PALLINGHURST

Pallinghurst Resources Limited

ANNUAL REPORT 2015

Above:
Mining activity at the Pilanesberg Platinum Mine.

Cover images, from left to right:
Emerald extraction in the Chama Pit at Kagem, Zambia.
The award winning Lady Compliquée Peacock timepiece by Fabergé.
Flotation section at the Pilanesberg Platinum Mine concentrator.

HIGHLIGHTS

Net Asset Value ("NAV")

ZAR5.0 billion/ US$322 million

- Sedibelo Platinum Mines achieved a record level of production with the lowest per ounce cost since its start of production in 2009.
- Sedibelo Platinum Mines recorded more than 3.7 million fatality-free shifts.
- Tshipi sold over 1.5 million tonnes of manganese ore in its financial year.
- Despite the very difficult price environment, rigorous cost management has helped Tshipi to achieve positive cash flows in every quarter.
- Record revenues for Gemfields' 2015 financial year.
- CPRs released for Kagem and Montepuez.
- Acquisition of two emerald projects in Colombia.

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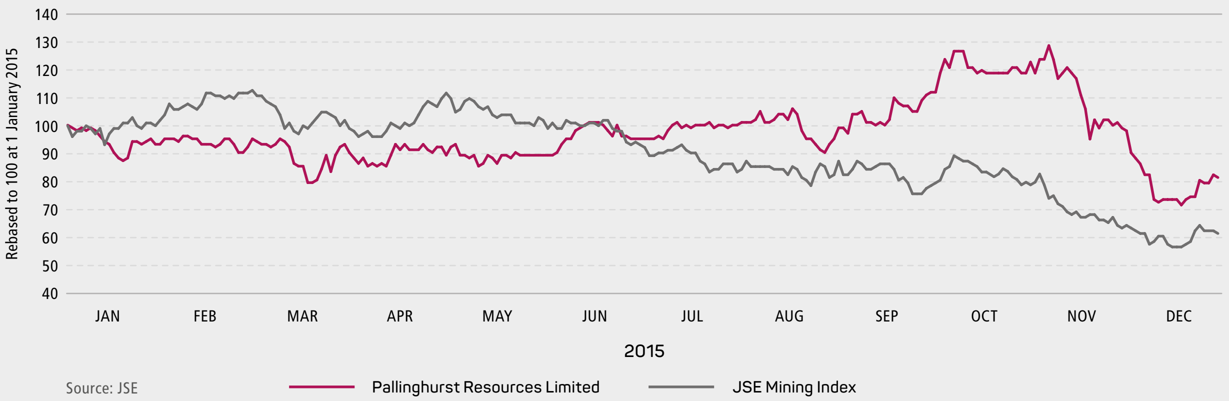
"Our strategy remains the same, with a firm focus on enhancing and unlocking the full value of each of our three investment platforms. Although the current market environment remains challenging, we continue to prepare the assets for eventual exit."

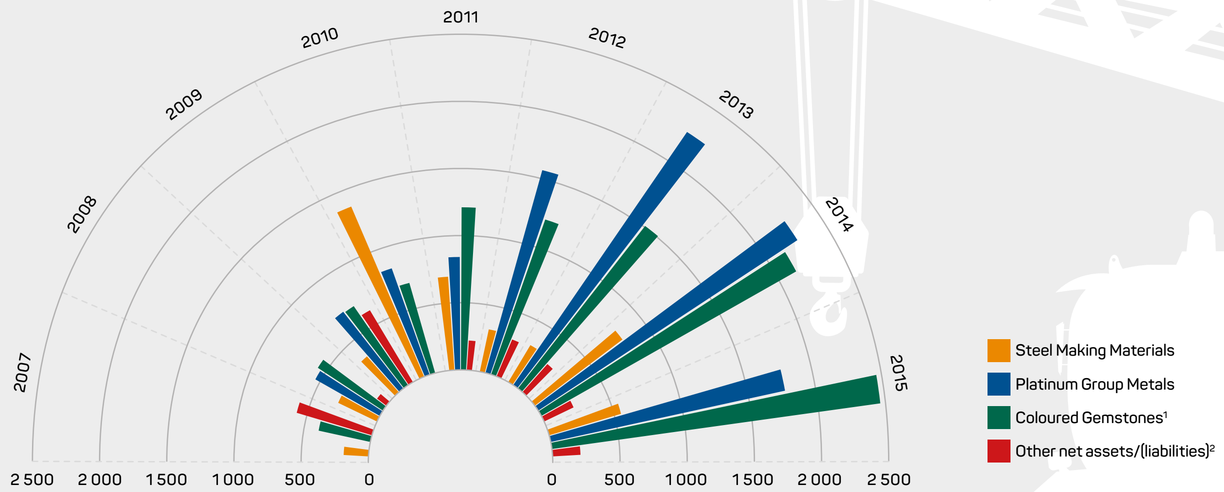
Arne H. Frandsen
Chief Executive

VALUE

Pallinghurst Resources Limited Share Price vs JSE Mining Index

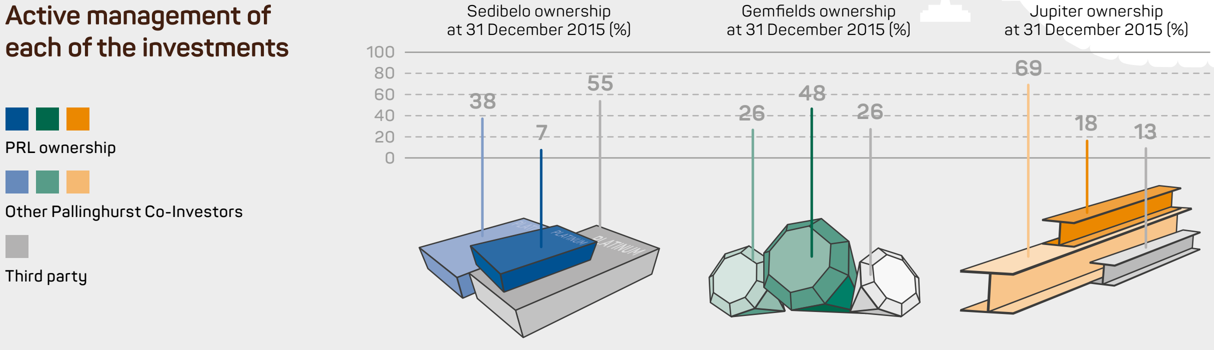


Net Asset Value by Investment Platform (in ZAR million)



1 *Coloured Gemstones segment includes investment in Fabergé prior to Gemfields/Fabergé Merger (completed January 2013).*
2 *Other net liabilities at 31 December 2010 was ZAR282,960,485.*

Active management of each of the investments



UG2 milling section at the Pilanesberg Platinum Mine.

CHAIRMAN'S STATEMENT

When we created the Company in 2007, we stressed the volatility and cyclical nature of the resources industry. We have since seen commodity markets reach significant highs, based on predictions of continued growth in emerging markets, but currently commodity prices are low and pessimism remains widespread. However, there have been early signs of a rebound in commodity and resource equities prices in recent weeks, with the FTSE Mining Index up 43% since 20 January 2016.

Since the formation of Pallinghurst, our strategy has been to create industry-leading businesses regardless of the market environment. In each of our three platforms, we have made significant strides to achieve that aim. Each is uniquely positioned to realise their inherent values as markets improve.

The past year has seen Gemfields making further strides towards becoming the "De Beers for Coloured Gemstones". There has been good progress in Zambia for our emerald interests and the prospect of entering Colombia cements our position as the world's largest and most important emerald miner. In 2015 we repeated the Zambian success in Mozambique, with Gemfields now positioned as the world's most important ruby miner. I now look forward to Gemfields applying our unique business model to sapphires, to be sourced from our properties in Sri Lanka.

In manganese, Tshipi has been built from a greenfields site into one of the world's largest and lowest cost manganese producers. In an environment of depressed manganese prices, we have focussed on our competitive position by implementing constructive cost-cutting measures. We have recently had to retrench some of our workforce in the face of market weakness but remain hopeful that once the market improves, we will be able to again expand our production and workforce. Despite the very difficult price environment, Tshipi has managed to achieve positive cash flows in every quarter. Together with our partner, Ntsimbintle, we have become an operator of a world-class mining asset with a life exceeding 60 years. The Pallinghurst/Ntsimbintle partnership has stood its test of time, with each partner bringing unique skills to the operation and its own financial backing.

Sedibelo, our PGM investment, recorded its seventh successive year of record production, with corresponding improvements in cost per ounce produced. The focus of 2015 has been on further cost reduction and preservation of cash. With the industry living through one of its most challenging years, it is clear that our strategy of avoiding debt funding has been vindicated. Many others have been under financial stress caused substantially by their heavy leverage. Whilst we are not immune to the challenges, we remain confident that when the market turns more supportive of PGM investments, Sedibelo will realise its full potential as an important producer. In the meantime, we are making good progress in our assorted initiatives, including the "Kell technology", which could become an industry-transforming beneficiation process.

Although commodity prices continue to be depressed, our operations have shown their ability to withstand the storm. Each remains well-positioned to deliver its full value for shareholders when the upturn comes, and the first signs of this might just be appearing.

I thank my fellow Directors and the management teams of our portfolio companies for their hard work and substantial contributions during the past year.

Brian Gilbertson
Chairman

CHIEF EXECUTIVE'S STATEMENT

The past year, 2015, will surely go down in the mining history as one of the greatest "*anni horribiles*". When we reported on 2014, few would have thought that 2015 would be even more challenging. No mining company was spared, with declines in market valuations to unprecedented levels. Our Company has also not been spared, and it gives me little comfort that PRL has been one of the better performers.

The high market volatility in 2015 has made it difficult to appropriately value our two unlisted platforms, Sedibelo and Jupiter. We have therefore written down these investments significantly, reflecting the depressed environment prevailing at the year end. Whilst we remain of the view that once markets recover, we will be able to realise values superior to these reduced book values, it is prudent to reflect the current market conditions. Since those unrealised write-downs for accounting purposes have to be reflected in the income statement, we have reported a loss of US$149 million. The Net Asset Value ("NAV") decreased by 8% in ZAR terms, partly off-set by the weakening ZAR. Whilst in 2014, PRL was one of the best performing stocks on the JSE, this year we have seen a decrease in the share price. However, the inherent value remains intact and the Company continues to pursue its full potential. Even with the write-downs and the unfavourable trading performance, the Company's shares are still trading at a significant discount to underlying NAV.

Platinum Group Metals

Sedibelo Platinum Mines achieved yet another production record in 2015 with annual dispatches of nearly 175,000 4E PGM ounces. However, with the metal prices being at very depressed levels, Sedibelo is expected to report a loss for the year. Whilst the metal prices have shown signs of recovery recently, it is too early to predict the return of higher and sustainable levels of pricing. Against that backdrop, having in excess of ZAR1 billion of cash on its balance sheet, and no long term debt, Sedibelo has positioned itself well for this challenging environment. I also want to highlight Sedibelo's safety record, which recently exceeded 3.7 million fatality-free shifts. Sedibelo remains committed to an IPO – once market conditions improve sufficiently.

Steel Making Materials

Tshipi Borwa has now successfully established itself as one of the world's largest manganese mines. In the challenging market conditions of the past year, Tshipi's management team performed superbly and demonstrated the mine's ability to produce at a rate well in excess of two million tonnes per annum. The focus has not been on volumes however, but on profitability per tonne of ore produced and sold, and so we have recently decided to cut back on output. The rigorous cost management has helped position Tshipi Borwa in the lowest cost quartile and the mine remains able to rapidly increase its capacity to over three million tonnes per annum. Tshipi is well-positioned to generate superior returns for all stakeholders once the market recovers.

Coloured Gemstones

Gemfields' Mozambique operation has now established itself as one of the world's most important suppliers of high quality rubies. Montepuez markedly increased ruby production during the scaling-up of its operations. The unique auction system continues to generate value, realising attractive returns. Its potential is truly world-class and represents a valuable asset in the Gemfields portfolio. During the year, an independent technical report was completed, indicating a resources base which I don't think has its match anywhere else in the world. The emerald business maintained its strong performance, with increasing revenues and per carat prices seen throughout the year. During 2015, Gemfields announced an investment into Colombia, which is expected to increase its market share of emerald production. Through its successful auction system, Gemfields has now positioned itself as the world's leading supplier of emeralds, and potentially of rubies. Gemfields also continues to unlock Fabergé's growth potential, despite challenging market conditions.

Our strategy remains the same, with a firm focus on enhancing and unlocking the full value of each of our three investment platforms. Although the current market environment remains challenging, we continue to prepare the assets for eventual exit. When commodity prices and market sentiment recover, each of our investments will be well-positioned to realise significant value for all our shareholders.

Arne H. Frandsen
Chief Executive

PLATINUM GROUP METALS

Sedibelo's strategy of avoiding debt has proven successful and it remains unleveraged with significant net cash on its balance sheet at the year end.

Opencast operations at the Pilanesberg Platinum Mine.

HIGHLIGHTS

- Sedibelo Platinum Mines achieved a record level of production with the lowest per ounce cost since its start of production in 2009.
- Sedibelo Platinum Mines recorded more than 3.7 million fatality-free shifts.

Investment strategy

At its launch in 2007, Pallinghurst identified the platinum group metals ("PGM" or "PGMs") industry as having attractive long term investment fundamentals. PGMs remain essential to a wide range of industries and do not have any substitutes in their main applications, particularly in automotive catalytic converters. An estimated 20% of consumer products either contain PGMs or use them during the manufacturing process. Demand for PGMs is also driven by their use in high-end jewellery, investments in physical metals and Exchange Traded Funds. Strong demand for PGMs is expected as the global population grows, economies expand and the consuming middle class in emerging markets increases. Given their key application in cleaning exhaust fumes from fossil fueled engines and their essential role in fuel-cells, the success of PGMs are directly linked to a desire for a cleaner and healthier existence.

As has been pointed out many times before, the supply of PGMs is constrained. The Bushveld Complex ("BC"), north of Johannesburg, South Africa, contains approximately 80% of the world's known PGM resources and accounts for over 80% of the world's annual output. Significant safety, operating cost and capital expenditure challenges arise from the ever increasing depth of mining, given the operating constraints, and limited global occurrences of PGM bearing reefs, production is likely to remain flat in the near to medium-term. The diverse and solid demand dynamics, combined with ongoing supply pressures and high barriers to entry, should bring stronger future prices.

Investment history

In 2007, Pallinghurst identified three shallow PGM deposits north of the Pilanesberg on the Western Limb of the BC which, while individually attractive, could benefit significantly from economies of scale and synergies if combined into a consolidated entity. Pallinghurst assembled a consortium of Pallinghurst Co-Investors, including the Group, to invest in this PGM strategy. The Bakgatla Ba Kgafela Tribe (the "Bakgatla"), which already held interests in the deposits, joined the consortium as its Black Economic Empowerment ("BEE") partner.

Over a period of six years, the Pallinghurst Co-Investors, including the Group, acquired the Pilanesberg Platinum Mine ("PPM"), Sedibelo and Magazynskraal, and in 2012, consolidated them into a single contiguous operation with shallow resources of approximately 70 million 4E PGM (platinum, palladium, rhodium and gold) ounces. Together with its other assets, Sedibelo Platinum Mines Limited ("Sedibelo Platinum Mines", "Sedibelo" or "SPM", formerly Platmin Limited) has a total resources base of some 100 million ounces, making it one of the world's significant PGM asset owners, which can extract its shallow resources in a safe and sustainable fashion.

Following the consolidation, the Industrial Development Corporation ("IDC") invested the Rand equivalent of US$400 million into the newly created Sedibelo Platinum Mines. These funds, together with an additional US$65 million invested by international investors, were used to develop the consolidated operations into a "PGM producer for the 21st Century"; its generally shallow orebodies offering safety and cost benefits.

Sedibelo Platinum Mines

During 2015, the PGM industry faced depressed metal prices and the consequent refinancing of highly leveraged balance sheets from a number of producers. Sedibelo's strategy of avoiding debt has proven successful, and whilst it is not immune to those challenges, it remains unleveraged with in excess of US$82 million of net cash on its balance sheet at the year end.

Against this backdrop, Sedibelo achieved record production in 2015 with annual dispatches of almost 175,000 4E PGM ounces. Whilst management has been focused on cost containment, due to the depressed metal prices, Sedibelo is expected to record a loss for the year. Sedibelo continues to maintain its production profile with a firm focus on cost management and the delivery of profitable ounces.

Since the last reporting, Sedibelo has signed agreements with the IDC to partner with LifeZone Ltd in developing and implementing the "Kell technology", an innovative hydrometallurgical alternative to the smelting of PGM concentrates. Kell is an environmentally friendly process, requiring only a small amount of electricity compared to traditional smelting, and has the potential to increase PGM recoveries. Testing has provided encouraging results with increased recoveries of not only 4E PGMs, but also base metals such as copper, cobalt and nickel.

Sedibelo's existing open pit operations employ around 2,000 people, most of whom are from the North West Province, and many specifically from the local Bakgatla community. The expansion in the medium term of Sedibelo's operations is expected to increase the number of sustainable jobs for the Bakgatla, and in turn become a catalyst for community development, providing lasting social benefits for the region. Of paramount importance, Sedibelo maintains a strong emphasis on worker safety, recently reaching 3.7 million fatality-free shifts.

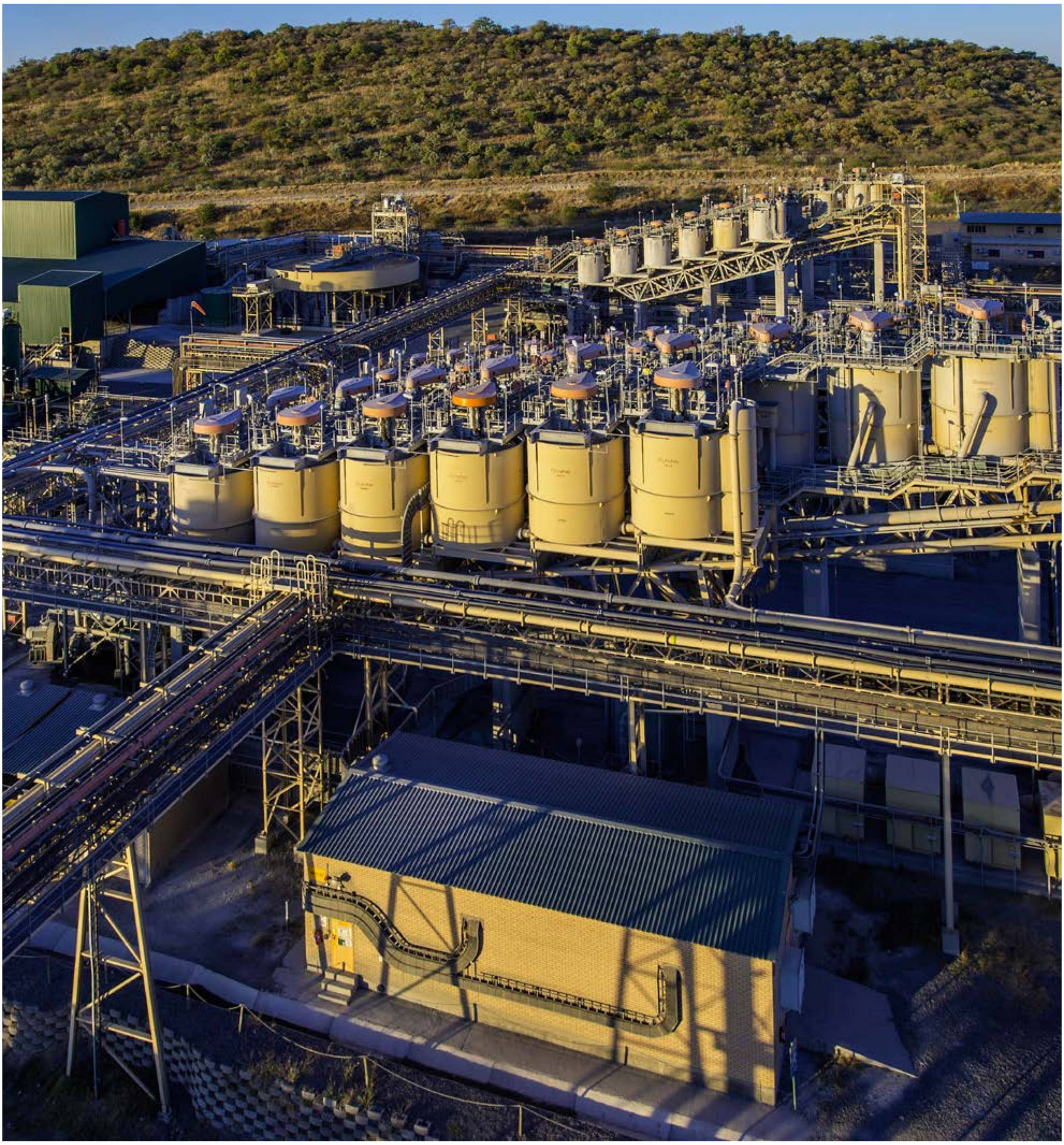
Sedibelo maintains and develops local roads and water supplies, provides training and development programmes to improve mining related skills and also funds scholarships for local community members to attend full-time educational studies. This tangible commitment to, and involvement in, the local community is one of the cornerstones for the successful development of the PGM portfolio.

