PALLINGHURST
RESOURCES

Annual Report 2009

PALLINGHURST RESOURCES LIMITED
(formerly Pallinghurst Resources (Guernsey) Limited)















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COMPANY INFORMATION

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Structure

Pallinghurst Resources (Guernsey) Limited was incorporated on 4 September 2007 in accordance with Guernsey Law and initially listed on the Bermuda Stock Exchange ("**BSX**") on 26 September 2007. It subsequently inward listed on the securities exchange of the JSE Limited ("**JSE**") on 20 August 2008, with the JSE becoming the primary listing and the BSX becoming the secondary listing.

On 22 May 2009, a change of name from Pallinghurst Resources (Guernsey) Limited to Pallinghurst Resources Limited ("**the Company**") was approved by the shareholders at an Extraordinary General Meeting.

The Company's main objective is to carry on the business of an investment holding company in investments falling within its Investment Scope (see below).

Investment Objectives

On the advice of the Investment Manager, the Company, either alone or with selected strategic equity partners, on a case-by-case basis, utilises its financial ability and unique expertise and execution skill in the natural resources sector to participate in investments falling within the Investment Scope, with the principal objective of providing investors with a high overall rate of return.

Investment Scope

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

Investment Policy

The Company invests in investments falling within the Investment Scope as detailed above. In addition, the Company has invested in Fabergé Limited. The Company's Investment Policy has been set out in various documents since the inception of the Company, including the prospectus dated 5 September 2007, the annual and interim financial statements, and a rights offer circular dated 7 September 2009 (the "**Rights Offer Circular**").

The Investment Policy has not changed since the inception of the Company, and the Directors do not anticipate that it is likely to change in the foreseeable future.

Number of investments in the portfolio

At 31 December 2009, the Company had entered into ten investments. Of these, three investments have been exited;

- The investment in Consolidated Minerals Limited was exited during 2007;
- The investment in Mindax Limited shares was exchanged for new Jupiter Mines Limited shares during March 2009; and
- The investment in Iron Mountain Mining Limited was exited during the second half of 2009.

Accordingly, the Company currently holds seven separate individual investments. There are four separate investment platforms, Fabergé, Steel Feed Corporation, Coloured Gemstones and Platinum Group Metals. The Directors are not anticipating a further expansion in the number of investment platforms in the foreseeable future.

The Company's relationship with the Pallinghurst Co-Investors

The Company has invested alongside certain co-investors or strategic equity partners in a number of the investments, and may, on a case-by-case basis, invest alongside these or other co-investors in the future. The Investment Manager acts as investment manager for both the Company and these co-investors (collectively, the "Pallinghurst Co-Investors"). In such cases, the Investment Manager negotiates on behalf of the Pallinghurst Co-Investors, and not solely on behalf of the Company. However, each Pallinghurst Co-Investor, including the Company, retains legal title and influence over their individual shareholdings in the investment. The Pallinghurst Co-Investors cooperate to achieve the strategic objectives set for each investment, under the management of the Investment Manager, both in the initial pursuit of and management of investments within the portfolio.

There are a number of key benefits that derive from this arrangement for each Pallinghurst Co-Investor, including the Company;

- The Investment Manager is able to access much higher levels of funding than if they were acting solely on behalf of the Company, meaning that a broader scope of investments can be contemplated;
- This funding scope potentially makes an approach by the Pallinghurst Co-Investors more attractive or credible to a potential target company or group than a standalone approach by the Company;
- The Pallinghurst Co-Investors are able to exercise a greater level of influence or control over each investment than if they were acting alone; and
- The Company is able to further diversity its portfolio risk by participating in a larger number of investments, as it only partially funds each investment.

Notwithstanding the above arrangement, the Company has an unconditional entitlement to an initial minimum interest of 20% of the collective Pallinghurst Co-Investor ownership of each investment on acquisition, subject to certain conditions.

Private equity status

The Company is considered by the Directors to be a venture capital[1]/private equity[1] organisation. The Directors have considered the following key factors in making this determination;

- The stakes taken in many of the investments are significant, although not controlling. The executive Directors and/or the Investment Manager usually participate in the management of each investment;
- The investments are generally innovative in nature; and
- The investments typically have defined exit strategies.

As a result of being a venture capital organisation, the Company is able to make certain accounting policy choices under International Financial Reporting Standards ("IFRS"). The most important of these is the election to account for associate entities in the investment portfolio under International Accounting Standard ("IAS") 39 *Financial Instruments: Recognition and Measurement*, as a financial instrument at fair value through the profit and loss account, rather than equity accounting under IAS 28 *Investments in Associates*. A similar exemption exists in IAS 31 *Interests in Joint Ventures*, and the Company chooses to use this exemption in the same way.

[1] *The Directors use the terms "private equity" and "venture capital" interchangeably throughout this document. The Directors acknowledge that the terms may have different nuances to certain users of the financial statements, but these distinctions are not relevant to the Group.*

Summary

This past year has brought some recovery from the turbulent events of 2008, and with it stronger stock markets and metal prices; but prudence suggests that it might be some time before that economic instability is definitely behind us.

It has been another active year for your Company. Among a number of key accomplishments were the commissioning of Platmin's flagship project, the first two emerald auctions by Gemfields (under Pallinghurst ownership), the international launch of Fabergé, the finalisation of the Tshipi feasibility study and the proposed merger of our manganese and iron ore interests.

Thanks to firm shareholder support, the Company raised approximately US$107 million (ZAR800 million) in a pre-placed and partially underwritten rights issue at ZAR3.50 per share. This will enable the Company to participate in funding its *pro rata* entitlement of each investment platform in the coming months. The success of the tightly priced rights issue was a significant endorsement from shareholders in challenging market conditions.

The value of many of the Company's investments increased in the year, with a significant uplift in the share price of Platmin and a revaluation of the Fabergé stake after its successful capital raising in September 2009 and a well-received launch of the brand.

The Company's investment valuations, net of additions, increased by over US$60 million in the year, and the net asset value per share increased by 5% to US$0.68, despite challenging market conditions. However, the net asset value per share decreased by 12% in the six month period since 30 June 2009, as a result of the dilutive effects of the capital raising in September 2009, which increased the number of shares in issue by approximately 92%. On a comparable basis, excluding the effect of the additional shares, the net asset value per share would have increased by 40% during the year, to US$0.90.

The following rank among the highlights of the year to 31 December 2009:

- Platmin's Pilanesberg Platinum Mine ("PPM") entered its commissioning period and produced its first PGM concentrate;
- Commencement of the Bankable Feasibility Study on Magazynskraal;
- The Tshipi feasibility study was completed in March 2009, with inferred and indicated resources of 163.2 million tonnes of manganese ore at an average grade of 37%;
- Posco agreed to invest into the Tshipi project in June 2009, and will acquire part of the Company's stake in Tshipi for US$7 million;
- The Company significantly increased its stake in Jupiter to 25%;
- Posco agreed to invest AUD8 million into Jupiter in July 2009;
- Successful US$107 million/ZAR800 million capital raising by the Company completed in September 2009;
- Gemfields' successful London and Johannesburg auctions of rough emeralds raised US$12 million in the second half of 2009;
- The successful international launch of the reunited Fabergé brand in September 2009; and
- In December 2009, Fabergé opened its first exclusive boutique in one of Geneva's most prestigious locations, the rue Pierre Fatio.

On 1 March 2010, after the year-end, Pallinghurst announced a transformational Tshipi/Jupiter transaction.

US$107 MILLION CAPITAL RAISING

The Prospectus and Pre-Listing Statement provided that the Directors could raise additional capital within 36 months of the listing on the BSX, which took place in September 2007. In August 2009, the Company announced an equity raising in the form of the partially underwritten, renounceable Rights Offer on the securities exchange of the JSE, with a pre-placement. The pre-placement raised ZAR447 million from existing shareholders, while three institutions underwrote the remaining ZAR353 million. The rights issue was conducted during September 2009, successfully raising the total ZAR800 million (approximately US$107 million) intended through the issue of 228,571,376 shares at ZAR3.50 per share. The offer was significantly oversubscribed.

The rights issue will enable the Company to participate in its *pro rata* funding entitlement for each investment platform. Any dilution in the Company's holdings, at the current stage of development of the investments and at relatively modest valuations, would have eroded shareholder value.

INVESTMENT PLATFORMS

PLATINUM GROUP METALS ("PGMs")

African Queen Strategy

PGMs are essential to a wide range of industries. It is estimated that 20% of all consumer products either contain PGMs, or require them in their production. The African Queen strategy is to build Pallinghurst's unique portfolio of PGM investments into a significant PGM platform through the acquisition and consolidation of low cost operations, thereby creating a new low-cost PGM producer of industry significance.

Background to the African Queen investments

The diverse demand dynamics, combined with continuing supply pressures and high barriers to entry, make the outlook for the PGM industry very attractive. The industry is highly concentrated; according to the South African Department of Mineral Resources, 88% of the world's platinum reserves are located in South Africa. The Company and certain Pallinghurst Co-Investors have pursued the African Queen strategy through a unique partnership with the Bakgatla-Ba-Kgafela Tribe ("Bakgatla"), predominantly on the Western Limb of the Bushveld Igneous Complex ("BIC") in South Africa.

Following its inward listing on the JSE on 20 August 2008, the Company exercised its right to participate in the acquisition by the Pallinghurst Co-Investors of an indirect 27.61% interest (25.13% effective interest) in Boynton Investments (Pty) Limited ("Boynton"), via the Moepi Group of companies. Boynton is the 72.39% operating subsidiary of Platmin Limited ("Platmin") (TSX/AIM:PPN, JSE:PLN). Boynton's flagship project, PPM, is located north of the Pilanesberg intrusion on the Western Limb of the BIC and is currently in the process of ramping up production to full capacity. Boynton's other assets include the M'phahlele, Grootboom and Loskop prospects which are on the Eastern Limb of the BIC, and offer medium to long-term growth potential.

In December 2008, as credit markets deteriorated and PGM prices fell, Platmin's debt facility, intended to fund the final stage of the PPM project, failed to materialise. The Company and certain Pallinghurst Co-Investors agreed to provide US$175 million in equity funding in two tranches in exchange for 69.84% of the enlarged share capital under the TSX financial hardship exemption. The Company conducted a vendor consideration placing to fund US$32.3 million of the initial US$125 million tranche, giving the Company a see-through interest of 16.12% in Platmin. Brian Gilbertson and Arne H. Frandsen, Directors of the Company, were immediately appointed as directors of Platmin. Since October 2009, Mr. Gilbertson has been the Chairman of Platmin.

Also in December 2008, the Department of Mineral Resources approved the acquisition by the Company and certain Pallinghurst Co-Investors, of an interest in Magazynskraal from the Bakgatla. Magazynskraal is a property in close proximity to PPM, with some 23 million ounces of inferred resources of PGMs. In February 2009, the Company and certain Pallinghurst Co-Investors completed the second US$50 million (ZAR 500 million) tranche of funding into Platmin on behalf of the Bakgatla. These shares were transferred to the Bakgatla in satisfaction of the final consideration for Magazynskraal following Platmin's listing on the JSE.

As part of the Magazynskraal transaction, the Company and certain Pallinghurst Co-Investors secured the right – through the Bakgatla-Pallinghurst Joint Venture – to acquire 49.9% of the Bakgatla's interest in Sedibelo at "fair market value". Sedibelo is a property contiguous to both Magazynskraal and PPM, with an estimated 19 million ounces of PGM resources. This transaction is currently being finalised.

Key developments

March 2009 saw the commissioning of the UG2 section of the milling and flotation plant at PPM, the connection of the first phase (15 MVA) of Eskom power and the commencement of the treatment of ore. The construction process was completed in just 16 months and the first metal was dispatched to the Northam Platinum Limited smelter for smelting and refining in April 2009.

In May 2009, Platmin successfully completed a GBP39 million private placement with a number of blue-chip institutional investors at CAD0.92 per share for debt restructuring and working capital purposes, and the Company's see-through interest in Platmin was diluted to 10.74%. June 2009 saw the commissioning of the Merensky circuit and the second phase of Eskom power was connected, giving PPM access to the full 37 MVA required for production capacity. On 22 July 2009, Platmin inward listed on the JSE.

The South African mining industry experienced widespread industrial relations disputes and strikes in the second half of 2009. Unfortunately, Platmin was not immune to this and in August 2009, mining activities at Platmin were interrupted for approximately a month by an illegal strike by workers of the mining contractor. Platmin continued to process stockpiled ore during the period of the industrial action although the disruptions significantly affected the production ramp-up schedule.

In October 2009, Platmin announced significant changes to the executive team, notably the appointment of mining veteran Tom Dale as Chief Executive Officer, following the retirement of Ian Watson. Brian Gilbertson was appointed Chairman of the board at the same time.

On 29 October 2009, Barrick announced that it would not exercise its right to increase its interest in Sedibelo from 10% to 65%. Accordingly, the Company, and certain Pallinghurst Co-Investors, have the right to acquire 49.9% of the 90% interest in Sedibelo which is held by the Bakgatla. In December, an independent merchant bank was appointed to determine the "fair market value" of Sedibelo, with an expected conclusion in the second quarter of 2010.

In January 2010, Platmin announced that the industrial action at the mine, as well as lower than expected metallurgical recoveries from the weathered and oxidised surface ore would defer the reaching of full capacity of 250,000 PGM ounces per annum, by some 12 months. The November quarter had seen an improvement in both metal production and run-of-mine tonnages and the targeted production capacity is now expected to be reached in early 2011.

The prices of PGMs have risen strongly from their lows of late 2008, with platinum and palladium recently trading at US$1,600 and US$460 respectively, in excess of twice their levels at the trough.

Outlook

The global economic outlook for PGMs has significantly improved over the last year, with continuing supply pressures experienced by the major producers and an expected recovery in the automotive and jewellery sectors, which are the key drivers of PGM demand. The Company's PGM investments are well placed to benefit from the improved environment, particularly Platmin, as it moves closer to reaching full production capacity.

STEEL FEED CORPORATION ("SFC")

The Steel Feed Corporation Strategy

Competition for raw material supplies (particularly iron ore, coking coal and manganese) to the global steel industry is intensifying and the major steel producers and end consumers are seeking to secure their raw materials through equity ownership of mining companies. The Steel Feed Corporation strategy is to develop a platform that supplies these key raw materials to the steel industry.

Background to the Steel Feed Corporation investments

In 2007, the Company made its initial SFC investment through the acquisition of a stake in the Australian manganese, chrome and nickel producer, Consolidated Minerals Limited. This investment was divested that same year, realising a profit of US$6.2 million. The Investment Manager has continued to pursue the SFC strategy, with a particular focus on iron ore and manganese.

South Africa contains approximately 80% of the world's known economic manganese resources and is a major contributor to global manganese ore production. The Kalahari Manganese Field in South Africa spans approximately 400 square kilometres and contains an estimated 20 billion tonnes of manganese resources at grades of between 20% to 48% manganese. The Kalahari Manganese Field's size and geological simplicity render it amongst the most important manganese resources in the world.

The Investment Manager, for and on behalf of the Company and certain Pallinghurst Co-Investors, concluded an agreement to form a joint venture with Ntsimbintle Mining (Pty) Limited ("Ntsimbintle"), a broad based Black Economic Empowerment ("BEE") consortium with new order manganese prospecting

rights covering two properties located in the north and south of the Kalahari Manganese Field. The key asset owned by the joint venture is a manganese property located in the south of the Kalahari Manganese Field adjacent to Samancor's Mamatwan Mine. This property indicates very similar geology to the Mamatwan mine, which has been in production for over 45 years.

In addition to the manganese investment, the Company and certain Pallinghurst Co-Investors are pursuing the consolidation of a number of iron ore projects in the Central Yilgarn region of Western Australia. There are a number of early-stage projects in the region that are not economically viable individually, but through a sensible consolidation and development of joint operations they can take advantage of, improve and expand the existing rail and port infrastructure serving the area, to create a sizeable iron ore producing region.

During 2008, the Company invested US$10 million into Australian Stock Exchange ("ASX") listed iron ore explorers in the Central Yilgarn, primarily Jupiter Mines Limited ("Jupiter") and Mindax Limited ("Mindax"). Jupiter is predominantly an iron ore explorer with assets that include inferred resources of 5.7 million tonnes of iron ore at 60% Fe (Iron), significant magnetite exploration potential and promising manganese exploration tenements in the Pilbara.

Key developments

Tshipi

In March 2009, the manganese joint venture vehicle, Tshipi é Ntle Manganese Mining (Pty) Ltd ("Tshipi") was established between the Pallinghurst Co-Investors and Ntsimbintle. Tshipi is owned 50.1% by Ntsimbintle, and 49.9% by the Pallinghurst Co-Investors, of which the Company's indirect see-through interest in Tshipi is 9.98%.

During June 2009, a subsidiary of South Korea's Posco, one of the world's largest steel producers, concluded an agreement to acquire an indirect 11.36% interest in Tshipi from the Pallinghurst Co-Investors, including the Company, for a total consideration of US$34.3 million. Posco also procured an off-take arrangement to purchase a minimum of 11% and a maximum of 20% of the manganese ore production from Tshipi's southern property, at market-related prices. The arrangements for the acquisition of the 11.36% stake in Tshipi by Posco are subject to the completion of certain conditions, including the granting by the South African Department of Mineral Resources of the mining rights. On completion, the Company will dispose of an indirect interest of 2.27% in Tshipi for US$6.9 million. The Company's indirect interest in Tshipi will therefore be reduced to 7.71%.

