PALLINGHURST

Pallinghurst Resources Limited

ANNUAL REPORT 2017

Cover images from left to right: *Reef silo and conveyor system at the Pilanesberg Platinum Mine; Guilloché enamel egg pendents, Fabergé Favourites collection; On-site pit risk assessment being conducted to ensure a safe work environment at the Tshipi Borwa mine.*

Rough emerald processing, Kagem mine, Zambia.

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OVERVIEW

"I am delighted to report another year of strong financial performance. The net profit of US$45 million 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

Dump truck at the Pilanesberg Platinum Mine.

MAP OF OPERATIONS

Pallinghurst Resources Limited

1 **Pallinghurst Resources Limited**
Guernsey, Channel Islands,
Head Office

2 **Pallinghurst Resources UK Limited**
London, United Kingdom,
London Office

Gemfields plc

3 **Gemfields plc**
London, United Kingdom, Head Office

4 **Kagem Mining Limited**
Kitwe, Zambia, mine (emerald)

5 **Montepuez Ruby Mining Limitada**
Montepuez, Mozambique, mine (ruby)

6 **Web Gemstone Mining**
Yabelo, Ethiopia, exploration assets

Fabergé

7 **Fabergé UK Limited**
London, United Kingdom, Head Office

8 **Fabergé Dubai**
Dubai, UAE, retail outlet

9 **Fabergé Harrods**
London, United Kingdom, retail outlet

10 **Fabergé Grafton Street**
London, United Kingdom, retail outlet

11 **Fabergé Inc**
Houston, USA, retail outlet

Investments

12 **Jupiter Mines Limited**
Perth, Australia, investment

13 **Tshipi é Ntle (Pty) Ltd**
Hotazel, South Africa, mine (manganese)

14 **Sedibelo Platinum Mines Limited**
Guernsey, Channel Islands, investment

15 **Sedibelo Platinum Mines Limited**
Bushveld Complex, South Africa, mine (PGMs)


OFFICE
MINE
RETAIL OUTLET
INVESTMENT
EXPLORATION ASSET
7/9/10
3
2
LONDON
8
6
4
5
13
16
Bushveld Complex
SOUTH AFRICA
12

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.

Reef silos at the Pilanesberg Platinum Mine.

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 to the Company as its founding Chief Executive and Finance Director. 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

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 to 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 has 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 has now 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 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.

the metal prices remaining at depressed levels, Sedibelo is expected to 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.

Production drilling at the Pilanesberg Platinum Mine.

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 2017 after tax 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

BOARD OF DIRECTORS

BRIAN GILBERTSON (74)
BSc (Maths & Physics), BSc (Hons) in Physics, MBL and PMD

Executive Chairman

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

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

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

In 2004, Mr Gilbertson joined Sibirsko-Uralskaya Aluminium 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 AG, creating the largest aluminium company in the world.

Mr Gilbertson is the chairman of Gemfields, Jupiter and Sedibelo Platinum Mines and is a director of Tshipi. Mr Gilbertson is a British and South African citizen.

ARNE H. FRANDSEN (51)
BA, LLB, Masters in Law from the University of Copenhagen, Denmark; Postgraduate Research and Studies at Tokai University, Japan, and Stellenbosch University, South Africa

Chief Executive

Following the completion of his law degrees, Arne H. Frandsen undertook extensive legal studies and research in Europe, Japan and South Africa, publishing 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 with Goldman Sachs as an investment banker. Mr Frandsen has over ten years' of investment banking experience with Goldman Sachs and JPMorgan, providing strategic advice and structuring mergers and acquisitions as well as corporate finance transactions for clients in 30 different countries, raising in excess of US$20 billion of capital.

After being appointed client executive for JPMorgan, Mr Frandsen moved to Johannesburg. In 2005, he left investment banking in order to become the chief executive officer of Incwala Resources (Pty) Limited, one of South Africa's leading Black Economic Empowerment mining companies.

Mr Frandsen joined Pallinghurst in 2006 and is a partner of the Investment Manager. Mr Frandsen was appointed Chief Executive for Pallinghurst at the time of the Company's IPO in September 2007 and has acted as such since that time.

In addition, Mr Frandsen is responsible for Pallinghurst's PGM interests and is the deputy chairman of Sedibelo Platinum Mines and Gemfields. Mr Frandsen is a Danish citizen.

ANDREW WILLIS (38)
MBA (INSEAD), ACCA, ACIS, BA/BCom

Finance Director

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

Mr Willis is a British and New Zealand citizen and is a resident of Guernsey.

SEAN GILBERTSON (45)
BSc (Mining Engineering)

Chief Investment Officer

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

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

Mr Gilbertson is primarily responsible for Pallinghurst's coloured gemstone strategy. Mr Gilbertson is CEO of both Gemfields and Fabergé and is a director of assorted other group companies.

DR CHRISTO WIESE (76)
BA LLB D.Comm (h.c.), University of Stellenbosch; D.Tech: Marketing, Cape Peninsula University of Technology; D.Comm (Bus. Management) (h.c.) Nkhoma University, Malawi

Non-Executive Director

Christo Wiese is chairman of Shoprite Holdings Limited, Africa's largest fast-moving consumer goods retail company with a total of more than 2,400 outlets trading in 15 countries in Africa and the Indian Ocean Islands and employing more than 148,000 people.

Dr Wiese is a significant shareholder in a range of businesses throughout the world. He holds large and controlling stakes in Brait SE (an investment holding company), Tradehold Ltd (a UK-based property investment company) and Invicta Holdings Ltd, all listed on the JSE.

Brian Gilbertson

Arne H. Frandsen

Andrew Willis

Sean Gilbertson

Dr Christo Wiese

BOARD OF DIRECTORS/CONT.

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

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

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

LUMKILE MONDI (55)
BCom (Hons) Economics , MA Economics

Lead Independent Non-Executive Director
Chair of the Nomination Committee
Member of the Audit and Remuneration Committees

Lumkile Mondi is a Senior Lecturer at the School of Economics and Business Science of the University of the Witwatersrand in Johannesburg, South Africa. Mr Mondi is a strategist, economist and a leader. He has worked extensively on the African continent, undertaking his responsibilities at the Industrial Development Corporation (IDC) where he was an executive for 11 years. He also serves on the boards of Aerosud and ArcelorMittal South Africa. He is the chairman of Musa Group and Thelo Rolling Stock Leasing.

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

MARTIN TOLCHER (54)
Chartered FCSI

Independent Non-Executive Director
Chair of the Audit Committee
Member of the Remuneration and Nomination Committees

Martin Tolcher has been involved within the fund administration industry in Guernsey for over 30 years. Mr Tolcher has worked at senior levels for three Guernsey subsidiaries of Bermudan and Canadian international banks, gaining considerable experience in a wide variety of offshore fund and private equity structures.

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

Since November 2011, Mr Tolcher has been self-employed as an independent non-executive director and holds directorships within a number of other fund structures domiciled in Guernsey, including a number listed on the London Stock Exchange and the International Securities Exchange.

Mr Tolcher is a Chartered Fellow of the Chartered Institute for Securities & Investment. Mr Tolcher is a British citizen and is a resident of Guernsey.

KWAPE MMELA (47)
Bachelor of Law (LLB), Master of Philosophy (MPhil) (Business Research) Appointed 31 July 2017

Independent Non-Executive Director
Chair of the Remuneration Committee
Member of the Nomination Committee

Kwape Mmela is founder and chairman of ShepherdTree Holdings Limited and Hlamogolo Capital (Pty) Limited, which are his family investment vehicles.

He has more than 20 years' experience in both the public and private sectors in South Africa, including stints with the Constitutional Assembly during the drafting of South Africa's post-apartheid constitution and the Land Claims Commission

Lumkile Mondi

Martin Tolcher

Kwape Mmela

Erich Clarke

to address past land dispossessions. He served as a director of Sedibelo Platinum Mines Limited for almost ten years. In 2005, Mr Mmela established Moepi Group (Proprietary) Limited, which eventually became the Black Economic Empowerment partner of Sedibelo Platinum Mines. Mr Mmela is a South African citizen.

ERICH CLARKE (53)
BCom, CTA, CA (SA), CIA

Independent Non-Executive Director
Member of the Audit Committee

Erich Clarke has extensive experience in general management, finance, audit and risk management. Mr Clarke worked for the Imperial/Eqstra group for 18 years where he was instrumental in unbundling the group from Imperial Holdings Limited and listing Eqstra on the JSE.

Erich Clarke joined the Sedibelo group in November 2014 as the CFO and assumed the position of CEO shortly thereafter.

Mr Clarke is a chartered accountant and a South African citizen.

From left to right: Kwape Mmela, Erich Clarke, Andrew Willis, Arne H. Frandsen, Brian Gilbertson, Priyank Thapliyal, Martin Tolcher, Lumkile Mondi and Sean Gilbertson

PERFORMANCE

Gemstone production for the period was 11.7 million carats of emerald and beryl, with 46,300 carats of premium emerald, an increase in premium production of more than 20% over the entire 12 months to June 2017.

Newly constructed GP500 Secondary Crushing and Screening Plant in action at the Tshipi Borwa mine.

2017 HIGHLIGHTS

GEMFIELDS

Rough emerald processing, Kagem mine, Zambia.

ZAMBIA

- Kagem Mining Limited ("Kagem") produced 46,300 carats of premium emerald for the five-month period since acquisition to 31 December 2017.
- Kagem produced 11.7 million carats of emerald and beryl during the five-month period, with an average grade of 148 carats per tonne.
- During the five-month period, total operating costs were US$16.9 million, with unit cash operating costs of US$1.21 per carat.
- Kagem held one higher-quality auction in the period in Lusaka, Zambia, during October 2017. Revenues of US$21.5 million were achieved, with an average price per carat of US$66.21, the second-highest price ever achieved.
- Operations at the Mbuva-Chibolele property, adjacent to the Kagem licence area, were resumed following PRL's acquisition of Gemfields, resulting in its maiden production of 103,135 carats of emerald and beryl with an average grade of 88 carats per tonne.

MOZAMBIQUE

- Montepuez Ruby Mining Limitada ("MRM") produced 46,900 carats of premium ruby for the five-month period since acquisition to 31 December 2017.
- A total of 2.4 million carats of ruby and corundum were produced during the five-month period, with an average grade of 7 carats per tonne.
- During the five-month period, total cash operating costs were US$11.1 million, with unit operating costs of US$4.55 per carat.
- MRM held one mixed-quality auction in the period, in Singapore, during November 2017. Revenues of US$55 million were achieved, the highest figure attained at any Gemfields auction, with an average price per carat of US$90.81.

2017 HIGHLIGHTS

JUPITER MINES LIMITED

- The strong price environment for manganese enabled Tshipi é Ntle Manganese Mining (Pty) Limited ("Tshipi") to produce and sell 3.6 million and 3.3 million tonnes, respectively, during its financial year ending 28 February 2018.
- At current operating levels it is estimated that Tshipi Borwa is the largest manganese producer in South Africa and amongst the top three in the world.
- Tshipi expects approximately US$250 million and US$160 million in EBITDA and net income respectively, for the financial year ended 28 February 2018.
- Jupiter executed two off-market equal access share buy-backs during the year, which resulted in PRL receiving approximately US$15 million.
- In March 2018 Jupiter announced its intention to relist on the Australian Securities Exchange in order to provide liquidity for its shareholders. PRL has committed to support Jupiter and make available up to 212,028,012 shares at the placing price of AUD0.40/share.

An onsite employee performing daily inspections at the Tshipi Borwa mine.

2017 HIGHLIGHTS

SEDIBELO PLATINUM MINES LIMITED

Plant operator at the Pilanesberg Platinum Mine pump site.

- Pilanesberg Platinum Mine ("PPM") had annual dispatches for 2017 of approximately 133,000 PGM ounces.
- PPM achieved 4.6 million fatality-free shifts by the end of 2017.
- The implementation of the Kell technology continued to move forward.
- Sedibelo successfully completed the construction of a chrome extraction plant that is anticipated to significantly improve its revenue stream.

2017 HIGHLIGHTS

FABERGÉ LIMITED

Fabergé boutique, Houston, USA.

- During the five-month period to 31 December 2017, Fabergé saw strong activity in agreed sales in both number of pieces sold at 710 and number of sales transactions at 383.
- During the same period, Fabergé's wholesale sales channel saw a significant increase in sales agreed at US$1.3 million and increased the number of points of sale from 39 to 49.
- Fabergé saw a reduction in administrative expenses to US$5.1 million for the period.
- Fabergé's jewellery strategy to increase the product lines of the core collections was well received during the period, with robust sales of its Heritage and Emotion collection-inspired bangles and rings.
- Fabergé's timepieces continued to win industry acclaim with the Visionnaire Chronograph men's watch, with its innovative method of reading the chronograph function in the centre of the dial, winning the Jury Watch of the Year prize at the Temporis Gala Awards.

MARKETING

Precious coloured gemstones set in Fabergé's Emotion rings.

Driving demand through marketing is a key part of Gemfields' approach and 2017 saw Gemfields further its reputation as a leader in innovative, global marketing campaigns.

The year 2017 focussed on rubies, reinforcing our 2016 campaign in order to reinstate coloured gemstones at the pinnacle of consumer demand, and continuing to educate all audiences about the importance of responsible sourcing with a fully integrated, international campaign.

RUBY FOCUS: GEMSTONE BOOK LAUNCH AND INTERACTIVE MASTERCLASSES, UNDERPINNED BY ADVERTISING CAMPAIGN

Following the success of *Emerald* in 2016, the first single-gemstone book commissioned by Gemfields, 2017 saw the launch of *Ruby*, an ambitious survey of the king of gems published by Thames & Hudson in association with Violette Publications, which was released in June 2017. Author and jewellery specialist Joanna Hardy takes readers on a journey from the ancient mines of Burma along the silk trading routes of China, to the recent ruby deposits of Mozambique. The book offers guidance on the qualities of rubies and the associated launch was supplemented by an international series of "masterclasses" providing the media, influencers, retail partners and customers with technical training sessions led by Joanna Hardy.

Masterclasses provide an insight into the world of gemstones without disrupting operations and proved hugely beneficial in the USA. Consequently, 2017 saw well-received masterclass programmes at Baselworld and across India, while the book launch programme encompassed a launch in London (June), Hong Kong (September), Mumbai (September), The Ivy in London with HSBC Jade customers (October), Somerset House in London (November), and, finally, a breakfast at Bergdorf Goodman in New York (December). As a result, the launch of *Ruby* attracted significant media attention, with features across the board from Harper's Bazaar to the South China Morning Post and Vogue Paris. Hand-picking influential media, including a contingent from India visiting the Kagem emerald mine in June and Conde Nast Traveller visiting the Montepuez ruby deposit in September, gave Gemfields exposure in the international press.

The successful advertising campaign in 2016 continued into its second year, complementing the launch of *Ruby,* with the focus firmly on the meaning behind these gemstones – Passion, Protection and Prosperity. The triptych of films with a strong consumer focus provides an additional angle to this fully integrated campaign.

Gemfields Mozambican ruby.

HIGHLIGHTING COLOUR ON THE RED CARPET

Gemfields turned the award season spotlight to coloured gemstones worn on the red carpet, using the power of influencers to grow consumer demand. As a result, Julianne Moore was dressed in Gemfields Mozambican ruby earrings and Jessica Chastain wore a Mozambican ruby necklace, amplifying social media interest. Gemfields dressed Ruth Negga throughout the award season, collaborating with Fred Leighton at the Golden Globes and BAFTAs, before hosting an intimate cocktail party with Karla Welch at the Oscars to honour the Academy Award nominee and red carpet favourite. Gemfields collaborated with style expert and presenter Louise Roe to report live from the Cannes Film Festival on celebrity dressing, creating content widely viewed across social media and PR channels.

DESIGNER COLLABORATIONS

High jewellery designer collaborations continued this year with Chopard, which created the "Green Carpet" at the Cannes Film Festival in May 2017. This partnership was formed in conjunction with Eco-Age, Chopard's partner in developing its *journey to sustainable luxury*.

Gemfields' collaboration with Muse, a leading fine jewellery showroom, also continued for the second year running, with a new *see-now-buy-now* jewellery collection – this time focussing on charms – created by a collective of new and more established designers featuring Gemfields rubies and emeralds at a variety of price points. The collection debuted at The Couture Show in Las Vegas, and was shown at subsequent showroom events with Stanley Korshak (October) and The Tiny Jewel Box Event (December).

Gemfields' strong presence at international trade shows continued with appearances at IDCA Tucson, New York NOW, Cape Town's Indaba, the Hong Kong International Jewellery Show, the 59th Bangkok Gems & Jewellery Fair, the China International Jewellery Fair and the Hong Kong Jewellery & Gems Fair. In addition, Gemfields again sponsored the Retail Jeweller India Awards in Mumbai.

Gemfields' marketing campaign 'Ruby Inspired Stories'.

At Baselworld, Gemfields announced its role as the first partner for Gübelin Gem Lab's *paternity testing* by using customised nanoparticles to "tag" emeralds and enable traceability back to the mine of origin for decades to come. This approach is game-changing for the industry and demonstrates the progress made in bringing greater transparency to the gemstone industry. The technology was first implemented for Kagem emeralds at the auction held in October 2017.

For Christmas 2017, Gemfields partnered with Bottletop to give friends of the brand a *Togetherband* created by Bottletop as an initiative to benefit projects of the UN Foundation and the Bottletop Foundation, underpinned by the UN's Sustainable Development Goals for quality education and clean water and sanitation. Founded by Cameron and his father, Roger Saul (founder of luxury fashion brand Mulberry), the Bottletop Foundation supports young people in Malawi, Mozambique, Rwanda, Brazil and the UK.

Gemfields' drive to remain industry leaders, both as innovative marketeers and responsible suppliers of coloured gemstones, continues, and 2018 will see Gemfields creating and unveiling a new integrated advertising campaign, furthering the presence of coloured gemstones in the media and promoting gemstones in the high fashion arena by collaborating with designers to reach new audiences. Our activities will be underpinned by ongoing efforts to build regional collaborations with jewellery designers and eagerly anticipated media visits to our mines, bringing the stories of our gemstones to life around the globe.

COMMODITY OVERVIEW

COLOURED GEMSTONES

67% INCREASE

Emeralds, rubies and sapphires alone account for 67% of the finished coloured gemstone and pearl market.

Proprietary emerald grading system, Kagem mine, Zambia.

The Coloured Gemstone data below is based on the most recently published figures in the United Nations Commodity Trade Database. Given the specialised nature of the Coloured Gemstones market, figures are only published annually in June of each year. Therefore, in the text that follows, references are to 2016 figures, with 2015 figures used as a comparison. These are the latest figures available.

The wider coloured gemstone and pearl market passed the US$10 billion milestone by reaching US$11.8 billion (2015: US$9.6 billion) in global imports in 2016. This now represents as much as 16% of the value of global imports of worked diamonds for jewellery use (2015: 12.6%).

Emeralds, rubies and sapphires alone account for 67% (2015: 67%) of the finished coloured gemstone and pearl market. Global imports of the top three coloured gemstones reached US$7.9 billion, representing an increase of 23% compared with the previous year (2015: US$6.4 billion) – whereas global imports of finished diamonds for jewellery use decreased by 3% in the same period, that is, from US$75.8 billion in 2015 to US$73.8 billion in 2016. The category of other coloured gemstones (excluding diamonds, emeralds, rubies and sapphires) experienced impressive growth of 54%, reaching US$1.2 billion in global imports compared with US$0.8 billion in 2015.

The world's top gemstone manufacturing hubs – India and Thailand – experienced steady growth in their exports of emeralds, rubies and sapphires in 2016, namely 9% and 8%, respectively. Exports from Hong Kong, the main trading hub, rose 54% and reached US$2 billion (2015: US$1.3 billion). Asian markets and the USA regained momentum and showed encouraging results, with China and India imports growing by 92% (US$2.3 billion) and 19% (US$1.4 billion), respectively, and the USA imports increasing by 8% (US$1.3 billion). However, Europe's key jewellery manufacturing and consumption centres fell, with Italy's, Switzerland's and the UK's emerald, ruby and sapphire imports being 14%, 9% and 50%, respectively. France was an exception; its imports remained positive and grew 5%.

The global luxury goods industry grew by just over 3% in value, reaching US$389 billion in 2016[1] – with the USA, China and Japan accounting for almost half of sales value. In the months following the UK's vote to leave the European Union, luxury prices rose by as much as 10–15% to adjust to sterling devaluation, and UK luxury companies continue to assess how to adjust business models with so many aspects of the new EU agreement still under discussion. In jewellery retail, the fastest-growing segments were at the lowest and highest segments of the gemstone value chain, while generally remaining stable in the middle segments.[2]

The wholesale market saw a significant increase in the value of commercial quality emeralds, heated rubies and sapphires, and increased prices for unheated Burmese rubies, while prices for emeralds and unheated Mozambican rubies remained stable. A modest correction was reported in the prices of high-quality heated rubies and sapphires.

Based on 2017 price data obtained from GemGuide, it can be seen from the graphs supplied that in 2017 the coloured gemstone market continued to follow the upward trajectory established at the beginning of the decade.

These trends were also reflected at Gemfields' rough emerald and ruby auctions, with results indicating a rise in demand for the low-, mid- and higher-quality gemstones.

Coloured gemstones continue setting record prices. In June 2017, American jewellery house Harry Winston paid US$5.5 million for the Rockefeller Emerald, setting a new record emerald price at US$305,000 per carat. This places emeralds third in terms of world record prices achieved for gemstones, behind coloured diamonds and rubies, and ahead of sapphires and white diamonds.

We believe that increasing awareness of the true value and rarity of emeralds and rubies, together with the rediscovery of the natural and inherent beauty of colour by younger generations, has contributed significantly to the continued increase in demand for coloured gemstones. The increasing formalisation of the sector and consistent supply continue to strengthen confidence in the coloured gemstone industry.

[1] *Euromonitor International. Luxury goods industry overview.*
[2] *Solomons, I, Precious Minerals' Bright Future. Analysts paint sparkling picture of coloured gemstone market. Mining Weekly, April 28–May 4, 2017.*

FIGURE 1: High Quality Gemstones Price Index: 1-1.5 Carat

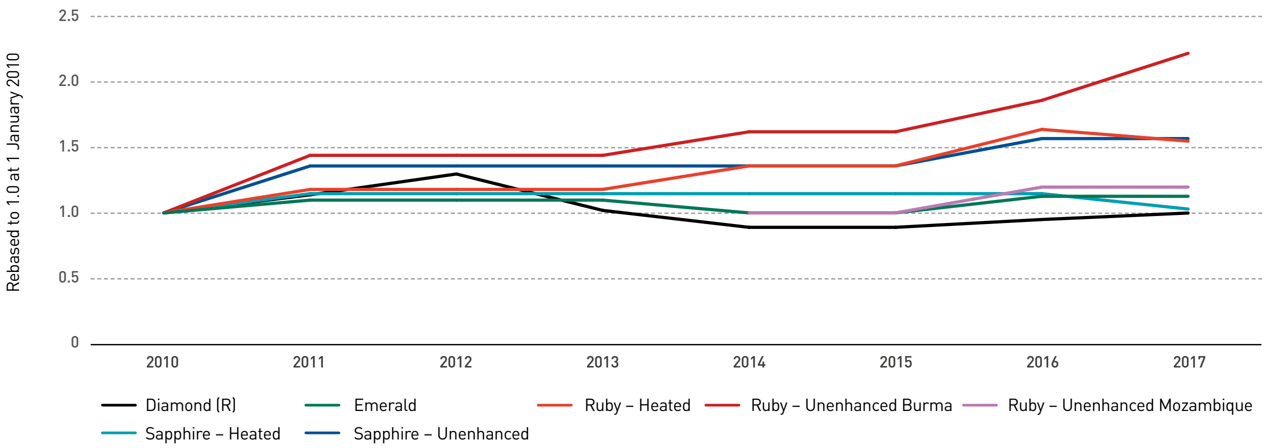
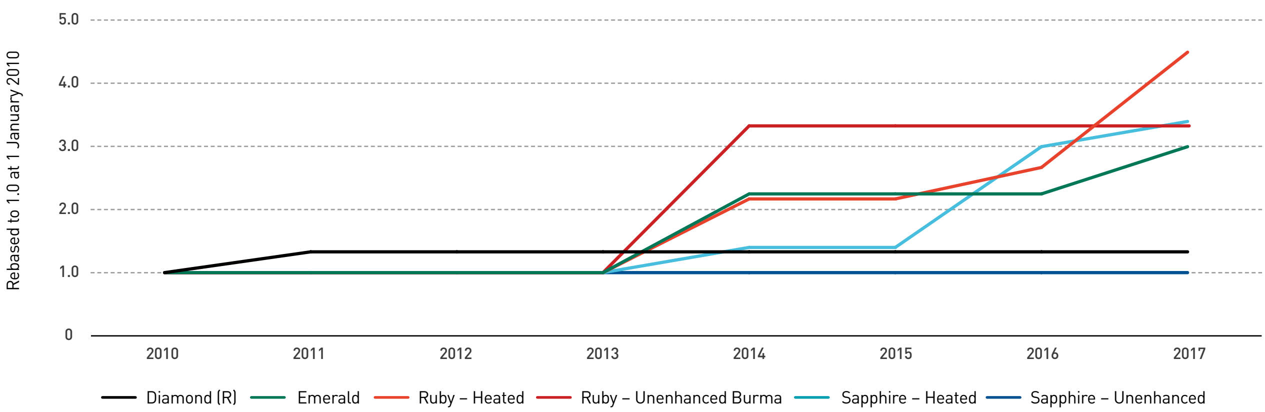


FIGURE 2: Commercial Quality Gemstones Price Index: 1-1.5 Carat



**Diamond – Round cut, Colour M, Clarity I3 (Gemguide); Source – Gemguide*

COMMODITY OVERVIEW

MANGANESE

19%
INCREASE
In global supply of manganese ore.

Manganese is a critical input to the global steel industry and it is therefore evident that the manganese market typically follows the steel industry in terms of general market trends.

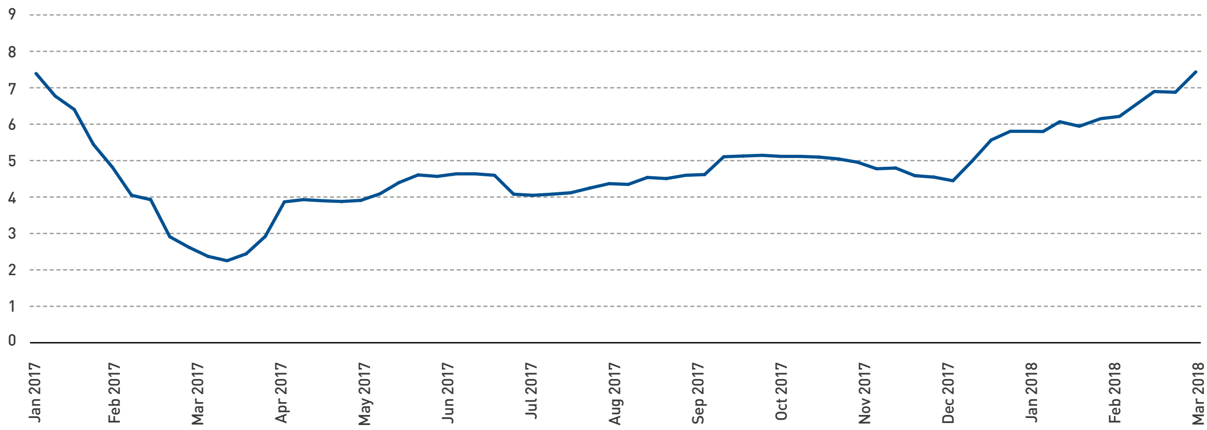
The manganese market is typically volatile, and this was evident in 2017 with the 37% Free on Board ("FOB") manganese price starting the year at US$7.38/dry metric tonne unit ("dmtu") and ending the year at US$5.79/dmtu, with a low of US$2.23/dmtu in March 2017. Since then, manganese ore producers have had a sustained period of robust prices which has continued into the early part of 2018. The graph below shows the manganese price for the period January 2017–March 2018.

In 2017, global manganese ore consumption increased by 9%, whilst global supply increased by 19%. The manganese ore market remained in deficit for its second consecutive year, mainly due to a fall in Chinese domestic production and an increase in demand from electrolytic manganese metal, whilst port stocks in China have been declining and are below their steady state of approximately 2.5 million tonnes.

A number of low-grade Chinese production came off the market in 2017 due to environmental issues, as most Chinese production has a low-grade manganese content and has a greater effect on the environment when used in furnaces in the production of manganese alloys.

Manganese ore demand is expected to continue to grow steadily over the coming years and the market is expected to stay balanced as lower production in China reduces the impact of strong supply increases coming from non-China production areas.

FIGURE 3: Manganese Price 37% (FOB, Port Elizabeth US$/dmtu)



Source: Metal Bulletin

COMMODITY OVERVIEW

PLATINUM GROUP METALS

Diesel- and petrol-powered vehicles require both palladium and platinum in their auto catalysts, located in vehicles' exhaust systems. However, diesel-powered vehicles require a higher content of platinum versus a higher content of palladium in petrol-powered vehicles. Palladium was one of the best-performing commodities during 2017, as it benefited from the rise in the market share for petrol-powered vehicles, whereas the platinum price has suffered from the fall in market share for diesel-powered vehicles.

Despite 80% of global demand for palladium coming from auto catalysts, the share is noticeably less in the platinum market given the size of jewellery demand in the latter. Weaker platinum demand in the jewellery sector is another contributing factor for the low platinum price.

The platinum price started the year at just over US$900 per ounce and closed the year at US$928 per ounce. The continued weakness in the platinum market may entice speculative buying and boost demand in the short term. The low platinum prices may also curb recycling, as higher prices generally incentivise recycling. Speculative buying and the potential for reduced recycling, coupled with lower mining output, may provide a short-term price recovery.

In November 2017, the WPIC[1] updated its 2017 forecasts, with the total global supply of platinum unchanged at 7.83 million ounces, total mining supply down 1%, and recycling unchanged when compared with the 2016 full figures. Demand for platinum is forecast to be 7.85 million ounces in 2017, down from 8.3 million ounces reported in 2016, with the market projected to be in a slight deficit position of 0.02 million ounces. The above-ground stockpiles remain high at 1.88 million ounces.

The WPIC also released its 2018 forecasts in November 2017, with the total supply projected to be 7.76 million ounces, a decrease of 1%, with mining supply expected to be down 2% and recycling up 2% when compared with the 2017 forecasts. Demand for platinum is forecast to be 8.03 million ounces in 2018, up from 7.85 million ounces forecast in 2017, with the market deficit for 2018 projected to be approximately 0.28 million ounces. The above-ground stockpiles are projected to decline from 1.88 million ounces in 2017 to 1.61 million ounces in 2018.

Production drilling at the Pilanesberg Platinum Mine.

1 The World Platinum Investment Council ("WPIC") is an independent research body with a mandate to increase demand for platinum. Its founding members are Anglo American Platinum, Lonmin, Aquarius Platinum, Northam Platinum Limited, Implats and Royal Bafokeng Platinum.

COMMODITY OVERVIEW

PLATINUM GROUP METALS/CONT.

The palladium price saw a significant increase, starting the year at just over US$680 per ounce and closing the year at over US$1,000 per ounce as the deficit in the palladium market remained. According to Bloomberg, the market deficit is likely to continue in 2018, as primary supply may fall from mine closures, which may support palladium prices in the short to medium term. However, the continued rise in the palladium price may support a rise in recycling, which could curb the continued price increases.

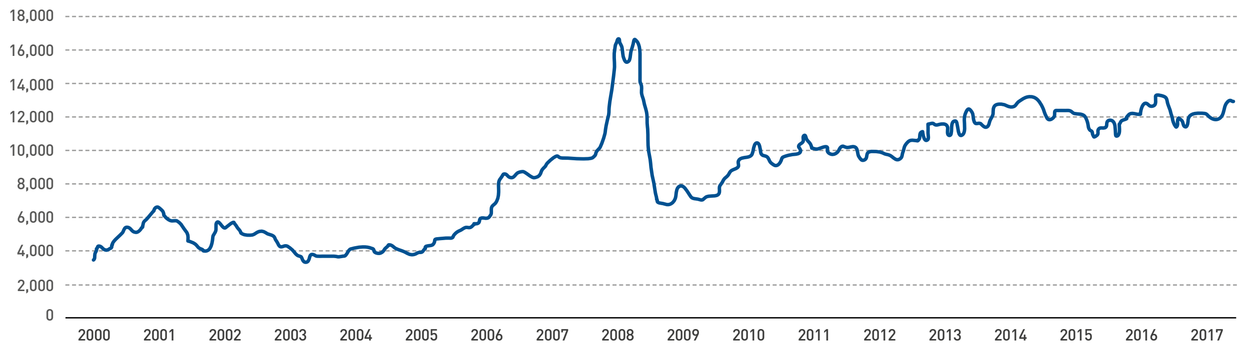
Below are 17-year graphs showing the US$ price of platinum and the PGM ZAR basket price, which is typically the most relevant price, as most producers (by volume) are from South Africa. It can be seen in these two graphs that, although the US$ platinum price has been declining over the past few years, the PGM ZAR basket price per 4E ounce has actually risen due to the relative weakening of the ZAR versus the US$.

The outlook for platinum is expected to be positive based on the cash costs for major platinum producers being approximately in line with where the market is. When adding overheads, platinum producers are not generally profitable, as marginal costs are estimated at an average of approximately US$1,100 –US$1,200 per ounce. A sustained period of prices below these marginal costs should eventually see producers reduce output, which will have a positive impact on the platinum price.

