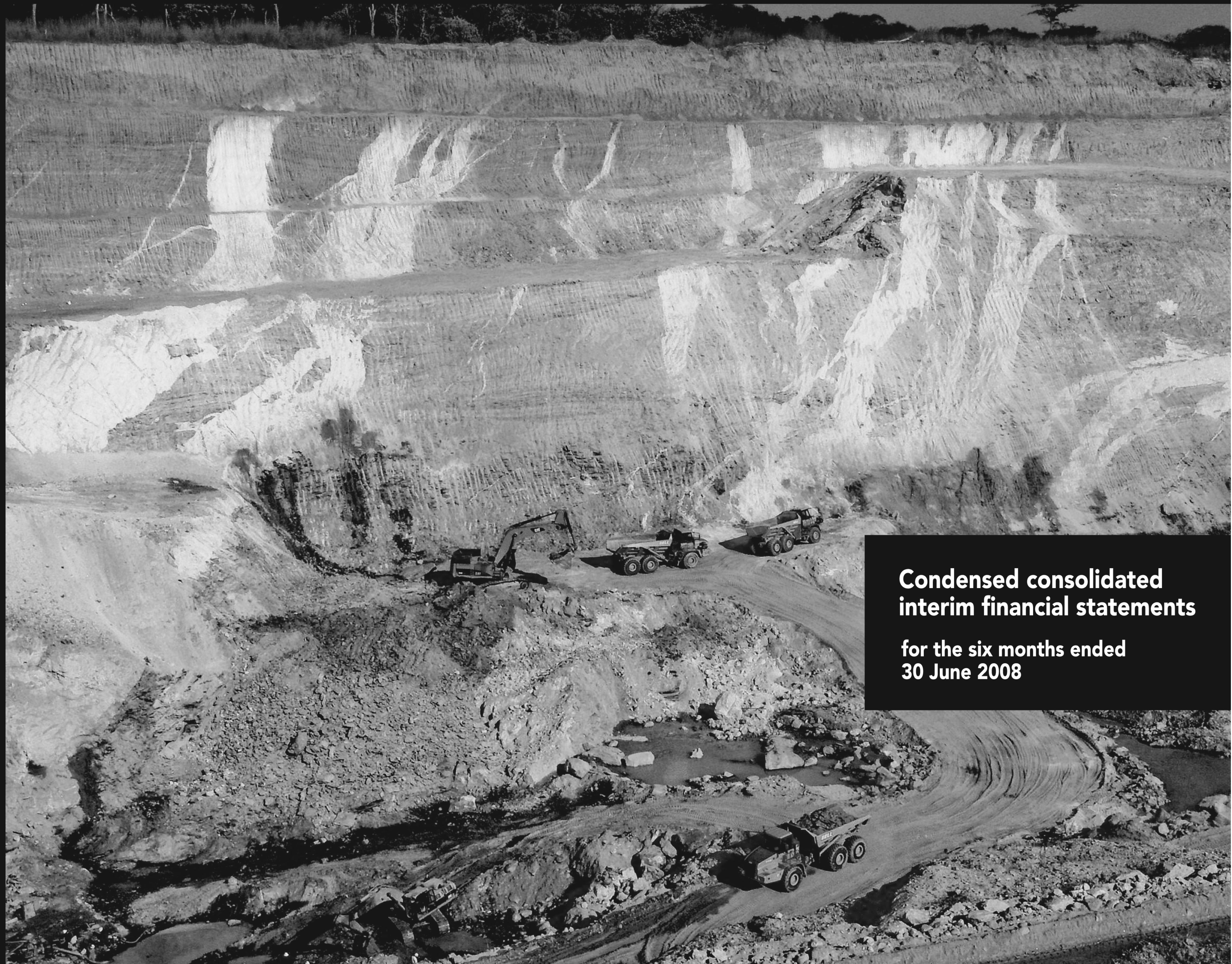
PALLINGHURST RESOURCES (GUERNSEY) LIMITED



Condensed consolidated interim financial statements

for the six months ended 30 June 2008

CORPORATE INFORMATION

Directors

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

Martin Tolcher (appointed permanent alternate
to Stuart Platt-Ransom on 3 June 2008)

Administrator, secretary and registered office

Legis Fund Services Limited
1 Le Marchant Street
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GY1 4HP
Channel Islands

Investment Manager

Pallinghurst (Cayman) GP L.P.
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George Town
Grand Cayman
Cayman Islands

Auditor

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Investment Adviser

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Investment Bank and sponsor in South Africa

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Johannesburg
2001
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INTRODUCTION

STRUCTURE

Pallinghurst Resources (Guernsey) Limited ("the Company") was incorporated on 4 September 2007 in accordance with Guernsey Law. The company was initially listed on the Bermudan Stock Exchange ("BSX") on 26 September 2007, and subsequently inward listed on the Stock Exchange of the JSE Limited ("JSE") on 20 August 2008. 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).

INVESTMENT OBJECTIVES

On the advice of the Investment Manager, the Company, either alone or with selected strategic equity partners, on a case-by-case basis, utilises its financial ability and unique expertise and execution skill in the natural resources sector to participate in investments falling within the investment scope, with the principal objective of providing investors with a high overall rate of return.

INVESTMENT POLICY

The Company invests in investments falling within the Investment Scope as detailed below. In addition the Company has approved the investment in Fabergé Limited. The Company holds, whether directly or indirectly, through one or more special purpose vehicles to ensure the most efficient corporate structure, an initial minimum interest of 20% in each Investment Vehicle, subject to the limitations below:

(a) the aggregate investment by the Company in any investment vehicle may not exceed the greater of 30% of the Company's funds or US$100 million, unless such excess investment is approved by investors by ordinary resolution. Aggregate investments shall for this purpose include any guarantees and undertakings provided by the Company with respect to an investment vehicle but shall exclude any temporary investments; and

(b) temporary investments may, when added to the Company's other investments in an investment vehicle, not exceed the greater of 40% of the Company's funds or US$150 million. The Investment Manager will use reasonable endeavours to reduce the aggregate amount invested in a single investment vehicle to the greater of 30% of the Company's funds or US$100 million within the 12 month period following the date on which such investment is concluded, unless such excess investment is approved by investors by ordinary resolution.

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

INVESTMENT SCOPE

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

The Company is considered by the Directors to be a venture capital/private equity organisation as a result of the following factors;

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

As a result of being a venture capital organisation, the Company is able to make certain accounting policy choices under IFRS that it would not otherwise be able to make. The most important of these is the election to account for associate entities under International Accounting Standard ("IAS") 39 *Financial Instruments: Recognition and Measurement*, as a financial instrument at fair value through the profit and loss account, rather than equity accounting under IAS 28 *Investments in Associates*. See Note 2 Accounting Policies for more detail.

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

The Company may invest in more than ten investments, and currently expects to invest in between five to ten major investments. At 30 June 2008, the Company had entered into seven investments, one of which had been realised. The Company has since entered into further investments, see Note 15 Events occurring after the end of the period.

INVESTMENT MANAGER'S REPORT

For the six months ended 30 June 2008

SUMMARY OF THE PERIOD

The highlights of the period to 30 June 2008 were as follows:

- Share placing made to new and existing strategic equity partners in Fabergé Limited, implying an increased investment valuation.
- Successful reverse takeover of Gemfields by Rox Limited completed on 5 June 2008 and share placing completed on 6 June 2008.
- The Investment Manager has secured a potential manganese investment for the Company in accordance with the strategic objective of forming a platform to source and supply raw materials to the steel industry.
- The Investment Manager has also identified and secured two prospective investments in the Platinum Group Metals ("PGM") industry for the Company.

INCORPORATION AND NEW PRIMARY LISTING ON THE JSE

The Company was incorporated on 4 September 2007, and listed on the Bermuda Stock Exchange on 26 September 2007.

The JSE approved the application for a primary listing of all the issued shares of Pallinghurst in the "Equity Investment Instruments" sector of the JSE main board with effect from 20 August 2008.

Pallinghurst will continue to be listed on the BSX, as its secondary listing.

