

REMUNERATION COMMITTEE REPORT

INTRODUCTION

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

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

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

COMPOSITION

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

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

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

MEETINGS

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

BACKGROUND STATEMENT

PRL'S NEW REMUNERATION POLICY

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

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

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

THE REMUNERATION POLICY

ELEMENTS OF EXECUTIVE DIRECTOR REMUNERATION

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

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

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

DIRECTOR REMUNERATION CONSIDERED IN A WIDER CONTEXT

Executive Directors

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

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

Non-Executive Directors

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

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

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

REMUNERATION COMMITTEE REPORT/CONT.

PERFORMANCE MEASURES

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

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

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

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

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

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

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



Rough emerald processing, Kagem mine, Zambia.

EXECUTIVE DIRECTOR SHARE OPTION PLAN

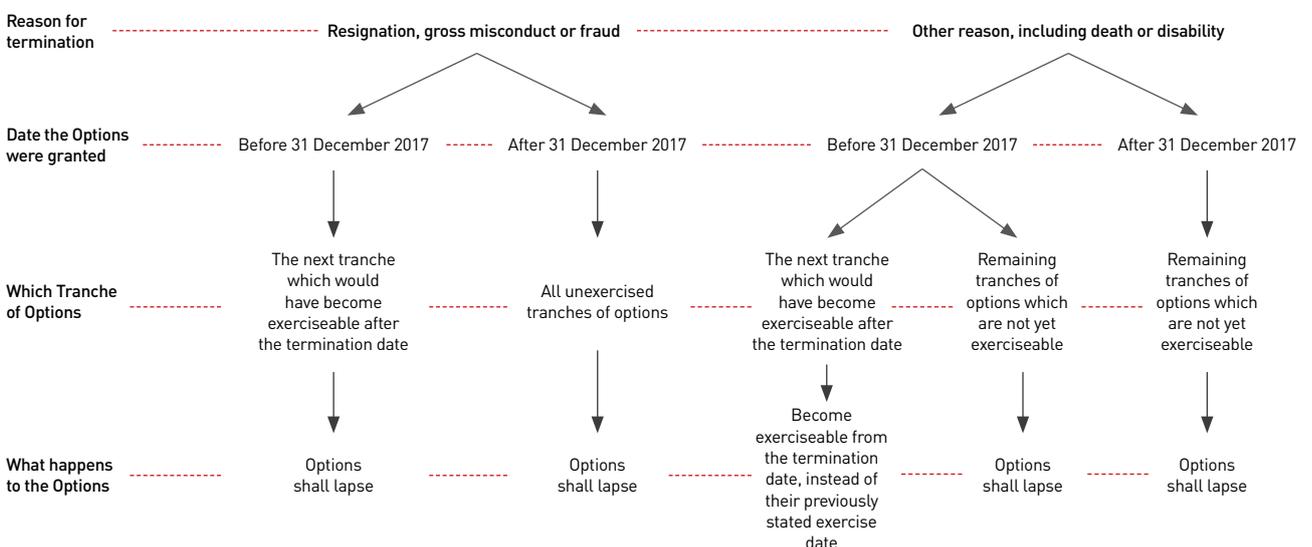
On termination of the Investment Management Agreement on 14 September 2017, the Executive Directors were each granted share options equivalent to 2% of the issued ordinary shares, as approved by shareholders on 26 June 2017. The share options were divided into five equal tranches.

Each of the tranches become exercisable at varied dates. The first tranche is exercisable from the date the options were granted (14 September 2017), the second tranche is exercisable from

the first anniversary of that date (14 September 2018), the third tranche from the second anniversary (14 September 2019), the fourth tranche from the third anniversary (14 September 2020) and the final tranche on the fourth anniversary (14 September 2021).

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

FIGURE 6: Termination Arrangements – Share Options



REMUNERATION COMMITTEE REPORT/CONT.

