies within the Investment Portfolio in certain circumstances.

An analysis of the expected maturity of the Group's financial assets at the balance sheet date is shown below. Expected maturities are usually based on contractual maturities.

31 December 2011	Less than 1 month US$	1–6 months US$	6 months+ US$
Cash and cash equivalents at variable interest rates	1,397,111	3,877,216	–
Loans and receivables at variable interest rates	–	–	22,440,023
	1,397,111	**3,877,216**	**22,440,023**

31 December 2010	Less than 1 month US$	1–6 months US$	6 months+ US$
Cash and cash equivalents at variable interest rates	29,380,049	25,410	–
Loans and receivables at variable interest rates	–	28,478,184	3,386,540
	29,380,049	**28,503,594**	**3,386,540**

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

19. Financial instruments and financial risk management (continued)

The financial statements for the year ended 31 December 2010 presented a split of interest bearing and non-interest bearing financial assets, without disclosing the anticipated maturities of the assets. The Directors believe that the above presentation enhances the previous disclosure.

Interest rate risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for the Group's financial instruments at the balance sheet date. When the Directors consider interest rate risk internally, a 0.5% increase or decrease is used for analysis. The Directors consider this to be a reasonably possible change in interest rates in the current interest rate climate.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's Loss for the year ended 31 December 2011 would have decreased/increased by US$138,571 (2010 (restated): Profit for the year would have increased/decreased by US$306,541).

None of the Group's financial liabilities were interest bearing at the balance sheet date and no further analysis is provided to the Directors.

Price risk

Price risk is the risk that the price for listed investments fluctuates with a corresponding impact on the income statement. The Directors' valuations for unlisted investments are also likely to increase or decrease over time. These changes will be linked to the performance of the underlying investments. The performance of the Group's investments could be affected by a number of factors, as articulated in *Principal Risks and Uncertainties*.

The listed and unlisted investments in the balance sheet subject to price risk are set out in Note 11 *Investments*, with the relevant valuation methodologies used.

Price risk sensitivity analysis

The fair value of each of the Group's listed and unlisted investments could vary significantly from period to period for many different reasons, as articulated in the Group's *Principal Risks and Uncertainties*.

The sensitivity analyses below have been determined based on the Group's exposure to equity price risk at the reporting date:

- If the valuations of the Group's unlisted investments had been 25% lower, the impact on the Group's Income Statement would have been US$47,614,141;
- If the valuations of the Group's listed investments had been 25% lower, the impact on the Group's Income Statement would have been US$31,297,898.

All movements in the fair values of financial assets and liabilities affect profit or loss; no movements are accounted for directly in reserves.

In prior reporting periods, the Group disclosed sensitivity analyses based on a potential 25% decrease in the fair value of the Group's unlisted equity investments, but only a 10% decrease in the valuations of the Group's listed investments. In the light of current fluctuations in the valuations of many listed equity investments, including those in which the Group has an interest, the Directors consider disclosure of a 25% decrease in the fair values of the Group's listed investments to be more relevant to shareholders.

Other price risk disclosures

The price risk sensitivity analysis above may not be fully representative of the risks the Group is subject to, for reasons including those set out below:

- The Group's unlisted investments are illiquid and there are no regular transactions in these shares. As such the Group may find it difficult to exit these assets at the current valuations as stated in the balance sheet, and may be unable to sell partial stakes easily, as there may be a shortage of willing buyers.
- Similarly, although the markets for the Group's listed investments are more active, the shares are not fully liquid. The Group owns significant interests in some of its investments, plus other Pallinghurst Co-Investors hold further significant indirect interests. As such, if the Group wished to fully divest of its interest in any specific investment, it may not be possible to realise the current fair values as recognised in the balance sheet. Conversely, the amounts realised on disposal may be higher than the current balance sheet valuation.

The Directors do not attempt to formally hedge the risk that a forced exit from an investment may result in a lower realised valuation than the carrying amount. However, the Directors believe that each investment continues to make significant progress, and are comfortable that the current investment valuations give a reasonable representation of fair value.

Commodity risk

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

Credit risk

Credit risk is the risk of loss due to a debtor's non-payment or the failure of a counterparty with whom cash balances are held. The Group's credit risk primarily arises on the trade and other receivables and cash balances.

