

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in doubt about the Offer or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are taking advice outside the United Kingdom.

This document and any documents incorporated into it by reference should be read in conjunction with the accompanying Form of Acceptance (if you hold Gemfields Shares in certificated form).

If you have sold or otherwise transferred all of your Gemfields Shares, please send this document, together with the accompanying documents (but not any personalised Form of Acceptance), at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws of such jurisdiction. If you have sold or otherwise transferred only part of your holding of Gemfields Shares, you should retain those documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

The release, publication or distribution of this document and/or the accompanying documents (in whole or in part) in, into or from jurisdictions other than the United Kingdom, and the availability of the Offer to Gemfields Shareholders who are not resident in the United Kingdom, may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

The GFSC and the States of Guernsey have not reviewed this document and take no responsibility for the correctness of any statements made or opinions expressed with regard to Pallinghurst.

OFFER

for

GEMFIELDS PLC

by

PALLINGHURST RESOURCES LIMITED

Shareholders should read carefully the whole of this document and (if you hold Gemfields Shares in certificated form) the accompanying Form of Acceptance. Relevant Gemfields Shareholders should also read the Prospectus published by Pallinghurst on the date of this document in respect of the Consideration Shares.

To accept the Offer in respect of certificated Gemfields Shares, the Form of Acceptance should be completed, signed and returned as soon as possible and, in any event, so as to be received by the Receiving Agent, Computershare Investor Services PLC, by no later than 1:00 pm (London time) on 4 July 2017.

To accept the Offer in respect of uncertificated Gemfields Shares, acceptances should be made electronically through CREST so that the TTE instruction settles as soon as possible and in any event no later than 1:00 pm (London time) on 4 July 2017. If you are a CREST sponsored member, you should refer to your CREST sponsor as only your CREST sponsor will be able to send the necessary TTE instruction to Euroclear.

The procedure for acceptance of the Offer is set out on page 4 of this document and Part 3 and Part 4 of Appendix 1 and, in respect of certificated Gemfields Shares, in the Form of Acceptance.

If you have any questions about this document or are in any doubt as to how to complete the Form of Acceptance (if you hold certificated Gemfields Shares), or if you want to request a hard copy of this document (and any information incorporated into it by reference), please call Computershare Investor Services PLC between 8:30 am and 5:30 pm (London time) Monday to Friday (except UK public holidays) on 0370 707 1826 from within the United Kingdom or on +44 370 707 1826 if calling from outside the United Kingdom. Calls to the helpline from outside the UK will be charged at the applicable international rate. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot advise on the merits of the Offer nor give any legal, tax or financial advice. You may also request that all future documents, announcements and information to be sent to you in relation to the Offer should be sent in hard copy form.

Capitalised words and expressions used in this document have the meanings given to them in Appendix 4 of this document.

UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom together with UBS South Africa (Pty) Ltd which is registered with the Financial Services Board in South Africa (collectively "UBS"). UBS is acting as financial adviser to Pallinghurst and no one else in connection with the Offer and will not be responsible to anyone other than Pallinghurst for providing the protections afforded to customers of UBS nor for giving advice in relation to the Offer or any other matters referred to in this document.

This document is dated 13 June 2017.

IMPORTANT NOTICE

Overseas Shareholders

Gemfields Shareholders who are not resident in and citizens of the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are located or of which they are citizens. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdictions.

Unless otherwise determined by Pallinghurst or required by the Takeover Code and permitted by applicable law and regulation, the Offer is not being made, and will not be made, directly or indirectly, in or into, by use of the mails of, or by any means or instrumentality of inter-state or foreign commerce of, or any facility of a national, state or other securities exchange of, or from or within, a Restricted Jurisdiction, or any other overseas jurisdiction in respect of which such action would not be lawful. Accordingly, unless otherwise determined by Pallinghurst or required by the Takeover Code and permitted by applicable law and regulation, copies of this document, the accompanying Forms of Acceptance and any other formal documentation relating to the Offer will not be, and must not be, mailed or otherwise forwarded, distributed or sent in, into or from any jurisdiction where to do so would violate the laws of that jurisdiction. Any person (including, without limitation, any agent, nominee, custodian or trustee) who has a contractual or legal obligation, or may otherwise intend, to forward this document, and/or any related document, to a jurisdiction outside the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction and must not mail, send or otherwise forward or distribute them in, into or from a Restricted Jurisdiction. Doing so may render any purported acceptances of the Offer invalid.

The release, publication or distribution of this document in or into jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable requirements. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Offer disclaim any responsibility or liability for the violation of such restrictions by any person.

This document has been prepared for the purposes of complying with the laws of England and Wales and the Takeover Code and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

Statements made in this document

The statements in this document are not to be construed as legal, business, financial or tax advice. If you are in doubt about the content of this document, you should contact your own legal, financial or tax adviser for legal, financial or tax advice. The statements contained in this document are made as at the date of this document, unless some other time is specified in relation to them, and despatch of this document shall not give rise to any implication that there has been no change in the facts set forth in this document since such date. Nothing contained in this document shall be deemed to be a forecast, projection or estimate of the future financial performance of Gemfields or Pallinghurst unless otherwise stated. No person is authorised to make any representations on behalf of Pallinghurst which are inconsistent with the statements contained in this document and any such representations, if made must not be relied on as having been so authorised.

Consideration Shares

The Consideration Shares will be admitted to trading on the JSE. No application will be sought for admission of the Consideration Shares to the Official List of the UK Listing Authority or to trading on the London Stock Exchange as Pallinghurst is not currently admitted to such markets.

The Consideration Shares are not being offered to the public by means of this document. This document is an advertisement and does not constitute a prospectus or prospectus equivalent document. Investors should not acquire any Consideration Shares except on the basis of the Prospectus published by Pallinghurst on the date of this document which contains information about Pallinghurst, the Pallinghurst Group and the Consideration Shares and is available on Pallinghurst's website at www.pallinghurst.com/gemfields-offer.

Forward-looking statements

This document (including information incorporated by reference in this document) contains statements that are or may be forward-looking statements. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of the Pallinghurst Group about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Actual results may differ materially from those expressed in the forward-looking statements depending on a number of factors, including the satisfaction of the Conditions, future market conditions, the behaviour of other market participants, an adverse change in the economic climate and the extent to which Gemfields' business is successfully integrated within the Pallinghurst Group, among others. Risks relating to Gemfields and the Pallinghurst Group are included in their respective annual and quarterly reports. Many of these risks and uncertainties relate to factors that are beyond the relevant companies' abilities to control or estimate precisely, such as future market conditions and the behaviours of other market participants and, therefore, undue reliance should not be placed on such statements.

The forward-looking statements contained in this document include statements relating to the expected effects of the Offer on the Pallinghurst Group, the expected timing and scope of the Offer and other statements other than historical facts. All statements other than statements of historical facts included in this document may be forward-looking statements. Without limitation, any statements preceded or followed by or that include the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "should", "could", "would", "may", "anticipates", "estimates", "synergy", "cost-saving", "projects", "goal", "strategy", "budget", "forecast" or "might", or words or terms of similar substance or the negative thereof, are forward-looking statements. Forward-looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of the Pallinghurst Group's or Gemfields' operations and potential synergies resulting from the Offer; and (iii) the effects of government regulation on the Pallinghurst Group's or Gemfields' business.

All subsequent oral or written forward-looking statements attributable to the Pallinghurst Group or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. The forward-looking statements contained in this document are made as of the date hereof and Pallinghurst assumes no obligation, and does not intend, publicly to update or revise these forward-looking statements, whether as a result of future events, new information or otherwise, except as required pursuant to applicable law.

Dealing disclosure requirements of the Takeover Code

Under Rule 8.3(a) of the Takeover Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3:30 pm (London time) on the 10th Business Day following the commencement of the offer period and, if appropriate, by no later than 3:30 pm (London time) on the 10th Business Day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom

Rule 8.3(b) applies must be made by no later than 3:30 pm (London time) on the Business Day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Publication of this document

A copy of this document together with those documents listed in paragraph 14 of Appendix 3 to this document, and all information incorporated into this document by reference to another source will be available free of charge, subject to any applicable restrictions relating to persons resident in Restricted Jurisdictions, on Pallinghurst's website at www.pallinghurst.com/gemfields-offer by no later than 12:00 noon (London time) on the Business Day following the date of publication of this document.

You may request a hard copy of this document (and any information incorporated into it by reference) by calling Computershare Investor Services PLC between 8:30 am and 5:30 pm (London time) Monday to Friday (except UK public holidays) on 0370 707 1826 from within the United Kingdom or on +44 370 707 1826 if calling from outside the United Kingdom. You may also request that all future documents, announcements and information to be sent to you in relation to the Offer should be sent in hard copy form.

Rounding

Certain figures included in this document have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

This document should be read as a whole together with the information incorporated into it by reference and, in the case of Gemfields Shares held in certificated form, the Form of Acceptance. In addition, Relevant Gemfields Shareholders should also read the Prospectus published by Pallinghurst on the date of this document which contains information relating to Pallinghurst, the Pallinghurst Group and the Consideration Shares and is available on Pallinghurst's website at www.pallinghurst.com/gemfields-offer. Gemfields Shareholders are recommended to seek financial advice from their stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA if they are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser in the relevant jurisdiction.

TO ACCEPT THE OFFER

If you hold your Gemfields Shares in certificated form (that is, not in CREST), you should complete the accompanying Form of Acceptance in accordance with the instructions printed on it. Return the completed Form of Acceptance, together with your share certificate(s) and/or other document(s) of title to the Receiving Agent, by post at Computershare Investor Services PLC, Corporate Actions Projects, The Pavilions, Bridgwater Road, Bristol BS99 6AH, or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, as soon as possible and in any event **so as to be received no later than 1:00 pm on 4 July 2017**. A reply-paid envelope is enclosed for use in the United Kingdom.

If you hold your Gemfields Shares in uncertificated form (that is, in CREST), to accept the Offer you must follow the procedure in Part 4 of Appendix 1 to this document and ensure that an electronic acceptance is made by you or on your behalf and that settlement is made no later than 1:00 pm on 4 July 2017.

If you require assistance in completing your Form of Acceptance (or wish to obtain an additional form of acceptance) or have questions in relation to making an electronic acceptance, please contact the Receiving Agent between 8:30 am and 5:30 pm Monday to Friday (except UK public holidays) on 0370 707 1826 from within the UK (or on +44 370 707 1826 if calling from outside the UK). Please note that calls may be monitored or recorded. No advice on the merits of the Offer or any financial, legal or tax advice can be given.

ALL REFERENCES TO TIME IN THIS DOCUMENT AND IN THE FORM OF ACCEPTANCE ARE TO LONDON TIME.

Settlement

Subject to the Offer becoming or being declared unconditional in all respects, settlement for those Gemfields Shareholders who have validly accepted the Offer will be effected within 14 calendar days of the Offer becoming or being declared unconditional in all respects or, in relation to valid acceptances received after this date, within 14 calendar days of receipt of that acceptance.

General

This document should be read as a whole, together with the information incorporated into it by reference, and, in the case of Gemfields Shares held in certificated form, the Form of Acceptance. Gemfields Shareholders are recommended to seek financial advice from their stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if they are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser in the relevant jurisdiction.

<p style="text-align: center;">THE FIRST CLOSING DATE OF THE OFFER IS 4 JULY 2017</p> <p style="text-align: center;">ACCEPTANCE OF THE OFFER SHOULD BE RECEIVED BY NO LATER THAN 1:00 PM (LONDON TIME) ON 4 JULY 2017</p>
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IMPORTANT DATES AND TIMES

The dates and times set out below in connection with the Offer may change in accordance with the terms and conditions of the Offer, as described in this document

<u>Event</u>	<u>Time and date</u>
Announcement of the Offer	19 May 2017
Publication of this document	13 June 2017
Publication of the Prospectus	13 June 2017
Pallinghurst General Meeting	11:00 a.m. on 26 June 2017
First closing date of the Offer	1:00 p.m. on 4 July 2017

Payment of consideration to the Gemfields Shareholders who validly accept the Offer within 14 days of the later of: the first closing date of the Offer, the date the Offer becomes or is declared wholly unconditional or the date of receipt of an acceptance complete in all respects.

Future dates are indicative only and are subject to change, in which event details of the new times and dates will be announced via Regulatory Information Service.

References to times in this document are to London times.

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LETTER FROM THE CHAIRMAN OF PALLINGHURST TO GEMFIELDS SHAREHOLDERS



PALLINGHURST

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

Registered number: 47656

13 June 2017

To Gemfields Shareholders and, for information only, to persons with information rights and participants in Gemfields Share Option Schemes

Dear Shareholder

Offer by Pallinghurst for Gemfields

1. Introduction

On 19 May 2017 the Board of Pallinghurst announced the terms of an offer to be made by Pallinghurst through which Pallinghurst would offer to acquire the existing issued and to be issued share capital of Gemfields (other than the 258,908,915 Gemfields Shares already held by Pallinghurst Group, representing 47.09% of Gemfields' existing issued share capital), to be implemented by means of a takeover within the meaning of Part 28 of the Companies Act 2006.

This letter, Appendix 1 (*Conditions and Further Terms of the Offer*) to this document and, in the case of Gemfields Shares held in certificated form, the Form of Acceptance contain the formal terms and conditions of the Offer for your Gemfields Shares. This document should be read in conjunction with the Prospectus published by Pallinghurst on the date of this document which contains further information relating to Pallinghurst, the Pallinghurst Group and the Consideration Shares and is available on Pallinghurst's website at www.pallinghurst.com/gemfields-offer.

To accept the Offer, you must complete, sign and return the Form of Acceptance (for certificated Gemfields Shares), or make an Electronic Acceptance (for uncertificated Gemfields Shares), as soon as possible and, in any event, so as to be received or settled by no later than 1:00 pm on 4 July 2017.

The attention of Gemfields Shareholders who are not citizens or residents of the United Kingdom is drawn to paragraph 20.2(d) of this letter and paragraph 7 of Part 2 and paragraph (b) of Part 4 of Part D of Appendix 1 (*Conditions and Further Terms of the Offer*) to this document and (in the case of Gemfields Shareholders who hold their Gemfields Shares in certificated form) to the relevant provisions of the Form of Acceptance.

2. The Offer

Pallinghurst hereby offers to acquire, on the terms and subject to the Conditions set out in Appendix 1 (*Conditions and Further Terms of the Offer*) to this document and, in the case of Gemfields Shares held in certificated form, the Form of Acceptance, all of the issued and to be issued shares of Gemfields (other than the 258,908,915 Gemfields Shares already held by Pallinghurst Group, representing 47.09% of Gemfields' existing issued share capital) on the following basis:

For each Gemfields Share

1.91 Consideration Shares

The exchange ratio of the Offer has been determined using the 30 day volume weighted average price to smooth out daily movements in the share prices of both Pallinghurst and Gemfields as well as the

spot ZAR/GBP exchange rate as on 17 May 2017 (being the latest practicable date prior to the date of the Announcement).

Based on the closing exchange rate of ZAR17.14=£1.00 (source: Reuters) and the closing price of the Pallinghurst Shares of ZAR3.45 on 17 May 2017 (being the latest practicable date prior to the Announcement) the Offer values each Gemfields Share at 38.5 pence and values the existing issued and to be issued ordinary share capital of Gemfields at approximately £227.2 million (based on all option holders exercising their options under the Gemfields Share Option Scheme).

In terms of the Offer, Pallinghurst will be acquiring a potential maximum of 56.2% of the existing issued and to be issued share capital of Gemfields, equating to £127.7 million of the equity value of Gemfields and a pro rata net asset value of US\$185 million (based on the Offer Price and the existing issued share capital of Gemfields).

The table below sets out what the enlarged share capital of Pallinghurst will be and the percentage of shares in the enlarged share capital of Pallinghurst that Gemfields Shareholders will have, depending on the level of acceptances received (and, where appropriate, such number of Gemfields Shares that Pallinghurst and any of its wholly owned subsidiaries has acquired or agreed to acquire whether pursuant to the Offer or otherwise):

<u>Level of acceptances**</u>	<u>Potential maximum number of Consideration Shares (millions)*</u>	<u>Potential maximum enlarged number of Pallinghurst Shares (millions)</u>	<u>Percentage of Pallinghurst Shares held by Gemfields Shareholders in the potential maximum enlarged share capital of Pallinghurst*</u>
100% ⁽¹⁾	634.1	1,394.5	45.5%
75%	351.9	1,112.4	31.6%
60%	182.6	943.1	19.4%

* including such number of Gemfields Shares that Pallinghurst and any of its wholly owned subsidiaries has acquired or agreed to acquire whether pursuant to the Offer or otherwise. The potential maximum number of Consideration Shares is based on the existing issued share capital of Gemfields of 549.8 million shares and a potential maximum issue of an additional 41.1 million Gemfields Shares as a result of Gemfields option holders exercising their options.

** level of acceptances refers to percentage of existing Gemfields share capital to be owned by Pallinghurst post-completion of the Offer.

(1) this would arise if acceptances of 90% or more of Gemfields Shares to which the Offer relates were obtained.

If any dividend or other distribution is authorised, declared, made or paid by Gemfields in respect of Gemfields Shares on or after the date of the Announcement, Pallinghurst reserves the right to reduce the price payable pursuant to the Offer by the amount of all or part of any such dividend or other distribution.

The Offer extends to any Gemfields Shares unconditionally allotted or issued prior to the date on which the Offer closes (or such earlier date as Pallinghurst may, subject to the rules of the Takeover Code or with the consent of the Panel, decide), including Gemfields Shares issued as a result of the exercise of options granted under Gemfields Share Option Schemes.

Assuming acceptance of the Offer in full, the Offer will result in Gemfields Shareholders (other than the Pallinghurst Group) owning up to approximately 45.5% of the Enlarged Group. This reflects an increase of up to 634,058,042 shares in issue in Pallinghurst's fully-diluted share capital as at 8 June 2017.

The Consideration Shares to be allotted and issued in connection with the Offer will be allotted and issued as fully paid and will rank *pari passu* in all respects with the then existing issued Pallinghurst Shares, including the right to receive and retain in full all dividends and other distributions (if any) declared, paid or made by Pallinghurst after the Effective Date.

Fractions of Consideration Shares will not be allotted or issued to Gemfields Shareholders who accept the Offer (including such holders who are deemed to accept the Offer). All fractional entitlements to Consideration Shares will instead be aggregated and sold in the market as soon as practicable after the relevant date, and the net proceeds of sale for any individual entitlements of less than £5 will be retained for the benefit of the Enlarged Group.

Application will be made to the JSE for the Consideration Shares to be admitted to the "Investment Equity" section of the main board of the JSE. It is expected that admission will become effective and

that dealings for normal settlement in the Consideration Shares will commence on the JSE at or shortly after 7:00 a.m. (London time) on the date no later than 14 days of the later of the first closing date of the Offer, the date the Offer becomes or is declared wholly unconditional or the date of receipt of an acceptance complete in all respects. Gemfields Shareholders are also advised to read the Prospectus which contains information relating to the Consideration Shares. The Prospectus will be available on Pallinghurst's website at www.pallinghurst.com/gemfields-offer.

3. Conditions

The Offer is on the terms and subject to the Conditions set out in Appendix 1 (*Conditions and Further Terms of the Offer*) to this document and, in the case of Gemfields Shares held in certificated form, the Form of Acceptance. The Conditions include (among others):

- valid acceptances of the Offer being received in respect of Gemfields Shares which, together with any Gemfields Shares held by the Pallinghurst Group, constitute not less than 75% of the Gemfields Shares in issue and of the voting rights attached to those shares; and
- the passing at the Pallinghurst General Meeting by the requisite majority of Pallinghurst Shareholders of such resolution as is necessary to approve, implement and effect the Offer in accordance with the Category 1 requirements under the JSE Listings Requirements.

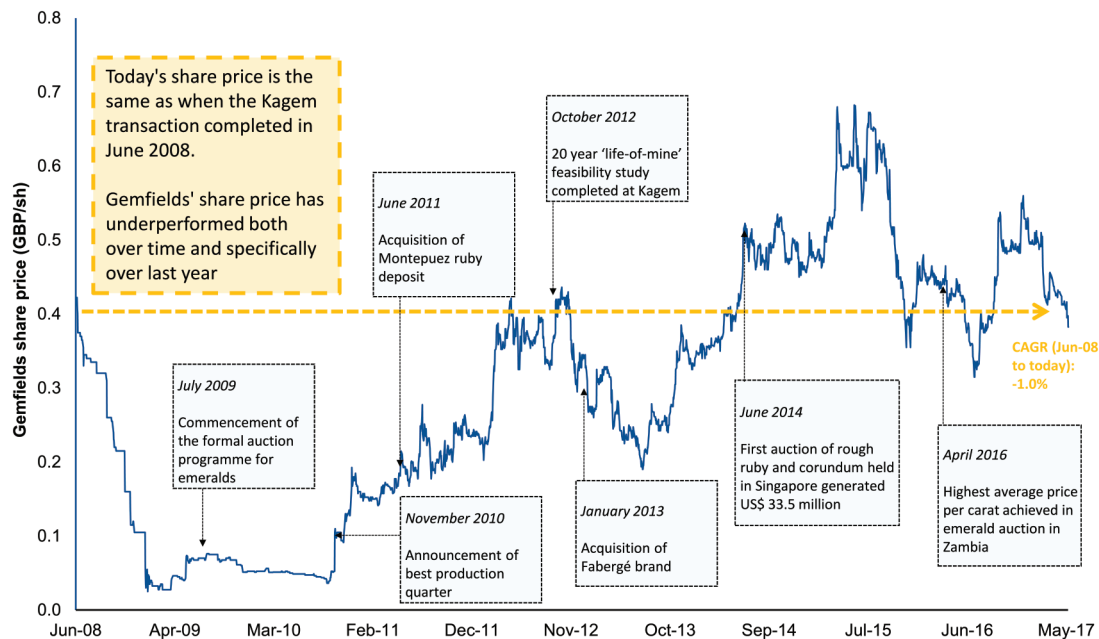
The remainder of the Conditions are customary for a transaction of this nature.

4. Background to and reasons for the Offer

Gemfields in its current form was created in 2008 when Pallinghurst and the Pallinghurst Co-Investors contributed the Kagem emerald mine to Gemfields, its core operating asset, for shares. This transaction made Pallinghurst and the Pallinghurst Co-Investors the majority shareholders of Gemfields. Subsequently, in 2013, Gemfields acquired Fabergé from Pallinghurst and the Pallinghurst Co-Investors, increasing Pallinghurst Group's direct ownership in Gemfields to the current level of 47.09% (of the existing issued share capital of Gemfields).

As such, from the outset, Pallinghurst has been the largest shareholder of Gemfields, making its investment in Gemfields a core component of Pallinghurst's value proposition to its shareholders. Therefore, unlocking Gemfields' full value potential is of paramount importance to Pallinghurst and its shareholders.

Pallinghurst believes that, since its investment in Gemfields, the performance of the Gemfields share price has been disappointing and despite the major positive developments, Gemfields Shareholders, including Pallinghurst, have not benefited appropriately. The share price of Gemfields has not increased since the completion of the Kagem acquisition, and over the last year has suffered a material decline.



Source: Factset as at 17 May 2017

The poor share price performance of Gemfields has in turn adversely affected the share price performance of Pallinghurst. The key motivation for the Offer is to address this material issue.

Gemfields remains an attractive and unique business; however, within the current structure, Gemfields will continue to be constrained by:

- limited access to equity and debt capital markets;
- low liquidity in the trading of Gemfields Shares; and
- a high cost base; and hence depressed profitability.

Pallinghurst believes that the proposed Restructuring and integration of Gemfields will enable Gemfields to perform to its full potential, materially improve trading liquidity and promote a re-rating of the Enlarged Group.

To date, Pallinghurst has been unable to freely support the funding of Gemfields' growth strategy. Due to the Relationship Agreement, Pallinghurst and the Pallinghurst Co-Investors cannot influence the operations of Gemfields that would customarily come with Pallinghurst's and the Pallinghurst Co-Investors' level of ownership. As a result of Gemfields' depressed profitability and restricted access to third party capital over the past few years, Pallinghurst has had to provide Gemfields with debt facilities on a number of occasions. This includes an existing loan for US\$5.2 million which is repayable on 30 June 2017, of which a US\$1.5 million instalment was due on 31 March 2017, but at Gemfields' request, Pallinghurst agreed to defer. Since entering the Relationship Agreement with Gemfields, Pallinghurst has not provided equity funding to Gemfields, as the acquisition of additional new shares in Gemfields may have resulted in Pallinghurst being required to make a mandatory offer under the Takeover Code (in the absence of a waiver approved by the Takeover Panel and independent Gemfields Shareholders), if such acquisitions would have resulted in Pallinghurst becoming a statutory controller or individually holding more than 50% of the share capital of Gemfields.

Following the Offer, the Enlarged Group will have a larger market capitalisation, an enhanced free float, improved market coverage and an expected improvement in liquidity – all of these factors should support a re-rating, as well as providing improved access to equity capital markets. In addition, as Gemfields will fully become part of Pallinghurst's larger and more balanced asset base, it should achieve more attractive access to debt funding.

Having raised in excess of US\$2 billion of equity capital for Pallinghurst and its underlying Investments, Pallinghurst's management team has a proven track record of fund raising. Pallinghurst will use this experience, as well as utilising its existing network of global, long-term Pallinghurst Co-Investors, to access capital for the Enlarged Group's operations.

This improved access to additional long-term capital will enable Gemfields to fund its existing projects, as well as accelerate its portfolio of growth projects. In doing so, Pallinghurst will unlock the inherent value of Gemfields' major assets. As per the values contained in the independent competent persons reports for Kagem (dated September 2015) and Montepuez (dated July 2015), the value potential is significant. However, this value unlock cannot be achieved by Gemfields in the current structure. Hence the completion of the Offer is essential for the shareholders of both Pallinghurst and Gemfields and will position Gemfields to realistically achieve its publicly stated objective of becoming the "De Beers of the Coloured Gemstone Industry".

In order to achieve this, following a combination of Pallinghurst and Gemfields, Pallinghurst intends to:

- focus on Gemfields' core emerald and ruby operations in Zambia and Mozambique respectively and develop these to optimal scale;
- accelerate the development of Gemfields' existing portfolio of projects to mitigate the dependency on its attractive, but cyclical assets;
- explore all strategic alternatives for Fabergé, where significant growth capital is still required to reach its full potential;
- improve profitability by pursuing cost reductions across the Enlarged Group; and
- secure the right and sustainable capital structure for Gemfields at costs which are acceptable to the Enlarged Group and its shareholders.

Pallinghurst's management has a strong track record of effecting cost reductions in its Investments and intends to work with Gemfields' broader management team in reducing the overall cost profile of the Enlarged Group following the acquisition. Pallinghurst shall seek to identify opportunities for cost reduction, streamlining the management, administration and removing any overlapping functions with those which are currently outsourced by Pallinghurst, but which will be brought in-house after the implementation of the Restructuring.

Following the successful completion of the Offer, Gemfields will be controlled and managed by Pallinghurst and, assuming that Pallinghurst becomes in due course an operating mining company, will be consolidated as a subsidiary. As such, Pallinghurst's Executive Directors will have responsibility to manage all of Pallinghurst's Investments, including Gemfields. Pallinghurst's current intention is to conduct a strategic review of the Enlarged Group's business model (with access to Gemfields' information and following discussions with Gemfields' management) and will make any necessary structural changes that are required at that point.

Following completion of the Offer, Pallinghurst will consider the optimal listing locations for the Enlarged Group. Whilst no decision has been taken, Pallinghurst will engage with the Pallinghurst Shareholders to consider moving the BSX listing to a premium listing on the main market of the London Stock Exchange.

In conclusion, Pallinghurst believes that following the successful completion of the Offer, as well as the implementation of the Restructuring, Pallinghurst will have the ability to both increase revenue as well as reduce costs and hence significantly improve the profitability of the Enlarged Group. This will, in turn, unlock Gemfields' potential value fully for the benefit of all shareholders, including the current Gemfields Shareholders who elect to accept the Offer.

The Offer

Pallinghurst is offering its ordinary shares as consideration for the Offer, allowing existing Gemfields Shareholders the ability to continue to benefit from being exposed to Gemfields and other quality assets through Pallinghurst. Pallinghurst Shareholders will increase their relative exposure to Gemfields, as Pallinghurst materially increases its component of its overall portfolio.

Pallinghurst is offering a market related consideration to Gemfields Shareholders as:

- Pallinghurst and Pallinghurst Co-Investors already have an interest in approximately 73% of the existing issued share capital of Gemfields;
- the combination of Pallinghurst and Gemfields, together with the broader Restructuring proposed by Pallinghurst, will facilitate a value unlock which will benefit both sets of shareholders; and

- the terms of the Offer have been accepted by a majority of Gemfields Shareholders, including the two largest minority Gemfields Shareholders, which have provided Pallinghurst with irrevocable undertakings to accept the Offer on the proposed terms.

Accordingly, Pallinghurst believes that the Offer is attractive as it can unlock value for all shareholders.

5. Information on Pallinghurst Group

Pallinghurst was incorporated on 4 September 2007 as Pallinghurst Resources (Guernsey) Limited in accordance with the Companies (Guernsey) Law, 1994 Law (superseded by the Companies Law), and was listed on the BSX on 26 September 2007. On 20 August 2008, Pallinghurst listed on the JSE, with the JSE becoming Pallinghurst's primary listing and the BSX listing being retained as a secondary listing. On 28 May 2009, the Company changed its name from Pallinghurst Resources (Guernsey) Limited to Pallinghurst Resources Limited. Pallinghurst was registered as an external company in South Africa (registration number 2009/012636/10) on 26 June 2009. Pallinghurst has 760,452,631 Pallinghurst Shares of US\$0.00001 each in issue as at 8 June 2017. The ISIN number of the Pallinghurst Shares is GG00B27Y8Z93.

Pallinghurst is registered with the GFSC as an authorised closed-ended investment company in Guernsey and regulated under the POI Law and Authorised Rules, with an initial lifespan of 10 years. As an authorised closed-ended investment company, Pallinghurst is subject to continuing regulation and supervision by the GFSC. In conjunction with the Offer, it is proposed that, subject to Pallinghurst Shareholder approval, Pallinghurst's life will be extended by 50 years.

Following the closing of the Offer and the approval of the Proposed Extension, while no decision has been made, if appropriate, Pallinghurst will consider becoming an operating mining company. If that decision is made, Pallinghurst will apply for its listing to be moved to the "Diversified Mining" sector of the JSE main board. Until this is approved, Pallinghurst will continue to account in terms of investment entity accounting provisions.

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

The Pallinghurst Group is currently considered by the Pallinghurst Directors to be a private equity or venture capital organisation.

Investment Objectives

Pallinghurst's main objective is to carry on the business of an investment holding company in Investments falling within the Investment Scope of Pallinghurst. To achieve the investment objectives, Pallinghurst has currently appointed Pallinghurst (Cayman) GP L.P. as its investment manager (the "**Investment Manager**") to act in the capacity of investment manager to Pallinghurst, on the terms set out in the Investment Management Agreement. The Investment Manager is a specialist natural resources entity that seeks to develop strategic partnerships for Pallinghurst with companies and/or other entities in order to create and unlock value for Pallinghurst Shareholders. Pallinghurst is chaired by Brian Gilbertson, widely regarded as one of the leading figures in the natural resources industry, with a notable history and proven track-record of value creation.

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

In conjunction with the Transaction, subject to Pallinghurst Shareholder approval (as part of the Pallinghurst Resolutions) Pallinghurst proposes to:

- (a) terminate the existing Investment Management Agreement for no consideration. All related fees and carried interest arrangements will cease;
- (b) employ certain key Executive Directors of Pallinghurst, namely, Brian Gilbertson as Executive Chairman, Arne H. Frandsen as Chief Executive and Andrew Willis as Finance Director on new employment contracts (the “**Service Agreements**”);
- (c) employ certain senior executives of Pallinghurst namely Sean Gilbertson as Chief Investment Officer and Priyank Thapliyal as Chief Operating Officer; and
- (d) establish the Pallinghurst Share Plan to attract, retain and incentivise, amongst others, key Executive Directors and senior executives of Pallinghurst. In this regard, Brian Gilbertson, Arne H. Frandsen and Andrew Willis will be granted options in accordance with their Service Agreements and subject to the terms of the Pallinghurst Share Plan,

(the “**Management Structure Change**”).

Investment Platforms

Pallinghurst’s three main investment platforms comprise: (1) Coloured Gemstones (2) Platinum Group Metals (“**PGMs**”) and (3) Steel Making Materials (together, the “**Investment Platforms**”). All three Investment Platforms consist of assets that are now at or near steady state production, substantially de-risking the Pallinghurst Group.

- (1) **Coloured Gemstones** – Pallinghurst’s Coloured Gemstones platform comprises a 47.09% interest in the existing issued share capital of Gemfields. Gemfields operates the Kagem Mining Limited (“**Kagem**”) emerald mine and the Kariba Minerals Limited (“**Kariba**”) amethyst mine in Zambia, the Montepuez ruby producing deposit in Mozambique, as well as holding interests in Sri Lanka, Madagascar and Ethiopia respectively. In addition, Fabergé is Gemfields’ wholly owned subsidiary.
- (2) **PGMs** – Pallinghurst’s PGMs platform comprises a 6.54% interest in Sedibelo, a large scale open pit mining operation in South Africa. In addition, Sedibelo owns a 50% interest in Kelltech Limited.
- (3) **Steel Making Materials** – Pallinghurst’s Steel Making Materials platform comprises an 18.43% interest in Jupiter, which holds a 49.9% interest in Tshipi, a low cost, open-pit manganese mine estimated to be one of the five largest manganese exporters globally and the largest single manganese mine in South Africa. In addition, Jupiter owns development iron ore projects in Australia.

Pallinghurst’s Co-Investors

Pallinghurst is affiliated with certain other investors, known collectively as the “**Pallinghurst Co-Investors**”. The Investment Manager acts on behalf of both Pallinghurst and the Pallinghurst Co-Investors. The Pallinghurst Co-Investors generally co-operate to seek to achieve the broader strategic objectives recommended by the Investment Manager, although each Pallinghurst Co-Investor retains legal title and influence over their individual shareholdings, and is ultimately able to determine its own course of action.

Financial information on Pallinghurst is set out in Part 1 of Appendix 2 (*Financial Information*) of this document.

6. Proposed Restructuring

In conjunction with the Offer, Pallinghurst has announced a separate restructuring of its business (the “**Restructuring**”). Pallinghurst was founded in September 2007 as a limited life mining investment fund to source and develop new value accretive mining projects. This phase of Pallinghurst’s development has now been achieved with three key assets successfully developed. These include:

- Gemfields – a leading supplier of responsibly sourced coloured gemstones;
- Tshipi – one of the lowest cost manganese producers in the world; and
- Sedibelo – a large scale open pit PGM mining operation in South Africa.

The development of these assets has created significant uplift in the net asset value of Pallinghurst. This value, however, has not been reflected in Pallinghurst's listed share price given the complexities in the structure (including an external management company and multiple entry points into the Pallinghurst Group's assets), complex accounting policies which makes comparison to peers difficult and which is compounded by the lack of consolidated earnings and cash flows.

To unlock value, Pallinghurst now proposes to address these issues and implement the Restructuring of the Pallinghurst Group which will include:

- making the Offer which, if approved and implemented, will result in Pallinghurst acquiring the existing issued and to be issued share capital of Gemfields not already owned by the Pallinghurst Group and following completion of the Offer, move to de-list Gemfields from the AIM market of the London Stock Exchange;
- the potential conversion to an operating mining company; and
- collapsing Pallinghurst's investment structure and simplifying its management arrangements.

The result will be a renewed Pallinghurst with a simplified operating model and an in-house management team. The value of the underlying assets will be more clearly demonstrable with clearer earnings and operating metrics that can be benchmarked against industry peers. The revised structure model will allow Pallinghurst to rationalise costs across the group by simplifying the Pallinghurst Group's structures.

Following completion of the Offer, Pallinghurst expects to have an enlarged market capitalisation, improved trading liquidity and equity broker coverage. The Board believes that the combination of these factors should be value accretive for all shareholders, both in Pallinghurst and Gemfields.

Following completion of the Offer, Pallinghurst will consider the optimal listing locations for the Enlarged Group. Whilst no decision has been taken, Pallinghurst will engage with the Pallinghurst Shareholders to consider moving the BSX listing to a premium listing on the main market of the London Stock Exchange. There are no certainties around this consideration and there is no guarantee that if an application is ultimately made to the UK Listing Authority, it will be successful.

Further information regarding the Restructuring is contained in the Prospectus.

7. Financial and trading position of Pallinghurst

Pallinghurst's net profit after tax was US\$45 million for the year ended 31 December 2016 compared to a net loss after tax of US\$149 million for the year ended 31 December 2015, an increase of 130%. In ZAR terms net profit after tax was ZAR656 million (ZAR1.9 billion net loss after tax for the comparative period), an increase of 135%.

The earnings and headline earnings per share were US\$0.06 for the year ended 31 December 2016 compared to a loss and headline loss per share of US\$0.20 for the year ended 31 December 2015. In ZAR terms earnings and headline earnings per share were ZAR0.86 (ZAR2.50 loss and headline loss per share for the comparative period).

Pallinghurst's net asset value was US\$367 million as of 31 December 2016, compared to a net asset value of US\$322 million as of 31 December 2015. The net asset value per Pallinghurst Share for the year ended 31 December 2016 was US\$0.48, an increase of 14% of the net asset value per Pallinghurst Share from US\$0.42 as of 31 December 2015.

There has been no significant change to the trading or financial position of the Pallinghurst Group since 31 December 2016, the date on which the latest financial information of the Pallinghurst Group was published.

8. Information relating to Gemfields

Gemfields is a public limited company, incorporated in England and Wales, with its registered office situated in the United Kingdom. Gemfields Shares are listed on AIM.

Gemfields is a world leading supplier of responsibly sourced coloured gemstones. It delivers a steady supply of high quality, graded rough gemstones through internationally held auctions with an ability to be a price maker not a price taker. Gemfields operates a "mine and market" strategy, targeting the two most profitable channels of the coloured gemstone supply chain.

The auctions are held in secure locations with the material separated into homogeneous lots and have either been produced by Gemfields (and are certified accordingly) or obtained by Gemfields from third parties. The world's leading rough gemstone buyers submit sealed bids for individual lots. A sale occurs if the highest bid received exceeds a pre-determined, but undisclosed, reserve price. The auctions have brought a level of professionalism and transparency previously not seen in the industry.

As there was no industry standard for evaluating rough coloured gemstones, Gemfields established its own grading system to assess each gem according to its individual characteristics (size, colour, shape and clarity). This approach has been instrumental in providing buyers with confidence in the consistent quality of the material on offer. Gemfields used this grading system to develop three auction classes, one offering higher quality gemstones, one for the larger volume of lower quality gemstones and the last offering mixed quality gemstones.

Gemfields owns Zambian emerald and amethyst assets, ruby assets in Mozambique, sapphire interests in Sri Lanka and other gemstone interests in Madagascar and Ethiopia.

Gemfields' key assets include ownership of:

- 75% of the Kagem emerald mine;
- 75% of the Montepuez ruby mine;
- 50% of the Kariba amethyst mine; and
- 100% of Fabergé Limited, one of the world's most well recognised luxury brand names.

Trading position of Gemfields

For the financial year ended 30 June 2016, Gemfields had total revenues of US\$193.1 million (2015: US\$171.4 million) and a profit of US\$23.5 million (2015: profit after income tax of US\$12.3 million). For the six month period ended 31 December 2016, Gemfields had total revenues of US\$51 million (2015: US\$94 million) and a loss of US\$13.6 million (2015: profit of US\$8.2 million).

Corporate and Cash

As at 31 March 2017, Gemfields had cash and cash equivalents of USD 4.0 million at 31 March 2017 and total debt outstanding of USD 60.1 million.

Emeralds

Production summary for Kagem for the quarter ending 31 March 2017:

- production of 4.5 million carats of emerald and beryl with an average grade of 193 carats per tonne;
- total operating costs of USD 9.6 million;
- unit operating costs of USD 2.13 per carat; and
- cash rock handling unit costs of USD 3.55 per tonne.

Rubies

Production summary for Montepuez for the quarter ending 31 March 2017 as follows:

- production of 1.2 million carats of ruby and corundum with an average grade of 7.0 carats per tonne;
- total operating costs of USD 6.5 million;
- unit operating costs of USD 5.42 per carat; and
- cash rock handling unit costs of USD 5.37 per tonne.

Fabergé

Fabergé highlights for the quarter ending 31 March 2017 is as follows:

- number of pieces sold during the quarter ending 31 March 2017 increased by 63%;
- sales orders agreed during the quarter ending 31 March 2017 declined by 39%;

- total operating costs for the quarter ending 31 March 2017 fell by 13%;
- launch of the third men's timepiece in the Fabergé Visionnaire collection: the Visionnaire Chronograph.

Colombia

Gemfields and its prospective project partner, New-Esmeracol S.A made the joint decision to withdraw from the Coscuez transaction on the grounds that not all of the conditions precedent to the existing share purchase agreement were able to be satisfied within the stipulated timeframe.

Sri Lanka

Following on from the internal review of the Sri Lankan operations, and comparing this to the expansion opportunities that are currently available to Gemfields in other jurisdictions, a decision was made not to progress its trading and associated operations. The related facilities in Ratnapura and Colombo have since been closed.

However, when considering the longer-term potential inherent within Sri Lanka. Gemfields will look to build on the solid working relations it has managed to establish with key stakeholders to date, while maintaining interest in its exploration licences covering diverse minerals.

9. Consideration Shares

Following the Offer becoming or being declared unconditional in all respects, the Consideration Shares will be issued to accepting Relevant Gemfields Shareholders in accordance with the terms of the Offer.

The Consideration Shares will be admitted to trading on the "Investment Equity" sector of the main board of the JSE. No application will be sought for admission of the Consideration Shares to the Official List of the London Stock Exchange or to trading on the London Stock Exchange as Pallinghurst is not currently admitted to such markets.

Whilst no decision has been taken, Pallinghurst will engage with the Pallinghurst Shareholders to consider moving the BSX listing to a premium listing on the main market of the London Stock Exchange.

Further information in relation to Pallinghurst and the Consideration Shares is contained in the Prospectus which is expected to be published by Pallinghurst on or around the date of this document.