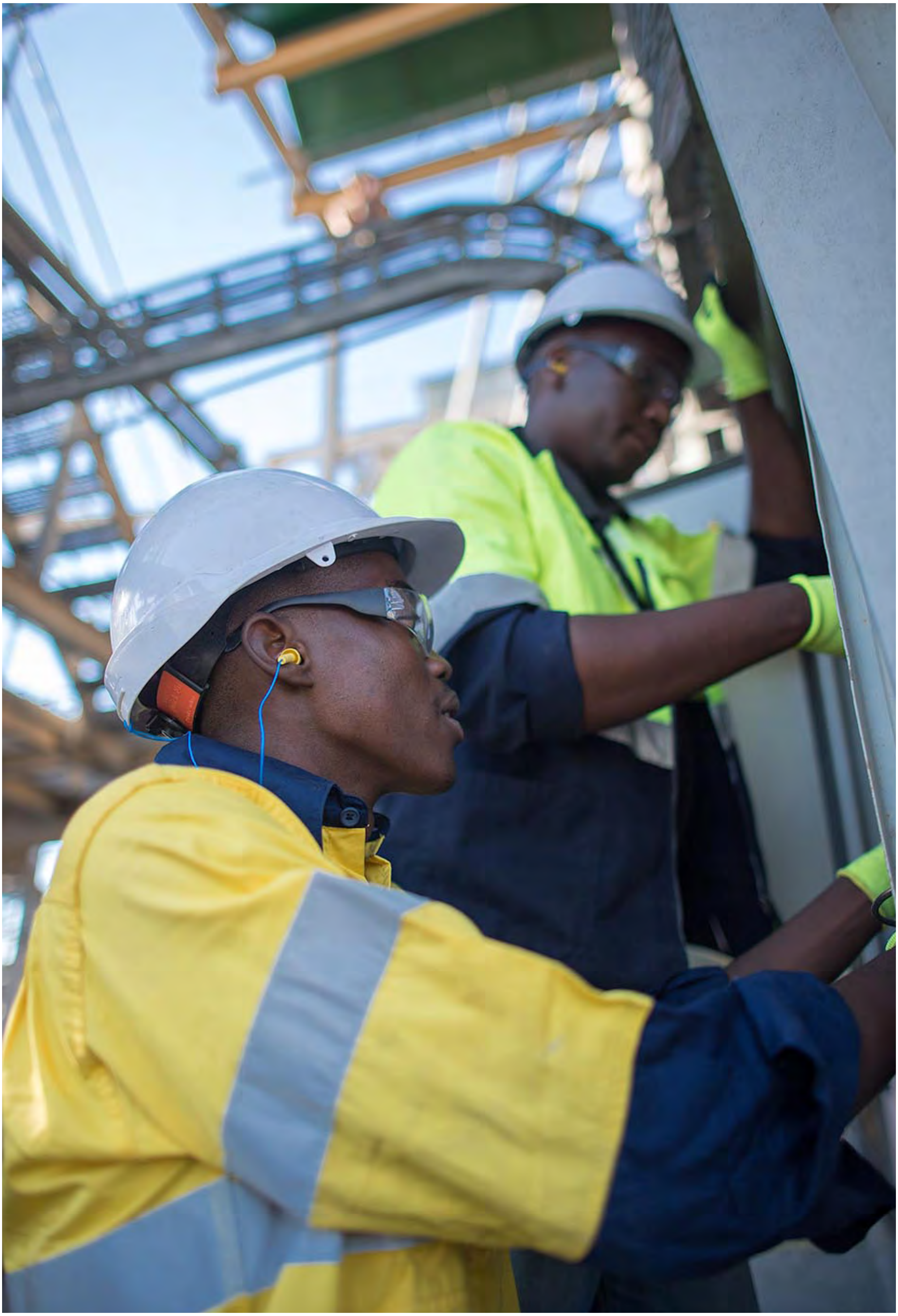
FIGURE 4: Platinum Price (USD/troy ounce)

Source: Bloomberg

FIGURE 5: PGM ZAR Basket Price (ZAR/4E troy ounce)



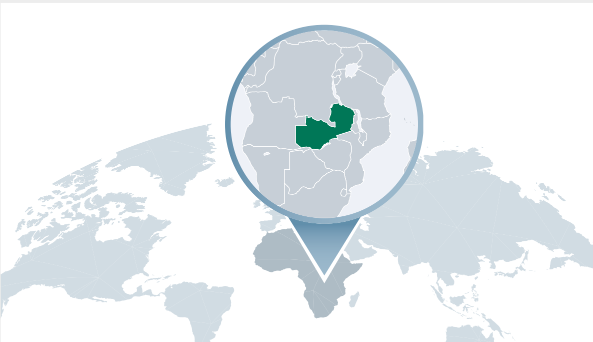
*Source: Bloomberg, WPIC Research. Assumes PGM 4E production volume is 58% platinum, 32% palladium, 8% rhodium and 2% gold, and calculated as 58% *platinum price + 32% *palladium price + 8% *rhodium price + 2% *gold price. Denominator is volume of platinum + palladium + rhodium + gold produced (4E troy ounces). Ignores minority metal contribution.*



Plant operators at the Pilanesberg Platinum Mine.

OPERATIONAL REVIEW

ZAMBIA



ZAMBIA

Location	*Copperbelt Province, Zambia*
Acquisition by Gemfields	*November 2007*
Ownership structure	*75% Gemfields* *25% Government of Zambia*
Gemstones	*Emerald and beryl*
Mining method	*Open-pit*
Potential mine life	*27 years*

OPERATIONS IN ZAMBIA COMPRISE THE FOLLOWING:

- **Kagem Mining Limited ("Kagem")**, the world's single-largest producing emerald mine. The 41 square kilometre licence area is located in the Ndola Rural Emerald Restricted Area and lies south of Kitwe and west of Ndola, in Zambia's Copperbelt Province. It is 75% owned by Gemfields and 25% owned by the Government of the Republic of Zambia. The mine comprises three open pits:

  » Chama, a 2.2 kilometre open mine pit, supplying approximately 25% of global emerald production.
  » Fibolele, a 600-metre-long open pit in bulk sampling phase.
  » Libwente, a smaller pit in exploration phase.

- **Gemfields Mining Limited ("Mbuva-Chibolele")**, located on the prolific Fwaya-Fwaya – Pirala Belt in the Kafubu Emerald Restricted Area, on the southern banks of the Kafubu River. This lies adjacent to the Kagem licence area, to the south-west. Operations ceased in 2007 to allow focus on Kagem, and resumed in late 2017 under Pallinghurst ownership.

KAGEM

The following operational review represents the five-month period from 1 August 2017 to 31 December 2017, covering the period post acquisition of Gemfields, and its subsidiaries, by the Company. Please note that any comparative figures quoted below are based on the pre-acquisition figures for the 12 months to 30 June 2017.

AUCTION RESULTS

Kagem held one higher-quality auction in the period, in Lusaka, Zambia, between 2–5 October 2017. Revenues of US$21.5 million were achieved, with an average price per carat of US$66.21, the second-highest price ever achieved.

Post the period end, a predominantly commercial quality auction was held in Jaipur, India, between 19–22 February 2018. Revenues of US$10.8 million were achieved, taking Kagem's total auction revenue since July 2009 past the US$500 million mark, to US$506 million.

MINING

The Chama open pit mine is supported by a SAMREC-compliant Resources and Reserve Statement produced by SRK Consulting (UK) Limited ("SRK"), published in April 2018, which confirmed a 27-year open pit Life of Mine Plan ("LoMP") and that the mine is well positioned for growth in production.

During the five-month period, Kagem progressed its programme of overburden removal at the Chama pit, clearing material that sits above emerald formation. Design of the 2.2-kilometre-long Chama pit has facilitated bigger fleet use, enabling more efficient and therefore more cost-effective operations. Additional strike length afforded by extension works completed during the year have helped to further improve process efficiency, space utilisation and productivity, with additional exposure of the emerald and beryl mineralisation.

In-house mining and rock handling remained relatively stable at 4.3 million tonnes for the five-month period, despite the challenges of increased hauling and handling of hard rock in a deeper part of the mine. The fleet monitoring system was upgraded with GPS geofencing (virtual software providing real-time information), allowing more sophisticated monitoring of the movement and allocation of heavy earth moving machinery to facilitate efficiency improvements. Further efficiencies were gained in the adoption and roll-out of several best practice techniques in blasting and machinery usage.

PRODUCTION

Production improvements were afforded by the design and realisation of the Chama pit extension. The opening of new areas and greater space to operate a larger fleet resulted in improvements in ore volumes. A new production strategy has been adopted, focussing on ore mining and chiselling the in-situ ground, manually treating the ore at contact point to enable quality production. Implementation of this strategy has necessitated an increased number of chisel operators and technique improvements, with an observed increase in quantity and quality of emeralds being produced.

Gemstone production for the period was 11.7 million carats of emerald and beryl, with 46,300 carats of premium emerald, an increase in premium production of more than 20% over the entire 12 months to June 2017. Of the total production, the Chama pit contributed 10.8 million carats and the bulk sampling projects in Fibolele and Libwente contributed 0.9 million carats. The variability of emerald production at Kagem is primarily due to the geological factors influencing initial formation millions of years ago. Despite considerable technological advances, the difficulty in predicting the distribution of minerals necessary for emerald formation remains.

Kagem's key operational parameters for the five-month period to 31 December 2017 are summarised in the table below.

PROCESSING

Improvements at the wash plant continued during the period, with implementation of specific control measures resulting in a lower spillage across the various picking belts. In addition, the team's picking abilities have been improved by slowing the plant feed rate from 72 tonnes per hour ("tph") to 45 tph, and adjusting the feed split to make greater use of the newer facilities.

OPERATING COSTS

Total operating costs for the period were US$16.9 million, with a unit cash operating cost of US$1.21 per carat, representing a 40% improvement on the per carat cost for the 12 months to June 2017. Cash rock handling unit costs (defined as total cash operating costs divided by total rock handled) were US$3.30 per tonne for the period.

Total operating costs include mining and production costs, selling, general and administrative expenses, depreciation and amortisation, but exclude capitalised costs and mineral royalties. Cash operating costs include mining and production costs, capitalised costs, selling, general and administrative expenses, but exclude property, plant and equipment capital expenditure, depreciation, amortisation and mineral royalties.

CAPITAL EXPENDITURE

During the period, US$1.5 million was invested in mining and ancillary equipment and infrastructure improvements.

GEOLOGY AND EXPLORATION

During the period, the geological understanding of the ore body and mineralisation were further advanced using the 2015 Resource and Reserve Statements and LoMP produced by SRK. Continuous review of the geological modelling was supported by additional drilling, geophysics and geochemistry data underpinning the creation of an updated geological model now including detailed block modelling for pegmatite, ore and statistical-grade parameters. These actions were primarily focussed on the Chama pit to support the production team and also to establish the dip side extension of this resource towards the Kafubu River.

The Fibolele sector is a 600-metre-long open pit bulk sampling operation with production of 860,000 carats for the period. Continued assessment of the bulk sampling projects in the Libwente sector involved desktop explorations to support a better understanding of the geology and to determine the viability of development into a larger-scale mine. Exploration efforts are being made to develop both the Fibolele and Libwente sectors to gain further high-level geological understanding.

INFRASTRUCTURE

This period saw landscape development across the mine, rehabilitation of the waste dump and improvements to the staff living quarters and amenities. Staff welfare remained a

Kagem production summary

	5 months to 31 December 2017	12 months to 30 June 2017
Gemstone production (premium emerald) in thousand carats	46.3	37.8
Gemstone production (emerald and beryl) in million carats	11.7	19.1
Ore production (reaction zone) in thousand tonnes	79.0	120.7
Grade (emerald and beryl/reaction zone) in carats/tonne	147	158
Waste mined in million tonnes	4.2	11.0
Total rock handling in million tonnes	4.3	11.1
Stripping ratio	53	91

OPERATIONAL REVIEW

ZAMBIA/CONT.

priority, with continued improvements to the accommodation and field canteen at Chama pit. This has improved the working conditions and morale of the staff and a new satellite camp. Improvements in the IT and security infrastructure continued throughout 2017.

SECURITY

The implementation of high-resolution digital surveillance CCTV continued to aid effective and efficient management of the security systems, with permanent patrol teams being stationed in and around all the dump sites to provide robust protection and surveillance over the mining licence area. To further enhance the sort house security system, the electric fence and the intruder alarm system are now serviced by a new third-party provider, with weekly tests performed to ensure reliability.

To facilitate safer security, all lethal firearms have been retrieved from the security posts and secured in the armoury.

In an attempt to facilitate a more robust safety environment and foster a safety-first mindset, weekly management meetings are now conducted to discuss and implement improvement initiatives and enforce the safety regime.

HEALTH, SAFETY AND ENVIRONMENT

Kagem prides itself on its ability to conduct mining in a responsible, transparent and safe manner with minimal impact on the natural environment. Kagem is aiming for a zero-harm (injury-free) culture where health and safety are not only considered critical to the operation, but are also ultimately the responsibility of each individual employee. Training continues to be rolled out in areas such as first aid. Reporting of incidents and near misses has improved following changes implemented throughout 2017.

A culture of common responsibility for safety stewardship is being encouraged, with a safety theme for each month being rolled out through various communication channels.

Kagem recorded one lost-time injury during the period.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility ("CSR") and employee welfare were a key focus during the period and several committees were formed to improve overall life outside the work areas. Kagem's Community Sustainability Development ("CSD") strategy sets out planned projects with the agreement of local stakeholders. Kagem's sustainability department develops and implements its CSD strategy directly in line with the Group's sustainability strategy to support health, education and agricultural projects in the two areas ruled by local chiefs. This strategy enables Kagem to have a more transparent, equitable and interactive relationship with all local stakeholders and is already leading to improvements with the local community.

More details on the CSR projects can be found in the dedicated section of the Operational Review.

HUMAN RESOURCES

For the period ending 31 December 2017, a total of 32 new employees were added to the workforce, filling both new and replacement posts, taking the total number of people directly employed by Kagem to 722. The total number of contractor employees as at 31 December 2017 was 199, with 30 people employed on short-term contracts. Staff welfare activities have been focussed on improving social amenities around the workplace and camp.

A total of 81 staff members were trained in various fields, including safety, health, environment and quality, medical, HR, management development/team building, engineering, finance, IT and mining. Training was conducted by both external and in-house trainers, with 70% being trained at the mine site, and 30% trained off-site in Zambia. A total of 17 Zambian students completed their internships at Kagem in various departments such as finance, HR, engineering and mining.

Kagem pledged scholarships for students in the schools of engineering and mining at the University of Zambia and Copperbelt University to develop more coloured gemstone industry-oriented graduates that are up to date with technical and practical knowledge of gemstone mining. In the reporting period, a second round of scholarship interviews was completed, with one student from each university being selected.

MBUVA-CHIBOLELE

The Mbuva-Chibolele property is located on the Fwaya-Fwaya –Pirala Belt in the Kafubu Emerald Restricted Area, on the southern banks of the Kafubu River. This lies along the west-southwest strike from the nearby Fwaya-Fwaya emerald mining zone adjacent to the Kagem licence area. This pit has been kept under care and maintenance since 2007, when operations ceased to focus on operations at Kagem. However, following Pallinghurst's acquisition of Gemfields, the decision was made to expand the Group's emerald footprint and operations at Mbuva-Chibolele were resumed in late 2017.

LICENCE OWNERSHIP

The Group is currently exploring options to transfer this licence to Kagem, which is expected to boost Kagem's position as the flag-bearer for Zambian emeralds and the number-one producer internationally. Additional jobs at Mbuva-Chibolele will be created in the process. It is envisioned that enhancements and improvements will be made to the resource base, with operational synergies and economies of scale boosting production levels and revenues. In addition, as Kagem's minority shareholder, the proposal will provide the Government of the Republic of Zambia with the same 25% exposure across an expanded base of emerald assets.

EXPLORATION AND BULK SAMPLING

Bulk sampling was commissioned in August 2017, involving extending the depth of the pit by an average of 10 metres. Having been dormant for a considerable period of time, preparation and dewatering of the pit was an essential activity before exposing the ore. The existing parameters at Mbuva-Chibolele are being modified to match the pit geometry of Chama and a minimum width for mechanised operations is being pursued. The dewatering of the pit, bridge construction between Kagem and Mbuva-Chibolele, and initial waste mining have been outsourced, with in-house mining expected to commence when excavations reach rock types and conditions necessary for emerald formation.

To facilitate operational efficiencies and expedite the commencement of commercial production, a temporary bridge over the Kafubu River was constructed in-house, reducing the distance of Mbuva-Chibolele from Kagem facilities from 24 kilometres to 2 kilometres. A permanent bridge is under construction.

The operation has two dedicated geologists and chisel men, along with one excavator and three dump trucks. Appropriate security arrangements have been put in place to ensure safety and security of product and premises.

TECHNICAL DETAIL OF PIT GEOMETRY

With knowledge and experience from past operations in the area, the Group has a good understanding of the nature and overall geometry of the host rock and mineralisation. The Mbuva-Chibolele deposit forms part of a semi-regional scale tight-isoclinal fold system, which trends northeast/east-north-east, ranging in dip from near flat-lying to up to 60° to the southeast/south-southeast. At Mbuva-Chibolele, the majority of discordant pegmatites strike north-south, with sub-vertical to approximately 50° dip due east. The TMS extends for approximately 1 kilometre along strike, oriented at 250° in the western section, rotating to 0° in the central section, before curving back to approximately 250° in the east. The TMS outcrop is generally less than 10 metres wide. The dip is highly variable, with a general overall dip of around 25° towards the south.

PRODUCTION AND PROCESSING

During the period, mining totalled 132,104 tonnes, of which 97,148 tonnes of waste were mined by contractors and 34,956 tonnes were mined by the in-house resource, resulting in a total of 1,176 tonnes of ore, of which 206 tonnes have been processed. The maiden production from Mbuva-Chibolele was 103,135 carats of emerald and beryl, with 9,375 carats of emerald, an encouraging sign for operations in 2018.

Mining activity, Kagem emerald mine, Zambia.

OPERATIONAL REVIEW

MOZAMBIQUE

Location	*Cabo Delgado Province, Mozambique*
Acquisition by Gemfields	*November 2011*
Ownership structure	*75% Gemfields* *25% Mwiriti*
Gemstones	*Ruby and corundum*
Mining method	*Open-pit*
Potential mine life	*38 years*

OPERATIONS IN MOZAMBIQUE COMPRISE THE FOLLOWING:

- **Montepuez Ruby Mining Limitada ("MRM").** The Montepuez ruby deposit is located in the northeast of Mozambique within the Cabo Delgado Province, believed to be the most significant recently discovered ruby deposit in the world, covering an area of 34,966 hectares. MRM is 75% owned by Gemfields and 25% owned by local Mozambican minority partner, Mwriti Limitada.
- **Megaruma Mining Limitada ("MML")**, a company registered in Mozambique with Gemfields holding 75% interest in two licence areas located in the Montepuez district of Mozambique and each sharing a boundary with the existing MRM deposit, covering approximately 190 hectares and 150 square kilometres of area, respectively.
- **Eastern Ruby Mining Limitada ("ERM")**, a company registered in Mozambique with Gemfields holding 75% interest, covering an area of 116 square kilometres and sharing its western boundary with the southern licence of MML.
- **Campos de Joia Limitada ("CDJ")**, a Gemfields holding company in Mozambique which holds four licences at present, totalling an area of 452 square kilometres.

MONTEPUEZ RUBY MINING ("MRM")

The following operational review represents the five-month period from 1 August 2017 to 31 December 2017, covering the period post acquisition of Gemfields, and its subsidiaries, by the Company. Please note that any comparative figures quoted below are based on the pre-acquisition, unaudited figures for the 12 months to 30 June 2017.

AUCTION RESULTS

MRM held one mixed-quality auction in the period, in Singapore, between 6–10 November 2017. Revenues of US$55 million were achieved, the highest figure attained at any Gemfields auction, with an average price per carat of US$90.81.

MINING

The Montepuez ruby deposit is supported by a SAMREC-compliant Resources and Reserves Statement produced by SRK Consulting (UK) Limited ("SRK") expected to be published in May 2018, which confirms a 38-year open pit Life of Mine Plan ("LoMP") and is well positioned for growth in production. The Resources and Reserves Statement for MRM is extracted from a CPR that is subject to final approval by the JSE, which may require amendment before formal approval is granted.

The mining operations at MRM comprise a number of shallow, open-cast pits split between four main operating areas: the Mugloto Block, the Maninge Nice Block, the Maninge Nice East Block and the Glass Block. Mining is carried out as a conventional open pit operation utilising excavators, loaders and articulated dump trucks. Loaded trucks haul ore to stock-piles adjacent to the processing plant, while waste is backfilled into excavated areas, returning the area to its natural aesthetic.

The total rock handling for the period averaged 436,912 tonnes per month (year to June 2017: 367,000 tonnes per month). No new blocks were opened during the period. However, intensive mining continued in the additional pits of Mugloto, and the results have been encouraging. Optimising mining operations by balancing the requirement of primary (low quality and high incidence) and secondary deposits (high quality and low incidence) will continue to be the strategy moving forward.

Total rock handling during the period equated to 2.2 million tonnes, comprising 0.4 million tonnes of ore and 1.8 million tonnes of waste material. The overall stripping ratio was 4.5. Excavation was primarily focussed on the Mugloto Block (77%) in order to extract higher-quality ruby-bearing ore. Remaining excavation took place in the Maninge Nice Block (3%), Glass Block (14%) and others (6%).

PRODUCTION

A total of 2.43 million carats of ruby and corundum was produced during the period, with a focus on high-quality, low-occurrence deposits, which provide premium rubies.

Out of 2.43 million carats of production for this period, 1.38 million carats were recovered from Maninge Nice secondary ore, 0.54 million carats from Mugloto secondary ore, 0.49 million carats from the fines (<4.6mm material) classified in Jaipur India, and 0.02 million carats from other test pits.

MRM's key operational parameters for the five-month period to 31 December 2017 are summarised in the table below.

PROCESSING

During the period, ore was primarily mined from three different blocks, namely Mugloto, Maninge Nice and Glass. All ore was transported to the stock yard area within the secured treatment plant enclosures.

Ore processed at the treatment plant totalled 367,506 tonnes (year to June 2017: 554,000 tonnes). This increase was partly facilitated by a second de-grit unit, which was added to the circuit of the treatment plant in November 2017, resulting in de-bottlenecking and an increased overall throughput rate, which stood at 138 tonnes per hour during the period.

A change in production strategy to focus on the processing of a greater proportion of lower-occurrence but higher-quality ore was reflected in the overall ore grade realised during the period, at 7 carats per tonne, compared with the year to June 2017 of 16 carats per tonne.

OPERATING COSTS

During the five-month period, total cash operating costs were US$11.1 million, with unit operating costs of US$4.55 per carat (12 months to June 2017: US$3.15 per carat). Cash operating costs include mining and production costs, capitalised costs, and selling, general and administrative expenses, but exclude property, plant and equipment capital expenditure, depreciation, amortisation and mineral royalties.

CAPITAL EXPENDITURE

Total capital expenditure for the period was US$5.7 million, comprising US$1.9 million invested in expansion and exploration (principally the new sort house) and US$1.8 million in existing mining and ancillary equipment replacements, with the remainder principally provided for the future costs associated with the Resettlement Action Plan ("RAP").

The RAP costs arise as MRM has an obligation to compensate the households and other land users who are physically or economically displaced by the proposed mining in its concession area, in accordance with the local legislative requirements. A provision is recognised for the present value of such costs, based on management's best estimate of the obligations incurred, and is depreciated based on the ratio of ore mined during the period to the total volume of ore to be mined in the future, based on the estimated reserves.

GEOLOGY AND EXPLORATION

The Montepuez concession is located within the wedge-shaped Montepuez Complex, a junction between the north-south trending Mozambique Belt and the east-west trending Zambezi Belt. Both belts are known to be "treasure-bearing" and date from the Neoproterozoic Pan-African tectonic event.

Rubies from Montepuez differ geologically from many of the Asian rubies available in the international market as a result of the primary host rock being amphibole-related, rather than marble- or basalt-related sources. The rubies around Montepuez are found in two types of deposits: primary mineralisation hosted within amphibolite crystals, or secondary, placer type found in gravel beds.

Primary rubies from the amphibolitic source (and also secondary rubies in the associated overlying gravel bed) at Maninge Nice are typically tabular and hexagonal crystals, with strong basal planes. These gemstones are highly fractured and included. Typically, the production from primary mineralisation is a lighter,

Montepuez production summary

	5 months to 31 December 2017	12 months to 30 June 2017
Gemstone production (premium ruby) in thousand carats	46.9	104.4
Gemstone production (ruby and corundum) in million carats	2.4	8.8
Ore mined (primary and secondary) in thousand tonnes	397.3	743.2
Ore processed (primary and secondary) in thousand tonnes	367.5	553.9
Grade (ruby and corundum/ore processed) in carats/tonne	7	16
Waste mined in thousand tonnes	1,787.3	3,655.4
Total rock handling in thousand tonnes	2,184.6	4,398.6
Stripping ratio	4.5	4.9

OPERATIONAL REVIEW

MOZAMBIQUE/CONT.

pink colour and is often classified as sapphires. These sources provided a large volume of stones and are therefore considered a high-incidence but lower-quality. In contrast, the production from secondary gravel bed deposits in the Mugloto and Glass pits is tumbled, deep red in colour, more transparent and contains fewer inclusions. However, as these secondary deposits provide fewer gemstones than the primary deposit, they are considered low-incidence but high-quality deposits.

Exploration undertaken during the period mainly consisted of diamond-core drilling intended to explore primary rubies. A total of 5,554 metres of core drilling was completed during the period under review (year to June 2017: 8,058 metres).

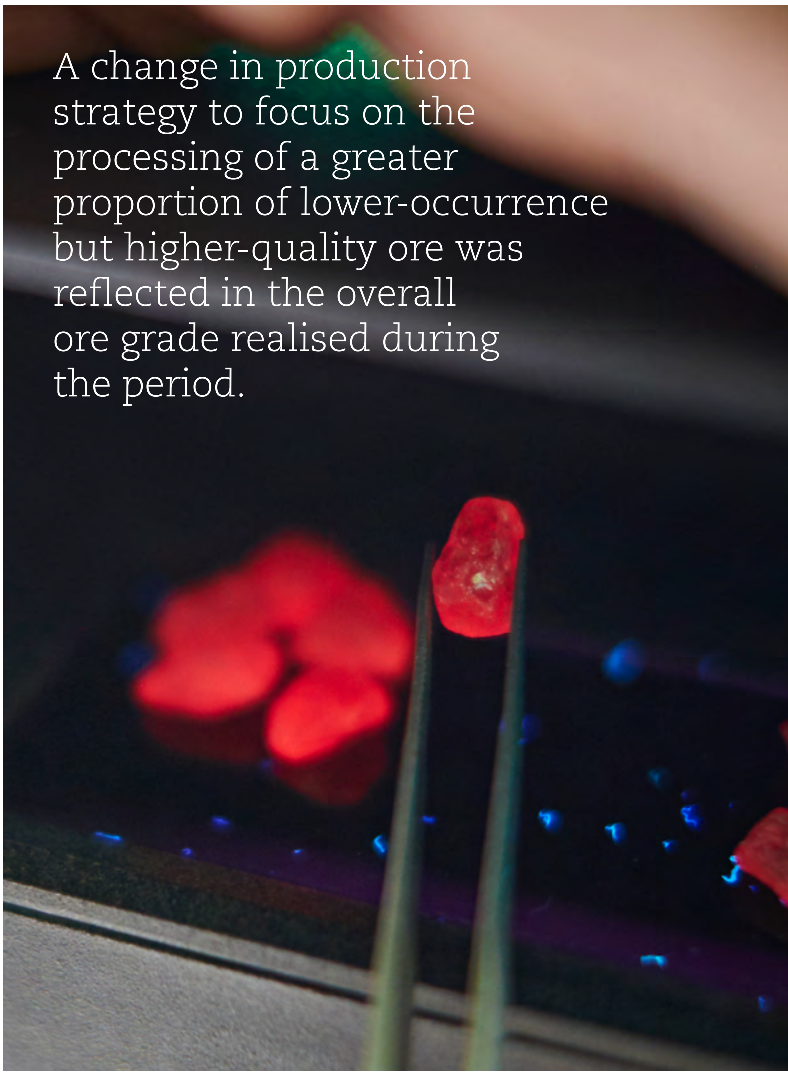
Exploration was focussed on the Maninge Nice East and Glass Blocks during the period under review. Exploration of these blocks has assisted in the delineation of amphibolite lineaments as well as the analysis of areas of interest as seen on aerial geophysical maps. During the period, a new bulk sampling pit was opened and designated as “Mugloto Pit 9”. The work to date has produced encouraging results in that the geology and quality of rubies are expected to be similar to those in Mugloto Pit 3, potentially adding another significant source of high-quality rubies.

It should be noted that the Glass B and Maninge Nice East Blocks were not included in the 2015 SRK Mineral Resources and Mineral Reserves Statement due to paucity of exploration input. These blocks have now been incorporated in the resource review process that is being carried out by SRK, starting from September 2017, with the final report due in 2018.

INFRASTRUCTURE

Enhancement of the production facilities continued, with construction starting on a new state-of-the-art sort house. The US$12 million facility will greatly enhance operational capacity and is expected to be commissioned by the end of 2018.

During the period, 20 new housing units were constructed, adding to the Namanhumbir residential capacity. The site also has a gymnasium and various sports facilities, which include volleyball, tennis and badminton courts and a soccer field, providing improved living conditions at the camp.



Mozambican ruby showing fluorescence.

SECURITY

Security operations continue to make good progress, registering a significant decline in illegal mining within and around the concession area. Incorporation of supportive security enhancement equipment, including lighting towers and wireless cameras, has improved surveillance across the site. An Electronic Seal Register is now in operation which automatically records seal numbers of critical product and inventory. During the period, patrol teams began using body cameras, which has resulted in improved monitoring of the MRM concession. Continued training in the United Nations Voluntary Principles on security and human rights, social media, awareness, conflict resolution, and juveniles in illegal mining was delivered by reputable trainers to MRM employees.

HEALTH, SAFETY AND ENVIRONMENT ("HSE")

Health and safety policies and procedures have been developed and incorporated into all aspects of the business with the intention of creating a safer and healthier working environment. During the period, MRM was issued a category A environmental licence. MRM's HSE management plans were also approved by the Department of Health, Safety and Environment ("MIREM").

A total of two lost-time injuries occurred at the mine site during the five-month period. From the perspective of reducing the frequency rate of injuries, a series of internal and external health and safety training modules was incorporated in the HSE programme and provided for all employees, with a focus on first aid, firefighting and safe driving.

MRM made good progress in post-mining environmental rehabilitation, with a total of 79,000 square metres of land reclaimed so far, of which 13,000 square metres were rehabilitated in 2017. The saplings used for rehabilitation of mined area were grown in the in-house nursery. Environment air quality, ambient noise level and water extraction were continuously monitored during the period and results were below the threshold limits.

The RAP was approved on 8 August 2017 by the government and work is underway to implement the approved plan over the next two years. Pursuant to the approval for a first DUAT (the right to use and benefit from the land) over an area of 76 square kilometres, efforts are underway to attain approval of the second DUAT, covering an area of 174 square kilometres, from the Council of Ministers, and issuance of the same is expected in 2018.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

In line with our philosophy of creating a sustainable community development programme, various Corporate Social Responsibility ("CSR") initiatives in the areas of education, agriculture and health continued during the period.

MRM's CSR activities are aligned with the policies of the Government of Mozambique and supplement the government's efforts in improving the quality of life of the community. The local community programme, which includes developing community engagement and investment projects, is driven by a local community engagement team, led by experienced professionals. MRM has ongoing and extensive programmes and partnerships with all communities in and around the concession area. This strategy has helped improve MRM's relationship with the community, providing local stakeholders with more opportunities for engagement.

More details on the CSR projects can be found in the dedicated CSR section of the Annual Report.

LEGAL

During the period, Gemfields was advised that a UK-based law firm had filed a claim alleging human rights abuses and the seizure of land without due process by Gemfields and MRM. With limited details provided, the claim appears to recycle media coverage from 2015 and 2016. Taking allegations of this nature extremely seriously, Gemfields and MRM are working with legal advisors in England and Mozambique to ensure that the claim is fully examined. Should it be served in 2018, Gemfields and MRM would vigorously defend themselves against the claim.

HUMAN RESOURCES

As at 31 December 2017, a total of 1,094 people were employed by MRM, of which 446 personnel were directly employed and 648 were contractors. During the calendar year, various internal and external training programmes were attended, including human rights, managerial skills, health and safety, finance, security and specialised software programmes. Local students also took part in internships at the operations during the period.

MEGARUMA MINING LIMITADA ("MML")

MML holds two ruby mining titles, 7049C and 7057C, located in the Montepuez district of Mozambique. These titles each share a boundary with the existing MRM deposit and cover approximately 190 hectares and 150 square kilometres, respectively. Exploration activities such as high-resolution aeromagnetic surveys, geological mapping, and core drilling totalling 572 metres in 10 holes had been completed in the area as at the beginning of the review period. Based on the findings of these exploration efforts, auger drilling was carried out in selected zones covering both the licences in November and December 2017. A total of 3,272 metres was drilled in 553 auger holes. The gravel bed samples recovered from auger drilling were washed and sorted for rubies. A prospective area has been identified in the western licence (7057C) for carrying out bulk sampling, which is scheduled to commence in April 2018.

EASTERN RUBY MINING ("ERM")

The exploration licence 5061L held by ERM, a joint venture company registered in Mozambique with Gemfields holding a 75% interest, was converted and issued by the Ministry of Mines as a mining title with identification number 8277C in November 2016, valid for 25 years. The licence covers an area of 116 square kilometres and shares its western boundary with the southern licence of MML (7049C). Exploration activities are expected to commence in 2019.

CAMPOS DE JOIA ("CDJ")

CDJ, a Gemfields holding company in Mozambique, holds four licences at present, 6114L, 7427C, 9059L and 9060L, totalling an area of 452 square kilometres, with the latter two yet to be issued by the Ministry of Mines.

OPERATIONAL REVIEW

JUPITER MINES LIMITED

BACKGROUND

In 2008, Pallinghurst and a consortium of investors (the "Investors") set out to acquire a 49.9% interest in Tshipi é Ntle Manganese Mining (Pty) Limited ("Tshipi"), an early-stage manganese exploration opportunity within the Kalahari Manganese Field ("KMF"). The property is situated adjacent to Samancor's Mamatwan manganese mine that has been in operation since 1964, and its deposit is an extension of the same ore body. The balance of 50.1% of Tshipi's shares is held by Ntsimbintle Mining (Pty) Limited ("Ntsimbintle"), a broad-based BEE consortium (consisting of Safika Resources, Nkojane Economic Prospecting and a number of national and local economic development and community organisations and social trusts), and OM Holdings Limited ("OMH"), an Australian Securities Exchange-listed ("ASX") listed integrated manganese mining and trading house. Pallinghurst and the Investors provided exploration funding, proving an initial 189 million tonne manganese deposit. Subsequent drilling increased this to a resource base of 460 million tonnes as at 31 December 2017.

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

Following the decision to construct Tshipi Borwa in 2011, rapid commissioning of the open-cast manganese mine and related infrastructure enabled the mining, railage and export of its first manganese ore by the end of 2012. Tshipi's state-of-the-art rapid load-out station was commissioned during 2014, enabling the loading of bulk trains in only three hours and skiptainers in less than two hours, much faster than most of its competitors. This rapid loading ability positions Tshipi Borwa to be well supplied with additional trains when there is spare capacity on the network. Tshipi's eight-kilometre rail siding is also the largest in the KMF, capable of accommodating a train with over 200 wagons, further positioning Tshipi to be Transnet's customer of choice.

TSHIPI BORWA

PRODUCTION AND SALES

The strong price environment for manganese enabled Tshipi to produce and sell 3.6 and 3.3 million tonnes, respectively, during its financial year ending 28 February 2018, and, at current operating levels, it is estimated that Tshipi Borwa is the single-largest manganese mine in South Africa and amongst the top three in the world.

FINANCIAL PERFORMANCE

Due to its strong production ramp-up and low-cost profile, and supported by the strong performance of the manganese price, Tshipi has distributed ZAR2.6 billion to its shareholders since 1 January 2017, with Jupiter receiving its 49.9% share, being approximately ZAR1.3 billion. Jupiter announced that Tshipi expects its financial year ending 28 February 2018 to close with approximately US$250 million and US$160 million in EBITDA and net income, respectively.