Also in June 2009, a feasibility study on the southern property established inferred and indicated resources of 163.2 million tonnes open-pit "Mamatwan-type" ore at an average grade of 37% manganese (SAMREC compliant) to a depth of 250 metres. The property is expected to produce up to 2.4 million run-of-mine tonnes per annum with a potential life of mine in excess of 60 years, with forecast production costs in the lowest cost quartile of the industry.

On 28 September 2009, the Company announced a potential transaction whereby ASX-listed OM Holdings Limited ("OMH") would acquire the Pallinghurst Co-Investors' collective 49.9% equity interest in Tshipi, in exchange for a new issue of OMH shares. Final agreement was not reached on this potential transaction. On 10 December 2009, OMH announced that a binding Memorandum of Agreement with Ntsimbintle had been concluded in which OMH will acquire a 26% equity interest in Ntsimbintle's 50.1% interest in Tshipi for AUD63.8 million. This transaction will enable Ntsimbintle to meet its share of the Tshipi development costs and enhance Tshipi's marketing and mining skill set.

Tshipi is engaging with Transnet and participating in the Manganese Export Capacity Allocation process, where rail and port capacity is expected to be allocated to both current and new manganese producers. Tshipi has been confirmed as meeting Transnet's initial requirements for the Long-Term Allocation Process. Alternative transport solutions are presently undergoing evaluation and consideration.

Exploration of Tshipi's northern property, adjacent to Samancor's underground Wessels mine, will continue this year. The property is expected to contain outlier high grade manganese deposits.

Jupiter

During 2008, the Company entered into a joint venture with AIM-listed Red Rock Resources plc ("Red Rock") to pursue the Central Yilgarn iron ore strategy. In March 2009, the Company and Red Rock entered into a phased transaction with Jupiter to significantly increase their existing ownership of Jupiter, and later that month the Company received additional Jupiter shares in exchange for AUD1 million in cash together with the Mindax shares held by the Company, thus increasing its ownership of Jupiter to 26%.

The second phase of the transaction with Jupiter provided for a "manganese option" whereby Red Rock and the Company would each receive a further tranche of Jupiter shares if certain manganese tenements were granted to Red Rock and unencumbered title to those tenements was transferred to Jupiter. The terms of this manganese option were met during September 2009 and the Company's stake increased to 28.9% of Jupiter. For further information on the Jupiter transaction and of the third phase, the "Mount Alfred bonus option", refer to Note 13 *Acquisition of Jupiter shares*.

Also in September 2009, Jupiter's shareholders approved a strategic investment and off-take agreement with Posco, a Pallinghurst Co-Investor, whereby Posco invested AUD7.81 million in Jupiter by subscribing for 48 million new Jupiter shares at 16.266 AUD cents per share. As a consequence, the Company's see-through interest in Jupiter was diluted to 25.15%.

Jupiter completed an extensive exploration and survey programme on its manganese projects in the Pilbara at Oakover during September 2009. Surface field work at Oakover has revealed sampling results that contained up to 62.6% manganese and averaged 39.1%. A drilling programme has been planned for 2010 to further identify the manganese mineralisation. In addition, Jupiter has expanded its land position at Oakover by applying for another exploration licence covering 195 km² adjoining the project's western tenement group. The total project area at Oakover now amounts to approximately 890 km².

In December 2009, Jupiter announced the results of its Mt Ida drilling programme which was specifically targeting Direct Shipping Ore ("DSO") hematite mineralisation. Whilst the programme did not generate any significant intersections of DSO hematite, each drill hole intersected magnetite. The reverse circulation drill results from the programme were modelled, and the main Mt Ida magnetite target was estimated to contain between 1.1 and 1.3 billion tonnes of magnetite iron ore at an expected grade between 30% to 40% Fe.

In February 2010, the Company and Red Rock announced the termination of their joint venture arrangements as a result of the achievement of the initial objectives of the relationship.

On 1 March 2010, the Company announced a proposed transaction where the Pallinghurst Co-Investors' 49.9% interest in Tshipi would be sold into Jupiter in exchange for new shares in Jupiter. The acquisition consideration implies a value of approximately AUD490 million for 100% of Tshipi and AUD37.8 million for the Company's indirect interest of 7.71% of Tshipi. Following the implementation of the transaction, the Company will own 17.79% of the enlarged Jupiter, and the Pallinghurst Co-Investors will collectively hold approximately 85% of Jupiter.

Outlook
Demand for steel continues to increase in the emerging nations, and particularly in China which now accounts for almost half of global steel production. The rapid steel production in the latter has consumed most of its higher-grade economic steel feed material reserves. The Company's Steel Feed Corporation investments are well placed to benefit from these trends and the improving economic environment.

GEMFIELDS PLC ("GEMFIELDS")

The Gemfields Strategy
The coloured gemstone industry has historically been overlooked, fragmented and undercapitalised. It is characterised by the absence of large, reliable suppliers able to consistently deliver meaningful quantities of gemstones in a professional and transparent manner. Notwithstanding this, the utilisation of coloured gemstones in the jewellery and fashion sectors has increased during the last decade.

Gemfields' strategy is to create the leading integrated coloured gemstone producer, pursuing consolidation and vertical integration on an international scale. With an initial focus on the emerald sector, Gemfields is working to put in place coordinated marketing and supply mechanisms akin to those found in the diamond sector.

A core pillar of the Gemfields strategy is the ability to bring ethically produced, conflict-free gemstones of certified provenance directly from the mine to the market on an integrated basis.

Background to the Gemfields investment
The Company and certain Pallinghurst Co-Investors acquired a controlling interest in the Kagem emerald mine in northern Zambia in October 2007. In June 2008, the Kagem emerald mine was vended into AIM-listed Gemfields via a reverse takeover to secure approximately 55% of the enlarged group. After various corporate actions, the Company and the Pallinghurst Co-Investors presently own 60.6% of Gemfields. The Kagem mine is the largest emerald mine in Africa (and one of the largest in the world) and is now Gemfields' key asset.

Key developments
After the acquisition of Kagem in October 2007, significant improvements were made to the infrastructure, security and management of the operation. This delivered considerable increases in mining capabilities, resulting in gemstone production increasing approximately three-fold within a two year period.

In an effort to meet the market's need for reliable and consistent supply, Gemfields favoured an initial policy of inventory building. The onset of the global financial crisis in October 2008 and its resulting fallout had a material adverse effect on the diamond and coloured gemstone markets (and on the value of the stockpile Gemfields had built).

Gemfields adapted to this environment by reducing the scale of its mining activities and minimising all non-essential capital, project development and exploration expenditure. Focus was placed on cost minimisation and improving operational efficiencies.

In February 2009, Gemfields appointed Mr Ian Harebottle, a veteran of the coloured gemstone industry, as Chief Executive Officer. This was followed in May 2009 by the appointment of Mr Adrian Banks as Product Director, with responsibility for delivering world class rough emerald supply to customers, underpinned by exceptional grading standards.

In July 2009, when coloured gemstone markets showed early signs of recovery, Gemfields held its first successful emerald auction since October 2007, realising US$5.9 million. A second auction was held in November 2009, realising US$5.6 million. Each of the two auctions offered high-quality rough emeralds falling approximately within the best 7% of Gemfields' production by weight (and which would account for by far the bulk of the revenue). The first auction of lower-grade material since October 2007 took place in Jaipur, India, between 11 – 15 March 2010.

Emerald value declines dramatically as quality decreases. Prices for rough emerald vary widely from US$0.01 per carat (for low quality material, which is produced in large volumes) through US$500 per carat (for very high quality material, of which very little is produced).

Gemfields initiated a pioneering trial underground mining project in February 2009 and announced the first production of emerald and beryl in February 2010. The shaft and tunnel system was designed, developed and constructed in-house. Underground mining has the potential to transform Zambian emerald mining by dramatically reducing rock-handling requirements and allowing mining operations to follow the ore zone in a more surgical fashion without the need to move all of the surrounding rock. If Gemfields' trial underground shaft proves successful, the model could be rolled out to access emerald ore bodies in multiple locations.

In February 2010, Gemfields discovered an exceptionally rare 6,225 carat rough emerald. The emerald has been named "Insofu" (or "elephant" in the local Bemba language) in consideration of its size, and in honour of the World Land Trust's "Wild Lands Elephant Corridor Project", in which Gemfields is a participant.

Outlook
Although the challenging economic environment has had an adverse effect on Gemfields' financial performance, the successful delivery of its first auctions and the ongoing operational improvements provide a solid platform from which to pursue future growth as operating environments improve.

FABERGÉ

Fabergé Strategy

The strategy is to re-establish Fabergé as one of the world's most exclusive and valuable luxury brands.

Background to the Fabergé investment

Fabergé is one of the most revered names in history and to this day remains synonymous with artistry and craftsmanship of the highest order. In 2007, the Investment Manager facilitated the acquisition by the Company and certain Pallinghurst Co-Investors of the global portfolio of trademarks, licences and associated rights relating to the Fabergé name.

Following the acquisition, and to reawaken the ethos and philosophy of Peter Carl Fabergé and ensure the integrity and authenticity of the new masterpieces, the Fabergé name was reunited with the Fabergé family after more than 50 years of separation. The Fabergé Heritage Council, which includes members of the Fabergé family, was established to continue Peter Carl Fabergé's relentless pursuit of excellence and refined and cultivated artistry, underpinned by superlative craftsmanship.

In November 2007, Mark Dunhill (the former President of Alfred Dunhill) was appointed as Chief Executive Officer. He selected a team of luxury sector specialists to implement the Fabergé vision and pursue an innovative model of selling directly to its customers.

Paris-based artist-jeweller Frédéric Zaavy was selected in early 2008 to create the first new collection. His work emphasises extraordinary colouration, artistry and innovative design, and elevates jewellery into works of art.

Key developments

The renaissance of Fabergé took place with a highly successful international launch on 9 September 2009, at which Fabergé's first high jewellery collection since 1917, dubbed "*Les Fabuleuses"*, was unveiled. The collection comprises 132 unique pieces, ranging in price from US$40,000 to US$7 million.

The launch also unveiled ***www.faberge.com***, a pioneering online "Global Flagship" store that replicates the traditional High Jewellery purchasing experience, which has until today been confined to a traditional retail environment.

The launch received significant and overwhelmingly positive international press coverage, including CNN airtime and a cover story and feature in the Financial Times' "*How to Spend It"* magazine.

Prior to the September 2009 launch, Fabergé completed a capital raising of US$35 million in new equity share capital, in which the Company participated. The capital raised is being used to further fund the development of the business by extending the product range and building sales momentum.

At a gala event in December 2009, Fabergé opened its first exclusive boutique in Geneva, Switzerland. The boutique is situated in one of Geneva's most prestigious locations, at rue Pierre Fatio, 5, within an elegant and refined historic townhouse and overlooking Le Jardin Anglais. The second floor of the boutique enjoys a view over Lake Geneva and the celebrated Jet d'Eau. The boutique is the first Fabergé boutique outside Russia since 1915 (when the former London boutique at 173 Bond Street was closed).

Fabergé's strategy of engaging directly and personally with its customers saw carefully tailored events hosted in St Moritz and Gstaad in Switzerland during February and March 2010 respectively. A number of similar events in international locations (including Asia) will take place during the remainder of 2010.

Outlook

The successful international launch and enthusiastic media response has significantly decreased the risks associated with the investment in Fabergé and puts it on track to liberate the significant value inherent in the name.

Pallinghurst (Cayman) GP L.P.

Investment Manager

15 March 2010

SUMMARY OF THE GROUP'S PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to a variety of risks and uncertainties which may have a financial or reputational impact on the Group.

The key risk to the Group is the valuation of its investments, which represents the key area of accounting judgement and key source of estimation or uncertainty likely to have a material impact on the balance sheet.

In particular, investors' attention is drawn to the following risks associated with the investment portfolio:

- Some investments are in unlisted entities;
- The investments are still mostly at an early stage of implementation of their investment strategy;
- The investments are in a variety of countries and jurisdictions;
- There is a small number of investments and therefore the failure of any single investment could have a material adverse impact on the balance sheet;
- Each investment has associated operational performance, political, economic, foreign exchange and country risks; and
- The Directors' valuations of the assets in the balance sheet are subjective and could be materially incorrect.

Additionally, as the Group has significant investments in mining assets, changes in commodity prices are a key risk to the business. The Group does not consolidate any mining assets or hold any physical commodities on its balance sheet, so commodity price changes have no direct impact on the financial statements. However, users of the financial statements should be aware that commodity price movements, particularly of PGMs, manganese and iron ore, are likely to have an impact on the valuation of the Group's investments. Prices of rough and polished emeralds are less predictable than those of other commodities, but significant variances in these could also impact on the value of the investment in Gemfields. The Fabergé investment remains at an early stage in its development, and has certain associated risks.

As mining investments move closer towards production, the risks associated with the investments significantly change and develop. Material new types of risk such as safety, sustainable development, employee relations and the risk of not being awarded or potentially losing mining permits may all become more significant for the Group over time. Whilst the number of investments is still small, and most of the Group's investments are at an early stage of implementation of their investment strategy, users of the financial statements should anticipate significant changes in the Group's risk profile over time.

The Group is also exposed in varying degrees to a variety of financial instrument related risks. Disclosures required by IFRS 7 *Financial Instruments: Disclosures* are included in Note 20 *Financial Instruments and financial risk management*.

There have been no material changes to the risk profile of the Group since the year-end other than those detailed above.

The risk factors described above are not comprehensive and there may be other risk factors that relate to or may be associated with an investment in the Company.

EXECUTIVE DIRECTORS

Brian Gilbertson – Chairman (BSc (Maths & Physics), BSc (Hons) in Physics, MBL and PMD)

Mr Gilbertson has extensive experience in the global natural resources industry. In his early career, he was Managing Director of Rustenburg Platinum Mines Limited, which gained recognition as the world's foremost producer of platinum in the 1980s. Later, as Executive Chairman of Gencor Limited, Mr Gilbertson led the restructuring of the South African mining industry into the post-Apartheid era, transforming Gencor Limited into a focused minerals and mining group. During this period he held ultimate responsibility for Impala Platinum Holdings and for Samancor Limited, the world's largest producer of manganese and chrome ore and alloys. Important initiatives included the Hillside and Mozal aluminium projects and the purchase of the international mining assets (Billiton plc) of the Royal Dutch Shell Group. In 1997, Gencor Limited restructured its non-precious metals interests as Billiton plc and, with Mr Gilbertson as Executive Chairman, Billiton plc raised US$1.5 billion in an initial public offering on the LSE, taking the company into the FTSE100. In 2001, Billiton plc merged with BHP Limited to create what is widely regarded as the world's premier resources company, BHP Billiton plc. In late 2003, Mr Gilbertson led the mining group Vedanta Resources plc to the first primary listing of an Indian company on the LSE in the second largest Initial Public Offering of the year. He was Chairman of Vedanta Resources plc until July 2004. In 2004 he initiated the foundation of Incwala Resources (Proprietary) Limited, a pioneering Black Economic Empowerment Corporation in South Africa, and was its first Chairman until March 2006. In 2004, Mr Gilbertson joined Sibirsko-Uralskaya Aluminum Company (SUAL), an aluminium producer in Russia and led the company into the US$30 billion merger with RUSAL and the alumina assets of Glencore International A.G., creating the largest aluminium company in the world. Mr Gilbertson established Pallinghurst Advisors LLP and the Investment Manager during 2006 and 2007, respectively, and is the Chairman of and a partner in both entities. Mr Gilbertson is a British and South African citizen.

Arne H. Frandsen – Chief Executive (BA, LLB, Master in Law from University of Copenhagen, Postgraduate Research and Studies in Japan and South Africa)

Following completion of his degrees, Mr Frandsen undertook extensive legal research in Europe, Japan and South Africa, leading to the publishing of a number of articles as well as a book. Once his research was successfully completed, Mr Frandsen moved to London to start a professional career as an Investment Banker. Mr Frandsen has over 10 years of investment banking experience with Goldman Sachs and JPMorganChase, providing strategic advice and structuring mergers and acquisitions as well as corporate finance transactions for clients in 30 different countries, raising in excess of US$20 billion of capital. From 2004, Mr Frandsen acted as Client Executive for JPMorganChase in South Africa, followed by a year as Chief Executive Officer of Incwala Resources (Proprietary) Limited, one of South Africa's leading Black Economic Empowerment mining companies. Mr Frandsen joined Pallinghurst Advisors LLP in 2006 and is a partner of the limited liability partnership and the Investment Manager. In addition, Mr Frandsen is an executive director of many of the companies in which the Company has invested. Mr Frandsen is a Danish citizen.

Andrew Willis – Finance Director (MBA (INSEAD), ACCA Affiliate Accountant, ACIS, BA/BCom)

Mr Willis has over ten years experience in international finance, structuring and private equity, and spent three years with pan-European private equity investment manager Candover Investments plc. Mr Willis is the Finance Director of a number of resource related companies advised by Pallinghurst Advisors LLP. Mr Willis joined Pallinghurst Advisors LLP in 2006 and is a partner of the limited liability partnership and the Investment Manager. Mr Willis is a British and New Zealand citizen.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Stuart Platt-Ransom (Chartered FCSI, CMgr, FInstLM, MIoD)

Mr Platt-Ransom is the Managing Director of the Legis Group, a role to which he was appointed in July 2007. Mr Platt-Ransom spent the previous 12 years with State Street Corp in its South Africa, Luxembourg, Dublin, London and Guernsey offices in various management, operational, business development and relationship management roles. Prior to that, Stuart worked for GAM in the Isle of Man. Most recently, Mr Platt-Ransom was the Managing Director of State Street's business in Guernsey and was responsible for its business in Africa from 2002 to 2006.