INVESTMENTS AND REALISATION

Fabergé Limited:

In November 2007, Mark Dunhill left his position as President of the eponymous luxury company Alfred Dunhill and joined Fabergé Limited as Chief Executive Officer. In the early part of 2008, Mr Dunhill has assembled a strong management team from companies including Cartier, Condé Nast, De Beers LV, UBS, Clifford Chance and Ernst & Young.

In May 2008, a US$12.1 million share placing was made to new and existing strategic equity partners, diluting the Company's see-through interest to 43.2%, but resulting in an implied unrealised value of the Company's equity stake of approximately US$79 million.

In August 2008, the Company invested a further US$15 million, increasing its see-through interest in Fabergé Limited to 47.5%, for a total aggregate cost of US$41.4 million. The corresponding implied unrealised value of the Company's interest in Fabergé Limited is US$93.7 million.

The Investment Manager believes that there is significant scope for redeveloping the Fabergé brand with two primary objectives, housed in separate investment vehicles, and run as independent investments:

1. The first is to restore Fabergé as one of the world's leading luxury brands dedicated to the heritage of Peter Carl Fabergé, and focusing on the highest standards of design and craftsmanship. Mr Dunhill and his specialist team from the luxury goods sector have been tasked with implementing this strategy; and
2. The second is to create a world leading company in the coloured gemstone industry. This industry is presently fragmented and undercapitalised, and has not had the benefit of the leadership that De Beers brought to the diamond industry over the past century. It is intended that this investment vehicle will produce and market coloured gemstones in a manner that will guarantee the quality, provenance and ethical sourcing. The finest will be individually branded as Fabergé gemstones. This initiative is linked to Gemfield Resources plc, which is detailed below.

Global expenditure on jewellery and watches is expected to accelerate over the next five year period, growing by 35% to US$318 billion per annum. Within such expenditure recognised luxury brands are driving growth, and spending in the luxury segment is expected to double over the corresponding five year period, to US$94 billion per annum (*Source:* Verdict, Global Jewellery Retailing 2008). The resilience of the luxury market results from increasing global wealth, passion investing and the strong demand from emerging markets for branded jewellery and status symbol watches; and also reflects the ability of luxury brands to pass on increases in commodity prices to the end consumer, thereby maintaining gross margins.

The name Fabergé enjoys excellent brand recognition globally, and will benefit from the rapid growth in the premium jewellery market and the strong appetite of high net worth individuals for superlative luxury items. Fabergé will be guided by the model pioneered by Peter Carl Fabergé, pursuing excellence in creativity, design and craftsmanship. The worldwide debut of its new collection, which will focus on high jewellery, is planned for the second quarter of 2009.

Gemfields Resources plc:

During 2007, the Company along with certain strategic equity partners acquired, via Rox Limited (a newly incorporated company), an indirect 75% interest in a Zambian emerald mining company, Kagem Mining Limited, with the Government of Zambia owning the remaining 25% interest. The major asset of Kagem Mining Limited is the Kagem mine ("Kagem"), a large open pit emerald mine located on the Fwaya-Fwaya emerald belt near Kitwe, Zambia.

On 18 December 2007, the reverse takeover of Gemfields by Rox Limited was announced. The transaction, approved by Gemfields' shareholders on 5 June 2008, resulted in Kagem being vended into Gemfields (together with an option to acquire a license to use the Fabergé name on high-quality coloured gemstones) in exchange for a fully diluted interest of approximately 55% of the enlarged group.

On 14 May 2008, Gemfields' shares were re-admitted to trading following the release of a re-admission document that described the terms of the transaction, and which announced a share placing of GBP 30 million (US$58.9 million). The share placing was completed on 6 June 2008 with Rox Limited following its subscription rights for GBP 16.3 million (US$32.0 million) of new Gemfields shares at 45 pence (88 US cents) per share.

In June 2008, the Company purchased a further 8 million shares (2.6%) in Gemfields on the open market, increasing its see-through interest in Gemfields to approximately 28%, for a total aggregate cost of US$52.5 million.

Despite being a fragmented and undercapitalised industry, the (non-diamond) coloured gemstone industry has been largely overlooked by mining investors. This is partly attributed to the long-standing success of De Beers in promoting diamonds as the gemstone of choice. Yet recent auctions held by Sotheby's Holdings Inc. and Christie's International plc indicate that per carat prices for emeralds, rubies and sapphires can exceed the per carat prices achieved for diamonds. This is particularly striking considering the lack of marketing expenditure in the coloured gemstone industry.

Gemfields intends to become the leading producer and supplier of coloured gemstones by pursuing consolidation and vertical integration opportunities in the industry on an international scale. Gemfields' operating scope will include acquiring and running mines of suitable scale, in-house cutting and polishing of its high-grade material and pursuing suitable marketing and branding programmes for coloured gemstones. Gemfields announced the official opening of its new cutting and polishing facility in Jaipur, India on 19 August 2008. The facility will be used to process high grade rough emeralds from Gemfields' Kagem mine in Zambia.

In addition, Gemfields announced the completion of the agreement with Fabergé to enter into a world-wide exclusive licence option to use the Fabergé brand name on its superior-quality coloured gemstones on 1 September 2008.

Gemfields will seek to further enhance the market appeal of its coloured gemstones by improving consistency of supply, ensuring ethical sourcing of gemstones and focusing on natural, untreated stones.

Gemfields proposed offer to shareholders of TanzaniteOne:

A proposed offer by Gemfields has been made to the shareholders of TanzaniteOne. See Note 15 Events occurring after the end of the period for more detail.

Consolidated Minerals:

During the period ending 31 December 2007, the Company, along with certain strategic equity partners, acquired a stake in Consolidated Minerals Limited shares and convertible bonds. The Company realised this investment during 2007 and proceeds of US$25.6 million were received during the period. The overall profit from the investment to the Company was US$6.2 million, at an IRR in excess of 150%.

ENTITLEMENT TO INVESTMENTS AT 30 JUNE 2008

At the balance sheet date, the Investment Manager had identified and secured certain entitlements to further potential investments as set out below ("Entitlements"). The Entitlements had been presented by the Investment Manager to the Board of Directors, which reviewed and approved the Company's entitlement to participate, alongside certain strategic equity partners, in each of the potential investments ("Entitlements"), subject to the receipt of the approval of the Exchange Control Department of the South African Reserve Bank. This approval was obtained upon the listing of the Company's shares on the JSE and accordingly, subsequent to listing on the JSE, the Company exercised two of the Entitlements. A further Entitlement to a Platinum Group Metals ("PGMs") opportunity has not yet been entered into, as the necessary regulatory approvals are currently being obtained.

Project Kalahari:

In accordance with the Company's stated strategic objective of forming a platform to source and supply raw materials to the steel industry, called the Steel Feed Corporation ("SFC") platform, the Investment Manager has secured a potential manganese investment for the Company.

In November 2007, a subsidiary of the Company, along with certain strategic equity partners, concluded a joint venture agreement with Ntsimbintle Mining (Proprietary) Limited, a Black Economic Empowerment group with manganese exploration rights in the primary manganese region in South Africa, commonly referred to as the Kalahari Basin. The Kalahari Basin contains approximately 80% of the world's known mineable manganese reserves. The joint venture entity that has been set up with the Ntsimbintle is currently in the process of changing its name to Tshipi e Ntle Manganese Mining (Pty) Ltd ("Tshipi JV").

One of the properties subject to the Tshipi JV is adjacent to and appears to share similar geology to Samancor's world-class Mamatwan Mine. The purpose of the Tshipi JV is to create a substantial manganese producer within a three-year period. Following the recommendations of an independent Scoping Study, a Pre-Feasibility and Bankable Feasibility Study has been initiated and is expected to be completed by the second quarter of 2009.

The Investment Manager negotiated an entitlement for the Company to acquire a minority indirect shareholding in Tshipi JV which was entered into following the inward listing on 20 August 2008, with the Company investing approximately $2,800,000 for a see-through interest of 9.80%.

