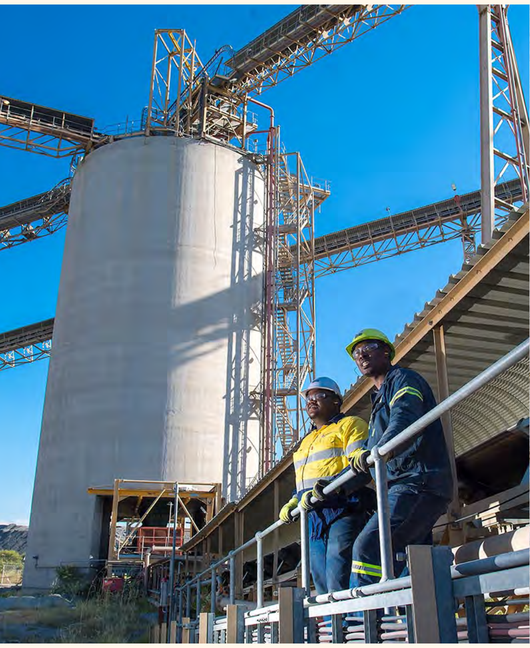
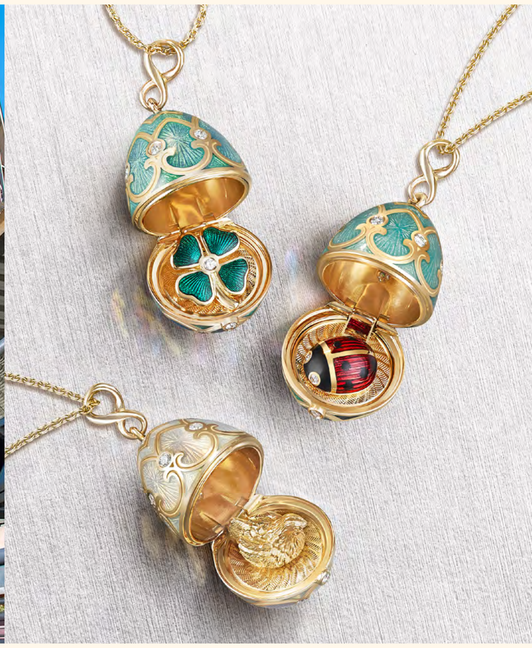
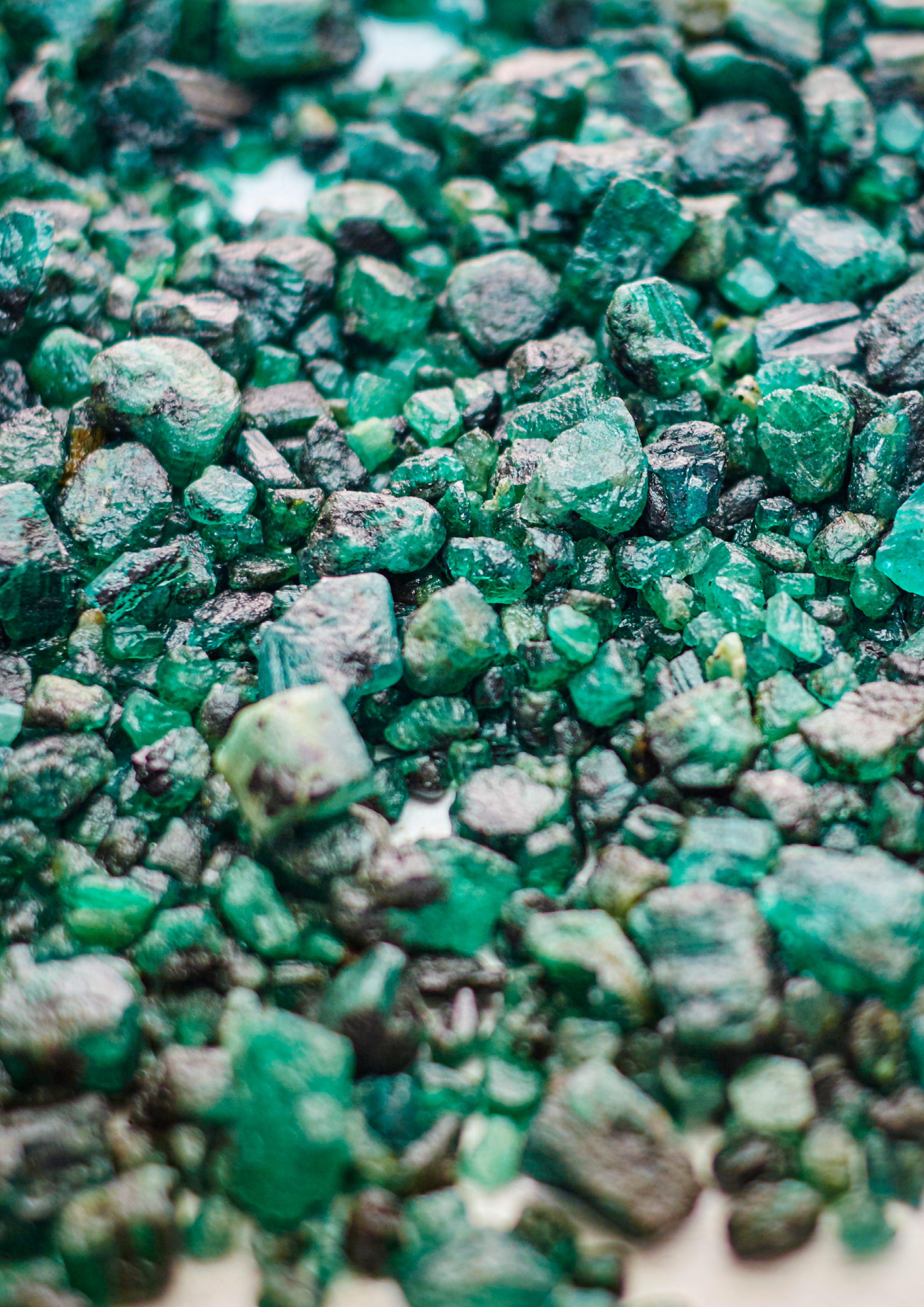
PALLINGHURST


Pallinghurst Resources Limited

AUDITED ANNUAL RESULTS

for the year ended 31 December 2017



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"I am delighted to report another year of strong financial performance. The net profit of US$45m was achieved in a year where Pallinghurst transformed to an evergreen operating mining company and undertook the transformational acquisition of Gemfields. With that transaction successfully completed, Pallinghurst now enjoys world-leading positions in emerald and ruby mining. This is supported by our ownership of the iconic Fabergé brand, which is using Gemfields' coloured gemstones for its unique jewellery pieces. In addition, Pallinghurst holds a very valuable investment in Jupiter Mines, as well as an attractive 6% stake in Sedibelo Platinum Mines."

Arne H. Frandsen
Chief Executive

CHAIRMAN'S STATEMENT

Brian Gilbertson
Chairman

It has been a transformational year for Pallinghurst as we undertook the acquisition of Gemfields, the largest transaction since our formation in 2007. Despite strong shareholder support from both sides, the transaction proved to be a challenging and contested affair, but ultimately with a successful outcome: converting PRL from a closed-end investment fund to an operating mining company, and with ownership of 100% of Gemfields.

As we approached the 10 year anniversary of the Company in early 2017, there were three key assets in our portfolio: Gemfields – a leading supplier of responsibly sourced coloured gemstones; Tshipi – one of the lowest cost manganese producers in the world; and Sedibelo – a large scale open pit PGM mining operation in South Africa. Despite the significant progress made in each investment, complexities in our structure prevented value from being fully reflected in PRL's share price. Additionally, reduced emerald production and increasing debt levels at Gemfields had seen its share price fall.

Pallinghurst had played an important role in Gemfields' rise to world leadership of responsibly sourced emeralds and rubies. Unlocking Gemfields' full value potential was and remains of paramount importance to PRL. It became apparent that this could only be achieved by dismantling the complex holding structure between PRL and Gemfields, by cutting back on expensive international expansion ambitions to focus on optimising its two key mining operations, Kagem and Montepuez, and to addressing the high corporate cost base. In pursuit of those objectives, acquisition of Gemfields by PRL became inevitable.

Following Gemfields' delisting from AIM at the end of July 2017, PRL took control of the board and made changes to the management and operational structure. Operations in Colombia and Sri Lanka were terminated and significant cost reductions across the organisation continue. Whilst only a short period has passed and it is too early to declare success, encouraging results are emerging, with significantly higher premium emerald production at Kagem and the highest ever auction revenues being achieved in the November 2017 ruby auction.

With this transformation into an operating company, the Kagem and Montepuez mines become the foundation upon which we intend to build the future of the Company. Both mines are recognised as world leaders in emerald and ruby mining respectively, providing a solid platform for future expansion. We aim to build Gemfields into the "De Beers of Coloured Gemstones", supporting our mining operations with a unique and industry-leading auction platform, developments in proof-of-origin technology and active marketing campaigns to drive demand for coloured gemstones.

Our PGM investment, a 6% stake in Sedibelo, had its ninth year of production. Due to the continued challenging price environment, the company remains focussed on minimising production costs and on cash preservation. Whilst other producers have raised equity to survive, Sedibelo has not been back to its shareholders for incremental equity investments and despite anticipating a loss, ended the year debt-free. Whilst Sedibelo is not immune to the challenges facing the industry, significant cost-cutting measures mean the company is operating efficiently and we remain confident that Sedibelo will realise its full potential when the market improves. In the meantime, good progress is being made on its "Kell technology", which could become an industry-transforming beneficiation process.

Jupiter, through its successful partnership with Ntsimbintle, has built Tshipi into a large, long-life and low-cost operator of a market-leading manganese mine. Tshipi had another record year, supported by the significant increase in the manganese price throughout 2017 and continued tight control over operating costs. For its financial year to 28 February 2018, Tshipi shipped a record 3.3 million tonnes and due to strong prices, will result in the strongest financial performance to date. During PRL's 2017 financial year, we received distributions of approximately US$15 million from Jupiter, with an additional US$8 million received earlier this month. Jupiter has also announced its intention to relist on the ASX. The Company has committed to support Jupiter in this initiative by placing up to 60% of its Jupiter shares, which would result in up to AUD85 million gross proceeds for PRL. PRL will retain the balance of its interest for realisation at an appropriate later time and has agreed to restrict the sale of this remaining interest under associated escrow arrangements. Until then, PRL would expect to benefit from the ongoing strong performance signalled by Jupiter.

Pallinghurst played an instrumental role in Gemfields' rise to the world leadership of responsibly sourced emeralds and rubies.

Assuming the Jupiter IPO proceeds as planned, the Company's exposure to steel making materials (specifically manganese) will decrease substantially, leaving PRL focussed essentially on 100% of the Gemfields business, and with minority holdings in Jupiter and Sedibelo Platinum Mines. As a logical consequence of this change in strategic focus, the senior executive management positions have been revisited. After 11 years as PRL's Chief Executive, Arne H. Frandsen will step down and be replaced by Gemfields CEO Sean Gilbertson. Similarly, Andrew Willis, after 11 years as the Company's Finance Director, will step down and be replaced by Gemfields CFO David Lovett.

