PALLINGHURST

Pallinghurst Resources Limited

ANNUAL REPORT 2010

Cover photos from left to right

Rock outcrops at Jupiter's Mount Mason DSO Haematite Project in the Central Yilgarn, Australia;

Reverse circulation drilling at the open pit mining operation at PPM while geologists inspect rock chips for grade control purposes;

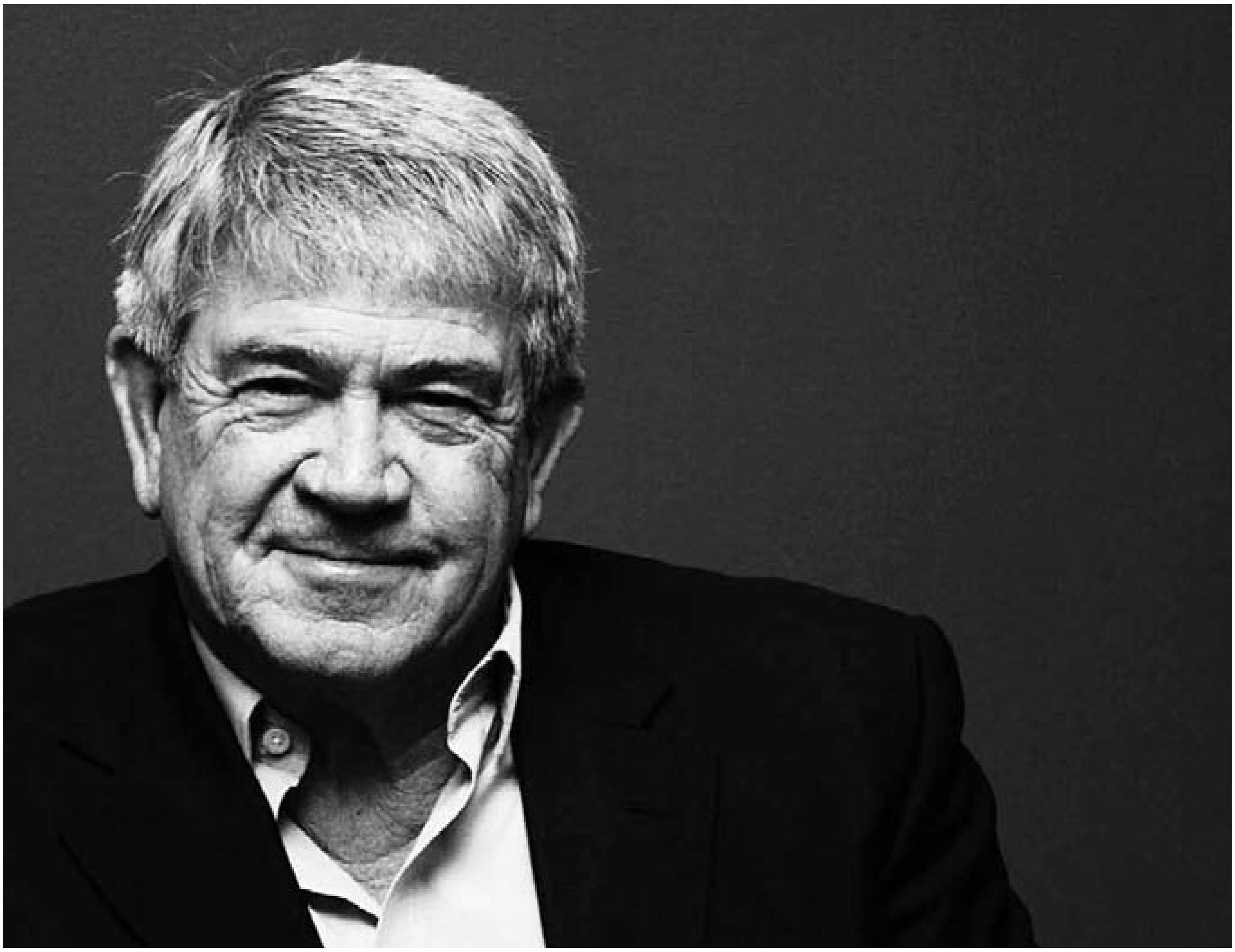
Conveyor belts transporting ore from the run of mine stockpile to the concentrator at PPM;

Sorting through emeralds at the washing plant at the Kagem Emerald Mine in Zambia;

A high quality emerald specimen from Kagem. It is 6 x 7 cm in size and weighs approximately 190 grams;

One of the 'White Damask Earrings' from Fabergé's *Carnet de Bal* all-white-diamond jewellery collection. The piece is set in white gold and features 160 white diamonds, totalling 4.86 ct.

Chairman's welcome



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

Unique opportunities are sourced from an extensive and proprietary network. Brian Gilbertson and the Pallinghurst Partners have almost 100 years of relevant experience, providing a pipeline of potential investments.

Short-listed opportunities are analysed by a dedicated team of Pallinghurst professionals. Where a transaction meets our strategic focus and indicates superior returns, an experienced team is tasked with delivering the transaction.

A Pallinghurst Partner takes specific responsibility for each investment, driving the strategy and implementing the vision. Furthermore, issues, challenges and opportunities are handled by the Partner's dedicated "hands-on" team.

Identify | Acquire | De-risk

Platinum Group Metals

Moepi

Magazynskraal

Platmin

Sedibelo

Steel Making Materials

Jupiter

Coloured Gemstones

Gemfields

Fabergé

Fabergé

As a core principle, Pallinghurst is never a passive investor; actively involved in managing each of its investments, holding key board positions and taking operational control where deemed necessary. This day-to-day management is fundamental to realising the potential of each investment.

Manage

Aggressive and sustainable growth is key to the value creation of each investment. Financial and operational support is provided, where required, as investments are taken up the value-curve through rationalisation, consolidation, organic growth and superior management.

Grow

When further strategic input is unlikely to result in significant value uplift, the investment will be realised to maximise the return profile.

Realise

Our value

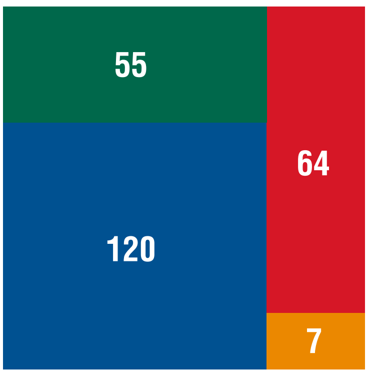
Financial performance for the year ended 31 December 2010

NAV per share
US$0.92 ↑ **36%**

Net profit
US$116m ↑ **86%**

Net funds invested by investment

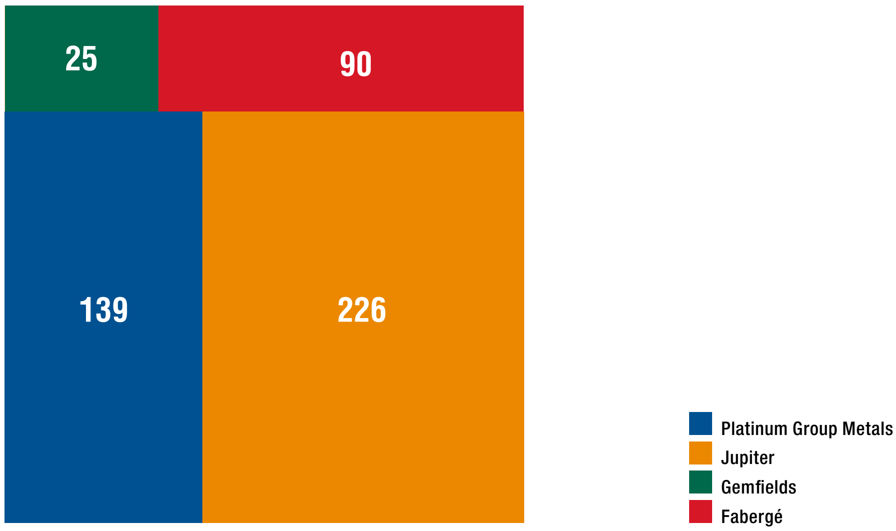
US$246m



NAV per investment

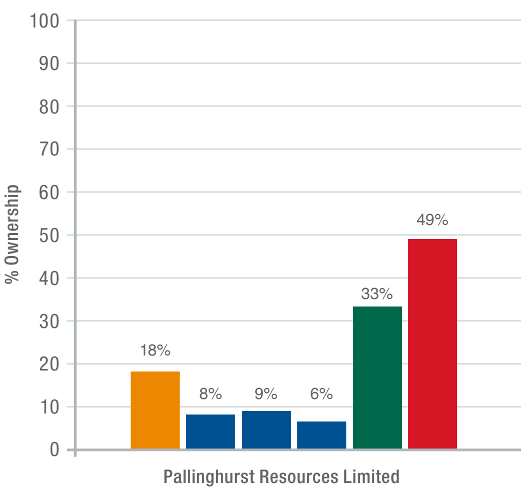
at 31 December 2010

US$480m

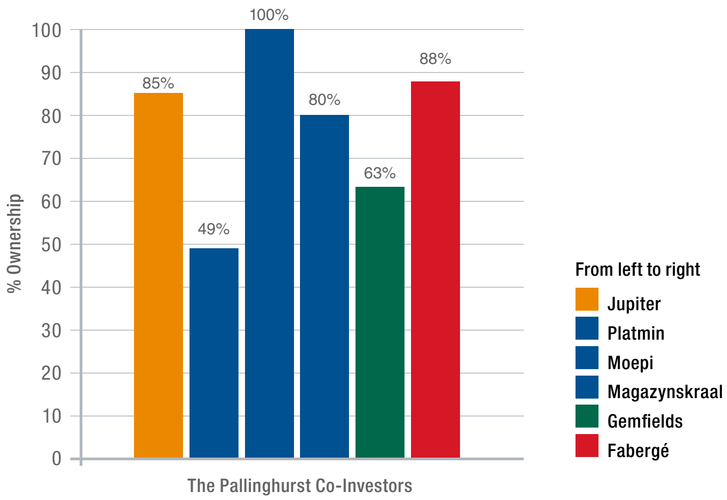


Control of each of the investments

PRL ownership at 31 December 2010



Pallinghurst Co-Investors' aggregate ownership, including PRL at 31 December 2010



Potential new investments

Copper

The copper industry has strong underlying fundamentals and over the past year, Pallinghurst has analysed a number of potential copper investments. Accordingly, Pallinghurst may complete a copper transaction in the future.

Coking Coal

In addition to manganese and iron ore, another key input material used in steel production is coking coal. As part of our Steel Making Materials focus, Pallinghurst is pursuing a strategy which could lead to securing a coking coal investment.

African Iron Ore

Besides its successful investment in Jupiter, Pallinghurst is evaluating additional iron ore investment opportunities. The geographical focus is on the African continent, which is set to contribute an increasing share of the future global supply of iron ore.

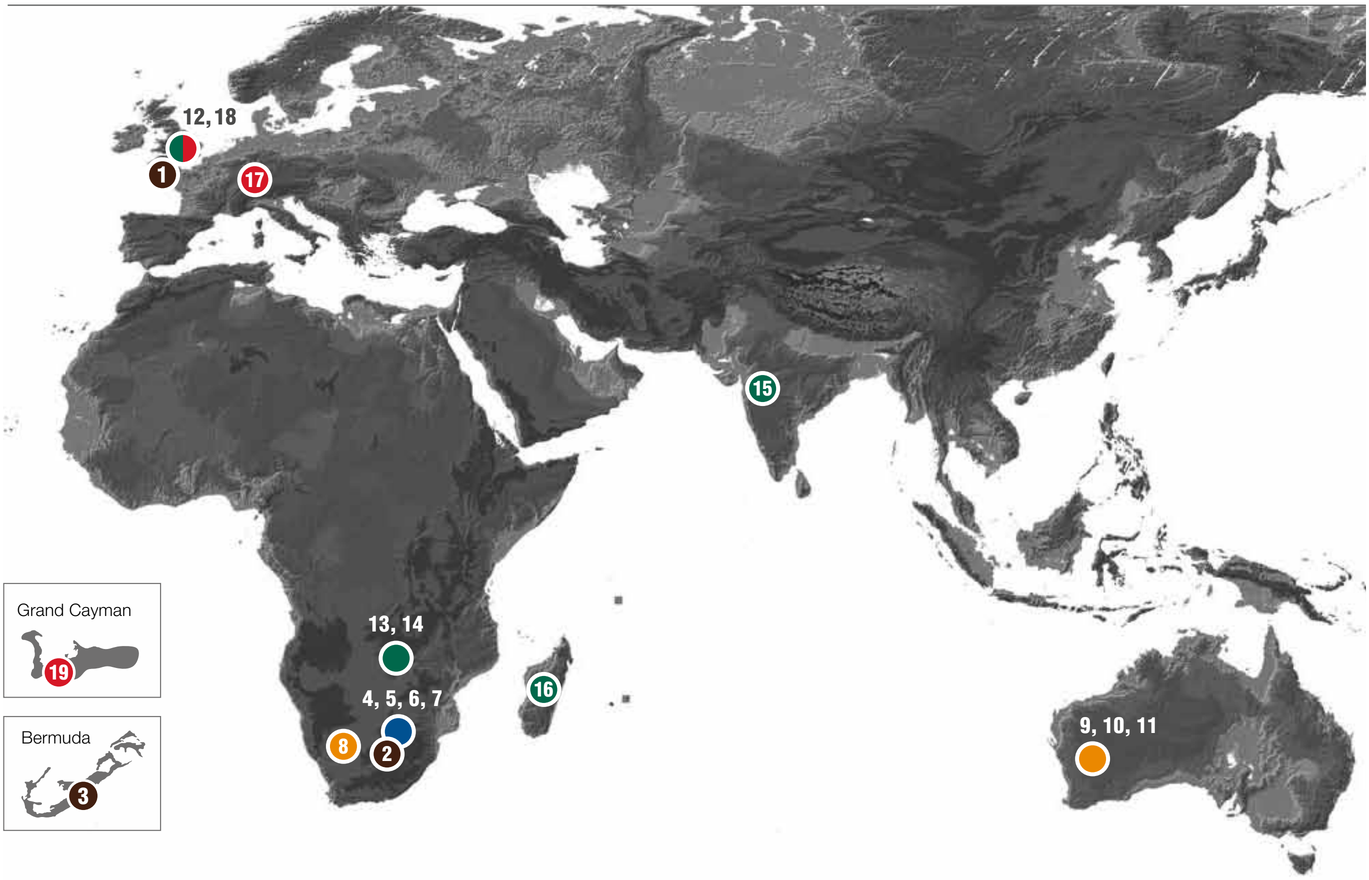
Coloured Gemstones

Gemfields' strategy is to create the world's leading supplier of coloured gemstones. In addition to the current interests, which are predominantly in emeralds, Pallinghurst is looking for further investments that will secure the supply of other coloured gemstones.

Realised investments to date

Transaction	Realised IRR
Consolidated Minerals In 2007, Pallinghurst acquired a position in the ASX-listed Consolidated Minerals. The initial intention was to acquire a controlling interest and use Consolidated Minerals as the vehicle for our Steel Making Materials strategy. However, a competing offer at a significantly higher price was made by a third party, and Pallinghurst decided to sell into this offer and realise a significant profit.	158%
POSCO transaction During June 2009, the Pallinghurst Co-Investors agreed to dispose of a partial interest in Tshipi to POSCO. The rationale was to introduce one of the world's leading steel producers into the Tshipi ownership consortium, in order to benefit from POSCO's technical expertise as well as their knowledge of the manganese end-user market. The sale crystallised a significant profit for the Company.	160%
Tshipi Jupiter transaction In 2010, Pallinghurst supported the acquisition of the Pallinghurst Co-Investors' 49.9% stake in Tshipi by the ASX-listed Jupiter. This transaction created an attractive platform for Steel Making Materials with significant South African manganese and Australian iron ore projects, and crystallised a marked value uplift.	269%

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 Other Boynton projects	Eastern Limb, Bushveld Complex	PGM exploration
STEEL MAKING MATERIALS		
8 Tshipi	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 haematite) exploration
11 Mount Ida	Central Yilgarn, Western Australia	Iron ore (magnetite) exploration
COLOURED GEMSTONES		
12 Gemfields plc	London, United Kingdom	AIM listing/registered office
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 Gemfields plc	Madagascar	Gemstone exploration
FABERGÉ		
17 Fabergé	Geneva, Switzerland	Boutique
18 Fabergé	London, United Kingdom	Offices/boutique
19 Fabergé	Grand Cayman, Cayman Islands	Registered office

Chairman's statement



The Company performed well during the year with investment valuations increasing by almost US$200 million. Jupiter contributed a substantial portion of the gains, both as a result of the transformational acquisition of the Tshipi manganese asset and strong share price performance.

Gemfields also performed well thanks to a series of record breaking auctions and robust production performance. Fabergé built on its successful international launch in the prior year, unveiling a second high jewellery collection.

Following the year end, a series of transactions have been concluded to provide the platform for consolidation of the Platinum Group Metals investments. This is an important step in the creation of value for the single largest investment undertaken by the Company.

Since the inception of the Company, the Investment Manager has sought to identify and acquire what I call "unloved assets in attractive industries" and/or "attractive assets in unloved industries". With the right care and attention, significant inherent value can be released from such overlooked assets. Jupiter is one such example: prior to Pallinghurst's involvement Jupiter owned a variety of exploration assets and had a market capitalisation of less than US$30 million. Following our initial investment, Jupiter focused on building a Steel Making Materials company. Non-core assets were sold and the iron ore and manganese portfolio strengthened, leading to a market capitalisation that recently reached US$1 billion. Although Jupiter's transformation took place over a relatively short period, patience is usually required when revitalising "unloved" investments.

Although a significant portion of the portfolio is listed, our unquoted investments made up about one-third of NAV at the year end. We continue to take a prudent approach in valuing these unlisted investments, as demonstrated by the significant re-rating to Tshipi's valuation when it was acquired by the listed Jupiter. We hope that similar re-ratings might be achieved when our unquoted investments are either brought to a listing or divested.

Our investments are well placed to benefit as markets strengthen and as developing economies such as China and India continue to grow. Each member of the investment team is 100% committed to realising the value inherent in each asset, and I remain confident that each investment platform has the potential to be a company maker.

I conclude with thanks to my fellow Board members for their dedication to our shared vision and to our shareholders for their support.

Brian Gilbertson
Chairman

Chief Executive's statement



It is always a pleasure to deliver positive results, and the performance of your Company in 2010 is good news. The US$116 million Net Profit and the 36% increase in Net Asset Value are tangible evidence of strong value creation and provide support for Pallinghurst's vision and strategy.

Whilst all four of our investment platforms developed well during the year, 2010 was the year of the Steel Making Materials platform, with a total valuation increase in excess of US$183 million. In addition, Gemfields' share price tripled and much progress was made in our Fabergé and Platinum Group Metals ("PGM") platforms.

This positive momentum has continued to 2011 with a number of major developments announced, in particular the transformational Platmin/Sedibelo West consolidation and the go ahead for our world class manganese mine at Tshipi.

Operational Highlights

PGMs

During 2010, Platmin produced some 60,000 4E PGM ounces, which is more than double the prior year's production, reflecting the continued build-up of our production profile. In addition, Platmin successfully raised US$340 million in equity to fund the completion of the build-up phase at PPM as well as its participation in the regional consolidation. The Magazynskraal drilling programme for its feasibility study was completed as scheduled during 2010. To add scale and in order to capture the significant synergy potential, revisions were made to the scope of the feasibility study to allow for the potential inclusion of Sedibelo East in the analysis.

A major event post year end was the announcement of a set of transactions in March 2011 which will facilitate the consolidation of our three contiguous properties of PPM, Sedibelo and Magazynskraal. As a first step of the consolidation, Platmin will acquire the area of the Sedibelo property known as Sedibelo West, with an incremental six million 4E PGM in situ ounces, for US$75 million. The funding for this acquisition will come from the recent conversion of Platmin's US$135 million convertible notes (which have been converted in full).

As part of the consolidation of our PGM interests, the Pallinghurst Co-Investors have agreed to both acquire a 49.9% interest in the company which owns the balance of the Sedibelo property, as well as to increase our aggregate interest in Magazynskraal to 40% (an additional 6.6%). The Pallinghurst Co-Investors, Platmin and the Bakgatla also jointly acquired strategically important infrastructure assets, including water and electricity rights, necessary for the operation of the consolidated properties. These initiatives are significant steps towards the realisation of our "African Queen Vision".

Steel Making Materials

During the year, the Company's two Steel Making Materials investments were amalgamated with the acquisition by Jupiter of the Pallinghurst Co-Investors' 49.9% interest in Tshipi. This transformational acquisition and the improved environment for Steel Making raw materials contributed to Jupiter's strong share price performance, which increased more than threefold during the year.

Following the year end, Jupiter successfully concluded an AUD150 million capital raising, and announced the go ahead for the construction of a world class manganese mine at Tshipi Borwa. Jupiter also announced an initial inferred resource of 530 million tonnes of magnetite iron ore (31.9% Fe) at Mount Ida. A scoping study was also completed at Mount Ida based on 25 million tonnes per annum of ore to produce ten million tonnes per annum of magnetite concentrate. The average cost per tonne of concentrate is estimated to be AUD63, with an iron grade in excess of 68%, and low levels of impurities. Total capital expenditure is estimated at AUD1.6 billion, corresponding to an NPV of AUD1.7 billion and an IRR of 20%.