HEALTH AND SAFETY

Tshipi Borwa is a surface, open-cut mine, which typically is the safest form of mining operation. Tshipi adds to this structural advantage through placing strong emphasis on worker safety programmes and procedures. No fatalities have ever occurred at Tshipi Borwa and this positive safety record continued with only one reportable lost-time injury during its financial year ending 28 February 2018, a significant achievement over a 12-month period.

COMMUNITY INVESTMENT

Tshipi is committed to contributing positively to the development of the community in which it operates and its corporate social investment is in compliance with the Mining Charter and its Social Labour Plan. In conjunction with the Joe Morolong Municipality, Tshipi provided a local waste management company with vehicles and office space, mentorship and training, and a contract for providing waste removal services to the mine. Tshipi continues to support and develop the skills of local community members and offers bursaries, internships and adult education. Almost 300 community members have already benefitted from Tshipi's education initiatives.

Mining activity at the Tshipi Borwa mine.

Tshipi has also provided funding for a water infrastructure project that provides the local community with a sustainable water supply, has constructed a health care clinic and has enhanced of local services within the Joe Morolong Municipality. Tshipi also continues to provide free health screening and medical surveillance to employees and actively promotes sustainable mining by replanting trees, the creation of an on-site nursery and the establishment of a wildlife conservation area.

JUPITER

CENTRAL YILGARN IRON ORE ASSETS

Jupiter holds two iron ore exploration assets in the Central Yilgarn region of Western Australia, the Mount Mason Direct Shipping Ore ("DSO") hematite project and the Mount Ida magnetite project. Mount Mason has a measured/indicated DSO resource of 5.9 million tonnes at a grade of 60.1% Fe (iron) and has the potential to produce 2 million tonnes per annum. Mount Ida has a JORC-compliant inferred resource of 1.85 billion tonnes at 29.48% Fe and has the ability to produce 10 million tonnes per annum of high-grade magnetite concentrate. Whilst Jupiter believes in the long-term viability of these projects, they will remain on care and maintenance until market conditions improve. With the expected closure of Cleveland Cliff's Yilgarn operations, it is expected that infrastructure in the form of rail and port capacity at the Port of Esperance will be released and available should Jupiter decide to proceed with these projects when market conditions improve.

CORPORATE

In January 2017, Jupiter made an equal offer buy-back of 6% of its shares in issue, at US$0.40 per share, representing a price in excess of five times the price at which its shares last traded on the ASX in January 2014. The Group participated in this Jupiter share buy-back, receiving approximately US$10.1 million in March 2017.

In September 2017, Jupiter made another equal offer buy-back, this time of 4% of its shares in issue, at US$0.29 per share. The Group participated in this Jupiter share buy-back, receiving approximately US$4.6 million in December 2017.

In December 2017, Jupiter released its half-year financial report for the period ended 31 August 2017. Jupiter recorded a post-tax profit of AUD33 million.

Also in December 2017, Jupiter announced that it had appointed Hartleys Limited, Foster Stockbroking Pty Ltd and Aitken Murray Capital Partners to execute its targeted relisting on the ASX in 2018.

In January 2018, Jupiter made a further equal offer buy-back of 5.81% of its shares in issue, at US$0.35 per share. The Group participated in this Jupiter share buy-back, receiving approximately US$7.7 million in March 2018.

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, with Jupiter thereafter to continue its development as an independent ASX-listed company. To achieve the "free float" reasonably required for a successful IPO, four of the large Jupiter shareholders, including the Company, have agreed to sell down some of their shareholding to new institutional investors on the ASX. Accordingly, PRL will make available 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 A$0.40/share, and would thus receive the corresponding cash inflow of between AUD70.6 and 84.8 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 Prospectus. Until then, PRL would, in relation to its remaining shares, expect to benefit from the ongoing strong performance signalled by Jupiter.

OPERATIONAL REVIEW

SEDIBELO PLATINUM MINES LIMITED

BACKGROUND

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

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

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

SALES

PPM had annual dispatches for 2017 of approximately 133,000 4E PGM ounces, a decrease of 20% compared with 2016. The decrease in production was by design, and is as per the business plan as Sedibelo continues to focus on cash preservation rather than maximising volumes produced. This strategy has enabled Sedibelo to be in a cash flow positive position and is currently operating at a profit, despite the current adverse market conditions for PGMs.

KELL TECHNOLOGY

The implementation of the Kell technology continues to move forward. In Zimbabwe, following the presidential change, representatives have met with the relevant new ministers, who remain committed to using Kell to transform the PGM industry. The substantive negotiations on a shareholders agreement with the Zimbabwe Mineral Development Corporation were concluded in November 2017 and KellTech will seek to implement this in 2018 with the new Zimbabwean Government.

Globally, KellTech continues to advance discussions for using the Kell technology with several of the world's largest platinum and gold companies, with confidentiality agreements signed and concentrate samples sent to the Kell pilot plant in Perth.

CHROME

Sedibelo successfully completed the construction of a chrome extraction plant that is anticipated to significantly improve its revenue stream. The plant is currently going through its final commissioning and is expected to shortly thereafter begin selling the chrome concentrate.

HEALTH & SAFETY

PPM achieved 4.6 million fatality-free shifts by the end of 2017. This reflects a zero tolerance philosophy and supports the notion of Sedibelo being a safe and sustainable PGM producer for the 21st century.

COMMUNITY INVESTMENT

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

Waste stripping at the Tshipi Borwa mine.

OPERATIONAL REVIEW

FABERGÉ LIMITED

The following operational review represents the five-month period from 1 August 2017 to 31 December 2017, covering the period post acquisition of Gemfields, and its subsidiaries, by the Company. Please note that any comparative figures quoted below are based on the pre-acquisition, audited figures for the 12 months to 30 June 2017.

Fabergé is one of the world's most recognised luxury brand names, underscored by a well-documented and globally respected heritage. As a wholly owned subsidiary of Gemfields, Fabergé provides direct access to the end-consumer of coloured gemstones through directly operated boutiques and international wholesale partners, and boosts the international presence and perception of coloured gemstones through its consumer-focussed marketing campaigns.

POINTS OF SALE

At the point of acquisition, Fabergé operated two directly managed points of sale, Grafton Street in Mayfair and a stand-alone counter in the Harrods Fine Jewellery Room. In October 2017, Fabergé opened its first store in Texas, located in the Houston Galleria Mall, the state's premier retail destination. In support of the opening, Fabergé unveiled an exclusive locket pendant featuring golden Texan boots and a cowboy hat, an item which has become one of the store's best-selling products and a favourite amongst the luxury media.

In addition to its directly operated stores, Fabergé continued to expand its global presence during the period via new agreements with multi-brand retail partners. At the end of the year, Fabergé products were available in Australia, Andorra, Azerbaijan, Bahrain, Canada, the Czech Republic, France, Germany, Italy, Jordan, Malta, Qatar, Romania, Saudi Arabia, South Africa, Switzerland, Thailand, the UAE, the UK, Ukraine and the USA. The total number of Fabergé outlets increased from 39 to 49 during the period.

FINANCIAL PERFORMANCE

Fabergé had revenues of US$3.4 million in the five-month period from 1 August 2017 to 31 December 2017. During the same period, Fabergé recorded an EBITDA loss of US$3.7 million, with average monthly operating expenses of US$1.0 million and a sales margin of 42%.

Quilted gem-set rings, Fabergé Treillage Collection.

Palais Yelagin red earrings, Fabergé Favourites collection.

Fabergé's partner-operated mono-brand boutique opened in the prestigious Dubai Mall in March 2018.

Guilloché enamel egg pendent, Fabergé Favourites collection.

EXHIBITIONS AND PRODUCT DEVELOPMENTS

Fabergé's Visionnaire Chronograph, powered by the automatic calibre 6361, is a revolutionary new movement that provides unprecedented clarity, precision and efficiency to the highly popular chronograph complication. Nearly a decade of work and five horologically significant patents are deployed in the calibre 6361, two of which have been specifically designed for the new chronograph movement developed by Agenhor, the Geneva-based movement specialist. The watch was shortlisted for the Grand Prix d'Horlogerie de Geneve Prize in the Chronograph category. This timepiece will be in full production in the first quarter of 2018.

Fabergé's jewellery lines were expanded during the period to include bangles and cross-over rings, further building the customer offering based around the iconic egg shape.

MARKETING AND COMMUNICATIONS

Throughout 2017, Fabergé focussed on fine jewellery collections featuring coloured gemstones and high-complication timepieces with a blend of digital marketing and print advertising.

Further information on the marketing and communications projects carried out by Fabergé can be found in the dedicated section in the Operational Review.

YEAR AHEAD

In 2018, Fabergé will continue its digitally led campaign, with greater focus on socially powered marketing given the reach, adaptability and measurability offered by that medium. The coloured gemstone-set fine jewellery collections will remain at the heart of the campaign, allowing Fabergé to seek and utilise synergies with Gemfields' marketing and continuing to promote the brand's tagline: *A Life in Colour*.

Fabergé's partner-operated mono-brand boutique opened in the prestigious Dubai Mall in March 2018. In addition, Fabergé has planned openings within multi-brand retail partner boutiques in Macau and Belgium and will continue to expand its global retail footprint, with further multi-brand retail openings in the US, Western Europe, the Middle East and South-East Asia.

OPERATIONAL REVIEW

NEW PROJECTS AND OTHER ASSETS

ETHIOPIA

Gemfields owns 75% of Web Gemstone Mining plc ("WGM"), a company that holds a 200-square-kilometre emerald exploration licence in southern Ethiopia. Exploration activity began in June 2015 in an area to the north of the licence, called the Dogogo Block. The area was selected based on favourable geological settings and evidence of past artisanal activity.

EXPLORATORY WORK AND ANALYSIS

Following encouraging exploration work, including a geological mapping exercise and diamond-core drilling programme in 2016, an industry expert was engaged to provide a third-party assessment of work carried out and an appraisal of the project potential, and to provide recommendations for further work. The appraisal concluded that the "Schist-hosted"-type deposit appeared to have a favourable geological setting formed by an intrusion of pegmatites into a steeply dipping sequence of biotite-chlorite and talc-mica schists, and was similar to the geology at Kagem mine in Zambia.

BULK SAMPLING PHASE

Due to the encouraging results of the exploration programme, a bulk sampling exercise was initiated in August 2017 in the Dogogo South Block to further advance understanding of the ore grade and value, and to determine the economic viability of the deposit in the process. Phase 1 has a rock handling target of 1.2 million tonnes over two years, using two excavators. The objective of the exercise is to confirm the depth continuity of mineralisation, approximately 25 metres below the surface. Drilling and blasting are required due to the terrain conditions and the first blast was successfully made in October 2017. The excavation strategy focusses on the area along the strike, measuring 120 metres in length by 35 metres wide, covering part of existing artisanal pits. Total rock handling up to 31 December 2017 was 235,725 tonnes, including 21,478 tonnes of potential ore (reaction zone). Multiple bands of pegmatite and reaction zone have been encountered and mapped, confirming the results of the exploratory drilling exercise.

The initial results are encouraging, and more exploration work (particularly bulk sampling) is required to accumulate data of sufficient quantity and quality to be used for resource estimation and thus determine the economic viability of the project.

Open-pit mining, Montepuez ruby mine, Mozambique.

OPERATIONAL DEVELOPMENTS

The sort house is now in place and functional, consisting of four 40-foot containers that contain a reception area, box storage, wash area, sorting and grading area and a security room.

Procurement of radio and CCTV equipment is in progress and expected to be operational soon. Key personnel have been recruited, and the security team is being developed internally.

STAKEHOLDER DEVELOPMENTS

A delegation from the Ethiopian Ministry of Mining visited the Kagem mine in Zambia and the emerald auction in Lusaka in October 2017, which improved their understanding of the emerald mining process and of Gemfields' marketing and auction platform.

FURTHER EXPLORATION

Preliminary exploration activities have been initiated in a number of other blocks within the licence area, including a trenching exercise in the Karlo Kora Block, in which reaction zones and beryl samples were recorded. WGM successfully renewed its exploration licence for a further year to 31 December 2018 over the entire licence area and the company intends to convert to a mining licence by end of this year.

MADAGASCAR

Oriental Mining SARL, a 100% subsidiary of Gemfields, holds a number of concessions for a range of minerals, including emerald and sapphire, which have been in compliance with all statutory and regulatory obligations. Gemfields is planning to commence preliminary investigation on several permits in the next financial year.

MINERAL RESOURCES AND MINERAL RESERVES REPORT SUMMARY

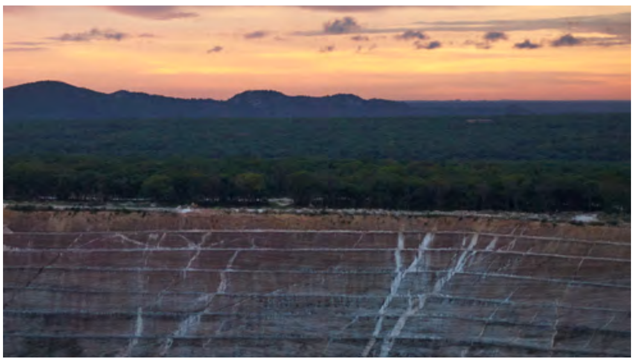
PRL through its wholly-owned subsidiary Gemfields Plc ("Gemfields") holds 75% attributable interests in Kagem Emerald Mine ("Kagem") in Zambia, and in the Montepuez Ruby Mine ("Montepuez") in Mozambique. As PRL took effective control of Gemfields at the end of July 2017, no comparative figures for prior periods are reported.

This section is a condensed overview of PRL's Mineral Resources and Mineral Reserves Report 2017, which contains a comprehensive review of the Mineral Resources and Mineral Reserves as at 31 December 2017, and details the location, geology, mining, processing and operational statistics at Kagem and Montepuez. The full Mineral Resources and Mineral Reserves Report 2017 and the Competent Person's Reports ("CPRs") for each of the operations from which the 2017 Report was compiled are available online at www.pallinghurst.com. and www.gemfields.com.

PRL's attributable Mineral Resources and Mineral Reserves are reported according to and in compliance with the SAMREC Code (2016 edition).

As at 31 December 2017, PRL had total attributable Mineral Resources of 1,138 Mct of combined emerald and beryl at an average value of US$4.56/ct, and 580 Mct of ruby and corundum at an average value of US$9.49/ct.

All Mineral Resources are inclusive of the Mineral Reserves. Rounding-off of figures in this report may result in minor computational discrepancies. Where these occur, they are not deemed significant.



Kagem emerald mine, Zambia.

COMPETENT PERSONS AND CONSENT

The Competent Persons ("CPs") in terms of SAMREC who take responsibility for the reporting of Mineral Resources and Mineral Reserves for Kagem and Montepuez in this report are:

- Dr Lucy Roberts MAusIMM PhD, a Principal Consultant (Resource Geology) with SRK Consulting (UK) Ltd ("SRK"), who is the Competent Person for the reporting of the Mineral Resources. Dr Roberts has more than five years' relevant experience in reporting Mineral Resources on coloured gemstone projects.
- Mr Michael Beare CEng MIoM3 ACSM BEng, a Corporate Consultant (Mining Engineering) with SRK, who is the Lead Competent Person and is responsible for the reporting of the Mineral Reserves. Mr Beare has 26 years' experience in the mining industry and has extensive involvement in diamond and gemstone projects.

The CP's address is 5th Floor, Churchill House, 17 Churchill Way, Cardiff CF10 2HH, Wales, United Kingdom. Membership of AusIMM and IoM3 satisfies the Recognised Professional Organisations ("RPO") in terms of the SAMREC Code.

The CPs have confirmed to PRL in writing that the contents of this summary report are consistent with the CPRs for Kagem and Montepuez, and further consent to the disclosure of the 2017 Mineral Resources and Mineral Reserves Statement in the form and context in which it is presented.

ABRIDGED REVIEW PER OPERATION

KAGEM

Kagem is located in the Ndola Rural Emerald Restricted Area ("NRERA") within the Kafubu area of the Zambian Copperbelt Province. Kagem operates in terms of a large scale gemstone licence 14105HQ LSGL over an area of 40.5 km^2 issued on 27 April 2010, which is valid for 10 years.

The emerald deposits are hosted by talc-magnetite schists ("TMS") of the Muva Supergroup. The Mineral Resources are reported within an optimised pit shell using the same input parameters as those in the mining study, but with a higher commodity price (US$3.90/ct) which reflects an optimistic

MINERAL RESOURCES AND MINERAL RESERVES REPORT SUMMARY/CONT.

view. All grades quoted reflect beryl and emerald, expressed as carats per tonne.

Mining comprises conventional open pit drill-blast-load-haul methods used by a combination of Kagem-owned in-house fleet and contractor mining fleets.

The steeply dipping reaction zones (RZs) are mined using manual intensive methods with the assistance of hydraulic excavators under close supervision and only during daylight hours. All large and high-quality coloured gemstones are hand-sorted at the mining face and are placed in a drop safe-type container that is numbered, tagged and closed with security-controlled locks. The remaining RZ material is loaded into trucks and transported directly to the processing facility.

Open pit optimisations determined the economic pit shells, which were used for mine design and production scheduling.

The processing plant processes RZ material mined directly from the open pit through a simple series of comminution, screening, washing and sorting facilities. All product is essentially hand-sorted in a secure sort house facility where gemstones are upgraded using manual methods to produce emerald (subdivided into premium emerald and emerald) and beryl (subdivided into beryl-1, beryl-2, specimen and fines categories).

The average beryl and emerald combined (B+E) production grade for the F10, Junction and Chama sectors within the Chama pit has been steadily decreasing over time. Gemfields expects that, as more pegmatite contact zones are uncovered, the recovered grade should increase. Production from the FF Mboyanga sector of the Chama pit has started recently and shows an increasing grade with time.

The auction in October 2017 realised US$21.5 million from the sale of 0.32 Mct of higher-quality emeralds.

An annual audit assesses the cash contribution Kagem needs to pay to the Environmental Protection Fund (EPF). Kagem has a payment guarantee with Standard Chartered Bank for USD270,733, which exceeds its current obligations of US$44,729 per the five-year EPF liability assessment no. MSD/20/1/17.

Mining activity, Kagem emerald mine, Zambia.

Rough Zambian emeralds, Kagem mine, Zambia.

Open-pit mining, Kagem emerald mine, Zambia.

Washplant, Kagem emerald mine, Zambia.

Proprietary emerald grading system, Kagem mine, Zambia.

For the five-month period to 31 December 2017, Kagem recovered 11.7 Mct from 79 kt of RZ ore at a B+E grade of 148 ct/t. The operating costs were well controlled at an all in cost of US$1.21/ct recovered and a cash cost of US$3.30/t rock handled.

KAGEM MINERAL RESOURCES AND MINERAL RESERVES

The Kagem Mineral Resources and Mineral Reserves Statement attributable to PRL at 31 December 2017 is set out in the table below. Mineral Resources are reported at a bottom screen cut-off of 3 mm and are inclusive of the Mineral Reserves.

No Inferred Resources are included in the LoM plans, which support the Mineral Reserve declaration included at the end of this Summary.

PRL took effective control of Gemfields at the end of July 2017 and is reporting its attributable Mineral Resources and Mineral Reserves for the first time. Comparison of the 2017 Kagem Mineral Resources and Mineral Reserves with those of the previous year is not relevant.

Mineral Resources (Attributable to PRL)	Tonnage (kt)	B+E Grade (ct/t)	Contained B+E (Mct)	Mineral Reserves (Attributable to PRL)	Tonnage (kt)	B+E Grade (ct/t)	Contained B+E (Mct)
Chama				**Chama**			
Measured	525	283	148.5	Proved	562	249	140.0
Indicated	2,775	304	843.0	Probable	1,953	256	503.7
Total Measured + Indicated	**3,300**	**300**	**991.5**	**Total Mineral Reserve**	**2,515**	**256**	**643.7**
Inferred							
Fibolele				**Fibolele**			
Measured				Proved			
Indicated	105	119	12.4	Probable	108	103	11.2
Total Measured + Indicated	**105**	**119**	**12.4**	**Total Mineral Reserve**	**108**	**103**	**11.2**
Inferred	1,065	119	127.1				
Libwente							
Measured							
Indicated							
Total Measured + Indicated	**0**	**0**	**0.0**		**0**	**0**	**0.0**
Inferred	150	46	6.8				
Total M+I Mineral Resources	**3,405**	**295**	**1,003.9**	**Total Mineral Reserves**	**2,624**	**250**	**654.8**
Total Inf Mineral Resources	**1,215**	**110**	**133.9**				

Gemstone Mineral Resource Grade and Value	Chama	Recovered Grade (ct/t) Fibolele	Libwente	2017 Parcel Value (USD/ct)
Premium Emerald	3	0.04	0.03	64.63
Emerald	76	23	7	4.19
Beryl-1	140	43	13	0.11
Beryl-2	85	36	17	0.01

MINERAL RESOURCES AND MINERAL RESERVES REPORT SUMMARY/CONT.

MONTEPUEZ

The Montepuez Ruby Mine is located in Cabo Delgado Province in northeastern Mozambique, approximately 170 kilometres west of Pemba. The single mining licence 4703C Ref. 1588/CM/INAMI/2015 covers an area of 34,996 hectares and is valid until 11 November 2036.

The Montepuez ruby deposit is hosted by the Montepuez Complex, a strongly ductile-deformed, wedge-shaped, metamorphic terrane. Ruby and corundum mineralisation is found in two styles: primary amphibolite, and a secondary gravel bed. The latter is the main source of rubies and corundum mineralisation. The gravel bed horizon is generally less than 2 metres thick, with an average thickness of 0.36 metres.

Mining is carried out from a series of shallow pits at the Mugloto, Maninge Nice and Glass areas as a conventional open pit gravel operation with excavators, loaders and tipper trucks. The mine currently undertakes all ore excavation and haulage. Production is split 70% from Mugloto, 25% from Glass and 5% from Maninge Nice.

Waste mining is undertaken in 2.5 metre flitches. The flitch heights are reduced as the excavation approaches the gravel bed horizon, as directed by site geologists. Small equipment sizes allow for highly selective mining of the gravel bed, with flitch heights as low as 1.0 metre.

The current LoM plan production is projected to extend to 2055, giving a 38-year mine life. The total material mined averages 5.7 Mtpa at an average stripping ratio of 3.1 t/t.

All RoM ore is stockpiled at the wash plant and a RoM stockpile with a minimum capacity of six months' worth of processing plant feed is kept at all times.

A new upgraded process plant, including a scrubber, rated at 200 tph of RoM feed, and a dense medium separation plant (DMS), rated at 83 tph of washed -25 mm+1.6 mm material, was commissioned in December 2016. The log washer from the old plant is required to break up clay balls which bind finer particles together, potentially containing gemstones.
After washing and separation in the plant, the resulting gravity

Gemfields Mozambican rubies.

Mining activity, Montepuez ruby mine, Mozambique.

concentrate is sorted by hand. After removal of fines, the remaining gemstones are then subdivided into five broad quality categories.

The auction in November 2017 realised US$55.0 million from the sale of 0.61 Mct of higher, medium and commercial quality rubies.

MRM holds a valid approval for its Resettlement Action Plan (RAP), authorisation to use the land (DUAT), a water use licence valid until December 2020 and a Category "A" Environmental Licence valid until August 2019.

The costs of ongoing rehabilitation for mined-out areas are included in the financial model projections for Montepuez. In addition, MRM has created a provision of US$25 million for closure.

For the five-month period to 31 December 2017, Montepuez recovered 2.4 Mct from 397 kt of primary and secondary ores at a combined grade of 6.6 ct/t. The operating costs were well controlled at an all in cost of US$4.55/ct recovered and a cash cost of US$5.06/t rock handled.

MONTEPUEZ MINERAL RESOURCES AND MINERAL RESERVES

The Montepuez Mineral Resources and Mineral Reserves Statement attributable to PRL at 31 December 2017 is set out in the table below. Mineral Resources are reported inclusive of the Mineral Reserves.

No Inferred Resources are included in the LoM plans, which support the Mineral Reserve declaration at the end of this Summary.

PRL took effective control of Gemfields at the end of July 2017 and is reporting its attributable Mineral Resources and Mineral Reserves for the first time. Comparison of the 2017 Montepuez Mineral Resources and Mineral Reserves with those of the previous year is not relevant.

CAUTIONARY STATEMENT REGARDING MRM MINERAL RESOURCES AND MINERAL RESERVES

The Mineral Resources and Mineral Reserves for MRM above are extracted from a CPR that is subject to final approval by the JSE, which may require amendment before formal approval is granted.

The Probable Reserves are derived from Indicated Resources, the validity of which has been questioned by the JSE. Should all or part of the Indicated Resources be downgraded to an Inferred Resource, this will have to be disclosed by PRL. Should this materialise, PRL will have to issue a SENS announcement detailing the updated Mineral Resources and Mineral Reserves Statement, together with a link to the final approved CPR on the company's website.

Mineral Resources (Attributable to PRL)	Tonnage (kt)	Grade (ct/t)	Contained (Mct)	Mineral Reserves (Attributable to PRL)	Tonnage (kt)	Grade (ct/t)	Contained (Mct)
Maninge Nice				**Maninge Nice**			
Indicated – Primary	825	97.9	80.3	Probable – Primary	813	97.9	79.6
Indicated – Secondary	5,925	66.1	390.3	Probable – Secondary	5,564	69.8	388.6
Indicated – Primary Stockpiles	38	97.9	3.7	Probable – Primary Stockpiles	38	98.0	3.7
Indicated – Secondary Stockpiles	15	66.1	1.3	Probable – Secondary Stockpiles	15	66.1	1.3
Total Indicated	**6,803**	**69.9**	**475.5**	**Total Mineral Reserve**	**6,430**	**73.6**	**473.1**
Inferred – Primary	180	97.9	17.8				
Inferred – Secondary	0	0.0	0.0				
Inferred – Total	**180**	**97.9**	**17.8**				
Mugloto				**Mugloto**			
Indicated – Secondary	14,775	3.1	46.4	Probable – Secondary	13,739	3.4	46.4
Indicated – Secondary Stockpiles	323	3.1	1.1	Probable – Secondary Stockpiles	323	3.1	1.1
Total Indicated	**15,098**	**3.1**	**47.4**	**Total Mineral Reserve**	**14,061**	**3.4**	**47.4**
Inferred – Secondary	0	0.0	0.0				
Glass				**Glass**			
Indicated – Secondary	16,575	2.3	39.2	Probable – Secondary	14,759	2.6	37.8
Indicated – Secondary Stockpiles	338	2.3	0.8	Probable – Secondary Stockpiles	338	2.3	0.8
Total Indicated	**16,913**	**2.3**	**40.0**	**Total Mineral Reserve**	**15,097**	**2.6**	**38.6**
Inferred – Secondary	0	0.0	0.0				
Total Ind Mineral Resources	**38,813**	**14.5**	**562.9**	**Total Mineral Reserves**	**35,588**	**15.7**	**559.2**
Total Inf Mineral Resources	**180**	**97.9**	**17.8**				

Gemstone Grade and Value	Maninge Nice	Recovered Grade (ct/t) Mugloto	Glass	2017 Parcel Value (USD/ct)
Premium Ruby	0.009	0.300	0.100	791.00
Low Premium Ruby + Ruby	4.84	1.00	0.30	35.00
Low Ruby	6.58	0.19	0.20	8.32
Corundum	1.71	0.05	0.05	2.08
Sapphire	1.87	0.05	0.06	0.67
Low Sapphire	54.80	1.59	1.68	0.15
-4.6mm	0.35	0.01	0.01	9.06
Reject with some Low Sapphire	n/r	n/r	n/r	0.05

n/r: not recorded

GOVERNANCE

Protection and rehabilitation of the environment are central to the way we carry out our mining practices. We are realistic and open about the impact of a mining operation on the environment.

Conveyor belt operator at the Pilanesberg Platinum Mine.

ABOUT THE GROUP

STRUCTURE

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

REPORT AND FINANCIAL STATEMENTS

This annual report is for the year ended 31 December 2017 (the "Annual Report"), and covers the Group. The annual financial statements contained within the Annual Report also cover the Group and are for the year ended 31 December 2017 (the "Financial Statements").

INVESTMENT OBJECTIVES

The Group, either alone or with other parties, participates in investments falling within the Investment Scope. The principal objective is to provide shareholders with a high overall rate of return.

INVESTMENT SCOPE

The Group monitors opportunities across the global commodities spectrum, with a primary focus on underperforming assets and on businesses that lack direction, are poorly managed, stranded or distressed. The Executive Directors, on behalf of the Group, seek to develop strategic platforms in pursuit of consolidation, vertical integration, turnaround opportunities as well as 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.

SHAREHOLDERS

PRL has no single controlling shareholder; the largest shareholder is Dr Christo Wiese, a Director of the Company who holds an interest of 11.35%[1]. PRL's shareholder base is set out in the table below:

Directors of the Company[2]	14.47%
NGPMR (Cayman) L.P.	9.67%
Investec Pallinghurst (Cayman) L.P.	9.11%
Ophorst Van Marwijk Kooy Vermogensbeheer N.V.	7.65%
Oasis[3]	6.94%
Pallinghurst Resources Limited[4]	6.91%
Other shareholders	45.25%

1 Dr Wiese holds indirect interests in PRL shares via various entities, totalling 11.20%. In addition, certain shares are held by members of Dr Wiese's immediate family, totalling a further 0.15%.

2 Directors and management category includes shareholdings of Executive Directors and Non-Executive Directors. It also includes certain shares held by family members of Dr Wiese.

3 The Oasis shareholding includes interests held by Oasis Asset Management and Oasis Crescent Capital.

4 The Company holds a 51.10% see-through interest in Fabergé Conduit Limited, a company that received 188,416,547 PRL shares in exchange for its Gemfields shares as a result of the Company's acquisition of Gemfields. The Company's interest in its own shares through Fabergé Conduit Limited is therefore 96,276,146 shares or 6.72%. In addition, the Company had repurchased 2,723,486 or 0.19% of its own shares as at 31 December 2017.

PRIVATE EQUITY STATUS UP TO 31 JULY 2017

Prior to 1 August 2017 (the "Acquisition Date") the Group was considered by the Directors to be a private equity or venture capital[1] organisation. The Directors considered the following key factors in making this determination:

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

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

Stock pile at the Pilanesberg Platinum Mine.

The Group monitors opportunities across the global commodities spectrum, with a primary focus on underperforming assets and on businesses that lack direction, are poorly managed, stranded or distressed.

CONVERSION TO AN OPERATING MINING COMPANY EFFECTIVE 1 AUGUST 2017

PRL had an initial lifespan of 10 years, which was due to expire on 14 September 2017. On 26 June 2017, shareholders of PRL voted in favour of the restructuring of the Company and the acquisition of Gemfields plc ("Gemfields").

PRL's life was extended by 50 years and the Company has converted to an operating mining company as a result of the Gemfields acquisition effective 1 August 2017 (see Note 8 *Acquisition of the Gemfields Group of Companies* for further details). The Company will apply to the JSE to have its listing moved from Investment Companies to Mining during 2018.

CORPORATE SOCIAL RESPONSIBILITY

Since the acquisition of Gemfields, Pallinghurst has set about integrating the Corporate Social Responsibility and sustainability initiatives across the Group. Pallinghurst is committed to maintaining safe and responsible mining operations and recognises the responsibility that it has in ensuring all stakeholders are considered when implementing the Company strategy.

RESPONSIBLE BUSINESS VALUES

The focus of our responsibility and sustainability programme continues to improve, and so does the way we articulate it. The focus of much of our strategic approach and operational implementation is still principally concerned with addressing the main social, environmental, and health and safety issues at our mining operations. Over the last five months, we have continued to act as a significant industry champion, bringing greater legitimacy, transparency and integrity to the coloured gemstone supply chain. Our approach is guided by three key values:

***Legitimacy**: We are challenging the sector by championing legitimacy and leading from the front.*

The coloured gemstones sector in which Gemfields operates has traditionally been based on artisanal mining and a fragmented route to market. We have been radically changing that through our business model; to do this, we are challenging the sector by ensuring our business is one based on legitimacy and compliance with prevailing norms, practices and laws.

***Transparency**: To lead, we have to be transparent. Without that transparency we undermine our uniqueness.*

Such an ancient, artisanal and fragmented industry means routes to market are very often opaque. Gemfields is championing transparency. It participates in the Extractive Industries Transparency Initiative, operates a unique auction platform and is driving transparency initiatives into the downstream supply chain.

***Integrity**: We are committed in our approach to delivery, doing so with rigour and completeness.*

As a business that is at the intersection where mining and marketing meet, we must ensure that tangible operational actions support sales and marketing. In the absence of defined standards for the coloured gemstone sector, we reference the wider mining industry for guidance on best practice. By following nationally and internationally expected norms we are confident that our integrity and rigorous approach will stand up to scrutiny.

ENGAGEMENT AND MATERIALITY

The development of our approach was informed by establishing materiality. We started by engaging stakeholders at a local level. Our principal stakeholders are of course our workers, of which we have many at our mining operations who work in harsh conditions. They are continually canvassed formally and informally for opinions on the business in preparation for formal meetings with unions and management.

The nature of our operations means we have formed close relationships with local government representatives, national and regional union representatives, joint venture partners and local chiefs or leaders. We also carry out extensive community consultations as a requirement of our licences. All these stakeholders provide us with views about what the business should be doing, and these views are taken on board in underpinning our responsibility agenda.

At a Group level we have dialogue with international NGOs, standards setters, auction customers, jewellery partners, mining peers and the media.

Together, these conversations inform our approach and keep us abreast of the most material issues to focus on.

We have identified 48 material issues which have been ranked in terms of their importance to our stakeholders and their importance to our business, of which 16 were considered the most significant to both our business and our stakeholders:

- Economic performance
- Biodiversity
- Water extraction
- Rehabilitating the environment
- Environmental compliance
- Creating employment
- Labour rights and collective bargaining

LED Garden project at the Pilanesberg Platinum Mine.

- Occupational health and safety
- Local livelihoods
- Security practices and human rights
- Indigenous rights
- Modern slavery and forced labour
- Anti-corruption and anti-bribery
- Artisanal and small-scale mining
- Involuntary resettlement
- Product transparency

GOVERNANCE AND DELIVERY

Health, Safety, Environment and Community is overseen by the Board. Strategic direction-setting, management of policies, and guidance on delivery are delivered through a dedicated senior manager at Gemfields who works closely with the operations and business units, which take ownership of the operational delivery to ensure that Group expectations are met.

Other systems of governance and delivery across the business include the local operational board of directors, the group-wide risk management system, formal relationships with trade unions, and memorandums of understanding with key local stakeholders such as chiefs or village-level leadership groups.

Locally at each operation we have successfully strengthened our operational delivery teams in Zambia and Mozambique. Their responsibility is to implement social and environmental strategies in collaboration with stakeholders to enhance our operational viability and social licence to operate.