Outlook

As significant supply challenges continue for the PGM industry and demand has exceeded supply for the fifth consecutive year, many

Main pit at the Pilanesberg Platinum Mine.

Sedibelo is developing the "Kell technology", an innovative hydrometallurgical alternative to the smelting of PGM concentrates.



Merensky flotation plant at the Pilanesberg Platinum Mine.

commentators are predicting stronger PGM prices in 2016. This has been supported by some price improvements in the first three months of 2016, with platinum prices exceeding US$1,000/ounce for the first time since October 2015. Sedibelo, with its large, sustainable and relatively shallow resource base, is well-positioned to benefit from further price improvements and remains committed to undertake a public listing when market conditions are more favourable.

STEEL MAKING MATERIALS

Manganese is a key component in steelmaking, removing impurities and increasing the strength and impact resistance of steel.

Locomotive transporting 104 wagons of manganese ore from Tshipi Borwa.

HIGHLIGHTS

- Tshipi sold over 1.5 million tonnes of manganese ore in its financial year.
- Despite the very difficult price environment, rigorous cost management has helped Tshipi to achieve positive cash flows in every quarter.

Investment strategy

In 2007, Pallinghurst identified the raw materials needed for steelmaking as having attractive investment fundamentals. Steel is an important driver of the global economy and has shown consistent growth through a number of economic cycles, in particular when developing economies expand rapidly.

Manganese is a key component in steelmaking, removing impurities and increasing the strength and impact resistance of steel. Global manganese resources are concentrated within South Africa, with approximately 80% of the world's known economically mineable manganese deposits located in the Kalahari Manganese Field ("KMF") in the Northern Cape Province.

Investment history

In 2008, Pallinghurst assembled a consortium of Pallinghurst Co-Investors, including the Group, to acquire a 49.9% interest in Tshipi é Ntle Manganese Mining (Pty) Limited ("Tshipi"), an early stage manganese exploration opportunity within the KMF. The property is situated adjacent to Samancor's Mamatwan manganese mine that has been in operation since 1964, and its deposit is an extension of the same ore body. The balance of 50.1% of Tshipi's shares is held by Ntsimbintle Mining (Pty) Limited ("Ntsimbintle"), a broad-based BEE consortium (consisting of Safika Resources, Nkojane Economic Prospecting and a number of national and local economic development and community organisations and social trusts), and OM Holdings Limited ("OMH"), an Australian Securities Exchange ("ASX") listed integrated manganese mining and trading house. The Pallinghurst Co-Investors provided exploration funding, proving a 189 million tonne manganese deposit at an estimated average grade of 37%.

In 2010, South Korea's POSCO, one of the world's largest steel producers, acquired a stake in Tshipi from the existing Pallinghurst Co-Investors. This transaction introduced to Tshipi the skills and expertise of a leading manganese end-user. In 2011, Jupiter Mines Limited ("Jupiter"), then an ASX-listed company in which the Group already held an investment, acquired the Pallinghurst Co-Investors' 49.9% interest in Tshipi. Jupiter delisted from the ASX on 10 January 2014.

In 2011, following the granting of the necessary administrative approvals and licenses, the decision was taken to construct Tshipi Borwa, an open-pit manganese mine. Rapid commissioning of the mine and related infrastructure enabled Tshipi Borwa to mine, rail and export its first manganese ore by the end of 2012.

Tshipi's state of the art rapid load out station was commissioned during 2014, enabling the loading of bulk trains in less than four hours and skiptainers in less than two hours, much faster than most of its competitors. This rapid loading ability positions Tshipi Borwa well to be supplied with additional trains when there is spare capacity on the network. Tshipi's eight kilometre rail siding is also the largest in the KMF, capable of accommodating over 200 wagons.

Tshipi Borwa

The year has been difficult for manganese producers, with significant price declines as a result of slowing demand from China. Despite the very difficult price environment, rigorous cost management has helped Tshipi to achieve positive cash flows in every quarter.

In response to the low manganese prices, several producers have either temporarily shut operations or have announced significant cutbacks in production. In December 2015, Tshipi announced that it would cut exports by 35% in the first quarter of 2016. Tshipi's manganese stockpiles will be utilised for export whilst mining operations will take place only on already exposed ore. This action will involve significant job losses but should enable Tshipi to withstand the prevailing market conditions even if low prices remain for a sustained period. In the year to 29 February 2016, Tshipi Borwa sold over 1.5 million tonnes of manganese ore.

Environment, safety and corporate social responsibility

Tshipi is committed to contributing to the development of the community in which it operates. In conjunction with the Joe Morolong Municipality, Tshipi provided a local waste management company with vehicles, office space, mentorship and training, and committed to a one year contract for waste removal at the mine. Tshipi supports education in the local community by awarding internships and bursaries to local students.

Tshipi has provided funding for a water infrastructure project which provides the local Maphiniki Community with a sustainable water supply, the construction of a health care clinic and the improvement of local services within the Joe Morolong Municipality. Tshipi also continues to provide free health screening and medical surveillance to employees, and actively promotes sustainable mining by replanting trees, creating an onsite nursery and the establishment of a wildlife conservation area.

Tshipi Borwa is a surface, open-cut mine, which typically is the safest mining operation. Tshipi adds to this structural advantage with its strong emphasis on worker safety programmes and procedures. No fatalities have ever occurred at Tshipi Borwa and this strong safety record continued with only two reportable lost time injuries during 2015, an impressive achievement over a twelve month period.

Jupiter's Central Yilgarn iron ore assets

Jupiter holds two iron ore exploration assets in the Central Yilgarn region of Western Australia, the Mount Mason Direct Shipping Ore ("DSO") hematite project and the Mount Ida magnetite project. Mount Mason has a measured/indicated DSO resource of 5.9

Commissioning of the primary crusher at Tshipi Borwa.

Tshipi has established itself as a significant, low-cost player in the South African manganese ore industry.

Tshipi's manganese ore being loaded onto a vessel.

million tonnes at a grade of 60.1% Fe (iron) and has the potential to produce two million tonnes per annum. Mount Ida has a JORC-compliant inferred resource of 1.85 billion tonnes at 29.48% Fe and has the ability to produce ten million tonnes per annum of high grade magnetite concentrate.

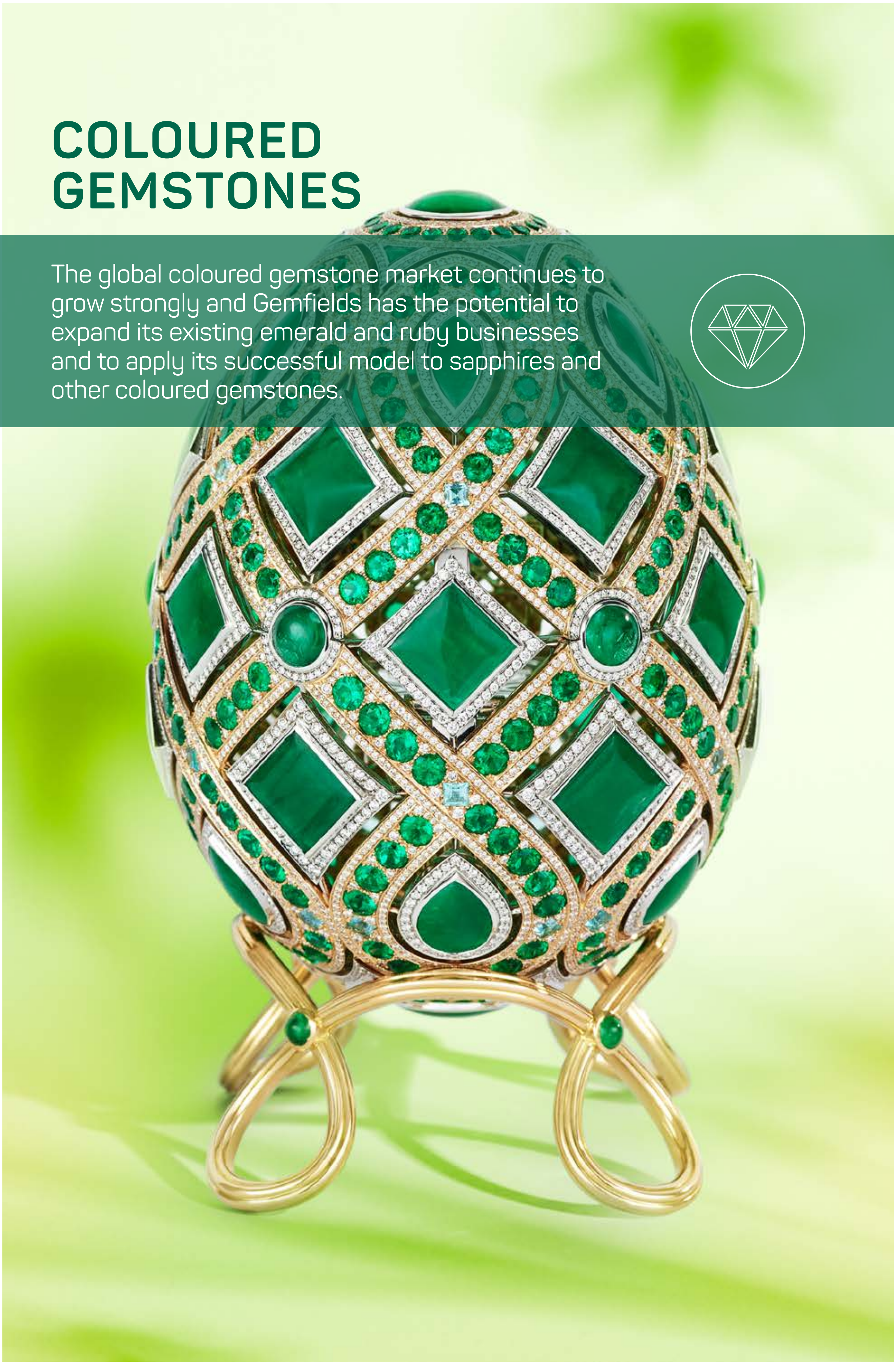
As a result of the current low iron ore price, Jupiter has placed its Mount Ida magnetite and Mount Mason hematite projects on care and maintenance. Jupiter continues to monitor the iron ore market and is ready to restart work on these projects once market conditions are favourable.

Outlook

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

COLOURED GEMSTONES

The global coloured gemstone market continues to grow strongly and Gemfields has the potential to expand its existing emerald and ruby businesses and to apply its successful model to sapphires and other coloured gemstones.



Fabergé Spring Egg from the Four Seasons collection.

HIGHLIGHTS

- Record revenues for Gemfields' 2015 financial year.
- CPRs released for Kagem and Montepuez.
- Acquisition of two emerald projects in Colombia.

Investment strategy

In 2007, Pallinghurst identified the coloured gemstone sector as an "overlooked" industry that offered a unique investment opportunity. Demand for coloured gemstones by the jewellery and fashion sectors was increasing, but supply was constrained and fragmented due to the lack of large, reliable producers able to consistently deliver sufficient quantities of gemstones. Pallinghurst saw an opportunity to unlock value by bringing capital, scale and professionalism to the industry, to which end it assembled a consortium of Pallinghurst Co-Investors, including the Group.

Kagem, an emerald mine in the "Copperbelt" region of northern Zambia, currently producing nearly a quarter of the world's emeralds, was the consortium's first acquisition in the sector. Kagem had been producing emeralds for nearly 20 years but was performing badly due to a combination of poor management, theft, shareholder conflicts and a lack of capital. Through a series of transactions, the consortium acquired 75% of Kagem, with the balance held by the Government of the Republic of Zambia. In pursuing its vision for consolidating the sector, the consortium acquired majority control of AIM-listed Gemfields plc ("Gemfields") by selling Kagem to Gemfields in a reverse takeover during 2008.

Gemfields began its expansion into other major coloured gemstones in 2012 when it acquired 75% of a large ruby deposit near the town of Montepuez in northern Mozambique. The mining licence covers 340 square kilometres and is believed to be the most significant recently discovered ruby deposit in the world.

Pioneering auction system

Gemfields implemented an innovative grading and auction system for selling its rough gemstones. The auctions are held in secure locations with the material separated into homogenous lots and certified as either having been produced by Gemfields or obtained by Gemfields from third parties. The world's leading rough gemstone buyers submit sealed bids for individual lots. A sale occurs if the highest bid received exceeds a pre-determined, but undisclosed, reserve price. The auctions have brought a level of professionalism and transparency previously not seen in the industry.

As there was no industry standard for evaluating rough coloured gemstones, Gemfields established its own grading system to assess each gem according to its individual characteristics (size, colour, shape and clarity). This approach has been instrumental in providing buyers with confidence in the consistent quality of the material on offer. Gemfields used this grading system to develop two auction classes, one offering higher quality gemstones and the other for the larger volume of lower quality gems.

Strong emerald auction results

Since its first auction in July 2009, Gemfields has seen increased demand for its responsibly sourced and transparently supplied emeralds, highlighting the success of its formalised and consistent method of marketing rough coloured gemstones by auction.

In February 2015, a predominantly lower quality rough emerald and beryl auction was held in Lusaka, Zambia. The auction realised revenues of US$14.5 million at an average price of US$3.72 per carat, a record for Gemfields' lower quality emerald auctions.

In September 2015, a predominantly higher quality rough emerald auction was held in Singapore. The auction generated revenues of US$34.7 million at an average price of US$58.42 per carat.

In November 2015, a predominantly lower quality rough emerald and beryl auction was held in Jaipur, India. The auction generated the highest ever revenues for a lower quality emerald auction of US$19.2 million at a record average price of US$4.32 per carat, representing a 16% increase on the previous record per average price (achieved at the February 2015 auction held in Lusaka).

Gemfields' 20 auctions of emerald and beryl mined at Kagem since July 2009 have generated US$379 million in aggregate revenues. Gemfields continues to experience significant demand for its responsibly sourced emerald and beryl with successive auctions regularly achieving record per carat prices and auction proceeds.

Kagem operations

Emerald and beryl production in Gemfields' financial year to 30 June 2015 increased by 50% to 30.1 million carats, with the grade falling 4% to 242 carats per tonne. Production for the six months to 31 December 2015 saw an increase to 15.7 million carats at a grade of 254 carats per tonne, up from 12.1 million carats in the comparable period. The increase reflects the characteristic volatility of coloured gemstone mining.

This increase in production is due in large measure to Kagem's high wall pushback programme, with the fourth pushback completed in September 2015, leaving approximately 15 months of exposed ore available for mining. Kagem has the potential to increase production to around 40 million carats of emerald and beryl in the foreseeable future, subject to the required level of investment, finalisation of the upgrades to the open pit mine plan as well as market demand.

In September 2015, Gemfields released a Competent Persons Report ("CPR") for the Kagem emerald mine, which included a Mineral Resource and Ore Reserve estimate in accordance with the JORC Code (2012). The results of the CPR include a measured, indicated and inferred mineral resource of 1.8 billion carats of emerald and beryl and proven and probable ore reserves of 1.1 billion carats of emerald and beryl. The CPR shows a post-tax NPV of US$520 million at a discount rate of 10%.

Kagem prides itself on its ability to produce emeralds that are mined

Amethyst sorting at Kariba, Zambia.

in a responsible, transparent and safe manner, with minimised impact on the natural environment. In May 2015, Gemfields' track record in safety management was once again acknowledged by the Mines Safety Department of Zambia, who awarded Kagem a safety certificate recognising 3.5 million shifts free of reportable injuries.

Gemfields aims to be a leader in sustainable corporate social responsibility ensuring that local communities benefit from the presence of Gemfields in a manner that is meaningful and sustainable. These policies reinforce Gemfields' position as a reliable and trusted source of ethically produced gemstones. In the context of its sustainable corporate social responsibility programme, Gemfields maintains a focus on four key areas: health, education, farming and cultural awareness.

Strong ruby auction results

Gemfields' success with its second major revenue stream continued during 2015 with three ruby and corundum auctions held, all stone sourced from its Montepuez ruby deposit in Mozambique.

In April 2015, an auction of predominantly lower quality rough ruby and corundum was held in Jaipur. The auction generated revenues of US$15.9 million at an average price of US$4.02 per carat with 98% of the total carats offered being sold. Gemfields also generated a further US$1.6 million of revenues through selling traded rough emeralds from Zambia and Brazil at the same auction.

In June 2015, an auction of predominantly higher quality rough ruby was held in Singapore. The auction generated revenues of US$29.3 million at an average price of US$617 per carat. One of the highlights of the auction was a rare matching pair of rough rubies, with a combined weight of 45 carats. The pair of rubies were named the "Eyes of the Dragon" by the winning bidder and the name portrays the rarity and exclusivity of the rubies from Montepuez.

In December 2015, an auction of mixed higher and medium grade rough ruby was held in Singapore. The auction generated revenues of US$28.8 million at an average price of US$318 per carat, with 98% of the total carats offered being sold. The five Montepuez auctions held since June 2014 have generated US$151 million in total revenues.

Montepuez ruby mine

Ruby and corundum production in Gemfields' financial year to 30 June 2015 increased by 29% to 8.4 million carats.

In July 2015, Gemfields released a CPR for the Montepuez ruby deposit, which includes a maiden Mineral Resource and Ore Reserve estimate prepared in accordance with the JORC Code (2012). The results of the CPR include an indicated and inferred mineral resource of 467 million and probable ore reserves of 432 million carats of ruby and corundum. The CPR shows a post-tax NPV of US$1 billion at a discount rate of 10%.

Given the size and nature of the Montepuez ruby licence, unlicensed mining activity and asset loss remain key challenges. However, new infrastructure, a significant security presence and ongoing efforts have resulted in a measured improvement during the year.

An extensive security plan has been formulated to separate the security department into an independently functioning unit. Internal security personnel, with prior experience from the Mozambican military, have been hired with the aim of increasing the level of diversity, skills and discipline available within the security function.

Gemfields is formalising a group-level standard for health and safety reporting and procedures. Regular training sessions are held for all employees on various subjects, including health and safety.

Social initiatives currently underway include various improvements to the local maternity ward, the preparation of farmlands, installation of street lighting and an HIV awareness programme. In June 2015, Montepuez celebrated World Environment Day by inviting children from the local schools to replant an area of reclaimed land and to participate in talks concerning the environment at Montepuez.

Kariba amethyst mine

Gemfields owns a 50% interest in Kariba, one of the largest amethyst mines in the world, which is located in southern Zambia near Livingstone. In February 2015, at the Lusaka emerald auction, amethyst was sold generating revenues of US$450,000 at an average price of USc1.77 per carat, with 91% of the carats offered being sold.

In September 2015, at the Singapore emerald auction, amethyst from Kariba was also sold at the auction, generating revenues of US$440,000 at an average price of USc4.32 per carat, with 92% of the carats offered being sold.

Fabergé

Gemfields' ownership of the iconic Fabergé name helps boost the international recognition and appeal of coloured gemstones and has contributed to the increase in demand for Gemfields' responsibly sourced gems.

The Fabergé Lady Compliquée Peacock timepiece won the Ladies' High Mechanical category at the prestigious 2015 Grand Prix d'Horlogerie de Genève.

Fabergé has focussed on creating new collections including jewellery, timepiece collections in collaboration with world-leading Swiss watchmakers, and bespoke objets d'art.