The trade and other receivables balance usually relates to balances receivable upon the exit from an investment and as such is concentrated into a small number of counterparties. The Directors monitor these counterparties closely and believe that the danger of default in these situations is low. If an exit from an investment occurs the counterparty's creditworthiness is assessed before any commitment to sell is made. The Group does not carry out trading activities other than entering into and exiting from investments and there are no other material trade and other receivables. As such, the Group's exposure to credit risk from this balance is not considered to be significant. The Group currently holds no provisions against bad or doubtful debtors.

Materially all of the Group's cash balances are held in US$, with Investec Bank (Channel Islands) Limited, a subsidiary of Investec Bank plc ("Investec"). The bankruptcy or insolvency of Investec could have a significant adverse impact on the Group. The Group's subsidiaries and associates hold immaterial cash balances with various other banks and institutions. The failure of one of these counterparties would be unlikely to have a significant impact on the Group.

Investec's credit rating has been BBB minus (with Fitch Ratings) since 30 November 2011, when it was downgraded from BBB. The revised BBB minus rating remains investment grade and the Directors are comfortable that Investec continues to have high levels of both capital and liquidity. Nonetheless, the Directors may extend the Group's range of counterparties in the future to reduce the Group's credit/counterparty risk.

The Group's other loan receivable balances have been made to existing investments within the Investment Portfolio, if, for example, short-term working capital requirements are funded through loans rather than further equity investment.

The Group's sole loan at the balance sheet date is to Fabergé. Fabergé is an unlisted company, and does not have a credit rating with external credit agencies. The Directors acknowledge that Fabergé may request that the loan is converted into equity, rather than repaid; any such request would be considered at the appropriate time. The Directors have access to Fabergé's strategic planning and details of its financial position, and are fully aware of why it requires loan funding. As such, whilst the Directors believe that there is some credit risk associated with the loan, this risk is considered to be acceptable.

Maximum exposure to credit risk

Financial assets that are neither past due nor impaired:

	2011 US$	2010 US$
Investment Portfolio		
Loans and receivables	22,436,091	31,864,724
Platmin Note	–	9,182,662
Current assets		
Cash and cash equivalents	5,274,327	29,405,459
Trade and other receivables	1,179,732	1,212,962
Less prepayments	(1,175,800)	(1,212,962)
	27,714,350	**70,452,845**

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

19. Financial instruments and financial risk management (continued)

Although the Group's credit risk on loans to the Investment Portfolio is considered to be low, clearly there are risks associated with the Investment Portfolio. (See the Market risk-Price risk section above for more detail on the price risks affecting the Investment Portfolio).

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities.

The Group does not hold any financial liabilities at discounted values. As such, the expected undiscounted cash flow of the Group's financial liabilities at the balance sheet date is as follows:

	2011 US$	2010 US$ (restated)[1]
Financial liabilities expiring in one year or less	203,642	32,805,734
Total financial liabilities	203,642	32,805,734

1 The prior year financial liabilities liquidity risk disclosure included deferred tax liabilities as a financial liability. This was inaccurate, as deferred tax liabilities are not considered to be financial liabilities (as they are statutory, not contractual, liabilities). Additionally, the Performance Incentive accrual (the calculation of which is detailed in Note 7 Investment Manager's benefits) was erroneously included as a financial instrument expiring in over one year in the prior year. The 2010 balance has therefore been restated for these two points.

The Group did not hold any derivative liabilities at 31 December 2011.

The Group has not utilised any overdrafts since incorporation. The Group ensures that there are sufficient levels of cash for any investment commitments and expenses as they fall due and does not anticipate entering into significant borrowing in the future.

Sensitivity analyses representative for the position throughout the year

The sensitivity analyses presented above are based on the financial instruments held at the year end. The sensitivity analyses presented for 31 December 2011 are considered likely to be representative of the financial instruments held and risks to the balance sheet in the immediate future.

The mix of financial instruments is broadly similar at 31 December 2011 compared to 31 December 2010. Nonetheless, users of the Financial Statements should be aware that the Group's risk profile can change over time; for example, if the Group completed a capital raising or divested of an investment, the importance of interest rate risk and counterparty/credit risk would increase.