After stepping down as Executive Directors, Arne and Andrew will remain involved with the Company through their ongoing positions as the Managing Partners of Pallinghurst Capital Partners ("PCP"). PCP is the private equity platform which they were part of creating in 2006 and which has successfully raised and invested in excess of US$1.5 billion. As part of the change in PRL's strategic focus, PCP has agreed to manage PRL's financial investment in Sedibelo with a focus on maximising exit value for the benefit of PRL's shareholders.

I pay tribute to and thank Arne and Andrew for their 11 years of leadership of the Company as its founding Chief Executive and Finance Director, respectively. They have been instrumental in developing the Company since its establishment, culminating in its transformation into an evergreen operating mining company last year. They hand over a financially sound vehicle with a focussed strategy to further unlock value for shareholders.

I also thank my fellow Directors and the management teams of our portfolio companies for their substantial contributions during the past year, in what has been a challenging environment. I look forward to the next phase of PRL's development as an operating mining company with world-leading assets.

Brian Gilbertson
Chairman

CHIEF EXECUTIVE'S STATEMENT

Arne H. Frandsen
Chief Executive

Having received overwhelming support from our shareholders to convert PRL from being a closed-end investment company, we concluded 2017 as an evergreen operating mining company, with world-leading positions in emerald and ruby mining. This is supported by our ownership of the iconic Fabergé brand, which is using Gemfields' coloured gemstones, amongst others, for its unique jewellery pieces. In addition, PRL holds a very valuable investment in steel making materials through our 18% stake in Jupiter, as well as an attractive 6% stake in Sedibelo Platinum Mines.

As a first step as an evergreen mining company, we asked our shareholders to back management in the proposed transformational acquisition of Gemfields. An impressive 96% of the Company's shareholders supported this transaction, which we completed in September. With this acquisition behind us, we now have a diverse gemstone mining platform with sector-leading mines in Zambia and Mozambique, as well as a promising exploration programme. Our focus since the successful Gemfields acquisition, has been on revitalising and improving the operational performance of these mines towards sustainable profitability, and, through our initiatives, to secure an improved balance sheet position.

COLOURED GEMSTONES

The year 2017 was truly a year of two halves for Gemfields, the first – before we acquired full ownership – produced a loss of US$14 million and increased indebtedness. In the second half we saw positive signs of improvements at our operations, supported by strong revenues from both ruby and emerald sales. At an operational level, we changed the management structure and implemented new practices in both mining and processing procedures. We made the strategic decision to expand the Group's emerald footprint and restart operations at the Mbuva-Chibolele licence in Zambia, located adjacent to Kagem. Likewise, we gave the go-ahead to commence bulk sampling activity on what will become the Megaruma ruby mine in Mozambique, with a view to increasing our presence in the ruby market. Through its successful auction system, Gemfields has cemented its position as the world's leading supplier of both rubies and emeralds. Fabergé's development has continued with the opening of a new boutique in Houston. The luxury brand is focussing on achieving sustainable profitability for the business on a stand-alone basis.

STEEL MAKING MATERIALS

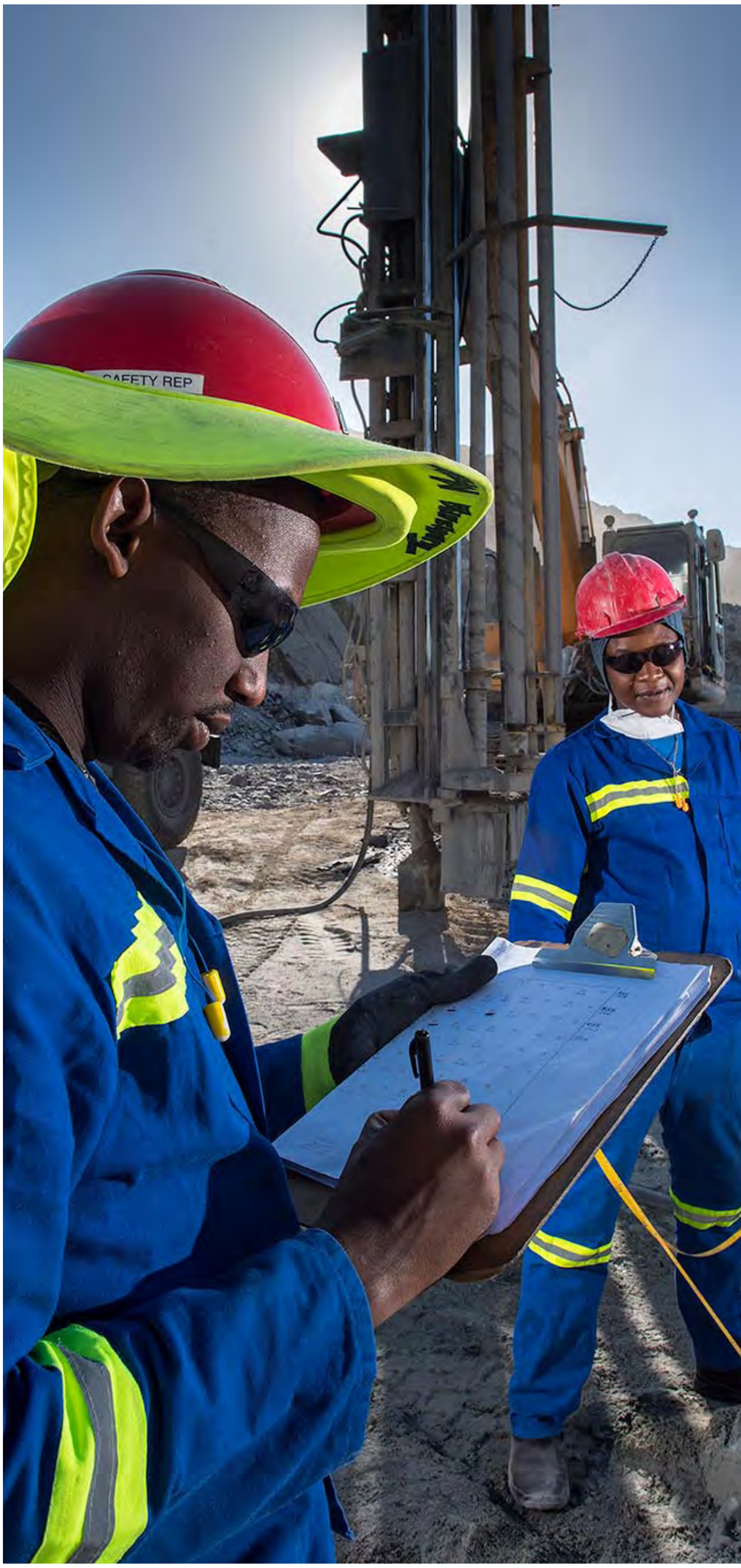
Tshipi's management team performed admirably, with revenue, production and profitability for its financial year at record levels. The combination of rigorous cost management – positioning Tshipi Borwa in the lowest-cost quartile – combined with the improvement in the manganese price, resulted in Tshipi declaring distributions of ZAR1.5 billion for the year. In turn, Jupiter distributed US$78 million to its shareholders in 2017, of which PRL received US$15 million. During its financial year to February 2018, Tshipi shipped in excess of three million tonnes per annum, which, given the strong price environment, should result in record profitability.

Based on this sterling performance and positive outlook, the board of Jupiter has announced its intention to relist on the ASX next month. In this eventuality, PRL will realise up to AUD85 million for up to 60% of our interest, at AUD0.40 per share. This is consistent with our stated vision of unlocking value through the realising of investments at attractive prices. If successful, PRL's Jupiter investment would be smaller in size, but still represent an attractive investment which can bring further value to our shareholders in the years to come. Importantly, the disposal of the majority of our Jupiter investment will transform the Group's balance sheet, with PRL returning to a positive net cash position, as PRL had always been prior to the acquisition of the indebted Gemfields.

PLATINUM GROUP METALS

Since its creation in 2012, Sedibelo's management team has had a firm focus on safety and "no-harm". As a result, Sedibelo achieved a record 4.6 million fatality-free shifts during 2017 – one of the PGM industry's best safety records. Sedibelo dispatched 133,000 4E PGM ounces during 2017 and, while this (by design) is less than the previous year, it reflects an optimal production level, given the continued depressed price environment. For the last five months of the year, Sedibelo produced a cash profit each month. Significant cost-cutting measures continue to be implemented, but, with the metal prices remaining at depressed levels, Sedibelo is expected to

The cornerstone of our strategy has not changed with our new status as an evergreen operating mining company. Our overriding ambition remains to enhance and unlock the full value of our operations and investments.



report a loss for 2017. However, it ended the year debt-free. During the year, the "Kell technology" was developed further, and Sedibelo and its partners (the IDC and Lifezone) are working on the establishment of the first Kell PGM beneficiation plant in Southern Africa. Sedibelo also successfully commissioned the construction of its chrome extraction plant, and the first cash flow is expected to be generated shortly. The Sedibelo management continue to believe that this new revenue stream will have a significant effect on Sedibelo's profitability.

CORPORATE

The significant progress made by the Company over the year has been reflected in a considerable increase in our asset base and a net profit after tax of US$45 million. Our Jupiter investment has increased in value by US$33 million, including realised gains made on two share buy-backs during the year, as a result of strong operating performance and a sustained period of high manganese prices. Sedibelo, our PGM platform, has had its valuation kept at the same level as the interim accounts. I believe that this still does not fully reflect the inherent long-term value of our investment platforms and we continue to actively pursue the realisation of their full potential.

The results for the year have also been significantly impacted by PRL's acquisition of Gemfields and the resulting conversion of the Company from an investment entity to an operating mining company. The fall in the Gemfields share price resulted in an unrealised loss of US$64 million, which was more than offset by a bargain purchase gain of US$96 million, being the amount by which the fair value of Gemfields' net assets exceeded the share price of Gemfields at the acquisition date.

The cornerstone of our strategy has not changed with our new status as an evergreen operating mining company. Our overriding ambition remains to enhance and unlock the full value of our operations and investments. We will continue to focus on improvements at our operations, the deleveraging of our balance sheet and growth through our exciting portfolio of new assets.

Since PRL's IPO in 2007, I have had the privilege of serving the shareholders as its Chief Executive. Over this decade we have more than quadrupled the size of the Company. With a 2017 profit of an impressive US$45 million, I am pleased to hand over a financially sound company with a strong balance sheet. Going forward, I am confident that the new management team will continue to unlock the value of the Company, for the benefit of all our shareholders.