10. Irrevocable undertakings

Pallinghurst has received the following irrevocable undertakings (with respect to the existing issued share capital of Gemfields):

- NGPMR (Cayman) L.P. in respect of its interests in 72,497,243 Gemfields Shares, representing approximately 13.19%;
- Investec Pallinghurst (Cayman) L.P. in respect of its interests in 68,273,047 Gemfields Shares, representing approximately 12.42%;
- Oasis Asset Management and Oasis Crescent Capital in respect of their collective interests in 6,008,981 Gemfields Shares, representing approximately 1.09%;
- Pallinghurst (Cayman) Founder L.P. in respect of its interests in 5,391,081 Gemfields Shares, representing approximately 0.98%;
- Dr Christo Wiese in respect of his interests in 2,494,583 Gemfields Shares, representing approximately 0.45%; and
- Sean Gilbertson in respect of his interests in 300,000 Gemfields Shares, representing approximately 0.05%.

In aggregate, Pallinghurst has received irrevocable undertakings in respect of a total of 154,964,935 Gemfields Shares representing, in aggregate, approximately 28.18% of the existing issued share capital of Gemfields as at 8 June 2017. Together, the shares subject to irrevocable undertakings and Pallinghurst's current holding in Gemfields constitute 75.27% of the existing issued share capital of Gemfields.

The irrevocable undertakings commit the Relevant Gemfields Shareholders to accept the Offer and to accept the Pallinghurst Shares in exchange for all their Gemfields Shares.

Further details of these irrevocable undertakings are set out in paragraph 9 of Appendix 3 (*Additional Information*) to this document.

11. Management, Employees and Locations

Pallinghurst attaches great importance to the skills, expertise and experience of the existing broader management team and employees of Gemfields and believes that they will have greater opportunities arising out of the proposed acquisition of Gemfields by Pallinghurst. Pallinghurst has no plans to change the location of Gemfields' places of business or redeploy fixed assets.

Pallinghurst intends to make the Enlarged Group more efficient by realising costs savings through eliminating overlapping functions. At this stage, Pallinghurst has not undertaken a detailed analysis of specific headcount reductions, which it will do following completion of the Transaction in light of the ongoing requirements of Gemfields as part of the Pallinghurst Group. Subject to the outcome of the strategic review of the Enlarged Group, Pallinghurst does not expect the Offer to have any direct impact on Gemfields employees in the operating businesses. However, in order to achieve the benefits of the Offer, and assuming the Offer is declared wholly unconditional and Gemfields is delisted, there will be cost savings in the corporate and support functions including where there is duplication across Gemfields and Pallinghurst or the ability to streamline specific functions. This will also include certain functions related to Gemfields' status as a listed company, which are likely to be no longer required or are likely to be reduced in size.

Pallinghurst confirms that the existing contractual and statutory employment rights, including pension rights, of all employees of Gemfields will be fully observed following completion of the Transaction, and that there would be no material changes to the conditions of employment of such employees.

Gemfields participates in a defined contribution pension scheme for the benefit of its employees, and Pallinghurst recognises that many current and former employees, and their families, depend on the Gemfields pension scheme for all, or part, of their retirement income and so have an interest in the Offer. Pallinghurst intends that following the implementation of the Offer, Gemfields will continue to comply with all its pensions obligations, including in respect of the accrual benefit of the existing members and to continue to admit new members to such pension schemes. Pallinghurst confirms that there should be no adverse change to the employer contributions into such pension schemes as a result of the completion of the Transaction.

12. Gemfields Share Option Scheme

The Offer will extend to any Gemfields Shares which are issued or unconditionally allotted and fully paid (or credited as fully paid) while the Offer remains open for acceptance, including Gemfields Shares issued pursuant to exercised options or vested awards granted under the Gemfields Share Option Scheme or otherwise.

At the same time or as soon as practicable following the publication of this document, letters will be sent to the participants in the Gemfields Share Option Scheme explaining the effect of the Offer on them and, where applicable, their right to exercise share options or to receive shares under awards.

13. Pallinghurst Shareholder approval

The Offer constitutes a Category 1 transaction in terms of the JSE Listings Requirements, which requires the approval of the Pallinghurst Shareholders in a general meeting. The percentage of voting rights that will be required for the necessary approval to be obtained is more than 50% of the votes exercised at the Pallinghurst General Meeting (the "**Category 1 Resolution**"). The Offer is conditional on the Category 1 Resolution.

In conjunction with the Transaction, it is proposed that, subject to Pallinghurst Shareholder approval, Pallinghurst will adopt the Management Structure Change, extend its life by 50 years and amend its Articles of Incorporation in relation thereto. The percentage of voting rights that will be required for the necessary approval to be obtained is not less than 75% of the votes exercised at the Pallinghurst General Meeting. The Offer is not conditional on this approval.

In conjunction with the Transaction, subject to Pallinghurst Shareholder approval, it is also proposed that Pallinghurst be granted a general authority to repurchase up to 152,090,526 Pallinghurst Shares, which represents 20% of the issued share capital of Pallinghurst. The Directors consider that such a general authority would allow Pallinghurst to retain the flexibility, if appropriate, to buy-back any Pallinghurst Shares in the open market to mitigate any potential flow back of the Consideration Shares. The percentage of voting rights that will be required for the necessary approval to be obtained is not less than 75% of the votes exercised at the Pallinghurst General Meeting. The Offer is not conditional on this approval.

Pallinghurst Shareholders set out below, collectively representing 50.3% of the total issued Pallinghurst Shares, have given irrevocable undertakings to Pallinghurst to procure that their shares are voted favour of the Pallinghurst Resolutions on which they are entitled to vote proposed at the Pallinghurst General Meeting:

- Titan Nominees Proprietary Limited in respect of 151,238,953 Pallinghurst Shares, representing approximately 19.89%;
- Oasis Asset Management Limited in respect of 68,470,365 Pallinghurst Shares, representing approximately 9.00%;
- Solway Finance Limited in respect of 67,386,056 Pallinghurst Shares, representing approximately 8.86%;
- Oasis Crescent Capital (Proprietary) Limited in respect of 47,296,088 Pallinghurst Shares, representing approximately 6.22%;
- Affinity Trust Limited ATO The Brian Gilbertson Discretionary Settlement in respect of 24,261,669 Pallinghurst Shares, representing approximately 3.19%;
- Hlamogolo Capital (Pty) Ltd in respect of 8,325,334 Pallinghurst Shares, representing approximately 1.09%;
- Arne H. Frandsen in respect of 4,237,369 Pallinghurst Shares, representing approximately 0.56%;
- Sean Gilbertson in respect of 4,175,536 Pallinghurst Shares, representing approximately 0.55%;
- Priyank Thapliyal in respect of 4,175,536 Pallinghurst Shares, representing approximately 0.55%;
- Andrews Willis in respect of 2,446,054 Pallinghurst Shares, representing approximately 0.32%; and
- Clive Harris in respect of 437,652 Pallinghurst Shares, representing approximately 0.06%.

In aggregate, Pallinghurst has received irrevocable undertakings in respect of interests of a total of 382,450,612 Pallinghurst Shares representing, in aggregate, approximately 50.3% of the existing issued share capital of Pallinghurst as at 8 June 2017. The shares subject to irrevocable undertakings commit the relevant Pallinghurst Shareholders to vote in favour of the Pallinghurst Resolutions. Further details of these irrevocable undertakings are set out in paragraph 9 of Appendix 3 (*Additional Information*) to this document.

Pallinghurst has prepared and sent to the Pallinghurst Shareholders the JSE Circular summarising the background to, and reasons for, the Offer and providing information about the Consideration Shares. The Offer is conditional on, amongst other things, the Category 1 Resolution being passed by Pallinghurst Shareholders at the Pallinghurst General Meeting. The Pallinghurst General Meeting is scheduled for 26 June 2017.

14. Management interests and other incentivisation arrangements

Pallinghurst has not entered into, and has not had discussions on proposals to enter into, any form of incentivisation arrangements with members of Gemfields' management or employees in connection with the Offer.

15. Delisting, compulsory acquisition and re-registration

If Pallinghurst receives acceptances under the Offer in respect of, and/or otherwise acquires, 90% or more of the Gemfields Shares by nominal value and voting rights attaching to such shares to which the Offer relates and assuming that all of the other Conditions of the Offer have been satisfied or

waived (if capable of being waived), Pallinghurst intends to exercise its rights pursuant to the provisions of Chapter 3 of Part 28 of the Companies Act 2006 to acquire compulsorily the remaining Gemfields Shares in respect of which the Offer has not been accepted on the same terms as the Offer.

After the Offer becomes or is declared unconditional in all respects and Pallinghurst has by virtue of its shareholdings and acceptances of the Offer acquired, or agreed to acquire, share capital representing at least 75% of the voting rights of Gemfields, Pallinghurst intends to procure the making of an application by Gemfields for cancellation of the trading in Gemfields Shares on AIM. The required notice period of not less than 20 Business Days prior to the cancellation will commence on the earlier of (i) Pallinghurst attaining 75% or more of the voting rights as described above and (ii) the first date of issue of squeeze-out notices under Chapter 3 of Part 28 of the Companies Act 2006.

It is also proposed that, following the Offer becoming unconditional in all respects and after the Gemfields Shares are delisted, Gemfields will be re-registered as a private company under the relevant provisions of the Companies Act 2006.

Such cancellation of the AIM listing and re-registration would significantly reduce the liquidity and marketability of any Gemfields Share not assented to the Offer and the value of Gemfields Shares may be affected as a consequence. Any remaining Gemfields Shareholders would become minority shareholders in a privately controlled limited company and may be unable to sell their Gemfields Shares.

Pallinghurst reserves the right to increase its shareholding after the Offer has closed by buying further Gemfields Shares in the market (to the extent permitted under applicable laws and regulations), which may subsequently allow it to reach the threshold for delisting without the need to launch a further offer to all Gemfields Shareholders.

16. United Kingdom taxation

The attention of Gemfields Shareholders is drawn to paragraph 15 of Appendix 3 (*Additional Information*) to this document which sets out a general guide on UK taxation based on current legislation and practice.

17. Guernsey taxation

The attention of Gemfields Shareholders is drawn to paragraph 15 of Appendix 3 (*Additional Information*) to this document which sets out a general guide on Guernsey taxation based on current legislation and practice.

18. Overseas Shareholders

The attention of Gemfields Shareholders who are citizens or residents of jurisdictions outside the United Kingdom or who are holding shares for such citizens or residents and any person (including, without limitation, any custodian, nominee or trustee) who may have an obligation to forward any document in connection with the Offer outside the United Kingdom is drawn to paragraph 7 of Part 2, paragraph (b) of Part 3 and/or paragraph (b) of Part 4 of Appendix 1 (*Conditions and Further Terms of the Offer*) to this document and to the relevant provisions of the Form of Acceptance, which they should read before taking any action.

The availability of the Offer to Gemfields Shareholders who are not resident in the United Kingdom may be affected by the laws of their relevant jurisdiction. Such persons should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction. If you remain in any doubt, you should consult your professional adviser in the relevant jurisdiction without delay.

19. Procedure for acceptance of the Offer

Gemfields Shareholders who hold their Gemfields Shares in certificated form should read this section in conjunction with the Form of Acceptance and Parts 2 and 3 of Appendix 1 (*Conditions and Further Terms of the Offer*) to this document. Gemfields Shareholders who hold their shares in uncertificated form (that is, through CREST), should read this section in conjunction with Parts 2 and 4 of Appendix 1 (*Conditions and Further Terms of the Offer*) to this document. The instructions on the Form of Acceptance are deemed to form part of the terms of the Offer.

19.1. Gemfields Shares held in certificated form

(a) Completion of the Form of Acceptance

To accept the Offer in respect of Gemfields Shares held in certificated form (that is, not in CREST), you must complete the Form of Acceptance in accordance with the instructions set out below and on the Form of Acceptance. You should complete separate Forms of Acceptance for Gemfields Shares held in certificated form but under different designations. If you have any queries as to how to complete the Form of Acceptance, please telephone the Receiving Agent, Computershare Investor Services PLC between 8:30 am and 5:30 pm Monday to Friday (except UK public holidays) on 0370 707 1826 from within the UK (or on +44 370 707 1826 if calling from outside the UK). **Additional Forms of Acceptance are available from the Receiving Agent upon request.**

- (i) **To accept the Offer in respect of all your Gemfields Shares in certificated form** – you must complete Box 3 and sign Box 4 of the enclosed Form of Acceptance. In all cases, if you are an individual, you must sign Box 4A on the Form of Acceptance in the presence of a witness who should also sign in accordance with the instructions printed on it. Any Gemfields Shareholder which is a company should execute Box 4B of the Form of Acceptance in accordance with the instructions printed on it. If you do not insert a number in Box 3 of the Form of Acceptance, or if you insert in Box 3 a number which is greater than the number of Gemfields Shares that you hold and you have signed Box 4, your acceptance will be deemed to be in respect of all the certificated Gemfields Shares held by you.
- (ii) **To accept the Offer in respect of less than all your Gemfields Shares in certificated form** – you must insert in Box 3 on the enclosed Form of Acceptance such lesser number of Gemfields Shares in respect of which you wish to accept the Offer in accordance with the instructions printed thereon. You should then follow the procedure set out in paragraph (i) above in respect of such lesser number of Gemfields Shares.

(b) Return of the Form of Acceptance

To accept the Offer in respect of Gemfields Shares held in certificated form, the completed, signed and witnessed Form of Acceptance should be returned by post to the Receiving Agent, Computershare Investor Services PLC, Corporate Actions Projects, The Pavilions, Bridgwater Road, Bristol BS99 6AH, or by hand (during normal business hours) to the Receiving Agent, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, together (subject to paragraph (c) below) with the relevant share certificate(s) and/or other document(s) of title, as soon as possible and, in any event, so as to be received not later than 1:00 pm on 4 July 2017. A reply-paid envelope for use in the UK only is enclosed for your convenience. No acknowledgement of receipt of documents will be given.

Any Form of Acceptance received in an envelope post-marked in a Restricted Jurisdiction or otherwise appearing to Pallinghurst or its agents to have been sent from any of these jurisdictions may be rejected as an invalid acceptance of the Offer. For further information on Gemfields Shareholders resident overseas, see paragraph 18 above.

(c) Share certificates not readily available or lost

If your Gemfields Shares are in certificated form, a completed, signed and witnessed Form of Acceptance should be accompanied by the relevant share certificate(s) and/or other document(s) of title. If for any reason the relevant share certificate(s) and/or other document(s) of title is/are not readily available or is/are lost, you should nevertheless complete, sign and lodge the Form of Acceptance as stated above so as to be received by the Receiving Agent by post at Computershare Investor Services PLC, Corporate Actions Projects, The Pavilions, Bridgwater Road, Bristol BS99 6AH, or by hand (during normal business hours) by the Receiving Agent at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, not later than 1:00 pm on 4 July 2017. You should send with the Form of Acceptance any share certificate(s) and/or other document(s) of title which you may have available, accompanied by a letter stating that the remaining documents will follow as soon as possible or that you have lost one or more

of your share certificate(s) and/or other document(s) of title. You should then arrange for the relevant share certificate(s) and/or other document(s) of title to be forwarded as soon as possible. If you have lost your share certificate(s) and/or other document(s) of title, you should write as soon as possible to Gemfields' registrars, Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU, requesting a letter of indemnity for the lost share certificate(s) and/or other document(s) of title which, when completed in accordance with the instructions given, should be returned by post or by hand to the Receiving Agent at the address given above.

(d) **Validity of acceptances**

Without prejudice to Part 2 and Part 3 of Appendix 1 (*Conditions and Further Terms of the Offer*) to this document, subject to the provisions of the Takeover Code, Pallinghurst reserves the right to treat as valid in whole or in part any acceptance of the Offer which is not entirely in order or which is not accompanied by the relevant share certificate(s) and/or other document(s) of title.

19.2. Gemfields Shares held in uncertificated form (that is, in CREST)

(a) **General**

If your Gemfields Shares are in uncertificated form, to accept the Offer you should take (or procure the taking of) the action set out below to transfer the Gemfields Shares in respect of which you wish to accept the Offer to the appropriate escrow balance(s), specifying the Receiving Agent (in its capacity as a CREST participant under the Escrow Agent's participant ID referred to below) as the Escrow Agent, as soon as possible **and in any event so that the TTE instruction settles not later than 1:00 pm on 4 July 2017. Settlement cannot take place on weekends or bank holidays (or other times at which the CREST system is non-operational) – you should therefore ensure you time the input of any TTE instructions accordingly.**

The input and settlement of a TTE instruction in accordance with this paragraph 19.2 will (subject to satisfying the requirements set out in Parts 2 and 4 of Appendix 1 (*Conditions and Further Terms of the Offer*)) constitute an acceptance of the Offer in respect of the number of Gemfields Shares so transferred to escrow.

If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action. Only your CREST sponsor will be able to send the TTE instructions(s) to Euroclear in relation to your Gemfields Shares.

After settlement of a TTE instruction, you will not be able to access the Gemfields Shares concerned in CREST for any transaction or charging purposes. If the Offer becomes or is declared unconditional in all respects, the Escrow Agent will transfer the Gemfields Shares concerned in accordance with paragraph (d) of Part 4 of Appendix 1 (*Conditions and Further Terms of the Offer*) to this document.

You are recommended to refer to the CREST Manual issued by Euroclear for further information on the CREST procedure outlined below.

You should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE instruction relating to your Gemfields Shares to settle prior to 1:00 pm on 4 July 2017. In this connection, you are referred in particular to those sections of the CREST Manual concerning the practical limitations of the CREST system and timings.

(b) **To accept the Offer**

To accept the Offer in respect of Gemfields Shares held in uncertificated form, you should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) to Euroclear a TTE instruction in relation to such shares. A TTE instruction to

Euroclear must be properly authenticated in accordance with Euroclear's specifications for transfers to escrow and must contain the following details:

- the ISIN number for the Gemfields Shares. This is GB00B0HX1083;
- the number of Gemfields Shares in respect of which you wish to accept the Offer (i.e. the number of Gemfields Shares to be transferred to escrow);
- your member account ID;
- your participant ID;
- the participant ID of the Escrow Agent. This is 3RA11;
- the member account ID of the Escrow Agent for the Offer. This is GEMPAL01;
- the intended settlement date. This should be as soon as possible and, in any event, not later than 1:00 pm on 4 July 2017;
- the corporate action number of the Offer. This is allocated by Euroclear and will be available on screen from Euroclear;
- input with a standard delivery instruction priority of 80; and
- a contact name and telephone number in the shared note field.

If you hold Gemfields Shares in uncertificated form through one or more intermediaries, such as a stockbroker, custodian bank or clearing system, you should confirm the instruction deadline which such intermediaries have established to accept the Offer on your behalf. The custodian bank or stockbroker may set an earlier deadline for receiving instructions from you in order to permit the custodian bank or stockbroker to communicate acceptances to the Receiving Agent in a timely manner. **In order for acceptances to be counted towards the Acceptance Condition, you may need to take action well in advance of the announced deadline for acceptance.**

(c) **Validity of acceptances**

Holders of Gemfields Shares in uncertificated form who wish to accept the Offer should note that a TTE instruction will only be a valid acceptance of that Offer as at the relevant closing date if it has settled on or before 1:00 pm on that date. A Form of Acceptance which is received in respect of Gemfields Shares held in uncertificated form may be treated as an invalid acceptance and may be disregarded.

Pallinghurst will make an appropriate announcement if any of the details contained in this paragraph 19.2 alter for any reason.

(d) **Overseas shareholders**

The attention of Gemfields Shareholders holding Gemfields Shares in uncertificated form and who are citizens or residents of jurisdictions outside the United Kingdom is drawn to paragraph 7 of Part 2 and paragraph (b) of Part 4 of Appendix 1 (*Conditions and Further Terms of the Offer*) of this document.

(e) **General**

Normal CREST procedures (including timings) apply in relation to any Gemfields Shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form, during the course of the Offer (whether any such conversion arises as a result of a transfer of Gemfields Shares or otherwise). Holders of Gemfields Shares who are proposing so to convert any such shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the shares as a result of the conversion to take all necessary steps in connection with an acceptance of the Offer (in particular, as regards delivery of share certificate(s) and/or other documents of title or transfers to an escrow balance as described above) prior to 1:00 pm on 4 July 2017.

If you are in any doubt as to the procedure for acceptance of the Offer, please contact the Receiving Agent between 8:30 am and 5:30 pm Monday to Friday (except UK public holidays) on 0370 707 1826 from within the UK (or on +44 370 707 1826 if calling from outside the UK) or at the address referred to in paragraph 19.1 above. You are reminded that, if you are a CREST sponsored member, you should contact your CREST sponsor before taking any action.

20. Settlement

Subject to the Offer becoming or being declared unconditional in all respects (and except as provided in paragraph 7 of Part 2 of Appendix 1 (*Conditions and Further Terms of the Offer*) to this document in the case of certain Overseas Shareholders), settlement of the consideration to which any Gemfields Shareholder (or the first-named shareholder in the case of joint holders) is entitled under the Offer will be effected in the manner described below.

20.1. Share consideration

Settlement of the share consideration to which any Gemfields Shareholder is entitled pursuant to the Offer will be effective within 14 days of the Effective Date (or such later date as the Panel may agree) as follows:

- (a) Where a Gemfields Shareholder holds Gemfields Shares in certificated form, the Receiving Agent will instruct Pallinghurst's registrar, Computershare Investor Services (Guernsey) Limited, to update Pallinghurst's register of members and despatch definitive certificates for such Consideration Shares by first class (or such other method as may be approved by the Panel). No certificates for Consideration Shares will be despatched in any Restricted Jurisdiction.
- (a) Where a Gemfields Shareholder holds Gemfields Shares in uncertificated form, the Receiving Agent will instruct Pallinghurst's registrar, Computershare Investor Services (Guernsey) Limited, to deliver the Consideration Shares to which the accepting Gemfields Shareholder is entitled to the securities deposit account in CREST in which such shareholder previously held Gemfields Shares.

20.2. Lapsing or withdrawal of the Offer

If the Offer does not become or is not declared unconditional in all respects:

- (a) in the case of Gemfields Shares held in certificated form, the relevant Form of Acceptance, share certificate(s) and/or other document(s) of title will be returned by post (or by such other method as may be approved by the Panel) within 14 calendar days of the Offer lapsing to the person or agent whose name and address (outside a Restricted Jurisdiction) is set out in the Form of Acceptance or, if none is set out, to the first-named holder at his or her registered address (provided that no such documents will be sent to an address in a Restricted Jurisdiction); and
- (b) in the case of Gemfields Shares held in uncertificated form, the Escrow Agent will, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 calendar days of the lapsing of the Offer), give TFE instructions to Euroclear to transfer all Gemfields Shares held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Offer to the original available balances of the Gemfields Shareholders concerned.

All remittances, communications, notices, certificates and documents of title sent by, to or from Gemfields Shareholders or their appointed agents will be sent at their own risk.

21. Effects of acceptance of the Offer

The following table shows certain financial effects for a holder of 100 Gemfields Shares accepting the Offer. This table disregards tax.

Capital value ⁽³⁾	Before Announcement		Before the date of this document	
	Notes	£	Notes	£
Market value of 100 Gemfields Shares	1	38.25	4	34.75
Market value of 191 Consideration Shares	2	38.46	5	36.68
Total potential maximum value of consideration under the Offer		127,622,395		121,756,733
Total increase in potential maximum capital value . . .		604,803		6,398,005
This represents an increase of approximately		0.5%		5.3%

Notes:

- (1) Based on the closing price of 38.25 pence per Gemfields Share on 17 May 2017 (being the latest practicable date prior to the Announcement).
- (2) Based on the closing share price of ZAR3.45 per Pallinghurst Share and an exchange rate of ZAR 17.14 to £1.00 as quoted by WM/Reuters on 17 May 2017 (being the latest practicable date prior to the Announcement).
- (3) This table disregards the tax consequences of holding Gemfields Shares and Consideration Shares, as well as the tax consequences of disposing of Gemfields Shares under the Offer. This table is for illustrative purposes only on the bases and assumptions set out in the notes above, assuming that the Offer becomes or is declared wholly unconditional. The potential maximum value is based on the existing issued share capital of Gemfields of 549.8 million shares and a potential maximum issue of an additional 41.1 million Gemfields Shares as a result of Gemfields option holders exercising their options.
- (4) Based on the closing price of 34.75 pence per Gemfields Share on 9 June 2017 (being the latest practicable date prior to the date of this document).
- (5) Based on the closing share price of ZAR 3.15 per Pallinghurst Share and an exchange rate of ZAR 16.40 to £1.00 as quoted by WM/Reuters on 9 June 2017 (being the latest practicable date prior to the date of this document).

The effects on the Company's earnings, assets and liabilities

The Company is currently structured and accounted for as an "Investment Entity" and accordingly under the requirements set out in IFRS10, it fair values its interests in subsidiaries, joint ventures, associates and investments. Following completion of the Transaction, the fair value of the Company's interest in Gemfields will be calculated on a 100% basis as opposed to the current 47.09% holding in the existing issued share capital of. Consequently the movement in fair value recognised in the income statement will be calculated on an equivalent percentage holding.

Following completion of the Offer, the total comprehensive income would reduce by US\$2.67 million and the earning per share would reduce by US\$0.03, based on the following:

- (a) in accordance with Pallinghurst's accounting policies and IFRS, investments in subsidiaries are held at fair value such that the underlying operating results are not a consolidation but rather the revaluation of the investment is recognised in the income statement; and
- (b) the transaction occurring on 1 January 2016.

Following completion of the Offer, there would be no change to the Pallinghurst Group's liabilities and the net assets of the Pallinghurst Group would increase by US\$124.9 million, based on the following:

- (a) Pallinghurst is considered an "Investment Entity" under IFRS and consequently recognises its investments at fair value whether they are a subsidiary, joint arrangement or associate;
- (b) the adjustment represents the de-recognition of Pallinghurst's existing 47.09% interest in the existing issued share capital of Gemfields currently recognised within "Listed equity investments" at a fair value of US\$164.6 million at 31 December 2016 and then recognising Pallinghurst's 100% investment in Gemfields following completion of the Offer within "Unlisted equity investments" at a fair value of US\$294.8 million at the transaction date, in accordance with IFRS10 'Consolidated Financial Statements';
- (c) the new "Unlisted equity investment" fair value has been calculated by using the imputed per share value of the Offer of US\$0.499/share multiplied by Gemfields' total share capital of 590,876,476, which is the number of Gemfields Shares that Pallinghurst expects to own in Gemfields following completion of the Offer.

22. Further information

The terms and conditions of the Offer are set out in full in Appendix 1 (*Conditions and Further Terms of the Offer*) to this document. Your attention is drawn to the further information in the Appendices, which form part of this document, and, if your Gemfields Shares are in certificated form, to the accompanying Form of Acceptance which should be read in conjunction with this document.

23. Action to be taken

To accept the Offer:

- If your Gemfields Shares are in certificated form (that is, not in CREST), the Form of Acceptance must be completed, signed and returned as soon as possible, (together with your share certificate(s) and/or other document(s) of title) and in any event so as to be received by the Receiving Agent no later than 1:00 pm on 4 July 2017. A reply-paid envelope is enclosed for your convenience for use in the UK only.
- If your Gemfields Shares are in uncertificated form (that is, in CREST), you should NOT return the Form of Acceptance but instead ensure that an Electronic Acceptance is made by you or on your behalf and that settlement is no later than 1:00 pm on 4 July 2017.

If you have any questions relating to accepting the Offer, please contact the Receiving Agent between 8:30 am and 5:30 pm Monday to Friday (except UK public holidays) on 0370 707 1826 from within the UK (or on +44 370 707 1826 if calling from outside the UK).

Yours faithfully,

for and on behalf of Pallinghurst

Brian Gilbertson

Appendix 1

Conditions and Further Terms of the Offer

Part 1

Conditions of the Offer

The Offer complies with the Takeover Code, is governed by English law and is subject to the exclusive jurisdiction of the English courts. The Offer is being made on the terms and conditions set out in this Appendix 1 and in the Form of Acceptance. The Offer is subject to the following Conditions:

Acceptance Condition

1. Valid acceptances being received (and not, where permitted, withdrawn) by not later than 1:00 pm on the first closing date of the Offer (or such later time(s) and/or date(s) as Pallinghurst may, with the consent of the Panel or in accordance with the rules of the Code, decide) in respect of Gemfields Shares, which together with the Gemfields Shares held by Pallinghurst and/or any wholly-owned subsidiary of Pallinghurst, represent not less than 75% (or such lower percentage as Pallinghurst may decide) in nominal value of the Gemfields Shares in issue which carry voting rights, provided that, unless agreed by the Panel, this Condition will not be satisfied unless Pallinghurst and/or any wholly-owned subsidiary of Pallinghurst shall have acquired or agreed (unconditionally or subject only to conditions which will be fulfilled upon the Offer becoming or being declared unconditional) to acquire (whether pursuant to the Offer or otherwise) Gemfields Shares carrying, in aggregate, more than 60% of the voting rights then normally exercisable at a general meeting of Gemfields on such basis as may be required by the Panel, including for this purpose, to the extent (if any) required by the Panel, any voting rights attaching to shares which are unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of conversion or subscription rights or otherwise.

For the purposes of this Condition:

- (i) Gemfields Shares that are unconditionally allotted but not issued shall be deemed to carry the voting rights which they will carry upon issue;
- (ii) the 75% of voting rights is to be calculated by reference to the percentage held and in issue outside treasury; and
- (iii) valid acceptances shall be deemed to have been received in respect of Gemfields Shares which are treated for the purposes of sections 977(1) and 979(8) to (10) of the Companies Act 2006 as having been acquired or contracted to be acquired by Pallinghurst by virtue of acceptances of the Offer.

Pallinghurst Shareholder Approval

2. The passing at the Pallinghurst General Meeting (or at any adjournment thereof) by the requisite majority of the Pallinghurst Shareholders of such resolution as is necessary to approve, implement and effect the Offer in accordance with the Category 1 requirements under the JSE Listings Requirements.

JSE Listing

3. (i) The admission to the JSE of the Consideration Shares becoming effective in accordance with the JSE Listings Requirements; or
- (ii) If Pallinghurst so determines (and subject to the consent of the Panel) the JSE having acknowledged to Pallinghurst or its agent (and such acknowledgement not having been withdrawn) that the Consideration Shares will be admitted to trading on the JSE.

Other Statutory or Regulatory Obligations

4. All statutory or regulatory obligations in connection with the Offer or the acquisition by Pallinghurst of any shares in, or control of, Gemfields or any member of the wider Gemfields Group in any applicable jurisdiction having been complied with.

Other Third Party Clearances

5. No central bank, government or governmental, quasi-governmental, supranational, statutory or regulatory or investigative body, trade agency, court or professional association, institution or professional body or other body or person having statutory or regulatory competence in any jurisdiction (each a “**Relevant Authority**”) having instituted, implemented or threatened, or having decided to take, institute or threaten, any action, proceeding, suit, investigation, inquiry or reference, or having made, proposed or enacted any statute, regulation or order, or taken any other steps, and there not continuing to be outstanding any statute, regulation or order in any jurisdiction, in each case which is likely to be material in the context of the Offer and which would or might reasonably be expected to:

- (a) make the Offer or its implementation or the acquisition of any shares or other securities in, or control of, Gemfields by any member of the wider Pallinghurst Group void, illegal or unenforceable under the laws of any jurisdiction or, to an extent which is material, otherwise directly or indirectly restrain, prohibit, restrict or delay the implementation or performance of the Offer or impose additional conditions or obligations with respect to it, or otherwise materially challenge or interfere with the Offer or the acquisition of any shares or other securities in, or control of, Gemfields by any member of the wider Pallinghurst Group;
- (b) require, prevent or delay the divestiture or alter the terms envisaged for such divestiture by any member of the wider Gemfields Group or any member of the wider Pallinghurst Group of all or any portion of their respective businesses, assets or property, or impose any limitation on the ability of any of them to conduct their respective businesses or own their assets or property or any part of them, in any case to an extent which is material in the context of the Gemfields Group, or the Pallinghurst Group, as the case may be, taken as a whole;
- (c) impose any limitation on, or result in a delay in, the ability of any member of the wider Pallinghurst Group or the wider Gemfields Group to acquire or to hold or exercise effectively, directly or indirectly, all or any rights of ownership of any shares or other securities (whether acquired pursuant to the Offer or otherwise) in, or to exercise management control over, any member of the wider Gemfields Group, in any case to an extent which is material in the context of the Gemfields Group, or the Pallinghurst Group, as the case may be, taken as a whole;
- (d) save pursuant to the Offer or Part 28 of the Companies Act 2006 require any member of the wider Pallinghurst Group or the wider Gemfields Group to acquire or offer to acquire any shares or other securities owned by any third party in the capital of any member of the wider Gemfields Group or the wider Pallinghurst Group or any asset owned by any third party, in any case to an extent which is material in the context of the Gemfields Group, or the Pallinghurst Group, as the case may be, taken as a whole;
- (e) result in any member of the wider Gemfields Group or the wider Pallinghurst Group ceasing to be able to carry on business under any name which it presently does so;
- (f) impose any limitation on the ability of any member of the wider Gemfields Group or the wider Pallinghurst Group to integrate or co-ordinate its business, or any part of it, with all or any part of the businesses of any other member of the wider Gemfields Group and/or wider Pallinghurst Group, in any case to an extent which is material in the context of the Gemfields Group, or the Pallinghurst Group, as the case may be, taken as a whole; or
- (g) otherwise adversely affect any or all of the businesses, financial position, assets, trading results or prospects of any member of the wider Pallinghurst Group or the wider Gemfields Group, in any case to an extent which is material in the context of the Gemfields Group, or the Pallinghurst Group, as the case may be, taken as a whole;

and all regulatory and statutory obligations having been complied with and all applicable waiting and other time periods during which any such Relevant Authority could decide to take, institute, implement or threaten such action, proceeding, suit, investigation, inquiry or reference under the laws of any jurisdiction having expired, lapsed or been terminated.

6. All necessary material notifications and filings having been made in connection with the Offer and all statutory and regulatory obligations in connection with the Offer in any jurisdiction having been complied with and all material authorisations, orders, recognitions, grants, consents, clearances,

confirmations, certificates, licences, permissions and approvals (“**Authorisations**”) deemed reasonably necessary or appropriate by Pallinghurst in any jurisdiction for, or in respect of, the Offer and the acquisition or the proposed acquisition of the Gemfields Shares by Pallinghurst or any member of the Pallinghurst Group having been obtained in terms reasonably satisfactory to Pallinghurst from all appropriate Relevant Authorities or from any persons or bodies with whom any member of the wider Pallinghurst Group or the wider Gemfields Group has entered into contractual arrangements, all or any applicable waiting and other time periods having expired, lapsed or been terminated (as appropriate) and all such Authorisations (together with all material Authorisations deemed reasonably necessary or appropriate to carry on the business of any member of the wider Gemfields Group) remaining in full force and effect at the time at which the Offer becomes otherwise unconditional and there being no notice of any intention to revoke, suspend, restrict, amend or not to renew any such Authorisations.

Confirmation of absence of adverse circumstances

7. Save as disclosed in the Annual Report of Gemfields or in the Interim Results of Gemfields, or publicly announced through a Regulatory Information Service prior to the date of the Announcement, there being no provision of any arrangement, agreement, licence, permit, franchise or other instrument to which any member of the wider Gemfields Group is a party or by or to which any such member or any of their assets is or may be bound, entitled or subject which, in consequence of the Offer or the acquisition or proposed acquisition of any shares or other securities in Gemfields or any member of the Gemfields Group by any member of the wider Pallinghurst Group, or a change in the control or management of Gemfields or any member of the Gemfields Group, could or might reasonably be expected to result in:
- (a) any monies borrowed by or other indebtedness or liabilities, actual or contingent, of any member of the wider Gemfields Group being or becoming repayable or being capable of being declared repayable immediately or prior to their stated maturity, or the ability of any such member to borrow or incur indebtedness being withdrawn, prohibited or adversely affected or being capable of being withdrawn, prohibited or adversely affected;
 - (b) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the wider Gemfields Group or any such mortgage, charge or security interest (whenever arising or having arisen) becoming enforceable;
 - (c) any such arrangement, agreement, licence, permit, franchise or other instrument being, or becoming capable of being, terminated or adversely modified or affected or any action being taken of an adverse nature or any obligation or liability arising thereunder;
 - (d) any assets or interests of any member of the wider Gemfields Group being disposed of or charged or any right arising under which any such asset or interest could be required to be disposed of or charged, other than in the ordinary course of business;
 - (e) any member of the wider Gemfields Group ceasing to be able to carry on business under any name which it presently does so or any person presently not able to carry on business under any name which any member of the wider Gemfields Group presently does becoming able to do so;
 - (f) the rights, liabilities, obligations or interests or business of any member of the wider Gemfields Group in or with any firm or body or person, or any arrangements relating to such interests or business, being terminated, modified or adversely affected;
 - (g) any liability (actual, contingent or otherwise) being created; or
 - (h) the value or the business, financial or trading position, results or prospects of any member of the wider Gemfields Group being prejudiced or adversely affected,
- and no event having occurred which, under any such provision, could result in any of the events or circumstances referred to in sub-paragraphs (a) to (h) (in any such case to an extent which is material in the context of the Gemfields Group taken as a whole).

No material transactions, claims or changes in the conduct of the business of the Gemfields Group

8. Since 30 June 2016, and save as disclosed in the Annual Report of Gemfields or in the Interim Results of Gemfields no member of the wider Gemfields Group having:
- (a) issued or agreed to issue or authorised or proposed the issue of additional shares of any class, or securities convertible into, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities, save as between Gemfields and any wholly-owned subsidiaries of Gemfields and except for any options granted, and Gemfields shares unconditionally issued upon or pursuant to the exercise of options granted, prior to the date of announcement of the Offer under the Gemfields Share Option Schemes;
 - (b) recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus issue, dividend or other distribution whether in cash or otherwise;
 - (c) made or authorised or proposed or announced any change in its loan capital, outside the ordinary course of business;
 - (d) other than pursuant to the Offer and save for transactions between a wholly-owned subsidiary of Gemfields and Gemfields or another wholly-owned subsidiary of Gemfields and other than in the ordinary course of business, implemented, effected, authorised or proposed or announced its intention to implement, effect, authorise or propose any merger, demerger, reconstruction, amalgamation, scheme, commitment or acquisition, disposal, transfer, mortgage, charge or creation of any security interest of or over any asset or shares in any undertaking, or any right, title or interest in any asset which is material in the context of the Gemfields Group taken as a whole;
 - (e) issued, authorised or proposed or announced an intention to authorise or propose, the issue of any debentures, or, save in the ordinary course of business, incurred or increased any indebtedness or contingent liability;
 - (f) purchased, redeemed or repaid or proposed or announced any proposal to purchase, redeem or repay any of its own shares or other securities or the equivalent, or reduced or proposed the reduction of, or made or proposed the making of any other change to, any part of its share capital;
 - (g) entered into or varied any contract, including any guarantee, transaction or binding commitment (whether in respect of capital expenditure or otherwise) which is of a long-term or unusual or onerous nature or magnitude or which would be restrictive of the business of any member of the wider Gemfields Group in any way or which involves or could involve an obligation of such a nature or magnitude and which is other than in the ordinary course of business, or announced any intention to do so;
 - (h) entered into or varied or made any offer which remains open for acceptance to enter into or vary the terms of any contract, including any service contract, with any of the directors or senior executives of any member of the wider Gemfields Group;
 - (i) entered into any contract or commitment restricting the ability of any member of the wider Gemfields Group to compete with any other person;
 - (j) taken or proposed any corporate action or passed any resolution for or had any legal proceedings instituted against it for its winding-up (voluntarily or otherwise), dissolution or re-organisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or any of its assets and revenues or any analogous proceedings or steps in any jurisdiction or for the appointment of any analogous person in any jurisdiction;
 - (k) been unable or having admitted in writing that it is unable to pay its debts or having stopped or suspended, or threatened to stop or suspend, payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;
 - (l) waived or compromised any material claim against any person otherwise than in the ordinary course of business;

- (m) terminated or varied the terms of any agreement or arrangement between any member of the Gemfields Group and any other person in a manner which would or might reasonably be expected to have a material adverse effect on the financial position of the Gemfields Group taken as a whole;
- (n) made or agreed or consented to any significant change to the terms of the trust deeds constituting the pension schemes established for its directors and/or employees and/or their dependants or to the benefits which accrue, or to the pensions which are payable under such schemes, or to the basis on which qualification for or accrual or entitlement to such benefits or pensions are calculated or determined or to the basis upon which the liabilities (including pensions) of such pension schemes are funded or made, or agreed or consented to any change to the trustees involving the appointment of a trust corporation;
- (o) save as disclosed on publicly available registers, made any alteration to its memorandum or articles of association, or other constitutional documents; or
- (p) entered into or made an offer which remains open for acceptance to enter into any agreement, commitment or arrangement or passed any resolution or announced any intention with respect to any of the transactions, matters or events referred to in this paragraph 8.

No material adverse change

9. Since 30 June 2016, and save as disclosed in the Annual Report of Gemfields or in the Interim Results of Gemfields, as publicly announced through a Regulatory Information Service prior to the date of the Announcement:
- (a) no investigation or enquiry by any Relevant Authority having statutory or regulatory competence (save as a result of the Offer) and no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Gemfields Group is or may become a party, whether as plaintiff or defendant or otherwise, having been threatened in writing, announced or instituted by or remaining outstanding against or in respect of any member of the wider Gemfields Group which, in any such case, is material in the context of the Gemfields Group taken as a whole;
 - (b) there having been no adverse change in the business, assets, financial position, trading results, profits or prospects of the Gemfields Group taken as a whole;
 - (c) no contingent or other liability of any member of the wider Gemfields Group having arisen or been created which would or might be likely materially and adversely to affect the Gemfields Group taken as a whole;
 - (d) no steps having been taken which would or are reasonable likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the wider Gemfields Group which is necessary for the proper carrying on of its business and which, in any case, is material in the context of the wider Gemfields Group taken as a whole.