"The Pallinghurst management team is singularly focused on increasing the value of our investments"

Gemfields

Gemfields has had much success with its pioneering auction system, holding its first lower grade emerald auction under Pallinghurst's ownership in March 2010, achieving total revenues of US$7.2 million. Later in the year, two higher grade emerald auctions were held, both setting revenue and per carat records, with December's auction in Johannesburg achieving US$19.6 million in total revenue. A further lower grade auction was held following the year end, realising US$9.9 million, with relative per carat price increases of 148%. Production has significantly increased, with 18.7 million carats produced in the six months to 31 December 2010, which exceeds the prior year's entire production. Gemfields is also benefitting from its cost containment measures, announcing its first ever profit of US$2.6 million for the year to 30 June 2010, and an interim profit of US$15.5 million for the six months to 31 December 2010.

During the year, an exceptional 6,225-carat emerald was discovered at Kagem. A number of other initiatives are underway at Gemfields, such as the improving performance of Kariba, the world's largest amethyst mine (of which Gemfields owns 50%), and the pioneering underground mining at Kagem. In addition, Gemfields has engaged in a number of successful marketing initiatives, which have increased its profile and the global awareness of Zambian emeralds generally. At the end of the year, Gemfields held US$15.6 million in cash, while Kagem had repaid all its loans and is now debt free. I believe Gemfields has significant upside potential given the success of the auctions, the positive production indicators and improved environment for coloured stones generally.

Fabergé

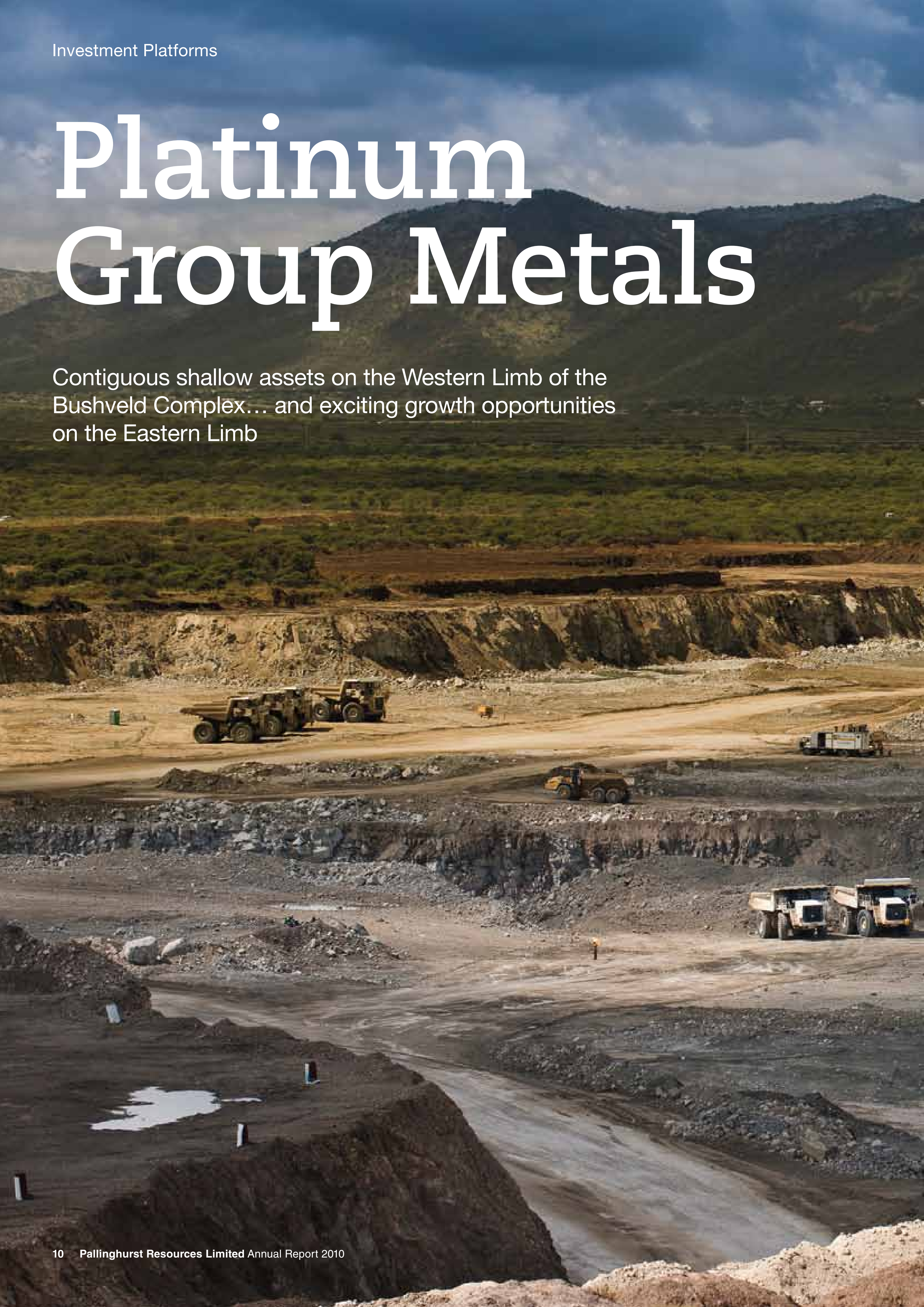
Fabergé undertook a series of focused client events across Europe and Asia, with notable "exclusive viewings" at St. Moritz and Gstaad in Switzerland, and at the prestigious Hong Kong Club. Fabergé is expanding its client base through diversification of the product portfolio, whilst maintaining the highest standards of design, craftsmanship and materials. To coincide with London's Russian Week in December 2010, Fabergé launched the all-white-diamond *Carnet de Bal* collection, only its second high jewellery collection since 1917, with pieces priced at up to US$1 million. In addition, Fabergé finalised the termination of the licensing agreement held by Franklin Mint of the United States since 1986. Only one licence now remains of those inherited from Unilever. The termination of the prior licensing agreements gives increased control over the brand, ensuring that the supply of Fabergé products and services remains world class.

Outlook for the Company

To reiterate, 2010 has been a good year for the Company as our vision and strategies are starting to crystallise the embedded value of our four investment platforms. Whilst our Company continues to trade at a significant discount to NAV, I expect both the NAV to increase and the discount to narrow as we deliver the value inherent in each investment platform by moving them up their respective value-curves.

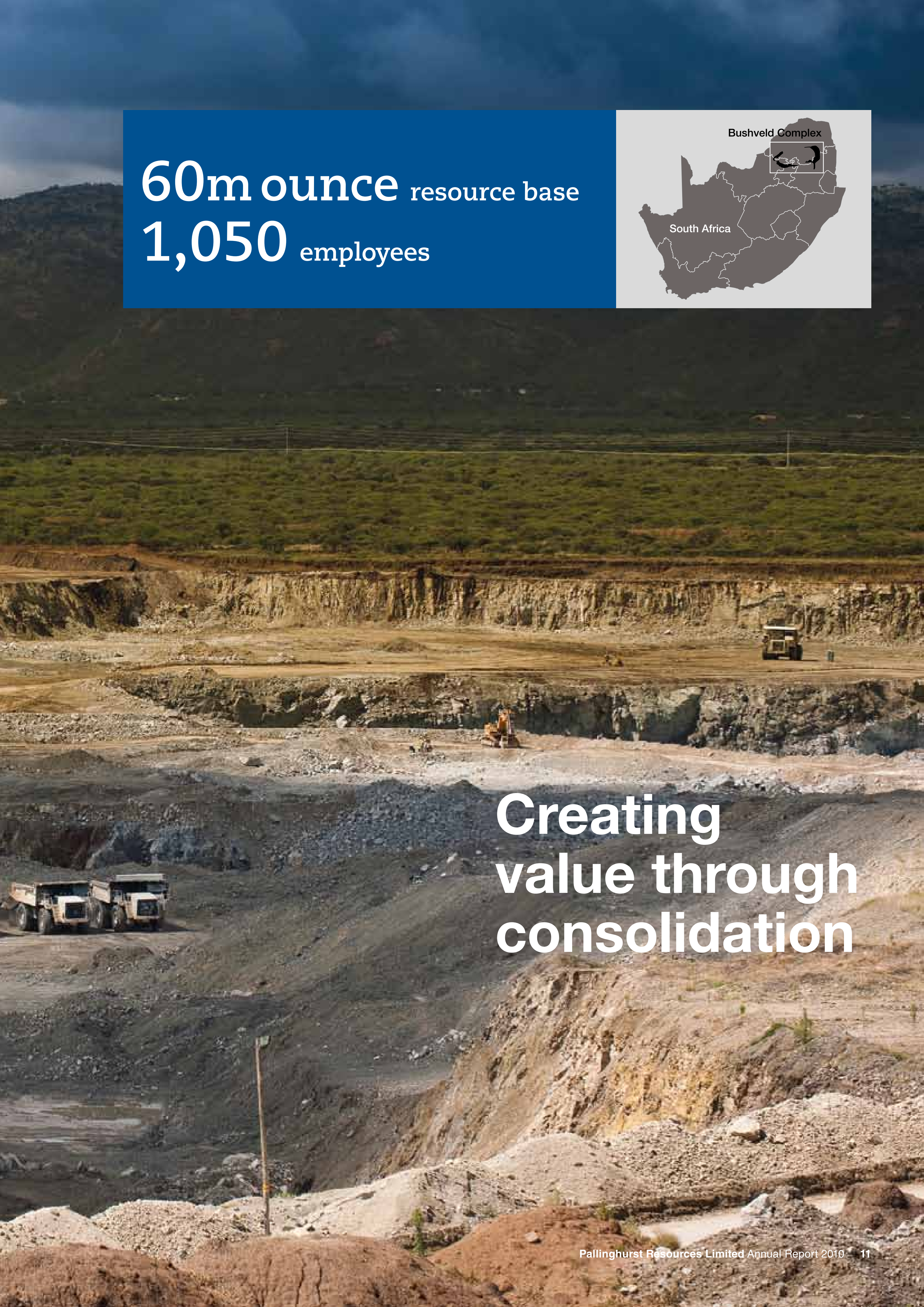
With that as the backdrop, I remain confident that the outlook for the Company is very healthy and we will continue to focus on aggressively increasing NAV. To this end, I remain of the view that there continues to be significant upside as each strategy is progressed through to completion.

Arne H. Frandsen
Chief Executive



Platinum Group Metals

Contiguous shallow assets on the Western Limb of the Bushveld Complex… and exciting growth opportunities on the Eastern Limb



60m ounce resource base

1,050 employees

Creating value through consolidation

Platinum Group Metals

Highlights

- Over 100% increase in Platmin's 4E PGM production during 2010.
- Agreement to proceed with the consolidation.

Background to PGM Strategy

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 continuing supply pressures and high barriers to entry, make the outlook for the PGM industry very attractive.

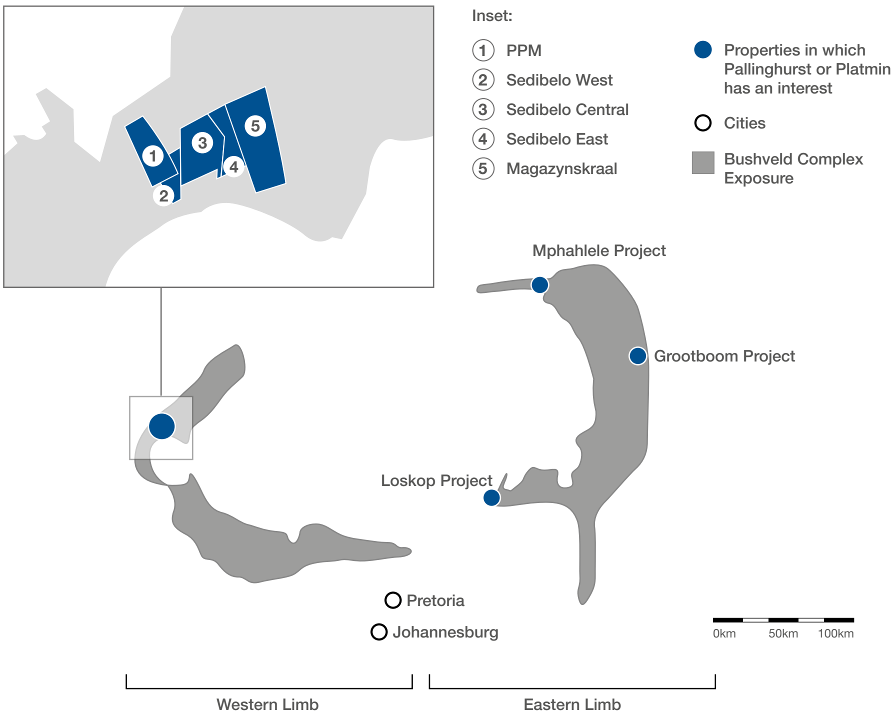
The African Queen Vision is to build a portfolio of PGM investments, through acquisition and consolidation, into a single, low cost PGM producer of industry significance.

Investment History

The Company's first PGM investment was the acquisition by the Pallinghurst Co-Investors, including our Black Economic Empowerment ("BEE") partner, the Bakgatla Ba Kgafela Tribe ("Bakgatla"), of an indirect interest in Boynton Investments (the 72.4% subsidiary of Platmin and holding company of the Pilanesberg Platinum Mine ("PPM") and growth prospects Mphahlele, Grootboom and Loskop on the Eastern Limb of the Bushveld Complex) in August 2008.

In December 2008, the Company and the Pallinghurst Co-Investors, including the Bagkatla, agreed to provide US$175 million in equity funding in exchange for 69.8% of Platmin's increased share capital. Brian Gilbertson and Arne H. Frandsen were immediately appointed as directors of Platmin. Since October 2009, Mr Gilbertson has been the non-executive chairman of Platmin.

PGM properties in the Bushveld Complex



Also in December 2008, the DMR approved the acquisition by the Company and certain Pallinghurst Co-Investors of an interest in Magazynskraal, a property in close proximity to PPM, with an estimated 23 million ounces of inferred PGM resources.

As part of the Magazynskraal transaction, the Company and the Pallinghurst Co-Investors secured the right to acquire 49.9% of the Bakgatla's interest in Sedibelo, a property which lies between Magazynskraal and the eastern boundary of the PPM open-cast pit, with an estimated 20 million ounces of inferred PGM resources. In March 2011, a series of transactions were announced that will provide the platform for the consolidation of the three contiguous properties of PPM, Sedibelo and Magazynskraal.

The Consolidation

The set of transactions providing for the consolidation include loan funding by the Pallinghurst Co-Investors to the Bakgatla to acquire Barrick Platinum South Africa (Pty) Limited's ("BPSA") 10% interest in Sedibelo. The loan funding extends also to the Bakgatla's participation in a new vehicle along with Platmin, and the Pallinghurst Co-Investors, to acquire certain of BPSA's long-lead infrastructure items, including certain strategic water and electricity rights necessary for the operation of the consolidation properties. As part of the consolidation, Platmin will acquire the area of the Sedibelo property known as Sedibelo West for US$75 million, increasing Platmin's resources by almost six million 4E PGM (platinum, palladium, rhodium and gold) *in situ* ounces, extending the life of mine by over ten years and providing operational flexibility. The funding for this acquisition will come from the recent conversion of Platmin's US$135 million convertible notes ("CNs"), which have been converted in full. Furthermore, the Pallinghurst Co-Investors have agreed to increase their aggregate interest in Magazynskraal to 40% (an additional 6.6%) and acquire a 49.9% interest in the balance of the Sedibelo property and certain rights and obligations in respect of the consolidation.

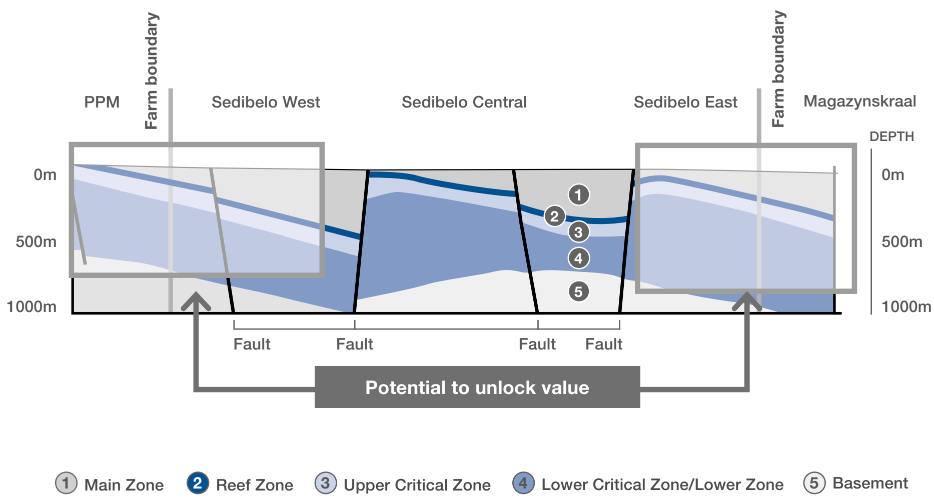
These transactions represent an important development in the African Queen Vision, and provide the platform for the planned consolidation of the last known shallow PGM resource on the Western Limb of the Bushveld Complex, with the potential for significant synergies.

The consolidation will cross the arbitrary fence boundaries between PPM, Sedibelo and Magazynskraal and allow the resource to be optimally mined.

Other Key Developments

In March 2010, the Company extended a US$26 million short term loan facility to Platmin, which was repaid following the year

Cross Section of PPM, Sedibelo and Magazynskraal



Platinum Group Metals

end. The loan facility was completed on arm's length commercial terms, generating fees and interest of approximately US$3 million.

In May 2010, Platmin completed a US$385 million capital raising to fund the completion of the build-up phase of mining operations at PPM and to participate in a consolidating industry. New equity worth US$250 million was issued at US$1.215 per share, as well as CNs with a face value of US$135 million. APG, the Dutch pension fund manager, and Temasek, the Asia investment company headquartered in Singapore (through its indirect subsidiary Ridgewood Investments (Mauritius) Pte Ltd), invested a combined US$200 million in the capital raising. The Company also participated in both the equity capital raising and the CN issue, resulting in an effective equity interest of 8.8%.

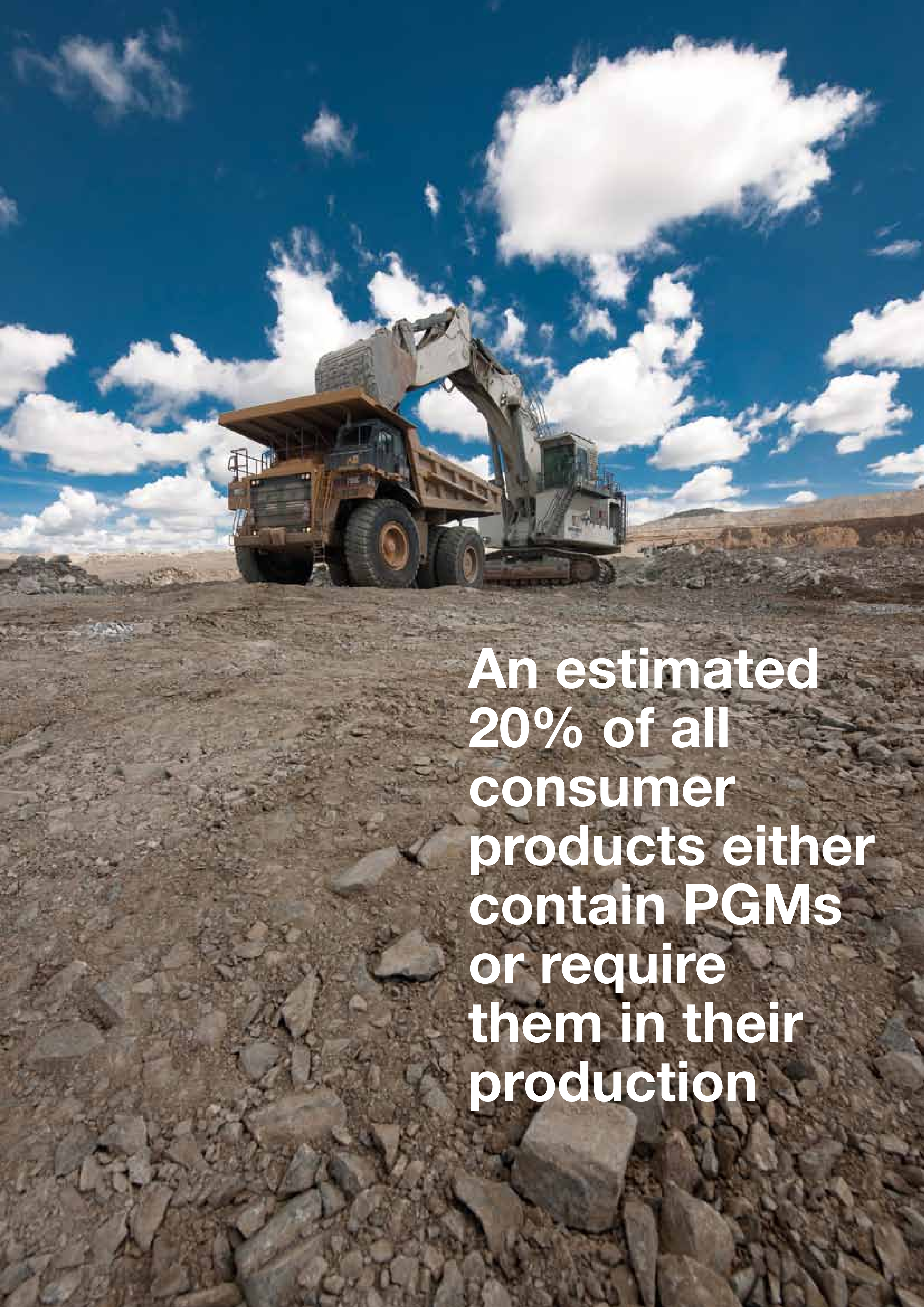
On 30 November 2010, Platmin announced the placement of 98,901,099 new common shares, raising US$90 million, and diluting the Company's effective interest in Platmin to 7.6%. On 23 March 2011, all CNs were converted at a reduced conversion price of US$0.84 per share, resulting in a slight dilution of the Company's effective interest in Platmin to 7.5%.