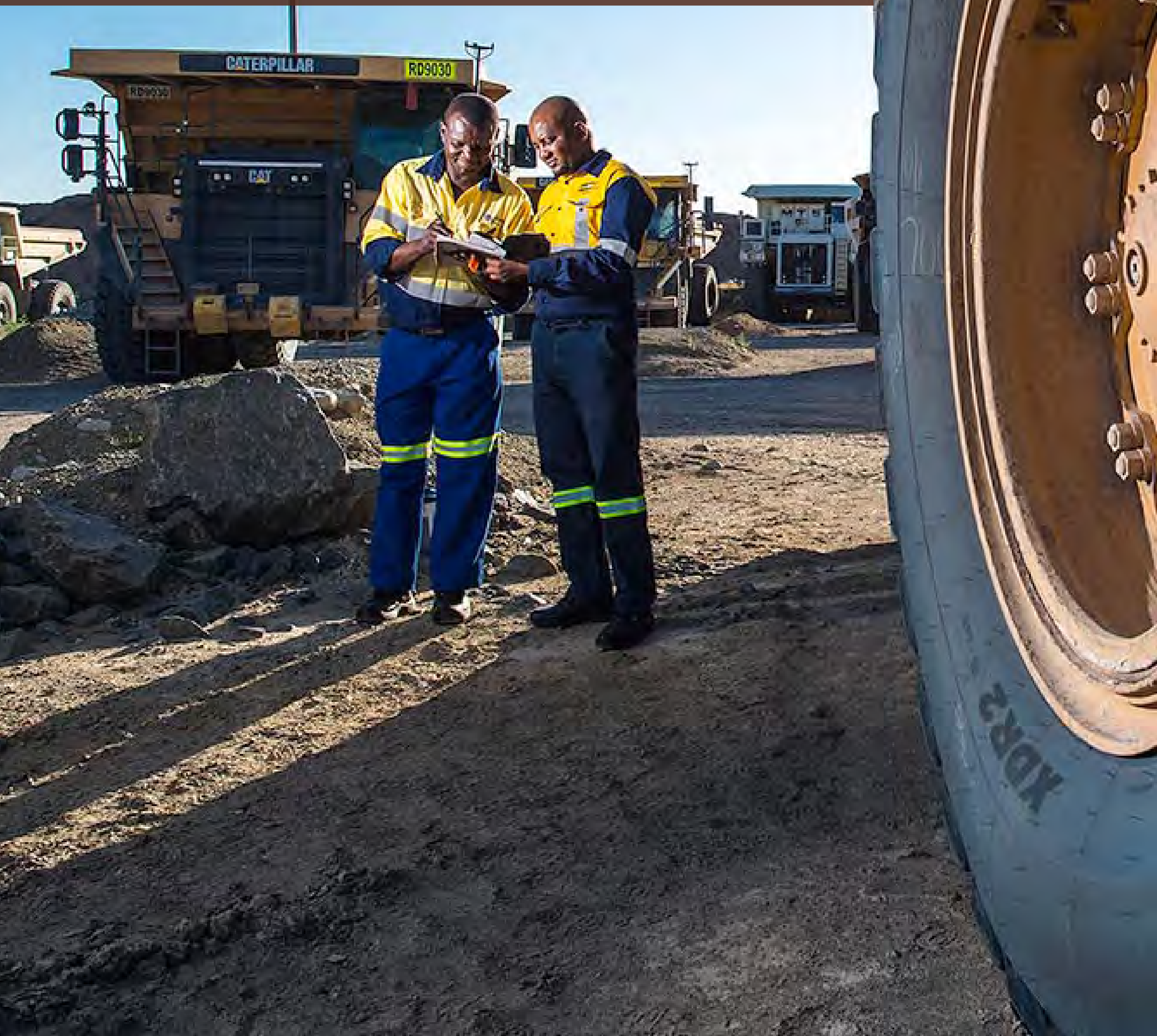
Arne H. Frandsen
Chief Executive

FINANCIAL STATEMENTS

Readers of the Pallinghurst Resources Limited ("PRL") financial results are advised that while a full audit has been carried out by BDO LLP ("BDO"), BDO is not accredited by the JSE. Shareholders should therefore exercise caution when reviewing the information and when dealing in the securities of PRL. In order for the financial results to comply with the JSE Listings Requirements the results must be audited/reviewed by a JSE accredited auditor.

BDO have admitted an application for JSE accreditation. This application is being considered by the JSE but there is no guarantee that accreditation will be granted.

In order to ensure compliance with the JSE Listings Requirements PRL have also engaged BDO RSA, who is accredited by the JSE, to audit the results with a view to publishing full financial results as soon as possible.



CONDENSED CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2017

	Notes	1 January 2017 to 31 December 2017 US$'000	1 January 2016 to 31 December 2016 US$'000
Revenue	1	81,650	–
Cost of sales	2	(44,319)	–
Gross profit		**37,331**	**–**
Other income		6,275	619
Selling, general and administrative expenses		(32,154)	(5,892)
Unrealised fair value gains	6	27,494	49,768
Unrealised fair value losses	6	(80,712)	–
Bargain purchase gain on Gemfields Acquisition	3	96,406	–
Share of profit of equity accounted associates		14	71
Profit from operations		**54,654**	**44,566**
Finance income		1,240	13
Finance costs		(3,251)	(6)
Net finance (costs)/income		**(2,011)**	**7**
Profit before tax		**52,643**	**44,573**
Taxation charge	4	(7,589)	(3)
NET PROFIT AFTER TAX		**45,054**	**44,570**
Profit for the year attributable to:			
Owners of the parent		37,892	44,570
Non-controlling interest		7,162	–
Earnings per share attributable to the parent:	8		
Basic – US$		**0.04**	0.06
Diluted – US$		**0.04**	0.06

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	1 January 2017 to 31 December 2017 US$'000	1 January 2016 to 31 December 2016 US$'000
Profit after taxation	45,054	44,570
Other comprehensive loss:		
Items that have been/may be reclassified subsequently to profit or loss:		
Exchange loss arising on translation of foreign operations	(1,169)	–
Total other comprehensive loss	**(1,169)**	**–**
TOTAL COMPREHENSIVE INCOME	**43,885**	**44,570**
Total comprehensive income attributable to:		
Owners of the parent	36,723	44,570
Non-controlling interest	7,162	–

The accompanying notes form part of these Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Notes	31 December 2017 US$'000	31 December 2016 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	378,021	–
Intangible assets		49,312	–
Unlisted equity investments	6	196,164	193,869
Listed equity investments	6	–	164,615
Investments in associates		1,279	1,265
Available for sale investments		40	–
Deferred tax assets	4	6,775	–
Other non-current assets		8,025	–
Total non-current assets		**639,616**	**359,749**
Current assets			
Inventory	7	118,813	–
Other investments		6	12
Loans and receivables	6	–	4,948
Trade and other receivables		27,498	1,175
Cash and cash equivalents		37,784	1,218
Total current assets		**184,101**	**7,353**
Total assets		**823,717**	**367,102**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	4	102,347	–
Borrowings	9	59,292	–
Provisions		7,958	–
Total non-current liabilities		**169,597**	**–**
Current liabilities			
Provisions		4,619	–
Current tax payable		7,041	–
Borrowings	9	4,178	–
Trade and other payables		21,171	207
Total current liabilities		**37,009**	**207**
Total liabilities		**206,606**	**207**
Net assets		**617,111**	**366,895**
EQUITY			
Share capital		14	8
Share premium		531,607	375,227
Treasury shares		(654)	–
Reserve for own shares		(23,319)	–
Cumulative translation reserve		(1,169)	–
Option reserve		2,692	–
Retained earnings/(losses)		29,552	(8,340)
Attributable to equity holders of the parent		538,723	366,895
Non-controlling interest		78,388	–
Total equity		**617,111**	**366,895**

The Financial Statements were approved and authorised for issue by the Directors on 29 March 2018 and were signed on its behalf by:

Sean Gilbertson
Director
29 March 2018

Martin Tolcher
Director
29 March 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Notes	1 January 2017 to 31 December 2017 US$'000	1 January 2016 to 31 December 2016 US$'000
Cash flow from operating activities			
Profit before tax		**52,643**	**44,573**
Adjustments for			
Loan interest income		(154)	(619)
Unrealised fair value losses	7	80,712	–
Unrealised fair value gains	7	(27,494)	(49,768)
Realised gain on Jupiter buy-backs		(5,841)	–
Share of profit of equity accounted associates		(14)	(71)
Fair value loss on other investments		6	36
Bargain purchase on Gemfields Acquisition	3	(96,406)	–
Depreciation and amortisation	6	22,169	–
Share-based payments		2,692	–
Finance income		(1,240)	(9)
Finance expense		3,251	–
Loss on sale of property plant and equipment		34	–
Decrease in trade and other receivables		2,368	487
Increase in inventory		(9,681)	–
Decrease in trade and other payables		(2,346)	(502)
Cash generated from/(used in) operations		**20,699**	**(5,873)**
Loans extended to investments		–	(4,925)
Loans repaid by investments		4,948	10,000
Interest received		154	400
Tax paid		(12,165)	(3)
Net cash outflows generated from/(used in) operating activities		**13,636**	**(401)**
Cash flows from investing activities			
Purchase of intangible assets		(1,790)	–
Interest received		82	–
Purchases of property, plant and equipment		(10,955)	–
Sales of property plant and equipment		36	–
Cash acquired with subsidiaries		33,367	–
Cash received from Jupiter share buy-backs		14,697	–
Net cash outflows generated from investing activities		**35,437**	**–**
Cash flows from financing activities			
Dividends paid to non-controlling interest		(5,000)	–
Treasury shares		(654)	–
Gemfields Acquisition – share issue transaction costs		(1,643)	–
Repayment of borrowings		(2,485)	–
Interest paid		(2,406)	–
Net cash used in financing activities		**(12,188)**	**–**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**36,885**	**(401)**
Cash and cash equivalents at the beginning of the year		1,218	1,610
Net foreign exchange (loss)/gain on cash		(319)	9
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**37,784**	**1,218**

The accompanying notes form part of these Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Share capital US$'000	Share premium US$'000	Reserve for own shares US$'000	Treasury shares US$'000	Cumulative translation reserve US$'000	Option reserve US$'000	Retained (losses)/ earnings US$'000	Total attributable to equity holders of the parent US$'000	Non-controlling interest US$'000	Total equity US$'000
Balance at 1 January 2016	8	375,227	–	–	–	–	(52,910)	322,325	–	**322,325**
Profit for the year	–	–	–	–	–	–	44,570	44,570	–	**44,570**
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Balance at 31 December 2016	8	375,227	–	–	–	–	(8,340)	366,895	–	**366,895**
Profit for the year	–	–	–	–	–	–	37,892	37,892	7,162	45,054
Other comprehensive loss	–	–	–	–	(1,169)	–	–	(1,169)	–	(1,169)
Gemfields Acquisition – NCI	–	–	–	–	–	–	–	–	83,480	83,480
Gemfields Acquisition – further acquisition of NCI	–	7,254	–	–	–	–	–	7,254	(7,254)	–
Gemfields Acquisition – shares issued in exchange for Gemfields shares	6	150,769	–	–	–	–	–	150,775	–	150,775
Gemfields Acquisition – share issue costs	–	(1,643)	–	–	–	–	–	(1,643)	–	(1,643)
Gemfields Acquisition – own shares acquired	–	–	(23,319)	–	–	–	–	(23,319)	–	(23,319)
Shares bought back during the year, net of transaction costs	–	–	–	(654)	–	–	–	(654)	–	(654)
Share options recognised during the year	–	–	–	–	–	2,973	–	2,973	–	2,973
Share options forfeited during the year	–	–	–	–	–	(281)	–	(281)	–	(281)
Dividends paid to non-controlling interest of Montepuez ruby mine	–	–	–	–	–	–	–	–	(5,000)	(5,000)
Balance at 31 December 2017	**14**	**531,607**	**(23,319)**	**(654)**	**(1,169)**	**2,692**	**29,552**	**538,723**	**78,388**	**617,111**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. SEGMENTAL REPORTING

With effect from 1 August 2017, the Chief Operating Decision Maker ("CODM") is the Executive Management Team consisting of Mr Brian Gilbertson, Mr Arne H. Frandsen, Mr Andrew Willis and Mr Sean Gilbertson, who measure the performance of each operating segment on a regular basis in order to allocate resources.

