

## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

The definitions contained on pages 19 to 27 of this Circular apply *mutatis mutandis* throughout this document.

1. If you are in any doubt as to what action you should take in relation to this Circular, please consult your broker, banker, CSDP, accountant, attorney, or other professional advisor immediately.
2. If you have disposed of all your Shares, please forward this Circular to the acquirer of such Shares or to the broker, banker, CSDP or agent through whom such disposal was effected.
3. The Company has issued all the Letters of Allocation in dematerialised form, which will be listed and tradable on the JSE. The electronic record for BSX Shareholders and Certificated JSE Shareholders is being maintained by Computershare Nominees (Proprietary) Limited, a wholly-owned subsidiary of Computershare Custodial Services Limited. This arrangement has ensured that BSX Shareholders and Certificated JSE Shareholders, as the case may be, are afforded the same rights and opportunities as those afforded to Dematerialised JSE Shareholders. In order to take up or dispose of all or part of the Rights Offer Shares to which you are entitled as a BSX Shareholder or Certificated JSE Shareholder, as the case may be, you must complete the relevant Form of Instruction and return it to the South African Transfer Secretaries at the address and per the instructions contained herein. Dematerialised JSE Shareholders will have their safe custody accounts at their broker or CSDP credited with their Letters of Allocation.
4. The Rights that are represented by the Forms of Instruction could have value and may be sold on the JSE.
5. Rights Offer Shares in excess of a Shareholder's Rights Offer Entitlement may be applied for by Shareholders.
6. The Rights Offer does not constitute an offer in any jurisdiction in which it is illegal to make such an offer and, in such circumstances, this Circular and any Forms of Instruction are sent for information purposes only.
7. All times referred to in this Circular are South African times, using a 24 hour format (00h 00).

### Action required by Shareholders

8. Shareholders are referred to page 6 of this Circular, which sets out the action required in relation to the Rights Offer.



PALLINGHURST

**PALLINGHURST RESOURCES LIMITED**  
**(Previously Pallinghurst Resources (Guernsey) Limited)**

(Incorporated in Guernsey)

(Guernsey registration number 47656)

(South African external company registration number 2009/012636/10)

Share code on the BSX: PALLRES

ISIN: GG00B27Y8Z93

Share code on the JSE: PGL

### CIRCULAR TO SHAREHOLDERS

#### relating to:

- a renounceable Rights Offer that seeks to raise ZAR800 million through the issue of 357,142,857 Shares at an issue price of ZAR2.24 per Share in the ratio of 75.06094 Rights Offer Shares for every 100 Shares held;

#### and incorporating:

- the Revised Listing Particulars after the implementation of the Rights Offer;

#### and enclosing:

- in the case of Certificated JSE Shareholders only, an applicable Form of Instruction; and
- in the case of BSX Shareholders only, an applicable Form of Instruction.

#### Investment Bank



#### Legal advisors in South Africa



#### JSE Sponsor



#### Legal advisors in Guernsey

MOURANT OZANNES

#### Investment Manager



#### Independent reporting accountant



Date of issue: 2 July 2012

Copies of this Circular, the Forms of Instruction and other documents referred to in paragraph 26 on page 51 of this Circular are only available in English and may be obtained during normal business hours from the registered office of the Company, the offices of the Investment Bank and JSE Sponsor and the Transfer Secretaries, whose addresses are set out in the "Corporate Information" section of this Circular on pages 2 and 3.

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## CORPORATE INFORMATION

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### Directors

Brian Gilbertson – Chairman<sup>1</sup>  
Arne H. Frandsen – Chief Executive  
Andrew Willis – Finance Director  
Stuart Platt-Ransom<sup>2 3 4</sup>  
Clive Harris<sup>2</sup>  
Martin Tolcher<sup>2</sup>  
Patricia White<sup>2 4</sup>  
Brian O'Mahoney<sup>4</sup>

<sup>1</sup> Executive Chairman.

<sup>2</sup> Independent Non-Executive Director.

<sup>3</sup> On 29 February 2012, Mr Platt-Ransom was appointed as the Company's Lead Independent Non-Executive Director.

<sup>4</sup> On 29 February 2012, Ms White was appointed as a Director, and Mr O'Mahoney was appointed as Permanent Alternate to Mr Platt-Ransom and Ms White.

### Registered Office

Pallinghurst Resources Limited  
11 New Street  
St Peter Port  
Guernsey  
GY1 2PF

### Investment Manager

Pallinghurst (Cayman) GP L.P.  
(Registration number WK19200)  
Walker House, 87 Mary Street  
George Town  
Grand Cayman  
KY1-9002  
Cayman Islands

### Investment Advisor (London)

Pallinghurst Advisors LLP  
(Registration number OC315855)  
54 Jermyn Street  
London  
SW1Y 6LX  
United Kingdom

### Administrator

Legis Fund Services Limited  
(Registration number 19606)  
11 New Street  
St Peter Port  
Guernsey  
GY1 2PF

### Registered Office in South Africa

Nexia SAB&T  
119 Witch-Hazel Avenue  
Highveld Technopark  
Centurion  
0046  
South Africa

### Investment Bank and JSE Sponsor

Investec Bank Limited  
(Registration number 1969/004763/06)  
100 Grayston Drive  
Sandown  
Sandton  
2196  
South Africa

### Investment Advisor (South Africa)

Pallinghurst Advisors (Pty) Limited  
(Registration number 2009/005781/07)  
PO Box 12160  
Die Boord  
Western Cape, 7613  
South Africa

**Legal Advisor (Guernsey)**

Mourant Ozannes  
1 Le Marchant Street  
St Peter Port  
Guernsey  
GY1 4HP  
Channel Islands

**Legal Advisor (South Africa)**

Edward Nathan Sonnenbergs  
(Registration number 2006/018200/21)  
150 West Street  
Sandown  
Sandton  
2196  
South Africa

**South African Transfer Secretaries**

Computershare Investor Services (Proprietary)  
Limited  
(Registration number 2004/003647/07)  
Ground Floor  
70 Marshall Street  
Johannesburg  
2001  
South Africa

**Independent reporting accountant**

Nexia SAB&T Incorporated  
(Registration number 1997/018869/21)  
119 Witch-Hazel Avenue  
Highveld Technopark  
Centurion  
0046  
South Africa

**BSX Sponsor**

Capital G BSX Services Limited  
25 Reid Street  
4<sup>th</sup> Floor  
Hamilton  
HM11  
Bermuda

**Auditor**

Saffery Champness Chartered Accountants  
PO Box 141  
St Peter Port  
Guernsey  
GY1 3HS  
Channel Islands

**Bankers in Guernsey**

Investec Bank (Channel Islands) Limited  
(Registration number 5845)  
PO Box 188  
Gategny Court  
Gategny Esplanade  
St Peter Port  
Guernsey  
GY1 3LP

**Place of incorporation**

Guernsey

**Date of incorporation**

4 September 2007

**Date of registration as an external company in South Africa**

26 June 2009

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## FORWARD-LOOKING STATEMENTS

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Excluding the statements of historical fact relating to the Group and the Company, certain information contained in this document constitutes forward-looking statements. Forward-looking statements are frequently characterised by words such as “plan”, “expect”, “project”, “intend”, “believe”, “anticipate” and other similar words or statements that certain events or conditions “may” or “will” occur. Forward-looking statements are based on opinions and estimates on the Last Practicable Date and are subject to a variety of risks and uncertainties and other factors detailed elsewhere in this Circular that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the inherent risks involved in investing in unlisted entities, the uncertainties surrounding political, environmental and other factors beyond the control of the Group, the uncertain nature of the Group’s investments, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future and other factors described herein. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be accurate. The Company undertakes no obligation to update forward-looking statements if circumstances, estimates or opinions change. The reader is cautioned not to place undue reliance on forward-looking statements.

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**IN THE CASE OF BSX SHAREHOLDERS, A FORM OF INSTRUCTION (ENCLOSED)**

**IN THE CASE OF CERTIFICATED JSE SHAREHOLDERS, A FORM OF INSTRUCTION (ENCLOSED)**

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## ACTION REQUIRED BY SHAREHOLDERS

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Please take careful note of the following provisions regarding the action required by Shareholders:

1. if you are in any doubt as to what action you should take in connection with this Circular, please consult your broker, banker, CSDP, accountant, attorney or other professional advisor immediately;
2. if you have disposed of all your Shares, please forward this Circular to the acquirer of these Shares or to the broker, banker, CSDP or agent through whom the disposal was effected; and
3. shares in companies listed on the JSE can no longer be traded on the JSE unless they have been Dematerialised through the Strate System. It is therefore recommended that Certificated Shareholders on the South African Register dematerialise their Documents of Title and replace them with electronic records of ownership. In this regard, Certificated Shareholders may contact any broker or CSDP, details of which are available from Strate at [info@strate.co.za](mailto:info@strate.co.za) or telephone +27 11 759 5300 or facsimile +27 11 759 5500.

### DEMATERIALIZED JSE SHAREHOLDERS

- will **NOT** receive a printed Form of Instruction, however will have their account credited by their broker or CSDP with the number of Rights to which they are entitled;
- should timeously instruct their broker or CSDP as to whether they wish to take up, dispose of, or renounce, as the case may be, all or part of the Rights allocated to them; or to apply for Excess Rights Offer Shares, in accordance with the terms of the custody agreement entered into between them and their broker or CSDP;
- who do not issue instructions to their broker or CSDP, will result in the broker or CSDP acting in accordance with the original mandate granted in the custody agreement entered into between them and their broker or CSDP;
- should note that CSDPs effect payment on a delivery versus payment basis; and
- should note that the Company assumes no responsibility and will not be held liable for any failure on the part of their broker or CSDP to notify Shareholders of the Rights Offer and to receive instructions in regard thereto.

### CERTIFICATED JSE SHAREHOLDERS

In order to afford Certificated JSE Shareholders the same rights and opportunities as those afforded to Dematerialised JSE Shareholders, Certificated JSE Shareholders:

- will have a Letter of Allocation created in electronic form with Computershare Nominees (Proprietary) Limited;
- will receive a printed Form of Instruction (which states that such Form of Instruction will apply only to Certificated JSE Shareholders), providing for the take up, disposal or the renunciation, as the case may be, of all or part of the Rights embodied in the Letter of Allocation and the application for Excess Rights Offer Shares, and must act timeously in accordance with the instructions contained therein;

- who wish to take up all or part of the Rights allocated to them, and/or apply for Excess Rights Offer Shares, must complete blocks 5 to 7 of the Form of Instruction, attach their cheque or bankers' draft for the appropriate amount and lodge same with the South African Transfer Secretaries as follows:

**Hand deliveries to:**

Computershare Investor Services  
(Proprietary) Limited  
Ground Floor  
70 Marshall Street  
Johannesburg  
2001

**Postal deliveries (at the risk of the holder) to:**

Computershare Investor Services  
(Proprietary) Limited  
PO Box 61763  
Marshalltown  
2107

so as to reach the South African Transfer Secretaries by no later than 12h00 on Friday, 20 July 2012;

- will receive share certificates pertaining to the Rights Offer Shares taken up unless they elect in the section "Share issue instruction" of the Form of Instruction to receive the Rights Offer Shares in Dematerialised form and stipulate a CSDP account for such purpose;
- will only be able to trade their Rights Offer Shares on the JSE once they have been Dematerialised;
- in order to allow the South African Transfer Secretaries sufficient time to dispose or procure the sale of the Rights on the JSE, Certificated Shareholders need to send such instruction to the Transfer Secretaries by no later than 12h00 on Friday, 13 July, 2012;
- who wish to renounce all or part of the Rights allocated to them in terms of the Rights Offer should complete the relevant section of the Form of Instruction and return it timeously to the South African Transfer Secretaries in accordance with the instructions contained therein so as to reach the South African Transfer Secretaries by no later than 12h00 on Friday, 20 July, 2012;
- Subject to the Exchange Control Regulations outlined in paragraph 6.9 on page 40 hereafter, proceeds, net of costs, from the sale of Rights will be remitted to such Certificated JSE Shareholders as soon as practicable, provided that if the net proceeds from the sale of Rights in relation to any such Certificated JSE Shareholder are less than ZAR20.00, they will be retained for the benefit of the Company;
- should note that none of the Company, Computershare Nominees (Proprietary) Limited, the South African Transfer Secretaries or any broker appointed by them will have any obligation or be responsible for any loss or damage whatsoever in relation to the receipt of Forms of Instruction by post or arising out of the timing of such disposals, the price obtained or any failure to dispose of such Rights; and
- the surrender of share certificates will apply only to Certificated Shareholders.

## **BSX SHAREHOLDERS**

The Rights Offer will **NOT** be undertaken on the BSX. Accordingly, in order to afford BSX Shareholders the same rights and opportunities as those afforded to JSE Shareholders, the Rights Offer will be made on the same terms and conditions to BSX Shareholders, who:

- will have a Letter of Allocation created in electronic form with Computershare Nominees (Proprietary) Limited;

- will receive a printed Form of Instruction providing for the take-up, disposal or the renunciation, as the case may be, of all or part of the Rights embodied in the Letter of Allocation and the application for Excess Rights Offer Shares, and (subject to Exchange Control Regulations) must act timeously in accordance with the instructions contained therein;
- wish to take up all or part of the Rights allocated to them and/or subscribe for Excess Rights Offer Shares, must complete blocks 5 to 7 of the Form of Instruction and attach their cheque, bankers' draft or EFT swift reference number for the appropriate Rand amount and lodge same with the South African Transfer Secretaries as follows:

**Hand deliveries to:**

Computershare Investor Services  
(Proprietary) Limited  
Ground Floor  
70 Marshall Street  
Johannesburg  
2001

**Postal deliveries (at the risk of the holder) to:**

Computershare Investor Services  
(Proprietary) Limited  
PO Box 61763  
Marshalltown  
2107

so as to reach the South African Transfer Secretaries by no later than 12h00 on Friday 20 July 2012. Relevant banking details for any EFT payments are provided on the Form of Instruction. All payments, whether by EFT, cheque or banker's draft **MUST** be in Rand otherwise the Form of Instruction, will not be valid and no action will be taken by the South African Transfer Secretaries in respect of the accompanying Form of Instruction. All non-Rand amounts received by the South African Transfer Secretaries will be refunded to the relevant BSX Shareholder net of any applicable costs, following the Closing Date;

- will only be able to trade their Letters of Allocation on the JSE;
- wish to dispose of or renounce all or part of the Rights allocated to them in terms of the Rights Offer, should complete the relevant section of the Form of Instruction and return it timeously to the South African Transfer Secretaries in accordance with the instructions contained therein so as to reach the South African Transfer Secretaries by no later than 12h00 on Friday 13 July 2012 in order to allow the South African Transfer Secretaries sufficient time to procure the sale of those Rights on the JSE before the Closing Date. Proceeds, net of costs, from the sale of Rights will be remitted to such BSX Shareholders as soon as practicable, subject to Exchange Control Regulations, provided that if the net proceeds from the sale of Rights in relation to any such BSX Shareholder are less than ZAR20.00, they will be retained for the benefit of the Company;
- should note that none of the Company, Computershare Nominees (Proprietary) Limited, the South African Transfer Secretaries or any broker appointed by them will have any obligation or be responsible for any loss or damage whatsoever in relation to the receipt of Forms of Instruction by post or arising out of the timing of such disposals, the price obtained or any failure to dispose of such Rights; and
- will receive Shares on the JSE, to the extent they follow their Rights, which they may, at their own election, transfer to the BSX Register, subject to Exchange Control Regulations.



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## SALIENT FEATURES OF THE RIGHTS OFFER

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This section provides an overview of the Rights Offer and should be read in conjunction with the Circular.

### 1. INTRODUCTION

Since the Company's successful Initial Public Offering in September 2007, the Investment Manager has targeted so-called "unloved assets"; those with significant unrealised value and growth potential. Such investments are typically overlooked and undervalued for a number of different reasons such as the particular sector losing favour with investors, lack of strategic direction, financial hardship or poor performance of the management team or board of directors. Upon acquisition, the Investment Manager actively manages the investment, setting a new vision, focus and strategic direction for these investments, as well as providing managerial, financial and operational support. Through this active and hands-on approach, the Investment Manager aims to transform the investments into attractive and valuable assets, with the aim of realising the assets at the appropriate time to deliver superior returns.

Since the IPO, the Investment Manager has consistently underlined that it allows for a ten year investment horizon for each investment, which provides the necessary time to implement fundamental transformations of the investments and to unlock their full value potential. Typically, the first five years are used to establish and implement the revised strategic plans, and the second five year period is used to optimise the exit value. In order to maximise returns, it is important that sufficient flexibility be built into the timing of the exit.

Although the Company's four Investment Platforms are currently at different stages of development, they are all well positioned and on track to achieve the strategic objectives set by the Investment Manager at the time of the initial investment. The Coloured Gemstones and Platinum Group Metals are the two platforms most advanced in their development, with many of their original strategic goals already met. Each has become increasingly attractive as an investment proposition, evidenced by the more than ten-fold increase in the Gemfields' share price over the past few years, as well as the impending consolidation of the Platinum Group Metals interests and the ZAR3.24 billion investment therein by the Industrial Development Corporation of South Africa. Even as these two Investment Platforms are poised to enter the "harvesting period", the Investment Manager believes that there remains further valuation upside to be achieved and suitable market conditions to be prevailing, before an exit should be contemplated. In the interim, the next phase of development for these Investment Platforms will likely be made from their existing cash reserves and accordingly it is not expected that they will require further funding from the Company.

Fabergé has built on its successful relaunch in September 2009, unveiling a number of fine jewellery collections and expanding its retail presence across the globe to include Geneva, London, New York and Hong Kong. In order to fund this expansion phase and enable further implementation of its value-creating strategy, Fabergé is undertaking a capital raising, which may take the form of equity or debt. The Company has allocated US\$25-30 million (ZAR202-243 million)<sup>1</sup> of the Rights Offer proceeds as to the Company's participation in the Fabergé capital raising.

The Company's Steel Making Materials platform is also to be expanded further, both within the existing Jupiter investment and potentially into a coal opportunity. A further US\$25-35 million (ZAR202-283 million)<sup>1</sup> has been allocated to the Company's participation in the ongoing support of the Steel Making Materials Investment Platform.

As the original portfolio enters the mature stage, the management time commitment to those platforms is likely to be reduced. This will free up management resources allowing focus on new areas of growth and shareholder value creation. The Investment Manager therefore intends to actively pursue a number of attractive new investment opportunities it has identified. This is likely to include a copper investment, which if successfully completed will form the base for a fifth Investment Platform. For this purpose, the Company has allocated US\$40-50 million (ZAR324-404 million)<sup>1</sup> of the Rights Offer proceeds.

As a principle, the Company only raises capital when there is specific use for the funds, such as participating in identified new investment opportunities, or in order to support its existing Investment Platforms, such as Fabergé and Steel Making Materials. It is of particular importance that the Company continue to follow its rights in its four existing Investment Platforms in order to protect its investment value, avoid value destructive dilution and support the development of its strategic plan. Accordingly, the Directors believe that it is the right time, and in the best interests of the Company and its shareholders, to raise additional funds for the Company.

Whilst the merits of debt and equity funding have been evaluated, given the current volatile market conditions as well as the developing nature of the Company's investment portfolio, the Directors do not consider the introduction of debt funding a viable or appropriate option for the Company at this time. Accordingly, the Directors believe that the best course of action to meet the Company's current needs and strategic objectives is to raise incremental equity capital, and therefore have approved the Rights Offer.

The Rights Offer seeks to raise ZAR800 million through the issue of up to 357,142,857 Rights Offer Shares at the Rights Offer Price of ZAR2.24 per Rights Offer Share in the Rights Offer Ratio of 75.06094 Rights Offer Shares for every 100 Shares held on the Record Date.

This Circular and the accompanying Forms of Instruction (if applicable) serve to:

- provide Shareholders with information pertaining to the Rights Offer; and
- enable Shareholders to take up, dispose of and/or renounce all or part of their Rights as well as apply for Excess Rights Offer Shares under the terms of the Rights Offer in accordance with the Act (to the extent applicable), Guernsey Law, the Company's Articles of Incorporation and the Listings Requirements.

The Forms of Instruction contain details of the Rights to which Certificated JSE Shareholders and BSX Shareholders, as the case may be, are entitled, as well as the procedures for the take-up, disposal or renunciation of such Rights and/or the application for Excess Rights Offer Shares. Dematerialised JSE Shareholders will be advised by their broker or CSDP of their Rights Offer Entitlement as well as the procedure for the take-up, disposal or renunciation of such Rights and/or the application for Excess Rights Offer Shares.

<sup>1</sup> The ZAR amounts indicated may fluctuate as a result of the exchange rate used. The ZAR amounts above have been calculated using an exchange rate of US\$1:ZAR8.09, the rate at 31 December 2011.

## **2. SUCCESSFULLY COMPLETED PRE-PLACEMENT**

In order to ensure the success of the Rights Offer and to enable participation in the current Fabergé capital raising, the Company has concluded the Pre-placement with existing shareholders in advance of the Rights Offer, whereby the Pre-placement Participants, under the terms of the Subscription Agreements subscribed for 187,647,650 Rights Offer Shares at the Rights Offer Price, for an aggregate consideration of approximately ZAR420.33 million, representing 52.54% of the total Rights Offer Shares available in the Rights Offer. The proceeds of the Pre-placement have been received by the Company and the Firm Placed Rights Offer Shares shall be issued to Pre-placement Participants on Monday, 23 July 2012. In consideration for the Pre-placement Participants subscribing for the Firm Placed Rights Offer Shares, each Pre-placement Participant was paid the Pre-placement Fee. Please refer to paragraph 5.2 of the Circular for further details.

Accordingly, over half of the ZAR800 million sought to be raised in the Rights Offer has already been received by the Company from existing shareholders, indicating a firm support for the strategic direction of the Company as well as the Rights Issue. The Pre-placement will enable the Group to participate in the Fabergé capital raising. In addition, the Directors of the Company and Partners of the Investment Manager have indicated that they will subscribe for their collective 4.71% *pro rata* entitlement of the Rights Issue, increasing the firm commitments to the Rights Issue to 57.25%.

## **3. RIGHTS OFFER**

In accordance with the Articles of Incorporation, the Company will implement the Rights Offer to each Shareholder, on the same terms and conditions. Furthermore, whilst no rights of pre-emption exist, the Company will implement the Rights Offer by providing each Shareholder with a Rights Offer Entitlement.

The Rights Offer will be implemented on the JSE and in Rand only and will be made to all Shareholders who, for the avoidance of doubt, will include BSX Shareholders who will be able to participate in the Rights Offer in the same manner as JSE Shareholders.

Shareholders are entitled to take up such number of Rights Offer Shares equal to their Rights Offer Entitlement. Accordingly, all Shareholders will be afforded the opportunity to participate in the Rights Offer and all Rights Offer Shares issued pursuant to the Rights Offer will be listed on the JSE.

The section headed “Action required by Shareholders” sets out the action to be taken by Shareholders in relation to the Rights Offer. In addition, BSX Shareholders and Certificated JSE Shareholders are referred to the Form of Instruction which details the procedures for the take-up, disposal or the renunciation of Rights and/or the application for Excess Rights Offer Shares. Dematerialised JSE Shareholders will be advised by their broker or CSDP of the Rights to which they are entitled as well as the procedure for the take-up, disposal or renunciation of such Rights.

## **4. TERMS OF THE RIGHTS OFFER**

The Company is seeking to raise ZAR800 million through the issue of up to 357,142,857 Rights Offer Shares at the Rights Offer Price of ZAR2.24 per Rights Offer Share. The Rights Offer Price represents a 25% discount to the 10-day VWAP of a Share listed on the JSE on 29 March 2012, the day on which the Rights Offer Price was determined.

Shareholders will have the right to subscribe for 75.06094 Rights Offer Shares for every 100 Shares held by them on the Record Date, and Shareholders holding fewer than 100 Shares will receive entitlements in accordance with the table of entitlements contained in Annexure V to this Circular.

Fractional entitlements to Rights Offer Shares resulting from the Rights Offer will be rounded down to the nearest whole number if they are less than 0.5 and will be rounded up to the nearest whole number if they are equal to or greater than 0.5.

Detailed particulars of the Rights Offer are contained in paragraph 5 on page 32 of this Circular.

## **5. RATIONALE FOR THE RIGHTS OFFER**

The Directors believe that it is the right time to raise additional equity capital for the Company. This will enable the Company to support its investments in the existing Investment Platforms, but also to potentially create significant shareholder value by participating in new investment opportunities.

Fabergé has made significant progress since the Company made its first investment in 2007. Despite the short period since Fabergé's relaunch in September 2009, it has already achieved a number of key milestones. Fabergé continued its introduction of high quality collections with a number of critically acclaimed launches during 2011, with more planned for the second half of 2012. Fabergé's retail presence has expanded to include Geneva, London, New York and Hong Kong. Fabergé has been successfully repositioned in the upper echelon of the luxury sector and now has an expanded product offering and retail footprint. Fabergé is seeking a further capital injection which will enable further development of its value-creating strategy. The Directors have allocated US\$25-30 million to participate in Fabergé's capital raising, which may take the form of equity or debt, to protect its investment and support the next phase of development of its strategic plan.

The Company's Steel Making Materials platform has also been in a capital intensive phase, building South Africa's newest open pit manganese mine at Tshipi Borwa and this is expected to continue as Jupiter progresses its feasibility studies on Mount Mason and Mount Ida. The Steel Making Materials strategy is about developing a platform to supply the key raw materials required for the production of steel, in particular manganese, iron ore and coking coal. A further US\$25-35 million has been allocated as the Company's participation to the ongoing support of the Steel Making Materials Investment Platform, which may include a new investment in one or more coal assets.

The Investment Manager has also identified a new copper investment opportunity in southern Africa, comprising both producing assets and others close to production. It is anticipated that this investment would be made in conjunction with the Pallinghurst Co-Investors, and the Group's share is likely to be approximately US\$40-50 million.

Gemfields is now a market leader in the emerald sector and is well advanced in its strategy to become the world's leading coloured gemstone producer. It is about to apply its successful business model to rubies, having recently acquired a world class deposit in Mozambique. Gemfields also delivered record breaking auction results during 2011, with net profit after tax for the six months to 31 December 2011 of US\$22 million, higher than the record profits of the prior full year. Gemfields is unlikely to require any further capital expenditure and the Company does not plan to allocate any of the Rights Offer proceeds to Gemfields. It is possible that Gemfields may begin to return funds to its shareholders, including the Group, in the next few years.

When making the first investment into the PGM sector, the Company did so with the aim of facilitating the consolidation of three contiguous properties, creating an attractive and valuable major new industry player. Such combined entity would benefit from a long life and low cost of production. On 29 March 2012, an important announcement confirmed the planned consolidation of the four PGM assets in which Pallinghurst has invested. It also reported the acquisition of a 16.2% stake in the consolidated vehicle (NewCo) for an investment of ZAR3.24 billion by the Industrial Development Corporation, the prominent South African sovereign investor. This is a tangible validation of our PGM vision and confirmation of the significant progress of our PGM strategy. Post the investment by the IDC, the consolidated vehicle should not require any further investment by the Company and no Rights Offer funds are planned to be allocated to the PGM strategy.

## 6. SALIENT STATISTICS OF THE RIGHTS OFFER

Rights Offer Price	<b>ZAR2.24</b>	
Number of Shares in issue on the Last Practicable Date	<b>475,803,860</b>	
Number of Shares to be issued pursuant to the Rights Offer <sup>1</sup>	<b>357,142,857</b>	
Number of Shares in issue immediately following completion of the Rights Offer <sup>1</sup>	<b>832,946,717</b>	
	<b>Shares</b>	<b>ZAR</b>
<b>Gross Rights Offer proceeds receivable by the Company before expenses</b>	<b>357,142,857</b>	<b>800 million</b>
<b>Subscriptions and commitments received from Pre-placement Participants</b>	<b>187,647,650</b>	<b>420 million</b>

<sup>1</sup> Assuming all Rights Offer Shares are taken up and/or otherwise allocated in the Rights Offer

## 7. APPLICATIONS FOR EXCESS RIGHTS OFFER SHARES

Rights Offer Shares which are not taken up by Shareholders in accordance with such Shareholders' Rights Offer Entitlements will be available to Shareholders who wish to apply for Excess Rights Offer Shares.

The right to apply for Excess Rights Offer Shares is transferable on renunciation.

Dematerialised JSE Shareholders who wish to apply for Excess Rights Offer Shares should instruct their broker or CSDP in terms of the custody agreement entered into between them and their broker or CSDP, as to the number of Excess Rights Offer Shares for which they wish to apply.

Certificated JSE Shareholders and BSX Shareholders who wish to subscribe for Excess Rights Offer Shares should indicate their intention in their respective Forms of Instruction.

An announcement will be released on SENS on or about Monday, 23 July 2012, containing the results of the Rights Offer and the basis of allocation of any Excess Rights Offer Shares for which application is made.

The pool of Rights Offer Shares available to meet Excess Rights Offer Share applications will be dealt with as follows:

- Rights Offer Shares available for allocation to Excess Rights Offer Share applicants will be allocated by the Directors in an equitable manner, taking cognisance of the number of Shares held by the relevant Shareholders immediately prior to such allocation and will include the Rights Offer Shares taken up by such relevant Shareholders, with the Directors' decision being final and binding; and

- Excess Rights Offer Shares will only be available for allocation to Excess Rights Offer Share applicants in the event of and to the extent that the number of Rights Offer Shares is greater than the aggregate of the number of Rights Offer Shares taken up by Shareholders and/or their renounees, following the Closing Date.

Cheques and/or refunding of monies in respect of unsuccessful applications for Excess Rights Offer Shares by Certificated JSE Shareholders will be posted to the relevant applicants, at their risk, on or about Wednesday, 25 July 2012 and Dematerialised JSE Shareholders will have their accounts at their broker or CSDP credited on/or about such date. Interest shall not be paid on monies received in respect of unsuccessful applications for Excess Rights Offer Shares received from Shareholders.

## **8. FOREIGN RESTRICTIONS**

Rights Offer Shares will not be registered under the securities laws of Canada or the United States. Accordingly, Rights Offer Shares are not being offered to Shareholders with registered addresses in those countries, to whom this Circular has been sent for information purposes only. Rights attributable to such Shareholders will, if a premium can be obtained over the costs associated with a disposal, be disposed of on the JSE for the benefit of such Shareholders as soon as practicable. However, if the net proceeds of such disposal is less than ZAR20.00, it will be retained for the benefit of the Company. No Form of Instruction will be sent to Shareholders who have registered addresses in Canada or the United States, unless, in certain circumstances, the Company deems that such a Shareholder has satisfied the Company that an allotment is allowed under permissible exemption to the securities laws on those jurisdictions.

For the purposes of the above, "United States" means the United States of America (including the States and District of Columbia), its territories, its possessions and all areas subject to its jurisdiction and "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States and an estate or trust, the income of which is subject to United States Federal Income Taxation, regardless of its source.

This Circular does not incorporate an offer in any jurisdiction in which it is illegal to make it, and, in those circumstances, this Circular and any attached Form of Instruction has been sent for information purposes only.

## **9. FINANCIAL EFFECTS OF THE RIGHTS OFFER**

A summary of the unaudited *pro forma* financial effects of implementing the Rights Offer is set out in the table below. In this context, it has been assumed that the Rights Offer was implemented with effect from 1 January 2011 and 31 December 2011 for income statement and balance sheet purposes, respectively. The Directors are responsible for the preparation of the unaudited *pro forma* financial effects. The *pro forma* financial effects set out below and the unaudited *pro forma* income statement and balance sheet of the Group (attached in Annexure II to this Circular) have been presented for illustrative purposes only and may, because of their nature, not give a fair reflection of the Group's results, financial position and changes in equity following the implementation of the Rights Offer.

	<b>Before Rights Offer<sup>1</sup></b>	<b>After Rights Offer<sup>2,3</sup></b>	<b>Increase/(decrease)</b>
	<b>US\$</b>	<b>US\$</b>	<b>%</b>
Loss per share	(0.15)	(0.09)	40.00
Headline loss per share	(0.15)	(0.09)	40.00
NAV per share	0.77	0.55	(28.57)
Tangible NAV per share	0.77	0.55	(28.57)
Number of Shares in issue	475,803,860	832,946,717 <sup>4</sup>	75.06

**Notes:**

1. The figures in the "Before Rights Offer" column have been extracted without adjustment from the Company's audited financial statements for the year ended 31 December 2011.
2. Transaction costs of approximately US\$2,265,343, as set out in paragraph 24 on page 50 of this Circular have been taken into account against share premium as costs directly attributable to the issue of the Rights Offer Shares.
3. Assuming the Company raises ZAR800 million before expenses (approximately US\$98.89 million based on an assumed exchange rate of US\$1:ZAR8.09 which was the US\$:ZAR exchange rate at 31 December 2011).
4. Assuming all 357,142,857 Rights Offer Shares are issued.

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## QUESTIONS AND ANSWERS REGARDING THE RIGHTS OFFER

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*The questions and answers set out below are intended for general information purposes only and, as such, you should read paragraph 5 on page 32 of this Circular for full particulars of the Rights Offer and what action you should take. If you are in any doubt as to what action you should take, please consult your broker, banker, CSDP, accountant, attorney or other professional advisor immediately.*

### **1. How much has been raised in the Pre-placement?**

The Company has received subscriptions for 187,647,650 Rights Offer Shares from the Pre-placement Participants for a total of ZAR420 million, representing approximately 52.54% of the Rights Offer Shares. The Pre-placement Participants are listed in paragraph 5 on page 32 of this Circular.

### **2. Is the Rights Offer underwritten?**

No, the Rights Offer has not been underwritten.

### **3. How many Rights Offer Shares are available for acceptance by Remaining Shareholders in the Rights Offer?**

Remaining Shareholders will be able to take up their *pro rata* rights for a total of 169,495,207 Rights Offer Shares representing 47.46% of the Rights Offer Shares.

### **4. If I do not participate in the Rights offer, what happens to my Rights?**

Rights which are not taken up, renounced or traded in the Rights Offer will be allocated to Shareholders who have applied for Excess Rights Offer Shares including any Pre-placement Participants.

### **5. How do I participate in the Rights Offer?**

Shareholders will be able to take up their Rights Offer Entitlement as determined on the Record Date. Remaining Shareholders who are Dematerialised JSE Shareholders will have their accounts at their broker or CSDP credited with their Letter of Allocation and should timeously instruct their broker or CSDP as to whether they wish to participate in the Rights Offer in accordance with the terms of the custody agreement entered into between them and their broker or CSDP. Certificated Shareholders and BSX Shareholders must complete the Form of Instruction and return it to the South African Transfer Secretaries in accordance with the instructions thereon.

### **6. I understand that there is a period where there is trading in the Letters of Allocation; what does this mean?**

Letters of Allocation representing Rights to participate in the Rights Offer will be listed and will be tradable on the JSE with effect from 09h00 on 25 June 2012. The price you may receive for your Rights will vary with market conditions and will be determined on a willing buyer, willing seller basis. It is important to note that the market price for Letters of Allocation may be different to the Rights Offer Price.



It is anticipated that the value of the Letters of Allocation should reflect the difference between the market price of Shares ex-Rights and the Rights Offer Price (allowing for any applicable brokerages and commissions and amounts in respect of VAT). It is possible that you may receive little or no proceeds from the sale of some or all of your Letters of Allocation should the market price of the Rights Offer Shares fall below the Rights Offer Price.

**7. As a BSX Shareholder, will I be able to follow my rights on the BSX?**

No. The Rights Offer is only being implemented on the JSE. To afford BSX Shareholders the same rights and opportunities as those afforded to JSE Shareholders, BSX Shareholders will have a Letter of Allocation created in electronic form with Computershare Nominees (Proprietary) Limited. BSX Shareholders who follow their Rights shall receive Dematerialised Shares listed on the JSE which they may, at their discretion and subject to Exchange Control Regulations, transfer to the BSX.

You should complete the Form of Instruction with instructions regarding your Rights in terms of the Rights Offer, which completed Form of Instruction, together with payment (if applicable) should reach the South African Transfer Secretaries in accordance with the instructions contained therein.

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## SALIENT DATES AND TIMES

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	2012
Last date to trade in Shares on the JSE ( <i>cum</i> Rights Offer Entitlement) in order to participate in the Rights Offer	Friday, 22 June
Last date to trade in Shares on the JSE for settlement by the Record Date and to be recorded as a Shareholder	Friday, 22 June
Shares trade ex-Rights Offer Entitlement on the JSE	Monday, 25 June
Listing and trading of Letters of Allocation on the JSE from the commencement of trade on	Monday, 25 June
Record Date for participation in the Rights Offer	Friday, 29 June
Rights Offer opens at 09h00 on	Monday, 2 July
Circular including a Form of Instruction, where applicable, Mailed to Shareholders	Monday, 2 July
Dematerialised JSE Shareholders' accounts at their broker or CSDP credited with their Rights Offer Entitlement	Monday, 2 July
Certificated JSE Shareholders and BSX Shareholders have their Rights Offer Entitlement created in electronic form and held at Computershare Nominees (Proprietary) Limited	Monday, 2 July
Last date to trade in the Letters of Allocation on the JSE for settlement by 12h00 on Friday, 20 July 2012	Friday, 13 July
Listing of Rights Offer Shares on the JSE at 09h00 on	Monday, 16 July
Payment and Forms of Instruction to be received by the South African Transfer Secretaries by 12h00 on	Friday, 20 July
Rights Offer closes at 12h00 on	Friday, 20 July
Results of Rights Offer and basis of allocations of Excess Rights Offer Shares released on SENS	Monday, 23 July
Expected date on which the relevant brokers or CSDPs are updated with their Rights Offer Shares and debited with the costs of the purchase in respect of Dematerialised JSE Shareholders	Monday, 23 July
Expected date on which Share certificates are Mailed to Certificated Shareholders	Wednesday, 25 July
Dematerialised shareholders will have their accounts at their CSDP or broker updated with any excess shares allocated and debited with the costs	Wednesday, 25 July
Refunds/cheques posted to Certificated JSE Shareholders in respect of unsuccessful applications of Excess Rights Offer Shares	Wednesday, 25 July

### Notes:

- (1) Dematerialised JSE Shareholders are required to notify their duly appointed broker or CSDP of their participation in the Rights Offer in the manner and time stipulated in the custody agreement governing the relationship between the Dematerialised JSE Shareholder and his/her broker or CSDP.
- (2) BSX Shareholders and Certificated JSE Shareholders must complete the relevant Form of Instruction, which Form of Instruction, must reach the South African Transfer Secretaries in accordance with the instructions contained therein.
- (3) No Shares may be Dematerialised or rematerialised from the commencement of trade on Monday 25 June 2012 to Friday 29 June 2012, both days inclusive.
- (4) No transfers of Shares between the JSE and the BSX may take place from the commencement of trade on Monday 25 June 2012 to Friday 29 June 2012, both days inclusive.
- (5) CSDPs effect payment on a delivery of scrip versus payment method in respect of Dematerialised Shareholders.
- (6) Above times are South African times.

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## DEFINITIONS

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In this Circular unless otherwise stated or the context otherwise indicates, the words in the first column shall have the meaning ascribed to them in the second column, reference to the singular shall include the plural and *vice versa*, words denoting one gender shall include the other, expressions denoting natural persons include juristic persons and associations of persons.