Due to a variety of technical challenges, including lower than expected recoveries from the weathered and oxidised surface ore, the production build-up at PPM has been slower than originally planned. However, in the twelve months to 31 December 2010, PPM produced in excess of 60,000 4E PGMs ounces, more than double the prior year's production. With effect from 1 January 2011, Platmin declared commercial production at PPM.

The drilling programme on the Magazynskraal property was completed during the year, with 108 boreholes drilled, representing a total of 71,500 metres. Of the holes drilled, 82% intersected UG2 reef, while 85% intersected Merensky reef. It is intended that the drilling contractor will continue with infill drilling during 2011 as part of the definitive feasibility study. In anticipation of the consolidation, the combination of Magazynskraal with the eastern area of the Sedibelo property known as Sedibelo East, is being evaluated with the Bakgatla and Anglo Platinum Limited.

Outlook

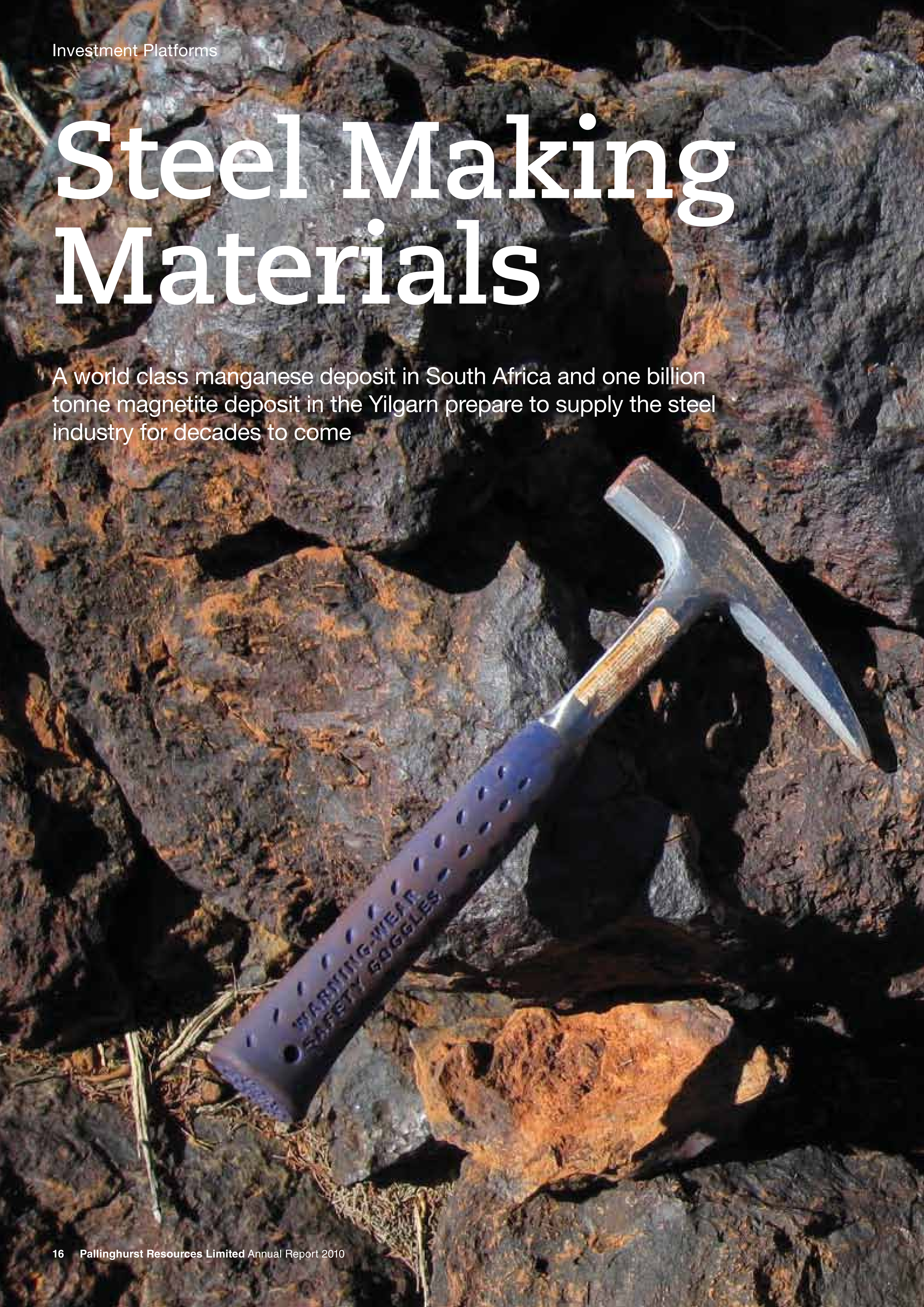
Metal prices performed strongly during the year, with palladium being the best performing commodity, closing at US$802 per ounce, almost double its opening price of US$408 per ounce. We expect demand for PGMs to strengthen steadily based on environmental considerations, world economic growth and technological developments. In addition, escalating cash costs and missed production targets continue to affect many companies in the PGM industry. Accordingly, the Company's PGM investments are well placed to benefit from an improved environment as Platmin continues its build-up to full production capacity and as the consolidation is implemented.

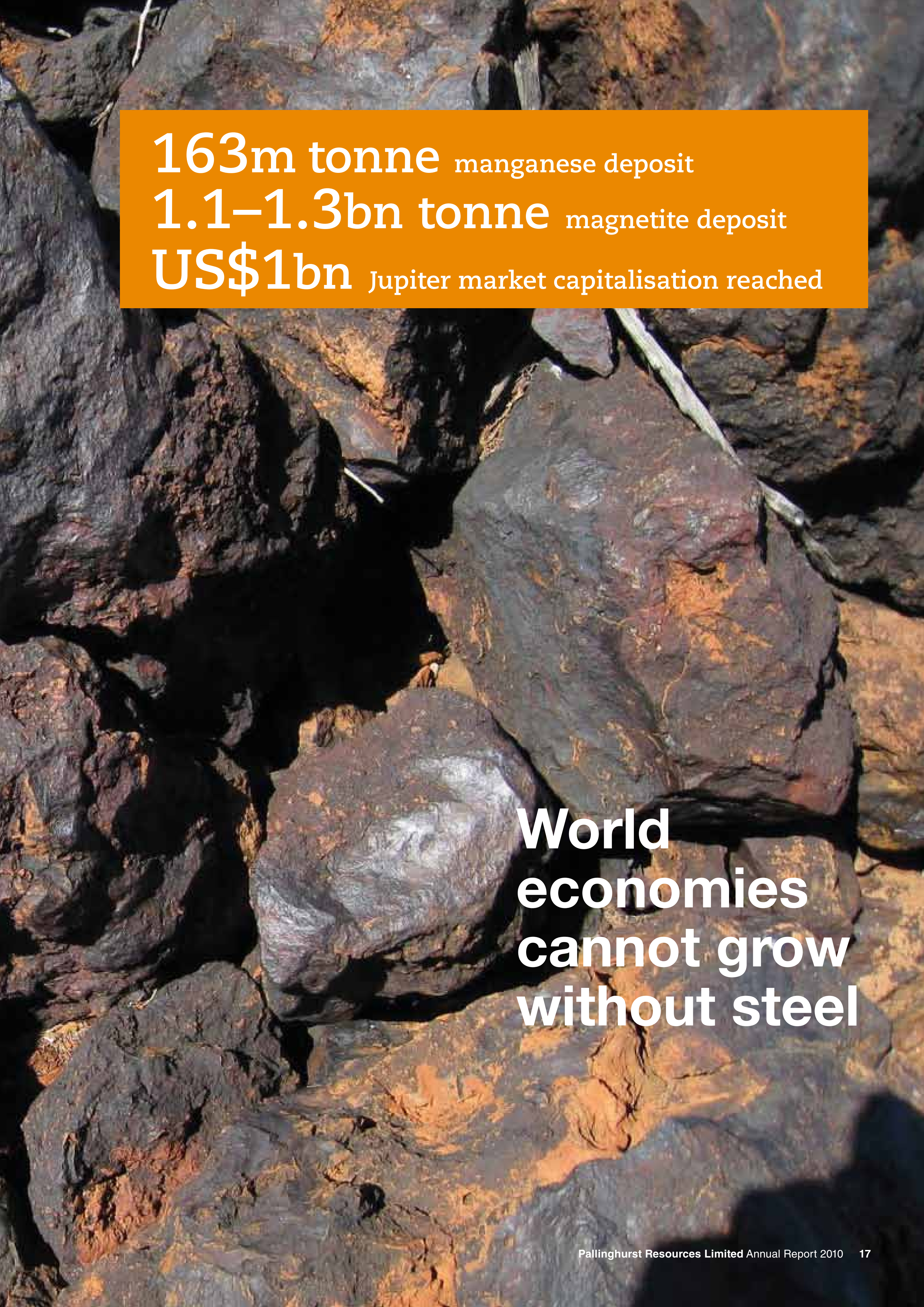


An estimated 20% of all consumer products either contain PGMs or require them in their production

Steel Making Materials

A world class manganese deposit in South Africa and one billion tonne magnetite deposit in the Yilgarn prepare to supply the steel industry for decades to come





163m tonne manganese deposit
1.1–1.3bn tonne magnetite deposit
US$1bn Jupiter market capitalisation reached

World economies cannot grow without steel

Steel Making Materials

Highlights

- Transformational Tshipi Jupiter transaction completed.
- Funding secured for Tshipi Borwa construction and Mount Ida feasibility study.
- Approval given to construct manganese mine at Tshipi Borwa.

Background to Steel Making Materials Strategy

The world has entered a remarkable stage of growth and development, in particular in countries such as China that has sustained an average GDP growth rate of over 10% per annum since 2000. Developing countries require significant amounts of steel in order to build infrastructure, which is essential to maintaining high growth rates. Global steel production has accordingly increased from 847 million tonnes in 2000, to 1.4 billion tonnes during 2010. Forecast demand for steel resulting from growth in the emerging markets, and sustained demand from the established countries should support demand for the input raw materials. The 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

The Company's first Steel Making Materials investment, together with the Pallinghurst Co-Investors, was the acquisition of a stake in the Australian manganese, chrome and nickel producer, Consolidated Minerals Limited ("Consolidated Minerals"). In the face of competing bidders, that stake was divested in the same year, realising a profit of US$6.2 million at an IRR in excess of 150%.

During 2008, the Investment Manager, for and on behalf of the Company and the Pallinghurst Co-Investors, formed Tshipi é Ntle Manganese Mining (Pty) Limited ("Tshipi"), a joint venture vehicle owned 50.1% by Ntsimbintle Mining (Pty) Limited ("Ntsimbintle"), a broad based BEE consortium consisting of the Saki Macozoma led Safika Resources, Nkojane Economic Prospecting and certain national and local economic development and community organisations and social trusts. Tshipi holds exploration rights to a manganese prospect in the north of the Kalahari Manganese Field in South Africa ("KMF"), named Tshipi Bokone ("Bokone" meaning North in the local languages, Setswana and Sesotho). However, its key asset is a new order mining right over a manganese prospect located in the south of the KMF, named Tshipi Borwa ("Borwa" meaning South in Setswana and Sesotho).

In 2008, the Company invested in Jupiter Mines Limited ("Jupiter"), an Australian Stock Exchange ("ASX") listed iron ore exploration company with its key prospects located in the Central Yilgarn region of Western Australia. Further investments have been made by the Company into both Tshipi and Jupiter, and during 2010, Jupiter acquired the Pallinghurst Co-Investors' 49.9% stake in Tshipi, resulting in the Company's ownership of 18.2% of the enlarged Jupiter at the year end, and the Pallinghurst Co-Investors, in aggregate, controlling 85.4%.



Description of Assets

Tshipi é Ntle, which means "beautiful steel" in the Setswana language, has its properties in the KMF, which contains approximately 80% of the world's known economic manganese resources and is a major contributor to global manganese ore production. The KMF spans approximately 400 km^2 and contains an estimated twenty billion tonnes of resources at grades of between 20% – 48% manganese. The KMF's size and geological simplicity render it the most important manganese resource in the world.

The Tshipi Borwa project is located on the southwestern outer rim of the KMF, adjacent to Samancor's Mamatwan manganese mine which has been in operation since 1973. It has a manganese resource, which can be mined by open pit methods, of 163 million tonnes, at a grade of 37.1%. The manganese ore starts at a depth of approximately 70 metres, and dips gradually to the northwest at approximately five degrees.

The Tshipi Bokone project is located in the north of the KMF, in close proximity to Samancor's Wessels underground manganese mine, which processes high grade manganese ore. Drilling has commenced at Tshipi Bokone to evaluate a geological anomaly, which studies indicate is likely to contain high grade manganese similar to that found at Wessels.

Jupiter's key iron ore assets are located in the Central Yilgarn region of Western Australia. The Mount Ida prospect has inferred resources of 530 million tonnes of magnetite (31.9% Fe) from approximately 30% of the strike length, supporting an expectation of 1.1–1.3 billion tonnes across the entire prospect. The nearby Mount Mason prospect has inferred resources of 5.75 million tonnes of high grade haematite (59.9% Fe).

Jupiter's Corporate Activity

On 1 March 2010, Jupiter announced the acquisition of the Pallinghurst Co-Investors' collective 49.9% equity and loan interests in Tshipi, in exchange for the issue of 1.2 billion new shares at a price of AUD0.211 per share, valuing the 49.9% stake at AUD245 million. As part of the transaction, the Company and certain Pallinghurst Co-Investors agreed to subscribe for AUD5 million of new Jupiter shares, also at AUD0.211 per share. The transaction was approved by Jupiter shareholders at an Extraordinary General Meeting ("EGM") on 12 August 2010, and completed on 29 October 2010, thus consolidating the Company's two Steel Making Materials investments.

On 31 January 2011, Jupiter announced an AUD150 million capital raising at AUD0.70 per share. AUD98.5 million was placed immediately with third party blue chip institutional investors. The balance of AUD50 million was placed with the Pallinghurst Co-Investors and AUD1.5 million with Priyank Thapliyal, a Jupiter director and Partner of the Investment Manager, following the approval of Jupiter shareholders at an EGM held on 6 April 2011. The Company invested in the capital raising, but its effective interest was diluted to 16.5% due to the large participation by third parties. Following the capital raising, the Pallinghurst Co-Investors, in aggregate, control 79.3% of the fully diluted share capital of Jupiter.

Tshipi Borwa Project

Following the announcement of the AUD150 million capital raising, Jupiter announced that construction of an open pit manganese mine at Tshipi Borwa had been approved by Tshipi's Board. Development is underway, with production due to commence during the third quarter of 2012. The project is fully funded, with Jupiter's 49.9% share estimated to be AUD100 million.

The mining operation will provide permanent employment for approximately 400 people, creating benefits in South Africa's most impoverished province.

Mining of the Tshipi Borwa deposit is expected to be relatively straightforward. The various layers of Kalahari sand and Kalahari formation will be pre-stripped, thereby exposing the

Steel Making Materials

banded iron and manganese layers below, which are part of the Hotazel formation. 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.

Tshipi plans to process saleable product from only the lower fifteen metres of the mineralised zone ("Bottom Cut"), given its high 37.1% average grade. However, the top fifteen metres of mineralisation contains a further 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 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 will not incur any significant increase in cost, but will result in a direct reduction in the stripping ratio and a reduction of the fixed costs per tonne of ore mined.

Tshipi Borwa is situated in close proximity to the South African national railway network that is operated and managed by Transnet. Therefore, a rail siding, together with a rapid load out station, will be constructed to rapidly load ore on to the rail.

Tshipi has pre-qualified for Transnet's Manganese Export Capacity Allocation process for possible entitlement of rail capacity to Port Elizabeth. Furthermore, Tshipi expects to export manganese via rail to the port of Durban, which is increasingly playing a greater role in manganese exports. Where necessary, Tshipi will also truck its ore by road.

Central Yilgarn Iron Ore Assets

Following the announcement of the inferred resource of 530 million tonnes of magnetite iron ore (31.9% Fe) at Mount Ida, Jupiter proceeded with a scoping study. The study was based on mining 25 million tonnes of ore per annum to produce ten million tonnes per annum of magnetite concentrate. The average cost per tonne of concentrate is estimated to be AUD63, with an iron grade in excess of 68% and low levels of impurities. The total capital expenditure for the establishment of such an operation is estimated at AUD1.6 billion, corresponding to an NPV of AUD1.7 billion and an IRR of 20%. Energy for the mine will be generated by a purpose built plant utilising gas from the Goldfields Gas Transmission Pipeline. The map on the adjacent page sets out the envisaged surface infrastructure.

A 120,000 metre drilling programme at Mount Ida and Mount Mason is planned as part of a feasibility study and is expected to



result in an increase in the resource base. The economic viability of establishing an initial Direct Shipping Ore ("DSO")/haematite mine prior to a magnetite operation has also been evaluated.

Oakover Manganese

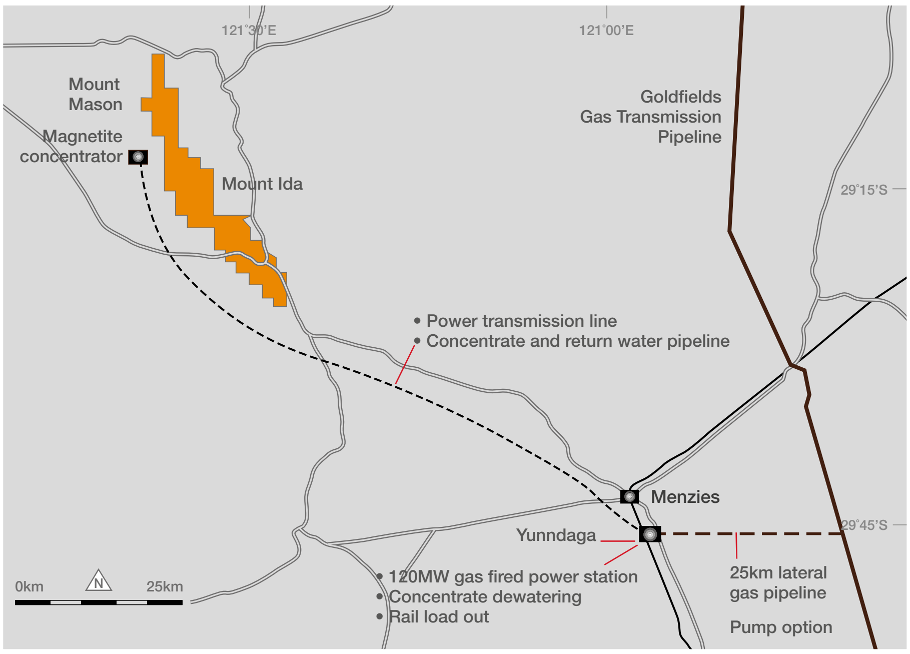
Jupiter is conducting manganese exploration at its wholly owned Oakover tenements in the Pilbara region of Western Australia. The results of the first pass reverse circulation drilling programme at Oakover returned results of up to 49.6% manganese at shallow depth, and confirmed the presence of host rocks similar to that of Consolidated Minerals' high grade Woodie Woodie manganese mine. A follow-up reverse circulation drilling programme was conducted, where high grade manganese intercepts were returned with assay results of up to 40.7% manganese encountered at shallow depths. Initial metallurgical test work will be undertaken on the intercepts, and there are plans to commence an infill drilling programme.

In addition, an exploration licence applied for during 2010 was granted, increasing Jupiter's ground position to 890 km^2.