As there is uncertainty as to how the Group's risk profile will change in the future, no further more representative sensitivity disclosure has been disclosed as the Directors do not believe that it would be useful to users of the Financial Statements.

Fair value analysis

The Group's only financial instruments that are measured at fair value subsequent to initial recognition are the equity investments within the Investment Portfolio and previously the Platmin Note. The following table provides an analysis of these financial instruments, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2011

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Financial assets at FVTPL				
Equity investments[1]	125,191,591	–	190,456,562	315,648,153
	125,191,591	**–**	**190,456,562**	**315,648,153**

1 On 23 December 2011, Platmin delisted from the JSE. Further detail on the delisting and on the revised valuation methodology being used are included in Note 11 Investments. The investment in Platmin has been reclassified from listed to unlisted investments in the balance sheet at 31 December 2011, and for the purposes of IFRS7, has been reclassified from Level 1 to Level 3.

31 December 2010

	Level 1 US$ (restated)	Level 2 US$ (restated)	Level 3 US$ (restated)	Total US$ (restated)
Financial assets at FVTPL[1]				
Equity investments	302,349,201	–	137,000,863[2]	439,350,064
Platmin Note	9,182,662	–	–	9,182,662
	311,531,863[1]	**–**	**137,000,863**	**448,532,726**

1 In the prior year, the Financial assets at FVTPL balance erroneously included certain US$31,864,724 of loans and receivables. Loans and receivables are initially measured at fair value, and subsequently measured at amortised cost, and should not be presented as an asset at FVTPL. The prior year balance of US$480,397,450 has been restated to US$448,532,726 above. To further enhance the disclosure, the different categories of investment designated at FVTPL have been presented separately.

2 Equity investments of US$137,000,863 have been restated and included as Level 3 rather than Level 2 in 2010. The equity investments balance includes investments in Fabergé, Moepi and Magazynskraal. These were initially categorised as Level 2 investments at 31 December 2009, however, these investments should have been classified as Level 3. The underlying valuation methodologies for these investments have not changed, and there have been no relevant amendments to IFRS7. The investment valuations and impairment reviews for these assets are indirectly based on market inputs, such as PGM prices. However, there is no direct link between this input and the valuation of the investment in the balance sheet. The Directors have therefore agreed that a Level 3 categorisation is more prudent and better represents the nature of these unlisted investments.

IFRS7 requires reconciliation for Level 3 financial assets from the beginning to the end of the period. A reconciliation of the Group's equity investments, from 1 January 2011 to 31 December 2011 is provided below:

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Financial assets at FVTPL- equity investments				
Balance at 31 December 2010	302,349,201	–	137,000,863	439,350,064
Fair value gains	14,533,179	–	–	14,533,179
Fair value losses	(150,362,622)	–	–	(150,362,622)
Foreign exchange gains	–	–	–	–
Foreign exchange losses	(1,395,079)	–	–	(1,395,079)
Realised foreign exchange gain on Jupiter forward contract	429,330	–	–	429,330
Realised fair value loss on acquisition of Jupiter shares	(1,478,098)	–	–	(1,478,098)
Additions	14,571,379	–	–	14,571,379
Platmin reclassification	(53,455,699)	–	53,455,699	–
Balance at 31 December 2011	**125,191,591**	**–**	**190,456,562**	**315,648,153**

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

19. Financial instruments and financial risk management (continued)

The comparative reconciliation of the Group's equity investments, from 1 January 2010 to 31 December 2010 is provided below:

	Level 1 US$ (restated)	Level 2 US$ (restated)	Level 3 US$ (restated)	Total US$ (restated)
Financial assets at FVTPL equity investments				
Balance at 31 December 2009	82,951,671	–	154,069,371	237,021,042
Fair value gains	145,797,640	–	12,498,665	158,296,305
Fair value losses	(22,464,899)	–	–	(22,464,899)
Foreign exchange gains	11,166,657	–	–	11,166,657
Foreign exchange losses	(348,545)	–	–	(348,545)
Net realised gain on Jupiter and POSCO transactions	74,886,368	–	(29,932,927)	44,953,441
Additions	11,843,102	–	372,827	12,215,929
Disposals	(1,482,793)	–	(7,073)	(1,489,866)
Balance at 31 December 2010	**302,349,201**	**–**	**137,000,863**	**439,350,064**

The significant assumptions used to determine the fair valuations of the Group's equity investments are disclosed in Note 11 *Investments*.

