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# PROSPECTUS

For the initial public offering of Shares in Ikwezi Mining Limited (incorporated in Bermuda with registered company number 45349) ARBN 151 258 221

Lead Manager and Underwriter

Euroz Securities Limited

THE INVESTMENT OPPORTUNITY DESCRIBED IN THIS PROSPECTUS SHOULD BE CONSIDERED SPECULATIVE

The Bermuda Monetary Authority has given its permission for the issue of the Shares pursuant to the Offer on the terms referred to in this prospectus. A copy of this prospectus will be filed with the Registrar of Companies in Bermuda. The Bermuda Monetary Authority in granting its permission and the Registrar of Companies in Bermuda in accepting this prospectus for filing accept no responsibility for the financial soundness of our Group or any proposal or for the correctness of any of the statements made or opinions expressed in this prospectus or any other documents.

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# IMPORTANT NOTICE

**Offer**

The Offer contained in this prospectus is an invitation to acquire Shares in Ikwezi Mining Limited (incorporated in Bermuda with registered company number 45349 and ARBN 151 258 221) (**Ikwezi Mining** or **our Company**) (**Shares**).

**Lodgement and listing**

This prospectus is dated 15 June 2011 and was lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the contents of this prospectus or the merits of the investment to which this prospectus relates. An application will be made to ASX no later than seven days after the date of this prospectus for the Company to be admitted to the Official List and for official quotation of the Shares on ASX. No securities will be issued on the basis of this prospectus later than 13 months after the date of this prospectus.

**Note to Applicants**

The information in this prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs.

It is important that you read this prospectus carefully and in full before deciding whether to invest in Ikwezi Mining. In particular, in considering the prospects of Ikwezi Mining, you should consider the risk factors that could affect our financial performance in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other independent professional adviser before deciding whether to invest. Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risks in addition to these that should be considered in light of your personal circumstances.

No person named in this prospectus, nor any other person, guarantees our performance, the repayment of capital or the payment of a return on the Shares, except as required by law and then, only to the extent so required.

**No offering where offering would be illegal**

This prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this prospectus outside Australia may be restricted by law and persons who come into possession of this prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

**Disclaimer and representations**

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Directors, Ikwezi Mining, the Lead Manager or any other person in connection with the Offer.

**Forward-looking statements**

This prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward-looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 5.

As set out in Section 2.10, it is expected that the Shares will be quoted on ASX initially on a deferred settlement basis.

We disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

**Obtaining a copy of this prospectus**

A hard copy of the prospectus is available free of charge to any person in Australia and New Zealand by calling the Lead Manager on +61 8 9488 1400 from 8.30am to 5.00pm (Perth time) Monday to Friday on or before the Closing Date. This prospectus is available in electronic form via www.ikwezimining.com. The Offer constituted by this prospectus in electronic form is available only to persons receiving this prospectus in electronic form within Australia. Persons having received a copy of this prospectus in its electronic form may, during the offer period, obtain a hard copy of the prospectus (free of charge) by telephoning the Lead Manager. Except in relation to applications made by Institutional Investors, applications for Shares may only be made on the Application Form attached to or accompanying this prospectus or in its hard copy form as downloaded in its entirety from www.ikwezimining.com. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to or accompanies a hard copy of this prospectus or the complete and unaltered electronic version of this prospectus.

**Website**

No document or information included on the our website is incorporated by reference into this prospectus.

**Exposure period**

The Corporations Act prohibits the Company from processing applications in the seven day period after the date of lodgement of the prospectus. This period may be extended by ASIC by up to a further seven days. This period is an exposure period to enable the prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this prospectus in which case any application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the exposure period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the exposure period.

**Diagrams**

Diagrams used in this prospectus are illustrative only and may not be drawn to scale.

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**Forecast financial information**

Given the speculative nature of resource exploration and development and the fact the Company is in an early stage of development, there are significant uncertainties associated with forecasting future revenues and expenses of the Company. On this basis and after considering ASIC Regulatory Guide 170, the Directors believe that reliable financial forecasts for our Company cannot be prepared and accordingly have not included financial forecasts in this prospectus.

**Rounding**

Any discrepancies between totals and sums of components in tables contained in this prospectus are due to rounding.

**Financial information presentation**

Historical financial information has been prepared and presented in accordance with the recognition and measurement principles prescribed by the Australian Accounting Standards, which include the Australian equivalents to the International Financial Reporting Standards (**AIFRS**).

The historical financial information in this prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Sections 8 and 9.

**Financial amounts and exchange rates**

Money as expressed in this prospectus is in Australian dollars (excluding any applicable GST) unless otherwise indicated. The exchange rate used in this prospectus to convert South African Rand amounts to Australian Dollars is 1 AUD = 7.3 South African Rand.

**Glossary**

Certain terms and abbreviations used in this prospectus, including technical terms, have defined meanings which are explained in the Glossary in Section 14.

**Privacy**

By filling out the Application Form to apply for Shares, you are providing personal information to our Company through the Lead Manager, which will manage applications and pass on these details to our Company's service provider, the Share Registry. Our Company, and the Share Registry on its behalf, collect, hold and use that personal information in order to process your application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, our Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be provided to our agents and service providers on the basis that they deal with such information in accordance with our privacy policy. Our agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the shareholder register;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Company's shareholder base; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by (or on behalf of) us. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry as follows:

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
PERTH WA 6000

Phone: 1300 850 505

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## CORPORATE DIRECTORY

**Directors**

Simon Hewetson – Chairman

David Pile – Managing Director

Ranaldo Anthony – Executive Director

**Company Secretaries**

Alex Neuling

Codan Services Limited[1]

**Bermuda resident representative**

Codan Services Limited

**Registered Office**
Clarendon House
2 Church Street
Hamilton, HM11, Bermuda

**ASX Code:** IKW

**Website**

www.ikwezimining.com

**Share Registry**

Computershare Investor Services Pty Limited
Level 2
45 St Georges Terrace
Perth, WA, Australia

**Lead Manager**

Euroz Securities Limited
Level 18 Alluvion
58 Mounts Bay Road
Perth, WA, Australia

**Australian Legal Advisers**

Blake Dawson
Level 32 Exchange Plaza
2 The Esplanade
Perth, WA, Australia

**South African Legal Advisers**

Taback & Associates (Pty) Limited
13 Eton Road
Parktown, Johannesburg, South Africa

**Investigating Accountants and Auditor**

Deloitte Touche Tohmatsu
Level 14 Woodside Plaza
240 St Georges Terrace
Perth, WA, Australia

**Independent Geologist**
PC Meyer Consulting CC
22 Minerva Street
Reyno Ridge
Witbank, South Africa

[1] Codan Services Limited will resign as a company secretary of our Company and be appointed assistant secretary of our Company upon the listing of our Shares on ASX.

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**CHAIRMAN'S LETTER**

15 June 2011

Dear Investor

On behalf of the Board of Directors, I am pleased to invite you to consider becoming a shareholder of Ikwezi Mining.

Ikwezi Mining is focused on the exploration and development of coal projects in South Africa. Ikwezi Mining has a 70% interest in the Newcastle Project and a 60% interest in the Newcastle Phase 2 and Acorn Projects.

In particular, the Newcastle Project, which is located in the KwaZulu Natal coal fields, has an existing JORC compliant Resource of approximately 209 mt and is in close proximity to rail and port infrastructure. Our primary focus is progressing the development of the Newcastle Project together with the other aims outlined in section 1.2. This capital raising is aimed at funding this undertaking.