"Accounting Date"	means 31 December of each year and/or the date on which the Company is wound up;
"Accounting Period"	means a period commencing on the day following the preceding Accounting Date and ending on and including the immediately preceding Accounting Date;
"Acquisition Costs"	means the aggregate of all acquisition costs of an Investment together with any duties (including, without limitation, stamp duties), fees, costs and expenses (including, for the avoidance of doubt, travel expenses) related to such Investment, including finance charges (if any), payable by the Company or, if investing together with other Pallinghurst Co-Investors, the Company's <i>pro rata</i> share of such duties, fees, costs and expenses;
"Act"	means the South African Companies Act (Act 71 of 2008), as amended;
"Administrator"	means the administrator of the Company, as selected by the Directors, currently Legis Fund Services Limited;
"Aggregate Proceeds"	means the aggregate cash proceeds received by the Company from the Realisation of Investments (net of any Disposal Costs) and all income less expenses, losses or other charges against the Company that do not arise from the Realisation of Investments plus any of the Company's Funds not used for Investments or set aside to fund the Company's Expenses;
"AIM"	means the Alternative Investment Market of the LSE;
"Annual Investment Manager's Benefit"	means the annual management benefit received by the Investment Manager as set out in paragraph 13 of the section headed "Expenses, Fees and Investment Manager's Benefits" of Annexure VI to this Circular;
"Annual Operating Expenses"	<p>means all costs and expenses reasonably incurred by the Company (during an Accounting Period) including, but not limited to:</p> <ul style="list-style-type: none"><li>(a) Fees payable to the Administrator;</li><li>(b) printing and distribution expenses;</li><li>(c) auditor's fees;</li><li>(d) Directors' remuneration;</li><li>(e) costs of providing the Company's directors and officers insurance;</li><li>(f) Independent Valuer fees;</li><li>(g) tax and regulatory certificates;</li><li>(h) regulatory fees;</li><li>(i) annual sponsor and listing fees;</li><li>(j) public relation fees; and</li><li>(k) bank charges,</li></ul> <p>but excluding, for the avoidance of doubt, the Annual Investment Manager's Benefit and Acquisition Costs;</p>
"Approved Investment"	means the Group's interest in Fabergé Limited;
"AQ Vehicle"	means the vehicle which will hold interests in various PGM Properties currently held by the Pallinghurst Co-Investors;

“Articles of Incorporation”	means the articles of incorporation of the Company as amended or replaced from time to time;
“ASX”	means the Australian Securities Exchange Limited;
“AUD”	means Australian Dollars, the lawful currency of Australia;
“Bakgatla”	means the Bakgatla Ba Kgafela Tribe, a <i>universitas personarum</i> , being a traditional community and tribe established according to indigenous custom, who own land and mineral rights in the BC;
“BC”	means the Bushveld Complex of South Africa, a geological structure that is estimated to contain approximately 88% of the world’s platinum resources;
“Brownfields Opportunities”	means opportunities related to abandoned operations or assets which may be expanded, improved or strategically repositioned;
“BSX Register”	means the register of Shareholders whose Shares are traded on the BSX and is maintained by the Administrator in Guernsey;
“BSX Shareholders”	means Shareholders registered on the BSX Register, maintained by the Administrator;
“BSX Sponsor”	means Capital G BSX Services Limited, a limited company duly registered and incorporated in Bermuda;
“BSX”	means the Bermuda Stock Exchange;
“Business Day”	means a day other than a Saturday, Sunday or official public holiday in Guernsey or South Africa;
“CAD”	means Canadian Dollars, the lawful currency of Canada;
“Cause”	means: <ul style="list-style-type: none"> <li>(a) fraud; or</li> <li>(b) wilful misconduct; or</li> <li>(c) gross negligence; or</li> <li>(d) bad faith; or</li> <li>(e) reckless disregard for a person’s obligations and duties,</li> </ul> which, in each case, has a material effect on the Company and/or its Shareholders;
“Certificated Shares”	means Shares which are held and represented by a Share certificate or other Documents of Title, which Shares have not been Dematerialised in terms of the requirements of Strate and which may no longer be traded on the JSE;
“Certificated Shareholder”	means a holder of Certificated Shares;
“Certificated JSE Shareholder”	means a holder of Certificated Shares on the JSE;
“Circular”	means this circular to Shareholders dated 2 July 2012 and the annexures hereto, including the Revised Listing Particulars and, where applicable, a Form of Instruction;
“Closing Date”	means 12h00 on Friday, 20 July 2012, being the closing date for the receipt of payment and Forms of Instruction by the South African Transfer Secretaries, under the terms of the Rights Offer;
“Common Monetary Area”	means South Africa, the Republic of Namibia, the Kingdom of Lesotho and the Kingdom of Swaziland;
“Company Funds”	means the aggregate amounts received by the Company from Shareholders;
“CSDP”	means a Central Securities Depository Participant as defined in the Securities Services Act;
“Dematerialise”	means the process by which Certificated Shares are converted to or held in an electronic form as uncertificated securities in terms of the Strate System of the JSE and recorded in the sub-register of Shareholders maintained by a broker or CSDP, evidencing ownership of shareholding in electronic format and which Shares may be traded on the JSE;

“Dematerialised Shares”	means Shares that have been Dematerialised;
“Dematerialised Shareholder”	means a holder of Dematerialised Shares;
“Dematerialised JSE Shareholder”	means a holder of Dematerialised Shares on the JSE;
“Directors” or the “Board”	means the board of directors of the Company, as set out in the section headed “Corporate Information” of this Circular. “Director” may mean any one of the Directors as the context may require;
“Disposal Costs”	means the aggregate amount of all duties (including, without limitation, stamp duties), fees, costs and expenses (including, for the avoidance of doubt, travel expenses) or, if investing together with any Pallinghurst Co-Investors, the Group’s <i>pro rata</i> share of such duties, fees, costs and expenses, incurred in the Realisation of an Investment;
“Distributions”	means distributions in cash or distributions in specie of any securities to Shareholders (and “Distribution”, “Distribute” and “Distributed” shall be construed accordingly);
“Documents of Title”	means Share certificates, certified transfer deeds, balance receipts or any other documents of title to Shares;
“EFT”	means electronic funds transfer;
“Excess Rights Offer Shares”	means those Rights Offer Shares in excess of a Shareholder’s Rights Offer Entitlement which may be issued to Shareholders who have applied for such Shares;
“Exchange Control”	means the Financial Surveillance Department of the South African Reserve Bank responsible for administering the Exchange Control Regulations;
“Exchange Control Regulations”	means the Exchange Control regulations of South Africa issued under the Currency and Exchanges Act of 1933 (Act 9 of 1933);
“Existing Shares”	means the Shares in issue as at the Last Practicable Date;
“Fabergé Limited” or “Fabergé”	means Fabergé Limited (registration number WK-178293), an exempted limited liability company duly incorporated and registered in accordance with the laws of the Cayman Islands;
“Fair Value per Share”	means the fair value per Share of the Company as estimated by the Directors in accordance with the Articles of Incorporation;
“Firm Placed Rights Offer Shares”	means those Rights Offer Shares which are irrevocably subscribed for by Pre-placement Participants in terms of the Subscription Agreements and which Rights Offer Shares represent all of such Pre-Placement Participants’ Rights Offer Entitlement;
“Form of Instruction”	<p>means the enclosed printed form of instruction pertaining to a Letter of Allocation, for use by Certificated JSE Shareholders and BSX Shareholders, as the case may be, which provides for the:</p> <ul style="list-style-type: none"> <li>– take up; and/or</li> <li>– disposal; and/or</li> <li>– renunciation,</li> </ul> <p>of the Rights embodied in the Letters of Allocation and for the application for Excess Rights Offer Shares;</p>
“GBP”	means pounds sterling, the lawful currency of the United Kingdom;
“Gemfields”	means Gemfields plc (registration number 05129023), a public company duly registered and incorporated in accordance with the laws of England and Wales and whose shares are listed on AIM;
“Group” or “the Group”	means the Company and all entities controlled by the Company (its subsidiaries) and its associates and joint ventures;

“Guernsey”	means the Bailiwick of Guernsey;
“Guernsey Law”	means The Companies (Guernsey) Law, 2008, as amended from time to time together with any regulations or ordinances made thereunder;
“Hurdle”	means an amount calculated as 8% of the Company’s Funds, compounded annually, and calculated daily;
“IAS”	means International Accounting Standards;
“IDC” or the “Industrial Development Corporation”	means the Industrial Development Corporation of South Africa Limited (registration number 1940/014201/06), a registered development public finance institution created under section 2 of the Industrial Development Act, No. 22 of 1940;
“IFRS”	means International Financial Reporting Standards;
“Initial Closing Date”	means 14 September 2007, being the initial closing date for the receipt by the Company of its initial equity share capital;
“Indemnified Person”	means any Director of the Company, and any person nominated by the Investment Manager to be a director of an Investment Vehicle and/or any of its associated entities;
“Independent Valuer”	means such independent valuer of international repute as may be appointed by the Directors to be the Company’s independent valuer;
“IPEVC”	means the International Private Equity and Venture Capital Association;
“Investec”	means Investec Bank Limited (registration number 1969/004763/06), a public company duly registered and incorporated in accordance with the company laws of South Africa which shall also be referred to as the “JSE Sponsor” and/or the “Investment Bank”;
“Investment(s)”	means any investment, asset or other interest acquired by the Company (whether for consideration in cash or securities or assets of existing Investments or otherwise) falling within the Investment Scope, including the Approved Investment including but not limited to shares, debentures, loan stock or other securities of and loans (whether secured or unsecured) made to any body corporate or other entity;
“Investment Management Agreement”	means the agreement, as amended from time to time, between the Company and the Investment Manager, appointing the Investment Manager to act in the capacity as investment manager to the Company;
“Investment Manager”	means Pallinghurst (Cayman) GP L.P., an exempted limited partnership registered in the Cayman Islands;
“Investment Period”	means the period commencing on the Initial Closing Date and ending on the earliest of: <ul style="list-style-type: none"> <li>(a) the 5<sup>th</sup> anniversary of the Initial Closing Date; or</li> <li>(b) the date determined pursuant to a Key Man Event which has not been resolved within the Suspension Period as defined in Appendix II headed “Material Contracts – Investment Management Agreement” to this Circular; or</li> <li>(c) the date on which the Company’s Funds have been fully invested in or are committed or allocated to Investments or expenses of the Company; or</li> <li>(d) the date on which applicable laws or regulations make it necessary to terminate the Investment Period; or</li> <li>(e) such date as may be recommended by the Board and approved by Shareholders in a general meeting by Special Resolution;</li> </ul>
“Investment Platform”	means one of the Group’s separate invested strategies, currently Platmin Group Metals, Steel Making Materials, Coloured Gemstones and Fabergé;
“Investment Scope”	means the investment scope of the Company as set out in paragraph 2.2 of the Revised Listing Particulars;

“Investment Term”	means the period which commenced on the Initial Closing Date and ends on the Termination Date;
“Investment Vehicle”	means a body corporate or other entity in which the Company holds, directly or indirectly through associated entities, together with any Pallinghurst Co-Investor, on a case-by-case basis, an Investment;
“Ivy Lane”	means Pallinghurst Ivy Lane Capital Limited (formerly Ivy Lane Capital Limited) registration number 6925 C1/GBL, a private company limited by shares incorporated in the Republic of Mauritius;
“JSE”	means the JSE Limited (registration number 2005/022939/06), a public company duly registered and incorporated with limited liability in accordance with the company laws of South Africa and licensed as an exchange under the Securities Services Act;
“JSE Shareholders”	means Shareholders registered on the South African Register and whose Shares are listed on the JSE;
“Jupiter”	means Jupiter Mines Limited, a public company duly registered and incorporated in accordance with the laws of Australia and whose shares are listed on the ASX;
“Key Man Event”	means: <ul style="list-style-type: none"> <li>(a) Brian Gilbertson or any two of the other Key Men failing to devote substantially all of his/their professional time to the business and affairs of the Programme; or</li> <li>(b) the death or permanent disability of Brian Gilbertson or any two of the other Key Men; or</li> <li>(c) Brian Gilbertson or any two of the other Key Men, ceasing to be a Partner(s) of the Investment Manager; or</li> <li>(d) Cause exists with respect to one or more Key Men;</li> </ul>
“Key Men”	means each of Brian Gilbertson, Arne H. Frandsen, Sean Gilbertson, Priyank Thapliyal and any person approved as a Key Man in accordance with the terms of the Investment Management Agreement;
“Last Practicable Date”	means the last practicable date for information to be obtained prior to the finalisation of this Circular, being Monday, 4 June 2012;
“Letters of Allocation”	means the renounceable (nil paid) letters of allocation to be issued by the Company in electronic form to each Shareholder conferring the right to subscribe for Rights Offer Shares under the terms of the Rights Offer;
“Listings Requirements”	means the listings requirements of the JSE;
“LSE”	means the London Stock Exchange plc;
“Magazynskraal”	means the PGM project on Magazynskraal 3, Registration Division J.Q., North West Province, South Africa;
“Mailed” or “Mailing”	unless the context otherwise requires, shall mean the mailing by way of registered post;
“Management Shares”	means non-redeemable shares in the Company with a par value of US\$1.00 each in the share capital of the Company;
“Mindax”	means Mindax Limited, a public company duly registered and incorporated in accordance with the laws of Australia and whose shares are listed on the ASX;
“Moepi Group”	means Moepi Group (Proprietary) Limited (Registration Number 2001/024438/07), a private company duly registered and incorporated in accordance with the company laws of South Africa;
“Moepi Group of companies”	means Moepi Group, including its subsidiaries and its associates and joint ventures;
“NAV”	means net asset value;

“Ordinary Resolution”	means a resolution, taken in accordance with the Articles of Incorporation, passed by a simple majority of Shareholders, present in person or by proxy and voting at the meeting, convened with the proper notice of the meeting having been provided to the Shareholders;
“Pallinguurst” or the “Company”	means Pallinguurst Resources Limited, an authorised closed-ended investment company duly registered and incorporated in accordance with Guernsey law (registration number 47656), and registered as an external company in South Africa (registration number 2009/012636/10), and whose Shares are listed on the JSE and BSX;
“Pallinguurst Co-Investor(s)”	means any one of a number of other investors with which the Group is affiliated, who typically share the same Investment Manager. The Group usually makes investments alongside the other Pallinguurst Co-Investors, although it may also act alone. The Pallinguurst Co-Investors collectively have the ability to control all of the investments in the Group’s portfolio of investments (the “Investment Portfolio”); they cooperate to achieve the strategic objectives recommended by the Investment Manager;
“Partners of the Investment Manager”	means the partners of the Investment Manager, being Brian Gilbertson, Arne H. Frandsen, Sean Gilbertson, Priyank Thapliyal and Andrew Willis;
“Performance Incentive”	means the benefit attributable to the Investment Manager or an associated entity, as set out in the section headed “Expenses, Fees and Investment Manager’s Benefits” of Annexure VI to this Circular;
“Person”	means any individual, body corporate or corporation, limited liability company, partnership, limited partnership, limited liability partnership, trust or other legal entity;
“PGMs”	means platinum group metals including platinum, palladium, rhodium, ruthenium, iridium and osmium and the metals and minerals having a mineralogical association therewith, including gold, copper, nickel and cobalt;
“PGM Properties”	means collectively Magazynskraal, PPM and Sedibelo;
“Platmin”	means Platmin Limited, a limited liability company duly incorporated in Guernsey (registration number 54400);
“Platmin SA”	means Platmin South Africa (Proprietary) Limited (registration number 2000/002572/07), a private company duly registered and incorporated in accordance with the company laws of South Africa and previously known as Boynton Investments (Proprietary) Limited;
“PPM”	means Pilanesberg Platinum Mines (Proprietary) Limited (registration number 2002/015572/07), a private company duly registered and incorporated in accordance with the company laws of South Africa;
“Pre-listing Statement”	means the pre-listing statement of the Company dated 13 August 2008;
“Pre-placement”	means the pre-placement of Rights Offer Shares to Pre-placement Participants under the terms of the Subscription Agreements and “Pre-placed” shall have a corresponding meaning;
“Pre-placement Fee(s)”	means the amounts payable by the Company to the Pre-placement Participants in consideration for them each agreeing to subscribe for the Firm Placed Rights Offer Shares per the terms of the Subscription Agreements, being 3% (three percent) of each of the amounts payable by the Pre-placement Participants for the Firm Placed Rights Offer Shares, as detailed in paragraph 5.2 of the Circular;
“Pre-placement Participants”	means existing Shareholders (or their nominees as the case may be) who have entered into a Subscription Agreement(s) with the Company pursuant to the Pre-placement whereby they have subscribed for Firm Placed Rights Offer Shares;
“Programme”	means the investment programme, managed by the Investment Manager whereby Investments falling within the Investment Scope are offered to the Company and to the Pallinguurst Co-Investors, on a case-by-case basis;



“Rand” or “ZAR”	means South African Rands, the lawful currency of South Africa;
“Realisation”	<p>means the occurrence of any of the following events in relation to an Investment:</p> <ul style="list-style-type: none"> <li>(a) the receipt of consideration and distribution in cash or the receipt of consideration and distribution <i>in specie</i> of any securities of a capital nature; or</li> <li>(b) the unconditional completion of an agreement for the sale of the whole, or any part, of an Investment (save that where the consideration for such sale is wholly comprised of securities of a company or, where the consideration for such sale is comprised partly of securities of a company and partly of cash, in relation to that part of the consideration comprised of securities, there shall be no Realisation for the purposes of this sub-paragraph (b)); or</li> <li>(c) the receipt of any deferred consideration (other than that of an income nature) or the release of a provision in either case arising from a previous Realisation of the whole, or any part, of an Investment; or</li> <li>(d) the redemption of any securities of a company which is the subject of an Investment (other than any redemption of such securities which is made solely in connection with any other event constituting a Realisation); or</li> <li>(e) the winding up or dissolution of any entity in which an Investment is held;</li> </ul> <p>and “Realised” shall be interpreted accordingly;</p>
“Record Date”	means close of business on Friday, 29 June 2012, being the last day for Shareholders to be recorded in the Registers in order to be entitled to participate in the Rights Offer;
“Redemption Date”	means the date of compulsory redemption of the Shares, being the date one calendar month after the Termination Date, subject to all Investments having been liquidated and/or Distributed;
“Registers”	means, collectively, the South African Register and the BSX Register;
“Remaining Shareholders”	means those Shareholders that are not Pre-placement Participants;
“Renounced Rights Offer Shares”	means the portion(s) of Rights Offer Entitlements to which Shareholders are entitled to but which are not taken up by Shareholders;
“Revised Listing Particulars”	means the revised listing particulars of the Company, set out in Annexure VI of this Circular and all appendices thereto;
“Right”	means the renounceable right to subscribe for Rights Offer Shares under the terms of the Rights Offer;
“Rights Offer”	means the renounceable rights offer by the Company to raise gross proceeds of ZAR800 million, through issuing the Rights Offer Shares at the Rights Offer Price, to be extended to Shareholders in the ratio of 75.06094 Rights Offer Shares for every 100 Shares held on the Record Date and including the subscription and issue of the Firm Placed Rights Offer Shares in terms of the Pre-placement;
“Rights Offer Entitlement”	means a Shareholder’s <i>pro rata</i> entitlement to participate in the Rights Offer as reflected in its Letter of Allocation;
“Rights Offer Price”	means the subscription price of ZAR2.24 per Rights Offer Share;
“Rights Offer Shares”	means 357,142,857 Shares under the terms of the Rights Offer;
“Securities Services Act”	means the Securities Services Act, 2004 (Act 36 of 2004) of South Africa;
“Sedibelo”	means, collectively, the PGM properties held by Itereleng Bakgatla Minerals Resources (Proprietary) Limited, situated in the Pilanesberg Alkaline Complex on the Western Limb of the BC, namely: the farm Koedoesfontein 42, Registration Division JQ; the farm Legkraal 45, Registration Division JQ; Portion 1 of the farm Rooderand 46, Registration Division JQ; and the farm Wilgerspruit 2, Registration Division JQ;
“SENS”	means the Securities Exchange News Service of the JSE;
“Shareholders”	means the registered holders of Shares, recorded in the Registers as such on the Record Date;

“Shares”	means ordinary shares in the Company with a par value of US\$0.00001 each;
“South Africa”	means the Republic of South Africa;
“South African Register”	means the register of Shareholders whose Shares are listed on the JSE and which register is maintained by the South African Transfer Secretaries;
“South African Transfer Secretaries”	means Computershare Investor Services (Proprietary) Limited (registration number 2004/003647/07), a private company duly registered and incorporated in accordance with the laws of South Africa;
“Special Resolution”	means a resolution taken in accordance with the Articles of Incorporation, passed by a majority of not less than three-quarters of the votes of the Shareholders, present in person or by proxy and voting at the meeting, convened with the proper notice of the meeting having been provided to Shareholders;
“Steel Making Materials”	means one of the Company’s investment strategies, which is to develop a platform to supply the key raw materials (in particular manganese, iron ore and coking coal) required for the production of steel;
“Strate System”	means the clearing, custody and settlement environment system for securities transactions to be settled and for the transfer of ownership to be recorded electronically, as managed by Strate;
“Subscription Agreements”	means agreements entered into between the Company and the Pre-placement Participants, under the terms of which Pre-placement Participants have subscribed and paid for Firm Placed Rights Offer Shares;
“Temporary Investments”	means any Investment which is Realised, in whole or in part, within 12 months of its acquisition by the Company (and for these purposes the date of acquisition will be the date on which the Investment is legally or beneficially transferred and held for the account of the Company), which shall include, but shall not be limited to, Underwritten Investments (provided that the syndication of such Underwritten Investments occurs within 12 months of such Investment being made);
“Termination Date”	<p>means:</p> <ul style="list-style-type: none"> <li>(a) the 10<sup>th</sup> anniversary of the Initial Closing Date; or</li> <li>(b) the 11<sup>th</sup> anniversary of the Initial Closing Date; or</li> <li>(c) the 12<sup>th</sup> anniversary of the Initial Closing Date,</li> </ul> <p>as the case may be, pursuant to the applicable resolution, if required, being passed by the requisite majority of Shareholders in a general meeting as described set out in the section headed “Sale Arrangements and Redemptions” of Annexure VI to this Circular;</p>
“TSX”	means the Toronto Stock Exchange;
“Transaction Receipts”	<p>means any of the following which are received by the Investment Manager:</p> <ul style="list-style-type: none"> <li>(a) all advisory, agency fees and monitoring fees payable by an Investment Vehicle which are directly referable to the Company’s Investment in such Investment Vehicle;</li> <li>(b) all break fees payable in connection with a potential Investment which does not proceed to completion;</li> <li>(c) all underwriting fees payable in connection with the underwriting of Underwritten Investments; and</li> <li>(d) all other fees, commissions and amounts including arrangement fees and exit fees which are directly referable to the Company’s Investment in an Investment Vehicle,</li> </ul> <p>provided that all directors’ fees and benefits payable in connection with the appointment of a nominated director or reimbursement of costs related to an Investment Vehicle paid by the Investment Manager shall not be deemed Transaction Receipts and may be retained in full by the Investment Manager;</p>
“Transfer Secretaries”	means collectively the Administrator and the South African Transfer Secretaries;

“Trust”	means The Pallinghurst (Guernsey) Charitable Trust, a trust created to facilitate the purchase and sale of Shares in the Company;
“Tshipi”	means Tshipi é Ntle Manganese Mining (Proprietary) Limited (registration number 2008/003117/07), a private company duly registered and incorporated in accordance with the laws of South Africa;
“Unrealised Investment(s)”	means any Investment which has not been the subject of a Realisation or the unrealised portion of a partial Realisation of an Investment;
“US\$”	means United States Dollars, the lawful currency of the United States of America;
“Valuation Guidelines”	means the Valuation Guidelines issued by the IPEVC in September 2009, effective from 1 July 2009, and most recently endorsed as of 31 January 2011, which have replaced all previously issued IPEVC valuation guidelines and as may be amended, supplemented or replaced from time to time;
“VAT”	means South African value-added tax, levied in terms of the Value-Added Tax Act (Act 89 of 1991), as amended; and
“VWAP”	means Volume Weighted Average Price.



## PALLINGHURST

**PALLINGHURST RESOURCES LIMITED**  
**(Previously Pallinghurst Resources (Guernsey) Limited)**

(Incorporated in Guernsey)

(Guernsey registration number 47656)

(South African external company registration number 2009/012636/10)

Share code on the BSX: PALLRES

ISIN: GG00B27Y8Z93

Share code on the JSE: PGL

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## CIRCULAR TO SHAREHOLDERS

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### 1. INTRODUCTION

Since the Company's successful Initial Public Offering in September 2007, the Investment Manager has targeted so-called "unloved assets"; those with significant unrealised value and growth potential. Such investments are typically overlooked and undervalued for a number of different reasons such as the particular sector losing favour with investors, lack of strategic direction, financial hardship or poor performance of the management team or board of directors. Upon acquisition, the Investment Manager actively manages the investment, setting a new vision, focus and strategic direction for these investments, as well as providing managerial, financial and operational support. Through this active and hands-on approach, the Investment Manager aims to transform the investments into attractive and valuable assets, with the aim of realising the asset at the appropriate time to deliver superior returns.

Since the IPO, the Investment Manager has consistently underlined that it allows for a ten year investment horizon for each investment, which provides the necessary time to implement fundamental transformations of the investments and to unlock their full value potential. Typically, the first five years are used to establish and implement the revised strategic plans, and the second five year period is used to optimise the exit value. In order to maximise returns, it is important that sufficient flexibility be built into the timing of the exit.

Although the Company's four Investment Platforms are currently at different stages of development, they are all well positioned and on track to achieve the strategic objectives set by the Investment Manager at the time of the initial investment. The Coloured Gemstones and Platinum Group Metals are the two platforms most advanced in their development, with many of their original strategic goals already met. Each has become increasingly attractive as an investment proposition, evidenced by the more than ten-fold increase in the Gemfields' share price over the past few years, as well as the impending consolidation of the Platinum Group Metals interests and the ZAR3.24 billion investment therein by the Industrial Development Corporation of South Africa. Even as these two Investment Platforms are poised to enter the "harvesting period", the Investment Manager believes that there remains further valuation upside to be achieved and suitable market conditions to be prevailing, before an exit should be contemplated.

In the interim, the next phase of development for these Investment Platforms will likely be made from their existing cash reserves and accordingly it is not expected that they will require further funding from the Company.

Fabergé has built on its successful relaunch in September 2009, unveiling a number of fine jewellery collections and expanding its retail presence across the globe to include Geneva, London, New York and Hong Kong. In order to fund this expansion phase and enable further implementation of its value-creating strategy, Fabergé is undertaking a capital raising, which may take the form of equity or debt. The Company has allocated US\$25-30 million (ZAR202-243 million)<sup>1</sup> of the Rights Offer proceeds as the Company's participation in the Fabergé capital raising.

The Company's Steel Making Materials platform is also to be expanded further, both within the existing Jupiter investment and potentially into a coal opportunity. A further US\$25-35 million (ZAR202-283 million)<sup>1</sup> has been allocated as the Company's participation in the ongoing support of the Steel Making Materials Investment Platform.

As the original portfolio enters the mature stage, the management time commitment to those platforms is likely to be reduced. This will free up management resources allowing focus on new areas of growth and shareholder value creation. The Investment Manager therefore intends to actively pursue a number of attractive new investment opportunities it has identified. This is likely to include a copper investment, which if successfully completed will form the base for a fifth Investment Platform. For this purpose, the Company has allocated US\$40-50 million (ZAR324-404 million)<sup>1</sup> of the Rights Offer proceeds.

As a principle, the Company only raises capital when there is specific use for the funds, such as participating in identified new investment opportunities, or in order to support its existing Investment Platforms, such as Fabergé and Steel Making Materials. It is of particular importance that the Company continue to follow its rights in its four existing Investment Platforms in order to protect its investment value, avoid value destructive dilution and support the development of its strategic plan. Accordingly, the Directors believe that it is the right time, and in the best interests of the Company and its shareholders, to raise additional funds for the Company.

Whilst the merits of debt and equity funding have been evaluated, given the current volatile market conditions as well as the developing nature of the Company's Investment Portfolio, the Directors do not consider the introduction of debt funding a viable or appropriate option for the Company at this time. Accordingly, the Directors believe that the best course of action to meet the Company's current needs and strategic objectives is to raise incremental equity capital, and therefore have approved the Rights Offer.

The Rights Offer seeks to raise ZAR800 million through the issue of up to 357,142,857 Rights Offer Shares at the Rights Offer Price of ZAR2.24 per Rights Offer Share in the Rights Offer Ratio of 75.06094 Rights Offer Shares for every 100 Shares held on the Record Date.

This Circular and the accompanying Forms of Instruction (if applicable) serve to:

- provide Shareholders with information pertaining to the Rights Offer; and
- enable Shareholders to take up, dispose of and/or renounce all or part of their Rights as well as apply for Excess Rights Offer Shares under the terms of the Rights Offer in accordance with the Act

(to the extent applicable), Guernsey Law, the Company's Articles of Incorporation and the Listings Requirements.

The Forms of Instruction contain details of the Rights to which Certificated JSE Shareholders and BSX Shareholders, as the case may be, are entitled, as well as the procedures for the take-up, disposal or renunciation of such Rights and/or the application for Excess Rights Offer Shares. Dematerialised JSE Shareholders will be advised by their broker or CSDP of their Rights Offer Entitlement as well as the procedure for the take-up, disposal or renunciation of such Rights and/or the application for Excess Rights Offer Shares.

<sup>1</sup> The ZAR amounts indicated may fluctuate as a result of the exchange rate used. The ZAR amounts above have been calculated using an exchange rate of US\$1:ZAR8.09, the rate at 31 December 2011.

## **2. SUCCESSFULLY COMPLETED PRE-PLACEMENT**

In order to ensure the success of the Rights Offer and to enable participation in the current Fabergé capital raising, the Company has concluded the Pre-placement with existing shareholders in advance of the Rights Offer, whereby the Pre-placement Participants, under the terms of the Subscription Agreements subscribed for 187,647,650 Rights Offer Shares at the Rights Offer Price, for an aggregate consideration of approximately ZAR420.33 million, representing 52.54% of the total Rights Offer Shares available in the Rights Offer. The proceeds of the Pre-placement have been received by the Company and the Firm Placed Rights Offer Shares shall be issued to Pre-placement Participants on Monday, 23 July 2012. In consideration for the Pre-placement Participants subscribing for the Firm Placed Rights Offer Shares, each Pre-placement Participant was paid the Pre-placement Fee. Please refer to paragraph 5.2 of the Circular for further details.

Accordingly, over half of the ZAR800 million sought to be raised in the Rights Offer has already been received by the Company from existing shareholders, indicating a firm support for the strategic direction of the Company as well as the Rights Issue. The Pre-placement will enable the Group to participate in the capital raising of its Fabergé investment. In addition, the Directors of the Company and Partners of the Investment Manager have indicated that they will subscribe for their collective 4.71% *pro rata* entitlement of the Rights Issue, increasing the firm commitments to the Rights Issue to 57.25%.

## **3. RIGHTS OFFER**

In accordance with the Articles of Incorporation, the Company undertook to implement the Rights Offer to each Shareholder, on the same terms and conditions. Furthermore, whilst no rights of pre-emption exist, the Company undertook to implement the Rights Offer by providing each Shareholder with a Rights Offer Entitlement.

The Rights Offer will be implemented on the JSE and in Rand only and will be made to all Shareholders who, for the avoidance of doubt, will include BSX Shareholders who will be able to participate in the Rights Offer in the same manner as JSE Shareholders.

Shareholders are entitled to take up such number of Rights Offer Shares equal to their Rights Offer Entitlement. Accordingly, all Shareholders will be afforded the opportunity to participate in the Rights Offer, with all Rights Offer Shares issued pursuant to the Rights Offer being listed on the JSE.

The section headed “Action required by Shareholders” sets out the action to be taken by Shareholders in relation to the Rights Offer. In addition, BSX Shareholders and Certificated JSE Shareholders are referred to the Form of Instruction which details the procedures for the take-up, disposal or the renunciation of Rights and/or the application for Excess Rights Offer Shares. Dematerialised JSE Shareholders will be advised by their broker or CSDP of the Rights to which they are entitled as well as the procedure for the take-up, disposal or renunciation of such Rights.

#### **4. RATIONALE FOR THE RIGHTS OFFER**

The Directors believe that it is the right time to raise additional equity capital for the Company. This will enable the Company to support its investments in the existing Investment Platforms, but also to potentially create significant shareholder value by participating in new investment opportunities.

Fabergé has made significant progress since the Company made its first investment in 2007. Despite the short period since Fabergé’s relaunch in September 2009, it has already achieved a number of key milestones. Fabergé continued its introduction of high quality collections with a number of critically acclaimed launches during 2011, with more planned for the second half of 2012. Fabergé’s retail presence has expanded to include Geneva, London, New York and Hong Kong. Fabergé has been successfully repositioned in the upper echelon of the luxury sector and now has an expanded product offering and retail footprint. Fabergé is seeking a further capital injection which will enable further development of its value-creating strategy. The Directors have allocated US\$25-30 million to participate in Fabergé’s capital raising, which may take the form of equity or debt, to protect its investment and support the next phase of development of its strategic plan.

The Company’s Steel Making Materials platform has also been in a capital intensive phase, building South Africa’s newest open pit manganese mine at Tshipi Borwa and this is expected to continue as Jupiter progresses its feasibility studies on Mount Mason and Mount Ida. The Steel Making Materials strategy is about developing a platform to supply the key raw materials required for the production of steel, in particular manganese, iron ore and coking coal. A further US\$25-35 million has been allocated as the Company’s participation to the ongoing support of the Steel Making Materials Investment Platform, which may include a new investment in one or more coal assets.

The Investment Manager has also identified a new copper investment opportunity in southern Africa, comprising both producing assets and others close to production. It is anticipated that this investment would be made in conjunction with the Pallinghurst Co-Investors, and the Group’s share is likely to be approximately US\$40-50 million.

Gemfields is now a market leader in the emerald sector and is well advanced in its strategy to become the world’s leading coloured gemstone producer. It is about to apply its successful business model to rubies, having recently acquired a world class deposit in Mozambique. Gemfields also delivered record breaking auction results during 2011, with net profit after tax for the six months to 31 December 2011 of US\$22 million, higher than the record profits of the prior full year. Gemfields is unlikely to require any further capital expenditure and the Company does not plan to allocate any of the Rights Offer proceeds to Gemfields. It is possible that Gemfields may begin to return funds to its shareholders, including the Group, in the next few years.

When making the first investment into the PGM sector, the Company did so with the aim of facilitating the consolidation of three contiguous properties, creating an attractive and valuable major new industry player. Such combined entity would benefit from a long life and low cost of production. On 29 March 2012, an important announcement confirmed the planned consolidation of the four PGM assets in which Pallinghurst has invested. It also reported the acquisition of a 16.2% stake in the consolidated vehicle (NewCo) for an investment of ZAR3.24 billion by the Industrial Development Corporation, the prominent South African sovereign investor. This is a tangible validation of our PGM vision and confirmation of the significant progress of our PGM strategy. Post the investment by the IDC, the consolidated vehicle should not require any further investment by the Company and no Rights Offer funds are planned to be allocated to the PGM strategy.

## **5. PARTICULARS OF THE PRE-PLACEMENT**

In order to ensure the success of the Rights Offer and to enable participation in the current Fabergé capital raising, the Company has concluded the Pre-placement in advance of the Rights Offer, whereby the Pre-placement Participants, under the terms of the Subscription Agreements, have subscribed for 187,647,650 Rights Offer Shares at the Rights Offer Price, for an aggregate consideration of approximately ZAR420.33 million representing 52.54% of the total Rights Offer Shares available in the Rights Offer.

Pre-placement participants will not be able to trade their Letters of Allocation. However, their Letters of Allocation will be listed on the JSE. The subscription proceeds of the Pre-placement were received by the Company on or around Wednesday 2 May 2012.

### **5.1. Mechanics of the Pre-placement**

The Pre-placement of Rights Offer Shares has been implemented as follows:

#### **5.1.1. Pre-placement Participants**

Of the 357,142,857 Rights Offer Shares to be issued under the terms of the Rights Offer, Pre-placement Participants have irrevocably subscribed and paid for 187,647,650 Firm Placed Rights Offer Shares for an aggregate consideration of ZAR420.33 million. The Firm Placed Rights Offer Shares represent, collectively, 52.54% of the total Rights Offer Shares. These proceeds were received by the Company on or around Wednesday 2 May 2012.

Details of the Pre-placement Participants in respect of Firm Placed Rights Offer Shares are set out below:



## 5.1.2. Firm Placed Rights Offer Shares

	Shares held prior to the Pre-placement	Percentage holding prior to the Pre-placement	Rights Offer Entitlement	Firm Placed Rights Offer Shares subscribed for	Shares held after the Pre-placement	Percentage Holding after the Pre-placement <sup>1</sup>
Titan Nominees (Pty) Ltd <sup>2</sup>	67,362,700	14.16%	50,563,076	59,230,452	126,593,152	15.20%
Telamon Inc <sup>2</sup>	11,547,120	2.43%	8,667,376	–	11,547,120	1.39%
Solway Finance Limited <sup>3</sup>	51,178,518	10.76%	38,415,077	19,207,539	70,386,057	8.45%
Pinetree Trust <sup>3</sup>	–	–	–	19,207,538	19,207,538	2.31%
Old Mutual Life Assurance Company SA Limited	38,383,889	8.07%	28,811,308	28,811,308	67,195,197	8.07%
Oasis Crescent Capital	26,197,093	5.51%	19,663,784	19,663,784	45,860,877	5.51%
Oasis Asset Management	24,488,890	5.15%	18,381,590	18,391,590	42,870,480	5.15%
Cadiz Asset Management (Proprietary) Limited	18,539,403	3.90%	13,915,851	13,915,851	32,455,254	3.90%
Advance Emerging Capital	12,296,126	2.58%	9,229,588	9,229,588	21,525,714	2.58%
	249,993,739	52.54%	187,647,650	187,647,650	437,641,389	52.54%

<sup>1</sup> Based on 832,946,717 Shares in issue post the implementation of the Rights Offer on the basis of all the Rights Offer Shares being taken up.

<sup>2</sup> As permitted under the terms of the Rights Offer, Telamon has nominated Titan as an alternative subscriber for its 8,667,376 Firm Placed Rights Offer Shares.

<sup>3</sup> As permitted under the terms of the Rights Offer, Solway Finance Limited has nominated Pinetree Trust as an alternative subscriber for 19,207,538 of its Firm Placed Rights Offer Shares.

## 5.2. Pre-placement Fees

**5.2.1.** In consideration for the Pre-placement Participants subscribing for the Firm Placed Rights Offer Shares, the Pre-placement Participants have been paid Pre-placement Fees as follows:

Pre-placement Participant	Pre-placement Fee ZAR
Titan Nominees (Pty) Ltd	3,980,287
Solway Finance Limited	1,290,747
Pinetree Trust	1,290,747
Old Mutual Life Assurance Company SA Limited	1,936,119
Oasis Crescent Capital	1,321,406
Oasis Asset Management	1,235,242
Cadiz Asset Management (Proprietary) Limited	935,145
Advance Emerging Capital	620,229
<b>Total</b>	<b>12,609,922</b>

**5.2.2.** The Pre-placement Fees were paid by way of electronic funds transfer into the bank accounts nominated in writing by the Pre-placement Participants to the Company, free of exchange and bank commission, and free of set-off or any other withholding or deduction of whatsoever nature and for whatsoever reason and free of any levies, surcharge, sales tax, value-added tax, withholding tax or any other taxes, duties or imposts levied from time to time.

## 6. PARTICULARS OF THE RIGHTS OFFER

### 6.1. Terms of the Rights Offer

The Company hereby offers, on the terms and conditions set out in this Circular, to Shareholders recorded in the Registers on the Record Date, a total of 357,142,857 Rights Offer Shares, at the Rights Offer Price of ZAR2.24 per Rights Offer Share, payable in full on acceptance in Rand, in the ratio of 75.06094 Rights Offer Share for every 100 Shares held on the Record Date. Shareholders holding fewer than 100 Shares will receive Rights Offer Entitlements in accordance with the table of entitlements set out in Annexure V to this Circular. The Rights Offer Price represents a 25% discount to the 10-day VWAP of a Share listed on the JSE on 29 March 2012, the day on which the Rights Offer Price was determined.