Mr Platt-Ransom serves as a director on the Legis Group companies and in addition holds a number of external directorships on listed private equity and property company structures as well as a Guernsey-based investment management company. Mr Platt-Ransom is a Chartered Fellow of the Chartered Institute for Securities & Investment, a Chartered Manager & Fellow of the Chartered Management Institute, a Fellow of the Institute of Leadership & Management and a Member of the Institute of Directors. He is a British and South African citizen and is a resident of Guernsey.

Clive Harris (BSc (Econ), ICAEW)

Mr Harris is a British and Cayman Islands citizen, and is resident in the Cayman Islands. He is a Chartered Accountant (England and Wales) and a member of the Society of Trust and Estate Practitioners. Mr Harris graduated in 1976 from The University of Wales with a BSc (Econ) with combined honours in Accountancy and Law. In 1979 he qualified as a Chartered Accountant with the City of London Office of Deloitte Haskins & Sells. He has resided in the Cayman Islands since December 1979 where he was employed for some 20 years as a director and Managing Director of International Management Services Limited, an independent Cayman Islands based firm of company and insurance managers, and was a partner in its associated accounting firm. In 2001 Mr Harris took up a consulting position with the Bank of Bermuda (Cayman) Limited and was subsequently appointed Managing Director and head of Global Fund Services during a time of reorganisation, leaving the Bank on its completion in 2003. Mr Harris has extensive and in depth knowledge and experience in the fields of company management, investment services, and the management and administration of Hedge Funds and Special Purpose Vehicles, and since 2004 has been self-employed, serving as an independent non-executive director to a number of Cayman Island funds, managers and other regulated entities.

Martin Tolcher (FCSI)

Mr Tolcher is a Fellow of the Chartered Institute for Securities and Investment (FCSI) and has been involved within the fund administration industry in Guernsey for over 20 years. He has held senior positions at three fund administration subsidiaries of Bermudan and Canadian international banks, gaining considerable experience in the administration of a wide range of fund and private equity structures. He is Managing Director of Legis Fund Services Limited, the Company's Administrator. He holds directorships on a number of other Guernsey domiciled funds as well as Guernsey management companies. Mr Tolcher is a British citizen and a resident of Guernsey.

INTRODUCTION

The Board believe that sound corporate governance is a core principle and strive for best practice.

The Board is the focal point of the Company's corporate governance system and is ultimately accountable and responsible for the key processes and the performance and affairs of the Company and the Group.

The Board endorse the principles and practices of good governance as recommended in the 2002 King Committee Report on Corporate Governance ("King II"). The Company has complied with the provisions of the King Code throughout the period.

BOARD RESPONSIBILITIES

The Board's responsibilities include providing the Group with clear strategic direction, evaluating potential investments identified by the Investment Manager, and overseeing the performance of the Company's investments. The Board is also responsible for determining policies and processes which seek to ensure the integrity of the Company's risk management and internal controls, implementing and maintaining the Company's communication strategy and for ensuring the integrity and effectiveness of the Company's governance processes.

CHAIRMAN AND BOARD COMPOSITION

Mr Brian Gilbertson, an executive Director, has been the Chairman of the Company since its incorporation. The Board presently comprises three executive Directors, Mr Brian Gilbertson (Chairman), Mr Arne H. Frandsen (Chief Executive), Mr Andrew Willis (Finance Director) and three non-executive Directors, Mr Clive Harris, Mr Stuart Platt-Ransom and Mr Martin Tolcher. The offices of the Chairman and Chief Executive are separate. There is adequate division of responsibilities amongst Board members to ensure a balance of power and authority.

All the non-executive Directors are considered to be independent in the context of King II, and the Board is of the opinion that all non-executive Directors bring an independent view on material decisions of the Company.

APPOINTMENT OF NEW DIRECTORS

The appointment of new Directors will be considered by the Board as and when the need arises. The members of the Board collectively consider new Board appointments although there is no separate nomination committee. When appointing a new Director, the Board ensures that the individual would devote enough time to the affairs of the Company, that the individual has an appropriate level of skills and experience and that the balance of the Board's collective skills and experience would remain appropriate.

ROTATION OF DIRECTORS

The terms of the Company's articles of association (the "Articles") specify that one-third of the Directors shall retire from office at every annual general meeting of the Company. In addition to the aforementioned retiring Directors, any Director appointed as such after the conclusion of the Company's preceding annual general meeting shall retire from office at the conclusion of the annual general meeting held immediately after his appointment. The Directors who retire in terms thereof shall firstly be those who were appointed since the previous annual general meeting, secondly those Directors who have been appointed in place of a Director who has been dismissed before the expiration of his period of office, and lastly those who have been longest in office since their last election. Any retiring Director shall be eligible for re-election and, if re-elected, shall be deemed not to have vacated his office.

Details of the Board of Directors appear on page 10 of the annual report.

BOARD MEETINGS

A minimum of four Board meetings are scheduled each year to consider strategic and financial issues and the quarterly performance of the Company. Additional Board meetings are convened on an ad hoc basis, if necessary, to deal with certain issues which require attention or urgent decisions.

Directors are required to use their best endeavours to be present at Board meetings and to participate fully, frankly and constructively in discussions and to bring the benefit of their particular knowledge and expertise to the Board meetings.

Matters are decided at Board meetings by a majority of votes. In case of an equality of votes the chairman at the meeting shall have a second or casting vote. This ensures that no one individual has unfettered powers of decision making.

Six Board meetings were held during the 2009 financial year. All Board decisions taken during the year were unanimous.

ROLE OF THE INDEPENDENT VALUER

The Directors have estimated the fair value of the individual investments. The Company has, in addition, engaged an independent valuer who has provided an opinion that the valuations of the investments as determined by the Directors have been prepared using a methodology and approach which are reasonable and consistent with the concept of fair value, and are in accordance with the International Private Equity and Venture Capital ("**IPEVC**") valuation guidelines (the "Valuation Guidelines").

BOARD COMMITTEES

Audit and Remuneration Committees have been established to assist the Board in discharging its responsibilities. Members of the Committees comprise only members of the Board.

AUDIT COMMITTEE

The Chairman of the Audit Committee is Stuart Platt-Ransom, a non-executive Director. Clive Harris and Martin Tolcher, the other two non-executive Directors, are the other members of the Audit Committee.

The Chief Executive, Finance Director and auditor may attend Audit Committee meetings on invitation. The Audit Committee met three times during the year. The auditor has access to all Audit Committee members throughout the year.

The Audit Committee's terms of reference include the following duties:

Financial reporting
To monitor the integrity of the annual and half-yearly financial statements, focusing in particular on:

- The valuations of the investment portfolio;
- Any other significant areas of judgement;
- Changes to accounting policies;
- Any significant adjustments resulting from the audit;
- Review of the going concern status of the Company;
- The compliance of the financial statements with IFRS; and
- Compliance with the JSE listing requirements, BSX listing requirements and any other legal regulations.

Auditor
- To consider the appointment, reappointment, qualification, independence, scope and effectiveness of the auditor;
- To keep under review the scope, results and cost effectiveness of the audit and the independence and objectivity of the auditor;
- To review the auditor's letter of engagement; and
- To review the auditor's management letter if one is issued and prepare any response.

Non-audit services
- To consider whether to engage the auditor for non-audit services.

Independent valuer
- The scope, results and cost effectiveness of the independent valuer.

Internal controls and risk management systems
- Review of the quality of the Group's external reporting and communication with stakeholders;
- Review the effectiveness, quality, integrity and reliability of the Group's risk management processes and internal controls; and
- Assess the performance of the Finance Director.

The Audit Committee's terms of reference were extended in March 2010 to include the review of the calculation and payment of the Investment Manager's benefits.

KEY CONCLUSIONS OF THE AUDIT COMMITTEE

It is the view of the Audit Committee that Mr Andrew Willis possesses the appropriate expertise and experience to meet the responsibilities of his position as Finance Director, and that his performance during 2009 was more than satisfactory.

The Board is of the opinion that the auditor observed the highest level of business and professional ethics and its independence has not been impaired in any way.

REMUNERATION COMMITTEE

The members of the Remuneration Committee are Brian Gilbertson, Arne H. Frandsen, and Andrew Willis. The committee members have agreed not to receive any fees for their services as executive Directors, therefore the decisions made by the members are considered to be free from conflict and thus independent in the context of King II.

The Remuneration Committee meets once a year and is responsible for determining the fees for non-executive Directors. In accordance with the Articles, Directors are each entitled to receive fees for their services as determined by the Remuneration Committee, provided that the amount shall not exceed US$10,000 per annum. This limit is proposed to be increased to US$40,000 per annum by ordinary resolution at the forthcoming Annual General Meeting.

RISK MANAGEMENT

The Directors are ultimately responsible for the Group's system of internal controls designed to provide reasonable assurance against material misstatement and loss. The Group's system of internal financial control is designed to provide assurance on the maintenance of proper accounting records and the completeness and accuracy of financial information used by management for decision making and for publication. The internal control system comprises;

- An organisational structure and reasonable division of responsibility;
- Established policies and procedures; and
- Established mechanisms to ensure compliance.

KING III

The King Code of Governance for South Africa 2009 ("King III"), with its Code of Governance Principles, was launched on 1 September 2009, and is effective from 1 March 2010. The Board is in the process of considering the implications and effect of King III on the Group's corporate governance practices, and will report on the implementation and application of King III at the end of the next financial year.

INSURANCE

A directors' and officers' liability insurance policy has been taken out by the Company and covers the Company and other Group companies.

SUSTAINABILITY REPORTING

The Directors recognise the importance of sustainable development. As an investment holding company, the Company does not have a significant direct impact on the natural environment in which it operates. The responsibilities for sustainable development are largely retained by the investments within the Company's investment portfolio. Detailed sustainability information for the Company's investment portfolio can be obtained from the relevant annual reports and other information of the companies concerned.

COMMUNICATION WITH STAKEHOLDERS

The Executive Directors and the Company's Investor Relations team conduct presentations on the Group's performance and strategy to analysts, institutional investors and the South African media. The Company's Investor Relations team maintains regular contact with analysts and institutional investors.

The Company ensures communication with stakeholders who do not have access to electronic media by publishing its corporate actions and performance announcements, including interim and final results, in South African daily newspapers (usually the *Business Day* and *Die Burger*). The Company maintains a website through which access is available to the Group's latest financial, operational and historical information.

DEALING IN LISTED SECURITIES

Directors may not deal in the shares of the Company during certain closed periods which fall on the following dates:

- Between 1 January and the date on which the annual results are published;
- Between 1 July and the date on which the interim results are published; and
- Outside of the above closed periods, while the Company is in the process of price sensitive negotiations, acquisitions, or pending any price sensitive announcements.

Directors are required to obtain prior clearance in writing of any proposed share transactions from the Chairman and Finance Director before dealing outside of the closed periods. Details of any transactions by Directors in the shares of the Company are advised to the JSE, through the sponsor, for publication on SENS, and are also advised to the BSX for publication. Details of Directors' dealings in the equity shares of the Company are detailed in Note 21 *Related party transactions*.

The Directors present their report and financial statements for the year ended 31 December 2009.

RESULTS AND DIVIDENDS

The results for the year are shown in the consolidated income statement on page 16. The Directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Group makes investments within the metals and mining sector, and also holds an investment in Fabergé Limited.

OMISSION OF COMPANY ONLY FINANCIAL INFORMATION

The Directors believe that the consolidated financial statements provide all material information to users of the financial statements and have satisfied themselves that the Company's stand alone financial statements do not contain any significant additional information which would be of use to shareholders. Accordingly, Company only financial information has been omitted from these consolidated financial statements, as permitted by The Companies (Guernsey) Law, 2008, Section 244, and the JSE Listing Requirements 8.62(a) and 8.62(d).

ANNUAL GENERAL MEETING

The Annual General Meeting will be held during May 2010.

DIRECTORS

The Directors who served the Company during the year and to date are as shown on page 10.

AUDIT

Each of the Directors at the date of approval of the financial statements, confirms that:

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

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

Saffery Champness are the Company's auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

On behalf of the board

Brian Gilbertson (Chairman)
15 March 2010

Arne H. Frandsen (Chief Executive)
15 March 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable regulations, Guernsey law and International Financial Reporting Standards. The Directors are required by The Companies (Guernsey) Law, 2008, to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group, and of the profit or loss of the Group for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error, or non-compliance with law and regulations.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Pallinghurst Resources Limited

We have audited the financial statements of Pallinghurst Resources Limited for the year ended 31 December 2009 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes.

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 described in the Statement of Directors' Responsibilities, the Company's directors are responsible for the preparation of financial statements in accordance with applicable law, regulations and International Financial Reporting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 2008. We also report to you if in our opinion the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises the Introduction, the Investment Manager's Report, the report of Principal Risks and Uncertainties, the Directors' section, the Corporate Governance Report, and the Shareholder information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group's affairs as at 31 December 2009 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008.

Saffery Champness

Chartered Accountants

Guernsey

15 March 2010

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2009

	Notes	2009 US$	2008 US$
INCOME			
Gains/(losses) on investments			
Unrealised gains/(losses) in the fair value of investments	12	**53,194,795**	(27,466,529)
Unrealised foreign exchange gains/(losses) in the portfolio of investments	12	**8,801,081**	(10,940,413)
Realised fair value gain on Mindax shares	13	**821,409**	–
Realised foreign exchange loss on Mindax shares	13	**(14,330)**	–
Net realised gain on Jupiter transaction	13	**3,809,606**	–
		66,612,561	(38,406,942)
Portfolio income			
Loan interest income		**95,616**	497,433
Dividends received from financial asset investment		**–**	84,000
Other income		**6,741**	–
Net gains/(losses) on investments and income from operations		**66,714,918**	(37,825,509)
EXPENSES			
Investment Manager's Benefit	8	**(3,532,946)**	(2,556,643)
Operating expenses	9	**(1,435,571)**	(2,476,545)
Net foreign exchange losses		**(241,956)**	(2,037,036)
		(5,210,473)	(7,070,224)
Profit/(loss) from operations		**61,504,445**	(44,895,733)
Finance income	10	**599,488**	1,383,199
Finance costs		**–**	(34,152)
Profit/(loss) before share of profit/(loss) of associates		**62,103,933**	(43,546,686)
Share of net profit/(loss) of associates	14	**327,818**	(2,883,815)
Profit/(loss) before tax		**62,431,751**	(46,430,501)
Income tax expense	11	**(74)**	(144)
NET PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**62,431,677**	(46,430,645)
			Restated
Basic and diluted earnings/(loss) per ordinary share	22	**0.20**	(0.27)

The accompanying notes on page 21 to page 51 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	2009 US$	2008 US$
NET PROFIT/(LOSS) FOR THE FINANCIAL YEAR	**62,431,677**	(46,430,645)
Other comprehensive income, net of tax:		
Net exchange loss on translation of foreign operations	**(17,463)**	–
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	**62,414,214**	(46,430,645)

The accompanying notes on page 21 to page 51 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
As at 31 December 2009

	Notes	2009 US$	2008 US$
ASSETS			
Non-current assets			
Investments in associates	14	**2,204,894**	1,804,765
Investment portfolio			
Quoted equity investments	12	**82,951,671**	48,617,689
Unquoted equity investments	12	**154,069,371**	101,795,361
Loans and receivables	12	**1,320,594**	519,327
		238,341,636	150,932,377
Total non-current assets		**240,546,530**	152,737,142
Current assets			
Trade and other receivables	16	**1,112,029**	764,546
Loan receivable from associate	15	**–**	11,127,017
Cash and cash equivalents		**80,406,350**	20,939,970
		81,518,379	32,831,533
Total assets		**322,064,909**	185,568,675
LIABILITIES			
Current liabilities			
Trade and other payables	17	**384,076**	25,841,436
Total liabilities		**384,076**	25,841,436
Net assets		**321,680,833**	159,727,239
Capital and reserves attributable to equity shareholders			
Share capital	18	**4,760**	2,474
Share premium	18	**300,226,258**	200,689,164
Cumulative translation adjustment reserve		**–**	17,463
Retained earnings/(deficit)		**21,449,815**	(40,981,862)
EQUITY		**321,680,833**	159,727,239
NAV and tangible NAV per ordinary share	22	**0.68**	0.65

The financial statements on pages 16 to 51 were approved and authorised for issue by the Board of Directors on 15 March 2010 and were signed on its behalf by:

Brian Gilbertson
Chairman
15 March 2010

Arne H. Frandsen
Chief Executive
15 March 2010

The accompanying notes on page 21 to page 51 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2009

	Notes	2009 US$	2008 US$ (restated)
Cash (outflows)/inflows from operations	19	**(30,208,441)**	21,103,811
Dividend income		**–**	84,000
Taxation paid		**(74)**	(144)
Additions to investments	12	**(20,720,225)**	(104,702,592)
Loans extended to investments		**–**	(29,012,464)
Loan repayments from investments		**11,127,017**	15,622,082
Proceeds from disposal of investment		**19,144**	–
Cash flows from operating activities		**(39,782,579)**	(96,905,307)
Investing activities			
Net increase in investments in associates		**(72,312)**	(4,495,323)
Net cash used in investing activities		**(72,312)**	(4,495,323)
Financing activities			
Issue of ordinary and management shares		**106,509,219**	33,761,166
Share issue costs	18	**(4,557,760)**	–
Net foreign exchange losses on share issue	18	**(2,412,079)**	–
Finance income received	10	**599,488**	1,383,199
Finance cost paid		**–**	(34,152)
Net cash generated from financing activities		**100,138,868**	35,110,213
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**60,283,977**	(66,290,417)
Cash and cash equivalents at the beginning of the year		**20,939,970**	86,113,647
Exchange (loss)/gain on cash		**(817,597)**	1,116,740
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**80,406,350**	20,939,970

The accompanying notes on page 21 to page 51 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2009

	Share capital US$	Share premium US$	Retained earnings US$	Cumulative translation adjustment reserve US$	Total equity US$
Balance at 1 January 2008	1,695	166,928,777	5,448,783	17,463	172,396,718
Vendor consideration placing	779	33,760,387	–	–	33,761,166
Net loss	–	–	(46,430,645)	–	(46,430,645)
Balance at 31 December 2008	2,474	200,689,164	(40,981,862)	17,463	159,727,239
Issue of ordinary shares	2,286	106,506,933	–	–	106,509,219
Share issue costs	–	(4,557,760)	–	–	(4,557,760)
Net foreign exchange losses on share issue	–	(2,412,079)	–	–	(2,412,079)
Net exchange loss on translation of foreign operations	–	–	–	(17,463)	(17,463)
Net profit	–	–	62,431,677	–	62,431,677
Balance at 31 December 2009	**4,760**	**300,226,258**	**21,449,815**	**–**	**321,680,833**

The accompanying notes on page 21 to page 51 form part of these financial statements.