Outlook

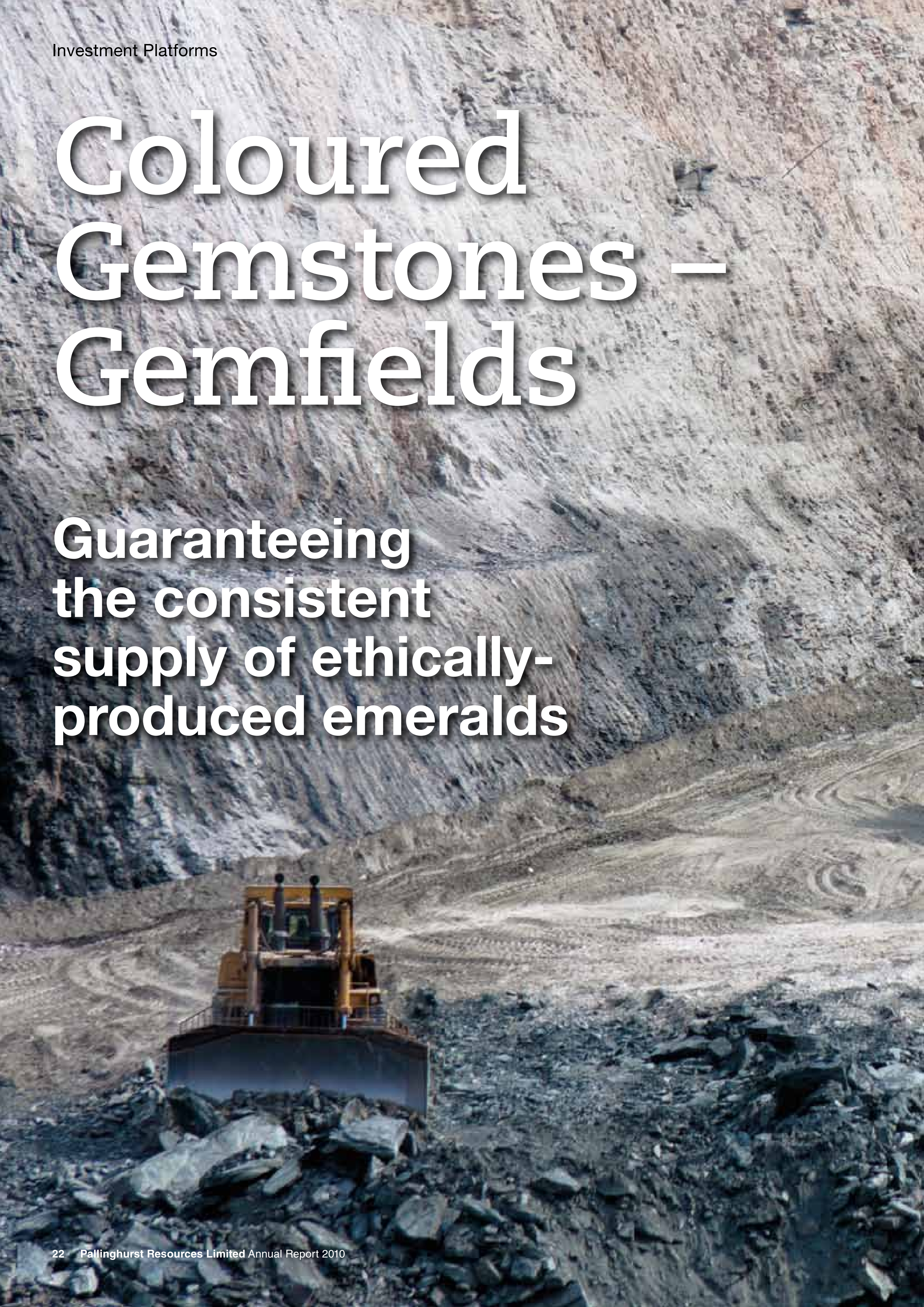
Demand for steel in the emerging nations, particularly in China (which now accounts for almost half of global steel consumption) and India (expected to become the world's second largest steel manufacturer by 2016), remains strong. The Company's Steel Making Materials investments are well positioned to benefit from this growing demand for steel (and therefore input raw materials) in an improving economic environment.

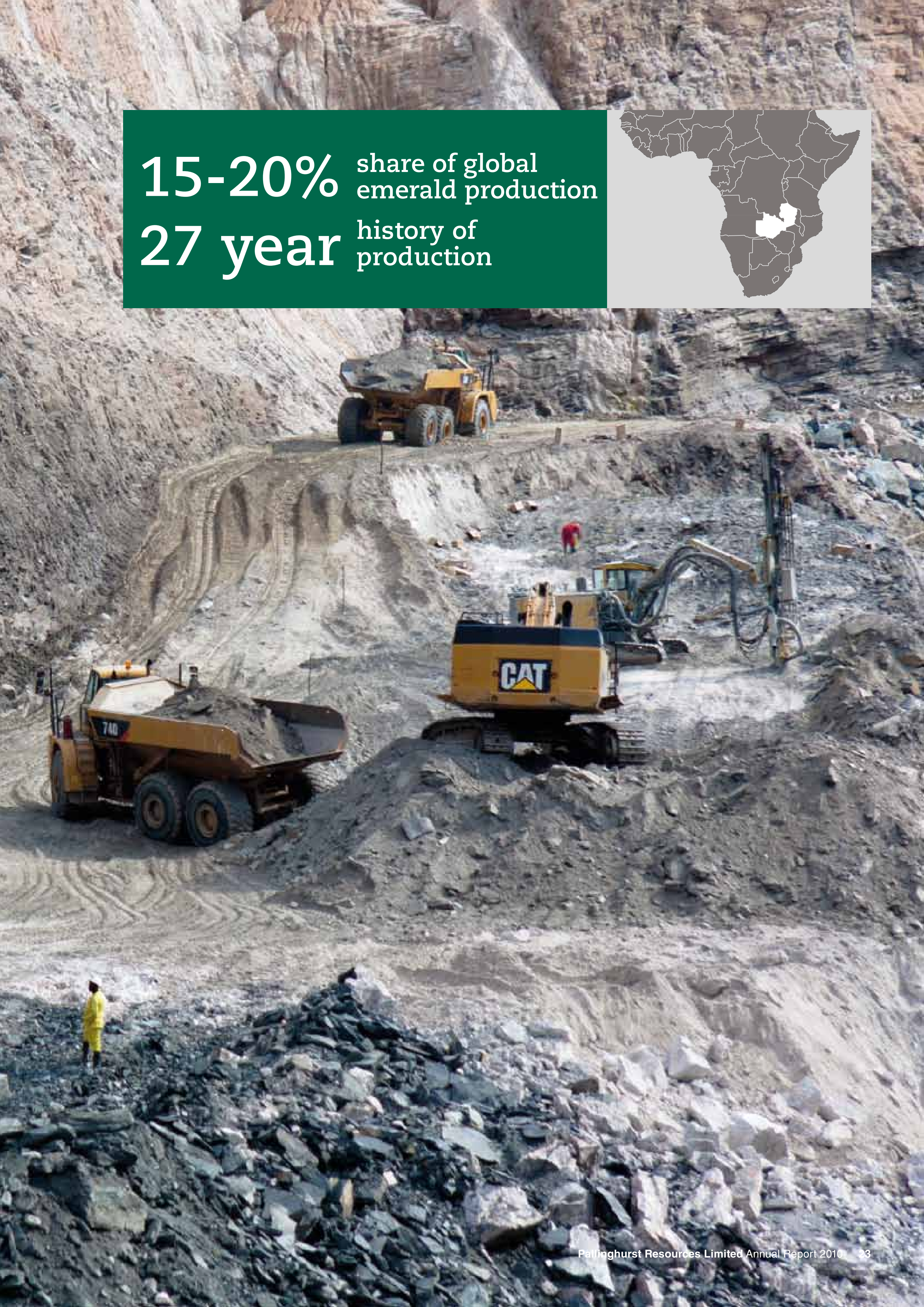
Jupiter's iron ore properties in the Central Yilgarn



Coloured Gemstones – Gemfields

Guaranteeing the consistent supply of ethically-produced emeralds





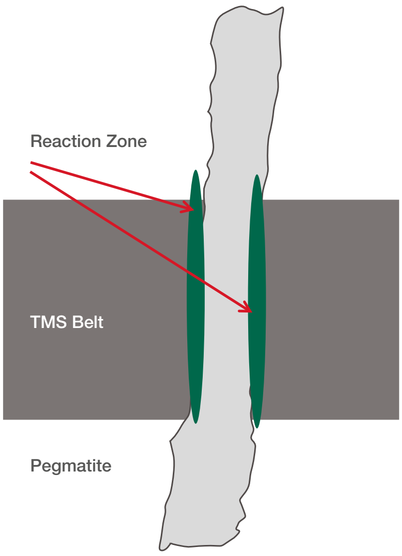
15-20% share of global emerald production

27 year history of production

Gemfields

Operational Highlights

- US$34 million of auction revenues during 2010.
- Over 100% increase in price per carat.



Emerald bearing ore: Simplified Reaction Zone

Background to Strategy

The coloured gemstone industry has historically been overlooked, fragmented and undercapitalised. It is characterised by the absence of large, reliable suppliers able to consistently deliver meaningful quantities of gemstones in a professional and transparent manner. Notwithstanding this, the utilisation of coloured gemstones in the jewellery and fashion sectors has increased substantially during the last decade.

Gemfields' strategy is to create the leading coloured gemstone producer, pursuing consolidation and vertical integration on an international scale. With an initial focus on the emerald sector, Gemfields is working to put in place coordinated marketing and supply mechanisms akin to those found in the diamond sector.

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

Operating Assets

Gemfields owns 75% of Kagem, the largest emerald mine in the world, and 50% of Kariba, the largest amethyst mine in the world. Kagem, which has been in operation for 27 years, is located in the central part of the Ndola Rural Emerald Restricted Area ("NRERA"), in the "Copperbelt" region of Zambia and encompasses an area of approximately 40 km^2. The nearest town is Kitwe, which lies approximately 45 kilometres to the northeast. Kariba is located in southern Zambia near Livingstone. The Zambian Government owns the remaining stakes in both Kagem and Kariba.

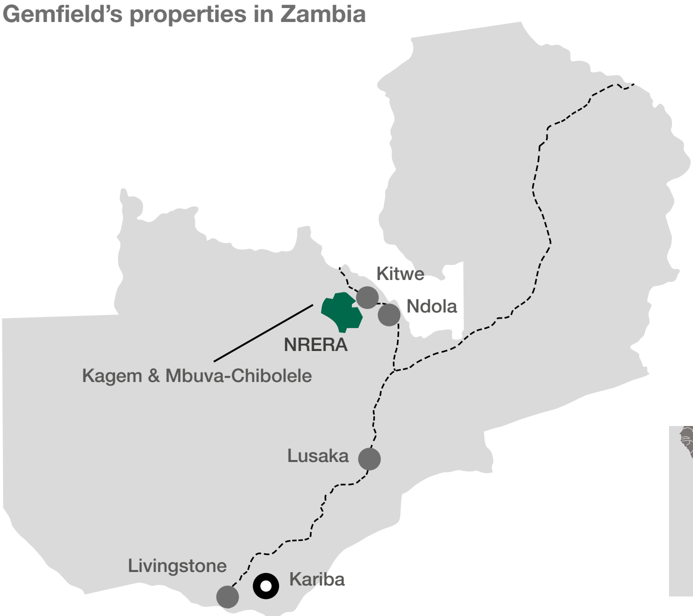
Geology

Emerald bearing ore, known as Reaction Zone, is created when a pegmatite cuts through a layer or belt of talc magnetite-schist ("TMS"). Due to a complex reaction taking place at high pressure and temperature, the pegmatite and the TMS react to form a Reaction Zone of varying thickness and quality, giving rise to emerald and beryl crystals. While the TMS belts are typically 10–40 metres thick, pegmatites vary from a few centimetres to tens of metres in thickness.

Structure

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, and other belts, from which emeralds have been recovered historically, remain future targets.

Gemfield's properties in Zambia



Gemfields also owns 100% of two other licences on the Fwaya-Fwaya belt, being the Mbuva-Chibolele licence and the Kamakanga licence. Both operations are presently mothballed, but a return to Kamakanga (which has a history of producing exceptional emeralds, albeit geologically complex) is planned in the medium to long term.

Investment History

Kagem Mining Limited ("Kagem") is a Zambian company founded in 1984 as a joint venture between Hagura Mining Ltd ("Hagura") (then 45%) and the Government of Zambia (then 55%). Hagura held management control of Kagem from 1996, and during October 2005, increased its shareholding of Kagem to 75%.

In October 2007, the Company and certain Pallinghurst Co-Investors acquired a controlling interest in Kagem by acquiring Hagura and in June 2008, Kagem was vended into AIM-listed Gemfields via a reverse takeover for approximately 55% of the enlarged group. Following various corporate actions, the Pallinghurst Co-Investors presently own 63.4% of Gemfields, inclusive of the Company's 33.1% stake.

Turnaround at Kagem

Upon taking operational control in November 2007, significant improvements were made to Kagem's infrastructure, such as the purchase of new mining equipment and upgrading the processing plant. By hiring additional personnel and implementing better systems and monitoring and control procedures, security around the mine site and the washing plant was significantly improved. These measures delivered considerable increases in mining capabilities, with gemstone production, since Gemfields took over, consistently double that previously seen.

In an effort to meet the market's need for reliable and consistent supply, Gemfields adopted an initial policy of inventory building. The onset of the global financial crisis in 2008 and its resulting fallout had an adverse effect on the diamond and coloured gemstone markets. Gemfields adapted to this environment by reducing the scale of its mining activities and minimising all non-essential capital, project development and exploration expenditure. Focus was placed on cost minimisation and improving operational efficiencies. Only in the second half of 2009, as coloured gemstone markets showed early signs of recovery, did Gemfields initiate its formal sales programme. Gemfields introduced an improved grading system and primarily sells its emeralds to selected buyers at professionally organised auctions,

Gemfields

with the first two auctions of higher quality rough emeralds during 2009 realising aggregate revenues of US$11.5 million.

Record Auction Results

Gemfields held two higher quality rough emerald auctions during the year ending 31 December 2010, each achieving both record revenues and record per carat prices. The July 2010 auction in London achieved total revenues of US$7.5 million from 0.8 million carats sold, representing an average price of US$9.35 per carat. The December 2010 auction in Johannesburg achieved total revenues of US$19.6 million from 0.75 million carats sold, representing an average price of US$26.20 per carat. Compared with the first auction of higher quality material in July 2009, the December 2010 auction achieved a threefold increase in total revenue and an increase in average per carat prices of nearly six-fold, a significant endorsement of Gemfields' formalised and consistent method of selling coloured gemstones by auction.

Emerald values decline dramatically as quality decreases. Prices for rough emeralds vary widely, from US$500 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. Gemfields held its first lower grade rough emerald and beryl auction (since October 2007) in Jaipur during March 2010, realising total revenues of US$7.2 million from 22.8 million carats sold, representing an average price of US$0.31 per carat. A further lower grade rough emerald and beryl auction was held in Jaipur during March 2011, realising total revenues of US$9.9 million from 13 million carats sold, an average price of US$0.77 per carat, representing a 148% increase compared to the March 2010 auction.

Other Key Developments

In February 2010, Gemfields announced the first production of emerald and beryl from its trial underground mining project. The incline shaft and tunnel system was designed, developed and constructed by the in-house team. 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. If Gemfields' trial underground shaft proves successful, the model could

be rolled out to access further emerald ore bodies across Gemfields' licence areas. Gemfields achieved a development of 135.5 metres and 143,900 carats produced by 31 December 2010.

Kagem's total production of 18.7 million carats for the six months ending 31 December 2010 exceeded the entire production of 17.4 million carats in the prior year ending 30 June 2010. Kagem's unaudited total operating costs for the six months ending 31 December 2010 totalled US$6.6 million, implying an average unit production cost of US$0.36 per carat of emerald and beryl (compared with US$0.73 per carat for the year ending 30 June 2010).

In addition, Gemfields initiated a series of marketing initiatives to promote emeralds generally and Zambian emeralds in particular. This included sponsoring the sixth annual Retail Jeweller India Awards in August 2010, an event previously sponsored by De Beers. Earlier in the year, Gemfields collaborated with UK-based jeweller Sabine Roemer to produce an emerald-themed pair of customised Nelson Mandela "46664" bracelets using emeralds from Kagem. The bracelets were expressly designed for "Invictus" lead actor Morgan Freeman and its producer, Ms Lori McCreary, to wear at the 2010 Oscars. Morgan Freeman's bracelet was auctioned in South Africa during the football World Cup 2010, raising US$137,000 for the 46664 charity. The bracelets generated much publicity, appearing in footage of the red carpet, and featuring on the Jay Leno show in the United States.

In February 2010, Gemfields discovered an exceptionally rare 6,225-carat rough emerald. The emerald has been named "Insofu" (meaning elephant in the local Bemba language) in consideration of its size, and in honour of the World Land Trust's "Wild Lands Elephant Corridor Project", in which Gemfields is a participant. In support of this, and the London Elephant Parade, Gemfields conceived the "Emeralds for Elephants" project, culminating in an auction and gala event on 23 June 2010 in the "Wonder Room" at the Selfridges department store in London. Emerald jewellery, incorporating Gemfields' emeralds, was crafted for the event by eight leading international jewellers: Shaun Leane, Theo Fennell, Dominic Jones, Sevan Bicakci, Alessio Boschi for Autore, Gem Palace of India, Francis Mertens and James Currens. The profits from this high profile event were donated to the World Land Trust.

Outlook

The ongoing successful auctions, combined with the operational improvements and innovations, provide a solid platform from which to pursue future growth as the global economy improves. There continue to be encouraging signs of increasing demand for emeralds from all key markets, with prices expected to remain strong.

Fabergé

First high jewellery collection since 1917 launched during 2009

Second high jewellery collection released during 2010

The pursuit of excellence in creativity, design and craftsmanship

Fabergé

Highlights

- Client focused events across Europe and Asia.
- All-white-diamond *Carnet de Bal* collection released during December 2010.

Background to the Fabergé Strategy

Fabergé is one of the most revered names in history and to this day remains synonymous with artistry and craftsmanship of the highest order. The strategy is to re-establish Fabergé as one of the world's most exclusive and valuable luxury names.

Investment History

In 2007, the Investment Manager facilitated the acquisition by the Company and certain Pallinghurst Co-Investors of the global portfolio of trademarks, licences and associated rights relating to the Fabergé name (which had been owned by Unilever since 1989).

The renaissance of Fabergé took place with a highly successful international launch on 9 September 2009 at which Fabergé's first high jewellery collection since 1917, dubbed *Les Fabuleuses*, was unveiled.

Developments

Following the acquisition, to assist in reawakening the ethos and philosophy of Peter Carl Fabergé and ensure the integrity and authenticity of the new masterpieces, 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 continue Peter Carl Fabergé's relentless pursuit of excellence and cultivated artistry, underpinned by superlative craftsmanship. A team of luxury sector specialists was recruited to implement the Fabergé vision and Paris-based artist-jeweller Frédéric Zaavy was selected to create *Les Fabuleuses* for the September 2009 launch.

The collection comprised 132 unique pieces, ranging in price from US$40,000 to US$7 million. To coincide with this event, www.faberge.com was launched, a pioneering online *Global Flagship* store that replicates the traditional high jewellery purchasing experience which had previously been confined to a traditional retail environment. The launch received overwhelmingly positive international press coverage, including CNN airtime and a cover story and feature in the Financial Times' *How to Spend It* magazine.

In December 2009, Fabergé opened its first boutique in Geneva, Switzerland, within an elegant historic townhouse overlooking *Le Jardin Anglais*. This is the first Fabergé boutique outside Russia since 1915 (when the former London boutique at 173 Bond Street was closed).

In August 2010, Fabergé finalised a programme of rationalising the ten licence agreements inherited from Unilever with the termination of the licence held by Franklin Mint of the United States since 1986. Only one active licence now remains. The termination of the licences gives increased control, ensuring that the supply of Fabergé products and services remains world class.

To coincide with London's Russian Week in December 2010, Fabergé launched the all-white-diamond *Carnet de Bal* collection, its second high jewellery collection since 1917. Fusing tradition and modernity, and with pieces priced at up to US$1 million, 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*.

During May 2010, the Company agreed to extend a loan facility to Fabergé, and the first drawdown was made during December 2010, securing a US$375,000 structuring fee.

Fabergé's preference for engaging directly and personally with its customers has seen a series of carefully tailored events hosted across Europe and Asia, with exclusive viewings held, *inter alia*, at St. Moritz and Gstaad in Switzerland, Courchevel in France, and at the prestigious Hong Kong Club.

In March 2011, Fabergé participated in BaselWorld 2011, the world's largest and most important jewellery and watch trade fair. A number of handcrafted timepieces from the new *Fabergé Horlogerie* collection and jewellery from the new *Constructivist* collection, which is influenced by the powerful modernist Russian art movement of the same name, were displayed at the fair, which was attended by over 100,000 visitors.

Outlook

Fabergé is continually expanding its client base, including through diversification of the product portfolio, whilst maintaining the highest standards of design and craftsmanship. Fabergé will unveil an important product category during 2011.

The successful international launch in the prior year, rationalisation of licences, bolstering of the trademark portfolio and ongoing worldwide exposure have put Fabergé on track to liberate the significant value inherent in the name.