Investors should closely review section 4 of this prospectus and the Competent Person's Report in section 7 to fully understand the potential of the Newcastle Project.

A high calibre Board and management team has been assembled which brings technical and development expertise to the Company's Projects. The key members of the management team and Board first came together when co-founding NuCoal Mining (Pty) Limited (**NuCoal**), which commenced activities in 2006. The management team successfully grew NuCoal into a mid-tier South African coal business, producing 2.5mtpa of saleable coal for domestic and export markets from its Woestalleen Colliery before its sale to an ASX listed coal producer in January 2010.

The Company's management team, including Managing Director, David Pile, founded Ikwezi Mining and have been involved with the identification and acquisition of the Company's Projects.

Following the completion of the Offer, the Company is expected to have sufficient funding to complete final studies and develop the Newcastle Project to initial production. It will also be well positioned to grow through discovery and acquisition of additional coal Resources in South Africa.

This prospectus contains detailed information about the Offer, as well as a summary of the key risks of investing in Ikwezi Mining in Section 5. I encourage you to read this prospectus carefully and in full.

On behalf of the Board, I look forward to welcoming you as a fellow shareholder of Ikwezi Mining.

Yours sincerely

Simon Hewetson
**Chairman**

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## KEY DATES AND OFFER INFORMATION

| Key dates | |
|---|---|
| Date of this prospectus | 15 June 2011 |
| Broker Firm Offer opens | 23 June 2011 |
| Broker Firm Offer closes (applications must be received by this time) | 5.00 pm (WST) on 29 June 2011 |
| Application money due to the Lead Manager | 5.00 pm (WST) on 8 July 2011 |
| Settlement of Offer | 11 July 2011 |
| Allotment of Shares under Offer and expected commencement of trading (deferred settlement basis) | 12 July 2011 |
| Expected completion of despatch of holding statements | 18 July 2011 |
| Shares expected to commence trading on ASX (normal settlement basis) | 19 July 2011 |

**Note:** This timetable is indicative only. We, in consultation with the Lead Manager, reserve the right to vary the dates and times of the Offer, including to close the Offer early, withdraw the Offer, extend the Closing Date or to accept late applications, either generally or in particular cases, without notifying you.

| Key Offer statistics | |
|---|---|
| Offer Price | A$0.20 per Share |
| Number of Shares currently on issue | 188.75 million |
| Number of Shares to be issued under the Offer | 150 million |
| Number of Shares on issue on completion of the Offer | 338.75 million |
| Gross proceeds of the Offer | A$30 million |
| Indicative market capitalisation[1] | A$67.8 million |
| Pro forma net cash (as at 31 May 2011) | A$31.0 million |

**Notes:**

[1] Based on the Offer Price and the total number of Shares on issue on completion of the Offer.

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# 1. INVESTMENT OVERVIEW

## 1.1 Business overview

Our Company was incorporated on 2 May 2011 as a Bermuda exempt company. On 16 May 2011 we acquired all the shares in Naledi Holdings, which holds a 70% interest in the Newcastle Project and a 60% interest in each of the Newcastle Phase 2 and Acorn Projects.

Our goal is to generate income and capital growth for our Shareholders by initially completing development studies and then developing the Newcastle Project to initial coal production. In order to achieve this, we will need to complete final studies and drilling, fulfil the requirements for our Mining Right application for the Newcastle Project including completing and submitting our environmental management programme report, be granted that Mining Right, a water use licence and obtain access to the infrastructure required to commence mining operations and transport our coal product to port or domestic customers.

While subject to a number of contingencies, we are aiming to achieve these milestones and commence commercial production by around the second quarter of calendar 2012. Over the longer term, we propose to realise the full potential of all of our Projects to provide us with the foundation from which we can seek to expand production and create further shareholder value through the acquisition, exploration and development of coal projects in South Africa.

The Newcastle Project is located in the Northern KwaZulu Natal province of South Africa and has a JORC compliant Resource of approximately 209 mt of coal, as outlined below. The Project is located approximately 26 km from an existing rail siding, and is strategically located to access either the Port of Durban or Richards Bay.

**Newcastle Project – JORC Resource[1]**

| **Resource Category** | **mt** |
|---|---:|
| Measured | 9.77 |
| Indicated | 9.41 |
| Inferred | 190.38 |
| **Total Resource** | **209.56** |

**Notes**:
[1] Refer to the Competent Person's Report in Section 7 for further detail

The Newcastle Phase 2 and Acorn Projects are early stage exploration projects which are prospective for coal. The Newcastle Phase 2 Project comprises approximately 4,664 hectares in Northern KwaZulu Natal in South Africa, approximately 9km east of the town of Dundee. The Acorn Project comprises 20,758 hectares in the province of Gauteng of South Africa.

The balance of the interests in our Projects are held by BEE Partners as required to meet the requirements of South African legislation. These requirements are summarised in Section 3.5 and details relating to our relationship with our BEE Partners are set out in Section 4.5.

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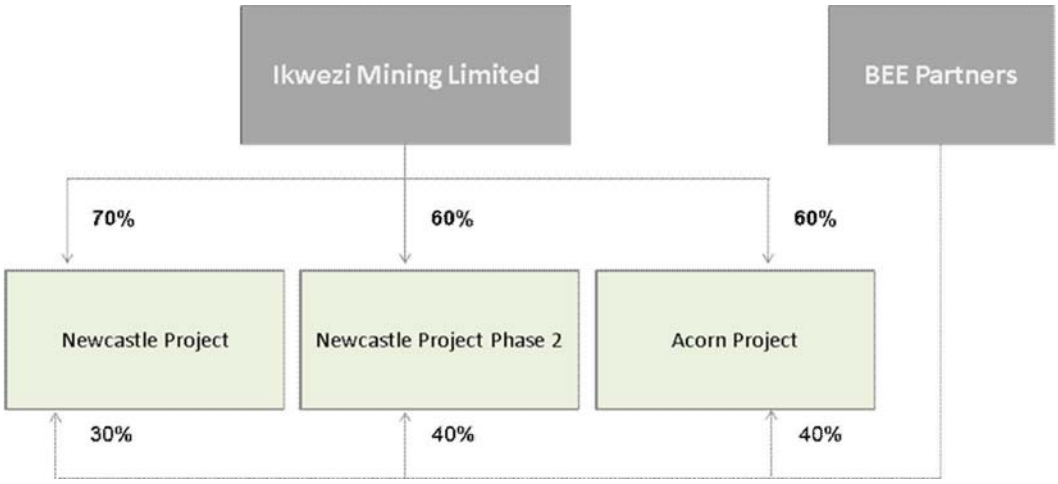


**Exhibit 1.1: Chart depicting ownership of our Projects**

## 1.2 Purpose of the Offer and application of funds

The purpose of the Offer is to provide us with the required funding to:

- complete final studies and seek to develop the Newcastle Project to commercial production;
- continue assessment and exploration work on our Projects;
- allow for the review and assessment of new projects;
- fund corporate administration and general working capital costs; and
- achieve listing on ASX to improve access to capital markets and provide a market for the Shares.