20. Related party transactions

The Group's subsidiaries, joint ventures and associates are related parties.

The Group owns significant stakes in most of the investments within the Investment Portfolio. The Group accounts for all its investments at fair value through the profit and loss account, even in situations where the Group has significant influence over or joint control of the asset. See Note 3 *Accounting policies* for more detail.

Despite these accounting treatments, per IAS24, all the Group's investments are considered to be related parties, and transactions with them are related party transactions. Related party transactions include the entering into and exiting from equity investments, and loan transactions, all of which are detailed in Note 11 *Investments*.

The Investment Manager, Administrator and Secretary are all related parties of the Group due to common directors. The amounts due for the Investment Manager's Benefit and the Performance Incentive are disclosed in Note 7 *Investment Manager's benefits*. The Administrator is entitled to annual minimum fees totalling US$80,000, payable quarterly in arrears.

Mr Platt-Ransom and Ms White are Legis directors. Mr Tolcher was a Legis director until 30 September 2011. The Group's relationship with Legis is at arm's length. The total fees paid to Legis during the year ended 31 December 2011 amounted to US$106,216 (31 December 2010: US$101,865).

Transactions entered into with related parties were under terms no more favourable than those with third parties.

Directors' fees

The Non-Executive Directors, Mr Platt-Ransom, Mr Harris and Mr Tolcher, each received a Director's fee of US$25,000 for 2011 (2010: US$25,000 per Non-Executive Director). Mr Harris also receives US$5,000 as a Director of Pallinghurst Consolidated (Cayman) Limited, a subsidiary. The amount included in the Income Statement for Directors' fees for the year ended 31 December 2011 is US$80,000 (2010: US$77,500).

On 29 February 2012, Ms White was appointed as a Non-Executive Director and will also receive a Director's fee of US$25,000 per annum. Ms White did not receive a fee for her role as a Permanent Alternate. Mr O'Mahoney was appointed as a Permanent Alternate to Mr Platt-Ransom and Ms White on 29 February 2012. Mr O'Mahoney does not receive a fee for his role as a Permanent Alternate.

The Executive Directors have waived the receipt of any Directors' fees from the Company, as noted in the Corporate Governance Report.

Additionally, certain Directors' fees are paid from Jupiter and Platmin to Group subsidiaries or associates. Mr Gilbertson and Mr Frandsen do not receive these Directors' fees in a personal capacity. The fees are instead paid into the relevant Group entities that directly hold the relevant interests. The following amounts were received during the year:

	2011 US$	2010 US$
Brian Gilbertson		
Jupiter: Non-Executive Chairman	31,785	34,076
Platmin: Non-Executive Chairman	105,960	105,960
	137,745	140,036
Arne H. Frandsen		
Platmin: Director	41,080	41,080
	41,080	41,080

In addition to the above, certain amounts are payable by the Company to the Investment Manager, as disclosed more fully in Note 7 *Investment Manager's benefits*. Mr Gilbertson, Mr Frandsen and Mr Willis are all Partners of the Investment Manager.

The Directors' interests in the Company

The Directors' interests in the Company at both 31 December 2011 and 31 December 2010 were as follows:

	Number of shares held	% interest in the Company
The Brian Gilbertson Discretionary Settlement [1]	13,858,985	2.91%
Arne H. Frandsen	2,425,821	0.51%
Andrew Willis	1,092,554	0.23%
Clive Harris	250,000	0.05%
	17,627,360	**3.70%**

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

Additionally, the other Partners of the Investment Manager also hold shares in the Company, which were acquired at fair value. Their interests, at 31 December 2011 and 31 December 2010, were as follows:

	Number of shares held	% interest in the Company
Sean Gilbertson	2,385,190	0.50%
Priyank Thapliyal	2,385,190	0.50%
	4,770,380	**1.00%**

The interests disclosed above have not changed between 31 December 2011 and the date of this Annual Report.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

21. HEPS and NAV per share

	2011 US$	2010 US$
(Loss)/profit for the year	(72,308,624)	116,030,278
Weighted average number of shares in issue	475,803,860	475,803,860
HEPS	**(0.15)**	**0.24**

There are no reconciling items between HEPS and earnings per share. There was no change in the number of shares during the current or prior year, therefore earnings per share is equal to diluted earnings per share.