STRATEGIC APPROACH

Before we start full mining operations, we work with the relevant authorities to carry out environmental impact assessments and engage the community as to our plans. Our approach is based on balancing what we take out with the need to put something back in. From rehabilitating the environment, building lasting economic development to creating a working environment that is focussed on safety and well-being, we will only be able to operate year-on-year for the full life of the mine by securing a social licence to operate. To ensure we operate at the highest standards in this regard and to contribute to global goals, we align our approach to the broader strategic aims of the UN's Sustainable Development Goals. Whilst we are a mining company, our approach goes beyond that, and we are championing sustainability in the coloured gemstone sector by cooperating with industry partners downstream in the supply chain to disrupt the sector and create positive changes.

ENVIRONMENTAL REHABILITATION

Protection and rehabilitation of the environment are central to the way we carry out our mining practices. We are realistic and open about the impact of a mining operation on the environment. Before starting an operation we carry out environmental studies to guide us in managing the impact of our sites in a way that not only meets, but, where possible, exceeds national and international requirements. It is our aim for all our wholly-owned operations to be operating to international standards such as ISO14001 to help the continuous improvement process.

Beyond the legal requirements that come with our licence, in the short term, we strive to minimise any unnecessary impact on biodiversity by planning our day-to-day mining activities with environmental rehabilitation in mind. For example, before we mine an area, we collect seeds of the indigenous plants and trees from the topsoil and create a seed bank. We then grow the seeds in a nursery on site for replanting as we complete mining activity in each area. We do this on an ongoing basis to minimise the impact on the land, to encourage biodiversity

CORPORATE SOCIAL RESPONSIBILITY/CONT.

and to avoid creating excessive waste dumps which can be a blight on the landscape. Beyond this, we support conservation organisations in Zambia and Mozambique and make annual contributions to them to continue their important research.

COMMUNITY LEGACIES

When we arrive at a mining location to start our operations, we always engage with the local community. Whilst we are reliant on the government licensing process, we recognise that customary and cultural rights over land and resources are a sensitive subject, and that expectations about a mining company can differ. Therefore, managing our relationship with communities in a free, open and inclusive way is a priority. We have dedicated employees at the operations in which wemine whose roles are specifically to cooperate with the local communities and assist in the selection, and successful implementation, of these community projects.

At each operation, locally developed community investment strategies reflect the overall Gemfields approach to sustainability and are tailored to the needs of the community. Each community strategy follows a consistent approach to share the benefits of our business. We invest in health, education and livelihoods projects after extensive engagement with the community. We focus on health access, education and livelihoods, as these are consistently cited as the most significant indicators of poverty and lack economic development in the developing world, and these are the areas that our communities tell us that are most in need of investment.

Our aim is that projects have a long-term, lasting impact on economic development so that, through the mining life cycle and afterwards, the communities are truly benefiting. Our investment approach is that for infrastructure projects where the role of the state is limited, we will build schools and clinics or upgrade basic facilities, including utilities, roads and bridges, but hand these over after developing a clear memorandum of understanding with the government. For livelihoods projects, we provide start-up funds, help to set up farming associations, provide project and financial management expertise, and facilitate training in order that projects contribute to economic development and that communities benefit from new sources of income in the short, medium, and long term.

Health access

Addressing health impacts in the developing world is a serious challenge. The prevalence of chronic diseases such as HIV/AIDS and malaria can destroy communities.

We are proud of our track record in improving access to basic health services in the remote areas in which we operate. We recognise that, in more remote locations, the state often cannot provide the services, transport or reliable infrastructure to give people access. Our primary focus therefore is on improving health care infrastructure either through rehabilitating existing clinics or building new ones with the support of local government and health outreach and education. We have also launched innovative services such as a mobile health clinic which can reach parts of the community that are too far from traditional clinic facilities.

Case study: Mobile health clinic, Mozambique

Around our concession in Mozambique there are no readily available health facilities. The nearest is 20 kilometres away in the nearby town of Montepuez. Recognising the need of the local communities and listening to their feedback about access to basic health services, MRM launched a mobile health clinic that drives to the villages on a weekly basis. The clinic provides health checks, referrals and basic treatments and is staffed by a nurse from the Ministry of Health and one of our own team. In the calendar year 2017 the mobile clinic was visited by nearly 25,000 patients.

Educational opportunities

We operate in countries that have exceptionally low levels of basic literacy and numeracy. Provision of education for children is fundamental to development, but many children leave school because of the distances that need to be travelled, the quality of the teaching, the lack of infrastructure and the cost of attendance. We have successfully built a number of schools or improved existing community schools directly, in addition to receiving kind donations from external partners. We are also conscious that adult-learning is an important factor in rural economic development and have helped groups to gain access to school infrastructure for after-school classes.

Mobile health clinic, supported by Montepuez ruby mine, Mozambique.

Kapila Community School, supported by Kagem emerald mine, Zambia.

Case study: New primary schools in Mozambique

In the Montepuez district there are very few opportunities for pupils to attend school. Both primary and secondary education is severely lacking and the Province of Cabo Delgado has amongst the worst numeracy and literacy rates in Mozambique. For MRM locally, access to primary education is a real challenge because of the remoteness of many villages and the lack of school infrastructure. With this context in mind, we engaged the local community to discuss the viability of rehabilitating and constructing four primary schools (one rehabilitated, one extended and two newly built). Construction began in 2016 and was completed within the first half of the 2017 calendar year. The new schools include teachers' accommodation, playgrounds and access for up to 1,000 primary-age pupils. In May 2017 the newly constructed Nanhune School was inaugurated by the President of Mozambique, His Excellency, Mr Filipe J Nyusi.

Chapula Secondary School, supported by Montepuez ruby mine, Mozambique.

Livelihoods

In the areas in which we operate, communities can often lack any form of steady income to take them out of poverty. In remoter areas, subsistence farming is the norm, but unsustainable in the long term. Farmers are only able to provide food for themselves and sell what little is left in a piecemeal way. Our approach is to invest in high-impact livelihood projects, in particular with farming associations, that produce year-round food crops and animal rearing as a form of income.

In both Zambia and Mozambique, we have been instrumental in setting up farming associations that are recognised legally in each country and that have basic governance in order that all members that participate and share in the benefits. By collaborating with an association, we can negotiate fairly and transparently and assist by providing training for all

CORPORATE SOCIAL RESPONSIBILITY/CONT.

Namanhumbir chicken project, supported by Montepuez ruby mine, Mozambique.

LED Hydroponic Garden Tunnel project at the Pilanesberg Platinum Mine.

members. Each of our local mining operations is a ready market for buying the produce, whether it's vegetables or chickens, and we encourage our farmers to diversify their crops based on the needs of each mining operation.

With each livelihood project, after a period of investment and educational support, we hand them over for full ownership by the community, and, whilst we will continue to provide help should they need it, the intention is that the community should recognise the long-term benefit of the project and manage it themselves. We are particularly conscious of the importance of economic inclusion and actively seek out ways to cooperate with women's and youth groups.

Case study: Women's Association Chicken Farm, Mozambique

Through regular engagement with one of the communities close to our Montepuez ruby mine, in 2017 we collaborated with a new group of women in Namanhumbir village to conceive of a second chicken farming project. After establishing a women's association, we made a commitment to invest in the infrastructure, start-up inputs such as chicks and feed, and training. The commitment extended to three cycles of chickens, all of which were raised for sale in the local market, with the revenues flowing back to the association and increasing over the first year. With year one complete, we have now handed over responsibility to the association and the project has been so successful that it is replicable both in Mozambique and potentially in Zambia.

SAFETY, HEALTH AND WELL-BEING

Mining can be a dangerous activity and the safety, health, and well-being of our workforce are our absolute priority. As a mining project grows from simple exploration, right up to a fully fledged operation, safety is always at the forefront of our minds. Prior to starting an operation, we carry out health and safety risk assessments and develop tailored safety processes for each area. On-site clinics and medical evacuation services ensure that the risk of medical emergencies is minimised. We enhance the wellbeing of our employees through inter-cultural and sporting events and recreational facilities to make their stay at the operations more comfortable.

We drive a zero-harm culture through awareness raising, training, and highlighting the importance of individual and shared responsibility. We operate on the basis that our operations must continuously improve both in the identification of hazards through near-miss reporting, as well as the full investigation of health and safety incidents should they occur. It is our aim for all our wholly-owned operations to meet international standards such as OHSAS18001. Downstream, through a pioneering initiative in the supply chain, we are carrying out business improvement audits to help our rough customers understand how to improve the safe working and wellbeing conditions of coloured gemstone cutting and polishing facilities.

OPERATIONAL SUSTAINABILITY

KAGEM EMERALD MINE, ZAMBIA

Kagem has built a reputation in Zambia as a world-class emerald mine, with a safety record to match. Having invested early in modern mining techniques and processes, the approach to safety, health and well-being has always been a key focus. The health, safety, environment and quality team's approach is by that of engaging staff through signage, carrying out regular training and awareness sessions, and, more recently, championing safety compliance and reporting. Kagem is in the process of ensuring compliance with both OHSAS18001 and ISO14001 management systems. Kagem has a well-established clinic and staff have access to emergency evacuation services if a serious incident occurs. For staff well-being, there are sports and gym facilities, an annual football tournament, a recreation area and an area, called the "Lake House" for employees to relax and socialise in.

There were no operational fatalities at the mine and one lost-time injury incident during the five-month period to December 2017.

MONTEPUEZ RUBY MINE, MOZAMBIQUE

Montepuez is a very young operation and with a very different level of safety risk to Kagem. Because the mining is alluvial, the level of safety risk is very much lower, but mining operators are still required to meet the same standards of safety. Montepuez continues to invest in training, awareness sessions, personal protective equipment compliance testing, and the issuance of a number of operational policies to advance the continuous improvement process. Montepuez is in the process of ensuring compliance with both OHSAS18001 and ISO14001 management systems. An upgraded clinic is in operation and staff at Montepuez have access to emergency evacuation services if a serious incident occurs. With a new camp facility recently completed, staff well-being is now catered for with enhanced dining and recreation areas as well as sports pitches, weekly social evenings and competitive sports events. In 2017 MRM inaugurated a number of community projects: the completion of three primary schools, the purchase of a mobile health clinic, the completion of a second chicken farming project and completed the first year of conservation farming with nearly 300 farmers.

There were no operational fatalities at the mine and one lost-time injury incident during the five-month period to December 2017.

KARIBA AMETHYST MINE, ZAMBIA

The Kariba mine is small in comparison with Kagem and Montepuez, but we have the same approach to health, safety and the environment. The integrity of Kariba's approach is still very rigorous and the operation has in place the necessary processes to manage the risks according to the likelihood, severity and size of the operation. Kariba's management gives its staff access to a local doctor for hospital referrals and works with health delivery partners to carry out health and safety training. Environmental studies have been carried out in accordance with the law and these approaches are integrated into the mine operations and rehabilitation plan.

There were no operational fatalities at the mine in 2017.

In 2017 MRM inaugurated a number of community projects including the completion of three primary schools.

INDUSTRY INITIATIVES

Product responsibility: Industry sustainability standards

Currently, an industry coloured gemstone sustainability standard does not exist in the same way as for diamonds or precious metals. As such, miners, jewellers and mid-stream suppliers do not have a reference point, or an agreed plan of action, to tackle issues relating to transparency or traceability. Despite numerous attempts by different organisations looking at sustainability from different perspectives, an industry-wide standard is still some way off.

Gemfields is uniquely placed to champion the development of standards because, as both a miner and supplier of cut and polished stones, we have experience of almost the entire supply chain. Gemfields is taking a leading role in the coloured gemstone industry to raise the bar for responsible sourcing and traceability across the industry as a whole, and, throughout 2017, Gemfields has been heavily involved with initiatives that are developing, in partnership with the Responsible Jewellery Council ("RJC") and the World Jewellery Confederation ("CIBJO"), as well as with major luxury and retail brands, to develop coloured gemstone, supply chain and sourcing sustainability standards.

Product responsibility: Mid-stream social and environmental factory audits

As part of our commitment to championing the wider industry supply chain, Gemfields initiated a new programme of social and environmental audits of mid-stream rough gemstone partners. The purpose of this initiative is to give assurances to buyers further downstream that the stones bought from Gemfields at auction have been cut and polished in factories that have been audited for major social and environmental risk such as child labour, slavery, working conditions and environmental management. This initiative was started with emerald customers in 2015 and was completed in 2017, with all Gemfields' Authorised Auction Partners going through the process.

PRINCIPAL RISKS

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

The Group's main operating activity is its mining interests in Zambia, Mozambique, South Africa and Ethiopia, which are primarily in the natural resources sector. The performance of the Group's investments is critical to the Group's prospects.

KEY RISKS TO THE GROUP

MACROECONOMIC RISKS

The global macroeconomic outlook can have a major impact on the Group's operations and investments. Adverse macro-economic conditions and deterioration in the global economic environment, such as a slowdown in the markets that the Group operates in, may have a significant impact on the performance of the Group's operations and the valuation of the Group's investments.

Gemfields is exposed to macroeconomic risk associated with the consumption of hard luxury goods, directly in its supply of rough gemstones to supply the jewellery manufacturing sector, and via the luxury brand Fabergé. During times of economic uncertainty or downturn, demand for hard luxury goods may fall. The macroeconomic climate may result in wholesale and retail buyers not spending, or, at worst, defaulting on payments.

COMMODITY PRICE RISK

The Group holds coloured gemstones on its balance sheet in the form of inventory. A decrease in the price of coloured gemstones, specifically rubies and emeralds, may have a material impact on the Company's profitability. For the Group's other major investments, namely Jupiter and Sedibelo, commodity prices can have a significant impact on the valuation of these investments and can impact on the viability of assets that the Group has invested or may invest in. The commodities of most relevance to the Group currently are coloured gemstones, PGMs, manganese and iron ore.

COUNTRY RISKS

The Group holds investments which operate in countries including Zambia, Mozambique, South Africa, Australia, Madagascar, Sri Lanka and Ethiopia. Relevant risks associated with these countries and other countries in which the Group's investments might operate include regulatory and tax risks, political risk, foreign exchange fluctuations, inflation, industrial relations problems, and other local economic conditions.

Gemfields' exposure in emerging markets such as Zambia, Mozambique and Ethiopia is generally subject to greater risk related to changes in legal requirements, mineral royalty rates, taxation policies or restrictions on the export of currency or gemstones, and which may have a material adverse impact on the Company's operations or ability to expand.

Political instability may also result in civil unrest, labour disputes or the withdrawal or variation of existing agreements, mining licences and permits. Any of these threats may adversely affect the Company's operations.

RESOURCES SECTOR AND MINING RISKS

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

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

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

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

DIRECT RISKS TO THE GROUP

COUNTERPARTY RISK

The Group holds materially all of its cash balances with three counterparties, Barclays Bank plc ("Barclays"), Deutsche Bank International Limited, which is an indirect subsidiary of Deutsche Bank Group ("Deutsche"), and HSBC Bank plc ("HSBC"). The Group also holds certain cash balances with Investec Bank (Channel Islands) Limited, a subsidiary of Investec Bank plc, and Banco Comercial E De Investimentos, S.A. ("BCI"). At the reporting date, the Group held a small balance with Afrifocus, the Company's broker facilitating the share buy-back programme. The Group's subsidiaries and associates may also hold cash balances with various other banks; these are usually immaterial amounts. The Group's investments hold cash balances with a range of counterparties. Bankruptcy or insolvency of any of these counterparties could have a significant adverse impact on the Group.

The Group may make loans to investments; the Group has previously extended loans to Gemfields and its subsidiaries. The non-repayment of these loans would have a material effect on the Group.

EXCHANGE RATE RISK

The Group's operations are exposed to exchange rate risk on foreign currency sales, purchases and expenses, as no active currency hedging is undertaken. As the majority of revenues are denominated in US$ and the US dollar plays a dominant role in the Group's business, funds borrowed and held in US dollars provide a natural hedge to currency fluctuations. Operating costs and costs of locally sourced equipment are influenced by fluctuations in local currencies, primarily the Zambian kwacha and Mozambican metical.

Some of the Group's investments are denominated in currencies other than the US$ including ZAR, AUD and GBP. These assets are translated into US$, at each balance sheet date and the Group's Consolidated Statement of Comprehensive Income includes related unrealised foreign exchange gains or losses. The Group also realises foreign exchange gains or losses on occasion, usually relating to the completion of transactions in assets denominated in currencies other than the US$.

A key tenet of the Group's treasury policy is that materially all of the Group's cash is held in US$, other than amounts allocated for a specific foreign currency investment, which are usually held in the relevant currency. The Group's cash balance is therefore not subject to material foreign exchange risk in most circumstances.

RISK OF INACCURATE REPORTING OR LOSS OF ACCOUNTING RECORDS

The valuation of the Group's investments in each reporting period is complex and subjective; if the Group's investment valuations were misstated, this could materially affect both the Group's NAV and its reputation. The Directors have made various key accounting policy choices and other subjective decisions, particularly with regard to investment valuations.

During the year, the Company's external financial reporting was reliant on the integrity of various information systems at Vistra Fund Services (Guernsey) Limited ("Vistra Guernsey"). Failure of Vistra Guernsey's information systems could lead to the loss of accounting records and other information. The integrity and quality of Vistra Guernsey's staff are also important. Following the acquisition of Gemfields, and the associated integration of the internal financial teams, the majority of financial reporting is conducted in-house. The risk relating to inaccurate reporting or the loss of accounting records will therefore shift from Vistra Guernsey to the internal finance function.

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

RISK CAUSED BY EXCESSIVE LEVELS OF GEARING

Significant levels of gearing could affect the returns attributable to shareholders. Any default on borrowing could lead to repossession of the assets on which the borrowing has been secured, with an adverse effect on shareholders. The Directors monitor the level of borrowing to ensure the Company is operating and growing sustainably.

COMMUNITY RELATIONS

Mining requires the acceptance and support of a wide range of local community stakeholders and the workforce itself. The remote locations that Gemfields works in are bordered by

PRINCIPAL RISKS/CONT.

villages and habitations in Zambia, Mozambique and Ethiopia. Failure to share the benefits of the operations with local communities, such as creation of jobs, local procurement or community investment activities, may cause delays or disruptions to our operations and may undermine our "social" licence to operate. Furthermore, the presence of security contractors to protect the assets, local administrative requirements, police/state forces, presence and governmental interference, especially close to election periods, can exacerbate racial, ethnic and economic tensions, and, despite legal title to operate a mine, mining operators must be aware that the "social" licence to operate is as crucial as the legal licence to operate.

REPUTATION AND BRAND

Gemfields has a distinct brand identity built on its role as a champion of coloured gemstones and as a responsible mining company. As the Company expands its operations into new countries and new markets, it must uphold that brand identity by ensuring that it continues to play a leadership role in the sector as well as maintaining credibility and integrity regarding its responsible mining claims. Any incident that undermines the brand may result in the loss of trust in the wider coloured gemstone and downstream industry and potentially harm commercial relationships.

GROWTH

Gemfields is reliant upon key individuals across the business making decisions and managing key projects across the business. With a lean management structure, Gemfields recognises the potential for inefficient use of management time and resources and of the pressure on management that does not allow more judicious decision-making at key moments. The loss of key personnel or the failure to attract and retain qualified employees could affect the Group's operations, financial position and growth.

Growth is dependent partly on our ability to bring new projects online, but ultimately rests on the management team's ability to remove barriers to entry that can prevent new projects from adequately delivering as expected, and empower their teams to execute their duties to a high level.

GEOLOGY AND MINING

Due to the unpredictable nature of gemstone geology and nascent nature of mechanised coloured gemstone mining, there is no assurance that Gemfields' exploration and development activities will be successful, or that new projects expenditure will be fully recovered or that ore reserves can sustain the life of mine.

There is a risk that exploration activities may not deliver viable mineral resources or that Gemfields may fail to identify attractive acquisition or investment opportunities.

HEALTH, SAFETY AND ENVIRONMENT ("HSE")

HSE risks are inherent to the mining industry. Failure to maintain adequate health and safety standards may result in a significant incident or deterioration in safety performance. This may result in loss of life, loss of time or disruption to the mining operations, and, at worst, a fine or loss of licence. Mining is an environmentally disruptive process for the majority of a mine's life cycle. Consideration of the impact of mining on the environment is therefore very important in existing and future operations. Breaches can damage reputation and impact revenue.

FABERGÉ

The Fabergé distribution model presently relies on a combination of online sales, directly operated boutiques, a large number of concessions, international client events and a network of independent multi-brand retailers. Failure of the distribution model either wholly or partially would have a material adverse impact on Fabergé and potentially Pallinghurst.

SECURITY

Theft resulting from both internal collusion and illegal mining is an inherent risk factor in the gemstone industry.

This risk is significant, particularly at the Montepuez ruby mine. Due to its size, it cannot be completely fenced off; hence artisanal miners ("ASM") frequently enter the licence area. ASMs operate without licences and extract gemstones illegally which would otherwise be retrieved and sold by the Company. The loss of gemstones from the licence area impacts the profitability of the Company.

The presence of security forces (contracted or otherwise) can have an impact on reputation and community relations.

DIRECTORS' REPORT

The Directors are pleased to present the Group's Annual Report and Financial Statements for the year ended 31 December 2017.

NATURE OF BUSINESS

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

Up until 31 July 2017 the Group was a specialist natural resources investment holding company. The Company became an operating mining company upon taking board control of Gemfields and has prepared its financial statements as an operating mining company effective 1 August 2017. The Company intends to apply for its listing to be moved to the "Mining" sector of the JSE main board during 2018.

CORPORATE GOVERNANCE

The Group subscribes to the King Code of Governance Principles and the King Report on Governance ("King IV"). The Directors are satisfied that the Group complies with the principles and recommendations of King IV. The Directors carried out a detailed assessment of the principles and recommendations of King IV during the year and fully support its implementation across the Group.

FINANCIAL RESULTS

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

BOARD COMPOSITION

Director	Designation	Appointment date
Mr Brian Gilbertson[1]	Executive Director – Chairman	4 September 2007
Mr Arne H. Frandsen	Executive Director – Chief Executive	4 September 2007
Mr Andrew Willis	Executive Director – Finance Director	25 November 2008
Mr Sean Gilbertson	Executive Director – Chief Investment Officer	17 July 2017
Dr Christo Wiese	Non-Executive Director	11 February 2013
Mr Martin Tolcher	Independent Non-Executive Director	25 November 2008
Mr Lumkile Mondi	Independent Non-Executive Director	29 October 2015
Mr Kwape Mmela	Independent Non-Executive Director	31 July 2017
Mr Erich Clarke	Independent Non-Executive Director	31 July 2017

1 Mr Gilbertson became Non-Executive Chairman effective 1 January 2018.

DIRECTORS WHO RETIRED DURING THE YEAR

Mr Priyank Thapliyal[2]	Executive Director – Chief Operating Officer	17 July 2017
Mr Stuart Platt-Ransom[3]	Independent Non-Executive Director	4 September 2007
Mr Clive Harris[4]	Independent Non-Executive Director	4 September 2007

2 Mr Thapliyal resigned from the Board on 16 November 2017.
3 Mr Platt-Ransom resigned from the Board on 11 July 2017.
4 Mr Harris resigned from the Board on 11 July 2017.

DIRECTORS' REPORT/CONT.

RETIREMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Incorporation, Mr Kwape Mmela and Mr Erich Clarke will offer themselves for re-election at the Annual General Meeting ("AGM") to be held on 12 July 2017. In addition, shareholders will be asked to ratify the appointment of Mr Sean Gilbertson as an Executive Director.

SHAREHOLDER MEETINGS

A general meeting was held on 26 June 2017 as part of the Gemfields transaction. The following resolutions were passed:

SPECIAL RESOLUTIONS:

1. To approve the Pallinghurst share plan, the proposed extension of the life of the Company by 50 years, the amended Articles to reflect the new management structure, an increase in the amount payable to non-executive directors as fees to a maximum of US$100,000 each and the general authority to repurchase up to 152,090,526 ordinary shares.

ORDINARY RESOLUTIONS:

2. To approve the takeover offer to be made by or on behalf of Pallinghurst to acquire the total issued and to be issued share capital of Gemfields not already owned by Pallinghurst.

The Group's ninth AGM was held on 12 July 2017. The following resolutions were considered:

ORDINARY RESOLUTIONS:

1. The adoption of the Company's Annual Report and Financial Statements for the year ended 31 December 2016.
2. To re-elect Clive Harris, who is retiring by rotation, as a Director of the Company.
3. To re-elect Stuart Platt-Ransom, who is retiring by rotation, as a Director of the Company.
4. To elect each of Martin Tolcher, Clive Harris (subject to his re-election as Director pursuant to Ordinary Resolution 2) and Stuart Platt-Ransom (subject to his re-election as Director pursuant to Ordinary Resolution 3) to the Company's Audit Committee.
5. To reappoint Saffery Champness as the Company's auditor (until the conclusion of the 2018 Annual General Meeting) and to authorise the Directors to fix their remuneration.

With the exception of Ordinary Resolutions 2, 3 and 4, which were withdrawn in advance of the meeting due to Clive Harris and Stuart Platt-Ransom having resigned as Directors with effect from 11 July 2017, all of the remaining resolutions set out in the notice of meeting and proposed at the meeting were passed by the requisite majority of shareholders.

The Group's next AGM is scheduled for 26 June 2018. Full details are set out in the *Notice of Annual General Meeting* which is included in the Annual Report. The Directors consider that passing the resolutions to be proposed at the AGM will be in the best interests of the Company and shareholders as a whole and unanimously recommend that shareholders vote in favour of each of them, as they intend to do in respect of their own holdings.

INDEPENDENT AUDITOR

Saffery Champness ("Saffery") was re-elected as Company auditor at the AGM on 12 July 2017. Following the formal completion of the compulsory acquisition of Gemfields, with the Company set to become an operating mining company (subject to the applicable regulatory provisions), whereas previously it had been an investment entity, Saffery reviewed section 26 (a) ISQC1 (UK) Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements (2017). Saffery concluded that they would not be able to meet the requirements of this section due to the change in the nature of the entity and decided to resign as auditors.

The Audit Committee recommended to the Board that BDO LLP ("BDO") should be appointed as the Company auditor until the conclusion of the 2019 AGM. The Board agreed with this recommendation, and, accordingly, an ordinary resolution has been proposed for the forthcoming AGM for the appointment of BDO as independent auditor, and to authorise the Directors to agree their level of remuneration.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

GOING CONCERN

The Directors have considered the likely cash flows and costs of the Group for 12 months subsequent to the signature of the Financial Statements, particularly considering the takeover of Gemfields and the absorption of Gemfields' cash and debt facilities into the Group. The Directors have concluded that the Group has adequate resources to continue in its activities for the foreseeable future. The Annual Financial Statements have therefore been prepared on the going concern basis.

OMISSION OF COMPANY-ONLY FINANCIAL INFORMATION FROM THE FINANCIAL STATEMENTS

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

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

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

The Directors are responsible for the following:

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

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

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

AUDITOR CONFIRMATION

Each of the Directors, at the date of approval of the Financial Statements, confirms that:

1. So far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
2. Each Director has taken all steps he ought to have taken to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

APPROVAL OF ANNUAL REPORT AND FINANCIAL STATEMENTS

The Annual Report and Financial Statements for the year ended 31 December 2017 were approved on 29 March 2018 and will be presented to shareholders at the AGM on 26 June 2018. The Financial Statements are signed on the Directors' behalf by:

Sean Gilbertson
Director
29 March 2018

Martin Tolcher
Director
29 March 2018

CORPORATE GOVERNANCE REPORT

APPROACH TO CORPORATE GOVERNANCE

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

BOARD RESPONSIBILITIES

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

BOARD COMPOSITION

King IV recommends that a Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively. There are nine Directors on the Board, of which six are Non-Executive Directors. Four of the Non-Executive Directors are independent. Mr Tolcher has served on the Board for a tenure of more than nine years, and as per the recommendations of King IV, the Board is required to review his independence. As Mr Tolcher has no significant interests in the Company and his remuneration is non-material, the Board has concluded that his independent classification should remain for the foreseeable future. A further review of the independence of the Non-Executive Directors will be undertaken each year by the Board. Dr Christo Wiese is not considered independent in the context of King IV due to his shareholding in the Company (which is above 5%).

The roles of the Chairman and Chief Executive are formalised, separate and clearly defined. This creates a balance of power and authority and means that no individual is able to exercise unrestricted power. King IV recommends that the Board should be led by an independent Non-Executive Chairman who should not be the Chief Executive Officer of the Company. The offices of Chairman and Chief Executive are separate. The Chairman of PRL, Brian Gilbertson, has become Non-Executive Chairman from January 2018 to further align the Company with the principles of King IV. The other members of the Board believe that the Chairman's wealth of knowledge and experience mean that he is best placed to provide overall leadership to the Board.

Mr Mondi became the Company's Lead Independent Non-Executive Director ("LID") effective 14 September 2017. Previous to this, Mr Platt-Ransom served as the Company's LID up to his resignation date. The LID's main responsibilities are to chair any meeting in which the Chairman has a conflict of interest, and to give stakeholders a point of contact separate from the Executive Directors.

DIVERSITY POLICY

When considering the balance of the Board or the nomination of new members or the appointment of senior executives, the range of skills, knowledge, experience and diversity of existing incumbents is taken into account, including gender. The Company seeks to promote diversity at Board level, including gender, although it does not set targets for race, age, sexual orientation or gender when making appointments to the Board. The key factors considered are those which will result in the appointment of the best-qualified individuals who can best serve the interests of all of the stakeholders of the Company. The Nomination Committee seeks to ensure that the Board has the right balance necessary to carry out its responsibilities in keeping with robust standards of governance.

All new Directors undergo a formal induction programme. The programme is tailored for the individual Director; in broad terms, the programme sets out the Director's responsibilities and educates the individual on the Group and its investments.

EXECUTIVE DIRECTORS

The Executive Directors, Arne H. Frandsen (Chief Executive), Andrew Willis (Finance Director) and Sean Gilbertson (Chief Investment Officer), are responsible for the Group's strategic direction and everyday management. Brian Gilbertson was the Company's Executive Chairman up to 31 December 2017. The Executive Directors often act as Directors of the Group's investments, for example Mr Brian Gilbertson is the Chairman of Gemfields, Sedibelo and Jupiter, Arne H. Frandsen is Deputy Chairman of Gemfields and a Director and Deputy Executive Chairman of Sedibelo, Mr Willis is a Director of Gemfields and Mr Sean Gilbertson is Chief Executive of Gemfields. In addition, the Executive Directors attend each of the Company's Board meetings.

BOARD MEETINGS

Board meetings are scheduled on a quarterly basis each year to consider the Group's strategy, performance, investment valuations and other issues. Additional Board meetings may be convened on an ad hoc basis. Directors use their best endeavours to be present at Board meetings and participate fully, frankly and constructively. Matters are decided at Board meetings by a majority of votes. In the case of an equality of votes, the Chair does not have a second or casting vote. Due to the Company's increased commercial activity during the year, six Board meetings were held during 2017 at which all resolutions were agreed unanimously.

ATTENDANCE AT BOARD MEETINGS

Below is a list of the Directors and their attendance record for the scheduled meetings of the Board and (where they were members) its committees during 2017:

	Board	Audit	Remuneration	Nomination
Mr Brian Gilbertson	6/6	n/a	n/a	n/a
Mr Arne H. Frandsen	6/6	n/a	n/a	n/a
Mr Andrew Willis	6/6	n/a	n/a	n/a
Mr Sean Gilbertson[1]	1/2	n/a	n/a	n/a
Mr Christo Wiese	1/6	n/a	n/a	n/a
Mr Martin Tolcher	6/6	2/2	1/1	2/2
Mr Lumkile Mondi[2]	5/6	1/1	n/a	n/a
Mr Kwape Mmela[3,4]	2/2	n/a	n/a	n/a
Mr Erich Clarke[3,5]	2/2	n/a	n/a	n/a
Mr Priyank Thapliyal[1,6]	1/1	n/a	n/a	n/a
Mr Clive Harris[7]	3/4	1/1	1/1	2/2
Mr Stuart Platt-Ransom[7]	4/4	1/1	1/1	2/2

1 Appointed to the Board 17 July 2017.
2 Appointed to the Audit, Remuneration and Nomination Committees 11 July 2017.
3 Appointed to the Board 31 July 2017.
4 Appointed to the Nomination and Remuneration Committees 14 September 2017.
5 Appointed to the Audit Committee 14 September 2017.
6 Resigned from the Board 16 November 2017.
7 Resigned from the Board, Audit, Remuneration and Nomination Committees 11 July 2017.

Attendances set out above include attendance in person or by telephone. Dr Wiese makes every effort to attend the Board meetings of the Company, but, inevitably, due to his extensive business interests, other commitments have prevented Dr Wiese being able to be present. Dr Wiese does, however, contribute to the strategy and running of the business through regular meetings and communication with the Executive Directors.

BOARD COMMITTEES

The Board has established certain committees to assist in discharging its responsibilities. Reports from the Audit Committee, Remuneration Committee and Nomination Committee are included within this Annual Report. PRL does not currently have a Social and Ethics Committee, as historically, the nature and size of the Company have made such a committee redundant. The relevant activities in practice are carried out by the Audit Committee and therefore by a majority of Non-Executive Directors in line with the recommendations of King IV. The Company will review the requirement of having a Social and Ethics Committee in the future.

ROTATION OF DIRECTORS

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

COMPANY SECRETARY

During the year, Vistra Guernsey acted as Pallinghurst's Company Secretary, rather than a specific individual. Vistra Guernsey employs a number of individuals with expertise in

CORPORATE GOVERNANCE REPORT/CONT.

different areas who are able to assist the Board as necessary. They have experience in areas including corporate governance, directors' fiduciary responsibilities, compliance and private equity fund structures. The Board also engages external legal counsel and other advisors as necessary.

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

The Board is required to consider and satisfy itself on an annual basis on the competence, qualifications and experience of the Company Secretary (as a consequence of the Company's JSE listing). The Board believes that it is better-served by having access to a broader range of skills via Vistra Guernsey than employing an individual as Company Secretary. Vistra Guernsey is regulated by the GFSC and employs individuals with a wide range of skills and experience that the Board is able to draw upon as required. The Board is satisfied that the Company Secretary has the requisite competence, qualifications and experience to carry out the required responsibilities. The Board is satisfied that the relationship between Vistra Guernsey (as the Company Secretary) and the Board is at arm's length.

RISK MANAGEMENT

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

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

INVESTMENT VALUATIONS

The Directors are collectively responsible for the estimation of the fair value of investments in each reporting period. The valuation of each investment as determined by the Directors has been prepared using a methodology and approach which is reasonable, is consistent with the concept of fair value under IFRS, and is in accordance with the International Private Equity and Venture Capital ("IPEVC") valuation guidelines (the "IPEVC Valuation Guidelines").

SUSTAINABILITY REPORTING

The Directors recognise the importance of sustainable development. Previously, as an investment holding company, the Company did not have a significant direct impact on the natural environment in which it operated. The responsibility for sustainable development was largely retained by the Company's investments, Gemfields, Sedibelo Platinum Mines and Jupiter. Since the acquisition of Gemfields, the Company has integrated the Corporate Social Responsibility and sustainability initiatives across the Group. Where possible, the Board also uses its influence on the Group's investments to ensure that independent assurance is provided on their sustainability reporting. Detailed sustainability information for the Group's investments can usually be obtained from publicly available information relating to the relevant investments.