| Sources of Funds | A$m | Uses of Funds | A$m |
|---|---|---|---|
| Issue of shares | 30 | Newcastle Project development capital | 21 |
| Existing cash | 3 | Exploration on our Projects | 1 |
| | | Review and assessment of new projects | 4 |
| | | Working capital | 5 |
| | | Funding of the costs of the offer | 2 |
| **Total Sources** | **33** | **Total Uses** | **33** |

| Breakdown of Newcastle Project development capital | |
|---|---|
| **Item** | **A$m** |
| Development studies | 1.9 |
| Drilling | 1.9 |
| Environmental and bonding | 1.0 |
| Land acquisition and relocation | 2.1 |
| Washplant deposit | 2.8 |
| Site establishment and boxcut development | 7.9 |
| Contingency | 3.4 |
| **Total** | **21** |

***Note:*** *The actual expenditures may vary from the above estimates and we reserve the right to appropriately vary the expenditures dependent on circumstances and other opportunities.*

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***Alternate uses of funds if the Mining Right for the Newcastle Project is delayed or not granted***

If we are not granted the Mining Right for the Newcastle Project on a timely basis, the funds raised and allocated to the development of the Newcastle Project (specifically the environmental and bonding, land acquisition and relocation, washplant deposit (to the extent not already incurred) and site establishment and boxcut development items above) (**Mining Right Dependent Funds**) would be reallocated as follows:

- expenditure to conduct further studies or otherwise to address the issues which had resulted in the Mining Right for the Newcastle Project not having been granted; and
- exploration and drilling on, and development studies for, the Newcastle Phase 2 and Acorn Projects.

The exact amounts of any such reallocation would depend on the extent of the work required to address any issues in relation to the Newcastle Project.

In the event, which we consider unlikely, that the Mining Right on the Newcastle Project is not granted and the further studies determined (for whatever reason) that it might never be granted without an unacceptable level of expenditure or at all, the remaining Mining Right Dependent Funds would be used to fund exploration and drilling on, and development studies for, the Newcastle Phase 2 and Acorn Projects as outlined below.

| Alternate uses of Mining Right Dependent Funds | A$m |
|---|---|
| **Newcastle Phase 2 Project** | |
| Further exploration | 1.0 |
| Drilling | 3.0 |
| Development studies | 2.0 |
| **Acorn Project** | |
| Further exploration | 1.0 |
| Drilling | 3.0 |
| Development studies | 2.0 |
| **Total** | 12.0 |

*Note: The uses of funds identified in the two tables above will only apply in the circumstances where the Mining Right for the Newcastle Project is not granted.*

## 1.3 Key investment highlights

- South African based coal exploration and development company
- Newcastle Project current JORC Code Inferred, Indicated or Measured Resource of approximately 209 mt
- Located 26 km from an existing rail siding
- Letter of support received from Transnet Freight Rail (**TFR**) in relation to its provision of an initial 1.5mtpa of rail capacity and the lease of the existing rail siding (subject to entering into definitive documentation and TFR's internal approval process)
- Strategically located to access both the Port of Durban and Richards Bay
- Management team with track record of bringing South African coal assets into production

- Newcastle Phase 2 and Acorn Projects are coal exploration projects which provide the potential for long term development growth

- Management expertise and corporate infrastructure to evaluate further coal opportunities in South Africa

### 1.4 Key investment risks

You should be aware that there are risks associated with investing in our Company, including risks associated with our Projects specifically, and risks associated with investing in the stock market generally. Some risks are beyond our control and may have a material impact on our financial performance and position. See Section 5 for further information on the key risks.

Before deciding whether to apply for Shares, you should read this prospectus in its entirety and carefully consider the risk factors that could affect our future performance.

There are a number of key risks associated with an investment in Ikwezi Mining, including (but not limited to):

- **We have not commenced production and may not develop our business as planned or at all:** By their nature, investments in pre-production mining ventures are subject to numerous risks.

- **Development:** The development of our Projects, including our Newcastle Project, may be delayed and may cost more than expected.

- **Access to infrastructure:** We have not entered into binding agreements for the acquisition of key mining infrastructure or to secure rail or port capacity.

- **Geology:** There may be changes to the size and quality of our Resources. Our Resources are not Reserves and, accordingly, it is uncertain whether they can be mined in an economically viable manner or at all.

- **Appointment of contractors:** We intend to outsource substantial parts of our exploration, development, mining, coal washing and logistics activities pursuant to service contracts with third-party contractors but have not entered into formal agreements for the provision of these services.

- **Operation**: Operating difficulties, including but not limited to, weather, technical problems, natural disasters, strikes and labour issues, may impact our future potential production and operating costs.

- **Licences, permits and environmental approvals:** We do not currently have the key approvals necessary to develop and operate our Projects. In particular, we do not have a Mining Right or water use licence for the Newcastle Project. Failure to obtain, or delays in obtaining and maintaining approvals, licences and easements required to develop and operate the Projects, may adversely affect us.

- **Coal characteristics:** The Newcastle Project is expected to produce a proportion of low volatile coal product, which will require specialized marketing and is unable to be sold via common-user stockpiles at the various ports. The size of the proportion will depend upon a number of factors including source location and washing.

- **Coal price and exchange rates:** Lower than expected coal prices or adverse changes in exchange rates may negatively impact our Projects' economics.

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- **Financing:** While we believe the net proceeds of the Offer will be sufficient for our business plans described in this prospectus, we may require further finance to complete the development of our Projects and such financing may not be obtained or available on terms acceptable to us and may be dilutive to Shareholders.

- **Management and staff:** We may lose key management personnel and may not be able to recruit qualified replacements. We may also not be able to recruit personnel necessary to meet BEE participation requirements.

- **Regulation:** There may be adverse changes in applicable laws and regulations, including environment, permitting, title or tax regulations that affect us, including in relation to the Mining Charter, the Mining Codes and the BEE economic empowerment participation requirements.

- **No geographical diversification:** Our Projects are all located in South Africa. Any circumstance or event which negatively impacts the ownership or development of these areas or which negatively affects South Africa could materially affect our financial performance more significantly than if we had a diversified asset base.

- **Electricity supply:** The major producer and distributor of electricity in South Africa is the State-owned utility, Eskom, which provides over 95% of the country's energy supply. Problems with load shedding and rolling blackouts due to a shortage of electricity generating capacity may impact our future production potential and operating costs.

- **Water supply:** Water supply for the Newcastle Project, and any future projects, will be sourced from individual locations. We intend to apply for water use licences from the relevant governmental authorities as we do not hold these. The process for obtaining a water use licence can be lengthy and our operations may be adversely affected in the event that the relevant licences are not obtained in a timely fashion. An inadequate water supply would negatively affect the Newcastle Project and any future projects.

## 1.5 Description of the Offer

This prospectus offers 150 million Shares at the Offer Price of A$0.20 per Share. Full details of the Offer are set out in Section 2.

| **Key Offer statistics** | |
|---|---|
| Offer Price | A$0.20 per Share |
| Number of Shares on issue prior to the Offer | 188.75 million |
| Number of Shares to be issued under the Offer | 150 million |
| Number of Shares on issue on completion of the Offer | 338.75 million |
| Gross proceeds of the Offer | A$30 million |
| Indicative market capitalisation[1] | A$67.5 million |
| Pro forma net cash (as at 31 May 2011) | A$31.0 million |

**Notes:**

[1] Based on the Offer Price and the total number of Shares that will be on issue on completion of the Offer.

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## 1.6 Funding

The Directors are of the opinion that we will have sufficient funds to achieve our key objectives outlined in this prospectus, being the completion of final studies for the Newcastle Project and achieving commercial production as well as conducting further exploration for the Newcastle Phase 2 and Acorn Projects.