During its financial year to 30 June 2015, Fabergé saw an increase of 31% in sales orders agreed and launched a range of new jewellery and timepiece collections. The Fabergé Pearl Egg presented at the Doha Jewellery & Watches Exhibition in February 2015 was the first egg created in the "Imperial Class" since 1917 while the Fabergé name and Fabergé family have been reunited.

In May 2015, Fabergé unveiled its new Secret Garden High Jewellery collection which was showcased at the Masterpiece London Fair in June 2015. June 2015 also saw the release of an independently-produced and award-winning documentary entitled "Fabergé: A Life of Its Own" in cinemas around the world, showcasing the rich history of the Fabergé dynasty.

In October 2015, two Fabergé timepieces were nominated in the prestigious 2015 Grand Prix d'Horlogerie de Genève. The Fabergé Lady Compliquée Peacock won the Ladies' High Mechanical category, whilst the Fabergé Summer in Provence was shortlisted in the Jewellery Timepieces category.

Emerald grading at Kagem, Zambia.

Financial

Gemfields achieved record revenues of US$171.4 million and net profit after tax of US$12.3 million for its financial year to 30 June 2015. For the six months to 31 December 2015, Gemfields achieved revenues of US$94 million and net profit after tax of US$8.2 million.

In August 2015, the Company extended a US$10 million short term and unsecured working capital facility to Kagem. The loan was utilised for inventory investment, working capital and general business purposes. The loan was repaid to the Company in December 2015.

In December 2015, the Company extended a US$10 million short term and unsecured working capital facility to Gemfields which has been fully drawn down. Gemfields entered into the facility due to the ongoing costs related to the development of its Fabergé businesses as well as for working capital and inventory investment.

Acquisitions

Gemfields acquired a 75% interest in an emerald exploration licence in Southern Ethiopia through Web Gemstone Mining. The exploration licence covers an area of 200 square kilometres and potentially hosts emerald mineralisation over approximately 45 kilometres.

In September 2015, Gemfields announced it had entered into agreements to acquire controlling interests in two emerald projects with operations and prospects located predominantly in the Boyacà state in Colombia. The first project is a conditional acquisition of 70% of the Coscuez licence, including the Coscuez mine, which has been in operation for over 25 years and has produced some of Colombia's finest emeralds. The second project is the acquisition of 75% and 70% interests in two Colombian companies which together hold rights in respect of mining licence applications and assigned concession contracts over approximately 20,000 hectares.

Outlook

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

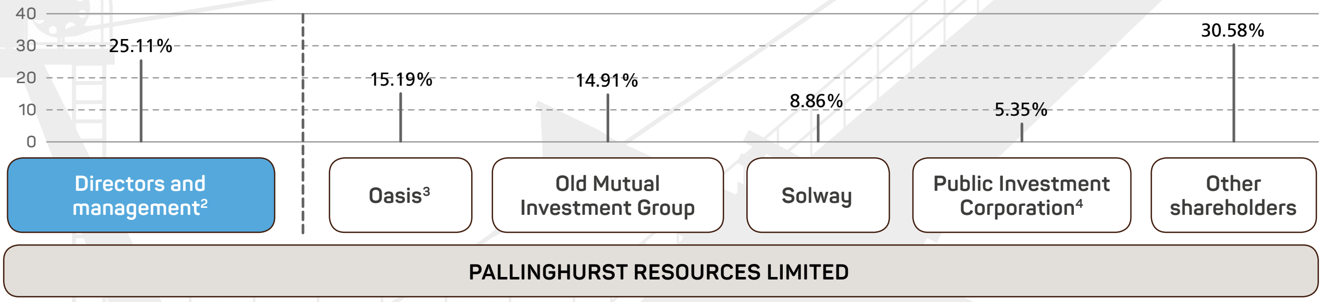
Target emerald and beryl production from Kagem, and ruby and corundum production from Montepuez, for the financial year ending 30 June 2016, is forecast to be 25 – 30 million carats and 8 million carats respectively. Gemfields is considering the installation of a second wash plant at the Montepuez ruby deposit, which would support increased production volumes of up to 20 million carats per annum by its 2018 financial year.

Gemfields' strategy remains focussed on investing in its existing operations, as well as targeted expansion opportunities and new projects in order to maintain its position as a global leader in coloured gemstones.

ABOUT THE GROUP

Shareholders

PRL has no single controlling shareholder; the largest shareholder is Dr Christo Wiese who holds an interest of 19.89%[1]. PRL's shareholder base is set out in the table below:



1 *Dr Wiese holds indirect interests in PRL shares via various entities, totalling 19.60%. In addition, certain shares are held by members of Dr Wiese's immediate family, totalling a further 0.29%.*
2 *Directors and management category includes shareholdings of Executive Directors, Non-Executive Directors and Partners of the Investment Manager. It also includes certain shares held by family members of Dr Wiese.*
3 *The Oasis shareholding includes interests held by Oasis Asset Management and Oasis Crescent Capital.*
4 *The Public Investment Corporation is one of the largest investment managers in Africa. It is owned by the South African government and invests funds on behalf of the Government Employees Pension Fund and the Unemployment Insurance Fund.*

Structure

Pallinghurst Resources Limited ("PRL", the "Company" or the "Group") is incorporated in Guernsey under company registration number 47656 and is regulated in Guernsey by the Guernsey Financial Services Commission ("GFSC"). The "Group" is Pallinghurst Resources Limited, all entities controlled by the Company (its subsidiaries), and any associates or joint ventures. PRL's primary listing is on the JSE Limited ("JSE") and its secondary listing is on the Bermuda Stock Exchange ("BSX"). The Company's main objective is to carry on the business of an investment holding company in investments falling within its Investment Scope (see below).

Report and Financial Statements

This annual report is for the year ended 31 December 2015 (the "Annual Report"), and covers the Group. The annual financial statements contained within the Annual Report also cover the Group and are for the year ended 31 December 2015 (the "Financial Statements").

Investment Objectives

The Group, either alone or with other parties, participates in investments falling within the Investment Scope, following advice from Pallinghurst (Cayman) GP L.P. (the "Investment Manager"). The principal objective is to provide shareholders with a high overall rate of return.

Investment Scope

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

Investment Policy

The Group invests in accordance with the Investment Scope as detailed above. The Investment Policy has not changed since the Company's inception.

PRL's status as a Guernsey closed-end Company

PRL has an initial life-span of ten years. PRL is required to hold meetings in which shareholders can consider whether PRL should be liquidated (after returning its assets to its shareholders), or whether its life should be extended for another year, at certain future dates. The first and second of these shareholder meetings must occur on or before 14 September 2017 and 14 September 2018, the tenth and eleventh anniversaries of 14 September 2007, the date PRL was first capitalised, subsequent to its incorporation on 7 September 2007. PRL must then hold a third shareholder meeting, prior to 14 September 2019 (the twelfth anniversary of 14 September 2007) in which shareholders will be asked to vote (by special resolution) on whether PRL should be wound up, or whether its life should be extended indefinitely. If PRL's life is extended indefinitely, the Directors are required to identify an exit mechanism for any shareholders who wish to dispose of their shares.

The Group's relationship with the Pallinghurst Co-Investors

The Group has an affiliation with certain other investors, known collectively as the "Pallinghurst Co-Investors" or as strategic equity partners. The Investment Manager acts on behalf of both the Group and certain other Pallinghurst Co-Investors. The Group usually

Amethyst pocket at Kariba, Zambia.

makes investments alongside the other Pallinghurst Co-Investors, although it may also act alone. The Pallinghurst Co-Investors usually have the collective ability to control or exert significant influence over the investments in the Group's Investment Portfolio. The Pallinghurst Co-Investors are able to cooperate to achieve the strategic objectives recommended by the Investment Manager.

The relationships between the Group and the other Pallinghurst Co-Investors enable the Group to take an active part in the management and strategic direction of each investment, which would not otherwise be possible (as the Group's individual interests are below 50%). The Pallinghurst Co-Investors typically share the same commercial and strategic objectives and cooperate effectively, although each Pallinghurst Co-Investor retains legal title and influence over their individual shareholdings, and is ultimately able to determine its own course of action. The Group benefits from these relationships in many ways, including the following:

- A broader scope of investments can be contemplated as the Investment Manager can consider the level of funding on offer from all of the Pallinghurst Co-Investors rather than PRL alone.
- This funding scope can make an approach by the Pallinghurst Co-Investors more attractive or credible to a potential target company or group than a stand-alone approach by the Group.
- The Pallinghurst Co-Investors are able to exercise a greater level of influence or control over each investment than if they were acting alone.
- The Group may be able to diversify by participating in a larger number of separate investments.
- As the Pallinghurst Co-Investors might collectively own a controlling interest in an investment, a valuation by a potential acquirer could include a premium for control which would not otherwise be the case.

In addition, PRL is entitled to a minimum of 20% of the combined Pallinghurst Co-Investor interest in an investment at the point of acquisition, subject to certain conditions. The other Pallinghurst Co-Investors do not benefit from any similar entitlements.

Private equity status

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

- The stakes taken in the Group's investments are usually significant, although not controlling.
- The Executive Directors and/or representatives of the Investment Manager usually participate in the executive leadership/management of each investment.
- The investments are usually innovative in nature.
- A defined exit strategy usually exists for each investment.

1 *The Directors use the terms "private equity" and "venture capital" interchangeably throughout this document. The Directors acknowledge that certain users of the Financial Statements may attribute slightly different meanings to the two terms, but these differences are not relevant to the Group.*

ABOUT THE GROUP/CONT.

The Pallinghurst Co-Investors

AMCI CAPITAL

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

APG

Algemene Pensioen Groep ("APG") is one of Europe's largest pension funds. It carries out collective pension schemes for participants in the education, government and construction sectors, housing corporations and energy and utility companies. APG manages pension assets of approximately EUR406 billion (December 2015) for these sectors. APG provides for the income of around 4.5 million participants and looks after the pension of one in five families in the Netherlands.
www.apg.nl

ENERGY AND MINERALS GROUP

The Energy and Minerals Group ("EMG") is a US-based private equity fund with Regulatory Assets Under Management of US$16.8 billion in the energy and minerals sector. EMG enters into equity investments in entities with talented and experienced management teams, focussed on hard assets that are integral to existing and growing markets.
www.emgtx.com

INVESTEC

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

PALLINGHURST RESOURCES LIMITED

www.pallinghurst.com

POSCO

POSCO is the largest steel producer in South Korea and the fifth largest producer in the world (based on 2014 steel output). POSCO owns and operates two major steel plants, Pohang and Gwangyang.
www.posco.com

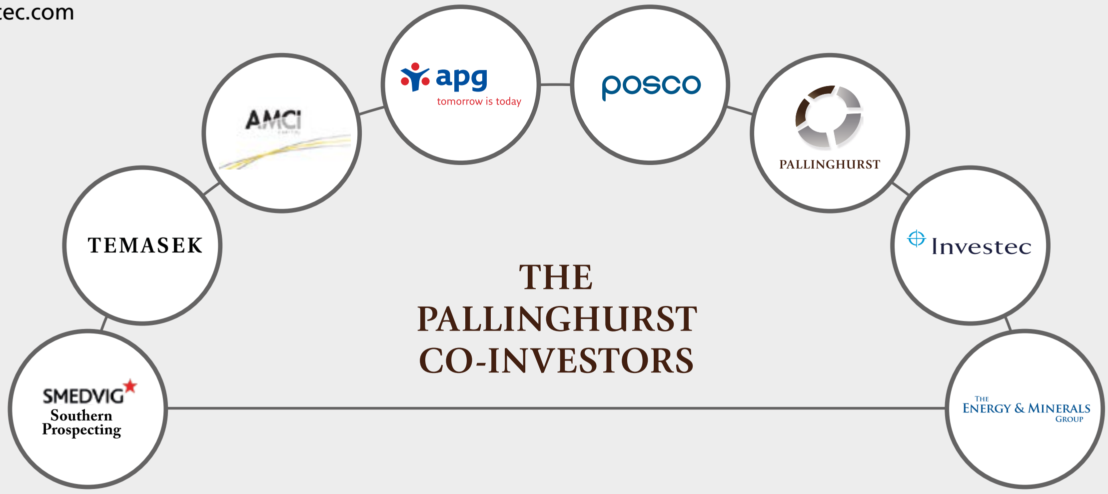
SMEDVIG/SOUTHERN PROSPECTING GROUP

The Smedvig family invests across a range of asset classes and has considerable experience in successfully investing in the natural resources sector globally. The Smedvig Family Office makes direct investments as a lead investor within property, private equity and thematically related investments, as well as investing with third party private equity funds.
www.smedvigcapital.com

The Southern Prospecting Group invests in the identification, acquisition and turning to account of exploration and mining opportunities. Historically, it was responsible for securing the mineral rights that gave rise to Impala Platinum, the world's second largest platinum producer.

TEMASEK

Temasek is the Asia investment company headquartered in Singapore. Temasek invests in many areas, including resources with assets concentrated principally in Singapore, Asia and growth markets, with a portfolio valued at approximately SGD266 billion (March 2015).
www.temasek.com.sg



The Pallinghurst Co-Investors usually have the collective ability to control or exert significant influence over the investments in the Group's Investment Portfolio.

Thickeners and tailings dam at the Pilanesberg Platinum Mine.

PRINCIPAL RISKS

Before investing in the Group, prospective investors should consider the following risks and uncertainties carefully. This list is intended to describe only the major risks and uncertainties that could have a material impact upon the Group and is not intended to be a comprehensive list. These risks are under active review by the Board, who are collectively responsible for the Group's risk management.

The Group's main operating activity is to enter into and hold investments, which are primarily in the natural resources sector, with a view to making returns for shareholders. The performance of the Group's investments is critical to the Group's prospects. Accordingly, the key risks have been split between risks to the Investment Portfolio and direct risks to the Group.

Key risks to the Investment Portfolio

The key risk to the Group is that its investments may not perform well. This could result in lower investment valuations with a corresponding impact on the Group's NAV. This may make it more difficult for the Group to achieve profitable realisations of its investments which could have other adverse consequences, such as making it more difficult to raise capital. The key risks to the Investment Portfolio are set out below:

Macroeconomic risks

The global macroeconomic outlook can have a major impact on the Group's investments. The Group does not consolidate any mining assets or hold physical commodities on its balance sheet, so commodity price changes have no direct impact on the Financial Statements. However, commodity prices can have a significant impact on the valuation of the Group's investments and can impact on the viability of assets the Group has invested or may invest in. The commodities of most relevance to the Group based on the current Investment Portfolio are PGMs and manganese. The pricing profile for emeralds, rubies, sapphires and other coloured gemstones will also impact on the valuation of Gemfields. Suppliers or customers may come under pressure. Potential divestments are more difficult in the current macroeconomic climate.

Country risks

The Group holds investments which operate in countries including South Africa, Zambia, Mozambique, Australia, Sri Lanka and Colombia. Relevant risks associated with these countries and other countries in which the Group's investments might operate include regulatory risks, foreign exchange fluctuations, inflation, industrial relations problems, and other local economic conditions. Governments may introduce changes to the tax or regulatory environments in which the Group's investments operate.

Resources sector and mining risks

The Group's investments are focussed in the resources sector and have associated operational performance, political, economic, legal and similar risks. These risks could affect all of the Group's investments simultaneously. Exploration activities are generally speculative in nature and there can be no assurance that any mineral deposits will be discovered, successfully extracted or processed. The development, mining and processing of mineral deposits gives rise to significant uncertainties and operations are subject to all of the hazards and risks normally encountered in such activities. Mining rights and permits may not ever be granted or may be revoked.

As mining investments move into production, the associated risks may change significantly. Costs may become difficult to predict and control. Energy security, safety and sustainable development are all likely to become more significant. Maintaining good relationships between management, employees and unions can be critically important. Strikes by employees may significantly affect the operating performance of an investment. Other specific mining risks include "resource nationalism", which could see the sequestration of mining assets or punitive taxation by national governments.

Safety is a key performance metric for each of the Group's investments. Mining activities are subject to environmental and safety laws and labour and occupational health legislation. A breach of environmental or safety laws and regulations could result in the imposition of fines, or closure of operations on a temporary or permanent basis. Any environmental damage could create negative publicity for the Group and its investments. Such breaches could also affect any future mining licence applications by the Group's investments. Damage to, or destruction of, an investment's facilities or property, environmental damage or pollution and, together with potential legal liability, could have a material adverse impact on an investment's business, operations and financial performance.

Under the terms of the United Kingdom's Bribery Act 2010 (the "Bribery Act"), failure to prevent bribery is now a corporate offence. Mining and resources is a relatively high risk industry for issues such as bribery, extortion or blackmail. Any such incidents could result in restricted activities, reputational damage and financial penalties and even if entirely unfounded and unproven, any allegations of corruption/bribery could lead to significant reputational damage for the Group or one of the investments.

Concentration risk

The failure of or fall in value of any of the Group's investments would likely have a material impact. The Group has consolidated its assets into the three current Investment Platforms through various corporate actions. Although the reduction in the number of separate investments has occurred in line with the Group's strategic objectives, the limited number of separate investments creates a significant risk.

Direct risks to the Group

Liquidity risk

The Group does not usually have material current asset or liability balances other than cash, as its business is to hold investments

The Board collectively identify and manage the Group's risks and uncertainties.

rather than carry out other operating activities. The Directors monitor the Group's cash balances and expenditure on a regular basis and take appropriate steps as necessary to ensure that the Group has sufficient funding in place. The Group's cash balance is relatively low at the current time and the Directors are focussed on how best to increase the Group's liquid assets and mitigate this risk.

Counterparty risk

The Group holds materially all of its cash balances with two counterparties, Deutsche Bank International Limited, which is an indirect subsidiary of Deutsche Bank Group ("Deutsche") and HSBC Bank plc ("HSBC"). The Group also holds certain cash balances with Investec Bank (Channel Islands) Limited, a subsidiary of Investec. The Group's subsidiaries and associates may also hold cash balances with various other banks; these are usually immaterial amounts. The Group's investments hold cash balances with a range of counterparties. Bankruptcy or insolvency of any of these counterparties could have a significant adverse impact on the Group.

Exchange rate risk

The Group holds certain investments which are denominated in currencies other than the US$ including ZAR, AUD and GBP. These assets are translated into US$ at each balance sheet date and the Group's Consolidated Statement of Comprehensive Income includes related unrealised foreign exchange gains or losses. The Group also realises foreign exchange gains or losses on occasion, usually relating to the completion of transactions in assets denominated in currencies other than the US$. A key tenet of the Group's treasury policy is that materially all of the Group's cash is held in US$, other than amounts allocated for a specific foreign currency investment, which are usually held in the relevant currency. The Group's cash balance is therefore not subject to material foreign exchange risk in most circumstances.

Risk of inaccurate reporting or loss of accounting records

The valuation of the Investment Portfolio each reporting period is complex and subjective; if the Group's investment valuations were misstated, this could materially affect both the Group's NAV and its reputation. The Directors have made various key accounting policy choices and other subjective decisions, particularly with regard to investment valuations. The Group's external financial reporting is reliant on the integrity of various information systems at Orangefield Legis Fund Services Limited ("Orangefield Legis"). Failure of information systems could lead to the loss of accounting records and other information. The integrity and quality of Orangefield Legis' staff is also important.

The relative importance of certain risks compared to others changes over time, in particular as the Group has changed over time and the Investment Portfolio has developed. Users of the Financial Statements should also anticipate further changes in the future. There have been no material changes to the Group's risk profile since the reporting date.

The Summer in Provence Multi-Coloured Sapphire timepiece by Fabergé.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Brian Gilbertson (72)
BSc (Maths & Physics), BSc (Hons) in Physics, MBL and PMD
Chairman
Appointed at IPO in September 2007

Brian Gilbertson has extensive experience in the global natural resources industry. In his early career, he was managing director of Rustenburg Platinum Mines Limited, which gained recognition as the world's foremost producer of platinum in the 1980s. Later, as executive chairman of Gencor Limited, Mr Gilbertson led the restructuring of the South African mining industry into the post-Apartheid era, transforming Gencor Limited into a focussed minerals and mining group. During this period he held ultimate responsibility for Impala Platinum Holdings and for Samancor Limited, the world's largest producer of manganese and chrome ore and alloys. Important initiatives included the Hillside and Mozal aluminium projects and the purchase of the international mining assets (Billiton plc) of the Royal Dutch Shell Group.