The Group's segmental reporting was based around its previous three Investment Platforms up to 31 July 2017; PGMs, Steel Making Materials, and Coloured Gemstones, each of which was categorised as an operating segment. Each investment was assessed on this basis and as such, each of the Group's operating segments may have included multiple mines and other assets. Mr Brian Gilbertson, Executive Chairman, undertook the role of CODM up to 31 July 2017.

From 1 August 2017 the Group has included Gemfields' operating segments in its segmental reporting. The segmental information provided to the CODM for the period 1 August 2017 to 31 December 2017 is as follows:

1 August 2017 to 31 December 2017	Zambia US$'000	Mozambique US$'000	Steel Making Materials[1] US$'000	PGMs US$'000	Corporate US$'000	Fabergé US$'000	Other US$'000	Total US$'000
Revenues[2]	21,502	54,970	–	–	357	3,355	1,466	81,650
Other income	98	8	504	–	45	–	61	716
Unrealised fair value gains	–	–	26,576	–	–	–	–	26,576
Unrealised fair value losses	–	–	–	–	–	–	–	–
Depreciation and amortisation	(6,331)	(15,034)	–	–	(192)	(569)	(43)	(22,169)
Operating profit/(loss)	6,874	149,540	27,080	–	(42,471)	(4,270)	(485)	136,268
Finance income	179	26	–	–	66	478	472	1,221
Finance expenses	(1,059)	(573)	–	–	(160)	(1,448)	(6)	(3,246)
Profit/(loss) after tax	2,839	146,277	27,080	–	(43,079)	(5,216)	(1,246)	126,655
31 December 2017								
Total non-current assets	177,233	204,303	98,100	98,064	8,618	44,412	8,886	639,616
Total non-current liabilities	82,786	69,144	–	–	–	17,530	137	169,597
Total assets	239,701	251,605	98,100	98,064	31,177	85,586	19,484	823,717
Total liabilities	90,886	85,894	–	–	6,486	21,716	1,624	206,606

1 *The realised gain on the Steel Making Materials segment of US$0.504 million does not include any foreign exchange as the valuation is denominated in US$.*
The unrealised fair value gain on the Steel Making Materials segment of US$26.576 million does not include any direct foreign exchange gain/loss as the valuation is denominated in US$.

2 *All revenues relate to sale of goods.*

1. SEGMENTAL REPORTING/CONTINUED

The segmental information provided to the CODM for the period 1 January 2017 to 31 July 2017 is as follows:

1 January 2017 to 31 July 2017	PGMs[1] US$'000	Steel Making Materials[2] US$'000	Coloured Gemstones[3] US$'000	Unallocated US$'000	Total US$'000
Income statement					
Unrealised fair value gains	–	918	–	–	918
Unrealised fair value losses	(16,344)	–	(64,368)	–	(80,712)
Realised gains	–	5,337	–	–	5,337
Loan interest income	–	–	222	–	222
Net segmental (expense)/income	(16,344)	6,255	(64,146)	–	(74,235)
Other income				–	–
Net losses on investments and income from operations					(74,235)
Expenses, net finance income, fair value gain/(loss) of associates and taxation				(7,366)	(7,366)
Net segmental (loss)/profit	**(16,344)**	**6,255**	**(64,146)**	**(7,366)**	**(81,601)**
Balance Sheet					
Net Asset Value	**98,064**	**75,611**	**227,703**	**9,999**	**411,377**

1 The unrealised fair value loss on the PGMs segment of US$16.344 million does not include any direct foreign exchange gain/loss as the valuation is denominated in US$.
2 The unrealised fair value gain on the Steel Making Materials segment of US$0.918 million does not include any direct foreign exchange gain/loss as the valuation is denominated in US$. The realised gain on the Steel Making Materials segment of US$5.337 million does not include any foreign exchange as the valuation is denominated in US$.
3 The unrealised fair value loss on the Coloured Gemstones segment of US$64.368 million includes an unrealised foreign exchange gain of US$13.652 million.

The segmental information provided to the CODM for the year ended 31 December 2016 is as follows:

31 December 2016	PGMs US$'000	Steel Making Materials[1] US$'000	Coloured Gemstones[2] US$'000	Unallocated US$'000	Total US$'000
Income statement					
Unrealised fair value gains	–	43,756	6,012	–	49,768
Unrealised fair value losses	–	–	–	–	–
Loan interest income	–	–	619	–	619
Net segmental income	–	43,756	6,631	–	50,387
Other income				–	–
Net income on investments and income from operations					50,387
Expenses, net finance income, fair value gain of associates and taxation				(5,817)	(5,817)
Net segmental profit/(loss)	–	43,756	6,631	(5,817)	44,570
Balance Sheet					
Net Asset Value	114,408	79,461	169,563	3,463	366,895

1 The unrealised fair value gain on the Steel Making Materials segment of US$43.756 million does not include any direct foreign exchange gain/loss as the valuation is denominated in US$.
2 The unrealised fair value gain on the Coloured Gemstones segment of US$6.012 million includes an unrealised foreign exchange loss of US$26.336 million.

2. COST OF SALES

	2017 US$'000	2016 US$'000
Mining and production costs		
Labour and related costs	8,232	–
Mineral royalties and production taxes	6,872	–
Fuel costs	4,140	–
Repairs and maintenance	3,658	–
Security costs	2,322	–
Camp costs	1,208	–
Blasting	569	–
Other mining and processing costs	2,152	–
Total mining and production costs	**29,153**	**–**
Change in inventory and purchases	(7,003)	–
Depreciation and amortisation	22,169	–
	44,319	**–**

3. ACQUISITION OF THE GEMFIELDS GROUP OF COMPANIES (the "Gemfields Aquisition")

Gemfields is a leading supplier of coloured gemstones and owns emerald assets in Zambia and Ethiopia, ruby assets in Mozambique and amethyst assets in Zambia. In 2008, the Company and the Pallinghurst Co-Investors became the majority shareholders of Gemfields by contributing the Kagem emerald mine to Gemfields, its core operating asset, for shares. Subsequently, in 2013, the Company and the Pallinghurst Co-Investors contributed Fabergé Ltd ("Fabergé") to Gemfields. The Gemfields investment formed a core component of the Company's value proposition and therefore unlocking Gemfields' full value potential is of paramount importance to the Company.

Despite many positive developments, the share price of Gemfields did not reflect its inherent value. Accordingly, on 19 May 2017, the Company announced the terms of an offer to acquire the entire issued and to be issued share capital of Gemfields, other than the Gemfields shares already held by the Company (the "Offer").

On 28 July 2017, Gemfields delisted from AIM and the non-PRL related board members of Gemfields resigned and were replaced with PRL nominees, and therefore this is the date on which PRL took board and management control. The key component of being an investment entity which changed as a result of the Gemfields Acquisition is the fair value condition. PRL could only influence Gemfields' operational performance upon taking board control of Gemfields, which occurred on 28 July 2017. PRL was only able to measure Gemfields' performance prior to this date on the fair value basis i.e. its listed share price. Upon taking board control of Gemfields, PRL's performance measurement of Gemfields changed to operational metrics. Accordingly, 28 July 2017 is the effective date that PRL ceased to be an investment entity. The deemed acquisition date of Gemfields upon PRL ceasing to be an investment entity is the start of the subsequent month, 1 August 2017.

During the period 26 June 2017 to 19 September 2017, the Company acquired 301,024,558 additional Gemfields shares (in return for 1.91 PRL shares for each Gemfields share) for total consideration of US$135 million (between ZAR2.64 – ZAR3.18 per PRL share). At the acquisition date the Company had acquired 282,171,346 additional Gemfields shares for total consideration of US$127 million. The acquisition cost of these additional Gemfields shares is based on the PRL share price (on the day of each tranche of acceptances) converted at the 1.91 Offer ratio and the daily US$/ZAR exchange rate.

PRL valued its 96.63% interest in Gemfields as at 31 July 2017 (the day preceding the acquisition date) at the Gemfields share price on the date that Gemfields delisted from AIM (28 July 2017). IFRS *Fair Value Measurement* ("IFRS13") required that PRL derecognised its interest in Gemfields at this price as there was a Level 1 (IFRS13 fair value hierarchy) listed share price available in an active market at the delisting date, a few days before the acquisition date. PRL's 96.63% interest in Gemfields is valued at the 28 July 2017 closing price of GBP0.3200 per share, translated at the closing rate on 31 July 2017 of US$1/GBP0.7604. PRL's interest of 96.63% in Gemfields was valued at US$228 million on 31 July 2017.

3. ACQUISITION OF THE GEMFIELDS GROUP OF COMPANIES/CONTINUED

On 1 August 2017, the Company's total shareholding had reached 96.99% of the entire issued share capital of Gemfields. As the level of Gemfields share acceptances surpassed 90% of the shares to which the Offer related, the Company commenced the compulsory acquisition process of the remaining Gemfields shares under Sections 979-982 of the Companies Act 2006.

The bargain purchase of US$96.4 million recognised in the income statement arises as the fair value of Gemfields' net assets acquired exceeded the fair value of the total consideration at the acquisition date. On 20 June 2017, Chinese conglomerate firm, Fosun Gold Holdings Limited ("Fosun") made a firm intention, by way of a Rule 2.7 Announcement, to acquire the entire issued and to be issued ordinary share capital of Gemfields at GBP0.4500 per share, which, when converted at the closing rate on 31 July 2017 of US$1/GBP0.7604 implied a valuation of Gemfields (on a 100% basis) of US$331 million. The Fosun offer was cash-based. Fosun stated that the consideration to be made payable by Fosun as part of the intended offer would have been funded from their existing cash reserves, which had been fully confirmed in accordance with the requirements of the Takeover Code. An assessment was made of the fair values of the acquired assets and liabilities on the date of acquisition. The assessment resulted in a valuation of the total net assets acquired being equivalent to the value of the Fosun offer. The fair values of the assets and liabilities are inherently judgemental but the Fosun offer is believed to be representative of 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' as required by IFRS13 despite the Fosun offer not being accepted due to the Offer becoming wholly unconditional (due to the number of acceptances received, as well as PRL shareholders voting in favour of the Offer on 26 June 2017).