Directors

Executive Directors

Brian Gilbertson – Chairman

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

Mr Gilbertson has extensive experience in the global natural resources industry. In the 1980's, he was Managing Director of Rustenburg Platinum Mines Limited, a period during which the company gained recognition as the world's foremost producer of platinum. Later, as Executive Chairman of Gencor Limited he led the restructuring of the South African mining industry into the post-Apartheid era, transforming Gencor Limited into a focused mineral and mining group. During this period he held ultimate responsibility for Impala Platinum Holdings, for Samancor Limited (the world's largest producer of manganese and chrome ore and alloys) and for Trans-Natal Coal Corporation (a major coal producer and exporter). Important new initiatives included the Hillside and Mozal aluminium projects, the Columbus stainless steel plant, 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 FTSE 100. Separately Mr Gilbertson worked to merge the gold operations of Gencor and Gold Fields of South Africa, creating Gold Fields Limited, a leader in the world gold mining industry. He served as its first Chairman until October 1998. In 2001, Billiton plc merged with BHP Limited to create what is widely regarded as the world's premier resources company, BHP Billiton plc. Mr Gilbertson was appointed its second Chief Executive on 1 July 2002. In late 2003, Mr Gilbertson led mining group Vedanta Resources plc ("Vedanta") to the first primary listing of an Indian company on the London Stock Exchange in the second largest IPO of the year (US$876 million). He served as Chairman of Vedanta until July 2004. He was appointed President of Sibirsko-Uralskaya Aluminium Company (SUAL), the smaller aluminium producer in Russia and led that 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 on cross-border investments. Once his research was successfully completed, Mr Frandsen moved to London to start a professional career as a Corporate Financier and Investment Banker. Mr Frandsen has over ten years of investment banking experience in London and New York with Goldman Sachs and JPMorganChase, providing strategic advice, structuring mergers and acquisitions as well as executing 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 of Incwala Resources, one of South Africa's leading BEE 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 a non-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, and spent three years with pan-European private equity investment manager Candover Investments plc. Mr Willis joined Pallinghurst Advisors LLP in 2006 and is a Partner of the limited liability partnership and the Investment Manager. Mr Willis is the Finance Director of many of the companies in which the Company has invested. Mr Willis is a British and New Zealand citizen.

Non-Executive Directors

Stuart Platt-Ransom

(Chartered FCSI, CMgr, FloD, FinstLM)

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 twelve 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 & 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 Fellow of the Institute of Directors. He is a British and South African citizen and is a resident of Guernsey.

Clive Harris

(BSc (Econ), ACA)

Mr Harris is a British and Cayman Islands citizen, and is resident in the Cayman Islands. He is a Chartered Accountant (England and Wales) and a member of the Society of Trust and Estate Practitioners. 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 twenty years as a director and Managing Director of International Management Services Limited, an independent Cayman Islands based firm of company and insurance managers, 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 and in-depth knowledge and experience in the fields of company management, investment services, and the management and administration of Hedge Funds and Special Purpose Vehicles, and since 2004 has been self-employed, serving as an independent non-executive director to a number of Cayman Island funds, managers and other regulated entities.

Directors

Recent meeting of the Directors in Guernsey

Martin Tolcher

(Chartered FCSI)

Mr Tolcher has been involved within the fund administration industry in Guernsey for nearly 25 years. He is a Director of Legis Fund Services Limited ("Legis"), the Company's Administrator. Prior to joining the Legis Group in 2005, he worked at senior levels for three Guernsey fund administration subsidiaries of international banks, gaining considerable experience in a wide variety of fund structures. In addition to his role at Legis, Mr Tolcher is a director of a number of Guernsey funds and associated management companies, including property and private equity structures. He is a British citizen and is resident in Guernsey.

Mr Tolcher is a Chartered Fellow of the Chartered Institute for Securities & Investment (Chartered FCSI).

Alternate Director

Patricia White

(BA, CA, Chartered FCSI)

Ms White is Managing Director of Legis and has over twenty 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 from Anson Fund Managers Limited where she held the position of Managing Director. During this time she was also a director of its group companies and held a number of external directorships.

Ms White is a Chartered Fellow of the Chartered Institute for Securities & Investment. Ms White acts as a Permanent Alternate Director to Mr Platt-Ransom and Mr Tolcher.

Partners of the Investment Manager

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

Sean Gilbertson
(Mining Engineer, BSc)

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$9 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.

Directors' Report

The Directors present their report and financial statements for the year ended 31 December 2010.

Results and dividends

The results for the year are shown in the Consolidated Income Statement on page 46. The Directors do not recommend the payment of a dividend.

Principal activities

The Group makes investments within the metals and mining sector, and also holds interests in Fabergé Limited.

Omission of Company only financial information

The Directors believe that the consolidated financial statements provide all material information to users of the financial statements and have satisfied themselves that the listed Company's own financial statements do not contain any significant additional information which would be of use to shareholders. Accordingly, Company only financial information has been omitted from these consolidated 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 will be held on 5 August 2011.

Directors

The Directors who served the Company during the year and to date are as shown on page 83.

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;
2. He/she has taken all steps they ought to have taken to make themself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information; and
3. The financial statements give a true and fair view and have been prepared in accordance with The Companies (Guernsey) Law, 2008.

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

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

On behalf of the board

Andrew Willis
13 June 2011

Martin Tolcher
13 June 2011

Principal Risks and Uncertainties

Summary

The Group is exposed to a variety of risks and uncertainties which may have a financial or reputational impact on the Group.

The key risk to the Group is the valuation of its investments, which represents the key area of accounting judgement and key source of estimation or uncertainty likely to have a material impact on the Consolidated Balance Sheet.

In particular, investors' attention is drawn to the following risks associated with the investment portfolio;

- Some investments are in unlisted entities;
- The investments are still mostly at an early stage of implementation of their investment strategy;
- The investments are in a variety of countries and jurisdictions;
- There is a small number of investments and therefore the failure of any single investment could have a material adverse impact on the Consolidated Balance Sheet;
- Each investment has associated operational performance, political, economic, foreign exchange and country risks; and
- The Directors' valuations of investments are subjective and could be materially incorrect.

Additionally, as the Group has significant investments in mining assets, changes in commodity prices are a key risk to the business. 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. Nonetheless, users of the financial statements should be aware that commodity price movements, particularly of PGMs, manganese and iron ore, are likely to have an impact on the valuation of the Group's investments. Prices of rough and polished emeralds are less predictable than those of other commodities, but significant variances in these could also impact on the valuation of the investment in Gemfields. The Fabergé investment remains at an early stage in its development, with significant risks.

As mining investments move closer towards production, the risks associated with the investments significantly change and develop. Material new types of risk such as safety, sustainable development, employee relations and the risk of not being awarded or potentially losing mining permits may all become more significant for the Group over time. Whilst the number of investments is still small, and most of the Group's investments are at an early stage of implementation of their investment strategy, users of the financial statements should anticipate significant changes in the Group's risk profile over time.

The Group is also exposed to a variety of financial instrument related risks requiring disclosure in accordance with International Financial Reporting Standard ("IFRS") 7 *Financial Instruments: Disclosures.* These are disclosed in Note 18 *Financial instruments and financial risk management*.

There have been no material changes to the risk profile of the Group since the year end other than those detailed above.

The risk factors described above are not comprehensive and there may be other risk factors that relate to or may be associated with an investment in the Company.

Corporate Governance Report

Introduction

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

The Company's primary listing is on the JSE Limited ("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 for South Africa* ("King II") was replaced in March 2010 by the new *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 where a company does not apply the specific principles or recommendations of King III, this should be fully explained. A full explanation has therefore been provided where the Company does not comply with specific principles or recommendations articulated within King III.

Board responsibilities

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

Chairman and Board composition

The Board presently comprises three executive Directors, Mr Brian Gilbertson (Chairman), Mr Arne H. Frandsen (Chief Executive), Mr Andrew Willis (Finance Director) and three non-executive Directors, Mr Clive Harris, Mr Stuart Platt-Ransom and Mr Martin Tolcher. Ms Patricia White was appointed permanent alternate to Mr Tolcher and Mr Platt-Ransom on 7 September 2010.

King III recommends that a company's Board should comprise a balance of executive and non-executive Directors, with a majority of non-executive Directors (principle 2.18). The Directors believe that the Board's current composition (three executive and three non-executive directors) is well-balanced and appropriate, given the Company's size and its nature as an investment holding company, and that there is an adequate division of responsibilities amongst Board members.

All the non-executive Directors are considered to be independent in the context of King III, and bring an independent viewpoint to material decisions taken by the Company. The Board do not currently intend to increase the number of non-executive Directors.

King III recommends that the Board should be led by an independent non-executive Chairman who should not be the Chief Executive of the Company (principle 2.16). The role of Chairman and Chief Executive are not combined, however the Chairman is an executive Director, meaning the Company's practice does not comply with this principle. However, the Directors (excluding Mr Gilbertson) believe that the Chairman's wealth of knowledge and experience in the mining industry means that he is best placed to provide overall leadership to the Board. Furthermore, the Board 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.

The Directors are aware that King III recommends the appointment of a lead independent non-executive Director ("LID"), although the Company does not currently comply with this recommendation. The Directors are considering whether this recommendation is appropriate to the Company, and may appoint a LID during 2011.

Appointment of new Directors

The appointment of new Directors is considered by the Board as and when the need arises. The members of the Board collectively consider new Board appointments. There is no separate nomination committee due to the Company's size. When appointing a new Director, the Board ensures that the individual would be able to devote enough time to the affairs of the Company, that the individual has an appropriate level of skills and experience, and that the balance of the Board's collective skills and experience would remain appropriate.

Rotation of Directors

The terms of the Company's articles of association (the "Articles") specify that one-third of the Directors shall retire from office at every Annual General Meeting of the Company. In addition to the aforementioned retiring Directors, any Director appointed as such after the conclusion of the Company's preceding Annual General Meeting shall retire from office at the conclusion of the Annual General Meeting held subsequent to their appointment. The Directors who retire in terms thereof shall firstly be those who have been appointed since the previous Annual General Meeting, secondly those Directors who have been appointed in place of a Director who has been dismissed before the expiration of their period of office, and lastly those who have been longest in office since their last election. Any retiring Director shall be eligible for re-election and if re-elected, shall be deemed not to have vacated their office.

Details of the Board of Directors appear on pages 32–34.

Board meetings

Board meetings are usually scheduled at least quarterly to consider strategic and financial issues and the Company's performance. Additional Board meetings are convened on an ad hoc basis, if necessary, to deal with certain issues which require attention or urgent decisions.

Directors are required to use their best endeavours to be present at Board meetings and to participate fully, frankly and constructively in discussions and to bring the benefit of their particular knowledge and expertise to the Board meetings.

Matters are decided at Board meetings by a majority of votes. In case of an equality of votes the chairman at the meeting shall have a second or casting vote. Accordingly, no one individual has unfettered powers of decision making. Three Board meetings were held during 2010, all Board decisions during 2010 were unanimous. Three Board meetings have been held so far during 2011.

Role of independent valuer

The Directors have estimated the fair value of the individual investments. The Company has, in addition, engaged an independent valuer who has provided an opinion that the valuations of the investments, as determined by the Directors, have been prepared using a methodology and approach which are reasonable and consistent with the concept of fair value and are 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. Members of the Committees comprise only members of the Board.

Audit committee

The Chairman of the Audit Committee is Stuart Platt-Ransom. Clive Harris and Martin Tolcher are the other members of the Audit Committee.

The Chief Executive, Finance Director and audit partner may attend Audit Committee meetings on invitation. The Audit Committee met twice during the year. The audit partner has access to all Audit Committee members throughout the year.

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

Financial reporting

To monitor the integrity of the Company's annual and interim reports, focusing in particular on:

- The valuations of the investment portfolio;
- Any other significant areas of judgement;
- Changes to accounting policies;
- Any significant adjustments resulting from the audit;
- Review of the going concern status of the Company;
- The compliance of the financial statements with IFRS; and
- Compliance with the JSE listing requirements, BSX listing requirements and any other legal regulations.

Auditor

- To consider the appointment, reappointment, qualification, independence, scope and effectiveness of the Auditor;
- To keep under review the scope, results and cost effectiveness of the audit and the independence and objectivity of the Auditor;
- To review the Auditor's letter of engagement; and
- To review the Auditor's management letter and prepare any response from the Company.

Non-audit services

- To consider whether to engage the Auditor for non-audit services.

Independent valuer

- The scope, results and cost effectiveness of the independent valuer.

Internal controls and risk management systems

- 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;
- To assess areas which are highly dependent on Information Technology ("IT") and the adequacy of the internal controls; and
- To assess the performance of the Finance Director.

The Audit Committee's terms of reference were extended in March 2010 to include the review of the calculation and payment of the Investment Manager's benefits.

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

Corporate Governance Report (continued)

The Auditor

On occasion, the Auditor may be considered for the provision of non-audit services. The Audit Committee ensure that the Auditor's independence and objectivity would not be compromised in advance of approving any engagement. The Auditor has not provided any non-audit services to the Company in either the current or prior year.

The Board is of the opinion that the Auditor observed the highest level of business and professional ethics and its independence has not been impaired in any way.

Remuneration Committee

The members of the Remuneration Committee are Brian Gilbertson, Arne H. Frandsen, and Andrew Willis. The Remuneration Committee meets once a year and is responsible for determining the fees for 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.

In accordance with the Company's Articles, Directors are each entitled to receive fees for their services as determined by the Remuneration Committee, provided that a certain limit is not exceeded. The limit was increased from US$10,000 to US$40,000 per Director at the Company's AGM held on 28 May 2010, effective 1 January 2010. The Remuneration Committee subsequently recommended that the non-executive Directors each earn a fee of US$25,000 per annum from the Company, and that this accrue from 1 January 2010.

King III recommends that the Remuneration Committee should consist of non-executive Directors, of whom the majority should be independent (principle 2.23). However, the Board has 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.

Risk management

The Directors are ultimately responsible for the Group's system of internal controls designed to provide reasonable assurance against material misstatement and loss. The Group's internal controls are 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 Group's internal controls comprise:

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

Risk and internal audit

Principle 7.1 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 Guernsey Financial Services Commission ("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 being dated September 2010. This report concluded that Legis had designed suitable and effective control procedures in place in order to meet its control objectives.

Accordingly, the Directors are comfortable that it is not necessary or appropriate for the Company to appoint its own internal audit function.

IT governance

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

The Board are collectively responsible for the Company's IT governance. As the Company is an investment holding company, the Company does not directly own any IT assets. Legis, the Company's Administrator, has developed a formal programme of IT risk management and has appointed a Chief Information Officer, who manages the Company's IT risk.

The Directors therefore do not believe it would be appropriate to appoint a Chief Information Officer.

Insurance

A directors' and officers' liability insurance policy has been taken out by the Company and covers the Company and relevant Group companies.

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 Company's investment portfolio. Detailed sustainability information for the Company's investment portfolio can usually be obtained from publicly available information relating to the relevant investments.

Communication with stakeholders

The executive Directors and Company's Investor Relations team periodically give presentations and hold shareholder meetings on the Group's financial performance and strategy. The Company maintains regular contact with analysts, institutional investors and the South African media.

The Company 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 the Business Day and Die Burger). The Company also maintains a website which contains information on the Group and its investment portfolio, www.pallinghurst.com.

Trading in the Company's shares

Directors may not deal in the shares of the Company during certain closed periods which fall on the following dates:

- Between 1 January and the date on which the annual results are published;
- Between 1 July and the date on which the interim results are published; and
- Outside of the above closed periods, while the Company is in the process of price sensitive negotiations, acquisitions or disposals, or pending price sensitive announcements.

Directors are required to obtain prior clearance in writing of any proposed share transactions from the Chairman and Finance Director before dealing outside of the closed periods. 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 equity shares of the Company are detailed in Note 19 *Related party transactions*.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable regulations, Guernsey law and International Financial Reporting Standards. The Directors are required by The Companies (Guernsey) Law, 2008 to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group, and of the profit or loss of the Group for that year. In preparing those financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error, or non-compliance with law and regulations.

FINANCIAL STATEMENTS
and other information

Contents

Independent Auditor's Report

to the shareholders of Pallinghurst Resources Limited

We have audited the financial statements of Pallinghurst Resources Limited on pages 45 to 81, 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 the 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 and 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's Statement, Chief Executive's Statement and the Directors' Report to identify material inconsistencies with the audited financial statements. 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 prepared 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; or
- 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.

Roy Angliss
Saffery Champness
Chartered Accountants
Guernsey
13 June 2011

Consolidated Income Statement

for the year ended 31 December 2010

	Notes	2010 US$	2009 US$
INCOME			
Gains on investments			
Unrealised fair value gains in the portfolio of investments	11	135,831,406	53,194,795
Unrealised foreign exchange gains in the portfolio of investments	11	10,770,175	8,801,081
Net unrealised gain on Platmin convertible note	3	47,062	–
Net realised gain on Tshipi Jupiter transaction	4	46,004,512	–
Net realised gain on POSCO transaction	5	7,073	–
Net realised gain on Jupiter Mindax transaction		–	4,616,685
		192,660,228	**66,612,561**
Portfolio income			
Loan interest income	2	1,704,239	95,616
Structuring fees and other income	6	1,548,771	6,741
Net gains on investments and income from operations		**195,913,238**	**66,714,918**
EXPENSES			
Investment Manager's Benefit	7	(4,626,149)	(3,532,946)
Performance Incentive	7	(32,512,233)	–
Operating expenses	8	(909,035)	(1,435,571)
Net foreign exchange gains/(losses)		76,038	(241,956)
		(37,971,379)	(5,210,473)
Profit from operations		**157,941,859**	**61,504,445**
Finance income	9	494,051	599,488
Profit before share in net (loss)/profit of associates		**158,435,910**	**62,103,933**
Share of net (loss)/profit of associates	12	(292,114)	327,818
Profit before tax		**158,143,796**	**62,431,751**
Income tax expense	10	(42,113,518)	(74)
NET PROFIT FOR THE YEAR		**116,030,278**	**62,431,677**
Basic and diluted earnings per ordinary share	20	**0.24**	**0.20**

The accompanying notes on page 51 to page 81 form part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

	2010 US$	2009 US$
NET PROFIT FOR THE YEAR	**116,030,278**	**62,431,677**
Other comprehensive income, net of tax:		
Exchange differences on translation of foreign operations	–	(17,463)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**116,030,278**	**62,414,214**

The accompanying notes on page 51 to page 81 form part of these financial statements.

Consolidated Balance Sheet

as at 31 December 2010

	Notes	2010 US$	2009 US$
ASSETS			
Non-current assets			
Investments in associates	12	1,614,492	2,204,894
Investment portfolio			
Quoted equity investments	11	302,349,201	82,951,671
Unquoted equity investments	11	137,000,863	154,069,371
Loans and receivables	11	31,864,724	1,320,594
Platmin convertible note	3	9,182,662	–
		480,397,450	238,341,636
Total non-current assets		**482,011,942**	**240,546,530**
Current assets			
Trade and other receivables	13	1,212,962	1,112,029
Cash and cash equivalents		29,405,459	80,406,350
Total current assets		**30,618,421**	**81,518,379**
Total assets		**512,630,363**	**322,064,909**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	15	**42,113,518**	**–**
Current liabilities			
Performance Incentive accrual	7	32,512,233	–
Trade and other payables	14	293,501	384,076
Total current liabilities		**32,805,734**	**384,076**
Total liabilities		**74,919,252**	**384,076**
Net assets		**437,711,111**	**321,680,833**
Capital and reserves attributable to equity shareholders			
Share capital	16	4,760	4,760
Share premium	16	300,226,258	300,226,258
Retained earnings		137,480,093	21,449,815
EQUITY		**437,711,111**	**321,680,833**
NAV and tangible NAV per ordinary share	20	**0.92**	**0.68**

The enclosed financial statements were approved and authorised for issue by the Board of Directors, on 13 June 2011 and were signed on its behalf by:

Andrew Willis

Martin Tolcher

The accompanying notes on page 51 to page 81 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2010

	Notes	2010 US$	2009 US$
Operating activities			
Cash outflows from operations	17	(5,642,892)	(30,208,441)
Taxation paid		–	(74)
Additions to investments		(14,730,651)	(20,720,225)
Loans extended to investments	11	(28,845,409)	–
Acquisition of Platmin convertible note	3	(9,135,600)	–
Loan repayments from investments		–	11,127,017
Proceeds from disposal of investments	5	6,867,572	19,144
Finance income received	9	494,051	599,488
Net cash used in operating activities		**(50,992,929)**	**(39,183,091)**
Investing activities			
Increase in investments in associates		(30,452)	(72,312)
Net cash used in investing activities		**(30,452)**	**(72,312)**
Financing activities			
Issue of ordinary and management shares		–	106,509,219
Share issue costs	16	–	(4,557,760)
Net foreign exchange losses on share issue	16	–	(2,412,079)
Net cash from financing activities		**–**	**99,539,380**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(51,023,381)	60,283,977
Cash and cash equivalents at the beginning of the year		80,406,350	20,939,970
Exchange gain/(loss) on cash		22,490	(817,597)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**29,405,459**	**80,406,350**

The accompanying notes on page 51 to page 81 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

	Share capital US$	Share premium US$	Retained earnings US$	Cumulative translation adjustment reserve US$	Total equity US$
Balance at 1 January 2009	**2,474**	**200,689,164**	**(40,981,862)**	**17,463**	**159,727,239**
Issue of ordinary shares	2,286	106,506,933	–	–	106,509,219
Share issue costs	–	(4,557,760)	–	–	(4,557,760)
Net foreign exchange losses on share issue	–	(2,412,079)	–	–	(2,412,079)
Net exchange loss on translation of foreign operations	–	–	–	(17,463)	(17,463)
Net profit for the year	–	–	62,431,677	–	62,431,677
Balance at 31 December 2009	**4,760**	**300,226,258**	**21,449,815**	**–**	**321,680,833**
Net profit 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**

The accompanying notes on page 51 to page 81 form part of these financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

1. Accounting policies

Introduction

The financial statements cover the Group. The "Group" is Pallinghurst Resources Limited, all entities controlled by the Company (its subsidiaries), and its associates and joint ventures.