Under the terms of the Rights Offer, Shareholders will not be allocated a fraction of a Rights Offer Share. Any Rights Offer Entitlement to receive a fraction of a Rights Offer Share shall be rounded up or down in accordance with the principles set out in paragraph 6.8 of this Circular.

Excess applications will be permitted in terms of the Rights Offer on the basis set out in paragraph 6.5 of this Circular.

Certificated JSE Shareholders and BSX Shareholders will have their Rights Offer Entitlements credited to an account in electronic form by Computershare Nominees (Proprietary) Limited to be administered by them on the Certificated JSE Shareholders' or BSX Shareholders' behalf. The enclosed Form of Instruction reflects the Rights Offer Entitlement that the Certificated JSE Shareholder and/or BSX Shareholder concerned is entitled. The procedures which Certificated JSE Shareholders and BSX Shareholders should follow for the take up, disposal or renunciation of their Rights Offer Entitlement is reflected in the Form of Instruction.

Dematerialised JSE Shareholders will have their Rights Offer Entitlement credited to their account by their broker or CSDP in electronic form. The broker or CSDP will advise Dematerialised JSE Shareholders of the procedure they need to follow for the take up, disposal or renunciation of their Rights Offer Entitlement in accordance with the custody agreement concluded between the broker or CSDP and the Shareholder concerned.

Rights Offer Shares will, when issued, rank *pari passu* with the existing Shares and will be fully paid up and freely transferable.

Each Shareholder shall receive a Letter of Allocation in terms of which Shareholders shall have the right to take up their Rights Offer Entitlement. The Letters of Allocation issued to Remaining Shareholders shall be issued in Dematerialised form and shall be negotiable, and tradable electronically on the JSE once listed on the JSE on Monday, 25 June 2012. The Letters of Allocation issued to Pre-placement Participants shall be issued in Dematerialised form; however, Pre-placement Participants shall not be entitled to trade their Letters of Allocation.

For the purposes of the Rights Offer being extended to BSX Shareholders and Certificated JSE Shareholders, an electronic record will be maintained by Computershare Nominees (Proprietary) Limited, a wholly owned subsidiary of Computershare Custodial Services Limited. This arrangement

has made it possible for BSX Shareholders and Certificated JSE Shareholders to be afforded the same rights and opportunities as Dematerialised JSE Shareholders.

Rights Offer Shares will not be capable of being traded on the JSE before the listing thereof.

## **6.2. Opening and closing dates of the Rights Offer**

The Rights Offer will open at 09h00 on Monday, 2 July 2012 and close at 12h00 on Friday, 20 July 2012.

## **6.3. Procedure for the take-up of Rights Offer Shares**

Full details of the procedure for take-up and payment by BSX Shareholders and Certificated JSE Shareholders are contained in the Forms of Instruction or in the case of Dematerialised JSE Shareholders as advised by their broker or CSDP.

It should be noted that:

- 6.3.1.** acceptances of the Rights Offer are irrevocable and may not be withdrawn;
- 6.3.2.** Shareholders may accept a lesser number of Shares than their full Rights Offer Entitlement and applications for Excess Rights Offer Shares will be allowed in accordance with paragraph 6.5 on page 38 hereafter;

### **Certificated JSE Shareholders**

- 6.3.3.** Certificated JSE Shareholders may only take up their Rights Offer Entitlement by means of a Form of Instruction. Certificated JSE Shareholders who wish to take up only a portion of their Rights Offer Entitlement must complete the relevant section of the Form of Instruction in relation to that portion of the Rights Offer Entitlement taken up;
- 6.3.4.** a properly completed Form of Instruction together with a cheque (crossed “not transferable” and with the words “or bearer” deleted) or bankers’ drafts (drawn on a registered bank in South Africa) denominated in Rand, in payment for the Rights Offer Shares being taken up must be received by the South African Transfer Secretaries at one of the addresses referred to in paragraph 6.6 on page 39 hereafter by no later than 12h00 on the Closing Date. Certificated JSE Shareholders are advised to take into consideration postal delivery times when posting their Form of Instruction. Each cheque or bankers’ draft will be deposited immediately for collection;
- 6.3.5.** payment in compliance with paragraph 6.6 on page 39 hereafter will, once the cheque or bankers’ draft has been cleared for payment, constitute an irrevocable acceptance of the Rights Offer upon the terms and conditions set out in this Circular and in the Form of Instruction. Should any cheque or bankers’ draft be dishonoured, the Company, in its sole discretion, may treat the acceptance of the Form of Instruction by the acceptor concerned as void;
- 6.3.6.** if any Form of Instruction and cheque or bankers’ draft is not received as set out above, then the application for Rights Offer Shares will be deemed to have been declined by the

Shareholder and the Rights Offer Entitlement of the addressee or the renunciation thereof in respect of such Form of Instruction, will be deemed to have lapsed, regardless of who holds it;

#### **Dematerialised JSE Shareholders**

- 6.3.7.** Dematerialised JSE Shareholders should act in accordance with the instructions received from their broker or CSDP.

#### **BSX Shareholders**

- 6.3.8.** BSX Shareholders may only take up their Rights Offer Entitlement by means of a Form of Instruction. BSX Shareholders who wish to take up only a portion of their Rights Offer Entitlement must complete the relevant section of the Form of Instruction in relation to that portion of the Rights Offer Entitlement taken up;
- 6.3.9.** a properly completed Form of Instruction together with a cheque (crossed “non-transferable” and with the words “or bearer” deleted) or bankers’ drafts (drawn on a registered bank in South Africa) or valid EFT swift number (duly certified by a registered bank) denominated in Rand, in payment for the Rights Offer Shares being taken up, must be received by the South African Transfer Secretaries at one of the addresses referred to in paragraph 6.6 on page 39 hereafter by no later than 12h00 on the Closing Date. BSX Shareholders are advised to take into consideration postal delivery times when posting their Form of Instruction. Each cheque or bankers’ draft will be deposited immediately for collection;
- 6.3.10.** payment in compliance with paragraph 6.6 on page 39 hereafter will, once the cheque or bankers’ draft has been cleared for payment or the EFT has reflected in the Company’s bank account, constitute an irrevocable acceptance of the Rights Offer upon the terms and conditions set out in this Circular and in the Form of Instruction. Should any cheque or bankers’ draft be dishonoured, the Company, in its sole discretion, may treat the acceptance of the Form of Instruction by the acceptor concerned as void;
- 6.3.11.** if any Form of Instruction, cheque, bankers’ draft or EFT is not received as set out above, then the application for Rights Offer Shares will be deemed to have been declined by the Shareholder and the Rights Offer Entitlement of the addressee or the renunciation thereof in respect of such Form of Instruction will be deemed to have lapsed, regardless of who holds it;
- 6.3.12.** acceptances by BSX Shareholders may only be made subject to Exchange Control Regulations as outlined in paragraph 6.9 on page 40 hereafter; and

### **6.4. Renunciation or disposal of Rights**

#### **6.4.1. Certificated JSE Shareholders**

Certificated JSE Shareholders not wishing to take up all or part of their Rights Offer Entitlement as reflected in the Form of Instruction may dispose of or renounce their Rights.

Certificated JSE Shareholders who wish to dispose of all or part of their Rights Offer Entitlement as reflected in the Form of Instruction, must complete the relevant section of the Form of Instruction and return it to the South African Transfer Secretaries in accordance with the instructions set out therein to be received by not later than 12h00 on Friday, 13 July 2012. Computershare Nominees (Proprietary) Limited will endeavour to procure the disposal, on an equitable basis, of such Rights on the JSE on behalf of such Certificated JSE Shareholders and will, subject to the Exchange Control Regulations outlined in paragraph 6.9 on page 40 hereafter, remit the proceeds in accordance with the payment instructions reflected in the Form of Instruction, net of brokerage charges and associated expenses. None of Computershare Nominees (Proprietary) Limited, the South African Transfer Secretaries, any broker appointed by them or the Company will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising out of the timing of such disposals, the price obtained or any failure to dispose of such Rights. References in this paragraph to a Certificated JSE Shareholder shall include references to the Person(s) executing the Form of Instruction, and any Person(s) on whose behalf such Person(s) executing the Form of Instruction is/are acting. In the event of more than one Person executing the Form of Instruction, the provisions of this paragraph shall apply to them jointly and severally.

Certificated JSE Shareholders who do not wish to dispose of all or part of their Rights as set out in the Form of Instruction and who do not wish to take up Rights Offer Shares but who wish to renounce their Rights, must complete the relevant section of the Form of Instruction and return it to the South African Transfer Secretaries in accordance with the instructions contained therein so as to be received by 12h00 on Friday, 20 July 2012.

#### **6.4.2. Dematerialised JSE Shareholders**

Dematerialised JSE Shareholders should act in accordance with the instructions received from their broker or CSDP.

#### **6.4.3. BSX Shareholders**

Instructions for the disposal of Rights by BSX Shareholders may only be made by means of the Form of Instruction, and subject to the Exchange Control Regulations outlined in paragraph 6.9 on page 40 hereafter, which Form of Instruction should reach the South African Transfer Secretaries by no later than 12h00 on Friday, 13 July 2012.

Computershare Nominees (Proprietary) Limited will endeavour to procure the disposal, on an equitable basis, of the Rights on the JSE on behalf of such BSX Shareholders and will, subject to the Exchange Control Regulations outlined in paragraph 6.9 on page 40 hereafter, remit the proceeds in accordance with the payment instructions reflected in the Form of Instruction, net of brokerage charges and associated expenses. None of Computershare Nominees (Proprietary) Limited, the South African Transfer Secretaries, any broker appointed by them or the Company will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising out of the timing of such disposals, the price obtained or any failure to dispose of such Rights. References in this paragraph to

a BSX Shareholder include references to the Person(s) executing the Form of Instruction, and any Person(s) on whose behalf such Person(s) executing the Form of Instruction is/are acting. In the event of more than one Person executing the Form of Instruction, the provisions of this paragraph shall apply to them jointly and severally.

BSX Shareholders who do not wish to dispose of all or part of their Rights as reflected in the Form of Instruction and who do not wish to take up the Rights Offer Shares offered in terms of the Form of Instruction but who wish to renounce their Rights, must complete the relevant section of the Form of Instruction and return it to the South African Transfer Secretaries in accordance with the instructions set out therein so as to be received by no later than 12h00 on Friday, 20 June 2012.

## **6.5. Applications for Excess Rights Offer Shares**

Excess Rights Offer Shares may be applied for by Shareholders. Rights Offer Shares not taken up during the Rights Offer will be available for allocation to Shareholders who wish to apply for Excess Rights Offer Shares.

The right to apply for Excess Rights Offer Shares is transferable on renunciation.

Dematerialised JSE Shareholders who wish to apply for Excess Rights Offer Shares should instruct their broker or CSDP in terms of the custody agreement entered into between them and their broker or CSDP, as to the number of Excess Rights Offer Shares for which they wish to apply. Certificated JSE Shareholders and BSX Shareholders who wish to subscribe for Excess Rights Offer Shares should indicate their intention in their respective Forms of Instruction.

An announcement will be released on SENS on or about Monday, 23 July 2012, stating the results of the Rights Offer and the basis of allocation of any Excess Rights Offer Shares for which application is made.

The pool of Rights Offer Shares available to meet Excess Rights Offer Share applications will be dealt with as follows:

- Rights Offer Shares available for allocation to Excess Rights Offer Share applicants will be allocated by the Directors in an equitable manner, the Directors' decision being final and binding; and
- Excess Rights Offer Shares will only be available for allocation to Excess Rights Offer Share applicants in the event of and to the extent that the number of Rights Offer Shares is greater than the aggregate of the number of Rights Offer Shares taken up by Shareholders.

Cheques and/or refunding of monies in respect of unsuccessful applications for Excess Rights Offer Shares by Certificated JSE Shareholders will be posted to the relevant applicants, at their risk, on or about Wednesday, 25 July 2012 and Dematerialised JSE Shareholders will have their accounts at their broker or CSDP credited on such date. Interest shall not be paid on monies received in respect of unsuccessful applications for Excess Rights Offer Shares received from Remaining Shareholders.

## **6.6. Payment by Shareholders and/or their renouncees**

### **6.6.1. Certificated JSE Shareholders**

A cheque (drawn on a registered bank, crossed “not transferable” and with the words “or bearer” or “or order” deleted) or bankers’ draft (drawn on a registered bank), payable to “Pallingshurst Rights Offer (JSE)”, for the total amount due, and denominated in Rand, for the Rights Offer Shares taken up together with a properly completed Form of Instruction, must be lodged by Certificated JSE Shareholders as follows:

<b>Hand deliveries to:</b>	<b>Postal deliveries (at the risk of the holder) to:</b>
Computershare Investor Services (Proprietary) Limited Ground Floor 70 Marshall Street Johannesburg 2001	Computershare Investor Services (Proprietary) Limited PO Box 61763 Marshalltown 2107

so as to reach the South African Transfer Secretaries by no later than 12h00 on the Closing Date.

### **6.6.2. Dematerialised JSE Shareholders**

CSDPs effect payment on a delivery versus payment method in respect of Dematerialised Shareholders.

Dematerialised JSE Shareholders must instruct their broker or CSDP as to the action they must take to enable the broker or CSDP to act timeously on their behalf in terms of the custody agreement entered into between the Dematerialised JSE Shareholders and the broker or CSDP.

### **6.6.3. BSX Shareholders**

A cheque (drawn on a registered bank, crossed “not transferable” and with the words “or bearer” or “or order” deleted) or bankers’ draft (drawn on a registered bank), payable to “Pallingshurst Rights Offer (BSX)”, or EFT swift reference number (duly certified by a registered bank), for the total amount due, and denominated in Rand, for the Rights Offer Shares taken up, together with a properly completed Form of Instruction, must be lodged by BSX Shareholders as follows:

<b>Hand deliveries to:</b>	<b>Postal deliveries (at the risk of the holder) to:</b>
Computershare Investor Services (Proprietary) Limited Ground Floor 70 Marshall Street Johannesburg 2001	Computershare Investor Services (Proprietary) Limited PO Box 61763 Marshalltown 2107

so as to reach the South African Transfer Secretaries by no later than 12h00 on the Closing Date.

Relevant banking details for EFT payments are provided on the Form of Instruction. All payments, whether by EFT, cheque or banker's draft **MUST** be in Rands otherwise the Form of Instruction will not be valid and no action will be taken by the South African Transfer Secretaries in respect of the accompanying Form of Instruction. All non-Rand amounts received by the South African Transfer Secretaries will be refunded to the relevant BSX Shareholder net of any applicable costs following the Closing date.

#### **6.7. Documents of Title**

All Rights Offer Shares issued pursuant to the Rights Offer will be registered on the South African Register and will be listed on the JSE.

Share certificates to be issued to Certificated Shareholders pursuant to the Rights Offer will be Mailed to Persons entitled thereto, at the risk of the Shareholders concerned, on or about Wednesday, 25 July 2012.

Certificated Shareholders recorded on the Registers receiving new Certificated Shares must note that they will not be able to trade such Certificated Shares on the JSE until such Shares have been Dematerialised.

Dematerialised Shareholders and Certificated JSE Shareholders who have elected in their Form of Instruction to receive Dematerialised Shares will have their accounts updated at their CSDP or broker in respect of the Rights Offer Shares issued to them on Monday, 23 July 2012.

BSX Shareholders will receive Dematerialised Shares on the JSE, which at their own election and acting independently from the Company or the Company's advisers, they may transfer to the BSX, subject to Exchange Control Regulations.

#### **6.8. Fractional entitlements**

Fractional entitlements to Rights Offer Shares will be rounded down to the nearest whole number if they are less than 0.5 and will be rounded up to the nearest whole number if they are equal to or greater than 0.5.

A table of Rights Offer Entitlements is set out in Annexure V to this Circular.

The Letters of Allocation, which represent the Rights of each Shareholder to participate in the Rights Offer, will each include the specific Rights Offer Entitlement relevant to that shareholder.

#### **6.9. Exchange Control Regulations relating to the Rights Offer**

The following instructions are intended as a guide only and are not comprehensive. If you are in any doubt in regard thereto, please consult your broker, banker, CSDP, accountant, attorney or other professional advisor immediately.



### **6.9.1. Exchange Control Regulations**

#### **Non-residents of the Common Monetary Area will be allowed to, using their offshore funds:**

- take up their Rights Offer Entitlement; and/or
- purchase Letters of Allocation on the JSE; and/or
- subscribe for Rights Offer Shares in respect of the Letters of Allocation purchased on the JSE; and/or
- subscribe for Excess Rights Offer Shares which they have applied for in terms of the Rights Offer,

provided payment is received either through normal banking channels from abroad or from a non-resident account.

All applications by non-residents for the above purposes must be made through an authorised dealer, in Rand. Electronic statements issued in terms of Strate and any Share certificates issued pursuant to such applications will be endorsed “non-resident”. BSX Shareholders who are non-residents (excluding former residents whose Rights Offer Entitlement is based on Shares blocked in terms of the Exchange Control Regulations) of the Common Monetary Area may elect to transfer their Rights Offer Shares to the BSX.

#### *Former residents:*

Where a Rights Offer Entitlement accrues to a former resident of the Common Monetary Area, which Rights Offer Entitlement is based on Shares blocked in terms of the Exchange Control Regulations, then such blocked funds may not be used to take up any Rights Offer Entitlement or Shares.

#### **BSX Shareholders who are residents of the Common Monetary Area:**

Where a BSX Shareholder wishes to take up Rights based on his Rights Offer Entitlement and such BSX Shareholder is a resident of the Common Monetary Area, such BSX Shareholder will be able to use funds within the Common Monetary Area to take up such Rights or legitimate offshore funds transferred through normal banking channels from abroad to do so.

Following the close of the Rights Offer and the listing of the Rights Offer Shares on the JSE, Rights Offer Shares issued pursuant to applications by BSX Shareholders using funds within the Common Monetary Area will not be transferrable by such BSX Shareholder to the BSX. However, where legitimate offshore funds are used, such BSX Shareholder may elect, acting independently from the Company or its advisers, to transfer such Rights Offer Shares to the BSX.

## 7. JSE LISTINGS

The JSE has granted separate listings for:

- the Letters of Allocation from the commencement of trade on Monday, 25 June 2012 to Friday, 13 July 2012 (both days inclusive); and
- the Rights Offer Shares to be issued pursuant to the Rights Offer from the commencement of trading on the JSE on Monday, 23 July 2012 including the Firm Placed Rights Offer Shares.

## 8. FINANCIAL EFFECTS OF THE RIGHTS OFFER

A summary of the unaudited *pro forma* financial effects of implementing the Rights Offer is set out in the table below. In this context, it has been assumed that the Rights Offer was implemented with effect from 1 January 2011 and 31 December 2011 for income statement and balance sheet purposes respectively. The Directors are responsible for the preparation of the unaudited *pro forma* financial effects. The *pro forma* financial effects set out below and the unaudited *pro forma* income statement and balance sheet of the Company (attached in Annexure II to this Circular) have been presented for illustrative purposes only and may, because of their nature, not give a fair reflection of the Company's results, financial position and changes in equity following the implementation of the Rights Offer.

	Before Rights Offer <sup>1</sup> US\$	After Rights Offer <sup>2,3</sup> US\$	Change (%)
Loss per share	(0.15)	(0.09)	40.00
Headline loss per share	(0.15)	(0.09)	40.00
NAV per share	0.77	0.55	(28.57)
Tangible NAV per share	0.77	0.55	(28.57)
Number of Shares in issue	475,803,860	832,946,717 <sup>4</sup>	75.06

### Notes:

<sup>1</sup> The figures in the "Before Rights Offer" column have been extracted without adjustment from the audited financial statements for the year ended 31 December 2011.

<sup>2</sup> Estimated transaction costs of US\$2,265,000, as set out in paragraph 24 on page 50 of this Circular have been taken into account against share premium as costs directly attributable to the issue of Shares.

<sup>3</sup> Assuming the Company raises ZAR800 million before expenses (approximately US\$98.89 million based on US\$1:ZAR8.09, the exchange rate at 31 December 2011).

<sup>4</sup> Assuming all 357,142,857 Rights Offer Shares are issued.

## 9. INFORMATION ON THE COMPANY

### 9.1. General description of the business

The Company was incorporated on 4 September 2007 as Pallinghurst Resources (Guernsey) Limited (registration number 47656), in accordance with Guernsey Law.

The company listed on the BSX on 26 September 2007. On 20 August 2008 Pallinghurst inward listed on the JSE, with the JSE becoming the Company's primary listing and the BSX listing being retained as a secondary listing. On 28 May 2009, the Company changed its name from Pallinghurst Resources (Guernsey) Limited to Pallinghurst Resources Limited. The Company was registered as an external company in South Africa (registration number 2009/012636/10) on 26 June 2009.

The Company's main objective is to carry on the business of an investment holding company in Investments falling within the Investment Scope. To achieve the Investment objectives as set out in paragraph 2.1 of the Revised Listing Particulars, the Company has appointed the Investment Manager to act in the capacity as Investment Manager to the Company on the terms set out in the Investment Management Agreement. The Investment Manager is a specialist natural resources entity that seeks to develop strategic partnerships for the Company with companies and/or other entities in order to create and unlock value for Shareholders. The Company is chaired by Brian Gilbertson, widely regarded as one of the leading figures in the natural resources industry, with a proven track-record of value creation.

The Company targets Investments in businesses that hold mines, smelters, refineries and processing plants. The preference is for Brownfields Opportunities, although Investments in other businesses or projects that present attractive development opportunities are also considered.

A detailed description of the nature and structure of the Company, including a detailed description of its existing Investment Portfolio is set out in paragraph 4 of the Revised Listing Particulars.

The Company is an authorised closed-ended investment company. As an existing closed-ended investment company, the Company is deemed to have been granted an authorisation declaration by the Guernsey Financial Services Commission in accordance with Section 8 of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended and Rule 6.02 of the Authorised Closed-ended Investment Schemes Rules 2008 on the date when the Company obtained consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinance 1959 to 1989. As an authorised closed-ended investment company, the Company is subject to continuing supervision by the Guernsey Financial Services Commission.

## **9.2. Future prospects**

Significant progress has been made in each of the Company's investments. These investments continue to promise significant value uplift through organic growth, synergistic acquisitions and/or vertical integration opportunities. The Group may also exit some of the investments in the right circumstances.

The application of the Rights Offer proceeds will further benefit the growth and development of the existing platforms and accelerate the implementation of their investment strategies as set out in paragraph 4 of the Revised Listing Particulars.

The Group has also targeted new opportunities for some of the Rights Offer proceeds. The Directors believe that these investments will produce superior returns and are complementary to the existing portfolio.

## **10. DIRECTORS' INTERESTS**

### **10.1. Directors' interests in Shares**

The Directors of the Company and Partners of the Investment Manager have confirmed that they will collectively subscribe for 16,811,953 Rights Offer Shares in the Rights Offer for an aggregate

consideration of ZAR37,658,774.72 million (US\$4,654,978.33 million (based on an exchange rate of US\$1:ZAR8.09 as at 31 December 2011)).

At the Last Practicable Date, the Directors of the Company and Partners of the Investment Manager held the following interests in Shares:

	BEFORE THE RIGHTS OFFER		AFTER THE RIGHTS OFFER		
	Number of Shares	% interest in the Company <sup>1</sup>	Rights Offer Shares subscribed for	Number of Shares	% interest in the Company <sup>2</sup>
<b>Directors</b>					
The Brian Gilbertson Discretionary Settlement <sup>3</sup>	13,858,985	2.91%	10,402,684	24,261,669	2.91%
Arne H. Frandsen <sup>4</sup>	2,425,821	0.51%	1,301,639	3,727,460	0.45%
Andrew Willis <sup>4</sup>	1,092,554	0.23%	1,339,286	2,431,840	0.29%
Martin Tolcher	—	—	—	—	—
Stuart Platt-Ransom	—	—	—	—	—
Clive Harris	250,000	0.05%	187,652	437,652	0.05%
Patricia White	—	—	—	—	—
<b>Partners of the Investment Manager</b>					
Priyank Thapliyal	2,385,190	0.50%	1,790,346	4,175,536	0.50%
Sean Gilbertson	2,385,190	0.50%	1,790,346	4,175,536	0.50%
	22,397,740	4.71%	16,811,953	39,209,693	4.71%

<sup>1</sup> Based on 475,803,860 Shares in issue subsequent to the implementation of the Rights Offer.

<sup>2</sup> Based on 832,946,717 Shares in issue following the implementation of the Rights Offer assuming that all Rights Offer Shares are taken up.

<sup>3</sup> A discretionary trust of which Brian Gilbertson is a beneficiary.

<sup>4</sup> Mr Frandsen, who currently holds 323,000 Shares on the JSE and 2,102,821 Shares on the BSX has nominated 519,205 of his Rights Offer Shares in favour of Mr Willis.

<sup>5</sup> The above table and other tables throughout this document may contain small casting errors due to rounding.

The above Directors' interests are direct and beneficial, with the exception of Brian Gilbertson whose interest is indirect and beneficial.

Other than subscribing for Rights Offer Shares in terms of the Subscription Agreements, there have been no dealings by Directors in the Shares of the Company since 31 December 2011, being the end of the preceding financial year, to the Last Practicable Date.

## 10.2. Directors' interests in transactions

Prior to the inception of the Company, in January 2007 a company owned by trusts associated with Brian Gilbertson provided 25% of the interim loan funding made available to the Approved Investment in order to conclude the acquisition of the global portfolio of trademarks, licences and associated rights relating to the Fabergé Limited brand name from Unilever plc. The Company and certain other Pallinghurst Co-Investors invested into Fabergé Limited on 14 September 2007, and the interim loan funding was subsequently repaid.

As set out in paragraph 3 headed “Directors and Senior Management” of the Revised Listing Particulars, Mr Gilbertson, Mr Frandsen and Mr Willis are all partners of the Investment Manager and Directors of the Company, and as such have an interest in the Investment Management Agreement.

Mr Platt-Ransom and Ms White are Legis directors and are, as a result, interested in the Administration Agreement. The Group’s relationship with Legis is at arm’s length.

No Director of the Company, Partner of the Investment Manager or Shareholder holding more than 10% of the issued Shares or any of their respective associates or affiliates, has had any other material beneficial interest in any material transactions of the Company since incorporation.

## 11. SHARE CAPITAL

At the Last Practicable Date, the authorised share capital, issued share capital and share premium of the Company are as follows:

	Before the Rights Offer US\$	After the Rights Offer US\$
<b>Authorised share capital</b>		
Management Shares (10 shares with a par value of US\$1.00 each)	10	10
Ordinary Shares (999,000,000 shares with a par value of US\$0.00001 each)	9,990	9,990
<b>Issued share capital</b>		
Management Shares of US\$1.00 each	2	2
Ordinary Shares of US\$0.00001 each	4,758	8,329 <sup>1</sup>
<b>Share premium</b>	300,226,258	396,844,859

<sup>1</sup> Assuming all Rights Offer Shares are issued.

The information provided in the table above represents the entire authorised and issued share capital of the Company. The Company does not hold any treasury shares.

Other than the Subscription Agreements entered into by the Company with the Pre-placement Participants, at the Last Practicable Date, there were no contracts or arrangements or proposed contracts or arrangements, whereby any option or preferential right was or is proposed to be given to any Person(s) to subscribe for any Shares in the Company or any of its subsidiaries.

## 12. DETAILS OF MAJOR SHAREHOLDERS

To the best knowledge of the Directors, the following Shareholders are directly beneficially interested in 5% or more of the Shares at the Last Practicable Date:

Name of Shareholder	Shares held before Rights Offer	Percentage held	Rights Offer Shares subscribed for in the Pre-placement	Rights Offer Shares subscribed for	Percentage held
Titan Nominees (Pty) Ltd <sup>1</sup>	67,362,700	14.16%	59,230,452	59,230,452	15.20%
Solway Finance Limited <sup>2</sup>	51,178,518	10.76%	19,207,539	19,207,539	8.45%
Old Mutual Life Assurance Company SA Limited	38,383,889	8.07%	28,811,308	28,811,308	8.07%
Hlamogolo Capital (Proprietary) Limited	29,399,375	6.18%	–	22,067,447	6.18%
Oasis Crescent Capital	26,197,093	5.51%	19,663,784	19,663,784	5.51%
Metc Metlife Main Account	24,725,744	5.20%	–	18,559,376	5.20%
Oasis Asset Management	24,488,890	5.15%	18,381,590	18,391,590	5.15%
Cadiz Asset Management (Proprietary) Limited	18,539,403	3.90%	13,915,851	13,915,851	3.90%

<sup>1</sup> As permitted under the terms of the Rights Offer, Titan Nominees (Pty) Ltd has been nominated as an alternative subscriber for 8,667,376 Firm Placed Rights Offer Shares by Telamon Inc. Furthermore, Titan Share Dealers (Pty) Ltd acquired 1,436,200 Shares after the Pre-placement was concluded. Titan Share Dealers (Pty) Ltd forms part of the same group as Titan Nominees (Pty) Ltd.

<sup>2</sup> As permitted under the terms of the Rights Offer, Solway Finance Limited has nominated Pinetree Trust as an alternative subscriber for 19,207,538 of its Firm Placed Rights Offer Shares.

### Note:

The above table is based on the following assumptions:

- All Rights Offer Shares are issued and that all shareholders not participating in the Pre-placement take up their full entitlement to Rights Offer Shares and do not acquire any Rights from other shareholders;
- 475,803,860 Shares in issue before the Rights Offer; and
- 832,946,717 Shares in issue after the Rights Offer.

Of the two Management Shares in issue, one is held by First Ovalap Limited, as nominee and trustee for Brian Gilbertson, and the other by Second Ovalap Limited as nominee and trustee for Arne H. Frandsen.

To the best knowledge of the Directors, at the Last Practicable Date, the Company does not have any controlling Shareholders.

## 13. PRO FORMA INCOME STATEMENT AND BALANCE SHEET

An unaudited *pro forma* income statement and balance sheet of the Company as at 31 December 2011, assuming the Rights Offer had been concluded on 1 January 2011 for balance sheet purposes and 31 December 2011 for income statement purposes, has been set out in Annexure II to this Circular. The independent reporting accountant's limited assurance report on the unaudited *pro forma* balance sheet and income statement has been set out in Annexure III to this Circular. The independent reporting accountant is Nexia SAB&T.

#### **14. HISTORICAL FINANCIAL INFORMATION**

Relevant historical financial information extracted from the audited annual financial statements of the Company for the financial years ended 31 December 2011, 31 December 2010 and 31 December 2009 is set out in Annexure I to this Circular.

The report of historical financial information is the responsibility of the Directors.

#### **15. TRADING HISTORY OF SHARES ON THE JSE**

The recent trading history of Shares on the JSE is set out in Annexure IV to this Circular.

#### **16. MATERIAL CONTRACTS**

Other than the material contracts set out in Appendix II to the Revised Listing Particulars, the Company and its subsidiaries did not enter into any material contracts other than in the ordinary course of business carried on or proposed to be carried on by the Company and its subsidiaries, since incorporation to the Last Practicable Date. The material contracts, the major terms of which have been set out in Appendix II to the Revised Listing Particulars, consist of the Investment Management Agreement and the Administration Agreement.

#### **17. INVESTMENT MANAGER'S BENEFIT**

In terms of the Investment Management Agreement, a summary of which is attached to this Circular as Appendix II to the Revised Listing Particulars, the Investment Manager is entitled to an Investment Manager's Benefit (as set out in paragraph 13.3 of the Revised Listing Particulars) of 1.5% per annum of the Company Funds during the Investment Period. With effect from the end of the Investment Period, the Investment Manager is entitled to an amount of 1.5% per annum of the lesser of the aggregate Acquisition Costs or fair value (as determined by the most recent valuation) of unrealised Investments of the Company during the relevant Accounting Period. Accordingly, pursuant to the implementation of the Rights Offer, the Investment Manager's Benefit will increase pursuant to the increase in Company Funds. The increase in Company Funds will also have an impact on the calculation of the Performance Incentive, which is the benefit attributable to the Investment Manager (or an associated entity) as set out in the section headed "Expenses, Fees and Investment Manager's Benefits" of Annexure VI.

#### **18. STATEMENT OF INDEBTEDNESS AND LOANS RECEIVABLE**

The Group has no material borrowings.

The Group has made a loan commitment of US\$25 million to Fabergé. The outstanding amount drawn down at 31 December 2011 was US\$22,436,091, which includes a US\$375,000 structuring fee and interest payable, calculated at three month US\$ LIBOR plus 4%. Since the year end, further amounts have been drawn down, and the outstanding balance of the loan (including the structuring fee but excluding interest) is US\$25 million.

The Group enters into loan arrangements with its investee companies from time to time. Any such loans are made to support the specific investee as may be appropriate, are made on commercial terms, and would usually not be secured on specific assets.

The Fabergé loan is not secured. Other than for interest payable, which is accrued daily, the amount of the loan has not changed as at the Last Practicable Date. Please refer to Note 11 in Annexure I for more detail. The Group has no other loans receivable.

The Directors of Fabergé are Brian Gilbertson, Arne H. Frandsen, Clive Harris, Sean Gilbertson and Claude Reininger. Fabergé's address is Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands.

## **19. LITIGATION**

The Company and its subsidiaries are not involved in any legal or arbitration proceedings, nor are the Directors of the Company aware of any proceedings, which are pending or threatened, which may have or have had, in the 12 month period preceding the Last Practicable Date, a material effect on the Group's financial position.

## **20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

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

The Group had no other significant contingent liabilities or contingent assets at the Last Practicable Date.

## **21. COMMITMENTS**

### **Fabergé loan commitment – US\$25 million fully drawn down**

The Group committed to loan Fabergé up to US\$25 million on 24 May 2010. This was subsequently amended on 27 July 2011 and the commitment can now be drawn upon by Fabergé between 1 October 2010 and 31 July 2012. Fabergé had drawn down US\$21,500,000 by 31 December 2011. Fabergé has drawn down a further US\$3,125,000 since 31 December 2011, and the Group's outstanding loan, including a structuring fee of US\$375,000 but excluding interest, is US\$25 million. The commitment has now been fully drawn down. Under the terms of the loan agreement, the loan, including structuring fee, is due for repayment by 31 August 2012.



### **Commitment to participate in Fabergé capital raising – US\$30 million**

Fabergé is undertaking a capital raising to fund its current expansion phase and enable further implementation of its value-creating strategy. Fabergé aims to raise up to US\$30 million, which may take the form of equity or debt. The Group has committed to participate in the capital raising.

No further commitments had been entered into at the Last Practicable Date.

## **22. MATERIAL CHANGES**

Other than as described herein, there have been no other material changes relating to the trading or financial position of the Group subsequent to the release of the Group's results for the year ended 31 December 2011.

### **22.1. Completion of Sedibelo transactions and IDC investment**

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

Completion of the suite of transactions was subject to various conditions, including approval for the acquisition from the South African Department of Mineral Resources ("DMR"). The suite of transactions was completed in May 2012 subsequent to the receipt of this approval. In addition, Platmin has also received the DMR approvals necessary for the completion of its acquisition of Sedibelo West.

During March 2012, the IDC agreed to invest, upon the consolidation of the PGM Properties, ZAR3.24 billion, in return for 16.2% of the consolidated entity. The IDC investment is expected to be completed during 2012. The Directors believe that the completion of the IDC's investment into the consolidated entity may have a positive effect on the Company's NAV, which it is not yet possible to quantify. Completion of the consolidation and the IDC investment are subject to various conditions.

### **22.2. Fabergé Limited loan**

During 2010, the Company provided a commitment to loan Fabergé up to US\$25 million, which could be drawn down at any point up until 31 July 2012. The amount drawn down at 31 December 2011 was US\$21,500,000. Fabergé Limited has drawn down a further US\$3,125,000 subsequent to the year end. The outstanding balance has therefore increased to US\$25 million (including structuring fee, excluding interest).

### **22.3. Jupiter**

The Jupiter share price has fallen since 31 December 2011. The estimated impact of this non-adjusting event is as follows: The Jupiter share price on 23 May 2012 was AUD0.1825 and the exchange

rate was US\$1:AUD1.0113. The fair value of the Company's investment was US\$ 54,321,016, which is US\$31,434,762 lower than the valuation of US\$85,755,778 included in the balance sheet at 31 December 2011.

#### 22.4. Gemfields

The Gemfields share price has increased since 31 December 2011. The estimated impact of this non-adjusting event is as follows: The Gemfields share price on 23 May 2012 was GBP0.3700 and the exchange rate was US\$1:GBP0.6330. The fair value of the Company's investment was US\$62,801,463, which is US\$23,365,650 higher than the valuation of US\$39,435,813 included in the balance sheet at 31 December 2011.

### 23. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors whose names are set out in the Corporate Information section on the inside cover of this Circular collectively and individually accept full responsibility for the accuracy of the information given and certify to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the Circular contains all information required by law and the Listings Requirements.

### 24. COSTS

The following costs, expenses and provisions are expected, or have been provided for in connection with the Rights Offer and will be settled out of the proceeds thereof.

Costs <sup>1</sup>	US\$ '000
Legal fees – South Africa	76
Legal fees – Guernsey	20
Investment Bank and JSE Sponsor fees	500
JSE documentation fee	5
JSE listing fees	26
Independent reporting accountant's fee	6
Pre-placement fee	1,559
Printing, publication, distribution and advertising expenses	73
<b>Total</b>	<b>2,265</b>

<sup>1</sup> Assuming an exchange rate of US\$1:ZAR8.09, the closing rate on 31 December 2011.

### 25. CONSENTS

The Investment Bank and JSE Sponsor, BSX Sponsor, legal advisors in South Africa and Guernsey, independent reporting accountant and Transfer Secretaries have consented in writing to act in the capacities stated and to their names being included in this Circular and have not withdrawn their consents prior to the publication of this Circular.

## 26. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection during normal business hours at the registered office of the Investment Bank and JSE Sponsor and at the Transfer Secretaries whose addresses are set out in the “Corporate Information” section of this Circular from 2 July 2012 to 20 July 2012:

- a signed copy of the Subscription Agreements;
- the material contracts referred to in paragraph 16 above;
- the Memorandum and Articles of Incorporation of the Company and its material subsidiaries;
- the Company’s audited annual and interim reports since incorporation;
- the independent reporting accountant’s assurance report on the unaudited *pro forma* financial effects and the *pro forma* income statement and balance sheet; and
- the letters of consent of the Investment Bank and JSE Sponsor, BSX sponsor, legal advisors in South Africa and Guernsey, Transfer Secretaries and independent reporting accountant.

By order of the Board

Director

**PALLINGHURST RESOURCES LIMITED**

5 June 2012

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### HISTORICAL FINANCIAL INFORMATION OF THE COMPANY

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#### INTRODUCTION

The following financial information has been extracted from the Company's Annual Report and Financial Statements for the year ended 31 December 2011 (the "Annual Report 2011"). The comparative information has been extracted from the Annual Report and Financial Statements for the year ended 31 December 2010 (the "Annual Report 2010") and the Annual Report and Financial Statements for the year ended 31 December 2009 (the "Annual Report 2009").

The Company's auditors Saffery Champness have audited the Annual Report 2011, the Annual Report 2010 and the Annual Report 2009. The three audit opinions were unqualified, and did not draw attention to any emphases of matter.

## CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2011

	Notes	2011 US\$	2010 US\$	2009 US\$
<b>INCOME</b>				
<b>Investment Portfolio</b>				
Unrealised fair value gains	11	14,533,179	158,296,305	60,250,731
Unrealised fair value losses	11	(150,362,622)	(22,464,899)	(7,055,936)
Unrealised foreign exchange gains	11	–	11,166,657	8,801,081
Unrealised foreign exchange losses	11	(1,395,079)	(396,482)	–
Net (loss)/gain on Platmin Note	11	(180,033)	47,062	–
Realised foreign exchange gain on Jupiter forward contract	5	429,330	–	–
Realised fair value loss on acquisition of Jupiter shares	5	(1,478,098)	–	–
Net realised gain on Tshipi Jupiter transaction		–	46,004,512	–
Net realised gain on POSCO transaction		–	7,073	–
Net realised gain on Jupiter Mindax transaction		–	–	4,616,685
		(138,453,323)	192,660,228	66,612,561
<b>Investment Portfolio revenue</b>				
Loan interest income	4	893,057	1,704,239	95,616
Structuring fee and other income	6	–	1,548,771	6,741
		893,057	3,253,010	102,357
<b>Net (losses)/gains on investments and income from operations</b>		<b>(137,560,266)</b>	<b>195,913,238</b>	<b>66,714,918</b>
<b>EXPENSES</b>				
Investment Manager's Benefit	7	(4,627,775)	(4,626,149)	(3,532,946)
Performance Incentive accrual reversal/(accrual)	7	32,512,233	(32,512,233)	–
Operating expenses	8	(773,239)	(909,035)	(1,435,571)
Net foreign exchange (losses)/gains		(3,620)	76,038	(241,956)
		27,107,599	(37,971,379)	(5,210,473)
<b>(Loss)/profit from operations</b>		<b>(110,452,667)</b>	<b>157,941,859</b>	<b>61,504,445</b>
Finance income	9	136,228	494,051	599,488
Finance costs		–	–	–
<b>Net finance income</b>		<b>136,228</b>	<b>494,051</b>	<b>599,488</b>
<b>(Loss)/profit before share in loss of associates</b>		<b>(110,316,439)</b>	<b>158,435,910</b>	<b>62,103,933</b>
Share in (loss)/profit of associates	12	(4,105,703)	(292,114)	327,818
<b>(Loss)/profit before tax</b>		<b>(114,422,142)</b>	<b>158,143,796</b>	<b>62,431,751</b>
Tax credit/(expense)	16	42,113,518	(42,113,518)	(74)
<b>NET (LOSS)/PROFIT FOR THE YEAR</b>		<b>(72,308,624)</b>	<b>116,030,278</b>	<b>62,431,677</b>
Basic and diluted (loss)/earnings per share	21	(0.15)	0.24	0.20

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	2011 US\$	2010 US\$	2009 US\$
<b>NET (LOSS)/PROFIT FOR THE YEAR</b>	<b>(72,308,624)</b>	<b>116,030,278</b>	<b>62,431,677</b>
Exchange differences on translation of foreign operations	–	–	(17,463)
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>	<b>(72,308,624)</b>	<b>116,030,278</b>	<b>62,414,214</b>

## CONSOLIDATED BALANCE SHEET

as at 31 December 2011

	Notes	2011 US\$	2010 US\$	2009 US\$
<b>Non-current assets</b>				
Investments in associates	12	21,067,826	1,614,492	2,204,894
<b>Investment Portfolio</b>				
Listed investments	11	125,191,591	302,349,201	82,951,671
Unlisted investments	11	190,456,562	137,000,863	154,069,371
Loans and receivables	11	22,436,091	31,864,724	1,320,594
Platmin Note	11	–	9,182,662	–
		338,084,244	480,397,450	238,341,636
<b>Total non-current assets</b>		<b>359,152,070</b>	<b>482,011,942</b>	<b>240,546,530</b>
<b>Current assets</b>				
Trade and other receivables	13	1,179,732	1,212,962	1,112,029
Cash and cash equivalents		5,274,327	29,405,459	80,406,350
<b>Total current assets</b>		<b>6,454,059</b>	<b>30,618,421</b>	<b>81,518,379</b>
<b>Total assets</b>		<b>365,606,129</b>	<b>512,630,363</b>	<b>322,064,909</b>
<b>Non-current liabilities</b>				
Deferred tax liability	16	–	42,113,518	–
<b>Current liabilities</b>				
Performance Incentive accrual	7	–	32,512,233	–
Trade and other payables	15	203,642	293,501	384,076
<b>Total current liabilities</b>		<b>203,642</b>	<b>32,805,734</b>	<b>384,076</b>
<b>Total liabilities</b>		<b>203,642</b>	<b>74,919,252</b>	<b>–</b>
<b>Net assets</b>		<b>365,402,487</b>	<b>437,711,111</b>	<b>321,680,833</b>
Share capital	17	4,760	4,760	4,760
Share premium	17	300,226,258	300,226,258	300,226,258
Retained earnings		65,171,469	137,480,093	21,449,815
<b>Equity</b>		<b>365,402,487</b>	<b>437,711,111</b>	<b>321,680,833</b>
<b>NAV and tangible NAV per Share</b>	21	<b>0.77</b>	<b>0.92</b>	<b>0.68</b>

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

Andrew Willis

Stuart Platt-Ransom

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

	Notes	2011 US\$	2010 US\$	2009 US\$
<b>Cash outflows from operations</b>	<b>18</b>	(5,457,643)	(5,642,892)	(30,208,441)
Taxation paid		–	–	(74)
Additions to investments	<b>11</b>	(5,568,750)	(14,730,651)	(20,720,225)
Loans extended to investments	<b>11</b>	(18,500,000)	(28,845,409)	–
Acquisition of Platmin Note	<b>11</b>	–	(9,135,600)	–
Loan repayments from investments	<b>11</b>	28,821,690	–	11,127,017
Proceeds from disposal of investment		–	6,867,572	19,144
Finance income received	<b>9</b>	136,228	494,051	599,488
<b>Net cash used in operating activities</b>		<b>(568,475)</b>	<b>(50,992,929)</b>	<b>(39,183,091)</b>
<b>Cash flows from investing activities</b>				
Investments in associates	<b>12</b>	(23,559,037)	(30,452)	(72,312)
<b>Net cash used in investing activities</b>		<b>(23,559,037)</b>	<b>(30,452)</b>	<b>(72,312)</b>
<b>Cash flows from financing activities</b>				
Issue of ordinary and management shares		–	–	106,509,219
Share issue costs		–	–	(4,557,760)
Net foreign exchange losses on share issue		–	–	(2,412,079)
<b>Net cash from financing activities</b>		<b>–</b>	<b>–</b>	<b>99,539,380</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(24,127,512)</b>	<b>(51,023,381)</b>	<b>60,283,977</b>
Cash and cash equivalents at the beginning of the year		29,405,459	80,406,350	20,939,970
Exchange (loss)/gain on cash		(3,620)	22,490	(817,597)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>5,274,327</b>	<b>29,405,459</b>	<b>80,406,350</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

	Share capital US\$	Share premium US\$	Retained earnings US\$	Cumulative translation adjustment reserve US\$	Total equity US\$
<b>Balance at 1 January 2009</b>	<b>2,474</b>	<b>200,689,164</b>	<b>(40,981,862)</b>	<b>17,463</b>	<b>159,727,239</b>
Issue of ordinary shares	2,286	106,506,933	–	–	106,509,219
Share issue costs	–	(4,557,760)	–	–	(4,557,760)
Net foreign exchange losses on share issue	–	(2,412,079)	–	–	(2,412,079)
Net exchange loss on translation of foreign operations	–	–	–	(17,463)	(17,463)
Net profit for the year	–	–	62,431,677	–	62,431,677
<b>Balance at 1 January 2010</b>	<b>4,760</b>	<b>300,226,258</b>	<b>21,449,815</b>	<b>–</b>	<b>321,680,833</b>
Total Comprehensive Income for the year	–	–	116,030,278	–	116,030,278
<b>Balance at 31 December 2010</b>	<b>4,760</b>	<b>300,226,258</b>	<b>137,480,093</b>	<b>–</b>	<b>437,711,111</b>
Total Comprehensive Loss for the year	–	–	(72,308,624)	–	(72,308,624)
<b>Balance at 31 December 2011</b>	<b>4,760</b>	<b>300,226,258</b>	<b>65,171,469</b>	<b>–</b>	<b>365,402,487</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2011

### 1. GENERAL INFORMATION

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

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

### 2. ADOPTION OF NEW AND REVISED STANDARDS

#### Standards affecting the Financial Statements

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

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

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

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

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

IFRIC19  
*Extinguishing Financial  
Liabilities with Equity  
Instruments*

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

Amendment to IFRS1 <i>Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i>	The amendment provides a limited exemption for first time adopters from providing comparative fair value hierarchy disclosures under IFRS7 Financial Instrument Disclosures ("IFRS7")
IAS24 (2009) Related Party Disclosures ("IAS24")	The revised Standard has a new, clearer definition of a related party, and certain inconsistencies that existed under the previous definition have been removed.
Amendment to IAS32 <i>Financial Instruments: Presentation ("IAS32") Classification of Rights Issues</i>	Under the amendment, rights issues of instruments issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency and which otherwise meet the definition of equity are classified as equity.
Amendment to IFRS3 <i>Business Combinations ("IFRS3")</i>	IFRS3 has been amended so that only those non-controlling interests which are current ownership interests and which entitle their holders to a proportionate share of net assets upon liquidation can be measured at fair value or the proportionate share of net identifiable assets. Other non-controlling interests are usually measured at fair value.

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

Amendment to IFRS7	The amendment clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated financial assets.
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### **New IFRS accounting standards not yet adopted**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **3. ACCOUNTING POLICIES**

#### **Basis of accounting**

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

The Financial Statements have been prepared on the historic cost basis, except for the valuation of certain equity investments held within the Investment Portfolio. These equity investments are measured at fair value not historic cost. Historic cost is generally based on the fair value of the consideration given in exchange for the assets. Other than information contained within the Consolidated Statement of Cash Flows, the Financial Statements have been prepared on the accruals basis. The principal accounting policies adopted by the Group are set out below.

#### **Basis of consolidation**

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

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

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

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

#### **Going concern**

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

The Group's cash balance has decreased over time as the Group has become more fully invested. The Directors are pursuing various avenues to ensure that the Group is able to continue to operate effectively.

The Group may seek to raise new equity capital, or seek to put borrowing facilities in place or dispose of assets, in part or in full. It is possible that the Group will not be successful in the pursuit of these alternatives, which would have adverse implications.

### **Business combinations**

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

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

### **Acquisition of investments**

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

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

### **Investments in associates**

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

### **Associates that hold the Group's underlying investments**

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

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

Equity accounting involves recognising the Group's share of its associates' earnings for the year in

the income statement. The results of associate entities acquired and disposed of during the year are included from the effective dates of acquisition to the effective dates of disposal.

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

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

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

### **Associates that are part of the Group's Investment Portfolio**

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

### **Joint ventures**

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

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

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

### **Joint ventures incorporated to hold the Group's underlying investments**

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

### **Accounting for the Investment Portfolio**

#### ***(i) Classification***

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

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

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

## ***(ii) Recognition and derecognition***

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

## ***(iii) Initial measurement***

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

## ***(iv) Subsequent measurement of fair value***

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

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

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

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

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

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

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

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

## ***(v) Loans and receivables***

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



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

***(vi) Fair value measurement hierarchy***

IFRS7 requires disclosure of fair value measurements under the following hierarchy:

- Listed prices (unadjusted) in active markets for identical assets or liabilities (level one);
- Inputs other than listed prices included within level one that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level two); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level three).

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

***(vii) Amendment to presentation of fair value and foreign exchange movements***

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

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

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

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

## **Trade and other receivables**

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

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

## **Cash and cash equivalents**

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

## **Trade and other payables**

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

## **Share capital**

### ***(i) Ordinary Shares***

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

### ***(ii) Management Shares***

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

## **Gains/losses on investments**

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

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

## **Investment Portfolio revenue**

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

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

## **Other income**

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

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

## **Taxation**

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

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

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

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

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

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

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

### **Earnings Per Share (“EPS”)**

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

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

### **Headline Earnings Per Share (“HEPS”)**

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

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

### **Foreign currencies**

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

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

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

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

### **Derivatives**

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

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

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

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

### **Critical accounting judgements and estimates**

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

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

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

## **4. SEGMENTAL REPORTING**

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

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

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

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

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

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

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

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

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

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

## 5. REALISED FOREIGN EXCHANGE GAIN ON JUPITER FORWARD CONTRACT AND FAIR VALUE LOSS ON ACQUISITION OF JUPITER SHARES

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

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

On 8 February 2011, a Group company placed a forward contract with Rabobank, committing to acquire US\$5,568,750 for AUD5,500,000, giving an effective exchange rate of US\$1:AUD0.9877. The fair value of

the contract acquired was equal to the consideration paid and no gain or loss was recognised on initial acquisition.

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

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

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

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

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

## 6. STRUCTURING FEE AND OTHER INCOME

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

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

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

The Fabergé Limited structuring fee earned during 2010 was added to the outstanding loan balance and is accruing interest at three month US\$ London Interbank Agreed rate (“LIBOR”) plus 4%.

## 7. INVESTMENT MANAGER'S BENEFITS

### Investment Manager

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

The Partners of the Investment Manager are the following individuals:



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

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

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

### **Investment Manager's Benefit**

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

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

### **Performance Incentive**

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

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

The accrual for the Performance Incentive is calculated as follows:

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

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

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

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

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

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

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

## 8. OPERATING EXPENSES

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

## 9. FINANCE INCOME

	2011 US\$	2010 US\$
Interest received on bank deposits	123,218	494,051
Interest received on loan to associate	13,010	–
	<b>136,228</b>	<b>494,051</b>

## 10. TAX

	2011 US\$	2010 US\$
Current tax	–	–
Deferred tax credit/(expense) (see Note 16 <i>Deferred tax</i> ):	42,113,518	(42,113,518)
Tax credit/(expense)	<b>42,113,518</b>	<b>(42,113,518)</b>

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

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

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

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

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

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

## 11. INVESTMENTS

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

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

<sup>1</sup> The Group has provided a commitment to loan Fabergé Limited up to US\$25,000,000, which can be drawn down until 31 July 2012. At 31 December 2011, Fabergé Limited had drawn down US\$21,500,000. The US\$375,000 structuring fee for the arrangement of the loan accrued at the date of the first drawdown. The loan is earning interest at three month US\$ LIBOR plus 4%. A further US\$3,000,000 has

been drawn down since 31 December 2011; the outstanding balance at the date of signature of the Annual Report is US\$24,500,000 (excluding interest and structuring fee). The balance of the loan, including interest, is due for repayment by 31 August 2012.

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

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

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

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

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

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

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

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

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

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

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

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

### Platmin Limited

**Nature of investment** Platmin is a mineral exploration, development and producing company engaged in the exploration and the development of PGM projects, all located in the Bushveld Complex. Platmin owns a 72.39% interest in Boynton, which owns the PPM. The remaining 27.61% interest in Boynton is owned by the Moepi Group of Companies.

The Group's indirect interest in Platmin was 7.49% at 31 December 2011.

The Group's initial investment was made in December 2008. The Group's cost of investment is US\$52,834,183.

**Fair value methodology** Platmin has now delisted from all of its previous listings, which were on the TSX, AIM and the JSE. It is therefore no longer possible to value Platmin using a listed share price.

Platmin commissioned a valuation report during the period which contained a range of valuations. The Directors have valued Platmin from within this range, based on a share price of CAD0.80 per share, and the closing exchange rate of US\$1:CAD1.0200.

Platmin's last day of trading on the TSX was 23 December 2011; the mid price of Platmin shares was CAD0.1475. The Directors do not believe that this price gives an accurate reflection of Platmin's fair value. This price was based on low volumes of shares traded; this lack of liquidity is one of the reasons why the Platmin Board of Directors chose to delist Platmin in the first place.

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**Gemfields plc**

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

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**Jupiter Mines Limited**

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

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**Fabergé Limited**

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Nature of investment	<p>Fabergé Limited is a luxury brand.</p> <p>The Group currently owns an effective 49.1% interest in the ordinary shares of Fabergé Limited.</p> <p>The Group's cost of investment is US\$60,976,074. The Group's initial investment was made in September 2007.</p>
Fair value methodology	<p>Price of recent investment</p> <p>Fabergé Limited completed a capital raising during September 2009 to both existing and new investors, including the Group. The Directors valued the investment in Fabergé Limited in line with the price per share of this capital raising.</p>

Fabergé Limited is unlisted, there have been relatively few transactions in Fabergé Limited shares and determining the fair value of the Group's investment is difficult. The Directors have consistently applied the price of recent investment methodology since September 2009, but acknowledge that the September 2009 capital raising price becomes less recent and relevant as time passes, and that using this event for valuation becomes more difficult. The Directors have concluded that the current valuation methodology is reasonable, but stress its subjectivity.

There have been various transactions in Fabergé Limited shares since September 2009 at a similar price per share to the September 2009 price. These transactions were each immaterial, but nonetheless give some support to maintaining this valuation level.

The Directors have considered whether other valuation methodologies could be suitable for Fabergé Limited, and in particular whether a valuation based on discounted cash flow ("DCF") analysis could be relevant. DCF analysis is based on various assumptions, including Fabergé Limited's projected cash inflows and outflows, and the discount rate that should be used. Accordingly, depending on what assumptions are used, DCF analysis could imply a materially higher, or materially lower, Fabergé Limited valuation. For this reason, the Valuation Guidelines recommend "extreme caution" in the use of DCF analysis for valuation of unlisted investments, and note that the use of another methodology, such as the price of a recent investment, is more likely to be appropriate in most circumstances.

After having considered all the relevant indicators, the Directors have concluded that there is no conclusive contradictory evidence to either increase or decrease the valuation. The Directors therefore have concluded that the fair value at the previous reporting date remains the best estimate of fair value, and have continued to use this valuation. This treatment complies with IFRS and is required by the Valuation Guidelines.

Fabergé Limited's most recent annual report, for the year to 31 March 2011 was issued on 5 August 2011. The audit opinion, from BDO LLP, was positive, and did not draw attention to any emphases of matter. Fabergé Limited's net assets at 31 March 2011 were US\$57 million (audited). Fabergé Limited's net assets at 31 December 2011 were US\$45 million (unaudited).

The Group's 49.1% share of Fabergé Limited's net assets at 31 December 2011 would have been approximately US\$22 million, whereas the fair value of the Group's investment at 31 December 2011 was US\$86,633,377. This difference effectively equates to the incremental value added to the Fabergé Limited brand since the initial acquisition during 2007 because, in line with the requirements of IAS38 *Intangible Assets*, this internally generated goodwill is not capitalised on Fabergé Limited's own balance sheet.

### **The Moepi Group companies – Boynton**

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

### **Richtrau No 123 (Pty) Ltd – Richtrau/Magazynskraal**

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



## 12. INVESTMENTS IN ASSOCIATES

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

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

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

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

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

All associates' financial year ends are 31 December.

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

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

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

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

### 13. TRADE AND OTHER RECEIVABLES

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

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

### 14. CASH AND CASH EQUIVALENTS

	2011 US\$	2010 US\$
Cash and cash equivalents	5,274,327	29,405,459
	<b>5,274,327</b>	<b>29,405,459</b>

### 15. TRADE AND OTHER PAYABLES

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

## 16. DEFERRED TAX

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

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

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

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

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

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

## 17. SHARE CAPITAL

### Authorised share capital:

	2011 US\$	2010 US\$
Ten Management Shares of US\$1 each	10	10
999,000,000 Ordinary Shares of US\$0.00001 each	9,990	9,990
	<b>10,000</b>	<b>10,000</b>

## Issued and fully paid up

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

## Ordinary Shares

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

## Management Shares

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

## 18. CASH (OUTFLOWS)/ INFLOWS FROM OPERATIONS

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

## 19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### The Group's capital structure

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

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

### Significant accounting policies

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

### Analysis of financial assets and liabilities

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

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

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

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

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

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

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

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

### **Financial instruments and risk profile**

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

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

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

### **Market risk**

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

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

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

### **Foreign exchange risk**

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

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

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

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

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

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

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

## Financial assets and liabilities at 31 December 2011

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

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

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

## Financial assets and liabilities at 31 December 2010:

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

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

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

## Foreign exchange sensitivity analysis

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

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

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



<b>31 December 2011</b>	<b>Loss after tax</b>	<b>Equity</b>
<b>Currency movement</b>	<b>US\$</b>	<b>US\$</b>
Movement of 1.2% in GBP/US\$	473,231	473,231
Movement of 10.3% in ZAR/US\$	5,512,136	5,512,136
Movement of 2.2% in EUR/US\$	90	90
Movement of 1.9% in AUD/US\$	1,629,366	1,629,366

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

<b>31 December 2010</b>	<b>Profit after tax</b>	<b>Equity</b>
<b>Currency movement</b>	<b>US\$</b>	<b>US\$</b>
Movement of 4.1% in GBP/US\$	1,022,237	1,022,237
Movement of 1.6% in CAD/US\$	962,628	962,628
Movement of 3% in AUD/US\$	6,793,084	6,793,084

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

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

### Interest rate risk

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

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

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

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

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

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

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

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

### **Interest rate risk- sensitivity analysis**

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

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

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

### **Price risk**

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

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

### **Price risk- sensitivity analysis**

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

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

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

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

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

### **Other price risk disclosures**

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

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

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

### **Commodity risk**

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

### **Credit risk**

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

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

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

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

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

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

### Maximum exposure to credit risk

Financial assets that are neither past due nor impaired:

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

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

## Liquidity risk

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

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

	2011 US\$	2010 US\$ (restated) <sup>1</sup>
Financial liabilities expiring in one year or less	203,642	32,805,734
Total financial liabilities	<b>203,642</b>	<b>32,805,734</b>

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

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

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

## Sensitivity analyses representative for the position throughout the year

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

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

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

## Fair value analysis

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### 31 December 2011

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Financial assets at FVTPL</b>				
Equity investments <sup>1</sup>	125,191,591	–	190,456,562	315,648,153
	<b>125,191,591</b>	<b>–</b>	<b>190,456,562</b>	<b>315,648,153</b>

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

### 31 December 2010

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

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

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

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

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

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

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

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

## 20. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

### Directors' fees

The Non-Executive Directors, Mr Platt-Ransom, Mr Harris and Mr Tolcher, each received a Director's fee of US\$25,000 for 2011 (2010: US\$25,000 per Non-Executive Director). Mr Harris also receives

US\$5,000 as a Director of Pallinghurst Consolidated (Cayman) Limited, a subsidiary. The amount included in the Income Statement for Directors' fees for the year ended 31 December 2011 is US\$80,000 (2010: US\$77,500).

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

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

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

	<b>31 December 2011 US\$</b>	<b>31 December 2010 US\$</b>
<b>Brian Gilbertson</b>		
Jupiter; Non-Executive Chairman	31,785	34,076
Platmin; Non-Executive Chairman	105,960	105,960
	<b>137,745</b>	<b>140,036</b>
<b>Arne H. Frandsen</b>		
Platmin; Director	41,080	41,080
	<b>41,080</b>	<b>41,080</b>

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

### **The Directors' interests in the Company**

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

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

<sup>1</sup> A discretionary trust of which Brian Gilbertson is a beneficiary.

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



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

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

## 21. HEPS AND NAV PER SHARE

The Group's HEPS is as follows:

	<b>31 December 2011 US\$</b>	<b>31 December 2010 US\$</b>
(Loss)/profit for the year	(72,308,624)	116,030,278
Weighted average number of shares in issue	475,803,860	475,803,860
<b>HEPS</b>	<b>(0.15)</b>	<b>0.24</b>

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

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

	<b>31 December 2011 US\$</b>	<b>31 December 2010 US\$</b>
Net assets	365,402,487	437,711,111
Number of shares in issue	475,803,860	475,803,860
<b>NAV per share</b>	<b>0.77</b>	<b>0.92</b>

## 22. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

## 23. COMMITMENTS

### **Commitment to invest in Sedibelo**

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

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

### **Fabergé Limited loan commitment – US\$25 million**

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

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

## 24. EVENTS OCCURRING AFTER THE END OF THE YEAR

### **African Queen Consolidation and IDC investment**

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

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

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

### **Further US\$3 million drawdown of Fabergé Limited loan**

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

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

### **Fall in Jupiter share price**

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

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

### **Increase in Gemfields share price**

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

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

### **Approval of Annual Report**

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

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### ***PRO FORMA* BALANCE SHEET AND INCOME STATEMENT**

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The unaudited *pro forma* consolidated balance sheet and income statement of the Group prior to and after the implementation of the Rights Offer is set out below. The unaudited *pro forma* consolidated balance sheet and income statement of the Group have been presented for illustrative purposes only and may, because of their nature, not give a fair reflection of the Company's results, financial position and changes in equity following the implementation of the Rights Offer. It has been assumed for purposes of the unaudited *pro forma* financial effects that the Rights Offer was implemented with effect from 1 January 2011 and 31 December 2011 for income statement and balance sheet purposes respectively. The Directors are responsible for the preparation of the unaudited *pro forma* consolidated balance sheet and income statement. The *pro forma* financial information has been presented in a manner consistent with both the format and accounting policies adopted by the issuer in its report of historical financial information. The independent reporting accountant's report relating to the *pro forma* financial information is set out in Annexure III to this Circular.

## PRO FORMA CONSOLIDATED BALANCE SHEET

	Before the Rights Offer <sup>1</sup>	Pro forma adjustment	Pro forma after the Rights Offer
<b>Non-current assets</b>			
Investments in associates	21,067,826	–	21,067,826
<b>Investment Portfolio</b>			
Listed investments	125,191,591	28,986,652	154,178,243
Unlisted investments	190,456,562	38,648,869	229,105,431
Loans and receivables	22,436,091	28,986,651	51,422,742
	338,084,244	96,622,172	434,706,416
<b>Total non-current assets</b>	<b>359,152,070</b>	<b>96,622,172</b>	<b>455,774,242</b>
<b>Current assets</b>			
Trade and other receivables	1,179,732	–	1,179,732
Cash and cash equivalents	5,274,327	–	5,274,327
<b>Total current assets</b>	<b>6,454,059</b>	<b>–</b>	<b>6,454,059</b>
<b>Total assets</b>	<b>365,606,129</b>	<b>96,622,172</b>	<b>462,228,301</b>
<b>Non-current liabilities</b>			
Deferred tax liability	–	–	–
<b>Current liabilities</b>			
Performance Incentive accrual	–	–	–
Trade and other payables	203,642	–	203,642
<b>Total current liabilities</b>	<b>203,642</b>	<b>–</b>	<b>203,642</b>
<b>Total liabilities</b>	<b>203,642</b>	<b>–</b>	<b>203,642</b>
<b>Net assets</b>	<b>365,402,487</b>	<b>–</b>	<b>365,402,487</b>
Share capital	4,760	3,571	8,331
Share premium	300,226,258	96,618,601	396,844,859
Retained earnings	65,171,469	–	65,171,469
<b>Equity</b>	<b>365,402,487</b>	<b>96,622,172</b>	<b>462,024,659</b>
<b>Shares in issue</b>	<b>475,803,860</b>	<b>357,142,857</b>	<b>832,946,717</b>
<b>NAV and tangible NAV per Share</b>	<b>0.77</b>	<b>(0.21)</b>	<b>0.55</b>

### Notes:

<sup>1</sup> The figures in the "Before Rights Offer" column have been extracted without adjustment from the audited financial statements of the Company as at 31 December 2011.

<sup>2</sup> Share capital has been adjusted to include the ordinary share capital portion of 357,142,857 Rights Offer Shares issued at a value of ZAR2.24 per Share. This is based on the assumption that the Rights Offer will be fully subscribed.

<sup>3</sup> Transaction costs of approximately US\$2,265,343, as set out in paragraph 24 on page 50 of this Circular, have been taken into account against share premium as costs directly attributable to the issue of shares.

<sup>4</sup> The Company will raise ZAR800 million before expenses (approximately US\$98.9 million based on an assumed exchange rate of US\$1:ZAR8.09, being the exchange rate as at 31 December 2011).

<sup>5</sup> The pro forma financial information has been prepared in accordance with IFRS and in terms of The Guide on Pro Forma Financial Information issued by The South African Institute of Chartered Accountants, in line with the Listings Requirements.

<sup>6</sup> The ZAR800 million raised by way of the Rights Offer will be reinvested, net of transaction costs, in the Investments as outlined in this Circular and in accordance with the Investment policy outlined in paragraph 2.1 of the Revised Listing Particulars.

<sup>7</sup> Shares in issue have been adjusted for the 357,142,857 Rights Offer Shares to be issued.

<sup>8</sup> Funds invested into the listed and unlisted investments will not result in control or significant influence being obtained and hence will not represent a business combination.

## PRO FORMA CONSOLIDATED INCOME STATEMENT

	Before the Rights Offer <sup>1</sup>	Pro forma adjustment	Pro forma after the Rights Offer
<b>INCOME</b>			
<b>Investment Portfolio</b>			
Unrealised fair value gains	14,533,179	–	14,533,179
Unrealised fair value losses	(150,362,622)	–	(150,362,622)
Unrealised foreign exchange losses	(1,395,079)	–	(1,395,079)
Net (loss)/gain on Platmin Note	(180,033)	–	(180,033)
Realised foreign exchange gain on Jupiter forward contract	429,330	–	429,330
Realised fair value loss on acquisition of Jupiter shares	(1,478,098)	–	(1,478,098)
	(138,453,323)	–	(138,453,323)
<b>Investment Portfolio revenue</b>			
Loan interest income	893,057	–	893,057
	893,057	–	893,057
<b>Net (losses)/gains on investments and income from operations</b>	<b>(137,560,266)</b>	<b>–</b>	<b>(137,560,266)</b>
<b>EXPENSES</b>			
Investment Manager's Benefit	(4,627,775)	–	(4,627,775)
Performance Incentive accrual reversal/(accrual)	32,512,233	–	32,512,233
Operating expenses	(773,239)	–	(773,239)
Net foreign exchange (losses)/gains	(3,620)	–	(3,620)
	27,107,599	–	27,107,599
<b>(Loss)/profit from operations</b>	<b>(110,452,667)</b>	<b>–</b>	<b>(110,452,667)</b>
Finance income	136,228	–	136,228
Finance costs	–	–	–
<b>Net finance income</b>	<b>136,228</b>	<b>–</b>	<b>136,228</b>
<b>(Loss)/profit before share in loss of associates</b>	<b>(110,316,439)</b>	<b>–</b>	<b>(110,316,439)</b>
Share in loss of associates	(4,105,703)	–	(4,105,703)
<b>(Loss)/profit before tax</b>	<b>(114,422,142)</b>	<b>–</b>	<b>(114,422,142)</b>
Tax credit/(expense)	42,113,518	–	42,113,518
<b>NET (LOSS)/PROFIT FOR THE YEAR</b>	<b>(72,308,624)</b>	<b>–</b>	<b>(72,308,624)</b>
Shares in issue at year end	475,803,860	357,142,857	832,946,717
<b>Basic and diluted (loss)/earnings per ordinary share</b>	<b>(0.15)</b>	<b>(0.07)</b>	<b>(0.09)</b>

### Notes:

<sup>1</sup> The figures in the "Before Rights Offer" column have been extracted without adjustment from the published audited results for the year ended 31 December 2011.

<sup>2</sup> Shares in issue have been adjusted for the 357,142,857 Rights Offer Shares to be issued.

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## INDEPENDENT REPORTING ACCOUNTANT'S LIMITED ASSURANCE REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL EFFECTS

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The Directors  
Pallinghurst Resources Limited  
11 New Street  
St Peter Port  
Guernsey  
GY1 2PF

5 June 2012

Dear Sirs

**Independent Reporting Accountant's limited assurance report on the unaudited *pro forma* financial effects**

### Introduction

We have performed our limited assurance engagement with regard to the unaudited *pro forma* financial effects on the income statement and balance sheet (collectively "**the *Pro Forma* Financial Information**") of Pallinghurst Resources Limited ("**Pallinghurst**") set out in paragraph 8 on page 42 and Annexure II of the Circular to be dated on or about 5 June 2012 issued in connection with the renounceable rights offer ("**Circular**").

The *Pro Forma* Financial Information has been prepared for purposes of complying with the requirements of the JSE Limited ("**JSE**"), for illustrative purposes only, to provide information about how the rights offer ("**Rights Offer**") might have affected the reported financial information had the transaction been undertaken on 31 December 2011 for balance sheet purposes, and on 1 January 2011 for income statement purposes.

Because of its nature, the *Pro Forma* Financial Information may not present a fair reflection of the financial position, changes in equity, results of operations or cash flows of Pallinghurst, after the Rights Offer.

### Directors' responsibility

The Directors of Pallinghurst ("**Directors**") are solely responsible for the compilation, contents and presentation of the *Pro Forma* Financial Information contained in the Circular and for the financial information from which it has been prepared.

Their responsibility includes determining that the *Pro Forma* Financial Information contained in the Circular has been properly compiled on the basis stated, the basis is consistent with the accounting policies of

Pallinghurst and the *pro forma* adjustments are appropriate for the purposes of the *Pro Forma* Financial Information as disclosed in terms of the listings requirements of the JSE (the “**Listings Requirements**”).

### **Reporting accountant’s responsibility**

Our responsibility is to express a limited assurance conclusion on the *Pro Forma* Financial Information included in the Circular. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements applicable to *Assurance Engagements Other Than Audits or Reviews of Historical Financial information* and the *Guide on Pro Forma Financial Information* issued by the South African Institute of Chartered Accountants.

This standard requires us to comply with ethical requirements and to plan and perform the assurance engagement to obtain sufficient appropriate audit evidence to support our limited assurance conclusion, expressed below.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *Pro Forma* Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

### **Sources of information and work performed**

Our procedures consisted primarily of comparing the unadjusted audited historical financial information of Pallinghurst with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Pallinghurst, considering the evidence supporting the *pro forma* adjustments, recalculating the amounts based on the information obtained and discussing the *Pro Forma* Financial Information with the directors of Pallinghurst.

In arriving at our conclusion, we have relied upon financial information prepared by the Directors and other information from various public, financial and industry sources.

Whilst our work performed involved an analysis of the historical audited financial information and other information provided to us, our limited assurance engagement does not constitute either an audit or review of any of the underlying financial information undertaken in accordance with the International Standards on Auditing or the International Standards on Review Engagements and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance are obtained than in a reasonable assurance engagement. We believe that our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

### **Opinion**

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that in terms of Section 8.17 and 8.30 of the Listings Requirements:

- the *pro forma* financial information has not been properly compiled on the basis stated,
- such basis is inconsistent with the accounting policies of Pallinghurst and,



- the adjustments are not appropriate for the purposes of the *Pro Forma* Financial Information as disclosed pursuant to section 8.30 of the Listings Requirements.

**Consent**

We consent to the inclusion of this letter and the reference to our opinion in the Circular to be issued by Pallinghurst in the form and context in which it appears.

Nexia SAB&T

Registered Accountants and Auditors

*Per* Bashier Adam

Registered Auditor

**Registered address:**

119 Witch-Hazel Avenue

Highveld Technopark

Centurion

0046

South Africa

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**THE COMPANY'S TRADING HISTORY ON THE JSE**


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	High (cents)	Low (cents)	Volume (Shares)	Value (Rand)
<b>Quarterly</b>				
30/06/2010	540	440	17,802,739	83,042,665
30/09/2010	445	375	11,008,980	46,621,314
31/12/2010	435	403	14,710,505	59,203,605
31/03/2011	470	360	22,920,605	94,905,391
30/06/2011	475	365	12,898,690	53,244,025
30/09/2011	398	300	19,538,118	63,356,335
31/12/2011	335	290	18,314,016	56,615,562
31/03/2012	385	261	24,427,657	73,622,830
<b>Monthly</b>				
30/06/2011	425	365	3,411,523	13,342,975
31/07/2011	398	364	2,254,377	8,468,147
31/08/2011	375	300	11,053,760	35,472,580
30/09/2011	370	300	6,229,981	19,415,608
31/10/2011	329	290	4,538,953	13,952,828
30/11/2011	320	299	10,772,442	32,904,647
31/12/2011	335	302	3,002,621	9,758,087
31/01/2012	335	323	4,434,897	14,527,581
29/02/2012	330	261	13,498,871	38,978,945
31/03/2012	385	270	6,493,889	20,116,304
30/04/2012	360	301	3,911,983	13,103,922
31/05/2012	320	272	7,321,490	22,035,847
<b>Daily</b>				
20/04/2012	318	315	30,100	95,418
23/04/2012	318	311	28,190	88,459
24/04/2012	315	310	124,235	387,295
25/04/2012	310	308	39,210	121,237
26/04/2012	310	303	106,298	324,050
30/04/2012	305	301	262,321	798,632
02/5/2012	310	303	115,595	356,711
03/5/2012	312	310	51,792	160,963
04/5/2012	319	310	45,538	142,618
07/5/2012	314	310	136,430	423,122
08/5/2012	311	305	446,926	1,383,664
09/5/2012	315	310	13,000	40,900
10/5/2012	319	305	39,027	121,280
11/5/2012	310	305	26,108	79,924
14/5/2012	312	305	202,000	616,240

15/5/2012	320	303	1,921,773	5,932,562
16/5/2012	305	300	27,481	82,982
17/5/2012	305	301	17,413	52,622
18/05/2012	305	290	54,450	162,909
21/05/2012	305	300	40,400	122,950
22/05/2012	305	298	11,580	35,143
23/05/2012	300	272	79,794	229,506
24/05/2012	300	285	103,834	301,941
25/05/2012	305	295	3,730,738	11,010,597
28/05/2012	305	297	94,378	286,852
29/05/2012	300	295	83,974	250,639
30/05/2012	314	295	74,259	226,972
31/05/2012	295	295	5,000	14,750
01/6/2012	295	292	7,900	23,200
04/6/2012	295	290	24,487	71,267

## TABLE OF ENTITLEMENTS

The rounded number of Rights to Shares to which Shareholders are entitled are as follows:

Shares held	Rights Offer Entitlement	Shares held	Rights Offer Entitlement	Shares held	Rights Offer Entitlement
1	1	35	26	69	52
2	2	36	27	70	53
3	2	37	28	71	53
4	3	38	29	72	54
5	4	39	29	73	55
6	5	40	30	74	56
7	5	41	31	75	56
8	6	42	32	76	57
9	7	43	32	77	58
10	8	44	33	78	59
11	8	45	34	79	59
12	9	46	35	80	60
13	10	47	35	81	61
14	11	48	36	82	62
15	11	49	37	83	62
16	12	50	38	84	63
17	13	51	38	85	64
18	14	52	39	86	65
19	14	53	40	87	65
20	15	54	41	88	66
21	16	55	41	89	67
22	17	56	42	90	68
23	17	57	43	91	68
24	18	58	44	92	69
25	19	59	44	93	70
26	20	60	45	94	71
27	20	61	46	95	71
28	21	62	47	96	72
29	22	63	47	97	73
30	23	64	48	98	74
31	23	65	49	99	74
32	24	66	50	100	75
33	25	67	50	1,000	751
34	26	68	51	10,000	7,506



# PALLINGHURST

**PALLINGHURST RESOURCES LIMITED**  
**(Previously Pallinghurst Resources (Guernsey) Limited)**

(Incorporated in Guernsey)

(Guernsey registration number 47656)

(South African external company registration number 2009/012636/10)

Share code on the BSX: PALLRES

ISIN: GG00B27Y8Z93

Share code on the JSE: PGL

## REVISED LISTING PARTICULARS (Issued in terms of the Listings Requirements)

The "Corporate Information" section on the inside cover of the Circular and the definitions and interpretations on pages 19 to 27 hereto apply, *mutatis mutandis*, to the Revised Listing Particulars.

The Revised Listing Particulars form part of the Circular and is not an invitation to the public to subscribe for securities but are issued in compliance with the Listings Requirements for the purpose of providing information to the public regarding the implications of the Rights Offer on the Company and its Shareholders and have been prepared on the assumption that the Rights Offer has been implemented. The circular incorporates listing particulars and is issued in compliance with the Listings Requirements of the JSE Limited, for the purpose of providing information to the public with regard to the Company.

As at the Last Practicable Date, based on the above assumption, the authorised ordinary share capital of the Company comprises 999,000,000 ordinary shares with a par value of US\$0.00001 each and ten management shares with a par value of US\$1.00 each, and the issued ordinary share capital will comprise 832,946,717 ordinary shares with a par value of US\$0.00001 each and two management shares with a par value of US\$1.00 each. The Company does not have treasury shares. Share premium will be stated at an amount of US\$396 million.