No discovery of certain matters regarding information, liabilities and environmental issues

10. Save as disclosed in the Annual Report of Gemfields or in the Interim Results of Gemfields, as publicly announced through a Regulatory Information Service prior to the date of the Announcement, Pallinghurst not having discovered that:
- (a) any financial, business or other information concerning the wider Gemfields Group publicly announced prior to the date of the Announcement or disclosed at any time to any member of the wider Pallinghurst Group by or on behalf of any member of the wider Gemfields Group prior to the date of the Announcement is misleading, contains a material misrepresentation of any fact, or omits to state a fact necessary to make that information not misleading, in any such case to a material extent;
 - (b) any member of the wider Gemfields Group is subject to any liability, contingent or otherwise, arising other than in the ordinary course of business and which is material in the context of the Gemfields Group taken as a whole;
 - (c) any past or present member of the wider Gemfields Group has not complied in any material respect with all applicable legislation, regulations or any Authorisations relating to the use,

treatment, storage, carriage, disposal, discharge, spillage, release, leak or emission of any waste or hazardous substance or any substance likely to impair the environment (including property) or harm human or animal health or otherwise relating to environmental matters or the health and safety of humans, which non-compliance would be likely to give rise to any material liability, including any penalty for non-compliance (whether actual or contingent) on the part of any member of the wider Gemfields Group, in each case to an extent which is material in the context of the wider Gemfields Group taken as a whole;

- (d) there has been a material disposal, discharge, spillage, accumulation, release, leak, emission or the migration, production, supply, treatment, storage, transport or use of any waste or hazardous substance or any substance likely to impair the environment (including any property) or harm human or animal health which (whether or not giving rise to non-compliance with any law or regulation), would be likely to give rise to any material liability on the part of any member of the wider Gemfields Group, in each case to an extent which is material in the context of the wider Gemfields Group taken as a whole;
- (e) that there is or is reasonably likely to be any material obligation or liability (whether actual or contingent) or requirement to make good, remediate, repair, reinstate or clean up any property, asset or any controlled waters currently or previously owned, occupied, operated or made use of or controlled by any past or present member of the wider Gemfields Group, or in which any such member may have or previously have had or be deemed to have had an interest, under any environmental legislation, common law, regulation, notice, circular, Authorisation or order of any Third Party in any jurisdiction or to contribute to the cost thereof or associated therewith or indemnify any person in relation thereto, in each case to an extent which is material in the context of the wider Gemfields Group taken as a whole; or
- (f) that circumstances exist (whether as a result of making the Acquisition or otherwise) which would be reasonably likely to lead to any third party instituting (or whereby any member of the wider Gemfields Group would be likely to be required to institute) an environment audit or take any steps which would in any such case be reasonably likely to result in any actual or contingent liability to improve or install new plant or equipment or to make good, repair, reinstate or clean up any property of any description or any asset now or previously owned, occupied or made use of by any past or present member of the wider Gemfields Group (or on its behalf) or by any person for which a member of the wider Gemfields Group is or has been responsible, or in which any such member may have or previously have had or be deemed to have had an interest, which is material in the context of the wider Gemfields Group taken as a whole.

Anti-corruption and sanctions

11. Save as disclosed in the Annual Report of Gemfields or in the Interim Results of Gemfields, as publicly announced through a Regulatory Information Service prior to the date of the Announcement, Pallinghurst not having discovered that:
 - (a) any past or present member of the wider Gemfields Group or any person that performs or has performed services for or on behalf of any such company is or has at any time engaged in any activity, practice or conduct (or omitted to take any action) in contravention of the UK Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977 or any other applicable anti-corruption legislation or has failed to put in place adequate procedures to prevent such activity, practice or conduct; or
 - (b) any past or present member of the wider Gemfields Group has engaged in any activity or business with, or made any investments in, or made any payments to any government, entity or individual covered by any of the economic sanctions administered by the United Nations or the European Union (or any of their respective member states) or the United States Office of Foreign Assets Control or any other governments or supranational body or authority in any jurisdiction.

No criminal property

12. Pallinghurst not having discovered that any asset of any member of the wider Gemfields Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition).

Part 2
Further terms of the Offer

The following further terms apply, unless the context requires otherwise, to the Offer. Unless the context requires otherwise, any reference in Parts 2, 3 and 4 of Appendix 1 of this document and in the Form of Acceptance to:

- (a) “**acceptances of the Offer**” includes deemed acceptances of the Offer;
- (b) the Offer being, becoming or being declared “**unconditional**” means the Offer being, becoming or being declared unconditional as to acceptances whether or not any other condition of the Offer remains to be fulfilled;
- (c) the “**Acceptance Condition**” is to the condition as to acceptances in paragraph 1 of Part 1 of this Appendix 1 and references to the Offer being unconditional as to acceptances shall be construed accordingly;
- (d) an “**extension of the Offer**” includes a reference to an extension of the date by which the Acceptance Condition has to be fulfilled;
- (e) “**Day 21**” means 4 July 2017;
- (f) “**Day 39**” means 22 July 2017 (or such other later date as the Panel may agree);
- (g) “**Day 42**” means 25 July 2017;
- (h) “**Day 46**” means 29 July 2017 (or such other later date as the Panel may agree); and
- (i) “**Day 60**” means 12 August 2017 (or such other later date as may be determined by Pallinghurst with the agreement of the Panel to be the last date for fulfilment of the Acceptance Condition in accordance with the Takeover Code).

1. Acceptance Period

The Offer is initially open for acceptance until 1:00 pm on Day 21.

- (a) Pallinghurst reserves the right (but will not be obliged, other than as may be required by the Takeover Code) at any time or from time to time to extend the Offer after such time and, in such event, will make a public announcement of such extension in the manner described in paragraph 3(a) below and give oral or written notice of such extension to the Receiving Agent. If the Offer has not become unconditional by Day 21, Pallinghurst currently intends to extend the Offer until such time as the Offer becomes unconditional. There can be no assurance, however, that Pallinghurst will, in such circumstances, extend the Offer and, if no such extension is made, the Offer will lapse on Day 21 and no Gemfields Shares will be purchased pursuant to the Offer.
- (b) Although no revision is contemplated, if Pallinghurst revises the Offer, it will remain open for acceptance for a period of at least 14 calendar days (or such other period as may be permitted by the Panel) after the date on which Pallinghurst publishes the revised offer document. Except with the consent of the Panel, Pallinghurst may not revise the Offer or publish any revised offer documentation after Day 46 or, if later, the date which is 14 calendar days before the last date on which the Offer can become unconditional.
- (c) The Offer, whether revised or not, shall not (except with the consent of the Panel) be capable of becoming unconditional after midnight on Day 60 (or any other time or date beyond which Pallinghurst has stated that the Offer will not be extended and has not, where permitted, withdrawn that statement) nor of being kept open for acceptance after that time and/or date unless the Offer has previously become unconditional. If the Offer has not become unconditional at such time (taking account of any prescribed extension of the Offer), the Offer will lapse in the absence of a competing bid and/or unless the Panel agrees otherwise. If the Offer lapses for any reason, the Offer shall cease to be capable of further acceptance and Gemfields Shareholders shall cease to be bound by prior acceptances. Pallinghurst reserves the right, subject to the consent of the Panel, to extend the time for the Offer to become unconditional to any later time(s) and/or date(s).
- (d) If the Offer becomes unconditional, it will remain open for acceptance for not less than 14 calendar days from the date on which it would otherwise have expired. If the Offer becomes unconditional and it is stated by or on behalf of Pallinghurst that the Offer will remain open until

further notice or if the Offer will remain open for acceptances beyond the 70th calendar day following publication of this document, then not less than 14 calendar days' notice will be given by or on behalf of Pallinghurst to Gemfields Shareholders (and persons with information rights) who have not accepted the Offer prior to closing the Offer.

- (e) If a competitive situation arises (as determined by the Panel) after a “no increase” and/or “no extension” statement (as referred to in the Takeover Code) has been made by or on behalf of Pallinghurst in relation to the Offer, Pallinghurst may, if it specifically reserves the right to do so at the time the statement is made (or otherwise with the consent of the Panel), choose not to be bound by or withdraw the statement and extend or revise the Offer provided it complies with the requirements of the Takeover Code and, in particular, that:
 - (i) it announces the withdrawal and states that it is free to extend or revise the Offer (as appropriate) as soon as possible and in any event within four Business Days after the date of the firm announcement of the competing offer or other competitive situation; and
 - (ii) it notifies Gemfields Shareholders (and persons with information rights) at the earliest practicable opportunity in writing to that effect or, in the case of Gemfields Shareholders (and persons with information rights) with registered addresses in Restricted Jurisdictions or whom Pallinghurst reasonably believes to be nominees, custodians or trustees holding Gemfields Shares for such persons, by announcement in the United Kingdom; and
 - (iii) any Gemfields Shareholders who accept the Offer after the “no increase” and/or “no extension” statement is given a right of withdrawal as described in paragraph 4(d) of Part 2 of this Appendix 1.
- (f) If Gemfields publishes material new information of the kind referred to in Rule 31.9 of the Takeover Code after Day 39, Pallinghurst may choose not to be bound by a “no increase” and/or “no extension” statement if it specifically reserved the right to do so at the time such statement was made (or otherwise with the consent of the Panel) and be free to extend or revise the Offer if permitted to do so by the Panel, provided that:
 - (i) it announces the withdrawal and states that it is free to extend or revise the Offer (as appropriate) as soon as possible and in any event within four Business Days after the date of publication by Gemfields; and
 - (ii) it notifies Gemfields Shareholders (and persons with information rights) at the earliest practicable opportunity in writing to that effect or, in the case of Gemfields Shareholders (and persons with information rights) with registered addresses in Restricted Jurisdictions or whom Pallinghurst reasonably believes to be nominees, custodians or trustees holding Gemfields Shares for such persons, by announcement in the United Kingdom.
- (g) Pallinghurst may, if it specifically reserves the right to do so at the time the statement is made (or otherwise with the consent of the Panel), choose not to be bound by the terms of a “no increase” and/or “no extension” statement and may publish an increased or improved offer if it is recommended for acceptance by the board of directors of Gemfields, or in any other circumstances permitted by the Panel.
- (h) If a competitive situation arises (as determined by the Panel) and is continuing on the Business Day preceding Day 60, Pallinghurst will enable holders of Gemfields Shares in uncertificated form, who have not already validly accepted the Offer but who have previously accepted a competing offer, to accept the Offer by special form of acceptance to take effect on Day 60. The special form of acceptance shall constitute a valid acceptance of the Offer provided that:
 - (i) it is received by the Receiving Agent on or before Day 60;
 - (ii) the relevant Gemfields Shareholder shall have applied to withdraw his acceptance of the competing offer but that the Gemfields Shares to which such withdrawal relates shall not have been released from escrow by the escrow agent to the competing offer before Day 60; and
 - (iii) the Gemfields Shares to which the special form of acceptance relates are not transferred to escrow in accordance with the procedure for acceptance set out in the letter from the Chairman of Pallinghurst contained in this document on or before Day 60, but an undertaking is given that they will be so transferred as soon as possible thereafter.

Gemfields Shareholders wishing to use such special forms of acceptance should apply to the Receiving Agent on 0370 707 1826 between 8:30 am and 3:00 pm on the Business Day preceding Day 60 in order that such forms can be despatched. Notwithstanding the right to use such a special form for acceptance, holders of Gemfields Shares in uncertificated form may not use a Form of Acceptance (or any other purported acceptance form) for the purpose of accepting the Offer in respect of such shares.

2. **Acceptance Condition**

- (a) Except with the consent of the Panel, for the purpose of determining at any particular time whether the Acceptance Condition is satisfied, Pallinghurst may only take into account acceptances received or purchases of Gemfields Shares made in respect of which all relevant documents and/or TTE instructions are received by the Receiving Agent:
- (i) by 1:00 pm on Day 60 (or any other date beyond which Pallinghurst has stated that it will not extend the Offer and Pallinghurst has not withdrawn that statement); or
 - (ii) if the Offer is extended with the consent of the Panel, such later time(s) or date(s) as the Panel may agree.

If the latest time at which the Offer may become unconditional is extended beyond midnight on Day 60, acceptances received and purchases made in respect of which the relevant documents are received by the Receiving Agent after 1:00 pm on that date may only be taken into account with the agreement of the Panel (except where the Takeover Code permits otherwise).

- (b) Except as otherwise agreed by the Panel:
- (i) an acceptance of the Offer will only be counted towards fulfilling the Acceptance Condition if the requirements of Note 4 and, if applicable, Note 6 on Rule 10 of the Takeover Code are satisfied in respect of it;
 - (ii) a purchase of Gemfields Shares by Pallinghurst or its nominee(s) or (if Pallinghurst is required by the Panel to make an offer for Gemfields Shares under Rule 9 of the Takeover Code) by a person acting in concert with Pallinghurst or its nominee(s), will only be counted towards fulfilling the Acceptance Condition if the requirements of Note 5 and, if applicable, Note 6 on Rule 10 of the Takeover Code are satisfied in respect of it;
 - (iii) Gemfields Shares which have been borrowed by Pallinghurst may not be counted towards fulfilling the Acceptance Condition; and
 - (iv) before the Offer may become or be declared unconditional, the Receiving Agent shall issue a certificate to Pallinghurst or UBS (or their respective agents) which states the number of Gemfields Shares in respect of which acceptances have been received and not validly withdrawn, and the number of Gemfields Shares otherwise acquired, whether before or during the Offer Period, which comply with the provisions of this paragraph 2. A copy of the certificate will be sent to the Panel as soon as possible after it is issued.
- (c) For the purpose of determining at any particular time whether the Acceptance Condition is satisfied Pallinghurst is not bound (unless required by the Panel) to take into account any Gemfields Shares which have been unconditionally allotted or issued or which arise as a result of the exercise of conversion rights before the determination takes place unless Gemfields or its agent has given written notice to Pallinghurst or the Receiving Agent at The Pavilions, Bridgwater Road, Bristol BS13 8AE on behalf of Pallinghurst containing relevant details of the allotment, issue or conversion. Notification by e-mail, fax or other electronic transmission does not constitute written notice for this purpose.

3. **Announcements**

- (a) Without prejudice to paragraph 4(b) below, by 8:00 am on the next Business Day (the “**relevant day**”) following the day on which the Offer is due to expire or becomes or is declared unconditional, or is revised or extended (or such later time(s) or date(s) as the Panel may agree),

Pallinghurst will make an appropriate announcement through a Regulatory Information Service. The announcement will state (unless otherwise permitted by the Panel):

- (i) the total number of Gemfields Shares for which acceptances of the Offer have been received (specifying the extent, if any, to which such acceptances have been received from any person(s) acting or deemed to be acting in concert with Pallinghurst for the purposes of the Offer) which were the subject of an irrevocable commitment or letter of intent procured by Pallinghurst or any person acting in concert with it;
- (ii) details of any Gemfields relevant securities in which Pallinghurst or any person acting in concert with it has an interest or in respect of which it has:
 - (A) a right to subscribe, in each case specifying the nature of the interests or rights concerned and
 - (B) details of any short positions over Gemfields relevant securities held by Pallinghurst or any person acting in concert with it (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery;
- (iii) details of any Gemfields relevant securities in respect of which Pallinghurst or any person acting in concert with it has an outstanding irrevocable commitment or letter of intent; and
- (iv) details of any Gemfields relevant securities which Pallinghurst or any person acting in concert with it has borrowed or lent, save for any borrowed shares which have been either on-lent or sold,

and will specify, in each case, the percentages of each class of relevant securities represented by these figures and the total number of Gemfields Shares which Pallinghurst may count towards the satisfaction of the Acceptance Condition and the percentage of Gemfields Shares represented by this figure.

- (b) Except as otherwise agreed by the Panel, in computing the number of Gemfields Shares represented by acceptances and/or purchases for the announcement, an acceptance or purchase will only be counted towards fulfilling the Acceptance Condition if the requirements of Notes 4, 5 and 6 (as applicable) on Rule 10 of the Takeover Code are satisfied. Subject to this, Pallinghurst may include or exclude, for announcement purposes, acceptances and purchases not in all respects in order or not accompanied by the relevant share certificate(s) and/or other document(s) of title and/or not accompanied by the relevant TTE instruction or which are subject to verification.
- (c) Any decision to extend the time and/or date by which the Acceptance Condition has to be fulfilled may be made at any time up to, and will be announced by 8:00 am on the relevant day or such later time(s) and/or date(s) as the Panel may agree. The announcement will state the next expiry time and date unless the Offer is then unconditional, in which case a statement may instead be made that the Offer will remain open until further notice.
- (d) In this Appendix 1, references to the making of an announcement or the giving of notice by or on behalf of Pallinghurst include (without limitation), in each case by Pallinghurst or Capital Voice or UBS or other nominee of Pallinghurst respectively, on behalf of Pallinghurst, the release of an announcement to the press and/or the transmission by whatever means of an announcement to a Regulatory Information Service. An announcement made otherwise than through a Regulatory Information Service will be notified simultaneously through a Regulatory Information Service (unless otherwise agreed by the Panel).
- (e) A copy of any announcement made by Pallinghurst in accordance with this paragraph 3 will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, for inspection on Pallinghurst's website at www.pallinghurst.com/gemfields-offer as soon as possible and in any event by no later than 12 noon on the Business Day following the announcement.
- (f) Without limiting the manner in which Pallinghurst may choose to make any public announcement and, subject to the obligations of Pallinghurst under applicable law and paragraph (e) above, Pallinghurst will have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to a Regulatory Information Service.

4. **Right of withdrawal**

- (a) Except as provided by this paragraph 4, acceptances of and elections under the Offer are irrevocable.
- (b) If Pallinghurst announces the Offer to be unconditional and then fails to comply by 3:30 pm on the relevant day (as defined above) (or such later time(s) and/or date(s) as the Panel may agree) with any of the other requirements specified in paragraph 3(a) of Part 2 of this Appendix 1, an accepting Gemfields Shareholder may (unless the Panel agrees otherwise) withdraw his acceptance of the Offer by written notice or otherwise in accordance with paragraph 4(i) of Part 2 of this Appendix 1. Subject to paragraph 1(c) of Part 2 of this Appendix 1 this right of withdrawal may be terminated not less than eight calendar days after the relevant day by Pallinghurst confirming, if such is the case, that the Offer is still unconditional, and complying with the other requirements specified in paragraph 3(a) of Part 2 of this Appendix 1. If that confirmation is given, the first period of 14 calendar days referred to in paragraph 1(d) of Part 2 of this Appendix 1 will start on the date of that confirmation.
- (c) If by 1:00 pm on Day 42 (or such later time(s) and/or date(s) as the Panel may agree) the Offer has not become unconditional, an accepting Gemfields Shareholder may withdraw his acceptance of the Offer by written notice or otherwise in accordance with paragraph 4(i) of Part 2 of this Appendix 1 at any time before the earlier of (i) the time that the Offer becomes unconditional; and (ii) the final time for the lodging of acceptances of the Offer which can be taken into account in accordance with paragraph 2(a) of Part 2 of this Appendix 1.
- (d) If a “no increase” and/or “no extension” statement is withdrawn in accordance with paragraph 1(e) of Part 2 of this Appendix 1, a Gemfields Shareholder who accepts the Offer after the date of the statement may withdraw such acceptance by written notice or otherwise in accordance with paragraph 4(i) of Part 2 of this Appendix 1 during the period of eight calendar days after the date on which Pallinghurst sends the notice of the withdrawal of that statement to Gemfields Shareholders.
- (e) All questions as to the validity (including time of receipt) of any notice of withdrawal will be determined by Pallinghurst whose determination (except as required by the Panel) will be final and binding. Neither Pallinghurst, UBS, the Receiving Agent nor any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to do so.
- (f) If an accepting Gemfields Shareholder withdraws his acceptance, all documents of title and other documents lodged with the Form of Acceptance will be returned as soon as practicable following the receipt of the withdrawal (and in any event within 14 calendar days) and the Escrow Agent will immediately (or within such period as the Panel may permit, not exceeding 14 calendar days) give instructions for the release of securities held in escrow.
- (g) Gemfields Shares in respect of which acceptances have been properly withdrawn in accordance with this paragraph 4 may subsequently be re-assented to the Offer by following one of the procedures described in paragraph 19 of the Letter from the Chairman of Pallinghurst to Gemfields Shareholders contained in this document at any time while the Offer remains open for acceptance.
- (h) In this paragraph 4, “**written notice**” (including any letter of appointment, direction or authority) means notice in writing signed by the relevant accepting Gemfields Shareholder (or his/their agent(s) duly appointed in writing and evidence of whose appointment satisfactory to Pallinghurst is produced with the notice) given by post to Computershare Investor Services PLC, Corporate Actions Projects, or by hand only (during normal business hours) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE. E-mail, fax or other electronic transmission or copies will not be sufficient. No notice which is postmarked in, or otherwise appears to Pallinghurst or its agents to have been sent from any Restricted Jurisdiction will be treated as valid.
- (i) In the case of Gemfields Shares held in uncertificated form (i.e. CREST), if withdrawals are permitted pursuant to paragraph 4(b), 4(c) or 4(d) of Part 2 of this Appendix 1, an accepting Gemfields Shareholder may withdraw his acceptance through CREST by sending (or, if a CREST sponsored member, procuring that his CREST sponsor sends) an ESA Instruction to settle in

CREST in relation to each Electronic Acceptance to be withdrawn. Each ESA Instruction must, in order for it to be valid and to settle, include the following details:

- the number of Gemfields Shares to be withdrawn, together with their ISIN number which is GB00B0HX1083;
- the member account ID of the accepting shareholder, together with his participant ID;
- the member account ID of the Escrow Agent (this is GEMPAL01) included in the relevant Electronic Acceptance, together with the Escrow Agent's participant ID (this is 3RA11);
- the transaction reference number of the Electronic Acceptance to be withdrawn;
- the intended settlement date for the withdrawal;
- the corporate action number for the Offer; and
- input with standard delivery instruction priority of 80.

Any such withdrawal will be conditional upon the Receiving Agent verifying that the withdrawal request is validly made. Accordingly, the Receiving Agent will on behalf of Pallinghurst reject or accept the withdrawal by transmitting in CREST a receiving agent reject (AEAD) or receiving agent accept (AEAN) message.

5. Revised Offer

- (a) Although no revision is contemplated, if the Offer (in its original or previously revised form(s)) is revised by Pallinghurst (either in its terms and conditions or in the value or nature of the consideration offered or otherwise), and any such revised offer represents on the date on which such revision is announced (on such basis as Pallinghurst may consider appropriate) an improvement (or no diminution) in the value of the consideration of the Offer as so revised compared with the value of the consideration on the terms previously offered, or in the overall value received by a Gemfields Shareholder (under or in consequence of the Offer or otherwise) the benefit of the revised offer will, subject to paragraphs 5(d) and 7 below, be made available to any Gemfields Shareholder who has accepted the Offer (in its original or any revised form(s)) and who has not validly withdrawn such acceptance (a "**previous acceptor**"). The acceptance by or on behalf of a previous acceptor will, subject to paragraphs 5(d) and 7 below be deemed an acceptance of the revised offer and will constitute the separate appointment of each of Pallinghurst and any director of Pallinghurst or persons authorised by Pallinghurst or UBS as his attorney and/or agent with authority:
- (i) to accept the revised offer on behalf of such previous acceptor;
 - (ii) if the revised offer includes alternative form(s) of consideration, to make elections for and/or accept the alternative form(s) of consideration on his behalf in the proportions the attorney and/or agent in his absolute discretion thinks fit; and
 - (iii) to execute on his behalf and in his name all further documents (if any) and to do all things (if any) as may be required to give effect to such acceptances and/or elections.

In making any election and/or acceptance, the attorney and/or agent will take into account the nature of any previous acceptance(s) or election(s) made by or on behalf of the previous acceptor and other facts or matters he may reasonably consider relevant. The attorney and/or agent shall not be liable to any Gemfields Shareholder or any other person in making such election and/or acceptance or in making any determination in respect thereof.

- (b) Although no revision is contemplated, if the Offer is revised, a revised offer document will be published. On the day of publication, Pallinghurst will publish the revised offer document on its website and will announce that the revised offer document has been so published. In addition, Pallinghurst will make the revised offer document readily available to the trustees of Gemfields' pension schemes.
- (c) Although no revision is contemplated, if the revised offer document is published, Pallinghurst will make the revised offer document readily and promptly available to the trustees of Gemfields' pension schemes and to the representatives of the employees of Pallinghurst or, where there are no such representatives, to the employees themselves.

- (d) The deemed acceptance and/or election referred to in paragraphs 5(a) and 5(e) of Part 2 of this Appendix 1 shall not apply, and the power of attorney and authorities conferred by paragraph 5(a) above shall not be exercised if, as a result, a Gemfields Shareholder would (on such basis as Pallinghurst or UBS may reasonably consider appropriate) receive and/or retain (as appropriate) less in aggregate in consideration under the revised offer or otherwise than he would have received and/or retained (as appropriate) in aggregate in consideration as a result of his acceptance of the Offer in the form originally accepted by such Gemfields Shareholder or on his behalf.
- (e) The deemed acceptance and/or election referred to in paragraph 5(a) above shall not apply, and the power of attorney and the authorities conferred by that paragraph shall not be exercised to the extent that a previous acceptor (i) lodges with the Receiving Agent within 14 calendar days of publication of the revised offer documentation, a form of acceptance (or any other form issued by or on behalf of Pallinghurst) in which he validly elects to receive consideration under the revised offer in some other manner or (ii) sends (or, if a CREST sponsored member, procures that his CREST sponsor sends), in respect of Gemfields Shares in uncertificated form, an ESA Instruction to settle in CREST in relation to each Electronic Acceptance in respect of which an election is to be changed. Each ESA Instruction must, in order for it to be valid and to settle, include the following details:
- the number of Gemfields Shares in respect of which the changed election is made, together with their ISIN number which is GB00B0HX1083;
 - the member account ID of the previous acceptor, together with his participant ID;
 - the member account ID of the Escrow Agent (this is GEMPAL01) included in the relevant Electronic Acceptance, together with the Escrow Agent's participant ID (this is 3RA11);
 - the transaction reference number of the Electronic Acceptance in respect of which the election is to be changed;
 - the intended settlement date for the changed election;
 - the corporate action number for the Offer;
 - input with standard delivery instruction priority of 80;
- and, in order that the desired change of election can be effected, must include:
- the member account ID of the Escrow Agent relevant to the new election.
- Any such change of election will be conditional upon the Receiving Agent verifying that the request is validly made. Accordingly, the Receiving Agent will on behalf of Pallinghurst reject or accept the requested change of election by transmitting in CREST a receiving agent reject (AEAD) or receiving agent accept (AEAN) message.
- (f) The powers of attorney and authorities conferred by this paragraph 5 and any acceptance of a revised offer and/or any election in relation to it shall be irrevocable unless and until the previous acceptor withdraws his acceptance having become entitled to do so under paragraph 4 of Part 2 of this Appendix 1.
- (g) Pallinghurst and UBS reserve the right to treat an executed Form of Acceptance or TTE instruction relating to the Offer (in its original or any previously revised form(s)) which is received (or dated) after the announcement or issue of any revised offer as a valid acceptance of the revised offer (and where applicable a valid election for the alternative forms of consideration). That acceptance will constitute a power of attorney and an authority in the terms of paragraph 5(a) of Part 2 of this Appendix 1, *mutatis mutandis*, on behalf of the relevant Gemfields Shareholder.

6. General

- (a) Subject to the requirements of the Panel, Pallinghurst reserves the right to waive, in whole or in part, all or any of Conditions 3 to 12 (inclusive). Conditions 3 to 12 (inclusive) must be satisfied or waived or, where appropriate, have been determined by Pallinghurst to be or to remain satisfied by midnight on the day which is 21 days after the later of the first closing date of the Offer and the

date on which Condition 1 is satisfied (or in each case such later date as the Panel may agree), or the Offer will lapse.

- (b) Pallinghurst shall be under no obligation to waive or treat as satisfied any of Conditions 3 to 11 (inclusive) by a date earlier than the date specified above for the satisfaction thereof notwithstanding that the other Conditions of the Offer may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such Conditions may not be capable of fulfilment or, to the extent permitted, waived.
- (c) If the Offer lapses for any reason, the Offer will cease to be capable of further acceptance, and Pallinghurst and accepting Gemfields Shareholders will cease to be bound by acceptances of the Offer delivered on or before the time when the Offer lapses.
- (d) If Pallinghurst is required by the Panel to make an offer for Gemfields Shares under the provisions of Rule 9 of the Takeover Code, Pallinghurst may make such alterations to the terms and conditions of the Offer as are necessary to comply with the provisions of that Rule.
- (e) Except with the consent of the Panel, the Offer will lapse unless all the conditions relating to the Offer have been satisfied or (if capable of waiver) waived or, where appropriate, have been determined by Pallinghurst in its reasonable opinion to be and remain satisfied by midnight on the later of Day 42 and the date which is 21 calendar days after the date on which the Offer becomes unconditional, or such later time(s) and/or date(s) as Pallinghurst, with the consent of the Panel, may decide. If the Offer lapses for any reason:
 - (i) it will not be capable of further acceptance;
 - (ii) accepting Gemfields Shareholders and Pallinghurst will cease to be bound by (a) in the case of Gemfields Shares held in certificated form, Forms of Acceptance submitted; and (b) in the case of Gemfields Shares held in uncertificated form, Electronic Acceptances inputted and settled, in each case before the time the Offer lapses;
 - (iii) neither Pallinghurst nor any person acting, or deemed to be acting, in concert with Pallinghurst for the purposes of the Offer may, pursuant to the Takeover Code, make an offer (whether inside or outside the United Kingdom) for Gemfields Shares for a period of 12 months from the date of such lapse, except with the consent of the Panel;
 - (iv) in respect of Gemfields Shares held in certificated form, Forms of Acceptance, share certificates and other documents of title will be returned by post within 14 calendar days of the Offer lapsing, at the risk of the Gemfields Shareholder in question, to the person or agent whose name and address is set out in the relevant box on the Form of Acceptance or, if none is set out, to the first-named holder at his registered address. No such documents will be sent to an address in any Restricted Jurisdiction; and
 - (v) in respect of Gemfields Shares held in uncertificated form, the Receiving Agent will immediately after the Offer lapses (or within such longer period as the Panel may permit, not exceeding 14 calendar days of the Offer lapsing) give TFE instructions to Euroclear to transfer all Gemfields Shares held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Offer to the original available balances of the relevant Gemfields Shareholders.
- (f) Except with the consent of the Panel:
 - (i) settlement of the consideration to which any Gemfields Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which Pallinghurst or UBS may otherwise be, or claim to be, entitled against that Gemfields Shareholder; and
 - (ii) settlement of the consideration to which any Gemfields Shareholder is entitled will be effected in the manner prescribed in paragraph 20 of the letter from the Chairman of Pallinghurst contained in this document not later than 14 calendar days after the date on which the Offer becomes or is declared unconditional in all respects or within 14 calendar days of the date of receipt of a valid and complete acceptance, whichever is the later.

Subject to paragraph 7 below, Pallinghurst reserves the right not to send any consideration to an address in any Restricted Jurisdiction.

- (g) The terms, provisions, instructions and authorities contained in or deemed to be incorporated in the Form of Acceptance constitute part of the terms of the Offer. Words and expressions defined in this document have the same meaning when used in the Form of Acceptance unless the context requires otherwise. The provisions of this Appendix 1 shall be deemed to be incorporated and form part of the Form of Acceptance.
- (h) If the expiry date of the Offer is extended, a reference in this document and in the Form of Acceptance to the expiry date of the Offer or Day 21 will (except in the definition of Offer Period and in paragraph 1(a) of Part 2 of this Appendix 1 and where the context requires otherwise) be deemed to refer to the expiry date of the Offer as so extended.
- (i) The Offer is made in respect of all Gemfields Shares (other than the Gemfields Shares already held by or on behalf of the Pallinghurst Group) issued and unconditionally allotted or issued prior to the date on which the Offer closes (or such earlier date as Pallinghurst may, subject to the rules of the Takeover Code or with the consent of the Panel, determine). Any omission or failure to send this document, the Form of Acceptance or any other document relating to the Offer and/or notice required to be sent under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is, or should be, made shall not invalidate the Offer in any way or create any implication that the Offer has not been made to any such person. Subject to the provisions of paragraph 7 of Part 2 of this Appendix 1, the Offer is made to any Gemfields Shareholder to whom this document and the Form of Acceptance or any related document may not be sent or by whom such documents may not be received, and these persons may collect these documents from the Receiving Agent at the address set out in paragraph 4(h) of Part 2 of this Appendix 1.
- (j) Subject to the Takeover Code, and notwithstanding any other provision of Part 2 of this Appendix 1, Pallinghurst and UBS reserve the right to treat as valid in whole or in part any acceptance of the Offer if received by the Receiving Agent or otherwise on behalf of Pallinghurst which is not entirely in order or in correct form or which is not accompanied by (as applicable) the relevant share certificate(s) and/or other relevant document(s) or the relevant TTE instruction or is received by it at any place or places or in any form or manner determined by either the Receiving Agent or Pallinghurst otherwise than as set out in this document or in the Form of Acceptance.
- (k) If all conditions are satisfied, fulfilled or, to the extent permitted, waived and sufficient acceptances are received and/or sufficient Gemfields Shares are otherwise acquired, Pallinghurst intends to apply the provisions of Chapter 3 of Part 28 of the Companies Act 2006 to acquire compulsorily any outstanding Gemfields Shares. Pallinghurst intends, after the Offer is declared wholly unconditional, to procure the making of an application by Gemfields to the appropriate authorities for the cancellation of the listing and the admission to trading of Gemfields Shares, both not less than 20 Business Days after the Offer becomes unconditional in all respects.
- (l) All powers of attorney, appointments of agents and authorities on the terms conferred by or referred to in this Appendix 1 or in the Form of Acceptance are given by way of security for the performance of the obligations of the Gemfields Shareholder and are irrevocable (in respect of powers of attorney granted in accordance with section 4 of the Powers of Attorney Act 1971) except in the circumstances where the donor of the power of attorney, appointment or authority validly withdraws his acceptance in accordance with paragraph 4 of Part 2 of this Appendix 1.
- (m) No acknowledgement of receipt of any Form of Acceptance, transfer by means of CREST, communication, notice, share certificate(s) or document(s) of title will be given by or on behalf of Pallinghurst. All communications, notices, certificates, documents of title and remittances to be delivered by or sent to or from Gemfields Shareholders (or their designated agents) will be delivered by or sent to or from them (or their designated agent(s)) at their own risk.
- (n) Subject to paragraph 7 below the Offer is made at 11:59 pm on 4 July 2017 and is capable of acceptance from and after that time. Forms of Acceptance, copies of this document and any related documents may be collected from the Receiving Agent at the address specified in paragraph 4(h) of Part 2 of this Appendix 1.
- (o) The Offer, all acceptances of the Offer and all elections in respect of it are governed by and will be construed in accordance with English law. The courts of England have exclusive jurisdiction to

settle any dispute arising from or connected with the Offer, all acceptances of the Offer and all elections in respect of it.

- (p) The Gemfields Shares which are the subject of the Offer will be acquired under the Offer fully paid and free from all liens, equities, charges, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever and together with all rights now or hereafter attaching or accruing to them including voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid after the date of the Announcement.

If, after the date of the Announcement but prior to the Effective Date, any dividend or other distribution is declared, paid or made or payable by Gemfields, Pallinghurst reserves the right (without prejudice to any right of Pallinghurst, with the consent of the Panel, to invoke Condition 8(b) above) to reduce the value implied under the terms of the Offer by an amount up to the aggregate amount of such dividend or distribution (excluding any associated tax credit).

If any such dividend or distribution occurs, any reference in this document to the value implied under the terms of the Offer will be deemed to be a reference to the value implied under the terms of the Offer as so reduced. If such reduction occurs, notwithstanding the terms on which the Gemfields Shares are expressed to be acquired by Pallinghurst pursuant to the Offer in this document, the Gemfields Shares will be acquired by or on behalf of Pallinghurst pursuant to the Offer fully paid and free from all liens, equities, charges, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature and together with all rights as at the date of the Announcement and thereafter attaching to such shares including the right to receive in full all dividends and other distributions (if any) declared, paid or made on or after the date of the Announcement, other than the dividend or distribution giving rise to such reduction.

To the extent that such a dividend or distribution has been declared, paid, made or is payable and it is: (i) transferred pursuant to the Offer on a basis which entitles Pallinghurst to receive the dividend or distribution and to retain it; or (ii) cancelled, the value implied under the terms of the Offer will not be subject to change in accordance with this paragraph.

Any exercise by Pallinghurst of its rights referred to in this paragraph will be the subject of an announcement and, for the avoidance of doubt, will not be regarded as constituting any revision or variation of the Offer.

- (q) All references in this Appendix 1 to any statute or statutory provision shall include a statute or statutory provision which amends, consolidates or replaces the same (whether before or after the date hereof).
- (r) In relation to any Electronic Acceptance, Pallinghurst reserves the right to make such alterations, additions or modifications to the terms of the Offer as may be necessary or desirable to give effect to any purported acceptance of the Offer, whether in order to comply with the facilities or requirements of CREST, or otherwise, provided such alterations, additions or modifications are consistent with the requirements of the Takeover Code or are otherwise made with the consent of the Panel.
- (s) For the purposes of this document, the time of receipt of a TTE instruction, an ESA Instruction or an Electronic Acceptance shall be the time at which the relevant instruction settles in CREST.
- (t) Any references in this Appendix 1 to the return or despatch of documents by post shall extend to the return or despatch by such other method as the Panel may approve.
- (u) If the Panel requires Pallinghurst to make an Offer for Gemfields Shares under the provisions of Rule 9 of the Takeover Code, Pallinghurst may make such alterations to the conditions of the Offer, including condition 1 of Part 1 of this Appendix 1, as are necessary to comply with the provisions of that Rule.
- (v) Pallinghurst reserves the right to elect with the consent of the Panel (where necessary), to implement the acquisition of Gemfields by way of a court approved scheme of arrangement in accordance with Part 26 of the Companies Act 2006. In such event, the acquisition will be implemented on substantially the same terms, subject to appropriate amendments, as those which would apply to the Offer.

- (w) Under Rule 13.5 of the Takeover Code, Pallinghurst may only invoke a Condition to the Offer so as to cause the acquisition not to proceed, or to lapse, or to be withdrawn where the circumstances which give rise to the right to invoke the Condition are of material significance to Pallinghurst in the context of the Offer. The Acceptance Condition contained in paragraph 1 of Part 1 of this Appendix 1 is not subject to this provision of the Takeover Code.
- (x) The Consideration Shares will be issued as fully paid and will rank *pari passu* in all respects with the Pallinghurst Shares in issue at the time the Consideration Shares are delivered pursuant to the Offer, including the right to receive and retain in full all dividends and other distributions (if any) declared, paid or made by Pallinghurst by reference to a record date falling after the Effective Date.
- (y) Fractions of Consideration Shares will not be allotted or issued to Gemfields Shareholders who accept the Offer (including such holders who are deemed to accept the Offer). All fractional entitlements to Consideration Shares will instead be aggregated and sold in the market as soon as practicable after the relevant date, and the net proceeds of sale for any individual entitlements of less than £5 will be retained for the benefit of the Enlarged Group.
- (z) Application will be made to the JSE for the Consideration Shares to be admitted to the "Equity Investments Instruments" section of the main board of the JSE. It is expected that admission will become effective and that dealings for normal settlement in the Consideration Shares will commence on the JSE at or shortly after 7:00 a.m. (London time) on the date no later than 14 days of the later of the first closing date of the Offer, the date the Offer becomes or is declared wholly unconditional or the date of receipt of an acceptance complete in all respects.

7. **Overseas Shareholders**

- (a) The making of the Offer in, or to persons resident in, or nationals or citizens of, jurisdictions outside the United Kingdom ("**Overseas Shareholders**") or to persons who are custodians, nominees of or trustees for such persons may be prohibited or affected by the laws of the relevant jurisdiction. Such Overseas Shareholders should inform themselves about and observe any applicable legal requirements of such jurisdictions. It is the responsibility of any Overseas Shareholder wishing to accept the Offer to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, including obtaining any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes or duties or other requisite payments due in that jurisdiction. Any such Overseas Shareholder shall be responsible for any such issue, transfer or other taxes or duties or other payments by whomsoever payable and Pallinghurst and UBS (and any person acting on behalf of any of them) shall be fully indemnified and held harmless by such Overseas Shareholders for any such issue, transfer or other taxes or duties or other payments which Pallinghurst or UBS (and any person acting on behalf of them) may be required to pay.
- (b) The Offer is not being made, directly or indirectly, in or into or by use of the mails of, or by any means or instrumentality (including, but not limited to, fax, e-mail or other electronic transmission or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of, any Restricted Jurisdiction and the Offer cannot be accepted by any such use, means or instrumentality or otherwise from within or any Restricted Jurisdiction.
- (c) Copies of this document, the Form of Acceptance and any related documents are not being (unless determined otherwise by Pallinghurst in its sole discretion), and must not be, mailed or otherwise distributed or sent in, into or from or any Restricted Jurisdiction including to Gemfields Shareholders or persons with information rights or participants in Gemfields Share Option Schemes with registered addresses in any Restricted Jurisdiction or to persons whom Pallinghurst or UBS knows to be custodians, trustees or nominees holding Gemfields Shares for persons with registered addresses in any Restricted Jurisdiction. Persons receiving those documents (including, without limitation, custodians, nominees and trustees) should not distribute, mail or send them in, into or from any Restricted Jurisdiction or use such mails or any such means, instrumentality or facility for any purpose directly or indirectly in connection with the Offer, and so doing may render any purported acceptance of the Offer invalid.
- (d) Persons wishing to accept the Offer must not use the mails of any Restricted Jurisdiction or any such means, instrumentality or facility for any purpose directly or indirectly relating to acceptance

of the Offer. All Gemfields Shareholders (including nominees, trustees or custodians) who may have a contractual or legal obligation, or may otherwise intend, to forward this document and/or Form of Acceptance, should read the further details in this regard which are contained in this paragraph 7 of Part 2 and in Part 3 and Part 4 of this Appendix 1 before taking any action. Envelopes containing Forms of Acceptance, evidence of title or other documents relating to the Offer should not be postmarked in any Restricted Jurisdiction or otherwise despatched from such jurisdictions and all acceptors must provide addresses outside any Restricted Jurisdiction for the receipt of the consideration to which they are entitled under the Offer or for the return of the Form of Acceptance or documents of title.

- (e) Subject to the provisions of this paragraph 7 and applicable laws, a Gemfields Shareholder may be deemed NOT to have accepted the Offer if:
- (i) he puts "No" in Box 5 of the Form of Acceptance and thereby does not make the representations and warranties set out in paragraph (b) of Part 3 of this Appendix 1;
 - (ii) he completes Box 5 of the Form of Acceptance with an address in any Restricted Jurisdiction or has a registered address in any Restricted Jurisdiction and in any such case does not insert in Box 5 of the Form of Acceptance the name and address of a person or agent outside a Restricted Jurisdiction to whom he wishes the consideration to which he is entitled under the Offer to be sent;
 - (iii) he inserts in Box 5 of the Form of Acceptance the name and address of a person or agent in any Restricted Jurisdiction to whom he wishes the consideration to which he is entitled under the Offer to be sent;
 - (iv) in any case, the Form of Acceptance received from him is in an envelope postmarked in, or which otherwise appears to Pallinghurst or its agents to have been sent from any Restricted Jurisdiction; or
 - (v) he makes a Restricted Escrow Transfer pursuant to paragraph 7(f) below unless he also makes a related Restricted ESA Instruction which is accepted by the Receiving Agent.