The following principle accounting policies have been applied by the Group for the financial year ended 31 December 2010. Except where otherwise disclosed, these policies are consistent in all material respects with those applied in the previous year.

Statement of compliance

The financial statements have been prepared in accordance with IFRS and interpretations as issued by the International Accounting Standards Board ("IASB") and applicable legislation, The Companies (Guernsey) Law, 2008 and the JSE Listing Requirements. The financial statements were approved for issue by the Board of Directors on 13 June 2011.

Basis of preparation

The financial statements are prepared on the historical cost basis except for certain financial instruments, including the investment portfolio, that are measured at fair value.

The financial statements are prepared on a going concern basis.

Basis of consolidation of financial results

The financial statements reflect the financial results of the Group. All financial results are consolidated with similar items on a line by line basis except for investments in associates which are included in the Group's results as set out below.

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). 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.

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

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 among the Group and its subsidiaries are eliminated upon consolidation.

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 Group's investment portfolio, and associate entities through which the Group holds its underlying investments.

Associates that are held as part of the Group's investment portfolio are measured at fair value through profit or loss.

Associates that hold the Group's underlying investments

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

Equity accounting involves recognising, in the Consolidated Income Statement, the Group's share of the associates' earnings for the year. 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 in the Consolidated Balance Sheet at an amount that reflects its share of the net assets of the associate and 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

1. Accounting policies (continued)

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.

Investments in joint ventures that are held as part of the Group's investment portfolio are measured at fair value through profit or loss.

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 jointly controlled entities are combined on a line-by-line basis with similar items in the financial statements.

Accounting for the investment portfolio

(i) Classification

Portfolio investments comprise quoted and unquoted equity securities and loans and receivables. Quoted and unquoted securities are financial assets that are designated as "fair value through profit or loss" at inception. Loans and receivables are financial assets that are designated as "available for sale" and measured at fair value.

(ii) Recognition and derecognition

Portfolio investments are recognised and derecognised on the date where the purchase or sale of an investment is under a contract whose terms require the unconditional delivery or settlement of the investment.

(iii) Accounting policy choices for the Group's investment portfolio

The Group chooses to account for all investments that are held as part of the Group's investment portfolio at fair value. This includes associated entities over which the Group may have significant influence, and joint venture entities which the Group might jointly control with one or more other venturers.

This accounting policy choice is normal practice in the venture capital industry, and makes the financial statements comparable with other similar venture capital organisations.

(iv) Determining fair value

The Directors determine the measurement of each investment within the investment portfolio at fair value, using the most appropriate basis. Fair value is the value of an asset or liability in an arm's length transaction between two willing and knowledgeable parties. Where no such transaction exists, an estimate of fair value is made by the Directors.

The best evidence of the fair value of a financial instrument on initial recognition is the fair value of the consideration given. All investments are held at cost until it is appropriate to measure fair value on a different basis.

(v) Quoted equity investments

Quoted equity investments in an active market are generally valued at the closing bid price on the date of valuation.

(vi) Unquoted equity investments

Unquoted equity investments make up a material element of the investment portfolio, and these valuations involve judgements and estimates by the Directors. A number of different valuation methods can be used for unquoted 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 IPEVC 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 time in the lifecycle of the investment.

Other valuation methodologies recommended by the Valuation Guidelines include using earnings multiples, net assets, or the discounted cash flows of the underlying business, or of the investment, to determine the fair value of an investment. 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 a particular investment has occurred, including but not limited to the following:

- Whether the performance of the business has been worse than the original expectations when the investment was made;
- Whether there has been any unexpected deterioration in the cash position of the underlying business;
- Whether there have been any adverse or unexpected results from drilling or exploration activities in the particular investments; and
- Whether external factors, such as deterioration in the global economy or in industry conditions, could have had a material impact on the value of the investment.

(vii) Loans and receivables
The investment portfolio includes loans made to portfolio companies.

Where a loan is made to a portfolio company, it is often the case that the loan will be extended at the end of its official term, and/or could be converted into an equity stake, and despite the legal terms, the repayment date may not be anticipated by the Directors to be within one year. It is considered more useful to investors to show all equity investments and all loans to portfolio companies within the investment portfolio so that a true picture of the whole investment portfolio is given. Accordingly all loans made to portfolio companies are shown as repayable after one year. This is consistent with typical practice in the venture capital industry.

Loans and receivables are classified as available for sale and are measured at fair value.

(viii) Fair value measurement hierarchy
IFRS7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level one);
- Inputs other than quoted 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 financial asset or financial 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.

Accounting for the convertible note
The convertible note forms part of a contract containing one or more derivatives and has been designated by the Directors at fair value through the profit and loss (“FVTPL”) as defined by IAS39 *Financial Instruments: Recognition and Measurement* (“IAS39”).

Trade and other receivables
The trade and other receivables balance usually relates to balances receivable upon the exit from an investment.

The Group’s operating activities are the entering into and exit from investments; it does not carry out other trading activities.

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 of the receivables.

Trade and other receivables also includes prepayments.

Cash and cash equivalents
Cash and cash equivalents represent cash balances held at bank and held 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 have been categorised as loans and receivables in the context of IFRS7.

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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

1. Accounting policies (continued)

Ordinary share capital

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

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 Consolidated 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 dates. Unrealised net foreign exchange movements occur when investments are denominated in currencies other than US$ and relate to the movement in exchange rates between the opening and closing Consolidated Balance Sheet date.

Portfolio income

Portfolio income is directly related to the return from individual 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 income is recognised 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 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 Consolidated Income Statement, or to the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity, in which case the taxation effect is recognised in equity. There are no items recognised directly in equity in the current 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 Consolidated 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.

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 where 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.

Earnings per share ("EPS")

Earnings per share ("EPS") is based on attributable profit for the year divided by the weighted average number of ordinary shares in issue during the year and is a key performance measure.

Diluted earnings per share 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, diluted earnings per share is equal to earnings per share in the current and prior year.

Headline earnings per share ("HEPS")
Headline earnings per share is similar to earnings per share above 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 associates is normally 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. The circular 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 functional currency for each entity in the Group is the currency of the primary economic environment in which the entity operates.

The US$ is the Group's functional currency, and is the currency in which the Group's financial statements are presented, as it most reliably reflects the Group's global business. The primary activity of the Group is to hold investments within the commodities sector. These investments are denominated in a variety of currencies, including the United States dollar (US$), Australian dollar (AUD), Canadian dollar (CAD), British sterling (GBP), and the South African Rand (ZAR).

The Group's investments are either denominated in US$ or are in commodities such as iron ore and platinum where the commodity sales are usually denominated in US$. The Directors therefore believe that the US$ best represents the Group's economic environment and that the US$ is the most appropriate currency to use as the Group's functional currency.

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 Consolidated Income Statement.

Translation differences on financial assets held at fair value through profit or loss are recognised in the Consolidated Income Statement.

Derivative financial instruments
Derivative financial instruments are occasionally used by the Group to manage the risk associated with foreign currency fluctuations of the investment portfolio, particularly when entering into and exiting from investments. This is normally achieved by the use of foreign currency forward contracts.

The Group also consider the use of currency swaps in some circumstances, either to facilitate the making of new investments, or if appropriate whilst raising new equity share capital. The Group does not currently have any open derivative financial instrument positions.

Derivative financial instruments are recognised initially at fair value on the contract date and subsequently remeasured to their fair value at each reporting date. Changes in the fair value of financial instruments are taken to the Consolidated Income Statement or to equity if appropriate.

Segmental reporting
A business segment is a group of assets or operations engaged in providing returns that are subject to risks and returns that are different from those of other business segments. A segment is engaged in providing, within a particular economic environment, returns that are subject to risks and returns that are different from those segments operating in other economic environments.

In line with the requirements of IFRS8 *Operating Segments*, the Group's segmental reporting has been amended to give users of the financial statements information that is similar to that used by the CODM in making operating decisions and assessing performance.

Business segments
The Group's business segments are each of its investment platforms, Coloured Gemstones, PGMs, Steel Making Materials, and Luxury Brands.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

1. Accounting policies (continued)

Changes in accounting policy

The accounting policies applied are consistent with those adopted and disclosed in the Group's annual financial statements for the year ended 31 December 2009.

Adoption of new and revised IFRS accounting standards and interpretations

An amended IFRS, IFRS3 *Business Combinations* ("IFRS3"), was adopted during the year. Under the amended IFRS3, where an investor loses significant influence over an associate but retains an interest in the investment which is accounted for in terms of IAS39, the investor is now required under the amendments to measure at fair value, at the transaction date, the portion of the investment that it retains in the former associate. The amendment therefore had a consequential impact upon IAS28 *Investment in Associates* ("IAS28").

The adoption of the amended IFRS3 and IAS28 did not have a significant impact on the Group.

Amendments to IFRS accounting standards not yet adopted

The following amended IFRS accounting standards and interpretations have not yet been adopted.

IAS32 *Financial Instruments Presentation* ("IAS32") includes an amendment on the classification of rights issues which is effective for annual periods beginning on or after 1 February 2010.

IAS24 *Related Party Disclosures* (*Revised*) ("IAS24") clarifies and simplifies the definition of a related party. The revised standard is effective for annual periods beginning on or after 1 January 2011.

Annual Improvements to IFRSs 2010 amends a number of standards including changes in presentation, recognition and measurement plus terminology and editorial changes. The 2010 amendments are effective for annual periods beginning on or after 1 January 2011. These include changes to IAS34 *Interim Financial Reporting* ("IAS34") which clarify the disclosure relating to significant events and transactions, including financial instruments, required in an interim report.

Whilst the Directors have not yet fully determined what the impact on the Group of these changes will be, it is not anticipated that any impact will be significant. Various other recent amendments to IFRS accounting standards, which are not listed, are not relevant to the Group.

New IFRS accounting standards and interpretations not yet adopted

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

The IASB has stated its intention to implement IFRS9 *Financial Instruments* ("IFRS9"), with the intention of replacing all of the requirements of IAS39 *Financial Instruments: Recognition and Measurement* ("IAS39"), by the second quarter of 2011. The transition to IFRS9 will occur in three phases. The first phase, *Classification and Measurement*, was issued in November 2009 and deals with the classification and measurement of financial assets. The classification and measurement requirements for financial liabilities were added in October 2010. The third phase will deal with hedge accounting and has not yet been incorporated into IFRS9.

The standard must be applied for financial years commencing on or after 1 January 2013, with earlier application permitted. 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"), IFRS12 *Disclosures of Involvement with Other Entities* ("IFRS12") and IFRS13 *Fair Value Measurement* ("IFRS13").

IFRS10 is a replacement to 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 definition of control, with detailed application guidance.

IFRS12 requires extensive disclosures relating to an entity's interests in subsidiaries, joint arrangements, 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.

IFRS13 was issued as part of the IASB's agenda to update the fair value measurement standards. IFRS13 establishes a single framework, applying to both financial and non-financial items, for measuring fair value. It provides guidance on its determination and introduces consistent requirements for disclosure on measurement. As a significant element of the Group's balance sheet is measured at fair value, IFRS13 could potentially have a material impact on the Group.

As part of this suite of comprehensive changes, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures* have been superceded by IAS 28 *Investments in Associates and Joint Ventures*, also issued in May 2011. IAS27 *Separate Financial Statements* has not been replaced, but has also been amended for the issuance of IFRS10 as the current guidance for separate financial statements has been retained.

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 account 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 is no significant difference to the Group's valuations in practice.

The Directors have not yet decided whether to early adopt the "package of five".

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. Details of each methodology used to calculate the fair value of the Group's investments are set out in Note 11 *Fair valuation of investments*.

Estimates and assumptions used are reviewed on an ongoing basis. The Directors' estimates of fair value may materially differ from reality.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

2. 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 Brian Gilbertson, the Chairman, who monitors the performance of each operating segment by assessing the fair value of the Group's investment portfolio.

The segment information provided to the CODM for the reportable segments for the current year is as follows:

Income statement information at 31 December 2010

31 December 2010	Luxury brands US$	Steel Making Materials US$	Coloured Gemstones US$	PGMs US$	Unallocated US$	Total US$
Income						
Unrealised fair value gains/(losses)	–	129,176,653	16,620,987	(9,966,234)	–	135,831,406
Unrealised foreign exchange gains/(losses)	–	8,010,896	(348,545)	3,107,824	–	10,770,175
Net unrealised gain on Platmin convertible note	–	–	–	47,062	–	47,062
Net realised gain on the Tshipi Jupiter transaction	–	46,004,512	–	–	–	46,004,512
Net realised gain on POSCO transaction	–	7,073	–	–	–	7,073
Loan interest income	11,540	99,924	–	1,592,775	–	1,704,239
Structuring fee	375,000	–	–	1,040,000	–	1,415,000
Total segmental income	**386,540**	**183,299,058**	**16,272,442**	**(4,178,573)**	**–**	**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 profit of associates, and tax					(79,882,960)	(79,882,960)
Net profit/(loss) for the financial year	**386,540**	**183,299,058**	**16,272,442**	**(4,178,573)**	**(79,749,189)**	**116,030,278**

Balance sheet information at 31 December 2010

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

Income statement information at 31 December 2009

31 December 2009	Luxury brands US$	Steel Making Materials US$	Coloured Gemstones US$	PGMs US$	Unallocated US$	Total US$
Income						
Unrealised fair value gains/(losses)	20,633,478	6,135,733	(7,055,936)	33,481,520	–	53,194,795
Unrealised foreign exchange gains/(losses)	–	1,768,650	1,599,950	5,432,481	–	8,801,081
Net realised gain on Jupiter Mindax transaction	–	4,616,685	–	–	–	4,616,685
Loan interest income	–	95,616	–	–	–	95,616
Total segmental income	**20,633,478**	**12,616,684**	**(5,455,986)**	**38,914,001**	**–**	**66,708,177**
Structuring fee					6,741	6,741
Net gains on Investments and income from operations						66,714,918
Expenses, net finance income, share of profit of associates, and tax					(4,283,241)	(4,283,241)
Net profit/(loss) for the financial year	**20,633,478**	**12,616,684**	**(5,455,986)**	**38,914,001**	**(4,276,500)**	**62,431,677**

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

2. Segmental reporting (continued)

Balance sheet information at 31 December 2009

	Luxury brands US$	Steel Making Materials US$	Coloured Gemstones US$	PGMs US$	Total US$
31 December 2009					
Investment portfolio					
Quoted investments	–	15,844,993	8,330,300	58,776,378	82,951,671
Unquoted investments	86,633,377	29,940,000	–	37,495,994	154,069,371
Loan and receivables	–	1,320,594	–	–	1,320,594
Total segmental assets	**86,633,377**	**47,105,587**	**8,330,300**	**96,272,372**	**238,341,636**
Investments in associates, current assets, and liabilities					83,339,197
Net assets					**321,680,833**

3. Platmin convertible note

On 13 May 2010, the Group acquired an indirect interest in a convertible note issued by Platmin, for US$9,135,600.

	US$
Cost of convertible note	9,135,600
Unrealised gain recognised at acquisition	1,683,550
Fair value of convertible note at acquisition	10,819,150
Unrealised fair value loss between 13 May 2010 and 31 December 2010	(1,636,488)
Fair value of convertible note at 31 December 2010	**9,182,662**
Net unrealised gain on Platmin convertible note at 31 December 2010	47,062

Convertible note terms

The initial terms were as follows:

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

The terms of the convertible note were subsequently amended. See Note 23 *Events occurring after the end of the year* for more detail.

4. Completion of Tshipi Jupiter transaction

On 1 March 2010, Jupiter announced a transaction through which the Company would exchange its indirect interest in Tshipi for new shares in Jupiter Mines Limited. Jupiter would acquire a collective 49.9% interest in Tshipi from the Pallinghurst Co-Investors, including the Company, and in return issue 1,160,363,867 new Jupiter shares to the vendors. The transaction was priced at AUD0.211 per share, based on the 30 day volume weighted average price of Jupiter shares prior to the announcement. The Company also agreed with Jupiter to exchange its shareholder loans in Tshipi for 7,810,981 additional shares in Jupiter as well as to subscribe for 13,205,667 further shares in Jupiter. Both these transactions were also priced at AUD0.211 per Jupiter share.

The transaction was completed on 29 October 2010. Between 1 March 2010 and 29 October 2010, the Jupiter share price had increased to AUD0.375 per share, and accordingly at 29 October 2010, the Company had realised a gain of US$46,004,512 on the transaction, as follows;

	Number of Jupiter shares acquired	Price per share in AUD	US$/AUD rate	US$
Fair value of assets acquired				
Shares issued for Tshipi equity	179,247,878	0.375	0.97742	65,700,278
Shares received for Tshipi loans	7,810,981	0.375	0.97742	2,862,983
Jupiter subscription shares	13,205,667	0.375	0.97742	4,840,314
				73,403,575
Fair value of consideration				
7.71% equity investment in Tshipi at fair value				23,079,501
Loans to Tshipi at fair value				1,804,839
Cash outflow for subscription shares				2,514,722
				27,399,063
Net realised gain on Tshipi Jupiter transaction				**46,004,512**

The Group's interest in Jupiter at 31 December 2010 was 293,163,691 shares, or 18.23% of the 1,607,950,501 Jupiter shares in issue (including 262,255,799 equity shares which are deferred shares and have not yet been issued by Jupiter). Since the year end, Jupiter has undertaken a new equity capital raising for AUD150 million which has slightly diluted the Group's interest.

5. Completion of POSCO transaction

During June 2009, a subsidiary of South Korea's POSCO, one of the world's largest steel producers, agreed to acquire an indirect 11.36% interest in Tshipi from the Pallinghurst Co-Investors, including the Group, for consideration of US$34.3 million. The Group agreed to dispose of a 2.27% indirect interest in Tshipi for US$6.7 million.

The arrangements for the acquisition were subject to the completion of certain conditions; these conditions were met during 2010 and on 29 October 2010, the disposal was completed. The Group's valuation of the interest in Tshipi was previously in line with POSCO's valuation. The small gain on the completion of the transaction represents interest income on the cash balance held in escrow.

	US$
Fair value of consideration	
Cash received from POSCO (including escrow interest)	6,867,572
Fair value of assets acquired	
2.27% equity investment in Tshipi divested to POSCO	6,860,499
Net realised gain on completion of disposal to POSCO	**7,073**

6. Structuring fees and other income

	2010 US$	2009 US$
Platmin structuring fee	1,040,000	–
Fabergé structuring fee	375,000	–
Other income	133,771	6,741
	1,548,771	**6,741**

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

6. Structuring fee and other income (continued)

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

The structuring fee on the Platmin loan of US$1,040,000 was added to the loan balance and was repaid on 28 February 2011.

The structuring fee on the Fabergé loan of US$375,000 was added to the loan balance and is accruing interest at the London Interbank Offer 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 has been appointed to provide the Company with investment advisory and management services in relation to investments falling within the Investment Scope.

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

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

The executives of the Investment Manager have almost 100 years of collective experience in the resources sector.

Investment Manager's Benefit

The Investment Manager is entitled to receive 1.5% per annum of the funds subscribed for in the Company during the Investment Period (the "Investment Manager's Benefit"). 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 (as determined by the most recent valuation) of the unrealised investments of the Group during the relevant accounting period.

The total charge to the Consolidated Income Statement for the Investment Manager's Benefit during the year was US$4,626,149 (2009:US$3,532,946).

Performance Incentive

Subject to certain conditions, the Investment Manager is entitled to a Performance Incentive, which is 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[1] in the ratio 80%/20%. This is subject to meeting a Hurdle[2] of 8% per annum; until the Hurdle is reached, the Investment Manager will not receive the Performance Incentive, ensuring that the Investment Manager will only be rewarded for exceptional performance (ie aggregate returns to shareholders 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[3]. However, the Directors assess whether an accrual for the Performance Incentive should be made at the end of each reporting period. 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.

1 A Performance Incentive payment could be made to the Investment Manager or to an affiliate of the Investment Manager.
2 The Hurdle is calculated as 8% of the Company's Funds, compounded annually each year, and calculated daily.
3 The Investment Period is defined as the period commencing on 14 September 2007 and likely to end on 14 September 2012, unless extended by the shareholders in a General Meeting by a special resolution.
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 the investments will be disposed of at their fair value per the balance sheet and the proceeds distributed 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.

During the year the Group's NAV has risen significantly and accordingly, an accrual for the Performance Incentive of US$32,512,233 (2009:US$nil) has been made at 31 December 2010.