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

	2011 US$	2010 US$
Net assets	365,402,487	437,711,111
Number of shares in issue	475,803,860	475,803,860
NAV per share	**0.77**	**0.92**

22. Contingent liabilities and contingent assets

On 31 August 2011, the Company agreed to act as a limited guarantor for the lease of Fabergé's New York retail outlet at 694 Madison Avenue. The limited guarantee extends to the Company being liable for the payment of rent for the outlet if the landlord takes legal action to evict Fabergé for non-payment of rent or other charges, and only to the extent of the rent and charges from the date that legal action commences to the date that Fabergé moves out of the premises.

The Directors believe that there is a very low likelihood that this guarantee will be called upon. Their assessment of the maximum amount of the Group's contingent liability is US$219,000. There is a degree of uncertainty over this amount regarding the length of time Fabergé might take to vacate the premises in the event of legal action on the part of the landlord and, therefore, how much rent might become due. However, the Directors believe that it is highly unlikely that the Group will become liable for any amounts under this guarantee. The Group has not become liable for any amounts under this guarantee to date.

The Group had no other significant contingent liabilities or contingent assets at 31 December 2011, nor any significant contingent liabilities or contingent assets at 31 December 2010.

23. Commitments

Commitment to invest in Sedibelo

The Group has a commitment to take up its share of the investment in Sedibelo. Sedibelo is located on the Western Limb of the Bushveld Complex and is contiguous to both PPM and Magazynskraal. The Bakgatla now holds 100% of Sedibelo, having acquired the final 10% interest in the first half of 2011, which was previously held by Barrick Platinum South Africa (Pty) Limited. During March 2011, a suite of transactions was announced that provides the platform for the consolidation of PPM, Sedibelo and Magazynskraal. In particular, the Pallinghurst Co-Investors will acquire a 49.9% stake in Sedibelo, and interests in certain other assets.

Funds were contributed to Ivy Lane, one of the Group's associates, during the year, for the satisfaction of these commitments. It is anticipated that the cash outflows will be material to the Group. Completion of the suite of transactions is subject to approval from the DMR.

Fabergé loan commitment – US$25 million

The Group committed to loan Fabergé up to US$25 million on 24 May 2010. This was subsequently amended on 27 July 2011 and the commitment can now be drawn upon by Fabergé between 1 October 2010 and 31 July 2012. Fabergé had drawn down US$21,500,000 by 31 December 2011. A further US$3,000,000 has been drawn down since 31 December 2011 as described in Note 24 *Events occurring after the end of the year*. The Group's outstanding commitment, which excludes the US$375,000 structuring fee, is US$125,000. The terms of the loan agreement are that the amount drawn down is due for repayment by 31 August 2012.

No further commitments have been entered into at the date of signature of these Financial Statements.

24. Events occurring after the end of the year

African Queen Consolidation and IDC investment

As described in Note 23 *Commitments*, a series of transactions was announced during March 2011 that provides the platform for the Consolidation (of PPM, Sedibelo and Magazynskraal).

During March 2012, the IDC has agreed to invest, upon the Consolidation, ZAR3.24 billion, in return for 16.2% of the consolidated entity. The IDC investment is expected to complete during 2012.

The Directors believe that the completion of the IDC's investment into the consolidated entity may have a positive effect on the Group's NAV, which it is not yet possible to quantify. Completion of the Consolidation and the IDC investment are subject to various conditions including approvals from the South African Reserve Bank.

Further US$3 million drawdown of Fabergé loan

The Group has provided a commitment to loan Fabergé up to US$25 million, which can be drawn down at any point up until 31 July 2012. The amount drawn down at 31 December 2011 was US$21.5 million.

Fabergé has drawn down a further US$3 million subsequent to the year end; the outstanding balance has therefore increased to US$24.5 million (excluding interest and structuring fee).

Fall in Jupiter share price

The Jupiter share price has fallen since 31 December 2011. The estimated impact of this non-adjusting event is as follows:

The Jupiter share price on 26 March 2012 was AUD0.2350 and the exchange rate was US$1:AUD0.9558. The fair value of the Group's investment was US$74,008,079, US$11,747,699 lower than the valuation of US$85,755,778 included in the Balance Sheet.