The Directors, whose names appear in the "Corporate Information" section on the inside cover of this Circular, collectively and individually, accept full responsibility for the accuracy of the information given and certify that on the Last Practicable Date, to the best of their knowledge and belief, there are no facts, the omission of which, would render any statement in the Revised Listing Particulars false or misleading and that they have made all reasonable enquiries to ascertain such facts and that the Revised Listing Particulars contains all information required by the Act, Guernsey Law and the Listings Requirements.

The Investment Bank and JSE Sponsor, BSX Sponsor, auditors, independent reporting accountant, legal advisors, and Transfer Secretaries have consented in writing to act in the capacity stated and to their name being stated in the Revised Listing Particulars and in the case of the reporting accountants, reference to their reports in the form and context in which they appear and have not withdrawn their consent prior to the publication of the Revised Listing Particulars.

### Investment Bank

*Out of the Ordinary®*



Specialist Bank

### JSE Sponsor

*Out of the Ordinary®*



Specialist Bank

### Investment Manager



PALLINGHURST

### Legal advisors in South Africa



### Legal advisors in Guernsey

MOURANT OZANNES

### Independent reporting accountant



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The definitions and interpretations set out on pages 19 to 27 of this Circular apply *mutatis mutandis* to this table of contents.

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## **1. INTRODUCTION**

### **1.1. Introduction**

The details of the Rights Offer are set out in the Circular. The purpose of the Revised Listing Particulars is to inform Shareholders of the effects of the Rights Offer in terms of the Listings Requirements and accordingly have been prepared on the assumption that the Rights Offer has been successfully implemented.

### **1.2. Incorporation and history of the Company**

The Company was incorporated on 4 September 2007 as Pallinghurst Resources (Guernsey) Limited (registration number 47656), in accordance with Guernsey Law. The Company listed on the BSX soon afterwards on 26 September 2007. On 20 August 2008, Pallinghurst inward listed on the JSE, with the JSE becoming the Company's primary listing and the BSX listing being retained as a secondary listing. On 28 May 2009, the Company changed its name from Pallinghurst Resources (Guernsey) Limited to Pallinghurst Resources Limited. The Company was registered as an external company in South Africa (registration number 2009/012636/10) on 26 June 2009. The Company has an authorised share capital of 999,000,000 Shares of US\$0.00001 each and ten Management Shares of US\$1.00 each. In September 2009, the Company raised an additional ZAR800 million by way of a renounceable rights offer. The Company operates under Guernsey Law as its principal legislation. Pallinghurst's registered office is currently located at 11 New Street, St Peter Port, Guernsey, GY1 2PF.

The Company is an authorised closed-ended investment company. As an existing closed-ended investment company, the Company is deemed to have been granted an authorisation declaration by the Guernsey Financial Services Commission in accordance with Section 8 of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended and Rule 6.02 of the Authorised Closed-ended Investment Schemes Rules 2008 on the date when the Company obtained consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinance 1959 to 1989. As an authorised closed-ended investment company, the Company is subject to continuing supervision by the Guernsey Financial Services Commission.

### **1.3. Nature of business**

The Company's main objective is to carry on the business of an investment holding company in Investments falling within the Investment Scope. To achieve the Investment Objectives as set out in paragraph 2.1 of the Revised Listing Particulars, the Company has appointed the Investment Manager to act in the capacity as investment manager to the Company on the terms set out in the Investment Management Agreement. The Investment Manager is a specialist natural resources entity that seeks to develop strategic partnerships for the Company with companies and/or other entities in order to create and unlock value for Shareholders.

## **2. INVESTMENT STRATEGY**

### **2.1. Investment objectives**

On the advice of the Investment Manager, the Group, either alone or with certain Pallinghurst Co-Investors, on a case-by-case basis, utilises its financial ability, unique expertise and execution skill in the resources sector to participate in investments falling within the Investment Scope with the principal objective of providing Shareholders with a high overall rate of return.

### **2.2. Investment scope**

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

### **2.3. Investment policy**

The Group invests in Investments falling within the Investment Scope and in the Approved Investment. An overview of existing investments has been provided in paragraph 4 to the Revised Listing Particulars. The Group endeavours to hold, whether directly or indirectly, through one or more special purpose vehicles to ensure the most efficient corporate structure, an initial minimum 20% interest in each Investment Vehicle, subject to the following limitations:

- (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 approved by Shareholders 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 Shareholders by Ordinary Resolution.

Whilst the Group has the ability to gear its balance sheet, it is intended that each Investment be ring-fenced and that the funding thereof, if any, will be based on the strength of such Investment's balance sheet and/or cash flow potential on a stand-alone basis, thereby increasing the insolvency remoteness of each Investment.

### **2.4. Investment process**

The Company has appointed the Investment Manager, under the terms of the Investment Management Agreement, to provide it with investment advisory and management services in relation to Investments.



The Investment Manager is responsible for identifying potential Investments, making Investment recommendations and providing advice to the Board regarding Investments or the Realisation or refinancing thereof.

The Board considers the advice and recommendations of the Investment Manager and any other advice received from additional third party external experts and service providers, to the extent required, prior to making an Investment or Realisation decision. Once the Directors resolve that the Company should participate in an Investment or the Realisation or refinancing thereof, the Investment Manager is responsible for negotiating, implementing and executing the transaction within the parameters set by the Board.

In terms of the Programme, all potential Investments falling within the Investment Scope are offered to the Company for investment at a price equal to the cost at which such Investments have been negotiated and concluded.

To the extent the Company wishes to amend its Investment Scope and its Investment Objectives (as set out in paragraph 2.1 of the Revised Listing Particulars) and/or approve a potential Investment falling outside the Investment Scope, it will seek prior Shareholder approval by means of an Ordinary Resolution.

## **2.5. The Group's relationship with the Pallinghurst Co-Investors**

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

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

The Pallinghurst Co-Investors typically share the same commercial and strategic objectives and cooperate effectively although each Pallinghurst Co-Investor retains legal title and influence over their individual shareholdings, and is ultimately able to determine its own course of action. The Group benefits from being a Pallinghurst Co-Investor in many ways, including the following:

- 2.5.1.** The Investment Manager is able to access much higher levels of funding than if they were acting solely on behalf of the Group, meaning that a broader scope of investments can be contemplated;
- 2.5.2.** 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;
- 2.5.3.** The Pallinghurst Co-Investors are able to exercise a greater level of influence or control over each investment than if they were acting alone; and

**2.5.4.** The Group is able to diversify by participating in a larger number of investments, as it usually only partially funds each investment.

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

## **2.6. Private equity status**

The Company is considered by the Directors to be a venture capital/private equity<sup>1</sup> organisation. The Directors have considered the following key factors in making this determination:

**2.6.1.** The interests acquired are usually significant, although not controlling.

**2.6.2.** The Executive Directors and/or the Investment Manager usually participate in the management of each investment.

**2.6.3.** The investments are generally innovative in nature.

**2.6.4.** 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. The most significant of these is the election to account for associate entities under IAS39, as a financial instrument at fair value through the income statement, rather than equity accounting under IAS28. A similar exemption exists in IAS31, and the Company chooses to use this exemption in the same way.

<sup>1</sup> *The Directors use the terms "private equity" and "venture capital" interchangeably throughout this document. The Directors acknowledge that the terms may have different nuances to certain shareholders, but these distinctions are not relevant to the Group.*

## **2.7. Shares owned by Partners of the Investment Manager**

The Partners of the Investment Manager acquired approximately 11 million Shares on the Initial Closing Date (assuming that the 1000-for-1 Share split had already occurred). The Partners of the Investment Manager also acquired approximately 11 million Shares as part of the Second Equity Raising, concluded in September 2009. The Partners of the Investment Manager have undertaken not to cede, pledge, dispose of or otherwise encumber any of these Shares during the Investment Term.

The Partners of the Investment Manager will collectively invest a further c.US\$5 million under the Rights Offer. The shareholdings of the Partners of the Investment Manager at the Last Practicable Date, pre and post the impact of the Rights Offer, are set out in paragraph 10 to the Circular.

These shareholdings, and the participation of the Partners of the Investment Manager in the Rights Offer, will continue to ensure that the interests of Shareholders are aligned with those of the Investment Manager.

## 2.8. Currency

The functional currency of the Company is US\$. All commitments by, and Distributions to, Shareholders and all calculations pursuant to the terms of the Revised Listing Particulars are in US\$.

## 2.9. Future prospects

Significant progress has been made in each of the Company's investments. These investments continue to promise significant value uplift through organic growth, synergistic acquisitions and/or vertical integration opportunities. The Group may also exit some of the investments in the right circumstances.

The application of the Rights Offer proceeds will further benefit the growth and development of the existing platforms and accelerate the implementation of their investment strategies as set out in paragraph 4 of the Revised Listing Particulars.

The Group has also targeted new opportunities for using the Rights Offer proceeds. The Directors believe that these complementary assets represent good investments for shareholders.

## 3. DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT

The following table sets out the details of each of the Directors:

Name, nationality and age	Business Address	Office	Date of appointment
<b>Brian Gilbertson (68)<sup>1</sup></b> British and South African	54 Jermyn Street London SW1Y 6LX United Kingdom	Chairman	On incorporation (4 September 2007)
<b>Arne H. Frandsen (45)<sup>1</sup></b> Danish	54 Jermyn Street London SW1Y 6LX United Kingdom	Chief Executive	On incorporation (4 September 2007)
<b>Andrew Willis (33)</b> British and New Zealand	54 Jermyn Street London SW1Y 6LX United Kingdom	Finance Director	25 November 2008
<b>Stuart Platt-Ransom (44)<sup>1,2</sup></b> British and South African	11 New Street, St Peter Port Guernsey GY1 2PF	Non-Executive Director	On incorporation (4 September 2007)
<b>Clive Harris (57)<sup>1</sup></b> British and Cayman Islands	Box 30142 SMB Grand Cayman Cayman Islands	Non-Executive Director	On incorporation (4 September 2007)
<b>Martin Tolcher (48)</b> British	11 New Street St Peter Port Guernsey GY1 2PF	Non-Executive Director	25 November 2008

<b>Patricia White (47)</b> <sup>2</sup> British	11 New Street St Peter Port Guernsey GY1 2PF	Non-Executive Director	29 February 2012
<b>Brian O'Mahoney (41)</b> <sup>2</sup> British	11 New Street St Peter Port Guernsey GY1 2PF	Non-Executive Director	29 February 2012

<sup>1</sup> Founding member.

<sup>2</sup> Mr O'Mahoney was appointed as Permanent Alternate to Mr Platt-Ransom and Ms White on 29 February 2012.

The following table sets out, details of each of the Partners of the Investment Manager:

<b>Name, nationality and age</b>	<b>Business address</b>
<b>Brian Gilbertson (68)</b> British and South African	54 Jermyn Street, London, SW1Y 6LX, United Kingdom
<b>Arne H. Frandsen (45)</b> Danish	54 Jermyn Street, London, SW1Y 6LX, United Kingdom
<b>Andrew Willis (33)</b> British and New Zealand	54 Jermyn Street, London, SW1Y 6LX, United Kingdom
<b>Priyank Thapliyal (40)</b> British	54 Jermyn Street, London, SW1Y 6LX, United Kingdom
<b>Sean Gilbertson (39)</b> British and South African	54 Jermyn Street, London, SW1Y 6LX, United Kingdom

### 3.1. Experience and qualifications of the Directors

#### 3.1.1. Executive Directors

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

Mr Gilbertson has extensive experience in the global natural resources industry. In his early career, he was Managing Director of Rustenburg Platinum Mines Limited, which gained recognition as the world's foremost producer of platinum in the 1980s. Later, as Executive Chairman of Gencor Limited, Mr Gilbertson led the restructuring of the South African mining industry into the post-Apartheid era, transforming Gencor Limited into a focused minerals and mining group. During this period he held ultimate responsibility for Impala Platinum Holdings and for Samancor Limited, the world's largest producer of manganese and chrome ore and alloys. Important initiatives included the Hillside and Mozal aluminium projects and the purchase of the international mining assets (Billiton plc) of the Royal Dutch Shell Group. In 1997, Gencor Limited restructured its non-precious metals interests as Billiton plc and, with Mr Gilbertson as Executive Chairman, Billiton plc raised US\$1.5 billion in an initial public offering on the LSE, taking the company into the FTSE100. In 2001,

Billiton plc merged with BHP Limited to create what is widely regarded as the world's premier resources company, BHP Billiton plc. In late 2003, Mr Gilbertson led the mining group Vedanta Resources plc to the first primary listing of an Indian company on the LSE in the second largest Initial Public Offering of the year. He was Chairman of Vedanta Resources plc until July 2004. In 2004 he initiated the foundation of Incwala Resources (Proprietary) Limited, a pioneering Black Economic Empowerment Corporation in South Africa, and was its first Chairman until March 2006. In 2004, Mr Gilbertson joined Sibirsko-Uralskaya Aluminum Company (SUAL), an aluminium producer in Russia and led the company into the US\$30 billion merger with RUSAL and the alumina assets of Glencore International A.G., creating the largest aluminium company in the world. Mr Gilbertson established Pallinghurst Advisors LLP and the Investment Manager during 2006 and 2007, respectively, and is the Chairman of and a partner in both entities. Mr Gilbertson is a British and South African citizen.

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

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

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

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

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

### **3.1.2. Independent Non-Executive Directors**

#### **Stuart Platt-Ransom – Lead Independent Non-Executive Director (Chartered FCSI, CMgr, FInstLM, MIOd)**

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

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

#### **Clive Harris (BSc (Econ), ACA)**

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

#### **Martin Tolcher (Chartered FCSI)**

Mr Tolcher has been involved within the fund administration industry in Guernsey for nearly 25 years. He has worked at senior levels for three Guernsey subsidiaries of Bermudan and Canadian international banks, gaining considerable experience in a wide variety of offshore fund and private equity structures. He joined Legis Fund Services Limited in 2005 and was appointed Managing Director at the beginning of 2007, a position he held until the end of

2010. He remained a director of that company until September 2011. Mr Tolcher holds non-executive directorships within other Guernsey fund structures, including a number listed on the London and Channel Islands Stock Exchanges. Mr Tolcher is a Chartered Fellow of the Chartered Institute for Securities & Investment. He is British and resident in Guernsey.

**Patricia White (BA, CA, Chartered FCSI)**

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

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

**Brian O'Mahoney (MBA, ACA)**

Mr O'Mahoney is the Group Finance Director at Legis having joined in January 2011, bringing with him 16 years of experience in the finance industry.

Having moved to Guernsey as a newly qualified accountant in 1994 Brian has since worked in auditing, private banking and wealth management. During this time he has held a number of senior roles with responsibilities in both the Channel Islands and London including, most recently, that of Chief Financial Officer for Kleinwort Benson's Channel Islands operations.

Mr O'Mahoney is a Fellow of the Institute of Chartered Accountants in Ireland and holds an MBA from the Manchester Business School.

**DIRECTORS' REMUNERATION**

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

On 29 February 2012, Ms White was appointed as a Non-Executive Director and will also receive a Director's fee of US\$25,000 per annum. Ms White did not receive a fee for her role as a Permanent Alternate. Mr O'Mahoney was appointed as a Permanent Alternate to Mr Platt-Ransom and Ms White on 29 February 2012. Mr O'Mahoney does not receive a fee for his role as a Permanent Alternate. The Executive Directors have waived the receipt of any Directors' fees from the Company. No other fees or benefits in kind were paid to or accrued by any Director of the Company.

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

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

In addition to the above, certain amounts are payable by the Company to the Investment Manager, as set out in paragraphs 13.3.1 and 13.3.2 of the Revised Listing Particulars. Mr Gilbertson, Mr Frandsen and Mr Willis are all Partners of the Investment Manager.

#### **Directors' service contracts**

There are no service contracts or letters of appointment in respect of the Directors.

#### **3.1.3. Directors' emoluments**

There are no other Directors' fees or benefits in kind receivable by the Directors from the Company other than as set out above. The Partners of the Investment Manager do not receive any emoluments or fees from the Company. The Directors' remuneration will not be varied as a consequence of the Rights Offer.

The Investment Manager or its associated entity receives the Annual Investment Manager's Benefit and the Performance Incentive as set out in paragraphs 13.3.1 and 13.3.2 of the Revised Listing Particulars.

#### **3.1.4. Directors' Loans**

No loans have been made or security furnished by the Company to or for the benefit of any Director or manager or associate of any Director or manager of the Company.

### **3.2. Directors' interests in Shares**

The interests of the Directors and Partners of the Investment Manager in Shares at the Last Practicable Date are set out in paragraph 10.1 to the Circular.

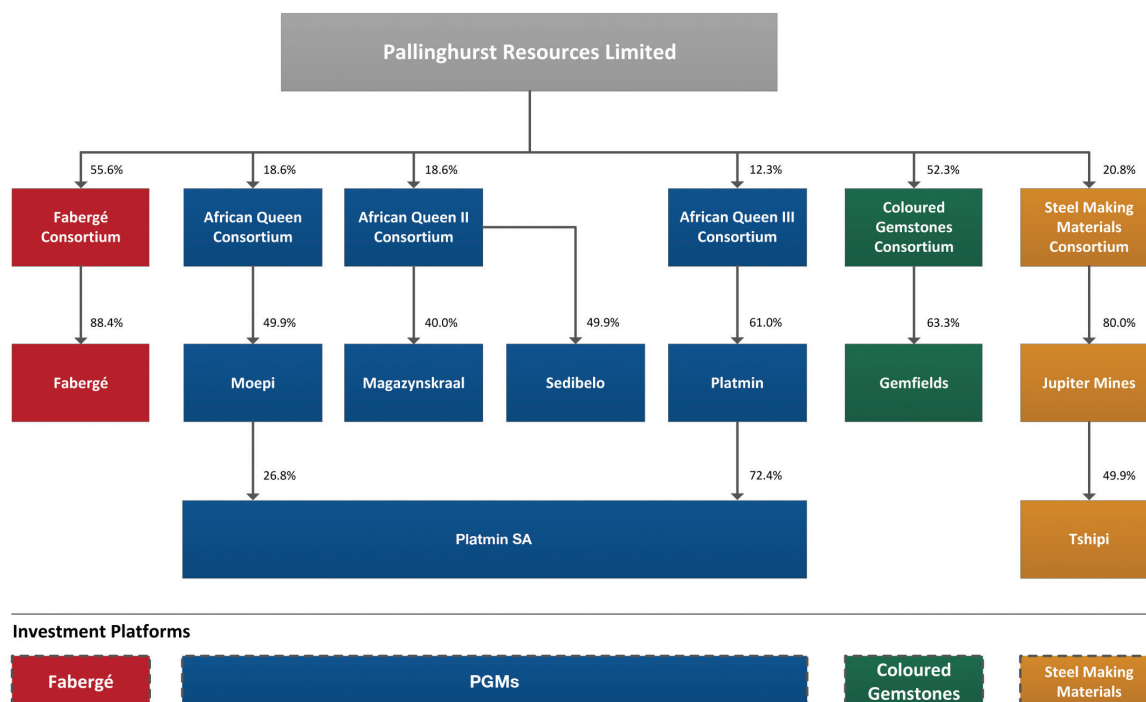
### **3.3. Directors' interests in transactions**

Directors' interests in transactions since incorporation of the Company are set out in paragraph 10.2 of the Circular.



## 4. OVERVIEW OF INVESTMENTS

In the period since incorporation, the Group has developed four unique Investment Platforms as set out below.



### 4.1. PGMs

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

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

During March 2011, a suite of transactions was announced that provides the platform for the consolidation of PPM, Sedibelo and Magazynskraal (the "Consolidation") allowing the resource to be optimally mined. The Pallinghurst Co-Investors would acquire a 49.9% stake in Sedibelo from the Bakgatla and agreed to increase their aggregate interest in Magazynskraal to 40% (an additional 6.6%) as well as strategic water and electricity rights necessary for the operation of the Consolidation properties.

Completion of the suite of transactions was subject to various conditions, including approval for the acquisition by the DMR. The suite of transactions was completed in May 2012 subsequent to this receipt. In addition, Platmin has received the DMR approvals necessary for the completion of

its acquisition of the Western area of the Sedibelo property ("Sedibelo West") for US\$75 million.

During March 2012, the IDC agreed to invest, upon the consolidation of the PGM Properties, ZAR3.24 billion, in return for 16.2% of the consolidated entity. The IDC investment is expected to be completed during 2012. The Directors believe that the completion of the IDC's investment into the consolidated entity may have a positive effect on the Company's NAV, which it is not yet possible to quantify. Completion of the Consolidation and the IDC investment are subject to various conditions.

These transactions represent an important development in the PGM strategy. The Consolidation of the three PGM properties is now almost complete, and the investment by the IDC is imminent. Subsequent to this, the AQ strategy will be close to completion and no further funds have been allocated to the AQ Investment Platform.

#### **4.2. Steel Making Materials**

Despite the turbulence experienced in the economies of many developed nations, emerging countries such as China have sustained average GDP growth rates in excess of 10% per annum over the past decade. Maintaining high growth rates will require significant expansion of infrastructure, for which large supplies of steel are imperative. Global steel production has increased to meet this rising demand, from 850 million tonnes in 2001 to 1.5 billion tonnes during 2011. Increased demand for steel resulting from continued growth in the emerging markets, and sustained demand from the mature economies, is forecast to support demand for steelmaking input raw materials. The Company's Steel Making Materials platform has also been in a capital intensive phase, building the Tshipi Borwa manganese mine and this is expected to continue as Jupiter progresses its feasibility studies on Mount Mason and Mount Ida. The Steel Making Materials strategy is to develop a platform to supply the key raw materials required for the production of steel, in particular manganese, iron ore and coking coal.

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

During 2011, Jupiter successfully raised AUD150 million and approved its portion of the funding required to build South Africa's newest open pit manganese mine at Tshipi Borwa. With construction well underway, Tshipi Borwa is on track to commence production by the end of 2012, with a sizeable resource capable of sustaining more than 60 years of production.

The Investment Manager is investigating the acquisition of a coal asset which would be the last remaining commodity to fill the suite of Steel Making Materials commodities. The Group is likely to use US\$25-US\$35 million of the Rights Issue proceeds to fund its *pro rata* entitlement to this acquisition.

#### **4.3. Gemfields**

During 2007, Pallinghurst identified the coloured gemstone industry as a unique investment opportunity. Demand for coloured gemstones by the jewellery and fashion sectors was increasing despite a lack of large, reliable suppliers able to consistently deliver adequate quantities of gemstones. Pallinghurst perceived an opportunity to unlock significant value in an overlooked,

underdeveloped and fragmented sector. It believed that demand could be enhanced and profitability improved by bringing substantial capital, scale and professionalism to the industry.

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

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

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

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

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

Gemfields is now a market leader in the emerald sector and is well advanced in its strategy to become the world's leading coloured gemstone producer. It is about to apply its successful business model to rubies, having recently acquired the world class deposit in Mozambique. Gemfields delivered record breaking auction results during 2011, and audited net profit after tax for the six months to 31 December 2011 was US\$22 million, higher than the record profits of the prior full year. Gemfields is unlikely to require any further capital expenditure and has not been allocated any funds in the Rights Offer. It is possible that Gemfields may begin to return funds to its shareholders, including the Group, in the next few years.

#### **4.4. Fabergé Limited**

Fabergé has made significant progress since the Company made its first investment in 2007. Despite the short period since Fabergé's relaunch in September 2009, it has already achieved a number of key milestones. Fabergé continued its introduction of high quality collections with a number of critically acclaimed launches during 2011, with more planned for the second half of 2012. Fabergé's retail presence has expanded to include Geneva, London, New York and Hong Kong. Fabergé has been successfully repositioned in the upper echelon of the luxury sector and now has an expanded product offering and retail footprint.

Fabergé is seeking a further capital injection which will enable further development of its value-creating strategy. The Directors have allocated US\$25-30 million to participate in Fabergé's capital raising, which may take the form of debt or equity, to protect its investment and support the next phase of development of its strategic plan.

#### **4.5. Copper**

The Investment Manager has also identified a new copper investment opportunity in southern Africa, with both producing assets and others close to production. The total investment by the Pallinghurst Co-Investors would be significant; the Group's share in the cost of the investment acquisition is likely to be between US\$40-US\$50 million.

### **5. ADMINISTRATION**

#### **5.1. Administrator**

The Administrator has been appointed by the Directors to manage the day-to-day operations and administration of the Company and to perform general administrative tasks, including but not limited to dealing with all correspondence from regulatory bodies, exchanges, Shareholders and service providers, processing Share subscriptions, redemptions and withdrawals, disbursing payments, maintaining the Company's accounting records, liaising with the Investment Manager, liaising with the Auditors and the Independent Valuer, acting as Company secretary and attending to any other matters incidental thereto and usually performed in the administration of a company.

#### **5.2. Valuation of Investments**

Every six months, the Directors estimate the fair value of each investment in accordance with the Valuation Guidelines for inclusion in the Group's external financial reporting.

The Company has, in addition, engaged an Independent Valuer who provides an opinion each reporting period that the Directors' investment valuations have been prepared using a methodology and approach which is reasonable and consistent with the concept of fair value, and is in accordance with the Valuation Guidelines.

The Directors' valuations are incorporated into the Company's interim and annual reports which are communicated to Shareholders via SENS.

## **6. SALE ARRANGEMENTS AND REDEMPTIONS**

### **6.1. Sale arrangements and redemptions**

#### **6.1.1. Sale arrangements**

Notwithstanding the fact that the Company's Shares are listed on the BSX and the JSE, pursuant to the Investment Scope and Investment Objectives (as set out in paragraph 2.1 of the Revised Listing Particulars) of the Company and the potential long-term nature of the Investments, the secondary market for Shares may be limited and relatively illiquid over the Investment Term. To facilitate increased liquidity and tradability in the Shares, the following mechanisms are available to Shareholders:

#### **6.1.2. Sale on the BSX**

(a) Willing buyer, willing seller transactions:

Various brokers are able to provide broking, execution and clearing services for secondary market trades between Shareholders and prospective Shareholders on the BSX. Secondary market trades are effected through a matched sale transaction on condition that there is a willing buyer and willing seller who have indicated the price at which they are willing to acquire and dispose of Shares.

All Shareholders are advised to review the pricing of the Shares on the JSE prior to executing a trade on either the JSE or BSX.

(b) Purchases by the Trust:

The Trust is notified when a willing seller of Shares is available. The Trust may be willing, but is not obliged, to acquire Shares during the Investment Term. The Company pays all costs associated with the Trust. Prior to the Redemption Date, no sale to the Trust of less than 10,000 Shares per transaction (post the 1,000-for-1 share split) or any disposal as a result of which a Shareholder will hold less than 10,000 Shares in the Company will be allowed, except where a Shareholder disposes of all his Shares.

#### **6.1.3. Sale on the JSE**

(a) Willing buyer, willing seller transactions:

The JSE will facilitate secondary market trades between Shareholders and prospective Shareholders during the Investment Term. Secondary market trades will be effected through a matched sale transaction on the condition that there is a willing buyer and willing seller who have indicated the price at which they are willing to acquire and dispose of Shares. This process will be facilitated by the relevant Shareholder's appointed broker.

#### **6.1.4. Pricing**

All Shareholders are advised to review the pricing of the shares on the JSE prior to executing a trade on either the JSE or BSX.

### **6.1.5. Transfer between Registers**

Shares are fully fungible and may be transferred between Registers, subject to the requisite Exchange Control Regulations.

## **6.2. Redemptions**

### **6.2.1. Redemption prior to the Redemption Date**

Prior to the Redemption Date there is no entitlement in favour of Shareholders to have their Shares redeemed by the Company, but the Company shall be entitled to redeem Shares at its election at any time prior to the Redemption Date, as set out below. Redemptions are wholly at the discretion of the Directors and will comply with and be subject to the Listings Requirements. However, subject to their overall discretion, the Directors have determined to operate the following policy in respect of redemptions prior to the Redemption Date, namely that redemptions prior to the Redemption Date will be considered by the Directors if:

- (a) redemptions are effected *pro rata* to all Shareholders, for part of their Shares, at the Fair Value per Share less all costs associated with and incidental to the redemption; and
- (b) there is sufficient cash or gearing available to fund such redemptions; and
- (c) the number of Shares to be redeemed shall be proportionate to the value that the Realisation proceeds received by the Company (less any Disposal Costs and Performance Incentive, if applicable) represents to the NAV of the Company as a whole prior to such redemption.

The costs associated with and incidental to the redemption will be estimated by an independent auditor or will be based on the actual costs billed to ensure that there is no surplus remaining in the Company after the redemption.

For the avoidance of doubt, the final redemption of unredeemed Shares will not take place until all Investments of the Company have been liquidated into cash and/or Distributed and all remaining Aggregate Proceeds have been Distributed to Shareholders.

In addition, no redemption prior to the Redemption Date will be considered by the Directors, where:

- (d) such redemption would or might leave the Company with insufficient funds to meet any future contemplated obligations or contingencies; or
- (e) such redemption would render the Company insolvent; or
- (f) such redemption may in the opinion of the Directors be prejudicial to the Company or other Shareholders.

Redemption proceeds are paid to Shareholders in accordance with the Listings Requirements and the rules of the BSX.

### **6.2.2. Redemption on the Redemption Date**

On or prior to the tenth anniversary of the Initial Closing Date, the Directors shall convene an extraordinary general meeting at which time an Ordinary Resolution will be proposed to either (i) if recommended by the Board, extend the Termination Date by one year or (ii) voluntarily wind up the Company and redeem all the Shares on the Redemption Date, at the Fair Value per Share less any costs associated with the liquidation, if any.

- (a) If on, or prior to, the tenth anniversary of the Initial Closing Date an Ordinary Resolution in terms of (a)(i) above was proposed and approved, then on, or prior to, the eleventh anniversary of the Initial Closing Date the Directors shall convene an extraordinary general meeting and propose an Ordinary Resolution on terms similar to (a)(i) and (a)(ii) above but references to the tenth anniversary of the Initial Closing Date shall be replaced by reference to the eleventh anniversary of the Initial Closing Date.
- (b) If on, or prior to, the eleventh anniversary of the Initial Closing Date an Ordinary Resolution in terms of (a)(i) above was proposed and approved, then on, or prior to, the twelfth anniversary of the Initial Closing Date, the Directors shall convene an extraordinary general meeting at which time an Ordinary Resolution will be proposed to voluntarily wind up the Company, except if a Special Resolution (that will be proposed at the same meeting) to extend the life of the Company indefinitely is proposed and approved.

In the event that either the Ordinary Resolution or the Special Resolution referred to in paragraph (a) or (b) or (c) above are not approved by the requisite majority of Shareholders, the Directors shall apply to the Royal Court of Guernsey for an order to place the Company into compulsory liquidation and that a liquidator be appointed. A liquidator appointed in these circumstances would wind-up and liquidate the affairs of the Company.

In the event of a Special Resolution to extend the life of the Company indefinitely being proposed and approved by the Shareholders in an extraordinary general meeting, the Directors will endeavour, as soon as practicable thereafter, to provide an exit mechanism for those Shareholders wishing to dispose of their Shares at that date, in terms of which Shareholders will be provided with an opportunity to dispose of Shares to the Company, the Trust, existing Shareholders or prospective Shareholders at the Fair Value per Share (or such other price as may be agreed between the relevant parties).

The Company will redeem all of the Shares on the Redemption Date. Should all the Investments not have been liquidated, then the redemption may be deferred until all the Company's Investments have been liquidated. The liquidations shall be effected as soon as reasonably possible. The redemption price shall be equal to the Fair Value per Share less any costs associated with the liquidation, if any, at the Redemption Date.

No settlement and registration fees will be payable in respect of redemptions effected on the Redemption Date. The Administrator will pay the redemption proceeds to the relevant Shareholder in accordance with the Listings Requirements and the rules of the BSX. In the event that invalid banking details of a Shareholder are made available to the Company, the redemption proceeds will be transferred by the Administrator to a trust, which trust will

hold such redemption proceeds until the earlier of the redemption proceeds being claimed by the relevant Shareholder or a period of three years. If the redemption proceeds are not claimed prior to the expiry of the aforementioned period such redemption proceeds will be paid to a charitable institution. Such Shareholder will pay an administration charge for this service of 0.1% per annum of the redemption proceeds payable to it.

The costs associated with and incidental to the redemption will be estimated by an independent auditor or will be based on the actual costs billed to ensure that there is no surplus remaining in the Company after the redemption.

### **6.2.3. Distributions in specie**

Should:

- (a) the Directors deem it to be in the best interests of Shareholders; or
- (b) the Company be unable to liquidate all the Investments by the Redemption Date,

then the Company will on the Redemption Date, or as soon as possible thereafter, Distribute such Investments to the Shareholders as a Distribution *in specie*.

When a Distribution *in specie* is made, the Administrator shall provide Shareholders with written notice, specifying:

- (c) the date of the proposed Distribution;
- (d) the assets to be Distributed (including, where appropriate, the class and number of securities); and
- (e) the basis on which the Distribution will be made.

If there is a reasonable likelihood that the Shareholder is prohibited by applicable law or regulation from directly holding any security to be Distributed or in any case in which applicable law or regulations prohibit the issuance or sale to such Shareholder of the securities which would otherwise be Distributed to such Shareholder, then the Administrator shall use reasonable endeavours to sell the securities proposed to be Distributed *in specie* to a third party, with the proceeds thereof being Distributed to the relevant Shareholder, provided that the costs of such sale and any losses or gains in respect thereof shall be for the account of such Shareholder.

Distributions *in specie* of securities of any class shall be made on the same basis as Distributions of cash, such that any Shareholder in receipt of the Distributions shall receive the relevant proportionate amount of the total securities of such class available for Distribution or (if such method of Distribution is for any reason impracticable) such that each Shareholder shall receive as nearly as possible the relevant proportionate amount of the total securities of such class available for Distribution together with a balancing payment in cash in the case of any Shareholder who shall not receive the full proportionate amount of securities to which he would otherwise be entitled.

The value attributable to any Investment Distributed *in specie* pursuant to this paragraph shall be:



- (f) where the Investment is Distributed on the same day that it achieves a listing, the listing price;
- (g) where the Investment already comprises listed securities, the average of the bid and offer prices of the listed securities for the five trading days preceding the Distribution and the five trading days following the Distribution; and
- (h) where the Investment is unlisted, the value as determined by the Directors.

### **6.3. Financial information**

To assist Shareholders and prospective Shareholders in acquiring and disposing of Shares on the BSX and evaluating the potential returns to be received in respect of their investment, the Directors estimate the Fair Value per Share on a six-monthly basis.

## **7. CORPORATE GOVERNANCE**

### **7.1. Introduction**

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

The Company is a Guernsey authorised collective investment scheme and therefore complies with the Finance Sector Code of Corporate Governance issued by the Guernsey Financial Services Commission dated September 2011, which came into force on 1 January 2012.

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

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

### **7.2. Board responsibilities**

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

### **7.3. Chairman and Board composition**

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

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

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

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

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

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

King III recommends that companies appoint a Lead Independent Non-Executive Director ("LID"). On 29 February 2012, the Directors resolved to appoint Mr Platt-Ransom as the first LID, effective immediately. The LID's main responsibilities are to chair any meeting in which the Chairman has a conflict of interest, and to give stakeholders an additional point of contact.

#### **7.4. Appointment of new directors**

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

#### **7.5. Rotation of Directors**

The Articles specify that one-third of the 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.

#### **7.6. Board meetings**

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

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

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

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

#### **7.7. Role of Independent Valuer**

The Directors have estimated the fair value of the individual investments. The Company has, in addition, engaged Independent Valuer who has provided an opinion that the valuations of each investment as determined by the Directors have been prepared using a methodology and approach which is reasonable and consistent with the concept of fair value, and is in accordance with the IPEVC Valuation Guidelines.

#### **7.8. Board committees**

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

#### **7.9. Audit Committee**

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

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

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

##### **7.9.1. Financial Reporting**

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

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

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

#### **7.9.2. *The Auditor and the Independent Valuer***

The Audit Committee considers;

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

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

#### **7.9.3. *Listing, compliance and legal regulations***

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

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

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

#### **7.9.4. *Internal controls and risk management***

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

### **7.10. Remuneration Committee**

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

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

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

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

One meeting of the Remuneration Committee was convened during 2011.

#### **7.11. Risk management**

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

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

#### **7.12. Risk and internal audit**

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

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

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

#### **7.13. IT governance**

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

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

#### **7.14. Insurance**

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

#### **7.15. Sustainability reporting**

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

#### **7.16. Communication with stakeholders**

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

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

#### **7.17. Trading in the Company's shares**

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

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

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

## **8. SHARE CAPITAL**

### **8.1. Share capital**

Details of the share capital of the Company as at the Last Practicable Date are set out in paragraph 11 to the Circular.

### **8.2. Rights attaching to Shares**

As at the Last Practicable Date, the authorised share capital of the Company consists of two classes of Shares: 999,000,000 ordinary Shares (of which 832,946,717 will have been issued following the implementation of the Rights Offer, provided that all Rights Offer Shares are taken up) with a nominal value of US\$0.00001 each and ten management Shares (of which two have been issued) with a nominal value of US\$1.00 each. Of the 832,946,717 ordinary shares which will have been issued following the implementation of the Rights Offer, 357,142,857 ordinary Shares will be issued pursuant to the Rights Offer.

Each Share carries the right to one vote on a poll at any general meeting and Shares rank *pari passu*. The Shares have no special rights or restrictions attached.

Management Shares each carry the right to receive notice of, attend and vote at any general meeting of the Company, provided that no Shares are in issue at such date. When such rights exist, each holder of a Management Share who is present or by proxy at a general meeting will have 10,000 votes in respect of each Management Share held by them.

The holders of Shares are entitled to receive, and participate in, any Distributions resolved to be distributed during any Accounting Period. On winding up and after the payment of all creditors of the Company, the payment of the Fair Value per Share of the Shares less any cost associated with the liquidation and the nominal value of the Management Shares, the holders of the Shares shall be entitled to any surplus.

The holders of Management Shares have no right to receive or participate in any Distributions of the Company except that on winding up, after the payment of all creditors of the Company and the payment of the Fair Value per Share of the Shares less any costs associated with the liquidation, the nominal value of the Management Shares shall be paid to the holders of the Management Shares.

Directors control the issue or disposal of the authorised but unissued share capital of the Company, subject to Guernsey Law. The Company may, by Special Resolution, make changes to the authorised share capital structure (including authorising an increase to the authorised share capital, a consolidation of the share capital, and a share split). Any reduction of share capital requires a Special Resolution and is subject to Guernsey Law.

The Articles of Incorporation also provide that the attachment, variation and deletion of special rights and restrictions to a class of shares must be authorised by Special Resolution of the holders of the shares of that class. The rights attached to the Management Shares cannot be amended unless a Special Resolution is also passed by the holders of the Shares.