SHAREHOLDER COMMUNICATION WITH THE BOARD

Shareholders are able to communicate with the Board either by attending the AGM in person or by submitting proxy voting forms. The Directors regularly meet with analysts, shareholders and the South African media. PRL also communicates with its shareholders regarding the Group's financial performance and strategy through the Stock Exchange News Service ("SENS") and via the website, www.pallinghurst.com and www.gemfields.com. The Board communicates with other stakeholders as appropriate. The Company ensures communication with smaller shareholders who lack access to electronic media by way of publishing financial results in a main South African daily newspaper.

A contractor embracing his safety gear at the Tshipi Borwa mine.

Since the acquisition of Gemfields, the Company has integrated the Corporate Social Responsibility and sustainability initiatives across the Group.

REGULATORY AUTHORISATION

Following the acquisition of Gemfields during 2017, the Company ceased to be an investment entity and started the process of converting to an operating mining company. As a result of the change in nature of the Company, the authorisation granted by the Guernsey Financial Services Commission ("GFSC") under section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, was cancelled on 17 January 2018.

INTERNAL AUDIT

King IV recommends that all companies implement an internal audit function. During the year, the Group utilised Vistra Guernsey as its administrator, passing responsibility for the provision of the Company's accounting function, and therefore no internal audit function was appointed. Following the acquisition of Gemfields, and the associated integration of the internal financial teams, the Board believes that it may be appropriate for the Group to appoint its own internal audit function during the year to December 2018.

DEALING IN SECURITIES

PRL has a defined policy for the conduct of Directors and employees classified as insiders in relation to dealing in PRL's shares. The JSE Listings Requirements define closed periods, which are around the time of the annual results, the interim results, the release of any other major announcements, price-sensitive negotiations, acquisitions or disposals, or pending the release of any other price-sensitive information. Directors (and their close family members) as well as employees who are classified as insiders are prohibited from trading in PRL's shares during these closed periods. Directors and employees can trade PRL shares outside of these periods, after first obtaining the necessary approval in writing in accordance with the Company's policies. Any transactions by Directors are reported to the JSE and BSX and are published on SENS and on the Company's website.

AUDIT COMMITTEE REPORT

INTRODUCTION

The Audit Committee is pleased to present its report for the year ended 31 December 2017 as recommended by King IV. The committee is constituted by the Board, has an independent role and is accountable both to the Board and to shareholders.

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

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

COMPOSITION

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

- Mr Tolcher (Chair)
- Mr Mondi
- Mr Clarke

Mr Harris and Mr Platt-Ransom resigned as Independent Non-Executive Directors and from all Board committees, including the Audit Committee, with effect from 11 July 2017. Mr Mondi was appointed to the Audit Committee on the same date. Mr Clarke was appointed to the Audit Committee effective 14 September 2017. The performance of the members of the Audit Committee is evaluated on an annual basis by the Board.

MEETINGS

In addition to the committee members, the Finance Director may attend meetings by invitation. The Chair of the committee usually meets separately with both the Finance Director and the external auditor in advance of committee meetings. The committee may meet with the external auditor either formally or informally, throughout the year; the audit partner has access to the committee via the Chair. The Chair of the committee decides whether to convene any unscheduled meetings and who should be invited to such meetings; two formal meetings were held during 2017.

INTERNAL AUDIT

During the year, the Group utilised a third-party administrator, Vistra Guernsey. The provision of the Company's accounting function was one of Vistra Guernsey's key duties. Following the acquisition of Gemfields, and the associated integration of the internal financial teams, the Board believed that it would be appropriate for the Group to appoint its own internal audit function during the year to December 2018.

Vistra Guernsey is regulated by the GFSC and maintains a robust environment of systems and controls, with separate Risk and Compliance functions. This environment is reviewed by Vistra Guernsey's auditor, PwC, as part of Vistra Guernsey's annual audit process. In addition, Vistra Guernsey has engaged PwC to produce a report on internal controls in accordance with International Standard of Assurance Engagements 3402: Assurance Reports on Controls at a Service Organisation. The most recent report is dated 7 March 2018 and reports on the internal controls in place at 31 October 2017. The report concluded that Vistra Guernsey had designed and put in place suitable control procedures in order to meet its control objectives. The Audit Committee is satisfied that Vistra Guernsey's internal controls are adequate and fit for purpose and has therefore recommended to the Board that the Group should not currently appoint its own internal audit function. An analysis will be undertaken over the next 12 months on whether it is deemed to be appropriate for the Company to appoint its own internal audit function as a result of the Company converting to an operating mining company.

CHIEF INFORMATION OFFICER

King IV recommends that the Board should govern technology in a way that supports the Company setting and achieves its strategic objectives. The Board is collectively responsible for Information Technology governance. Vistra Guernsey has a formal programme of Information Technology risk management and a Head of Information Technology. Following the

Mining activity, Montepuez ruby mine, Mozambique.

acquisition of Gemfields, an analysis will be undertaken on whether it is deemed to be appropriate for the Company to appoint its own Chief Information Officer as a result of the Company converting to an operating mining company.

DUTIES CARRIED OUT IN 2017

During the year ended 31 December 2017, the committee carried out its duties as required by King IV and its terms of reference. The committee performed the following statutory duties:

- Considered the qualifications, independence and objectivity of Saffery and approved their terms of engagement.
- Recommended the appointment of BDO LLP ("BDO") as Company auditor to the Board.
- Approved the fees paid to Saffery during 2017, which were solely for audit services.
- Approved the fees proposed by BDO for their annual audit services.
- Ensured that the independence of Saffery and BDO has not been compromised for any reason.

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

- Reviewed the Group Annual and Interim Financial Statements for compliance with IFRS, the JSE Listings Requirements and the Companies (Guernsey) Law, 2008.
- Reviewed significant judgements and unadjusted differences resulting from the audit and interim review.
- Approved the valuation of the Group's investments.
- Ensured that the Group's accounting policies are suitable and considered the adoption of new and amended accounting standards.
- Assessed and was satisfied that no accrual should be made for the Performance Incentive up to the termination of the Investment Management Agreement.
- Considered the performance of the Group's accounting function.
- Reviewed and was satisfied with the independence, objectivity and performance of the Independent Valuer.
- Reviewed and was satisfied that the Finance Director continues to possess the appropriate expertise and experience to carry out his responsibilities as Finance Director.
- Reviewed the Audit Committee Report included in the Company's previous Annual Report.

CHANGE OF COMPANY AUDITOR

Following the formal completion of the compulsory acquisition of Gemfields plc becoming effective, Saffery reviewed section 26 (a) ISQC1 (UK) Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements (2017) and concluded that they would not be able to meet the requirements of this section and decided to resign as auditors. Following the resignation of Saffery, the Audit Committee recommended the appointment of BDO as Company auditor to the Board. BDO was appointed as Company auditor on 8 January 2018.

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

CONCLUSION

The committee is satisfied that it has considered and discharged its responsibilities in accordance with its mandate and its terms of reference during 2017.

Martin Tolcher
Chair of the Audit Committee

REMUNERATION COMMITTEE REPORT

INTRODUCTION

The Remuneration Committee is pleased to present its report for the year ended 31 December 2017 as recommended by King IV. The committee is constituted by the Board, has an independent role and is accountable both to the Board and to shareholders.

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

- Monitoring the amounts paid to the Investment Manager and negotiating the terms of and/or renewal of any agreements entered into with the Investment Manager.
- Determining levels of remuneration for each member of the Board.
- Determining levels of remuneration for senior members of management or staff.
- Monitoring and maintaining the Company's Remuneration Policy.

COMPOSITION

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

- Mr Kwape Mmela (Chair)
- Mr Tolcher
- Mr Mondi

Mr Harris and Mr Platt-Ransom were members of the Remuneration Committee until they resigned as independent non-executive Directors and from all Board committees, with effect from 11 July 2017. Mr Mondi was appointed to the Remuneration Committee on the same date. Mr Mmela was appointed to the Remuneration Committee effective 14 September 2017 and as Chair of the committee on the same date.

MEETINGS

The committee meets as often as required and not less than once per year; one meeting was held during 2017. Members of the Remuneration Committee do not participate when the level of their personal remuneration is considered.

BACKGROUND STATEMENT

PRL'S NEW REMUNERATION POLICY

Prior to the termination of the Investment Management Agreement on 14 September 2017, the Company did not require a full Remuneration Policy, as the Executive Directors did not draw a salary; only the Non-Executive Directors received fees prior to this date. The announcement of the Gemfields takeover, however, triggered the need for the creation of a robust Remuneration Policy due to the proposed change in nature of the Company from an investment entity to an operating mining group. In preparation for a successful takeover, the Board, with input from the Remuneration Committee, set about creating a new comprehensive Remuneration Policy (the "Remuneration Policy") that would apply after the takeover and termination of the Investment Management Agreement.

In designing the Remuneration Policy, there were three key areas of focus:

- The policy should function as a strong tool to incentivise the performance of Executive Directors toward the success of PRL, its shareholders and other stakeholders.
- Shareholder consultation and approval are of vital importance to the Board and are a key metric by which the Remuneration Committee will measure the success of the policy.
- The King IV standards were to be incorporated into the policy.

THE REMUNERATION POLICY

ELEMENTS OF EXECUTIVE DIRECTOR REMUNERATION

The Executive Director remuneration was broken down into two key elements, fixed compensation and performance-related awards. The fixed remunerative elements comprise the base remuneration and employee benefits. The performance-related awards include short- and long-term incentives. These assorted components, along with their objectives, their link to the business strategy and the governing policy are explained in the table on page 71.

	Component	Objective	Link to business strategy	Policy
Elements one and two: Guaranteed Pay	**Base Compensation** Akin to a salary, base compensation is received monthly, based on an annual figure decided by the Remuneration Committee.	To engage the best talent at Executive Director level.	Ensures market competitiveness, helping to attract and retain key talent, and provides fair reward for individuals.	Executive Director base compensation was initially determined by former holders of equivalent office within Gemfields plc, and by prevailing market rates. Future reviews will be based on skill, experience, responsibilities and market rates, with particular emphasis on shareholder engagement.
	Insurance Benefits Executive Directors receive life insurance, medical and dental insurance and travel insurance policies for themselves and their families.	The benefit package is comparative to others on the market; the aim is to attract and retain the best talent.	PRL recognises the need for a holistic approach to Executive Directors' guaranteed pay package.	Insurances are comparative to those offered to the wider employee base within the Pallinghurst Group and are reviewed annually.
Element three: Short-Term Incentives	**Annual Bonus** At the end of each calendar year, Executive Directors stand to receive a cash bonus dependent on the success of their work over the previous year, based on the value of their base compensation.	To encourage performance over each one-year operating cycle.	Encourages growth in share price for shareholder benefit. Rewards Executive Directors for a measurable contribution to the Company.	The Adjusted Share Price is the key variable on which an annual bonus depends. Four targeted brackets ensure Executive Directors' efforts are rewarded proportionally.
Element four: Long-Term Incentives	**Share Options** At instatement, Executive Directors were granted share options, which they can exercise at set dates over the subsequent four years.	The incentive is twofold – retention of key talent, and incentivising delivery of excellent performance in the long term.	Aligns the Executive Directors' interests with those of shareholders; growth in the share price year on year. Motivates long-term performance. Rewards Executive Directors for their tangible successes.	Share Options are exercisable in set tranches per year, at a predetermined date.

No changes to the governing policies are anticipated in the immediate future based on known factors, beyond the regularly scheduled review of base compensation and the insurance package.

DIRECTOR REMUNERATION CONSIDERED IN A WIDER CONTEXT

Executive Directors

As with the wider employee base of the Pallinghurst Group, when setting Executive Director remuneration, market rates and practices are considered. Additionally, the remuneration of the former Gemfields Executive Directors was considered as a helpful benchmarking tool in reviewing and setting the Executive Director base compensation levels.

The proposed Executive Director remuneration structure was put to shareholders at the Company's General Meeting held on 26 June 2017, and the resolution was approved at that meeting.

Non-Executive Directors

A similar benchmarking exercise against market rates was undertaken for the Non-Executive Directors. At the Company's General Meeting, held on 26 June 2017, shareholders resolved that the maximum amount payable as Non-Executive Directors' fees be increased to US$100,000 per Director per annum.

Since the cap on the Non-Executive Director fees had been at the same level since the 2010 AGM, this increase not only brings the PRL remuneration more in line with prevailing market practice, but will also improve PRL's ability to attract candidates with appropriate qualifications and experience to the Board to take the Company forward.

A non-binding advisory vote was also passed at the AGM, held on 12 July 2017, for the Company's prior Remuneration Policy.

REMUNERATION COMMITTEE REPORT/CONT.

PERFORMANCE MEASURES

Aligning Executive Director remuneration with shareholder returns was considered a fundamental basis for the Remuneration Policy, and therefore the primary measure used to assess the Executive Directors' performance is share price performance. Receipt of variable remuneration (in the form of an annual bonus) is based on this metric.

Adjusted Share Price is the sum of two figures: the Volume Weighted Average Price ("VWAP") as determined over the last 30 trading days of the calendar year, and the aggregate dividends/distributions per ordinary share declared during the calendar year (the "Adjusted Share Price"). The Adjusted Share Price must have increased by 10% or more compared with the Adjusted Share Price for the previous calendar year before an annual bonus for Executive Directors becomes payable.

The amount of any annual bonus received is based on each Executive Director's annual base compensation. A greater increase in the Adjusted Share Price results in an annual bonus equal to a larger percentage of base compensation, capped at 100% of base compensation. In the event of the Adjusted Share Price for the relevant years increasing by the following thresholds compared with the Adjusted Share Price of the previous calendar year, the following annual bonuses would be awarded to the Executive Directors:

- Increased by 10% or more but less than 15% – annual bonus award of 25%
- Increased by 15% or more but less than 20% – annual bonus award of 50%
- Increased by 20% or more but less than 25% – annual bonus award of 75%
- Increased by 25% or more – 100% annual bonus awarded

As an example, a 12% increase in the Adjusted Share Price would unlock an annual bonus equal to 25% of each Executive Director's annual base compensation, and a 17% increase would result in a bonus of 50%.

Complete information on how this performance measure could affect Executive Directors' variable remuneration is expanded upon in this report. The table below provides a worked example of the possible effect of the Adjusted Share Price on total Executive Director remuneration using 2018 compensation levels as an example. An illustrative 17% increase to the Adjusted Share Price has been used as well as the highest and lowest case scenarios i.e. highest being an increase of the Adjusted Share Price by 25% or more and lowest being if the Adjusted Share Price does not increase by 10% or more.

Adjusted Share Price compared with previous year:	Decreased, unchanged, or increased by less than 10%	Increased by 17%	Increased by 25% or more
Base Compensation amount:	100%	100%	100%
	US$'000	US$'000	US$'000
Arne H. Frandsen	600	600	600
Sean Gilbertson	465	465	465
Andrew Willis	345	345	345
Subtotal	**1,410**	**1,410**	**1,410**
Annual Bonus amount:	No bonus	50% of Base Compensation	100% of Base Compensation
Arne H. Frandsen	–	300	600
Sean Gilbertson	–	232	465
Andrew Willis	–	173	345
Subtotal	**–**	**705**	**1,410**
Total Cash Remuneration	**1,410**	**2,115**	**2,820**

Rough emerald processing, Kagem mine, Zambia.

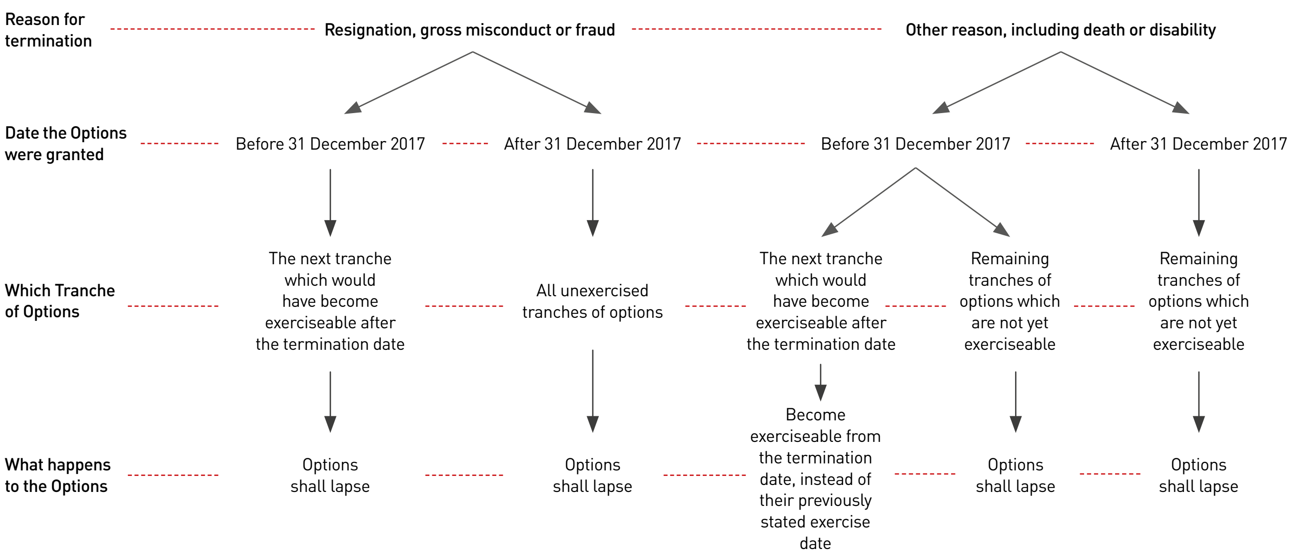
EXECUTIVE DIRECTOR SHARE OPTION PLAN

On termination of the Investment Management Agreement on 14 September 2017, the Executive Directors were each granted share options equivalent to 2% of the issued ordinary shares, as approved by shareholders on 26 June 2017. The share options were divided into five equal tranches.

Each of the tranches become exercisable at varied dates. The first tranche is exercisable from the date the options were granted (14 September 2017), the second tranche is exercisable from the first anniversary of that date (14 September 2018), the third tranche from the second anniversary (14 September 2019), the fourth tranche from the third anniversary (14 September 2020) and the final tranche on the fourth anniversary (14 September 2021).

Should an Executive Director cease to be employed by PRL, then the manner of his/her departure and the date any options were granted to him/her, determines how those options are treated. The figure below provides further clarification.

FIGURE 6: Termination Arrangements – Share Options



REMUNERATION COMMITTEE REPORT/CONT.

EXECUTIVE DIRECTORS' CONTRACTS OF EMPLOYMENT

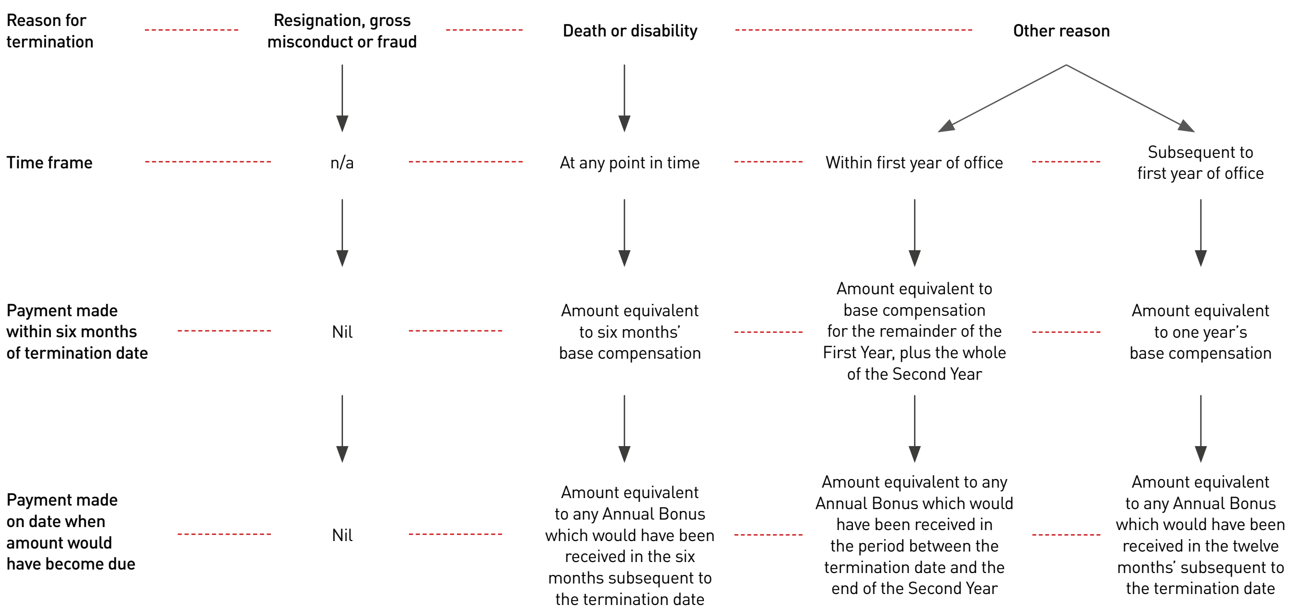
The termination clause within the Executive Directors' contracts allows for service to be terminated by an Executive Director giving PRL six months' written notice, or by PRL giving an Executive Director three months' written notice.

Depending on the amount of time an Executive Director remains employed by PRL, assorted provisions are made regarding termination payments.

If the termination occurs in the first year subsequent to their appointment, then PRL will pay the Executive Director an amount equal to his/her base compensation for the remaining amount of the first year, plus the whole of the subsequent year. PRL will also pay any annual bonus which the Executive Director would have received in the period from the termination date to the second anniversary of his/her employment, as if he/she had they remained employed during this period. If the termination occurs subsequent to the first year, PRL will pay the Executive Director an amount equal to one year of his/her base compensation, and any annual bonus which the Executive Director would have received in the twelve months following the termination date had he/she remained in PRL's employment.

Should the termination be as a result of death or disability, different arrangements will stand. PRL will pay an amount equivalent to six months' base compensation and any annual bonus which would have been paid to the Executive Director in the six months following the termination date as if his/her termination had not occurred. The chart below describes the termination payment amounts related to different termination scenarios and time periods and shows the time frame in which those payments would become payable:

FIGURE 7: Termination Arrangements – Cash Payments



EVALUATION OF WHETHER THE REMUNERATION POLICY MEETS ITS OBJECTIVES

When creating the Remuneration Policy, the Remuneration Committee focussed on three key areas:

Performance incentives

The Remuneration Committee is satisfied that the elements of Director remuneration are a good foundation for both the short- and long-term success of the Company.

The fixed remunerative elements (base compensation, benefits and Non-Executive Director fees) are competitively set to both attract and retain the key talent required by the Company.

The performance-related elements of variable remuneration (annual bonuses and share options) ensure that the interests of the shareholders are held at the forefront of the minds of Executive Directors, all of whom would stand to benefit from short-term and long-term growth in the share price.

Shareholder engagement

Shareholder engagement has been key to creating the Remuneration Policy and applying it to Executive Director remuneration both in the first year of employment and going forward. Shareholder advisory votes are a key means of shareholder feedback from which the Remuneration Committee can tailor both practical remuneration and the policy, and the Company commits to engaging shareholders on the subject of remuneration each financial year. The two votes held during 2017 were key for the Remuneration Committee to collate shareholder feedback following the initial setting of the policy and the Executive Director remuneration.

Should any shareholder advisory vote conclude in a result of less than 75% in favour of the remuneration matter under vote, the Remuneration Committee will re-examine the matter. Where possible the Remuneration Committee will engage in direct conversation with shareholders to understand the motivation behind such a vote, to better understand their concerns. However, a number of shares are held anonymously, therefore creating an obstacle in shareholder engagement. The Remuneration Committee will consider communicating with shareholders individually and also via the PRL website and the Stock Exchange News Service ("SENS"), encouraging shareholders to come forward should they believe their view is yet to be represented.

King IV Code

The Remuneration Committee is satisfied that the Remuneration Policy has been written in adherence to the King IV Code and that the robust principles of governance encouraged by King IV have been implemented.

REMUNERATION POLICY AVAILABILITY

A link to the PRL Remuneration Policy is available online at www.pallinghurst.com and www.gemfields.com.

Senior management, Montepuez ruby mine, Mozambique.

IMPLEMENTATION REPORT

PRL DIRECTOR REMUNERATION FOR 2017

KEY DECISIONS MADE IN 2017

Changes to Executive Director base compensation

Shareholders approved the proposal at the Company's General Meeting on 26 June 2017 that each Executive Director's base compensation be set at US$600,000 per annum. However, following consultation with shareholders during the year, certain reductions in base compensation were proposed by certain Executive Directors and agreed to by the Remuneration Committee and Board.

Sean Gilbertson elected to reduce his base compensation by approximately 22.5% from US$600,000 to GBP350,000 per annum (equivalent to US$464,746, converted at the average US$/GBP exchange rate for the period of his employment during 2017). Sean Gilbertson is the Chief Executive of Gemfields and his new base compensation has been benchmarked against that of the former Gemfields CEO, with a reduction reflecting Gemfields' withdrawal from the AIM stock exchange.

Mr Willis elected to reduce his base compensation by approximately 42.5% from US$600,000 to GBP260,000 per annum (equivalent to US$345,240, converted at the average US$/GBP exchange rate for the period of his employment during 2017). This figure represents the midpoint between the amounts received by the former Gemfields COO and CFO.

Mr Frandsen's base compensation remains unchanged at US$600,000 per annum. This is equivalent to the former Gemfields CEO's salary, but without the same reduction as Sean Gilbertson in the light of Mr Frandsen's additional duties as Chief Executive of the Company and his responsibilities at Sedibelo Platinum Mines Limited.

The affected Executive Directors have elected to backdate their reductions to 15 September 2017, the date from which their base compensation payments commenced.

Any annual bonuses for Executive Directors will be calculated entirely on these lower base compensation amounts, for 2017 and beyond.

REMUNERATION COMMITTEE REPORT/CONT.

Change to chairman role

After an extensive review of the King IV report, Brian Gilbertson elected to transition from Executive Chairman to Non-Executive Chairman, effective 1 January 2018. The Company and Remuneration Committee believe that Brian Gilbertson's extensive experience and superior leadership uniquely position him to chair the Board. This also results in PRL having a more conventional management and governance structure.

As a result of his transition from Executive to Non-Executive Chairman, Brian Gilbertson has elected to decrease his base compensation of US$600,000 per annum from 1 January 2018 by approximately 83% to a Non-Executive Chairman's fee of US$60,000 plus an additional GBP30,000 (equivalent to US$40,480 at 31 December 2017) for acting as Chairman of Gemfields. The fee is capped at a maximum Non-Executive Director fee of US$100,000 per annum. As Non-Executive Chairman, Brian Gilbertson will not be eligible for participation in the annual bonus scheme from 1 January 2018. Additionally, Brian Gilbertson has voluntarily elected to waive his right to all share options beyond the initial tranche which vested in September 2017.

Resignation of Priyank Thapliyal

Subsequent to his appointment as an Executive Director on 17 July 2017, Priyank Thapliyal resigned from the Board on 16 November 2017 to focus on his position as a full-time Chief Executive of Jupiter Mines Limited. As part of his resignation he elected to waive all remuneration and share options awarded at his appointment date.

Savings from changes to Executive Director base compensation

The result of these decisions is a total reduction to the fixed Executive Director remuneration bill of approximately US$1.5 million per year, as well as similar reductions to annual bonus awards should the share price thresholds be reached. The Remuneration Committee believes that the new remuneration arrangements better reflect shareholder opinion, and that shareholders should be encouraged by how the Executive Directors responded to shareholder engagement in electing to implement these reductions to their remuneration.

SCHEDULE OF FEES AND REMUNERATION

Throughout the 2017 financial year, the Executive Directors, remuneration consisted of their base compensation and the granting of share options, though no Executive Directors have exercised any share options as at 31 December 2017. No annual bonuses were paid in 2017.

The table below sets out the remuneration of Executive Directors during 2017:

1 January 2017 to 31 December 2017	Base Compensation US$'000	Annual Bonus US$'000	Share Options US$'000	Total US$'000
Brian Gilbertson	175	–	–	175
Arne H. Frandsen	175	–	–	175
Sean Gilbertson	136	–	–	136
Andrew Willis	101	–	–	101
Priyank Thapliyal	–	–	–	–
Total	587	–	–	587

No Executive Director remuneration was payable during 2016.

The Non-Executive Directors' fees vary based on the individuals' involvement and role within the various committees of PRL. The fees payable to Non-Executive Directors for the year ended 31 December 2017 are as follows:

1 January 2017 to 31 December 2017	Group Director Fees US$'000	Board Committees US$'000	Lead Independent Director US$'000	Total US$'000
Stuart Platt-Ransom[1]	18	2	1	21
Clive Harris[1]	19	2	–	21
Martin Tolcher	37	9	–	46
Dr Christo Wiese	37	–	–	37
Lumkile Mondi[2]	37	6	1	44
Erich Clarke[3]	16	1	–	17
Kwape Mmela[3]	16	3	–	19
Total	180	23	2	205

1 This relates to the period 1 January 2017–11 July 2017.
2 Appointed Lead Independent Director on 14 September 2017.
3 This relates to the period 31 July 2017–31 December 2017.

The amounts paid to the Non-Executive Directors for services during 2016 are set out below:

1 January 2017 to 31 December 2017	Group Director Fees US$'000	Board Committees US$'000	Lead Independent Director US$'000	Total US$'000
Stuart Platt-Ransom	35	3	2	40
Clive Harris	37	3	–	40
Martin Tolcher	35	5	–	40
Dr Christo Wiese	35	–	–	35
Lumkile Mondi	35	–	–	35
Erich Clarke	–	–	–	–
Kwape Mmela	–	–	–	–
Total	177	11	2	190

At the Company's General Meeting, held on 26 June 2017, shareholders resolved that the maximum amount payable as Non-Executive Directors' fees be increased to US$100,000 per Director per annum. With effect from 14 September 2017, the fee payable for each Non-Executive Director increased from US$35,000 per annum to US$40,000 per annum.

VARIABLE REMUNERATION

The variable remuneration scheme as explained earlier in this report was established in the 2017 financial year and consists of two elements, annual bonuses and share options.

Annual bonuses

Any annual bonus for the 2017 year would have been based on the Adjusted Share Price at the year end. As 2017 was the first year for the annual bonus scheme, the Adjusted Share Price was measured against a price of ZAR3.45 (being the closing PRL share price on 17 May 2017, the price that PRL based its Offer for Gemfields on). The Adjusted Share Price at 31 December 2017 was ZAR2.53, and therefore no annual bonuses were payable during 2017.

The Adjusted Share Price at 31 December 2017 of ZAR2.53 will be compared with the Adjusted Share Price at the end of 2018 to determine if any annual bonuses will be payable for the 2018 financial year.

Share options

The Executive Directors were each granted share options equal to 2% of the issued ordinary shares on 14 September 2017. The first of five tranches became exercisable on the date of issue. No share options had been exercised at 31 December 2017.

The table below illustrates the number of options issued, vested and forfeited during the year.

EFFECT OF PERFORMANCE MEASURES ON VARIABLE REMUNERATION

Executive Directors' variable remuneration in the form of annual bonuses is based on the performance of the Adjusted Share Price. No annual bonuses were paid at the end of 2017; the table below provides a full illustration of what bonuses may become payable at the end of 2018, dependent on the performance of the Adjusted Share Price:

The US$ equivalent amounts for the GBP-based salaries of Mr Sean Gilbertson and Mr Willis are based on a US$/GBP average rate for the period of their employment during 2017.

It is not yet possible to gauge the Executive Directors' performance with regard to the Adjusted Share Price, as insufficient time has elapsed. At the date of signature of the Company's Financial Statements, the Adjusted Share Price was ZAR3.18.

	Options held at 1 January 2017	Options granted during the year	Options forfeited during the year	Options exercised during the year	Options held at 31 December 2017	Exercise price	Exercise period
Brian Gilbertson	–	27,890,213	(22,312,170)	–	5,578,043	ZAR3.45	4.5 years
Arne H. Frandsen	–	27,890,213	–	–	27,890,213	ZAR3.45	4.5 years
Sean Gilbertson	–	27,890,213	–	–	27,890,213	ZAR3.45	4.5 years
Andrew Willis	–	27,890,213	–	–	27,890,213	ZAR3.45	4.5 years
Priyank Thapliyal	–	27,890,213	(27,890,213)	–	–	ZAR3.45	4.5 years

Adjusted Share Price increase:		**under 10%**	**10%–15%**	**15%–20%**	**20%–25%**	**25% or more**
Bonus (as % of base compensation)		**No bonus**	**Bonus of 25%**	**Bonus of 50%**	**Bonus of 75%**	**Bonus of 100%**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Arne H. Frandsen	600	–	150	300	450	600
Sean Gilbertson	465	–	116	233	349	465
Andrew Willis	345	–	86	173	259	345
Total	**1,410**	**–**	**352**	**706**	**1,058**	**1,410**

REMUNERATION COMMITTEE REPORT/CONT.

Gemfields Mozambican rubies.

TERMINATION PAYMENTS

In the 2017 financial year, no terminations or termination payments were made.

Mr Harris and Mr Platt-Ransom both resigned as Independent Non-Executive Directors effective 11 July 2017 and received their pro rata fees for the period up to their resignation date.

Mr Brian Gilbertson made the transition from Executive to Non-Executive Chairman effective 1 January 2018 and elected to waive any additional payments or share option entitlements following this date.

Mr Thapliyal resigned on 16 November 2017 and elected to waive all termination payments and share option entitlements following this date (see *Resignation of Priyank Thapliyal* section of this report).

SUCCESS OF THE REMUNERATION POLICY THROUGHOUT 2017

Whilst it is too early to determine whether the Remuneration Policy's long-term objectives have been achieved, the Remuneration Committee is confident that the Remuneration Policy is proving robust when put into practice.

Shareholder engagement has been a particular success; remuneration decisions for the Executive Directors have taken heed of the feedback available from shareholders. As a result, the Remuneration Committee is satisfied that it is meeting its stated aim of gathering the thoughts and opinions of shareholders to create a sustainable and fair remuneration environment.

FUTURE AREAS OF FOCUS

During 2018 the Board and Remuneration Committee have two main priorities:

1. To maintain good communication with shareholders. The implementation of the Remuneration Policy and the Executive Director remuneration throughout 2017 has benefitted immeasurably from shareholder engagement. The Remuneration Committee remains committed to continuing this dialogue, to the benefit of all parties.

2. To establish a share option scheme for the employees of the wider Pallinghurst Group. In the same manner that PRL has used share options as a long-term incentive for its Executive Directors, the Board wishes to extend this benefit to a wider number of its employees. In doing so, employees will feel more engaged with PRL. Having their remunerative rewards so closely tied to the success of the Company encourages employees to perform as active stakeholders, and ensures that their efforts at work equate to a real interest in their own remuneration. Consequently, PRL and its shareholders can be confident that employees will continue to perform at a superior standard, with all parties focussed on a unified aim.

APPROVAL OF THE REMUNERATION REPORT FOR 2017

All decisions taken in the 2017 financial year were compliant with the Remuneration Policy as determined by the Remuneration Committee. As such, this report was recommended by the Remuneration Committee and approved by the Board on 15 March 2018.