8. Operating expenses

	2010 US$	2009 US$
Amounts payable to auditor	117,603	145,142
Independent valuers' fees	57,946	89,854
Directors' fees	77,500	27,000
Legal & professional fees	38,630	503,132
Management and administration fees	501,382	441,213
Expenses reimbursed to the Investment Advisor	53,768	166,605
Listing, sponsor and regulatory filing fees	62,206	62,625
	909,035	**1,435,571**

9. Finance income

	2010 US$	2009 US$
Interest received on bank deposits	494,051	486,353
Interest received on loan to Rox Conduit	–	113,135
	494,051	**599,488**

10. Income tax expense

Current tax	2010 US$	2009 US$
Foreign tax	–	74
Current tax expense	–	74

Total tax	2010 US$	2009 US$
Current tax	–	74
Deferred tax	42,113,518	–
Total tax expense	42,113,518	74

Current tax

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 is included in operating costs.

Deferred tax

No deferred tax assets have been recognised on the Group's fair value losses as it would not currently be possible to utilise their losses. Unrecognised deferred tax assets may be recognised in the future if sufficient taxable profits become available in those jurisdictions.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

11. Fair valuation of investments (continued)

The fair valuation of the portfolio of investments (excluding the convertible note) at 31 December 2010 is as follows:

Investment	Opening fair value at 31 December 2009 US$	Unrealised fair value adjustments US$	Unrealised foreign exchange gains/(losses) US$	Net realised gains on Jupiter/POSCO transaction US$	Additions and disposals[3] US$	Accrued interest and structuring fees US$	Closing fair value at 31 December 2010 US$
31 December 2010							
Quoted 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	**123,332,741**	**10,818,112**	**74,886,368**	**10,360,309**	**–**	**302,349,201**
Unquoted 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**
Total investment portfolio	**238,341,636**	**135,831,406**	**10,770,175**	**46,011,585**	**37,140,747**	**3,119,239**	**471,214,788**

1 The Group has committed to loan Fabergé up to US$25 million, payable up to 31 May 2011. At 31 December 2010, Fabergé had drawn down US$3 million. The US$375,000 structuring fee for the arrangement of the loan accrued at the date of the first drawdown. The structuring fee has been added to the outstanding balance of the Fabergé loan and is earning interest at three month US$ LIBOR plus 4%. A further US$8.5 million has been drawn down during 2011. Any amounts drawn down, plus accrued interest, must be repaid by Fabergé by 31 July 2011.

2 The Group agreed to loan Platmin up to US$26 million during March 2010. The terms of the loan included a structuring fee for the arrangement of the loan, which was accrued at the date of the first drawdown and was added to the outstanding balance. The loan balance (including the structuring fee) earned interest at the Johannesburg interbank agreed rate ("JIBAR") plus 2%.

The Group eventually provided a loan of US$25,845,409 in two tranches during the period. On 28 February 2011, Platmin repaid the outstanding loan of US$28,821,690 including accrued interest and the structuring fee.

3 Reconciliation from additions and disposals to additions to investments per the cash flow statement is as follows:

	2010 US$
Platmin Limited	*11,514,364*
Gemfields plc	*328,738*
Fabergé Ltd	*372,827*
Jupiter Subscription Shares (Note 4 Completion of Tshipi Jupiter transaction)	*2,514,722*
	14,730,651

The fair valuation of the portfolio of investments at 31 December 2009 is as follows:

Investment	Opening fair value at 31 December 2008 US$	Unrealised fair value adjustments US$	Unrealised foreign exchange gains/(losses) US$	Net realised gains on Jupiter/POSCO transaction US$	Gains/(losses) on Jupiter Mindax transaction and other additions and disposals[2] US$	Accrued interest US$	Closing fair value at 31 December 2009 US$
31 December 2009							
Quoted equity investments							
Platmin Limited	32,361,042	20,982,855	5,432,481	–	–	–	58,776,378
Gemfields plc	13,317,430	(7,055,936)	1,599,950	–	468,856	–	8,330,300
Jupiter Mines Ltd	783,757	6,129,160	1,474,621	–	7,457,455	–	15,844,993
Mindax Ltd	2,147,259	–	–	–	(2,147,259)	–	–
Iron Mountain Mining Ltd	8,201	6,573	4,370	–	(19,144)	–	–
	48,617,689	**20,062,652**	**8,511,422**	**–**	**5,759,908**	**–**	**82,951,671**
Unquoted equity investments							
Fabergé Ltd	46,858,032	20,633,478	–	–	19,141,867	–	86,633,377
Moepi Group (Boynton)	6,686,657	3,343,329	–	–	–	–	10,029,986
Richtrau No 123 Ltd (Magazynskraal)	18,310,672	9,155,336	–	–	–	–	27,466,008
Tshipi	29,940,000	–	–	–	–	–	29,940,000
	101,795,361	**33,132,143**	**–**	**–**	**19,141,867**	**–**	**154,069,371**
Loans and receivables							
Tshipi [1]	**519,327**	**–**	**289,659**	**–**	**415,992**	**95,616**	**1,320,594**
Total investment portfolio	**150,932,377**	**53,194,795**	**8,801,081**	**–**	**25,317,767**	**95,616**	**238,341,636**

1 The Tshipi loan was originally provided to the Kalahari joint venture, pre the incorporation of Tshipi, in terms of the agreement concluded with Ntsimbintle Mining (Pty) Limited. On 31 March 2009, Tshipi assumed the rights/obligations of the loan. The loan, including accrued interest, was vended into Jupiter in return for equity shares during October 2010. See Note 4 Completion of Tshipi Jupiter transaction.

2 Reconciliation from gains/(losses) on Jupiter transaction and other additions/(disposals) to additions to investments per the 2009 Consolidated Statement of Cash Flows is as follows:

	2009 US$
Gemfields	*468,856*
Jupiter Mines: 30 March 2009 AUD1 million contribution	*693,510*
Fabergé Limited	*19,141,867*
Tshipi é Ntle loan	*415,992*
Cash additions per cash flow statement	*20,720,225*
***Non-cash movements**:*	
Jupiter Mines; non-cash additions	*6,763,945*
Less: Mindax non-cash disposal	*(2,147,259)*
Less: Iron Mountain disposal	*(19,144)*
	25,317,767

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

11. Fair valuation of investments (continued)

The valuation methodologies and other details for the Group's principal investments as at 31 December 2010 are detailed below.

Fewer than ten separate investments have been entered into both in the current and prior periods. The JSE requires certain information on the Group's ten largest investments; 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, whose sole asset comprises its 72.39% interest in Boynton, the remaining interest being mostly held by the Moepi Group of companies. Platmin is listed on the TSX, JSE, and AIM. At 31 December 2010, the Group owned an effective 7.64% interest in the equity shares of Platmin. The initial investment was made in December 2008. The Group's cost of investment is US$43,831,554.
Valuation methodology	Listed share price The closing Platmin bid price of CAD0.89 per share on the TSX translated at the closing US$:CAD foreign exchange rate of US$1:CAD0.9999.

Gemfields plc

Nature of investment	Gemfields is a leading international coloured gemstone producer, primarily focused on emeralds, and listed on AIM. The Group owns an effective 33.15% interest in the ordinary shares of Gemfields plc. The initial investment was made in October 2007. The Group's cost of investment is US$54,869,586.
Valuation methodology	Listed share price The closing Gemfields bid price of GBP0.15 per share on AIM translated at the closing US$:GBP foreign exchange rate of of US$1:GBP0.6464.

Jupiter Mines Limited

Nature of investment	Jupiter is the ASX-listed mining exploration company which is now the company through which the Steel Making Materials strategy will be pursued. It has iron ore assets in Western Australia including the Yilgarn, and now has a 49.9% interest in the Tshipi manganese joint venture. The initial investment into Jupiter was made in May 2008. The Group owned an effective 18.23% interest in the ordinary shares of Jupiter at the year end. The Group's cash cost of investment is approximately US$14 million.
Valuation methodology	Listed share price The closing Jupiter bid price of AUD0.76 per share on ASX translated at the closing foreign exchange rate of US$1:AUD 0.984.

Fabergé Limited

Nature of investment	Fabergé is a luxury goods business. The Group currently owns an effective 49.10% interest in the ordinary shares of Fabergé Limited. The initial investment was made in September 2007.

Fabergé Limited (continued)

	The Group's cost of investment is US$60,603,248.
Valuation 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 share issue during that reporting period. As Fabergé is unlisted, there are relatively few transactions in Fabergé shares and determining the fair value of the Group's investment is difficult. However, there have been a number of transactions in Fabergé equities during 2010 at the same share price as the September 2009 capital raising, the Group's current valuation level. These transactions were each immaterial, but nonetheless give some support to maintaining the valuation at the same level. Having considered this, and all other available evidence, the Directors believe that there are no significant facts that suggest the current valuation is over or understated. As recommended by the Valuation Guidelines, after having considered all the relevant indicators, and in the absence of any relevant contradictory evidence, the Directors have concluded that the fair value at the previous reporting date remains the best current estimate of fair value.

The Moepi Group companies – Boynton

Nature of investment	The Moepi Group companies hold a 26.77% interest in Boynton, with a further 72.39% interest owned by Platmin. Boynton has the rights to various PGM projects in the Bushveld Complex. The Group owns an effective 2.33% interest in the ordinary shares of Boynton via the Moepi Group companies. The initial investment was made in August 2008.
Valuation methodology	Cost less any provision for impairment. Boynton is an unlisted operating company. The Group's cost of investment is US$13,373,315. The Directors have reversed the previous impairment of Boynton (held via the Moepi Group companies), which is now valued at cost. The reversal of impairment was based on the recovery in both PGM prices, and the share prices for listed PGM explorers and producers during the year.

Richtrau No 123 (Pty) Ltd – Richtrau/Magazynskraal

Nature of investment	Richtrau is the company which owns the prospecting rights to Magazynskraal. Magazynskraal is located on the Western Limb of the Bushveld Complex in close proximity to the Pilanesberg Platinum Mine and Sedibelo. Recent studies suggest that Magazynskraal has approximately 22.7 million ounces of inferred resources of PGMs. The Group owns an effective 6.19% interest in the ordinary shares of Richtrau. The initial investment was made in December 2008.
Valuation methodology	Cost less any provision for impairment. Richtrau is an unlisted company, with platinum resources but no operations. Using similar companies to value Richtrau on a similar basis is relatively difficult as no prospect/company is exactly the same, and valuation is subjective. The Group's cost of investment is US$36,621,344. The Directors have reversed the previous impairment of Richtrau, and the investment is now valued at cost. The reversal of impairment was based on the recovery in both PGM prices, and the share prices for listed PGM explorers and producers during the year.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

12. Investments in associates

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

	Rox Conduit Limited	Rox Limited	Pallinghurst Kalahari (Mauritius) Limited	Ivy Lane Capital Limited	PIC (Pty) Ltd	Other associates	Total
Country of incorporation	Cayman Islands	Cayman Islands	Mauritius	Mauritius	South Africa		
	US$	US$	US$	US$	US$	US$	US$
2010							
(Loss)/profit for the year	(22,163)	(41,311)	(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	**225,530**	**766,119**	**–**	**176,536**	**381,734**	**64,572**	**1,614,492**
2009							
(Loss)/profit for the year	(84,272)	(27,256)	196,617	54,322	194,614	(6,207)	327,818
Balance sheet:							
Assets	271,323	1,139,116	511,820	100,251	1,253,700	14,347	3,290,557
Liabilities	(23,629)	(2,948)	–	–	(1,059,086)	–	(1,085,663)
Net Assets	**247,694**	**1,136,168**	**511,820**	**100,251**	**194,614**	**14,347**	**2,204,894**

All associates' financial year ends are 31 December.

All holdings in associates are over 20% except for Pallinghurst Investor Consortium (Pty) Ltd ("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 in PIC Pty are other Pallinghurst Co-Investors; each shareholder, including the Company, retains legal title over their shareholding, and is able to exert significant influence.

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

13. Trade and other receivables

	2010 US$	2009 US$
Prepaid Investment Manager's Benefit	1,156,944	1,041,525
Other prepayments	17,902	18,363
Other amounts receivable	38,116	52,141
	1,212,962	1,112,029

14. Trade and other payables

	2010 US$	2009 US$
Performance Incentive accrual	32,512,233	–
Directors' fees	9,000	13,667
Administration fees	83,018	178,998
Reimbursable expenses owed to the Investment Advisor	–	7,141
Audit fee	93,545	88,830
Fee payable to independent valuer	28,064	40,377
Other payables	79,874	55,063
	32,805,734	**384,076**

15. Deferred tax

Deferred tax liabilities

	2010 US$	2009 US$
At 1 January	–	–
Charged to the Consolidated Income Statement	(42,113,518)	–
At 31 December	(42,113,518)	–

The deferred tax liability recognised in the Consolidated Balance Sheet of US$42,113,518 relates solely to unrealised fair value adjustments, and was charged in full to the Consolidated Income Statement in the current period.

The current expectation regarding the maturity of the deferred tax liability is that it will be settled after twelve months.

At 31 December 2010, the Group had tax losses of US$30,266,844 for which no deferred tax asset had been recognised. All these losses were capital in nature as opposed to revenue.

16. Share capital

Authorised share capital:

	2010 US$	2009 US$
10 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 2008, 2009 and 2010	**2**	**2**	**–**
Ordinary shares (listed)			
Ordinary shares of US$0.00001 each			
Balance at 31 December 2008	**247,232,484**	**2,472**	**200,689,164**
Issued in September 2009 capital raising	228,571,376	2,286	106,506,933
Share issue costs	–	–	(4,557,760)
Net foreign exchange losses on share issue	–	–	(2,412,079)
Balance at 31 December 2009 and 2010	**475,803,860**	**4,758**	**300,226,258**
Total share capital 31 December 2009 and 2010		**4,760**	**300,226,258**

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

16. Share capital (continued)

Management shares

Management shares each 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. When such rights exist, each holder of a Management share who is present in person or by proxy at a general meeting will have 10,000 votes in respect of each Management share held by them.

The Management shares are not listed on the JSE or BSX. No management shares have been issued or redeemed in the current or prior period.

17. Cash (outflows)/inflows from operations

	Notes	2010 US$	2009 US$
Net profit for the year		**116,030,278**	**62,431,677**
Accrued interest and structuring fee		(3,253,010)	(95,616)
Unrealised net gains on investment portfolio	11	(135,831,406)	(53,194,795)
Unrealised net gain on convertible note	3	(47,062)	–
Unrealised foreign exchange gains in the portfolio of investments	11	(10,770,175)	(8,801,081)
Realised fair value gain on Mindax shares		–	(821,409)
Realised foreign exchange loss on Mindax shares		–	14,330
Net realised gain on Mindax/Jupiter transaction		–	(3,809,606)
Net realised gain on Tshipi/Jupiter transaction	4	(46,004,512)	–
Net realised gain on POSCO transaction	5	(7,073)	–
Net foreign exchange (gain)/loss on cash balances		(22,490)	817,597
Net foreign exchange gain on translation of foreign operations		–	(17,463)
Finance income received		(494,051)	(599,488)
Taxation paid		–	74
Share in loss/(profit) of associates	12	292,114	(327,818)
Accrued expenses		93,545	88,830
Increase in trade and other receivables		(100,933)	(347,483)
Increase/(decrease) in trade and other payables		32,358,365	(25,546,190)
Increase in deferred tax		42,113,518	–
Net cash outflows from operations		**(5,642,892)**	**(30,208,441)**

18. Financial instruments and financial risk management

Financial instruments and risk profile

The Group is exposed in varying degrees to a variety of financial instrument related risks. The Board monitors 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 Consolidated Balance Sheet is provided as follows:

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

The Group's principal financial assets are trade and other receivables, cash, equity investments, and loans made to investments within the investment portfolio. The Group currently does not have any borrowing or borrowing facilities.

The Group's management of capital

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 solely consists of equity shares and its capital structure did not change during the year. The Group has no debt or borrowings and therefore the Directors do not formally monitor the Group's gearing ratio.

No dividends have been paid out to shareholders.

No changes were made in the Group's objectives, policies or procedures regarding the management of capital during either 2010 or 2009.

Analysis of financial assets and liabilities

At 31 December 2010:

2010	Designated at fair value through profit and loss US$	Loans and receivables US$	Non-financial assets US$	Total US$
Financial assets				
Financial asset classes				
Non-current assets				
Investment portfolio				
Quoted equity investments	302,349,201	–	–	302,349,201
Unquoted equity investments	137,000,863	–	–	137,000,863
Loans and receivables	–	31,864,724	–	31,864,724
Convertible note	–	9,182,662	–	9,182,662
	439,350,064	**41,047,386**	**–**	**480,397,450**
Current assets				
Trade and other receivables	–	38,116	1,174,846	1,212,962
Cash and cash equivalents	–	29,405,459	–	29,405,459
Non-financial assets	–	–	1,614,492	1,614,492
Financial liability classes				
Current liabilities				
Trade and other payables	–	(74,919,252)	–	(74,919,252)
Net asset value	**439,350,064**	**(4,428,291)**	**2,789,338**	**437,711,111**

2009	Designated at fair value through profit and loss US$	Loans and receivables US$	Non-financial assets US$	Total US$
Financial asset				
Financial asset classes				
Non-current assets				
Investment portfolio				
Quoted equity investments	82,951,671	–	–	82,951,671
Unquoted equity investments	154,069,371	–	–	154,069,371
Loans and receivables	–	1,320,594	–	1,320,594
	237,021,042	**1,320,594**	**–**	**238,341,636**
Current assets				
Trade and other receivables	–	52,453	1,059,576	1,112,029
Cash and cash equivalents	–	80,406,350	–	80,406,350
Non-financial assets	–	–	2,204,894	2,204,894
Financial liability classes				
Current liabilities				
Trade and other payables	–	(384,076)	–	(384,076)
Net asset value	**237,021,042**	**81,395,321**	**3,264,470**	**321,680,833**

The fair value of the financial assets and liabilities carried at amortised cost is approximately equal to their carrying value.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

18. Financial instruments and financial risk management (continued)

Fair value analysis

The following analyses the Group's financial instruments by reference to their "level" in the context of IFRS7.

The investments in Fabergé, Moepi and Magazynskraal, which were categorised as Level 2 at 31 December 2009, have each been categorised as Level 3 at 31 December 2010. The Directors believe that a Level 3 categorisation better represents the nature of these investment valuations.

	Level 1[1] US$	Level 2 US$	Level 3[2] US$	Total US$
Financial assets at fair value through profit or loss	346,396,587	–	137,000,863	480,397,450
	346,396,587	**–**	**137,000,863**	**480,397,450**

1 Valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes listed equity instruments valued at the closing bid price on 31 December 2010 and loans receivable valued using valuation techniques as prescribed by the IPEVC. Refer to Note 11 Fair valuation of investments for more details on the investment methodologies used.

2 Valued using inputs that are not based on observable market data.

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 in 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.

Substantially all the cash of the Company is held with Investec Bank (Channel Islands) Limited ("Investec"). 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, may affect the Group's rights with respect to the cash held. The Directors closely monitor the credit rating of Investec, and are satisfied that Investec has high levels of both capital and liquidity. Investec's credit rating at 31 December 2010 was BBB (with Fitch Ratings). Nonetheless, due to current market conditions, and the increased level of risk associated with all companies in the banking sector, the Group may extend its range of counterparties to minimise its credit/counterparty risk.

The Group's other loan receivable balances are part of the investment portfolio and have been made to existing equity investments, for example, where it is chosen to fund short-term working capital requirements through loans rather than further equity investment. The Directors believe in the long-term prospects of all of the investments and are involved in the strategic planning of the investments, so they are aware of the financial position of the investments and why they may require loan funding. As such, the danger of default on these loans is considered to be an acceptable risk.

Maximum exposure to credit risk

Financial assets that are neither past due nor impaired	2010 US$	2009 US$
Investment portfolio		
Loans and receivables	31,864,724	1,320,594
Convertible note	9,182,662	–
Current assets		
Trade and other receivables	1,212,962	1,112,029
Cash and cash equivalents	29,405,459	80,406,350
Less prepayments	(1,174,846)	(1,059,576)
	70,490,961	**81,779,397**

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, on page 77, 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 flows relating to the Group's financial liabilities at the Consolidated Balance Sheet date are as follows:

	2010	2009
Financial liabilities expiring in more than one year	74,625,751	–
Financial liabilities expiring in one year or less	293,501	384,076
Total financial liabilities	**74,919,252**	**384,076**

The Group's Consolidated Balance Sheet does not contain any derivative liabilities.

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.

Market risk

Market risk is the risk that the values of financial instruments fluctuate due to changes in market prices. 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 Consolidated 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.

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

The sensitivity analysis tables enclosed below show the potential impact of possible changes in the relevant foreign exchange rates, interest rates and quoted/unquoted equity prices on the Group's financial instruments at the year end. The only material assumption that has been made is that all income statement sensitivities also impact equity.

Foreign exchange risk

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

The Group holds assets and liabilities (both monetary and non-monetary) denominated in currencies other than the US$, the functional currency. It is therefore exposed to foreign exchange risk as the value of the financial instruments denominated in other currencies will fluctuate due to the changes in exchange rates. The Board determines the need for cover based on a case-by-case basis after considering factors such as size and duration of exposure. Based on this consideration, the Board will monitor the exposure on an individual basis and may take out foreign exchange contracts to hedge the risk.

Foreign exchange risk, as defined above, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. 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. Management, however, monitors 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 Dollar ("US$"), including in the Australian Dollar ("AUD"), South African Rand ("ZAR"), Canadian Dollar ("CAD") and the British Pound ("GBP"). These are translated at each financial period end with the foreign exchange gain or loss reflected in the income statement. The Board considers the relevant foreign exchange exposure when assessing each investment decision.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

18. Financial instruments and financial risk management (continued)

The Group's current 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 hold any such derivatives at the year end, nor did it enter into any derivatives during the current year.