### 8.3. Changes to issued share capital

Apart from the Rights Offer, since the Company's incorporation in September 2007, there have been no amendments to the issued share capital, other than as follows:

A 1,000-for-1 share split which was approved by Shareholders on 9 June 2008. The effect of the 1,000-for-1 share split on the authorised and issued share capital is set out below:

	US\$
<b><i>Before the Share Split</i></b>	
<b><i>Authorised</i></b>	
999,000 Shares of US\$0.01 each	9,990
<b><i>Issued</i></b>	
169,316 Shares of US\$0.01 each	1,693
<b><i>After the Share Split</i></b>	
<b><i>Authorised</i></b>	
999,000,000 Shares of US\$0.00001 each	9,990
<b><i>Issued</i></b>	
169,316,000 Shares of US\$0.00001 each	1,693

A vendor consideration placing was concluded on 19 December 2008. The effect of the vendor consideration placing on the authorised and issued share capital is set out below:

	US\$
<b><i>Before the Vendor Consideration Placing</i></b>	
<b><i>Authorised</i></b>	
999,000,000 Shares of US\$0.00001 each	9,990
<b><i>Issued</i></b>	
169,316,000 Shares of US\$0.00001 each	1,693
<b><i>After the Vendor Consideration Placing</i></b>	
<b><i>Authorised</i></b>	
999,000,000 Shares of US\$0.00001 each	9,990
<b><i>Issued</i></b>	
247,232,484 Shares of US\$0.00001 each	2,472

A renounceable rights offer was concluded on 29 September 2009. The effect of the rights issue on the authorised and issued share capital is set out below:

	US\$
<b><i>Before the 2009 Rights Issue</i></b>	
<b><i>Authorised</i></b>	
999,000,000 Shares of US\$0.00001 each	9,990
<b><i>Issued</i></b>	
247,232,484 Shares of US\$0.00001 each	2,472
<b><i>After the 2009 Rights Issue</i></b>	
<b><i>Authorised</i></b>	
999,000,000 Shares of US\$0.00001 each	9,990
<b><i>Issued</i></b>	
475,803,860 Shares of US\$0.00001 each	4,758

Changes to issued share capital as a result of the Rights Offer have been set out in paragraph 11 on page 45 of this Circular.



## **9. DETAILS OF MAJOR SHAREHOLDERS OF THE COMPANY**

Details of the major shareholders of the Company at the Last Practicable Date are set out in paragraph 12 on page 46 of the Circular.

## **10. DIVIDENDS AND OTHER DISTRIBUTIONS**

The Company has not declared or paid any Distributions since its incorporation. Any decision to make Distributions will be made by the Board according to the terms as set out in paragraph 6 of the Revised Listing Particulars. The Company may pay dividends to the extent that it has profits available for distribution. Any dividends paid will be paid in accordance with the Articles of Incorporation, the BSX, the Listings Requirements and Guernsey Law. In accordance with the Articles of Incorporation, holders of Management Shares are not entitled to Distributions.

## **11. TRADING HISTORY OF SHARES ON THE JSE**

The trading history of Shares on the JSE has been disclosed in Annexure IV to the Circular.

## **12. EXCHANGE CONTROL REGULATIONS**

### **12.1. Exchange Control Regulations**

Set out below is a summary of the Exchange Control Regulations relating to the acquisition of Shares.

The Company is a South African inward listed company as referenced in Section H(C)(VII) of the Exchange Control Regulations. As such, the Exchange Control Regulations, as amended by the Medium Term Budget Policy Statement by the South African Minister of Finance on 28 October 2004, will apply to the acquisition of Shares by South African residents, as summarised below.

Exchange Control Regulations restrict the export of capital from the Common Monetary Area, without the prior consent of the South African Reserve Bank. The Exchange Control Regulations apply to transactions involving South African residents, including both natural persons and legal entities.

Funds raised outside the Common Monetary Area by the Company and its non-South African Subsidiaries are not restricted under the Exchange Control Regulations. Non-South African residents may freely sell their Shares on the JSE and freely remit the proceeds outside of the Common Monetary Area.

The following summary is intended as a guide and is not comprehensive. It is recommended that Shareholders and prospective Shareholders consult their independent professional advisors if they have any doubt regarding the implications of the Exchange Control Regulations.

#### **12.1.1. South African individuals**

South African individuals will be able to acquire shares in African inward listed companies that are listed on the JSE, such as the Company, without restriction. Consequently, an acquisition of Shares by a South African individual will not affect such person's offshore investment allowance.

#### **12.1.2. South African institutional investors**

South African retirement funds, long-term insurers, collective investment scheme management companies as well as investment managers who have registered with Exchange Control as institutional Shareholders for Exchange Control purposes. All inward listed shares will be classified as domestic companies and therefore there would be no restrictions for South African institutions holding shares on the JSE.

#### **12.1.3. South African corporate entities**

A South African corporate entity may invest in instruments that are inward listed on the JSE without restriction.

#### **12.1.4. Member brokers of the JSE**

In terms of section H(E) of the South African Reserve Bank Exchange Control Rulings, a special dispensation was provided to local brokers to facilitate the trading in shares of South African inward listed companies. South African brokers are now allowed, as a book building exercise, to purchase Shares offshore and to transfer them to the Company's South African Register. This special dispensation is confined to shares of inward listed companies and brokers may warehouse such shares for a maximum period of 30 days only.

#### **12.1.5. Exchange Control provisions applicable to South African residents in respect of acquisition issues and rights by African companies that are listed on the JSE**

African companies with inward listings on the JSE, such as the Company, will be allowed to issue shares to South African residents in consideration for acquisitions. South African institutional Shareholders will be given 12 months to realign their portfolios, should they be in excess of their Exchange Control foreign exposure limits as a result of such acquisition issues. South African institutional Shareholders and corporate entities will be allowed to exercise their rights in terms of any rights issues by African companies with inward listings on the JSE, such as the Company. South African institutional Shareholders will be given a period of twelve months to realign their portfolios should they be in excess of their offshore investment allowances as a result of exercising their rights in terms of a rights offer.

#### **12.1.6. Non-residents of the Common Monetary Area**

Non-residents of the Common Monetary Area may acquire Shares on the JSE, provided they pay the purchase price from a non-resident account at a South African registered bank in Rands. However, former residents of the Common Monetary Area who have emigrated may not use emigrant blocked funds to acquire any inward listed Shares.

#### **12.1.7. Transfer of Shares between Registers**

Shares are fully fungible and may be transferred between the South African Register and the BSX Register. Eligible South African Shareholders, being those described in the paragraphs above, may only acquire Shares via the JSE that are already on the South African Register maintained by the Transfer Secretaries. Member brokers of the JSE may acquire Shares on foreign exchanges and transfer them to the South African Register as described above. Non-residents are not subject to the Exchange Control Regulations and may freely transfer Shares between the South African Register and the BSX Register.

## **13. EXPENSES, FEES AND INVESTMENT MANAGER'S BENEFITS**

### **13.1. Expenses**

The Company is responsible for all the expenses incurred by the Company including, but not limited to, the Annual Operating Expenses. In addition, the Company has agreed that the Investment Manager or its associated entities shall be entitled to the financial benefits described in paragraph 13.3 below.

The Company shall reimburse all reasonable out-of-pocket expenses properly incurred by the Investment Manager, the Administrator, and each of the Directors in the performance of their duties on behalf of the Company.

### **13.2. Administrator fee**

Under the Administration Agreement, the Company has agreed to pay or procure to be paid to the Administrator, for its services as administrator and company secretary, a minimum fee of US\$80,000 per annum payable within 20 Business Days of the end of each quarter to which the fee applies, until the Redemption Date or if earlier, termination of the Administration Agreement.

### **13.3. Investment Manager's Benefits**

#### ***13.3.1. Annual Investment Manager's Benefit***

The Investment Manager shall, as consideration for the investment advisory and management services provided to the Company in relation to Investment opportunities falling within the Investment Scope, be entitled to an annual benefit that will not exceed:

- (a) during the Investment Period<sup>1</sup>, an amount of 1.5% per annum of the Company's Funds, payable quarterly in advance; and
- (b) with effect from the end of the Investment Period, an amount of 1.5% per annum of the lesser of the aggregate Acquisition Cost or market value (as determined by the most recent independent valuation) of Unrealised Investments of the Company during the relevant Accounting Period, calculated and payable quarterly in advance.

The Annual Investment Manager's Benefit shall be reduced by an amount equal to such part of all Transaction Receipts received and retained by the Investment Manager in the previous Accounting Period and not previously taken into account pursuant to this paragraph (and if the amount of such reduction is greater than the Annual Investment Manager's Benefit for the Accounting Period in question, the excess amount will be carried forward and off-set against the Annual Investment Manager's Benefit to be allocated in the next Accounting Period(s)).

If, on the Redemption Date, there remains any excess Transaction Receipts which have not been offset against the Annual Investment Manager's Benefit pursuant to this paragraph, then the Investment Manager shall reimburse the Company for an amount equal to such excess.

The Annual Investment Manager's Benefit shall be subject to a *pro rata* refund to the Company for any period for which a portion of the Annual Investment Manager's Benefit was paid in advance, but during which the Investment Management Agreement has been terminated.

### **13.3.2. Performance Incentive**

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

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

The accrual for the Performance Incentive is calculated as follows:

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

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

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

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

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

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

### **13.3.3. End of the Investment Period**

After the end of the Investment Period, the Company must Distribute all Aggregate Proceeds to Shareholders within 30 Business Days of receipt, through a dividend, the redemption of Shares or another suitable method, unless otherwise resolved by Special Resolution and with the prior written consent of the Investment Manager.

## **14. CONFLICTS OF INTEREST**

The Investment Manager and its associated entities shall not, except with the prior consent of Shareholders by means of an Ordinary Resolution, commence investing, or act as the primary source of transactions for a new investment entity with a similar Investment Scope as that of the Company at any time prior to whichever is the earliest to occur of:

- (a) the removal of the Investment Manager as investment manager to the Company;
- (b) the expiry of the Investment Period; and
- (c) the winding-up of the Company.

Thereafter the Investment Manager and its associated entities shall be entitled to establish a new entity with a similar Investment Scope and to raise funds for such new entity whilst simultaneously continuing to act as Investment Manager for the Company with a view to managing and Realising Investments.

The Administrator and the Directors, other than Brian Gilbertson, Arne H. Frandsen and Andrew Willis, may provide similar services to other companies and/or entities even where the business of those other companies and/or entities is or may be in competition with the Company.

In the event that any of the Directors, in accordance with the provisions of the Articles of Incorporation, the Investment Manager and the Administrator, in the ordinary course of business, have potential conflicts of interest with the Company, each will, at all times, have regard in such event to their obligations to the Company and will endeavour to ensure that such conflicts are resolved fairly. In addition, any of the foregoing may deal as principal or agent with the Company, provided that such dealings are carried out on normal commercial terms negotiated on an arm's length basis and, in the case of the Directors, in accordance with the Articles of Incorporation.

Certain interests of the Directors are set out in paragraph 3 of these Revised Listing Particulars. The Articles of Incorporation specify the circumstances in which a Director may or may not vote in relation to a matter in which he may be interested, as described in paragraph 4 in Appendix I headed "Extracts from the Articles of Incorporation" of the Revised Listing Particulars.

None of the Directors have existing or proposed service contracts with the Company. None of the Directors have any contract or arrangement existing at the date of the Revised Listing Particulars in which the Director is materially interested and which is material in relation to the business of the Company, save for as disclosed in the Revised Listing Particulars and, in particular, in the case of Brian Gilbertson, Arne H. Frandsen and Andrew Willis, *inter alia*, the Investment Management Agreement.

A Director may own Shares in the Company, but there is no requirement that he or she does so. The Directors and the executives/Partners of the Investment Manager may from time to time have beneficial

interests in the Investment Manager and/or the Company, as the case may be. Directors, who are executives/Partners of the Investment Manager and the executives/Partners of the Investment Manager, will be precluded from voting as Shareholders on any proposal in relation to the Investment Management Agreement, subsequent to the conclusion thereof by the Company.

## 15. TAXATION

The following is a general summary of certain tax considerations that an existing or prospective Shareholder should consider. The summary below is based upon current law and administrative practice, which is subject to change, and does not address all of the tax considerations that may be relevant to a particular Shareholder in light of its own particular circumstances. Shareholders and prospective Shareholders should consult their professional advisors on the tax consequences of acquiring, holding, disposing, transferring or the redemption of their Shares, which will normally depend upon their country of citizenship, ordinary residence or domicile.

### In Guernsey

The following summary of the anticipated tax treatment in Guernsey applies to Shareholders:

#### 15.1. General

The information below, which relates only to Guernsey taxation, summarises the advice received by the Directors. It is applicable to the Company and to Shareholders who are resident or ordinarily resident in Guernsey for taxation purposes and who hold Shares in the Company as an investment. It is based on current Guernsey revenue law and published practice, which revenue law or practice is, in principle, subject to any subsequent amendments. This summary does not constitute legal or tax advice and is based on current Guernsey revenue law and published practice existing at the date of the Revised Listing Particulars. Prospective Shareholders should be aware that the level and bases of taxation may change from those described and they should consult their own professional advisors on the implications of acquiring, holding, disposing, transferring or the redemption of their Shares under the laws of the countries in which they are liable to taxation.

The following information does not deal with certain types of Shareholders, such as Shareholders acquiring, holding, disposing, transferring or the redemption of their Shares in the course of trade, collective investment schemes or insurance companies.

#### 15.2. The Company

The Company has been granted tax exempt status by the Director of Income Tax in Guernsey for confirmation that the Company will be eligible for exempt status under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 (the “**Ordinance**”). The Company will need to re-apply annually for exempt status for Guernsey tax purposes, incurring the current fee of GBP600 per annum.

As exempt status has been granted, the Company will not be considered resident in Guernsey for Guernsey income tax purposes. A company that has exempt status for Guernsey tax purposes is exempt from tax in Guernsey on both bank deposit interest and any income that does not have its source in Guernsey. It is not anticipated that any income other than bank interest will arise in

Guernsey and therefore the Company is not expected to incur any additional liability for Guernsey tax. Payments of dividends and interest by a company that has exempt status for Guernsey tax purposes are regarded as having their source outside Guernsey and hence are payable without deduction of tax in Guernsey.

In the absence of an exemption, the Company would be treated as resident in Guernsey for Guernsey income tax purposes and subject to the zero rate regime, described below.

In response to the review carried out by the European Union Code of Conduct Company, the States of Guernsey has agreed to abolish exempt tax status for the majority of companies and to introduce a zero rate of tax for companies carrying on all but a few specified types of regulated business. The Company, in the absence of an exemption, together with any Guernsey incorporated subsidiaries, and any other companies controlled by the Company would become Guernsey resident companies subject to the zero rate of Guernsey tax. Under this regime, the Company and any subsidiaries would not be required to withhold Guernsey income tax from interest or dividends paid by them other than in respect of distributions to Guernsey resident individuals.

The States of Guernsey has also agreed that because closed-ended investment vehicles are not one of the regimes in Guernsey classified by the EU Code of Conduct Company as being harmful, closed-ended investment vehicles will continue to be able to apply for exempt status for Guernsey tax purposes. The changes introduced by the zero tax regime are not expected to have any material impact on the Company, as it is expected that the Company will be granted exempt tax status.

The Policy Council of the States of Guernsey has stated that it may consider further revenue raising measures in 2011/2012, including possibly the introduction of a goods and services tax, depending on the state of Guernsey's public finances at that time.

Non-Guernsey resident Shareholders will not be subject to Guernsey tax on the redemption or disposal of their holding of Shares in the Company.

Guernsey currently does not levy taxes upon capital inheritances, capital gains (with the exception of a dwellings profit tax) gifts, sales or turnover, nor are there any estate duties, save for an *ad valorem* fee for the grant of probate or letters of administration. No stamp duty is chargeable in Guernsey on the issue, transfer, switching or redemption of shares in the Company.

### **15.3. Shareholders**

Shareholders resident outside Guernsey will not be subject to any income tax in Guernsey in respect of any Shares owned by them. Any Shareholders who are resident for tax purposes in Guernsey, Alderney or Herm will incur Guernsey income tax on any dividends paid on Shares owned by them but will suffer no deduction of tax by the Company from any such dividends payable by the Company where the Company is granted exempt status. The Company is required to provide details of distributions made to Shareholders resident in the Islands of Guernsey, Alderney and Herm to the Director of Income Tax in Guernsey.

## **In South Africa**

### **15.4. Transfer of Shares from the BSX Register to the South African Register**

Certain South African residents are currently Shareholders in the Company through the BSX and hold their shares through the BSX Register.

With regard to the transfer of the Shares to the South African Register, such a transfer would not trigger a disposal of the Shares and would therefore not result in any South African Capital Gains Tax consequences.

The Shares transferred from the BSX Register to the South African Register will be the same Shares with the same rights and entitlements and therefore the transfer will not constitute a disposal for South African capital gains tax purposes.

### **15.5. Shareholder taxation**

As the investment is in the Shares of the Company, the tax consequences relating to the investment will depend on the nature and status of each Shareholder. Existing and potential Shareholders should seek advice from their own independent professional advisors in relation to the taxation consequences of acquiring, holding, disposing, transferring or the redeeming of their Shares.

## **16. PRINCIPAL RISKS AND UNCERTAINTIES**

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

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

### **16.1. Key risks to the Investment Portfolio**

#### **16.1.1. Macroeconomic risks**

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

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

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



### **16.1.2. Resources sector and country risk**

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

The Group is invested in various countries including South Africa, Australia and Zambia. Specific risks associated with different countries in which the Group is invested may include risks associated with regulatory, tax, foreign exchange fluctuations, industrial relations problems, and other local economic conditions. The Group's investments could also suffer from future unanticipated events or problems. The Group holds a limited number of investments, each of which is usually material, and the failure of any single investment could have a significant adverse impact on the Group.

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

### **16.1.3. Mining risk**

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

Exploration, extraction and processing activities are usually subject to environmental and safety laws and labour and occupational health legislation. A breach of environmental laws and regulations could result in the imposition of a fine, or closure of operations. Any environmental damage could create negative publicity for the investment, which could also affect the Group. Such breaches could also affect any future mining licence applications by the Group's investments. Damage to, or destruction of, an investment's facilities or property, environmental damage or pollution and, together with potential legal liability, could have a material adverse impact on the business, operations and financial performance of an investment. As mining companies move closer towards production, the risks associated with the investments significantly change and develop. Material new types of risk such as energy security, safety, sustainable development, employee relations and the risks associated with mining rights and permits are all likely to become more significant. Other specific mining risks include "resource nationalism", which could see the sequestration of mining assets by national governments, or the adverse impact caused by the rejection of applications for mining permits or licences.

#### **16.1.4. Other risks facing the Investment Portfolio**

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

### **16.2. Direct risks to the Group**

#### **16.2.1. Liquidity risk**

The Group's cash balance has decreased over time as the Group has become more fully invested. The Directors have considered various avenues to ensure that the Group is able to continue to operate effectively, and is currently seeking to raise new equity capital from existing shareholders via the Rights Issue. If the rights issue is not successful, the Group would suffer from a number of adverse implications and may not be able to continue in business.

#### **16.2.2. Counterparty risk (banking or other)**

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

#### **16.2.3. Exchange rate risk**

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

#### **16.2.4. External reporting – risk of failure to accurately report financial or other information**

The Group's external financial reporting is reliant on various IT systems, plus the integrity and quality of staff at the Administrator and Investment Manager. Failure of information systems could lead to the loss of accounting records, which could ultimately lead to a material error in the Group's financial reporting. The valuation of the Investment Portfolio each reporting period is complex and subjective, and if the valuations were misstated, this could materially affect both the Group's NAV and its reputation. Shareholders should anticipate further changes in the Group's risk profile over time. As the Group has developed and become more fully invested, the relative importance of certain risks compared to others has changed and developed. There have been no material changes to the risk profile of the Group since 31 December 2011.

## 17. GENERAL INFORMATION

### 17.1. Indemnities

- (a) Subject to (g) below, the Company shall indemnify each of the Indemnified Persons against any liabilities, claims, costs or expenses (including reasonable legal fees) suffered or incurred or threatened by reason of such Indemnified Person's activities under the relevant agreements, if applicable, concluded between such Indemnified Persons and the Company provided however that such person shall not be so indemnified with respect to any matter resulting from its Cause.
- (b) Without prejudice to the generality of the foregoing, and subject to the terms hereof, the Company agrees to pay all reasonable costs and expenses incurred by any Indemnified Person in defending, resisting or investigating any threatened or pending action, claim or proceeding in respect of which the Indemnified Person claims to be entitled to be indemnified pursuant to this paragraph 17.1 in advance of the final determination of such action, claim or proceeding upon receipt of a legally binding undertaking by or on behalf of such Indemnified Person to repay such amount if it shall subsequently be determined by a court of competent jurisdiction that such Indemnified Person is not entitled to be so indemnified or receive a contribution in accordance herewith.
- (c) The provisions of this paragraph shall continue in effect notwithstanding that the Indemnified Person shall have ceased to carry out its respective activities under the relevant agreement, if applicable, but only as regards the services provided in the period prior to and including such cessation (but not thereafter).
- (d) Each Indemnified Person will be entitled to enforce the provisions of this paragraph 17.1.
- (e) Any Indemnified Person shall first seek recovery under any other indemnity or any insurance policies by which such Indemnified Person is indemnified or covered, as the case may be, but only to the extent that the indemnifier with respect to such indemnity or the insurer with respect to such insurance policy provides (or acknowledges its obligation to provide) such indemnity or coverage on a timely basis, as the case may be.
- (f) The Investment Manager will use reasonable efforts to ensure that each Investment Vehicle for which an Indemnified Person serves as a director or officer: (i) has adopted charter documents providing mandatory indemnification therefore to the fullest extent permitted by law and (ii) obtains director and officer insurance to the extent available at market related rates.
- (g) The Company's obligations under this indemnity shall:
  - (i) where the matter requiring the indemnity arises from an Investment in an Investment Vehicle with one or more selected Co-Investors, on a case-by-case basis, be several and in proportion to the Investment Amount paid in relation to the Investment Vehicle;
  - (ii) where the matter requiring the indemnity arises from a specific Investment, be several in proportion to its respective Investment Amount in that Investment; and
  - (iii) in either case, shall be limited to the higher of the applicable Investment Amount(s) and any amounts Realised in relation thereto, either in respect of the arrangements contemplated in the Investment Vehicle agreement or the specific Investment, as the case may be.

## 17.2. NAV of the Company

The NAV of the Company is the value of the Company's total assets less total liabilities, including a provision for the Performance Incentive if applicable. The value of the assets of the Company and the amount of its liabilities are determined by the Board as follows:

- (a) The assets of the Company include the following:
  - (i) investments;
  - (ii) cash on hand, on deposit, or on call, including any interest accrued thereon;
  - (iii) all bills, demand notes, promissory notes and accounts receivable;
  - (iv) all interest accrued on any interest-bearing securities owned by the Company; and
  - (v) all other assets of the Company.
- (b) The assets of the Company are valued as follows:
  - (i) Investments are valued by the Directors in accordance with IFRS and the Valuation Guidelines. The Independent Valuer reviews the investment valuations prepared by the Directors, and confirms that they have been prepared using a methodology and approach reasonable and consistent with the concept of fair value and in accordance with the Valuation Guidelines;
  - (ii) cash on hand or on deposit, prepayments, cash dividends and interest declared or accrued and not yet received are accounted for in accordance with IFRS;
  - (iii) demand notes, promissory notes and accounts receivable are valued either at their face value, or at their face value less a discount where appropriate, in accordance with IFRS;
  - (iv) deposits are valued at their principal amount plus accrued interest from the date of acquisition in accordance with IFRS;
  - (v) certificates of deposit, treasury bills, bank acceptances and trade bills are valued in accordance with IFRS; and
  - (vi) all other assets are accounted for in accordance with IFRS.
- (c) Any valuations made pursuant to the Articles of Incorporation shall be binding on all Persons.
- (d) The liabilities of the Company include all its liabilities of whatsoever kind.
- (e) The liability for the Performance Incentive is calculated in accordance with the terms set out in the section headed "Expenses, Fees and Investment Manager's Benefits" of the Revised Listing Particulars.

## 17.3. Reports and financial statements

The books and records of the Group are maintained in US\$. The Group's financial statements are prepared under IFRS and denominated in US\$.

The Accounting Period of the Company ends on 31 December each year. Audited annual financial statements and reviewed interim financial statements are communicated to Shareholders, on a six-monthly basis, via SENS, amongst other means.

#### **17.4. Share certificates**

Shares are traded in Dematerialised form.

The Company's share register is maintained at the office of the Administrator. The South African Register is maintained by the South African Transfer Secretaries.

#### **17.5. General meetings**

The Board convenes an annual general meeting in each calendar year. The ordinary business of each annual general meeting is to consider the Group's most recent Annual Report, to consider any Board appointments, to appoint the auditors and consider their remuneration, and to sanction or declare any dividends. All other business is considered to be special, and is considered either in an extraordinary general meeting, or is described as special in the notice of annual general meeting.

The Company's annual general meetings are held in Guernsey or such other place as the Directors may determine. Notices convening the annual general meeting are sent to Shareholders in accordance with the requirements of the Articles of Incorporation and the Listings Requirements.

Other general meetings may be convened from time to time by the Directors by sending notices to Shareholders at their registered addresses or by Shareholders requisitioning such meetings in accordance with Guernsey law, and may be held in Guernsey or elsewhere. Shareholders holding at least one tenth of the issued Shares between them may convene an extraordinary general meeting.

#### **17.6. Corporate relationships and material contracts**

Other than the material contracts referred to in Appendix II to the Revised Listing Particulars, the Company and its subsidiaries did not enter into any material contracts other than in the ordinary course of business carried on or proposed to be carried on by the Company and its subsidiaries, within the two years prior to the date of the Revised Listing Particulars and since incorporation to the date of the Revised Listing Particulars or at any time and containing an obligation or settlement that is material to the Company or its subsidiaries at the date of the Revised Listing Particulars. The material contracts, the major terms of which have been disclosed in Appendix II to the Revised Listing Particulars, consist of the Investment Management Agreement and the Administration Agreement.

#### **17.7. Material borrowings and loans receivable**

Material borrowings and loans receivable at the Last Practicable Date are set out in paragraph 18 to the Circular.

#### **17.8. Commitments and contingent liabilities**

Commitments and contingent liabilities at the Last Practicable Date are set out in paragraph 20 to the Circular to which the Revised Listing Particulars form part.

#### **17.9. Statement as to working capital**

The Directors are of the opinion and have reasonable grounds for believing that subsequent to the Revised Listing Particulars:

- 17.9.1.** the Company and its subsidiaries will, in the ordinary course of business, be able to pay its debts for a period of twelve months after the date of approval of the Revised Listing Particulars;
- 17.9.2.** the assets of the Company and its subsidiaries will be in excess of its liabilities for a period of twelve months after the date of approval of the Revised Listing Particulars. For this purpose, the assets and liabilities are recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements;
- 17.9.3.** the share capital and reserves of the Company and its subsidiaries will be adequate for business purposes for a period of twelve months after the date of approval of the Revised Listing Particulars; and
- 17.9.4.** the working capital of the Company and its subsidiaries will be adequate for ordinary business purposes for a period of twelve months after the date of approval of the Revised Listing Particulars.

#### **17.10. Litigation statement**

The Company and its subsidiaries are not involved in any legal or arbitration proceedings, nor are the Directors of the Company aware of any proceedings, which are pending or threatened, which may have or have had, in the twelve month period preceding the Last Practicable Date, a material effect on the Group's financial position.

#### **17.11. Material changes**

Material changes in the business, controlling shareholders, financial and trading position or trading objects of the Company since the end of the preceding Accounting Period, are set out in paragraph 22 to the Circular.

#### **17.12. Miscellaneous**

- (a) The Company does not have and does not expect to have, nor has it since its incorporation had, any employees.
- (b) The Company may be subject to withholding tax on distributions received in respect of its Investments, which withholding tax may not be recoverable.
- (c) No share or loan capital of the Company has been issued, or agreed to be issued, as fully or partly paid-up, otherwise than in cash.
- (d) Save as disclosed under the section headed "Expenses, Fees and Investment Manager's Benefits" of the Revised Listing Particulars, no amount or benefit has been paid or given or is intended to be paid or given to any promoter of the Company.
- (e) Save as disclosed under the section headed "Expenses, Fees and Investment Manager's Benefits" of the Revised Listing Particulars, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any Shares or loan capital.

- (f) All consents, approvals, authorisations or other orders of all regulatory authorities (if any) required by the Company under Guernsey Law for the Administrator to undertake its obligations under the Administration Agreement and for the establishment and management of the Company have been obtained.
- (g) No Person has, or is entitled to be given, an option to subscribe for Shares.
- (i) No Shares have been or will be issued as partly paid-up, and no Shares have been issued or agreed to be issued otherwise than in cash.
- (h) The Company does not have a place of business in the United Kingdom.
- (i) Copies of all the “Material Contracts” set out in Appendix II headed “Material Contracts” of the Revised Listing Particulars are held by the Administrator (or its nominated agent) on behalf of the Company.
- (j) Any dispute resulting from the Revised Listing Particulars will be governed by Guernsey Law.

#### **17.13. Advisors’ interests**

None of the advisors of the Company, other than as set out in this Circular, had an interest in the issued share capital of the Company as at the Last Practicable Date.

Other than as set out in this Circular, the Company is not aware of any person who, directly or indirectly, has an interest in the Company’s capital or voting rights which is notifiable under Guernsey Law

#### **17.14. Consents**

The Investment Bank and JSE Sponsor, legal advisors, independent reporting accountant, and South African Transfer Secretaries have consented in writing to act in the capacities stated and to their names being included in the Revised Listing Particulars and have not withdrawn their consents prior to the publication of the Revised Listing Particulars.

#### **17.15. Directors’ responsibility statement**

The Directors, whose names are given in the “Corporate Information” section of the Circular, collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted, which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the Revised Listing Particulars contains all information required by law and the Listings Requirements.

#### **17.16. DOCUMENTS AVAILABLE FOR INSPECTION**

Documents available for inspection are set out in paragraph 26 to the Circular.

By order of the Board

*Arne H. Frandsen*

**Pallinghurst Resources Limited**

5 June 2012

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## EXTRACTS FROM THE ARTICLES OF INCORPORATION

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Below are extracts from the Articles of Incorporation. The summary is not complete and Shareholders should read the Articles of Incorporation for a full appreciation thereof. The Articles of Incorporation contain, *inter alia*, provisions to the following effect:

### 1. SUBJECT TO THE PROVISIONS OF GUERNSEY LAW

- (a) the Company may purchase any of its Shares whether or not they are redeemable and may pay in respect of such purchase otherwise than out of its distributable profits or the proceeds of a fresh issue of Shares;
- (b) the Company and any of its associates may provide financial assistance, directly or indirectly, for the purpose of, or in connection with, the acquisition of Shares or in connection with reducing or discharging any liability incurred in connection with the acquisition of Shares; and
- (c) the Company may convert all or any of its fully paid Shares, the nominal amount of which is expressed in a particular currency, into fully paid Shares of a nominal amount of a different currency, the conversion being effected at the prevailing rate of exchange (calculated to not less than three significant figures) on the date of the resolution or on such other date as may be specified therein.

### 2. VARIATION OF RIGHTS, ALTERATION OF CAPITAL, AND SURRENDER OF SHARES

- (a) Subject to the provisions of Guernsey Law, all or any of the rights attached to any class of shares for the time being issued may (unless otherwise provided by the terms of issue of the shares of that class) from time to time (whether or not the Company is being wound up) be altered or abrogated by Special Resolution of the holders of the shares of that class provided that the rights attached to the Management Shares cannot be amended unless a Special Resolution is also passed by the Shareholders. At every such separate general meeting, all the provisions of the Articles of Incorporation as to general meetings of the Company shall (with certain exceptions) *mutatis mutandis* apply.
- (b) After the Initial Closing Date, further Shares may be issued for the purposes of raising further capital in the Company. Further Shares, provided no Shares shall be issued at a discount to the Fair Value per Share, shall be offered to existing Shareholders *pro rata* to their shareholding and to existing Shareholders and prospective Shareholders on the same terms and conditions unless authorised in a general meeting or the issue of Shares is for an acquisition of assets or the reduction of debt. Any such further offering of Shares will be made at the discretion of the Directors, subject to the terms of the Articles of Incorporation and the approval of the JSE and BSX (where necessary).
- (c) The Company may:
  - (i) by Special Resolution cancel any Shares which at the date of the resolution have not been taken or agreed to be taken by any Shareholder and diminish the amount of its authorised share capital accordingly; and



- (ii) the Company may by Special Resolution reduce its share capital or any capital redemption reserve or any share premium account in any manner subject to any authorisation and/or consent required by Guernsey Laws provided always that such authority shall not be required to permit the redemption of Shares out of the share premium account.

### **3. VOTING RIGHTS**

On a show of hands every Shareholder who is present in person or by proxy at a general meeting of the Company shall have one vote per Person, and on a poll every Shareholder who is present in person or by proxy shall be entitled to one vote for each Share held by such Shareholder.

The Trust, as holders of the Management Shares, shall have the right to receive notice of, attend and vote at any general meeting of the Company, provided that no Shares are in issue at such date. When such rights exist, each holder of a Management Share who is present or by proxy at a general meeting will have 10,000 votes in respect of each Management Share held by them.

Those individuals who are Directors, executives/Partners of the Investment Manager, or both, are precluded from voting as Shareholders on any proposal in relation to the Investment Management Agreement, subsequent to the conclusion thereof by the Company.

### **4. DIRECTORS**

- (a) Unless otherwise approved by Shareholders in general meeting by Ordinary Resolution, the number of Directors (not including alternate Directors) will be not less than four and not more than ten. A majority of Directors must not be resident either in the United Kingdom or in South Africa.
- (b) The Directors have the power to elect a Chairman who will hold office only for the duration of the meeting at which he was elected.
- (c) No shareholding qualification for Directors is required.
- (d) Shareholders may by Special Resolution appoint a person to be a Director or remove any Director from office.
- (e) Without prejudice to the power of the Company in general meeting, in pursuance of any of the Articles of Incorporation to appoint any person to be a Director and subject to Guernsey Law, the Directors have the power to appoint any person to be a Director to fill a casual vacancy. Any Director so appointed by the Directors shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.
- (f) No person other than a Director retiring at an annual general meeting may be appointed or re-appointed as a Director at a general meeting unless no less than ten nor more than 35 clear Business Days before such meeting, notice executed by a Shareholder qualified to vote at the meeting (not being the person to be proposed), has been given to the secretary of the Company of the intention to propose that person for appointment or re-appointment together with notice executed by that Person of his willingness to be appointed or re-appointed.
- (g) At each Annual General Meeting, 1/3 (one-third) of the Directors, excluding the Executive Directors shall retire from office. Directors subject to retire by rotation may offer themselves up for re-election. The period of office for Executive Directors shall be subject to and determined by the terms of their

employment. The Company may, by Special Resolution, remove any Director before the expiration of his period of office, and may by Special Resolution, elect another person as Director. The Company may, by Special resolution in general meeting increase (or reduce, but not below four), the number of Directors and may also determine in which manner or rotation such increased (or reduced) number is to go out of office.

- (h) A Director who to his knowledge is in any way directly or indirectly interested in a contract or arrangement or proposed contract or arrangement with the Company shall disclose the nature of his interest at a meeting of the Board. In the case of a proposed contract or arrangement such disclosure shall be made at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration or, if the Director was not at the date of that meeting interested in the proposed contract or arrangement, at the next meeting of the Board held after he became so interested. In a case where the Director becomes interested in a proposed contract or arrangement after it is made, disclosure shall be made at the first meeting of the Board held after the Director becomes so interested. For the purpose of the foregoing a general notice in writing given to the Board by such Director to the effect that he is a member of a specified company and/or entity and is to be regarded as interested in any proposed contract or arrangement which may after the date of the notice be made with that company and/or entity shall be deemed to be a sufficient disclosure of interest provided that it is given at a meeting of the Board or the Director takes reasonable steps to ensure that it is raised and read at the next meeting of the Board after it is given.
- (i) A Director may not vote (but may in accordance with the Articles of Incorporation be counted in the quorum) in respect of any resolution of the Directors or subcommittee of the Directors concerning a proposed contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he has an interest which (together with any interest of associates) is, to his knowledge, a material interest (otherwise than by virtue of his interest in Shares or debentures or other securities of or otherwise in or through the Company) but, in the absence of some other material interest than is mentioned below, this prohibition does not apply to a resolution concerning any of the following matters:
  - (i) providing a guarantee, security or indemnity in respect of money lent or obligations incurred by the Director or any other person at the request of or for the benefit of the Company or any of its subsidiaries;
  - (ii) providing a guarantee, security or indemnity by the Director to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
  - (iii) a proposed contract, arrangement, transaction or proposal concerning an offer of Shares, debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase, in which offer the Director is or may be entitled to participate as a Shareholder or in the underwriting or sub-underwriting of which the Director is to participate;
  - (iv) a proposed contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning another company (including a subsidiary of the company) in which the Director (and any associate) is interested directly or indirectly and whether as an officer, shareholder, creditor or otherwise, provided that the Director has disclosed his interest in such proposed contract, arrangement, transaction or proposal in accordance with subparagraph (1);

- (v) a proposed contract, arrangement, transaction or proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme for the benefit of employees of the Company or any of its subsidiaries under which the Director may benefit and which has been approved by or is subject to and conditional upon approval by the Board of Inland Revenue for taxation purposes; and
- (vi) a proposed contract, arrangement, transaction or proposal concerning the purchase or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including Directors.
- (vii) (1) For the purposes of the Articles of Incorporation a person shall be treated as being connected with a Director if that person is:
  - (a) a spouse, child (under the age of eighteen) or step child (under the age of eighteen) of the Director; or
  - (b) an associated body corporate which is a company and/or entity in which the Director alone, or with connected persons, is directly or indirectly beneficially interested in 20% or more of the nominal value of the equity share capital, or is entitled (alone or with connected persons) to exercise or control the exercise of more than 20% of the voting power at general meetings; or
  - (c) a trustee (acting in that capacity) of any trust, the beneficiaries of which include the Director or persons falling within paragraphs (a) or (b) above excluding trustees of an employee's share scheme or pension scheme; or
  - (d) a partner and/or member (acting in that capacity) of the Director or persons in categories (a) to (c) above.
- (2) A Director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office under the Company, or whereat the terms of any such appointment are arranged or whereat any contract in which he is interested is considered, and he may vote on any such appointment or arrangement other than his own appointment or the arrangement of the terms thereof. Where proposals are under consideration concerning the appointment (including without limitation fixing or varying the terms of appointment or its termination) of 2 or more Directors to offices with the Company or a company in which the Company is interested, such proposals shall be divided and a separate resolution considered in relation to each Director. In such case each of the Directors concerned (if not otherwise debarred from voting under these provisions) is entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
- (3) A Director may hold any other office under the Company (other than Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Board may determine and no Director or intending Director or his firm shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or as vendor purchaser or otherwise nor shall any such proposed contract or arrangement entered into by or on behalf of the Company in which any Director or firm and/or entity is in any way interested be liable to be avoided nor shall any

Director so contracting or being so interested be liable to account to the Company for any profits realised by any such proposed contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established.

- (4) Any Director may act by himself or his firm and/or entity in a professional capacity for the Company (other than Auditor) and he or his firm and/or entity shall be entitled to remuneration for professional services as if he were not a Director.
- (5) Any Director may continue to be or become a director, managing director, manager or other officer or Shareholder of any company which promotes or is promoted by the Company or which is interested in the Company or in which the Company may be interested, and unless otherwise agreed, any such Director shall not be accountable to the Company for any remuneration or other benefits received by him as a director, managing director, manager or other officer or Shareholder of any such company. The Directors may exercise the voting power conferred by the shares in any other company held or owned by the Company or exercisable by them as directors of such other company, in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors, managing directors, managers or other officers of such company, or voting or providing for the payment of remuneration to themselves as directors, managing directors, managers or other officers of such company) and any Director of the Company may vote in favour of the exercise of such voting rights in the manner aforesaid, notwithstanding that he may be or be about to be appointed a director, managing director, manager or other officer of such other company, and as such is or may become interested in the exercise of such voting rights in the manner aforesaid.
- (6) If any question arises at any meeting as to the materiality of the Director's interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the Chairman of the meeting and his ruling in relation to any other Director shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed.
- (7) The Company may by Ordinary Resolution suspend or relax the provisions described above to any extent or ratify any transaction not duly authorised by reason of a contravention of any such provision.

## **5. BORROWING POWERS OF THE COMPANY**

The borrowing powers of the Company and the powers of the Company to mortgage or encumber its Investments and/or assets or any part thereof and to issue debentures or debenture stock (whether secured or unsecured), whether outright or as security for any debt, liability or obligation of the Company or any third party, shall be limited to 30% of the value of the Company's assets.