In 1997, Gencor Limited restructured its non-precious metals interests as Billiton plc and, with Mr Gilbertson as executive chairman, Billiton plc raised US$1.5 billion in an Initial Public Offering on the LSE, taking the company into the FTSE100. In 2001, Billiton plc merged with BHP Limited to create what is widely regarded as the world's premier resources company, BHP Billiton plc.

In late 2003, Mr Gilbertson led the mining group Vedanta Resources plc to the first primary listing of an Indian company on the LSE in the second largest Initial Public Offering of the year. He was chairman of Vedanta Resources plc until July 2004. In 2004, he founded Incwala Resources (Pty) Limited, a pioneering Black Economic Empowerment corporation in South Africa, and was its first chairman until March 2006.

In 2004, Mr Gilbertson joined Sibirsko-Uralskaya Aluminum Company (SUAL), an aluminium producer in Russia and led the company into the US$30 billion merger with RUSAL and the alumina assets of Glencore International A.G., creating the largest aluminium company in the world.

Mr Gilbertson established Pallinghurst Advisors LLP and the Investment Manager during 2006 and 2007 respectively, and is the chairman of and a partner in both entities. Mr Gilbertson is also the chairman of both Jupiter and Sedibelo and is a director of Tshipi. Mr Gilbertson is a British and South African citizen.

Arne H. Frandsen (49)
BA, LLB, Master in Law from University of Copenhagen, Postgraduate Research and Studies in Japan and South Africa
Chief Executive
Appointed at IPO in September 2007

Following completion of his degrees, Arne H. Frandsen undertook extensive legal research in Europe, Japan and South Africa, leading to the publishing of a number of articles as well as a book. Once his research was successfully completed, Mr Frandsen moved to London to start a professional career as an investment banker. Mr Frandsen has over ten years of investment banking experience with Goldman Sachs and JPMorgan, providing strategic advice and structuring mergers and acquisitions as well as corporate finance transactions for clients in 30 different countries, raising in excess of US$20 billion of capital.

From 2004, Mr Frandsen acted as client executive for JPMorgan in South Africa, followed by a year as chief executive officer of Incwala Resources (Pty) Limited, one of South Africa's leading Black Economic Empowerment mining companies.

Mr Frandsen joined Pallinghurst in 2006 and is a partner of the Investment Manager. In addition, Mr Frandsen is responsible for Pallinghurst's PGM interests and is executive deputy chairman of Sedibelo. Mr Frandsen is a Danish citizen.

Andrew Willis (36)
MBA (INSEAD), ACCA Affiliate Accountant, ACIS, BA/BCom
Finance Director
Appointed 25 November 2008

Andrew Willis has over 15 years' experience in international finance, structuring and private equity. Mr Willis started his professional career as an accountant in New Zealand and after moving to Europe studied at INSEAD and was awarded an MBA. Before joining Pallinghurst Advisors LLP in 2006, he spent three years with pan-European private equity investment manager Candover Investments plc.

Mr Willis is a partner of the Investment Manager. Mr Willis is a British and New Zealand citizen and is a resident of Guernsey.

NON-EXECUTIVE DIRECTOR

Dr Christo Wiese (74)
BA LLB D.Comm (h.c.) Univ of Stellenbosch, D.Tech. Marketing, Cape Peninsula University of Technology
Appointed 11 February 2013

Christo Wiese is chairperson of Pepkor Holdings (Pty) Limited and Shoprite Holdings Limited, respectively Africa's largest clothing and food retailers with a total portfolio of approximately 6,000 stores in 24 countries and employing more than 150,000 people.

Dr Wiese is a significant shareholder in a range of businesses throughout the world. Dr Wiese is the largest shareholder in Steinhoff International Holdings Limited (which recently acquired the Pepkor Group) and also holds large and controlling stakes in Brait SE (an investment holding company), Tradehold Ltd (UK based property investment company) and Invicta Holdings Ltd, all listed on the JSE.


Brian Gilbertson


Arne H. Frandsen


Andrew Willis


Dr Christo Wiese


Stuart Platt-Ransom


Martin Tolcher

Dr Wiese has served on the boards of many listed companies over the years and is a past director of the SA Reserve Bank and former chairman of the Industrial Development Corporation of SA Ltd.

During 2015, Dr Wiese was awarded lifetime achievement honours at the Sunday Times Top 100 Companies awards and the All Africa Business Leaders Awards as well as being inducted into the World Retail Hall of Fame.

Dr Wiese owns Lourensford Wine Estate, a producer of internationally acclaimed wines, and is owner of a large game reserve in the Kalahari.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Stuart Platt-Ransom (47)
Chartered FCSI, CMgr FCMI, FInstLM, FIoD
Lead Independent Non-Executive Director
Chairman of the Remuneration and Nomination Committees
Member of the Audit Committee
Appointed at IPO in September 2007

Stuart Platt-Ransom is the chairman of Orangefield Legis Fund Services, a role he was appointed to following the acquisition of the Legis Fund Services division of the Legis Group in 2014, where Mr Platt-Ransom has been the chief executive officer since his appointment in 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 roles. Prior to that, he worked for GAM in the Isle of Man.

Mr Platt-Ransom serves as a director on a number of companies including a bank owned trust company, listed private equity and property company structures and is a partner in a venture capital investment company.

Mr Platt-Ransom is a Chartered Fellow of the Chartered Institute for Securities & Investment, a Chartered Manager and 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.

Martin Tolcher (52)
Chartered FCSI
Chairman of the Audit Committee
Member of the Remuneration and Nomination Committees
Appointed 25 November 2008

Martin Tolcher has been involved within the fund administration industry in Guernsey for over 25 years. Mr Tolcher has worked at senior levels for three Guernsey subsidiaries of Bermudan and Canadian international banks, gaining considerable experience in a wide variety of offshore fund and private equity structures.

Mr Tolcher joined Legis Fund Services Limited in 2005 and was appointed managing director at the beginning of 2007, a position he held until the end of 2010. Mr Tolcher remained a director of that company until September 2011.

Since November 2011, Mr Tolcher has been self-employed as an independent non-executive director, and holds directorships within other fund structures domiciled in Guernsey, including a number listed on the London Stock Exchange and Channel Islands Securities Exchange. Mr Tolcher is a Chartered Fellow of the Chartered Institute for Securities & Investment. Mr Tolcher is a British citizen and is a resident of Guernsey.

BOARD OF DIRECTORS/CONT.

Clive Harris (61)
BSc (Econ), ACA
Member of the Audit, Remuneration and Nomination Committees
Appointed at IPO in September 2007

Clive Harris

Clive Harris serves as an independent non-executive director to a number of prominent onshore and offshore investment funds, managers and other regulated entities and has extensive experience in the fields of company management, investment services, and the governance and administration of hedge funds.

Mr Harris graduated in 1976 from The University of Wales with a BSc (Econ) with combined honours in Accountancy and Law. In 1979 Mr Harris qualified as a Chartered Accountant with the City of London office of Deloitte Haskins & Sells. Mr Harris has resided in the Cayman Islands since December 1979, where he was employed for some 20 years as a director and managing director of International Management Services Limited, and was a partner in its associated accounting firm.

In 2001, Mr Harris took up a consulting position with the Bank of Bermuda (Cayman) Limited (now part of HSBC) 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 is a Chartered Accountant (England and Wales), a member of the Institute of Directors (UK), and is a member and past executive committee member of the Cayman Islands Directors' Association. Mr Harris is a British and Cayman Islands citizen, and is resident in the Cayman Islands.

Meeting of the Directors in Guernsey
From left to right: Arne H. Frandsen, Andrew Willis, Dr Christo Wiese, Brian Gilbertson, Stuart Platt-Ransom, Martin Tolcher, Clive Harris

Lumkile Mondi (53)
MA Economics, BCom (Hons) Economics
Appointed 29 October 2015


Lumkile Mondi

Lumkile Mondi is a Senior Lecturer at the School of Economics and Business Science of the University of the Witwatersrand in Johannesburg, South Africa. Mr Mondi is a strategist, economist and a leader. He has worked extensively in the African continent undertaking his responsibilities at the Industrial Development Corporation (IDC), where he was an executive for eleven years. He also serves on the Boards of Aerosud and ArcelorMittal South Africa. He is the chairman of Thelo Rolling Stock Leasing.

Mr Mondi has more than 20 years of postgraduate experience and over seven years working in financial markets in interest rate derivatives and asset and liability management. Mr Mondi is also involved in the BRICS think tanks in institutional strengthening and coordination. He has presented and participated in various conferences worldwide, including the UN, World Bank, BNDES and OECD. Mr Mondi has travelled extensively throughout the world bringing innovation in his work for a better world for all. Mr Mondi is a South African citizen.

PARTNERS OF THE INVESTMENT MANAGER

Sean Gilbertson (43)
BSc (Mining Engineering)


Sean Gilbertson


Priyank Thapliyal

Sean Gilbertson graduated as a mining engineer from Wits University in South Africa having spent time in the country's deep-level gold and platinum mines. Mr Gilbertson worked as project financier for Deutsche Bank in Frankfurt and London specialising in independent power projects and public/private partnerships.

In 1998, Mr Gilbertson co-founded globalCOAL, a company that played a central role in the commoditisation of the thermal coal industry, and was appointed chief executive officer in 2001 when the business was acquired by industry players including Anglo American plc, BHP Billiton plc, Glencore International AG and Rio Tinto plc. He was also co-founder of the pioneering Spectron eMetals trading platform for category I and II members of the London Metals Exchange.

Mr Gilbertson is a founding partner of both Pallinghurst Advisors LLP and the Investment Manager and is primarily responsible for Pallinghurst's coloured gemstone strategy. Mr Gilbertson is a director of Gemfields plc and Fabergé Limited, as well as assorted related companies. Mr Gilbertson is a British and South African citizen.

Priyank Thapliyal (46)
Metallurgical Engineer, BTech, MEng, MBA (Western Ontario, Canada)

Priyank 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 ("LSE") in December 2003. The listing has been credited for transforming Vedanta from an Indian copper smelting company in 2000 to the current multi-billion dollar revenue LSE-listed global company. A significant part of this value uplift soon after listing 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.

Mr Thapliyal is a founding partner of both Pallinghurst Advisors LLP and the Investment Manager. Mr Thapliyal is primarily responsible for Pallinghurst's Steel Making Materials strategy and is a director of Jupiter and Tshipi. Mr Thapliyal is a British and Indian citizen.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation, fair presentation and integrity of the Annual Report and Financial Statements, in accordance with International Financial Reporting Standards ("IFRS"), the financial reporting guides issued by the Accounting Practices Committee of the South African Institute of Chartered Accountants (the "SAICA Reporting Guides") and the financial reporting pronouncements issued by the Financial Reporting Standards Council of South Africa (the "FRSC Pronouncements"), the JSE Listings Requirements, the BSX Listing Regulations and The Companies (Guernsey) Law, 2008.

The Directors are responsible for the following:

- Maintaining adequate accounting records and an effective system of risk management.
- The consistent selection and application of appropriate accounting policies.
- Making reasonable accounting estimates.
- Safeguarding shareholders' investments and the assets of the Group.
- The presentation of information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- The provision of additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The audit report is set out in the Annual Financial Statements section of this document. The auditors have unrestricted access to all accounting records and to the Audit Committee.

Having considered the Group's current financial position, risks and opportunities, the Directors consider it appropriate that the annual financial statements be prepared on the going concern basis.

Approval of Annual Report and Financial Statements

The Annual Report and Financial Statements for the year ended 31 December 2015 were approved on 30 March 2016 and will be presented to shareholders at the Annual General Meeting on 29 June 2016. The Financial Statements are signed on the Directors' behalf by:

Arne H. Frandsen	**Andrew Willis**
Chief Executive	Finance Director
30 March 2016	30 March 2016

DIRECTORS' REPORT

The Directors are pleased to present the Group's Annual Report and Financial Statements for the year ended 31 December 2015.

Nature of business

Pallinghurst Resources Limited was incorporated in Guernsey on 7 September 2007 and listed on the BSX on 26 September 2007. The Group subsequently listed on the JSE on 20 August 2008.

The Group is a specialist natural resources investment holding company.

Corporate Governance

The Group subscribes to the King Code of Governance Principles and the King Report on Governance ("King III"). The Directors are satisfied that the Group complies with principles and recommendations of King III with certain exceptions as described in the *Corporate Governance Report* within this Annual Report.

Financial results

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

Retirement and re-election of Directors

In accordance with the Company's Articles of Incorporation, Mr Lumkile Mondi and Mr Martin Tolcher will offer themselves for re-election at the Annual General Meeting ("AGM") to be held on 29 June 2016.

Shareholder meetings

The Group's seventh Annual General Meeting was held on 5 August 2015. The following resolutions were considered and passed:

Ordinary Resolutions

1. The adoption of the Company's annual report and financial statements for the year ending 31 December 2014.
2. The re-election of Dr Christo Wiese as Director.
3. The re-election of Stuart Platt-Ransom as Director.
4. The re-election of Martin Tolcher (Chair), Stuart Platt-Ransom and Clive Harris to the Audit Committee.
5. The reappointment of Saffery Champness as auditor and authorisation that the Board agree its remuneration.

Special Resolutions

1. To amend the Company's memorandum of association (which meant the incorporation of various changes and the renaming of the document as the Memorandum of Incorporation).
2. The adoption of the new Articles of Incorporation in substitution for and to the exclusion of the articles of association of the Company.

The Group's next annual general meeting is scheduled for 29 June 2016. Full details are set out in the *Notice of Annual General Meeting* which is included in the Annual Report. The Directors consider that passing the resolutions to be proposed at the AGM will be in the best interests of the Company and shareholders as a whole and unanimously recommend that shareholders vote in favour of each of them, as they intend to do in respect of their own holdings.

Independent auditor

The Audit Committee recommended to the Board that Saffery Champness should be reappointed as the Company's auditor until the conclusion of the 2017 AGM. The Board agreed with this recommendation and accordingly, an ordinary resolution will be proposed at the forthcoming AGM for the reappointment of Saffery Champness as independent auditor, and to authorise the Directors to agree their level of remuneration.

Board composition

Director	Designation	Appointment date
Mr Brian Gilbertson	Executive Director – Chairman	4 September 2007
Mr Arne H. Frandsen	Executive Director – Chief Executive	4 September 2007
Mr Andrew Willis	Executive Director – Finance Director	25 November 2008
Dr Christo Wiese	Non-Executive Director	11 February 2013
Mr Stuart Platt-Ransom	Independent Non-Executive Director	4 September 2007
Mr Clive Harris	Independent Non-Executive Director	4 September 2007
Mr Martin Tolcher	Independent Non-Executive Director	25 November 2008
Mr Lumkile Mondi	Independent Non-Executive Director	29 October 2015
Mr Chris Powell[1]	Permanent alternate to Andrew Willis	22 March 2013
Mr Brian O'Mahoney[2]	Permanent alternate to Stuart Platt-Ransom	29 February 2012

1 Mr Powell resigned as Permanent Alternate to Andrew Willis effective 25 June 2015.
2 Mr O'Mahoney resigned as Permanent Alternate to Stuart Platt-Ransom effective 12 May 2015.

DIRECTORS' REPORT/CONT.

Directors' and Officers' liability insurance

The Company holds Directors' and Officers' liability insurance. The level of cover and cost of the insurance is reviewed on an annual basis.

Going concern

The Directors have considered the likely cash flows and costs of the Group, for twelve months subsequent to the signature of the Financial Statements, and have concluded that the Group has adequate resources to continue in its activities for the foreseeable future. Whilst the Group's cash balance is relatively low at the present time, the scheduled repayments of the Gemfields loan are expected to provide additional liquidity, as and when needed. The Directors do not have any concerns over receipt of these repayments. In addition, the Group has significant liquid assets that could be either sold or leveraged for short term finance, should this be necessary. The Financial Statements have, therefore, been prepared on the going concern basis.

Omission of Company-only financial information from the Financial Statements

The Financial Statements are presented on a consolidated basis as required by IFRS. The Directors believe that the Group's results as presented provide all material, relevant information to users of the Financial Statements and are satisfied that the provision of Company-only financial information would not contain any significant additional information which would be of interest. Accordingly, Company-only financial information has been omitted from the Financial Statements, as permitted by Section 244 of The Companies (Guernsey) Law, 2008, and sections 8.62(a) and 8.62(d) of the JSE Listings Requirements.

Auditor confirmation

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 Group's auditor is unaware; and
2. Each Director has taken all steps he ought to have taken to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

On behalf of the Directors:

Arne H. Frandsen	Andrew Willis
Chief Executive	Finance Director
30 March 2016	30 March 2016

A recently mined amethyst at Kariba, Zambia.

Fabergé mosaic pendants.

CORPORATE GOVERNANCE REPORT

Approach to Corporate Governance

The Board is the focal point of the Group's corporate governance and is ultimately accountable and responsible for the affairs of the Group. The JSE Listings Requirements include certain mandatory requirements relating to corporate governance. This Corporate Governance Report explains how the Group adheres to these requirements. In addition, the Group adheres to the principles of King III on a "comply or explain" basis. A register of how the Group complies with the principles of King III (the "King III Register") is maintained on the Company's website, ***www.pallinghurst.com***. This details how compliance with each separate principle has been achieved. The Board is satisfied that the Group complies with principles and recommendations of King III with certain exceptions as described below.

Board responsibilities

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

Board composition

King III recommends that a Board should comprise a balance of Executive and Non-Executive Directors, with a majority of Non-Executive Directors. The Board currently consists of three Executive Directors and five Non-Executive Directors. Mr Platt-Ransom, Mr Harris, Mr Tolcher and Mr Mondi are considered independent in the context of King III. Dr Christo Wiese is not considered independent in the context of King III due to his shareholding in the Company (which is above 5%).

The roles of the Chairman and Chief Executive are formalised, separate and clearly defined. This creates a balance of power and authority and means that no individual is able to exercise unrestricted power. King III recommends that the Board should be led by an independent non-executive chairman who should not be the chief executive officer of the Company. The offices of Chairman and Chief Executive are separate. The Chairman of PRL, Mr Gilbertson, is an Executive Director, which does not comply with King III. The other members of the Board believe that the Chairman's wealth of knowledge and experience mean that he is best placed to provide overall leadership to the Board.

Mr Platt-Ransom is the Company's Lead Independent Non-Executive Director ("LID"). The LID's main responsibilities are to chair any meeting in which the Chairman has a conflict of interest, and to give stakeholders a point of contact separate from the Executive Directors.

Executive Directors

The Executive Directors, Brian Gilbertson (Chairman), Arne H. Frandsen (Chief Executive) and Andrew Willis (Finance Director) are responsible for the Group's strategic direction and everyday management. The Executive Directors often act as directors of the Group's investments, for example, Mr Gilbertson is the chairman of Sedibelo and Jupiter, and Mr Frandsen is a director of Sedibelo. In addition, the Executive Directors attend each of the Company's Board meetings.

Board meetings

Board meetings are scheduled on a quarterly basis each year, to consider the Group's strategy, performance, investment valuations and other issues. Additional Board meetings may be convened on an *ad hoc* basis. Directors use their best endeavours to be present at Board meetings and participate fully, frankly and constructively. Matters are decided at Board meetings by a majority of votes. In case of an equality of votes the chair does not have a second or casting vote. Four Board meetings were held during 2015 at which all resolutions were agreed unanimously.

Board Committees

The Board has established certain committees to assist in discharging its responsibilities. Reports from the Audit Committee, Remuneration Committee and Nomination Committee are included within this Annual Report.

Rotation of Directors

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

Company Secretary

Orangefield Legis acts as the Group's Company Secretary, rather than a specific individual. Orangefield Legis employs a number of individuals who are able to assist the Board as necessary, with experience in areas including corporate governance, directors' fiduciary responsibilities, compliance and private equity fund structures.

The Company Secretary presents the Board with a governance update at each scheduled meeting; the update usually includes operational issues, the UK Bribery Act and the Guernsey Code of Corporate Governance. Other issues are raised as appropriate. Orangefield Legis also considers other non-binding codes, rules and standards, assesses the impact and recommends a suitable course of action to the Board. The Board takes responsibility for deciding whether to follow the recommendations of the Company Secretary and for ensuring compliance with applicable laws.