Platinum Group Metals opportunity:

The Investment Manager identified and secured two prospective investments in the Platinum Group Metals industry during the period. Strong demand combined with challenges in supply make the industry a promising area for investment.

PGMs are used across a wide range of industries and it is estimated that 20% of all consumer products either contain PGMs or require PGMs in their production. The uses of PGMs are primarily industrial, particularly the automotive industry, which uses PGMs in catalytic converters, spark plugs and sensors. In 2007, the automotive industry consumed 4.2 million ounces of platinum, approximately 55% of global consumption of 8 million ounces. Platinum has also become a popular choice for modern jewellery, and in 2007, the jewellery industry consumed 1.6 million ounces of platinum. China is today the largest and fastest growing market for platinum jewellery.

For the past 10 years, South Africa has consistently produced between 70%-80% of the world's primary PGMs and according to the South African Department of Minerals & Energy, 87.7% of the world's platinum reserves are located in South Africa. Recent supply challenges encountered by the existing South African PGM miners arose from deeper level mining, smelter failures, uncertain power supply and shortages of skilled workers.

These combined demand and supply-side pressures led to a series of record prices for platinum and other PGMs during 2008. Although platinum is currently trading substantially below its peak, long-term price expectations remain strong, and the prospects for a new entrant to the industry continue to be attractive.

The senior partners of the Investment Manager have strategic and operational experience in PGMs through their earlier associations with Rustenburg Platinum Mines Limited ("RPM"), Impala Platinum Holdings Limited and Incwala Resources (Proprietary) Limited ("Incwala"), a Black Economic Empowerment PGM investment vehicle with an 18% interest in Lonmin plc. Mr Gilbertson and Mr Frandsen played key roles in the formation of Incwala, respectively in the roles of Chairman and Chief Executive Officer.

The Investment Manager, for and on behalf of the Company and certain strategic equity partners (collectively, "PGM Consortium") has concluded an agreement with the Bakgatla-Ba-Kgafela tribe ("Bakgatla"), in terms of which the parties will form a broad-based and black-controlled PGM investment vehicle ("PGM SPV"), to be held initially as to 50.1% by the Bakgatla and 49.9% by the PGM Consortium. In terms of the shareholders' agreement that regulates the parties' relationship as shareholders in PGM SPV, the parties will endeavour to exploit PGM opportunities in accordance with the Company's Investment Policy and Investment Objectives in order to realise superior returns for its Investors.

On 24 December 2007, the Investment Manager concluded an agreement with the vendors of Moepi Group (Proprietary) Limited ("Moepi Group"), in terms of which the PGM SPV would acquire 100% of their shares in Moepi Group, a company holding an approximate effective indirect 25% interest in Boynton Investments (Proprietary) Limited ("Boynton"), subject to the fulfilment of certain conditions precedent.

Boynton is a private company whose primary assets are situated in the Western Limb of the Bushveld Igneous Complex ("BIC"), north of the Pilanesberg, South Africa and is controlled by Platmin Limited ("Platmin"), a US$500 million company incorporated in Canada and listed on the Toronto Stock Exchange and Alternative Investment Market of the London Stock Exchange. Platmin focuses on the exploration and development of PGM deposits in South Africa exclusively through its 73% effective interest in Boynton.

Concurrently with the Moepi sale and purchase agreement, the Company provided a guarantee over loan funding of US$25 million in order for the Moepi Group to acquire a further 7.80% interest in Boynton, thereby increasing Moepi Group's total effective interest in Boynton to approximately 25.13%. The guarantee over loan funding was the first step towards the PGM SPV acquiring 100% of Moepi Group, which transaction was declared unconditional on 4 June 2008.

The Investment Manager negotiated an entitlement for the Company to acquire a 9.26% interest in the PGM SPV as the platform for a broader PGM strategy. The Company exercised its entitlement shortly after the Inward Listing which occurred on 20 August 2008.

In addition, the Investment Manager, for and on behalf of the PGM Consortium, secured a further prospective PGM investment pursuant to which the PGM Consortium concluded an agreement on 31 May 2008 with the Bakgatla, subject to requisite regulatory approvals, to acquire a 40% interest in Richtrau No. 123 (Proprietary) Limited, a PGM exploration company whose sole asset is a new order prospecting right in respect of Magazynskraal 3, Registration Division J.Q., North West Province ("Magazynskraal"), a farm situated in the Western Limb of the BIC, North of the Pilansberg. In terms of the Magazynskraal sale and purchase agreement, the PGM Consortium will procure 100% of the bankable feasibility study ("BFS") funding required for the completion of the BFS in respect of Magazynskraal and pay the Bakgatla an undisclosed consideration once the Magazynskraal transaction has been declared unconditional in accordance with its terms. Currently, the necessary regulatory approvals (including those from the Competition Authorities and the Department of Minerals and Energy) are being obtained. The approval process is anticipated to take up to four months.

Pursuant to the implementation of the Magazynskraal transaction, each of the Bakgatla and the PGM Consortium will hold a 40% interest in Magazynskraal, with RPM holding the remaining 20% interest. The PGM Consortium and Bakgatla's interest will be regulated in accordance with the PGM SPV's shareholders' agreement for the benefit of the PGM SPV. In terms of the Magazynskraal sale and purchase agreement, the PGM Consortium will be appointed as a contractor to complete the BFS in respect of Magazynskraal.

The Investment Manager negotiated an entitlement for Pallinghurst to acquire a 9.26% interest in the Magazynskraal transaction (40% to be acquired by the PGM Consortium).

The PGM Consortium and the Bakgatla plan to exploit each of the Moepi Group and Magazynskraal transactions, and the PGM SPV may consider further acquisitions and/or development opportunities where the investment proposition and return prospects are favourable.

Pallinghurst (Cayman) GP L.P.
Investment Manager

September 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2008

	Notes	6 months ended June 2008 US$	4 September 2007 to 31 December 2007 US$ (restated)
INCOME			
Revenue			
Realised profits on disposal of investments		–	4,876,409
Unrealised net gains in the fair value of investments	**6**	59,545,397	–
Unrealised foreign exchange gains in the portfolio of investments	**6**	693,075	–
		60,238,472	4,876,409
Portfolio Income			
Break fee income		–	2,025,736
Loan interest income	**5, 7**	228,224	10,561
		228,224	2,036,297
Revenue and income from operations		**60,466,696**	**6,912,706**
Expenses			
Investment Manager's Benefit	**3**	(1,269,900)	(2,328,095)
Performance Incentive accrual	**3**	(12,609,544)	–
Administrative expenses		(210,095)	(330,787)
Other losses		(313,189)	–
		(14,402,728)	(2,658,882)
Profit from operations		**46,063,968**	**4,253,824**
Net finance income	**4**	1,308,723	1,202,830
Profit before share in loss of associates		**47,372,691**	**5,456,654**
Share in loss of associates		(15,235)	(7,871)
Net profit for the period		**47,357,456**	**5,448,783**
Earnings, diluted earnings and headline earnings per share	**12**	**0.28**	**0.03***

* As restated see note 12.

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Notes	2008 US$	2007 US$ (restated)
Non-current assets			
Investments in associates		178,022	193,257
Financial asset investment		1,588,339	–
		1,766,361	193,257
Investment portfolio			
Quoted investments	**5, 6**	67,988,226	–
Unquoted investments	**5, 6**	78,715,943	58,401,505
Loan receivable	**5, 6**	15,970,758	2,298,490
		162,674,927	60,699,995
Total non-current assets		164,441,288	60,893,252
Current assets			
Trade and other receivables		26,583,810	25,609,537
Cash and cash equivalents		41,606,595	86,113,647
		68,190,405	111,723,184
TOTAL ASSETS		**232,631,693**	**172,616,436**
LIABILITIES			
Current liabilities			
Trade and other payables		(267,975)	(219,718)
Performance Incentive accrual	**3**	(12,609,544)	–
		(12,877,519)	(219,718)
TOTAL NET ASSETS		**219,754,174**	**172,396,718**
Capital and reserves attributable to equity holders			
Share capital	**9**	1,695	1,695
Share premium	**9**	166,928,777	166,928,777
Foreign exchange translation reserve		17,463	17,463
Retained earnings		52,806,239	5,448,783
TOTAL EQUITY		**219,754,174**	**172,396,718**
NAV and tangible NAV per share	**12**	**1.30**	**1.02***

* As restated see note 12.