Details of the initial and provisional fair value of identifiable assets and liabilities acquired, purchase consideration and resulting bargain purchase are as follows:

	Carrying value US$'000	Adjustment US$'000	Provisional fair value US$'000
Property, plant and equipment	225,753	164,710	390,463
Fabergé trademark	40,474	–	40,474
Other intangible assets	7,236	–	7,236
Deferred tax assets	5,372	–	5,372
Other non-current assets	8,075	–	8,075
Inventories	90,551	18,581	109,132
Trade and other receivables	29,540	–	29,540
Cash and cash equivalents	33,367	–	33,367
Total assets	440,368	183,291	623,659
Trade and other payables	(25,678)	–	(25,678)
Borrowings	(66,023)	–	(66,023)
Other liabilities	(17,265)	–	(17,265)
Deferred tax liability	(48,307)	(58,797)	(107,104)
Total liabilities	(157,273)	(58,797)	(216,070)
Total net assets	**283,095**	**124,494**	**407,589**
Non-controlling interest			(83,480)
Bargain purchase			(96,406)
Total consideration at 1 August 2017			**227,703**
Non-controlling interest acquired			7,254
Total consideration at 19 September 2017			**234,957**

Non-controlling interest has been calculated on the fair value of the identifiable assets and liabilities acquired.

Transaction costs for the acquisition of Gemfields were US$6.3 million. The Directors have allocated US$4.7 million (approximately 75%) to profit and loss and US$1.6 million (approximately 25%) to equity due to these costs being associated with the issuance of new shares.

On acquisition, Gemfields held trade receivables with a book and fair value of US$29.5 million representing contractual receivables of US$32.0 million. Whilst the Group will make every effort to collect all contractual receivables, it considers it unlikely that US$2.5 million will ultimately be received.

3. ACQUISITION OF THE GEMFIELDS GROUP OF COMPANIES/CONTINUED

Since the acquisition, Gemfields has contributed revenues and post-tax profits (excluding the fair value adjustments above) of US$81.7 million and US$22.0 million respectively, to the Group's results. If the acquisition had occurred at the beginning of the year, Gemfields' total contribution would have been US$190.2 million of revenues and US$7.9 million of post-tax profits.

4. TAXATION

The Group's tax expense is as follows:

	2017 US$'000	2016 US$'000
Current tax		
Taxation charge for the year	13,749	3
Deferred tax		
Origination and reversal of temporary differences	(6,160)	–
	7,589	**3**

The reasons for the difference between the actual taxation charge for the year and the standard rate of corporation tax in Guernsey applied to profits for the year are as follows:

	2017 US$'000	2016 US$'000
Profit on ordinary activities before taxation	52,643	44,573
Taxation on ordinary activities at the standard rate of corporation tax in Guernsey of 0% (2016: 0%)	–	–
Effects of:		
Expenses not deductible for tax purposes	1,775	–
Different tax rates applied in overseas jurisdictions	4,105	3
Tax losses not recognised as deferred tax asset	1,709	–
Total taxation charge	**7,589**	**3**

In Guernsey, the main rate of corporation tax for the year was 0%.

'Expenses not deductible for tax purposes' principally relates to the non-deductibility of foreign exchange and provision movements at Montepuez.

'Different tax rates applied in overseas jurisdictions' reflects the different tax rates applicable in the various jurisdictions in which the Group operates. The main rates of corporation tax in Zambia, Mozambique and the United Kingdom for the year were 30%, 32% and 19% respectively.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. TAXATION/CONTINUED

Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method using the applicable tax rate in the respective jurisdictions. Temporary differences between the tax bases and net carrying values arise in regard to the effect of differences between tax and accounting depreciation, tax losses and other provisions generated during the period.

Details of the deferred tax liabilities and assets, amounts recognised in the Condensed Consolidated Income Statement and amounts recognised in other comprehensive income are as follows:

	2017 US$'000	2016 US$'000
Recognised deferred tax assets		
Other temporary differences	1,761	–
Tax losses	6,771	–
Property, plant and equipment	538	–
Total deferred tax assets	**9,070**	**–**
Deferred tax assets netted against deferred tax liabilities	(2,295)	–
Total deferred tax assets	**6,775**	**–**

	2017 US$'000	2016 US$'000
Recognised deferred tax liabilities		
Evaluated mining property – Kagem and Montepuez	(98,453)	–
Inventory valuation – Kagem and Montepuez	(5,811)	–
Intangibles – Fabergé	(378)	–
Total deferred tax liabilities	**(104,642)**	**–**
Deferred tax assets netted against deferred tax liabilities	2,295	–
Total deferred tax liabilities	**(102,347)**	**–**

The movement on the deferred tax account is provided below:

	2017 US$'000	2016 US$'000
At 1 January	–	–
Business combinations	(101,732)	–
Property, plant and equipment	(80)	–
Other temporary differences	84	–
Evaluated mining property – Kagem and Montepuez	4,899	–
Inventory valuation – Kagem and Montepuez	1,718	–
Intangibles – Fabergé	23	–
Tax losses	(484)	–
Recognised in the Condensed Consolidated Income Statement	6,160	–
At 31 December	**(95,572)**	**–**

Deferred tax assets are only recognised in relation to tax losses and other temporary differences which would give rise to deferred tax assets where it is considered probable that the losses will be utilised in the foreseeable future, and therefore the asset is recoverable.

No deferred tax is recognised in relation to unused tax losses in the amount of US$89.0 million (2016: US$ Nil), of which US$82.7 million was acquired through business combinations during the year.

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings US$'000	Plant, machinery and motor vehicles US$'000	Fixtures, fittings and equipment US$'000	Evaluated mining properties US$'000	Deferred stripping costs US$'000	Total US$'000
Cost						
At 1 January 2016	–	–	–	–	–	–
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Foreign exchange differences	–	–	–	–	–	–
At 31 December 2016	–	–	–	–	–	–
Business combinations	10,449	18,263	4,270	345,858	11,623	390,463
Additions	1,260	3,920	1,316	3,065	–	9,561
Disposals	–	(606)	–	–	–	(606)
Foreign exchange differences	–	–	40	–	–	40
At 31 December 2017	**11,709**	**21,577**	**5,626**	**348,923**	**11,623**	**399,458**
Accumulated depreciation and amortisation						
At 1 January 2016	–	–	–	–	–	–
Provided during the year	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Foreign exchange differences	–	–	–	–	–	–
At 31 December 2016	–	–	–	–	–	–
Provided during the year	307	4,592	665	15,949	468	21,981
Disposals	–	(536)	–	–	–	(536)
Foreign exchange differences	–	–	(8)	–	–	(8)
At 31 December 2017	**307**	**4,056**	**657**	**15,949**	**468**	**21,437**
Net book value						
At 31 December 2016	–	–	–	–	–	–
At 31 December 2017	**11,402**	**17,521**	**4,969**	**332,974**	**11,155**	**378,021**

6. INVESTMENTS

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

The reconciliation of the Investment valuations from 1 August 2017 to 31 December 2017 is as follows:

Investment	Opening at 1 August 2017 US$'000	Unrealised fair value gains US$'000	Unrealised fair value losses US$'000	Realised gains US$'000	Accrued interest income and structuring fee US$'000	Additions US$'000	Disposals US$'000	Closing at 31 December 2017 US$'000
Unlisted equity investments								
Jupiter[1]	75,611	26,577	–	504	–	–	(4,592)	98,100
Sedibelo Platinum Mines	98,064	–	–	–	–	–	–	98,064
	173,675	26,577	–	504	–	–	(4,592)	196,164
Total non-current	173,675	26,577	–	504	–	–	(4,592)	196,164
Total current	–	–	–	–	–	–	–	–
Total Investment Portfolio	**173,675**	**26,577**	**–**	**504**	**–**	**–**	**(4,592)**	**196,164**

1 The unrealised fair value gain on Jupiter of US$26.577 million does not include any foreign exchange as the valuation is denominated in US$. The realised gain on Jupiter of US$0.504 million does not include any foreign exchange as the cash receipt was denominated in US$. The Company disposed of 4% of its shares to Jupiter at a price of US$0.29 per share. The transaction completed on 5 December 2017 with the Company receiving US$4.6 million.

The reconciliation of the Investment Portfolio valuations from 1 January 2017 to 31 July 2017 is as follows:

Investment	Opening at 1 January 2017 US$'000	Unrealised fair value gains US$'000	Unrealised fair value losses US$'000	Realised gains US$'000	Accrued interest income and structuring fee US$'000	Additions US$'000	Disposals US$'000	Closing at 31 July 2017 US$'000
Listed equity investments								
Gemfields[1]	164,615	–	(64,368)	–	–	127,456	(227,703)	–
	164,615	–	(64,368)	–	–	127,456	(227,703)	–
Unlisted equity investments								
Jupiter[2]	79,461	918	–	5,337	–	–	(10,105)	75,611
Sedibelo Platinum Mines[3]	114,408	–	(16,344)	–	–	–	–	98,064
	193,869	918	(16,344)	5,337	–	–	(10,105)	173,675
Total non-current	358,484	918	(80,712)	5,337	–	127,456	(237,808)	173,675
Loans and receivables								
Gemfields US$5 million loan[4]	4,948	–	–	–	221	–	(5,169)	–
	4,948	–	–	–	221	–	(5,169)	–
Total current	4,948	–	–	–	221	–	(5,169)	–
Total Investment Portfolio	**363,432**	**918**	**(80,712)**	**5,337**	**221**	**127,456**	**(242,977)**	**173,675**

1 The unrealised fair value loss on Gemfields of US$64.368 million includes an unrealised foreign exchange gain of US$13.652 million. The Group acquired an additional US$127.456 million interest in Gemfields as part of the Gemfields Acquisition during June-July 2017. The additional interest acquired has been valued at the PRL share price (on the day of each tranche of acceptances) converted at the 1.91 Offer ratio and the daily US$/ZAR exchange rate. Gemfields was derecognised as an investment on 31 July 2017; Gemfields has been consolidated from the acquisition date, effective 1 August 2017.

2 The unrealised fair value gain on Jupiter of US$0.918 million does not include any foreign exchange as the valuation is denominated in US$. The realised gain on Jupiter of US$5.337 million does not include any foreign exchange as the cash receipt was denominated in US$. The Company disposed of 6% of its shares to Jupiter at a price of US$0.40 per share. The transaction completed on 13 March 2017 with the Company receiving US$10.1 million.

3 The unrealised fair value loss on SPM of US$16.344 million does not include any foreign exchange as the valuation is denominated in US$.

4 The Group made a loan to Gemfields of US$4.925 million (US$5 million less an arrangement fee of US$0.075 million). The loan, including interest and arrangement fee was repaid by Gemfields on 30 June 2017.