## 1.7 Key financial information

The table below sets out a summary of the pro forma balance sheet of our Company as at 31 May 2011. The summary pro forma balance sheet has been derived from our unaudited consolidated balance sheet as at 31 May 2011, adjusted to reflect the Offer. The information set out below should be read in conjunction with the financial information set out in section 8.

| Assets | A$m | Liabilities and Shareholder Equity | A$m |
|---|---|---|---|
| Cash and cash equivalents | 31.0 | Creditors and other liabilities | 0.8 |
| Other current assets | - | Debt (non-interest bearing) | 0.5 |
| Non current assets | 1.3 | Shareholder equity | 31.0 |
| **Total assets** | **32.3** | **Total liabilities and equity** | **32.3** |

## 1.8 Directors and key management

Simon Hewetson and Ranaldo Anthony, Chairman and Executive Director of our Company respectively, were responsible for developing NuCoal into a 2.5 mtpa coal producer and its subsequent sale to an ASX listed coal company in January 2010.

Our Managing Director, David Pile, has a financial and resources background, including serving as Chief Financial Officer of Ingwe Collieries, BHP Billiton's South African energy coal operations, and a director of the Richards Bay Coal Terminal.

We are seeking to appoint two suitably qualified Non-Executive Directors following listing on the ASX once suitable candidates have been identified.

Our Directors are supported by an experienced management team, most of whom are former NuCoal employees.

## 1.9 Material interests of related parties

Our Directors, David Pile and Simon Hewetson, the founders of our Company, are beneficially interested in the 170 million Shares held by Belvedere Mining Holdings Inc, which will represent approximately 50.2% of our total post-Offer Shares.

Subject to finalisation of agreements after the date of this prospectus, it is proposed that our Director, Ranaldo Anthony, will acquire 51% of the shares in our BEE Partner, Ikwezi Mining Holdings (Pty) Ltd, from other shareholders of Ikwezi Mining Holdings (Pty) Ltd. Ikwezi Mining Holdings (Pty) Ltd holds the 30% interest in the Newcastle Project that we do not own and a 25% interest in the Newcastle Phase 2 and Acorn Projects. Our Group is not a party to this transaction and our 70% ownership interest in Ikwezi Mining Holdings (Pty) Ltd and its interests in our Projects will not be affected.

## 1.10 Dividend policy

The Directors currently have no immediate intention of declaring and paying a dividend, as it is the Directors' current intention for us to use the Offer proceeds as described in this prospectus and to reinvest future available cash flows in the further development of our Projects.

The payment and amount of any future potential dividends declared by us are subject to the discretion of the Directors and will depend upon, among other things, our earnings, financial position, tax position, capital requirements and the requirements of the Bermuda Companies Act.

### 1.11 Summary only

This investment overview is not intended to provide full details of the investment opportunity. Investors must read this prospectus in full to make a fully informed investment decision.

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## 2. DETAILS OF THE OFFER

### 2.1 The Offer

The Offer is an initial public offering of 150 million Shares at the Offer Price of A$0.20 per Share. The Shares to be issued in the Offer will represent approximately 44.3% of the Shares on issue on completion of the Offer. The Offer is expected to raise A$30 million (before issue costs).

All Shares will be issued at the Offer Price and will rank equally with each other. The Shares will (on payment of the Offer Price) be issued as fully paid ordinary shares and will, once issued, rank equally with existing Shares. A summary of the rights attaching to the Shares is set out in Section 12.2.

The Offer comprises:

- the Broker Firm Offer, which is open to Australian residents who are sophisticated or professional investors (within the meaning of section 708(8) and 708(11) of the Corporations Act, respectively) or, following lodgement of this prospectus, to Australian resident investors who are not Institutional Investors and who have received a firm allocation from the Lead Manager; and
- the Institutional Offer, which consists of an invitation prior to the date of this prospectus to certain Institutional Investors in Australia and certain other jurisdictions to apply for Shares under this prospectus.

No general public offer of Shares will be made under the Offer. The allocation of Shares between the Broker Firm Offer and the Institutional Offer was determined by the Lead Manager, in consultation with the Company, having regard to the allocation policy described in Section 2.6.

The Offer has been fully underwritten by the Lead Manager. Please see Section 11.1 for a summary of the Underwriting Agreement, including the events which would entitle the Lead Manager to terminate the Underwriting Agreement.

### 2.2 Shareholders

The table below sets out the details of the ownership of Shares on issue immediately prior to settlement of the Offer and on completion of the Offer.

| Shareholder | Number of Options (millions) | Number of Shares (millions) | % |
|---|---|---|---|
| New Shareholders | - | 150 | 44.3 |
| Existing Shareholders – seed investors | - | 18.75[1] | 5.5 |
| Existing Shareholder – Belvedere (subject to 24 month escrow) | - | 170 | 50.2 |
| Employees and Directors | 4.0[2] | - | - |
| Lead Manager (subject to 24 month escrow) | 1.0 | - | - |
| **Total** | 5.0 | 338.75 | 100% |

**Notes:**

[1] Issued on 31 May 2011 for $0.16 per Share to a nominee on behalf of sophisticated or professional investors (within the meaning of section 708(8) and 708(11) of the Corporations Act, respectively) identified by the Lead Manager pursuant to a subscription agreement in order to raise seed capital for our Company.

[2] As at the date of this prospectus, 4 million Options have been issued to our Executive Directors and are expected to be subject to 24 month escrow. It is intended that a further 8 million options (the allocation and terms of which are yet to be determined other than in respect of the exercise price, which is intended to be A$0.30) will be issued under our employee incentive plan described in Section 11.5 within 12 months of Listing.

## 2.3 Restriction Arrangements

As a condition of Listing, ASX is likely to classify the holdings of Belvedere, our Executive Directors, David Pile and Ranaldo Anthony, and the Lead Manager as restricted securities. Prior to Listing, these persons will be required to enter into mandatory escrow restriction agreements in relation to their Shares and/or Options with our Company.

The effect of the mandatory escrow restriction agreements will be that the securities cannot be dealt with for a period as determined by ASX, which is likely to be 24 months from the date of Listing. It is expected that the 50.2% shareholding of Belvedere in our Company, the 4 million Options held by our Executive Directors, David Pile and Ranaldo Anthony, and the 1 million Options held by the Lead Manager, will be subject to escrow for 24 months from Listing. Any new Shares issued to Belvedere and Directors may also be classified by ASX as restricted securities and subject to restriction agreements.

In total, 50.2% of our post-Offer Shares and 5 million Options will be subject to these restriction arrangements.

## 2.4 Broker Firm Offer

| | |
|---|---|
| **Who may apply** | Australian resident clients who are, if in Australia, sophisticated or professional investors (within the meaning of section 708(8) and 708(11) of the Corporations Act, respectively) and Australian resident investors who are not Institutional Investors and who have received a firm allocation from the Lead Manager. |
| **How to apply** | Complete the Offer Application Form accompanying this prospectus and return it to the Lead Manager. Please contact the Lead Manager for further instructions. |
| **Minimum and maximum application amount** | As determined by the Lead Manager. |
| **Guaranteed Amount** | As determined by the Lead Manager. |
| **How to pay** | Broker Firm Offer Applicants should make payments in accordance with the directions of the Lead Manager. |
| **Address for return of Application Forms and Application Monies** | Broker Firm Offer Applicants, other than those who are Institutional Investors, must send their completed Application Form and Application Monies to the Lead Manager in accordance with its instructions and with sufficient time to enable processing by the Closing Date. |
| **Closing Date for receipt of Applications** | 5.00pm (Perth time) on Wednesday, 29 June 2011. |
| **How to obtain a copy of this prospectus** | Please contact the Lead Manager for instructions on +61 8 9488 1400 or download this prospectus at www.ikwezimining.com. |

An Application in the Broker Firm Offer is an offer by the Applicant to the Company to subscribe for Shares in the amount specified in the Application Form at the Offer Price on the terms and conditions set out in this prospectus (including any supplementary or replacement prospectus) and the Application Form.