The financial statements on pages 9 to 26 were approved and authorised for issue by the Board of Directors on 24 September 2008 and were signed on its behalf by:

Brian Gilbertson

Date: 24 September 2008

Stuart Platt-Ransom

Date: 24 September 2008

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2008

	1 January 2008 to 30 June 2008 US$	***4 September 2007 to 31 December 2007 US$ (restated)***
Net profit for the period	**47,357,456**	**5,448,783**
Adjustments for:		
Additions to investments	(28,064,192)	(104,711,568)
Additions to financial asset investments	(1,901,528)	–
Loan interest reinvested	(211,155)	–
Fair value net gains in investment portfolio	(59,545,397)	–
Other losses	313,189	–
Unrealised foreign exchange gains on investment portfolio	(693,075)	–
Loans extended to investments	(23,461,113)	(2,287,929)
Loan repayments from investments	10,000,000	–
Part disposal of investments	–	51,186,594
Gain on return of capital and sale of investments	–	(4,876,409)
Net finance income	(1,308,723)	(1,202,830)
Share in loss of associates	15,235	7,871
Cash flows from operating activities before changes in working capital and provisions	**(57,499,303)**	**(56,435,488)**
Increase in trade and other receivables	(974,273)	(25,620,098)
Increase in trade and other payables	48,257	175,286
Increase in Performance Incentive accrual	12,609,544	–
	11,683,528	(25,444,812)
Cash flows from operating activities	**(45,815,775)**	**(81,880,300)**
Investing activities		
Investments in associates	–	(156,818)
Net cash used in investing activities	**–**	**(156,818)**
Financing activities		
Issue of ordinary and management shares	–	166,930,472
Net finance income	1,308,723	1,202,830
Net cash generated from financing activities	**1,308,723**	**168,133,302**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(44,507,052)	**86,096,184**
Cash and cash equivalents at the beginning of the period	86,113,647	–
Foreign exchange translation	–	17,463
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**41,606,595**	**86,113,647**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2008

	Share capital US$	*Share premium US$*	*Retained earnings US$*	*Foreign exchange translation reserve US$*	*Total US$*
2008					
Balance at 1 January 2008	1,695	166,928,777	5,448,783	17,463	172,396,718
Net profit for the period	–	–	47,357,456	–	47,357,456
Foreign exchange translation reserve	–	–	–	–	–
Issue of share capital	–	–	–	–	–
Balance at 30 June 2008	**1,695**	**166,928,777**	**52,806,239**	**17,463**	**219,754,174**
2007 (restated)					
Balance at 4 September 2007	–	–	–	–	–
Net profit for the period	–	–	5,448,783	–	5,448,783
Foreign exchange translation reserve	–	–	–	17,463	17,463
Issue of share capital	1,695	166,928,777	–	–	166,930,472
Balance at 31 December 2007	**1,695**	**166,928,777**	**5,448,783**	**17,463**	**172,396,718**

The accompanying notes form part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2008

1. GENERAL INFORMATION

The financial information for the comparative period (from 4 September 2007 to 31 December 2007) does not constitute statutory financial statements as defined in the Companies (Guernsey) Law, 1994. The information included in this document for the comparative period was derived from the annual financial statements for the period ended 31 December 2007, a copy of which has been delivered to the Guernsey Financial Services Commission and to the Bermuda Stock Exchange. The auditor's report on those annual financial statements was unqualified and stated that the annual financial statements had been properly prepared in accordance with the Companies (Guernsey) Law, 1994.

2. ACCOUNTING POLICIES

Basis of preparation

These condensed consolidated interim financial statements (the "*interim financial statements*") are for the six months ended 30 June 2008. The interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and applicable legal and regulatory requirements of the Companies (Guernsey) Law, 1994. They do not include all of the information required for full annual financial statements and are to be read in conjunction with the Group's annual financial statements for the year ended 31 December 2007.

The accounting policies applied are consistent with those adopted and disclosed in the Group's annual financial statements for the period ended 31 December 2007, with the exception of a change in accounting policy to take advantage of the exemption from equity accounting for venture capital organisations contained within IAS 28, and to instead account for associate investments under IAS 39 at fair value through profit and loss. The explanation for this change in accounting policy is set out below.

The Group's accounting policy for investments at 31 December 2007 was not described in detail in the 31 December 2007 accounts, as there were only two investments at that date, both of which were associates which were equity accounted. Due to the change in accounting policy described below, and the acquisition of lower than 20% stakes in new investments, it is necessary for the Group to disclose more information on the recognition and measurement criteria used for the investment portfolio in these interim financial statements.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The Group's associate entities include those associates that are held as part of the Group's investment portfolio, and associate entities through which the Group carries on its business.

Change in accounting policy for associates held within the investment portfolio

IAS 28 allows investments held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the income statement in the period of the change.

This treatment permitted by IAS 28 has been applied to the period to 30 June 2008 and therefore associates that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value even though the Group has significant influence over those companies.

This accounting policy choice was not made at 31 December 2007 and instead the balance sheet included the equity accounted net asset value of associates held as part of the Group's investment portfolio. Accordingly, the Group has retrospectively accounted for those associates within the investment portfolio at 31 December 2007 as investments at fair value through profit and loss, under IAS 39, and has restated the comparative figures accordingly. The two investments are considered to have had a fair value equal to cost at 31 December 2007, as the investments were made relatively close to the year end, and cost is considered by the directors to be the best measure of fair value in the circumstances these investments were made. The balance sheet has been restated accordingly; the impact in the balance sheet in the comparative period is not material.

The impact on the income statement comparative figures is the removal of the equity accounted profit/loss for those associates within the investment portfolio for the period to 31 December 2007. The presentation of the income statement has also been changed to clearly indicate which items of income and expense relate directly to the investment portfolio and which do not.

The cash flow statement has also been restated as investments into associates that are part of the investment portfolio are classified as investments within operating activities. Furthermore, all cash movements relating to the investment portfolio, including part disposal of investments, are now included within operating cash flows, not investing cash flows, as a result of using the exemption from equity accounting in IAS 28. This is in line with standard practice for venture capital organisations.

Explanation for change in accounting policy

The election to use the exemption in IAS 28 was considered by the Directors to provide investors with the most relevant information with respect to the performance of each investment and the overall investment portfolio. The change brings the accounting in line with standard practice in the venture capital industry, and gives the users of the accounts more reliable and relevant information.

To give investors a full and comparable picture of the overall performance of the investment portfolio, it is felt that a single, consistent basis should be used to account for each investment. The most suitable basis to use to account for an investment portfolio is to account for each investment at fair value under IAS 39. Where stakes of between 0% to 20% are held, investments are designated as at fair value through profit and loss and accounted for under IAS 39. Where stakes of between 20 to 50% are held, the company has taken advantage of the exemption from equity accounting included within IAS 28 and also accounts for these investments at fair value through profit and loss under IAS 39. This enables investors to compare the performance of each investment in the portfolio as similar accounting is used for each investment.

The change brings the accounting in line with normal practice in the venture capital industry, and therefore makes the financial statements more comparable with other similar venture capital organisations. Many difficulties can be encountered by venture capital organisations that do not take advantage of the exemption to account for investments in associates under IAS 39 at fair value through profit and loss account, such as the associate entities having non-contiguous period ends, using different GAAPs, or having made different accounting policy choices. These could all affect the future accuracy and timeliness of the Group's financial reporting.

It is therefore considered that applying this change in accounting policy to the financial statements means that the users of the financial statements will now be provided with more reliable and more relevant information about the Group's financial position and financial performance, and that the change complies with IFRS, specifically IAS 8 *Accounting Policy, Changes in Accounting Estimates and Errors*, paragraph 14.