Pallinghurst reserves the right, in its sole discretion, to investigate, in relation to any acceptance, whether the representations and warranties set out in paragraph (b) of Part 3 or (as the case may be) Part 4 of this Appendix 1 could have been truthfully given by the relevant Gemfields Shareholder and, if such investigation is made and as a result Pallinghurst determines (for any reason) that such representations and warranties could not have been so given, such acceptance may be rejected as invalid.

- (f) If a holder of Gemfields Shares in uncertificated form is unable to give the warranty set out in paragraph (b) of Part 4 of this Appendix 1, but nevertheless can provide evidence satisfactory to Pallinghurst that he is able to accept the Offer in compliance with all relevant legal and regulatory requirements, he may purport to accept the Offer by sending (or if a CREST sponsored member, procuring that his CREST sponsor sends) both (1) a TTE instruction to a designated escrow balance detailed below (a "**Restricted Escrow Transfer**") and (2) one or more valid ESA Instructions (a "**Restricted ESA Instruction**"). Such purported acceptance will not be treated as a valid acceptance unless both the Restricted Escrow Transfer and the Restricted ESA Instruction(s) settle in CREST and Pallinghurst decides, in its absolute discretion, to exercise its right described in paragraph 7(i) of Part 2 of this Appendix 1 to waive, vary or modify the terms of the Offer relating to Overseas Shareholders, to the extent required to permit such acceptance to be made, in each case during the acceptance period set out in paragraph 1 of Part 2 of this Appendix 1. If Pallinghurst accordingly decides to permit such acceptance to be made, the Receiving Agent will on behalf of Pallinghurst accept the purported acceptance as an Electronic Acceptance on the terms of this document (as so waived, varied or modified) by transmitting in CREST a receiving agent accept (AEAN) message. Otherwise, the Receiving Agent will on behalf of Pallinghurst reject the purported acceptance by transmitting in CREST a receiving agent reject (AEAD) message. Each Restricted Escrow Transfer must, in order for it to be valid and to settle, include the following details:
- the ISIN number for the Gemfields Shares;
 - the number of Gemfields Shares in respect of which the Offer is to be accepted;
 - the member account ID and participant ID of the Gemfields Shareholder;

- the participant ID of the Escrow Agent (this is 3RA11) and its member account ID specific to a Restricted Escrow Transfer (this is RESTRICT); and
- the intended settlement date.

Each Restricted ESA Instruction must, in order for it to be valid and to settle, include the following details:

- the ISIN number for the Gemfields Shares;
 - the number of Gemfields Shares relevant to that Restricted ESA Instruction;
 - the member account ID and participant ID of the accepting Gemfields Shareholder;
 - the member account ID and participant ID of the Escrow Agent set out in the Restricted Escrow Transfer;
 - the participant ID and the member account ID of the Escrow Agent relevant to the form of consideration required (details of which are set out in the letter from the Chairman of Pallinghurst contained in this document);
 - the transaction reference number of the Restricted Escrow Transfer to which the Restricted ESA Instruction relates;
 - the intended settlement date; and
 - the corporate action number for the Offer.
- (g) If any person, despite the restrictions described above and whether pursuant to a contractual or legal obligation or otherwise, forwards this document, the Form of Acceptance or any related document in, into or from any Restricted Jurisdiction or uses the mails or any means or instrumentality (including, but not limited to, fax, e-mail or other electronic transmission or telephone) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction in connection with that forwarding, that person should:
- inform the recipient of such fact;
 - explain to the recipient that such action may invalidate any purported acceptance by the recipient; and
 - draw the attention of the recipient to this paragraph 7.
- (h) Pallinghurst and UBS each reserve the right to notify any matter, including the making of the Offer, to all or any Gemfields Shareholders:
- with a registered address outside the United Kingdom; or
 - whom Pallinghurst or UBS knows to be a custodian, trustee or nominee holding Gemfields Shares for persons who are citizens, residents or nationals of jurisdictions outside the United Kingdom,

by announcement in the United Kingdom through a Regulatory Information Service or in any other appropriate manner or by paid advertisement in one or more newspapers published and circulated in the United Kingdom. Such notice shall be deemed to have been sufficiently given, despite any failure by any such Gemfields Shareholder to receive or see that notice. A reference in this document to a notice or the provision of information in writing by or on behalf of Pallinghurst is to be construed accordingly. No such document will be sent to an address in any Restricted Jurisdiction.

- If any written notice from a Gemfields Shareholder withdrawing his acceptance in accordance with paragraph 4 of Part 2 of this Appendix 1 is received in an envelope postmarked in, or which otherwise appears to Pallinghurst or its agents to have been sent from any Restricted Jurisdiction Pallinghurst reserves the right, in its absolute discretion, to treat that notice as invalid.
- The provisions of this paragraph 7 and/or any other terms of the Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Gemfields Shareholders or on a general basis by Pallinghurst in its sole discretion. Subject to this discretion, the provisions of this paragraph 7 supersede any terms of the Offer inconsistent with them. References in this

paragraph 7 to a Gemfields Shareholder shall include the person or persons making an Electronic Acceptance and the person or persons executing a Form of Acceptance and, in the event of more than one person executing the Form of Acceptance, the provisions of this paragraph 7 apply to them jointly and severally.

Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. If you are in any doubt about your position, you should consult your appropriate adviser in the relevant jurisdiction.

Part 3
Form of Acceptance for shares in certificated form

1. For the purposes of this Appendix 1 and the Form of Acceptance, the phrase “**Gemfields Shares in certificated form comprised in the acceptance**” shall mean the number of Gemfields Shares inserted in Box 3 of the Form of Acceptance or, if no number is inserted (or a number greater than the relevant Gemfields Shareholder’s holding of Gemfields Shares), the greater of:
 - (a) the relevant Gemfields Shareholder’s entire holding of Gemfields Shares in certificated form as disclosed by details of the register of members made available to the Receiving Agent prior to the time the relevant Form of Acceptance is processed by them;
 - (b) the relevant Gemfields Shareholder’s entire holding of Gemfields Shares in certificated form as disclosed by details of the register of members made available to the Receiving Agent prior to the latest time for receipt of Form(s) of Acceptance which can be taken into account in determining whether the Offer is unconditional; and
 - (c) the number of Gemfields Shares in certificated form in respect of which certificates or an indemnity in lieu thereof is received.
2. Without prejudice to the terms of the Form of Acceptance and the provisions of Parts 1 and 2 of this Appendix 1, each Gemfields Shareholder by whom, or on whose behalf, a Form of Acceptance is executed and lodged with the Receiving Agent (subject to the rights of withdrawal set out in this document), irrevocably undertakes, represents, warrants and agrees to and with Pallinghurst, UBS and the Receiving Agent (so as to bind him, his personal or legal representatives, heirs, successors and assigns) to the following effect that:
 - (a) execution of the Form of Acceptance whether or not any Boxes are completed and whether or not the Form of Acceptance is validly executed as a deed shall constitute:
 - (i) an acceptance of the Offer in respect of the number of Gemfields Shares in certificated form inserted or deemed to be inserted in Box 3 of the Form of Acceptance; and
 - (ii) an undertaking to execute any further documents, take any further action and give any further assurances which may be required to enable Pallinghurst to obtain the full benefit of Part 3 of this Appendix 1 and/or to perfect any of the authorities expressed to be given hereunder and otherwise in connection with his acceptance of the Offer;

in each case on and subject to the terms and conditions set out or referred to in this document and the Form of Acceptance and that, subject only to the rights of withdrawal set out in paragraph 4 of Part 2 of this Appendix 1, each such acceptance, election and undertaking shall be irrevocable. If no Boxes are completed, or the total number of Gemfields Shares inserted in Box 3 is greater than the number of Gemfields Shares in certificated form comprised in the acceptance or the acceptance is otherwise completed incorrectly, but the Form of Acceptance is signed, it will be deemed to be an acceptance of the Offer in respect of the total number of Gemfields Shares in certificated form registered in the Gemfields Shareholder’s name;

 - (b) unless “No” is inserted in Box 5 of the Form of Acceptance such Gemfields Shareholder:
 - (i) has not received or sent copies or originals of this document, the Form of Acceptance or any related documents in, into or from any Restricted Jurisdiction and has not, in connection with the Offer or the execution or delivery of the Form of Acceptance, utilised, directly or indirectly, the mails of, or any means or instrumentality (including, but not limited to, fax, e-mail or other electronic transmission or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of any Restricted Jurisdiction;
 - (ii) is accepting the Offer from outside any Restricted Jurisdiction and was outside such jurisdictions when the Form of Acceptance was delivered;
 - (iii) is not an agent or fiduciary acting on a non-discretionary basis for a principal, unless such agent or fiduciary is an authorised employee of such principal or such principal has given any instructions with respect to the Offer from outside any other Restricted Jurisdiction; and
 - (iv) if such Gemfields Shareholder is a citizen, resident or national of a jurisdiction outside the United Kingdom, he has observed the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, obtained all requisite governmental, exchange control

or other consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or duties or other requisite payments due in any such jurisdiction in connection with such acceptance and that he has not taken or omitted to take any action that will or may result in Pallinghurst, UBS or any other person acting on behalf of any of them in breach of the legal or regulatory requirements of, or be liable for any issue, transfer or other taxes or duties or other payments in, any such jurisdiction in connection with the Offer or his acceptance of the Offer.

- (c) that, in relation to Gemfields Shares in certificated form, the execution of the Form of Acceptance and its delivery constitutes (subject to the Offer becoming unconditional in all respects and to Gemfields Shareholder not having validly withdrawn his acceptance) the irrevocable appointment of any directors of, or any person authorised by Pallinghurst or UBS as his agent and/or attorney with an irrevocable instruction and authorisation to such agent and/or attorney to:
- (i) complete and execute all or any form(s) of transfer, renunciation and/or other documents at the discretion of such agent and/or attorney in relation to the Gemfields Shares comprised in the acceptance in favour of Pallinghurst or such other persons as Pallinghurst or its agents may direct;
 - (ii) deliver any form(s) of transfer, renunciation and/or other document(s) at the discretion of such agent and/or attorney together with any share certificate or other document(s) of title for registration relating to such Gemfields Shares; and
 - (iii) do all such acts and things as may, in the opinion of such agent and/or attorney, be necessary or expedient for the purposes of, or in connection with the acceptance of the Offer and to vest in Pallinghurst (or its nominees) the full legal title and beneficial ownership of Gemfields Shares in certificated form comprised in the acceptance;
- (d) that, in relation to Gemfields Shares in certificated form, the execution of the Form of Acceptance and its delivery constitutes (subject to the Offer becoming unconditional in all respects in accordance with its terms and to Gemfields Shareholder not having validly withdrawn his acceptance) an irrevocable instruction and authorisation:
- (i) to Gemfields or its agents to procure the registration of the transfer of the Gemfields Shares in certificated form comprised in the acceptance and the delivery of the share certificate(s) and other document(s) of title in respect of the Gemfields Shares to Pallinghurst or as it may direct;
 - (ii) subject to the provisions of paragraph 7 of Part 2 of this Appendix 1, in respect of Gemfields Shares in certificated form comprised in the acceptance, to Pallinghurst, UBS or their respective agents to procure the names of Relevant Gemfields Shareholders are entered on the register of members of Pallinghurst in respect of the Consideration Shares to which the Relevant Gemfields Shareholders are entitled under the Offer (subject to the terms of the articles of incorporation of Pallinghurst);
 - (iii) subject to the provisions of paragraph 7 of Part 2 of this Appendix 1, to Pallinghurst, UBS or their respective agents to procure the issue and despatch by post of relevant definitive certificates for the Consideration Shares at such shareholder's risk to the person or agent whose name and address is set out in Box 5 of the Form of Acceptance or, if none is set out, to the first-named holder at his registered address outside any Restricted Jurisdiction; and
 - (iv) to Pallinghurst, UBS or their respective agents, to record, act and rely on any mandates, instructions, consents or instruments in force relating to payments, notices or distributions which have been entered in the records of Gemfields in respect of his Gemfields Shares (until such are revoked or varied) as if such mandates, instructions, consents or instruments had been given in respect of his holding of Consideration Shares. If a Relevant Gemfields Shareholder already holds Consideration Shares, the mandates, instructions, consents and instruments in force for those Consideration Shares will be deemed to apply to the relevant Consideration Shares;
- (e) the execution of the Form of Acceptance constitutes the giving of authority to each of Pallinghurst and UBS and their respective director(s), partners and agents within the terms set out in Part 2 and Part 3 of this Appendix 1;

- (f) unless the Panel otherwise consents, subject to the Offer becoming unconditional in all respects (or if the Offer would become unconditional in all respects or lapse on the outcome of the resolution in question), in respect of Gemfields Shares in relation to which the Offer has been accepted or deemed to be accepted (which acceptance has not been validly withdrawn) and pending registration in the name of Pallinghurst or as it may direct:
- (i) the Pallinghurst or its agents shall be authorised to direct the exercise of any votes and any or all other rights and privileges (including the right to requisition the convening of a general or separate class meeting of Gemfields) attaching to the Gemfields Shares in certificated form comprised or deemed to be comprised in such acceptance;
 - (ii) the execution of a Form of Acceptance by a Gemfields Shareholder shall constitute with regard to such Gemfields Shares in certificated form comprised in the acceptance:
 - (A) an authority to Gemfields or its agents to send any notice, circular, warrant or other document or communication which may be required to be sent to him as a member of Gemfields to Pallinghurst at its registered office, care of the Receiving Agent;
 - (B) an irrevocable authority to any directors of, or person authorised by Pallinghurst or UBS or their respective agents to sign any document and do such things as may, in the opinion of that agent and/or attorney, seem necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to the Gemfields Shares held by him in certificated form (including, without limitation, signing any consent to short notice of a general or separate class meeting as his agent and/or attorney and on his behalf and executing a form of proxy appointing any person nominated by Pallinghurst to attend general and separate class meetings of Gemfields and attending any such meeting and exercising the votes attaching to the Gemfields Shares comprised or deemed to be comprised in such acceptance on his behalf, where relevant such votes to be cast so far as possible to satisfy any outstanding condition of the Offer); and
 - (C) the agreement of such Gemfields Shareholder not to exercise any such rights without the consent of Pallinghurst and the irrevocable undertaking not to appoint a proxy for or to attend such general or separate class meeting of Gemfields;
- (g) he will deliver to the Receiving Agent, or procure the delivery to the Receiving Agent of, his certificate(s) or other document(s) of title in respect of those Gemfields Shares in certificated form comprised in the acceptance and not validly withdrawn by him or an indemnity acceptable to Pallinghurst, as soon as possible, and in any event within six months of the Offer becoming unconditional in all respects;
- (h) he will ratify each and every act or thing which may be done or effected by Pallinghurst, UBS or the Receiving Agent or any of their respective directors or agents or by Gemfields or its agents, as the case may be, in the exercise of any of the powers and/or authorities under Part 3 of this Appendix 1;
- (i) if any provision of Part 2 or Part 3 of this Appendix 1 shall be unenforceable or invalid or shall not operate so as to afford Pallinghurst, UBS or the Receiving Agent or any of their respective directors, agents or persons authorised by them, the benefit of the authority expressed to be given therein, he will, with all practicable speed, do all such acts and things and execute all such documents that may be required or desirable to enable Pallinghurst, UBS and/or the Receiving Agent and any of their respective directors, agents or persons authorised by them to secure the full benefit of Part 2 or Part 3 of this Appendix 1;
- (j) he is irrevocably and unconditionally entitled to sell and transfer the beneficial ownership of the Gemfields Shares comprised or deemed to be comprised in such acceptance and that such shares are sold fully paid and free from all liens, equities, charges, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever and together with all rights now or hereafter attaching or accruing to them including voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid after the date of the Announcement.
- (k) the terms and conditions of the Offer shall be deemed to be incorporated in, and form part of, the Form of Acceptance which shall be read and construed accordingly;

- (l) the Form of Acceptance shall be deemed to be delivered on the date of its execution and shall take effect as a deed on such date;
 - (m) the *ejusdem generis* principle of construction shall not apply to the terms and conditions of the Offer and/or the Form of Acceptance. Accordingly general words shall not be given a restrictive meaning by reason of their being preceded or followed by words indicating a particular class of acts, matters or things or by examples falling within the general words; and
 - (n) the execution of the Form of Acceptance constitutes Gemfields Shareholder's submission to the exclusive jurisdiction of the courts of England in relation to all matters arising in connection with the Offer and the Form of Acceptance.
3. A reference in Part 3 of this Appendix 1 to a Gemfields Shareholder includes a reference to the person or persons executing the Form of Acceptance and in the event of more than one person executing a Form of Acceptance the provisions of Part 3 of this Appendix 1 will apply to them jointly and to each of them.

Part 4 Electronic Acceptance

For the purpose of Part 4 of this Appendix 1, the phrase “**Gemfields Shares in uncertificated form comprised in the acceptance**” shall mean the number of Gemfields Shares which are transferred by the relevant Gemfields Shareholder by Electronic Acceptance to an escrow account by means of a TTE instruction.

Without prejudice to the provisions of Parts 1 and 2 of this Appendix 1, each Gemfields Shareholder by whom, or on whose behalf, an Electronic Acceptance is made (subject to the rights of withdrawal set out in this document), irrevocably undertakes, represents, warrants and agrees to and with Pallinghurst, UBS and the Receiving Agent (so as to bind him, his personal or legal representatives, heirs, successors and assigns) to the following effect that:

- (a) the Electronic Acceptance shall constitute:
- (i) an acceptance of the Offer in respect of the number of Gemfields Shares in uncertificated form to which the TTE instruction relates; and
 - (ii) an undertaking to execute any documents, take any further action and give any further assurances which may be required in connection with the foregoing;
- in each case on and subject to the terms and conditions set out or referred to in this document and that, subject only to the rights of withdrawal set out in paragraph 4 of Part 2 of this Appendix 1, each such acceptance, election and undertaking shall be irrevocable;
- (b) such Gemfields Shareholder:
- (i) has not received or sent copies or originals of this document, the Form of Acceptance or any related documents in, into or from any Restricted Jurisdiction;
 - (ii) has not otherwise utilised in connection with the Offer, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, fax, e-mail, TTE instruction or other electronic transmission or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of, any Restricted Jurisdiction;
 - (iii) is accepting the Offer from outside any Restricted Jurisdiction and was outside those jurisdictions at the time of the input and settlement of the relevant TTE instruction(s);
 - (iv) in respect of the Gemfields Shares to which an Electronic Acceptance relates, is not an agent or fiduciary acting on a non-discretionary basis for a principal, unless such agent or fiduciary is an authorised employee of such principal or such principal has given any instructions with respect to the Offer from outside any Restricted Jurisdiction; and
 - (v) is not accepting the Offer with a view to the offer, sake, resale, delivery or distribution, directly or indirectly, of any Consideration Shares in or into any Restricted Jurisdiction and will not hold or acquire any Consideration Shares for any other person who has reason to believe is purchasing for the purpose of such offer, sale, resale, delivery or distribution;
 - (vi) if such Gemfields Shareholder is a citizen, resident or national of a jurisdiction outside the United Kingdom, he has observed the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, obtained all requisite governmental, exchange control or other consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or duties or other requisite payments due in any such jurisdiction in connection with such acceptance and that he has not taken or omitted to take any action that will or may result in Pallinghurst, UBS or any other person acting on behalf of any of them in breach of the legal or regulatory requirements of, or be liable for any issue, transfer or other taxes or duties or payments in, any such jurisdiction in connection with the Offer or his acceptance of the Offer.
- (c) the Electronic Acceptance constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to Gemfields Shareholder not having validly withdrawn his acceptance, the irrevocable appointment of any directors of, or any person authorised by Pallinghurst or UBS as his agent and/or attorney with an irrevocable instruction to such agent and/or attorney to do all such acts and things as may, in the opinion of such agent and/or attorney, be necessary or expedient for the purposes of, or in connection with, the acceptance of

the Offer and to vest in Pallinghurst (or its nominees) the full legal title and beneficial ownership of Gemfields Shares in uncertificated form comprised in the acceptance;

- (d) the Electronic Acceptance constitutes the irrevocable appointment of the Receiving Agent as the accepting Gemfields Shareholder's attorney with an irrevocable instruction and authorisation:
 - (i) subject to the Offer becoming unconditional in all respects in accordance with its terms and Gemfields Shareholder not having validly withdrawn his acceptance, to transfer to Pallinghurst (or to such other person or persons as Pallinghurst or its agents may direct) by means of CREST all or any of the Gemfields Shares in uncertificated form which are the subject of a TTE instruction in respect of that Electronic Acceptance; and
 - (ii) if the Offer does not become unconditional in all respects, to give instructions to Euroclear immediately after the Offer lapses (or within such longer period as the Panel may permit, not exceeding 14 calendar days of the Offer lapsing) to transfer all such Gemfields Shares to the original balance of the accepting Gemfields Shareholder.
- (e) the Electronic Acceptance constitutes (subject to the Offer becoming unconditional in all respects in accordance with its terms and to Gemfields Shareholder not having validly withdrawn his acceptance) an irrevocable instruction and authorisation:
 - (i) subject to the provisions of paragraph 7 of Part 2 of this Appendix 1, to Pallinghurst, UBS or their respective agents to procure that the names of such Relevant Gemfields Shareholders are entered on the register of members of Pallinghurst in respect of the Consideration Shares to which the Relevant Gemfields Shareholders are entitled under the Offer (subject to the terms of the articles of incorporation of Pallinghurst);
 - (ii) to Pallinghurst, UBS or their respective agents, to record, act and rely on any mandates, instructions, consents or instruments in force relating to payments, notices or distributions which have been entered in the records of Gemfields in respect of his Gemfields Shares (until such are revoked or varied) as if such mandates, instructions, consents or instruments had been given in respect of his holding of Consideration Shares. If a Relevant Gemfields Shareholder already holds Consideration Shares, the mandates, instructions, consents and instruments in force for those Consideration Shares will be deemed to apply to the relevant Consideration Shares;
- (f) the Electronic Acceptance constitutes the giving of authority to Pallinghurst and its Director(s), partners and agents within the terms set out in Part 2 and Part 4 of this Appendix 1;
- (g) unless the Panel otherwise consents, subject to the Offer becoming unconditional in all respects (or if the Offer would become unconditional in all respects or lapse on the outcome of the resolution in question), in respect of Gemfields Shares in relation to which the Offer has been accepted or deemed to be accepted (which acceptance has not been validly withdrawn) and pending registration in the name of Pallinghurst or as it may direct:
 - (i) Pallinghurst or its agents shall be authorised to direct the exercise of any votes and any or all other rights and privileges (including the right to requisition the convening of a general or separate class meeting of Gemfields) attaching to the Gemfields Shares in uncertificated form comprised or deemed to be comprised in the acceptance;
 - (ii) an Electronic Acceptance by a Gemfields Shareholder shall constitute with regard to such Gemfields Shares in uncertificated form comprised in the acceptance:
 - (A) an authority to Gemfields or its agents to send any notice, circular, warrant or other document or communication which may be required to be sent to him as a member of Gemfields (including any share certificate(s) or other document(s) of title issued as a result of a conversion of such Gemfields Shares into certificated form) to Pallinghurst at its registered office, care of the Receiving Agent;
 - (B) an irrevocable authority to any directors of, or person authorised by Pallinghurst or UBS or their respective agents to sign any document and do such things as may, in the opinion of that agent and/or attorney, seem necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to the Gemfields Shares held by him (including, without limitation, signing any consent to short notice of a general or separate class meeting as his attorney and on his behalf and executing a form of proxy

appointing any person nominated by Pallinghurst to attend general and separate class meetings of Gemfields and attending any such meeting and exercising the votes attaching to the Gemfields Shares in uncertificated form comprised or deemed to be comprised in the acceptance on his behalf, where relevant such votes to be cast so far as possible to satisfy any outstanding condition of the Offer); and

- (C) the agreement of such Gemfields Shareholder not to exercise any such rights without the consent of Pallinghurst and the irrevocable undertaking not to appoint a proxy for or to attend such general or separate class meeting of Gemfields;
- (h) if, for any reason, any Gemfields Shares in respect of which a TTE instruction has been effected in accordance with paragraph 19 of the letter from Chairman of Pallinghurst contained in this document are converted to certificated form, he will (without prejudice to paragraph (g) of Part 4 of this Appendix 1) immediately deliver, or procure the immediate delivery of the share certificate(s) or other document(s) of title in respect of all such Gemfields Shares that are so converted to the Receiving Agent at the address specified in paragraph 4(h) of Part 2 of this Appendix 1 or to Pallinghurst at its registered office or as Pallinghurst or its agents may direct; and he shall be deemed upon conversion to undertake, represent, warrant and agree in the terms set out in Part 3 of this Appendix 1 in relation to such Gemfields Shares without prejudice to the application of this Part 4 so far as Pallinghurst deems appropriate;
- (i) he will do all such acts and things as shall, in the opinion of Pallinghurst be necessary or expedient to vest in Pallinghurst or its nominee(s) the Gemfields Shares in uncertificated form comprised or deemed to be comprised in the acceptance and to enable the Receiving Agent to perform its function as Escrow Agent for the purposes of the Offer;
- (j) he will ratify each and every act or thing which may be done or effected by Pallinghurst, the Escrow Agent or the Receiving Agent or any of their respective directors or agents, as the case may be, in the exercise of any of the powers and/or authorities under Part 4 of this Appendix 1;
- (k) if any provision of Part 2 or Part 4 of this Appendix 1 shall be unenforceable or invalid or shall not operate so as to afford Pallinghurst, the Escrow Agent, or the Receiving Agent or any of their respective directors, agents or persons authorised by them, or the Gemfields or any of its agents the benefit of the authority expressed to be given therein, he will, with all practicable speed, do all such acts and things and execute all such documents that may be required or desirable to enable Pallinghurst, the Escrow Agent or the Receiving Agent and any of their respective directors, agents or persons authorised by them or the Gemfields or any of its agents to secure the full benefit of Part 2 or Part 4 of this Appendix 1;
- (l) he is irrevocably and unconditionally entitled to sell and transfer the beneficial ownership of the Gemfields Shares comprised or deemed to be comprised in such acceptance and that such shares are sold fully paid and free from all liens, equities, charges, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever and together with all rights now or hereafter attaching or accruing to them including voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid after the date of the Announcement.
- (m) the ejusdem generis principle of construction shall not apply to the terms and conditions of the Offer. Accordingly general words shall not be given a restrictive meaning by reason of their being preceded or followed by words indicating a particular class of acts, matters or things or by examples falling within the general words;
- (n) the making of an Electronic Acceptance constitutes Gemfields Shareholder's submission to the exclusive jurisdiction of the courts of England in relation to all matters arising in connection with the Offer;
- (o) by virtue of the Regulations the making of an Electronic Acceptance constitutes an irrevocable power of attorney by the CREST member accepting the Offer in the terms of all the powers and authorities expressed to be given in Part 2, (where applicable by virtue of paragraph (h) above) Part 3 and Part 4 of this Appendix 1 to Pallinghurst, the Escrow Agent, the Receiving Agent, UBS or any of their respective directors or agents.

A reference in Part 4 of this Appendix 1 to a Gemfields Shareholder includes a reference to the person or persons making an Electronic Acceptance.

Appendix 2

Financial Information

Part 1

Pallinghurst Financial Information

The financial information set out in this Part 1 of Appendix 2 forms part of the audited consolidated financial statements for Pallinghurst for the years ended 31 December 2016 and 31 December 2015 as required by Rule 24.3 of the Takeover Code.

These documents are available free of charge on Pallinghurst's website at www.pallinghurst.com/gemfields-offer. A person who has received this document may request a copy of such information in hard copy form (hard copies will not be provided unless requested). Hard copies may be requested by contacting Computershare Investor Services PLC, Corporate Actions Projects, The Pavilions, Bridgwater Road, Bristol BS99 6AH or by telephone, between 8:30 am and 5:30 pm on Monday to Friday (except public holidays), on 0370 707 1826, with your full name and the full address to which the hard copy may be sent. Please note that calls may be monitored or recorded and Computershare Investor Services PLC cannot provide legal, tax or financial advice or advice on the merits of the Offer.

Section A

The audited consolidated financial statements for Pallinghurst for the year ended 31 December 2016

Accountant's report on the consolidated historical financial information for the financial year ended 31 December 2016

We have audited the financial statements of Pallinghurst for the year ended 31 December 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and related notes. The financial reporting framework that has been applied in their preparation is in accordance with applicable law and International Financial Reporting Standards.

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's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the United Kingdom Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view;
- are in accordance with International Financial Reporting Standards; and
- comply with The Companies (Guernsey) Law, 2008.

Emphasis of Matter – Upcoming expiry of initial life-span

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1B(ii) to the financial statements concerning the Company's intention to extend its initial life span. The initial life-span of the Company is scheduled to end on 14 September 2017 unless it is extended or the Articles of Incorporation are changed by resolution of the shareholders. The exact nature of any extension of the Company's life beyond 14 September 2017 cannot presently be determined as it is subject to shareholder vote at a general meeting of the Company, which has not yet been held. The financial statements have been prepared on a going concern basis which we consider to be appropriate.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters, where 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;
- 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.

Saffery Champness
Chartered Accountants
Guernsey
27 March 2017

Consolidated statements of comprehensive income for the year ended 31 December 2016

	1 January 2016 to 31 December 2016	1 January 2015 to 31 December 2015
	<u>US\$'000</u>	
Income		
Investment Portfolio		
Unrealised fair value gains	49,768	—
Unrealised fair value losses	—	(142,176)
	<u>49,768</u>	<u>(142,176)</u>
Investment Portfolio revenue		
Loan interest income	619	731
	<u>619</u>	<u>731</u>
Net gain/(loss) on investments and income from operations	<u>50,387</u>	<u>(141,445)</u>
Expenses		
Investment Manager's	(4,988)	(6,212)
Operating expenses	(904)	(1,398)
Foreign exchange gains	9	2
	<u>(5,883)</u>	<u>(7,608)</u>
Net gain/(loss) from operations	<u>44,504</u>	<u>(149,053)</u>
Finance income	1	6
Finance costs	(3)	(5)
Net finance income	<u>(2)</u>	<u>1</u>
Profit/(loss) before fair value gain/(loss) of associates	<u>44,502</u>	<u>(149,052)</u>
Fair value gain/(loss) of associates	71	(70)
Profit/(loss) before tax	<u>44,573</u>	<u>(149,122)</u>
Tax	(3)	(4)
Net Profit/(loss) after tax	<u>44,570</u>	<u>(149,126)</u>
Other comprehensive income	—	—
Total Comprehensive Income/(Loss)	<u>44,570</u>	<u>(149,126)</u>
Basic and diluted earnings/(loss) per ordinary share – US\$	<u>0.06</u>	<u>(0.20)</u>

Condensed Consolidated Balance Sheet as at 31 December 2016

	31 December 2016	31 December 2015
	<u>US\$'000</u>	
Assets		
Non – current assets		
Investments in associates	<u>1,265</u>	<u>1,194</u>
Investment Portfolio		
Listed equity investments	164,615	158,603
Unlisted equity investments	<u>193,869</u>	<u>150,113</u>
	358,484	308,716
Total non – current assets	<u>359,749</u>	<u>309,910</u>
Current assets		
Investment Portfolio		
Loans and receivables	<u>4,948</u>	<u>9,804</u>
Cash and cash equivalents	1,218	1,610
Trade and other receivables	1,175	1,662
Other investments	<u>12</u>	<u>48</u>
Total current assets	<u>7,353</u>	<u>13,124</u>
Total assets	<u>367,102</u>	<u>323,034</u>
Liabilities		
Current liabilities		
Trade and other payables	<u>207</u>	<u>709</u>
Total current and total liabilities	<u>207</u>	<u>709</u>
Net assets	<u>366,895</u>	<u>322,325</u>
Equity		
Capital and reserves attributable to equity holders		
Share capital	8	8
Share premium	375,227	375,227
Retained losses	<u>(8,340)</u>	<u>(52,910)</u>
Total equity	<u>366,895</u>	<u>322,325</u>

The Financial Statements were approved and authorised for issue by the Directors on 27 March 2017 and were signed on its behalf by:

Arne H. Frandsen
Chief Executive
27 March 2017

Andrew Willis
Finance Director
27 March 2017

Condensed Consolidated Statement of Cash Flows for the year ended 31 December 2016

	<u>1 January 2016 to 31 December 2016</u>	<u>1 January 2015 to 31 December 2015</u>
	<u>US\$'000</u>	
Cash outflows from operations	(5,876)	(8,454)
Loans extended to investments	(4,925)	(19,576)
Loans repaid by investments	10,000	25,000
Loan interest received	<u>400</u>	<u>556</u>
Net cash outflows from operating activities	<u>(401)</u>	<u>(2,474)</u>
Net Decrease in Cash and Cash Equivalents	(401)	(2,474)
Cash and cash equivalents at the beginning of the year	1,610	4,082
Foreign exchange gains	<u>9</u>	<u>2</u>
Cash and Cash Equivalents at the End of the Year	<u>1,218</u>	<u>1,610</u>

**Condensed Consolidated Statement of Changes in Equity
for the year ended 31 December 2016**

	<u>Share capital</u>	<u>Share premium</u>	<u>Retained earnings/ (losses)</u>	<u>Total equity</u>
			US\$'000	
Balance at 1 January 2015	8	375,227	96,216	471,451
Total comprehensive loss for the year	—	—	(149,126)	(149,126)
Balance at 31 December 2015	<u>8</u>	<u>375,227</u>	<u>(52,910)</u>	<u>322,325</u>
Total comprehensive income for the year	—	—	44,570	44,570
Balance at 31 December 2016	<u>8</u>	<u>375,227</u>	<u>(8,340)</u>	<u>366,895</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

1. Significant 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.

Where possible, the Group's significant accounting policies have been disclosed as part of the relevant note they specifically relate to, as the Directors believe this is more useful to a user of the Financial Statements. Other significant accounting policies have been disclosed below.

A. 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

A number of new and amended standards became mandatory and are effective for annual periods beginning on or after 1 January 2016. 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.

- Annual Improvements to IFRSs 2012 – 2014 cycle.
- Disclosure initiative amendments to IAS1 *Presentation of Financial Statements*.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS10, IFRS12 and IAS28).

Standards, amendments and interpretations in issue at 31 December 2016 and not yet effective for periods ended 31 December 2016

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 2016 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:

- *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; however, as IFRS9 is effective for annual reporting periods beginning on or after 1 January 2018, a detailed analysis of the impact of these changes on the Group has not yet taken place and therefore there is currently no known or estimated impact that the adoption of this standard will have on the Group's financial statements. A detailed assessment of the impact IFRS9 will have on the Group will be performed over the next twelve months.

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.

B. Basis of preparation

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

Basis of accounting

The Financial Statements have been prepared on the historical cost basis, except for the valuation of certain investments. These equity investments 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 is an investment entity

In October 2012, the IASB issued "Investment Entities (Amendments to IFRS10, IFRS12 and IAS27) (the "Investment Entities Amendments)". As the entity meets the definition of an investment entity under IFRS10, the Directors have accounted for investments in joint ventures, associates and certain controlled entities at fair value through profit or loss. The Investment Entities Amendments became effective from 1 January 2014.

The Directors have considered and determined that the Company meets the following criteria which define an investment entity:

- 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.

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 does not currently hold any subsidiaries which form part of the Investment Portfolio. If the Group holds any such subsidiaries in the future, these would be accounted for at fair value. The Group does hold investments in certain subsidiaries which provide investment-related services; the accounting treatment has not changed for these entities, which are consolidated in line with the previous accounting treatment.

The Group holds certain investments in associates that are investment holding entities and do not form part of the Investment Portfolio. These investments in associates are accounted for at fair value.

Critical accounting judgements, estimations 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, liabilities, 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.

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. The Directors use a range of valuation methodologies in accordance with IFRS13 Fair Value Measurement ("IFRS13") and the IPEVC Valuation Guidelines 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 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) Going concern basis of accounting

The Directors have considered the likely cash flows and costs of the Group, for twelve months subsequent to the signature of the Financial Statements, and have concluded that the Group has adequate resources to continue in its activities for the foreseeable future. Whilst the Group's cash balance was relatively low at the balance sheet date, the Jupiter share buy-back funds were received in March 2017 and the scheduled repayment of the Gemfields loan is expected to provide additional liquidity. In addition, the Group has significant liquid assets that could be either sold or leveraged for short term finance, should this be necessary. The initial life-span of the Company is scheduled to end on 14 September 2017 unless the life of the company is extended or the Articles of Incorporation are changed by resolution of the shareholders. The Directors are exploring all options available and will shortly present a proposal to shareholders. Therefore, the Directors are confident that the Company will continue beyond this date and accordingly the Financial Statements have been prepared on the going concern basis.

C. 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.

D. Consolidation

(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 form part of the Investment Portfolio) are consolidated into the Group's financial statements on a line-by-line basis.

(ii) Associates

Where the Group has significant influence, but not control, and is neither a subsidiary nor an interest in a joint venture, it is an associate. Significant influence is the power to participate in the financial and

operating policy decisions of the investee but is not control or joint control over those policies. The Group usually holds associates as part of the Investment Portfolio; the value of these investments to the Group is through their marketable value as part of the Investment Portfolio rather than as a medium through which a business is undertaken. The Group therefore measures these investments at fair value even though the Group has significant influence over the investments.

The Group holds certain investments in associates that do 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 have been accounted for at fair value where previously these associates were equity accounted.

(iii) Joint ventures

Interests in joint ventures that are held as part of the Group’s investment portfolio are carried in the balance sheet at fair value.

E. Income

The Group’s revenue for the purposes of IAS1 is represented as *Net gain/(loss) on investments and income from operations*. This represents the overall increase in net assets from the Investment Portfolio and constitutes the following amounts:

- 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.

F. Financial instruments

Cash and cash equivalents

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

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.

2. Investment Portfolio

Accounting policy

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. The Group also holds equity interests that are over 20% and which meet the definition of either an associate or a joint venture under IAS28. Interests in associates and joint ventures that are held as part of the Group’s Investment Portfolio are also measured at fair value under IFRS13. All equity investments within the Investment Portfolio are therefore accounted for on a similar, comparable basis. This is normal practice in the

private equity industry and makes the Financial Statements comparable with those of similar organisations.

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

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 and the IPEVC Valuation Guidelines. 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.

Listed equity investments

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

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 and if allowed by IFRS.

The Group's reporting complies 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 lifecycle. 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 DCFs or earnings of the underlying business, the DCFs of the investment, or a relevant industry valuation benchmark. The Directors consider all other valuation methodologies where appropriate.

The Directors also consider whether there are 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 to 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.

The holding period for the Investment Portfolio is invariably greater than one year. The equity elements of the Investment Portfolio are classed as "**non-current**" in their entirety. If clear evidence exists that an asset will be realised within a year, the balance would then be classified as a current asset. This is normal practice in the venture capital industry and presents more useful information to shareholders.

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 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.

Further 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 Portfolio valuations from 1 January 2016 to 31 December 2016 is as follows:

<u>Investment</u>	<u>Opening at 1 January 2016</u>	<u>Unrealised fair value gains</u>	<u>Unrealised fair value losses</u>	<u>Accrued interest income and structuring fee</u>	<u>Additions and disposals</u>	<u>Closing at 31 December 2016</u>
	US\$'000					
<i>Listed equity investments</i>						
Gemfields ⁽¹⁾	158,603	6,012	—	—	—	164,615
	<u>158,603</u>	<u>6,012</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>164,615</u>
<i>Unlisted equity investments</i>						
Jupiter ⁽²⁾	35,705	43,756	—	—	—	79,461
Sedibelo	114,408	—	—	—	—	114,408
	<u>150,113</u>	<u>43,756</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>193,869</u>
Total non-current	<u>308,716</u>	<u>49,768</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>358,484</u>
<i>Loans and receivables</i>						
Gemfields – US\$10 million loan ⁽³⁾	9,804	—	—	596	(10,400)	—
Gemfields – US\$5 million loan ⁽⁴⁾	—	—	—	23	4,925	4,948
	<u>9,804</u>	<u>—</u>	<u>—</u>	<u>619</u>	<u>(5,475)</u>	<u>4,948</u>
Total current	<u>9,804</u>	<u>—</u>	<u>—</u>	<u>619</u>	<u>(5,475)</u>	<u>4,948</u>
Total Investment Portfolio	<u>318,520</u>	<u>49,768</u>	<u>—</u>	<u>619</u>	<u>(5,475)</u>	<u>363,432</u>

(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 has provided a loan to Gemfields of US\$4.925 million (US\$5 million less an arrangement fee of US\$0.075 million). The loan was fully drawn down on 13 December 2016. Interest is payable, calculated per the agreement at three month US\$ LIBOR plus 5%. The outstanding balance of the loan at 31 December 2016 is US\$4.948 million. The loan is repayable with accrued interest on 30 June 2017.

The reconciliation of the Investment Portfolio valuations from 1 January 2015 to 31 December 2015 is as follows:

<u>Investment</u>	<u>Opening at 1 January 2015</u>	<u>Unrealised fair value gains</u>	<u>Unrealised fair value losses</u>	<u>Accrued interest income and structuring fee</u>	<u>Additions and disposals</u>	<u>Closing at 31 December 2015</u>
	US\$'000					
<i>Listed equity investments</i>						
Gemfields ⁽¹⁾	185,511	—	(26,908)	—	—	158,603
	<u>185,511</u>	<u>—</u>	<u>(26,908)</u>	<u>—</u>	<u>—</u>	<u>158,603</u>
<i>Unlisted equity investments</i>						
Jupiter ⁽²⁾	69,253	—	(33,548)	—	—	35,705
Sedibelo ⁽³⁾	196,128	—	(81,720)	—	—	114,408
	<u>265,381</u>	<u>—</u>	<u>(115,268)</u>	<u>—</u>	<u>—</u>	<u>150,113</u>
Total non-current	<u>450,892</u>	<u>—</u>	<u>(142,176)</u>	<u>—</u>	<u>—</u>	<u>308,716</u>
Loans and receivables						
Gemfields – US\$10 million loan ⁽⁴⁾	—	—	—	28	9,776	9,804
Gemfields – US\$15 million loan ⁽⁵⁾	15,256	—	—	368	(15,624)	—
Kagem Mining Limited – US\$10 million loan ⁽⁶⁾	—	—	—	335	(335)	—
	<u>15,256</u>	<u>—</u>	<u>—</u>	<u>731</u>	<u>(6,183)</u>	<u>9,804</u>
Total current	<u>15,256</u>	<u>—</u>	<u>—</u>	<u>731</u>	<u>(6,183)</u>	<u>9,804</u>
Total Investment Portfolio	<u>466,148</u>	<u>—</u>	<u>(142,176)</u>	<u>731</u>	<u>(6,183)</u>	<u>318,520</u>

(1) The unrealised fair value loss on Gemfields of US\$26.908 million includes an unrealised foreign exchange loss of US\$9.200 million.