If you elect to participate in the Broker Firm Offer, the Lead Manager will act as your agent in submitting your Application Form and Application Monies to the Share Registry (which receives them on behalf of the Company).

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We may accept an Application in respect of the full amount, or any lower amount than that specified in the Application Form, without further notice to you. Acceptance of an Application will give rise to a binding contract.

We, in consultation with the Lead Manager, reserve the right to reject any Application under the Offer.

All dates are subject to change and are indicative only. We, in consultation with the Lead Manager, have the right to vary these dates, without prior notice, including the right to close the Offer early or to withdraw the Offer and to accept late Applications (either generally or in particular cases).

### 2.5 Institutional Offer

The Institutional Offer consists of an invitation prior to the date of this prospectus to certain Institutional Investors in Australia and certain other jurisdictions to apply for Shares under this prospectus. Application procedures for Institutional Investors have been advised by the Lead Manager.

### 2.6 Allocation Policy

The allocation of Shares among Broker Firm Offer Applicants and bidders in the Institutional Offer is determined by the Lead Manager. The Lead Manager has absolute discretion regarding the basis of allocation of Shares, and there is no assurance that any bidder will be allocated any Shares, or the number of Shares for which it has bid. The allocation policy will be influenced by the following factors:

- the number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- our desire for an informed and active trading market in Shares following listing;
- our desire to establish a wide spread of institutional Shareholders;
- overall level of demand under the Broker Firm Offer and the Institutional Offer;
- the size and type of funds under the management of particular bidders;
- the likelihood that particular bidders will be long term Shareholders; and
- any other factors that we and the Lead Manager consider appropriate, in our sole discretion.

### 2.7 Underwriting Agreement

The Offer is fully underwritten by Euroz Securities Limited. Further details of the Underwriting Agreement are set out in Section 11.1.

### 2.8 Brokerage, Commission and Stamp Duty

No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Section 11.1 for details of various fees payable by the Company to the Lead Manager.

### 2.9 ASX Listing

We will make an application to ASX no later than seven days after the date of this prospectus for our Company to be admitted to the Official List and for official quotation of the Shares on ASX. The fact that ASX may admit us to the Official List is not to be taken

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as an indication of the merits of our Company or the Shares offered for subscription. Trading of Shares on ASX, if admission to the Official List is granted, is expected to commence initially on a deferred settlement basis on 12 July 2011. Trading on a deferred basis will continue until we advise ASX that holding statements have been despatched to Shareholders. Normal settlement trading is expected to commence on or about 19 July 2011.

It is anticipated the Shares will trade under the ASX code IKW.

### 2.10 Trading on the ASX

It is the responsibility of each Applicant or bidder to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk. We, the Lead Manager and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Lead Manager or otherwise.

### 2.11 CHESS and Holding Statements

We will apply for the Shares to participate in CHESS. Applicants to whom Shares are issued under the Offer will receive shareholding statements, in lieu of share certificates, that set out the number of Shares issued to each successful Applicant.

The statement will also provide details of the Shareholders' HIN (in the case of a holding on the CHESS subregister) or SRN (in the case of a holding on the issuer-sponsored subregister). Shareholders will be required to quote a HIN or SRN, as applicable, in all dealings with a stockbroker or the Share Registry. Further statements will be provided to Shareholders which will reflect any changes in their Shareholding during a particular month. Additional statements may be requested at any time, although we reserve the right to charge a fee.

We expect to dispatch holding statements in respect of the allocation of Shares on or about 18 July 2011. Applicants who sell Shares before receiving an initial holding statement do so at their own risk.

### 2.12 Overseas Applicants

Please refer to Section 12.7 for foreign selling restrictions.

### 2.13 Withdrawals

We reserve the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants. If the Offer does not proceed, application monies will be refunded. No interest will be paid on any application monies refunded as a result of the withdrawal of the Offer. The Company will retain any interest that accrues on application monies.

### 2.14 Bermuda Monetary Authority permission

The Bermuda Monetary Authority has given its permission for the issue of the Shares pursuant to the Offer on the terms referred to in this prospectus. A copy of this prospectus will be filed with the Registrar of Companies in Bermuda. The Bermuda Monetary Authority in granting its permission and the Registrar of Companies in Bermuda in accepting this prospectus for filing accept no responsibility for the financial soundness of our Group or any proposal or for the correctness of any of the statements made or opinions expressed in this prospectus or any other documents.

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## 2.15 Enquiries

All enquiries in relation to this prospectus should be directed to the Lead Manager on +61 8 9488 1400 from 8.30am to 5.00pm (Perth time) Monday to Friday until the close of the Offer. Information about the Offer is also available on the Offer website at www.ikwezimining.com.

An investment in our Company should be considered speculative. If you are unclear in relation to any matter or are uncertain as to whether our Company is a suitable investment for you, you should seek professional advice from your accountant, stockbroker, lawyer or other independent professional adviser.

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## 3. REPUBLIC OF SOUTH AFRICA INFORMATION

### 3.1 Overview of the Republic of South Africa

The Newcastle Project and Newcastle Phase 2 Projects are located in the environs of Newcastle and Dundee, both industrial towns located in KwaZulu Natal, one of the 9 provinces of South Africa. South Africa has a population of approximately 45 million people, comprising several racial groups (primarily European, African and Indian). The African group comprises various tribes, one of which are the Zulus who mostly inhabit KwaZulu Natal. The Acorn Project is located in the Gauteng province of South Africa.

Since 1994, South Africa has converted to a totally democratic political regime, after full voting rights were extended to all racial groups. Since that time, the African National Congress has been the ruling party, a position which remains unchanged. The government has endorsed the principles of private enterprise within a free market system, offering equal opportunities for all people.

South Africa is rich in mineral resources, the primary ones being gold, platinum group metals, diamonds and coal. A key source of income for the government is from the mining industry, which in 2010 contributed approximately R230 billion (approximately A$31.5 billion) of the total gross income. Furthermore, mining constitutes the biggest employer, with approximately five hundred thousand people directly involved in mining in 2010. The mining sector is subject to stringent regulation as more fully detailed in Section 3.3 below.

South Africa produces an average of 240 mt of marketable coal annually, making it the sixth largest coal producing country in the world. Approximately 63% of its production is used to cater for domestic demand. Exports account for 25% of coal production. The difference is attributable to sales to domestic industries. The coal produced is primarily thermal coal with limited metallurgical coal and anthracite production. The Richards Bay Coal Terminal (**RBCT**) remains the single largest export coal terminal in the world. RBCT's port capacity has increased to 91mt, resulting in more port capacity than rail capacity. The expansion of RBCT port capacity was completed in order to introduce BEE measures to RBCT. The TFR coal link rail starts at Mpumalanga and runs through Secunda to Ermelo and stops at RBCT. Due to an increase in port capacity, which was not followed by an increase in rail capacity, the coal industry has experienced a decline in the export of coal, as a result of insufficient infrastructure. TFR intends increasing its rail capacity to meet RBCT's capacity. Subject to completion of the increase of TFR's capacity, South Africa will be able to increase the export of coal.