Local primary school supported by Kariba, Zambia.

The Board is required to consider and satisfy itself on an annual basis on the competence, qualifications and experience of the company secretary (as a consequence of the Company's JSE listing). The Board believe that they are better-served by having access to a broader range of advice via Orangefield Legis than employing an individual as company secretary. Orangefield Legis is regulated by the GFSC and employs individuals with a wide range of skills and experience that the Board is able to draw upon as required. The Board are satisfied that the Company Secretary has the requisite competence, qualifications and experience to carry out the required responsibilities. The Board also engage external legal counsel and other advisors as necessary. The Board are satisfied that the relationship between Orangefield Legis (as the Company Secretary) and the Board is at arm's length.

Risk management

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

- A Risk Register which is monitored on an ongoing basis.
- An organisational structure and division of responsibilities.
- Policies and procedures governing financial reporting, accounting and payments.

Investment valuations

The Directors are collectively responsible for the estimation of the fair value of each investment each reporting period. In addition, an independent valuer is engaged (the "Independent Valuer") to review the Group's investment valuations. The Independent Valuer provides an opinion that the valuation of each investment as determined by the Directors, has been prepared using a methodology and approach which is reasonable, is consistent with the concept of fair value under IFRS, and is in accordance with the International Private Equity and Venture Capital ("IPEVC") valuation guidelines (the "IPEVC Valuation Guidelines").

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. Responsibility for sustainable development is largely retained by the investments within the Group's Investment Portfolio. Detailed sustainability information for the Group's Investment Portfolio can usually be obtained from publicly available information relating to the relevant investments.

King III recommends that the Board should seek independent assurance on the Group's sustainability reporting. Key responsibilities for sustainability reporting are largely retained by the Group's investments, Sedibelo Platinum Mines, Gemfields and Jupiter. Where possible, the Board uses its influence on the Group's investments to ensure that independent assurance is provided on their sustainability reporting

Shareholder communication with the Board

Shareholders are able to communicate with the Board either by attending the AGM in person or by submitting proxy voting forms. The Directors regularly meet with analysts, investors and the South African media. PRL also communicates with shareholders via its annual report, interim report, press announcements, circulars and announcements through the Stock Exchange News Service ("SENS").

Internal audit

King III recommends that all companies implement an internal audit function. The Group utilises Orangefield Legis Fund Services Limited as its administrator. Orangefield Legis are responsible for the provision of the Company's accounting function and the Board believe that it would not be appropriate for the Group to appoint its own internal audit function.

Dealing in securities

PRL has a defined policy for the conduct of Directors in relation to dealing in PRL's shares. The JSE Listings Requirements define closed periods, which are around the time of the annual results, the interim results, or around the release of any other major announcements, price sensitive negotiations, acquisitions or disposals, or pending the release of any other price sensitive information. Directors (and their close family members) are prohibited from trading in PRL's shares during these closed periods. Directors are able to trade PRL shares outside of these periods, after first obtaining approval in writing from the Chairman and the Finance Director. Any transactions are advised to the JSE and BSX and are published on SENS and on the Company's website.

REPORT OF THE AUDIT COMMITTEE

Introduction

The Audit Committee is pleased to present its report for the year ended 31 December 2015 as recommended by King III. The committee is constituted by the Board, has an independent role and is accountable both to the Board and to shareholders.

The committee's mandate is set out in its terms of reference and includes the following responsibilities:

- Monitoring the accuracy and integrity of the Group's financial and other reporting.
- Monitoring the effectiveness of risk management processes and internal controls at Orangefield Legis.
- Recommending the appointment of external auditors to shareholders on an annual basis.
- Reviewing the scope, results and cost effectiveness of the independent valuer.
- Reviewing the expertise and experience of the Finance Director.

Composition

The committee comprises the following independent Non-Executive Directors, who have the requisite skills and experience to fulfil the committee's duties:

- Mr Tolcher (Chair)
- Mr Harris
- Mr Platt-Ransom

The members of the committee were nominated for re-election by the Board and were re-elected by the shareholders at the Company's annual general meeting held on 5 August 2015.

Meetings

In addition to the committee members, the Finance Director may attend meetings by invitation. The Chair of the committee usually meets separately with both the Finance Director and the auditor, Saffery Champness ("Saffery") in advance of committee meetings. The committee may meet with Saffery either formally or informally, throughout the year; the audit partner has access to the committee via the Chair. The Chair of the committee decides whether to convene any unscheduled meetings and who should be invited to such meetings; two meetings were held during 2015.

Internal audit

The Group utilises a third party administrator, Orangefield Legis. The provision of the Company's accounting function is one of Orangefield Legis' key duties. The Audit Committee has recommended to the Board that the Group should not appoint its own internal audit function.

Orangefield Legis is regulated by the GFSC and maintains a robust environment of systems and controls, with separate Risk and Compliance functions. This environment is reviewed by Orangefield Legis' auditor, PwC, as part of Orangefield Legis' annual audit process. In addition, Orangefield Legis has engaged PwC to produce a report on internal controls in accordance with International Standard of Assurance Engagements 3402: Assurance Reports on Controls at a Service Organisation. The most recent report is dated 9 February 2016 and reports on the internal controls in place at 31 October 2015. The report concluded that Orangefield Legis had designed and put in place suitable control procedures in order to meet its control objectives. The Audit Committee is satisfied that Orangefield Legis' internal controls are adequate and fit for purpose.

Chief Information Officer

King III suggests that a company should appoint a specific Chief Information Officer, with responsibility for Information Technology governance. The Board are collectively responsible for Information Technology governance. As the Company is an investment holding company, the Company does not directly own any Information Technology assets. Orangefield Legis has a formal programme of Information Technology risk management and a Head of Information Technology. The Audit Committee do not believe that it would be appropriate for the Group to appoint a Chief Information Officer. The Board have concurred with this recommendation.

Duties carried out in 2015

During the year ended 31 December 2015, the committee carried out its duties as required by King III and its terms of reference. The committee performed the following statutory duties:

- Considered the qualifications, independence and objectivity of Saffery and approved their terms of engagement. After consideration of the services provided during the year and a review of their effectiveness, the committee has recommended to the Board that Saffery should be reappointed as auditor until the conclusion of the 2017 AGM.
- Approved the fees paid to Saffery during 2015, which were solely for audit services.
- Ensured that the independence of Saffery has not been compromised by the receipt of fees for non-audit services or for any other reason.

In addition, the committee performed the following duties in line with its mandate:

- Reviewed the group annual and interim financial statements for compliance with IFRS, the JSE Listings Requirements and The Companies (Guernsey) Law, 2008.
- Reviewed significant judgements and unadjusted differences resulting from the audit and interim review.
- Approved the valuation of the Group's Investment Portfolio.
- Ensured that the Group's accounting policies are suitable and considered the adoption of new and amended accounting standards.

- Assessed and was satisfied that no accrual should be made for the Performance Incentive.
- Considered the performance of Orangefield Legis' accounting function.
- Reviewed and were satisfied with the independence, objectivity and performance of the Independent Valuer.
- Reviewed and was satisfied that the Finance Director continues to possess the appropriate expertise and experience to carry out his responsibilities as Finance Director.
- Reviewed the Audit Committee report included in the Company's previous annual report.

Annual Report and Financial Statements

The committee has reviewed this Annual Report and Financial Statements and has concluded that they comply, in all material respects, with IFRS, the JSE Listings Requirements and The Companies (Guernsey) Law, 2008. The committee has therefore recommended the approval of the Annual Report to the Board.

Conclusion

The committee is satisfied that it has considered and discharged its responsibilities in accordance with its mandate and its terms of reference during 2015.

Martin Tolcher
Chair of the Audit Committee

REMUNERATION COMMITTEE REPORT

Introduction

The Remuneration Committee is pleased to present its report for the year ended 31 December 2015 as recommended by King III. The committee is constituted by the Board, has an independent role and is accountable both to the Board and to shareholders.

The committee performed the following duties in line with its mandate:

- Monitors amounts paid to the Investment Manager and negotiates the terms of and/or renewal of any agreements entered into with the Investment Manager.
- Determines levels of remuneration for each member of the Board.
- Determines levels of remuneration for any members of management or staff.

Composition

The committee comprises the following independent non-executive directors, who have the requisite skills and experience to fulfil the committee's duties:

- Mr Platt-Ransom (Chair)
- Mr Tolcher
- Mr Harris

Meetings

The committee meets as often as required and not less than once per year; one meeting was held during 2015. Members of the Remuneration Committee do not participate when the level of their personal remuneration is considered.

Remuneration Policy

Each Director should be remunerated fairly and responsibly. The remuneration paid to each Director should take into account the individual's level of skills and experience. The level of responsibility and endeavour associated with additional roles (such as participation on board committees) should be rewarded appropriately. The amount payable to Non-Executive Directors is limited to a maximum of US$40,000 per annum. Directors' fees are not dependent on attendance at meetings. The Executive Directors are not remunerated for their role as Directors. The Company does not currently employ any members of management or staff.

Remuneration Committee activity during 2015

- The committee monitored the relationship with the Investment Manager.
- The committee determined levels of remuneration for each member of the Board.
- The committee recommended that shareholders approve the Company's remuneration policy in a non-binding advisory vote at the Company's annual general meeting held on 5 August 2015.
- The committee noted the results of this non-binding advisory vote, which was approved by the shareholders.
- The committee reviewed the Remuneration Committee report included in the Company's previous annual report.

Non-Executive Directors' fees

Non-Executive Directors are subject to retirement by rotation and re-election by shareholders in accordance with the Company's Articles of Incorporation. The fees paid to Non-Executive Directors for 2015 were as follows:

1 January 2015 to 31 December 2015	Directorship of the Company US$'000s	Directorship of other Group companies US$'000s	Audit Committee US$'000s	Lead Independent Director US$'000s	Total US$'000s
Stuart Platt-Ransom	30	–	3	2	35
Clive Harris	30	5	3	–	38
Martin Tolcher	30	–	5	–	35
Dr Christo Wiese	30	–	–	–	30
Lumkile Mondi[1]	5	–	–	–	5
Total	**125**	**5**	**11**	**2**	**143**

1 *This relates to the period 29 October 2015 – 31 December 2015.*

The fees paid to Non-Executive Directors for 2014 were as follows:

1 January 2014 to 31 December 2014	Directorship of the Company US$'000s	Directorship of other Group companies US$'000s	Audit Committee US$'000s	Lead Independent Director US$'000s	Total US$'000s
Stuart Platt-Ransom	30	–	3	2	35
Clive Harris	30	5	3	–	38
Martin Tolcher	30	–	5	–	35
Dr Christo Wiese	30	–	–	–	30
Lumkile Mondi	–	–	–	–	–
Total	**120**	**5**	**11**	**2**	**138**

The committee agreed to increase the fee payable for each Non-Executive Director from US$30,000 per annum to US$35,000 per annum (with effect from 1 January 2016).

Stuart Platt-Ransom
Chair of the Remuneration Committee

NOMINATION COMMITTEE REPORT

Role of the Nomination Committee

The Nomination Committee assists the Board in setting and administering the Company's nominations and succession policy. The committee is constituted by the Board and is accountable both to the Board and to shareholders. The committee assists the Board in its oversight of the following areas:

- Review of the structure, size and composition of the Board on an ongoing basis, with the recommendation of any changes to the Board as necessary.
- The identification of suitable candidates for appointment to the Board.
- Oversight of the reappointment process for all Directors at the point of their retirement by rotation in accordance with provisions in the Company's Articles of Incorporation.

Composition

The committee comprises the following independent non-executive directors, who have the requisite skills and experience to fulfil the committee's duties:

- Mr Platt-Ransom (Chair)
- Mr Tolcher
- Mr Harris

Meetings

The Nomination Committee meets as often as required and not less than once per year; two meetings were held during 2015.

Nomination Committee activity during 2015

- During the year the committee considered the appropriateness of Mr Mondi's appointment to the Board of Directors.
- The committee agreed that Mr Mondi was a suitable candidate for appointment to the Board and that his contribution would be beneficial to the Company and its shareholders.
- The committee confirmed that the reappointment process being undertaken for the Company's 2016 Annual General Meeting is in line with the provisions in the Company's Articles of Incorporation.
- The committee reviewed the Nomination Committee report included in the Company's previous annual report.

Stuart Platt-Ransom
Chair of the Nomination Committee

Egg pendants from Fabergé's Heritage Collection.

FINANCIAL STATEMENTS AND ADMINISTRATION

UG2 silo at the Pilanesberg Platinum Mine.

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FINANCIAL STATEMENTS

ADMINISTRATION

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

	Notes	1 January 2015 to 31 December 2015 US$'000	1 January 2014 to 31 December 2014 US$'000
INCOME			
Investment Portfolio			
Unrealised fair value gains	2	–	80,146
Unrealised fair value losses	2	(142,176)	(19,109)
		(142,176)	**61,037**
Investment Portfolio revenue			
Loan interest income	2	731	556
		731	556
Net (loss)/gain on investments and income from operations		**(141,445)**	**61,593**
EXPENSES			
Investment Manager's Benefit	4	(6,212)	(5,593)
Operating expenses	5	(1,398)	(609)
Foreign exchange gains		2	–
		(7,608)	**(6,202)**
Net (loss)/gain from operations		**(149,053)**	55,391
Finance income	6	6	8
Finance costs		(5)	(2)
Net finance income		**1**	**6**
(Loss)/profit before fair value (loss)/gain of associates		**(149,052)**	**55,397**
Fair value (loss)/gain of associates	7	(70)	11
(Loss)/profit before tax		**(149,122)**	**55,408**
Tax	8	(4)	(4)
NET (LOSS)/PROFIT AFTER TAX		**(149,126)**	**55,404**
Other comprehensive income		–	–
TOTAL COMPREHENSIVE (LOSS)/INCOME		**(149,126)**	**55,404**
Basic and diluted (loss)/earnings per ordinary share – US$	15	**(0.20)**	**0.07**

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

Consolidated Balance Sheet

as at 31 December 2015

	Notes	31 December 2015 US$'000	31 December 2014 US$'000
ASSETS			
Non-current assets			
Investments in associates	7	**1,194**	**1,264**
Investment Portfolio			
Listed equity investments	2	158,603	185,511
Unlisted equity investments	2	150,113	265,381
		308,716	**450,892**
Total non-current assets		**309,910**	**452,156**
Current assets			
Investment Portfolio			
Loans and receivables	2	9,804	15,256
Trade and other receivables	9	1,662	128
Cash and cash equivalents		1,610	4,082
Other investments		48	28
Total current assets		**13,124**	**19,494**
Total assets		**323,034**	**471,650**
LIABILITIES			
Current liabilities			
Trade and other payables	10	709	199
Total current and total liabilities		**709**	**199**
Net assets		**322,325**	**471,451**
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	11	8	8
Share premium		375,227	375,227
Retained (losses)/earnings		(52,910)	96,216
Total equity		**322,325**	**471,451**

The Financial Statements were approved and authorised for issue by the Directors on 30 March 2016 and were signed on its behalf by:

Arne H. Frandsen
Chief Executive
30 March 2016

Andrew Willis
Finance Director
30 March 2016

The accompanying notes form part of these Financial Statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

	Notes	1 January 2015 to 31 December 2015 US$'000	1 January 2014 to 31 December 2014 US$'000
Cash outflows from operations	12	**(8,454)**	**(5,125)**
Loans extended to investments		(19,576)	(14,700)
Loans repaid by investments		25,000	–
Loan interest received		556	–
Net cash outflows from operating activities		**(2,474)**	**(19,825)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(2,474)**	**(19,825)**
Cash and cash equivalents at the beginning of the year		4,082	23,907
Foreign exchange gains		2	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**1,610**	**4,082**

The accompanying notes form part of these Financial Statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

	Share capital US$'000	Share premium US$'000	Retained earnings/(losses) US$'000	Total equity US$'000
Balance at 1 January 2014	8	375,227	40,812	416,047
Total comprehensive income for the year	–	–	55,404	55,404
Balance at 31 December 2014	**8**	**375,227**	**96,216**	**471,451**
Total comprehensive loss for the year	–	–	(149,126)	(149,126)
Balance at 31 December 2015	**8**	**375,227**	**(52,910)**	**322,325**

The accompanying notes form part of these Financial Statements.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2015

1. Significant accounting policies

The Company is incorporated in Guernsey under The Companies (Guernsey) Law, 2008. The Company's registered office address is stated on the final page of the Annual Report entitled *Company Details.*

The Company's accounting policies are the same as those of the Group. Company-only financial information has been omitted from these Financial Statements, as permitted by The Companies (Guernsey) Law, 2008, Section 244, and sections 8.62(a) and 8.62(d) of the JSE Listings Requirements.

Where possible, the Group's significant accounting policies have been disclosed as part of the relevant note they specifically relate to, as the Directors believe this is more useful to a user of the Financial Statements. Other significant accounting policies have been disclosed below.

A. Statement of Compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the financial reporting guides issued by the Accounting Practices Committee of the South African Institute of Chartered Accountants (the "SAICA Reporting Guides") and the financial reporting pronouncements issued by the Financial Reporting Standards Council of South Africa (the "FRSC Pronouncements"). The Financial Statements also comply with the JSE Listings Requirements, the BSX Listing Regulations and The Companies (Guernsey) Law, 2008, and show a true and fair view.

During the period there have been no new, amended or revised standards which have become effective that have had a material impact on the Group's reporting or Financial Statements.

Standards, amendments and interpretations in issue at 31 December 2015 and not yet effective for periods ended 31 December 2015

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, and have not been applied in preparing the Financial Statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

The IASB has introduced guidance entitled *Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS10, IFRS12 and IAS28*. This introduces clarifications to the requirements when accounting for investment entities and is effective for periods commencing 1 January 2016. The Directors do not anticipate material changes as a result of this amendment.

The IASB has issued amendments to IAS1 *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The Disclosure Initiative is designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements, resulting in clearer and more useful information for users of the financial statements. The amendments are effective for periods beginning on or after 1 January 2016, but early adoption is permitted. The Directors have considered these principles whilst preparing this Annual Report and will continue to review the process for preparing the financial statements on an ongoing basis.

The IASB issued Annual Improvements to IFRSs 2012-2014, a collection of amendments to IFRSs, in response to four issues addressed during the 2012-2014 cycle. The issues included in this cycle are the following: IFRS5 *Non-current Assets Held for Sale and Discontinued Operations* ("IFRS5") Changes in methods for disposal; IFRS7 *Financial Instruments: Disclosures* ("IFRS7") 'Continuing involvement' for servicing contracts and offsetting disclosures in condensed interim financial statements; IAS19 *Employee Benefits* ("IAS19") Discount rate in a regional market sharing the same currency; and IAS34 *Interim Financial Reporting* ("IAS34") Disclosure information 'elsewhere in the interim financial report'. These amendments are effective for reporting periods beginning on or after 1 January 2016, although early adoption is permitted. The Directors do not believe that these amendments will have a material impact on the Group but may impact the accounting for the Group's future transactions or arrangements.

1. Significant accounting policies/continued

The IASB has issued certain standards (or amendments to standards), which are to be applied to financial statements with periods commencing on or after the dates included below and which have not been applied in the current year, as follows:

IFRS9 *Financial Instruments* ("IFRS9")
IFRS9 will replace IAS39 *Financial Instruments*: *Recognition and Measurement* and will address the following three key areas:

- *Classification and measurement* establishes a single, principles-based approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held.
- *Impairment* introduces a new 'expected loss' impairment model, requiring expected credit losses to be recognised from when financial instruments are first recognised.
- *Hedge Accounting* aligns the accounting treatment with risk management practices of an entity.

IFRS9 will impact both the measurement and disclosures of financial instruments of the Group in future periods. The Directors believe that the impact of the changes required to implement IFRS9 may be material; however, as the effective date for the standard is not until 2018, a detailed analysis of the impact of these changes on the Group has not yet taken place.

IFRS9 is effective for annual reporting periods beginning on or after 1 January 2018.