Accounting for associates through which the Group carries on its business

Where the Group has interests in associates through which it carries on its business, as opposed to associates which are part of the investment portfolio, the Group has continued to equity account for these associates, per the requirements of IAS 28.

Accounting for joint venture entities

The Group does not currently hold any investments in joint venture entities.

The Group intends that where the Group has interests in joint ventures through which it carries on its business, it will proportionately consolidate these businesses in line with IAS 31 *Interests in Joint Ventures*.

Where the Group holds joint ventures, which are part of the investment portfolio, the Group intends to take advantage of the exemption contained within IAS 31 for venture capital organisations and account for these investments in accordance with IAS 39, with changes in fair value recognised in the income statement in the period of the change.

Investment portfolio

(i) Recognition

Investments are recognised and de-recognised on a date where the purchase or sale of an investment is under a contract whose terms require the delivery or settlement of the investment.

(ii) Measurement

The Directors determine the measurement of each investment at fair value, using the most appropriate basis to determine fair value. Fair value is the value of an asset or liability in an arm's-length transaction between two willing and knowledgeable parties. This generally provides the best estimate of what the Group would receive if the Group sold the investment at the date of valuation.

In addition, the Group complies with all material aspects of the International Private Equity and Venture Capital ("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 time in the lifecycle of the investment.

All investments are initially recognised at the fair value of the consideration given, and held at this cost until it is appropriate to measure fair value on a different basis.

Generally, quoted investments are valued at closing bid price at the date of valuation. In line with the IPEVC valuation guidelines, a number of different valuation methods can be used for unquoted investments. These include the cost of investment, which is normally used for recent investments, or valuing the investment in line with the price of a recent investment by an external party in an arm's-length transaction.

Discounts for illiquidity are applied to the valuations where appropriate.

Other valuation methodologies recommended by the IPEVC valuation guidelines include using earnings multiples, net assets, or discounted cash flows of the underlying business, or the investment, to determine the fair value of an investment. The directors may use any of these other valuation methodologies in the future, if deemed appropriate.

The Directors also consider whether there are any factors that could indicate that a diminution of value in a particular investment has occurred, including but not limited to the following:

- Whether the performance of the business has been worse than the original expectations when the investment was made;
- Whether there has been any unexpected deterioration in the cash position of the underlying business;
- Whether there have been any adverse or unexpected results from drilling or exploration activities in the particular investments.

(iii) Loans and receivables

The investment portfolio, in non-current assets, includes loans made to portfolio companies. These loans may be repayable within one year, or after one year.

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

(iv) Role of the Independent valuer

The Directors have determined the fair value of the individual investments. The Company has, in addition, engaged an independent valuer who has provided an opinion that the valuations of the investments as determined by the Directors have been prepared using a methodology and approach which are reasonable and consistent with the concept of fair value and in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

Headline earnings

"Headline earnings" is a JSE defined performance measure which is intended to give a single, comparable earnings number for companies listed on the JSE.

Headline earnings are equivalent to earnings as determined in IAS 33 *Earnings per Share* and therefore the Group's headline earnings and its earnings as stated in the income statement, are the same.

The gain on disposal of associates is normally excluded from headline earnings (and headline earnings per share). However, per the circular on Headline Earnings issued in July 2007 by the South African Institute of Chartered Accountants ("SAICA"), private equity companies should include gains on disposal of associates because any profit realised on the disposal of these investments is considered to be part of the trading results of private equity operations and the profit does not relate to the capital platform of the business as would normally be the case. The circular further explains that in this context the choice to recognise an investment in an associate at fair value through profit or loss instead of applying equity accounting does not imply that the investment is part of the capital or platform of the business and should not have any impact on the decision to include the gain on disposal of associates within Headline earnings. Therefore where a gain or loss is made on the disposal of an associate that is part of the investment portfolio the item is included within headline earnings. Such gains occurred during the period ending 31 December 2007 with the disposal of the investment in Consolidated Minerals and also the partial disposal of a stake in Fabergé. If an associate that is part of the capital structure of the Group were to be disposed of the arising gain or loss would be excluded from headline earnings in line with the guidance from SAICA.

Segmental reporting

As the Group's portfolio of investments has increased in size, the nature of internal reporting on investment performance has also developed. In line with the requirements of IAS 14 *Segment Reporting*, the Group's segmental reporting has been amended to give users of the financial statements information that is similar to that used by management and the comparative figures have been restated accordingly.

3. INVESTMENT MANAGER

Investment Manager

The Investment Manager is entitled to an Investment Manager's Benefit, and subject to certain conditions, a Performance Incentive. For details of the terms of the Investment Management Agreement, see the most recent Annual Financial Statements. The terms of the Investment Management Agreement have not changed since the last year end.

The total charge to the Income Statement during the period was US$1,269,900 for the Investment Manager's Benefit.

The total charge to the Income Statement during the period was US$12,609,544 for the Performance Incentive, and an accrual in the Balance Sheet has been made for this amount.

4. NET FINANCE INCOME

Group	***1 January 2008 to 30 June 2008 US$***	***4 September 2007 to 31 December 2007 US$ (restated)***
Finance income		
Interest received on bank deposits	1,308,723	1,202,830
Net finance income	**1,308,723**	**1,202,830**

5. INVESTMENTS

	Quoted equity investments US$	*Unquoted equity investments US$*	*Loan investments US$*	*Total US$*
2008				
Valuation at 1 January 2008	–	58,401,505	2,298,490	60,699,995
Transfer to quoted investment[1]	31,940,124	(31,940,124)	–	–
Additions	28,064,192	–	23,461,113	51,525,305
Repayments	–	–	(10,000,000)	(10,000,000)
Unrealised movements in fair value	7,290,835	52,254,562	–	59,545,397
Accrued interest in the period[2]	–	–	211,155	211,155
Foreign exchange movements	693,075	–	–	693,075
Valuation at 30 June 2008	**67,988,226**	**78,715,943**	**15,970,758**	**162,674,927**

1. On 5 June 2008, the Company's interest (via Rox Limited) in the two companies which ultimately held the interest in the Kagem mine, was transferred in a share-for-share translation into an interest in Gemfields Resources plc, as part of the reverse takeover. Gemfields was readmitted to its AIM listing as part of the transaction and therefore the existing unquoted shareholding held by Rox Limited has been shown as a transfer to quoted investment. See Investment Manager's Report for more details.

2. A US$10 million loan was made to a portfolio company, Rox Limited, on 4 June 2008, for a short-term specific funding requirement. The loan was repaid on 18 June 2008, including accrued interest of US$17,468. The amount of US$211,155 of accrued interest included above, plus the US$17,468, reconcile to the amount of portfolio interest income included in the income statement of US$228,224.

	Quoted equity investments US$	*Unquoted equity investments US$*	*Loan investments US$*	*Total US$*
2007 (restated)				
Valuation at 4 September 2007	–	–	–	–
Additions	21,205,675	58,401,505	2,287,929	81,895,109
Disposals	(21,205,675)	–	–	(21,205,675)
Accrued interest in the period	–	–	10,561	10,561
Foreign exchange movements	–	–	–	–
Valuation at 31 December 2007	**–**	**58,401,505**	**2,298,490**	**60,699,995**

6. FAIR VALUATION OF INVESTMENTS

Investment	*Current cost US$*	*Unrealised fair value adjustments US$*	*Unrealised FX gains US$*	*Accrued interest US$*	*Total valuation US$*
2008					
Quoted equity investments					
Gemfields Resources plc	52,525,840	6,991,781	646,564	–	60,164,185
Jupiter Mines Ltd	4,707,201	(250,026)	41,296	–	4,498,471
Mindax Ltd	2,709,807	543,569	5,099	–	3,258,475
Iron Mountain Mining Ltd	61,468	5,511	116	–	67,095
	60,004,316	**7,290,835**	**693,075**	**–**	**67,988,226**
Unquoted equity investments					
Fabergé Ltd	**26,461,381**	**52,254,562**	**–**	**–**	**78,715,943**
Loan investments					
Pallinghurst Kalahari[1]	5,749,042	–	–	97,267	5,846,309
Fabergé Ltd[2]	10,000,000	–	–	124,449	10,124,449
	15,749,042	**–**	**–**	**221,716**	**15,970,758**
Total investment portfolio	**102,214,739**	**59,545,397**	**693,075**	**221,716**	**162,674,927**
2007 (restated)					
Unquoted equity investments					
Fabergé Limited	26,461,381	–	–	–	26,461,381
Rox Limited (relating to Gemfields Resources)	31,940,124	–	–	–	31,940,124
	58,401,505	**–**	**–**	**–**	**58,401,505**
Loan investments					
Pallinghurst Kalahari[1]	**2,287,929**	–	–	10,561	**2,298,490**
Total investment portfolio	**60,689,434**	**–**	**–**	**10,561**	**60,699,995**

1. The loan was provided to Pallinghurst Kalahari (Mauritius) Limited ("Pallinghurst Kalahari) to enable the latter to acquire an initial equity participation in the joint venture, in terms of the agreement concluded with Ntsimbintle Limited. The terms of the loan are interest bearing (at a rate of 1 month USD LIBOR +2%), unsecured and repayable within twelve months.