### 3.2 Legal framework

There are three spheres of government in South Africa, namely national, provincial and local government, all of whom are competent to make legislation. The Constitution of the Republic of South Africa Act 108 of 1996 (**Constitution**) is the supreme law in South Africa. It prescribes the competence of the government to make and administer laws on various matters, and imposes an obligation on all spheres of government to co-operate with one another where their functions and powers overlap. The legislation specifically providing for mining activities in South Africa is the Mineral and Petroleum Resources Development Act 28 of 2002 (**MPRDA**). The MPRDA recognises the State as the custodian and guardian of all mineral resources within South Africa and aims to assist historically disadvantaged persons by promoting equitable access to the country's resources and allowing equal access to potential investors. The MPRDA regulates a number of matters including:

- the prospecting for, and processing and utilisation of, minerals;

- safety and health in the mining industry; and
- rehabilitation of land disturbed by exploration and mining.

The legal system in South Africa can be described as transparent and enabling of participation. The Broad Based Black Economic Empowerment Act came into operation on 21 April 2004 (**BBBEEA**). The BBBEEA aims to establish a legislative framework for the promotion of black economic empowerment (**BEE**), as a means to redress the inequalities of Apartheid by giving previously disadvantaged groups (black Africans, Coloureds, Indians and Chinese (declared Black in June 2008) who are citizens of South Africa) (referred to as **HDSAs**) economic opportunities previously not available to them. It includes measures such as employment equity, skills development, ownership, management, socio-economic development and preferential procurement.

The Minister of Trade and Industry is empowered to issue codes of good practice and to publish transformation charters. These codes and charters provide guidelines for stakeholders in the relevant sectors of the economy to draw transformation charters for their sector. BEE is relevant across all sectors of South Africa.

Mining activities in South Africa are regulated by two branches of government, namely the Mine Health and Safety Inspectorate of the Department of Mineral Resources (**DMR**) (represented in the various provinces by Principal Inspectors), and the Mineral Regulation branch which regulates the mining and minerals industry by managing the administration and evaluation of prospecting and mining rights in the respective provinces.

Before the commencement of prospecting or mining activities, a person needs to obtain the necessary right. The nature of these rights, once registered, are limited real rights. An application for a permission, right or permit to a mineral must be lodged by submitting an appropriate completed form, accompanied by a prescribed plan of the land to which the application relates. Notice to, and consultation with, interested and affected parties must take place upon lodgement of certain applications. On compliance with the requirements for the granting of permissions, rights or permits, a delegate of the Minister or designated agency of the Minister will grant the respective permissions, rights or permits. Registration of all Prospecting Rights, Mining Rights, exploration rights or production rights must be finalised at the Mineral and Petroleum Titles Registration Office within a prescribed time.

## 3.3 Mining law and tenure

### (a) *Introduction and historical perspective*

Until 30 April 2004, South Africa had a dual system of common-law mineral rights entitling the holder to prospect and mine for minerals and there was regulation through the Minerals Act 50 of 1991 (**Minerals Act**). The Minerals Act provided for authorisations to prospect or mine in terms of prospecting permits or mining authorisations, but these were granted only to the mineral right owner, or someone who had the consent of the mineral right holder in respect of the relevant land in question. The MPRDA became law on 1 May 2004 and repealed the Minerals Act. The MPRDA regulates the prospecting for, and optimal exploitation, processing and utilisation of minerals, provides for historically disadvantaged persons to enter the mineral and mining industry, and controls the rehabilitation of land disturbed by exploration and mining.

### (b) *Prospecting rights and Mining Rights*

The MPRDA provides that South Africa's mineral and petroleum resources are the common heritage of all of the people of South Africa and that the State is the custodian of those resources for the benefit of all South Africans.

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Owing to the change brought about by the new MPRDA system, provision had to be made for a transition from the common-law system as read with the Minerals Act in which the role of the State was regulatory in nature and in which the right to prospect and mine vested in the holder of the relevant mineral rights, to the new regime which provides for the State to grant Prospecting Rights and Mining Rights. The MPRDA contains transitional provisions that provide for the preservation and validity of certain old order rights that were in force immediately before the MPRDA came into effect, for limited periods after the commencement of the MPRDA. Our Prospecting Rights, and the Mining Right we are applying for in relation to the Newcastle Project, are not old order rights and, therefore, not affected by these transitional provisions.

The MPRDA seeks to facilitate participation by HDSAs and mining ventures and to ensure that unexploited Mining Rights and Prospecting Rights are exploited by using the "use-it or lose-it" principle which has been accepted and applied in many developed countries.

Complying with the BEE targets set by the South African Government is now a prerequisite for being granted Prospecting Rights and Mining Rights.

Applicants for a Mining Right under the MPRDA must demonstrate that the granting of such right will:

- substantially and meaningfully expand opportunities for HDSAs, including women, to enter the mineral and petroleum industry in order to benefit from the exploitation of the nation's mineral and petroleum resources; and
- promote employment and advance the social and economic welfare of all South Africans.

The Mining Charter (which was amended in 2010) and the scorecard relating to it, requires HDSA participation in management at both junior and senior level and an ownership or equity participation by HDSAs at a minimum of 15% by 2009 and 26% by 2014. A Mining Right holder must comply with social and labour plans and commit to projects in relation to communities for a period of 5 years after the grant of the Mining Right, which will be self-sustaining after such 5 year period. Furthermore, a Mining Right holder must comply with its mining work programme, failing which consent must be obtained to amend the mining work programme by way of application to the Minister of Mineral Resources.

**(c)** ***Duration***

A Mining Right is valid for a period specified in the right, which period may not exceed 30 years. A Mining Right may be renewed for further periods, each of which may not exceed 30 years. A Prospecting Right is valid for the period specified in the right, which may not exceed 5 years. A Prospecting Right may be renewed for a period of up to 3 years, but only one renewal can be made.

**(d)** ***Environmental management***

Applicants for a Mining Right are required to conduct an environmental impact assessment and submit an environmental management programme report (**EMPR**) for approval. Mining rights will only become effective after the environmental management programme the subject of our EMPR has been approved by the Minister. Applicants for Prospecting Rights are required to conduct an environmental management plan and the Prospecting Right will become effective only after the environmental management plan has been approved.

The holder of a Prospecting Right or Mining Right remains responsible for any environmental liability, pollution or ecological degradation, and the management thereof, until the Minister has issued a closure certificate to the holder concerned. Requirements for making financial provision for remediation of environmental damage as well as for the

issuing of a closure certificate are set out in the MPRDA and include the requirement that financial provision must be in place before the approval of the environmental management programme or the environmental management plan, as the case may be, is issued. Depending on the requirements of the mine and its environmental impacts, the Mining Right holder may be required to obtain other environmental authorisations, such as water permits and permits to remove natural heritage objects or to affect bio-diversity. Where air quality is adversely impacted by the mine, an air emissions licence may be required by the National Environmental: Air Quality Act.

**(e)** ***The Mineral and Petroleum Resources Royalty Act***

The Mineral and Petroleum Resources Royalty Act 28 of 2008 (**Royalty Act**) was promulgated in November 2008 and implemented from 1 March 2010.

The Royalty Act employs a formula which distinguishes between refined and unrefined minerals and accordingly 2 royalty percentage formulae will be applied:

(i) for refined minerals:

Y (%) = 0.5 + (EBIT/gross sales X 12.5) X 100

This rate will be capped at a maximum of 5%.