B. Basis of preparation

The Financial Statements are presented in United States dollars ("US$") which is the functional currency of the Company and the Group's presentation currency. Using the US$ as the Group's presentation currency means that the Financial Statements can be compared with other similar companies. Amounts have been rounded to the nearest thousand (or million) as appropriate, for ease of presentation.

Basis of accounting
The Financial Statements have been prepared on the historic cost basis, except for the valuation of certain investments held within the Investment Portfolio. These equity investments are measured at fair value, not historic cost. Historic cost is generally based on the fair value of the consideration given in exchange for goods and services. Other than information contained within the Consolidated Statement of Cash Flows, the Financial Statements have been prepared on the accruals basis.

The Company is an investment entity
In October 2012, the IASB issued "Investment Entities (Amendments to IFRS10, IFRS12 and IAS27) (the "Investment Entities Amendments")". Where an entity meets the definition of an investment entity under IFRS10, the Directors have opted to account for investments in joint ventures, associates and certain controlled entities at fair value through profit or loss. The Investment Entities Amendments became effective from 1 January 2014.

The Directors have considered and determined that the Company meets the following criteria which define an investment entity:

- The Company invests solely to provide returns from capital appreciation, investment income or both.
- The Company measures the performance of all its investments on a fair value basis.
- The Company does not plan to hold its investments indefinitely and has an exit strategy for each investment.

In addition, the Company holds a number of investments and has a large number of shareholders, both of which are considered typical characteristics of an investment entity. In consequence, it has been necessary to assess the nature of the Company's holdings in subsidiaries to determine the impact of adoption of the Investment Entities Amendments. The Group does not currently hold any subsidiaries which form part of the Investment Portfolio. If the Group holds any such subsidiaries in the future, these would be accounted for at fair value. The Group does hold investments in certain subsidiaries which provide investment-related services; the accounting treatment has not changed for these entities, which are consolidated in line with the previous accounting treatment.

1. Significant accounting policies/continued

The Group holds certain investments in associates that are investment holding entities and do not form part of the Investment Portfolio. These investments in associates are now accounted for at fair value. Other than as disclosed above and in Note 7 *Investments in associates*, the adoption of the Investment Entities Amendments has not had any other impact on the Financial Statements in the current or comparative years.

Critical accounting estimates, judgements and assumptions
The preparation of financial statements in conformity with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The judgements, estimations and assumptions that have the most significant effect on the amounts recognised in the financial statements are detailed below:

(i) Assessment of fair value
The most critical accounting estimates and assumptions relate to the valuation of the Group's portfolio of investments. The Directors use a range of valuation methodologies in accordance with IFRS13 *Fair Value Measurement* ("IFRS13") and the IPEVC Valuation Guidelines when determining the fair value of the Group's portfolio of investments. The valuation of unlisted equity investments involves judgements and estimates by the Directors across a range of key factors. The Company may use discounted cash flow ("DCF") models, which estimate expected future cash flows, which are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, such as commodity prices, exchange rates, discount rates and estimates of production costs and future capital expenditure. Estimates and assumptions used are reviewed periodically and the Directors believe that their estimates of fair value are materially accurate.

Going concern basis of accounting
The Directors have considered the likely cash flows and costs of the Group, for twelve months subsequent to the signature of the Financial Statements, and have concluded that the Group has adequate resources to continue in its activities for the foreseeable future. Whilst the Group's cash balance is relatively low at the present time, the scheduled repayments of the Gemfields loan are expected to provide additional liquidity, as and when needed. The Directors do not have any concerns over receipt of these repayments. In addition, the Group has significant liquid assets that could be either sold or leveraged for short term finance, should this be necessary. The Financial Statements have, therefore, been prepared on the going concern basis.

C. Foreign currencies

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

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

D. Consolidation

(i) Subsidiaries
The Company is deemed to control an investee if it has all of the following:

- power over the investee;

1. Significant accounting policies/continued

- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the Group's returns.

Subsidiaries (other than those that form part of the Investment Portfolio) are consolidated into the Group's financial statements on a line-by-line basis.

(ii) Associates
Where the Group has significant influence, but not control, and is neither a subsidiary nor an interest in a joint venture, it is an associate. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The Group usually holds associates as part of the Investment Portfolio; the value of these investments to the Group is through their marketable value as part of the Investment Portfolio rather than as a medium through which a business is undertaken. The Group therefore measures these investments at fair value even though the Group has significant influence over the investments.

The Group holds certain investments in associates that do not form part of the Investment Portfolio (usually as investment holding companies). Since the adoption of the "Investment Entities Amendments" on 1 January 2014, these associates have been accounted for at fair value where previously these associates were equity accounted.

(iii) Joint ventures
Interests in joint ventures that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value.

E. Income

The Group's revenue for the purposes of IAS1 is represented as *Net gains/(losses) on investments and income from operations*. This represents the overall increase in net assets from the Investment Portfolio and constitutes the following amounts:

i) Unrealised fair value gains and losses – these amounts are movements in the carrying value of investments during the period. Foreign exchange gains and losses on investments are included within these fair value gains and losses.
ii) Realised gains/losses on transactions – these gains/losses may arise on divestments, acquisitions, equity for equity swaps, loan conversions and similar transactions. The gains/losses usually represent the difference between the fair value of the consideration received and the fair value of the assets disposed as part of the transaction. "Realised" is used to describe gains or losses on transactions where assets are either realised in return for cash or cash equivalents, or for other assets such as new equity interests or similar.
iii) Income from loans and receivables is recognised with reference to the principal outstanding and the effective interest rate applicable, which is the rate that discounts the estimated future cash flows through the life of the loan to the current carrying value.
iv) Dividends from investments are recognised when the right to receive payment is established.

2. Investment Portfolio

Accounting policy
An investment is considered to be part of the Group's Investment Portfolio if its value to the Group is through its marketable value rather than as a medium through which a business is undertaken. The Group accounts for all such equity investments at fair value. If an equity interest held by the Group is under 20%, it is accounted for at fair value in accordance with IFRS13. The Group also holds equity interests that are over 20% and which meet the definition of either an associate or a joint venture under IAS28. Interests in associates and joint ventures that are held as part of the Group's Investment Portfolio are also measured at fair value under IFRS13. All equity investments within the Investment Portfolio are therefore accounted for

2. Investment Portfolio/continued

on a similar, comparable basis. This is normal practice in the private equity industry and makes the Financial Statements comparable with those of similar organisations.

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

All equity investments are recognised initially at the fair value of the consideration given. Any subsequent changes in the fair value of the investment acquired are recognised in profit or loss as an unrealised gain or loss. The Directors subsequently determine the fair value measurement of each investment, using the most appropriate basis in accordance with IFRS13. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

The Group's reporting complies with all material aspects of the IPEVC Valuation Guidelines when determining what method to use to determine fair value. The IPEVC Valuation Guidelines specify the valuation methodology which is the most appropriate to use for each individual investment at each point in the investment's lifecycle. The methodologies used to determine fair value recommended by the IPEVC Valuation Guidelines include using an earnings or turnover multiple, share of net assets, the DCFs or earnings of the underlying business, the DCFs of the investment, or a relevant industry valuation benchmark. The Directors consider all other valuation methodologies where appropriate.

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

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

Loans and receivables
Loans made to portfolio companies are initially recognised at fair value, net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Loan interest income, including premiums payable on settlement or redemption and direct issue costs are recognised in the income statement using the effective interest method. They are added to the carrying amount of the instrument to the extent they are not settled in the period which they arise.

The holding period for the Investment Portfolio is invariably greater than one year. The Investment Portfolio is therefore classed as "non-current" in its entirety. If clear evidence exists that an asset will be realised within a year, the balance would then be classified as a current asset. This is normal practice in the venture capital industry and presents more useful information to shareholders.

2. Investment Portfolio/continued

Further information on each of the Group's investments has been provided below. This disclosure is intended to ensure that users of the financial statements understand how each investment has been valued and the risks associated with each investment valuation. In addition, the disclosure meets certain requirements related to the Group's JSE listing.

The reconciliation of the Investment Portfolio valuations from 1 January 2015 to 31 December 2015 is as follows:

Investment	Opening at 1 January 2015 US$'000	Unrealised fair value gains US$'000	Unrealised fair value losses US$'000	Accrued interest income and structuring fee US$'000	Additions and disposals US$'000	Closing at 31 December 2015 US$'000
Listed equity investments						
Gemfields[1]	185,511	–	(26,908)	–	–	158,603
	185,511	–	(26,908)	–	–	158,603
Unlisted equity investments						
Jupiter[2]	69,253	–	(33,548)	–	–	35,705
Sedibelo Platinum Mines[3]	196,128	–	(81,720)	–	–	114,408
	265,381	–	(115,268)	–	–	150,113
Total non-current	450,892	–	(142,176)	–	–	308,716
Loans and receivables						
Gemfields – US$10 million loan[4]	–	–	–	28	9,776	9,804
Gemfields – US$15 million loan[5]	15,256	–	–	368	(15,624)	–
Kagem Mining Limited – US$10 million loan[6]	–	–	–	335	(335)	–
	15,256	–	–	731	(6,183)	9,804
Total current	15,256	–	–	731	(6,183)	9,804
Total Investment Portfolio	**466,148**	**–**	**(142,176)**	**731**	**(6,183)**	**318,520**

1 *The unrealised fair value loss on Gemfields of US$26.908 million includes an unrealised foreign exchange loss of US$9.200 million.*
2 *The unrealised fair value loss on Jupiter of US$33.548 million does not include any foreign exchange as the valuation is denominated in US$.*
3 *The unrealised fair value loss on SPM of US$81.720 million does not include any foreign exchange as the valuation is denominated in US$.*
4 *The Group has provided a loan to Gemfields of US$9.776 million (US$10 million less an arrangement fee of US$0.224 million). The loan was fully drawn down on 18 December 2015. Interest is also payable, calculated per the agreement at three month US$ LIBOR plus 4.5%. The outstanding balance of the loan at 31 December 2015 is US$9.804 million. The loan is repayable in instalments; US$1 million on 31 March 2016, US$2.5 million on 30 June 2016, US$2.5 million on 30 September 2016 and US$4 million with accrued interest on 15 December 2016.*
5 *The Group made a loan to Gemfields of US$15 million in two separate tranches during 2014. The loan, including interest and the arrangement fee was repaid by Gemfields on 30 April 2015.*
6 *The Group made a loan to Kagem Mining Limited ("Kagem") of US$9.8 million (US$10 million less an arrangement fee of US$0.2 million). Interest was payable, calculated per the agreement at three month US$ LIBOR plus 4.5%. The loan, including interest and the arrangement fee was repaid by Kagem on 18 December 2015.*

2. Investment Portfolio/continued

The reconciliation of the Investment Portfolio valuations from 1 January 2014 to 31 December 2014 is as follows:

Investment	Opening at 1 January 2014 US$'000	Unrealised fair value gains US$'000	Unrealised fair value losses US$'000	Accrued interest income and structuring fee US$'000	Additions and disposals US$'000	Closing at 31 December 2014 US$'000
Listed equity investments						
Gemfields[1]	144,361	41,150	–	–	–	185,511
	144,361	41,150	–	–	–	185,511
Unlisted equity investments						
Jupiter[2]	30,257	38,996	–	–	–	69,253
Sedibelo Platinum Mines[3]	215,237	–	(19,109)	–	–	196,128
	245,494	38,996	(19,109)	–	–	265,381
Total non–current	389,855	80,146	(19,109)	–	–	450,892
Loans and receivables						
Gemfields – US$15 million loan[4]	–	–	–	556	14,700	15,256
	–	–	–	556	14,700	15,256
Total current	–	–	–	556	14,700	15,256
Total Investment Portfolio	**389,855**	**80,146**	**(19,109)**	**556**	**14,700**	**466,148**

1 The unrealised fair value gain on Gemfields of US$41.150 million includes an unrealised foreign exchange loss of US$8.252 million.
2 The unrealised fair value gain on Jupiter of US$38.996 million does not include any foreign exchange as the valuation is denominated in US$.
3 The unrealised fair value loss on SPM of US$19.109 million does not include any foreign exchange as the valuation is denominated in US$.
4 The Group committed to provide a loan to Gemfields of up to US$15 million for general working capital purposes. At 31 December 2014 the balance of the loan was US$15.256 million including interest and a pro-rated element of the arrangement fee. The loan, including interest and the arrangement fee was fully repaid by Gemfields on 30 April 2015.

Sedibelo Platinum Mines Limited – equity

Nature of investment: The Group holds an equity interest in SPM, a producer of PGMs with interests in the Bushveld Complex in South Africa.

Fair value methodology: Directors' estimate

The Directors have estimated that the value of SPM is US$1.75 billion; the Group's indirect 6.54% interest has therefore been valued at US$114 million.

The primary source in determining the valuation of SPM at 31 December 2015 is a competent person's report prepared by an independent third party as at 31 December 2015. The competent person's report includes discounted cash flow ("DCF") analysis to value SPM's key assets and includes a range of valuations. The preferred valuation of SPM at 31 December 2015 given by the competent person's report is US$2.47 billion; the Group's indirect 6.54% interest on this basis would be valued at US$162 million.

The DCF analysis is based on a number of predictions and uncertainties including forecast PGM prices, costs, exchange rates and the consolidated mine plan. Changing any of these assumptions may materially affect the implied valuation. These factors will have an impact on the likely valuation of SPM for its IPO, which is expected to occur once market conditions are favourable.

The market price of listed PGM companies often differs to the underlying Net Asset Value ("NAV") – the size of the discount or premium is dependent on many factors and can fluctuate significantly, particularly during

2. Investment Portfolio/continued

periods of significant equity market volatility, which has been seen over the past few months. Members of SPM's peer group of listed PGM companies were trading at an average discount to NAV of approximately 29% on 31 December 2015 and the Directors believe that an equivalent discount should be applied to the valuation given by the competent person's report. Accordingly, the Directors have determined the fair value of SPM at 31 December 2015 to be US$1.75 billion. The Directors' valuation of SPM at 31 December 2014 was US$3.0 billion.

The competent person's report used information from a range of sources to forecast PGM prices. The platinum price was forecast to be within a range of US$956 per ounce to US$1,300 per ounce over SPM's life-of-mine. The palladium price was forecast to be within a range of US$700 per ounce to US$831 per ounce over SPM's life-of-mine. For the purposes of the disclosures required by IFRS13, if the forecast PGM prices were 10% lower than the current consensus for forecast PGM prices, presuming all other indicators and evidence were unchanged, and using sensitivity analysis included within the competent person's report, the valuation of the Company's interest in SPM included in the balance sheet would decrease from US$114 million to US$98 million. The related fair value decrease of US$16 million would be recognised in profit or loss. Alternatively a 10% movement to the discount to NAV, presuming all other indicators and evidence were unchanged, would adjust the valuation of the Company's interest in SPM included in the balance sheet also by US$16 million, the related fair value movement would be recognised in profit or loss.

Other considerations	No secondary valuation methodologies have been considered for the Company's investment in SPM, as the competent person's report has an effective date of 31 December 2015.
	The Group's cash cost of investment for SPM is approximately US$123 million and the Group's initial PGM investment was made in August 2008.

Gemfields plc – equity

Nature of investment	The Group holds an equity interest in Gemfields, the producer of coloured gemstones. Gemfields owns Zambian emerald and amethyst assets, ruby assets in Mozambique and sapphire interests in Sri Lanka. Gemfields is listed on AIM.
	The Group owns a see-through interest of 47.59% in Gemfields at 31 December 2015, valued at US$159 million.
Fair value methodology	Listed share price
	The Group's interest in Gemfields is valued at the 31 December 2015 mid-price of GBP0.41 per share, translated at the closing rate of US$1/GBP0.6755.
Other considerations	No secondary valuation methodologies have been considered for the Company's investment in Gemfields as it is a listed equity.
	The Group's cost of investment is approximately US$119 million and the Group's initial investment was made in October 2007.

Jupiter Mines Limited – equity

Nature of investment	The Group holds an equity interest in Jupiter. Jupiter is based in Perth, Western Australia and its main asset is a 49.9% interest in the Tshipi manganese joint venture in South Africa.
Fair value methodology	Directors' estimate
	Each of Jupiter's material assets has been valued separately to determine an appropriate valuation for 100% of Jupiter. The Directors have estimated that the fair value of Jupiter at 31 December 2015 is US$194 million; the implied valuation of the Group's 18.45% interest is US$36 million.

2. Investment Portfolio/continued

Jupiter's 49.9% interest in Tshipi Borwa has been valued based on an independent valuation report, prepared as at 31 December 2015. The independent valuation report includes a DCF analysis for Tshipi Borwa and includes a range of valuations. The DCF analysis is based on a large number of predictions and uncertainties including costs and exchange rates. Revenue is derived assuming that a single manganese price (consensus of recent analyst reports of the long-term forecast manganese price) will prevail over the life-of-mine. Changing any of the assumptions may materially affect the implied valuation, in particular the long-term forecast manganese price. The Directors believe that the preferred valuation given in the competent person's report represents a fair valuation without applying an adjustment.

The Tshipi Borwa valuation is particularly sensitive to the manganese price. The independent valuation report used information from a range of sources to forecast the manganese price. The manganese price was forecast to be within a range of US$2.26 per dry metric tonne unit ("dmtu") to US$3.22 per dmtu over Tshipi Borwa's life-of-mine. For the purposes of the disclosures required by IFRS13, if the manganese price used in the valuation declined by 10% at the balance sheet date and presuming all other indicators and evidence were unchanged, the valuation of Jupiter included in the balance sheet would decrease from US$36 million to US$26 million. The related fair value decrease of US$10 million would be recognised in profit or loss.

Jupiter's other assets have been valued using a range of different valuation methodologies. Jupiter has made certain shareholder loans to Tshipi, which have been valued at fair value (equal to principal plus accrued interest). Tshipi Bokone is no longer included as an asset as it was relinquished during the period. Jupiter's interests in Mount Mason and Mount Ida have been written down to zero due to the uncertainty over the future prospects for each asset as well as the distressed iron ore market. Jupiter's cash has been included at cost. Jupiter has no material liabilities.

Other considerations

No secondary valuation methodologies have been considered for the Company's investment in Jupiter, as the independent valuation report of Tshipi Borwa has an effective date of 31 December 2015.

The Group owned an effective 18.45% interest in Jupiter at 31 December 2015. The Group's cash cost of investment is approximately US$29 million and the Group's initial investment into Jupiter was made in May 2008.

Gemfields plc – US$10 million loan

Nature of investment

On 18 December 2015, the Group agreed to provide a loan of up to US$10 million to Gemfields, in line with the Group's strategy of providing support to its investments. The loan is repayable in instalments; US$1 million on 31 March 2016, US$2.5 million on 30 June 2016, US$2.5 million on 30 September 2016 and US$4 million with accrued interest on 15 December 2016. There are no penalties for early repayment.

Valuation methodology

Amortised cost – effective interest method

Interest on the loan to Gemfields has been calculated using the effective interest method meaning that any interest income, fees or similar amounts are accrued for evenly as the loan becomes due for repayment. The outstanding balance of the loan at 31 December 2015, including interest, is US$9.804 million. The effective interest rate of the loan at 31 December 2015 is approximately 7.5%.

Gemfields plc – US$15 million loan

Nature of investment

On 16 April 2014, the Group agreed to provide a loan of up to US$15 million to Gemfields, in line with the Group's strategy of providing support to its investments. The loan was repaid, with accrued interest, on 30 April 2015.

2. Investment Portfolio/continued

Valuation methodology — Amortised cost – effective interest method

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

Kagem Mining Limited – US$10 million loan

Nature of investment — On 10 August 2015, the Group agreed to provide a loan of up to US$10 million to Kagem Mining Limited ("Kagem"), a 75% subsidiary of Gemfields, in line with the Group's strategy of providing support to its investments. The loan was repaid, with accrued interest, on 18 December 2015.

Valuation methodology — Amortised cost – effective interest method

The value of the loan to Kagem was calculated using the effective interest method, with the arrangement fee accruing evenly over the projected life of the loan. The outstanding balance on the date of repayment, 18 December 2015, including interest and arrangement fee, was US$10.1 million. The effective interest rate on the loan throughout the duration of the loan was approximately 10.48%.