6. INVESTMENTS/CONTINUED

The reconciliation of the Investment Portfolio valuations from 1 January 2016 to 31 December 2016 is as follows:

Investment	Opening at 1 January 2016 US$'000	Unrealised fair value gains US$'000	Unrealised fair value losses US$'000	Accrued interest income and structuring fee US$'000	Additions US$'000	Disposals US$'000	Closing at 31 December 2016 US$'000
Listed equity investments							
Gemfields[1]	158,603	6,012	–	–	–	–	164,615
	158,603	6,012	–	–	–	–	164,615
Unlisted equity investments							
Jupiter[2]	35,705	43,756	–	–	–	–	79,461
Sedibelo Platinum Mines	114,408	–	–	–	–	–	114,408
	150,113	43,756	–	–	–	–	193,869
Total non-current	308,716	49,768	–	–	–	–	358,484
Loans and receivables							
Gemfields – US$10 million loan[3]	9,804	–	–	596	–	(10,400)	–
Gemfields – US$5 million loan[4]	–	–		23	4,925	–	4,948
	9,804	–	–	619	4,925	(10,400)	4,948
Total current	9,804	–	–	619	4,925	(10,400)	4,948
Total Investment Portfolio	318,520	49,768	–	619	4,925	(10,400)	363,432

1 *The unrealised fair value gain on Gemfields of US$6.012 million includes an unrealised foreign exchange loss of US$26.336 million.*
2 *The unrealised fair value gain on Jupiter of US$43.756 million does not include any direct foreign exchange gain/loss as the valuation is denominated in US$.*
3 *The Group made a loan to Gemfields of US$9.776 million (US$10 million less an arrangement fee of US$0.224 million). The loan, including interest and arrangement fee was repaid by Gemfields on 9 December 2016.*
4 *The Group provided a loan to Gemfields of US$4.925 million (US$5 million less an arrangement fee of US$0.075 million). The loan including interest and arrangement fee was repaid by Gemfields on 30 June 2017.*

Sedibelo Platinum Mines Limited ("Sedibelo Platinum Mines" or "Sedibelo" or "SPM") – equity

Nature of investment

The Group holds an equity interest in SPM, a producer of Platinum Group Metals ("PGMs") with interests in the Bushveld Complex in South Africa.

Date of valuation

31 December 2017

Fair value methodology

Income Approach – Discounted Cash Flow applying Directors' estimate

The Directors have estimated that the value of SPM is US$1.5 billion; the Group's indirect 6.54% interest has therefore been valued at US$98 million.

The Directors have considered a range of sources in determining the valuation of SPM. The primary source used by the Directors in their valuation is a valuation report prepared by an independent third party as at 31 December 2017 (the "Valuation Report"). The Valuation Report is an update of the valuation section of a competent person's report (the "CPR") prepared by the same independent third party, the CPR has an effective date of 31 December 2016. The Valuation Report is the latest available report used by the Directors in their valuation of SPM at 31 December 2017.

The purpose of the Valuation Report was to update key inputs of the CPR's discounted cash flow ("DCF") model, which was used to value SPM's key assets. The key updates to the DCF analysis include changes to the life-of-mine model, adjustments to the start dates of development projects, an update to the mineral ounces outside of the mine plan as well as an update to the certain key variables; PGM price assumptions, forecasted exchange rates and the Weighted Average Cost of Capital ("WACC").

6. INVESTMENTS/CONTINUED

Sedibelo Platinum Mines Limited – equity/continued

The preferred valuation of SPM given by the Valuation Report is US$2.4 billion; the Group's indirect 6.54% interest on this basis would be valued at US$155 million.

The DCF analysis is based on a number of predictions and uncertainties including forecast PGM prices, production levels, costs, exchange rates and the consolidated mine plan. Changing any of these assumptions may materially affect the implied valuation. The Directors note that the valuation of SPM is sensitive to various key inputs, in particular the platinum price, the palladium price, the discount rate and the long-term exchange rate.

The Directors note that due to the higher political risk associated with South Africa, including the downgrade of South Africa's credit rating and the release of Mining Charter III during the period, implies that a higher WACC should be used in the DCF model, which further implies a reduction in the valuation given by the Valuation Report. The post-tax USD real WACC used in the Valuation Report for the DCF valuations of SPM's key assets is 8.10%. Given the political uncertainty, the Directors believe that a higher USD WACC could be justified and have applied a WACC of 9%.

The Directors further note that the long-term US$/ZAR exchange rate used in the DCF model of US$1/ZAR14.50 differs from the Directors' long term view of US$1/ZAR13.25.

Whilst the sensitivity tables in the Valuation Report do not include these exact values, the independent third party has confirmed (via an executive at SPM) that using these assumptions (i.e. a long-term exchange rate of US$1/ZAR13.25 and a post-tax USD real WACC of 9%) in the model that underpins the Valuation Report, results in a value of approximately US$1.7 billion.

The Valuation Report used information from a range of sources to forecast PGM prices. The platinum price was forecast to be within a range of US$1,000 to US$1,350 and the palladium price was forecast to be within a range of US$973 to US$1,030 over SPM's life-of-mine. Using a range of broker forecasts at 31 December 2017, the platinum price is forecast to be within a range of US$996 to US$1,175 and the palladium price is now forecast to be within a range of US$875 to US$945 over SPM's life-of-mine. Platinum, the key PGM produced by SPM, has traded below its forecast price for the first three months of 2018 and long-term forecasts for both platinum and palladium are approximately 13%-14% lower than those used in the Valuation Report. The Directors note that a discount to the valuation given by the Valuation Report is implied with a decrease to the long-term platinum and palladium price and are comfortable that applying a discount of approximately 13% to the valuation is appropriate.

All these factors imply that a significant discount could be applied to the Valuation Report's preferred valuation of US$2.4 billion. Accordingly, whilst the Directors note that any adjustment made to the Valuation Report is subjective, they have valued SPM at US$1.5 billion, approximately a 37% discount to the Valuation Report's preferred valuation.

The Group's valuation of SPM has been determined taking into account a consensus of recent analyst reports for forecast PGM prices for 2018 and beyond. For the purposes of the disclosures required by IFRS13 and using sensitivity analysis included within the Valuation Report, if the forecasted PGM prices were 10% lower than the current consensus for forecast PGM prices, presuming all other indicators and evidence were unchanged, the valuation of SPM included in the balance sheet would decrease from US$98 million to US$79 million. The related fair value decrease of US$19 million would be recognised in profit and loss. The Directors consider this movement in PGM prices to not be unreasonable. If the forecasted long-term exchange rate was 9% lower than the Directors' long-term view of US$1/ZAR13.25, presuming all other indicators and evidence was unchanged, the valuation of SPM included in the balance sheet would decrease from US$98 million to approximately US$90 million. The related fair value decrease of US$8 million would be recognised in profit and loss. The Directors consider this to be a realistic potential movement in the long-term exchange rate. Alternatively, if the post-tax real USD WACC used in the CPR was 10% compared to the Directors' estimated post-tax real USD WACC of 9% (i.e. 11% higher), presuming all other indicators and evidence were unchanged, the valuation of SPM included in the balance sheet would

6. INVESTMENTS/CONTINUED

Sedibelo Platinum Mines Limited – equity/continued

	decrease from US$98 million to approximately US$86 million. The related fair value decrease of US$12 million would be recognised in profit and loss. The Directors consider this to be a realistic potential movement in the WACC in the current environment. Production is also an important factor in determining the valuations. An adjustment to production levels would also have consequent effects on variable costs, thereby reducing the impact on fair value versus the pricing analysis. The CPR does not provide such sensitivity analysis for changes in production.
Other considerations	The Directors also have considered a market comparable analysis comparing the Enterprise Values of SPM's peer group to their total mineral reserves and resources base. The implied valuation given by SPM's mineral reserves and resources (price per 4E ounce) data supports the Directors' valuation of US$1.5 billion. The Group's cash cost of investment for SPM is approximately US$123 million and the Group's initial PGM investment was made in August 2008.

Gemfields plc ("Gemfields") – equity (up to 31 July 2017)

Nature of investment	The Group held an equity interest in Gemfields, the producer of coloured gemstones prior to the acquisition of the remaining shares that the Company did not already own on 31 July 2017. Gemfields owns emerald assets in Zambia and Ethiopia, ruby assets in Mozambique and amethyst assets in Zambia. Gemfields was listed on AIM up until 28 July 2017. The Group owned a see-through interest of 96.63% in Gemfields at 31 July 2017, valued at US$228 million. The Group consolidated Gemfields as a subsidiary from the acquisition date, 1 August 2017.
Date of valuation	31 July 2017
Fair value methodology	Market Approach – Listed share price The Group's interest in Gemfields at 31 July 2017 was valued at the last known share price before delisting on 28 July 2017, the mid-price of GBP0.32 per share, translated at the closing rate of US$1/GBP0.7604.
Other considerations	No secondary valuation methodologies have been considered for the Company's investment in Gemfields as it was a listed equity in an active market up to 28 July 2017. The Group's cost of investment is approximately US$254 million and the Group's initial investment was made in October 2007.

Jupiter Mines Limited ("Jupiter") – equity

Nature of investment	The Group holds an equity interest in Jupiter. Jupiter is based in Perth, Western Australia and its main asset is a 49.9% interest in the Tshipi manganese joint venture in South Africa.
Date of valuation	31 December 2017
Fair value methodology	Combination of Income, Market and Cost Approach applying Directors' estimate Each of Jupiter's material assets has been valued separately to determine an appropriate valuation for 100% of Jupiter. The Directors have estimated that the fair value of Jupiter at 31 December 2017 is US$533 million; the implied valuation of the Group's 18.40% interest is US$98 million. Jupiter's 49.9% interest in Tshipi has been valued based on a competent person's report prepared by an independent third party as at 31 December 2017. The competent person's report includes a DCF analysis for Tshipi Borwa and includes a range of valuations. The preferred valuation of 100% of Tshipi Borwa at 31 December 2017 given by the competent person's report is US$1.06 billion; the Group's indirect interest

6. INVESTMENTS/CONTINUED

Jupiter Mines Limited – equity/continued

(through Jupiter's 49.9% interest in Tshipi) on this basis would be valued at US$98 million. The DCF analysis is based on a large number of predictions and uncertainties including revenues, production levels, costs and exchange rates. Changing any of the assumptions may materially affect the implied valuation, in particular the long-term forecast manganese price. The Directors have considered each of the variables and have applied different assumptions for the long-term manganese price and long-term US$/ZAR exchange rate than those used in the DCF, which has reduced the implied valuation.

The Directors have applied a long-term 37% FOB manganese price of US$3.60 per dry metric tonne unit ("dmtu") in the DCF model, which is the average price over the past five years. The Directors believe that long-term past performance is a sensible indicator of what might happen to the manganese price going forwards, particularly given the volatility of the manganese market over the past two years. In addition, the Directors have applied a long-term average exchange rate of US$1/ZAR13.25 and a post-tax real ZAR WACC of 10% in the DCF model.