2. The loan to Fabergé Limited was unsecured, bore interest at LIBOR plus 4% until the repayment date. The loan was repaid on 31 July 2008 including accrued interest of US$182,243.

7. LARGEST INVESTMENTS

In accordance with the listing requirements of the JSE, the Company has disclosed the following information for at least the ten largest investments within its investment portfolio. Fewer than ten separate investments have been entered into both in the current and prior periods and accordingly,the following details are included for each investment in the investment portfolio.

Investment	***Date of original investment***	***Industry***	***Listing***	***% shares held***	***Current cost US$***	***Income US$***	***Total valuation US$***
2008							
Gemfields Resources plc	Oct-07	Precious stones	AIM				
Leading international coloured gemstone producer							
Equity shares				27.96	52,525,840	–	60,164,185
Loans				–	–	17,069	–
Jupiter Mines	May-08	SFC – iron ore	ASX				
Junior mining explorer with assets in key mineral regions of Western Australia							
Equity shares				9.92	4,707,201	–	4,498,471
Mindax	Jun-08	SFC – iron ore	ASX				
Mineral exploration company based in Western Australia							
Equity shares				10.12	2,709,807	–	3,258,475
Iron Mountain Mining Ltd	Jun-08	SFC – iron ore	ASX				
Mineral exploration company focused on iron ore exploration in Australia							
Equity shares				0.37	61,468	–	67,095
Fabergé Limited	Sep-07	Luxury goods	n/a				
Owner of Fabergé luxury goods brand and trademarks							
Equity shares				43.20	26,461,381	–	78,715,943
Loans				–	10,000,000	124,449	10,124,449
Project Kalahari	Oct-07	SFC – manganese	n/a				
Manganese explorer in Kalahari Basin of South Africa							
Loans				–	5,749,042	86,706	5,846,309
Total investment portfolio					**102,214,739**	**228,224**	**162,674,927**
2007 (restated)							
Rox Limited (relating to Gemfields Resources)	Oct-07	Precious stones	n/a				
Leading international coloured gemstone producer							
Equity shares				44.07	31,940,124	–	31,940,124
Fabergé Limited	Sep-07	Luxury goods	n/a				
Owner of Fabergé luxury goods brand and trademarks							
Equity shares				46.77	26,461,381	–	26,461,381
Project Kalahari	Oct-07	SFC – manganese	n/a				
Manganese explorer in Kalahari Basin of South Africa							
Loans				–	2,287,929	10,561	2,298,490
Consolidated Minerals	Sep-07	Nickel and iron ore producer	ASX				
Diversified producer of mineral resources in Australia							
Equity shares – break fee income				–	–	2,025,736	–
Total investment portfolio					**60,689,434**	**2,036,297**	**60,699,995**

8. TAXATION

The Company pays an annual exempt tax fee of £600, as it is an 'Exempt Collective Investment Scheme' under the Income Tax (Zero-10) (Guernsey) (No 2) Law 2007.

9. SHARE CAPITAL

Since incorporation, there have been no amendments to the Company's issued share capital, other than the 1,000-for-1 share split which was approved by investors on the 9 June 2008. The effect of the 1,000-for-1 share split on the authorised and issued share capital is set out below:

Before the share split	***US$***
Authorised	
999,000 Shares of US$0.01 each	9,990
Issued	
169,316 Shares of US$ 0.01 each	1,693
After the share split	
Authorised	
999,000,000 Shares of US$ 0.00001 each	9,990
Issued	
169,316,000 Shares of US$ 0.00001 each	1,693

Issued and fully paid up

	No.	***Share capital US$***	***Share premium US$***
Management shares of US$ 1 each			
Balance at 4 September 2007	–	–	–
Issued	2	2	–
Redeemed	–	–	–
Balance at 31 December 2007	**2**	**2**	**–**
Issued	–	–	–
Redeemed	–	–	–
Balance at 30 June 2008	**2**	**2**	**–**
Ordinary shares of US$ 0.01 each			
Balance at 4 September 2007	–	–	–
Issued	169,316	1,693	169,314,307
Share issue costs	–	–	(2,385,530)
Redeemed	–	–	–
Balance at 31 December 2007	**169,316**	**1,693**	**166,928,777**
Issued by way of stock split	169,146,684	–	–
Ordinary shares of US$ 0.00001 each			
Balance at 30 June 2008	**169,316,000**	**1,693**	**166,928,777**

Total shares in issue

	No.	Share capital US$	Share premium US$
Ordinary shares of US$ 0.01 each			
Shares in issue at 31 December 2007	**169,318**	**1,695**	**166,928,777**
Ordinary shares of US$ 0.00001 each			
Shares in issue at 30 June 2008	**169,316,002**	**1,695**	**166,928,777**

10. RELATED PARTY TRANSACTIONS

The Company has significant stakes in most of the investments within the investment portfolio. Per Note 2 Accounting policies, where the Company owns stakes giving either significant influence or joint control, the Company accounts for these investments under IAS39 at fair value through the profit and loss account. Nonetheless, per IAS24 *Related Party Disclosure* para 9(a), these investments are considered to be related parties, and transactions with them are related party transactions. Related party transactions include the entering into and exiting from equity investments, and also loan transactions. See Notes 5, 6 and 7 for more details of these transactions.

The Company owns a see-through interest of 27.96% in Gemfields Resources plc, giving significant influence, and Gemfields is therefore a related party. Gemfields has made a proposed offer for TanzaniteOne (T1), a producer of precious gemstones including tanzanite. See Note 15 Events occurring after the end of the period for more detail. In order to facilitate the proposed offer, the Company purchased a stake of 2.1 million shares in T1 at a cost of $1.9 million during May and June 2008. The asset is included within Financial asset investments on the balance sheet.

The Investment Manager, Administrator and Secretary are all related parties of the Group due to common directors. The amounts due for the Investment Manager's Benefit and the Performance Incentive are disclosed in Note 3. The Administrator is entitled to annual minimum fees totalling US$80,000, payable quarterly in arrears.

Stuart Platt-Ransom and Clive Harris each receive a director's fee of US$8,000 per annum. Martin Tolcher does not receive a fee for his role as Alternate to Stuart Platt-Ransom. All the other directors have waived their fees.

The Brian Gilbertson Discretionary Settlement, a discretionary trust of which Brian Gilbertson is a beneficiary, owns 5.90% and Arne Frandsen owns 0.15% of the Company at 30 June 2008.