The Group's exposure to foreign exchange risk on its assets and liabilities is as follows:

Financial assets

31 December 2010

Currency [1]	Portfolio investments US$	Trade and other receivables US$	Cash and cash equivalents US$	Total financial asset exposure to currency risk US$
US$	90,392,744	38,122	29,164,832	119,595,698
GBP	24,931,480	–	1,135	24,932,615
ZAR	49,994,659	–	178,626	50,173,285
EUR	–	–	60,864	60,864
CAD	88,642,450	–	–	88,642,450
AUD	226,436,117	–	–	226,436,117
Total financial assets	**480,397,450**	**38,122**	**29,405,457**	**509,841,029**

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

31 December 2009

Currency [1]	Portfolio investments US$	Trade and other receivables US$	Cash and cash equivalents US$	Total financial asset exposure to currency risk US$
US$	86,633,377	52,141	79,970,576	166,656,094
GBP	8,330,300	–	51,466	8,381,766
ZAR	68,756,588	–	348,372	69,104,960
EUR	–	–	35,636	35,636
CAD	58,776,378	–	–	58,776,378
AUD	15,844,993	312	300	15,845,605
Total financial assets	**238,341,636**	**52,453**	**80,406,350**	**318,800,439**

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

Financial liabilities

31 December 2010

Currency [1]	Financial liabilities US$	Total financial liabilities exposure to currency risk US$
US$	39,832,959	39,832,959
GBP	121,609	121,609
Total financial liabilities	**39,954,568**	**39,954,568**

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

31 December 2009

Currency[1]	Financial liabilities US$	Total financial liabilities exposure to currency risk US$
US$ denominated financial liabilities	327,604	327,604
GBP denominated financial liabilities	56,472	56,472
Total financial liabilities	**384,076**	**384,076**

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

Foreign exchange risk-sensitivity analysis

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 value and vice versa. Sensitivity to various potential changes in foreign exchange rates is as follows:

Currency[1] – 31 December 2010:

	Portfolio investments US$	Loans and receivables US$	Total carrying value at year end US$	Reasonably possible change[2] %	Income statement impact US$
GBP	24,931,480	1,135	24,932,615	4.1	1,022,237
ZAR	49,994,659	178,626	50,173,285	3.2	1,605,545
EUR	–	60,864	60,864	7.1	4,321
CAD	88,642,450	–	88,642,450	1.6	1,418,279
AUD	226,436,117	–	226,436,117	3.0	6,793,083
	390,004,706	240,625	390,245,331		10,843,465

1 Currency is the functional currency in which each class of financial assets is denominated. The quantitative values disclosed above are in US$.
2 The reasonably possible foreign exchange rate changes are based on the percentage changes in the average ask price for the currency over a period of one year.

Currency[1] – 31 December 2010:

	Trade and other payables US$	Reasonably possible change[2] %	Income statement impact US$
GBP	121,609	4.1	4,986
Total financial liability	**121,609**		**4,986**

Currency[1] – 31 December 2009:

	Portfolio investments US$	Loans and receivables US$	Total carrying value at year end US$	Reasonably possible change[2] %	Income statement impact US$
GBP	8,330,300	51,466	8,381,766	3.9	326,889
ZAR	68,756,588	348,372	69,104,960	2.6	1,796,729
EUR	–	35,636	35,636	2.1	748
CAD	58,776,378	–	58,776,378	2.6	1,528,186
AUD	15,844,993	612	15,845,605	2.0	316,912
	151,708,259	436,086	152,144,345		3,969,464

1 Currency is the functional currency in which each class of financial assets is denominated. The quantitative values disclosed above are in US$.
2 The reasonably possible foreign exchange rate changes are based on the percentage changes in the average ask price for the currency over a period of one year.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

18. Financial instruments and financial risk management (continued)

Currency[1] – 31 December 2009:

	Trade and other payables US$	Reasonably possible change[2] %	Income statement impact US$
GBP	56,472	3.9	2,202
Total financial liability	**56,472**		**2,202**

1 Currency is the functional currency in which each class of financial liabilities is denominated. The quantitative values disclosed above are in US$.
2 The reasonably possible foreign exchange rate change is based on percentage changes in the average ask price over a period of one year.

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 period all uninvested cash was held in short-term investments.

The Group makes loans to companies within the investment portfolio, which may be 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 rates would have an impact on the Consolidated Income Statement.

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

The split of the Group's interest bearing and non-interest bearing financial assets at 31 December 2010 is as follows:

	Financial assets; interest bearing		Financial assets; non-interest bearing	
2010	Floating rate financial assets US$	Investment portfolio loans and receivables US$	Investment portfolio equities US$	Total US$
Financial assets	29,446,075	41,047,386	439,350,064	509,843,525

The split of the Group's interest bearing and non-interest bearing financial assets at 31 December 2009 is as follows:

	Financial assets; interest bearing		Financial assets; non-interest bearing	
2009	Floating rate financial assets US$	Investment portfolio loans and receivables US$	Investment portfolio equities US$	Total US$
Financial assets	80,458,803	1,320,594	237,021,042	318,800,439

Interest rate risk – sensitivity analysis

The Group's sensitivity to reasonably possible potential changes in the following interest rates is as follows:

Currency[1]	Carrying value – 31 December 2010 US$	Income statement impact US$
50 basis points change in US$ interest rates	32,589,494	162,948
50 basis points change in GBP interest rates	1,135	6
50 basis points change in ZAR interest rates	37,839,472	189,197
50 basis points change in EUR interest rates	60,684	303
	70,490,965	3,524,548

Currency[1]	Carrying value – 31 December 2009 US$	Income statement impact US$
50 basis points change in US$ interest rates	80,022,717	400,114
50 basis points change in GBP interest rates	51,466	257
50 basis points change in ZAR interest rates	1,668,966	8,345
50 basis points change in EUR interest rates	35,636	178
50 basis points change in AUD interest rates	612	3
	81,779,397	408,897

1 Currency is the functional currency in which these classes of financial assets are denominated. The quantitative values disclosed above are in US$.

Price risk

Price risk is the risk that the price for quoted investments fluctuates with a corresponding impact on the Consolidated 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 investments could be affected by factors including, but not limited to, relevant commodity prices, results from exploration/drilling, global or regional political events, or specific developments relating to the investment, all of which could impact on the valuation of the investments.

The quoted/unquoted investments in the Consolidated Balance Sheet subject to price risk are set out in Note 11 *Fair valuation of investments*.

Price risk – sensitivity analysis

The fair value of each of the Group's quoted/unquoted investments could vary significantly from period to period. Any material change in global economic conditions would be likely to impact the valuations of the Group's unquoted and quoted investments.

The sensitivity analysis shows the results of a potential 10% movement in quoted investments, which is considered to be a likely potential movement in the overall portfolio of quoted investments in the next six or twelve months.

Sensitivity analysis has been disclosed for a movement of 25% in unquoted investments.

These movements would have the following impacts on the Consolidated Income Statement:

	2010 US$	2009 US$
Potential income statement impact – quoted investments	(30,234,920)	(8,295,167)
Potential income statement impact – unquoted investments	(34,250,216)	(38,517,343)
	(64,485,136)	(46,812,510)

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

18. Financial instruments and financial risk management (continued)

Other price risk disclosures

The price risk sensitivity analysis above may not be fully representative of the risks the Group is subject to, for the reasons set out below as required by IFRS7.

The Group's unquoted 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 Consolidated 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 quoted investments are more active, the shares are not fully liquid. The Group owns significant stakes in some of its investments, for example 31.79% of Gemfields, 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 Consolidated Balance Sheet. Conversely, the amount realised may be higher than the current Consolidated 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 investment valuations in the Consolidated Balance Sheet give a reasonable representation of fair value.

Sensitivity analysis representative for the position throughout the year

All the sensitivity analyses disclosed above are based on the financial instruments held at the year end. The sensitivity analyses presented for 31 December 2010 are considered likely to be representative of the risks to the Consolidated Balance Sheet in the immediate future.

Users of the financial statements should be aware that the Group's risk profile can change over time, and that the mix of financial instruments has changed significantly over the course of 2010 and the sensitivity analysis does not fully represent the risks the Group has been subject to during 2010.

No further more representative sensitivity disclosure has been given, as it is uncertain how the Group's risk profile will change and the Directors do not believe that it would be useful to users of the financial statements.

19. Related party transactions

Related parties

All subsidiaries, joint ventures and associated companies of the Group are related parties.

The Group owns significant stakes in most of the investments within the investment portfolio. Where the Group's investment results in significant influence or joint control, the Group accounts for the investment at fair value through the profit and loss account. See Note 1 *Accounting policies* for more detail.

Nonetheless, per IAS24 these 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 also loan transactions which are detailed in Note 11 *Fair valuation of 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.

Stuart Platt-Ransom, Martin Tolcher and Patricia White are directors of Legis. The relationship with Legis is at arm's length. The total fees paid to Legis during the year ended 31 December 2010 amounted to US$101,865 (2009: US$124,216).

Directors' fees

At the Company's most recent AGM, held on Friday 28 May 2010, the shareholders resolved that the amount payable as Directors' fees be increased to a maximum of US$40,000 per Director per annum, effective from 1 January 2010. The Remuneration Committee subsequently recommended that the fee payable to each non-executive Director be increased to US$25,000 per annum, effective 1 January 2010. Accordingly, Stuart Platt-Ransom, Clive Harris and Martin Tolcher each received a Director's fee of US$25,000 for 2010 (2009: US$8,000). Patricia White does not receive a fee for her role as Permanent Alternate Director.

As noted in the Remuneration Committee report, the executive Directors have waived the right to receive Directors' fees from the Company.

Additionally, the following Directors' fees are received from entities within the Group's investment portfolio:

	Year ended 31 December 2010	Year ended 31 December 2009
Brian Gilbertson		
Jupiter Mines Ltd[1]	34,076	–
Platmin Ltd	105,960	44,616
	140,036	44,616
Arne H. Frandsen		
Platmin Ltd	41,080	41,080
	41,080	41,080

1 Brian Gilbertson was appointed as non-executive chairman of Jupiter effective 22 June 2010.

Messrs Gilbertson and Frandsen do not receive these Directors' fees in a personal capacity. The fees are instead paid into the relevant Group companies that directly hold the investments in Platmin and Jupiter respectively.

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*. Brian Gilbertson, Arne H. Frandsen and Andrew Willis are all Partners of the Investment Manager.

The Directors' interests in the Company

The Directors' interests in the Company are as follows:

	Number of shares held 31 December 2010	% interest in the Company 31 December 2010	Number of shares held 31 December 2009	% interest in the Company 31 December 2009
The Brian Gilbertson Discretionary Settlement	13,858,985	2.91%	13,858,985	2.91%
Arne H. Frandsen	2,425,821	0.51%	2,425,821	0.51%
Andrew Willis	1,092,554	0.23%	1,092,554	0.23%
Clive Harris	250,000	0.05%	250,000	0.05%
	17,627,360	**3.70%**	**17,627,360**	**3.70%**

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

The interests disclosed above have not changed between 31 December 2010 and the date of this report.

The interests of the other Partners of the Investment Manager in the Company are as follows:

	Number of shares held 31 December 2010	% interest in the Company 31 December 2010	Number of shares held 31 December 2009	% interest in the Company 31 December 2009
Sean Gilbertson	2,385,190	0.50%	2,385,190	0.50%
Priyank Thapliyal	2,385,190	0.50%	2,385,190	0.50%
	4,770,380	**1.00%**	**4,770,380**	**1.00%**

The interests disclosed above have not changed between 31 December 2010 and the date of this report.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

20. Headline earnings per share and NAV per share

Basic earnings per share, calculated in accordance with IAS33 *Earnings per share*, are as follows:

Earnings per share	2010 US$	2009 US$
Profit for the year	116,030,278	62,431,677
Weighted average number of shares in issue	475,803,860	312,155,327[1]
Earnings per ordinary share	**0.24**	**0.20**

1 The Company issued 228,571,376 ordinary shares during the US$107 million capital raising, completed in September 2009, increasing the number of shares in issue to 475,803,860. The weighted average number of shares for the year ended 31 December 2009 was 312,155,327.

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

NAV per share at 31 December 2010 and 31 December 2009 is as follows:

	31 December 2010 US$	31 December 2009 US$
Net assets	437,711,111	321,680,833
Number of shares in issue	475,803,860	475,803,860
NAV per share	**0.92**	**0.68**

21. 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 2011, which was previously held by Barrick Platinum South Africa (Pty) Limited. As articulated in the PGMs Investment Platforms section, during March 2011, a series of transactions was announced that provide 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 outflow will be material to the Group.

Commitment to loan Fabergé up to US$25 million

Per Note 11 *Fair valuation of investments*, the Group made a commitment on 24 May 2010 to loan Fabergé up to US$25 million. The commitment could be drawn upon by Fabergé between 1 October 2010 and 31 May 2011. Fabergé had drawn down US$3 million at the year end and has drawn down a further US$8.5 million since the year end. The commitment at the balance sheet date was US$22 million, less the accrued structuring fee of US$375,000.

Commitment to invest AUD5 million into Jupiter extinguished

As part of the terms of the Jupiter transaction completed in March 2009, the Group committed to invest a further AUD5 million into Jupiter.

On 31 January 2011 Jupiter announced a capital raising of AUD150 million by way of an issue of new equity shares. The Group contributed AUD5.5 million to the capital raising. The Group's effective interest in Jupiter was diluted from 18.2% to 16.5%. See Note 23 *Events occurring after the end of the year* for further detail.

The Group's commitment to invest AUD5 million into Jupiter was extinguished following the completion of the capital raising.

22. Contingent liabilities and contingent assets

The Group had no significant contingent liabilities or contingent assets at 31 December 2010 or 31 December 2009.

23. Events occurring after the end of the year

Conversion of Platmin convertible note

On 13 May 2010, the Group acquired an interest in a convertible note issued by Platmin at a cost of US$9,135,600. The original terms were that the note was non-interest bearing, denominated in US$ and able to be converted into Platmin shares at any time between acquisition and 31 December 2010 with a conversion ratio of 1: US$1.215.

The period for 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 for conversion was extended again on 28 February 2011, and on 31 March 2011 the convertible notes were converted in full. The Group received an indirect interest in 10,875,716 new Platmin shares and its see-through interest in Platmin decreased as a result of the conversion from 7.64% to 7.49%, or 68,152,689 of the 910,395,054 shares in issue.

Repayment of Platmin loan

The Group loaned Platmin a total of US$25,845,409 in two tranches between March and May 2010. The terms of the loan included a structuring fee for the arrangement of the loan, which was accrued at the date of the first drawdown and was added to the outstanding balance. The loan balance (including the structuring fee) earned interest at JIBAR plus 2%.

On 28 February 2011, Platmin repaid the outstanding loan of US$28,821,690 including interest and the structuring fee.

Investment in African Queen

Subsequent to the end of the year, a suite of agreements to further the African Queen consolidation were concluded. The Group has seen two outflows of cash for its entitlement since the year end. The first outflow was for US$10 million on 8 February 2011, the second outflow was for US$13,546,024 on 2 March 2011. The outflows are intended to be used for a variety of purposes. The most material outflow will be for the Group to acquire an interest in Sedibelo.

Further US$8.5 million drawdown of Fabergé loan

The Group has provided a commitment to loan Fabergé up to US$25 million, which could be drawn down at any point until 31 May 2011.

Subsequent to the end of the year, Fabergé drew down US$3 million on 13 January 2011, US$1 million on 19 April 2011, US$1.5 million on 18 May 2011 and requested a further US$3 million on 30 May 2011; the balance of the loan will therefore increase to US$11.5 million (excluding interest and structuring fee).

Contribution of AUD5.5 million to Jupiter AUD150 million capital raising

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 are intended to be allocated towards Jupiter's 49.9% share of the anticipated AUD200 million 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", including the Group (AUD51.5 million). The second issue of shares, which was considered to be an issue to related parties by the ASX, was approved at the Jupiter EGM held on 6 April 2011. The Group received the new shares on 29 April 2011, and its effective interest in Jupiter was diluted from 18.2% to 16.5%.

Expiry of the Mount Alfred Bonus option

The Group's initial investment in Jupiter was made during 2008. The Group acquired shares in Jupiter and Mindax Limited on the open market as part of the Central Yilgarn iron ore strategy. On 9 March 2009, the shareholders of Jupiter approved a transaction by which the Group would receive 47,339,148 newly issued Jupiter ordinary shares, the "Manganese Option" and the "Mount Alfred bonus option" in exchange for its interest in Mindax and US$693,510/AUD1 million in cash.

The Mount Alfred Bonus option entitled the Group and Red Rock Resources plc ("Red Rock"), the Group's previous joint venture partner, the right to each receive a maximum of 90 million ordinary shares in Jupiter upon the receipt of written notification from the Group and Red Rock confirming that an independent expert certified the existence of in excess of ten million tonnes of measured resources (per the Joint Ore Reserves Committee code, or "JORC" code) of saleable Direct Shipping Haematite Ore on tenements comprising the Mount Alfred Project. No asset was ever recognised in the Group's Consolidated Balance Sheet in relation to Mount Alfred, and the option lapsed on 31 March 2011.

Approval of Annual Report

The Annual Report was approved by the Board of Directors and authorised for issue on 13 June 2011.

Shareholder Information

for the year ended 31 December 2010

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1,000 shares	537	15.01	353,966	0.07
1,001 – 10,000 shares	1,894	52.96	8,445,273	1.77
10,001 – 100,000 shares	928	25.94	30,056,340	6.32
100,001 – 1,000,000 shares	175	4.89	56,990,051	11.98
1,000,001 shares and over	43	1.20	379,958,230	79.86
	3,577	100	475,803,860	100
Distribution of shareholders				
Banks	25	0.70	24,234,904	5.09
Brokers	16	0.45	3,694,324	0.78
Close corporations	76	2.12	2,044,519	0.43
Endowment funds	21	0.59	4,324,722	0.91
Individuals	2,759	77.13	47,718,070	10.03
Insurance companies	5	0.14	72,711,537	15.28
Investment companies	8	0.22	8,326,731	1.75
Mutual funds	25	0.70	48,359,345	10.16
Nominees and trusts	489	13.67	119,354,079	25.09
Other corporations	42	1.17	745,705	0.16
Pension funds	16	0.45	37,256,771	7.83
Private companies	84	2.35	54,301,635	11.41
Public companies	11	0.31	52,731,518	11.08
	3,577	100	475,803,860	100
Public/non-public shareholders				
Public shareholders	**3,569**	**99.77**	**334,864,902**	**70.38**
Non-public shareholders	**8**	**0.23**	**140,938,958**	**29.62**
Directors and Partners of the Investment Manager holdings	6	0.17	22,397,740	4.71
Strategic holdings (more than 10%)	2	0.06	118,541,218	24.91
	3,577	100	475,803,860	100

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	33,234,815	6.98
Hlamogolo Capital (Pty) Ltd	33,199,375	6.98
Cadiz Asset Management	32,139,646	6.75
Oasis Crescent Equity Fund	20,892,608	4.39
Investec Bank (Switzerland) AG	15,794,284	3.32
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 [2]

1 Independent non-executive
2 Appointed permanent alternate to Stuart Platt-Ransom and Martin Tolcher on 7 September 2010

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Channel Islands

Notice of Annual General Meeting

for Pallinghurst Resources Limited (the "Company")

NOTICE IS HEREBY GIVEN that the Annual General Meeting of shareholders of the Company will be held at Legis House, 11 New Street, St Peter Port, Guernsey on Friday 5 August 2011 at 3pm to consider and, if thought fit, pass the following resolutions:

Ordinary resolutions:

1. To receive and adopt the annual report and consolidated financial statements for the year ended 31 December 2010.

2. To re-appoint Saffery Champness as the auditor to the Company for the ensuing period (the designated auditor being Mr Roy Angliss) and to authorise the Directors to fix its remuneration.

3. To re-elect Mr Andrew Willis as a Director of the Company.

4. To re-elect Mr Martin Tolcher as a Director of the Company.

By order of the Board

Legis Fund Services Limited
Legis House
11 New Street
St Peter Port
Guernsey
GY1 3EG
Channel Islands
13 June 2011

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 Annual General Meeting 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 copy of any such authority certified notarially) 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, 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.
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 3pm on 2 August 2011 (or in the event that the Annual General Meeting 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 Annual General Meeting or adjourned meeting in respect of the shares registered in their name at that time. Changes to entries on the register of Shareholders after 3pm on 2 August 2011 (or, in the event that the annual general meeting 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 Meeting.

If you do not intend to attend the meeting 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 5 August 2011.

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 on Friday 5 August 2011 at 3pm 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 annual report and consolidated financial statements for the year ended 31 December 2010.			
2. To re-appoint Saffery Champness as the auditor to the Company and authorise the Directors to fix its remuneration.			
3. To re-elect Mr Andrew Willis as a Director of the Company.			
4. To re-elect Mr Martin Tolcher as a Director of the Company.			

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 ______________ 2011

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 holders the vote of the senior shall be accepted to the exclusion of other joint holders, seniority being determined by the order in which the names stands in the register in respect of the joint holding.

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