1. Introduction

These financial statements cover the Group. The "Group" is Pallinghurst Resources Limited and all entities controlled by the Company (its subsidiaries), and its associates and joint ventures.

The following principal accounting policies have been applied by the Group for the financial year ended 31 December 2009. Except where otherwise disclosed, these policies are consistent in all material respects with those applied in the previous year.

2. Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS and interpretations as issued by the International Accounting Standards Board and applicable legislation, The Companies (Guernsey) Law, 2008, and the JSE Listing Requirements. The financial statements were approved for issue by the Board of Directors on 15 March 2010.

3. Accounting policies

Basis of preparation

The financial statements are prepared on the historical cost basis, except for certain financial instruments, including the investment portfolio, that are measured at fair value.

These consolidated financial statements are prepared on a going concern basis.

Basis of consolidation of financial results

The consolidated financial statements reflect the financial results of the Group. All financial results are consolidated with similar items on a line-by-line basis except for investments in associates, which are included in the Group's results as set out below.

Subsidiaries

Subsidiaries are all entities including special purpose entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, and are consolidated.

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

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

Associates

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

Investments in associates that are held as part of the Group's investment portfolio are measured at fair value through profit and loss.

Associates that hold the Group's underlying investments

The Group's associates which hold the Group's underlying investments are accounted for using the equity method of accounting.

Equity accounting involves recognising, in the income statement, the Group's share of the associates' earnings for the year. The results of associate entities acquired and disposed of during the year are included from the effective dates of acquisition to the effective dates of disposal.

The Group's interest in associates is carried in the balance sheet at an amount that reflects its share of the net assets of the associate. The total carrying amount of associates is evaluated annually for impairment.

The most recent financial information of associates is used. Losses of associates in excess of the Group's interest are not recognised unless there is a binding obligation to contribute to the losses.

Joint ventures

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

Investments in joint ventures that are held as part of the Group's investment portfolio are measured at fair value through profit or loss.

Joint ventures incorporated to hold the Group's underlying investments

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

3. Accounting policies (continued)

Accounting for the investment portfolio

(i) Classification

Portfolio investments comprise listed and unlisted equity securities and loans and receivables. Listed and unlisted securities are financial assets that are designated at "fair value through profit or loss" at inception. Loans and receivables are financial assets that are designated as available for sale and measured at fair value.

(ii) Recognition and derecognition

Portfolio investments are recognised and derecognised on the date where the purchase or sale of an investment is under a contract whose terms require the unconditional delivery or settlement of the investment.

(iii) Accounting policy choices for the Group's investment portfolio

The Group chooses to account for all investments that are held as part of the Group's investment portfolio at fair value. This includes associated entities over which the Group may have significant influence, and joint venture entities which the Group might jointly control with one or more other investors.

This accounting policy choice is standard practice in the venture capital industry, and makes the financial statements comparable with other similar venture capital organisations.

(iv) Determining fair value

The Directors determine the measurement of each investment within the investment portfolio at fair value, using the most appropriate basis. Fair value is the value of an asset or liability in an arm's length transaction between two willing and knowledgeable parties. Where no such transaction exists, an estimate of fair value is made by the Directors.

The best evidence of the fair value of a financial instrument on initial recognition is the fair value of the consideration given. All investments are held at this cost until it is appropriate to measure fair value on a different basis.

(v) Quoted equity investments

Quoted investments in an active market are generally valued at the closing bid price on the date of valuation.

(vi) Unquoted equity investments

Unlisted investments make up a material element of the investment portfolio, and these valuations involve judgements and estimates by the Directors. A number of different valuation methods can be used for unquoted 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 are not currently permitted by IFRS.

Other valuation methodologies recommended by the IPEVC Valuation Guidelines include using earnings multiples, net assets, or the discounted cash flows of the underlying business, or of the investment, to determine the fair value of an investment. The Directors may use any of these other valuation methodologies if deemed appropriate.

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

The Directors also consider whether there are any factors that could indicate that a diminution of value in a particular investment has occurred, including but not limited to the following:

- Whether the performance of the business has been worse than the original expectations when the investment was made;
- Whether there has been any unexpected deterioration in the cash position of the underlying business;
- Whether there have been any adverse or unexpected results from drilling or exploration activities in the particular investments; and
- Whether external factors such as deterioration in the global economy or in industry conditions, could have had a material impact on the value of the investment.

(vii) Loans and receivables

The investment portfolio includes loans made to portfolio companies.

Where a loan is made to a portfolio company, it is often the case that the loan will be extended at the end of its official term, and/or could be converted into an equity stake, and despite the legal terms, the repayment date may not be anticipated by the Directors to be within one year. It is considered more useful to investors to show all equity investments and all loans to portfolio companies within the investment portfolio so that a true picture of the whole investment portfolio is given. Accordingly all loans made to portfolio companies are shown as repayable after one year. This is consistent with typical practice in the venture capital industry.

Loans and receivables are classified as available for sale and are measured at fair value.

Trade and other receivables

The trade and other receivables balance usually relates to balances receivable upon the exit from an investment. The Group's operating activities are the entering into and exit from investments; it does not carry out other trading activities.

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

Trade and other receivables also includes prepayments.

Cash and cash equivalents

Cash and cash equivalents represent cash held at bank and in on demand deposits. The Group ensures that all its cash balances are either accessible on demand, or with a notice period of up to 32 days.

Trade and other payables

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

Ordinary share capital

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

Gains/(losses) on investments

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

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

Portfolio income

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

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

Other income

Other income includes dividends received from entities not within the investment portfolio and other income not related to the investment portfolio.

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

Taxation

The Company is incorporated in Guernsey and is an 'Exempt Collective Investment Scheme' under the Income Tax (Zero-10) (Guernsey) (No. 2) Law 2007.

The taxation expense represents the sum of the current and deferred taxation payable by Group companies.

Earnings per share

Earnings per share ("EPS") is based on attributable profit for the year divided by the weighted average number of ordinary shares in issue during the year, and is a key performance measure.

Diluted earnings per share is presented when the inclusion of potential ordinary shares has a dilutive effect on earnings per share. There are no dilutive indicators or dilutive ordinary shares in issue, and as such, no diluted earnings per share figures have been disclosed.

Headline earnings per share

Headline earnings per share ("HEPS") is similar to earnings per share above except that attributable profit specifically excludes certain items, as set out in Circular 8/2007 "Interpretation of Statement of Investment Practice No 1: Headline Earnings" issued by the South African Institute of Chartered Accountants.

The gain or loss on disposal of associates is normally excluded from headline earnings (and headline earnings per share). However, per the circular on Headline Earnings issued in July 2007 by the South African Institute of Chartered Accountants ("SAICA"), private equity companies should include gains or losses on disposal of associates in HEPS because any profit realised on the disposal of these investments is considered to be part of the trading results of private equity operations and the profit does not relate to the capital platform of the business as would normally be the case. The circular further explains that in this context the choice to recognise an investment in an associate at fair value through profit or loss instead of applying equity accounting does not imply that the investment is part of the capital or platform of the business and should not have any impact on the decision to include the gain or loss on disposal of associates within headline earnings. Therefore where a gain or loss is made on the disposal of an associate that is part of the investment portfolio the item is included within headline earnings. If an associate that is part of the capital structure of the Group were to be disposed of the arising gain or loss would be excluded from headline earnings in line with the guidance from SAICA.

3. Accounting policies (continued)

Foreign currencies

The functional currency for each entity in the Group is the currency of the primary economic environment in which the entity operates.

The United States dollar (US$) is the Group's functional currency, and is the currency in which the Group's financial statements are presented, as it most reliably reflects the Group's global business. The primary activity of the Group is to hold investments within the commodities sector. These investments are denominated in a variety of currencies, including the US$, Australian dollar (AUD), British pound (GBP), the euro (EUR), and South African rand (ZAR).

The Group's investments are either denominated in US$ or are in commodities such as iron ore and platinum where the commodity sales are usually denominated in US$. The Directors therefore believe that the US$ best represents the Group's economic environment and that the US$ is the most appropriate currency to use as the Group's functional currency.

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

Translation differences on financial assets held at fair value through profit or loss are recognised in the income statement.

Derivative financial instruments

Derivative financial instruments are occasionally used by the Group to manage the risk associated with foreign currency fluctuations of the investment portfolio, particularly when entering into and exiting from investments. This is normally achieved by the use of foreign currency forward contracts.

The Group also consider the use of currency swaps in some circumstances, either to facilitate the making of new investments, or if appropriate whilst raising new equity share capital. The Group do not currently have any open derivative financial instrument positions.

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

Segmental reporting

A business segment is a group of assets or operations engaged in providing returns that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing, within a particular economic environment, returns that are subject to risks and returns that are different from those segments operating in other economic environments.

Primary reporting format – business segments

The Group's business segments are each of its investment platforms, Coloured Gemstones, PGMs, Steel Feed Corporation, and Fabergé (Luxury Brands).

Secondary reporting format – geographical segments

The Group's segmental reporting by geographical segments follows its business segment reporting, as each business segment is in a separate geographic region. The exception is the Steel Feed Corporation, which has a presence in both Australia (Jupiter) and South Africa (Tshipi).

In line with the requirements of IFRS 8 *Operating Segments*, the Group's segmental reporting has been amended to give users of the financial statements information that is similar to that used by the Chief Executive in making operating decisions and assessing performance. Comparative figures have been restated accordingly.

4. Comparative figures

Comparative figures have been restated as necessary to give users of the financial statements a more meaningful understanding of the Group's results in the prior period.

Restatement of the cash flow statement

The cash flow statement has been restated to:

1. Include an exchange gain on cash balances of US$1,116,740 as a reconciling item between net profit for the year and net cash outflows from operations, and also include it as part of the reconciliation between opening and closing cash and cash equivalents (previously omitted from both);
2. Exclude the effect of a non-cash outflow of US$23,900,190, payable for the Magazynskraal purchase, so that additions to investments as restated only includes cash additions (additions previously included a non-cash addition), with a corresponding impact on trade and other payables; and
3. Exclude the impact of a non-cash accrued expense of US$654,439 from trade and other payables.

For the year ended 31 December 2008	2008 US$ (restated)
Adjustments to cash flows from operating activities	
Cash flows from operating activities	
As previously stated	(95,788,567)
Effect of restatement[1]	(1,116,740)
As restated	(96,905,307)
Additions to investments	
As previously stated	128,602,782
Effect of restatement[2]	(23,900,190)
As restated	104,702,592
Increase in trade and other payables	
As previously stated	25,621,718
Effect of restatement[2]	(23,900,190)
Effect of restatement[3]	(654,439)
As restated	1,067,089

Effects of exchange rate changes were included as part of cash and cash equivalents as follows:

Net decrease in cash and cash equivalents	(66,290,417)
Cash and cash equivalents at the beginning of the year	86,113,647
Net impact of foreign exchange rate changes on cash flow items	1,116,740
Cash and cash equivalents at the end of the year	20,939,970

Restatement of EPS using weighted average number of ordinary shares in issue

Basic, diluted loss and headline loss per share in the prior year has been restated. See Note 22 *Headline earnings per share and Net Asset Value per share* for more details.

5. New and revised accounting standards and interpretations

Changes in accounting policy

The accounting policies applied are consistent with those adopted and disclosed in the Group's annual financial statements for the year ended 31 December 2008, other than the changes in accounting policy described below.

In the current year the Group has adopted IFRS 8 *Operating Segments* and IAS 1 (revised 2007) *Presentation of Financial Statements* (IAS 1R).

5. New and revised accounting standards and interpretations (continued)

The adoption of IAS 1R has had no impact on the reported results or financial position of the Group. However, the adoption of the standard has resulted in a number of changes in presentation and disclosure. IAS 1R requires the presentation of all items of income and expense in a statement of comprehensive income which has been incorporated into these financial statements. The Group already presented a statement of changes in equity as a separate primary statement as is now required by IAS 1R. IAS 1R also recommends a number of terminology changes including revised titles for the condensed financial statements (for example, statement of financial position instead of balance sheet). However, it does not mandate the adoption of these, and the new titles have not been adopted at the current time.

IFRS 8 requires operating segments to be identified on the basis of internal reporting used by the "Chief Operating Decision Maker" ("CODM") which for the Group is the Chairman, Brian Gilbertson, to assess performance and allocate resources. In contrast, IAS 14 *Segment Reporting* required the Group to report segmental information on two sets of segments, business and geographical. As a result, the Group's segmental reporting, as included in Note 7 *Segmental reporting* is presented in accordance with IFRS 8 and comparatives have been restated accordingly.

The Group has also adopted the amendments to IFRS 7 *Financial Instruments: Disclosures*. These amendments relate to the presentation of finance costs, and require enhanced disclosures on fair value and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

Further accounting standards, interpretations and amendments to published accounting standards which came into effect during 2009 included the following:

- IAS 23 – *Borrowing Costs*; amendment requiring an entity to capitalise borrowing costs directly attributable to qualifying assets as part of the cost of the asset;
- IAS 32 and IAS 1 – *Financial Instruments Presentation Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation;* amendments requiring certain types of financial instruments to be classified as equity;
- IFRS 2 – *Share Based Payments*; amendment clarifying that vesting conditions are service conditions and performance conditions only;
- IFRS1 *First-time adoption of International Financial Reporting Standards* and IAS 27 – *Consolidated and Separate Financial Statements*; amendments allowing first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities and associates at cost in accordance with IAS 27 or deemed cost (being the fair value determined in accordance with IAS 39 at the date of transition; or the previous GAAP carrying amount);

None of these had any impact on the Group's financial statements in 2009.

At the date of issue of these financial statements, there were a number of accounting standards, interpretations and amendments to published accounting standards in issue but not yet effective. Those most likely to be relevant to the Group include the following:

Amendments to accounting standards

Effective financial years commencing on or after 1 July 2009;

- IFRS 3 – *Business Combinations*; effective financial years commencing on or after 1 July 2009;
- IFRS 5 – *Non-current assets Held for Sale and Discontinued Operations*; financial years commencing on or after 1 July 2009;
- IAS38 – *Intangible Assets*;
- IAS39 – *Financial Instruments: Recognition and Measurement*; Eligible Hedged items;
- IFRS1 – *First-Time Adoption of International Financial Reporting Standards*;
- IFRIC 9 – *Reassessment of Embedded Derivatives*;
- IFRIC16 – *Hedges of a net investment in a Foreign Operation*;
- IFRIC17 – *Distributions of Non-cash Assets to Owners*.

Effective financial years commencing on or after 1 January 2010;

- IAS 1 – *Presentation of Financial Statements* – classification of convertible instruments as either non-current or current;
- IAS 7 – *Statement of Cash Flows*;
- IAS 18 – *Revenue*;
- IAS 27 – *Consolidated and Separate Financial Statements*;
- IFRS 2 – *Share-based Payments* – Group cash-settled share-based payment transactions; effective for financial years commencing on or after 1 January 2010;
- IFRS 8 – *Operating Segments* – Disclosure of information regarding Profit and Loss, Assets and Liabilities;
- IAS39 – *Financial Instruments: Recognition and Measurement*; Scope Exemption for business combination contracts and Cash Flow Hedge Accounting;
- IAS36 – *Impairment of Assets*.

Effective financial years commencing on or after 1 January 2011:

- IAS 24 – *Related party disclosures*.

New accounting standards

- IFRS 9 – *Financial instruments*; effective financial years commencing on or after 1 January 2013.

The Directors have not early adopted any of these standards or interpretations. The Directors have not yet fully determined what the impact of these or any other new standards and interpretations on the Group will be.

6. Critical accounting judgements and estimates

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

The most critical accounting estimates and assumptions relate to the valuation of the Group's portfolio of investments. Details of each methodology used to calculate the fair value of the Group's investments are set out in Note 12 *Fair valuation of investments*.

Estimates and assumptions used are reviewed on an ongoing basis. The Directors' estimates of fair value may materially differ from the actual fair value of each investment.

7. Segmental reporting

The Group has four investment platforms that qualify as reportable business segments – Fabergé (or Luxury Brands), Steel Feed Corporation, Coloured Gemstones and PGMs.

The CODM is Brian Gilbertson, the Chairman, who measures the performance of the various operating segments by assessing the Group's investment portfolio for fair value and foreign exchange movements.

IFRS 8 *Operating Segments* requires that the balances disclosed in the financial statements should be the measures reported to the CODM, with a reconciliation to the amounts in the financial statements.