Kwape Mmela
Chair of the Remuneration Committee

NOMINATION COMMITTEE REPORT

ROLE OF THE NOMINATION COMMITTEE

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

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

COMPOSITION

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

- Mr Mondi (Chair)
- Mr Mmela
- Mr Tolcher

Mr Harris and Mr Platt-Ransom resigned as Independent Non-Executive Directors and from all Board committees, including the Nomination Committee, with effect from 11 July 2017. Mr Mondi was appointed to the Nomination Committee on the same date. Mr Mmela was appointed to the Remuneration Committee effective 14 September 2017. Mr Mondi was appointed Chair of the committee, also on 14 September 2017.

MEETINGS

The Nomination Committee meets as often as required and not less than once per year; two meetings were held during 2017.

DUTIES CARRIED OUT IN 2017

During the year ended 31 December 2017, the committee carried out its duties as required by King IV and its terms of reference. The committee performed the following duties:

- Considered the appropriateness of the appointments of Sean Gilbertson and Priyank Thapliyal to the Board of Directors as Executive Directors.
- Considered the appropriateness of the appointments of Kwape Mmela and Erich Clarke to the Board of Directors as Independent Non-Executive Directors.
- Agreed that Sean Gilbertson, Priyank Thapliyal, Kwape Mmela and Erich Clarke were suitable candidates for appointment to the Board of Directors and that their respective contributions would be beneficial to the Company and its shareholders.
- Recommended the appointment of Lumkile Mondi as Lead Independent Director following the resignation of Mr Platt-Ransom from the Board of Directors.
- Confirmed that the reappointment process that was undertaken for the Company's 2017 Annual General Meeting was in line with the provisions in the Company's Articles of Incorporation.
- Reviewed the Nomination Committee Report included in the Company's previous Annual Report.
- Committed to promoting diversity, including gender and race, when considering future recommendations to the Board for new appointments.

Lumkile Mondi
Chair of the Nomination Committee

FINANCIAL STATEMENTS AND ADMINISTRATION

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FINANCIAL STATEMENTS

ADMINISTRATION

Ore haulage truck at the Pilanesberg Platinum Mine.

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	2	81,650	–
Cost of sales	3	(44,319)	–
Gross profit		**37,331**	**–**
Other income	4	6,275	619
Selling, general and administrative expenses	5	(32,154)	(5,892)
Unrealised fair value gains	16	27,494	49,768
Unrealised fair value losses	16	(80,712)	–
Bargain purchase gain on Gemfields Acquisition	8	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	9	**(2,011)**	**7**
Profit before tax		**52,643**	**44,573**
Taxation charge	10	(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	18	7,162	–
Earnings per share attributable to the parent:	27		
Basic – US$		**0.04**	0.06
Diluted – US$		**0.04**	0.06

The accompanying notes form part of these Financial Statements.

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.

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	11	378,021	–
Intangible assets	12	49,312	–
Unlisted equity investments	16	196,164	193,869
Listed equity investments	16	–	164,615
Investments in associates	14	1,279	1,265
Available for sale investments		40	–
Deferred tax assets	10	6,775	–
Other non-current assets	13	8,025	–
Total non-current assets		**639,616**	**359,749**
Current assets			
Inventory	19	118,813	–
Other investments		6	12
Loans and receivables	16	–	4,948
Trade and other receivables	20	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	10	102,347	–
Borrowings	21	59,292	–
Provisions	22	7,958	–
Total non-current liabilities		**169,597**	**–**
Current liabilities			
Provisions	22	4,619	–
Current tax payable		7,041	–
Borrowings	21	4,178	–
Trade and other payables	23	21,171	207
Total current liabilities		**37,009**	**207**
Total liabilities		**206,606**	**207**
Net assets		**617,111**	**366,895**
EQUITY			
Share capital	25	14	8
Share premium	25	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 their behalf by:

Sean Gilbertson
Director
29 March 2018

Martin Tolcher
Director
29 March 2018

The accompanying notes form part of these Financial Statements.

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	16	80,712	–
Unrealised fair value gains	16	(27,494)	(49,768)
Realised gain on Jupiter buy-backs	4	(5,841)	–
Share of profit of equity accounted associates		(14)	(71)
Fair value loss on other investments		6	36
Bargain purchase on Gemfields Acquisition	8	(96,406)	–
Depreciation and amortisation	3	22,169	–
Share-based payments	5	2,692	–
Finance income	9	(1,240)	(9)
Finance costs	9	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	–
Purchase of property, plant and equipment		(10,955)	–
Sale 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.

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**

The accompanying notes form part of these Financial Statements.

Gemfields Zambian emeralds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. ACCOUNTING POLICIES

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

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

Statement of Compliance

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

New and amended standards which are effective for these Financial Statements

As a result of the Company's acquisition of Gemfields as detailed in Note 8 *Acquisition of the Gemfields Group of companies* on 1 August 2017, the Group has adopted a number of accounting standards that were not previously applicable to Pallinghurst.

A number of new and amended standards became mandatory and are effective for annual periods beginning on or after 1 January 2017. Below is a list of the new standards which could impact the Group; where appropriate these new standards have been incorporated into the Financial Statements. The adoption of these amendments did not have a material impact on the current or any prior period and is unlikely to affect future periods.

- Disclosure initiative amendments to IAS7 *Statement of Cash Flows*.
- IAS12 *Income Taxes* amendments regarding the recognition of deferred tax assets for unrealised losses.
- Annual Improvements to IFRSs 2014–2016 cycle.

Standards, amendments and interpretations in issue at 31 December 2017 and not yet effective for periods ended 31 December 2017

As at the balance sheet date there are a number of new standards, amendments to standards and interpretations that are not mandatory for 31 December 2017 reporting periods and have not been early-adopted by the Group. These will be adopted in the period that they become mandatory, unless otherwise indicated. Information on the new standards which could impact the Group is presented below:

IFRS9 *Financial Instruments* ("IFRS9")

IFRS9 will replace IAS39 *Financial Instruments: Recognition and Measurement* and will address the following three key areas for accounting periods beginning on 1 January 2018:

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

IFRS9 will impact both the measurement and disclosures of financial instruments of the Group in future periods. The Directors believe that the impact of the changes required to implement IFRS9 may be material; a detailed assessment of the impact of IFRS9 is in process and will be reported in the future.

1. ACCOUNTING POLICIES/CONTINUED

IFRS15 *Revenue from contracts with customers* ("IFRS15")

IFRS15 is intended to introduce a single framework for revenue recognition and clarify principles of revenue recognition. This standard modifies the determination of when to recognise revenue and how much revenue to recognise. The new standard becomes mandatory for annual reporting periods beginning on or after 1 January 2018.

The majority of the Group's revenue originates from the sale of rough gemstones at auction, and the maximum period of uncertainty over revenue recognition would be the period between the sale being agreed at the auction, and delivery of the gemstones. The Directors do not believe that any impact of IFRS 15 would have been material in the current period, as the auctions held were sufficiently far enough from the start and end of the reporting period.

IFRS16 *Leases* ("IFRS16")

The new standard was issued in January 2016, replacing the previous leases standard, IAS17 *Leases*, and related interpretations. IFRS16 establishes the principles for the recognition, measurement, presentation and disclosure of leases for the customer ("lessee") and the supplier ("lessor"). IFRS16 eliminates the classification of leases as either operating or finance as is required by IAS17 and, instead, introduces a single lessee accounting model requiring a lessee to recognise assets and liabilities for all leases unless the underlying asset has a low value, or the lease term is 12 months or less. This new standard applies to annual reporting periods beginning on or after 1 January 2019. The Group will review its arrangements in place in order to evaluate the potential impact of the new standard.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Basis of preparation

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group made up to 31 December each year. The results of subsidiaries acquired or disposed during the year are included in profit and loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other Group entities.

All significant inter-company transactions and balances between Group entities are eliminated on consolidation.

Basis of accounting

The Financial Statements have been prepared on the historical cost basis, except for the valuation of certain investments, fixed and intangible assets and inventory. These assets are measured at fair value, not historical cost. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Other than information contained within the Consolidated Statement of Cash Flows, the Financial Statements have been prepared on the accruals basis.

The Company was an investment entity for the period 1 January–31 July 2017

Prior to the acquisition of Gemfields, the Company met the definition of an investment entity under IFRS10; the Directors accounted for investments in joint ventures, associates and certain controlled entities at fair value through profit or loss.

The Directors have determined that the Company met the following criteria which define an investment entity for the period until the acquisition of Gemfields:

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

1. ACCOUNTING POLICIES/CONTINUED

In consequence, it has been necessary to assess the nature of the Company's holdings in subsidiaries to determine the impact of adoption of the Investment Entities Amendments. The Group previously did not hold any subsidiaries which formed part of the Investment Portfolio. While the Company was an investment entity, it held investments in certain subsidiaries which provided investment-related services; the accounting treatment did not change for these entities, which were consolidated in line with the previous accounting treatment.

As an investment entity, the Group held certain investments in associates that were investment holding entities and did not form part of the Investment Portfolio. These investments in associates were accounted for at fair value.

Critical accounting judgements, estimates and assumptions

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

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

(i) Assessment of fair value

The most critical accounting judgements, estimates and assumptions relate to the valuation of the Group's portfolio of investments, as disclosed in Note 16 *Investments*. The Directors use a range of valuation methodologies in accordance with IFRS13 *Fair Value Measurement* ("IFRS13") and the IPEVC Valuation Guidelines (whilst the Company was an investment entity) when determining the fair value of the Group's portfolio of investments. The valuation of unlisted equity investments involves judgements, estimates and assumptions by the Directors across a range of key factors. The Company may use discounted cash flow ("DCF") models, which estimate expected future cash flows, which are inherently uncertain and which could materially change over time. They are significantly affected by a number of factors, such as commodity prices, exchange rates, discount rates, production levels and associated costs, and future capital expenditure. Judgements, estimates and assumptions used are reviewed periodically and the Directors believe that their estimates of fair value are materially accurate.

(ii) Fair value of assets and liabilities acquired with business combinations

The fair value of the acquiree's assets and liabilities is determined by the Directors at the date of acquisition. The allocation of these assets and liabilities across the aggregate of the acquiree's identifiable assets, liabilities and contingent liabilities involves judgements, estimates and assumptions by the Directors across a range of key factors. The Company uses independent third-party experts in determining the fair value of the assets and liabilities acquired, which assures the Directors that their judgements, estimates and assumptions are materially accurate.

(iii) Going concern basis of accounting

In forming its opinion as to going concern, the Board prepares a working capital forecast based upon its assumptions as to trading, as well as taking into account the available borrowing facilities in line with the capital management policies referred to in Note 21 *Borrowings*. The Board also prepares a number of alternative scenarios modelling the business variables and key risks and uncertainties. Based upon these, the Board has concluded that the Group has adequate working capital and therefore confirms their belief that it is appropriate to use the going concern basis of preparation for the Financial Statements of the Group.

(iv) Impairment testing of non-current assets

Assessing the Group's non-current operating assets for impairment requires a significant amount of judgement. The determination of fair value and value-in-use requires management to make estimates and assumptions about expected production and sales volumes, gemstone prices (considering current and historical prices, price trends and related factors), reserves, operating costs, closure and rehabilitation costs, the life of mine, future capital expenditure and the applicable discount rate.

These estimates and assumptions are subject to risk and uncertainty. There is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged against the income statement.

1. ACCOUNTING POLICIES/CONTINUED

(v) Impairment testing of the Fabergé cash-generation unit ("CGU"), including the Fabergé trademarks

The Fabergé trademarks are a significant asset in the Consolidated Balance Sheet. The Directors believe that the asset has an indefinite useful life, as it is probable that the future economic benefits that are attributable to the asset will flow to the entity indefinitely, and, in accordance with IAS36 *Impairment of assets*, have considered the asset for impairment.

Key estimates relating to the valuation of the Fabergé CGU are disclosed in Note 12 *Intangible assets*.

(vi) Determination of ore reserves

The Group estimates its ore reserves and mineral resources based on information complied by appropriately qualified people relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. The estimate of recoverable reserves is based on factors such as gemstone prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body.

There are numerous uncertainties inherent in estimating ore reserves and mineral resources. Consequently, assumptions that are valid at the time of estimation may change significantly when new information becomes available.

The ore reserves impact the depreciation of evaluated mining assets, which are being depreciated on a unit of production basis.

The Company's Mineral Resources and Mineral Reserves Report 2017, which contains a thorough review of the mineral resources and mineral reserves as at 31 December 2017, and details the location, geology, mining, processing, operating statistics and changes at the Company's applicable mining operating and projects, is available online at www.pallinghurst.com and www.gemfields.com. A condensed version of this Report is included on page 43.

(vii) Deferred tax

The Group has recognised deferred tax assets in its Financial Statements which require judgement in determining the extent of recoverability at each balance sheet date. The Group assesses recoverability with reference to Board-approved forecasts of future taxable profits. These forecasts require the use of assumptions and estimates.

(viii) Useful lives of intangible assets, and property, plant and equipment

Intangible assets with finite useful lives, and property, plant and equipment, are amortised or depreciated over their useful lives. Useful lives are based on management's estimates of the period over which an asset is expected to be available for use by the Group or the amount of production expected to be obtained from the asset by the Group. The useful lives are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the income statement in specific periods.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

(ix) Stripping costs

Stripping costs incurred in opening up new ore areas are capitalised as part of the cost of developing the pit, and subsequently amortised over the mining of the ore (known as the reaction zone). This is reported under property, plant and equipment.

Deferred stripping costs are amortised over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. Specifically, the calculation of amortisation for deferred stripping costs is the ratio of ore mined (reaction zone) to the total ore estimated. Judgement is required to estimate the total ore within the reaction zone. The judgements made are supported by technical data.

Where stripping is undertaken alongside ongoing continuous mining, the related costs are expensed to the Consolidated Income Statement as mining and production costs during the period in which the costs have been incurred.

(x) Inventories

The Group reviews the net realisable value of, and demand for, its inventory on a quarterly basis to provide assurance that recorded inventory is stated at the lower of cost or net realisable value. Factors that could impact estimated demand and selling prices include competitor actions and economic trends. The Directors use their experience, market data and trend analysis when undertaking these reviews.

1. ACCOUNTING POLICIES/CONTINUED

(xi) Inherent uncertainties in interpreting tax legislation

The Group is subject to uncertainties relating to the determination of its tax liabilities and the timing of recovery of tax refunds. Ethiopian, Mozambican and Zambian tax legislation and practice are in a state of continuous development and, therefore, are subject to varying interpretations and changes which may be applied retrospectively. The Directors' interpretation of tax legislation as applied to the transactions and activities of the Group may not coincide with that of the tax authorities. As a result, the tax authorities may challenge transactions and the Group may be assessed with additional taxes, penalties and fines or refused refunds, which could have a material adverse effect on the Group's financial results or position.

Historical tax years relating to various companies within the Group remain open for inspection during a future tax audit. Consequently, the tax figures recorded in the Financial Statements for these years may be subject to change.

The Directors believe that the Group is in substantial compliance with the tax laws promulgated in all the jurisdictions that it operates in and any with contractual terms entered into, that relate to tax which affect its operations, and that, consequently, no additional material tax liabilities will arise. However, due to the reasons set out above, the risk remains that the relevant tax authorities may take a different position with regard to the interpretation of contractual provisions or tax law (inclusive of corporate income taxes, value-added tax and subsoil-use legislation). The resulting effect of any positions taken by the tax authorities that differ from those of the Directors is that additional tax liabilities may arise, or the timing of refunds due may take longer than expected or may be refused.

However, due to the range of uncertainties described above in assessing any potential additional tax liabilities and the timing of refunds, it is not practical for the Directors to estimate the financial effect in terms of the amount of additional tax liabilities, if any, together with any associated penalties and charges for which the Group may be liable.

(xii) Inherent uncertainties in respect of any potential and ongoing claims and litigation

While it is impossible to be certain of the outcome of any particular case or of the number of any possible adverse matters relating to potential claims and litigation, the Group believes that the defences of the Group's companies to any/all claims are meritorious in both law and on the facts, and a vigorous defence will be made everywhere.

At the balance sheet date in the aggregate, and despite the quality of defences available to the Group, it is not impossible that the Group's results of operations or cash flows in particular annual periods could be materially affected by this and by the final outcome of any particular litigation. Having regard to all these matters, the Group (i) does not consider it appropriate to make any provision in respect of any pending litigation; and (ii) does not believe that the ultimate outcome of this litigation will significantly impair the Group's financial condition.

Significant accounting policies

Foreign currencies

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

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

On consolidation, all assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the closing net assets at the closing rate at the balance sheet date and the results of overseas operations at average exchange rates (unless these average rates are not reasonable approximations of the cumulative effect of the rates prevailing on the transaction dates, in which case actual rates are used) are recognised directly in equity in the cumulative translation reserve account.

1. ACCOUNTING POLICIES/CONTINUED

Exchange differences recognised in the income statement of the Group entities' separate Financial Statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the cumulative translation reserve on consolidation.

	2017		2016	
	Spot	Average	Spot	Average
Mozambican Metical (MZN)	59.61	61.74	n/a	n/a
UK Pound Sterling (GBP)	0.74	0.75	0.81	0.74
Zambian Kwacha (ZMW)	10.07	9.83	n/a	n/a
South African Rand (ZAR)	12.36	13.31	13.73	14.69

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method under IFRS3 *Business Combinations* ("IFRS3"). 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 relevant conditions for recognition 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 profit or loss. Transaction costs incurred directly in connection with business combinations are expensed.

(i) Subsidiaries

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

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

Subsidiaries (other than those that formed part of the Investment Portfolio whilst the Company was an investment entity) are consolidated into the Group's financial statements on a line-by-line basis.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Since the acquisition of Gemfields on 1 August 2017, these associates are accounted for using equity accounting.

Equity accounting means that investments in associates are carried in the Consolidated Balance Sheet at cost and adjusted for changes in the Group's share of associate's net assets subsequent to acquisition. The Group's share of its associates' earnings for the year is recognised in profit or loss. 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 associates 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. 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.

Prior to 1 August 2017, the Group usually held associates as part of its Investment Portfolio; the value of these investments to the Group was through their marketable value as part of the Investment Portfolio rather than as a medium through which a business is undertaken. The Group therefore measured these investments at fair value even though the Group had significant influence over the investments.

The Group held certain investments in associates that did not form part of the Investment Portfolio (usually as investment holding companies). Since the adoption of the "Investment Entities Amendments" on 1 January 2014, these associates had been accounted for at fair value.

1. ACCOUNTING POLICIES/CONTINUED

(iii) Joint ventures

The Group's joint ventures are entities over which the Group has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. These joint ventures are accounted for using equity accounting.

Whilst the Company was an investment entity, any joint ventures were accounted for at fair value.

Non-controlling interests

For business combinations completed on or after 1 January 2010, the Group has the choice, on a transaction-by-transaction basis, to initially recognise any non-controlling interest in the acquiree which is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation at either acquisition date fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Other components of non-controlling interest such as outstanding share options are generally measured at fair value.

From 1 January 2010, the total comprehensive income of non-wholly-owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests. Before this date, unfunded losses in such subsidiaries were attributed entirely to the Group.

Revenue and income

Consequent of the Company becoming an operating mining company, the Company has adopted IAS18 *Revenue*, and recognises revenue under the following categories:

(i) Gemstones – revenue from the sale of gemstones is recognised when control together with the risks and rewards of ownership are transferred to the customer. For rough gemstones sold at auction, this transfer of ownership is deemed to occur at the point the buyer enters into an agreement with the Group to purchase the gemstones. For cut and polished gemstones, the transfer of ownership is deemed to occur when the customer has taken ownership of the gemstones.
(ii) Retail, wholesale and web sales – revenue from retail wholesale and web sales is recognised when the customer has taken ownership. Returns are accounted for at the point when the customer returns the item in accordance with the terms and conditions published on the Fabergé website and a credit note is issued to the customer.

Investment income and expenses

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

Mineral royalties and production taxes

The Group recognises mineral royalties and production taxes following the sale of rough gemstones at auction. Mineral royalties and production taxes are based on the fixed percentage of the final sales price achieved at auction applicable at the time.

Taxation

Taxation for the year comprises current and deferred tax. Current and deferred tax is charged or credited to the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity, in which case the taxation effect is recognised in equity.

Current taxation

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.

1. ACCOUNTING POLICIES/CONTINUED

The current tax expense or credit is the amount of taxes estimated to be payable or recoverable in respect of the taxable profit or loss for a period as well as adjustments to estimates in respect of previous periods. It is calculated on the basis of the tax laws and rates enacted or substantively enacted as at the end of the reporting period.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different Group companies which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Property, plant and equipment

Property, plant and equipment is stated at historic cost less accumulated depreciation and accumulated impairment losses. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold land is not depreciated. Evaluated mining properties are amortised on the basis of ore mined in the year, set against the total probable ore reserves as detailed in the SRK resource statement. Depreciation is provided on all other items of property, plant and equipment to write off the carrying value of items over their expected useful economic lives, and is recognised within cost of sales. It is applied at the following rates:

Tangible asset	Useful economic life
Freehold buildings	5% per annum straight-line
Plant, machinery and motor vehicles	20–25% per annum straight-line
Fixtures, fittings and equipment	20–33% per annum straight-line
Evaluated mining properties	Unit of production based on the estimated reserves

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Any reversal of the impairment is determined using the depreciated historic cost of the specific asset.

Mining assets – evaluated mining properties

Following the determination of the commercial and technical viability of a mining project, the relevant expenditure, including licence acquisition costs, is transferred from unevaluated mining properties within intangible assets to evaluated mining properties within property, plant and equipment. Exploration expenditure transferred to property, plant and equipment is subsequently depreciated using a unit of production method. The Group calculates depreciation based on the ratio of ore mined during the period to the total brought forward ore reserve, based on the estimated reserves. Expenditure deemed to be unsuccessful is written off to the Consolidated Income Statement.

1. ACCOUNTING POLICIES/CONTINUED

Deferred stripping costs

Stripping costs incurred in the development of a mine or pit before production commences are capitalised as part of the cost of constructing the mine or pit and subsequently amortised over the life of mine on a unit of production basis.

Production stripping costs related to accessing an identifiable component of the ore body to realise benefits in the form of improved access to ore to be mined in the future, are capitalised as a separate asset (deferred stripping asset) within property, plant and equipment.

Deferred stripping assets are amortised over the identified component of the ore body that becomes more accessible as a result of the stripping activity. Specifically, the calculation of amortisation for deferred stripping costs is the ratio of ore mined within the reaction zone (the ore body that becomes more accessible as a result of the stripping activity) to the total ore estimated and identified within the reaction zone exposed by the stripping activity.

Intangible assets

Externally acquired intangible assets are initially recognised at the fair value of the consideration paid and subsequently amortised on a straight-line basis over their useful economic life, except for trademarks, which have an indefinite useful economic life and are reviewed for impairment annually. Amortisation is recognised within cost of sales.

An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. The amounts attributed to such intangibles are arrived at using appropriate valuation techniques.

The useful economic lives of significant finite-life intangibles recognised by the Group are as follows:

Intangible asset	Useful economic life
Trademarks	Indefinite
Software	3 years
Fabergé customer list	6 years

Unevaluated mining properties

Initial exploration and evaluation expenditure incurred in relation to project areas to which the Group's licences and rights relate is capitalised on a project-by-project basis pending determination of the feasibility of the project within intangible assets – unevaluated mining properties. Costs incurred include appropriate technical and administrative expenses but not general overheads. If a mining development project is successful, the related expenditures are transferred to property, plant and equipment, at which point they are assessed for impairment. Subsequently, costs are amortised over the estimated life of the commercial ore reserves using a unit of production method. The calculation is based on proved and probable ore reserves attributable to the specific asset. Where a licence is relinquished, a project is abandoned, or is considered to be of no further commercial value to the Group, the related costs are written off.

Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included within the cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. Direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the income statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to the Consolidated Income Statement on the acquisition date.

1. ACCOUNTING POLICIES/CONTINUED

Impairment

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken on an annual basis.

Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may be different from the recoverable amount. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value-in-use and fair value less costs to sell), the asset is written down. Where the carrying value of an asset is below its recoverable amount, any historic impairment charged in respect of the asset is reversed accordingly, with the exception of goodwill, which cannot be reversed.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the level of the CGU the asset is part of (i.e. the lowest-level group of assets in which the asset belongs for which there are separately identifiable cash flows).

The Group's principal CGUs are determined on an operational basis and have been identified as the Kagem and Montepuez mines and Fabergé.

Investments

An investment is considered to be part of the Group's Investment Portfolio if its value to the Group is through its marketable value rather than as a medium through which a business is undertaken. The Group accounts for all such equity investments at fair value. If an equity interest held by the Group is under 20%, it is accounted for at fair value in accordance with IFRS13.

As an investment entity prior to August 2017 when the Company owned an equity, interest of less than 20%, it accounted for these investments at fair value under IFRS13 *Fair value measurement*. All equity investments with a holding of less than 20% were recognised initially at the fair value of the consideration given, and subsequent changes in the fair value of the investment were recognised in profit and loss as an unrealised fair value gain or loss.

Whilst the Company was an investment entity the Group's reporting also complied with all material aspects of the IPEVC Valuation Guidelines when determining what method to use to determine fair value. The IPEVC Valuation Guidelines specify the valuation methodology which is the most appropriate to use for each individual investment at each point in the investment's life cycle. The methodologies used to estimate fair value recommended by the IPEVC Valuation Guidelines include using an earnings or turnover multiple, share of net assets, the discounted cash flow calculations ("DCFs") or earnings of the underlying business, the DCFs of the investment, or a relevant industry valuation benchmark. The Directors considered all other valuation methodologies where appropriate.

The Directors also considered whether there were any factors that could indicate that a movement in the value of an investment has occurred, including the following:

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

As a diversified mining company following the acquisition of the Gemfields Group on 28 July 2017, the Company accounts for its equity investments with a holding of less than 20% at fair value under IFRS13 through the provisions of "Investment Accounting" under IAS39 *Financial Instruments: Recognition and Measurement* ("IAS39"). These investments are initially recognised at their fair value on the date that PRL ceased to be an investment entity, with subsequent changes in the fair value of the investment being recognised in profit or loss.

The Group's investments include listed and unlisted equity investments. The Group's investments may also include loans and receivables, other equity instruments such as convertible notes or debentures, or other financial instruments.

Listed equity investments

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

1. ACCOUNTING POLICIES/CONTINUED

Unlisted equity investments

The valuation of unlisted equity investments involves judgements, estimates and assumptions 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, the DCFs or earnings of the underlying investment, or valuing the investment in line with the price of a recent investment by a third party in an arm's length transaction. Discounts for illiquidity may be applied to valuations where appropriate in accordance with the relevant accounting standards.

Loans and receivables

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

Inventory

Inventory relating to rough gemstones has been valued at the lower of cost on the weighted average basis and net realisable value. Cost includes direct production costs, depreciation of mining equipment and amortisation of the mining asset, and deferred stripping costs. Net realisable value of rough gemstones is the estimated market value based on past auctions, less estimated costs to sell.

During the process of extracting emeralds and rubies, beryl and corundum are also produced. This production is treated as a by-product, and is measured at net realisable value. The net realisable value is accounted for as a contribution to the costs of producing emeralds and rubies in the equivalent period. Upon sale of the by-products, the sale is recognised as revenue, with any profit over its previous carrying value being recognised within revenue in the period of sale.

Cut and polished gemstones, retail inventory and Fabergé inventory are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on expected sales price, less estimated costs to sell.

Consignment inventory

The terms of agreements with customers who request the Group to onward-sell their cut and polished gemstones normally note that no legal title to the cut and polished gemstones passes to Gemfields. For each particular arrangement an analysis of whether all significant risks and rewards of ownership of cut and polished gemstones have passed to the Group is undertaken in order to determine if it is to be recognised as the Group's inventory. If no significant risks and rewards have passed to the Group, then such gemstones are considered to be consignment goods and are not recorded as part of the Group's inventory.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provision for decommissioning and restoration

A provision for decommissioning and restoration costs is recognised at the commencement of mining. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding property, plant and equipment asset of an amount equivalent to the provision is also created, which is subsequently depreciated as part of the cost of production. Any change in the present value of the estimated future expenditure is reflected and adjusted against the provision and evaluated mining property, unless the asset to which the provision relates has been impaired, in which case the reversal of the provision is taken through the Consolidated Income Statement.

Share-based payments

The Company issues equity-settled-based payments in the form of share options to certain directors. Equity-settled-based payments are measured at fair value at the date of grant. The fair value determined at the date of grant of the equity-settled-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the number of shares that will eventually vest. Fair value is estimated using a Black–Scholes valuation model.

1. ACCOUNTING POLICIES/CONTINUED

Own shares

Own shares are recognised at cost as a deduction from equity shareholders' funds. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds and the weighted average cost being credited to retained earnings. No gain or loss is recognised in the financial statements on transactions in own shares.

Financial instruments

Financial assets

The Group classified its financial assets into three categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

Loans and receivables: these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value and subsequently carried at amortised cost.

The Group's loans and receivables comprise trade and other receivables, loan receivables and cash and cash equivalents in the Statement of Financial Position. Cash and cash equivalents are defined as cash in hand and short-term deposits made for varying periods of between one day and three months.

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

Available-for-sale: Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally the Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value, with changes in fair value recognised directly in a separate component of equity (available-for-sale reserve). Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously charged to equity, is recognised in the income statement. Purchases and sales of available-for-sale financial assets are recognised on settlement date, with any change in fair value between trade date and settlement date being recognised in the income statement. On sale, the amount held in the available-for-sale reserve associated with that asset is removed from equity and recognised in the income statement.

Trade and other receivables

Trade and other receivables include prepayments. Trade and other receivables are measured at amortised cost using the effective interest rate method, less impairment. A provision for impairment of trade and other receivables is made if there is evidence that amounts are unlikely to be recovered. No provision for impairment has been made in the current or prior period. Prepayments for goods or services are not financial assets because they are associated with the receipt of goods or services. They do not give rise to a present right to receive cash or any other financial asset.

Cash and cash equivalents

Cash and cash equivalents represent cash balances held at bank and as on demand deposits. Cash and cash equivalents are measured at amortised cost.

Financial liabilities

Financial liabilities include the following items:

- trade payables and other short-term monetary liabilities, which are initially measured at fair value and subsequently recognised at amortised cost using the effective interest rate method; and
- borrowings are measured at inception at fair value, net of directly attributable transaction costs. Subsequently they are measured at amortised cost using the effective interest rate method.

The Group has not classified any financial liabilities as "fair value through profit or loss" financial liabilities.

1. ACCOUNTING POLICIES/CONTINUED

Trade and other payables

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

Borrowings

Interest-bearing borrowings are financial liabilities with fixed or determinable payments. Interest-bearing borrowings are initially recognised at fair value, net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Commitments under operating leases

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term. The aggregate benefit of any lease incentive is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Property lease premiums are initially recognised in the balance sheet at cost and subsequently amortised over the term of the lease.

2. 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.*

2. 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.

3. 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 costs	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	–

4. OTHER INCOME

	2017 US$'000	2016 US$'000
Realised gains on Jupiter share buy-backs	5,841	–
Gemfields loan interest income and structuring fee[1]	222	619
Other income	212	–
	6,275	**619**

1 Prior to the Company acquiring Gemfields, effective 1 August 2017, the Group extended a loan of US$5 million to Gemfields, in line with the Group's strategy of providing financial support for its investments. The loan, including interest and arrangement fee, was repaid by Gemfields on 30 June 2017.

5. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2017 US$'000	2016 US$'000
Labour and related costs	7,432	190
Professional and other services	7,082	158
Selling, marking and advertising	4,757	–
Investment Manager's benefit	3,572	4,988
Share-based payments	2,692	–
Rent and rates	1,628	–
Travel and accommodation	766	–
Administration costs	425	417
Amounts paid to Auditor – audit of parent	123	103
Amounts paid to Auditor – audit of subsidiaries	87	–
Fair value loss on: Other investments[1]	6	36
Other selling, general and administrative expenses	3,584	–
	32,154	**5,892**

1 Fair value loss of US$6,000 on "Other investments" includes a foreign exchange gain of US$1,000 (the fair value loss of US$36,000 in 2016 included a foreign exchange loss of US$8,000).

6. EMPLOYEES AND DIRECTORS

	2017 US$'000	2016 US$'000
Number of employees and contractors		
Directors	9	8
Administration staff	137	–
Fabergé staff	42	–
Mining staff	1,978	–
	2,166	8

7. REALISED GAINS ON JUPITER SHARE BUY-BACKS – MARCH 2017 AND DECEMBER 2017

On 23 January 2017, Jupiter announced the details of an off-market equal access share buy-back to return up to US$55 million to its shareholders. All Jupiter shareholders were made an equal offer to buy back 6% of their shares in Jupiter, at a set price of US$0.40 per share.

The Group, as an 18.45% shareholder in Jupiter, had the right to have 6% of its 421,042,093 Jupiter shares bought back. The Group accepted the buy-back by Jupiter, resulting in the sale of 25,262,526 shares in Jupiter for US$0.40 per share. The transaction was completed on 13 March 2017, with the Group receiving US$10.11 million. At 13 March 2017, the Directors' most recent estimate of the fair value of the Jupiter shares was US$0.19 per share, being the valuation as at 31 December 2016.

On 11 September 2017, Jupiter announced the details of a second off-market equal access share buy-back to return up to US$25 million to its shareholders. All Jupiter shareholders were made an equal offer to buy back 4% of their shares in Jupiter, at a set price of US$0.29 per share.

The Group had the right to have 4% of its 395,779,567 Jupiter shares bought back. The Group accepted the buy-back by Jupiter, resulting in the sale of 15,831,182 shares in Jupiter for US$0.29 per share. The transaction was completed on 5 December 2017, with the Group receiving US$4.59 million. The Director's have recognised a realised gain in respect of the buy-back that was completed on 5 December 2017.

The buy-back prices per share for both the March 2017 and December 2017 buy-backs were underpinned by Jupiter's long-term manganese price assumptions, which were higher than the prices used by the Directors in the valuation of Jupiter on 31 December 2016 and 31 December 2017.

The realised gain on the March and December 2017 Jupiter buy-backs was as follows:

Realised gain on Jupiter shares bought back	Number of shares	Price per share in US$	US$'000
March 2017 buy-back			
Fair value of Jupiter shares at date of receipt (13 March 2017)	25,262,526	0.19	(4,768)
Buy-back price of the 6% of Jupiter shares bought back by Jupiter (13 March 2017)	25,262,526	0.40	10,105
			5,337
December 2017 buy-back			
Fair value of Jupiter shares at date of receipt (5 December 2017)	15,831,182	0.26	(4,088)
Buy-back price of the 4% of Jupiter shares bought back by Jupiter (5 December 2017)	15,831,182	0.29	4,592
			504
Realised gain on Jupiter shares			**5,841**

Subsequent to the two Jupiter share buy-backs and as at 31 December 2017, the Company owns 379,948,385 Jupiter shares or 18.40% of the issued share capital of Jupiter.

8. 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 a 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 a total aconsideration 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.

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).

8. ACQUISITION OF THE GEMFIELDS GROUP OF COMPANIES/CONTINUED

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.