(2) The unrealised fair value loss on Jupiter of US\$33.548 million does not include any direct foreign exchange gain/loss as the valuation is denominated in US\$.

(3) The unrealised fair value loss on SPM of US\$81.720 million does not include any direct foreign exchange gain/loss as the valuation is denominated in US\$.

(4) 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.

(5) The Group made a loan to Gemfields of US\$15 million in two separate tranches during 2014. The loan, including interest and the arrangement fee was repaid by Gemfields on 30 April 2015.

(6) The Group made a loan to Kagem Mining Limited ("**Kagem**") of US\$9.8 million (US\$10 million less an arrangement fee of US\$0.2 million). Interest was payable, calculated per the agreement at three month US\$ LIBOR plus 4.5%. The loan, including interest and the arrangement fee was repaid by Kagem on 18 December 2015.

Sedibelo – equity

Nature of investment The Group holds an equity interest in SPM, a producer of PGMs with interests in the Bushveld Complex in South Africa.

Fair value methodology Income Approach – Discounted Cash Flow applying Directors' estimate.

The Directors have estimated that the value of SPM is US\$1.75 billion; the Group's indirect 6.54% interest has therefore been valued at US\$114 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 competent person's report prepared by an independent third party as at 31 December 2015 ("the competent person's report"). The competent person's report is the latest available report

used by the Directors in their valuation of SPM at 31 December 2016.

The competent person's report includes discounted cash flow ("DCF") analysis to value SPM's key assets and includes a range of valuations. The preferred valuation of SPM given by the competent person's report is US\$2.47 billion. The Directors have reviewed the competent person's report and have taken into account trading performance and market conditions during the 12 months to 31 December 2016.

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 and production levels.

At 31 December 2015, the Directors adjusted the preferred valuation given by the competent person's report by a discount factor of approximately 29%, representing the median discount to Net Asset Value ("NAV") that SPM's peer group of listed PGM companies were trading at. At 31 December 2016, the Directors note that the median discount to NAV that these same listed companies is trading at has significantly reduced since 31 December 2015.

The competent person's report used information from a range of sources to forecast PGM prices. The platinum price was forecast to be within a range of US\$956 to US\$1,300 and the palladium price was forecast to be within a range of US\$700 to US\$831 over SPM's life-of-mine. Using a range of broker forecasts at 31 December 2016, the platinum price is now forecast to be within a range of US\$1,038 to US\$1,302 and the palladium price is now forecast to be within a range of US\$704 to US\$820 over SPM's life-of-mine.

The Directors note that forecast PGM prices as at 31 December 2016 are either in line or slightly above those used in the competent person's report. In addition, at 31 December 2016, the discount to NAV that SPM's peer group of listed PGM companies are trading at has significantly reduced when compared to 31 December 2015. Both factors imply an increase in valuation. The Directors however also note that the competent person's report estimated SPM's production to increase in 2016, whereas in response to the prevailing market conditions, SPM dispatched a reduced level of ounces compared with 2015 in order to preserve its cash position. The Directors note that SPM has optimised its production levels for the prevailing price environment, and therefore production is not expected to significantly increase until market conditions improve. Whilst a short-term reduction in production does not equate to production decreases over the entire life of the mine, this does provide some evidence of a decrease in valuation.

The Directors have reviewed the competent person's report and taken into account these changes to trading performance and market conditions which have occurred throughout 2016. Accordingly, the Directors consider that the fair value of SPM as at 31 December 2016 continues to be US\$1.75 billion.

For the purposes of the disclosures required by IFRS 13 *Fair Value Measurement* ("IFRS 13") and using sensitivity analysis included within the competent person's report, if the forecasted platinum and palladium prices used in the competent person's report declined by 10% at the balance sheet date and presuming all other indicators and evidence were unchanged, the valuation of SPM included in the balance sheet would decrease from US\$114 million to US\$91 million. The related fair value decrease of US\$23 million would be recognised in profit and loss. 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.

Other considerations No secondary valuation methodologies have been considered for the Company's Investment In SPM as the competent person's report has a relatively recent effective date of 31 December 2015.

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 – equity

Nature of Investment The Group holds an equity interest in Gemfields, the producer of coloured gemstones. Gemfields owns emerald assets in Zambia, Colombia and Ethiopia, ruby assets in Mozambique, amethyst assets in Zambia and sapphire interests in Sri Lanka. Gemfields is listed on AIM.

The Group owns a see-through interest of 47.13% in Gemfields at 31 December 2016, valued at US\$165 million.

Fair value methodology Market Approach – Listed share price

The Group's interest in Gemfields is valued at the 31 December 2016 mid-price of GBP0.515 per share, translated at the closing rate of US\$1/GBP0.8100.

Other considerations No secondary valuation methodologies have been considered for the Company's investment in Gemfields as it is a listed equity in an active market.

The Group's cost of investment is approximately US\$119 million and the Group's initial investment was made in October 2007.

Jupiter Mines Limited – 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.

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 2016 is US\$431 million; the implied valuation of the Group's 18.45% interest is US\$79 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 2016. 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 2016 given by the competent person's report is US\$1,436 million; the Group's indirect interest (through Jupiter's 49.9% interest in Tshipi) on this basis would be valued at US\$132 million. The DCF analysis is based on a large number of predictions and uncertainties including revenues, production levels, costs and exchange rates. Changing any of the assumptions may materially affect the implied valuation, in particular the long-term forecast manganese price. The Directors have considered each of the variables and have applied different assumptions for the long-term manganese price and long-term US\$/ZAR exchange rate than those used in the DCF, which has reduced the implied valuation.

The Directors have applied a long-term 37% FOB manganese price of US\$3.65 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 to what might happen to the manganese price going forwards, particularly given the volatility of the manganese market over the past 15 months. In addition the Directors have applied a long-term average broker consensus rate of US\$1/ZAR13.1 in the DCF model.

For the purposes of the disclosures required by IFRS13, if the forecast manganese price of US\$3.65 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\$79 million to US\$61 million. The fair value decrease of US\$18 million would be recognised in profit and loss. If the forecast exchange rate of US\$1/ZAR13.1 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\$79 million to US\$61 million. The fair value decrease of US\$18 million would be recognised in profit and loss.

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 approximates 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, however the Directors note that the iron ore price has increased over the course of 2016 which could lead to a revaluation of the assets in future reporting periods. Jupiter's cash has been included at cost which approximates to fair value. Jupiter has no material liabilities.

Other considerations The Directors have compared the price set for the Jupiter buy-back of US\$0.40 per share against the sum-of-the-parts valuation of US\$0.19 per share. The Directors note that at the time Jupiter first announced the US\$55 million distribution to shareholders, 21 November 2016, the manganese price was trading at US\$7.29 per dmtu and that the buy-back price per share was underpinned by long-term manganese price assumptions of between US\$4-5 per dmtu, which are higher than the US\$3.65 price used by the Directors in the valuation of Jupiter. As the share buy-back comprised an off-market transaction that was offered to all of Jupiter's shareholders, with a high acceptance rate of 98%, it is not considered by the Directors to be a third party or external market transaction. Accordingly, the Directors believe that the US\$0.40 per share is not a better estimate of the fair value of Jupiter as at 31 December 2016 than the primary fair value methodology used in these Financial Statements. Further details of the Jupiter buy-back are disclosed in Note 18 *Events occurring after the end of the year*.

The Group owned an effective 18.45% interest in Jupiter at 31 December 2016. The Group's cash cost of investment is approximately US\$29 million and the Group's initial investment into Jupiter was made in May 2008.

Gemfields – 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 is repayable with accrued interest on 30 June 2017. There are no penalties for early repayment.

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 is 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 have agreed upon Gemfields' request to defer the US\$1.5 million repayment until 30 June 2017. The outstanding balance of the loan at 31 December 2016, including interest, is US\$4.9 million. The effective interest rate of the loan at 31 December 2016 is approximately 8.90%.

Gemfields – 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%.

Kagem Mining Limited – US\$10 million loan

Nature of investment On 10 August 2015, the Group agreed to provide a loan of up to US\$10 million to Kagem Mining Limited ("**Kagem**"), a 75% subsidiary of Gemfields, in line with the Group's strategy of providing support to its investments. The loan was repaid, with accrued interest, on 18 December 2015.

Valuation methodology Amortised cost-effective interest method

The value of the loan to Kagem was calculated using the effective interest method, with the arrangement fee accruing evenly over the projected life of the loan. The outstanding balance on the date of repayment, 18 December 2015, including interest and arrangement fee, was US\$10.1 million. The effective interest rate on the loan throughout the duration of the loan was approximately 10.48%.

Fair value hierarchy

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

<u>Level</u>	<u>Fair value input description</u>
Level 1	Listed prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Inputs other than listed prices included within level one that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 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.

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

<u>31 December 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	US\$'000			
<i>Financial assets at FVTPL</i>				
Equity investments	164,615	—	193,869	358,484
Investments in associates	—	—	1,265	1,265
Other investments	12	—	—	12
	<u>164,627</u>	<u>—</u>	<u>195,134</u>	<u>359,761</u>
<u>31 December 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	US\$'000			
<i>Financial assets at FVTPL</i>				
Equity investments	158,603	—	150,113	308,716
Investments in associates	—	—	1,194	1,194
Other investments	48	—	—	48
	<u>158,651</u>	<u>—</u>	<u>151,307</u>	<u>309,958</u>

Level 3 fair value reconciliation

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

	<u>2016</u>	<u>2015</u>
	US\$'000	
Opening	151,307	266,645
Fair value gain/(loss) of associates	71	(70)
Unrealised fair value gains	43,756	—
Unrealised fair value losses	—	(115,268)
Closing	<u>195,134</u>	<u>151,307</u>

Other Information

It is unlikely that the Group will invest in more than ten investments as the Investment Period has ended.

3. Segmental reporting

Accounting policy

The Chief Operating Decision Maker ("CODM") is Mr Gilbertson, the Chairman, who measures the performance of each operating segment by assessing the fair value of the Group's Investment Portfolio on a regular basis in order to allocate resources. The Chairman is an Executive Director, which does not comply with King III. The other members of the Board believe that Mr Gilbertson's wealth of knowledge and experience mean that he is best placed to provide overall leadership to the Board. Mr Gilbertson is a partner of the Investment Manager and a director of the general partner of the Investment Manager, Pallinghurst GP Ltd, see Note 4 *Investment Manager's benefits* and Note 13 *Related party transactions*.

The Group's segmental reporting is based around three Investment Platforms; PGMs, Steel Making Materials, and Coloured Gemstones, each of which is categorised as an operating segment. Each investment is assessed on this basis and as such, each of the Group's operating segments may include multiple mines and other assets.

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

31 December 2016	PGMs	Steel Making Materials⁽¹⁾	Coloured Gemstones⁽²⁾	Unallocated	Total
	US\$'000				
<i>Income statement</i>					
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
<i>Balance sheet</i>					
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.

The segmental Information provided to the CODM for the year ended 31 December 2015 is as follows:

31 December 2015	PGMs⁽¹⁾	Steel Making Materials⁽²⁾	Coloured Gemstones⁽³⁾	Unallocated	Total
	US\$'000				
<i>Income statement</i>					
Unrealised fair value gains	—	—	—	—	—
Unrealised fair value losses	(81,720)	(33,548)	(26,908)	—	(142,176)
Loan interest income	—	—	731	—	731
Net segmental expense	(81,720)	(33,548)	(26,177)	—	(141,445)
Other income				—	—
Net loss on investments and income from operations					(141,445)
Expenses, net finance income, fair value (loss)/gain of associates and taxation				(7,681)	(7,681)
Net segmental loss	(81,720)	(33,548)	(26,177)	(7,681)	(149,126)
<i>Balance sheet</i>					
Net Asset Value	114,408	35,705	168,407	3,805	322,325

(1) The unrealised fair value loss on the PGMs segment of US\$81.720 million does not include any direct foreign exchange gain/loss as the valuation is denominated in US\$.

(2) The unrealised fair value loss on the Steel Making Materials segment of US\$33.548 million does not include any direct foreign exchange gain/loss as the valuation is denominated in US\$.

(3) The unrealised fair value loss on the Coloured Gemstones segment of US\$26.908 million includes an unrealised foreign exchange loss of US\$9.200 million.

4. Investment Manager's benefits

Investment Manager

Pallinghurst (Cayman) GP L.P (the "Investment Manager") was appointed on 4 September 2007. The Investment Manager acts through its general partner, Pallinghurst GP Ltd. The Investment Manager

provides investment advisory and management services to the Group and to certain other Pallinghurst Co-Investors as detailed in the About the Group section.

The Partners of the Investment Manager are the following individuals:

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

The Partners of the Investment Manager have over 130 years of collective experience in the resources sector. They have an in-depth knowledge of assets, companies, people and trends. They are recognised for their strategic insight and vision, international investors, and are renowned for pioneering innovative transactions.

The Investment Manager is entitled to an Investment Manager's Benefit ("IMB") each accounting period. The IMB changed subsequent to 14 September 2012, the end of the Investment Period¹. Prior to the end of the Investment Period, the IMB was calculated as 1.5% per annum of the amount subscribed for in the Company. Since the end of the Investment Period, the basis for calculation is 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 to the Consolidated Statement of Comprehensive Income for the IMB during the year ending 31 December 2016 was US\$4,988,000 (year ending 31 December 2015: US\$6,212,000). It is not possible to accurately predict the future annualised Investment Manager's Benefit, as the calculation is affected by the valuation of the Group's investments and by any investment acquisitions or disposals. The IMB is paid in advance per the terms of the Investment Management Agreement; as at 31 December 2016 the IMB prepaid for the first quarter of 2017 is US\$1,074,000 and as at 31 December 2015 the IMB prepaid for the first quarter of 2016 was US\$1,516,000.

Performance Incentive

Subject to certain conditions, the Investment Manager is entitled to a Performance Incentive related to the performance of the Group's investments. The excess of the total funds returned, and/or available for return, to shareholders, over the total amount subscribed in each separate capital raising to date, will be split between the shareholders (80%) and the Investment Manager² (20%). This is subject to a Hurdle³ of 8% per annum; until the Hurdle is reached, the Investment Manager is 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 is calculated as follows:

- (a) The Group's Aggregate Proceeds⁴ are allocated entirely to shareholders until such time as shareholders have received an aggregate amount of the Company's Funds⁵ 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 sum of the Company's share capital and share premium.

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

5. Operating expenses

	<u>2016</u>	<u>2015</u>
	<u>US\$'000</u>	
Amounts paid to Auditor	103	122
Independent Valuer's fees	37	37
Other legal and professional fees	68	609
Directors' fees	190	143
Administration costs	417	451
Listing, sponsor and regulatory filing fees	53	56
Fair value loss/(gain) on Other investments ⁽¹⁾	<u>36</u>	<u>(20)</u>
	<u>904</u>	<u>1,398</u>

(1) Fair value loss of US\$36,000 on Other investments includes a foreign exchange loss of US\$8,000 (the fair value gain of US\$20,000 in 2015 included a foreign exchange loss of US\$1,000).

6. Investments in associates

Accounting policy

The Group holds certain investments in associates that do 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 have been accounted for at fair value. The fair value is assessed in the context of the underlying net assets of the associates based on their most recent financial statements or interim statements drawn up to the Group's balance sheet date.

The fair value of the Group's investments in associates is as follows:

	<u>2016</u>	<u>2015</u>
	<u>US\$'000</u>	
Pallinghurst Ivy Lane Capital S.à r.l.	1,126	1,075
Other associates	<u>139</u>	<u>119</u>
	<u>1,265</u>	<u>1,194</u>

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.

7. Tax

Accounting policy

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle those assets on a net basis. Unrecognised deferred tax assets may be recognised in the future if sufficient taxable profits become available in the relevant jurisdictions.

The Group's tax expense is as follows:

	<u>2016</u>	<u>2015</u>
	<u>US\$'000</u>	
Current tax	3	4
Tax expense	<u>3</u>	<u>4</u>

The Company is exempt from Guernsey income tax under the Income Tax (Zero-10) (Guernsey) (No 2) Law, 2007, and pays an annual exemption fee of GBP1,200 (2015: GBP1,200) which is included in operating costs. Where applicable, taxation for other jurisdictions is calculated at the relevant prevailing tax rates.

The tax charge for the year reconciles to the profit per the Consolidated Statement of Comprehensive Income as follows:

	<u>2016</u>	<u>2015</u>
	<u>US\$'000</u>	
Profit/(loss) before tax	44,573	(149,122)
Tax at the Guernsey tax rate of 0% (2015: 0%)	—	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	3	4
Tax expense for the year	<u>3</u>	<u>4</u>

The Group's effective tax rate is 0.01% (2015: 0%).

No amounts relating to tax have been recognised either in other comprehensive income, or directly in equity. The Group has not recognised any deferred tax assets in either the current or prior year.

At the balance sheet date, the Group had incurred fair value losses on its investments of US\$89.9 million (2015: US\$133.7 million). No deferred tax asset has been recognised in relation to these temporary differences as it is not considered probable that there will be future taxable profits available, in the relevant jurisdictions, for the Group to utilise these temporary differences. The temporary differences may be carried forward indefinitely. Temporary differences relating to the unremitted earnings of overseas subsidiaries and associates are not significant. The Group had no other tax losses or credits at the year end.

8. Trade and other receivables

Accounting policy

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.

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
		<u>US\$'000</u>	
Prepaid Investment Manager's Benefit	4	1,074	1,516
Other prepayments		36	52
Other amounts receivable		65	94
		<u>1,175</u>	<u>1,662</u>

9. Trade and other payables

Accounting policy

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

	<u>2016</u>	<u>2015</u>
	<u>US\$'000</u>	
Audit fee accrual	78	93
Administration costs payable	13	80
Accrual for Independent Valuer's fee	16	16
Directors' fees	29	53
Other payables	71	467
	<u>207</u>	<u>709</u>

10. Share capital

Accounting policy

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. Pallinghurst 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.

Following the adoption of the Company's amended Memorandum of Incorporation at the AGM of shareholders on 5 August 2015, and in accordance with The Companies (Guernsey) Law 2008, the Company no longer has an authorised share capital. The Company is therefore permitted to issue an unlimited number of shares.

At 31 December 2014 the authorised share capital was ten Management Shares of US\$1 each and 999,000,000 Ordinary Shares of US\$0.00001 each.

Issued and fully paid share capital:

	<u>2016</u>	<u>2015</u>
	<u>US\$</u>	
Two Management Shares of US\$1 each	2	2
760,452,631 Pallinghurst Shares of US\$0.00001 each	7,604	7,604
	<u>7,606</u>	<u>7,606</u>

11. Cash outflows from operations

	Notes	2016	2015
		US\$'000	
Net profit/loss after tax		44,570	(149,126)
<i>Adjustments for:</i>			
Unrealised fair value gains	2	(49,768)	—
Unrealised fair value losses	2	—	142,176
Loan interest income and structuring fee		(619)	(528)
Unrealised fair value loss/(gain) on Other investments		36	(20)
Fair value (gain)/loss of associates		(71)	70
Tax expense	7	3	4
Foreign exchange gain on cash		(9)	(2)
Operating cash flows before movements in working capital		<u>(5,858)</u>	<u>(7,426)</u>
Decrease/(increase) in trade and other receivables		487	(1,534)
(Decrease)/increase in trade and other payables		(502)	510
Cash used in operations		<u>(5,873)</u>	<u>(8,450)</u>
Tax paid		(3)	(4)
Net cash used in operating activities		<u>(5,876)</u>	<u>(8,454)</u>

12. Financial risk management

Capital structure

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

The Group's capital mostly consists of equity shares. There are also two Management Shares. The Company's Articles of Incorporation restrict borrowing to 30% of total assets. The Group currently has no borrowing or borrowing facilities and therefore the Directors do not formally monitor the Group's gearing ratio. The Group is not subject to any external capital requirements. No dividends have been paid out to shareholders since incorporation. No changes have been made to the Group's capital management objectives, policies or procedures during either 2016 or 2015.

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 has currently extended a US\$5 million loan to Gemfields. The Group provides against any loan where non-repayment is considered likely for any reason. No such provision has been recorded against the Gemfields' loan and the value of the loan has not been reduced to reflect Gemfields' credit risk at any point. Despite the deferral of the scheduled US\$1.5 million repayment from 31 March 2017 to 30 June 2017, the Directors consider Gemfields to have sufficient assets to repay the loan in full by 30 June 2017. The Group holds materially all of its cash balances with two counterparties, Deutsche Bank International Limited, which is an indirect subsidiary of Deutsche Bank Group ("Deutsche") and HSBC Bank plc ("HSBC"). The Group also holds certain cash balances with Investec Bank (Channel Islands) Limited, a subsidiary of Investec. 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 2016 is set out below:

<u>Counterparty</u>	<u>Location</u>	<u>Credit rating (Fitch)</u>	<u>2016</u>	<u>2015</u>
			US\$'000	
Gemfields	United Kingdom	n/a	4,948	9,804
Deutsche	Guernsey	A minus	1,168	881
HSBC	United Kingdom	AA minus	2	599
Investec	Guernsey	BBB minus	—	—
Other counterparties	Various	n/a	114	224
Total			<u>6,232</u>	<u>11,508</u>

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 is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities. The Group does not hold any financial liabilities at discounted values and does not have any commitments to make any specific further investments at the current time. The Directors monitor the Group's liquidity and cash balances on an ongoing basis.

MARKET RISK

The significant market risks affecting the Group are currency risk, interest rate risk, price risk and commodity risk. Most of this risk relates to the investments within the Investment Portfolio, which are carried at fair value and are often denominated in foreign currencies.

Currency risk

The Group undertakes transactions and holds assets and liabilities in currencies other than the US\$ and is therefore exposed to currency risk. 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.

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\$.

<u>At 31 December 2016</u>	<u>US\$</u>	<u>GBP</u>	<u>EUR</u>	<u>AUD</u>	<u>Total</u>
					US\$'000
Net financial assets	201,153	164,615	28	—	365,786
<i>Sensitivity analysis</i>					
Impact on the Income Statement, assuming a 10% movement against the US\$	n/a	16,462	3	—	16,465

<u>At 31 December 2015</u>	<u>US\$</u>	<u>GBP</u>	<u>EUR</u>	<u>AUD</u>	<u>Total</u>
			US\$'000		
Net financial assets	162,045	158,603	110	—	320,758
<i>Sensitivity analysis</i>					
Impact on the Income Statement, assuming a 10% movement against the US\$	n/a	15,860	11	—	15,871

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 and 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; the Group has made an interest bearing loan of US\$5 million to Gemfields which is outstanding at 31 December 2016. The Group may make non-interest bearing loans to companies within the Investment Portfolio in certain circumstances.

<u>31 December 2016</u>	<u>Repayable within one month</u>	<u>Repayable within one to six months</u>	<u>Repayable within six to twelve months</u>	<u>Repayment not anticipated</u>	<u>Total</u>
					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	<u>1,218</u>	<u>5,014</u>	<u>—</u>	<u>—</u>	<u>6,232</u>

<u>31 December 2015</u>	<u>Repayable within one month</u>	<u>Repayable within one to six months</u>	<u>Repayable within six to twelve months</u>	<u>Repayment not anticipated</u>	<u>Total</u>
					US\$'000
Cash and cash equivalents	1,610	—	—	—	1,610
Gemfields loan	—	3,500	6,304	—	9,804
Loans and receivables	—	94	—	—	94
Financial assets subject to interest rate risk	<u>1,610</u>	<u>3,594</u>	<u>6,304</u>	<u>—</u>	<u>11,508</u>

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.

<u>31 December 2016</u>	<u>Repayable within one month</u>	<u>Repayable within one to six months</u>	<u>Repayable within six to twelve months</u>	<u>Repayment not anticipated</u>	<u>Total</u>
					US\$'000
Financial assets subject to interest rate risk	1,218	5,014	—	—	6,232
<i>Sensitivity analysis</i>					
Impact on the Income Statement, assuming a 0.5% movement in interest rate	6	25	—	—	31

31 December 2015	Repayable within one month	Repayable within one to six months	Repayable within six to twelve months	Repayment not anticipated	Total
	US\$'000				
Financial assets subject to interest rate risk					
risk	1,610	3,594	6,304	—	11,508
<i>Sensitivity analysis</i>					
Impact on the Income Statement, assuming a 0.5% movement in interest rate	8	18	32	—	58

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 and/or representatives of the Investment Manager 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:

	2016			2015		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
	US\$'000					
Total	41,154	48,784	89,938	39,651	37,827	77,478

Commodity risk

The Group has significant investments in mining assets and changes in commodity prices are a key risk to the business. However, the Group does not consolidate any mining assets or hold any physical commodities on its balance sheet, so commodity price changes have no direct impact on the Financial Statements. The impact of commodity prices is therefore omitted from this analysis (as it is not possible to quantify the impact). Nonetheless, users of the Financial Statements should be aware that commodity price movements, particularly of PGMs, manganese, iron ore, and coloured gemstone prices, are likely to impact on the valuations of the Group's investments. The Directors continually monitor the commodity markets and consider various options to respond to market demand and price changes through each of the Group's Investments.

Sensitivity analyses representative for the position throughout the year

The sensitivity analyses presented above are based on the financial instruments held at the year end. The sensitivity analyses presented for 31 December 2016 are considered likely to be representative of the financial instruments held and risks to the balance sheet in the immediate future. The mix of financial instruments is broadly similar at 31 December 2016 compared to 31 December 2015. Nonetheless, users of the Financial Statements should be aware that the Group's risk profile can change over time; for example, 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 furthermore representative sensitivity disclosure has been disclosed as the Directors do not believe that it would be useful.

13. 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 Gilbertson is the chairman of SPM and Jupiter, and Mr Frandsen is deputy executive chairman of SPM.

The Investment Manager acts through its general partner, Pallinghurst GP Ltd. The directors of Pallinghurst GP Ltd are Mr 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 during 2016 was US\$40,598 (2015: US\$Nil). The Group's outstanding balance with Pallinghurst GP Ltd at 31 December 2016 was US\$Nil (31 December 2015: US\$Nil).

Pallinghurst GP Ltd receives 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 Gilbertson is both a Member of PALLP and Chairman of the Company. Certain expenses are incurred by PALLP on behalf of the Group and are then reimbursed to PALLP at cost. The Company's reimbursement of the expenses settled by PALLP during 2016 was US\$49,667 (2015: US\$85,881). The Group's outstanding balance with PALLP at 31 December 2016 was US\$Nil (31 December 2015: US\$Nil).

Vistra Guernsey acts as the Group's administrator, company secretary and registrar. 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 during 2016 was US\$164,000 (2015: US\$161,000). The Group's outstanding balance with Vistra Guernsey at 31 December 2016 was US\$Nil (31 December 2015: US\$43,000).

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 2 *Investment Portfolio*. Certain amounts are payable by the Group to the Investment Manager as disclosed in Note 4 *Investment Manager's benefits*.

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

<u>31 December 2016</u>	<u>Directorship of the Company</u>	<u>Directorship of other Group companies</u>	<u>Audit Committee</u>	<u>Lead Independent Director</u>	<u>Total</u>
			US\$'000		
Stuart Platt-Ransom	35	—	3	2	40
Clive Harris	35	2	3	—	40
Martin Tolcher	35	—	5	—	40
Dr Christo Wiese	35	—	—	—	35
Lumkile Mondi	35	—	—	—	35
Total	<u>175</u>	<u>2</u>	<u>11</u>	<u>2</u>	<u>190</u>

The amounts paid to the Non-Executive Directors for services during 2015 are set out below:

<u>31 December 2015</u>	<u>Directorship of the Company</u>	<u>Directorship of other Group companies</u>	<u>Audit Committee</u>	<u>Lead Independent Director</u>	<u>Total</u>
			US\$'000		
Stuart Platt-Ransom	30	—	3	2	35
Clive Harris	30	5	3	—	38
Martin Tolcher	30	—	5	—	35
Dr Christo Wiese	30	—	—	—	30
Lumkile Mondi ⁽¹⁾	5	—	—	—	5
Total	<u>125</u>	<u>5</u>	<u>11</u>	<u>2</u>	<u>143</u>

(1) This relates to the period 29 October 2015 – 31 December 2015.

The interests in PRL equity shares held by the Directors are set out below:

	31 December 2016		31 December 2015	
	Number of shares	Interest	Number of shares	Interest
Dr Christo Wiese ⁽¹⁾	149,034,253	19.60%	149,034,253	19.60%
The Brian Gilbertson Discretionary Settlement ⁽²⁾	24,261,669	3.19%	24,261,669	3.19%
Arne H. Frandsen	4,237,369	0.55%	4,237,369	0.55%
Andrew Willis	2,446,054	0.32%	2,446,054	0.32%
Clive Harris	437,652	0.06%	437,652	0.06%
	180,416,997	23.72%	180,416,997	23.72%

(1) At 31 December 2016, Dr Wiese held indirect interests in 149,034,253 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 19.89%.

(2) A discretionary trust of which Brian Gilbertson is a beneficiary.

There have been no changes to these shareholdings up to the date of publication of the Annual Report.

The interests in PRL equity shares held by the other Partners of the Investment Manager are set out below:

	31 December 2016		31 December 2015	
	Number of shares	Interest	Number of shares	Interest
Sean Gilbertson	4,175,536	0.55%	4,175,536	0.55%
Priyank Thapliyal	4,175,536	0.55%	4,175,536	0.55%
	8,351,072	1.10%	8,351,072	1.10%

There have been no changes to these shareholdings up to the date of publication of the Annual Report.

14. Per share information

Accounting policy

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. EPS/(LPS) is based on profit/(loss) for the year divided by the weighted average number of Ordinary Shares in issue during the year. There are no dilutive indicators or dilutive Ordinary Shares in issue.

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. None of these exclusions are relevant to the Group and EPS/(LPS) is equal to HEPS/(HLPS) in the current and prior year.

NAV per share

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

	31 December 2016	31 December 2015
Net assets – US\$'000	366,895	322,325
Number of shares in issue	760,452,631	760,452,631
NAV per share – US\$	0.48	0.42

The Group does not hold any intangible assets and NAV is equal to Tangible NAV.

Earnings per share

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

	31 December 2016	31 December 2015
Profit/(loss) for the year – US\$'000	44,570	(149,126)
Weighted average number of shares in issue	760,452,631	760,452,631
Earnings/(loss) per share – US\$	0.06	(0.20)

There are no dilutive shares and EPS/(LPS) is equal to Diluted Earnings/(Loss) Per Share.

15. 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.

Company	Country of incorporation	Group % interest at 31 December 2016	Group % interest at 31 December 2015
Pallinghurst Resources (Guernsey) GP Ltd	Guernsey	100	100
The Pallinghurst Resources Fund L.P.	Cayman Islands	99.99	99.99
Pallinghurst Consolidated (Cayman) Ltd	Cayman Islands	100	100
Pallinghurst Consolidated (Lux) S.à r.l.	Luxembourg	100	100
Pallinghurst Consolidated (Dutch) B.V.	The Netherlands	100	100
Pallinghurst Steel Feed (Dutch) B.V.	The Netherlands	100	100

There are no restrictions on any assets or liabilities of any of these subsidiaries.

16. Contingent liabilities and contingent assets

The Group has acted as a limited guarantor for the lease of Fabergé's New York retail outlet at 694 Madison Avenue since 31 August 2011. One of the conditions of the Gemfields/Fabergé Merger, which completed on 28 January 2013, was that Gemfields either take over as guarantor from the Company, or that Gemfields indemnify the Group against any potential liability to the landlord. Gemfields have provided an indemnity to the Group against any loss from this guarantee. The Directors' assessment is that the maximum amount of the contingent liability continues to be US\$0.219 million, although any such loss should be recoverable from Gemfields under the terms of the indemnity.

The Group had no other significant contingent liabilities or contingent assets at 31 December 2016 or 31 December 2015.

17. Commitments

The Group had no material commitments at the date of signature of these Financial Statements.

18. Events occurring after the end of the year

Jupiter Buy-Back

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 Company, as an 18.45% shareholder in Jupiter had the right to have 6% of its 421,042,093 Jupiter shares bought-back. The Company accepted the buy-back by Jupiter, resulting in the sale of 25,262,526 shares in Jupiter for US\$0.40 per share. The Directors' estimate of the fair value of the Jupiter shares at 31 December 2016 is US\$0.19 per share. The buy-back price per share was underpinned by Jupiter's long-term manganese price assumptions of between US\$4-5 per dmtu, which are higher than the US\$3.65 price used by the Directors in the valuation of Jupiter. The transaction completed on 13 March 2017 with the Company receiving US\$10.1 million.

This transaction will be accounted for in the Company's Interim financial statements for the six months ending 30 June 2017.

Fall in Gemfields share price

The Gemfields share price has fallen since 31 December 2016. The estimated impact of this non-adjusting event is as follows:

The Gemfields share price on 24 March 2017 was GBP0.4475 and the exchange rate was US\$1/GBP0.8019. The fair value of the Group's investment was US\$144 million, US\$21 million lower than the valuation of US\$165 million included in the Balance Sheet.

Fall in the manganese price

The manganese price has fallen since 31 December 2016. The 37% ore (FOB, Port Elizabeth) manganese price on 27 March 2017 was US\$2.90 per dmtu, US\$4.48 per dmtu lower than the price of US\$7.38 per dmtu at 31 December 2016. The manganese price has an indirect impact on the valuation of Jupiter, through Jupiter's 49.9% interest in the Tshipi Borwa manganese mine.

Approval of Annual Report

The Annual Report was approved by the Directors and authorised for issue on 27 March 2017.

Section B

The audited consolidated financial statements for Pallinghurst for the year ended 31 December 2015

Accountant's report on the consolidated historical financial information for the financial year ended 31 December 2015

We have audited the financial statements of Pallinghurst Resources Limited for the year ended 31 December 2015 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable in accordance law and International Financial Reporting Standards.

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's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the United Kingdom Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view;
- are in accordance with International Financial Reporting Standards; and
- comply with The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters, where 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;
- 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.

Saffery Champness
Chartered Accountants
Guernsey
30 March 2016

Consolidated statements of comprehensive income for the year ended 31 December 2015

<u>Income</u>	<u>Notes</u>	<u>1 January 2015 to 31 December 2015</u>	<u>1 January 2014 to 31 December 2014</u>
		<u>US\$'000</u>	<u>US\$'000</u>
Investment Portfolio			
Unrealised fair value gains	2	—	80,146
Unrealised fair value losses	2	<u>(142,176)</u>	<u>(19,109)</u>
		<u>(142,176)</u>	<u>61,037</u>
Investment Portfolio revenue			
Loan interest income	2	731	556
		<u>731</u>	<u>556</u>
Net (loss)/gain on investments and income from operations		<u>(141,445)</u>	<u>61,593</u>
Expenses			
Investment Manager's Benefit	4	(6,212)	(5,593)
Operating expenses	5	(1,398)	(609)
Foreign exchange gains		2	—
		<u>(7,608)</u>	<u>(6,202)</u>
Net (loss)/gain from operations		<u>(149,053)</u>	<u>55,391</u>
Finance income	6	6	8
Finance costs		(5)	(2)
Net finance income		1	6
(Loss)/profit before fair value (loss)/gain of associates		<u>(149,052)</u>	<u>55,397</u>
Fair value (loss)/gain of associates	7	(70)	11
(Loss)/profit before tax		<u>(149,122)</u>	<u>55,408</u>
Tax	8	(4)	(4)
Net (Loss)/Profit after Tax		<u>(149,126)</u>	<u>55,404</u>
Other comprehensive income		—	—
Total Comprehensive (Loss)/Income		<u>(149,126)</u>	<u>55,404</u>
Basic and diluted (loss)/earnings per ordinary share – US\$.	15	<u>(0.20)</u>	<u>0.07</u>

Consolidated Balance Sheet for the year ended 31 December 2015

	<u>Notes</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
		US\$'000	US\$'000
Assets			
Non-current assets			
Investments in associates	7	1,194	1,264
Investment Portfolio			
Listed equity investments	2	158,603	185,511
Unlisted equity investments	2	150,113	265,381
		<u>308,716</u>	<u>450,892</u>
Total non-current assets		<u>309,910</u>	<u>452,156</u>
Current assets			
Investment Portfolio			
Loans and receivables	2	9,804	15,256
Trade and other receivables	9	1,662	128
Cash and cash equivalents		1,610	4,082
Other investments		48	28
		<u>13,124</u>	<u>19,494</u>
Total current assets		<u>13,124</u>	<u>19,494</u>
Total assets		<u>323,034</u>	<u>471,650</u>
Liabilities			
Current liabilities			
Trade and other payables	10	709	199
Total current and total liabilities		<u>709</u>	<u>199</u>
Net assets		<u>322,325</u>	<u>471,451</u>
Equity			
Capital and reserves attributable to equity holders			
Share capital	11	8	8
Share premium		375,227	375,227
Retained (losses)/earnings		(52,910)	96,216
		<u>322,325</u>	<u>471,451</u>
Total Equity		<u>322,325</u>	<u>471,451</u>

Consolidated statement of cash flow for the year ended 31 December 2015

	<u>Notes</u>	<u>1 January 2015 to 31 December 2015</u>	<u>1 January 2014 to 31 December 2014</u>
		US\$'000	US\$'000
Cash outflows from operations	12	(8,454)	(5,125)
Loans extended to investments		(19,576)	(14,700)
Loans repaid by investments		25,000	—
Loan interest received		556	—
Net cash outflows from operating activities		<u>(2,474)</u>	<u>(19,825)</u>
Net Decrease in Cash and Cash Equivalents		<u>(2,474)</u>	<u>(19,825)</u>
Cash and cash equivalents at the beginning of the year		4,082	23,907
Foreign exchange gains		2	—
Cash and Cash Equivalents at the end of the Year		<u>1,610</u>	<u>4,082</u>

Consolidated statements of changes in equity for the year ended 31 December 2015

	<u>Share capital</u>	<u>Share premium</u>	<u>Retained earnings/ (losses)</u>	<u>Total equity</u>
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Balance at 1 January 2014	8	375,227	40,812	416,047
Total comprehensive income for the year	<u>—</u>	<u>—</u>	55,404	55,404
Balance at 31 December 2014	<u>8</u>	<u>375,227</u>	<u>96,216</u>	<u>471,451</u>
Total comprehensive loss for the year	<u>—</u>	<u>—</u>	(149,126)	(149,126)
Balance at 31 December 2015	<u>8</u>	<u>375,227</u>	<u>(52,910)</u>	<u>322,325</u>

Notes to the financial statements for the year ended 31 December 2015

1. Significant 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 Pallinghurst 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.

Where possible, the Pallinghurst Group's significant accounting policies have been disclosed as part of the relevant note they specifically relate to, as the Directors believe this is more useful to a user of the Financial Statements. Other significant accounting policies have been disclosed below.

A. 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.

During the period there have been no new, amended or revised standards which have become effective that have had a material impact on the Pallinghurst Group's reporting or Financial Statements.

Standards, amendments and interpretations in issue at 31 December 2015 and not yet effective for periods ended 31 December 2015

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, and have not been applied in preparing these Financial Statements. Those which may be relevant to the Pallinghurst Group are set out below. The Pallinghurst Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

The IASB has introduced guidance entitled *Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS10, IFRS12 and IAS28*. This introduces clarifications to the requirements when accounting for investment entities and is effective for periods commencing 1 January 2016. The Directors do not anticipate material changes as a result of this amendment.

The IASB has issued amendments to IAS1 *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The Disclosure Initiative is designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements, resulting in clearer and more useful information for users of the financial statements. The amendments are effective for periods beginning on or after 1 January 2016, but early adoption is permitted. The Directors have considered these principles whilst preparing this Annual Report and will continue to review the process for preparing the financial statements on an ongoing basis.

The IASB issued Annual Improvements to IFRSs 2012 – 2014, a collection of amendments to IFRSs, in response to four issues addressed during the 2012 – 2014 cycle. The issues included in this cycle are the following: IFRS5 *Non-current Assets Held for Sale and Discontinued Operations* ("IFRS5") Changes in methods for disposal; IFRS7 *Financial Instruments: Disclosures* ("IFRS7") 'Continuing involvement' for servicing contracts and offsetting disclosures in condensed interim financial statements; IAS19 *Employee Benefits* ("IAS19") Discount rate in a regional market sharing the same currency; and IAS34 *Interim Financial Reporting* ("IAS34") Disclosure information 'elsewhere in the interim financial report'. These amendments are effective for reporting periods beginning on or after 1 January 2016, although early adoption is permitted. The Directors do not believe that these

amendments will have a material impact on the Pallinghurst Group but may impact the accounting for the Pallinghurst Group's future transactions or arrangements.

The IASB has issued certain standards (or amendments to standards), which are to be applied to financial statements with periods commencing on or after the dates included below and which have not been applied in the current year, as follows:

IFRS9 *Financial Instruments* (“IFRS9”)

IFRS9 will replace IAS39 *Financial Instruments: Recognition and Measurement* and will address the following three key areas:

- *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 Pallinghurst Group in future periods. The Directors believe that the impact of the changes required to implement IFRS9 may be material; however, as the effective date for the standard is not until 2018, a detailed analysis of the impact of these changes on the Pallinghurst Group has not yet taken place.

IFRS9 is effective for annual reporting periods beginning on or after 1 January 2018.

B. Basis of preparation

The Financial Statements are presented in United States dollars (“US\$”) which is the functional currency of the Company and the Pallinghurst Group's presentation currency. Using the US\$ as the Pallinghurst Group's presentation currency means that the Financial Statements can be compared with other similar companies. Amounts have been rounded to the nearest thousand (or million) as appropriate, for ease of presentation.

Basis of accounting

The Financial Statements have been prepared on the historic cost basis, except for the valuation of certain investments held within the Investment Portfolio. These equity investments are measured at fair value not historic cost. Historic cost is generally based on the fair value of the consideration given in exchange for 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 is an investment entity

In October 2012, the IASB issued “Investment Entities (Amendments to IFRS10, IFRS12 and IAS27) (the “**Investment Entities Amendments**”)”. Where an entity meets the definition of an investment entity under IFRS10, the Directors have opted to account for investments in joint ventures, associates and certain controlled entities at fair value through profit or loss. The Investment Entities Amendments became effective from 1 January 2014.

The Directors have considered and determined that the Company meets the following criteria which define an investment entity:

- The Company invests solely to provide returns from capital appreciation, investment income or both.
- The Company measures the performance of 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.