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2009 is as follows:

Income statement information at 31 December 2009

	Luxury Brands	Steel Feed Corporation		Coloured Gemstones	PGMs	Total
	Cayman Islands	Australia	South Africa	Zambia	South Africa	
	US$	US$	US$	US$	US$	US$
31 December 2009						
Income						
Net gain on Jupiter transaction	–	3,809,606	–	–	–	3,809,606
Unrealised gains/(losses) in fair value of investments	20,633,478	6,135,733	–	(7,055,936)	33,481,520	53,194,795
Unrealised foreign exchange gains	–	1,478,991	289,659	1,599,950	5,432,481	8,801,081
Realised fair value gain on Mindax shares	–	821,409	–	–	–	821,409
Realised foreign exchange loss on Mindax shares	–	(14,330)	–	–	–	(14,330)
Capitalised loan interest	–	–	95,616	–	–	95,616
Total segmental income	**20,633,478**	**12,231,409**	**385,275**	**(5,455,986)**	**38,914,001**	**66,708,177**

Other income	6,741
Net gains on investments and income from operations	66,714,918
Expenses, net finance income, share of profit of associates, and taxation	(4,283,241)
Net profit for the financial year	**62,431,677**

7. Segmental reporting (continued)

Balance sheet information at 31 December 2009

	Luxury Brands	Steel Feed Corporation		Coloured Gemstones	PGMs	Total
	Cayman Islands	Australia	South Africa	Zambia	South Africa	
	US$	US$	US$	US$	US$	US$
31 December 2009						
Investment portfolio						
Quoted investments	–	15,844,993	–	8,330,300	58,776,378	82,951,671
Unquoted investments	86,633,377	–	29,940,000	–	37,495,994	154,069,371
Loans and receivables	–	–	1,320,594	–	–	1,320,594
Total segmental assets	**86,633,377**	**15,844,993**	**31,260,594**	**8,330,300**	**96,272,372**	**238,341,636**
Investments in associates, current assets, and liabilities						83,339,197
Net assets						**321,680,833**

The following is an analysis of the Group's results by reportable segment for the year ended 31 December 2008.

Income statement information at 31 December 2008

	Luxury Brands	Steel Feed Corporation		Coloured Gemstones	PGMs	Other	Total
	Cayman Islands	Australia	South Africa	Zambia	South Africa		
	US$	US$	US$	US$	US$	US$	US$
31 December 2008							
Income							
Unrealised net gains/ (losses) in fair value of investments	5,396,651	(3,358,895)	27,826,644	(34,559,320)	(22,771,609)	–	(27,466,529)
Unrealised foreign exchange gains	–	(2,309,824)	75,260	(6,523,980)	(2,181,869)	–	(10,940,413)
Loan interest	182,243	–	213,272	101,918	–		497,433
Dividend income	–	–	–	–	–	84,000	84,000
Total segmental income	**5,578,894**	**(5,668,719)**	**28,115,176**	**(40,981,382)**	**(24,953,478)**	**84,000**	**(37,825,509)**
Other income							–
Net losses on investments and income from operations							(37,825,509)
Expenses, net finance income, share of loss of associates, and taxation							(8,515,136)
Net loss for the financial year							**(46,340,645)**

Balance sheet information at 31 December 2008

	Luxury Brands	Steel Feed Corporation		Coloured Gemstones	PGMs	Total
	Cayman Islands	Australia	South Africa	Zambia	South Africa	
	US$	US$	US$	US$	US$	US$
31 December 2008						
ASSETS						
Investment portfolio						
Quoted investments	–	2,939,217	–	13,317,430	32,361,042	48,617,689
Unquoted investments	46,858,032	–	29,940,000	–	24,997,329	101,795,361
Loans and receivables	–	–	519,327	–	–	519,327
Total segmental assets	**46,858,032**	**2,939,217**	**30,459,327**	**13,317,430**	**57,358,371**	**150,932,377**
Investments in associates, current assets, and liabilities						8,794,862
Net assets						**159,727,239**

8. Investment Manager's benefits

Investment Manager

Pallinghurst (Cayman) GP L.P. was appointed as Investment Manager to the Company on 4 September 2007. The Investment Manager has been appointed to provide the Company with investment advisory and management services in relation to investments falling within the Investment Scope.

The executives of the Investment Manager have extensive experience in creating value in the mining industry with in-depth knowledge of the assets, companies, people and trends. The senior executives are recognised for their strategic insight and vision, are highly regarded by international investors, and are renowned for pioneering innovative transactions. The executives of the Investment Manager consist of the following:

- Mr. Brian Gilbertson (former Chairman of Gencor, former Chief Executive of BHP Billiton, former CEO of SUAL, current Chairman of Pallinghurst Advisors LLP);
- Arne H. Frandsen (former CEO of Incwala and senior banker with Goldman Sachs and JPMorganChase);
- Sean Gilbertson (former CEO of globalCOAL and investment banker with Deutsche Bank);
- Priyank Thapliyal (former executive of Vedanta Resources plc and investment banker with CIBC); and
- Andrew Willis (former executive of Candover Investments plc).

The Investment Manager has over 70 years of collective experience in the resources sector.

Investment Manager's Benefit and Performance Incentive

The Investment Manager is entitled to an Investment Manager's Benefit of 1.5% per annum of the funds subscribed for in the Company during the Investment Period. With effect from the end of the Investment Period, the Investment Manager is entitled to an amount of 1.5% per annum of the lesser of the aggregate acquisition cost or fair value (as determined by the most recent valuation) of the unrealised investments of the Company during the relevant accounting period.

The total charge to the Income Statement during the year was US$3,532,946 (2008: US$2,556,643) for the Investment Manager's Benefit.

The capital raising in September 2009 (see Note 18 *Share capital* for further detail) raised US$106,509,219 of new equity share capital in the Company, and has therefore increased the amount of the Investment Manager's Benefit. It is anticipated that the Investment Manager's Benefit for 2010 will be US$4,627,775.

In addition, and subject to certain conditions, the Investment Manager is entitled to a Performance Incentive in respect of investments made by the Company before the termination of the Investment Management Agreement. The conditions, and the terms for the calculation of the Performance Incentive, were set out most recently in the Rights Offer Circular, and have not been changed.

The Company has not raised an accrual for the Performance Incentive in the current year.

9. Operating expenses

	2009 US$	2008 US$
Amounts payable to auditor	**145,142**	121,844
Independent valuer's fees	**89,854**	139,594
JSE listing expenses	**–**	599,082
JSE listing – structuring costs	**–**	1,017,164
Directors' fees	**27,000**	22,667
Legal & professional fees	**634,447**	57,787
Management and administration fees	**309,898**	456,696
Expenses reimbursed to the Investment Advisor	**166,605**	–
Listing, sponsor, regulatory filing fees	**62,625**	61,711
	1,435,571	2,476,545

10. Finance income

	2009 US$	2008 US$
Interest received on bank deposits	**486,353**	1,287,788
Interest received on loan to Rox Conduit (Note 15 *Loan receivable from associate*)	**113,135**	95,411
	599,488	1,383,199

11. Income tax expense

	2009 US$	2008 US$
Foreign tax	**74**	144
Income tax expense	**74**	144

The Company pays an annual exempt tax fee of £600, as it is an 'Exempt Collective Investment Scheme' under the Income Tax (Zero-10) (Guernsey) (No. 2) Law 2007. This is included in operating costs.

12. Fair valuation of investments

The fair valuation of the portfolio of investments at 31 December 2009 is as follows:

Investment	Opening fair value at 31 December 2008 US$	Unrealised fair value adjustments US$	Unrealised foreign exchange gains/ (losses) US$	Gains/losses on Jupiter transaction and other additions/ disposals[4] US$	Accrued interest US$	Closing fair value at 31 December 2009 US$
31 December 2009						
Quoted equity investments						
Platmin Ltd	32,361,042	20,982,855	5,432,481	–	–	58,776,378
Gemfields plc	13,317,430	(7,055,936)	1,599,950	468,856	–	8,330,300
Jupiter Mines Ltd	783,757	6,129,160	1,474,621	7,457,455	–	15,844,993
Mindax Ltd	2,147,259	–	–	(2,147,259) [5]	–	–
Iron Mountain Mining Ltd	8,201	6,573	4,370	(19,144)	–	–
	48,617,689	**20,062,652**	**8,511,422**	**5,759,908**	**–**	**82,951,671**
Unquoted equity investments						
Fabergé Ltd[1]	46,858,032	20,633,478	–	19,141,867	–	86,633,377
Moepi Group (Boynton)	6,686,657	3,343,329	–	–	–	10,029,986
Richtrau No. 123 Ltd (Magazynskraal)	18,310,672	9,155,336	–	–	–	27,466,008
Tshipi[2]	29,940,000	–	–	–	–	29,940,000
	101,795,361	**33,132,143**	**–**	**19,141,867**	**–**	**154,069,371**
Loans and receivables						
Tshipi[3]	519,327	–	289,659	415,992	95,616	1,320,594
Total investment portfolio	**150,932,377**	**53,194,795**	**8,801,081**	**25,317,767**	**95,616**	**238,341,636**

[1] The investment in Fabergé was valued in line with Fabergé's capital raising in September 2009 in line with the IPEVC Valuation Guidelines and IFRS.

[2] In the prior year, the comparative numbers for the Tshipi investment are described as the Kalahari joint venture. Tshipi was incorporated and assumed the interests of the Kalahari joint venture on 31 March 2009.

[3] The Tshipi loan was originally provided to the Kalahari joint venture in terms of the agreement concluded with Ntsimbintle. On 31 March 2009, Tshipi assumed the rights/obligations of the loan. The terms of the loan are that it is unsecured, and earns interest at the South African Prime Rate, currently 10.5% per annum.

[4] Reconciliation from Gains/(losses) on Jupiter transaction and other additions/(disposals) to additions to investments per the cash flow statement is as follows:

	2009 US$
Gemfields	*468,856*
Jupiter- 30 March 2009- AUD1,000,000 contribution	*693,510*
Fabergé	*19,141,867*
Tshipi loan	*415,992*
Cash additions per cash flow statement	*20,720,225*
Other movements:	
Jupiter: non-cash additions	*6,763,945*
Less: Mindax non-cash disposal	*(2,147,259)*
Less: Iron Mountain disposal	*(19,144)*
	25,317,767

[5] See Note 13 Acquisition of Jupiter shares.

12. Fair valuation of investments (continued)

The fair valuation of the portfolio of investments at 31 December 2008 is as follows:

Investment	Cost US$	Unrealised fair value adjustments US$	Unrealised foreign exchange gains/ (losses) US$	Accrued interest US$	Closing fair value at 31 December 2008 US$
31 December 2008					
Quoted equity investments					
Platmin Ltd	32,317,190	–	43,852	–	32,361,042
Gemfields plc	54,400,730	(34,559,320)	(6,523,980)	–	13,317,430
Jupiter Mines Ltd	5,196,693	(3,028,782)	(1,384,154)	–	783,757
Mindax Ltd	3,349,775	(293,469)	(909,047)	–	2,147,259
Iron Mountain Mining Ltd	61,468	(36,644)	(16,623)	–	8,201
	95,325,856	**(37,918,215)**	**(8,789,952)**	**–**	**48,617,689**
Unquoted equity investments					
Fabergé Ltd[1]	41,461,381	5,396,651	–	–	46,858,032
Moepi Group (Boynton)	13,373,316	(6,686,658)	–	–	6,686,657
Richtrau No. 123 Ltd (Magazynskraal)	36,621,344	(16,084,951)	(2,225,721)	–	18,310,672
Kalahari joint venture[2]	2,000,000	27,826,644	113,356	–	29,940,000
	93,456,041	**10,451,686**	**(2,112,365)**	**–**	**101,795,361**
Loans and receivables					
Kalahari joint venture[3]	520,881	–	(38,096)	36,542	519,327
Total investment portfolio	**189,302,778**	**(27,466,529)**	**(10,940,413)**	**36,542**	**150,932,377**

[1] The investment in Fabergé was revalued in May 2008 in line with a third party round of funding, at US$78.7 million. In August 2008, the Company invested a further US$15 million, at this price per share, increasing the total cost of investment to US$41.4 million and valuation of the investment to US$93.7 million. In line with the IPEVC guidelines and IFRS, the valuation was then impaired by 50% from that level to US$46.9 million at 31 December 2008.

[2] The Kalahari joint venture related to the manganese joint venture in the Kalahari Manganese Field, which was unincorporated at 31 December 2008. The joint venture agreement gives the Company the right to take an equity interest in Tshipi, the entity which will hold the Mining Right. Tshipi was incorporated and assumed the interests of the joint venture on 31 March 2009.

[3] The loan was provided to the joint venture in terms of the agreement concluded with Ntsimbintle, for the joint venture's prospecting and exploration expenditure and working capital requirements. The terms of the loan are that it is unsecured, and earns interest at the South African Prime Rate, currently 10.5% per annum.

The valuation methodologies and other details for the Group's principal investments as at 31 December 2009 are detailed below.

Fewer than ten separate investments were held at the balance sheet date. The JSE requires certain information on the Company's ten largest investments; accordingly the following details are included for each investment in the investment portfolio.

Platmin Limited

Nature of investment	Platmin is a mineral exploration, development and producing company engaged in the exploration and the development of PGM projects, all located in the BIC, whose key asset comprises its 72.39% interest in Boynton, the remaining 27.61% interest being held by the Moepi Group. Platmin is listed on the TSX, JSE, and AIM. At 31 December 2009, the Group owned an effective 10.74% interest in the equity shares of Platmin. The initial investment was made in December 2008. The Group's cost of investment is US$32,317,190.

Valuation methodology	Listed share price
	The closing Platmin bid price of CAD1.29 per share on the TSX translated at the closing US$:CAD foreign exchange rate of CAD1:US$0.9532.

Gemfields plc

Nature of investment	Gemfields is a leading international coloured gemstone producer, primarily focused on emeralds, and is listed on AIM.
	The Group owns an effective 31.79% interest in the ordinary shares of Gemfields. The initial investment was made in October 2007.
	The Group's cost of investment is US$54,869,586.
Valuation methodology	Listed share price
	The closing Gemfields bid price of 5 GBP pence per share on AIM translated at the closing US$:GBP foreign exchange rate of GBP1:US$1.61698.

Jupiter Mines Limited

Nature of investment	Jupiter is a junior mining explorer with assets in Western Australia including the Yilgarn, and is listed on the ASX.
	The Group owns an effective 25.15% interest in the ordinary shares of Jupiter. The initial investment was made in May 2008.
	The Group's cost of investment is US$9,402,012.
Valuation methodology	Listed share price
	The closing Jupiter bid price of AUD0.19 per share on ASX translated at the closing foreign exchange rate of AUD1:US$0.8977.

Fabergé Limited

Nature of investment	Fabergé is a luxury goods business.
	The Group currently owns an effective 48.88% interest in the ordinary shares of Fabergé Limited. The initial investment was made in September 2007.
	The Group's cost of investment is US$60,603,248.
Valuation methodology	Price of Recent Investment
	Fabergé completed a capital raising during September 2009 to both existing and new investors, including the Company. The Directors have valued the Company's investment in Fabergé in line with the price per share of the new shares issued, in line with the Price of Recent Investment methodology as recommended by the Valuation Guidelines.

The Moepi Group – Boynton

Nature of investment	The Moepi Group holds a 27.61% interest in Boynton, the other 72.39% of which is owned by Platmin.
	Platmin, as defined above, is a mineral exploration, development and producing company engaged in the exploration and the development of PGM projects, all located in the BIC, whose key asset comprises its 72.39% interest in Boynton.
	The remaining 27.61% interest in Boynton is held by the Moepi Group. The Group owns an effective 2.33% interest in the ordinary shares of Boynton via the Moepi Group. The initial investment was made in August 2008.
Valuation methodology	Cost less impairment
	Boynton is an unlisted operating company. The Group's cost of investment is US$13,373,316. The investment in Boynton via the Moepi Group companies was previously impaired to 50% of cost, in the light of the difficulties faced by the global economy as evidenced by lower PGM prices, and depressed share prices for listed PGM explorers and producers.
	2009 has seen a recovery in both PGM prices and share prices for listed PGM explorers and producers, including Platmin. The Directors have therefore partially reversed the impairment of Boynton, which is now valued at 75% of initial cost.

12. Fair valuation of investments (continued)

Richtrau No.123 (Pty) Ltd – Richtrau/Magazynskraal

Nature of investment	Richtrau is the company which owns the prospecting rights to Magazynskraal. Magazynskraal is located on the Western Limb of the BIC in close proximity to PPM and Sedibelo. Recent studies suggest that Magazynskraal has approximately 22.7 million ounces of inferred resources of PGMs. The Group owns an effective 6.19% interest in the ordinary shares of Richtrau. The initial investment was made in December 2008.
Valuation methodology	Cost less impairment Richtrau is an unlisted company, with platinum reserves but no mining operations. As no mining deposits/companies are exactly the same, valuation is relatively difficult. The Group's cost of investment is US$36,621,344. The investment in Richtrau was previously impaired to 50% of cost in the light of the difficulties faced by the global economy at the end of 2008 as evidenced by lower PGM prices, and depressed share prices for listed PGM explorers and producers. 2009 has seen a recovery in both PGM prices and share prices for listed PGM explorers and producers. The Directors have therefore partially reversed the impairment of Richtrau, which is now valued at 75% of initial cost.