For the purposes of the disclosures required by IFRS13, if the forecast manganese price of US$3.60 per dmtu used in the valuation declined by 10% and presuming all other indicators and evidence were unchanged, the valuation of Jupiter included in the balance sheet would decrease from US$98 million to US$75 million. The fair value decrease of US$23 million would be recognised in profit and loss. The Directors consider this movement in the manganese price to not be unreasonable. If the forecast exchange rate of US$1/ZAR13.25 used in the valuation declined by 10% (i.e. the Rand strengthening against the US$) and presuming all other indicators and evidence were unchanged, the valuation of Jupiter included in the balance sheet would also decrease from US$98 million to US$75 million. The fair value decrease of US$23 million would be recognised in profit and loss. The Directors consider this to be a realistic potential movement in the foreign exchange rate in the current environment. Alternatively, if the post-tax real ZAR WACC used in the competent persons report was 11% compared to the Directors' estimated post-tax real ZAR WACC of 10% (i.e. 10% higher), presuming all other indicators and evidence were unchanged the valuation of Jupiter included in the balance sheet would decrease from US$98 million to approximately US$92 million. The related fair value decrease of US$6 million would be recognised in profit and loss. The Directors consider this to be a realistic potential movement in the WACC in the current environment. Production is also an important factor in determining the valuations. An adjustment to production levels would also have consequent effects on variable costs, thereby reducing the impact on fair value versus the pricing analysis. The competent person's report does not provide such sensitivity analysis for changes in production.

Jupiter's other assets have been valued using a range of different valuation methodologies. Jupiter has made certain shareholder loans to Tshipi which have been valued at amortised cost, which the Directors consider approximate to fair value. Jupiter's interests in Mount Mason and Mount Ida have been written down to zero due to the uncertainty over the future prospects for each asset. Jupiter's cash has been included at cost which is approximate to fair value. Jupiter has no material liabilities.

Other considerations

The Directors have compared the price set for the March and December 2017 Jupiter buy-backs of US$0.40 and US$0.29 per share respectively, against the sum of the parts valuation of US$0.26 per share. As the share buy-backs were off-market transactions and were offered to all of Jupiter's shareholders, with high acceptance rates of 98% and 97% for the March and December 2017 share buy-backs respectively, they are not considered by the Directors to be third party or external market transactions. Accordingly, the Directors believe that neither US$0.40 nor US$0.29 per share is a better estimate of the fair value of Jupiter as at 31 December 2017 than the primary fair value methodology used in these Financial Statements.

The Group owned an effective 18.40% interest in Jupiter at 31 December 2017. The Group's cash cost of investment is approximately US$14 million and the Group's initial investment into Jupiter was made in May 2008.

NOTES TO THE FINANCIAL STATEMENTS/CONT.

for the year ended 31 December 2017

6. INVESTMENTS/CONTINUED

Gemfields plc – US$5 million loan

Nature of investment	On 13 December 2016, the Group agreed to provide a loan of US$5 million to Gemfields, in line with the Group's strategy of providing financial support to its investments. The loan was repaid, with accrued interest, on 30 June 2017.
Valuation methodology	Amortised cost – effective interest method Interest on the loan to Gemfields has been calculated using the effective interest method meaning that any interest income, fees or similar amounts are accrued for evenly as the loan becomes due for repayment. The loan was repayable in instalments; US$1.5 million on 31 March 2017 and US$3.5 million with accrued interest on 30 June 2017. The Directors agreed upon Gemfields' request to defer the US$1.5 million repayment until 30 June 2017. The outstanding balance on the date of repayment, 30 June 2017, including interest and arrangement fee, was US$5.17 million. The effective interest rate of the loan throughout the duration of the loan was approximately 9.04%.

Gemfields plc – US$10 million loan

Nature of investment	On 18 December 2015, the Group agreed to provide a loan of up to US$10 million to Gemfields, in line with the Group's strategy of providing support to its investments. The loan was repaid, with accrued interest, on 9 December 2016.
Valuation methodology	Amortised cost – effective interest method The value of the loan to Gemfields was calculated using the effective interest method, with the arrangement fee accruing evenly over the projected life of the loan. The loan was repayable in instalments; US$1 million was repaid on 31 March 2016, US$2.5 million on 30 June 2016, US$2.5 million on 30 September 2016 and US$4 million with accrued interest on 9 December 2016. The outstanding balance on the date of repayment, 9 December 2016, including interest and arrangement fee, was US$4.4 million. The effective interest rate of the loan throughout the duration of the loan was approximately 6.53%.

Fair value hierarchy

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

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

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

6. INVESTMENTS/CONTINUED

Fair value hierarchy/continued

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

31 December 2017	Level 1 US$'000s	Level 2 US$'000s	Level 3 US$'000s	Total US$'000s
Financial assets at FVTPL				
Equity investments	**–**	**–**	**196,164**	**196,164**
Other investments	**6**	**–**	**–**	**6**
	6	**–**	**196,164**	**196,170**

31 July 2017	Level 1[1] US$'000s	Level 2 US$'000s	Level 3 US$'000s	Total US$'000s
Financial assets at FVTPL				
Equity investments	**227,703**	**–**	**173,675**	**401,378**
Investments in associates[2]	**–**	**–**	**1,267**	**1,267**
Other investments	**14**	**–**	**–**	**14**
	227,717	**–**	**174,942**	**402,659**

1 Gemfields was derecognised as an investment on 31 July 2017. Gemfields has subsequently been consolidated from the acquisition date, effective 1 August 2017.
2 Investments in associates were accounted for using the equity method, effective 1 August 2017.

31 December 2016	Level 1 US$'000s	Level 2 US$'000s	Level 3 US$'000s	Total US$'000s
Financial assets at FVTPL				
Equity investments	164,615	–	193,869	358,484
Investments in associates	–	–	1,265	1,265
Other investments	12	–	–	12
	164,627	–	195,134	359,761

Level 3 fair value reconciliation

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

	2017 US$'000	2016 US$'000
Opening	**195,134**	151,307
Fair value gain of associates[1]	**2**	71
Reclassification of associates[2]	**(1,267)**	–
Jupiter part disposal[3]	**(8,855)**	–
Unrealised fair value gains	**27,494**	43,756
Unrealised fair value losses	**(16,344)**	–
Closing	**196,164**	**195,134**

1 Fair value gain of associates up to 31 July 2017.
2 Investments in associates were accounted for using the equity method, effective 1 August 2017.
3 The Company sold back 6% of its shares to Jupiter in March 2017 at a price of US$0.40 per share. The transaction completed on 13 March 2017. The fair value of the shares sold back to Jupiter at the time of the March 2017 transaction completing was US$0.19 per share. The Company sold back a further 4% of its shares to Jupiter in December 2017 at a price of US$0.29 per share. The transaction completed on 5 December 2017. The fair value of the shares sold back to Jupiter at the time of the December 2017 transaction completing was US$0.26 per share. The Company received US$10.1 million and US$4.6 million from the March and December 2017 buy-backs respectively.

Other Information

It is unlikely that the Group will invest in more than ten investments as the Investment Period has ended, effective 14 September 2017.

NOTES TO THE FINANCIAL STATEMENTS/CONT.
for the year ended 31 December 2017

7. INVENTORY

	2017 US$'000	2016 US$'000
Rough and cut and polished gemstones	78,622	–
Fabergé inventory	35,482	–
Fuel and consumables	4,709	–
	118,813	–

The total provision made against inventory as at 31 December 2017 is US$Nil (2016: US$Nil).

8. PER SHARE INFORMATION

NAV per share and Earnings/(Loss) Per Share ("EPS" or "LPS") are key performance measures for the Group. NAV per share is based on net assets divided by the number of ordinary shares in issue at 31 December 2017. EPS/(LPS) is based on profit/(loss) for the year divided by the weighted average number of ordinary shares in issue during the year.

Headline Earnings/(Loss) Per Share ("HEPS" or "HLPS") is similar to EPS/(LPS), except that attributable profit specifically excludes certain items, as set out in Circular 2/2015 "Headline earnings" ("Circular 2/2015") issued by SAICA.

Earnings per share

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

	2017	2016
Profit for the year attributable to owners of the parent – US$'000	37,892	44,570
Weighted average number of shares in issue[1]	*1,038,966,894*	*760,452,631*
Earnings per share – US$	**0.04**	**0.06**

1 *At 31 December 2017 the Company had a see-through interest in itself of 98,999,632 shares or 6.91%. These shares have been removed in the calculation of weighted average number of shares in issue.*

Diluted earnings per share

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

	2017	2016
Profit for the year attributable to owners of the parent – US$'000	37,892	44,570
Diluted weighted average number of shares in issue	*1,038,966,894*	*760,452,631*
Diluted earnings per share – US$	**0.04**	**0.06**

There are no dilutive shares as the average share price during the period was below the strike price of all exercisable share options. Therefore EPS is equal to Diluted EPS.

Headline earnings per share

The Group's HEPS/(HLPS) is as follows:

	2017	2016
Profit for the year attributable to owners of the parent – US$'000	37,892	44,570
Adjustment for:		
Bargain purchase gain on Gemfields Acquisition	(96,406)	–
Headline (loss)/earnings – US$'000	**(58,514)**	**44,570**
Weighted average number of shares in issue	*1,038,966,894*	*760,452,631*
Headline (loss)/earnings per share – US$	**(0.06)**	**0.06**

8. PER SHARE INFORMATION/CONTINUED

NAV per share

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

	31 December 2017	31 December 2016
Net assets attributable to owners of the parent – US$'000	538,723	366,895
Number of shares in issue[1]	*1,332,685,921*	*760,452,631*
NAV per share – US$	**0.40**	**0.48**

1 At 31 December 2017 the Company had a see-through interest in itself of 98,999,632 shares or 6.91%. These shares have been removed in the calculation of shares in issue.

Tangible NAV per share

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

	2017	2016
Net assets attributable to owners of the parent – US$'000	538,723	366,895
Adjustment for:		
Intangible assets	(49,312)	–
Tangible net assets – US$'000	**489,411**	**366,895**
Number of shares in issue	*1,332,685,921*	*760,452,631*
Tangible NAV per share – US$	**0.37**	**0.48**

9. BORROWINGS

		Interest rate	Maturity	2017 US$'000	2016 US$'000
Non-current interest-bearing loans and borrowings					
Barclays Zambia	US$20 million revolving credit facility	US$ LIBOR + 5.50%	2020	20,000	–
Gordon Brothers	US$20 million loan facility	US$ LIBOR + 6.10%	2020	17,127	–
Barclays Mauritius	US$15 million revolving credit facility	US$ LIBOR + 5.50%	2020	15,000	–
BCI[1]	US$15 million finance leasing facility	US$ LIBOR + 3.75%	2019	7,165	–
Total non-current borrowings				**59,292**	–

		Interest rate	Maturity	2017 US$'000	2016 US$'000
Current interest-bearing loans and borrowings					
BCI[1]	US$15 million finance leasing facility	US$ LIBOR + 3.75%	2018	3,328	–
Gordon Brothers	US$20 million loan facility	US$ LIBOR + 6.10%	2020	850	–
BCI[1]	US$15 million overdraft facility	US$ LIBOR + 3.75%	2019	–	–
Total current borrowings				**4,178**	–

1 BCI – Banco Comercial E De Investimentos, S.A.

Barclays Zambia

In August 2014, Kagem Mining Limited ("Kagem") entered into a US$20 million revolving credit facility with Barclays Bank Zambia plc. The facility bears interest at a rate of three-month US$ LIBOR plus 4.50% per annum. The facility is due for repayment 36 months after the date of the first drawdown of facility. In February 2017, the facility was renewed for a further three years, expiring in 2020, with an interest rate of three-month US$ LIBOR plus 5.50% per annum. The revolving facility has no required monthly repayments but is repayable in full at the end of 36 months from the first drawdown date. As at 31 December 2017, US$20 million was fully drawn.