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.

9. FINANCE INCOME AND COSTS

	2017 US$'000	2016 US$'000
Interest received	82	1
Foreign exchange gains	1,158	12
Finance income	**1,240**	**13**
Interest on bank loans, finance charges and bank charges	(3,018)	(3)
Foreign exchange losses	(233)	(3)
Finance costs	**(3,251)**	**(6)**
Net finance (costs)/income	**(2,011)**	**7**

10. 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 must 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.

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.

10. TAXATION/CONTINUED

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 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.

11. 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**

12. INTANGIBLE ASSETS

	Software US$'000	Indefinite life intangible assets US$'000	Finite life tangible assets US$'000	Unevaluated mining properties US$'000	Total US$'000
Cost					
At 1 January 2016	–	–	–	–	–
Additions	–	–	–	–	–
Disposals	–	–	–	–	–
At 31 December 2016	–	–	–	–	–
Business combinations	162	39,942	496	7,110	47,710
Additions	4	–	–	1,786	1,790
At 31 December 2017	**166**	**39,942**	**496**	**8,896**	**49,500**
Accumulated amortisation					
At 1 January 2016	–	–	–	–	–
Charge in the year	–	–	–	–	–
At 31 December 2016	–	–	–	–	–
Charge in the year	50	–	138	–	188
At 31 December 2017	**50**	**–**	**138**	**–**	**188**
Net book value					
At 31 December 2016	–	–	–	–	–
At 31 December 2017	**116**	**39,942**	**358**	**8,896**	**49,312**

Indefinite life intangibles assets consist of intangibles relating to the Fabergé brand and trademarks.

Unevaluated mining properties consist of intangibles relating to the mining and prospecting licences held in the newer projects, mainly in Mozambique and Ethiopia.

Annual impairment review on intangibles

As required under IAS36 *Impairment of assets*, the Group performed its annual impairment review of the carrying value of the Fabergé CGU. The CGU's recoverable amount as determined was its value-in-use of US$93.5 million (was US$95.7 million). The value-in-use calculation exceeds the carrying value of US$79.8 million by US$13.7 million and therefore no impairment charge is required.

Assumptions

The value-in-use of the Fabergé CGU is represented by the discounted value of future cash flows that are expected from the continuous use of the assets associated with the Fabergé CGU and the terminal value attributable to them. It is the Directors' view that the Fabergé brand has an indefinite useful life based on the long heritage and history of the Fabergé name. As a result, the Directors consider it appropriate to extend the expected discounted expected future cash flows into perpetuity. The projected future cash flows used in the value-in-use calculation are based on budgets and forecasts approved by the Directors.

The revenue in the next five years is forecast to increase at growth rates between 20.1% and 41.1% per annum between 2018 and 2022 (year five of the value-in-use model), following the introduction of new product lines, development of the timepiece collection and expansion of the wholesale network driven by an increase in the points of sale. As the "go-to" jeweller in the coloured gemstone industry and starting from a relatively low revenue base, Fabergé is in an excellent position to benefit from double-digit growth in the coloured gemstone industry. From year six to year 20, the revenue is expected to increase at growth rates of between 6% and 27.3% year-on-year, based on management's growth expectations and supported by a review of the historic growth rates of comparable companies. The terminal value growth rate of 2.5% applied at the end of the forecast period is based on an average of the long-term inflation rates of the key markets in which Fabergé is expected to operate in the long term.

12. INTANGIBLE ASSETS/CONTINUED

The average gross profit margin used in the value-in-use calculation is expected to reduce from 44.3% to around 36% as the wholesale sales channel increases overall revenue share. This figure is based on weighted margins across the retail and wholesale sales channels.

Centralised non-variable costs, such as payroll and rent, are expected to increase at approximately 2% year-on-year. Cooperative advertising, where costs are shared between Fabergé and the wholesale partners, is expected to increase in line with the growth in wholesale revenue, with other marketing costs expected to increase in line with inflation.

The majority of revenue is currently derived from owned boutiques and events. As the sales mix moves towards increased wholesale customers and Fabergé sells a number of high-value jewellery pieces, the working capital requirements are expected to decrease in real terms from Year one to Year 20.

For the purpose of the annual impairment review, the future cash flows were discounted using the nominal post-tax pre-finance discount rate of 11.2% per annum. The discount rate is derived from Fabergé's weighted average cost of capital. The discount rate represents the current market assessment of the risks specific to the Fabergé CGU, taking into consideration that Fabergé is part of the Gemfields Group. The pre-tax discount rate is 12.3%.

As part of the annual impairment review, a sensitivity analysis in relation to the key assumptions used in the model was performed. The value-in-use calculation is most sensitive to changes in the revenue growth rate and the discount rate. The implications at Group level for changes to these key assumptions are discussed below:

- A decrease in the Post-5-Year Plan annual sales growth rate from 6% to 4.3% represents the breakeven point.
- The breakeven discount rate is 12.35%, an increase of 1.15%.

13. OTHER NON-CURRENT ASSETS

	2017 US$'000	2016 US$'000
Loan receivable	3,593	–
Long-term receivable from Kariba Minerals Limited	2,718	–
Restricted cash at Fabergé UK Limited	1,600	–
Other non-current assets	114	–
	8,025	–

The loan receivables are shown net of a provision of US$1.0 million (2016: US$ Nil).

Kariba Minerals Limited is a joint venture in which the Group holds a 50% shareholding. As at 31 December 2017, the Group held a receivable of US$2.7 million (2016: US$ Nil), which represents a historic receivable of US$4.2 million less a provision of US$1.5 million.

14. INVESTMENTS IN ASSOCIATES

The Group's associates 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 associates are accounted for using the equity method in these Consolidated Financial Statements. The fair value of these associates is invariably similar to the Group's share of their net assets, and this was the case for each associate throughout 2017.

	2017 US$'000	2016 US$'000
Pallinghurst Ivy Lane Capital S.à r.l.	1,122	1,126
Other associates	157	139
	1,279	**1,265**

Pallinghurst Ivy Lane Capital S.à r.l.'s ("Ivy Lane") place of business is Luxembourg. Ivy Lane acts as an investment holding company for the Group's investment in SPM. The Group's interest in Ivy Lane "A" class shares is 23.65%; this also represents the Group's voting percentage. Ivy Lane's year end is 31 December. Ivy Lane does not have any contingent liabilities.

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

15. INVESTMENT IN A JOINT VENTURE

The Group holds a 50% interest in a joint venture, Kariba. Kariba is incorporated and registered in Zambia and its nature of business is amethyst mining.

The carrying value of the investment is US$Nil.

The Group's share of the joint venture is as follows:

	2017 US$'000	2016 US$'000
Non-current assets	657	–
Current assets	592	–
Non-current liabilities	(1,195)	–
Current liabilities	(3,129)	–
Share of net liabilities	(3,075)	–
Revenue	413	–
Operating expenditure	(379)	–

16. 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 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 was completed on 5 December 2017, with the Company receiving US$4.6 million. See Note 7 Realised gains on Jupiter share buy-backs – March 2017 and December 2017.*

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$127.456 million interest in Gemfields as part of the Gemfields Acquisition during June and July 2017. The additional interest acquired has been valued at the PRL share price (on the day of each tranche of acceptances), converted at the 1.91 Offer Ratio and the daily US$/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 was completed on 13 March 2017, with the Company receiving US$10.1 million. See Note 7 Realised gains on Jupiter share buy-backs – March 2017 and December 2017.*

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.*

16. 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").

16. 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 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 *Fair Value Measurement* ("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 were 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 with 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

16. 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 have also considered a market comparable analysis comparing the Enterprise Values of SPM's peer group with 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

16. 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 from 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 forward, 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 with 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. Further details of the Jupiter buy-back are disclosed in Note 7 *Realised gain on Jupiter share buy-backs – March and December 2017*.

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 in Jupiter was made in May 2008.

16. 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.

16. 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 was completed on 13 March 2017. The fair value of the shares sold back to Jupiter at the time of the March 2017 transaction completion 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 was completed on 5 December 2017. The fair value of the shares sold back to Jupiter at the time of the December 2017 transaction completion 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. See Note 7 Realised gains on Jupiter share buy-backs – March 2017 and December 2017.*

Other information

It is unlikely that the Group will invest in more than 10 investments as the Investment Period has ended, effective 14 September 2017.

17. SUBSIDIARIES

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

Name	Country of incorporation	Group % interest at 31 December 2017	Group % interest at 31 December 2016
Almizan Development Limited	British Virgin Islands	100%	–
Cabo Delgado Mining Services Limitada	Mozambique	100%	–
Campos de Joia, Limitada	Mozambique	98.75%	–
Campos de la Gema S.A.S	Colombia	100%	–
Eastern Ruby Mining Limitada	Mozambique	75%	–
Fabergé (UK) Limited	United Kingdom	100%	–
Fabergé Hospitality Limited	British Virgin Islands	100%	–
Fabergé Inc	USA	100%	–
Fabergé Limited	Cayman Islands	100%	–
Fabergé Suisse SA	Switzerland	100%	–
Forest HoldCo Limited	United Kingdom	100%	–
Gemfields BVI Limited	British Virgin Islands	100%	–
Gemfields Canada Inc	Canada	100%	–
Gemfields CdJ Mauritius	Mauritius	100%	–
Gemfields Holdings Zambia Limited	Zambia	100%	–
Gemfields India Pvt Limited	India	100%	–
Gemfields Mauritius Limited	Mauritius	100%	–
Gemfields Mining Limited	Zambia	100%	–
Gemfields Participacoes Limitada	Brazil	100%	–
Gemfields plc	United Kingdom	100%	47.13%
Gemfields Singapore Pte Limited	Singapore	100%	–
Gemfields South Africa (Pty) Limited	South Africa	100%	–
Gemfields Spain S.L	Spain	100%	–
Gemfields USA, Inc.	USA	100%	–
Gemholds Brazil Limited	United Kingdom	100%	–
Gemholds Colombia Limited	United Kingdom	100%	–
Gemholds Ethiopia Limited	United Kingdom	100%	–
Gemholds Limited	United Kingdom	100%	–
Gemhouse Mining Zambia Limited	Zambia	100%	–
Gemriti Limited	Mauritius	75%	–
Graphon Investments (Pvt) Limited	Sri Lanka	75%	–
Graphon Mining Resources (Pvt) Limited	Sri Lanka	75%	–
Hagura Mining Limited	United Kingdom	100%	–
Island HoldCo Limited	United Kingdom	100%	–
Kagem Mining Limited	Zambia	75%	–
Mbuva Mining Limited	Zambia	100%	–
Megaruma Mining Limitada	Mozambique	75%	–
Montepuez Ruby Mining Limitada	Mozambique	75%	–
Oriental Mining SARL	Madagascar	100%	–
Pallinghurst Consolidated (Cayman) Limited	Cayman Islands	100%	100%
Pallinghurst Consolidated (Dutch) B.V.	The Netherlands	100%	100%
Pallinghurst Consolidated (Lux) S.à r.l.	Luxembourg	100%	100%
Pallinghurst Steel Feed (Dutch) B.V.	The Netherlands	100%	100%
Pallinghurst Resources (Guernsey) GP Ltd	Guernsey	100%	100%
Pallinghurst Resources UK Limited[1]	United Kingdom	100%	–
Peninsula HoldCo Limited	United Kingdom	100%	–
Ratnapura Lanka Gemstones (Pvt) Limited	Sri Lanka	75%	–
Singha Heavy Equipment (Pvt) Limited	Sri Lanka	75%	–
Singha Industrial Investments (Pvt) Limited	Sri Lanka	75%	–
The Pallinghurst Resources Fund L.P.	Cayman Islands	99.99%	99.99%
Web Gemstone Mining plc	Ethiopia	75%	–

1 *Incorporated 21 November 2017.*

17. SUBSIDIARIES/CONTINUED

Fabergé UK Limited has a loan facility of US$20 million which is secured against the value of the Fabergé brand and intellectual property as well as gemstones, jewellery, and watch inventory.

Kagem holds a loan facility of US$35 million and is secured through a fixed and floating charge over all of Kagem's net assets.

18. NON-CONTROLLING INTERESTS

At 1 August 2017, PRL's total shareholding was 96.99% of the entire issued share capital of Gemfields. On 19 September 2017, the Company completed the compulsory acquisition of the remaining Gemfields shares. Between 1 August 2017 and 19 September 2017, 3.01% of Gemfields was attributable to the non-controlling interest.

Non-controlling interests in the Group that are material relate to the following subsidiaries:

Kagem Mining Limited ("Kagem"), a company incorporated in Zambia. Its principal operation is rough emerald mining, exploration and processing. The Government of the Republic of Zambia holds a 25% non-controlling interest.

Montepuez Ruby Mining Limitada ("Montepuez"), a company incorporated in Mozambique. Its principal operation is rough ruby mining, exploration and processing. Mwiriti Limitada, a private company incorporated in Mozambique, holds a 25% non-controlling interest.

	2017 Kagem US$'000	2017 Montepuez US$'000	2017 Other US$'000	2017 Total US$'000
Amount attributable to all shareholders				
Profit/(loss) after tax	6,257	22,481	(145)	**28,593**
Cash generated from operations	7,842	33,797	–	**41,639**
Non-current assets	178,719	195,993	10,045	**384,757**
Amounts attributable to non-controlling interest				
Profit/(loss) after tax	1,564	5,620	(22)	**7,162**
Dividends paid	–	5,000	–	**5,000**
Equity	16,152	63,309	(1,073)	**78,388**

19. 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).

20. TRADE AND OTHER RECEIVABLES

	2017 US$'000	2016 US$'000
Trade receivables	5,948	–
VAT receivable	11,227	–
Prepayments	8,140	1,010
Other receivables	2,183	65
	27,498	1,175

All amounts shown under trade and other receivables fall due for payment within one year.

21. 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.

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.

21. BORROWINGS/CONTINUED

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**

22. PROVISIONS

	LTIP liability in Fabergé subgroup US$'000	Environmental restoration provision US$'000	Resettlement Action Plan ("RAP") US$'000	Other provisions US$'000	Total US$'000
Cost					
At 1 January 2016	–	–	–	–	–
Movement during the year	–	–	–	–	–
At 31 December 2016	–	–	–	–	–
Business combinations	23	2,024	8,570	632	11,249
Additions during the year	–	645	694	–	1,339
Utilised during the year	–	–	–	(11)	(11)
At 31 December 2017	**23**	2,669	**9,264**	**621**	**12,577**
Non-current	23	2,669	4,645	621	7,958
Current	–	–	4,619	–	4,619

Fabergé subgroup LTIP

The Fabergé subgroup operates a cash-settled share-based remuneration scheme.

Environmental restoration

The Group has an obligation to undertake restoration, rehabilitation and environmental work when environmental disturbance is caused by the development or ongoing production of a mining property. A provision is recognised for the present value of such costs, based on management's best estimate of the legal and constructive obligations incurred. These estimates reflect industry best practice and currently applicable legislation. Significant changes in legislation could result in changes in provisions recognised. It is anticipated that these costs will be incurred over a period in excess of 20 years on average.

Resettlement Action Plan

The Group has an obligation to compensate the households and other land users who are physically or economically displaced by the proposed mining in its concession area, in accordance with the local legislative requirements. A provision is recognised for the present value of such costs, based on management's best estimate of the obligations incurred, and is depreciated based on the ratio of ore mined during the period to the total volume of ore to be mined in the future, based on the estimated reserves.

Other provisions

The other non-current provisions primarily consist of employee end-of-contract benefits and are payable in three years' time.

23. TRADE AND OTHER PAYABLES

	2017 US$'000	2016 US$'000
Trade payables	7,491	–
Other payables	13,680	207
	21,171	**207**

24. INVESTMENT MANAGER'S BENEFITS

Investment Manager

Pallinghurst (Cayman) GP L.P. (the "Investment Manager") was appointed on 4 September 2007. The Investment Manager acted through its general partner, Pallinghurst GP Ltd. The Investment Manager provided advisory and management services to the Group and to certain other Pallinghurst Co-Investors.

The Investment Manager was entitled to an Investment Manager's Benefit ("IMB") in each accounting period. The basis for calculation of the IMB changed subsequent to 14 September 2012, the end of the Investment Period[1]. Prior to the end of the Investment Period, the IMB was calculated as 1.5% per annum of the amount subscribed for by shareholders in the Company. From the end of the Investment Period until 14 September 2017, the basis for calculation was 1.5% per annum of the lower of either the aggregate acquisition cost or the fair value of the Group's unrealised investments (based on the Group's most recent published financial statements).

The total charge in profit or loss for the IMB for the year ending 31 December 2017 was US$3,572,000 (year ending 31 December 2016: US$4,988,000).

At the Company's General Meeting on 26 June 2017, shareholders voted in favour of extending the life of the Company by a further 50 years, and of the termination of the Investment Management Agreement effective 14 September 2017 for no consideration. From 15 September 2017, the Company is responsible for its own investment management activity. The Company has entered into employment contracts with the Executive Directors to undertake this function, namely Mr Brian Gilbertson as Executive Chairman, Mr Frandsen as Chief Executive, Mr Willis as Finance Director and Mr Sean Gilbertson as Chief Investment Officer. Mr Thapliyal acted as Chief Operating Officer up to 16 November 2017 but resigned to take up the role of full-time Chief Executive of Jupiter. Mr Thapliyal's responsibilities have been absorbed by the other Executive Directors. Mr Sean Gilbertson and Mr Thapliyal were appointed Directors of the Company, effective 17 July 2017.

Furthermore, to support Board oversight and in line with the King IV governance recommendations, Mr Brian Gilbertson became Non-Executive Chairman effective 1 January 2018.

Performance Incentive

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

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

The provision for the Performance Incentive was calculated as follows:

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

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

The Directors have not provided for a Performance Incentive in the current or prior periods.

At the Company's General Meeting on 26 June 2017, shareholders voted in favour of termination of the Investment Management Agreement. Accordingly, effective 14 September 2017, any liability to pay the Performance Incentive was also terminated for no consideration.

25. SHARE CAPITAL

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

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

The Company is permitted to issue an unlimited number of shares in line with the Company's Memorandum of Incorporation.

Issued and fully paid share capital:

	Number of Shares	Share Capital US$	Share Premium US$
Management Shares (unlisted)			
Management Shares of US$1 each			
Balance at 31 December 2017 and 31 December 2016	**2**	**2**	**–**

	Number of Shares	Share Capital US$'000	Share Premium US$'000	Reserve for own shares US$'000	Treasury shares US$'000
Ordinary Shares (listed)					
Ordinary Shares of US$0.00001 each					
Balance at 31 December 2016	*760,452,631*	8	375,227	–	–
Allotted during Gemfields Offer period	*671,232,922*[1]	6	156,380	–	–
Effect of own shares held	–	–	–	(23,319)	(654)
	1,431,685,553[2]	**14**	**531,607**	**(23,319)**	**(654)**
Total Share Capital 31 December 2017		**14**	**531,607**	**(23,319)**	**(654)**

1 *The total of shares allotted includes PRL shares issued to Fabergé Conduit Limited, a company in which PRL has a 51.10% see-through interest. Fabergé Conduit Limited holds 188,416,547 shares in PRL as a result of the Company's acquisition of Gemfields. 96,276,146 of the shares allotted to Fabergé Conduit Limited are attributable to the Company. Accordingly, 96,276,146 shares have been omitted from the calculation of Per Share Information included within Note 27 Per share information.*

2 *In December 2017 the Company commenced a share buy-back programme to repurchase up to 152,090,526 shares. The programme was approved by shareholders at an Extraordinary General Meeting of the Company on 26 June 2017. At 31 December 2017 the Company had repurchased 2,723,486 of its shares. Accordingly, 2,723,486 shares have been omitted from the calculation of Per Share Information included within Note 27 Per share information.*

On 19 May 2017, the Company's Board 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"). Under the terms of the Offer, each Gemfields shareholder was entitled to receive 1.91 PRL shares for each Gemfields share.

The Offer went wholly unconditional on 26 June 2017 as the number of acceptances of the Offer from Gemfields' shareholders surpassed 60% as well as the Company receiving the requisite approval from the Company's shareholders at the General Meeting on 26 June 2017 to approve the transaction.

The Company finalised the acquisition of the remaining shares in Gemfields during 2017 (in return for 1.91 PRL shares for each Gemfields share) for total consideration of US$135 million (between ZAR2.89–ZAR3.12 per PRL share). The acquisition cost of these Gemfields shares is based on the PRL share price (on the day of each tranche of acceptances), converted at the 1.91 Offer Ratio and the daily US$/ZAR exchange rate.

26. SHARE-BASED PAYMENTS

Share Option Plan

The Pallinghurst Share Option Plan was approved by shareholders on 26 June 2017 whereby the Company could issue options of up to 2% of the issued share capital to each Executive Director and up to 2% of the share capital to key employees of the Company, in total a maximum of 167,341,278 options. Share options were awarded at a ZAR3.45 strike price to each of the Company's five Executive Directors. However, Priyank Thapliyal elected not to take up any share options.

During the year, on 14 September 2017, 111,560,852 (2016: Nil) share options were granted to the Directors. One-fifth of the options granted vested immediately and the balance vest annually on 14 September over the following four years, during which the grantee has to remain in employment.

The total expense recognised during the year ended 31 December 2017 arising from equity-settled share-based payment transactions was US$2,692,362 (2016: US$Nil).

At 31 December 2017, the following share options have been granted and are outstanding in respect of the ordinary shares:

	Number of options					
Exercise price	Outstanding at 1 January 2017	Granted	Forfeited	Exercised	Outstanding at 31 December 2017	Final exercise date
(ZAR3.45)	–	111,560,852	22,312,170	–	89,248,682	June 2022
Total	**–**	**111,560,852**	**22,312,170**	**–**	**89,248,682**	

Of the 167,341,278 share options available for granting, 78,092,596 share options were ungranted at 31 December 2017. There were 22,312,172 options exercisable at 31 December 2017 (2016: Nil).

The exercise price of options outstanding at 31 December 2017 was ZAR3.45 (2016: N/A) and their weighted average contractual life was 4.5 years (2016: N/A). The weighted average exercise price for options issued to Directors was ZAR3.45 (2016: N/A). No share options were exercised for the year ending 31 December 2017 (2016: N/A).

The fair values of the options are calculated using the Black–Scholes method. The number of options granted in 2017 was 111,560,852 (2016: Nil). Assumptions used in this model for the period 14 September 2017–31 December 2017 were:

	Issue date September 2017
Exercise price	ZAR3.45
Share price at date of grant	ZAR2.91
Expected volatility	39.70%
Option life	4.5 years
Expected dividends	Nil
Risk-free interest rate	7.73%

The Black–Scholes model fair values the options at ZAR1.12 per share at the issue date.

The risk-free interest rate for the grant in the current year was based on the yield offered from a South African government bond with a maturity date of February 2023. The bond is considered an appropriate risk-free rate for valuing the grant due to the maturity date being close to the end of the option life. In addition, as the Company has a primary listing on the Johannesburg Stock Exchange where securities are quoted in South African Rand, the Directors believe that a local currency-based risk-free rate is the most appropriate input when valuing options with the Black–Scholes model.

The expected volatility was based on the historical volatility data of Pallinghurst's shares.

27. 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 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**

NAV per share

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

	31 December 2017	31 December 2016
Net assets – 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.

27. PER SHARE INFORMATION/CONTINUED

Tangible NAV per share

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

	2017	2016
Net assets – 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**

28. FINANCIAL INSTRUMENTS

The principal financial instruments used by the Group are as follows:

Financial assets

	2017 US$'000	2016 US$'000
Financial assets measured at fair value:		
Jupiter	98,100	79,461
Sedibelo Platinum Mines	98,064	114,408
Gemfields	–	164,615
Other investments	6	12
Available-for-sale investments	40	–
Investments in associates	1,279	1,265
Total financial assets at fair value	**197,489**	**359,761**
Financial assets measured at amortised cost:		
Trade and other receivables[1]	8,131	65
Other non-current assets[2]	7,960	–
Cash and cash equivalents	37,784	1,218
Loans and receivables	–	4,948
Total financial assets measured at amortised cost	**53,875**	**6,231**
Total financial assets	**251,364**	**365,992**

1 *Trade and other receivables excludes prepayments.*
2 *Other non-current assets excludes property lease premium.*

The available-for-sale investments are Level 1, for which quoted prices on active market are available.

Financial liabilities

	2017	2016
Financial liabilities measured at amortised cost:		
Trade and other payables[1]	20,040	207
Borrowings	63,470	–
Total financial liabilities measured at amortised cost	**83,510**	**207**
Total financial liabilities	**83,510**	**207**

1 *Trade and other payables excludes social security.*

28. FINANCIAL INSTRUMENTS/CONTINUED

Fair value of financial assets and liabilities

At 31 December 2017 and 2016, the carrying value of the Group's financial assets and liabilities approximated their fair values.

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 consists of equity shares. There are also two Management Shares. The Directors monitor the Group's gearing ratio on an ongoing basis. 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 2017 or 2016.

Credit risk

The Group is subject to credit risk on its loans, receivables and cash. The Group may make loans to investments within the Investment Portfolio; the Group extended a US$5 million loan to Gemfields (prior to its acquisition), which was repaid in June 2017. The Group provides against any loan where non-repayment is considered likely for any reason. The Group holds materially all of its cash balances with three counterparties, Barclays Bank plc ("Barclays"), Deutsche Bank International Limited, which is an indirect subsidiary of Deutsche Bank Group ("Deutsche") and HSBC Bank plc ("HSBC"). The Group's subsidiaries and associates may also hold cash balances with various other banks; these are usually immaterial amounts. The Group's investments hold cash balances with a range of counterparties. Bankruptcy or insolvency of any of these counterparties could have a significant adverse impact on the Group.

The Group's exposure to counterparty risk at 31 December 2017 is set out below:

Counterparty	Location	Credit rating (Fitch)	2017 US$'000	2016 US$'000
Barclays	United Kingdom	A	20,729	–
Deutsche	Guernsey	BBB plus	6,681	1,168
HSBC	United Kingdom	AA minus	5,015	2
BCI[1]	Mozambique	n/r	2,295	–
Investec	Guernsey	BBB plus	–	–
Gemfields	United Kingdom	n/a	–	4,948
Other counterparties	Various	n/a	3,064	114
Total			**37,784**	**6,232**

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

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

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It represents the risk that the Group will encounter difficulty in meeting its financial obligations.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, the Group seeks to maintain cash balances and agreed facilities at levels considered appropriate to meet ongoing obligations. The Group maintains an integrated business performance and cash flow forecasting model, incorporating financial position information, which is updated monthly.

The Group performance against budget and associated cash flow forecast is evaluated on a monthly basis. The Directors receive rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances and Group performance against budget. At the reporting date, these projections indicated that the Group expected to have sufficient liquidity to meet its obligations under all reasonably expected circumstances.

28. FINANCIAL INSTRUMENTS/CONTINUED

Liquidity risk/continued

The following table illustrates the contractual maturity analysis of the Group's financial liabilities, including the liabilities that must be settled gross, based, where relevant, on interest rates and exchange rates prevailing at the reporting date.

31 December 2017	Repayable within one month US$'000	Repayable within one to six months US$'000	Repayable within six to twelve months US$'000	Repayable within twelve to thirty-six months US$'000	Total US$'000
Trade and other payables	10,067	9,973	–	–	20,040
Borrowings and interest	741	3,705	5,226	62,500	72,172
Total	**10,808**	**13,678**	**5,226**	**62,500**	**92,212**

31 December 2016	Repayable within one month US$'000	Repayable within one to six months US$'000	Repayable within six to twelve months US$'000	Repayable within twelve to thirty-six months US$'000	Total US$'000
Trade and other payables	207	–	–	–	207
Total	207	–	–	–	207

Market risk

The significant market risks affecting the Group are currency risk, interest rate risk, price risk and commodity risk. These risks relate to the investments that are held at fair value and often denominated in foreign currencies, and the Group's underlying mining operations.

Currency risk

The Group's operations are exposed to currency risk on foreign currency sales, purchases and expenses. As the majority of revenues are denominated in US$ and the US dollar plays a dominant role in the Group's business, funds borrowed and held in US dollars provide a natural hedge to currency fluctuations. Operating costs and costs of locally sourced equipment are influenced by fluctuations in local currencies, primarily the Zambian kwacha and Mozambican metical.

Some of the Group's investments are denominated in currencies other than the US$, including ZAR, AUD and GBP. These assets are translated into US$ at each balance sheet date and the Group's Consolidated Statement of Comprehensive Income includes related unrealised foreign exchange gains or losses. The Group also realises foreign exchange gains or losses on occasion, usually relating to the completion of transactions in assets denominated in currencies other than the US$.

A key tenet of the Group's treasury policy is that materially all of the Group's cash is held in US$, other than amounts allocated for a specific foreign currency investment, which are usually held in the relevant currency. The Group's cash balance is therefore not subject to material foreign exchange risk in most circumstances.

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

The Group's policy is to hold all material cash balances in US$ at all times, other than when allocated for a specific investment or for specific, material expenses. Cash balances are translated into a currency other than US$ only when an outflow of cash is imminent, or if required for legal or similar reasons. The Group may occasionally hold balances in currencies other than the US$ for a material investment which is considered likely but is not yet certain, giving rise to potential foreign exchange risk if the investment does not occur and the balance is translated back into US$ at a different exchange rate. Alternatively, for specific, material cash outflows (which would usually be for either an investment or expenses), the Group may choose to enter into an appropriate hedging strategy, such as a forward contract or option, to minimise the Group's foreign exchange exposure. The Group has not entered into any hedging strategies during the year.

28. FINANCIAL INSTRUMENTS/CONTINUED

Currency risk/continued

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

At 31 December 2017	US$ US$'000	GBP US$'000	ZMW US$'000	MZN US$'000	Other US$'000	Total US$'000
Investments	197,489	–	–	–	–	**197,489**
Cash and cash equivalents	32,301	2,327	458	1,554	1,144	**37,784**
Other non-current assets	4,367	-	-	-	3,593	**7,960**
Trade and other receivables	5,095	218	184	2,148	486	**8,131**
Borrowings	(63,470)	–	–	–	–	**(63,470)**
Trade and other payables	(6,110)	(4,996)	(2,462)	(3,755)	(2,717)	**(20,040)**
Net financial assets/(liabilities)	169,672	(2,451)	(1,820)	(53)	2,506	**167,854**
Sensitivity analysis						
Impact on the Income Statement, assuming a 10% movement against the US$	**n/a**	**(245)**	**(182)**	**(5)**	**251**	**(181)**

At 31 December 2016	US$ US$'000	GBP US$'000	ZMW US$'000	MZN US$'000	Other US$'000	Total US$'000
Net financial assets	**201,153**	**164,615**	**27**	**–**	**–**	**365,785**
Sensitivity analysis						
Impact on the Income Statement, assuming a 10% movement against the US$	**n/a**	**16,462**	**3**	**–**	**–**	**16,465**

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its cash balances. The Group's policy is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments which are for a maximum of one year, but are usually for shorter time periods than that. This maintains the Group's liquidity levels whilst also securing a return for shareholders on uninvested cash. During the current and prior year, all uninvested cash was accessible either on demand, or shortly afterwards. In addition, the Group may make interest-bearing loans to its investments.

31 December 2017	Repayable within one month US$'000	Repayable within one to six months US$'000	Repayable within six to twelve months US$'000	Repayable within twelve to thirty-six months US$'000	Total US$'000
Cash and cash equivalents	37,784	–	–	–	**37,784**
Loans and receivables	–	66	–	–	**66**
Borrowings	(348)	(1,741)	(2,089)	(59,292)	**(63,470)**
Net financial assets/(liabilities) subject to interest rate risk	**37,436**	**(1,675)**	**(2,089)**	**(59,292)**	**(25,620)**

31 December 2016	Repayable within one month US$'000	Repayable within one to six months US$'000	Repayable within six to twelve months US$'000	Repayable within twelve to thirty-six months US$'000	Total US$'000
Cash and cash equivalents	1,218	–	–	–	1, 218
Gemfields loan	–	4,948	–	–	4,948
Loans and receivables	–	66	–	–	66
Financial assets subject to interest rate risk	1,218	5,014	–	–	6,232

28. FINANCIAL INSTRUMENTS/CONTINUED

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

31 December 2017	Repayable within one month US$'000	Repayable within one to six months US$'000	Repayable within six to twelve months US$'000	Repayable within twelve to thirty-six months US$'000	Total US$'000
Financial assets subject to interest rate risk	**37,436**	**(1,675)**	**(2,089)**	**(59,292)**	**(25,620)**
Sensitivity analysis					
Impact on profit or loss, assuming a 0.5% movement in interest rate	**187**	**(8)**	**(10)**	**(296)**	**(127)**

31 December 2016	Repayable within one month US$'000	Repayable within one to six months US$'000	Repayable within six to twelve months US$'000	Repayable within twelve to thirty-six months US$'000	Total US$'000
Financial assets subject to interest rate risk	1,218	5,014	–	–	6,232
Sensitivity analysis					
Impact on profit or loss, assuming a 0.5% movement in interest rate	**6**	**25**	**–**	**–**	**31**

Price Risk

Price risk is the risk that the price for listed investments fluctuates with a corresponding impact on the Consolidated Statement of Comprehensive Income. The Directors' valuations for unlisted investments are also likely to increase or decrease over time. The Directors believe that disclosure of a 25% decrease/increase in the fair values of the Group's investments is reasonably possible and presents relevant information to shareholders. The Executive Directors usually participate in the executive leadership/management of each investment and monitor the associated risks on an ongoing basis and report to the Board as necessary. A 25% change in the fair value of investments would have the following impact on the Consolidated Statement of Comprehensive Income:

	2017			2016		
	Quoted US$'000	Unquoted US$'000	Total US$'000	Quoted US$'000	Unquoted US$'000	Total US$'000
Total	**–**	**49,041**	**49,041**	41,154	48,784	89,938

Commodity risk

The Group holds coloured gemstones on its balance sheet in the form of inventory. A decrease in the price of coloured gemstones, specifically rubies and emeralds, may have a material impact on the Company's profitability. For the Group's other major investments, namely Jupiter and Sedibelo, commodity prices have no direct impact on the Group's Financial Statements. However, commodity prices can have a significant impact on the valuation of these investments and can impact on the viability of assets that the Group has invested or may invest in. The commodities of most relevance to the Group currently are coloured gemstones, PGMs, manganese and iron ore.

Sensitivity analyses representative of 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 2017 are considered likely to be representative of the financial instruments held and risks to the balance sheet in the immediate future. Users of the Financial Statements should be aware that the Group's risk profile has changed significantly during the year due to the acquisition of Gemfields. Furthermore, if the Group divested of an investment, its exposure to market risks would change. As there is uncertainty as to how the Group's risk profile will change in the future, no further representative sensitivity analyses have been disclosed, as the Directors do not believe that it would be useful. Users of the Financial Statements should refer to the *Principal risks* section of this Annual Report for further information on the risks that the enlarged Group is exposed to.

29. CAPITAL COMMITMENTS

At 31 December 2017, the Company had the following capital commitments:

(a) US$8.9 million (2016: Nil) for the construction of the new sort house, purchase of mining equipment, and mine camp expansion in Montepuez.
(b) US$2.9 million (2016: Nil) for the purchase of mining equipment in Kagem.

