FINANCIAL STATEMENTS AND ADMINISTRATION

CONTENTS

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS/CONT.

for the year ended 31 December 2017

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS/CONT.

for the year ended 31 December 2017

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.

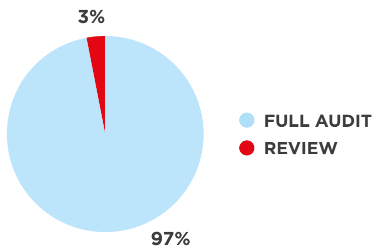
INDEPENDENT AUDITOR'S REPORT/CONT.

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).

Curriculum 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.