11. SEGMENTAL REPORTING

Primary reporting format – by business segment

	Luxury brands US$	*Steel Feed Corporation US$*	*Coloured Gemstones US$*	*Other US$*	*Group US$*
2008					
Realised profits on disposal of investments	–	–	–	–	–
Unrealised fair value/FX gains of investments	52,254,562	345,565	7,638,345	–	60,238,472
Portfolio income	–	228,224	–	–	228,224
Revenue and income from operations	52,254,562	573,789	7,638,345	–	60,466,696
Other expenses, net finance income and share of loss in associates	–	–	–	(13,109,240)	(13,109,240)
Net profit/(loss) for the period	**52,254,562**	**573,789**	**7,638,345**	**(13,109,240)**	**47,357,456**
Valuation of investment portfolio[1]	88,840,392	13,670,350	60,164,185	–	162,674,927
Other net assets	–	–	–	57,079,247	57,079,247
Total net assets	**88,840,392**	**13,670,350**	**60,164,185**	**57,079,247**	**219,754,174**

	Luxury brands US$	Steel Feed Corporation US$	Coloured Gemstones US$	Other US$	Group US$
2007 (restated)					
Realised profits on disposal of investments	473,624	4,402,785	–	–	4,876,409
Unrealised fair value/FX gains of investments	–	–	–	–	–
Portfolio income	–	2,036,297	–	–	2,036,297
Revenue and income from operations	473,624	6,439,082	–	–	6,912,706
Other expenses, net finance income and share of loss in associates	–	–	–	(1,463,923)	(1,463,923)
Net profit/(loss) for the period	**473,624**	**6,439,082**	**–**	**(1,463,923)**	**5,448,783**
Valuation of investment portfolio[1]	25,986,846	2,298,490	32,414,659	–	60,699,995
Other net assets	–	25,608,459	–	86,088,264	111,696,723
Total net assets	**25,986,846**	**27,906,949**	**32,414,659**	**86,088,264**	**172,396,718**

Secondary reporting format – by geography

	Africa US$	Australasia US$	Other US$	Group US$
2008				
Change in fair value of investments	7,638,345	345,564	52,254,562	60,238,471
Portfolio income	228,224	–	–	228,224
Revenue and income from operations	7,866,569	345,564	52,254,562	60,466,695
Other expenses, net finance income and share of loss in associates	(313,188)	–	(12,796,051)	(13,109,239)
Net profit/(loss) for the period	**7,553,381**	**345,564**	**39,458,511**	**47,357,456**
Valuation of investment portfolio[1]	66,010,494	7,824,041	88,840,392	162,674,927
Other net assets	1,588,339	–	55,490,908	57,079,247
Total net assets	**67,598,833**	**7,824,041**	**144,331,300**	**219,754,174**
2007 (restated)				
Realised profits on disposal of investments	–	4,402,785	473,624	4,876,409
Portfolio income	10,561	2,025,736	–	2,036,297
Revenue and income from operations	10,561	6,428,521	473,624	6,912,706
Other expenses, net finance income and share of loss in associates	–	–	(1,463,923)	(1,463,923)
Net profit/(loss) for the period	**10,561**	**6,428,521**	**(990,299)**	**5,448,783**
Valuation of investment portfolio[1]	34,713,149	–	25,986,846	60,699,995
Other net assets	–	25,801,716	85,895,007	111,696,723
Total net assets	**34,713,149**	**25,801,716**	**111,881,853**	**172,396,718**

1. The portfolio includes both equity investments and loans made to the investments.

12. EARNINGS PER SHARE AND NAV PER SHARE

The key earnings measures included in this note are earnings per share ("EPS"), diluted earnings per share and headline earnings per share, and also Net Asset Value ("NAV") and Tangible Net Asset Value per share. There is no difference between EPS, diluted earnings per share and headline earnings per share, and there is also no difference between NAV per share and tangible NAV per share, in either the current or the comparative period.

As explained in note 2, a change in accounting policy has been implemented to account for investments in associates that are part of the investment portfolio at fair value through the profit and loss account. This has had an impact on earnings, diluted earnings and headline earnings per share, and also on NAV and tangible NAV per share, in the comparative period.

As explained in note 9, a 1000-for-1 share split was approved by Investors on 9 June 2008. The share split has also had an impact on earnings, diluted earnings and headline earnings per share, and also on NAV and tangible NAV per share, in the comparative period.

The table on the next page includes EPS and NAV for the period to 30 June 2008, and also includes for reference the restated EPS and NAV per share.

Earnings per share

	1 January 2008 to 30 June 2008 US$	***4 September 2007 to 31 December 2007 US$ (restated)***
Headline earnings	**47,357,456**	**5,448,783**
Number of shares	**169,316,000**	**169,316,000**[1]
EPS after change in accounting policy and effect of 1,000-for-1 share split (per Note 9)	**0.28**	**0.03**[2]

[1] A 1000-for-1 share split was approved by Investors on 9 June 2008; for the purpose of calculating EPS it has been assumed that the share split occurred before 31 December 2007.

[2] The EPS per the 2007 financial statements was $24,40. The EPS assuming that the change in accounting policy had occurred before 31 December 2007, but the share split had not occurred, would have been $32,18.

NAV per share

Net assets	**219,754,174**	**172,396,718**
Number of shares	**169,316,000**	**169,316,000**[1]
NAV per share after change in accounting policy and effect of 1000-for-1 share split (per Note 9)	**1.30**	**1.02**[2]

[1] A 1000-for-1 share split was approved by Investors on 9 June 2008; for the purpose of calculating NAV per share it has been assumed that the share split occurred before 31 December 2007.

[2] The NAV per share per the 2007 financial statements was $1,010.41. The NAV per share assuming that the change in accounting policy had occurred before 31 December 2007, but the share split had not occurred, would have been $1,018.20.

13. COMMITMENTS

As per the Investment Manager's Report, the Investment Manager has negotiated an entitlement for the Company to acquire a 9.26% interest in Magazynskraal, for an undisclosed consideration once the transaction has been declared unconditional in accordance with its terms. The agreement with the Bakgatla was signed on 31 May 2008. The necessary approvals (including those from the South African Competition Authorities and the Department of Minerals and Energy) are in the process of being obtained. This process is anticipated to take up to four months. The amount of the payment is of a sensitive nature but is anticipated to be material to the Company.

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities

On 31 December 2007, the Company provided the Moepi Group (Pty) Limited ("Moepi Group") with a guarantee over loan funding of US$25 million to exercise significantly discounted options over 7.8% of Boynton.

The guarantee was released during June 2008.

No other contingent liabilities existed at the balance sheet date.

Contingent assets

There were no significant contingent assets in the Group at 30 June 2008 or 31 December 2007.

15. EVENTS OCCURRING AFTER THE END OF THE PERIOD

Inward Listing on the JSE on 20 August 2008

On 20 August 2008, the Company obtained an inward listing on the JSE.

In addition to complying with its undertaking to seek a JSE listing within a year of listing on the BSX, the listing will achieve a number of strategic and financial benefits including:

- facilitating investments by the Company within the Common Monetary Area of southern Africa;
- enhancing the liquidity and tradability of the Company's shares;
- facilitating the incremental investment and direct investment in its shares by South African institutional and retail investors respectively;
- appealing to a broader set of prospective investors, thus providing further access to capital markets in order to facilitate and accelerate the Company's growth and/or acquisition of investments falling within the Company's investment scope; and
- increasing the Company's public presence and profile.

The Company now has a primary listing on the JSE and a secondary listing on the BSX. Shares are fully fungible and may be transferred between the JSE and BSX registers, subject to the rules and regulations of the Exchange Control Department of the South African Reserve Bank, which affect South African residents. Non-residents are not subject to the Exchange Control Regulations and may freely transfer shares between the registers.

The Company did not issue new shares as part of the Inward Listing. However, the Company may offer further shares for subscription in the future, subject to the funding requirements of its existing and prospective Investments. A further capital raising will be as determined by the Directors of the Company, but no later than 14 September 2010, 36 months after the initial capital raising was completed.

Commitment from investor to invest US$15 million in second capital raising on the JSE

On 20 July 2008, a trust committed to invest US$15 million in the potential second capital raising of the Company on the JSE. The trust is not an existing investor in the Company. This commitment expires on 31 December 2008.