30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group had no other significant contingent liabilities or contingent assets at 31 December 2017 (31 December 2016: US$ 0.219 million).

31. COMMITMENTS UNDER OPERATING LEASES

The Group has total future minimum lease payments under non-cancellable operating leases as set out below:

	2017	2016
Not later than one year	2,237	–
Later than one year but not later than five years	4,832	–
Later than five years	–	–
	7,069	–

32. RELATED-PARTY TRANSACTIONS

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

The Investment Manager acted through its general partner, Pallinghurst GP Ltd. The directors of Pallinghurst GP Ltd are Mr Brian Gilbertson, Mr Frandsen, Mr Willis, Mr Harris and Mr Tolcher. The Investment Manager is a related party due to the common directorships between the Group and Pallinghurst GP Ltd. Certain expenses are incurred by Pallinghurst GP Ltd on behalf of the Group and are then reimbursed to Pallinghurst GP Ltd at cost. The Company's reimbursement of the expenses settled by Pallinghurst GP Ltd for the year ending 31 December 2017 was US$22,745 (2016: US$40,598). The Group's outstanding balance with Pallinghurst GP Ltd at 31 December 2017 was US$81,131 (2016: Nil).

Pallinghurst GP Ltd received investment advice from the Investment Advisor, Pallinghurst Advisors LLP ("PALLP"), a limited liability partnership incorporated in the United Kingdom and regulated by the Financial Conduct Authority. PALLP is a related party to the Group, as Mr Brian Gilbertson is both a Member of PALLP and Chairman of the Company. Mr Sean Gilbertson who was appointed to the Board effective 17 July 2017 is also a Member of PALLP. Certain expenses were incurred by PALLP on behalf of the Group and were then reimbursed to PALLP at cost. The Company's reimbursement of the expenses settled by PALLP for the year ending 31 December 2017 was US$316,470 (2016: US$49,667). The Group's outstanding balance with PALLP at 31 December 2017 was US$749,679 (2016: nil).

Pallinghurst Advisors (Pty) Ltd ("PAPTY") is a wholly-owned subsidiary of PALLP. PAPTY is a related party to the Group, as Mr Arne H. Frandsen is a Director of both the Company and PAPTY. Certain expenses were incurred by PAPTY on behalf of the Group and were then reimbursed to PAPTY at cost. The Company's reimbursement of the expenses settled by PAPTY for the year ending 31 December 2017 was US$44,234 (2016: Nil). The Group's outstanding balance with PAPTY at 31 December 2017 was US$161,283 (2016: Nil).

Vistra Guernsey acts as the Group's administrator and Company Secretary. Mr Platt-Ransom ceased to be a Director of Vistra Guernsey and entities within the Vista Guernsey group during 2016. The Group's relationship with Vistra Guernsey is at arm's length. The Group's expense for services rendered by Vistra Guernsey for the year ending 31 December 2017 was US$156,625 (2016: US$164,000). The Group's outstanding balance with Vistra at 31 December 2017 was US$38,750 (2016: Nil).

32. RELATED-PARTY TRANSACTIONS/CONTINUED

Kariba Minerals Limited is a joint venture in which the Group holds a 50% shareholding. As at 31 December 2017, the Group held a receivable of US$2,718,000 (2016: Nil), which represents a historic receivable of US$4,199,000 less a provision of US$1,481,000.

Related-party transactions include entering into equity investments, exiting from equity investments, and loan transactions. Related-party transactions related to the Group's investments are detailed in Note 16 *Investments*. Certain amounts were payable by the Group to the Investment Manager as disclosed in Note 24 *Investment Manager's benefits*.

The amounts paid to the Executive Directors for services during 2017 are set out below:

1 January 2017 to 31 December 2017	Base Compensation US$'000	Annual Bonus US$'000	Share Options US$'000	Total US$'000
Brian Gilbertson	175	–	–	175
Arne H. Frandsen	175	–	–	175
Sean Gilbertson	136	–	–	136
Andrew Willis	101	–	–	101
Priyank Thapliyal	–	–	–	–
Total	**587**	**–**	**–**	**587**

No Executive Director remuneration was payable during 2016.

The amounts paid to the Non-Executive Directors for services during 2017 are set out below:

1 January 2017 to 31 December 2017	Group Director Fees US$'000	Board Committees US$'000	Lead Independent Director US$'000	Total US$'000
Stuart Platt-Ransom[1]	18	2	1	21
Clive Harris[1]	19	2	–	21
Martin Tolcher	37	9	–	46
Dr Christo Wiese	37	–	–	37
Lumkile Mondi[2]	37	6	1	44
Erich Clarke[3]	16	1	–	17
Kwape Mmela[3]	16	3	–	19
Total	**180**	**23**	**2**	**205**

1 *This relates to the period 1 January 2017–11 July 2017.*
2 *Appointed Lead Independent Director on 14 September 2017.*
3 *This relates to the period 31 July 2017–31 December 2017.*

At the Company's General Meeting, held on 26 June 2017, shareholders resolved that the maximum amount payable as Non-Executive Directors' fees be increased to US$100,000 per Director per annum. With effect from 14 September 2017, the fee payable for each Non-Executive Director increased from US$35,000 per annum to US$40,000 per annum.

The amounts paid to the Non-Executive Directors for services during 2016 are set out below:

1 January 2016 to 31 December 2016	Group Director Fees US$'000	Board Committees US$'000	Lead Independent Director US$'000	Total US$'000
Stuart Platt-Ransom	35	3	2	40
Clive Harris	37	3	–	40
Martin Tolcher	35	5	–	40
Dr Christo Wiese	35	–	–	35
Lumkile Mondi	35	–	–	35
Erich Clarke	–	–	–	–
Kwape Mmela	–	–	–	–
Total	**177**	**11**	**2**	**190**

32. RELATED-PARTY TRANSACTIONS/CONTINUED

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

	31 December 2017		31 December 2016	
	Number of shares	Interest	Number of shares	Interest
Dr Christo Wiese[1]	**160,388,407**	**11.20%**	149,034,253	19.60%
Brian Gilbertson[2,3,4]	**26,148,899**	**1.83%**	24,261,669	3.19%
Kwape Mmela[6]	**8,325,334**	**0.58%**	8,325,334	1.10%
Arne H. Frandsen[4]	**5,097,129**	**0.36%**	4,237,369	0.55%
Sean Gilbertson[3,4,5]	**4,748,536**	**0.33%**	4,175,536	0.55%
Andrew Willis[4,7]	**2,446,054**	**0.17%**	2,446,054	0.32%
	207,154,359	**14.47%**	**192,480,215**	**25.31%**

1 *At 31 December 2017, Dr Wiese held indirect interests in 160,388,407 PRL shares via various entities. In addition, certain family members held a further 2,204,700 shares; including these interests would increase Dr Wiese's shareholding to 11.35%.*
2 *Brian Gilbertson holds an interest in Autumn Holdings Asset Inc. (a company in which immediate members of Brian Gilbertson's family, including Sean Gilbertson, also hold interests), which, in turn, holds 1,887,230 PRL shares.*
3 *Pallinghurst Resources Management L.P., a limited partnership in which Brian Gilbertson holds a 25% interest and Sean Gilbertson holds a 50% interest, is entitled to 3,030,652 Pallinghurst shares; however, these shares have not yet been claimed following the compulsory acquisition of Gemfields.*
4 *Brian Gilbertson, Arne H. Frandsen, Andrew Willis, Priyank Thapliyal and Sean Gilbertson together hold all the interests in Pallinghurst (Cayman) Founder L.P., which, in turn, holds 10,296,964 Pallinghurst shares via Fabergé Conduit Limited.*
5 *Sean Gilbertson was appointed to the Board effective 17 July 2017.*
6 *Kwape Mmela was appointed to the Board effective 31 July 2017.*
7 *Andrew Willis holds an additional interest in PRL through a Contract for Difference (CFD) over 34,380 shares and not directly in PRL shares.*

The Company had 1,431,685,553 shares in issue at 31 December 2017 (2016: 760,452,631). There have been no changes to these shareholdings up to the date of publication of the Annual Report.

33. 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 was 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 84.8 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.

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.

33. EVENTS OCCURRING AFTER THE END OF THE YEAR/CONTINUED

February 2018 – Commercial quality emerald auction

Kagem held a commercial quality emerald auction in Jaipur, at which 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.

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Pallinghurst Resources Limited and its subsidiaries (the 'Group') for the year ended 31 December 2017 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

In our opinion:

- the financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as issued by the IASB; and
- the financial statements have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	**Valuation of investments in Jupiter and Sedibelo** As detailed in Note 16, the Group holds investments in Jupiter Mines and Sedibelo Platinum Mines. The value of these investments is recognised at fair value, and they are both unlisted investments. The fair value of Jupiter and Sedibelo as at the year end was estimated at US$98.1 million and US$98.1 million, respectively (2016 – US$79.5 million and US$114.4 million, respectively). The fair value of the investments is based on discounted cash flow forecasts using data prepared by independent competent persons reports. Further details of the methods of valuation and the estimates and judgements involved are disclosed in Note 16. Judgement is involved to determine the fair value of each of the investments, and the valuations are dependent on key estimates such as the longer term Platinum Group Metals and Manganese prices, the reserves and resources, the South African Rand exchange rate and the discount rate. Given that significant estimates and judgments are involved in determining the fair value, this is considered to be a key audit matter.

Our Response	**Valuation of Jupiter and Sedibelo** We reviewed Management's valuation papers for both Sedibelo and Jupiter and obtained supporting evidence for the key estimates and assumptions such as the commodity price forecasts, discount rates and exchange rate forecasts. We made an assessment of the experts who prepared the underlying information regarding reserves, resources and the life of mine plans. Our assessment involved understanding the scope of the expert's work and assessing their competence and independence. We corroborated the forecast commodity prices to publicly available market information, analyst forecasts and we considered historical price volatility. We reviewed the discount rates used and involved our specialist valuations department. Our review of the discount rates involved an assessment of the risk free rate and the risks associated with the specific asset and country of operation. We considered the impact of post balance sheet events such as the proposed IPO of Jupiter on the valuation. Where possible, we considered the valuation of comparable companies which have observable market values, such as listed South African platinum companies, and we compared the valuation of these companies, relative to their quantity of resources, to Jupiter and Sedibelo. We reviewed the disclosures in the financial statements, particularly the disclosures of key estimates and assumptions which impact the fair values, and the sensitivity analysis thereon. Based on our procedures we did not identify any indications that the investment valuation of Jupiter and Sedibelo was inappropriate.

Key Audit Matter	**Valuation of the acquired assets and liabilities on the acquisition of Gemfields** As detailed in Note 8, the Group acquired Gemfields plc during the year. The assets and liabilities acquired are required to be measured at fair value on the date of acquisition. The three principal cash generating units acquired are Fabergé and the two operating gemstone mines, Kagem and MRM. The valuation of the assets and liabilities, particularly the Fabergé brand and the mining assets, requires significant estimates and judgements and is inherently uncertain. As disclosed in Note 8 to the financial statements, Management determined that the acquisition of Gemfields represented a bargain purchase, as defined in IFRS, as the purchase price was lower than the fair values of the assets and liabilities acquired. Accounting standards require that the gain on a bargain purchase is recognised immediately in the income statement in the year of acquisition. The valuation of the acquired assets and liabilities requires significant estimates and judgements, and bargain purchases are expected to arise in rare circumstances. Therefore, we consider the valuation of the acquired assets and liabilities to be a key audit matter.
Our Response	In accordance with the requirements of IFRS, where negative goodwill arises there is a requirement to reassess the fair values of the assets and liabilities acquired, and therefore we challenged Management and reviewed the reassessment. We reviewed the valuation report and challenged Management as to whether the discount rates applied to the Fabergé forecasts and the mine models were consistent with market discount rates. We noted that there were two observable market valuations which could be used to assess the discount rates used, being the market value of Gemfields' shares which were listed shortly before the acquisition date, and a cash offer made by an independent company near to the acquisition date. The value of the cash offer from an independent third party was considered by Management to offer the best estimate as to the discount rates which the market would apply to the assets being acquired. We consulted our valuations experts on the valuation methodology applied and the discount rates used. We corroborated the estimates in the valuation assessments to supporting evidence such as life of mine plans and forecasts for the Fabergé business which have been approved by the Board. We also reviewed the fair value of inventory by corroborating the inventory fair values with sales prices realised before and after the acquisition date. We reviewed the completeness of the assessment of the fair value of assets and liabilities acquired. Based on our procedures we found the assumptions used by management to calculate the fair value of the assets and liabilities to be reasonable.

Key Audit Matter	**Going Concern** The Directors are required to consider the going concern position of the Group for a period of not less than twelve months from the date of approval of the financial statements. In making an assessment of going concern, Management are required to prepare a cash flow forecast which shows whether or not there is a significant uncertainty as to whether the group is likely to continue as a going concern. The Group currently has a number of debt facilities, the terms of which are disclosed in Note 21 of the financial statements. The Group is reliant on its renewable debt facilities, the terms of which are expected to be renewed by the lender. Cash flow forecasts are inherently uncertain and the Group is reliant on the ongoing renewal of certain of its debt facilities. This together with the significant impact going concern has on the financial statements means we consider going concern a key audit matter.
Our Response	**We obtained and reviewed Management's detailed cash flow forecast for the period to April 2019.** We confirmed that the forecasts were mathematically accurate and approved by the Board. The forecasts demonstrate that the Group expects to have sufficient cash to repay debts that fall due during the forecast period and to fund ongoing activities. We reviewed the key assumptions included within the forecasts such as expected future receipts from the sale of rubies and emeralds and we confirmed that the forecasts were consistent with the life of mine plans. We reviewed covenants on the Group's debt and confirmed that the covenants were expected to be met throughout the going concern period. We obtained correspondence from certain lenders of renewable debt facilities confirming that there is no current reason why the debt facilities are not expected to be renewed. We checked that there were no significant debt repayments of existing debt required within the period to April 2019. We reviewed material transactions that have incurred in the period post balance sheet and confirmed that these have been reflected in the forecasts.

Our application of materiality

Group materiality	US$8,200,000
Basis for determining materiality	1% of total assets
Group performance materiality	US$6,150,000
Basis for performance materiality	75% of group materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We have determined an assets based measure is appropriate as the group is currently developing an underground mining projects that requires significant capital expenditure. We consider total assets to be the most significant determinant of the group's financial performance used by members as the group continues to bring its mining assets through to production.

Whilst materiality for the financial statements as a whole was US$8,200,000, each significant component of the group was audited to a lower level of materiality of US$2,000,000. Performance materiality has been set at 75% of materiality, which is used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes during the audit.

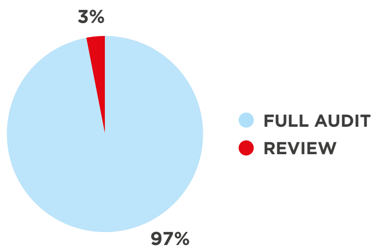
We agreed with the Audit Committee that we would report to the Committee all individual audit differences identified during the course of our audit in excess of US$410,000. We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including the group's system of internal control, and assessing the risks of material misstatement in the financial statements at the group level.

Our group audit scope focused on the group's principal operating locations being Gemfields plc, Fabergé, Kagem Mining Limited and Montepuez Ruby Mining Lda, which were subject to a full scope audit. Together with the parent Company and its Group consolidation, which was also subject to a full scope audit, these represent the significant components of the group.

The remaining components of the Group were considered non-significant and these components were principally subject to analytical review procedures, together with additional substantive testing over the risk areas detailed above where applicable to that component. We set out below the extent to which the group's revenue and total assets were subject to audit versus review procedures.



The audits of each of the components were principally performed in the United Kingdom, Zambia and Mozambique. All of the audits were conducted by BDO LLP and BDO member firms.

As part of our audit strategy, the senior members of the BDO LLP audit team visited each of the principal operating locations in the year.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, within the Directors' report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

We were appointed by the Board of Directors on 08 January 2018 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the year to 31 December 2017.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the Group and the parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Board of Directors.

The engagement director on the audit resulting in this independent auditor's report is Scott Knight.

Scott Knight (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
30 April 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

SHAREHOLDER INFORMATION
for the year ended 31 December 2017

Shareholder spread	Number of shareholders	%	Number of shares	%
1–1,000 shares	443	15.12	210,980	0.02
1,001–10,000 shares	1,254	42.80	6,131,789	0.43
10,001–100,000 shares	889	30.34	28,835,728	2.01
100,001–1,000,000 shares	235	8.02	67,664,383	4.73
1,000,001–10,000,000 shares	85	2.90	258,320,460	18.04
10,000,001 shares and over	24	0.82	1,070,522,213	74.77
	2,930	**100**	**1,431,685,553**	**100**
Distribution of shareholders				
Banks/Brokers	85	2.90	489,547,117	34.20
Close Corporations	45	1.54	2,055,012	0.14
Endowment Funds	3	0.10	914,936	0.06
Individuals	2,329	79.49	83,490,456	5.83
Insurance Companies	3	0.10	70,551,136	4.93
Mutual Funds	24	0.82	111,758,141	7.81
Nominees and Trusts	97	3.31	204,199,539	14.26
Other Corporations	24	0.82	417,320	0.03
Private Companies	77	2.63	179,594,012	12.54
Public Companies	7	0.24	225,589,800	15.76
Retirement Funds	25	0.85	43,581,769	3.04
Trusts	211	7.20	19,986,315	1.40
	2,930	**100**	**1,431,685,553**	**100**
Public/non-public shareholders				
Public shareholders	**2,907**	**99.22**	**1,125,531,562**	**78.62**
Non-public shareholders	**23**	**0.78**	**306,153,991**	**21.38**
Holdings of Directors[1]	21	0.72	207,154,359	14.47
Interest in Own Shares	2	0.06	98,999,632	6.91
	2,930	**100**	**1,431,685,553**	**100**

Shareholders holding 5% or more	Number of shares	%
Dr Christo Wiese[2]	160,388,407	11.20
NGPMR (Cayman) L.P.	138,469,735	9.67
Investec Pallinghurst (Cayman) L.P.	130,401,519	9.11
Ophorst Van Marwijk Kooy Vermogensbeheer N.V.	109,524,978	7.65
Oasis[3]	99,357,720	6.94
Pallinghurst Resources Limited[4]	98,999,632	6.91

1 *Dr Wiese's interest has been included within "Holdings of Directors" rather than as a "Shareholder holding 10% or more". Five PRL Directors own shares in PRL, as detailed in the Financial Statements. For the split of public/non-public shareholders disclosed above, each of Dr Wiese's interests has been classified as a separate shareholder; this has increased the number of separate shareholdings to 23.*

2 *At 31 December 2017, Dr Wiese held indirect interests in 160,388,407 PRL shares via various entities. In addition, a further 2,204,700 shares, or 0.15%, are held by members of Dr Wiese's immediate family; including these shares would increase Dr Wiese's total shareholding to 11.35%.*

3 *The Oasis shareholding includes interests held by Oasis Asset Management and Oasis Crescent Capital.*

4 *The Company holds a 51.10% see-through interest in Fabergé Conduit Limited, a company that received 188,416,547 PRL shares in exchange for its Gemfields shares, as a result of the Company's acquisition of Gemfields. The Company's interest in its own shares through Fabergé Conduit Limited is therefore 96,276,146 shares or 6.72%. In addition, the Company had repurchased 2,723,486 or 0.19% of its own shares at 31 December 2017.*

COMPANY DETAILS

Executive Directors
Brian Gilbertson[1]
Arne H. Frandsen
Andrew Willis
Sean Gilbertson[2]

Non-Executive Directors
Dr Christo Wiese
Martin Tolcher
Lumkile Mondi
Kwape Mmela[4]
Erich Clarke[4]

The following persons were Directors during the year

Priyank Thapliyal[2, 3]
Stuart Platt-Ransom[5]
Clive Harris[5]

1 Brian Gilbertson became Non-Executive Chairman effective 1 January 2018.
2 Appointed 17 July 2017.
3 Resigned 16 November 2017.
4 Appointed 31 July 2017.
5 Resigned 11 July 2017.

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

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

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

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

South African Transfer Secretary
Computershare Investor Services (Pty) Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
South Africa

Registrar and Bermuda Transfer Secretary
Computershare Investor Services (Guernsey) Limited
1st Floor
Tudor House
Le Bordage
St Peter Port
Guernsey
GY1 1DB

Administrator and Company Secretary
Vistra Fund Services (Guernsey) Limited
11 New Street
St Peter Port
Guernsey
GY1 2PF
Channel Islands

London Office
Pallinghurst Resources UK Limited
4th Floor
1 New Burlington Place
London
W1S 2HR
United Kingdom

Auditor
BDO LLP
55 Baker Street
London
W1U 7EU
United Kingdom

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

NOTICE IS HEREBY GIVEN that the AGM of shareholders of the Company will be held at The Old Government House, St Ann's Place, St Peter Port, Guernsey, GY1 2NU on Tuesday, 26 June 2018 at 11.00 a.m. (British Summer Time) to conduct such business as may lawfully be dealt with at the AGM.

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

DATES AND VOTING

The Board has determined the following:

- Those shareholders registered on the Company's shareholders' register on Friday 20 April 2018 will receive notice of the AGM.
- Those shareholders registered on the Company's shareholders' register at 11.00 a.m. (British Summer Time) on Friday 22 June 2018 will be eligible to participate and vote. In the event that the AGM is adjourned, those shareholders registered on the shareholders' register two full business days (in Guernsey) before the time of any adjourned meeting will be eligible to participate and vote.
- Voting will be by way of a poll and every shareholder, present in person or represented by proxy and entitled to vote, shall be entitled to one vote for every share held.

PROXIES

A shareholder is entitled to attend the AGM in person and vote or to appoint a proxy (or proxies) to attend and to speak and, on a poll, vote instead of him/her. A proxy need not be a shareholder. A shareholder may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him/her. The appointment of a proxy will not prevent a shareholder from subsequently attending the AGM and voting in person.

To be effective, a Form of Proxy, and any power of attorney or other authority under which it is signed (or a certified or notarised copy of any such authority) must be completed, signed and either lodged, not less than two business days before the time for holding the meeting or adjourned meeting.

Shareholders with shares registered on the BSX should use the proxy form with the yellow band for completion, and shareholders registered on the JSE should use the proxy form with the blue band for completion. For any issues please contact the relevant registrar:

BSX registrar
Computershare Investor Services (Guernsey) Limited
1st Floor
Tudor House
Le Bordage
St Peter Port
Guernsey
GY1 1DB
Tel.: +44 (0) 370 707 4040

JSE registrar
Computershare Investor Services (Pty) Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
2196
South Africa
Tel: +27 (0) 11 370 5000

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

ORDINARY RESOLUTIONS

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

Ordinary resolution 1: To adopt the Company's Annual Report for the year ended 31 December 2017.

The Group's Annual Report for the year ended 31 December 2017, including the financial statements, auditor's report and Directors' report, have been distributed as required and will be presented to shareholders at the AGM. The Annual Report can be found on the Company's website, www.pallinghurst.com and www.gemfields.com.

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

It is resolved that Erich Clarke, who was first appointed as a Director on 31 July 2017 and who retires in accordance with the terms of the Company's Articles of Incorporation, and who is eligible and available for re-election, is re-elected as a director of the Company with immediate effect.

A *curriculum vitae* for Erich Clarke is included in the Annual Report in the Governance section. The Annual Report can be found on the Company's website, www.pallinghurst.com and www.gemfields.com.

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

It is resolved that Kwape Mmela, who was first appointed as a Director on 31 July 2017 and who retires in accordance with the terms of the Company's Articles of Incorporation, and who is eligible and available for re-election, is re-elected as a director of the Company with immediate effect.

A *curriculum vitae* for Kwape Mmela is included in the Annual Report in the Governance section. The Annual Report can be found on the Company's website, www.pallinghurst.com and www.gemfields.com.

Ordinary resolution 4: To re-elect Dr Christo Wiese, who is retiring by rotation, as a Director of the Company.

It is resolved that Dr Christo Wiese, who was first appointed as a Director on 11 February 2013 and who retires in accordance with the terms of the Company's Articles of Incorporation, and who is eligible and available for re-election, is re-elected as a director of the Company with immediate effect.

A *curriculum vitae* for Dr Christo Wiese is included in the Annual Report in the Governance section. The Annual Report can be found on the Company's website, www.pallinghurst.com and www.gemfields.com.

Ordinary resolution 5: To re-elect Sean Gilbertson, who is retiring by rotation, as a Director of the Company.

It is resolved that Sean Gilbertson, who was first appointed as a Director on 17 July 2017 and who retires in accordance with the terms of the Company's Articles of Incorporation, and who is eligible and available for re-election, is re-elected as a director of the Company with immediate effect.

A *curriculum vitae* for Sean Gilbertson is included in the Annual Report in the Governance section. The Annual Report can be found on the Company's website, www.pallinghurst.com and www.gemfields.com.

Ordinary resolution 6: To re-elect David Lovett, who is retiring by rotation, as a Director of the Company.

It is resolved that David Lovett, who was first appointed as a Director on 31 March 2018 and who retires in accordance with the terms of the Company's Articles of Incorporation, and who is eligible and available for re-election, is re-elected as a director of the Company with immediate effect.

A *curriculum vitae* for David Lovett is included in the Annual Report in the Governance section. The Annual Report can be found on the Company's website, www.pallinghurst.com and www.gemfields.com.

NOTICE OF ANNUAL GENERAL MEETING/CONT.

Ordinary resolution 7: Election of Audit Committee members

It is proposed that Martin Tolcher, an Independent Non-Executive Director of the Company, is elected to the Company's Audit Committee.

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

It is resolved that Erich Clarke, an Independent Non-Executive Director of the Company, is re-elected to the Company's Audit Committee (subject to his re-election as a Director pursuant to ordinary resolution 2).

C*urriculum vitae* for Martin Tolcher, Lumkile Mondi and Erich Clarke are included in the Annual Report in the Governance section. The Annual Report can be found on the Company's website, www.pallinghurst.com and www.gemfields.com.

Ordinary resolution 8: To reappoint BDO LLP as the Company's auditor (until the conclusion of the 2019 annual general meeting) and to authorise the Directors to fix their remuneration.

It is resolved that BDO LLP be reappointed as the Company's auditor until the conclusion of the 2019 annual general meeting, in line with the recommendation of the Audit Committee to the Board.

NON-BINDING ADVISORY VOTES

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

Endorsement of the Company's Remuneration Policy

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

The Company's Remuneration Policy is included in the Annual Report in the Governance section. The Annual Report can be found on the Company's website, www.pallinghurst.com and www.gemfields.com.

Endorsement of the Company's Remuneration Implementation Report

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

The Company's Remuneration Implementation Report is included in the Annual Report in the Governance section. The Annual Report can be found on the Company's website, www.pallinghurst.com and www.gemfields.com.

By order of the Board

Computershare Investor Services (Guernsey) Limited
1st Floor
Tudor House
Le Bordage
St Peter Port
Guernsey
GY1 1DB

30 April 2018

NOTES

NOTES

BSX / FORM OF PROXY

FOR USE AT THE ANNUAL GENERAL MEETING TO BE HELD ON **26 JUNE 2018**

PALLINGHURST

FORM OF PROXY

PALLINGHURST RESOURCES LIMITED (the "Company")

To be effective, all proxy appointments must be lodged with the Company's Registrars at: Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY by 22 June 2018 at 11.00 a.m. OR emailed to externalproxyqueries@computershare.co.uk, not less than two business days before the time of holding the meeting or adjourned meeting.

Please complete this box only if you wish to appoint a third party proxy other than the Chairman. Please leave this box blank if you want to select the Chairman. Do not insert your own name(s).

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

Of (ADDRESS) ______________________________

hereby appoint the Chairman of the Meeting OR the person indicated in the box above as my/our proxy to attend, speak and vote in respect of my/our full voting entitlement* on my/our behalf at the Annual General Meeting of Pallinghurst Resources Limited to be held at The Old Government House, St Ann's Place, St Peter Port, Guernsey on 26 June 2018 at 11.00 a.m., and at any adjourned meeting.

**For the appointment of more than one proxy, please refer to Explanatory Note 2.*

Please mark here to indicate that this proxy appointment is one of multiple appointments being made.

Ordinary Resolutions:	**For**	**Against**	**Abstain**
1. To adopt the Company's Annual Report for the year ended 31 December 2017 (the "Annual Report").			
2. To re-elect Erich Clarke, who is retiring by rotation, as a Director of the Company.			
3. To re-elect Kwape Mmela, who is retiring by rotation, as a Director of the Company.			
4. To re-elect Dr Christo Wiese, who is retiring by rotation, as a Director of the Company.			
5. To re-elect Sean Gilbertson, who is retiring by rotation, as a Director of the Company.			
6. To re-elect David Lovett, who is retiring by rotation, as a Director of the Company.			
7. To elect each of Martin Tolcher, Lumkile Mondi and Erich Clarke (subject to his re-election as Director pursuant to ordinary resolution 2) to the Company's Audit Committee.			
8. To reappoint BDO LLP as the Company's auditor (until the conclusion of the 2019 Annual General Meeting) and to authorise the Directors to fix their remuneration.			

Non-binding Advisory Vote:	**For**	**Against**	**Abstain**
Endorsement of the Company's Remuneration Policy			
Endorsement of the Company's Remuneration Implementation Report			

I/We instruct my/our proxy as indicated on this form. Unless otherwise instructed the proxy may vote as he or she sees fit or abstain in relation to any business of the meeting.

Signature ______________________________

Dated this ______________ day of ______________ 2018

In the case of a corporation, this proxy must be given under its common seal or be signed on its behalf by an attorney or officer duly authorised, stating their capacity (e.g. director, secretary).

please turn over…

NOTES TO PROXY

Explanatory Notes:

1. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder, as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided (see reverse). If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name (see reverse) the number of shares in relation to which they are authorised to act as your proxy. If returned without an indication as to how the proxy shall vote on any particular matter, the proxy will exercise his discretion as to whether, and if so how, he votes (or if this proxy form has been issued in respect of a designated account for a shareholder, the proxy will exercise his discretion as to whether, and if so how, he votes).

2. To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting the Registrar's helpline on 0370 707 4040 or you may photocopy this form. Please indicate in the box next to the proxy holder's name (see reverse) the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by marking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

3. The 'Abstain' option overleaf is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Abstain' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days before the day of the meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

5. The address to which this Annual Report was posted is how your address appears on the Register of Members. If this information is incorrect please ring the Registrar's helpline on 0370 707 4040 to request a change of address form or go to www.investorcentre.co.uk to use the online Investor Centre service.

6. Any alterations made to this form should be initialled.

7. The completion and return of this form will not preclude a member from attending the meeting and voting in person.

Kindly Note:

This form is issued only to the addressee(s) and is specific to the unique designated account printed hereon. This personalised form is not transferable between different: (i) account holders; or (ii) uniquely designated accounts. The Company and Computershare Investor Services Proprietary Limited accept no liability for any instruction that does not comply with these conditions.

JSE / FORM OF PROXY

FOR USE AT THE ANNUAL GENERAL MEETING TO BE HELD ON **26 JUNE 2018**

PALLINGHURST

FORM OF PROXY

PALLINGHURST RESOURCES LIMITED (the "Company")

Only for use by certificated holders or dematerialised holders of Pallinghurst who have selected "own-name" registration. To be effective, all proxy appointments must be lodged with the Company's Registrars at: Computershare Investor Services Pty Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa OR PO Box 61051, Marshaltown, 2017, South Africa, OR emailed to proxy@computershare.co.za, OR faxed to +27 11 688 5238, by 22 June 2018 at 11.00 a.m.

For use by Pallinghurst shareholders at the Annual General Meeting to be held at The Old Government House, St Ann's Place, St Peter Port, Guernsey on Tuesday, 26 June 2018 at 11:00 a.m. (Guernsey time) or 12:00 p.m. SA time, and at any adjournment or postponement thereof.

If you have dematerialised shares with a Central Securities Depository Participant ("CSDP") or broker and have not selected "own-name" registration, you must arrange with your CSDP or broker to provide you with the necessary letter of representation to attend the Annual General Meeting of shareholders or you must instruct them as to how you wish to vote in this regard. This must be done in terms of the agreement entered into between you and the CSDP or broker.

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

Of (ADDRESS) ____________________

being (a) member(s) of the Company appoint the Chairman of the meeting or (see Note 1) ____________________

as my/our proxy and, on a poll, to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at The Old Government House, St Ann's Place, St Peter Port, Guernsey on Tuesday, 26 June 2018 and any adjournment thereof.

Please indicate with an 'X' in the spaces provided how you wish your votes to be cast on the resolutions specified.

Ordinary Resolutions:	**For**	**Against**	**Abstain**
1. To adopt the Company's Annual Report for the year ended 31 December 2017 (the "Annual Report").			
2. To re-elect Erich Clarke, who is retiring by rotation, as a Director of the Company.			
3. To re-elect Kwape Mmela, who is retiring by rotation, as a Director of the Company.			
4. To re-elect Dr Christo Wiese, who is retiring by rotation, as a Director of the Company.			
5. To re-elect Sean Gilbertson, who is retiring by rotation, as a Director of the Company.			
6. To re-elect David Lovett, who is retiring by rotation, as a Director of the Company.			
7. To elect each of Martin Tolcher, Lumkile Mondi and Erich Clarke (subject to his re-election as Director pursuant to ordinary resolution 2) to the Company's Audit Committee.			
8. To reappoint BDO LLP as the Company's auditor (until the conclusion of the 2019 Annual General Meeting) and to authorise the Directors to fix their remuneration.			

Non-binding Advisory Vote:	**For**	**Against**	**Abstain**
Endorsement of the Company's Remuneration Policy			
Endorsement of the Company's Remuneration Implementation Report			

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

Signature ____________________

Dated this ____________ day of ____________ 2018

please turn over…

NOTES TO PROXY

Explanatory Notes:

1. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder, as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided (see reverse). If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name (see reverse) the number of shares in relation to which they are authorised to act as your proxy. If returned without an indication as to how the proxy shall vote on any particular matter, the proxy will exercise his discretion as to whether, and if so how, he votes (or if this proxy form has been issued in respect of a designated account for a shareholder, the proxy will exercise his discretion as to whether, and if so how, he votes).

2. To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting the Registrar's helpline on 0370 707 4040 or you may photocopy this form. Please indicate in the box next to the proxy holder's name (see reverse) the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by marking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

3. The 'Abstain' option overleaf is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Abstain' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days before the day of the meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

5. The address to which this Annual Report was posted is how your address appears on the Register of Members. If this information is incorrect please ring the Registrar's helpline on 0370 707 4040 to request a change of address form or go to www.investorcentre.co.uk to use the online Investor Centre service.

6. Any alterations made to this form should be initialled.

7. The completion and return of this form will not preclude a member from attending the meeting and voting in person.

Kindly Note:

This form is issued only to the addressee(s) and is specific to the unique designated account printed hereon. This personalised form is not transferable between different: (i) account holders; or (ii) uniquely designated accounts. The Company and Computershare Investor Services Proprietary Limited accept no liability for any instruction that does not comply with these conditions.