## **6. DIVIDENDS/REDEMPTIONS/RETURNS TO SHAREHOLDERS**

- (a) Subject to Guernsey Law and as set out below, the Company in general meeting may from time to time declare dividends but no dividend may exceed the amount recommended by the Directors. During the Investment Period, no dividends may be declared or paid other than from the profits or

gains resulting from the Realisation of Investments and thereafter no dividends may be declared or paid other than from Aggregate Proceeds. Any dividends paid will be paid in accordance with the policy of the BSX and those of the Listings Requirements.

- (b) No unclaimed dividends will bear interest against the Company. Any dividend unclaimed will be transferred to a trust which will hold it until the earlier of the date on which such dividends are claimed by the relevant Shareholder or three years from the date on which the Company attempted to pay such dividend to the Shareholder. If dividends are not claimed before the expiry of the aforementioned period, such dividends will be paid to a charitable institution. The Shareholder will pay administration charges for the service of 0.1% per annum of the amount of such unclaimed dividend.
- (c) The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they deem appropriate as reserves which will, at the discretion of the Directors, be applicable for any purpose to which the Aggregate Proceeds of the Company may be properly applied and pending such application may, also at such discretion, either be employed in the business of the Company or, during the Investment Period, be invested in such Investments as the Directors may from time to time deem fit. The Directors also, at their discretion, and subject to 6(d) below, may without placing the same to reserve, carry forward any profits which they deem prudent not to distribute.
- (d) Post the Investment Period, unless otherwise resolved by Special Resolution and with the prior written consent of the Investment Manager, the Company is obliged to Distribute all Aggregate Proceeds to Shareholders within 30 Business Days of the receipt of such Aggregate Proceeds, whether through Distributions, the redemption of Shares or otherwise.

## **7. RIGHTS ON A WINDING-UP**

Under Guernsey Law the Company can be wound up at any time as provided for by those Laws. In particular, the Company can be wound up by way of a Special Resolution at an extraordinary general meeting duly convened by the Directors.

In the event of the Company being wound up:

- (a) the liquidator will apply the assets of the Company, subject to the provisions of the Laws, in satisfaction of:
  - (i) creditors' claims;
  - (ii) settlement of the Fair Value per Share of the Shares, less any costs associated with such liquidation;
  - (iii) settlement of the nominal value of the Management Shares; and
  - (iv) any surplus will be paid to Shareholders.
- (b) the liquidator may, with sanction by Shareholders by Special Resolution, divide any part of the assets of the Company amongst Shareholders *in specie*.

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## MATERIAL CONTRACTS OF THE COMPANY

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### 1. INVESTMENT MANAGEMENT AGREEMENT

Pursuant to the Investment Management Agreement dated 4 September 2007 between the Company and the Investment Manager, the Investment Manager has been appointed to provide the Company with investment advisory and management services in relation to Investments falling within the Investment Scope as described under the section headed “Investment Strategy – Investment Scope” of the Revised Listing Particulars. Details of the benefits attributable to the Investment Manager are shown in the section headed “Expenses, Fees and Investment Manager’s Benefits” of the Revised Listing Particulars.

The Investment Manager shall not be under any liability as a consequence of any action performed by the Investment Manager acting in good faith in accordance with the terms of the Investment Management Agreement or any specific written request of the Company. The Investment Manager shall not be liable to the Company for any decline in the value of the Investments or any part thereof to the extent that such decline results from the Investment Manager’s implementation of any express direction of the Board or from any Investment recommendation made by the Investment Manager acting in good faith unless such recommendation was as a result of Cause.

The Investment Management Agreement contains certain Key Man provisions to ensure that the Investment Manager retains its key executives with the necessary expertise and experience in order to provide the investment advisory and management services to the Company in accordance with the scope and terms of the Investment Management Agreement.

In summary, the Key Man provisions state that the Investment Management Agreement will be immediately suspended for a period of up to twelve months upon the occurrence of a Key Man Event (the “Suspension Period”), during which Suspension Period no acquisition or disposal of Investments may occur but that all other obligations of the Company will continue to be met by the Company (including the payment of the Annual Investment Manager’s Benefit and the completion of contracts entered into by or on behalf of the Company before entering into such Suspension Period).

Upon the occurrence of a Key Man Event, the Investment Manager will have until the end of the Suspension Period to appoint a replacement Key Man, failing which, the Investment Period shall immediately terminate. If the Board approves of and recommends a replacement Key Man appointment, as soon as practicable thereafter, the Board will propose and seek Shareholders’ approval in general meeting by Ordinary Resolution of such replacement Key Man. Once the replacement Key Man has been approved by Shareholders, the Suspension Period will immediately terminate. Should the requisite Ordinary Resolution not be passed by Shareholders or any such subsequent Ordinary Resolution proposed by the Board during the Suspension Period for the replacement of such Key Man, the Investment Period shall immediately terminate.

The Investment Management Agreement contains indemnity provisions by the Company in favour of the Investment Manager, which are similar in all material respects with the indemnity provisions set out in the section headed “General Information – Indemnities” of the Revised Listing Particulars.

In addition the Investment Management Agreement may be terminated:

- (a) automatically on the date of winding-up of the Company;
- (b) by the Company, at any time from its commencement, by Shareholders in extraordinary general meeting by Special Resolution if such termination is as a result of the Investment Manager's Cause. No further Annual Investment Manager's Benefit or Performance Incentive shall be payable on or after the date of such termination. The termination of the Investment Management Agreement shall not take effect until the Shareholders of the Company have by Special Resolution approved the appointment of a replacement investment manager; and
- (c) by Shareholders, at any time from its commencement, in general meeting by Ordinary Resolution, if such termination is as a result of:
  - (i) Brian Gilbertson failing to devote substantially all of his professional time to the business and affairs of the Programme; and/or
  - (ii) Brian Gilbertson ceasing to be an executive of the Investment Manager or its associated entities.

In the event that the Investment Management Agreement is terminated:

- (a) pursuant to (a) or (c) above, the Investment Manager shall be entitled to receive 100% of any Performance Incentive in respect of those Investments which had been made at the time of the termination of the Investment Management Agreement; and
- (b) pursuant to (b) above, the Investment Manager shall not be entitled to receive any Performance Incentive, whether earned at the time of the termination of the Investment Management Agreement or otherwise.

## **2. ADMINISTRATION AGREEMENT**

Pursuant to the Administration Agreement dated 4 September 2007 between the Administrator and the Company, the Administrator has been appointed by the Company to carry out the day-to-day administration, secretarial and registrar functions of the Company. The Administrator is also responsible for performing certain duties in relation to the issue, transfer and redemption of Shares and their settlement.

In the absence of Cause, the Administrator shall not be liable for any error of judgement or for any loss or damage suffered by the Company, any Shareholder or the Investment Manager or otherwise arising, directly or indirectly, as a result of or in the course of the discharge of its duties in good faith including (but without limitation) any loss arising from anything done or omitted to be done by the Administrator in good faith on reliance on or in accordance with the opinion or advice of the Investment Manager (or its associated entities), the Company's legal advisors, auditors, bankers, or other competent professional advisors, nor for any loss or damage sustained in the sale of any Investment howsoever any such loss may have occurred. The Administrator shall not be liable for any loss or damage which may arise where the Administrator has acted in good faith or upon any instruction or communication from the Company or its Directors which the Administrator reasonably believes to be genuine.

The Administration Agreement contains an indemnity by the Company in favour of the Administrator, which are similar in all material respects with the indemnity provisions set out in the section headed “General Information – Indemnities” of the Revised Listing Particulars.

The Administrator shall not be responsible for any loss or damage to the Company or for any failure to fulfil its duties if such loss, damage or failure was caused by or directly or indirectly due to war, damage, enemy action, the act of any Government or other competent authority, riot, civil commotion, rebellion, storm, tempest, accident, fire, strike, lockout or other cause whether similar or not beyond the control of the Administrator.

Either the Administrator or the Company shall be entitled to terminate the Administration Agreement by giving not less than six months’ notice in writing to the other party provided that the Administration Agreement may be terminated forthwith upon:

- (a) the commencement of winding-up proceedings in respect of either party (except for a summary winding-up for the purpose of reconstruction or amalgamation upon terms previously approved by the parties in writing), or following any other event of bankruptcy, *désastre*, or any event of insolvency with respect to the Administrator or the Company or other similar or analogous procedure or step has been taken in any jurisdiction in relation to the Administrator or the Company; or
- (b) the Administrator ceasing to be qualified to act as such pursuant to the Articles of Incorporation or ceases to be licensed under the Protection of Investors (Bailiwick of Guernsey) Law, 1987; or
- (c) either party committing any material breach of its obligations under the Administration Agreement and (if such breach shall be capable of remedy) shall fail within 30 days of receipt of notice in writing served by the Administrator or the Company on the other party concerned requiring it to do so, to remedy such breach.



## DIRECTORS' INTERESTS

Other directorships of the Directors and the executives and/or Partners of the Investment Manager held currently and during the previous five year period, from the date of the Revised Listing Particulars are set out in the table below:

Name	Directorship/partnerships	Country	South African registration number	Status
Brian Gilbertson	Bakgatla Pallinghurst JV (Proprietary) Limited	South Africa	2007/030554/07	Current
	EMG Iron Ore HC, LLC	USA	n/a	Current
	F&W Properties (Proprietary) Limited	South Africa	1949/032654/07	Current
	Fabergé Limited	Cayman Islands	n/a	Current
	Jupiter Mines Limited	Australia	n/a	Current
	Mean Variance Portfolios (Proprietary) Limited	South Africa	1979/002864/07	Current
	Pallinghurst (Cayman) General Partner LP (GP) Limited	Cayman Islands	n/a	Current
	Pallinghurst (Cayman) Founder L.P. (Partner)	Cayman Islands	n/a	Current
	Pallinghurst (Cayman) Founder II L.P. (partner)	Cayman Islands	n/a	Current
	Pallinghurst (Cayman) GP L.P. (Partner)	Cayman Islands	n/a	Current
	Pallinghurst Advisors LLP (Partner)	United Kingdom	n/a	Current
	Pallinghurst Founder GP Limited	Cayman Islands	n/a	Current
	Pallinghurst Resources (Guernsey) GP Limited	Guernsey	n/a	Current
	Pallinghurst-Utima (Cayman) Limited	Cayman Islands	n/a	Current
	Platmin Limited	Guernsey <sup>1</sup>	n/a	Current
	Richtrau No 123 (Proprietary) Limited	South Africa	2006/017346/07	Current
	Renova Feeder LP (GP) Limited	Cayman Islands	n/a	Current
	Tshipi é Ntle Manganese Mining (Proprietary) Limited	South Africa	2008/003117/07	Current
	Woolston View Properties (Proprietary) Limited	South Africa	1988/003448/07	Current
Arne H. Frandsen	Bakgatla Pallinghurst JV (Proprietary) Limited	South Africa	2007/030554/07	Current
	Born Free Investments 330 (Proprietary) Limited	South Africa	2005/005075/07	Current
	Clidet No 832 (Proprietary) Limited	South Africa	2008/011497/07	Current
	Dutch Investments (Lux) S.à r.l.	Luxembourg	n/a	Current
	Fabergé Conduit Limited	Cayman Islands	n/a	Current
	Fabergé Limited	Cayman Islands	n/a	Current
	Fabergé S.à r.l.	Luxembourg	n/a	Current
	Itereleng Bakgatla Minerals Resource (Proprietary) Limited	South Africa	2003/003721/07	Current
	Moepi Group (Proprietary) Limited	South Africa	2001/024438/07	Current
	Moepi Platinum (Proprietary) Limited	South Africa	2005/044235/07	Current
	Moepi Uranium (Proprietary) Limited	South Africa	2007/003718/07	Current
	Newshelf No. 1101 (Proprietary) Limited	South Africa	2010/018827/07	Current
	Orkid S.à r.l.	Luxembourg	n/a	Current
	Osier Corporation Limited	Cyprus	n/a	Current
	Pallinghurst (Cayman) Founder L.P. (Partner)	Cayman Islands	n/a	Current
	Pallinghurst (Cayman) Founder II L.P. (Partner)	Cayman Islands	n/a	Current
	Pallinghurst (Cayman) Founder Limited	Cayman Islands	n/a	Current
	Pallinghurst (Cayman) GP L.P. (Partner)	Cayman Islands	n/a	Current
	Pallinghurst (Cayman) GP Limited	Cayman Islands	n/a	Current
	Pallinghurst Advisors (Proprietary) Limited	South Africa	2009/005781/07	Current
	Pallinghurst Advisors LLP (Partner)	United Kingdom	n/a	Current
	Pallinghurst Consolidated (Cayman) Limited	Cayman Islands	n/a	Current
	Pallinghurst Investor Consortium (Proprietary) Limited	South Africa	2007/030604/07	Current

Name	Directorship/partnerships	Country	South African registration number	Status
	Pallinghurst Investor Consortium (Lux) S.à r.l.	Luxembourg	n/a	Current
	Pallinghurst Investor Consortium II (Lux) S.à r.l.	Luxembourg	n/a	Current
	Pallinghurst Ivy Lane Capital Limited (formerly Ivy Lane Capital Limited)	Mauritius	n/a	Current
	Pallinghurst Kalahari (Mauritius) Limited <sup>2</sup>	Mauritius	n/a	Current <sup>2</sup>
	Pallinghurst Kalahari Limited	Cayman Islands	n/a	Current
	Pallinghurst Resources (Guernsey) GP Limited	Guernsey	n/a	Current
	Platmin Limited	Guernsey <sup>1</sup>	n/a	Current
	Platmin Resources Limited	BVI	n/a	Current
	Platmin South Africa (Proprietary) Limited (formerly Boynton Investments (Proprietary) Limited)	South Africa	2000/002572/07	Current
	Richtrau No 123 (Proprietary) Limited	South Africa	2006/017346/07	Current
	Pallinghurst Investor (Dutch) B.V.	Netherlands	n/a	Resigned
	Pallinghurst Platinum (Mauritius) Limited	Mauritius	n/a	Resigned
	Pallinghurst Resources Australia Limited	Australia	n/a	Resigned
	Rox Conduit Limited	Cayman Islands	n/a	Resigned
	Rox Limited	Cayman Islands	n/a	Resigned
	Tshipi é Ntle Manganese Mining (Proprietary) Limited	South Africa	2008/003117/07	Resigned
Andrew Willis	27 Belgrave Road Limited	United Kingdom	n/a	Current
	Andrew Willis Limited	New Zealand	n/a	Current
	Aquacorp Limited	New Zealand	n/a	Current
	Dutch Investments (Lux) S.à r.l.	Luxembourg	n/a	Current
	Fabergé Services Limited	United Kingdom	n/a	Current
	Freedommakers Limited	New Zealand	n/a	Current
	Itereleng Bakgatla Minerals Resource (Proprietary) Limited	South Africa	2003/003721/07	Current
	Moepi Group (Proprietary) Limited	South Africa	2001/024438/07	Current
	Moepi Platinum (Proprietary) Limited	South Africa	2005/044235/07	Current
	Moepi Uranium (Proprietary) Limited	South Africa	2007/003718/07	Current
	Pallinghurst (Cayman) Founder L.P. (Partner)	Cayman Islands	n/a	Current
	Pallinghurst (Cayman) Founder II L.P. (Partner)	Cayman Islands	n/a	Current
	Pallinghurst (Cayman) GP L.P. (Partner)	Cayman Islands	n/a	Current
	Pallinghurst Advisors LLP (Partner)	United Kingdom	n/a	Current
	Pallinghurst Investor Consortium II (Lux) S.à r.l.	Luxembourg	n/a	Current
	Pallinghurst Ivy Lane Capital Limited (formerly Ivy Lane Capital Limited)	Mauritius	n/a	Current
	Pallinghurst Resources (Guernsey) GP Limited	Guernsey	n/a	Current
	Pallinghurst Kalahari (Mauritius) Limited	Mauritius	n/a	Resigned
	Pallinghurst Platinum (Mauritius) Limited	Mauritius	n/a	Resigned
Stuart Platt-Ransom	British Capital Finance Limited	Guernsey	n/a	Current
	British Capital Property Investments Limited	Guernsey	n/a	Current
	British Capital Property Limited	Guernsey	n/a	Current
	Collins International Limited	Guernsey	n/a	Current
	Cornerstone Asset Managers Limited	Guernsey	n/a	Current
	Laub Investment Management Limited	Guernsey	n/a	Current
	Legis Administration (PTY) Limited	South Africa	n/a	Current
	Legis BVI Limited	Guernsey	n/a	Current
	Legis Corporate Services Limited	Guernsey	n/a	Current
	Legis Fund Services (Jersey) Limited	Jersey	n/a	Current
	Legis Fund Services Limited	Guernsey	n/a	Current
	Legis Group (BVI) Limited	Guernsey	n/a	Current
	Legis Group Holdings Limited	Guernsey	n/a	Current
	Legis Group Limited	Guernsey	n/a	Current
	Legis Limited	Guernsey	n/a	Current
	Legis Tax Services Limited	Guernsey	n/a	Current
	Longterm Performance Holding Limited	Guernsey	n/a	Current
	Lookout Investments Limited	Guernsey	n/a	Current

Name	Directorship/partnerships	Country	South African registration number	Status
	Nayamsa Holding Limited	Guernsey	n/a	Current
	NBAD Fund Managers (Guernsey) Limited	Guernsey	n/a	Current
	NBAD Global Growth Fund PCC Limited	Guernsey	n/a	Current
	New Street Procurement Limited	Guernsey	n/a	Current
	Pallinghurst Resources (Guernsey) GP Limited	Guernsey	n/a	Current
	PSG Fund Management (C.I) Limited	Guernsey	n/a	Current
	PSG Mutual Fund PCC Limited	Guernsey	n/a	Current
	Seven Dials European Property Fund Limited (Alternate Director)	Guernsey	n/a	Current
	Seven Dials Guernsey Limited (Alternate Director)	Guernsey	n/a	Current
	Doric Limited	Guernsey	n/a	Resigned
	Fabergé Limited	Cayman Islands	n/a	Resigned
	Fifth Ovalap Limited	Guernsey	n/a	Resigned
	First Ovalap Limited	Guernsey	n/a	Resigned
	Fourth Ovalap Limited	Guernsey	n/a	Resigned
	Global Phoenix Investments Limited	Guernsey	n/a	Resigned
	Ionic Limited	Guernsey	n/a	Resigned
	Lapco Limited	Guernsey	n/a	Resigned
	Legis (MRL) Limited	Guernsey	n/a	Resigned
	Legis Compliance Services Limited (formerly Legis Insurance Services Limited)	Guernsey	n/a	Resigned
	Legis Maritime Services Limited	Guernsey	n/a	Resigned
	Legis Nominees Limited	Guernsey	n/a	Resigned
	Legis Trust Limited	Guernsey	n/a	Resigned
	Lesing Tag Limited	Guernsey	n/a	Resigned
	Nomos Trustees Limited	Guernsey	n/a	Resigned
	Ovaco Limited	Guernsey	n/a	Resigned
	Ovalap Nominees Limited	Guernsey	n/a	Resigned
	Procurement 2010 Limited	Guernsey	n/a	Resigned
	Second Ovalap Limited	Guernsey	n/a	Resigned
	Sixth Ovalap Limited	Guernsey	n/a	Resigned
	Third Ovalap Limited	Guernsey	n/a	Resigned
	Lesing P.E. Limited	Guernsey	n/a	Resigned
Clive Harris	23 Bellevue Road	Cayman Islands	n/a	Current
	5 Nicosia Road	Cayman Islands	n/a	Current
	ABBA Management Cayman Limited	Cayman Islands	n/a	Current
	ABBA Multistrategy Partners	Cayman Islands	n/a	Current
	Alpha Strategies Fund Inc	Cayman Islands	n/a	Current
	Arrowwood Limited	Bahamas	n/a	Current
	Blue Heron Investments Limited	BVI	n/a	Current
	Calypto Asian Fund	Cayman Islands	n/a	Current
	Cobalt Hill Capital Limited	BVI	n/a	Current
	Copernic Investment SPC Limited	BVI	n/a	Current
	Corail Management Limited	BVI	n/a	Current
	Dune Limited	Cayman Islands	n/a	Current
	EG Capital Market Fund (SPC) Limited	Cayman Islands	n/a	Current
	EG Strategic Fund (SPC) Limited	Cayman Islands	n/a	Current
	Enzian Wachstum Aktiv	Cayman Islands	n/a	Current
	ESM Fund Limited	BVI	n/a	Current
	Euboulos Fund Limited	BVI	n/a	Current
	EuroCapital Fund	Cayman Islands	n/a	Current
	Fabergé Conduit Limited	Cayman Islands	n/a	Current
	Fabergé Hospitality Limited	BVI	n/a	Current
	Fabergé Inc	Delaware	n/a	Current
	Fabergé Limited	Cayman Islands	n/a	Current
	Fabergé Suisse SA	Switzerland	n/a	Current

<b>Name</b>	<b>Directorship/partnerships</b>	<b>Country</b>	<b>South African registration number</b>	<b>Status</b>
	FCM Absolute Return Fund	Cayman Islands	n/a	Current
	Fidam Global Fund SPC Limited	BVI	n/a	Current
	Fides Asset Management Limited	Cayman Islands	n/a	Current
	Frey Multi Strategy (Delaware) Fund GP Limited	Cayman Islands	n/a	Current
	Frey Multi-Strategy (Cayman) Fund	Cayman Islands	n/a	Current
	Fundamental Capital Management Limited	Cayman Islands	n/a	Current
	Gavea Fund Limited	Cayman Islands	n/a	Current
	Gavea Master Fund Limited	Cayman Islands	n/a	Current
	Gavea Vertex Fund Limited	Cayman Islands	n/a	Current
	GEDEX Fund Limited	Cayman Islands	n/a	Current
	GH Holdings Limited	Cayman Islands	n/a	Current
	Giano Capital Limited	Cayman Islands	n/a	Current
	Great Titans Holdings Limited	Bahamas	n/a	Current
	Halberdier Fourteen	Cayman Islands	n/a	Current
	HB Asia Holdings Limited	Cayman Islands	n/a	Current
	HB Credit Opportunities Limited	Cayman Islands	n/a	Current
	HB Commodity Strategies Fund Limited	Cayman Islands	n/a	Current
	HB Leveraged Loan Partners 2010 Offshore Holdings Limited	Cayman Islands	n/a	Current
	HB Leveraged Loan Partners Offshore Holdings Limited	Cayman Islands	n/a	Current
	HB Multi-Strategy Holdings Limited	Cayman Islands	n/a	Current
	HB/SA Limited	Cayman Islands	n/a	Current
	HCC Feeder Fund Limited	Cayman Islands	n/a	Current
	Henderson Court	Cayman Islands	n/a	Current
	Highbridge Capital Corporation	Cayman Islands	n/a	Current
	Highbridge Capital Institutional Fund Limited	Cayman Islands	n/a	Current
	Highbridge G.P. Limited	Cayman Islands	n/a	Current
	Highbridge G.P. LLC	Delaware	n/a	Current
	Highbridge Global Macro Strategies Fund Limited	Cayman Islands	n/a	Current
	Highbridge GP II Limited	Cayman Islands	n/a	Current
	Highbridge Long/Short Equity Fund Limited	Cayman Islands	n/a	Current
	Highbridge Long/Short Institutional Fund Limited	Cayman Islands	n/a	Current
	Highbridge Quantitative Commodities Fund Limited	Cayman Islands	n/a	Current
	Highbridge Statistical Opportunities Fund Limited	Cayman Islands	n/a	Current
	HPS Credit Opportunities Fund Limited	Cayman Islands	n/a	Current
	Index Partners Inc	Cayman Islands	n/a	Current
	Jade Limited	Cayman Islands	n/a	Current
	Jemekk Long/Short Canada Limited	Cayman Islands	n/a	Current
	Jemekk Total Return Canada Limited	Cayman Islands	n/a	Current
	JPMorgan Fixed Income Opportunity Fund Limited	Cayman Islands	n/a	Current
	JPMorgan Fixed Income Opportunity Institutional Fund Limited	Cayman Islands	n/a	Current
	JSM IndoChina Limited	Cayman Islands	n/a	Current
	JSM IndoChina Properties Limited	Cayman Islands	n/a	Current
	LDH Energy Opportunities Fund Limited	Cayman Islands	n/a	Current
	LDHE GP LLC	Delaware	n/a	Current
	LDHL GP Limited	Cayman Islands	n/a	Current
	Marathon Asset Management (Cayman) Limited	Cayman Islands	n/a	Current
	Marathon European Hedge Fund Limited	Cayman Islands	n/a	Current
	Marathon Fulcrum Japan Fund Limited	Cayman Islands	n/a	Current
	Marathon Vertex Japan Fund Limited	Cayman Islands	n/a	Current
	Modular Capital One (MC-1)	Cayman Islands	n/a	Current
	Multi-Horizon Management Limited	Cayman Islands	n/a	Current
	Odey European Inc	Cayman Islands	n/a	Current
	OEI Mac Inc	Cayman Islands	n/a	Current
	Pallinghurst (Cayman) Founder Limited	Cayman Islands	n/a	Current
	Pallinghurst (Cayman) GP Limited	Cayman Islands	n/a	Current

<b>Name</b>	<b>Directorship/partnerships</b>	<b>Country</b>	<b>South African registration number</b>	<b>Status</b>
Pallinghurst Consolidated (Cayman) Limited		Cayman Islands	n/a	Current
Pallinghurst Kalahari Limited		Cayman Islands	n/a	Current
Pallinghurst Resources (Guernsey) GP Limited		Guernsey	n/a	Current
Pendragon Field Holdings Limited		Cayman Islands	n/a	Current
Phoenixinvest Pacific Fund		Cayman Islands	n/a	Current
Prism Asia Fund		BVI	n/a	Current
Prism Select Fund		BVI	n/a	Current
Rox Conduit Limited		Cayman Islands	n/a	Current
Rox Limited		Cayman Islands	n/a	Current
Swansley Holdings Limited		Bahamas	n/a	Current
The Carrousel Fund Limited		Cayman Islands	n/a	Current
The Daytona Fund		Cayman Islands	n/a	Current
The Dynamo Fund		Cayman Islands	n/a	Current
The Eurasia Fund		Cayman Islands	n/a	Current
The Packard Fund Limited		Bahamas	n/a	Current
Tintagel Financial Limited		Cayman Islands	n/a	Current
TT Financials Long Short Alpha Fund Limited		Cayman Islands	n/a	Current
TT Financials Long Short Fund Limited		Cayman Islands	n/a	Current
TT International Fund		BVI	n/a	Current
TT International Hedge Fund Feeder SPC		Cayman Islands	n/a	Current
TT International Hedge Funds SPC		Cayman Islands	n/a	Current
TT Mid Cap Europe Long Short Alpha Fund Limited		Cayman Islands	n/a	Current
TT Mid Cap Europe Long Short Fund Limited		Cayman Islands	n/a	Current
Woodfield Hedge Limited		BVI	n/a	Current
ZAM Asset Finance Fund Limited		Cayman Islands	n/a	Current
ZAM Specialist Opportunities Fund Limited		Cayman Islands	n/a	Current
ABBA Partners		Cayman Islands	n/a	Resigned
Adept Capital Partners Fund SPC Limited		BVI	n/a	Resigned
AlphaWorks Long/Short Opportunities Limited		Cayman Islands	n/a	Resigned
Asian Special Opportunities Fund		Cayman Islands	n/a	Resigned
Atlas Insurance Management (Cayman) Limited		Cayman Islands	n/a	Resigned
Cape Point Master Fund Limited		Cayman Islands	n/a	Resigned
Cape Point Partners Offshore Fund Limited		Cayman Islands	n/a	Resigned
Constellation Capital Limited		Cayman Islands	n/a	Resigned
Energy Capital Investments Limited		Cayman Islands	n/a	Resigned
Energy Capital Management Limited		Cayman Islands	n/a	Resigned
FFTW Global Credit Fund SPC		Cayman Islands	n/a	Resigned
FFTW US LIBOR Plus Fund Limited		Cayman Islands	n/a	Resigned
Fides Absolute Appreciation Fund Limited		Cayman Islands	n/a	Resigned
Fides Capital Growth Fund Limited		Cayman Islands	n/a	Resigned
Fidiciary Management Services Limited		Cayman Islands	n/a	Resigned
FIOF Japan Limited		Cayman Islands	n/a	Resigned
Fridson Credit Strategies Fund LLC		Cayman Islands	n/a	Resigned
Fridson Credit Strategies Fund Limited		Cayman Islands	n/a	Resigned
Fridson Credit Strategies GP Limited		Cayman Islands	n/a	Resigned
Gavea Brasil Fund Limited		Cayman Islands	n/a	Resigned
Gavea Brasil Master Fund Limited		Cayman Islands	n/a	Resigned
Giano Capital (US Dollars) Limited		Cayman Islands	n/a	Resigned
Greater China Special Value Fund		Cayman Islands	n/a	Resigned
Halberdier Alius Fund		Cayman Islands	n/a	Resigned
Halberdier Alius Portfolio		Cayman Islands	n/a	Resigned
Halberdier Fund Limited		Cayman Islands	n/a	Resigned
Halberdier Portfolio Limited		Cayman Islands	n/a	Resigned
HB Commodity Strategies Fund Limited		Cayman Islands	n/a	Resigned
Highbridge Asia Opportunities Fund Limited		Cayman Islands	n/a	Resigned

<b>Name</b>	<b>Directorship/partnerships</b>	<b>Country</b>	<b>South African registration number</b>	<b>Status</b>
Highbridge Asia Opportunities Institutional Fund Limited		Cayman Islands	n/a	Resigned
Highbridge Convertible Arbitrage Fund Limited		Cayman Islands	n/a	Resigned
Highbridge Convertible Arbitrage Opportunities Fund Limited		Cayman Islands	n/a	Resigned
Highbridge Convertible Opportunities Fund Limited		Cayman Islands	n/a	Resigned
Highbridge Event Driven Opportunities Fund Limited		Cayman Islands	n/a	Resigned
Highbridge Event Driven Opportunities MPL I Limited		Cayman Islands	n/a	Resigned
Highbridge Event Driven/Relative Value Fund Limited		Cayman Islands	n/a	Resigned
Highbridge Statistically Enhanced Equity Portfolio – Europe Limited		Cayman Islands	n/a	Resigned
Highbridge Statistically Enhanced Equity Portfolio – Japan Limited		Cayman Islands	n/a	Resigned
Highbridge Statistically Enhanced Equity Portfolio – US Limited		Cayman Islands	n/a	Resigned
Highview Global Macro Limited		Cayman Islands	n/a	Resigned
HSE Partners Limited		Cayman Islands	n/a	Resigned
Innovation Fund Limited		Cayman Islands	n/a	Resigned
Innovation Management Limited		Cayman Islands	n/a	Resigned
Intercontinental Diversified Corporation		Cayman Islands	n/a	Resigned
LDH Energy Funds Trading Limited		Cayman Islands	n/a	Resigned
Malbec Emerging Markets Opportunities Fund LLC		Delaware	n/a	Resigned
Malbec Emerging Markets Opportunities Fund SPC		Cayman Islands	n/a	Resigned
Malbec Emerging Markets Opportunities Fund GP Limited		Cayman Islands	n/a	Resigned
Malbec Quantys Fund LLC		Delaware	n/a	Resigned
Malbec Quantys Fund SPC		Cayman Islands	n/a	Resigned
Malbec Quantys Fund GP Limited		Cayman Islands	n/a	Resigned
NinePeaks Multi-Strategy Fund Limited		Cayman Islands	n/a	Resigned
Oasis Funds SPC		Cayman Islands	n/a	Resigned
Oceana Assets Corporation		BVI	n/a	Resigned
Odey Asia		Cayman Islands	n/a	Resigned
Odey Capital Strategies		Cayman Islands	n/a	Resigned
Odey Japan & General Inc		Cayman Islands	n/a	Resigned
Odey Opportunity Fund		Cayman Islands	n/a	Resigned
Odey Tactical Advantage		Cayman Islands	n/a	Resigned
Odey Treasury Fund		Cayman Islands	n/a	Resigned
Petrofund S.A.		Luxembourg	n/a	Resigned
Riverview Focus Fund (Cayman) Limited		Cayman Islands	n/a	Resigned
Riverview Multi Series Fund SPC Limited		Cayman Islands	n/a	Resigned
Riverview Multi Series International Fund SPC Limited		Cayman Islands	n/a	Resigned
Sheerwater Limited		Cayman Islands	n/a	Resigned
Sword Fund Limited		Cayman Islands	n/a	Resigned
Texel Capital Management Limited		Cayman Islands	n/a	Resigned
Texel Macro Fund Limited		Cayman Islands	n/a	Resigned
Texel Macro Master Fund Limited		Cayman Islands	n/a	Resigned
The Kintaro Fund		Cayman Islands	n/a	Resigned
The Milestone Offshore Funds		Cayman Islands	n/a	Resigned
TT Asian Opportunities Alpha Fund Limited		Cayman Islands	n/a	Resigned
TT Asian Opportunities Fund Limited		Cayman Islands	n/a	Resigned
TT Europe LiquidFund Inc		Cayman Islands	n/a	Resigned
TT Europe LiquidFunds Limited		Cayman Islands	n/a	Resigned
TT Event Driven Alpha Fund Limited		Cayman Islands	n/a	Resigned
TT Event Driven Fund Limited		Cayman Islands	n/a	Resigned
TT Long Short Europe Alpha Fund Limited		Cayman Islands	n/a	Resigned
TT Long Short Europe Fund Limited		Cayman Islands	n/a	Resigned
TT Long Short Japan Alpha Fund Limited		Cayman Islands	n/a	Resigned
TT Long Short Japan Fund Limited		Cayman Islands	n/a	Resigned
ZAM Cayman Limited		Cayman Islands	n/a	Resigned

<b>Name</b>	<b>Directorship/partnerships</b>	<b>Country</b>	<b>South African registration number</b>	<b>Status</b>
Martin Tolcher	AB Alternative Strategies Fund PCC Limited	Guernsey	n/a	Current
	AB Fund Managers (Guernsey) Limited	Guernsey	n/a	Current
	AB International Fund PCC Limited	Guernsey	n/a	Current
	Core Funds PCC Limited	Guernsey	n/a	Current
	Damille Investments II Limited	Guernsey	n/a	Current
	Darwin Finance (Guernsey) Limited	Guernsey	n/a	Current
	Darwin Property Investment Management (Guernsey) Limited	Guernsey	n/a	Current
	Darwin West Country (Guernsey) Limited	Guernsey	n/a	Current
	IIAB PCC Limited	Guernsey	n/a	Current
	KDC Properties Limited	Guernsey	n/a	Current
	Longcross Property Investment Fund Limited	Guernsey	n/a	Current
	Pallinghurst Resources (Guernsey) GP Limited	Guernsey	n/a	Current
	St Peter Port Investments (Guernsey) Limited	Guernsey	n/a	Current
	St Peter Port Investments PCC Limited	Guernsey	n/a	Current
	Blue Skye GP Limited	Guernsey	n/a	Resigned
	British Capital Finance Limited	Guernsey	n/a	Resigned
	British Capital Property Investments Limited	Guernsey	n/a	Resigned
	British Capital Property Limited	Guernsey	n/a	Resigned
	Catagnana Limited	Guernsey	n/a	Resigned
	Collins International Limited	Guernsey	n/a	Resigned
	Cornerstone Asset Managers Limited	Guernsey	n/a	Resigned
	D&G Investment Management Limited	Guernsey	n/a	Resigned
	Eagle Venture Partners Limited	Guernsey	n/a	Resigned
	Global Phoenix Investments Limited	Guernsey	n/a	Resigned
	Global Specialised Opportunities 1 Limited	Guernsey	n/a	Resigned
	In Vivo Capital GP Limited	Guernsey	n/a	Resigned
	Japan Special Opportunities Limited	Guernsey	n/a	Resigned
	Legis Fund Services (Jersey) Limited	Jersey	n/a	Resigned
	Legis Fund Services Limited	Guernsey	n/a	Resigned
	Lookout Investments Limited	Guernsey	n/a	Resigned
	Louis Group European Property Limited	Guernsey	n/a	Resigned
	MENA Capital Management Limited	Guernsey	n/a	Resigned
	NBAD Fund Managers (Guernsey) Limited	Guernsey	n/a	Resigned
	NBAD Global Growth Fund PCC Limited	Guernsey	n/a	Resigned
	Nevsky Property Asset Management Limited	Guernsey	n/a	Resigned
	Pure Capital PCC Limited	Guernsey	n/a	Resigned
Patricia White	British Capital Finance Limited	Guernsey	n/a	Current
	British Capital Property Investments Limited	Guernsey	n/a	Current
	British Capital Property Limited	Guernsey	n/a	Current
	Cornerstone Asset Managers Limited	Guernsey	n/a	Current
	Legis Corporate Services Limited	Guernsey	n/a	Current
	Legis Fund Services (Jersey) Limited	Jersey	n/a	Current
	Legis Fund Services Limited	Guernsey	n/a	Current
	Legis Group Holdings Limited	Guernsey	n/a	Current
	Legis Group Limited	Guernsey	n/a	Current
	Lookout Investments Limited	Guernsey	n/a	Current
	NBAD Global Growth Fund PCC Limited	Guernsey	n/a	Current
	NBAD Fund Managers (Guernsey) Limited	Guernsey	n/a	Current
	Pallinghurst Resources (Guernsey) GP Limited <sup>3</sup>	Guernsey	n/a	Current
	Seven Dials Guernsey Limited	Guernsey	n/a	Current
	Seven Dials European Property Fund Limited	Guernsey	n/a	Current
Brian O'Mahoney <sup>3</sup>	Blue Skye GP Limited	Guernsey	n/a	Resigned
	LCS Limited	Isle of Man	n/a	Resigned
	Legis Corporate Services Limited	Guernsey	n/a	Current
	Legis Group Limited	Guernsey	n/a	Current

Name	Directorship/partnerships	Country	South African registration number	Status
	Legis Group Holdings Limited	Guernsey	n/a	Current
	Legis Tax Services Limited	Guernsey	n/a	Current
	Collins International Limited	Guernsey	n/a	Current
	Global Specialised Opportunities 1 Limited	Guernsey	n/a	Current
	Eagle Venture Partners Limited (Alternate Director)	Guernsey	n/a	Current
	Pallinghurst Resources (Guernsey) GP Limited (Alternate Director)	Guernsey	n/a	Current
	Assembly Developments Limited	Guernsey	n/a	Current
	Assembly Holdings Limited	Guernsey	n/a	Current
	Greentube Alderney Limited	Alderney	n/a	Current
	Guernsey RFC	Guernsey	n/a	Current
	Praetorian Resources (GP) Limited	Guernsey	n/a	Current
	Guernsey Nominees Limited	Guernsey	n/a	Resigned
	Kleinwort Benson (Channel Islands) Limited	Guernsey	n/a	Resigned
	Kleinwort Benson (Guernsey) Services Limited	Guernsey	n/a	Resigned
	Kleinwort Benson (Jersey) Services Limited	Jersey	n/a	Resigned
	Kleinwort Benson (Guernsey) Corporate Services Limited	Guernsey	n/a	Resigned
	LCS Limited	Isle of Man	n/a	Resigned
Priyank Thapliyal	Jupiter Kalahari (Mauritius) Limited	Mauritius	n/a	Current
	Jupiter Mines Limited	Australia	n/a	Current
	Pallinghurst (Cayman) Founder L.P. (Partner)	Cayman Islands	n/a	Current
	Pallinghurst (Cayman) Founder II L.P. (Partner)	Cayman Islands	n/a	Current
	Pallinghurst (Cayman) GP L.P. (Partner)	Cayman Islands	n/a	Current
	Pallinghurst Advisors LLP (Partner)	United Kingdom	n/a	Current
	Pallinghurst Consolidated (Cayman) Limited	Cayman Islands	n/a	Current
	Pallinghurst Consolidated (Dutch) B.V.	Netherlands	n/a	Current
	Pallinghurst Kalahari (Mauritius) Limited	Mauritius	n/a	Current
	Pallinghurst Steel Feed (Dutch) B.V.	Netherlands	n/a	Current
	Tshipi é Ntle Manganese Mining (Proprietary) Limited	South Africa	2008/003117/07	Current
Sean Gilbertson	Arianna Investments Limited	BVI	n/a	Current
	Fabergé Conduit Limited	Cayman Islands	n/a	Current
	Fabergé Limited	Cayman Islands	n/a	Current
	Gemfields plc	United Kingdom	n/a	Current
	GigaJoule Limited	United Kingdom	n/a	Current
	Hagura Mining Limited	BVI	n/a	Current
	Kagem Mining Limited	Zambia	n/a	Current
	Pallinghurst (Cayman) Founder L.P. (Partner)	Cayman Islands	n/a	Current
	Pallinghurst (Cayman) Founder II L.P. (Partner)	Cayman Islands	n/a	Current
	Pallinghurst (Cayman) Founder Limited	Cayman Islands	n/a	Current
	Pallinghurst (Cayman) GP L.P. (Partner)	Cayman Islands	n/a	Current
	Pallinghurst (Cayman) GP Limited	Cayman Islands	n/a	Current
	Pallinghurst Advisors LLP (Partner)	United Kingdom	n/a	Current
	Pallinghurst Consolidated (Cayman) Limited	Cayman Islands	n/a	Current
	Pallinghurst Kalahari Limited	Cayman Islands	n/a	Current
	Rox Conduit Limited	Cayman Islands	n/a	Current
	Rox Limited	Cayman Islands	n/a	Current
	Sandfontein & Houmsrivier Properties (Proprietary) Limited	Namibia	n/a	Current
	Vegagraphics (Proprietary) Limited	South Africa	2004/018789/07	Current

**Notes:**

<sup>1</sup> Platmin Limited migrated from Canada to Guernsey with effect from 9 December 2011.