Tshipi é Ntle Manganese Mining (Proprietary) Limited

Nature of investment	Tshipi is a joint venture between the Pallinghurst Co-Investors and Ntsimbintle, a broad-based BEE consortium with new order manganese prospecting rights covering two properties located in the north and south of the Kalahari Manganese Field in South Africa. The Group owns an effective 9.98% see-through interest in the ordinary shares of Tshipi. The Group's initial contribution to the joint venture was made in August 2008. The cost of the Group's indirect equity investment is US$2,000,000. The Group has also indirectly made loans to Tshipi.
Valuation methodology	Price of Recent Investment Effective 1 July 2009, Posco concluded an agreement to acquire an indirect 11.36% interest in Tshipi from the Pallinghurst Co-Investors for a total consideration of US$34.3 million, valuing Tshipi at US$300 million. The implied valuation of the Company's 9.98% interest in Tshipi at 31 December 2009 is US$29,940,000. The loan to Tshipi is valued at fair value.

13. Acquisition of Jupiter shares

Joint venture arrangement with Red Rock

A Group entity entered into an arrangement with Red Rock in May 2008, to act in concert to pursue the Group's Central Yilgarn iron ore strategy. The Group and Red Rock did not incorporate a new joint venture entity. The Group and Red Rock acquired shares in Jupiter during 2008 on-market, and at 31 December 2008, collectively owned approximately 20% of the Jupiter shares then in issue.

Transaction with Jupiter

Phase One – acquisition of 47,339,148 new shares in Jupiter

On 9 March 2009, the shareholders of Jupiter approved the acquisition of a further significant stake in Jupiter by the Group and Red Rock. In "Phase One", the Group received 47,339,148 newly issued ordinary shares in Jupiter, the "Manganese Option" and the "Mount Alfred bonus option" (both as described below) in exchange for its 9.04% effective interest in Mindax (11,671,175 ordinary shares) and US$693,510/AUD1 million in cash.

Phase Two – the "Manganese Option"

The manganese option entitled the Group and Red Rock the right to receive 26,845,017 and 54,155,579 ordinary shares in Jupiter respectively. The exercise of this option was conditional upon the receipt by Red Rock of certain manganese tenements and their subsequent transfer to Jupiter. These conditions were met on 24 August 2009, and the Group received 26,845,017 ordinary shares in Jupiter on 1 September 2009 for no further consideration.

Impact of Phase One and Phase Two of the Jupiter transaction

	Number of shares	Price per share AUD	Amount AUD	Amount US$
Fair value of assets acquired[1]				
Phase One – 30 March 2009				
Issue of Jupiter ordinary shares	47,339,148	0.10	4,733,915	3,283,017
Phase Two – 1 September 2009				
Issue of Jupiter ordinary shares	26,845,017	0.185	4,966,328	4,174,437
			9,700,243	**7,457,454**
Fair value of consideration				
Phase One – 30 March 2009				
Mindax Limited shares[2]	11,671,175	0.365	4,259,979	2,954,338[3]
Cash			1,000,000	693,510
Phase Two – 1 September 2009				
Exercise of option – no further consideration			–	–
Total value of assets contributed			**5,259,979**	**3,647,848**
Net realised gain on Jupiter transaction[1]			**4,440,264**	**3,809,606**

[1] Phase One of the Jupiter transaction was completed on 30 March 2009. As the fair value of consideration received was lower than the consideration paid, a loss of US$364,830 was incurred.

[2] Phase Two of the Jupiter transaction was completed on 24 August 2009. The conditions of the manganese option were met, and the option was exercised by Red Rock. The value of the shares received on 1 September 2009 was US$4,174,437, which offset the accounting loss of US$384,606 incurred on 30 March 2009, and resulted in a net gain on the Jupiter transaction of US$3,809,606 during 2009.

[3] Reconciliation of fair value of Mindax shares:

	US$
Fair value of Mindax shares at 31 December 2008	*2,147,259*
Realised fair value gain on Mindax shares to 30 March 2009	*821,409*
Realised foreign exchange loss on Mindax shares to 30 March 2009	*(14,330)*
Fair value of Mindax shares at 30 March 2009	*2,954,338*

As part of the transaction terms, both tranches of new Jupiter shares are being held in escrow for a period of twelve months from the relevant issue dates.

Phase Three – the Mount Alfred Bonus option

The Mount Alfred Bonus option entitles the Group and Red Rock the right to receive in total a maximum of 180 million ordinary shares in Jupiter upon the receipt of written notification from the Group and Red Rock confirming that an independent expert certified the existence of in excess of 10 million tonnes of Joint Ore Reserve Committee ("JORC") measured resources of saleable DSO hematite on tenements comprising the Mount Alfred Project. The independent expert certification must be made within two years from the date of issue of the option (30 March 2009).

As there is no certainty that the terms of the Mount Alfred Bonus option will be met, no asset has been recognised in the balance sheet.

End of joint venture arrangement with Red Rock during 2010

In February 2010, the Group terminated its joint venture arrangement with Red Rock. See Note 25 *Events occurring after the end of the year* for more details.

As disclosed in the Investment Manager's Report and Note 25 *Events occurring after the end of the year*, a potential transaction to vend the 49.9% interest in Tshipi held by the Group and the other Pallinghurst Co-Investors into Jupiter for shares was announced on 1 March 2010.

14. Investments in associates

All associates' financial year ends are 31 December.

All holdings in associates are over 20% except for Pallinghurst Investor Consortium (Pty) Ltd ("PIC Pty Ltd"), in which the Group's see-through shareholding is 18.56%. All the direct and indirect shareholders in PIC Pty Ltd are other Pallinghurst Co-Investors. Although the Group's interest is below 20%, each shareholder, including the Company, retains legal title over their shareholding, and has significant influence over PIC Pty Ltd.

The fair value of each associate is considered to be equal to the net asset value as consolidated. None of the associates has a listed share price.

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

	Rox Conduit Limited	Rox Limited	Pallinghurst Kalahari (Mauritius) Limited	Ivy Lane Capital Limited	PIC (Pty) Ltd	Other associates	Total
Country of incorporation	Cayman Islands	Cayman Islands	Mauritius	Mauritius	South Africa		
	US$	US$	US$	US$	US$	US$	US$
2009							
(Loss)/profit for the year	(84,272)	(27,256)	196,617	54,322	194,614	(6,207)	327,818
Assets	271,323	1,139,116	511,820	100,251	1,253,700	14,347	3,290,557
Liabilities	(23,629)	(2,948)	–	–	(1,059,086)	–	(1,085,663)
Net assets	**247,694**	**1,136,168**	**511,820**	**100,251**	**194,614**	**14,347**	**2,204,894**
2008							
Loss for the year	(516,312)	(682,935)	(947,924)	(734,683)	–	(1,961)	(2,883,815)
Assets	386,165	1,553,602	131,891	–	–	20,555	2,092,213
Liabilities	(54,199)	(232,553)	(696)	–	–	–	(287,448)
Net assets	**331,966**	**1,321,049**	**131,195**	**–**	**–**	**20,555**	**1,804,765**

15. Loan receivable from associate

	2009 US$	2008 US$
Opening balance	**11,127,017**	–
Loan advanced	**–**	18,117,534
Repayment of loan in return for Gemfields shares	**–**	(4,727,152)
Foreign exchange gain/(loss)	**92,983**	(2,358,776)
Accrued interest	**113,135**	95,411
Repayment of loan	**(11,333,135)**	–
Outstanding loan at 31 December	**–**	11,127,017

During 2008, the Group made a GBP denominated loan of £10,166,966, at a cost of US$18,117,534, to Rox Conduit Limited, its associate, to facilitate the proposed bid for TanzaniteOne Limited. Rox Conduit is the controlling shareholder of Rox Limited, which is the controlling shareholder of Gemfields.

Interest income on the loan was accrued at the prevailing GBP interest rate during the period. The outstanding loan including interest was substantially repaid during February 2009. The loan was unsecured.

16. Trade and other receivables

	2009 US$	2008 US$
Prepaid Annual Management Benefit	**1,041,525**	763,466
Other amounts receivable	**70,504**	1,080
	1,112,029	764,546

17. Trade and other payables

	2009 US$	2008 US$
Amounts payable for Magazynskraal purchase	**–**	23,900,190
Accrual for African Queen transaction costs	**–**	599,054
Amounts payable for Moepi Group purchase	**–**	835,444
Directors' fees payable	**13,667**	10,667
Administration fees payable	**178,998**	41,788
Reimbursable expenses owed to the Investment Advisor	**7,141**	–
Amounts owed to other Pallinghurst Co-Investors	**–**	112,343
Audit fee accrual	**88,830**	55,385
Fee payable to independent valuer	**40,377**	51,135
Other payables	**55,063**	235,430
	384,076	25,841,436

18. Share capital

Authorised share capital:

	2009 US$	2008 US$
10 Management shares of US$1 each	**10**	10
999,000 Ordinary shares of US$0.01 each	**–**	–
999,000,000 Ordinary shares of US$0.00001 each	**9,990**	9,990
	10,000	10,000

Issued and fully paid up:

	Number	Share capital US$	Share premium US$
Management shares (unlisted)			
Management shares of US$ 1 each			
Balance at 1 January 2008	2	2	–
Issued	–	–	–
Redeemed	–	–	–
Balance at 31 December 2008	2	2	–
Issued	–	–	–
Redeemed	–	–	–
Balance at 31 December 2009	**2**	**2**	**–**
Ordinary shares of US$1			
Balance at 1 January 2008	169,316	1,693	166,928,777
Ordinary shares of US$0.00001			
Issued by way of stock split	169,146,684	–	–
Issued in vendor consideration placing	77,916,484	779	34,274,152
Share issue costs	–	–	(513,765)
Balance at 31 December 2008	**247,232,484**	**2,472**	**200,689,164**
Issued in US$107 million capital raising	228,571,376	2,286	106,506,933
Share issue costs	–	–	(4,557,760)
Net foreign exchange losses on share issue	–	–	(2,412,079)
Balance at 31 December 2009	**475,803,860**	**4,758**	**300,226,258**
Total share capital 31 December 2009		**4,760**	**300,226,258**

Management shares

Management shares each carry the right to receive notice of, attend and vote at any general meeting of the Company, provided that no other shares are in issue at such date. When such rights exist, each holder of a Management share who is present in person or by proxy at a general meeting will have 10,000 votes in respect of each Management share held by them.

The Management shares are not listed on the JSE.

US$107 million capital raising

In August 2009, the Company announced an equity raising in the form of the partially underwritten, renounceable Rights Offer on the JSE, with a pre-placement. The pre-placement raised ZAR447 million from existing shareholders, while three institutions underwrote the remaining ZAR353 million. The Rights Offer was formally conducted during September 2009, raising the ZAR800 million (approximately US$107 million) intended total through the issue of 228,571,376 new ordinary shares at ZAR3.50 per share.

19. Cash (outflows)/inflows from operations

	Notes	2009 US$	2008 US$ (restated)
Net profit/(loss) for the year		**62,431,677**	(46,430,645)
Loan interest capitalised	**12**	**(95,616)**	(36,542)
Unrealised net (gains)/losses on investment portfolio	**12**	**(53,194,795)**	27,466,529
Unrealised foreign exchange (gains)/losses on investment portfolio	**12**	**(8,801,081)**	10,940,413
Realised fair value gain on Mindax shares	**13**	**(821,409)**	–
Realised foreign exchange loss on Mindax shares	**13**	**14,330**	–
Net realised gain on Jupiter transaction	**13**	**(3,809,606)**	–
Revaluation of loan to Rox Conduit		**–**	2,358,776
Accrued interest on loan to Rox Conduit		**–**	(95,411)
Net foreign exchange loss/(gain) on cash balances		**817,597**	(1,116,740)
Net foreign exchange gain on translation of foreign operations		**(17,463)**	–
Finance income received		**(599,488)**	(1,383,199)
Finance costs paid		**–**	34,152
Dividend income		**–**	(84,000)
Taxation paid		**74**	144
Share in (profit)/loss of associates	**14**	**(327,818)**	2,883,815
Accrued expenses		**88,830**	654,439
(Increase)/decrease in trade and other receivables		**(347,483)**	24,844,991
(Decrease)/increase in trade and other payables		**(25,546,190)**	1,067,089
Net cash (outflows)/inflows from operations		**(30,208,441)**	21,103,811

20. Financial instruments and financial risk management

Financial instruments and risk profile

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

- Credit risk;
- Liquidity risk; and
- Market risk (including interest rate risk, foreign exchange rate risk, and price risk on the investment portfolio).

The Group's principal financial assets are trade and other receivables, cash, equity investments, and loans made to investments within the investment portfolio. The Group currently does not have any borrowing or borrowing facilities.

The Group's management of capital

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 solely consists of equity shares. The Group has no debt or borrowings and therefore it is unnecessary to monitor the Group's gearing ratio.

The Group's capital structure changed during the year as a result of the US$107 million capital raising which issued 228,571,376 new equity shares. No dividends have been paid out to shareholders.

No changes were made in the Group's objectives, policies or procedures regarding the management of capital during either 2009 or 2008.

20. Financial instruments and financial risk management (continued)

Analysis of financial assets and liabilities

At 31 December 2009:

	Designated at fair value through profit and loss	Loans and receivables	Non-financial assets	Total
	US$	US$	US$	US$
Financial asset				
Financial asset classes				
Non-current assets				
Investment portfolio				
Quoted equity investments	82,951,671	–	–	82,951,671
Unquoted equity investments	154,069,371	–	–	154,069,371
Loans and receivables	–	1,320,594	–	1,320,594
	237,021,042	**1,320,594**	**–**	**238,341,636**
Current assets				
Trade and other receivables	–	52,453	1,059,576	1,112,029
Cash and cash equivalents	–	80,406,350	–	80,406,350
Non-financial assets	–	–	2,204,894	2,204,894
Financial liability classes				
Current liabilities				
Trade and other payables	–	(384,076)	–	(384,076)
Net asset value	**237,021,042**	**81,395,321**	**3,264,470**	**321,680,833**

At 31 December 2008:

	Designated at fair value through profit and loss	Loans and receivables	Non-financial assets	Total
	US$	US$	US$	US$
Financial assets				
Financial asset classes				
Non-current assets				
Investment portfolio				
Quoted equity investments	48,617,689	–	–	48,617,689
Unquoted equity investments	101,795,361	–	–	101,795,361
Loans and receivables	–	519,327	–	519,327
	150,413,050	**519,327**	**–**	**150,932,377**
Current assets				
Trade and other receivables	–	1,080	763,466	764,546
Loan receivable from associate	–	11,127,017	–	11,127,017
Cash and cash equivalents	–	20,939,970	–	20,939,970
Non-financial assets	–	–	1,804,765	1,804,765
Financial liability classes				
Current liabilities				
Trade and other payables	–	(25,841,436)	–	(25,841,436)
Net asset value	**150,413,050**	**6,745,958**	**2,568,231**	**159,727,239**

Fair value

	Fair value through profit and loss			
	Quoted equity investments	Unquoted equity investments	Loans and receivables	Total
	US$	US$	US$	US$
Unadjusted quoted prices[1]	82,951,671	–	–	82,951,671
Fair value using observable market data[2]	–	154,069,371	1,320,594	155,389,965
	82,951,671	**154,069,371**	**1,320,594**	**238,341,636**

[1] Valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes listed equity instruments valued at the closing bid price on 31 December 2009. Refer to Note 12 Fair valuation of investments for more details on the investment methodologies used.

[2] Valued using techniques based significantly on observable market data. Instruments in this category includes unlisted equity instruments and loans receivable valued using valuation techniques as suggested by the IPEVC where all the inputs that have a significant effect on the valuation are directly and indirectly based on observable market data.

Credit risk

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

Trade and other receivables in the balance sheet includes prepayments which are not financial assets, therefore are excluded from the disclosure required by IFRS7.

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

Substantially all the cash of the Company is held with Investec Bank (Channel Islands) Limited ("Investec"). The Group's subsidiaries and associates hold immaterial cash balances with various other banks.

Bankruptcy or insolvency of any of these banks, but particularly Investec, may affect the Group's rights with respect to the cash held. The Directors closely monitor the credit rating of Investec, and are satisfied that Investec has high levels of both capital and liquidity. Investec's credit rating at 31 December 2009 was BBB (with Fitch Ratings). Nonetheless, due to current market conditions, and the increased level of risk associated with all companies in the banking sector, the Group may extend its range of counterparties to minimise its credit/counterparty risk.

The Group's other loan receivable balances are part of the investment portfolio, and have been made to existing equity investments, for example, where it is chosen to fund short-term working capital requirements through loans rather than further equity investment. The Directors believe in the long-term prospects of all of the investments, and are involved in the strategic planning of the investments, so are aware of the financial position of the investments, and why they may require loan funding. As such, the danger of default on these loans is considered to be an acceptable risk.

Maximum exposure to credit risk

Financial assets that are neither past due nor impaired	2009 US$	2008 US$
Investment portfolio		
Loans and receivables	**1,320,594**	519,327
Current assets		
Trade and other receivables	**1,112,029**	764,546
Loan receivable from associates	**–**	11,127,017
Cash and cash equivalents	**80,406,350**	20,939,970
Less prepayments	**(1,059,576)**	(763,466)
	81,779,397	32,587,394

Although the Group's credit risk on loans to the investment portfolio is considered to be low, there are risks associated with the investment portfolio. See the Market risk-Price risk section below for more detail on the price risks affecting the investment portfolio.

20. Financial instruments and financial risk management (continued)

Liquidity risk

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

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

	2009 1 year or less US$	2008 1 year or less US$
Non-derivative financial liabilities	**384,076**	25,841,436
	384,076	25,841,436

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

During the year, the Group raised ZAR800 million, equivalent to US$106,506,935, before issue costs and net foreign exchange losses, from the issue of 228,571,376 new ordinary shares. Currently the Group has significant cash to meet all its potential financial liabilities. The Group is likely to become more fully invested over time; as it does so the Group's liquidity risk will increase. Nonetheless, the Directors are confident that the Group will be able to meet its obligations on an ongoing basis.