Fair value hierarchy

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

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

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

A breakdown of the Group's financial assets at fair value through profit or loss ("FVTPL"), categorised as Level 1, Level 2 and Level 3 assets is included below:

	31 December 2015				31 December 2014			
	Level 1 US$'000s	Level 2 US$'000s	Level 3 US$'000s	**Total US$'000s**	Level 1 US$'000s	Level 2 US$'000s	Level 3 US$'000s	**Total US$'000s**
Financial assets at FVTPL								
Equity investments	158,603	–	150,113	**308,716**	185,511	–	265,381	**450,892**
Investments in associates[1]	–	–	1,194	**1,194**	–	–	1,264	**1,264**
Other investments	48	–	–	**48**	28	–	–	**28**
	158,651	–	151,307	**309,958**	185,539	–	266,645	**452,184**

1 *As disclosed in Note 1 Significant accounting policies and Note 7 Investments in associates, since the adoption of the Investment Entities Amendments on 1 January 2014, certain investments in associates, which were previously equity accounted are now accounted for at fair value and accordingly are included in the table above.*

Notes to the Consolidated Financial Statements/cont.

for the year ended 31 December 2015

2. Investment Portfolio/continued

Level 3 fair value reconciliation

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

	2015 US$'000	2014 US$'000
Opening[1]	266,645	216,490
Fair value (loss)/gain of associates	(70)	11
Unrealised fair value gains	–	38,996
Unrealised fair value losses	(115,268)	(19,109)
Jupiter reclassification upon delisting[2]	–	30,257
Closing	**151,307**	**266,645**

1 *As disclosed in Note 1 Significant accounting policies and Note 7 Investments in associates, since the adoption of the Investment Entities Amendments on 1 January 2014, certain investments in associates, which were previously equity accounted, are now accounted for at fair value and accordingly are included in the table above.*

2 *Jupiter delisted from the ASX effective 10 January 2014. The investment in Jupiter has been reclassified from a Level 1 to a Level 3 investment, effective the date of the delisting.*

3. Segmental reporting

Accounting policy

The Chief Operating Decision Maker ("CODM") is Mr Gilbertson, the Chairman, who measures the performance of each operating segment by assessing the fair value of the Group's Investment Portfolio on a regular basis in order to allocate resources. The Chairman is an Executive Director, which does not comply with King III. The other members of the Board believe that Mr Gilbertson's wealth of knowledge and experience mean that he is best placed to provide overall leadership to the Board. Mr Gilbertson is a partner of the Investment Manager and a director of the general partner of the Investment Manager, Pallinghurst GP Ltd, see Note 4 *Investment Manager's benefits* and Note 14 *Related party transactions*.

The segmental information provided to the CODM for the year ended 31 December 2015 is as follows:

31 December 2015	PGMs[1] US$'000	Steel Making Materials[2] US$'000	Coloured Gemstones[3] US$'000	Unallocated US$'000	Total US$'000
Income statement					
Unrealised fair value gains	–	–	–	–	–
Unrealised fair value losses	(81,720)	(33,548)	(26,908)	–	(142,176)
Loan interest income	–	–	731	–	731
Net segmental expense	(81,720)	(33,548)	(26,177)	–	(141,445)
Other income				–	–
Net loss on investments and income from operations					(141,445)
Expenses, net finance income, fair value (loss)/gain of associates and taxation				(7,681)	(7,681)
Net segmental loss	**(81,720)**	**(33,548)**	**(26,177)**	**(7,681)**	**(149,126)**
Balance sheet					
Net Asset Value	**114,408**	**35,705**	**168,407**	**3,805**	**322,325**

1 *The unrealised fair value loss on the PGMs segment of US$81.720 million does not include any foreign exchange as the valuation is denominated in US$.*

2 *The unrealised fair value loss on the Steel Making Materials segment of US$33.548 million does not include any foreign exchange as the valuation is denominated in US$.*

3 *The unrealised fair value loss on the Coloured Gemstones segment of US$26.908 million includes an unrealised foreign exchange loss of US$9.200 million.*

3. Segmental reporting/continued

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

31 December 2014	PGMs[1] US$'000	Steel Making Materials[2] US$'000	Coloured Gemstones[3] US$'000	Unallocated US$'000	Total US$'000
Income statement					
Unrealised fair value gains[1]	–	38,996	41,150	–	80,146
Unrealised fair value losses[2]	(19,109)	–	–	–	(19,109)
Loan interest income	–	–	556	–	556
Net segmental (expense)/income	(19,109)	38,996	41,706	–	61,593
Other income				–	–
Net gains on investments and income from operations					61,593
Expenses, net finance income, fair value gain/(loss) of associates and taxation				(6,189)	(6,189)
Net segmental (loss)/profit	**(19,109)**	**38,996**	**41,706**	**(6,189)**	**55,404**
Balance sheet					
Net Asset Value	**196,128**	**69,253**	**200,767**	**5,303**	**471,451**

1 The unrealised fair value loss on the PGMs segment of US$19.109 million does not include any foreign exchange as the valuation is denominated in US$.
2 The unrealised fair value gain on the Steel Making Materials segment of US$38.996 million does not include any foreign exchange as the valuation is denominated in US$.
3 The unrealised fair value gain on the Coloured Gemstones segment of US$41.150 million includes an unrealised foreign exchange loss of US$8.252 million.

4. Investment Manager's benefits

Investment Manager

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

The Partners of the Investment Manager are the following individuals:

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

The Partners of the Investment Manager have over 125 years of collective experience in the resources sector. They have an in-depth knowledge of assets, companies, people and trends. They are recognised for their strategic insight and vision, are highly regarded by international investors, and are renowned for pioneering innovative transactions.

The Investment Manager is entitled to an Investment Manager's Benefit ("IMB") each accounting period. The basis for calculation of the IMB changed subsequent to 14 September 2012, the end of the Investment Period[1]. Prior to the end of the Investment Period, the IMB was calculated as 1.5% per annum of the amount subscribed for in the Company. Since the end of the Investment Period, the basis for calculation is 1.5% per annum of the lower of either the aggregate acquisition cost, or the fair value, of the Group's unrealised investments (based on the Group's most recent published financial statements).

4. Investment Manager's benefits/continued

The total charge to the Consolidated Statement of Comprehensive Income for the IMB during 2015 was US$6,212,000 (2014: US$5,593,000). It is not possible to accurately predict the future annualised Investment Manager's Benefit, as the calculation is affected by the valuation of the Group's investments and by any investment acquisitions or disposals. The IMB paid in advance, as per the terms of the Investment Management Agreement, for the first quarter of 2016 is US$1,516,000. The IMB prepaid for the first quarter of 2015 was US$Nil as the quarterly payment for the IMB was made in early January 2015.

Performance Incentive

Subject to certain conditions, the Investment Manager is entitled to a Performance Incentive related to the performance of the Group's investments. The excess of the total funds returned, and/or available for return, to shareholders, over the total amount subscribed in each separate capital raising to date, will be split between the shareholders (80%) and the Investment Manager[2] (20%). This is subject to a Hurdle[3] of 8% per annum; until the Hurdle is reached, the Investment Manager is not entitled to any Performance Incentive. The Investment Manager would only receive the Performance Incentive if aggregate returns to shareholders over the life of the Company are in excess of 8% per year.

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

The provision for the Performance Incentive is calculated as follows:

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

1 The Investment Period commenced on 14 September 2007 and ended on 14 September 2012.
2 Any Performance Incentive payment may be made to the Investment Manager or an affiliate, at the election of the Investment Manager.
3 The Hurdle is calculated as 8% of the Company's Funds, compounded annually and calculated daily.
4 Aggregate Proceeds are equal to the Group's NAV after adding back any provision for the Performance Incentive. For this calculation, it is assumed that all investments will be disposed of at their current fair value, with no associated transaction costs, and that all proceeds will be distributed immediately. The Group's NAV, after adding back any provision for the Performance Incentive, is therefore the best estimate of the total amount available for distribution.
5 The Company's Funds are equal to the sum of the Company's share capital and share premium.

5. Operating expenses

	2015 US$'000	2014 US$'000
Amounts paid to Auditor	122	131
Independent Valuer's fees	37	37
Other legal and professional fees	609	20
Directors' fees	143	138
Administration costs	451	195
Listing, sponsor and regulatory filing fees	56	58
Fair value (gain)/loss on Other investments[1]	(20)	30
	1,398	**609**

1 Fair value gain on Other investments includes a foreign exchange loss of US$1,000 (the fair value loss of US$30,000 in 2014 includes a foreign exchange loss of US$3,000).

6. Finance income

	2015 US$'000	2014 US$'000
Interest received on bank deposits	6	8
	6	**8**

7. Investments in associates

Accounting policy
The Group holds certain investments in associates that do not form part of the Investment Portfolio (usually as investment holding companies). Since the adoption of the "Investment Entities Amendments" on 1 January 2014, these associates have been accounted for at fair value. The fair value is assessed in the context of the underlying net assets of the associates based on their most recent financial statements or interim statements drawn up to the Group's balance sheet date.

The fair value of the Group's investments in associates is as follows:

	2015 US$'000	2014 US$'000
Pallinghurst Ivy Lane Capital S.à r.l.	1,075	1,158
Other associates	119	106
	1,194	**1,264**

Pallinghurst Ivy Lane Capital S.à r.l. ("Ivy Lane") was previously named Pallinghurst Ivy Lane Capital Limited; the entity was renamed and redomiciled to Luxembourg, effective 31 December 2014. Ivy Lane's place of business is Luxembourg (prior to 31 December 2014, its place of business was Mauritius). Ivy Lane acts as an investment holding company for the Group's investment in SPM. The Group's interest in Ivy Lane "A" class shares is 23.65%; this also represents the Group's voting percentage. Ivy Lane's year end is 31 December. Ivy Lane does not have any contingent liabilities.

There are no significant restrictions or regulatory requirements which could impact on the ability of the Group's other associates to transfer funds, such as dividends or repayment of loans, back to the Company. These other associates do not have any contingent liabilities.

8. Tax

Accounting policy

Taxation for the year comprises current and deferred tax. Current and deferred tax is charged or credited 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.

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

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

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 if there is a legally enforceable right to offset current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle those assets on a net basis. Unrecognised deferred tax assets may be recognised in the future if sufficient taxable profits become available in the relevant jurisdictions.

The Group's tax expense is as follows:

	2015 US$'000	2014 US$'000
Current tax	4	4
Tax expense	**4**	**4**

The Company is exempt from Guernsey income tax under the Income Tax (Zero-10) (Guernsey) (No 2) Law, 2007, and pays an annual exemption fee of GBP1,200 (2014: GBP600) which is included in operating costs. Where applicable, taxation for other jurisdictions is calculated at the relevant prevailing tax rates.

The tax charge for the year reconciles to the profit per the Consolidated Statement of Comprehensive Income as follows:

	2015 US$'000	2014 US$'000
(Loss)/profit before tax	**(149,122)**	**55,408**
Tax at the Guernsey tax rate of 0% (2014: 0%)	–	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	4	4
Tax expense for the year	**4**	**4**

The Group's effective tax rate is 0% (2014: 0.01%).

8. Tax/continued

No amounts relating to tax have been recognised either in other comprehensive income, or directly in equity. The Group has not recognised any deferred tax assets in either the current or prior year.

At the balance sheet date, the Group had incurred fair value losses on its investments of US$133.691 million (2014: US$38.349 million). No deferred tax asset has been recognised in relation to these temporary differences as it is not considered probable that there will be future taxable profits available, in the relevant jurisdictions, for the Group to utilise these temporary differences. The temporary differences may be carried forward indefinitely. Temporary differences relating to the unremitted earnings of overseas subsidiaries and associates are not significant. The Group had no other tax losses or credits at the year end.

9. Trade and other receivables

Accounting policy
Trade and other receivables include prepayments. A provision for impairment of trade and other receivables is made if there is evidence that amounts are unlikely to be recovered.

	Notes	2015 US$'000	2014 US$'000
Prepaid Investment Manager's Benefit	4	1,516	–
Other prepayments		52	32
Other amounts receivable		94	96
		1,662	**128**

10. Trade and other payables

Accounting policy
Trade and other payables are stated based on the amounts which are considered to be payable to third parties at the balance sheet date.

	2015 US$'000	2014 US$'000
Audit fee accrual	93	97
Administration costs payable	80	7
Accrual for Independent Valuer's fee	16	19
Directors' fees	53	5
Other payables	467	71
	709	**199**

11. Share capital

Accounting policy

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

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

Following the adoption of the Company's amended Memorandum of Incorporation at the AGM of shareholders on 5 August 2015, and in accordance with The Companies (Guernsey) Law 2008, the Company no longer has an authorised share capital. The Company is therefore permitted to issue an unlimited number of shares. At 31 December 2014 the authorised share capital was ten Management Shares of US$1 each and 999,000,000 ordinary shares of US$0.00001 each.

Issued and fully paid share capital:

	2015 US$	2014 US$
Two Management Shares of US$1 each	2	2
760,452,631 ordinary shares of US$0.00001 each	7,604	7,604
	7,606	**7,606**

12. Cash outflows from operations

	Notes	2015 US$'000	2014 US$'000
Net (loss)/profit after tax		(149,126)	55,404
Adjustments for:			
Unrealised fair value gains	2	–	(80,146)
Unrealised fair value losses	2	142,176	19,109
Loan interest income and structuring fee		(528)	(556)
Unrealised fair value (gain)/loss on Other investments		(20)	30
Fair value loss/(gain) of associates		70	(11)
Tax expense	8	4	4
Foreign exchange gain on cash		(2)	–
Operating cash flows before movements in working capital		**(7,426)**	**(6,166)**
(Increase)/decrease in trade and other receivables		(1,534)	1,024
Increase in trade and other payables		510	21
Cash used in operations		**(8,450)**	**(5,121)**
Tax paid		(4)	(4)
Net cash used in operating activities		**(8,454)**	**(5,125)**

13. Financial risk management

Capital structure

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

The Group's capital mostly consists of equity shares. There are also two Management Shares. The Company's Articles of Incorporation restrict borrowing to 30% of total assets. The Group currently has no borrowing or borrowing facilities and therefore the Directors do not formally monitor the Group's gearing ratio. The Group is not subject to any external capital requirements. No dividends have been paid out to shareholders since incorporation. No changes have been made to the Group's capital management objectives, policies or procedures during either 2015 or 2014.

CREDIT RISK

The Group is subject to credit risk on its loans, receivables and cash. The Group may make loans to investments within the Investment Portfolio; the Group has currently extended a US$10 million loan to Gemfields. The non-repayment of this loan would have a material effect on the Group. The Group provides against any loan where non-repayment is considered likely for any reason. No such provision has been recorded against the Gemfields' loan and the fair value of the loan has not been reduced to reflect Gemfields' credit risk at any point. The Group holds materially all of its cash balances with two counterparties, Deutsche Bank International Limited, which is an indirect subsidiary of Deutsche Bank Group ("Deutsche") and HSBC Bank plc ("HSBC"). The Group also holds certain cash balances with Investec Bank (Channel Islands) Limited, a subsidiary of Investec. The Group's subsidiaries and associates may also hold cash balances with various other banks; these are usually immaterial amounts. The Group's investments hold cash balances with a range of counterparties. Bankruptcy or insolvency of any of these counterparties could have a significant adverse impact on the Group.

The Group's exposure to counterparty risk at 31 December 2015 is set out below:

Counterparty	Location	Credit rating (Fitch)	2015 US$'000	2014 US$'000
Gemfields	United Kingdom	n/a	9,804	15,256
Deutsche	Guernsey	A minus	881	2,061
HSBC	United Kingdom	AA minus	599	1,986
Investec	Guernsey	BBB minus	–	1
Other counterparties	Various	n/a	224	130
Total			**11,508**	**19,434**

Bankruptcy or insolvency of any of these counterparties could have a significant adverse impact on the Group. The Group's subsidiaries and associates also hold immaterial cash balances with various other banks. The failure of one of these counterparties would be unlikely to have a significant impact on the Group. The Directors monitor the Group's range of counterparties to ensure that the Group's credit/counterparty risk is at an appropriate level.

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 and does not have any commitments to make any specific further investments at the current time. The Directors monitor the Group's liquidity and cash balances on an ongoing basis.

MARKET RISK

The significant market risks affecting the Group are currency risk, interest rate risk, price risk and commodity risk. Most of this risk relates to the investments within the Investment Portfolio, which are carried at fair value and are often denominated in foreign currencies.

13. Financial risk management/continued

Currency risk

The Group undertakes transactions and holds assets and liabilities in currencies other than the US$ and is therefore exposed to currency risk. The Group may enter into equity or loan investments in currencies other than the US$. These balances are translated at the end of each reporting period, and the related foreign exchange gain or loss is included in the Consolidated Statement of Comprehensive Income. The Directors consider the denomination of each investment as part of the initial decision as to whether to invest in an asset.

The Group's policy is to hold all material 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 similar 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 (which would usually be for either an investment 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 has not entered into any hedging strategies during the year.

The sensitivity analysis has been performed based on the sensitivity of the Group's net financial assets to movements in foreign exchange rates assuming the currency has moved 10% versus the US$.

At 31 December 2015	US$ US$'000	GBP US$'000	EUR US$'000	AUD US$'000	Total US$'000
Net financial assets	152,241	168,407	110	–	320,757
Sensitivity analysis					
Impact on the Income Statement, assuming a 10% movement against the US$	**n/a**	**16,841**	**11**	**–**	**16,852**

At 31 December 2014	US$ US$'000	GBP US$'000	EUR US$'000	AUD US$'000	Total US$'000
Net financial assets	270,638	200,767	14	–	471,419
Sensitivity analysis					
Impact on the Income Statement, assuming a 10% movement against the US$	**n/a**	**20,077**	**1**	**–**	**20,078**

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. The Group's policy is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments which are for a maximum of one year and are usually for shorter time periods than that. This maintains the Group's liquidity levels whilst also ensuring a return for shareholders on uninvested cash. During the current and prior year, all uninvested cash was accessible either on demand, or shortly afterwards.

In addition, the Group may make interest bearing loans to its investments; the Group has made a loan of US$10 million to Gemfields, which is outstanding at 31 December 2015. The Group may make non-interest bearing loans to companies within the Investment Portfolio in certain circumstances.

13. Financial risk management/continued

31 December 2015	Repayable within one month US$'000	Repayable within one to six months US$'000	Repayable within six to twelve months US$'000	Repayment not anticipated US$'000	Total US$'000
Cash and cash equivalents	1,610	–	–	–	1,610
Gemfields loan	–	3,500	6,304	–	9,804
Loans and receivables	–	94	–	–	94
Financial assets subject to interest rate risk	**1,610**	**3,594**	**6,304**	–	**11,508**

31 December 2014	Repayable within one month US$'000	Repayable within one to six months US$'000	Repayable within six to twelve months US$'000	Repayment not anticipated US$'000	Total US$'000
Cash and cash equivalents	4,082	–	–	–	4,082
Gemfields loan	–	15,256	–	–	15,256
Loans and receivables	–	96	–	–	96
Financial assets subject to interest rate risk	**4,082**	**15,352**	**–**	–	**19,434**

An analysis of the expected maturity of the Group's financial assets at the balance sheet date is shown below. Expected maturities are usually based on contractual maturities. The sensitivity analyses below have been determined based on the exposure to interest rates for the Group's financial instruments at the balance sheet date. When the Directors consider the impact of changes in interest rates on the Group, a 0.5% increase or decrease is used for analysis. The Directors consider this to be a suitable change in interest rates in the current interest rate environment.