<sup>2</sup> Resigned as Director effective 1 July 2009, and subsequently reappointed as a Permanent Alternate on 17 July 2009.

<sup>3</sup> Resigned as Permanent Alternate and appointed as Director on 29 February 2012



## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

For use by BSX Shareholders only

### FORM OF INSTRUCTION

If you are in any doubt as to what action to take in relation to this Form of Instruction, please consult your CSDP, broker, banker, attorney, accountant or other professional advisor immediately.

This Form of Instruction should be read together with the Circular dated Monday, 2 July 2012. Words and expressions defined in the Circular shall have the same meanings in this Form of Instruction. Letters of Allocation are negotiable and may be traded on the JSE. Pallinghurst has issued all Rights in Dematerialised form on the JSE. The electronic record for BSX Shareholders is being maintained by Computershare Nominees (Proprietary) Limited, a wholly-owned subsidiary of Computershare Custodial Services (Proprietary) Limited.

Should you wish to take-up or dispose of or renounce all or part of your Rights, you MUST complete this Form of Instruction and return it to the South African Transfer Secretaries at the address set out below. Each alteration must be signed in full and must not merely be initialed.



**PALLINGHURST**

**PALLINGHURST RESOURCES LIMITED**  
**(Previously Pallinghurst Resources (Guernsey) Limited)**

(Incorporated in Guernsey)

(Guernsey registration number 47656)

(South African external company registration number 2009/012636/10)

Share code on the BSX: PALLRES

ISIN: GG00B27Y8Z93

Share code on the JSE: PGL

### A FORM OF INSTRUCTION IN RESPECT OF A LETTER OF ALLOCATION RELATING TO THE RIGHTS OFFER

#### Form of Instruction issued to BSX Shareholders only

Name and address of BSX Shareholder	Serial number
(1)	Enquiries in connection with this form of instruction should be made to the South African Transfer Secretaries quoting the serial number below:

Account number	Number of Shares registered in your name at the close of business on Friday, 29 June 2012	Number of Rights Offer Shares to which you are entitled:	Amount payable for maximum number of Rights Offer Shares at 224 cents per Rights Offer Share:
	(2)	(3)	R (4)

<b>Acceptance of Rights in terms of paragraph 3 of this Form of Instruction.</b>	Number of Rights Offer Shares accepted:	Amount payable for the number of Rights Offer Shares at 224 cents per Rights Offer Share:
	(5)	R (6)

<b>Application for Excess Rights Offer Shares</b> (to be completed by acceptors wishing to apply for Excess Rights Offer Shares) (the right to apply for Excess Rights Offer Shares is transferable upon the renunciation of this Letter of Allocation)	Number of Excess Rights Offer Shares subscribed for:	Amount payable for Excess Rights Offer Shares at 224 cents per Rights Offer Share:
	(7)	R (8)

	EFT swift reference number (if applicable)	Amount of cheque / banker draft / EFT
Please note the same or lesser number of Rights Offer Shares as the number mentioned in block (3) may be accepted.	(9)	R (9)

Applicant's telephone number (office hours)

Signature

Date

\_\_\_\_\_

**This Form of Instruction must be completed in its entirety and returned to the South African Transfer Secretaries:**

Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001  
(PO Box 61763, Marshalltown, 2107)

Telephone: (011) 370-5000

so as to reach the South African Transfer Secretaries by no later than 12h00 (South African time) on Friday, 20 July 2012.

## SALIENT DATES AND TIMES

2012

Last date to trade in Shares on the JSE ( <i>cum</i> Rights Offer Entitlement) in order to participate in the Rights Offer	Friday, 22 June
Last date to trade in Shares on the JSE for settlement by the Record Date and to be recorded as a Shareholder	Friday, 22 June
Shares trade ex-Rights Offer Entitlement on the JSE	Monday, 25 June
Listing and trading of Letters of Allocation on the JSE from the commencement of trade on	Monday, 25 June
Record Date for participation in the Rights Offer	Friday, 29 June
Rights Offer opens at 09h00 on	Monday, 2 July
Circular including a Form of Instruction, where applicable, Mailed to Shareholders	Monday, 2 July
Dematerialised JSE Shareholders' accounts at their broker or CSDP credited with their Rights Offer Entitlement	Monday, 2 July
Certificated JSE Shareholders and BSX Shareholders have their Rights Offer Entitlement created in electronic form and held at Computershare Nominees (Proprietary) Limited	Monday, 2 July
Last date to trade in the Letters of Allocation on the JSE for settlement by 12h00 on Friday, 20 July 2012	Friday, 13 July
Listing of Rights Offer Shares on the JSE at 09h00 on	Monday, 16 July
Payment and Forms of Instruction to be received by the South African Transfer Secretaries by 12h00 on	Friday, 20 July
Rights Offer closes at 12h00 on	Friday, 20 July
Results of Rights Offer and basis of allocations of Excess Rights Offer Shares released on SENS	Monday, 23 July
Expected date on which the relevant brokers or CSDPs are updated with their Rights Offer Shares and debited with the costs of the purchase in respect of Dematerialised JSE Shareholders	Monday, 23 July
Expected date on which Share certificates are Mailed to Certificated Shareholders	Wednesday, 25 July
Dematerialised shareholders will have their accounts at their CSDP or broker updated with any excess shares allocated and debited with the costs	Wednesday, 25 July
Refunds/cheques posted to Certificated JSE Shareholders in respect of unsuccessful applications of Excess Rights Offer Shares	Wednesday, 25 July

### Notes:

1. Dematerialised JSE Shareholders are required to notify their duly appointed broker or CSDP of their participation in the Rights Offer in the manner and time stipulated in the custody agreement governing the relationship between the Dematerialised JSE Shareholder and his/her broker or CSDP.
2. BSX Shareholders and Certificated JSE Shareholders must complete the relevant Form of Instruction, which Form of Instruction, must reach the South African Transfer Secretaries in accordance with the instructions contained therein.
3. No Shares may be Dematerialised or re-materialised from the commencement of trade on Monday, 25 June 2012 to Friday, 29 June 2012, both days inclusive.
4. No transfers of Shares between the JSE and the BSX may take place from the commencement of trade on Monday, 25 June 2012 to Friday, 29 June 2012, both days inclusive.
5. CSDPs effect payment on a delivery of scrip versus payment method in respect of Dematerialised Shareholders.
6. Above times are South African times.

Dear Sir/Madam

## 1. RIGHTS ISSUE

Pallinghurst hereby offers to the Shareholder whose name is stated in Block (1) on page 1 of this Form of Instruction, upon the terms and conditions stated in the Circular dated Monday, 2 July 2012 (which shall, if in conflict with the information set out in this Form of Instruction, take precedence), the rights to subscribe for the number of Rights Offer Shares set out in Block (3) on page 1 of this Form of Instruction.

## 2. ACCEPTANCE

If the addressee wishes to take-up the Rights Offer Shares stated in Block (3) on page 1 of this Form of Instruction (or any lesser number), then Blocks 5 and 6 must be completed and signed by the addressee.

The properly completed Form of Instruction, together with payment (as prescribed in the paragraph below) must be delivered to the South African Transfer Secretaries, as follows:

*Delivered (at the risk of the  
BSX Shareholder) to:*

Computershare Investor Services  
(Proprietary) Limited  
Ground Floor  
70 Marshall Street  
Johannesburg, 2001

*Posted (at the risk of the BSX  
Shareholder) to:*

Computershare Investor Services  
(Proprietary) Limited  
P O Box 61763  
Marshalltown, 2107

so as to reach the South African Transfer Secretaries by no later than 12h00 (South African time) on Friday, 20 July 2012.

## 3. PAYMENT

Payment for Rights Offer Shares taken-up may be made by cheque or bankers' draft or EFT, as follows:

### BY CHEQUE OR BANKERS' DRAFT

A cheque (crossed "not transferable" and with the words "or bearer" deleted) or a banker's draft (drawn on a registered bank) payable to "Pallinghurst Rights Offer (BSX)" for the amounts payable, in Rand, together with a properly completed Form of Instruction, must be lodged by BSX Shareholders with the South African Transfer Secretaries.

### BY EFT

Provision has also been made for BSX Shareholders to make an EFT payment to a bank account specifically set up for these purposes. Details of the relevant bank account are as follows:

Account holder: Pallinghurst Resources Limited  
Bank: Investec Bank Limited  
Branch: Sandton  
Branch code: 58 01 05  
Account number: 3000 133 1823  
Swift Code: IVESZAJJXXX

BSX Shareholders who elect to make payment via EFT would first need to register their intention to make such payment with Computershare Nominees (Proprietary) Limited by telephone on +27 11 370 5071, for the attention of Granville Israel. Computershare Nominees (Proprietary) Limited will then provide the BSX Shareholder with a unique reference number which will need to be used by the BSX Shareholder in their transmission of funds to the bank account specified above.

The swift reference number for the EFT payment as obtained from the BSX Shareholder's authorised dealer, in Rand, should be noted in block (10) of this Form of Instruction.

## **GENERAL**

Payment in accordance with the above will, once the cheque, bankers' draft or EFT has been cleared for payment, constitute an irrevocable acceptance of the Rights Offer upon the terms and conditions set out in the Circular and in this Form of Instruction. Should any cheque, bankers' draft or EFT be dishonoured or refused, Pallinghurst, in its sole discretion, may treat the acceptance of the Form of Instruction by the acceptor as void.

Please note that the South African Transfer Secretaries will effect delivery of Shares against payment and should a cheque, bankers' draft or valid swift reference number for the amount stipulated in block (10) not accompany the Form of Instruction, the application will be treated as invalid.

Rights Offer Shares will be issued to BSX Shareholders in electronic form on the JSE hence the addressee must complete the section headed "Share issue instructions" on page 12 of this Form of Instruction, with details of their South African CSDP whom the appropriate number of Rights Offer Shares can be transferred to once issued. If the addressee does not provide the requisite details for their South African CSDP, the Rights Offer Shares will be issued in Certificated form and retained by the South African Transfer Secretaries for transfer to the BSX, subject to Exchange Control Regulations.

Per paragraph 7 below, any payments by BSX Shareholders from off-shore funds must be made through normal banking channels from abroad, in Rand.

## **4. DISPOSAL**

If the Shareholder whose name appears in Block (1) on page 1 of this Form of Instruction wishes to dispose of part or all of his Rights, then he must complete Form A of this Form of Instruction. This must be sent to the South African Transfer Secretaries in accordance with the instructions contained therein, to be received by no later than 12h00 on Friday, 20 July 2012. Computershare Nominees (Proprietary) Limited will endeavor to procure the disposal, on an equitable basis, of the Rights on the JSE on behalf of such BSX Shareholders and will subject to Exchange Control Regulations, remit the proceeds net of any applicable costs to the Administrator and Secretaries who will in turn remit the proceeds to such BSX Shareholders in accordance with the payment instructions reflected in the Form of Instruction, net of brokerage charges and associated expenses. Computershare Nominees (Proprietary) Limited will not have any obligation, or be responsible for any loss or damage whatsoever in relation to or arising out of the timing of such disposals, the price obtained or any failure to dispose of such Rights.

## **5. RENUNCIATION**

If the Shareholder whose name appears in Block (1) on page 1 of this Form of Instruction wishes to renounce part or all of his Rights, then he must complete Form B on page 10 and the renouncee must

complete Form C on page 11 and Blocks 5 and 6 of this Form of Instruction. The renouncee must lodge this Form of Instruction and make payment, in terms of paragraph 2 above, for the Rights Offer Shares in respect of which the Rights Offer is accepted and then send it to the South African Transfer Secretaries to be received by no later than 12h00 on Friday, 20 July 2012.

The surrender of this Form of Instruction to the South African Transfer Secretaries with the form of renunciation purporting to have been signed by the person(s) in whose name(s) it was issued, shall be conclusive evidence of the title of the party or parties surrendering it to deal with same and to receive definitive certificates (if applicable) and the issuer shall be under no obligation to ascertain that this Form of Instruction has been properly signed by the person competent/authorised to do so.

## **6. APPLICATIONS FOR EXCESS RIGHTS OFFER SHARES**

If the Shareholder whose name appears in Block (1) on page 1 of this Form of Instruction or a renouncee whose name appears on Form C wishes to apply for Excess Rights Offer Shares, he must complete Blocks 7 and 8 and make payment for the Excess Rights Offer Shares together with and in the same manner as payment is made for the Rights Offer Shares forming part of the Rights Offer Entitlement as set out in paragraph 2 above.

## **7. EXCHANGE CONTROL REGULATIONS**

The following summary is intended only as a guide and is, therefore, not comprehensive. If Shareholders are in any doubt as to the appropriate course of action they are advised to consult their professional advisors.

In terms of the Exchange Control Regulations:

**Non-residents of the Common Monetary Area will be allowed to, using their off-shore funds:**

- take-up Rights allocated to them in terms of the Rights Offer;
- purchase Letters of Allocation on the JSE; and
- subscribe for Rights Offer Shares arising in respect of the Letters of Allocation purchased on the JSE; and
- subscribe for Excess Rights Offer Shares,

provided payment is received either through normal banking channels from abroad or from a non-resident account.

All applications by non-residents for the above purposes must be made through an authorised dealer, in Rand introduced from abroad for a non-resident Rand account. Following the close of the Rights Offer and the listing of the Rights Offer Shares on the JSE, Rights Offer Shares issued pursuant to such applications will be endorsed “non-resident”. BSX Shareholders who are non-residents (excluding former residents) of the Common Monetary Area may elect to transfer their Rights Offer Shares to the BSX.

**Former residents:**

Where a Right in terms of the Rights Offer accrues to a former resident of the Common Monetary Area, which Right is based on Shares blocked in terms of the Exchange Control Regulations, then emigrant blocked funds may not be used to take up the Rights or Shares in Pallinghurst as a company with an inward listing on the JSE.

**BSX Shareholders who are residents of the Common Monetary Area:**

Where a BSX Shareholder wishes to take up Rights allocated to them in terms of the Rights Offer and such BSX Shareholder is a resident of the Common Monetary Area, such BSX Shareholder will be able to use funds within the Common Monetary Area to take up Rights allocated to them in terms of the Rights Offer or legitimate off-shore funds transferred through normal banking channels from abroad to do so.

Following the close of the Rights Offer and the listing of the Rights Offer Shares on the JSE, Rights Offer Shares issued pursuant to applications by BSX Shareholders using funds within the Common Monetary Area will not be transferrable by such BSX Shareholder to the BSX. However, where legitimate off-shore funds are used, such BSX Shareholder may elect to transfer such Rights Offer Shares to the BSX.

By order of the Board

*Arne H. Frandsen*

**PALLINGHURST RESOURCES LIMITED**

5 June 2012

## **GENERAL INSTRUCTIONS AND NOTES:**

### **1. POWERS OF ATTORNEY**

If this Form of Instruction is signed under a power of attorney then that power of attorney must be sent to the South African Transfer Secretaries of Pallinghurst for registration, unless it has already been registered by them.

If this Form of Instruction is signed by a company representative then that company representative warrants that he is duly authorised to do so.

### **2. DECEASED ESTATES AND TRUSTS**

Pallinghurst Shares will not be allocated in the name of a deceased estate or trust or a person under contractual disability.

Therefore, when the Rights Offer Entitlement has accrued to a deceased person, an estate or a trust, the executor or trustee, parent/guardian or curator (as the case may be) must complete Form B of this Form of Instruction in his representative capacity (which authority must be lodged with the South African Transfer Secretaries) and Form C forming part of this Form of Instruction, must be completed by the person in whose name the Rights Offer Shares are to be allocated without any reference to the estate, the trust or the beneficial owner. Letters of Executorship (if not previously registered) should be submitted to the South African Transfer Secretaries for record purposes.

### **3. JOINT HOLDERS**

All joint holders must sign where applicable.

### **4. ISSUE OF SHARES**

Rights Offer Shares will be issued to BSX Shareholders in electronic form on the JSE. BSX Shareholders must complete the section "Share issue instructions" of this Form of Instruction, with details of their South African CSDP whom the appropriate number of Rights Offer Shares can be transferred to once issued.

If this Form of Instruction is presented by:

- the addressee, then the Rights Offer Shares in question will be transferred to the account details provided in the "Share issue instructions" section of this Form of Instruction. If the requisite South African CSDP details are not provided, the Rights Offer Shares will be issued in Certificated form and retained by the South African Transfer Secretaries for transfer to the BSX, subject to Exchange Control Regulations; and
- a renouncee, then the Rights Offer Shares in question will be transferred to the account details given by the renouncee in Form C. If the requisite South African CSDP details are not provided, the Rights Offer Shares will be issued in Certificated form and retained by the South African Transfer Secretaries for transfer to the BSX, subject to Exchange Control Regulations.



## FORM A: INSTRUCTION TO DISPOSE

**(To be completed and signed by the Shareholder if the Rights Offer Entitlement(s) are to be disposed by the South African Transfer Secretaries on behalf of the Shareholder)**

If all Rights Offer Entitlement(s) are not being disposed of, please specify in this block how many Rights Offer Entitlement(s) are being disposed of.

Portion of the Rights Offer Entitlement(s) being disposed:

To the directors,

### PALLINGHURST RESOURCES LIMITED

I/we hereby instruct Computershare Nominees (Proprietary) Limited to pay the proceeds, if any, of the disposal of the Rights Offer Entitlement(s) allocated to me/us (or, if applicable, the portion thereof specified in the above block), in terms of this Form of Instruction (less R131.10 (all inclusive) for trades less than R40 000.00 and R131.10 plus 0.25% of the value of trades for amounts greater than R40 000.00).

Signed \_\_\_\_\_

Date \_\_\_\_\_

Cellphone number \_\_\_\_\_

Telephone number \_\_\_\_\_

### Payment Instructions

Please tick appropriate box

☐

1. By cheque, which should be posted at my/our own risk to the following address:

\_\_\_\_\_  
\_\_\_\_\_

☐

2. By electronic funds transfer to the following bank account:

Name of bank \_\_\_\_\_

Account number \_\_\_\_\_

Branch code \_\_\_\_\_

☐

3. To a charitable organization to be selected by PALLINGHURST.

PLEASE NOTE THAT IF THE ABOVE INFORMATION IS NOT COMPLETED OR IF CONFLICTING INSTRUCTIONS ARE GIVEN, A CHEQUE IN PAYMENT OF THE AMOUNT DUE WILL BE SENT TO THE ADDRESS RECORDED IN THE REGISTER.

Stamp and  
endorsement of  
selling broker  
(if any)

## FORM B: FORM OF RENUNCIATION

(To be signed by the Shareholder(s) named in Block (1) if the Rights Offer Entitlement(s) is renounced.)

If all Rights are not being renounced, please specify in this block how many Rights are being renounced.

Number of Renounced Rights:

To the directors,

### PALLINGHURST RESOURCES LIMITED

I/We hereby renounce in respect of the amount of Rights Offer Shares specified in the above block and, if no amount is specified, the entire Rights Offer Entitlement(s) allocated to me/us in terms of this form as stipulated in Block (3), in favour of the person completing Form C my/our right to subscribe for the Rights Offer Shares allocated to me in this form of instruction.

Signed \_\_\_\_\_

Date \_\_\_\_\_

Stamp and  
endorsement of  
selling broker  
(if any)

## FORM C: REGISTRATION APPLICATION FORM

(To be completed by the renouncee to whom the Rights Offer Shares are to be allotted.) This form will not be negotiable once this form is completed.

To the directors,

### PALLINGHURST RESOURCES LIMITED

I/We

- (a) authorise you to procure the allotment and issue of the amount of Rights Offer Shares specified in Form B above or, if no amount is specified, the number of Rights Offer Shares stipulated in block (3) in this form of instruction in my/our own names(s) upon the conditions set out in the Circular to Shareholders issued on Monday, 2 July 2012 as read with this form of instruction; and
- (b) authorise PALLINGHURST to place my/our name(s) on the register of Shareholders.

USE BLOCK LETTERS

Mr/Mrs/Miss \_\_\_\_\_

Surname \_\_\_\_\_

First names in full \_\_\_\_\_

Postal address \_\_\_\_\_

Telephone number (office hours) \_\_\_\_\_

Cellphone number \_\_\_\_\_

### DETAILS OF CSDP/BROKER

Client account name \_\_\_\_\_

Name of CSDP \_\_\_\_\_

Name of broker \_\_\_\_\_

SCA number \_\_\_\_\_

Reference number \_\_\_\_\_

(If no specific instructions are given above, Computershare Nominees (Proprietary) Limited will issue the Shares in Certificated form and retain the Shares for transfer to the BSX, subject to Exchange Control Regulations)

Signed \_\_\_\_\_

Date \_\_\_\_\_

Stamp and  
endorsement of  
buying broker  
(if any)

## SHARE ISSUE INSTRUCTIONS

(BLOCK LETTERS)

South African resident (yes/no)

Pallinghurst Shares should be transferred to the following account:

Client account name: \_\_\_\_\_

Name of CSDP: \_\_\_\_\_

Name of broker: \_\_\_\_\_

SCA number: \_\_\_\_\_

Reference number: \_\_\_\_\_

☐

A BSX Shareholder who wishes to receive Certificated Shares from the South African Transfer Secretaries must tick this block and details of the relevant address should be completed below for delivery of the relevant Share certificates:

Postal address: \_\_\_\_\_

Signed \_\_\_\_\_

Date \_\_\_\_\_

## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

For use by Certificated JSE Shareholders only

### FORM OF INSTRUCTION

If you are in any doubt as to what action to take in relation to this Form of Instruction, please consult your CSDP, broker, banker, attorney, accountant or other professional advisor immediately.

This Form of Instruction should be read together with the Circular dated Monday, 2 July 2012. Words and expressions defined in the Circular shall have the same meanings in this Form of Instruction. Letters of Allocation are negotiable and may be traded on the JSE. Pallinghurst has issued all Rights in Dematerialised form on the JSE. The electronic record for Certificated JSE Shareholders is being maintained by Computershare Nominees (Proprietary) Limited, a wholly-owned subsidiary of Computershare Custodial Services (Proprietary) Limited.

Should you wish to take-up, dispose of or renounce all or part of your Rights in terms of the Rights Offer, you MUST complete this Form of Instruction and return it to the South African Transfer Secretaries at the address set out below. Each alteration must be signed in full and must not merely be initialed.



**PALLINGHURST**

**PALLINGHURST RESOURCES LIMITED**

**(Previously Pallinghurst Resources (Guernsey) Limited)**

(Incorporated in Guernsey)

(Guernsey registration number 47656)

(South African external company registration number 2009/012636/10)

Share code on the BSX: PALLRES

ISIN: GG00B27Y8Z93

Share code on the JSE: PGL

### A FORM OF INSTRUCTION IN RESPECT OF A LETTER OF ALLOCATION RELATING TO THE RIGHTS OFFER

#### Form of Instruction issued to Certificated Shareholders only

Name and address of Certificated Shareholder	Serial number
(1)	Enquiries in connection with this Form of Instruction should be made to the South African Transfer Secretaries quoting the serial number below:

Account number	Number of Shares registered in your name at the close of business on Friday, 29 June 2012	Number of Rights Offer Shares to which you are entitled:	Amount payable for maximum number of Rights Offer Shares at 224 cents per Rights Offer Share:
	(2)	(3)	R (4)

<b>Acceptance of Rights in terms of paragraph 3 of this Form of Instruction.</b>	Number of Rights Offer Shares accepted:	Amount payable for the number of Rights Offer Shares at 224 cents per Rights Offer Share:
	(5)	R (6)

<b>Application for Excess Rights Offer Shares</b> (to be completed by acceptors wishing to apply for Excess Rights Offer Shares) (the right to apply for Excess Rights Offer Shares is transferable upon the renunciation of this Letter of Allocation)	Number of Excess Rights Offer Shares for which application is made:	Amount payable for Excess Rights Offer Shares at 224 cents per Rights Offer Share:
	(7)	R (8)

		Amount of cheque / banker draft
Please note the same or lesser number of Rights Offer Shares as the number mentioned in block (3) may be accepted.	(9)	R (9)

Applicant's telephone number (office hours)

Signature

Date

\_\_\_\_\_

**This Form of Instruction must be completed in its entirety and returned to the South African Transfer Secretaries:**

Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001  
(PO Box 61763, Marshalltown, 2107)

Telephone: (011) 370-5000

so as to reach the South African Transfer Secretaries by no later than 12h00 on Friday, 20 July 2012.

## SALIENT DATES AND TIMES

**2012**

Last date to trade in Shares on the JSE ( <i>cum</i> Rights Offer Entitlement) in order to participate in the Rights Offer	Friday, 22 June
Last date to trade in Shares on the JSE for settlement by the Record Date and to be recorded as a Shareholder	Friday, 22 June
Shares trade ex-Rights Offer Entitlement on the JSE	Monday, 25 June
Listing and trading of Letters of Allocation on the JSE from the commencement of trade on	Monday, 25 June
Record Date for participation in the Rights Offer	Friday, 29 June
Rights Offer opens at 09h00 on	Monday, 2 July
Circular including a Form of Instruction, where applicable, Mailed to Shareholders	Monday, 2 July
Dematerialised JSE Shareholders' accounts at their broker or CSDP credited with their Rights Offer Entitlement	Monday, 2 July
Certificated JSE Shareholders and BSX Shareholders have their Rights Offer Entitlement created in electronic form and held at Computershare Nominees (Proprietary) Limited	Monday, 2 July
Last date to trade in the Letters of Allocation on the JSE for settlement by 12h00 on Friday, 20 July 2012	Friday, 13 July
Listing of Rights Offer Shares on the JSE at 09h00 on	Monday, 16 July
Payment and Forms of Instruction to be received by the South African Transfer Secretaries by 12h00 on	Friday, 20 July
Rights Offer closes at 12h00 on	Friday, 20 July
Results of Rights Offer and basis of allocations of Excess Rights Offer Shares released on SENS	Monday, 23 July
Expected date on which the relevant brokers or CSDPs are updated with their Rights Offer Shares and debited with the costs of the purchase in respect of Dematerialised JSE Shareholders	Monday, 23 July
Expected date on which Share certificates are Mailed to Certificated Shareholders	Wednesday, 25 July
Dematerialised shareholders will have their accounts at their CSDP or broker updated with any excess shares allocated and debited with the costs	Wednesday, 25 July
Refunds/cheques posted to Certificated JSE Shareholders in respect of unsuccessful applications of Excess Rights Offer Shares	Wednesday, 25 July

### Notes:

1. Dematerialised JSE Shareholders are required to notify their duly appointed broker or CSDP of their participation in the Rights Offer in the manner and time stipulated in the custody agreement governing the relationship between the Dematerialised JSE Shareholder and his/her broker or CSDP.
2. BSX Shareholders and Certificated JSE Shareholders must complete the relevant Form of Instruction, which Form of Instruction, must reach the South African Transfer Secretaries in accordance with the instructions contained therein.
3. No Shares may be Dematerialised or re-materialised from the commencement of trade on Monday, 25 June 2012 to Friday, 29 June 2012, both days inclusive.
4. No transfers of Shares between the JSE and the BSX may take place from the commencement of trade on Monday, 25 June 2012 to Friday, 29 June 2012, both days inclusive.
5. CSDPs effect payment on a delivery of scrip versus payment method in respect of Dematerialised Shareholders.
6. Above times are South African times.

Dear Sir/Madam

## 1. RIGHTS ISSUE

Pallinghurst hereby offers to the Shareholder whose name is stated in Block (1) on page 1 of this Form of Instruction, upon the terms and conditions stated in the Circular dated Monday, 2 July 2012 (which shall, if in conflict with the information set out in this Form of Instruction, take precedence), the right to subscribe for the number of Rights Offer Shares set out in Block (3) on page 1 of this Form of Instruction.

## 2. ACCEPTANCE

If the addressee wishes to take-up the Rights Offer Shares stated in Block (3) on page 1 of this Form of Instruction (or any lesser number), then Blocks 5 and 6 must be completed and signed by the addressee.

The properly completed Form of Instruction, together with payment (as prescribed in the paragraph below) must be delivered to the South African Transfer Secretaries, as follows:

*Hand delivered to:*

Computershare Investor Services  
(Proprietary) Limited  
Ground Floor  
70 Marshall Street  
Johannesburg, 2001

*Posted (at the risk of the Certificated JSE Shareholder) to:*

Computershare Investor Services  
(Proprietary) Limited  
P O Box 61763  
Marshalltown, 2107

so as to reach the South African Transfer Secretaries by no later than 12h00 on Friday, 20 July 2012.

## 3. PAYMENT

Payment for the Rights Offer Shares taken-up must be made by cheque (crossed "not transferable" and with the words "or bearer" deleted) or a banker's draft (drawn on a registered bank) payable to "Pallinghurst Rights Offer (JSE)" for the amounts payable, in Rand and must be lodged together with this Form of Instruction, properly completed.

Payment in accordance with the above will, once the cheque or bankers' draft has been cleared for payment, constitute an irrevocable subscription for Rights Offer Shares upon the terms and conditions set out in the Circular and in this Form of Instruction. Should any cheque or bankers' draft be dishonoured, Pallinghurst, in its sole discretion, may treat the Form of Instruction as void.

Please note that the South African Transfer Secretaries will effect delivery of Certificated Shares against payment and should a cheque or bankers' draft for the amount stipulated in block (9) not accompany the Form of Instruction, the application will be treated as invalid.

## 4. DISPOSAL

If the Shareholder whose name appears in Block (1) on page 1 of this Form of Instruction wishes to dispose of part or all of his Rights, then that Shareholder must complete Form A of this Form of Instruction. This must be sent to the South African Transfer Secretaries in accordance with the instructions contained therein, to be received by no later than 12h00 on Friday, 20 July 2012. Computershare Nominees



(Proprietary) Limited will endeavor to procure the disposal, on an equitable basis, of the Rights on the JSE on behalf of such Certificated JSE Shareholders and subject to Exchange Control Regulations, will remit the proceeds in accordance with the payment instructions reflected in the Form of Instruction, net of brokerage charges and associated expenses. Computershare Nominees (Proprietary) Limited will not have any obligation, or be responsible for any loss or damage whatsoever in relation to or arising out of the timing of such disposals, the price obtained or any failure to dispose of such Rights.

## **5. RENUNCIATION**

If the Shareholder whose name appears in Block (1) on page 1 of this Form of Instruction wishes to renounce part or all of his Rights, then he must complete Form B on page 9 and the renounee must complete Form C on page 10 and Blocks 5 and 6 of this Form of Instruction. The renounee must lodge this Form of Instruction and make payment, in terms of paragraph 2 above, for the Rights Offer Shares in respect of which the Rights Offer is accepted and then send it to the South African Transfer Secretaries to be received by no later than 12h00 on Friday, 20 July 2012.

The surrender of this Form of Instruction to the South African Transfer Secretaries with the form of renunciation purporting to have been signed by the person(s) in whose name(s) it was issued, shall be conclusive evidence of the title of the party or parties surrendering it to deal with same and to receive definitive certificates (if applicable) and the issuer shall be under no obligation to ascertain that this Form of Instruction has been properly signed by the person competent/authorised to do so.

## **6. APPLICATIONS FOR EXCESS RIGHTS OFFER SHARES**

If the Shareholder whose name appears in Block (1) on page 1 of this Form of Instruction or a renounee whose name appears on Form C wishes to apply for Excess Rights Offer Shares, he must complete Blocks 7 and 8 and make payment for the Excess Rights Offer Shares together with and in the same manner as payment is made for the Rights Offer Shares forming part of the Rights Offer Entitlement as set out in paragraph 2 above.

## **7. EXCHANGE CONTROL REGULATIONS**

The following summary is intended only as a guide and is, therefore, not comprehensive. If Shareholders are in any doubt as to the appropriate course of action they are advised to consult their professional advisors.

In terms of the Exchange Control Regulations:

Non-residents of the Common Monetary Area will be allowed to, using their off-shore funds:

- Take-up Rights allocated to them in terms of the Rights Offer;
- purchase Letters of Allocation on the JSE; and
- subscribe for Rights Offer Shares arising in respect of the Letters of Allocation purchased on the JSE; and
- subscribe for Excess Rights Offer Shares,

provided payment is received either through normal banking channels from abroad or from a non-resident account.

All applications by non-residents for the above purposes must be made through an authorised dealer, in Rand introduced from abroad for a non-resident Rand account. Following the close of the Rights Offer and the listing of the Rights Offer Shares on the JSE, Rights Offer Shares issued pursuant to such applications will be endorsed “non-resident”.

**Former residents:**

Where a Right in terms of the Rights Offer accrues to a former resident of the Common Monetary Area, which Right is based on Shares blocked in terms of the Exchange Control Regulations, then emigrant blocked funds may not be used to take up the Rights or Shares in Pallinghurst as a company with an inward listing on the JSE.

By order of the Board

*Arne H. Frandsen*

**PALLINGHURST RESOURCES LIMITED**

5 June 2012

## **GENERAL INSTRUCTIONS AND NOTES:**

### **1. POWERS OF ATTORNEY**

If this Form of Instruction is signed under a power of attorney then that power of attorney must be sent to the South African Transfer Secretaries of Pallinguhurst for registration, unless it has already been registered by them.

If this Form of Instruction is signed by a company representative then that company representative warrants that he is duly authorised to do so.

### **2. DECEASED ESTATES AND TRUSTS**

Rights Offer Shares will not be allocated in the name of a deceased estate or trust or a person under contractual disability.

Therefore, when the Rights Offer Entitlement has accrued to a deceased person, an estate or a trust, the executor or trustee, parent/guardian or curator (as the case may be) must complete Form B of this Form of Instruction in his representative capacity (which authority must be lodged with the South African Transfer Secretaries) and Form C forming part of this Form of Instruction must be completed by the person in whose name the Rights Offer Shares are to be allocated without any reference to the estate, the trust or the beneficial owner. Letters of Executorship (if not previously registered) should be submitted to the South African Transfer Secretaries for record purposes.

### **3. JOINT HOLDERS**

All joint holders must sign where applicable.

### **4. ISSUE OF SHARES**

Certificated JSE Shareholders will have their Rights Offer Shares issued in Certificated form.

If this Form of Instruction is presented by:

- the addressee, then the Rights Offer Shares in question will be posted to that addressee's address; and
- a renouncee, then the Rights Offer Shares in question will be posted to the address given by the renouncee in Form C.

Certificated Shares will be posted by registered mail at the risk of the Person(s) entitled thereto

## FORM A: INSTRUCTION TO DISPOSE

**(To be completed and signed by the Shareholder if the Rights Offer Entitlement(s) are to be disposed by the South African Transfer Secretaries on behalf of the Shareholder)**

If the entire Rights Offer Entitlement(s) is not being disposed, please specify here what portion of the Rights Offer Entitlement(s) is being disposed.

Rights Offer Entitlement(s) being disposed:

Stamp and  
endorsement of  
selling broker  
(if any)

To the directors,

### PALLINGHURST RESOURCES LIMITED

I/we hereby instruct Computershare Nominees (Proprietary) Limited to pay the proceeds, if any, of the disposal of the Rights Offer Entitlement(s) allocated to me/us (or, if applicable, the portion thereof specified in the above block), in terms of this Form of Instruction (less R131.10 (all inclusive) for trades less than R40 000.00 and R131.10 plus 0.25% of the value of trades for amounts greater than R40 000.00).

Signed \_\_\_\_\_

Date \_\_\_\_\_

Cellphone number \_\_\_\_\_

Telephone number \_\_\_\_\_

### Payment Instructions

Please tick appropriate box

☐

1. By cheque, which should be posted at my/our own risk to the following address:

\_\_\_\_\_  
\_\_\_\_\_

☐

2. By electronic funds transfer to the following bank account:

Name of bank \_\_\_\_\_

Account number \_\_\_\_\_

Branch code \_\_\_\_\_

☐

3. To a charitable organization to be selected by PALLINGHURST.

PLEASE NOTE THAT IF THE ABOVE INFORMATION IS NOT COMPLETED OR IF CONFLICTING INSTRUCTIONS ARE GIVEN, A CHEQUE IN PAYMENT OF THE AMOUNT DUE WILL BE SENT TO THE ADDRESS RECORDED IN PALLINGHURST'S REGISTER.

**FORM B: FORM OF RENUNCIATION**

(To be signed by the Shareholder(s) named in Block (1) if the Rights Offer Entitlement(s) is renounced.)

If all Rights are not being renounced, please specify in this block how many Rights are being renounced.

Number of Renounced Rights:

To the directors,

**PALLINGHURST RESOURCES LIMITED**

I/We hereby renounce in respect of the amount of Rights Offer Shares specified in the above block and, if no amount is specified, the entire Rights Offer Entitlement(s) allocated to me/us in terms of this form as stipulated in Block (3), in favour of the person completing Form C my/our right to subscribe for the Rights Offer Shares allocated to me in this Form of Instruction.

Signed \_\_\_\_\_

Date \_\_\_\_\_

Stamp and  
endorsement of  
selling broker  
(if any)

## FORM C: REGISTRATION APPLICATION FORM

(To be completed by the renouncee to whom the Rights Offer Shares are to be allotted.) This form will not be negotiable once this form is completed.

To the directors,

### PALLINGHURST RESOURCES LIMITED

I/We

- (a) authorise you to procure the allotment and issue of the amount of Rights Offer Shares specified in Form B above or, if no amount is specified, the number of Rights Offer Shares stipulated in block (3) in this Form of Instruction in my/our own names(s) upon the conditions set out in the Circular to Shareholders issued on Monday, 2 July 2012 as read with this Form of Instruction; and
- (b) authorise PALLINGHURST to place my/our name(s) on the register of Shareholders.

USE BLOCK LETTERS

Mr/Mrs/Miss \_\_\_\_\_

Surname(s) or name of company \_\_\_\_\_

First names in full \_\_\_\_\_

Postal address \_\_\_\_\_

Telephone number (office hours) \_\_\_\_\_

Cellphone number \_\_\_\_\_

Stamp and  
endorsement of  
buying broker  
(if any)