In addition, the Company holds a number of investments and has a large number of shareholders, both of which are considered typical characteristics of an investment entity. 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 Pallinghurst Group does not currently

hold any subsidiaries which form part of the Investment Portfolio. If the Pallinghurst Group holds any such subsidiaries in the future, these would be accounted for at fair value. The Pallinghurst Group does hold investments in certain subsidiaries which provide investment-related services; the accounting treatment has not changed for these entities, which are consolidated in line with the previous accounting treatment.

The Pallinghurst Group holds certain investments in associates that are investment holding entities and do not form part of the Investment Portfolio. These investments in associates are now accounted for at fair value. Other than as disclosed above and in Note 7 *Investments in associates*, the adoption of the Investment Entities Amendments has not had any other impact on the Financial Statements in the current or comparative years.

Critical accounting estimates, judgements 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, 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.

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

(2016) Assessment of fair value

The most critical accounting estimates and assumptions relate to the valuation of the Pallinghurst Group's portfolio of investments. The Directors use a range of valuation methodologies in accordance with IFRS13 *Fair Value Measurement* ("IFRS13") and the IPEVC Valuation Guidelines when determining the fair value of the Pallinghurst Group's portfolio of investments. The valuation of unlisted equity investments involves judgements and estimates 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 could materially change over time. They are significantly affected by a number of factors, such as commodity prices, exchange rates, discount rates and estimates of production costs and future capital expenditure. Estimates and assumptions used are reviewed periodically and the Directors believe that their estimates of fair value are materially accurate.

Going concern basis of accounting

The Directors have considered the likely cash flows and costs of the Pallinghurst Group, for twelve months subsequent to the signature of the Financial Statements, and have concluded that the Pallinghurst Group has adequate resources to continue in its activities for the foreseeable future. Whilst the Pallinghurst Group's cash balance is relatively low at the present time, the scheduled repayments of the Gemfields loan are expected to provide additional liquidity, as and when needed. The Directors do not have any concerns over receipt of these repayments. In addition, the Pallinghurst Group has significant liquid assets that could be either sold or leveraged for short term finance, should this be necessary. The Financial Statements have, therefore, been prepared on the going concern basis.

C. Foreign currencies

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

D. Consolidation (2016) 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 Pallinghurst Group's returns.

Subsidiaries (other than those that form part of the Investment Portfolio) are consolidated into the Pallinghurst Group's financial statements on a line-by-line basis.

(ii) Associates

Where the Pallinghurst Group has significant influence, but not control, and is neither a subsidiary nor an interest in a joint venture, it is an associate. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The Pallinghurst Group usually holds associates as part of the Investment Portfolio; the value of these Investments to the Pallinghurst Group is through their marketable value as part of the Investment Portfolio rather than as a medium through which a business is undertaken. The Pallinghurst Group therefore measures these Investments at fair value even though the Pallinghurst Group has significant influence over the Investments.

The Pallinghurst Group holds certain Investments in associates that do 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 have been accounted for at fair value where previously these associates were equity accounted.

(iii) Joint ventures

Interests in joint ventures that are held as part of the Pallinghurst Group's investment portfolio are carried in the balance sheet at fair value.

E. Income

The Pallinghurst Group's revenue for the purposes of IAS1 is represented as *Net gains/(losses) on investments and income from operations*. This represents the overall increase in net assets from the Investment Portfolio and constitutes the following amounts:

- (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.

2. Investment Portfolio

Accounting policy

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

accordance with IFRS13. The Pallinghurst Group also holds equity interests that are over 20% and which meet the definition of either an associate or a joint venture under IAS28. Interests in associates and joint ventures that are held as part of the Pallinghurst Group's Investment Portfolio are also measured at fair value under IFRS13. All equity investments within the Investment Portfolio are therefore accounted for on a similar, comparable basis. This is normal practice in the private equity industry and makes the Financial Statements comparable with those of similar organisations.

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

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 determine 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.

Listed equity investments

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

Unlisted equity investments

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

The Pallinghurst Group's reporting complies with all material aspects of the IPEVC Guidelines when determining what method to use to determine fair value. The IPEVC Guidelines specify the valuation methodology which is the most appropriate to use for each individual investment at each point in the investment's lifecycle. The methodologies used to determine fair value recommended by the IPEVC Guidelines include using an earnings or turnover multiple, share of net assets, the DCFs or earnings of the underlying business, the DCFs of the investment, or a relevant industry valuation benchmark. The Directors consider all other valuation methodologies where appropriate.

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

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

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 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.

The holding period for the Investment Portfolio is invariably greater than one year. The Investment Portfolio is therefore classed as "non-current" in its entirety. If clear evidence exists that an asset will be realised within a year, the balance would then be classified as a current asset. This is normal practice in the venture capital industry and presents more useful information to shareholders.

Further information on each of the Pallinghurst 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 Pallinghurst Group's JSE listing.

The reconciliation of the Investment Portfolio valuations from 1 January 2015 to 31 December 2015 is as follows:

<u>Investment</u>	<u>Opening at 1 January 2015</u>	<u>Unrealised fair value gains</u>	<u>Unrealised fair value losses</u>	<u>Accrued interest income and structuring fee</u>	<u>Additions and disposals</u>	<u>Closing at 31 December 2015</u>
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Listed equity investments						
Gemfields⁽¹⁾	185,511	—	(26,908)	—	—	158,603
	185,511	—	(26,908)	—	—	158,603
Unlisted equity investments						
Jupiter⁽²⁾	69,253	—	(33,548)	—	—	35,705
Sedibelo Platinum Mines⁽³⁾	196,128	—	(81,720)	—	—	114,408
	265,381	—	(115,268)	—	—	150,113
Total non-current	450,892	—	(142,176)	—	—	308,716
Loans and receivables						
Gemfields – US\$10 million loan⁽⁴⁾	—	—	—	28	9,776	9,804
Gemfields – US\$15 million loan⁽⁵⁾	15,256	—	—	368	(15,624)	—
Kagem Mining Limited – US\$10 million loan⁽⁶⁾	—	—	—	335	(335)	—
	15,256	—	—	731	(6,183)	9,804
Total current	15,256	—	—	731	(6,183)	9,804
Total Investment Portfolio	466,148	—	(142,176)	731	(6,183)	318,520

(1) The unrealised fair value loss on Gemfields of US\$26.908 million includes an unrealised foreign exchange loss of US\$9.200 million.

(2) The unrealised fair value loss on Jupiter of US\$33.548 million does not include any foreign exchange as the valuation is denominated in US\$.

(3) The unrealised fair value loss on Sedibelo of US\$81.720 million does not include any foreign exchange as the valuation is denominated in US\$.

(4) The Pallinghurst Group has provided a loan to Gemfields of US\$9.776 million (US\$10 million less an arrangement fee of US\$0.224 million). The loan was fully drawn down on 18 December 2015. Interest is also payable, calculated per the agreement at three month US\$ LIBOR plus 4.5%. The outstanding balance of the loan at 31 December 2015 is US\$9.804 million. The loan is repayable in instalments; US\$1 million 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 15 December 2016.

(5) The Pallinghurst Group made a loan to Gemfields of US\$15 million in two separate tranches during 2014. The loan, including interest and the arrangement fee was repaid by Gemfields on 30 April 2015.

(6) The Pallinghurst Group made a loan to Kagem Mining Limited ("Kagem") of US\$9.8 million (US\$10 million less an arrangement fee of US\$0.2 million). Interest was payable, calculated per the agreement at three month US\$ LIBOR plus 4.5%. The loan, including interest and the arrangement fee was repaid by Kagem on 18 December 2015.

The reconciliation of the Investment Portfolio valuations from 1 January 2014 to 31 December 2014 is as follows:

<u>Investment</u>	<u>Opening at 1 January 2014</u>	<u>Unrealised fair value gains</u>	<u>Unrealised fair value losses</u>	<u>Accrued interest income and structuring fee</u>	<u>Additions and disposals</u>	<u>Closing at 31 December 2014</u>
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
<i>Listed equity investments</i>						
Gemfields ⁽¹⁾	144,361	41,150	—	—	—	185,511
	<u>144,361</u>	<u>41,150</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>185,511</u>
<i>Unlisted equity investments</i>						
Jupiter ⁽²⁾	30,257	38,996	—	—	—	69,253
Sedibelo Platinum Mines ⁽³⁾ . .	215,237	—	(19,109)	—	—	196,128
	<u>245,494</u>	<u>38,996</u>	<u>(19,109)</u>	<u>—</u>	<u>—</u>	<u>265,381</u>
Total non-current	<u>389,855</u>	<u>80,146</u>	<u>(19,109)</u>	<u>—</u>	<u>—</u>	<u>450,892</u>
<i>Loans and receivables</i>						
Gemfields – US\$15 million loan ⁽⁴⁾	—	—	—	556	14,700	15,256
	<u>—</u>	<u>—</u>	<u>—</u>	<u>556</u>	<u>14,700</u>	<u>15,256</u>
Total current	<u>—</u>	<u>—</u>	<u>—</u>	<u>556</u>	<u>14,700</u>	<u>15,256</u>
Total Investment Portfolio .	<u>389,855</u>	<u>80,146</u>	<u>(19,109)</u>	<u>556</u>	<u>14,700</u>	<u>466,148</u>

(1) The unrealised fair value gain on Gemfields of US\$41.150 million includes an unrealised foreign exchange loss of US\$8.252 million.

(2) The unrealised fair value gain on Jupiter of US\$38.996 million does not include any foreign exchange as the valuation is denominated in US\$.

(3) The unrealised fair value loss on Sedibelo of US\$19.109 million does not include any foreign exchange as the valuation is denominated in US\$.

(4) The Pallinghurst Group committed to provide a loan to Gemfields of up to US\$15 million for general working capital purposes. At 31 December 2014 the balance of the loan was US\$15.256 million including interest and a pro-rated element of the arrangement fee. The loan, including interest and the arrangement fee was fully repaid by Gemfields on 30 April 2015.

Sedibelo Platinum Mines Limited – equity

Nature of investment The Pallinghurst Group holds an equity interest in Sedibelo, a producer of PGMs with interests in the Bushveld Complex in South Africa.

Fair value methodology Directors' estimate

The Directors have estimated that the value of Sedibelo is US\$1.75 billion; the Pallinghurst Group's indirect 6.54% interest has therefore been valued at US\$114 million.

The primary source in determining the valuation of Sedibelo at 31 December 2015 is a competent person's report prepared by an independent third party as at 31 December 2015. The competent person's report includes discounted cash flow ("DCF") analysis to value Sedibelo's key assets and includes a range of valuations. The preferred valuation of Sedibelo at 31 December 2015 given by the competent person's report is US\$2.47 billion; the Pallinghurst Group's indirect 6.54% interest on this basis would be valued at US\$162 million.

The DCF analysis is based on a number of predictions and uncertainties including forecast PGM prices, costs, exchange rates and the consolidated mine plan. Changing any of these assumptions may materially affect the implied valuation. These factors will have an impact on the likely valuation of Sedibelo for its IPO, which is expected to occur once market conditions are favourable.

The market price of listed PGM companies often differs to the underlying Net Asset Value (“NAV”) – the size of the discount or premium is dependent on many factors and can fluctuate significantly, particularly during periods of significant equity market volatility, which has been seen over the past few months. Members of Sedibelo’s peer group of listed PGM companies were trading at an average discount to NAV of approximately 29% on 31 December 2015 and the Directors believe that an equivalent discount should be applied to the valuation given by the competent person’s report. Accordingly, the Directors have determined the fair value of Sedibelo at 31 December 2015 to be US\$1.75 billion. The Directors’ valuation of Sedibelo at 31 December 2014 was US\$3.0 billion.

The competent person’s report used information from a range of sources to forecast PGM prices. The platinum price was forecast to be within a range of US\$956 per ounce to US\$1,300 per ounce over Sedibelo’s life-of-mine. The palladium price was forecast to be within a range of US\$700 per ounce to US\$831 per ounce over Sedibelo’s life-of-mine. For the purposes of the disclosures required by IFRS13, if the forecast PGM prices were 10% lower than the current consensus for forecast PGM prices, presuming all other indicators and evidence were unchanged, and using sensitivity analysis included within the competent person’s report, the valuation of the Company’s interest in Sedibelo included in the balance sheet would decrease from US\$114 million to US\$98 million. The related fair value decrease of US\$16 million would be recognised in profit or loss. Alternatively a 10% movement to the discount to NAV, presuming all other indicators and evidence were unchanged, would adjust the valuation of the Company’s interest in Sedibelo included in the balance sheet also by US\$16 million, the related fair value movement would be recognised in profit or loss.

Other considerations No secondary valuation methodologies have been considered for the Company’s investment in Sedibelo, as the competent person’s report has an effective date of 31 December 2015.

The Pallinghurst Group’s cash cost of investment for Sedibelo is approximately US\$123 million and the Pallinghurst Group’s initial PGM investment was made in August 2008.

Gemfields plc – equity

Nature of investment The Pallinghurst Group holds an equity interest in Gemfields, the producer of coloured gemstones. Gemfields owns Zambian emerald and amethyst assets, ruby assets in Mozambique and sapphire interests in Sri Lanka. Gemfields is listed on AIM.

The Pallinghurst Group owns a see-through interest of 47.59% in Gemfields at 31 December 2015, valued at US\$159 million.

Fair value methodology Listed share price

The Pallinghurst Group’s interest in Gemfields is valued at the 31 December 2015 mid-price of GBP0.41 per share, translated at the closing rate of US\$1/GBP0.6755.

Other considerations No secondary valuation methodologies have been considered for the Company’s investment in Gemfields as it is a listed equity.

The Pallinghurst Group’s cost of investment is approximately US\$119 million and the Pallinghurst Group’s initial investment was made in October 2007.

Jupiter – equity

Nature of investment The Pallinghurst 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.

Fair value methodology 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 2015 is US\$194 million; the implied valuation of the Pallinghurst Group's 18.45% interest is US\$36 million.

Jupiter's 49.9% interest in Tshipi Borwa has been valued based on an independent valuation report, prepared as at 31 December 2015. The independent valuation report includes a DCF analysis for Tshipi Borwa and includes a range of valuations. The DCF analysis is based on a large number of predictions and uncertainties including costs and exchange rates. Revenue is derived assuming that a single manganese price (consensus of recent analyst reports of the long-term forecast manganese price) will prevail over the life-of-mine. Changing any of the assumptions may materially affect the implied valuation, in particular the long-term forecast manganese price. The Directors believe that the preferred valuation given in the competent person's report represents a fair valuation without applying an adjustment.

The Tshipi Borwa valuation is particularly sensitive to the manganese price. The independent valuation report used information from a range of sources to forecast the manganese price. The manganese price was forecast to be within a range of US\$2.26 per dry metric tonne unit ("dmtu") to US\$3.22 per dmtu over Tshipi Borwa's life-of-mine. For the purposes of the disclosures required by IFRS13, if the manganese price used in the valuation declined by 10% at the balance sheet date and presuming all other indicators and evidence were unchanged, the valuation of Jupiter included in the balance sheet would decrease from US\$36 million to US\$26 million. The related fair value decrease of US\$10 million would be recognised in profit or loss.

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 fair value (equal to principal plus accrued interest). Tshipi Bokone is no longer included as an asset as it was relinquished during the period. 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 as well as the distressed iron ore market. Jupiter's cash has been included at cost. Jupiter has no material liabilities.

Other considerations No secondary valuation methodologies have been considered for the Company's investment in Jupiter, as the independent valuation report of Tshipi Borwa has an effective date of 31 December 2015.

The Pallinghurst Group owned an effective 18.45% interest in Jupiter at 31 December 2015. The Pallinghurst Group's cash cost of investment is approximately US\$29 million and the Pallinghurst Group's initial investment into Jupiter was made in May 2008.

Gemfields plc – US\$10 million loan

Nature of investment On 18 December 2015, the Pallinghurst Group agreed to provide a loan of up to US\$10 million to Gemfields, in line with the Pallinghurst

Group's strategy of providing support to its investments. The loan is repayable in instalments; US\$1 million 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 15 December 2016. There are no penalties for early repayment.

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 outstanding balance of the loan at 31 December 2015, including interest, is US\$9.804 million. The effective interest rate of the loan at 31 December 2015 is approximately 7.5%.

Gemfields plc – US\$15 million loan

Nature of investment On 16 April 2014, the Pallinghurst Group agreed to provide a loan of up to US\$15 million to Gemfields, in line with the Pallinghurst Group's strategy of providing support to its investments. The loan was repaid, with accrued interest, on 30 April 2015.

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 outstanding balance on the date of repayment, 30 April 2015, including interest and arrangement fee, was US\$15.6 million. The effective interest rate on the loan during the period was approximately 7.5%, and throughout the duration of the loan was approximately 7.4%.

Kagem Mining Limited – US\$10 million loan

Nature of investment On 10 August 2015, the Pallinghurst Group agreed to provide a loan of up to US\$10 million to Kagem Mining Limited ("**Kagem**"), a 75% subsidiary of Gemfields, in line with the Pallinghurst Group's strategy of providing support to its investments. The loan was repaid, with accrued interest, on 18 December 2015.

Valuation methodology Amortised cost-effective interest method

The value of the loan to Kagem was calculated using the effective interest method, with the arrangement fee accruing evenly over the projected life of the loan. The outstanding balance on the date of repayment, 18 December 2015, including interest and arrangement fee, was US\$10.1 million. The effective interest rate on the loan throughout the duration of the loan was approximately 10.48%.

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 one 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 Pallinghurst 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 as a whole are Level 3 inputs.

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

	31 December 2015			
	Level 1	Level 2	Level 3	Total
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Financial assets at FVTPL				
Equity investments	158,603	—	150,113	308,716
Investments in associates ⁽¹⁾	—	—	1,194	1,194
Other investments	48	—	—	48
	<u>158,651</u>	<u>—</u>	<u>151,307</u>	<u>309,958</u>

	31 December 2014			
	Level 1	Level 2	Level 3	Total
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Financial assets at FVTPL				
Equity investments	185,511	—	265,381	450,892
Investments in associates ⁽¹⁾	—	—	1,264	1,264
Other investments	28	—	—	28
	<u>185,539</u>	<u>—</u>	<u>266,645</u>	<u>452,184</u>

(1) As disclosed in Note 1 Significant accounting policies and Note 7 Investments in associates, since the adoption of the Investment Entities Amendments on 1 January 2014, certain investments in associates, which were previously equity accounted, are now accounted for at fair value and accordingly are included in the table above.

24. Level 3 fair value reconciliation

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

	2015	2014
	US\$'000	US\$'000
Opening ⁽¹⁾	266,645	216,490
Fair value (loss)/gain of associates ⁽¹⁾	(70)	11
Unrealised fair value gains	—	38,996
Unrealised fair value losses	(115,268)	(19,109)
Jupiter reclassification upon delisting ⁽²⁾	—	30,257
Closing	<u>151,307</u>	<u>266,645</u>

(1) As disclosed in Note 1 Significant accounting policies and Note 7 Investments in associates, since the adoption of the Investment Entities Amendments on 1 January 2014, certain investments in associates, which were previously equity accounted, are now accounted for at fair value and accordingly are included in the table above.

(2) Jupiter delisted from the ASX effective 10 January 2014. The investment in Jupiter has been reclassified from a Level 1 to a Level 3 investment, effective the date of the delisting.

3. Segmental reporting

Accounting policy

The Chief Operating Decision Maker ("CODM") is Mr Gilbertson, the Chairman, who measures the performance of each operating segment by assessing the fair value of the Pallinghurst Group's Investment Portfolio on a regular basis in order to allocate resources. The Chairman is an Executive Director, which does not comply with King III. The other members of the Board of Directors believe that Mr Gilbertson's wealth of knowledge and experience mean that he is best placed to provide overall leadership to the Board of Directors. Mr Gilbertson is a partner of the Investment Manager and a director of the general partner of the Investment Manager, Pallinghurst GP Ltd, see Note 4 *Investment Manager's benefits* and Note 14 *Related party transactions*.

The segmental information provided to the CODM for the year ended 31 December 2015 is as follows:

	31 December 2015				
	PGMs ⁽¹⁾	Steel Making Materials ⁽²⁾	Coloured Gemstones ⁽³⁾	Unallocated	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Income statement</i>					
Unrealised fair value gains	—	—	—	—	—
Unrealised fair value losses	(81,720)	(33,548)	(26,908)	—	(142,176)
Loan interest income	—	—	731	—	731
Net segmental expense	(81,720)	(33,548)	(26,177)	—	(141,445)
Other income	—	—	—	—	—
Net loss on investments and income from operations					(141,445)
Expenses, net finance income, fair value (loss)/gain of associates and taxation	—	—	—	(7,681)	(7,681)
Net segmental loss	(81,720)	(33,548)	(26,177)	(7,681)	(149,126)
<i>Balance sheet</i>					
Net Asset Value	114,408	35,705	168,407	3,805	322,325

(1) The unrealised fair value loss on the PGMs segment of US\$81.720 million does not include any foreign exchange as the valuation is denominated in US\$.

(2) The unrealised fair value loss on the Steel Making Materials segment of US\$33.548 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\$26.908 million includes an unrealised foreign exchange loss of US\$9.200 million.

The segmental information provided to the CODM for the year ended 31 December 2014 is as follows:

	31 December 2014				
	PGMs ⁽¹⁾	Steel Making Materials ⁽²⁾	Coloured Gemstones ⁽³⁾	Unallocated	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Income statement</i>					
Unrealised fair value gains ⁽¹⁾	—	38,996	41,150	—	80,146
Unrealised fair value losses ⁽²⁾	(19,109)	—	—	—	(19,109)
Loan interest income	—	—	556	—	556
Net segmental (expense)/income	(19,109)	38,996	41,706	—	61,593
Other income	—	—	—	—	—
Net gains on investments and income from operations					61,593
Expenses, net finance income, fair value gain/(loss) of associates and taxation	—	—	—	(6,189)	(6,189)
Net segmental (loss)/profit	(19,109)	38,996	41,706	(6,189)	55,404
<i>Balance sheet</i>					
Net Asset Value	196,128	69,253	200,767	5,303	471,451

(1) The unrealised fair value loss on the PGMs segment of US\$19.109 million does not include any foreign exchange as the valuation is denominated in US\$.

(2) The unrealised fair value gain on the Steel Making Materials segment of US\$38.996 million does not include any foreign exchange as the valuation is denominated in US\$.

(3) The unrealised fair value gain on the Coloured Gemstones segment of US\$41.150 million includes an unrealised foreign exchange loss of US\$8.252 million.

4. Investment Manager's benefits

Investment Manager

Pallinghurst (Cayman) GP L.P. (the "Investment Manager") was appointed on 4 September 2007. The Investment Manager acts through its general partner, Pallinghurst GP Ltd. The Investment Manager provides investment advisory and management services to the Pallinghurst Group and to certain other Pallinghurst Co-Investors as detailed in the *About the Pallinghurst Group* section.

The Partners of the Investment Manager are the following individuals:

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

The Partners of the Investment Manager have over 125 years of collective experience in the resources sector. They have an in-depth knowledge of assets, companies, people and trends. They are recognised for their strategic insight and vision, are highly regarded by international investors, and are renowned for pioneering innovative transactions.

The Investment Manager is entitled to an Investment Manager's Benefit ("IMB") each accounting period. The basis for calculation of the IMB changed subsequent to 14 September 2012, the end of the Investment Period¹. Prior to the end of the Investment Period, the IMB was calculated as 1.5% per annum of the amount subscribed for in the Company. Since the end of the Investment Period, the basis for calculation is 1.5% per annum of the lower of either the aggregate acquisition cost, or the fair value, of the Pallinghurst Group's unrealised investments (based on the Pallinghurst Group's most recent published financial statements).

The total charge to the Consolidated Statement of Comprehensive Income for the IMB during 2015 was US\$6,212,000 (2014: US\$5,593,000). It is not possible to accurately predict the future annualised Investment Manager's Benefit, as the calculation is affected by the valuation of the Pallinghurst Group's investments and by any investment acquisitions or disposals. The IMB paid in advance, as per the terms of the Investment Management Agreement, for the first quarter of 2016 is US\$1,516,000. The IMB prepaid for the first quarter of 2015 was US\$Nil as the quarterly payment for the IMB was made in early January 2015.

Performance Incentive

Subject to certain conditions, the Investment Manager is entitled to a Performance Incentive related to the performance of the Pallinghurst 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, will be split between the shareholders (80%) and the Investment Manager² (20%). This is subject to a Hurdle³ of 8% per annum; until the Hurdle is reached, the Investment Manager is 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.

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.

The provision for the Performance Incentive is calculated as follows:

- (a) The Pallinghurst Group's Aggregate Proceeds⁴ are allocated entirely to shareholders until such time as shareholders have received an aggregate amount of the Company's Funds⁵ 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.

Aggregate Proceeds are then allocated 80% to Shareholders and 20% to the Investment Manager.

5. Operating expenses

	<u>2015</u>	<u>2014</u>
	US\$'000	US\$'000
Amounts paid to Auditor	122	131
Independent Valuer's fees	37	37
Other legal and professional fees	609	20
Directors' fees	143	138
Administration costs	451	195
Listing, sponsor and regulatory filing fees	56	58
Fair value (gain)/loss on Other investments ⁽¹⁾	(20)	30
	<u>1,398</u>	<u>609</u>

(1) Fair value gain on Other investments includes a foreign exchange loss of US\$1,000 (the fair value loss of US\$30,000 in 2014 includes a foreign exchange loss of US\$3,000).

6. Finance income

	<u>2015</u>	<u>2014</u>
	US\$'000	US\$'000
Interest received on bank deposits	6	8
	<u>6</u>	<u>8</u>

2016. Investments in associates

Accounting policy

The Pallinghurst Group holds certain investments in associates that do 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 have been accounted for at fair value. The fair value is assessed in the context of the underlying net assets of the associates based on their most recent financial statements or interim statements drawn up to the Pallinghurst Group's balance sheet date.

The fair value of the Pallinghurst Group's investments in associates is as follows:

	<u>2015</u>	<u>2014</u>
	US\$'000	US\$'000
Pallinghurst Ivy Lane Capital S.à r.l.	1,075	1,158
Other associates	119	106
	<u>1,194</u>	<u>1,264</u>

Pallinghurst Ivy Lane Capital S.à r.l. ("**Ivy Lane**") was previously named Pallinghurst Ivy Lane Capital Limited; the entity was renamed and redomiciled to Luxembourg, effective 31 December 2014. Ivy Lane's place of business is Luxembourg (prior to 31 December 2014, its place of business was Mauritius). Ivy Lane acts as an investment holding company for the Pallinghurst Group's investment in

⁴ Aggregate Proceeds are equal to the Pallinghurst 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 Pallinghurst 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 sum of the Company's share capital and share premium.

Sedibelo. The Pallinghurst Group’s interest in Ivy Lane “A” class shares is 23.65%; this also represents the Pallinghurst 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 Pallinghurst 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.

2016. Tax

Accounting policy

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority, and the Pallinghurst Group intends to settle those assets on a net basis. Unrecognised deferred tax assets may be recognised in the future if sufficient taxable profits become available in the relevant jurisdictions.

The Pallinghurst Group’s tax expense is as follows:

	<u>2015</u>	<u>2014</u>
	<u>US\$’000</u>	<u>US\$’000</u>
Current tax	<u>4</u>	<u>4</u>
Tax expense	<u><u>4</u></u>	<u><u>4</u></u>

The Company is exempt from Guernsey income tax under the Income Tax (Zero – 10) (Guernsey) (No 2) Law, 2007, and pays an annual exemption fee of GBP1,200 (2014: GBP600) which is included in operating costs. Where applicable, taxation for other jurisdictions is calculated at the relevant prevailing tax rates.

The tax charge for the year reconciles to the profit per the Consolidated Statement of Comprehensive Income as follows:

	<u>2015</u>	<u>2014</u>
	<u>US\$’000</u>	<u>US\$’000</u>
(Loss)/profit before tax	<u>(149,122)</u>	<u>55,408</u>
Tax at the Guernsey tax rate of 0% (2014: 0%)	—	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	4	4
Tax expense for the year	4	4

The Pallinghurst Group’s effective tax rate is 0% (2014: 0.01%).

No amounts relating to tax have been recognised either in other comprehensive income, or directly in equity. The Pallinghurst Group has not recognised any deferred tax assets in either the current or prior year.

At the balance sheet date, the Pallinghurst Group had incurred fair value losses on its Investments of US\$133.691 million (2014: US\$38.349 million). No deferred tax asset has been recognised in relation to these temporary differences as it is not considered probable that there will be future taxable profits available, in the relevant jurisdictions, for the Pallinghurst Group to utilise these temporary differences. The temporary differences may be carried forward indefinitely. Temporary differences relating to the unremitted earnings of overseas subsidiaries and associates are not significant. The Pallinghurst Group had no other tax losses or credits at the year end.

9. Trade and other receivables

Accounting policy

Trade and other receivables include prepayments. A provision for impairment of trade and other receivables is made if there is evidence that amounts are unlikely to be recovered.

	<u>Notes</u>	<u>2015</u> US\$'000	<u>2014</u> US\$'000
Prepaid Investment Manager's Benefit	4	1,516	—
Other Prepayments		52	32
Other Amounts Receivable		94	96
		<u>1,662</u>	<u>128</u>

10. Trade and other payables

Accounting policy

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

	<u>2015</u> US\$'000	<u>2014</u> US\$'000
Audit fee accrual	93	97
Administration costs payable	80	7
Accrual for Independent Valuer's fee	16	19
Director's fees	53	5
Other payables	467	71
	<u>709</u>	<u>199</u>

11. Share capital

Accounting policy

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 windup, Management Shares carry the right to receive notice of, attend and vote at any general meeting of the Company, *provided that* no 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.

Following the adoption of the Company's amended Memorandum of Incorporation at the AGM of shareholders on 5 August 2015, and in accordance with The Companies (Guernsey) Law 2008, the Company no longer has an authorised share capital. The Company is therefore permitted to issue an unlimited number of shares. At 31 December 2014 the authorised share capital was ten Management Shares of US\$1 each and 999,000,000 Ordinary Shares of US\$0.00001 each.

Issued and fully paid share capital:

	<u>2015</u>	<u>2014</u>
	US\$	US\$
Two Management Shares of US\$1 each	2	2
760,452,631 Ordinary Shares of US\$0.00001 each	<u>7,604</u>	<u>7,604</u>
	<u><u>7,606</u></u>	<u><u>7,606</u></u>

12. Cash outflows from operations

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
		US\$'000	US\$'000
Net (loss)/profit after tax		(149,126)	55,404
<i>Adjustments for:</i>			
Unrealised fair value gains	2	—	(80,146)
Unrealised fair value losses	2	<u>142,176</u>	<u>19,109</u>
Loan interest income and structuring fee		(528)	(556)
Unrealised fair value (gain)/loss on Other investments		(20)	30
Fair value loss/(gain) of associates		70	(11)
Tax expense	8	4	4
Foreign exchange gain on cash		(2)	—
Operating cash flows before movements in working capital		<u>(7,426)</u>	<u>(6,166)</u>
(Increase)/decrease in trade and other receivables		(1,534)	1,024
Increase in trade and other payables		510	21
Cash used in operations		<u>(8,450)</u>	<u>(5,121)</u>
Tax paid		(4)	(4)
Net cash used in operating activities		<u><u>(8,454)</u></u>	<u><u>(5,125)</u></u>

13. Financial risk management

Capital structure

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

The Pallinghurst Group's capital mostly consists of equity shares. There are also two Management Shares. The Company's Articles of Incorporation restrict borrowing to 30% of total assets. The Pallinghurst Group currently has no borrowing or borrowing facilities and therefore the Directors do not formally monitor the Pallinghurst Group's gearing ratio. The Pallinghurst Group is not subject to any external capital requirements. No dividends have been paid out to shareholders since incorporation. No changes have been made to the Pallinghurst Group's capital management objectives, policies or procedures during either 2015 or 2014.

CREDIT RISK

The Pallinghurst Group is subject to credit risk on its loans, receivables and cash. The Pallinghurst Group may make loans to Investments within the Investment Portfolio; the Pallinghurst Group has currently extended a US\$10 million loan to Gemfields. The non-repayment of this loan would have a material effect on the Pallinghurst Group. The Pallinghurst Group provides against any loan where non-repayment is considered likely for any reason. No such provision has been recorded against Gemfields' loan and the fair value of the loan has not been reduced to reflect Gemfields's credit risk at any point. The Pallinghurst Group holds materially all of its cash balances with two counterparties, Deutsche Bank International Limited, which is an indirect subsidiary of Deutsche Bank Group ("Deutsche") and HSBC Bank plc ("HSBC"). The Pallinghurst Group also holds certain cash balances with Investec Bank (Channel Islands) Limited, a subsidiary of Investec. The Pallinghurst Group's subsidiaries and associates may also hold cash balances with various other banks; these are usually immaterial amounts. The Pallinghurst 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 Pallinghurst Group.

The Pallinghurst Group's exposure to counterparty risk at 31 December 2015 is set out below:

<u>Counterparty</u>	<u>Location</u>	<u>Credit rating (Fitch)</u>	<u>2015</u>	<u>2014</u>
			<u>US\$'000</u>	<u>US\$'000</u>
Gemfields	United Kingdom	n/a	9,804	15,256
Deutsche	Guernsey	A minus	881	2,061
HSBC	United Kingdom	AA minus	599	1,986
Investec	Guernsey	BBB minus	—	1
Other counterparties	Various	n/a	224	130
Total			<u>11,508</u>	<u>19,434</u>

Bankruptcy or insolvency of any of these counterparties could have a significant adverse impact on the Pallinghurst Group. The Pallinghurst 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 Pallinghurst Group. The Directors monitor the Pallinghurst Group's range of counterparties to ensure that the Pallinghurst Group's credit/counterparty risk is at an appropriate level.

LIQUIDITY RISK

Liquidity risk is the risk that the Pallinghurst Group will encounter difficulty in meeting the obligations associated with its financial liabilities. The Pallinghurst Group does not hold any financial liabilities at discounted values and does not have any commitments to make any specific further investments at the current time. The Directors monitor the Pallinghurst Group's liquidity and cash balances on an ongoing basis.

MARKET RISK

The significant market risks affecting the Pallinghurst Group are currency risk, interest rate risk, price risk and commodity risk. Most of this risk relates to the Investments within the Investment Portfolio, which are carried at fair value and are often denominated in foreign currencies.

Currency risk

The Pallinghurst Group undertakes transactions and holds assets and liabilities in currencies other than the US\$ and is therefore exposed to currency risk. The Pallinghurst 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 Pallinghurst 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 Pallinghurst 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 Pallinghurst Group may choose to enter into an appropriate hedging strategy, such as a forward contract or option, to minimise the Pallinghurst Group's foreign exchange exposure. The Pallinghurst Group has not entered into any hedging strategies during the year.

The sensitivity analysis has been performed based on the sensitivity of the Pallinghurst Group's net financial assets to movements in foreign exchange rates assuming the currency has moved 10% versus the US\$.

	At 31 December 2015				
	US\$	GBP	EUR	AUD	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Net financial assets	152,241	168,407	110	—	320,757
<i>Sensitivity analysis</i>					
Impact on the Income Statement, assuming a 10% movement against the US\$	n/a	16,841	11	—	16,852

	At 31 December 2014				
	US\$	GBP	EUR	AUD	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Net financial assets	270,638	200,767	14	—	471,419
<i>Sensitivity analysis</i>					
Impact on the Income Statement, assuming a 10% movement against the US\$	n/a	20,077	1	—	20,078

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 Pallinghurst Group is exposed to interest rate risk on its cash balances. The Pallinghurst 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 and are usually for shorter time periods than that. This maintains the Pallinghurst Group's liquidity levels whilst also ensuring 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 Pallinghurst Group may make interest bearing loans to its investments; the Pallinghurst Group has made a loan of US\$10 million to Gemfields which is outstanding at 31 December 2015. The Pallinghurst Group may make non-interest bearing loans to companies within the Investment Portfolio in certain circumstances.

	31 December 2015				
	Repayable within one month	Repayable within one to six months	Repayable within six to twelve months	Repayment not anticipated	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cash and cash equivalents	1,610	—	—	—	1,610
Gemfields loan	—	3,500	6,304	—	9,804
Loans and receivables	—	94	—	—	94
Financial assets subject to interest rate risk	1,610	3,594	6,304	—	11,508

	31 December 2014				
	Repayable within one month	Repayable within one to six months	Repayable within six to twelve months	Repayment not anticipated	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cash and cash equivalents	4,082	—	—	—	4,082
Gemfields loan	—	15,256	—	—	15,256
Loans and receivables	—	96	—	—	96
Financial assets subject to interest rate risk	4,082	15,352	—	—	19,434

An analysis of the expected maturity of the Pallinghurst 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 Pallinghurst Group's financial instruments at the balance sheet date. When the Directors consider the impact of

changes in interest rates on the Pallinghurst 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.

At 31 December 2015					
	Repayable within one month	Repayable within one to six months	Repayable within six to twelve months	Repayment not anticipated	Pallinghurst Group total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets subject to interest rate risk	1,610	3,594	6,304	—	11,508
<i>Sensitivity analysis</i>					
Impact on the Income Statement, assuming a 0.5% movement in interest rate	8	18	32	—	58

At 31 December 2014					
	Repayable within one month	Repayable within one to six months	Repayable within six to twelve months	Repayment not anticipated	Pallinghurst Group total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets subject to interest rate risk	4,082	15,352	—	—	19,434
<i>Sensitivity analysis</i>					
Impact on the Income Statement, assuming a 0.5% movement in interest rate	20	77	—	—	97

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 Pallinghurst Group's investments is reasonably possible and presents relevant information to shareholders. A 25% change in the fair value of investments would have the following impact on the Consolidated Statement of Comprehensive Income:

	2015			2014		
	Quoted US\$'000	Unquoted US\$'000	Total US\$'000	Quoted US\$'000	Unquoted US\$'000	Total US\$'000
Total	39,651	37,827	77,478	46,378	66,661	113,039

Commodity risk

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

Sensitivity analyses representative for the position throughout the year

The sensitivity analyses presented above are based on the financial instruments held at the year end. The sensitivity analyses presented for 31 December 2015 are considered likely to be representative of the financial instruments held and risks to the balance sheet in the immediate future. The mix of financial instruments is broadly similar at 31 December 2015 compared to 31 December 2014. Nonetheless, users of the Financial Statements should be aware that the Pallinghurst Group's risk profile can change over time; for example, if the Pallinghurst Group divested of an investment, its exposure to market risks would change. As there is uncertainty as to how the Pallinghurst Group's risk

profile will change in the future, no furthermore representative sensitivity disclosure has been disclosed as the Directors do not believe that it would be useful.

14. Related party transactions

The Pallinghurst Group's subsidiaries, joint ventures and associates are related parties. Investments within the Pallinghurst 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 Pallinghurst Group's investments. Mr Gilbertson is the chairman of Sedibelo and Jupiter, and Mr Frandsen is executive deputy chairman of Sedibelo.

The Investment Manager acts through its general partner, Pallinghurst GP Ltd. The directors of Pallinghurst GP Ltd are Mr Gilbertson, Mr Frandsen, Mr Willis, Mr Harris and Mr Tolcher. The Investment Manager is a related party due to the common directorships between the Pallinghurst Group and Pallinghurst GP Ltd.

Vistra acts as the Pallinghurst Group's administrator, company secretary and registrar. Mr Platt – Ransom is a director of Vistra and certain entities within the Vistra group. Mr O'Mahoney resigned as Permanent Alternate to Mr Platt – Ransom on 12 May 2015. The Pallinghurst Group's relationship with Vistra is at arm's length. The Pallinghurst Group's expense for services rendered by Vistra during 2015 was US\$161,000 (2014: US\$157,000). The Pallinghurst Group's outstanding balance with Vistra at 31 December 2015 was US\$43,000 (31 December 2014: US\$Nil).

Related party transactions include entering into equity investments, exiting from equity investments and loan transactions. Related party transactions related to the Pallinghurst Group's investments are detailed in Note 2 *Investment Portfolio*. Certain amounts are payable by the Pallinghurst Group to the Investment Manager as disclosed in Note 4 *Investment Manager's benefits*.

The amounts paid to the Non-Executive Directors for services during 2015 are set out below:

	1 January to 31 December 2015				
	Directorship of the Company	Directorship of other Pallinghurst Group companies	Audit Committee	Lead Independent Director	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Stuart Platt – Ransom	30	—	3	2	35
Clive Harris	30	5	3	—	38
Martin Tolcher	30	—	5	—	35
Dr Christo Wiese	30	—	—	—	30
Lumkile Mondl ⁽¹⁾	5	—	—	—	5
Total	125	5	11	2	143

(1) This relates to the period 29 October 2015 – 31 December 2015.

The amounts paid to the Non-Executive Directors for services during 2014 are set out below:

	1 January 2014 to 31 December 2014				
	Directorship of the Company	Directorship of other Pallinghurst Group companies	Audit Committee	Lead Independent Director	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Stuart Platt – Ransom	30	—	3	2	35
Clive Harris	30	5	3	—	38
Martin Tolcher	30	—	5	—	35
Dr Christo Wiese	30	—	—	—	30
Lumkile Mondl	—	—	—	—	—
Total	120	5	11	2	138

The interests in PRL equity shares held by the Directors are set out below:

	31 December 2015		31 December 2014	
	Number of shares	Interest	Number of shares	Interest
Dr Christo Wiese ⁽¹⁾	149,034,253	19.60%	149,034,253	19.60%
The Brian Gilbertson Discretionary Settlement ⁽²⁾	24,261,669	3.19%	24,261,669	3.19%
Arne H. Frandsen	4,237,369	0.55%	3,727,460	0.49%
Andrew Willis	2,446,054	0.32%	2,446,054	0.32%
Clive Harris	437,652	0.06%	437,652	0.06%
	180,416,997	23.72%	179,907,088	23.66%

(1) At 31 December 2015, Dr Wiese held indirect interests in 149,034,253 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 19.89%.

(2) A discretionary trust of which Brian Gilbertson is a beneficiary.

There have been no changes to these shareholdings up to the date of publication of the Annual Report.

The interests in PRL equity shares held by the other Partners of the Investment Manager are set out below:

	31 December 2015		31 December 2014	
	Number of shares	Interest	Number of shares	Interest
Sean Gilbertson	4,175,536	0.55%	4,175,536	0.55%
Priyank Thapliyal	4,175,536	0.55%	4,175,536	0.55%
	8,351,072	1.10%	8,351,072	1.10%

There have been no changes to these shareholdings up to the date of publication of the Annual Report.

15. Per share information

Accounting policy

NAV per share and (Loss)/Earnings Per Share ("LPS" or "EPS") are key performance measures for the Pallinghurst Group. NAV per share is based on net assets divided by the number of Ordinary Shares in issue at 31 December 2015. (LPS)/EPS is based on (loss)/profit for the year divided by the weighted average number of Ordinary Shares in issue during the year. There are no dilutive indicators or dilutive Ordinary Shares in issue.