Increase in Gemfields share price

The Gemfields share price has increased since 31 December 2011. The estimated impact of this non-adjusting event is as follows:

The Gemfields share price on 26 March 2012 was GBP0.3875 and the exchange rate was US$1:GBP0.6303. The fair value of the Group's investment was US$66,046,562, US$26,610,749 higher than the valuation of US$39,435,813 included in the Balance Sheet.

Approval of Annual Report

The Annual Report was approved by the Directors and authorised for issue on 29 March 2012.

Shareholder Information

at 31 December 2011

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1,000 shares	528	14.86	340,018	0.07
1,001 – 10,000 shares	1,860	52.33	8,625,421	1.81
10,001 – 100,000 shares	937	26.36	31,113,477	6.54
100,001 – 1,000,000 shares	179	5.04	56,341,737	11.84
1,000,001 shares and over	50	1.41	379,383,207	79.74
	3,554	100.00	475,803,860	100.00
Distribution of shareholders				
Banks	22	0.62	34,632,455	7.28
Brokers	20	0.56	13,655,548	2.87
Close corporations	66	1.86	1,907,340	0.40
Endowment funds	18	0.51	3,731,587	0.78
Individuals	2,739	77.06	50,668,570	10.65
Insurance companies	7	0.20	70,228,234	14.76
Investment companies	5	0.14	5,096,742	1.07
Mutual funds	22	0.62	45,854,398	9.64
Nominees and trusts	500	14.07	120,577,522	25.35
Other corporations	47	1.32	1,397,636	0.29
Pension funds	16	0.45	25,933,702	5.45
Private companies	84	2.36	49,668,608	10.44
Public companies	8	0.23	52,451,518	11.02
	3,554	100.00	475,803,860	100.00
Public/non-public shareholders				
Public shareholders	**3,546**	**99.77**	**334,864,902**	**70.38**
Non-public shareholders	**8**	**0.23**	**140,938,958**	**29.62**
Holdings of Directors and Partners of the Investment Manager	6	0.17	22,397,740	4.71
Strategic holdings (more than 10%)	2	0.06	118,541,218	24.91
	3,554	100.00	475,803,860	100.00

Beneficial shareholders holding 3% or more	Number of shares	%
Titan Resources	67,362,700	14.16
Solway Finance Ltd	51,178,518	10.76
Old Mutual Life Assurance Company SA Ltd	38,383,889	8.07
Metc Metlife Main Account	30,321,179	6.37
Hlamogolo Capital (Pty) Ltd	29,399,375	6.18
Cadiz Asset Management	21,200,380	4.46
Oasis Crescent Equity Fund	19,218,437	4.04
Investec Bank (Switzerland) AG	15,044,284	3.16
Ellerine Bros (Pty) Ltd	14,910,000	3.13

Company Information

Directors
Brian Gilbertson – Chairman
Arne H. Frandsen – Chief Executive
Andrew Willis – Finance Director
Stuart Platt-Ransom[1]
Clive Harris[1]
Martin Tolcher[1]
Patricia White[1,2]
Brian O'Mahoney[2]

1 *Independent Non-Executive Director.*

2 *Ms White acted as Permanent Alternate to Mr Platt-Ransom and Mr Tolcher until 29 February 2012. On the same date, Ms White was appointed as a Director, and Mr O'Mahoney was appointed as Permanent Alternate to Mr Platt-Ransom and Ms White.*

Investment Manager
Pallinghurst (Cayman) GP L.P.
Walker House
87 Mary Street
George Town
Grand Cayman
Cayman Islands

Investment Advisor (London)
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United Kingdom

Legal Advisor (Guernsey)
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Channel Islands

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Administrator and Secretary
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Legal Advisor (South Africa)
Edward Nathan Sonnenbergs Inc
150 West Street
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BSX Sponsor
Capital G BSX Services Limited
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Hamilton HM 11
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South African Transfer Secretary
Computershare Investor Services (Proprietary) Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001
South Africa

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

Notice of Annual General Meeting

for Pallinghurst Resources Limited (the "Company")

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "AGM") of Shareholders of the Company will be held at Legis House, 11 New Street, St Peter Port, Guernsey, GY1 2PF, Channel Islands on Friday 18 May 2012 at 11am BST to consider and, if thought fit, pass the following resolutions:

Ordinary resolutions:

1. To receive and adopt the Company's Annual Report and Consolidated Financial Statements for the year ended 31 December 2011 (the "Annual Report").