Market risk

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

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

The sensitivity analysis tables enclosed below show the potential impact of possible changes in the relevant foreign exchange rates, interest rates and quoted/unquoted equity prices on the Group's financial instruments at the year-end. The only material assumption that has been made is that all income statement sensitivities will impact on equity.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group holds assets and liabilities (both monetary and non-monetary) denominated in currencies other than the US$, the functional currency. It is therefore exposed to foreign exchange risk as the value of the financial instruments denominated in other currencies will fluctuate due to the changes in exchange rates. The Board determines the need for cover based on a case-by-case basis after considering factors such as size and duration of exposure. Based on this consideration, the Board will monitor the exposure on an individual basis and may take out foreign exchange contracts to hedge the risk.

Foreign exchange risk, as defined above, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. Management, however, monitors the exposure on all foreign currency denominated assets and liabilities. The table below has therefore been analysed between monetary and non-monetary items to meet the requirements of IFRS 7.

The Group has entered into various equity and loan investments, some of which are denominated in currencies other than the US$, such as the AUD, ZAR, CAD, EUR and GBP. These are translated at each financial period end with the foreign exchange gain or loss reflected in the income statement. The Board consider the relevant foreign exchange exposure when assessing each investment decision.

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

The Group may occasionally hold balances in currencies other than the US$ for a material investment which is considered likely but is not yet certain, giving rise to potential foreign exchange risk if the investment does not occur and the balance is translated back into US$ at a different exchange rate. Alternatively, for specific material investments (or expenses) the Group may choose to enter into appropriate hedging strategies for example forward contracts or options to minimise the Group's foreign exchange exposure. The Group does not hold any such derivatives at the year-end. The Group did enter into certain derivatives during the year, particularly forward contracts to purchase foreign currencies to settle liabilities for non-US$ investments, and forward contracts to convert ZAR into US$ during the US$107 million capital raising, which were entered into to minimise the Group's exposure to the ZAR during August and September 2009.

The Group's exposure to foreign exchange risk on its assets and liabilities is as follows:

Financial assets at 31 December 2009

Currency[1]	Portfolio investments US$	Trade and other receivables US$	Cash and cash equivalents US$	Total financial asset exposure to currency risk US$
US$	86,633,377	52,141	79,970,576	166,656,094
GBP	8,330,300	–	51,466	8,381,766
ZAR	68,756,588	–	348,372	69,104,960
EUR	–	–	35,636	35,636
CAD[2]	58,776,378	–	–	58,776,378
AUD	15,844,993	312	300	15,845,605
Total financial assets	**238,341,636**	**52,453**	**80,406,350**	**318,800,439**

[1] Currency is the functional currency in which each class of financial asset is denominated. The quantitative values discussed above are in US$.

[2] For segmental reporting, the Group classifies the investment in Platmin as a South African asset to reflect where the majority of its assets are located. Platmin's primary listing is on the TSX, and its share price is denominated in CAD therefore the Group's foreign currency exposure on its equity investment is in CAD.

Financial liabilities at 31 December 2009

Currency[1]	Financial liabilities US$	Total financial liabilities exposure to currency risk US$
US$	327,604	327,604
GBP	56,472	56,472
Total financial liabilities	**384,076**	**384,076**

[1] Currency is the functional currency in which each class of financial asset is denominated. The quantitative values discussed above are in US$.

Financial assets at 31 December 2008

Currency[1]	Portfolio investments US$	Trade and other receivables US$	Loan receivable from associate US$	Cash and cash equivalents US$	Total financial asset exposure to currency risk US$
US$	46,858,032	1,080	–	3,730,604	50,589,716
GBP	13,317,430	–	11,127,017	–	24,444,447
ZAR	55,456,656	–	–	16,144,108	71,600,764
CAD[2]	32,361,042	–	–	–	32,361,042
AUD	2,939,217	–	–	1,065,258	4,004,475
Total financial assets	**150,932,377**	**1,080**	**11,127,017**	**20,939,970**	**183,000,444**

[1] Currency is the functional currency in which each class of financial asset is denominated. The quantitative values discussed above are in US$.

[2] For segmental reporting, the Group classifies the investment in Platmin as a South African asset to reflect where the majority of its assets are located. Platmin's primary listing is on the TSX, and its share price is denominated in CAD, therefore the Group's foreign currency exposure on its equity investment is in CAD.

20. Financial instruments and financial risk management (continued)

Financial liabilities at 31 December 2008

Currency[1]	Financial liabilities US$	Total financial liabilities exposure to currency risk US$
US$	400,228	400,228
GPB	106,520	106,520
ZAR	25,334,688	25,334,688
Total financial liabilities	**25,841,436**	**25,841,436**

[1] Currency is the functional currency in which each class of financial asset is denominated. The quantitative values discussed above are in US$.

Foreign exchange risk – sensitivity analysis

If the US$ strengthens relative to the various currencies in which the Group's financial assets are held, the Group's assets denominated in currencies other than US$ would decline in value, and vice versa. Sensitivity to various potential changes in foreign exchange rates is as follows:

Currency[1] – 31 December 2009	Portfolio investments US$	Loans and receivables US$	Total carrying value at year-end US$	Reasonably possible change %	Income statement impact US$
GBP	8,330,300	51,466	8,381,766	5.00	419,088
ZAR	68,756,588	348,372	69,104,960	5.00	3,455,028
EUR	–	35,636	35,636	5.00	1,782
CAD	58,776,378	–	58,776,378	5.00	2,938,819
AUD	15,844,993	612	15,845,605	5.00	792,280
	151,708,259	**436,086**	**152,144,345**		**7,607,217**

[1] The currency is the functional currency in which each class of financial assets is denominated. The quantitative values disclosed above are in US$.

Currency[1] – 31 December 2009	Trade and other payables US$	Reasonably possible change %	Income statement impact US$
GBP	56,472	5.00	2,824
Total financial liability	**56,472**		**2,824**

[1] Currency is the functional currency in which each class of financial liabilities is denominated. The quantitative values discussed above are in US$.

Currency[1] – 31 December 2008	Portfolio investments US$	Loans and receivables US$	Total carrying value at year-end US$	Reasonably possible change %	Income statement impact US$
GBP	13,317,430	11,127,017	24,444,447	10.00	2,444,445
ZAR	55,456,658	16,144,108	71,600,766	5.00	3,580,038
CAD	32,361,042	-	32,361,042	5.00	1,618,052
AUD	2,939,217	1,065,258	4,004,475	10.00	400,447
	104,074,347	**28,336,383**	**132,410,730**		**6,620,536**

[1] Currency is the functional currency in which each class of financial liabilities is denominated. The quantitative values discussed above are in US$.

Currency[1] – 31 December 2008	Trade and other payables US$	Reasonably possible change %	Income statement impact US$
GBP	106,520	5.00	5,326
ZAR	25,334,688	5.00	1,266,734
Total financial liabilities	**25,441,208**		**1,272,060**

[1] Currency is the functional currency in which each class of financial liability is denominated. The quantitative values disclosed above are in US$.

Interest rate risk

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

The Group's policy is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments (less than one year) in order to maintain liquidity, while achieving a satisfactory return for shareholders. Since the completion of the US$107 million capital raising, the Group has significant uninvested cash balances. During the current and prior period all uninvested cash was held in short-term investments.

The Group makes loans to companies within the investment portfolio, which may be in either US$ or relevant local currencies. These loans are usually based on the relevant national inter-bank rates and accordingly any changes in these rates would have an impact on the consolidated income statement.

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

The split of the Group's interest bearing and non-interest bearing financial assets at 31 December 2009 is as follows:

	Financial assets; interest bearing		Financial assets; non-interest bearing	
2009	Floating rate financial assets US$	Investment portfolio – loans and receivables US$	Investment portfolio – equities US$	Total US$
Financial assets	80,458,803	1,320,594	237,021,042	318,800,439
	80,458,803	**1,320,594**	**237,021,042**	**318,800,439**

The split of the Group's interest bearing and non-interest bearing financial assets at 31 December 2008 is as follows:

	Financial assets; interest bearing		Financial assets; non-interest bearing		
2008	Floating rate financial assets US$	Investment portfolio – loans and receivables US$	Investment portfolio – equities US$	Other non-interest bearing financial assets US$	Total US$
Financial assets	32,066,987	519,327	150,413,050	1,080	183,000,444
	32,066,987	**519,327**	**150,413,050**	**1,080**	**183,000,444**

20. Financial instruments and financial risk management (continued)

Interest rate risk – sensitivity analysis

The Group's sensitivity to reasonably possible potential changes in the following interest rates is as follows:

Currency[1]	Carrying value – 31 December 2009 US$	Income statement impact US$
50 basis points change in US$ interest rates	**80,022,717**	400,114
50 basis points change in GBP interest rates	**51,466**	257
50 basis points change in ZAR interest rates	**1,668,966**	8,345
50 basis points change in EUR interest rates	**35,636**	178
50 basis points change in AUD interest rates	**612**	3
	81,779,397	408,897

[1] Currency is the functional currency in which these classes of financial assets are denominated. The quantitative values disclosed above are in US$.

Currency[1]	Carrying value – 31 December 2008 US$	Income statement impact US$
50 basis points change in US$ interest rates	15,375,867	76,879
50 basis points change in ZAR interest rates	17,210,447	86,052
	32,586,314	**162,981**

[1] Currency is the functional currency in which these classes of financial assets are denominated. The quantitative values disclosed above are in US$.

Price risk

Price risk is the risk that the price for quoted investments fluctuates with a corresponding impact on the income statement. The Directors' valuations for unlisted investments are also likely to increase or decrease over time. These changes will be linked to the performance of the underlying investments. The performance of investments could be affected by factors including, but not limited to, relevant commodity prices, results from exploration/drilling, global or regional political events, or specific developments relating to the investment, all of which could impact on the valuation of the investments.

The quoted/unquoted investments in the balance sheet subject to price risk are set out in Note 12 *Fair valuation of investments*.

Price risk – sensitivity analysis

A 10% decrease in the fair value of the Group's quoted equity investments, and a 25% decrease in the fair value of the Group's unquoted equity investments, would have the following impacts on the income statement:

Investment	2009 US$	2008 US$
Quoted	**(8,295,167)**	(4,861,769)
Unquoted	**(38,517,343)**	(25,448,840)
	(46,812,510)	(30,410,609)

The fair value of each of the Group's quoted/unquoted investments could vary significantly from period to period. Any material change in global economic conditions would be likely to impact the valuations of the Group's unquoted and quoted investments.

The sensitivity analysis shows the results of a potential 10% movement in quoted investments, which is considered by the Directors to be a likely potential movement in the overall portfolio of quoted investments in the next six or twelve months.

Sensitivity analysis has been disclosed for a movement of 25% in unquoted investments.

Other price risk disclosures

The price risk sensitivity analysis above may not be fully representative of the risks the Group is subject to, for the reasons set out below as required by IFRS 7 *Financial Instruments: Disclosures*.

The Group's unquoted investments are illiquid and there are no regular transactions in these shares. As such the Group may find it difficult to exit these assets at the current valuations as stated in the balance sheet, and may be unable to sell partial stakes easily, as there may be a shortage of willing buyers.

Similarly, although the markets for the Company's quoted investments are more active, the shares are not fully liquid. The Group owns significant stakes in some of its investments, for example 31.79% of Gemfields, plus other Pallinghurst Co-Investors hold further significant stakes. As such, if the Group wished to exit an investment in its entirety, it may be necessary for the Group to sell its stakes at a discount to market price, which could be higher than the 10% discount included in the sensitivity analysis above.

However, the Directors believe that the prospects for all of the Group's investments, which are all still at an early stage, have significant promise, and therefore it is unlikely that such an exit at a discounted price will occur. The Directors do not attempt to hedge this risk and are comfortable that the investment valuations in the balance sheet give a reasonable representation of fair value.

Sensitivity analysis representative for the year

All the sensitivity analysis enclosed above is based on the financial instruments held at the year-end. The sensitivity analysis presented for 31 December 2009 is considered likely to be representative of the risks to the balance sheet in the immediate future.

Users of the financial statements should be aware that the Group's risk profile changes over time. The mix of financial instruments has changed significantly over the course of 2009 and the sensitivity analysis does not fully represent the risks the Group has been subject to during 2009.

The Directors would also like to make users of the financial statements aware that the Group's financial instrument risk could significantly change during 2010. During the year, the Group's cash balance has increased significantly as a result of the US$107 million capital raising. The intention is that the remaining cash (after the investment into Fabergé in September 2009) will be expended on the Group's investment strategy. In particular, as the Group is more fully invested, liquidity risk will increase, and the Group's exposure to equity risk, plus foreign currency risk (depending on the denomination of new investments), will also increase.

No further numerical sensitivity analysis disclosure has been given, as there is uncertainty as to exactly how the Group's risk profile will change, and the Directors do not believe that it would be useful to users of the financial statements.

21. Related party transactions

Related parties

All subsidiaries, joint ventures and associated companies of the Group are related parties.

The Company owns significant stakes in most of the investments within the investment portfolio. Where the Company's investment results in significant influence or joint control, the Company accounts for the investment at fair value through the profit and loss account. See Note 3 *Accounting policies* for more detail.

Nonetheless, per IAS 24 *Related Party Disclosure* these investments are considered to be related parties, and transactions with them are related party transactions. Related party transactions include the entering into and exiting from equity investments, and also loans extended to and from investments, which are detailed in Note 12 *Fair valuation of investments*.

The Investment Manager, Administrator and Secretary are all related parties of the Group due to common directors. The amounts due for the Investment Manager's Benefit and the Performance Incentive are disclosed in Note 8 *Investment Manager's benefits*. The Administrator is entitled to annual minimum fees totalling US$80,000, payable quarterly in arrears.

Stuart Platt-Ransom and Martin Tolcher are directors of Legis, the Group's Administrator. The relationship with Legis is at arm's length. The total fees paid to Legis during the year ended 31 December 2009 amounted to approximately US$140,883 (2008: US$120,783).

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

Directors

Stuart Platt-Ransom, Clive Harris and Martin Tolcher each receive a Director's fee of US$8,000 per annum, prorated as necessary. The executive Directors have waived their fees.

The Company issued 228,571,376 ordinary shares during the second half of 2009 as part of the US$107 million capital raising. In June 2009, the executive Directors and partners of the Investment Manager committed, in aggregate, to subscribe for up to US$5 million shares in the capital raising, and accordingly, each of the Directors increased their direct and/or beneficial shareholding as part of the rights issue, through the acquisition of shares, after being duly authorised.

Mr Harris acquired shares in the Company on the open market during October 2009, after being duly authorised.

21. Related party transactions (continued)

The shareholdings in the Company for each Director are as follows:

	At 31 December 2008	US$107 million capital raising – rights offer shares	US$107 million capital raising – nil paid letters	Purchases of shares by Directors on market during 2009	At 31 December 2009
The Brian Gilbertson Discretionary Settlement[1]	10,000,000	3,858,985	–	–	13,858,985
Arne H. Frandsen	250,000	231,130	1,904,060	40,631	2,425,821
Andrew Willis	250,000	231,130	598,555	12,869	1,092,554
Clive Harris[2]	–	–	–	250,000	250,000
	10,500,000	**4,321,245**	**2,502,615**	**303,500**	**17,627,360**

[1] A discretionary trust of which Brian Gilbertson is a beneficiary.

[2] The acquisitions by Mr Harris were on market and were paid for directly by Mr Harris. The acquisition has no impact on Mr Harris's independence in the context of King II.

The Directors' percentage interests in the equity shares of the Company at 31 December 2009 were as follows:

	31 December 2009 interest in the Company's equity share capital	31 December 2008 interest in the Company's equity share capital
	%	%
The Brian Gilbertson Discretionary Settlement[1]	**2.91**	4.05
Arne H. Frandsen	**0.51**	0.10
Andrew Willis	**0.23**	0.10
Clive Harris	**0.05**	–
	3.70	**4.25**

[1] A discretionary trust of which Brian Gilbertson is a beneficiary.

22. Headline earnings per share and NAV per share

Headline earnings per share

Headline earnings/(loss) per share	2009 US$	2008 US$ (restated)
Headline earnings/(loss)	**62,431,677**	(46,430,645)
Weighted average number of shares in issue	**312,155,327**[1]	171,877,638[2]
Headline earnings/(loss) per ordinary share	**0.20**	(0.27)[2]

[1] The Company issued 228,571,376 ordinary shares during the US$107 million capital raising completed in September 2009, increasing the number of shares in issue to 475,803,860. The weighted average number of shares for the year ended 31 December 2009 was 312,155,327.

[2] The denominator used to calculate the basic loss and headline loss per share in the prior year has been amended to be the weighted average number of ordinary shares in issue for 2008, not the closing number of ordinary shares in issue. This has resulted in an increase in basic loss and headline loss per share from (US$0.19) per share to (US$0.27) per share.

Effect of restating EPS using weighted average number of ordinary shares in issue

In 2008, the denominator used for the calculation of the weighted average number of shares was the closing number of shares (247,232,484) rather than the weighted average number of shares (171,877,638).