Headline (Loss)/Earnings Per Share ("HLPS" or "HEPS") is similar to (LPS)/EPS, except that attributable profit specifically excludes certain items, as set out in Circular 2/2015 "Headline earnings" ("Circular 2/2015") issued by SAICA. None of these exclusions are relevant to the Pallinghurst Group and (LPS)/EPS is equal to (HLPS)/HEPS in the current and prior year.

NAV per share

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

	31 December 2015	31 December 2014
Net assets – US\$'000	322,325	471,451
Number of shares in issue	760,452,631	760,452,631
NAV per share – US\$	0.42	0.62

Tangible NAV is similar to NAV but excludes intangible assets such as goodwill or IT software. The Pallinghurst Group does not hold any intangible assets and NAV is equal to Tangible NAV.

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
(Loss)/profit for the year – US\$'000	(149,126)	55,404
<i>Weighted average number of shares in issue</i>	760,452,631	<u>760,452,631</u>
(Loss)/Earnings Per Share – US\$	<u>(0.20)</u>	<u>0.07</u>

There are no dilutive shares and (LPS)/EPS is equal to Diluted (Loss)/Earnings Per Share.

16. Subsidiaries

The Pallinghurst 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 Pallinghurst Group's subsidiaries, none have been omitted.

<u>Company</u>	<u>Country of incorporation</u>	<u>Pallinghurst Group % interest at 31 December 2015</u>	<u>Pallinghurst Group % interest at 31 December 2014</u>
Pallinghurst Resources (Guernsey) GP Ltd	Guernsey	100	100
The Pallinghurst Resources Fund L.P. . . .	Cayman Islands	99.99	99.99
Pallinghurst Consolidated (Cayman) Ltd . .	Cayman Islands	100	100
Pallinghurst Consolidated (Lux) S.à r.l. . . .	Luxembourg	100	100
Pallinghurst Consolidated (Dutch) B.V. . . .	The Netherlands	100	100
Pallinghurst Steel Feed (Dutch) B.V.	The Netherlands	100	100

There are no restrictions on any assets or liabilities of any of these subsidiaries.

17. Contingent liabilities and contingent assets

The Pallinghurst Group has acted as a limited guarantor for the lease of Fabergé's New York retail outlet at 694 Madison Avenue since 31 August 2011. One of the conditions of the Gemfields/ Fabergé Merger, which completed on 28 January 2013, was that Gemfields either take over as guarantor from the Company, or that Gemfields indemnify the Pallinghurst Group against any potential liability to the landlord. Gemfields have provided an indemnity to the Pallinghurst Group against any loss from this guarantee. The Directors' assessment is that the maximum amount of the contingent liability continues to be US\$0.219 million, although any such loss should be recoverable from Gemfields under the terms of the indemnity.

The Pallinghurst Group had no other significant contingent liabilities or contingent assets at 31 December 2015 or 31 December 2014.

18. Commitments

The Pallinghurst Group had no material commitments at the date of signature of these Financial Statements.

19. Events occurring after the end of the year

Approval of Annual Report

The Annual Report was approved by the Directors and authorised for issue on 30 March 2016.

Part 2
Gemfields Financial Information

The financial information referred to below forms part of the audited consolidated financial statements for Gemfields for the years ended 30 June 2015 and 30 June 2016 and the interim results of Gemfields for the six months ended 31 December 2016 as required by Rule 24.3 of the Takeover Code. The documents (or parts thereof) referred to below, the contents of which have previously been announced through a Regulatory Information Service, are incorporated by reference into this document pursuant to Rule 24.15 of the Takeover Code.

<u>Information incorporated by reference into this document</u>	<u>Reference document</u>	<u>Page numbers in reference document</u>
Gemfields audited consolidated accounts for the year ended 30 June 2016	Gemfields Annual Report and Financial Statements 2016	87 – 130
Gemfields audited consolidated accounts for the year ended 30 June 2015	Gemfields Annual Report and Financial Statements 2015	69 – 115

The unaudited financial statements for the six months ended 31 December 2016 set out in the Interim Results of Gemfields is incorporated by reference into, and forms part of, this document and is available from the website at <http://otp.investis.com/clients/uk/gemfields/rns/regulatory-story.aspx?cid=1227&newsid=845213>.

These documents are available free of charge on Gemfields' website at <http://corporate.gemfields.co.uk>. A person who has received this document may request a copy of such information in hard copy form (hard copies will not be provided unless requested). Hard copies may be requested by contacting Computershare Investor Services PLC, Corporate Actions Projects, The Pavilions, Bridgwater Road, Bristol BS99 6AH or by telephone, between 8:30 am and 5:30 pm on Monday to Friday (except public holidays), on 0370 707 1826, with your full name and the full address to which the hard copy may be sent. Please note that calls may be monitored or recorded and Computershare Investor Services PLC cannot provide legal, tax or financial advice or advice on the merits of the Offer.

No incorporation of website information

Save as expressly referred to herein, neither the content of the Gemfields website referred to in Part 2 above, nor the content of any website accessible from hyperlinks on Gemfields' website, is incorporated into, or forms part of, this document.

Appendix 3 Additional Information

1. Responsibility

- 1.1 The Pallinghurst Directors, whose names are set out in paragraph 2.1 below, accept responsibility for the information contained in this document, save that the only responsibility accepted by them in respect of such information as related to Gemfields (which has been compiled from public records) has been to ensure that such information has been correctly and fairly reproduced and presented.
- 1.2 To the best of the knowledge and belief of the Pallinghurst Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

- 2.1 The names of the Pallinghurst Directors and their respective positions are as follows:

<u>Name</u>	<u>Position</u>
Brian Gilbertson	Chairman
Arne H. Frandsen	Chief Executive
Andrew Willis	Finance Director
Dr Christo Wiese	Non-Executive Director
Stuart Platt-Ransom	Lead Independent Non-Executive Director
Martin Tolcher	Independent Non-Executive Director
Clive Harris	Independent Non-Executive Director
Lumkile Mondli	Independent Non-Executive Director

The registered office of Pallinghurst, and the business address of each of the Pallinghurst Directors, is 11 New Street, St Peter Port, Guernsey, GY1 2PF, Channel Islands.

- 2.2 As far as Pallinghurst is aware, the names of the Gemfields Directors and their respective positions are as follows:

<u>Name</u>	<u>Position</u>
Graham Mascal	Chairman
Ian Harebottle	Chief Executive Officer
Janet Boyce	Chief Financial Officer
Sean Gilbertson	Executive Director
Clive Newall	Independent Non-Executive Director
Finn Behnken	Independent Non-Executive Director

The registered office of Gemfields, and the business address of each of the Gemfields Directors, is 1 New Burlington Place, London W1S 2HR.

The Company Secretary of Gemfields is JJ Williams.

3. Interests and dealings

- 3.1 For the purposes of this paragraph 3 and paragraph 4:

- (a) **“acting in concert”** has the meaning given to it in the Takeover Code;
- (b) **“arrangement”** includes indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to securities which may be an inducement to deal or refrain from dealing, but excludes irrevocable commitments and letters of intent;
- (c) **“dealing”** has the meaning given to it in the Takeover Code;
- (d) **“derivative”** has the meaning given to it in the Takeover Code;
- (e) **“disclosure date”** means the close of business on 8 June 2017;

- (f) “**disclosure period**” means the period beginning on 19 May 2016 (the date twelve months before the commencement of the Offer Period) and ending on the disclosure date;
- (g) a person is treated as “**interested**” in securities if he has a long economic exposure, whether absolute or conditional, to changes in the price of securities (but not if he only has a short position in such securities) and in particular if: (i) he owns them; (ii) he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them; (iii) by virtue of any agreement to purchase, option or derivative he: (a) has the right or option to acquire them or call for their delivery; or (b) is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or (iv) he is party to any derivative: (a) whose value is determined by reference to their price; and (b) which results, or may result, in his having a long position in them; and (v) in the case of Rule 5 only, he has received an irrevocable commitment in respect of them.
- (h) “**relevant Pallinghurst securities**” mean relevant securities (such term having the meaning given to it in the Takeover Code in relation to an offeror) of Pallinghurst including equity share capital in Pallinghurst (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof; and
- (i) “**relevant Gemfields securities**” mean relevant securities (such term having the meaning given to it in the Takeover Code in relation to an offeree) of Gemfields including equity share capital of Gemfields (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof.

3.2 As at the disclosure date, the Pallinghurst Group held the following interests in relevant Gemfields securities:

<u>Name</u>	<u>Number of Gemfields Shares</u>
The Pallinghurst Resources Fund L.P. ⁽¹⁾	208,502,556 (37.92%)

Notes:

(1) The Pallinghurst Resources Fund L.P. also holds indirect interests in 50,406,359 Gemfields Shares 9.17% through its holdings in Fabergé Conduit Limited. The Pallinghurst Resources Fund L.P. is wholly owned by the Company.

3.3 As at the disclosure date, the Pallinghurst Directors held the following interests in relevant Gemfields securities:

<u>Name</u>	<u>Number of Gemfields Shares</u>
Dr Christo Wiese ⁽¹⁾	5,944,583 (1.08%)
Andrew Willis ⁽²⁾	18,000 (<0.01%)
Executive Directors direct and indirect interests ⁽³⁾	7,965,889 (1.45%)

Notes:

(1) Dr Christo Wiese holds a total of 5,944,583 Gemfields Shares (1.08%) via the following entities: (i) 3,100,000 Gemfields Shares indirectly via Myrtledare Corp; (ii) 2,594,583 Gemfields Shares indirectly via Rivomore Limited; and (iii) 250,000 Gemfields Shares indirectly via CCIJ Investments (Pty) Ltd.

(2) Andrew Willis’ interest in Gemfields (<0.01%) is held through a contract of difference and not directly in Gemfields Shares.

(3) As at the date of this document, Brian Gilbertson, Arne H. Frandsen and Andrew Willis each hold interests in Pallinghurst (Cayman) Founder L.P which in turn holds 5,391,081 Gemfields Shares (0.98%) via Fabergé Conduit Limited. Brian Gilbertson holds interests in Autumn Holdings Asset Inc. which in turn holds 988,079 Gemfields Shares (0.18%) and he also holds a 25% interest in Pallinghurst Resources Management L.P., which in turn holds 1,586,729 Gemfields Shares (0.29%).

3.4 As at the disclosure date, save as disclosed in paragraph 3.3 above, the following persons acting, or deemed to be acting, in concert with Pallinghurst held the following interests in relevant Gemfields securities:

<u>Concert Party</u>	<u>Number of Gemfields Shares</u>
NGPMR (Cayman) L.P. ⁽¹⁾	72,497,243 (13.19%)
Investec Pallinghurst (Cayman) L.P. ⁽²⁾	68,273,047 (12.42%)
The Pallinghurst Resources Fund L.P. ⁽³⁾	50,406,359 (9.17%)
Sean Gilbertson ⁽⁴⁾	300,000 (0.05%)
Investec Wealth & Investment Limited	4,500 (<0.01%)

Notes:

- (1) Included within the NGPMR (Cayman) L.P. holding is 28,068,738 Gemfields Shares (5.11%) held via Fabergé Conduit Limited.
- (2) Included within Investec Pallinghurst (Cayman) L.P. holding is 14,781,229 Gemfields Shares (2.69%) held via Fabergé Conduit Limited.
- (3) The Pallinghurst Resources Fund L.P. holds 50,406,359 Gemfields shares (9.17%) via Fabergé Conduit Limited.
- (4) Sean Gilbertson has an interest in Autumn Holdings Asset Inc. which holds 988,079 Gemfields Shares (0.18%), and holds interests in Pallinghurst (Cayman) Founder L.P. which in turn holds 5,391,081 Gemfields Shares via Fabergé Conduit Limited and he also holds a 50% interest in Pallinghurst Resources Management L.P., which in turn holds 1,586,729 Gemfields Shares.

3.5 As at the disclosure date, the following persons held interests of 5% or more of the total issued share capital of Gemfields:

<u>Name</u>	<u>Number of Gemfields Shares</u>
The Pallinghurst Resources Fund L.P. ⁽¹⁾	208,502,556 (37.92%)
Fabergé Conduit Limited	98,647,407 (17.94%)
Investec Pallinghurst (Cayman) L.P. ⁽²⁾	53,491,818 (9.73%)
NGPMR (Cayman) L.P. ⁽³⁾	44,428,505 (8.08%)

Notes:

- (1) The Pallinghurst Resources Fund L.P. also holds indirect interests in 50,406,359 Gemfields Shares (9.17%) through its holdings in Fabergé Conduit Limited. The Pallinghurst Resources Fund L.P. is wholly owned by the Company.
- (2) Included within the NGPMR (Cayman) L.P. holding is 28,068,738 Gemfields Shares (5.11%) held via Fabergé Conduit Limited.
- (3) Included within Investec Pallinghurst (Cayman) L.P. holding is 14,781,229 Gemfields Shares (2.69%) held via Fabergé Conduit Limited.

3.6 As at the disclosure date, the Pallinghurst Directors held the following interests in relevant Pallinghurst securities:

<u>Name</u>	<u>Number of Pallinghurst Shares</u>
Dr Christo Wiese ⁽¹⁾	151,238,953 (19.89%)
Affinity Trust Limited as trustee of The Brian Gilbertson Discretionary Settlement	24,261,669 (3.19%)
Arne H. Frandsen	4,237,369 (0.56%)
Andrew Willis	2,446,054 (0.32%)
Clive Harris	437,652 (0.06%)

Notes:

- (1) Dr Wiese holds indirect interests in 149,034,253 Pallinghurst Shares via the following entities: Radaj 2 (Pty) Ltd (12.51%), Radaj 2 (Pty) Ltd #2 (4.14%), Titan Share Dealers (Pty) Ltd (1.41%), Investec Bank Switzerland) AG (0.79%), Citiclient Nominees No 8 LDN GW (0.73%) and Titan Share Dealers (Pty) Ltd (TIT47) (0.02%). In addition, a further 2,204,700 Pallinghurst Shares, or 0.29%, are held by members of Dr Wiese's immediate family; including these shares would increase Dr Wiese's total shareholding to 19.89%.

3.7 As at the disclosure date, the following persons acting, or deemed to be acting, in concert with Pallinghurst held the following interests in relevant Pallinghurst securities:

<u>Name</u>	<u>Number of Pallinghurst Shares</u>
Investec Asset Management Limited	46,533,802 (6.12%)
Sean Gilbertson	4,175,536 (0.55%)
Priyank Thapliyal	4,175,536 (0.55%)
Investec Bank Limited and Investec Securities (Pty) Ltd	1,283,987 (0.17%)
Investec Wealth & Investment Limited	1,134,743 (0.15%)

3.8 As at the disclosure date, the following persons held interests of 5% or more of the total issued shares capital of Pallinghurst:

<u>Name</u>	<u>Number of Pallinghurst Shares</u>
Dr Christo Wiese ⁽¹⁾	151,238,953 (19.89%)
Old Mutual Investment Group (South Africa) (Pty) Ltd	71,868,703 (9.45%)
Oasis Asset Management Ltd	68,470,365 (9.00%)
Solway Finance Limited	67,386,056 (8.86%)
Ophorst van Marwijk Kooy Vermogensbeheer N.V.	49,188,193 (6.47%)
Oasis Crescent Capital (Pty) Ltd	47,296,088 (6.22%)
Investec Asset Management ⁽²⁾	46,533,802 (6.12%)

Notes:

- (1) Dr Wiese holds indirect interests in 149,034,253 Pallinghurst Shares via the following entities: Radaj 2 (Pty) Ltd (12.51%), Radaj 2 (Pty) Ltd #2 (4.14%), Titan Share Dealers (Pty) Ltd (1.41%), Investec Bank Switzerland) AG (0.79%), Citiclient Nominees No 8 LDN GW (0.73%) and Titan Share Dealers (Pty) Ltd (TIT47) (0.02%). In addition, a further 2,204,700 Pallinghurst Shares, or 0.29%, are held by members of Dr Wiese's immediate family; including these shares would increase Dr Wiese's total shareholding to 19.89%.
- (2) For the avoidance of doubt, Investec Asset Management does not include the holdings of Investec Bank Limited and Investec Securities (Pty) Ltd and Investec Wealth & Investment Limited.

4. Interests and dealings – general

4.1 Save as disclosed in paragraph 3 above:

- (a) no member of the Pallinghurst Group had at the disclosure date any interest in, right to subscribe in respect of or short position (whether conditional or absolute and whether in the money or otherwise) in, including any short position under a derivative, any agreement to sell or any delivery obligation or any right to require another person to purchase or take delivery of, any relevant Gemfields securities nor has any member of the Pallinghurst Group dealt in any relevant Gemfields securities during the disclosure period;
- (b) no Pallinghurst Director had at the disclosure date any interest in, right to subscribe in respect of or short position (whether conditional or absolute and whether in the money or otherwise) in, including any short position under a derivative, any agreement to sell or any delivery obligation or any right to require another person to purchase or take delivery of, any relevant Gemfields securities, nor has any Pallinghurst Director dealt in any relevant Gemfields securities during the disclosure period;
- (c) no person acting, or deemed to be acting, in concert with Pallinghurst had at the disclosure date any interest in, right to subscribe in respect of or short position (whether conditional or absolute and whether in the money or otherwise) in, including any short position under a derivative, any agreement to sell or any delivery obligation or any right to require another person to purchase or take delivery of, any relevant Gemfields securities, nor has any such person dealt in any relevant Gemfields securities during the disclosure period; and
- (d) at the disclosure date neither Pallinghurst nor any person acting, or deemed to be acting, in concert with Pallinghurst had borrowed or lent any relevant Gemfields securities (including for these purposes any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code), save for any borrowed shares which had been either on-lent or sold.

4.2 Save as disclosed in paragraph 3 above:

- (a) no member of the Pallinghurst Group had at the disclosure date any interest in, right to subscribe in respect of or short position (whether conditional or absolute and whether in the

money or otherwise) in, including any short position under a derivative, any agreement to sell or any delivery obligation or any right to require another person to purchase or take delivery of, any relevant Pallinghurst securities nor has any member of the Pallinghurst Group dealt in any relevant Pallinghurst securities during the disclosure period;

- (b) no Pallinghurst Director had at the disclosure date any interest in, right to subscribe in respect of or short position (whether conditional or absolute and whether in the money or otherwise) in, including any short position under a derivative, any agreement to sell or any delivery obligation or any right to require another person to purchase or take delivery of, any relevant Pallinghurst securities, nor has any Pallinghurst Director dealt in any relevant Pallinghurst securities during the disclosure period;
- (c) no person acting, or deemed to be acting, in concert with Pallinghurst had at the disclosure date any interest in, right to subscribe in respect of or short position (whether conditional or absolute and whether in the money or otherwise) in, including any short position under a derivative, any agreement to sell or any delivery obligation or any right to require another person to purchase or take delivery of, any relevant Pallinghurst securities, nor has any such person dealt in any relevant Pallinghurst securities during the disclosure period; and
- (d) at the disclosure date neither Pallinghurst nor any person acting, or deemed to be acting, in concert with Pallinghurst had borrowed or lent any relevant Pallinghurst securities (including for these purposes any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code), save for any borrowed shares which had been either on-lent or sold.

4.3 Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between Pallinghurst or any person acting, or deemed to be acting, in concert with it and any Gemfields Director, Gemfields Shareholder, recent director or shareholder of Gemfields or person interested or recently interested in Gemfields Shares having any connection with or dependence upon the Offer.

4.4 Save as disclosed in this document, there is no agreement, arrangement or understanding by which any securities acquired in pursuance of the Offer will be transferred to any other person, but Pallinghurst reserves the right to transfer any such shares to any member of the Pallinghurst Group.

5. Details of Particulars of Pallinghurst Shares

The following is a summary of the Articles of Incorporation. The Articles of Incorporation are available for inspection at Pallinghurst's registered office, as set out in paragraph 14 below:

5.1 Objects

The Articles of Incorporation do not provide for any objects of Pallinghurst and accordingly Pallinghurst's objects are unrestricted.

5.2 Rights attaching to shares

Pallinghurst may issue an unlimited number of shares, which may be designated and issued as Pallinghurst Shares or otherwise as the Directors may from time to time determine.

5.3 Pallinghurst Shares

The rights attaching to the Pallinghurst Shares shall be as follows:

- (a) As to income – the holders of Pallinghurst Shares shall be entitled to receive, and participate in, any dividends or other distributions out of the profits of Pallinghurst attributable to the Pallinghurst Shares and available for dividend or distribution and resolved to be distributed in respect of any accounting period or any other income or right to participate therein in accordance with paragraph 5.10 below.
- (b) As to capital – in the event of Pallinghurst's windup, Management Shares carry the right to receive notice of, attend and vote at any general meeting of Pallinghurst, provided that no Pallinghurst Shares are in issue at such date. On a winding up, and after payment of all the creditors, the payment of fair market value per Ordinary Share, the Pallinghurst Shares less

any cost associated with the liquidation, the nominal value of the Management Shares shall be paid to the holders of the Management Shares.

- (c) As to voting – the holders of the Pallinghurst Shares shall be entitled to receive notice of and to attend and vote at general meetings of Pallinghurst. Each holder of an Ordinary Share will have one vote in respect of each Ordinary Share held by them.

5.4 *Management Shares*

The rights attaching to the Management Shares shall be as follows:

- (a) As to income – the holders of the Management Shares shall have no rights to receive or participate in any distributions of Pallinghurst, subject to any rights as to capital as set out below.
- (b) As to capital – the holders of Pallinghurst Shares shall be entitled on a winding up, to participate in the distribution of capital in the manner described in paragraph 5.9 below.
- (c) As to voting – the holders of the Management Shares shall be entitled to receive notice of and to attend and vote at general meetings of Pallinghurst only if there are no Pallinghurst Shares in issue. When these rights exist, each holder of a Management Share will have 10,000 votes in respect of each Management Share held by them.

5.5 *General*

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share (or option, warrant or other right in respect of a share) in Pallinghurst may be issued with such preferred, deferred or other special rights or restrictions, whether as to dividend, voting, return of capital or otherwise, as the Directors may determine.

5.6 *Issue of Shares*

Subject to paragraph 5.5 and the provisions of the Companies Law and the JSE Listings Requirements, the unissued shares shall be at the disposal of the Directors which is authorised to allot, grant options, warrants or other rights over or otherwise dispose of them to such persons on such terms and conditions and at such times as the Directors determine but so that no Ordinary Share shall be issued at a discount except in accordance with Guernsey law and so that the amount payable on application on each share shall be fixed by the Directors.

5.7 *Alteration of share capital*

Pallinghurst may by Special Resolution and subject to the Companies Law and the JSE Listings Requirements: consolidate and divide all or any of its share capital into shares of larger or smaller amounts than its existing shares; subdivide all or any of its shares into shares of a smaller amount; cancel any shares, at the date of the passing of the resolution, have not been taken up or agreed to be taken up by any person, and diminish the amount of its share capital by the amount of shares so cancelled; convert all or any shares to shares of a different class, whether issued or not, and in particular (but without derogating from the generality of the foregoing) convert Pallinghurst Shares or preference shares to redeemable preference shares.

Pallinghurst may reduce its share capital, any capital account or any share premium account in any manner and with and subject to any authorisation or consent required by Guernsey law.

Pallinghurst may, at the discretion of the Directors, purchase any of its own Pallinghurst Shares, whether or not they are redeemable, and may pay the purchase price in respect of such purchase to the fullest extent permitted by Guernsey law and the JSE Listings Requirements.

5.8 *Variation of Class Rights*

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue) may, subject to any JSE Listings Requirements, whether or not Pallinghurst is being wound up, be altered, abrogated or varied with the consent in writing of the holders of not less than three fourths of the issued shares of that class or with the sanction of a Special Resolution of the holders of the shares of that class,

provided that the rights attached to the Management Shares cannot be amended unless a Special Resolution is also passed by the holders of Pallinghurst Shares.

5.9 *Winding Up*

If Pallinghurst shall be wound up, the surplus assets remaining after payment of all creditors shall, subject to any special terms of issue, be distributed according to the number of shares held by each Shareholder.

If Pallinghurst shall be wound up, whether voluntarily or otherwise, the liquidator may, with the sanction of a Special Resolution, divide among the Shareholders in specie any part of the assets of Pallinghurst and may, with the like sanction, vest any part of the assets of Pallinghurst in trustees upon such trusts for the benefit of the Shareholders as the liquidator, with the like sanction, shall think fit.

Where Pallinghurst is proposed to be or is in course of being wound up and the whole or part of its business or assets are proposed to be transferred or sold to another company ("the transferee") the liquidator of Pallinghurst may, with the sanction of an Ordinary Resolution, conferring either a general authority on the liquidator or an authority in respect of any particular arrangement, receive in compensation or part compensation for the transfer or sale, shares policies or other like interests in the transferee for distribution among the Shareholders of Pallinghurst or may enter into any other arrangement whereby the Shareholders of Pallinghurst may, in lieu of receiving cash, shares, policies or other like interests, or in addition thereto, participate in the profits of or receive any other benefits from the transferee.

5.10 *Dividends*

Subject to compliance with section 304 of the Companies Law, the Directors may at any time declare and pay such dividends as appear to be justified by the position of Pallinghurst. The Directors may also declare and pay any fixed dividend which is payable on any shares of Pallinghurst half-yearly or otherwise on fixed dates whenever the position in the opinion of the Directors so justifies.

The method of payment of dividends shall be at the discretion of the Directors. No dividend shall be paid in excess of the amounts permitted by the Companies Law or approved by the Directors.

The Directors may retain any dividend or other moneys payable on or in respect of a share on which Pallinghurst has a lien and may apply the same in or towards satisfaction of the liabilities or obligations in respect of which the lien exists.

No dividend or other moneys payable on or in respect of a share shall bear interest against Pallinghurst.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of Pallinghurst until claimed and Pallinghurst shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of six years after having been declared shall be forfeited and shall revert to Pallinghurst.

5.11 *Transfer of Shares*

All transfers of shares may be effected by transfer in writing in any form as the Directors may accept. Any instrument of transfer shall be signed by or on behalf of the transferor who shall be deemed to remain the holder until the name of the transferee is entered in the register of Pallinghurst.

The Articles of Incorporation are subject to, and do not limit or restrict Pallinghurst's powers to transfer shares in accordance with the Guernsey Regulations on such terms as the Directors may deem fit.

Every instrument of transfer shall be left at the registered office of Pallinghurst or such other place as the Directors may prescribe with the certificate (if any) of every share to be transferred and such other evidence as the Directors may reasonably require to prove the title of the transferor or his right to transfer the shares; and the transfer and any such certificate shall remain in the custody of the Directors but shall be at all reasonable times produced at the request and expense of the transferor or transferee or their respective representatives.

6. Directors' service contracts and emoluments

Neither the Executive Directors nor the Non-Executive Directors of Pallinghurst currently have any service contracts or letters of employment or appointment with any of the Pallinghurst Group companies.

At the time of its initial public offering in 2007, the Pallinghurst management team committed to managing Pallinghurst for at least 10 years. As part of the Offer, and the Proposed Extension, the Pallinghurst management team will (subject to Pallinghurst Shareholder approval of the Restructuring) undertake to manage Pallinghurst for another five years, until September 2022.

The Transaction will have no effect on emoluments of the Pallinghurst Directors.

Consistent with the conversion to a mining operating company, listed in the diversified mining sector, Pallinghurst proposes to internalise its investment management function. To achieve this, Pallinghurst proposes to:

- (a) terminate the existing Investment Management Agreement for no consideration. All related fees and carried interest arrangements will cease;
- (b) employ certain key Executive Directors of Pallinghurst, namely, Brian Gilbertson as Executive Chairman, Arne H. Frandsen as Chief Executive and Andrew Willis as Finance Director on new employment contracts;
- (c) employ certain senior executives of Pallinghurst namely Sean Gilbertson as Chief Investment Officer and Priyank Thapliyal as Chief Operating Officer; and
- (d) establish the Pallinghurst Share Plan to attract, retain and incentivise, amongst others, key Executive Directors and senior executives. In this regard, Brian Gilbertson, Arne H. Frandsen and Andrew Willis will be granted their options under their respective Service Agreements and subject to the terms of the Pallinghurst Share Plan.

The employment contracts provide for a base salary in line with market practice and bonus arrangements that are directly linked to share price performance.

It is also proposed that the quantum of fees payable to the Non-Executive Directors of Pallinghurst be increased from US\$40,000 to a maximum of US\$100,000 each per annum for their services. The quantum of the current fees payable to the Non-Executive Directors have not been increased since being approved by Pallinghurst Shareholders in 2010 and the proposed increase will bring the remuneration of the Non-Executive Directors more in line with prevailing market practice. Furthermore, the proposed new quantum will enable Pallinghurst to attract suitably qualified and experienced Non-Executive Directors to the Board.

An overview of the Pallinghurst Group corporate structure under the new management structure is set out in the JSE Circular.

Terms of the Service Agreements

(a) Commencement Date and period of employment

The Service Agreements will become effective on 14 September 2017 ("**Commencement Date**").

The Executive Directors' employment in terms of the Service Agreements is for a fixed period of 5 years and the Service Agreements shall automatically expire on the 5th anniversary of the Commencement Date ("**Expiry Date**") unless the Executive Director's employment has been terminated prior thereto for any reason regarded as sufficient in law.

(b) Cash Remuneration Structure

As remuneration for the Executive Director's services and with effect from the Commencement Date, Pallinghurst shall pay to the Executive Director US\$50,000, less tax and other lawful deductions per month ("**Base Compensation**").

In addition to the Base Compensation, in relation to any calendar year (the "**Relevant Year**"), the Executive Director will be entitled to an annual bonus ("**Annual Bonus**"). In the event that the sum of:
(i) the volume weighted average price determined over the last 30 trading days of the Relevant Year; and
(ii) the aggregate dividends (whether in cash or the market value of a dividend in specie) per

Pallinghurst Share declared during the Relevant Year (such sum being the “**Adjusted Share Price**”) has increased by 10% or more when compared to the Adjusted Share Price for the year preceding the Relevant Year. For purposes of this paragraph, the first Relevant Year shall be 2017 (the “**First Bonus Year**”).

In the event that the Adjusted Share Price for the Relevant Year has:

- increased by 10% or more but less than 15% when compared to:
 - in respect of the First Bonus Year, R3.45 being the closing price of the Pallinghurst Shares on the Last Practicable Date (the “**Option Price**”), and
 - in respect of any other Relevant Year, the Adjusted Share Price determined over the same period of the previous year,

the Annual Bonus shall be an amount of 25% of the Base Compensation payable for the Relevant Year;

- increased by 15% or more but less than 20% when compared to:
 - in respect of the First Bonus Year, the Option Price; and
 - in respect of any other Relevant Year, the Adjusted Share Price determined over the same period of the previous year,

the Annual Bonus shall be an amount of 50% of the Base Compensation payable for the Relevant Year;

- increased by 20% or more but less than 25% when compared to:
 - in respect of the First Bonus Year, the Option Price; and
 - in respect of any other Relevant Year, the Adjusted Share Price determined over the same period of the previous year,

the Annual Bonus shall be an amount of 75% of the Base Compensation payable for the Relevant Year; and

- increased by 25% or more when compared to:
 - in respect of the First Bonus Year, the Option Price; and
 - in respect of any other Relevant Year, the Adjusted Share Price determined over the same period of the previous year,

the Annual Bonus shall be an amount of 100% of the Base Compensation payable for the Relevant Year.

For the avoidance of doubt, in the event that the Adjusted Share Price for any Relevant Year has decreased, remained unchanged or increased by less than 10% when compared to the Adjusted Share Price determined over the same period of the previous year, no Annual Bonus shall be payable in respect of the Relevant Year.

(c) Share Options

In addition to the cash remuneration, each Executive Director is granted such number of Options pursuant to the Pallinghurst Share Plan as is approximately equal to 2% of the issued Pallinghurst Shares on the Commencement Date.

(d) Restraint

Prior to entering into the Service Agreements, none of Brian Gilbertson, Arne H. Frandsen and Andrew Willis were subject to any restraint undertakings in favour of Pallinghurst. In terms of the Service Agreements, the aforementioned Executives will be committing to a restraint on the terms set out below.

For the duration of the Service Agreements, the Executive Directors shall not, without Pallinghurst’s prior written consent, whether as proprietor, partner, director, shareholder, member, employee, contractor, financier, agent, representative, assistant, trustee or beneficiary of a trust or otherwise, and whether for reward or not, directly or indirectly be interested or engaged in or concerned with or

employed by any business, trade, undertaking or concern which competes with the business of the Pallinghurst Group, provided that he shall not be deemed to have breached this undertaking by reason of his holding shares in any company the shares of which are listed on a recognised stock exchange if the shares owned by him (including indirectly through any other entity) do not in the aggregate constitute more than 5% of any class of the issued share capital of such company.

In the event that the Executive Director ceases to be employed by Pallinghurst as a result of: (i) his resignation; or (ii) the termination of his employment by Pallinghurst by reason of gross misconduct and/or fraud, the above restraint shall continue to apply for a period of 12 months following the date upon which the Executive Director ceases to be employed by Pallinghurst. The Executive Director will also not be entitled to any compensation from Pallinghurst during this period.

(e) Termination

The Services Agreements may be terminated *inter alia*:

- (a) the Executive Director giving Pallinghurst not less than six months written notice; or
- (b) Pallinghurst giving the Executive not less than three months written notice.

In the event that the Executive Director ceases to be employed by Pallinghurst prior to the Expiry Date for any reason other than: (i) his resignation; (ii) the termination of his employment by Pallinghurst by reason of gross misconduct or fraud; or (iii) his death or disability (in respect of disability, whether employment is terminated by Pallinghurst or the Executive Director as a result thereof), Pallinghurst shall:

- (a) within six months of the date on which the Executive Director ceases to be employed by Pallinghurst ("**Executive Termination Date**"), make payment to the Executive Director of an amount equal to:
 - (i) in the event that termination occurs within the first year (being the period from the Commencement Date and terminating one day prior to the first anniversary of the Commencement Date) ("**First Year**"), the aggregate Base Compensation that would have been payable by Pallinghurst for the remaining duration of the First Year and the second year (being the period commencing on the first anniversary of the Commencement Date and terminating one day prior to the second anniversary of the Commencement Date) ("**Second Year**") had the employment of the Executive Director not been terminated;
 - (ii) in the event that the Executive Termination Date occurs at any time after the First Year, the aggregate Base Compensation that would have been payable by Pallinghurst for 12 months following the Executive Termination Date had the employment of the Executive Director not been terminated; and
- (b) continue to make payment to the Executive Director of the Annual Bonus in terms of the Service Agreement:
 - (i) in the event that termination occurs within the First Year, as if the employment of the Executive Director remained employed by Pallinghurst for the remainder of the First Year and the whole of the Second Year; and
 - (ii) in the event that the Executive Termination Date occurs at any time after the First Year, as if the Executive Director remained employed by Pallinghurst for a period of 12 (twelve) months following the Executive Termination Date.

In the event that the Executive Director ceases to be employed by Pallinghurst prior to the Expiry Date as a result of his death or disability (in respect of disability, whether the employment is terminated by Pallinghurst or the Executive Director as a result thereof), Pallinghurst shall make payment to the Executive Director of:

- (a) within six months of the Executive Termination Date, an amount equal to the aggregate Base Compensation that would have been payable by Pallinghurst for the six months following the Executive Termination Date had the employment of the Executive Director not been terminated; plus

- (b) the full amount of any Annual Bonus that would otherwise have been payable to the employee had the Executive Termination Date occurred six months later, on the date that such amounts would otherwise have been payable.

Further information in relation to the Service Agreements is contained in the Prospectus.

7. Market quotations

- 7.1 The following table shows the closing prices for Gemfields Shares for the first dealing day of each of the six months immediately before the date of this document (from 1 December 2016 to 1 June 2017), for 18 May 2017 (being the last Business Day prior to the commencement of the Offer Period), and for 9 June 2017 (being the latest practicable date prior to the date of this document):

<u>Date</u>	<u>Gemfields Share price (p)</u>
1 December 2016	49.13
3 January 2017	53.00
1 February 2017	50.50
1 March 2017	42.50
3 April 2017	43.00
1 May 2017	41.38
18 May 2017	38.13
1 June 2017	34.75
9 June 2017	34.75

- 7.2 The following table shows the closing prices for Pallinghurst Shares for the first dealing day of each of the six months immediately before the date of this document (from 1 December 2016 to 1 June 2017), for 18 May 2017 (being the last Business Day prior to the commencement of the Offer Period), and for 9 June 2017 (being the latest practicable date prior to the date of this document):

<u>Date</u>	<u>Pallinghurst Share price (ZAR)</u>
1 December 2016	4.25
3 January 2017	4.70
1 February 2017	4.40
11 March 2017	4.50
3 April 2017	4.25
2 May 2017	3.65
18 May 2017	3.32
1 June 2017	3.05
9 June 2017	3.15

8. Material contracts

8.1 Pallinghurst material contracts

Investment Management Agreement

Pursuant to the Investment Management Agreement dated 5 September 2007 between Pallinghurst and the Investment Manager, the Investment Manager has been appointed to provide Pallinghurst with investment advisory and management services in relation to Investments falling within the Investment Scope.

The Investment Manager's Benefit is currently US\$1.4 million per quarter, which amount fluctuates in line with acquisitions, disposals and changes in valuations. The basis for calculation of the Investment Manager's Benefit is 1.5% per annum of the lower of either: (i) the aggregate acquisition cost; or (ii) the fair value of the Pallinghurst Group's unrealised investments (based on the Pallinghurst Group's most recent published financial statements).

The Investment Manager shall not be under any liability as a consequence of any action performed by the Investment Manager acting in good faith in accordance with the terms of the Investment Management Agreement or any specific written request of Pallinghurst. The Investment Manager shall not be liable to Pallinghurst for any decline in the value of the Investments or any part thereof to the extent that such decline results from the Investment Manager's implementation of any express direction of the Board of Directors or from any

Investment recommendation made by the Investment Manager acting in good faith unless such recommendation was as a result of Cause.

The Investment Management Agreement contains certain Key Men provisions to ensure that the Investment Manager retains its key executives with the necessary expertise and experience in order to provide the investment advisory and management services to Pallinghurst in accordance with the scope and terms of the Investment Management Agreement.

In summary, the Key Men provisions state that the Investment Management Agreement will be immediately suspended for a period of up to 12 months upon the occurrence of a Key Man Event (the “**Suspension Period**”), during which Suspension Period no acquisition or disposal of Investments may occur but that all other obligations of Pallinghurst will continue to be met by Pallinghurst (including the payment of the Annual Investment Manager’s Benefit and the completion of contracts entered into by or on behalf of Pallinghurst before entering into such Suspension Period).

Upon the occurrence of a Key Man Event, the Investment Manager will have until the end of the Suspension Period to appoint a replacement Key Man. If the Board of Directors approves of and recommends a replacement Key Man appointment, as soon as practicable thereafter, the Board of Directors will propose and seek the Shareholders’ approval in general meeting by Ordinary Resolution of such replacement Key Man. Once the replacement Key Man has been approved by the Shareholders, the Suspension Period will immediately terminate.

The Investment Management Agreement contains the following indemnity provisions:

- (a) Subject to (g) below, Pallinghurst shall indemnify each of the Indemnified Persons against any liabilities, claims, costs or expenses (including reasonable legal fees) suffered or incurred or threatened by reason of such Indemnified Person’s activities under the relevant agreements, if applicable, concluded between such Indemnified Persons and Pallinghurst provided however that such person shall not be so indemnified with respect to any matter resulting from its Cause.
- (b) Without prejudice to the generality of the foregoing, and subject to the terms of the Investment Management Agreement, Pallinghurst agrees to pay all reasonable costs and expenses incurred by any Indemnified Person in defending, resisting or investigating any threatened or pending action, claim or proceeding in respect of which the Indemnified Person claims to be entitled to be indemnified in advance of the final determination of such action, claim or proceeding upon receipt of a legally binding undertaking by or on behalf of such Indemnified Person to repay such amount if it shall subsequently be determined by a court of competent jurisdiction that such Indemnified Person is not entitled to be so indemnified or receive a contribution in accordance herewith.
- (c) The indemnity provisions shall continue in effect notwithstanding that the Indemnified Person shall have ceased to carry out its respective activities under the relevant agreement, if applicable, but only as regards the services provided in the period prior to and including such cessation (but not thereafter).
- (d) Pallinghurst’s obligations under this indemnity shall:
 - (i) where the matter requiring the indemnity arises from an Investment in an Investment Vehicle with one or more selected Pallinghurst Co-Investors be several and in proportion to the investment amount paid in relation to the Investment Vehicle;
 - (ii) where the matter requiring the indemnity arises from a specific Investment, be several in proportion to its respective investment amount in that Investment; and
 - (iii) and, in either case, shall be limited to the higher of the applicable investment amount(s) and any amounts Realised in relation thereto, either in respect of the arrangements contemplated in the Investment Vehicle agreement or the specific Investment, as the case may be.

In addition, the Investment Management Agreement may be terminated:

- (a) automatically on the date of winding-up of Pallinghurst;

- (b) by Pallinghurst, at any time from its commencement, by the Shareholders in extraordinary general meeting by Special Resolution if such termination is as a result of the Investment Manager's Cause. No further Annual Investment Manager's Benefit or Performance Incentive shall be payable on or after the date of such termination. The termination of the Investment Management Agreement shall not take effect until the Shareholders have by Special Resolution approved the appointment of a replacement investment manager; and
- (c) by Shareholders, at any time from its commencement, in general meeting by Ordinary Resolution, if such termination is as a result of:
 - (i) Mr B Gilbertson failing to devote substantially all of his professional time to the business and affairs of the Program; and/or
 - (ii) Mr B Gilbertson ceasing to be an executive of the Investment Manager or its Associates.

In the event that the Investment Management Agreement is terminated:

- (a) pursuant to (a) or (c) above, the Investment Manager shall be entitled to receive 100% of any Performance Incentive in respect of those Investments which had been made at the time of the termination of the Investment Management Agreement; and
- (b) pursuant to (b) above, the Investment Manager shall not be entitled to receive any Performance Incentive, whether earned at the time of the termination of the Investment Management Agreement or otherwise.

In conjunction with the Transaction, it is proposed that, subject to shareholder approval, the Management Structure Change is adopted pursuant to which the Investment Management Agreement is terminated and the executives engaged by the Investment Manager are directly employed by Pallinghurst.

Administration Agreement

Pursuant to the Administration Agreement dated 23 June 2014 between the Administrator and Pallinghurst, the Administrator has been appointed by Pallinghurst to carry out the day-to-day administration, secretarial and registrar functions of Pallinghurst. The Administrator is also responsible for performing certain duties in relation to the issue, transfer and redemption of Shares and their settlement.