31 December 2015	Repayable within one month US$'000	Repayable within one to six months US$'000	Repayable within six to twelve months US$'000	Repayment not anticipated US$'000	Total US$'000
Financial assets subject to interest rate risk	1,610	3,594	6,304	–	11,508
Sensitivity analysis					
Impact on the Income Statement, assuming a 0.5% movement in interest rate	8	18	32	–	58

31 December 2014	Repayable within one month US$'000	Repayable within one to six months US$'000	Repayable within six to twelve months US$'000	Repayment not anticipated US$'000	Total US$'000
Financial assets subject to interest rate risk	4,082	15,352	–	–	19,434
Sensitivity analysis					
Impact on the Income Statement, assuming a 0.5% movement in interest rate	20	77	–	–	97

13. Financial risk management/continued

Price risk

Price risk is the risk that the price for listed investments fluctuates with a corresponding impact on the Consolidated Statement of Comprehensive Income. The Directors' valuations for unlisted investments are also likely to increase or decrease over time. The Directors believe that disclosure of a 25% decrease/increase in the fair values of the Group's investments is reasonably possible and presents relevant information to shareholders. A 25% change in the fair value of investments would have the following impact on the Consolidated Statement of Comprehensive Income:

	2015			2014		
	Quoted US$'000	Unquoted US$'000	Total US$'000	Quoted US$'000	Unquoted US$'000	Total US$'000
Total	**39,651**	**37,827**	**77,478**	**46,378**	**66,661**	**113,039**

Commodity risk

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

Sensitivity analyses representative for the position throughout the year

The sensitivity analyses presented above are based on the financial instruments held at the year end. The sensitivity analyses presented for 31 December 2015 are considered likely to be representative of the financial instruments held and the risks to the balance sheet in the immediate future. The mix of financial instruments is broadly similar at 31 December 2015 compared to 31 December 2014. Nonetheless, users of the Financial Statements should be aware that the Group's risk profile can change over time; for example, if the Group divested of an investment, its exposure to market risks would change. As there is uncertainty as to how the Group's risk profile will change in the future, no further representative sensitivity disclosure has been disclosed as the Directors do not believe that it would be useful.

14. Related party transactions

The Group's subsidiaries, joint ventures and associates are related parties. Investments within the Group's Investment Portfolio are also usually related parties. The Investment Portfolio consists of investments held at fair value and loans to portfolio companies. Certain individuals act as both Directors of the Company and as directors of the Group's investments. Mr Gilbertson is the chairman of SPM and Jupiter, and Mr Frandsen is executive deputy chairman of SPM.

The Investment Manager acts through its general partner, Pallinghurst GP Ltd. The directors of Pallinghurst GP Ltd are Mr Gilbertson, Mr Frandsen, Mr Willis, Mr Harris and Mr Tolcher. The Investment Manager is a related party due to the common directorships between the Group and Pallinghurst GP Ltd.

Orangefield Legis acts as the Group's administrator, company secretary and registrar. Mr Platt-Ransom is a director of Orangefield Legis and certain entities within the Orangefield Legis group. Mr O'Mahoney resigned as Permanent Alternate to Mr Platt-Ransom on 12 May 2015. The Group's relationship with Orangefield Legis is at arm's length. The Group's expense for services rendered by Orangefield Legis during 2015 was US$161,000 (2014: US$157,000). The Group's outstanding balance with Orangefield Legis at 31 December 2015 was US$43,000 (31 December 2014: US$Nil).

Related party transactions include entering into equity investments, exiting from equity investments and loan transactions. Related party transactions related to the Group's investments are detailed in Note 2 *Investment Portfolio*. Certain amounts are payable by the Group to the Investment Manager as disclosed in Note 4 *Investment Manager's benefits*.

14. Related party transactions/continued

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

1 January 2015 to 31 December 2015	Directorship of the Company US$'000	Directorship of other Group companies US$'000	Audit Committee US$'000	Lead Independent Director US$'000	Total US$'000
Stuart Platt-Ransom	30	–	3	2	35
Clive Harris	30	5	3	–	38
Martin Tolcher	30	–	5	–	35
Dr Christo Wiese	30	–	–	–	30
Lumkile Mondi[1]	5	–	–	–	5
Total	**125**	**5**	**11**	**2**	**143**

1 This relates to the period 29 October 2015 – 31 December 2015.

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

1 January 2014 to 31 December 2014	Directorship of the Company US$'000	Directorship of other Group companies US$'000	Audit Committee US$'000	Lead Independent Director US$'000	Total US$'000
Stuart Platt-Ransom	30	–	3	2	35
Clive Harris	30	5	3	–	38
Martin Tolcher	30	–	5	–	35
Dr Christo Wiese	30	–	–	–	30
Lumkile Mondi	–	–	–	–	–
Total	**120**	**5**	**11**	**2**	**138**

The interests in PRL equity shares held by the Directors are set out below:

	31 December 2015		31 December 2014	
	Number of shares	Interest	Number of shares	Interest
Dr Christo Wiese[1]	**149,034,253**	***19.60%***	149,034,253	*19.60%*
The Brian Gilbertson Discretionary Settlement[2]	**24,261,669**	***3.19%***	24,261,669	*3.19%*
Arne H. Frandsen	**4,237,369**	***0.55%***	3,727,460	*0.49%*
Andrew Willis	**2,446,054**	***0.32%***	2,446,054	*0.32%*
Clive Harris	**437,652**	***0.06%***	437,652	*0.06%*
	180,416,997	***23.72%***	179,907,088	*23.66%*

1 At 31 December 2015, Dr Wiese held indirect interests in 149,034,253 PRL shares via various entities. In addition, certain family members held a further 2,204,700 shares; including these interests would increase Dr Wiese's shareholding to 19.89%.
2 A discretionary trust of which Brian Gilbertson is a beneficiary.

There have been no changes to these shareholdings up to the date of publication of the Annual Report.

14. Related party transactions/continued

The interests in PRL equity shares held by the other Partners of the Investment Manager are set out below:

	31 December 2015		31 December 2014	
	Number of shares	Interest	Number of shares	Interest
Sean Gilbertson	**4,175,536**	***0.55%***	4,175,536	*0.55%*
Priyank Thapliyal	**4,175,536**	***0.55%***	4,175,536	*0.55%*
	8,351,072	***1.10%***	8,351,072	*1.10%*

There have been no changes to these shareholdings up to the date of publication of the Annual Report.

15. Per share information

Accounting policy
NAV per share and (Loss)/Earnings Per Share ("LPS" or "EPS") are key performance measures for the Group. NAV per share is based on net assets divided by the number of ordinary shares in issue at 31 December 2015. (LPS)/EPS is based on (loss)/profit for the year divided by the weighted average number of ordinary shares in issue during the year. There are no dilutive indicators or dilutive ordinary shares in issue.

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

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

	31 December 2015	31 December 2014
Net assets – US$'000	322,325	471,451
Number of shares in issue	*760,452,631*	*760,452,631*
NAV per share – US$	**0.42**	**0.62**

Tangible NAV is similar to NAV but excludes intangible assets such as goodwill or IT software. The Group does not hold any intangible assets and NAV is equal to Tangible NAV.

The Group's (LPS)/EPS is as follows:

	31 December 2015	31 December 2014
(Loss)/profit for the year – US$'000	(149,126)	55,404
Weighted average number of shares in issue	*760,452,631*	*760,452,631*
(Loss)/Earnings Per Share – US$	**(0.20)**	**0.07**

There are no dilutive shares and (LPS)/EPS is equal to Diluted (Loss)/Earnings Per Share.

16. Subsidiaries

The Group's subsidiaries are set out below. All interests are held directly or indirectly by the Company and are consolidated within these Financial Statements. The note includes all of the Group's subsidiaries, none have been omitted.

Company	Country of incorporation	Group % interest at 31 December 2015	Group % interest at 31 December 2014
Pallinghurst Resources (Guernsey) GP Ltd	Guernsey	100	100
The Pallinghurst Resources Fund L.P.	Cayman Islands	99.99	99.99
Pallinghurst Consolidated (Cayman) Ltd	Cayman Islands	100	100
Pallinghurst Consolidated (Lux) S.à r.l.	Luxembourg	100	100
Pallinghurst Consolidated (Dutch) B.V.	The Netherlands	100	100
Pallinghurst Steel Feed (Dutch) B.V.	The Netherlands	100	100

There are no restrictions on any assets or liabilities of any of these subsidiaries.

17. Contingent liabilities and contingent assets

The Group has acted as a limited guarantor for the lease of Fabergé's New York retail outlet at 694 Madison Avenue since 31 August 2011. One of the conditions of the Gemfields/Fabergé Merger, which completed on 28 January 2013, was that Gemfields either take over as guarantor from the Company, or that Gemfields indemnify the Group against any potential liability to the landlord. Gemfields have provided an indemnity to the Group against any loss from this guarantee. The Directors' assessment is that the maximum amount of the contingent liability continues to be US$0.219 million, although any such loss should be recoverable from Gemfields under the terms of the indemnity.

The Group had no other significant contingent liabilities or contingent assets at 31 December 2015 or 31 December 2014.

18. Commitments

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

19. Events occurring after the end of the year

Approval of Annual Report

The Annual Report was approved by the Directors and authorised for issue on 30 March 2016.

Independent Auditor's Report

to the shareholders of Pallinghurst Resources Limited

We have audited the financial statements of Pallinghurst Resources Limited for the year ended 31 December 2015, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and related notes. The financial reporting framework that has been applied in their preparation is in accordance with applicable law and International Financial Reporting Standards.

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

Respective responsibilities of Directors and Auditor

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

Scope of the audit of the financial statements

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

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

Matters on which we are required to report by exception

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

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

Saffery Champness
Chartered Accountants
Guernsey
30 March 2016

Shareholder Information

for the year ended 31 December 2015

Shareholder spread	Number of shareholders	%	Number of shares	%
1-1,000 shares	417	13.53	209,331	0.03
1,001-10,000 shares	1,371	44.48	6,660,318	0.88
10,001-100,000 shares	994	32.25	32,863,634	4.32
100,001-1,000,000 shares	231	7.50	69,897,606	9.19
1,000,001 shares and over	69	2.24	650,821,742	85.58
	3,082	**100**	**760,452,631**	**100**
Distribution of shareholders				
Banks	31	1.01	133,021,630	17.49
Brokers	7	0.23	2,674,251	0.35
Close Corporations	51	1.65	2,728,427	0.36
Endowment Funds	5	0.16	1,669,942	0.22
Individuals	2,442	79.24	74,865,550	9.85
Insurance Companies	5	0.16	110,744,164	14.56
Investment Companies	3	0.10	6,600,558	0.87
Mutual Funds	44	1.43	101,830,312	13.39
Nominees and Trusts	313	10.16	51,950,333	6.83
Other Corporations	30	0.97	701,674	0.09
Pension Funds	47	1.52	93,939,555	12.35
Private Companies	103	3.34	179,201,052	23.57
Public Companies	1	0.03	525,183	0.07
	3,082	**100**	**760,452,631**	**100**
Public/non-public shareholders				
Public shareholders	**3,069**	**99.58**	**571,684,562**	**75.18**
Non-public shareholders	**13**	**0.42**	**188,768,069**	**24.82**
Holdings of Directors and Partners of the Investment Manager[1]	13	0.42	188,768,069	24.82
	3,082	**100**	**760,452,631**	**100**

Shareholders holding 5% or more	Number of shares	%
Dr Christo Wiese[2]	149,034,253	19.60
Old Mutual Investment Group (South Africa) (Pty) Ltd	113,364,384	14.91
Oasis Asset Management Ltd	68,245,997	8.97
Solway Finance Limited	67,386,056	8.86
Oasis Crescent Capital (Pty) Ltd	47,296,088	6.22
Government Employees Pension Fund (GEPF)	38,096,344	5.01

1 *Dr Wiese's interest has been included within "Holdings of Directors and Partners of the Investment Manager" rather than as a "Shareholder holding 10% or more". Five PRL Directors and two Partners of the Investment Manager own shares in PRL, as detailed in the financial statements. For the split of public/non-public shareholders disclosed above, each of Dr Wiese's interests has been classified as a separate shareholder; this has increased the number of separate shareholdings to 13.*

2 *At 31 December 2015, Dr Wiese held indirect interests in 149,034,253 PRL shares via various entities. In addition, a further 2,204,700 shares, or 0.29%, are held by members of Dr Wiese's immediate family; including these shares would increase Dr Wiese's total shareholding to 19.89%.*

Company Details

Directors

Brian Gilbertson
Arne H. Frandsen
Andrew Willis[1]
Dr Christo Wiese
Stuart Platt-Ransom[2]
Martin Tolcher
Clive Harris
Lumkile Mondi (appointed 29 October 2015)
Chris Powell[1] (resigned 25 June 2015)
Brian O'Mahoney[2] (resigned 12 May 2015)

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

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

3 Previously named Pallinghurst (Cayman) GP Limited

Investment Advisor (London)
Pallinghurst Advisors LLP
23 King Street
London
SW1Y 6QY
United Kingdom

Legal Advisor (Guernsey)
Mourant Ozannes
1 Le Marchant Street
St Peter Port
Guernsey
GY1 4HP
Channel Islands

Legal Advisor (Bermuda)
Appleby Global
Canon's Court
22 Victoria Street
PO Box HM 1179
Hamilton HM EX
Bermuda

Investment Bank and JSE Sponsor
Investec Bank Limited
100 Grayston Drive
Sandton, 2196
South Africa

South African Transfer Secretary
Computershare Investor Services (Pty) Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001
South Africa

Administrator, Company Secretary and Registrar
Orangefield Legis Fund Services Limited[4]
11 New Street
St Peter Port
Guernsey
GY1 2PF
Channel Islands

4 Previously named Legis Fund Services Limited

Registered Office
11 New Street
St Peter Port
Guernsey
GY1 2PF
Channel Islands

Investment Advisor (South Africa)
Pallinghurst Advisors (Pty) Limited
PO Box 12160
Die Boord
Western Cape, 7613
South Africa

Legal Advisor (South Africa)
ENSafrica
150 West Street
Sandton, 2196
South Africa

BSX Sponsor
Clarien Investments Limited
25 Reid Street, 4th Floor
Hamilton HM 11
Bermuda

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

Notice of Annual General Meeting

All terms defined in the Annual Report, to which this Notice of Annual General Meeting ("AGM") is attached, shall bear the same meanings when used in this Notice of AGM.

NOTICE IS HEREBY GIVEN that the AGM of shareholders of the Company will be held at Legis House, 11 New Street, St Peter Port, Guernsey on Wednesday, 29 June 2016 at 10 a.m. (British Summer Time) to conduct such business as may lawfully be dealt with at the AGM.

Shareholders are advised that meeting participants (including proxies) may be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the AGM. Forms of identification that will be accepted include a driver's licence or passport.

Dates and voting

The Board has determined the following:

- Those shareholders registered on the Company's shareholders' register on Friday, 22 April 2016 will receive notice of the AGM.
- Those shareholders registered on the Company's shareholders' register at 10 a.m. (British Summer Time) on Thursday, 23 June 2016 will be eligible to participate and vote. In the event that the AGM is adjourned, those shareholders registered on the shareholders' register four full business days (in Guernsey) before the time of any adjourned meeting will be eligible to participate and vote.
- Voting will be by way of a poll and every shareholder, present in person or represented by proxy and entitled to vote, shall be entitled to one vote for every share held.

Proxies

A shareholder is entitled to attend the AGM in person and vote or 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. The appointment of a proxy will not prevent a shareholder from subsequently attending the AGM and voting in person.

To be effective, a Form of Proxy, and any power of attorney or other authority under which it is signed (or a certified or notarised copy of any such authority) must be completed, signed and:

EITHER lodged, not less than three business days before the time for holding the meeting or adjourned meeting, at the following address:

Computershare Investor Services (Pty) Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001
South Africa
(PO Box 61051, Marshalltown, 2107 South Africa)

OR lodged, not less than two business days before the time for holding the meeting or adjourned meeting, at the following address:

PO Box 91
c/o Orangefield Legis Fund Services Limited
Legis House
11 New Street
St Peter Port
Guernsey, GY1 3EG
Channel Islands

OR faxed not less than two business days before the time for holding the meeting or adjourned meeting to +44 1481 712167

OR emailed not less than two business days before the time for holding the meeting or adjourned meeting to
fund.enquiries.gg-spt@orangefield.com.

Forms of Proxy submitted for the original meeting will remain valid for any adjourned meeting. **If you do not intend to attend the AGM please complete and return the Form of Proxy as soon as possible.**

Ordinary resolutions

For each of the ordinary resolutions to be passed, it must be supported by more than 50% of the votes cast.

Ordinary resolution 1: To adopt the Company's Annual Report for the year ended 31 December 2015.

The Group's Annual Report for the year ended 31 December 2015, including the financial statements, auditor's report and Directors' report, have been distributed as required and will be presented to shareholders at the AGM. The Annual Report can be found on the Company's website, www.pallinghurst.com

Ordinary resolution 2: To re-elect Lumkile Mondi, who is retiring by rotation, as a Director of the Company.

It is resolved that Lumkile Mondi, who was first appointed as a Director on 29 October 2015 and who retires in accordance with the terms of the Company's Articles of Incorporation, and who is eligible and available for re-election, is re-elected as a Director of the Company with immediate effect.

A *curriculum vitae* for Lumkile Mondi is included in the Annual Report in the Governance section.

Ordinary resolution 3: To re-elect Martin Tolcher, who is retiring by rotation, as a Director of the Company.

It is resolved that Martin Tolcher, who was first appointed as a Director on 25 November 2008 and who retires in accordance with the terms of the Company's Articles of Incorporation, and who is eligible and available for re-election, is re-elected as a Director of the Company with immediate effect.

A *curriculum vitae* for Martin Tolcher is included in the Annual Report in the Governance section.

Ordinary resolution 4: Election of Audit Committee members

It is proposed that Martin Tolcher, an Independent Non-Executive Director of the Company, is re-elected to the Company's Audit Committee (subject to his re-election as a Director pursuant to ordinary resolution 3).

It is resolved that Clive Harris, an Independent Non-Executive Director of the Company, is re-elected to the Company's Audit Committee.

It is resolved that Stuart Platt-Ransom, an Independent Non-Executive Director of the Company, is re-elected to the Company's Audit Committee.

Curricula vitae for Martin Tolcher, Clive Harris and Stuart Platt-Ransom are included in the Annual Report in the Governance section.

Ordinary resolution 5: To reappoint Saffery Champness as the Company's auditor (until the conclusion of the 2017 annual general meeting) and to authorise the Directors to fix their remuneration.

It is resolved that Saffery Champness be reappointed as the Company's auditor until the conclusion of the 2017 annual general meeting, in line with the recommendation of the Audit Committee to the Board.

Notice of Annual General Meeting/cont.

Non-binding advisory vote

There is no minimum percentage of voting rights required for a non-binding advisory vote.

Endorsement of the Company's Remuneration Policy

The Board asks the shareholders to cast a non-binding advisory vote on the Company's Remuneration Policy as set out within the Remuneration Committee Report within the Governance section of the Annual Report. The Remuneration Committee will consider the outcome of this vote, although it will not be binding on the Company or the Board.

By order of the Board:

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

30 March 2016

PALLINGHURST

FORM OF PROXY

PALLINGHURST RESOURCES LIMITED (the "Company")

FOR USE AT THE ANNUAL GENERAL MEETING TO BE HELD ON 29 JUNE 2016.

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

Of (ADDRESS)____

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

as my/our proxy and, on a poll, to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Legis House, 11 New Street, St Peter Port, Guernsey, GY1 2PF, Channel Islands on Wednesday, 29 June 2016 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 adopt the Company's Annual Report and Consolidated Financial Statements for the year ended 31 December 2015 (the "Annual Report").			
2. To re-elect Lumkile Mondi, who is retiring by rotation, as a Director of the Company.			
3. To re-elect Martin Tolcher, who is retiring by rotation, as a Director of the Company.			
4. To elect each of Martin Tolcher (subject to his re-election as Director pursuant to ordinary resolution 3), Clive Harris and Stuart Platt-Ransom to the Company's Audit Committee.			
5. To reappoint Saffery Champness as the Company's auditor (until the conclusion of the 2017 annual general meeting) and to authorise the Directors to fix their remuneration.			

Non-binding advisory vote:	**For**	**Against**	**Abstain**
6. Endorsement of the Company's Remuneration Policy (as set out within the Remuneration Committee Report).			

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

Signature____

Dated this ____________________ day of ____________________ 2016

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 Form of Proxy must be lodged at Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001, South Africa (PO Box 61051, Marshalltown 2107, South Africa) not less than three business days before the time for holding the meeting or adjourned meeting, OR lodged at the Company's registered office PO Box 91, c/o Orangefield 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.gg-spt@orangefield.com, not less than two business days before the time for holding the meeting or adjourned meeting.
3. A corporation must execute the proxy under its common seal or under the hand of an officer or attorney duly authorised.
4. In the case of joint holders, the vote of the senior holder shall be accepted to the exclusion of other joint holders, seniority being determined by the order in which the names stand in the register in respect of the joint holding.