(ii) for unrefined minerals (such as coal):

Y (%) = 0.5 + (EBIT/gross sales X 9.0) X 100

This rate will be capped at a maximum of 7%.

In the above formula Y (%) represents the mineral royalty percentage rate calculated on the transfer price of the mineral.

The definition of “refined minerals” is set out in the Schedule to the Royalty. Coal is not classed as a “refined mineral” for these purposes.

**(f)** ***Occupational health and safety regulations of the mining industry***

Occupational health and safety of all employees in the mining industry is governed by the Mine Health and Safety Act of 1996 (**MHS Act**). The MHS Act sets out in detail the steps that employers must take to identify, assess, record and control health and safety hazards on the mines. The MHS Act entrenches basic worker rights, notably the right of workers to participate in health and safety issues, the right to receive health and safety information, the right to training and the right to withdraw from the workplace in the face of danger.

**(g)** ***Surface use***

The holder of a Prospecting Right or Mining Right is entitled to the use of surface necessary or incidental for prospecting and mining activities, including the right to bring on plant and equipment on the occupier’s relevant surface of the property, prospect, mine and use water, subject to the requirements of the National Water Act, 1998. Notwithstanding, the holder of a Prospecting Right or Mining Right must consult in regard to the initial application for a right and must consult at the time that the holder of the Prospecting Right or Mining Right wishes to gain access to the property. Furthermore, the holder of a Prospecting Right or Mining Right must pay compensation to the owner of the surface for actual loss or damage suffered by the surface owner as a result of the prospecting activities or mining activities of the holder of the Prospecting Right or the Mining Right as the case may be.

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**(h)** ***Cancellation***

The Minister of Mineral Resources is empowered to suspend or cancel a Prospecting Right or Mining Right if the holder is in breach of the provisions of the MPRDA or the terms and conditions of the Prospecting Right or Mining Right provided that the Minister must give the holder the opportunity to make representations before invoking the right of the Minister to suspend or cancel the relevant right.

## 3.4 Environmental laws

There are various laws and regulations controlling the environmental obligations of a Mining Right holder operating within South Africa.

The MPRDA requires every applicant for a Mining Right to submit an EMPR that contains a detailed assessment of the impact that mining operations will have on the environment so that it is compliant with the National Environmental Management Act 107 of 1998 (**NEMA**).

An applicant who prepares an EMPR must establish baseline information regarding the affected environment, investigate, assess and evaluate the impact of the proposed mining operations on the environment and the socio-economic conditions of any person who may be affected, develop an environmental awareness plan, and describe the manner in which the applicant intends to modify, remedy or control any activity or process which causes pollution or environmental degradation, contain or remedy the cause of the pollution and comply with the prescribed waste standard or management standards. The Minister cannot consider the environmental management programme unless the Minister has received a recommendation from the Regional Mining Development Committee and the comments of any State department charged with the administration of any law relating to matters affecting the environment. The MPRDA also requires holders of a Mining Right to:

- rehabilitate the environment "*to its natural or predetermined state or to a land use which conforms to the generally accepted principle of sustainable development*"; and
- restore any environmental damage, pollution or ecological degradation as a result of its mining operations and which may occur inside and outside the boundaries of the area to which such right relates.

Compliance with the requirements of the MPDRA is monitored on a regular basis and any non-compliance may attract significant penalties.

In terms of the MPRDA, Mining Right holders are required to make financial provision for the rehabilitation, management and closure of environmental impacts on a mine. Should a Mining Right holder not rehabilitate the environment of fail to restore any environmental damage, DMR may use such appropriate part of the financial provision to rehabilitate such impact. The rehabilitation of a mine should take place both during and after the active life of exploration and mining activities.

Numerous licences are required, by other environmental laws, for operations ancillary to mining such as the appropriate method of waste disposal, water use, atmospheric emissions as well as the use of explosives.

Any delays in obtaining such approvals may result in the delay of the commencement of mining activities.

## 3.5 Black economic empowerment

The BEE requirements in South Africa mining industry arise from the equality provisions of the Constitution and the MPRDA.

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The DMR has published and implemented the Broad Based Socio-Economic Empowerment Charter, September 2010 (**Mining Charter**) which is applicable to all mining companies operating within South Africa. The Mining Charter aims at facilitating participation of historically disadvantaged South Africans (**HDSA**) in the mining and minerals industry by providing specific targets that must be met by 2014 in order to effect complete transformation and promote sustainable development and growth of the industry. HDSA are defined as "any person, category of persons or community, disadvantaged by unfair discrimination" on the basis of race, gender or disability and includes females generally as well as Black, Indian, Chinese and Coloured people.

The most significant element of the Mining Charter is the ownership requirement which stipulate that mines must commit to obtaining 26% effective ownership (the meaningful participation of HDSA's in the ownership, voting rights, economic interest and management control of mining entities) by 2014.

The Mining Charter also requires that a Mining Right holder procures a minimum of 40% of its capital goods, 50% of its consumer goods and 70% of its services from BEE entities (an entity of which a minimum of 25% + 1 vote of share capital is directly owned by HDSA's). Further, Mining Right holders need to ensure that all multinational suppliers of capital goods contribute 0.5% of the supplier's annual income into a social development fund in order to promote the socio-economic development of local communities.

In furtherance of employment equity targets, Mining Right holders must reach 40% HDSA representation at all levels of management and core skills by no later than 2014.

A Mining Right holder is also required to invest at least 5% of its annual payroll in essential skills development activities reflective of the demographics. The holder should also, in consultation with organised labour, facilitate the home ownership options of all mineworkers. A Mining Right must also implement policies on sustainable development commitments which cover aspects such as the improvement of environmental management as well as health and safety performance.

In order to ensure that Mining Right holders adhere to the provisions of the Mining Charter, the MPRDA requires all such holders to report their level of compliance on an annual basis. To this extent, the DMR has also published a mining scorecard which provides a framework for measuring compliance with the Mining Charter. The scorecard measures three core elements: (1) direct empowerment through ownership and control of enterprises and assets; (2) human resource development and employment equity; and (3) indirect empowerment through preferential procurement and enterprise development.

Non-compliance with any of the above provisions of the Mining Charter shall render the Mining Right holder in breach of the MPRDA which may attract strict consequences such as the suspension or cancellation of the relevant Prospecting Right or Mining Right.

### 3.6 Foreign investment laws

Under the new South African Companies Act certain transactions concluded by either a public limited liability company or certain private companies are subject to the approval of the Take-overs Regulation Panel (Panel) (each hereinafter an **Affected Company**). These transactions involve, amongst other things, the disposal of all or the greater part of the assets or undertaking of such an Affected Company, an amalgamation or merger, a scheme of arrangement and a mandatory offer. The latter arises in relation to a private company, if during a period of 24 consecutive months more than 10% of the issued securities of the private company were transferred to related or inter-related parties. In the event of any of the aforementioned transactions being concluded or involving an Affected Company, the approval of the Panel will be required.

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Companies incorporated in South Africa are allowed to invest up to R500 (approximately A$68.5) million abroad per calendar year and will only require the approval of the exchange control division of any financial institution (i.e. a local commercial bank). The percentage of voting rights to be acquired in the foreign target entity should be a minimum of 10%. Any investment exceeding R500 million in a foreign target entity will require approval by the Financial Surveillance Department (also known as the Exchange Control Department (**Excon**) of the South African Reserve Bank (**SARB**)). Inward investment in companies incorporated in South Africa by non-residents similarly require the approval of Excon – both in respect of equity investments and/or lending arrangements. These approvals ensure free repatriation of the investments, remittance of dividends off-shore and repayment of loans and interest, and do not intend to restrict any investments by South African companies in foreign entities. This procedure serves as a manner in which SARB may maintain some record of foreign investments. These requirements do not apply to an acquisition of Shares as our Company is not incorporated in South Africa.