The loan facility was subject to four financial covenants, which were tested half yearly. As at 31 December 2017, the net tangible assets covenant was not met. The bank provided a waiver, prior to the year end, not to demand immediate payment. The total outstanding loan amount has as such remained classified under non-current liabilities as at 31 December 2017.

9. BORROWINGS/CONTINUED

Gordon Brothers

In May 2017, Fabergé UK Limited entered into a US$25 million loan facility with Gordon Brothers Finance Company and GB Europe Management Services Limited jointly. During the year Fabergé UK Limited made the decision to lower the facility to US$20 million. The facility attracts interest at a rate of three-month US$ LIBOR plus 6.10% per annum, with a LIBOR floor of 1.25%. The facility is secured against the value of the Fabergé brand and intellectual property as well as gemstones, jewellery, and watch inventory.

Barclays Mauritius

In February 2017, Kagem entered into a US$15 million facility with Barclays Bank Mauritius Limited. The facility attracts interest at US$ LIBOR plus 5.50% per annum and is repayable in full at the end of 36 months from the first drawdown date. As at 31 December 2017, US$15 million was fully drawn.

The loan facility was subject to four financial covenants, which were tested half yearly. As at 31 December 2017, the net tangible assets covenant was not met. The bank provided a waiver, prior to the year end, not to demand immediate payment. The total outstanding loan amount has as such remained classified under non-current liabilities as at 31 December 2017.

Security for the facilities comprises a fixed and floating charge over all of Kagem's net assets, equivalent to the total amount outstanding under the facility and a corporate guarantee from Gemfields plc.

BCI

(i) In June 2016, Montepuez Ruby Mining Limited ("Montepuez") entered into a US$15 million unsecured overdraft facility, with Banco Comercial E De Investimentos, S.A. This facility is valid for 18 months and is renewable, attracting interest of three-month US$ LIBOR plus 3.75% per annum. At 31 December 2017 US$Nil was outstanding. The facility is secured by a blank promissory note undertaken by Montepuez and a corporate guarantee by Gemfields Mauritius Limited, a 100% subsidiary of the Group.

(ii) In June 2016, Montepuez entered into a US$15 million financing leasing facility, with BCI. This is a renewable facility with a drawdown period of 18 months and the amounts drawn down are repayable over a maximum period of 48 months. The facility has an interest rate of three-month US$ LIBOR plus 3.75% per annum. At 31 December 2017 US$10.5 million was outstanding. This facility is secured by a blank promissory note undertaken by Montepuez and a corporate guarantee by Gemfields Mauritius Limited, a 100% subsidiary of the Group.

These facilities are currently in the process of being renewed, and have been temporarily extended until the renewals are finalised.

Barclays Mozambique

In April 2016, Montepuez entered into a US$15 million unsecured overdraft facility, with Barclays Bank Mozambique S.A. The facility has an interest rate of three-month US$ LIBOR plus 4% per annum. The outstanding balance as at 31 December 2017 was US$Nil. Gemfields plc issued a corporate guarantee for the facility. The full facility was available at 31 December 2017.

The proceeds of the facilities from Barclays Bank Mozambique S.A. and BCI will enable Montepuez to finance its capital expenditure requirements for the Montepuez ruby deposit in Mozambique and provide additional working capital.

Cash and non-cash movements in Borrowings are shown below:

	Borrowings US$'000
At 1 January 2017	–
Cash flows	(2,530)
Non-cash flows	
Business combination	66,023
Effects of foreign exchange	(244)
Interest accruing in period	221
At 31 December 2017	**63,470**

BASIS OF PREPARATION

The Group Financial Statements for the year ending 31 December 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the financial reporting guides issued by the Accounting Practices Committee of the South African Institute of Chartered Accountants (the "SAICA Reporting Guides") and the financial reporting pronouncements issued by the Financial Reporting Standards Council of South Africa (the "FRSC Pronouncements"). The Financial Statements also comply with the JSE Listings Requirements, the Bermuda Stock Exchange ("BSX") Listing Regulations and The Companies (Guernsey) Law, 2008 and show a true and fair view.

The Financial Statements have been audited by the Company's auditors, BDO LLP; their audit opinion was unqualified, and did not draw attention to any emphasis of matter. The audit opinion is available for inspection at the Company's registered office. The Financial Statements will be mailed to shareholders on or about 30 April 2018, and made available on the Company's website, **www.pallinghurst.com** and also on **www.gemfields.com**.

This preliminary announcement includes condensed financial statements (the "Condensed Financial Statements"). The Condensed Financial Statements have been prepared in accordance with IAS34 *Interim Financial Reporting* and do not contain sufficient information to fully comply with IFRS. The Condensed Financial Statements comply with the SAICA Reporting Guides and the FRSC Pronouncements, the JSE Listings Requirements and the BSX Listing Regulations and show a true and fair view.

ACCOUNTING POLICIES

The Group's accounting policies were last described in full in the Group's financial statements for the year ended 31 December 2016.

Various new and revised accounting standards, amendments to standards and new interpretations have been issued by the IASB but are not yet effective. At this stage, the Directors do not believe that these changes will have a material impact on the Group or its financial reporting.

As a result of the Company's acquisition of Gemfields on 1 August 2017 the Group has adopted a number of accounting standards that were not previously applicable to Pallinghurst. These new standards will be detailed in the Company's Annual Report for the year ending 31 December 2017. The accounting policies applied are consistent with those adopted and disclosed in the Group's financial statements for the year ended 31 December 2016 other than in respect of these changes.

EVENTS OCCURRING AFTER THE END OF THE YEAR

Jupiter Buy-Back

On 22 January 2018, Jupiter announced the details of an off-market equal access share buy-back to return up to US$42 million to its shareholders. All Jupiter shareholders were made an equal offer to buy-back 5.81% of their shares in Jupiter, at a set price of US$0.35 per share.

The Group, as an 18.40% shareholder in Jupiter had the right to have 5.81% of its 379,948,385 Jupiter shares bought-back. The Group accepted the buy-back by Jupiter, resulting in the sale of 22,075,001 shares in Jupiter for US$0.35 per share. The Directors' estimate of the fair value of the Jupiter shares at 31 December 2017 is US$0.26 per share. The buy-back price per share was underpinned by Jupiter's long-term manganese price assumptions, which are higher than the US$3.60 price used by the Directors in the valuation of Jupiter. The transaction completed on 19 March 2018 with the Company receiving US$7.7 million.

Jupiter announces intention to list on the ASX

On 19 March 2018, Jupiter announced its intention to relist on the Australian Securities Exchange ("ASX") to provide liquidity for its shareholders. This is expected to be achieved via a AUD780 million IPO on 18 April 2018, with a secondary capital raising of between AUD200–240 million. PRL has committed to support Jupiter in this initiative and assuming the IPO proceeds as planned, has agreed to sell between 176,411,010 shares (in an AUD200 million raising) and 212,028,012 shares (in an AUD240 million raising) at the placing price of AUD0.40 per share, and would thus receive the corresponding cash inflow of between AUD70.6 million and AUD84.8 million. PRL would retain the balance of its shares (between 145,845,372 and 181,462,374) for realisation at an appropriate later time and has agreed to restrict the sale of this remaining interest for up to approximately 20 months under the escrow arrangements detailed in the Jupiter Prospectus.

NOTES TO THE FINANCIAL STATEMENTS/CONT.

for the year ended 31 December 2017

EVENTS OCCURRING AFTER THE END OF THE YEAR/CONT.

Repurchases of own shares

At the Company's general meeting held on 26 June 2017, shareholders by way of a special resolution provided the Company with the general authority to repurchase up to 152,090,526 of its ordinary shares. From 1 January 2018 until 29 March 2018, the Company had repurchased a further 18,343,267 ordinary shares.

February 2018 – Commercial quality emerald auction

Kagem held a commercial quality emerald auction in Jaipur, 19 out of 21 lots were sold at an average of US$3.05 per carat, generating US$10.8 million. The Kagem auctions held since July 2009 have generated US$506 million in total revenues.

Granting of share options to staff

On 4 January 2018, 21,601,796 share options were granted to employees across the Group under the Share Option Plan approved by shareholders on 26 June 2017. The share options were awarded at a ZAR2.97 strike price, being the 1 day-Volume Weighted Average Price on 3 January 2018. One-fifth of the options granted vested immediately and the balance vest annually on 4 January over the following four years, during which the grantee has to remain in employment.

Approval of Annual Report

The Annual Report was approved by the Directors and authorised for issue on 29 March 2018.

Pallinghurst Resources Limited | (Incorporated in Guernsey) | (Guernsey registration number: 47656) | (South African external company registration number 2009/012636/10) | Share code on the JSE: PGL | Share code on the BSX: PALLRES | ISIN: GG00B27Y8Z93 | ("Pallinghurst" or the "Company") EXECUTIVE DIRECTORS: Brian Gilbertson[1], Arne H. Frandsen, Andrew Willis, Sean Gilbertson NON-EXECUTIVE DIRECTOR: Dr Christo Wiese INDEPENDENT NON-EXECUTIVE DIRECTORS: Martin Tolcher, Lumkile Mondi, Kwape Mmela, Erich Clarke ADMINISTRATOR AND COMPANY SECRETARY: Vistra Fund Services (Guernsey) Limited, 11 New Street, St Peter Port, Guernsey, GY1 2PF, Channel Islands REGISTERED OFFICE: 11 New Street, St Peter Port, Guernsey, GY1 2PF, Channel Islands REGISTRAR AND BERMUDAN TRANSFER SECRETARY Computershare Investor Services (Guernsey) Limited, c/o Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES SOUTH AFRICAN TRANSFER SECRETARY: Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001, South Africa AUDITOR: BDO LLP[2], 55 Baker Street, London, W1U 7EU JSE SPONSOR: Investec Bank Limited, 100 Grayston Drive, Sandown, Sandton, 2196, South Africa BSX SPONSOR: Clarien Investments Limited, 25 Reid Street, 4th Floor, Hamilton, HM11, Bermuda.

1 Mr Brian Gilbertson converted to Non-Executive Chairman effective 1 January 2018.
2 BDO LLP were appointed as the Company's external auditor effective 8 January 2018.