Under the Administration Agreement, Pallinghurst has agreed to pay or procure to be paid to the Administrator, for its services as administrator and company secretary, a minimum fee of US\$155,000 per annum payable within 20 business days of the end of each quarter to which the fee applies, until the Redemption Date or earlier termination of the Administration Agreement. The minimum fee payable is subject to an annual review. There is no prescribed maximum amount payable to the Administrator. Occasional non-material overruns of the minimum fee may occur.

In the absence of bad faith, recklessness, negligence, wilful default or fraud on the part of the Administrator, or breach by the Administrator of the terms of the Administration Agreement or any provision of Applicable Law or the Authorised Rules the Administrator shall not be liable for any loss or damage suffered by Pallinghurst, any Pallinghurst Shareholder or the Investment Manager arising out of or in connection with any act or omission on the part of the Administrator in the performance of its obligations under the Administration Agreement.

The Administration Agreement contains an indemnity by Pallinghurst in favour of the Administrator and any director, employee or partner of the Administrator against any liabilities, claims, costs or expenses (including reasonable legal fees) suffered or incurred or threatened by reason of such indemnified person's activity in the proper performance of the Administrator's obligations under the Administration Agreement, provided this indemnity shall not apply to any claim arising out of or in connection with bad faith, recklessness, negligence, wilful default, fraud or breach on the part of an indemnified person. Without prejudice to the generality of the foregoing, and subject to the terms of the Administration Agreement, Pallinghurst agrees to pay all reasonable costs and expenses incurred by any indemnified person in defending, resisting or investigating any threatened or pending action, claim or proceeding in respect of which the indemnified person claims to be entitled to be indemnified in advance of the final determination of such action, claim or proceeding upon receipt of a legally binding undertaking by or on behalf of such indemnified person to Pallinghurst to repay such amount if it shall subsequently be

determined by a court of competent jurisdiction that such indemnified person is not entitled to be so indemnified or receive a contribution in accordance herewith. Any indemnified person shall first seek recovery under any other indemnity or any insurance policies by which such indemnified person is indemnified or covered, as the case may be.

The Administrator shall not be responsible for any loss or damage to Pallinghurst or for any failure to fulfil its duties where such loss, damage or failure is caused by or directly or indirectly due to war, damage, enemy action, the act of any government or other competent authority, riot, civil commotion, rebellion, storm, tempest, accident, fire, strike, lock-out or any other similar cause beyond the control of the Administrator.

Either the Administrator, the Investment Manager or Pallinghurst shall be entitled to terminate the appointment of the Administrator by giving not less than 3 months' notice in writing to the other party provided that such appointment may be terminated forthwith by either Pallinghurst or the Administrator giving notice in writing to the other if the other:

- (a) commits any material breach of any of its obligations under the Administration Agreement and, if such breach is capable of remedy, fails to make good such breach within 30 days of receipt of notice served by the non-defaulting party requiring it to do so; or
- (b) goes into liquidation or has an order made or a resolution passed to put such party into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation under terms previously approved in writing by the other party or a voluntary liquidation of Pallinghurst following the substantial Realisation of its portfolio), or such party is unable to pay its debts or has been declared "*en désastre*" or if a receiver has been appointed of any of its assets.

The appointment of the Administrator shall terminate automatically upon:

- (a) the voluntary winding-up of Pallinghurst; or
- (b) the Administrator ceases to be licensed by the GFSC, or its successor body, to carry out its services.

9. Irrevocable undertakings

9.1 The following Gemfields Shareholders have given the following irrevocable undertakings to accept the Offer:

<u>Name</u>	<u>Number of Gemfields Shares</u>	<u>% of total number of issued Gemfields Shares as at 8 June 2017</u>
NGPMR (Cayman) L.P.	72,497,243	13.19%
Investec Pallinghurst (Cayman) L.P.	68,273,047	12.42%
Oasis Asset Management and Oasis Crescent Capital	6,008,981	1.09%
Pallinghurst (Cayman) Founder L.P.	5,391,081	0.98%
Dr Christo Wiese	2,494,583	0.45%
Sean Gilbertson	300,000	0.05%
Total irrevocable undertakings	154,964,935	28.18%

9.2 The irrevocable undertakings commit the relevant Gemfields Shareholders to accept the Offer and to accept the Pallinghurst Shares in exchange for all their Gemfields Shares.

9.3 The irrevocable undertakings from each of NGPMR (Cayman) L.P., Investec Pallinghurst (Cayman) L.P., Pallinghurst (Cayman) Founder L.P., Dr Christo Wiese and Sean Gilbertson cease to be binding if: (i) the Offer is not made (by the publication of this document) on substantially the terms and conditions set out or referred to in the Announcement by the date which is 28 days from the date of the Announcement (or such later date as the Panel may permit); (ii) the Offer lapses or is withdrawn becoming unconditional in all respects; or (iii) a third party announces a firm intention to acquire the share capital of Gemfields and such proposal provides for consideration of more than 10% premium to the price per Gemfields Share being offered by Pallinghurst and Pallinghurst does not increase the consideration to be paid for Gemfields Shares pursuant to the Offer to an amount equivalent per Gemfields Share within seven days of the competing offer.

- 9.4 The irrevocable undertakings from Oasis Asset Management and Oasis Crescent Capital cease to be binding if: (i) the Offer is not made (by the publication of this document) on substantially the terms and conditions set out or referred to in the Announcement by the date which is 28 days from the date of the Announcement (or such later date as the Panel may permit); (ii) the Offer lapses or is withdrawn becoming unconditional in all respects; or (iii) a third party announces a firm intention to acquire the share capital of Gemfields and such proposal provides for consideration of more than the price per Gemfields Share being offered by Pallinghurst and Pallinghurst does not increase the consideration to be paid for Gemfields Shares pursuant to the Offer to an amount equivalent per Gemfields Share within seven days of the competing offer.
- 9.5 The following holders of Pallinghurst Shares have given the following irrevocable undertakings in relation to the Pallinghurst Resolutions:

<u>Name</u>	<u>Number of Pallinghurst Shares</u>	<u>% of total number of issued Pallinghurst Shares as at 8 June 2017</u>
Titan Nominees Proprietary Limited	151,238,953	19.89%
Oasis Asset Management Limited	68,470,365	9.00%
Solway Finance Limited	67,386,056	8.86%
Oasis Crescent Capital (Proprietary) Limited	47,296,088	6.22%
Affinity Trust Limited ATO The Brian Gilbertson Discretionary Settlement	24,261,669	3.19%
Hlamogolo Capital (Pty) Ltd	8,325,334	1.09%
Arne H. Frandsen	4,237,369	0.56%
Sean Gilbertson	4,175,536	0.55%
Priyank Thapliyal	4,175,536	0.55%
Andrew Willis	2,446,054	0.32%
Clive Harris	437,652	0.06%
Total irrevocable undertakings	382,450,612	50.3%

These irrevocable undertakings cease to be binding upon the earlier of: (i) the date on which the Conditions lapse as a result of the failure or non-fulfilment of any of the Conditions; or (ii) the date on which the Offer is implemented.

10. Fees and expenses

The aggregate fees and expenses to be incurred by Pallinghurst in connection with the Offer and during the Offer Period (excluding any applicable VAT) are expected to be:

<u>Details of the expense</u>	<u>Paid/Payable to</u>	<u>Estimated cost – US\$'000</u>	<u>Estimated cost – ZAR'000</u>
Financial Advisor and transaction sponsor	UBS	3,000	39,193
Independent Reporting Accountants	Deloitte	297	3,880
Legal Advisor to Pallinghurst as to South African Law	ENSafrica	230	3,005
Legal Advisor to Pallinghurst as to English Law	White & Case	1,284	16,774
Legal Advisor to Pallinghurst as to Guernsey law	Mourant Ozannes	257	3,357
Legal Advisor to Pallinghurst as to Zambian Law	Musa Dudhia & Co	10	131
Administrator		10	131
Documentation fees	JSE	10	131
Listing fees	JSE	30	392
UK Regulatory	FCA/Takeover Panel	116	1,515
Printing and postage	Merrill Corporation	50	653
Public relations	Capital Voice	19	248
Public relations	Temple Bar	13	170
Total		5,294	69,162

11. Ratings

11.1 There are no ratings or outlooks publicly accorded to Gemfields.

11.2 There are no ratings or outlooks publicly accorded to Pallinghurst.

12. Persons acting in concert

In addition to the members of the Pallinghurst Group, and their respective directors and officers (including the Pallinghurst Directors), the persons who, for the purposes of the Takeover Code, are acting in concert with Pallinghurst are:

<u>Name</u>	<u>Relationship with Pallinghurst</u>
Investec Pallinghurst (Cayman) L.P.	Pallinghurst Co-Investor
Investec Bank Limited	Affiliate of Investec Pallinghurst (Cayman) L.P.
Investec Securities (Pty) Ltd	Affiliate of Investec Pallinghurst (Cayman) L.P.
Investec Asset Management Limited	Affiliate of Investec Pallinghurst (Cayman) L.P.
Investec Wealth & Investment Limited	Affiliate of Investec Pallinghurst (Cayman) L.P.
NGPMR (Cayman) L.P.	Pallinghurst Co-Investor
Pallinghurst (Cayman) Founder L.P.	Crossover with Pallinghurst Directors
Pallinghurst Resources Management L.P.	Indirect interests in Pallinghurst Resources Management L.P. are held by Brian Gilbertson and Sean Gilbertson
The Pallinghurst Resources Fund L.P.	Pallinghurst Group company (wholly owned by the Company)
Autumn Holdings Asset Inc.	Shares in Autumn Holdings Asset Inc. held by a discretionary trust in which Brian Gilbertson and Sean Gilbertson are beneficiaries
Sean Gilbertson	Shareholder of Pallinghurst
Priyank Thapliyal	Shareholder of Pallinghurst

For the avoidance of doubt the persons acting in concert with Pallinghurst are not joint offerors for the purposes of the Offer.

13. Consents

UBS has given and has not withdrawn its written consent to the issue of this document and the inclusion of its letter and the references to its name in the form and context in which they are included.

14. Documents published on a website

Copies of the following documents will be available for viewing at www.pallinghurst.com/gemfields-offer for Pallinghurst and will also be available for inspection at Pallinghurst's offices at 11 New Street, St Peter Port, Guernsey, GY1 2PF, Channel Islands during usual business hours on Business Days until the end of the Offer (including any related competition reference period):

- (a) the irrevocable undertakings referred to above;
- (b) a copy of the Announcement;
- (c) a copy of the JSE Announcement;
- (d) a copy of the Investor Presentation;
- (e) the Articles of Incorporation of Pallinghurst;
- (f) the memorandum and articles of association of Gemfields;
- (g) the audited consolidated accounts of Gemfields for the financial years ended 30 June 2015 and 30 June 2016 and the unaudited interim financial statement of Gemfields for the six months ended 31 December 2016;
- (h) the audited consolidated accounts of Pallinghurst for the financial years ended 31 December 2016 and 31 December 2015;
- (i) the written consent referred to in paragraph 13 above;
- (j) the irrevocable undertakings referred to in paragraph 9 above;
- (k) those material contracts described in paragraph 8 above and which were entered into in connection with the Offer;
- (l) the Prospectus; and

(m) the JSE Circular.

15. United Kingdom taxation

The following statements are only a guide to the general position and are based on current UK taxation legislation and published practice of UK HM Revenue & Customs (“**HMRC**”), both of which are subject to change, possibly with retrospective effect. Except where the position of non-UK residents is expressly referred to, these statements relate solely to persons who are resident in the UK for UK tax purposes, who do not have a permanent establishment or fixed base outside the UK with which the holding of Gemfields Shares is connected, who are the beneficial owners of Gemfields Shares, who hold their Gemfields Shares as an investment and not as trading stock and who have not (and are not deemed to have) acquired their Gemfields Shares by reason of an office or employment. The comments below may not apply to certain classes of shareholders such as (but not limited to) dealers in securities, insurance companies and collective investment schemes.

If you are in any doubt as to your tax position or if you are subject to tax in a jurisdiction other than the UK, you should consult your own professional advisers.

15.1 Taxation on chargeable gains – Gemfields Shareholders receiving Consideration Shares

For the purposes of UK capital gains tax or UK corporation tax on chargeable gains (as applicable) (“**CGT**”), the share-for-share exchange that would occur upon acceptance of the Offer should be regarded as a share reorganisation. Gemfields and Pallinghurst should be treated as the same company and for CGT purposes there should be no disposal of the Gemfields Shares or acquisition of the Consideration Shares, but rather the Consideration Shares should be treated as the same asset as the Gemfields Shares. The Consideration Shares should be deemed to have been acquired at the same time and for the same cost as the Gemfields Shares. To the extent that a Gemfields Shareholder alone, or together with persons connected with him, holds more than 5% of any class of shares in or debentures of Gemfields, the treatment described above should apply provided that the aforementioned share-for-share exchange is effected for bona fide commercial reasons and does not form part of a scheme of arrangement of which the main purpose or one of the main purposes is avoidance of liability to capital gains tax or corporation tax. Clearance from HMRC has not been sought on this point. If this treatment does not apply for any reason, Gemfields Shareholders would be treated as disposing of their shares and acquiring new shares in Pallinghurst. This may result in a chargeable gain or loss arising.

15.2 UK stamp duty and stamp duty reserve tax (“**SDRT**”)

No UK stamp duty or SDRT should be payable by accepting Relevant Gemfields Shareholders in respect of the transfer of Gemfields Shares to Pallinghurst or the issue of Consideration Shares to accepting Relevant Gemfields Shareholders pursuant to the terms of the Offer.

15.3 Taxation of Consideration Shares

The UK taxation consequences for accepting Relevant Gemfields Shareholders of holding and disposing of Consideration Shares are described in Part XIV (*Taxation*) of the Prospectus published by Pallinghurst on the date of this document which is available on Pallinghurst's website at www.pallinghurst.com/gemfields-offer.

16. Guernsey taxation

16.1 The following information is general in nature and relates only to Guernsey taxation applicable to Pallinghurst, the anticipated tax treatment in Guernsey that applies to the holders of Pallinghurst Shares and the Guernsey tax regime generally. The summary does not constitute legal or tax advice and is based on taxation law and practice at the date of this document. Pallinghurst Shareholders and prospective Pallinghurst Shareholders should be aware that the level and bases of taxation may change from those described and should consult their own professional advisors on the implications of acquiring, holding, disposing of, transferring or redeeming Pallinghurst Shares in Pallinghurst under the laws of the countries in which they are liable to taxation.

16.2 Taxation of Pallinghurst

Pallinghurst has applied for and been granted exemption from liability to income tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 as amended by the Director of Income Tax in Guernsey for the current calendar year. Exemption must be applied for annually and will be granted, subject to the payment of an annual fee, which is currently fixed at £1,200, provided Pallinghurst qualifies for exemption under the applicable legislation. It is the intention of the Directors to conduct the affairs of Pallinghurst so as to ensure that it continues to qualify for exempt company status for the purposes of Guernsey taxation.

As an exempt company, Pallinghurst is and will be treated as if it were not resident in Guernsey for the purposes of liability to Guernsey income tax. Under current law and practice in Guernsey, Pallinghurst will only be liable to tax in Guernsey in respect of income arising or accruing in Guernsey, other than from a relevant bank deposit, other exempt bodies or shares in Guernsey companies. It is not expected that Pallinghurst will have any liability to tax on Guernsey source income. It is the intention of the Directors to manage the affairs of Pallinghurst in such a way as to ensure that Pallinghurst is not treated as tax resident outside of Guernsey, nor to be carrying on a trade through a permanent establishment, branch or agency outside of Guernsey.

No stamp duty or other taxes are chargeable in Guernsey on the issue, transfer, disposal, conversion or redemption of Pallinghurst Shares. Guernsey currently does not levy taxes upon capital inheritances, capital gains gifts, capital transfer, wealth, sales or turnover (unless the varying of investments and the turning of such investments to account is a business or part of a business), nor are there any estate duties (save for registration fees and ad valorem duty for a Guernsey Grant of Representation where the deceased dies leaving assets in Guernsey which require presentation of such a Grant).

16.3 Taxation of Gemfields Shareholders receiving Consideration Shares

Gemfields Shareholders resident for tax purposes in Guernsey should not suffer any Guernsey income tax on the disposal of Gemfields Shares in exchange for Consideration Shares. Clearance from the Director of Income Tax has not been sought on this point.

16.4 Taxation of Consideration Shares

The Guernsey taxation consequences for accepting Relevant Gemfields Shareholders of holding and disposing of Consideration Shares are described in Part XIV (*Taxation*) of the Prospectus published by Pallinghurst on the date of this document which is available on Pallinghurst's website at www.pallinghurst.com/gemfields-offer.

16.5 United States Foreign Account Tax Compliance Act (“**FATCA**”), Common Reporting Standard or similar legislation

Under FATCA, certain payments made to Pallinghurst on or after 1 July 2014 may be subject to a 30% withholding tax, or “FATCA Deduction”, unless Pallinghurst complies with the requirements of the intergovernmental agreement between the United States and Guernsey (which seeks to implement the requirements of FATCA) and any legislation enacted in Guernsey to implement the US-Guernsey intergovernmental agreement.

Whilst Pallinghurst will seek to satisfy its obligations under FATCA, the US-Guernsey intergovernmental agreement and the associated implementing legislation in Guernsey to avoid the imposition of any FATCA Deductions, the ability of Pallinghurst to satisfy such obligations will depend on receiving relevant information and/or documentation about each Pallinghurst Shareholder and the direct and indirect beneficial owners of the Pallinghurst Shares (if any). Pallinghurst intends to satisfy such obligations, although there can be no assurances that it will be able to do so. There is therefore a risk that Pallinghurst may be subject to one or more FATCA Deductions, any of which may have a material adverse effect on the market price of Pallinghurst Shares.

The Organisation for Economic Co-operation and Development has been actively engaged in working towards the exchange of information on a global scale, similar to the information to be reported under FATCA and has published a global Common Reporting Standard for multilateral exchange of information pursuant to which many governments have now signed multilateral agreements. A group of those governments, including Guernsey but excluding, in particular, the

US, have committed to a common implementation timetable which will see the first exchange of information in 2017 in respect of accounts open at and from the end of 2015, with further countries committed to implement the new global standard by 2018.

The Common Reporting Standard was implemented into Guernsey law by the Income Tax (Approved International Agreements) (Implementation) (Common Reporting Standard) Regulations, 2015 with effect from 1 December 2015 with first reporting taking place in 2017. These Regulations have the effect of requiring all reporting financial institutions in Guernsey to apply the Common Reporting Standard due diligence procedures to all financial accounts they maintain from 1 January 2016.

The US is not adopting the Common Reporting Standard and so FATCA and the US-Guernsey intergovernmental agreement will continue.

All prospective investors should consult with their respective tax advisers regarding the possible implications of acquiring and holding Pallinghurst Shares. All prospective shareholders should consider the tax implications described in Part XIV (*Taxation*) of the Prospectus published by Pallinghurst on the date of this document which is available on Pallinghurst's website at www.pallinghurst.com/gemfields-offer.

17. Sources of information and bases of calculation

- 17.1 Unless otherwise stated, financial information relating to Pallinghurst in this document has been extracted from Pallinghurst's audited consolidated annual accounts for the financial year ended 31 December 2016 prepared under IFRS.
- 17.2 Financial information relating to Gemfields has been extracted from the audited consolidated annual report and accounts of the Gemfields Group for the year ended 30 June 2016 the ("**Annual Report of Gemfields**") and the interim results of Gemfields for the six months ended 31 December 2016 (the "**Interim Results of Gemfields**"), prepared in accordance with IFRS.
- 17.3 As at the close of business on 8 June 2017, Gemfields had in issue 549,816,476 Gemfields Shares.
- 17.4 The value of the existing issued and to be issued share capital of Gemfields is based upon 549,816,476 Gemfields Shares in issue on 8 June 2017, as per Gemfields' website at <http://corporate.gemfields.co.uk/investors/shareholder-information>, together with a potential maximum issue of 41,060,000 million Gemfields shares as a result of option holders exercising their options.
- 17.5 Unless otherwise stated, all prices quoted for Gemfields Shares are closing middle market quotations derived from the London Stock Exchange Daily Official List (SEDOL), and all prices quoted for Pallinghurst Shares have been derived from Factset.
- 17.6 The percentage of the share capital of the Enlarged Group that will be owned by Gemfields Shareholders of up to approximately 45.5% is calculated by dividing the number of Consideration Shares to be issued under the terms of the Offer referred to in paragraph 17.7 below by the fully-diluted share capital of the Enlarged Group (as set out in paragraph 17.7 below) and multiplying the resulting sum by 100 to produce a percentage.
- 17.7 The potential maximum fully-diluted share capital of the Enlarged Group (being up to 1,394,510,673 Pallinghurst Shares) has been calculated as the sum of:
- (a) a fully-diluted existing share capital of 760,452,631 Pallinghurst Shares; and
 - (b) 634,058,042 Consideration Shares which would be issued under the terms of the Offer (being 1.91 Consideration Shares to be issued per Gemfields other than the 258,908,915 Gemfields Shares already held by Pallinghurst Group).
- 17.8 Unless otherwise stated in this document, ZAR has been converted into Pounds Sterling at the rate of ZAR 17.14 to GBP 1.00, being the exchange rate quoted by Reuters as at 4 p.m. in London on 17 May 2017.
- 17.9 The exchange ratio of the Offer has been determined using the 30 day volume weighted average price for shares in both Pallinghurst and Gemfields as well as the spot ZAR/GBP exchange rate on 17 May 2017.

Appendix 4 Definitions

In this document, the following words and expressions have the following meanings, unless the context requires otherwise:

“Administrator”	Vistra Fund Services (Guernsey) Limited;
“Annual Report of Gemfields”	the audited consolidated annual report and accounts of the Gemfields Group for the year ended 30 June 2016;
“Acceptance Condition”	the Condition as to acceptance set out in paragraph 1 of Part 1 of Appendix 1 (<i>Conditions and Further Terms of the Offer</i>);
“Accounting Period”	a period commencing on the day following the preceding Accounting Date and ending on and including the next Accounting Date.
“Adjusted Share Price”	(i) the volume weighted average price determined over the last 30 trading days of the Relevant Year; and (ii) the aggregate dividends (whether in cash or the market value of a dividend in specie) per Pallinghurst Share declared during the Relevant Year;
“AIM”	the Alternative Investment Market operated by the London Stock Exchange;
“Annual Bonus”	an annual bonus to be paid by the Company to the relevant Executive Director in any calendar year under the Service Agreements;
“Annual Investment Manager’s Benefit”	equal to 1.5% per annum of the lower of either the aggregate’s acquisition cost, or the fair value, of the Pallinghurst Group’s Unrealised Investments (based on the Pallinghurst Group’s most recent published financial statements);
“Annual Report”	annual report and accounts of the Gemfields Group for the year ended 30 June 2016;
“Announcement”	the announcement by Pallinghurst of a firm intention to make an offer for Gemfields made on 19 May 2017;
“Associate”	with respect to any specified person, a person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the person specified. For the purposes of this definition, the terms “control” and the consequences thereof, means: (a) the direct or indirect ownership of in excess of 50% of the equity interests (or interests convertible into or otherwise exchangeable for equity interests) in a person; or (b) the possession of the direct or indirect right to vote in excess of 50% of the voting interest or to elect in excess of 50% of the board of directors or other governing body of a person (whether by equity ownership, contract or otherwise);
“Authorisations”	regulatory authorisations, orders, recognitions, grants, consents, clearances, confirmations, certificates, licences, permissions or approvals;
“Authorised Rules”	the Authorised Closed-Ended Investment Schemes Rules 2008;
“Base Compensation”	US\$50,000, less tax and other lawful deductions per month;
“BEPS”	Base Erosion and Profit Sharing;
“Board” or “Directors”	the board of directors of the relevant company;
“BSX”	the Bermuda Stock Exchange;

"Business Day"	a day (excluding Saturdays, Sundays and public holidays) on which banks are generally open for business in the City of London, Guernsey or Johannesburg;
"Category 1"	a category 1 transaction as that term is defined in the JSE Listings Requirements;
"Category 1 Resolution" . . .	the passing at the Pallinghurst General Meeting by more than 50% of the votes exercised at the Pallinghurst General Meeting to approve, implement and effect the Offer in accordance with the Category 1 requirements under the JSE Listings Requirements;
"Cause"	(a) fraud; (b) wilful misconduct; (c) gross negligence; (d) bad faith; or (e) reckless disregard for a person's obligations and duties, which in each case has a material effect on the Company and/or the Pallinghurst Shareholders;
"certificated" or "in certificated form"	a share or other security which is not in uncertificated form (that is, not in CREST);
"CGT"	UK capital gains tax or UK corporation tax on chargeable gains (as applicable);
"Commencement Date" . . .	14 September 2017, being the date the Service Agreements become effective;
"Companies Act 2006"	the UK Companies Act 2006, including any statutory modification or re-enactment thereof for the time being in force;
"Companies Law"	The Companies (Guernsey) Law, 2008 (as amended);
"Conditions"	the conditions to the Offer set out in Part 1 of Appendix 1 (<i>Conditions and Further Terms of the Offer</i>) to this document;
"Consideration Shares" . . .	the Pallinghurst Shares being offered to Relevant Gemfields Shareholders under the Offer;
"CREST"	the system for the paperless settlement of trades in securities and the holding of securities in uncertificated form of which Euroclear is the Operator (as defined in the Regulations);
"CREST member"	a person who is, in relation to CREST, a system member (as defined in the Regulations);
"CREST participant"	a person who is, in relation to CREST, a system participant (as defined in the Regulations);
"Daily Official List"	the daily official list of the London Stock Exchange;
"Dealing Disclosure"	the disclosure of dealings during an Offer period pursuant to the Code's dealing disclosure regime;
"Distribution"	distributions in cash or distributions in specie of any securities to shareholders in accordance with the Companies Law, and " Distribute " shall be construed accordingly;
"Effective"	the Offer having been declared or having become unconditional in all respects in accordance with the requirements of the Takeover Code;
"Effective Date"	the date on which the Offer becomes Effective;
"Electronic Acceptance" . . .	the inputting and settling of a TTE instruction which constitutes or is deemed to constitute an acceptance of the Offer on the terms set out in this document;
"Enlarged Group"	the Pallinghurst Group, following the Offer, including the Gemfields Group;

“ESA Instruction”	an Escrow Account Adjustment Input (AESN), transaction type “ESA” (as described in the CREST manual issued by Euroclear);
“Escrow Agent”	the Receiving Agent in its capacity as escrow agent (as described in the CREST Manual issued by Euroclear);
“EUCCG”	the European Union Code of Conduct Group;
“EU Code”	the EU Code of Conduct;
“Euroclear”	Euroclear UK & Ireland Limited, the Operator of CREST;
“Executive Directors”	the Directors of the Company who hold the position of executive directors;
“Expiry Date”	the fifth anniversary of the Commencement Date unless the Executive Director’s employment is terminated prior thereto for any reason regarded as sufficient in law;
“Fabergé”	Fabergé Limited;
“FATCA”	United States Foreign Account Tax Compliance Act;
“FCA” or the “Financial Conduct Authority”	the United Kingdom Financial Conduct Authority or its successor entity from time to time;
“First Bonus Year”	the first Relevant Year, being 2017;
“First Year”	the first year (being the period from the Commencement Date and terminating one day prior to the first anniversary of the Commencement Date);
“Form of Acceptance”	the Form of Acceptance, Authority and Election for use by Gemfields Shareholders in connection with the Offer;
“FSMA”	the Financial Services and Markets Act 2000, including any statutory modification or re-enactment thereof for the time being in force;
“GBP”	the lawful currency of the United Kingdom of Great Britain and Northern Ireland;
“Gemfields”	Gemfields plc, a company incorporated in England and Wales with company number 05129023 and whose registered office is at 1 New Burlington Place, London, W1S 2HR;
“Gemfields Directors”	the persons whose names are set out in paragraph 2.2 of Appendix 3 (<i>Additional Information</i>) to this document or, where the context so requires, the directors of Gemfields for the time being;
“Gemfields Group”	Gemfields and its subsidiary undertakings and, where the context permits, each of them;
“Gemfields Share Option Scheme”	the Gemfields Unapproved Share Option Scheme 2010 approved by the Gemfields Shareholders at the 2010 annual general meeting of Gemfields;
“Gemfields Shareholders”	holders of Gemfields Shares for the time being;
“Gemfields Shares”	the existing issued or unconditionally allotted and fully paid (or credited as fully paid) Pallinghurst Shares of £0.01 each in the capital of Gemfields and any further such shares which are unconditionally allotted or issued while the Offer remains open for acceptance or, subject to the provisions of the Code, by such earlier date as Pallinghurst may determine;
“GFSC”	Guernsey Financial Services Commission;

“Guernsey Regulations” . . .	the Uncertificated Securities (Guernsey) Regulations, 2009 (as amended from time to time);
“holder”	a registered holder and any person(s) entitled by transmission;
“HMRC”	UK HM Revenue & Customs;
“Hurdle”	means an amount of 8% per annum (compounded annually on the Accounting Date each year) on the net amount of Company’s Funds still retained by the Company (including any amounts already compounded) and calculated on a daily basis;
“IFRS”	International Financial Reporting Standards as adopted by the European Union;
“Indemnified Persons” . . .	any director or employee of the Company, including any directors nominated by the Investment Manager to be a director of an Investment Vehicle and/or any Associates;
“Interim Results of Gemfields”	the interim results of Gemfields for the six months ended 31 December 2016;
“Investment Management Agreement”	the investment management agreement dated 5 September 2007, as amended from time to time, between Pallinghurst and the Investment Manager, appointing the Investment Manager to act in the capacity as investment manager to Pallinghurst;
“Investment Manager”	Pallinghurst (Cayman) GP L.P., an exempted limited partnership registered in the Cayman Islands (registration number WK19200) which registered office is at UBS House, 227 Elgin Avenue, PO Box 852 GT, Grand Cayman, Cayman Islands;
“Investment Manager’s Benefit”	The Investment Manager’s benefit, which is currently US\$1.4 million per quarter, which amount fluctuates in line with acquisitions, disposals and changes in valuations;
“Investment Period”	the period which commenced on 14 September 2007 and ended on 14 September 2012;
“Investment Platforms” . . .	the Pallinghurst Group’s separate invested strategies, currently Coloured Gemstones, PGMs and Steel Making Materials (and including Fabergé);
“Investment Scope”	the investment scope of Pallinghurst from time to time;
“Investment Vehicle”	a body corporate or other entity in which the Company holds, directly or indirectly through associates, together with certain Pallinghurst Co-Investors, on a case-by-case basis, an Investment;
“Investment(s)”	any investment, asset or other interest acquired by Pallinghurst (whether for consideration in cash or securities or assets of existing Investments or otherwise) falling within Pallinghurst’s investment scope, including but not limited to shares, debentures, loan stock or other securities of and loans (whether secured or unsecured) made to anybody corporate or other entity;
“Investor Presentation” . . .	the investor presentation made by Pallinghurst on 19 May 2017 regarding this Transaction;
“JSE”	Johannesburg Stock Exchange;
“JSE Announcement”	the announcement made on 19 May 2017 on the JSE through the Stock Exchange News Service;

“JSE Circular”	the circular relating to the approval of, amongst others: (i) the Offer; (ii) the extension of life; and (iii) the Management Structure Change (and amendments to the Articles of Incorporation of Pallinghurst) published and sent by Pallinghurst to the Pallinghurst Shareholders on 2 June 2017;
“JSE Listings Requirements”	the listings requirements of the JSE, as amended from time to time by the JSE;
“Jupiter”	Jupiter Mines Limited;
“Kagem”	Kagem Mining Limited;
“Kelltech Limited”	a company incorporated in Mauritius, which owns a 66% interest in Kelltechnology South Africa RF (Pty) Ltd;
“Key Men”	means each of Brian Gilbertson, Arne H. Frandsen, Sean Gilbertson, Priyank Thapliyal and any person approved as a Key Man in accordance with the terms of the Investment Management Agreement;
“Key Man Event”	(a) Brian Gilbertson or any two of the other Key Men failing to devote substantially all of his/their professional time to the business and affairs of the Program; or (b) the death or permanent disability of Brian Gilbertson or any two of the other Key Men; or (c) Brian Gilbertson or any two of the other Key Men, ceasing to be an executive(s) of the Investment Manager;
“Management Shares”	means non-redeemable shares with a par value of US\$1.00 each in the share capital of the Company;
“Management Structure Change”	subject to Pallinghurst Shareholder approval, the changes to Pallinghurst’s management structure pursuant to which Pallinghurst proposes to: (a) terminate the existing Investment Management Agreement for no consideration. All related fees and carried interest arrangements will cease; (b) employ certain key Executive Directors of Pallinghurst, namely, Brian Gilbertson as Executive Chairman, Arne H. Frandsen as Chief Executive and Andrew Willis as Finance Director on new employment contracts; (c) employ certain senior management of Pallinghurst namely Sean Gilbertson, as Chief Investment Officer, and Priyank Thapliyal, as Chief Operating Officer; and (d) establish the Pallinghurst Share Plan to attract, retain and incentivise, amongst others, key Executive Directors and senior management of Pallinghurst;
“member account ID”	the identification code or number attached to any member account in CREST;
“Montepuez”	Montepuez Ruby Mining Lda;
“Non-Executive Directors”	the Directors of the Company who hold the position of non-executive directors;
“Offer”	the offer made by Pallinghurst to acquire all the Gemfields Shares not already owned by or on behalf of the Pallinghurst Group on the terms and subject to the conditions set out in this document and the Form of

	Acceptance including, where the context so requires, any subsequent revision, variation, extension or renewal of such offer and includes any election available in connection with it;
“Offer Period”	the period (as defined by the Code) relating to Gemfields commencing on (and including) the date of the Announcement;
“Official List”	the Official List of the UK Listing Authority, being the Financial Conduct Authority, acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
“Opening Position Disclosure”	the announcement containing details of interests and/or short positions in, or rights to subscribe for, any relevant services of a party to the Offer, under the Code;
“Option”	the option to subscribe for Pallinghurst Shares pursuant to the terms of the Pallinghurst Share Plan granted to the Qualifying Employees;
“Ordinary Resolution”	a resolution, taken in accordance with the Articles of Incorporation, passed by a simple majority of the Pallinghurst Shareholders, present or by proxy, at the meeting, convened with the proper notice of the meeting having been provided to the Pallinghurst Shareholders;
“Overseas Shareholders”	Gemfields Shareholders whose registered addresses are outside the United Kingdom or who are citizens or residents of countries other than the United Kingdom;
“Pallinghurst” or “Company”	Pallinghurst Resources Limited, an authorised closed-ended investment company incorporated under the Companies Law and registered in Guernsey with registered number 47656 and registered as an external company in South Africa (registration number 2009/012636/10);
“Pallinghurst Co-Investors”	certain investors who act as strategic equity partners with Pallinghurst, which include: (i) AMCI Capital, a private equity house that specialises in global energy and resources investments, (ii) Algemene Pensioen Groep, one of Europe’s largest pension funds, (iii) The Energy and Minerals Group, a US-based private equity fund, (iv) Investec Bank Limited, an international banking group, (v) POSCO, the largest steel producer in South Korea, (vi) the Smedvig family office / Southern Prospecting Group; and (vii) Temasek, the sovereign investment company headquartered in Singapore;
“Pallinghurst Directors”	the persons whose names are set out in paragraph 2.1 of Appendix 3 (<i>Additional Information</i>) to this document or, where the context so requires, the directors of Pallinghurst for the time being;
“Pallinghurst General Meeting”	the general meeting of Pallinghurst to be convened in connection with the Offer, notice of which will be set out in the JSE Circular, including any adjournment thereof;
“Pallinghurst Group”	Pallinghurst and all entities controlled by Pallinghurst (its subsidiaries);
“Pallinghurst Resolutions”	the resolutions to be proposed to Pallinghurst Shareholders at the Pallinghurst General Meeting;
“Pallinghurst Share Plan”	the Pallinghurst share plan for employees to be voted on by the Pallinghurst Shareholders at the Pallinghurst General Meeting;
“Pallinghurst Shareholders”	the holders of the Pallinghurst Shares;
“Pallinghurst Shares”	ordinary shares in Pallinghurst with a par value of US\$0.00001 each;

"Panel"	the Panel on Takeovers and Mergers;
"participant ID"	the identification code or membership number used in CREST to identify a CREST member or other CREST participant;
"Partners of the Investment Managers" or "Partners"	Brian Gilbertson; Arne H. Frandsen; Andrew Willis; Sean Gilbertson and Priyank Thapliyal;
"Performance Incentive"	the benefit attributable to the Investment Manager or its associate;
"PGMs"	platinum group metals including platinum, palladium, rhodium, ruthenium, iridium and osmium and the metals and minerals having a mineralogical association therewith, including gold, copper, nickel and cobalt;
"POI Law"	The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended;
"Program"	the investment program, managed by the Investment Manager whereby Investments falling within the Investment Scope are offered to the Company and certain Pallinghurst Co-Investors, on a case-by-case basis;
"Proposed Extension"	the proposed extension of the life of the Company by 50 years;
"Prospectus"	the prospectus relating to the issue of the Consideration Shares published by Pallinghurst on or about the date of this document;
"Qualifying Employees"	an employee of Pallinghurst eligible to participate in the Pallinghurst Share Plan only if and to the extent that the Option is granted to him/her;
"Realisation" or "Realise"	the occurrence of any of the following events in relation to an Investment: <ul style="list-style-type: none"> (a) the receipt of consideration and distribution in cash or the receipt of consideration and distribution in specie of any securities of a capital nature; or (b) the unconditional completion of an agreement for the sale of the whole, or any part, of an Investment (save that where the consideration for such sale is wholly comprised of securities of a company or, where the consideration for such sale is comprised partly of securities of a company and partly of cash, in relation to that part of the consideration comprised of securities, there shall be no Realisation for the purposes of this sub-paragraph (b)); or (c) the receipt of any deferred consideration (other than that of an income nature) or the release of a provision in either case arising from a previous Realisation of the whole, or any part, of an Investment; or (d) the redemption of any securities of a company which is the subject of an Investment (other than any redemption of such securities which is made solely in connection with any other event constituting a Realisation); or (e) the winding up or dissolution of any entity in which an Investment is held, and "Realised" shall be interpreted accordingly;
"Receiving Agent"	Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6AH;
"Redemption Date"	the date of compulsory redemption of the Pallinghurst Shares, being the date one calendar month after the Termination Date, subject to all Investments having been liquidated and/or distributed;

“Registrar of Companies”	means the Registrar of Companies in England and Wales;
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended;
“Regulatory Authority”	each of a central bank, government or governmental, quasi-governmental, supranational, statutory, regulatory, environmental, administrative, fiscal or investigative body, court, trade agency, association, institution or any other body or person whatsoever in any jurisdiction;
“Regulatory Information Service”	any information service authorised from time to time by the FCA for purpose of disseminating regulatory announcements;
“Relationship Agreement”	the relationship agreement dated 15 August 2013 entered into between Gemfields and The Pallinghurst Resources Fund L.P.;
“Relevant Gemfields Shareholders”	holders of Gemfields Shares other than Pallinghurst and the Pallinghurst Group;
“Relevant Year”	any calendar year under the Service Agreements;
“Restricted Jurisdiction”	any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Offer is sent or made available to Gemfields Shareholders in that jurisdiction;
“Restructuring”	the restructuring of Pallinghurst Group’s business as announced in the JSE Announcement;
“SDRT”	UK stamp duty and stamp duty reserve tax;
“SENS”	the Stock Exchange News Service, an office established by the JSE to disseminate relevant company information to the market.;
“Second Year”	the second year (being the period commencing on the first anniversary of the Commencement Date and terminating one day prior to the second anniversary of the Commencement Date);
“Sedibelo”	Sedibelo Platinum Mines Limited;
“Service Agreements”	the service agreements entered into between the Company and each of Brian Gilbertson, Arne H Frandsen and Andrew Willis which are expected to become effective on 14 September 2017;
“Special Resolution”	a resolution taken in accordance with the Articles of Incorporation, passed by a majority of not less than three-quarters of the votes of the Pallinghurst Shareholders, present or by proxy, at the meeting convened with the proper notice of the meeting having been provided to the Pallinghurst Shareholders;
“subsidiary”	has the meaning given in section 1159 of the Companies Act 2006;
“subsidiary undertaking”	has the meaning given in section 1162 of the Companies Act 2006;
“Takeover Code” or “Code”	the City Code on Takeovers and Mergers, as amended from time to time;
“Termination Date”	a) the 10 th anniversary of 14 September 2007; or b) the 11 th anniversary of 14 September 2007; or c) the 12 th anniversary of 14 September 2007, as the case may be, pursuant to the applicable resolution, if required, being passed by the requisite majority of Pallinghurst Shareholders in a general meeting;

“TFE instruction”	a transfer from escrow instruction (as described in the CREST Manual issued by Euroclear);
“Transaction”	the proposed acquisition of the Gemfields Shares by Pallinghurst pursuant to the Offer;
“Tshipi”	Tshipi é Ntle Manganese Mining (Pty) Ltd;
“TTE instruction”	a transfer to escrow instruction (as described in the CREST Manual issued by Euroclear);
“UBS”	UBS Limited and UBS South Africa (Pty) Ltd, financial adviser to Pallinghurst in connection with the Offer;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UK Listing Authority”	the United Kingdom Listing Authority, being the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
“uncertificated” or “in uncertificated form”	a share or other security recorded on the relevant register as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST;
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia and all other areas subject to its jurisdiction;
“wider Gemfields Group”	Gemfields and associated undertakings and any other body corporate, partnership, joint venture or person in which Gemfields and such undertakings (aggregating their interests) have an interest of more than 20% of the voting or equity capital or the equivalent; and
“wider Pallinghurst Group”	the Pallinghurst Group and any of its subsidiaries, subsidiary undertakings and associated undertakings and any other body corporate, partnership, joint venture or person in which Pallinghurst and such undertakings (aggregating their interests) have a direct or indirect interest of 20% or more of the voting or equity capital or equivalent.

All references to time within this document are to the time on the date specified in London, United Kingdom.

All references to “GBP”, “pence”, “sterling”, “£” or “Pounds Sterling” are to the lawful currency of the United Kingdom.

All references to “US Dollar”, “Dollars”, “US\$”, “USD” or “cents” are to the lawful currency of the United States.

All references to ZAR are to the lawful currency of South Africa.

All references to statutory provision or law or to any order or regulation shall be construed as a reference to that provision, law, order or regulation as extended, modified, replaced or re-enacted from time to time and all statutory instruments, regulations and orders from time to time made thereunder or deriving validity therefrom.