	2008 US$
Headline loss for year ended 31 December 2008	(46,430,645)
Closing ordinary shares in issue at 31 December 2008	247,232,484
Weighted average number of ordinary shares at 31 December 2008	171,877,638
Basic, diluted and headline loss per share	
As previously reported	(0.19)
Effect of restatement	(0.08)
As restated at 31 December 2008	**(0.27)**

NAV per share

NAV per share at 31 December 2009 and 31 December 2008 is as follows:

	31 December 2009 US$	31 December 2008 US$
Net assets	**321,680,833**	159,727,239
Number of shares in issue	**475,803,860**[1]	247,232,484
NAV per share	**0.68**	0.65

[1] *The Company issued 228,571,376 ordinary shares during the US$107 million capital raising completed in September 2009, increasing the number of shares in issue to 475,803,860.*

Impact of US$107 million capital raising on NAV per share

The net asset value per share has increased by 5% to US$0.68. However, the net asset value per share has actually decreased by 12% in the six-month period since 30 June 2009, as a result of the dilutive effects of the capital raising, which increased the number of shares in issue by approximately 92% in September 2009. Excluding the effects of the additional shares, the net asset value per share would have increased in the year by 40% to US$0.90.

	NAV per share at 31 December 2008 per IFRS	NAV per share at 31 December 2009 per IFRS	NAV per share at 31 December 2009 excluding impact of US$107 million capital raising (non-IFRS compliant)
Net assets	**159,727,239**	**321,680,833**	**222,872,979**
Number of shares in issue	247,232,484	475,803,860	247,232,484
Estimated NAV per share in US$	**0.65**	**0.68**	**0.90**
% increase in US$ terms	–	5%	40%

23. Commitments

Commitment to invest AUD5 million into Jupiter

As part of the Group's Steel Feed Australia Corporation, the Company acquired an initial stake in Jupiter in 2008, and a further interest as part of the transaction detailed in Note 13 *Acquisition of Jupiter shares* during March 2009, and September 2009, in conjunction with Red Rock.

As part of the transaction terms with Jupiter agreed in March 2009, the Group committed to provide a further AUD5 million to Jupiter for working capital purposes. Any expenditure is subject to the investment criteria of the Group and there has been no actual cash outflow at the date of these financial statements.

A potential transaction between Tshipi and Jupiter was announced on 1 March 2010, as disclosed in the Investment Manager's report and Note 25 *Events occurring after the end of the year*. If this transaction is successful, it is likely that the terms of the commitment will be amended or lapse.

Entering into commitment for Sedibelo

As described in the Investment Manager's report, the Company has a commitment to take up its share of the investment in Sedibelo.

Sedibelo is located on the Western Limb of the BIC and is contiguous to both PPM and Magazynskraal. Currently, the Bakgatla hold an effective 90% interest in Sedibelo, with the remaining 10% held by Barrick.

On 29 October 2009, Barrick announced that it would not exercise its right to increase its interest in Sedibelo from 10% to 65%. Accordingly, the Company, and certain Pallinghurst Co-Investors, have the right to acquire 49.9% of the 90% interest in Sedibelo which is held by the Bakgatla. In December, an independent merchant bank was appointed to determine the *"fair market value"* of Sedibelo, with an expected conclusion in the second quarter of 2010.

The timing and amount of cash outflows are uncertain; however, it is anticipated that the cash outflow will be material.

Commitment to partially dispose of indirect interest in Tshipi to Posco

During June 2009, a subsidiary of South Korea's Posco, one of the world's largest steel producers, concluded an agreement to acquire an indirect 11.36% interest in Tshipi from the Pallinghurst Co-Investors, including the Company, for a total consideration of US$34.3 million. Posco also procured an off-take arrangement to purchase a minimum of 11% and a maximum of 20% of the manganese ore production from Tshipi's southern property, at market related prices. The arrangements for the acquisition of the 11.36% stake in Tshipi by Posco are subject to the completion of certain conditions, including the granting by the Department of Mineral Resources of the mining rights. On completion, the Company will dispose of an indirect interest of 2.27% in Tshipi for US$6.9 million. The Company's indirect interest in Tshipi will therefore be reduced to 7.71%.

The fair valuation of the Company's remaining 7.71% interest after the disposal will be US$23.1 million, based on the price per share paid by Posco in the transaction. This valuation methodology has been applied in both the current and prior years.

Posco also procured an off-take arrangement to purchase a minimum of 11% and a maximum of 20% of the manganese ore production from Tshipi's southern property, at market related prices. The Investment Manager believes that the Posco acquisition and off-take arrangement constitute a significant endorsement of the Tshipi investment.

A potential transaction between Tshipi and Jupiter has been announced as disclosed in Note 25 *Events occurring after the end of the year*. If this transaction is successful, this may have an impact on the timing of completion of the Posco disposal.

24. Contingent liabilities and contingent assets

Contingent liabilities

There were no contingent liabilities in existence at 31 December 2009. An update on changes to the contingent liabilities in existence at 31 December 2008 is as follows.

End of contingent liability for Platmin Guarantee

The only material contingent liability at 31 December 2008 was the Company's share of the Platmin Guarantee. This related to the guarantee given to the Bakgatla by the Company and other Pallinghurst Co-Investors at the time of their commitment to subscribe for shares in Platmin. The contingent liability was extinguished on 12 February 2009.

Contingent liability for further Magazynskraal payment to Bakgatla

As disclosed in the 31 December 2008 annual financial statements, the Bakgatla subscription for US$50 million of shares in Platmin, was dependent on a number of conditions being met on or before 20 March 2009 including the following:

- Platmin to inward list its shares on the securities exchange of the JSE;
- The Exchange Control Division of the South African Reserve Bank to approve various conditions of the transaction; and
- The completion of the Magazynskraal transaction.

It became clear during February 2009 that the final outstanding condition, the JSE listing of Platmin, was not going to be completed before 20 March 2009. Accordingly, on 12 February 2009, the Company, along with certain Pallinghurst Co-Investors, fulfilled the obligations made under the Platmin Guarantee and acquired its proportion of the Platmin shares as described above.

On 12 February 2009, the payment for these Platmin shares was offset against the purchase price payable to the Bakgatla for the interest in Magazynskraal, resulting in a contingent liability for the outstanding payment at 30 June 2009. The new contingent liability payable to the Bakgatla for the acquisition of further Magazynskraal shares was secured on the Platmin shares purchased in December 2008 by the Group and the other Pallinghurst Co-Investors. The maximum amount of the Group's contingent liability at 12 February 2009 was approximately US$16.1 million, using an exchange rate of ZAR8/US$1.

The contingent liability was extinguished on 3 August 2009.

Contingent assets

There were no significant contingent assets in the Group at 31 December 2009 or on 31 December 2008.

25. Events occurring after the end of the year

End of joint venture arrangement with Red Rock during February 2010

In February 2010, the Group terminated its joint venture arrangement with Red Rock. The objectives of the co-operation with Red Rock have been achieved, and Jupiter is now well-placed to progress and become a key player in the steel feed market.

Announcement of Tshipi/Jupiter transaction on 1 March 2010

As disclosed in the Investment Manager's Report, a potential transaction to vend the 49.9% interest in Tshipi held by the Group and certain Pallinghurst Co-Investors into Jupiter for shares was announced on 1 March 2010.

Under the terms of the transaction, Jupiter will acquire a collective 49.90% interest in Tshipi from the Pallinghurst Co-Investors and will issue 1,160,363,867 new Jupiter shares at a price of 21.10 Australian cents per share, based on the 30-day volume weighted average price of Jupiter shares on 1 March 2010. The Company has an indirect see-though interest of 15.45% of the 49.90% interest acquired from the Pallinghurst Co-investors, assuming implementation of the Posco transaction referred to in Note 23 *Commitments*, and accordingly its respective proportion of the consideration equates to 179,247,878 new Jupiter shares (valued at approximately AUD37.8 million).

In advance of the Tshipi/Jupiter transaction, the Company's interest in Jupiter equated to 92,899,165 shares, or 25.15% of the 369,386,471 shares in issue. Following the implementation of the transaction, the Company will own 272,147,043 shares, or 17.79% of the 1,529,750,337 shares then in issue.

The transaction is subject to the fulfilment of certain conditions precedent, including:

- The satisfactory completion by Jupiter of an Independent Expert Report, technical asset evaluation and legal due diligence investigation, all of which have commenced;
- The formalisation of comprehensive agreements, including (but not limited to) share sale agreement and shareholder agreements between the relevant parties;
- Approval by Jupiter shareholders at an Extraordinary General Meeting, which is expected to occur in May 2010;
- Formal approval and waiver of pre-emptive rights by Ntsimbintle; and
- The approval, to the extent required, of the applicable regulatory and statutory bodies, including but not limited to, the Australian Foreign Investment Review Board ("FIRB").

Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 15 March 2010.

SHAREHOLDER INFORMATION
For the year ended 31 December 2009

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1,000 shares	343	13.46	221,263	0.05
1,001 – 10,000 shares	1231	48.29	5,481,026	1.15
10,001 – 100,000 shares	749	29.38	25,444,504	5.35
100,001 – 1,000,000 shares	183	7.18	60,716,169	12.76
1,000,001 shares and over	43	1.69	383,940,898	80.69
	2,549	100.00	475,803,860	100.00
Distribution of shareholders				
Banks	23	0.90	24,687,545	5.19
Brokers	12	0.47	3,420,281	0.72
Close corporations	58	2.28	1,764,518	0.37
Endowment funds	12	0.47	3,836,106	0.81
Individuals	1871	73.40	43,388,305	9.12
Insurance companies	4	0.17	76,816,865	16.14
Investment companies	11	0.43	28,855,926	6.06
Mutual funds	32	1.26	36,455,581	7.66
Nominees and trusts	358	14.04	114,851,202	24.14
Other corporations	60	2.35	970,504	0.20
Pension funds	26	1.02	40,613,792	8.54
Private companies	73	2.86	98,010,581	20.60
Public companies	8	0.31	1,100,850	0.23
Hedge funds	1	0.04	1,031,804	0.22
	2,549	100.00	475,803,860	100.00
Public/non-public shareholders				
Public shareholders	2,541	99.69	334,869,402	70.38
Non-public shareholders				
Directors and associates of the Company holdings	6	0.23	22,397,740	4.71
Strategic holdings (more than 10%)	2	0.08	118,536,718	24.91
	2,549	100.00	475,803,860	100.00

Beneficial shareholders holding 3% or more	Number of shares	%
Titan Resources	67,358,200	14.16
Solway Finance Ltd	51,178,518	10.76
Hlamagolo Capital (Pty) Ltd	44,756,279	9.41
Old Mutual Life Assurance Company SA Ltd	38,383,889	8.07
Metc Metlife Main Account	38,056,246	8.00
Ellerine Bros (Pty) Ltd	16,294,284	3.42
Investec Bank (Switzerland) AG	14,910,000	3.13

This schedule does not form part of the audited financial statements.

NOTICE OF MEETING
For PALLINGHURST RESOURCES LIMITED (the "Company")

NOTICE IS HEREBY GIVEN that the third Annual General Meeting of Shareholders of the Company will be held at Valley House, Hirzel Street, St Peter Port, Guernsey on Friday 28 May 2010 at 3:00pm to consider and, if thought fit, pass the following resolutions:

ORDINARY RESOLUTIONS:

1. To receive and adopt the annual report and consolidated financial statements for the year ended 31 December 2009.

2. To re-appoint Saffery Champness as auditors to the Company and authorise the directors to fix their remuneration.

3. To re-elect Mr Clive Harris as a Director of the Company.

4. To re-elect Mr Stuart Platt-Ransom as a Director of the Company.

   Curriculum vitae for Mr Harris and Mr Platt-Ransom are included on page 10 of the annual report and financial statements for the year ended 31 December 2009.

5. To approve that the amount payable as Directors' fees be increased to a maximum of US$40,000 per Director, per annum, effective from 1 January 2010.

By order of the Board

Legis Fund Services Limited
1 Le Marchant Street
St Peter Port
Guernsey
GY1 4HP
Channel Islands
15 March 2010

Notes:
1. A shareholder entitled to attend and vote is entitled to appoint a proxy (or proxies) to attend and to speak and, on a poll, vote instead of him. A proxy need not be a shareholder. A shareholder may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him.

2. A Form of Proxy is enclosed. The appointment of a proxy will not prevent a shareholder from subsequently attending the annual general meeting and voting in person.

3. To be effective, a Form of Proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially) must be completed, signed and either lodged at PO Box 186, c/o Legis Fund Services Limited, 1 Le Marchant Street, St Peter Port, Guernsey, GY1 4HP, Channel Islands, faxed to +44 1481 712167 or emailed to fund.enquiries@legisgroup.com, not less than two weeks before the time for holding the meeting or adjourned meeting, OR lodged at Computershare Investor Services Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown 2107) not less than 72 hours before the time for holding the meeting or adjourned meeting.

4. Forms of Proxy submitted for the original meeting will remain valid for any adjourned meeting.

5. Only those members registered in the register of Shareholders as at 9.30am on 14 May 2010 (or in the event that the annual general meeting is adjourned, on the register of members two weeks before the time of any adjourned meeting) shall be entitled to attend or vote at the annual general meeting or adjourned meeting in respect of the shares registered in their name at that time. Changes to entries on the register of Shareholders after 9.30am on 14 May 2010 (or, in the event that the annual general meeting is adjourned, on the register of shareholders two weeks before the time of any adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting.

If you do not intend to attend the meeting please complete and return the form of proxy as soon as possible.

PALLINGHURST
RESOURCES

FORM OF PROXY

PALLINGHURST RESOURCES LIMITED (the "Company")

FOR USE AT THE ANNUAL GENERAL MEETING TO BE HELD ON 28 MAY 2010.

I/We (FULL NAMES IN BLOCK CAPITALS PLEASE) _____

Of (ADDRESS) _____

being (a) member(s) of the Company appoint the Chairman of the meeting or (see note 1) _____

as my/our proxy and, on a poll, to vote for me/us on my/our behalf at the third Annual General Meeting of the Company to be held at Valley House, Hirzel Street, St Peter Port, Guernsey on Friday 28 May 2010 at 3:00pm and any adjournment thereof.

Please indicate with an 'X' in the spaces provided how you wish your votes to be cast on the resolutions specified.

Ordinary Resolutions:	**For**	**Against**	**Abstain**
1. To receive and adopt the annual report and consolidated financial statements for the year ended 31 December 2009.			
2. To re-appoint Saffery Champness as auditors to the Company and authorise the Directors to fix their remuneration.			
3. To re-elect Mr Clive Harris as a Director of the Company.			
4. To re-elect Mr Stuart Platt-Ransom as a Director of the Company.			
5. To approve that the amount payable as Directors' fees be increased to a maximum of US$40,000 per Director, per annum, effective from 1 January 2010.			

Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on any resolution as he/she may think fit.

Signature _____

Dated this _____ day of _____2010

Notes:

1. If you so desire you may delete the words "Chairman of the meeting" and insert the name of your own choice of proxy, who need not be a member of the Company. Please initial such alteration.

2. In order to be valid, the proxy form must be lodged at the Company's registered office, PO Box 186, c/o Legis Fund Services Limited, 1 Le Marchant Street, St Peter Port, Guernsey, GY1 4HP, Channel Islands, faxed to +44 1481 712167 or emailed to fund.enquiries@legisgroup.com, not less than 48 hours before the time for holding the meeting or adjourned meeting OR lodged at Computershare Investor Services Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown 2107) not less than 72 hours before the time for holding the meeting or adjourned meeting.

3. A corporation must execute the proxy under its common seal or under the hand of an officer or attorney duly authorised.

4. In the case of joint holders, the vote of the senior shall be accepted to the exclusion of other joint holders, seniority being determined by the order in which the names stand in the register in respect of the joint holding.

Cover photos

Main
This is a view of the Tuschenkomst pit at Platmin's Pilanesberg Platinum Mine, located on the Western Limb of the Bushveld Igneous Complex, South Africa. Looking north it shows the main pit haul road with the ramps going up on the left to the ROM pad and then the two ramps going up to the waste dump further on. The north south strike line of the pit and the edge of the pit in the north can be seen just to the right of the haul road. (September 2009).

Inset from left to right
A rough emerald from Gemfields' Kagem emerald mine in Zambia;

Fabergé's "Vagabonde Rouge" ring of rubies and spinel;

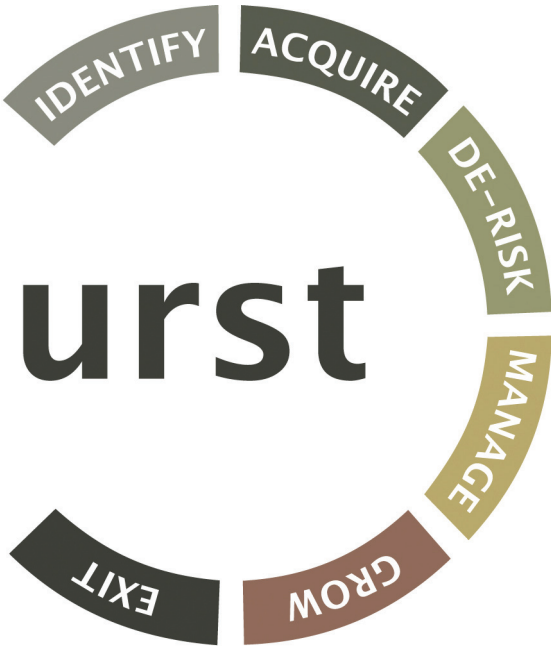
Fabergé's "Montre Ronde" in 18k rose gold case with blue spinel crown;

Fabergé's "Katya Chrysoprase" ring of pave diamonds and chrysoprase;

Portrait of Chola Mumba, a member of Gemfields' Civil Works Team.

Pallinghurst

RESOURCES LIMITED



www.pallinghurst.com