Repayment of US$10 million loan by Fabergé Limited on 31 July 2008

In April 2008, a short-term unsecured US$10 million loan was made to Fabergé Limited in April 2008 bearing interest at LIBOR plus 4% until the repayment date. On 31 July 2008, the loan was repaid along with accrued interest of US$182,243. The loan was granted to Fabergé Limited to fund its acquisition of a collection of high jewellery and general working capital needs.

Further equity investment of US$15 million into Fabergé Limited on 11 August 2008

On 11 August 2008, the Company invested a further US$15 million directly into Fabergé Limited in return for an issue of new shares. This represents an additional stake of 7.61%, which, combined with the existing stake held through Fabergé Conduit (which is slightly diluted by the new purchase), results in a total see-through interest in Fabergé Limited of 47.55%.

The cost of the new investment was in line with the recent cost of investment paid by other third party investors in April 2008, on which the fair value of the investment in Fabergé Limited at 30 June 2008 has been based. The directors therefore believe that the new stake has a fair value of US$15 million, equivalent to cost.

New manganese investment in the Kalahari Basin

The Company has entered into a manganese investment in the Kalahari Basin of South Africa, in a joint venture with Ntsimbintle Mining (Proprietary) Limited, called Tshipi JV. The purpose of the joint venture is to create a significant manganese producer within the next 3 year period.

Following the Inward Listing on 20 August 2008, the Company has invested approximately US$2.8 million for a see-through equity stake of 9.80% in Tshipi JV.

New PGM investment in Western Limb of the Bushveld Igneous Complex

The Company has entered into a new platinum investment in the Bushveld Igneous Complex. The Company, along with certain strategic equity partners, have formed a broad-based and black-owned PGM investment vehicle with the Bakgatla-Ba-Kgafela tribe ("Bakgatla"). The vehicle will initially 50.1% be held by the Bakgatla and 49.9% by the Pallinghurst Consortium.

After 20 August 2008, when the Company inward listed on the JSE, the Company invested approximately US$25 million into PGM SPV for a see-through equity stake of 9.26%.

Gemfields proposed offer to shareholders of TanzaniteOne (T1)

A proposed offer by Gemfields to the shareholders of T1 was made on 12 September 2008, at 45p for each share in T1. The Company's investment in Gemfields is a key element of the existing portfolio, and as per Note 7 Largest Investments, the Company currently owns a 27.96% stake in Gemfields. T1 is an AIM-listed producer of a variety of gemstones, including tanzanite, with operations in Tanzania and Kenya.

The proposed offer would entitle T1 Shareholders to elect to receive as consideration either cash or ordinary shares in the capital of Gemfields, or any combination thereof. The proposed offer values the whole of the issued common share capital of T1 at approximately GBP 33 million.

On 1 September 2008 Gemfields purchased 7.5 million T1 Shares at 30 pence per share and a further 0.5 million T1 Shares at 37 pence per share on 2 September 2008. The Company owns a further 2.1 million T1 shares, see Note 10 Related party transactions. Together, these T1 shares represent approximately 13.7% of T1's issued share capital.

In addition, Gemfields has received a conditional irrevocable undertaking in respect of approximately 14 million T1 shares to accept any offer by Gemfields at 45 pence per T1 share, representing approximately 19% of T1's issued share capital.

The proposed offer described above does not amount to a firm intention to make an offer. The proposal is at an early stage and there can be no certainty that any offer will ultimately be made.

Gemfields wrote formally to the Board of Directors of T1 on 2 September 2008 proposing an amalgamation of Gemfields and T1 and noting that this might best be achieved by Gemfields making an offer to T1 shareholders. The Board of T1 have advised Gemfields that they will consider the proposal at their next meeting, scheduled for 19 September 2008. The announcement referred to above was released by Gemfields at this time in response to market speculation regarding the acquisition of T1 shares by Gemfields. The results of the Board meeting are not known at the date of signing these interim financial statements.

On 15 September 2008, the Board of T1 issued an announcement in response to the Gemfields proposed offer. The announcement recommends T1 shareholders take no action until the Board had further analysed the Gemfields offer, however, the announcement suggests that the Board of T1 are initially opposed to the bid, for a variety of reasons.

As there is no guarantee that an offer will be made, and the Board of T1 are initially opposed to the proposed offer, there are clearly no guarantees that the strategy will succeed, but if the bid is successful the Investment Manager believes that the transaction would unlock significant value for Gemfields shareholders including the Company.

The Board of Gemfields, and the Investment Manager, believe that the Gemfields group as enlarged by the acquisition of T1 would:

- be, by a substantial margin, the leading company in the sector with considerable critical mass in a highly fragmented industry characterised by small businesses;
- create the world's leading miner of coloured gemstones with both open-cast and underground mining expertise, positioning the enlarged company as the partner of choice in exploiting other coloured gemstone deposits;
- benefit from synergies in sales, branding and marketing (the enlarged customer base will create opportunities for cross-selling, with T1 able to leverage Gemfields' worldwide exclusive rights to the Fabergé brand and Gemfields' platform in India, and Gemfields able to benefit from T1's sales office in Dubai);
- have the ability to market tanzanite using the Fabergé brand;
- have improved prospects of applying for a listing on the Main Board of the London Stock Exchange in order to seek to further enhance valuation, liquidity and access to capital markets;
- potentially enjoy improved levels of share trading liquidity compared with that presently experienced by either Gemfields or T1;
- be seen as the supplier of choice for ethically supplied gemstones, covering two key premium coloured gemstone types;
- benefit from the realisation of potential cost and operating synergies, which would include, but not be limited to mining, security, logistics, grading, cutting and polishing, sorting, parcel-making, marketing, sales and distribution;
- have greater geographic diversity and reduced risk profile; and
- potentially re-rate strongly when capital markets recover.

Potential diminution in valuation of the investment in Gemfields Resources plc

The Company's investment portfolio is not immune from the poor market conditions facing the global economy, specifically where a listed share price is used in valuing the investment. In particular, the share price of Gemfields Resources plc has fallen since the end of the period. In line with the disclosure requirements of IAS 10, paragraph 21, an estimate of the impact of this non-adjusting event is as follows:

The share price of Gemfields Resources plc on 30 June 2008 was 35.5p, and the GBP/US$ exchange rate was £1=US$1.97. Throughout July and August 2008, the Gemfields share price ranged from 31p to 35.5p. On Monday 22 September 2008, the share price was 26p (on small volumes of trading) and the GBP/US$ exchange rate was £1= US$1.85. Using the updated share price and foreign exchange rate to value the Gemfields investment, the fair value of the Company's see-through interest in Gemfields would be US$41,444,232 with an unrealised loss in fair value of US$8,151,985 and an unrealised foreign exchange loss of US$2,929,623.

The Directors consider the diminution in value to be short-term and continue to believe in the future prospects of Gemfields Resources plc.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the six months ended 30 June 2008

As disclosed in Note 2, the annual financial statements are prepared in accordance with IFRS. These condensed consolidated interim financial statements (the "interim financial statements") do not include all of the information required for full annual financial statements and are to be read in conjunction with the Group's annual financial statements for the year ended 31 December 2007.

The Directors confirm to the best of their knowledge that these interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The Directors of Pallinghurst Resources (Guernsey) Limited are listed on page 2.

On behalf of the board

Brian Gilbertson

Date: 24 September 2008

Stuart Platt-Ransom

Date: 24 September 2008

INDEPENDENT REVIEW REPORT TO PALLINGHURST RESOURCES (GUERNSEY) LIMITED

For the six months ended 30 June 2008

INTRODUCTION

We have reviewed the accompanying condensed consolidated balance sheet of Pallinghurst Resources (Guernsey) Limited as of 30 June 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the half-year then ended, and summary of significant accounting policies and other related notes.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements (the "interim financial statements") in accordance with International Accounting Standard 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on the interim financial statements based on our review.

This report is made solely to the Company in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information performed by the Independent Auditor of the Entity*". Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information performed by the Independent Auditor of the Entity*". A review of the interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and therefore does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with IAS 34 and in accordance with the Companies (Guernsey) Law, 1994.

Saffery Champness
Chartered Accountants
Guernsey

24 September 2008