EXECUTIVE DIRECTORS' CONTRACTS OF EMPLOYMENT

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

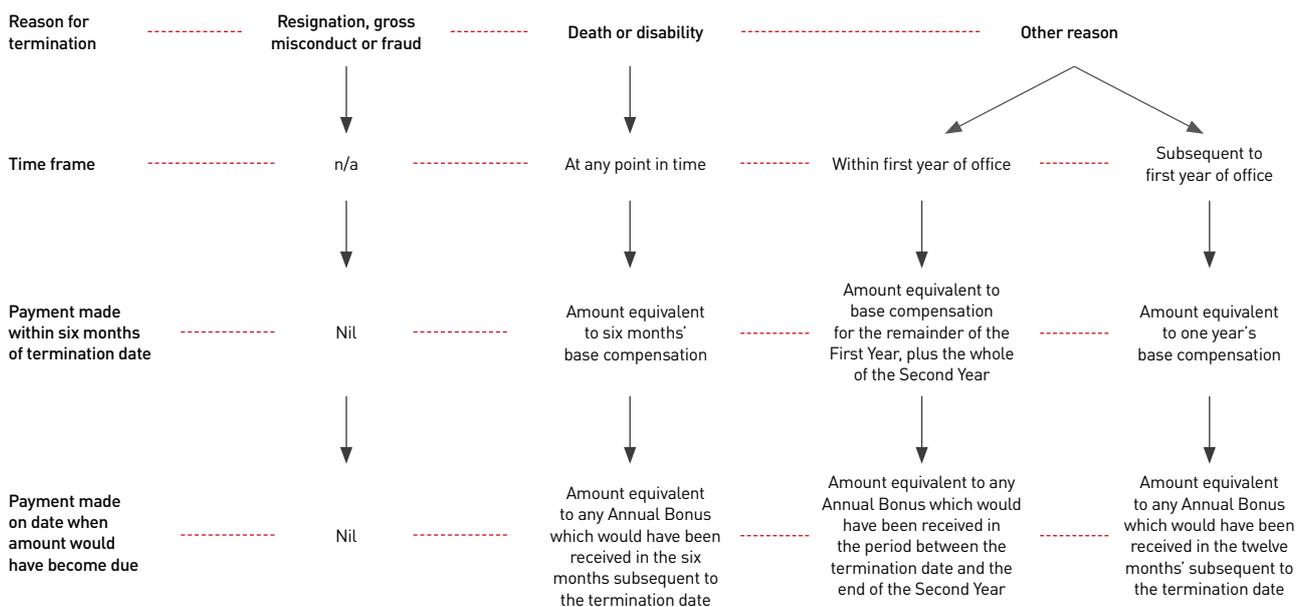
Depending on the amount of time an Executive Director remains employed by PRL, assorted provisions are made regarding termination payments.

If the termination occurs in the first year subsequent to their appointment, then PRL will pay the Executive Director an amount equal to his/her base compensation for the remaining amount of the first year, plus the whole of the subsequent year. PRL will also pay any annual bonus which the Executive Director would have received in the period from the termination date to the second anniversary of his/her employment, as if he/she

had they remained employed during this period. If the termination occurs subsequent to the first year, PRL will pay the Executive Director an amount equal to one year of his/her base compensation, and any annual bonus which the Executive Director would have received in the twelve months following the termination date had he/she remained in PRL's employment.

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

FIGURE 7: Termination Arrangements – Cash Payments



EVALUATION OF WHETHER THE REMUNERATION POLICY MEETS ITS OBJECTIVES

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

Performance incentives

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

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

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

Shareholder engagement

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

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

King IV Code

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

REMUNERATION POLICY AVAILABILITY

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



Senior management, Montepuez ruby mine, Mozambique.

IMPLEMENTATION REPORT

PRL DIRECTOR REMUNERATION FOR 2017

KEY DECISIONS MADE IN 2017

Changes to Executive Director base compensation

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

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

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

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

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

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

REMUNERATION COMMITTEE REPORT/CONT.

Change to chairman role

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

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

Resignation of Priyank Thapliyal

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

Savings from changes to Executive Director base compensation

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

SCHEDULE OF FEES AND REMUNERATION

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

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

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

No Executive Director remuneration was payable during 2016.

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

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

¹ This relates to the period 1 January 2017–11 July 2017.

² Appointed Lead Independent Director on 14 September 2017.

³ This relates to the period 31 July 2017–31 December 2017.

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

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

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

VARIABLE REMUNERATION

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

Annual bonuses

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

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

Share options

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

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

EFFECT OF PERFORMANCE MEASURES ON VARIABLE REMUNERATION

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

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

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

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

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

REMUNERATION COMMITTEE REPORT/CONT.



Gemfields Mozambican rubies.

TERMINATION PAYMENTS

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

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

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

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

SUCCESS OF THE REMUNERATION POLICY THROUGHOUT 2017

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

Shareholder engagement has been a particular success; remuneration decisions for the Executive Directors have taken heed of the feedback available from shareholders. As a result,

the Remuneration Committee is satisfied that it is meeting its stated aim of gathering the thoughts and opinions of shareholders to create a sustainable and fair remuneration environment.

FUTURE AREAS OF FOCUS

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

1. To maintain good communication with shareholders. The implementation of the Remuneration Policy and the Executive Director remuneration throughout 2017 has benefitted immeasurably from shareholder engagement. The Remuneration Committee remains committed to continuing this dialogue, to the benefit of all parties.
2. To establish a share option scheme for the employees of the wider Pallinghurst Group. In the same manner that PRL has used share options as a long-term incentive for its Executive Directors, the Board wishes to extend this benefit to a wider number of its employees. In doing so, employees will feel more engaged with PRL. Having their remunerative rewards so closely tied to the success of the Company encourages employees to perform as active stakeholders, and ensures that their efforts at work equate to a real interest in their own remuneration. Consequently, PRL and its shareholders can be confident that employees will continue to perform at a superior standard, with all parties focussed on a unified aim.

APPROVAL OF THE REMUNERATION REPORT FOR 2017

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

Kwape Mmela

Chair of the Remuneration Committee