2. To reappoint Saffery Champness as Auditors to the Company for the ensuing period and to authorise the Directors to fix their remuneration.

3. To re-elect Mr Clive Harris as a Director of the Company.

4. To re-elect Ms Patricia White as a Director of the Company.

An abridged curriculum vitae for each of Mr Harris and Ms White can be found within the Annual Report.

By order of the Board

Legis Fund Services Limited
11 New Street
St Peter Port
Guernsey
GY1 2PF
Channel Islands
29 March 2012

Notes

1. A shareholder entitled to attend and vote is entitled to appoint a proxy (or proxies) to attend and to speak and, on a poll, vote instead of him/her. A proxy need not be a shareholder. A shareholder may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him/her.
2. A Form of Proxy is enclosed. The appointment of a proxy will not prevent a shareholder from subsequently attending the AGM and voting in person.
3. To be effective, a Form of Proxy, and any power of attorney or other authority under which it is signed (or a certified or notarised copy of any such authority) must be completed, signed and either lodged at Computershare Investor Services Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown 2107) not less than 72 hours before the time for holding the meeting or adjourned meeting, OR lodged at PO Box 91, Legis House, 11 New Street, St Peter Port, Guernsey, GY1 3EG, Channel Islands, faxed to +44 1481 712167 or emailed to *fund.enquiries@legisgroup.com*, not less than 48 hours before the time for holding the meeting.
4. Forms of Proxy submitted for the original meeting will remain valid for any adjourned meeting.
5. Only those members registered in the Register of Shareholders as at 11am BST on 15 May 2012 (or in the event that the AGM is adjourned, on the register of members 72 hours before the time of any adjourned meeting) shall be entitled to attend or vote at the AGM or adjourned meeting in respect of the shares registered in their name at that time. Changes to entries on the Register of Shareholders after 11am BST on 15 May 2012 (or, in the event that the AGM is adjourned, on the Register of Shareholders 72 hours before the time of any adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the AGM.

If you do not intend to attend the AGM please complete and return the form of proxy as soon as possible.

PALLINGHURST

FORM OF PROXY

PALLINGHURST RESOURCES LIMITED (the "Company")

FOR USE AT THE ANNUAL GENERAL MEETING TO BE HELD ON 18 May 2012.

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

Of (ADDRESS) ______________________________

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

as my/our proxy and, on a poll, to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Legis House, 11 New Street, St Peter Port, Guernsey, GY1 2PF, Channel Islands on Friday 18 May 2012 at 11am BST and any adjournment thereof.

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

Ordinary Resolutions:	For	Against	Abstain
1. To receive and adopt the Company's Annual Report and Consolidated Financial Statements for the year ended 31 December 2011 (the "Annual Report").			
2. To reappoint Saffery Champness as Auditors to the Company for the ensuing period and to authorise the Directors to fix their remuneration.			
3. To re-elect Mr Clive Harris as a Director of the Company.			
4. To re-elect Ms Patricia White as a Director of the Company.			

An abridged curriculum vitae for each of Mr Harris and Ms White can be found within the Company's Annual Report.

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

Signature ______________________________

Dated this ______________ day of ______________ 2012

Notes

1. If you so desire you may delete the words "Chairman of the meeting" and insert the name of your own choice of proxy, who need not be a member of the Company. Please initial such alteration.
2. In order to be valid, the proxy form must be lodged at Computershare Investor Services Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown 2107) not less than 72 hours before the time for holding the meeting or adjourned meeting, OR lodged at the Company's registered office PO Box 91, c/o Legis Fund Services Limited, Legis House, 11 New Street, St Peter Port, Guernsey, GY1 3EG, Channel Islands, faxed to +44 1481 712167 or emailed to *fund.enquiries@legisgroup.com*, not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. A corporation must execute the proxy under its common seal or under the hand of an officer or attorney duly authorised.
4. In the case of joint holders, the vote of the senior holder shall be accepted to the exclusion of other joint holders, seniority being determined by the order in which the names stand in the register in respect of the joint holding.

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