Exchange control regulations are intended to prevent or neutralise any adverse fluctuations in the foreign exchange rate and foreign reserves of South Africa. Excon considers applications regarding inward investment, whereby non-residents may freely invest in or disinvest from the country.

Prior exchange control approval is required for a resident (including our South African subsidiaries) to raise foreign loans as well as for the granting of local financial assistance to non-residents or to entities in respect of which 75% or more of the shares or voting rights are held by non-residents.

### 3.7 Taxation applicable to South African mining companies

The South African Income Tax Act, No 58 of 1962 (**Tax Act**) contains specific provisions for tax payers (including our South African subsidiaries) engaged in mining operations in South Africa. The main differences between the tax obligations of mining companies and other tax payers relate to the treatment of capital expenditure and to the different rates of tax applicable to companies earning income from certain minerals. Specific mining tax provisions allow mining companies to deduct, from taxable mining income, all capital expenditure (as defined in the mining tax provisions) incurred in one year (limited to taxable income derived from mining).

A tax payer may deduct certain capital expenditure from income derived from mining operations. The aggregate capital expenditure (after reducing the capital expenditure amount by the proceeds from the disposal of mining assets) in respect of any year of assessment may be set-off against the income derived by a tax payer from operations. A tax payer is, however, required to first set-off mining income against any balance of an assessed mining loss incurred by the taxpayer in relation to such a mine brought forward from any previous year of assessment.

Capital expenditure incurred in relation to a mine may, as a general rule, only be deducted against taxable income derived from mining. It is therefore imperative for mining companies to identify and separately account, for income tax purposes, its mining operation income, and income from other non-mining activities and manufacturing activities. In order for income to be classified as mining income, there needs to be a causal nexus between the mining source and the income. Any unutilized capital expenditure may be carried forward to the following year of assessment as unredeemed capital expenditure and set-off against mining income generated in subsequent years of assessment. In certain circumstances capital expenditure within one entity may be transferred to other mining operations within the same entity.

Capital expenditure includes, inter alia, expenditure incurred in respect of shaft sinking, mine equipment, development and general administration and management, mine housing, mining right, the disposal of any low cost residential unit of a mining company to

an employee, interest and other charges payable on loans utilised to acquire fixed assets utilised for mining purposes. Capital expenditure is deductible in full against any mining taxable income for that year of assessment. If assets, in respect of which the above allowance has been claimed, are sold, the full amount of proceeds is included in the gross income.

The Tax Act provides for a deduction of any expenditure incurred during the year of assessment in respect of prospecting operations concluded within South Africa. This is an exception, as costs incurred in respect of obtaining licences and the like, are of a capital nature and are therefore generally non-deductible.

Mining companies are required to rehabilitate areas where mining has taken place on conclusion of the mining activities. Mining companies are therefore required to make, during the life of the mine, provision for such rehabilitation expenses. Subject to compliance with certain rules and regulations, monies paid to an approved rehabilitation trust fund in terms of the trust deed are allowed as a deduction against taxable mining income. Expenditure incurred on an ongoing basis in respect of rehabilitation is deductible in the year of assessment in which the expenditure is incurred.

Following the introduction of the MPRDA, all mineral rights vest in the state as custodian of mineral resources on behalf of South African citizens. In order to compensate the state (as custodian) for the country's permanent loss of non-renewable resources a consideration for the exploitation of all mineral resources will be payable to the state in the form of royalties. The Mineral and Petroleum Resources Royalty Act No 28 of 2008 (**Royalty Act**) and the Mineral and Petroleum Resources Royalty Administration Act No 29 of 2008 (**Royalty Administration Act**) were introduced to govern the payment of such royalties. In calculating the royalty payable, the Royalty Act distinguishes between refined and unrefined mineral resources, as set out in Schedule 1 and 2 of the Royalty Act.

The Securities Transfer Tax Act No 25 of 2007 provides for Securities Transfer Tax to be levied on the transfer of every security in a resident company to another company at a tax rate of 0.25% of the taxable amount of that security. The tax is payable by the company that issued the shares.

Dividends are taxed by way of a secondary tax on companies (**STC**) at a rate of 10% and is levied against the company. The relevant company is required to deduct 10% of the gross amount of the dividend payable to its shareholders and pay the same to the South African Revenue Services (**SARS**) in respect of STC. Our subsidiaries, Ikwezi Mining (Pty) Ltd (the holder of the Newcastle Project), Bokamoso Resources (Proprietary) Limited (the holder of the Newcastle Phase 2 and Acorn Projects) and Ikwezi Mining Services (Proprietary) Limited will be subject to the STC.

It is proposed that the STC will be replaced by a withholding tax at the same rate. The shareholders of the relevant company will be liable for this tax. In the case of withholding tax, no such deduction is to be made by the company. The full amount of the dividend will be paid to the shareholders and the shareholders will have to account to SARS in respect of 10% of such income. Note that SARS have not yet finally determined the management and administration of withholding tax and there is therefore no certainty as to how the 10% will be recovered from off-shore shareholders. It is anticipated that this withholding tax will be effected from April 2012.

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# 4. BUSINESS OVERVIEW

## 4.1 Introduction

We are a resource exploration and development company aiming to create Shareholder value through the acquisition, exploration and development of coal projects in South Africa.

Our Group is focused on advancing the development of three coal projects in the KwaZulu Natal and Gauteng regions of South Africa. We hold Prospecting Rights and majority interests in these Projects. The most advanced of these is our 70% held Newcastle Project, which has a JORC compliant resource of approximately 209 mt of coal. We have applied for a Mining Right for the Newcastle Project, which we expect to be determined in October 2011. Subject to the grant of this Mining Right and associated authorisations, and finalisation of our geological studies and development and environmental management plans, we hope to commence development of this Project in the fourth quarter of calendar 2011. Our other earlier stage exploration Projects are our 60% owned Newcastle Phase 2 and Acorn Projects.

Over the longer term, we propose to realise the full potential of all of the Projects to provide us with the foundation from which we can seek to expand production and create further Shareholder value through the acquisition, exploration and development of coal projects in South Africa.

The balance of the interests in our Projects are held by BEE Partners as required to meet South African BEE requirements. These requirements are summarised in Section 3.5 and details relating to our relationship with our BEE Partners are set out in Section 4.5. Our corporate structure is outlined in Section 12.1.

The ownership of our Prospecting Rights and the compliance of our business structure is the subject of the legal opinion from Taback & Associates (Pty) Limited set out in Section 10.

## 4.2 Newcastle Project

### (a) *Overview*

The primary focus of our Company is submitting its EMPR, and obtaining the grant of a Mining Right and associated authorisations, for the Newcastle Project as well as finalising our geological studies and development plans for its development.

The Newcastle Project is located in the Northern KwaZulu Natal province of South Africa, approximately 26 km from an existing rail line siding. The Newcastle Project is strategically located to access either the Port of Durban or Richards Bay, which are located approximately 402 km and 368 km respectively by rail from the project.

We hold a Prospecting Right to prospect for coal in, on or under the farms comprising the Newcastle Project. The Prospecting Right covers an area of approximately 12,182 hectares. The Prospecting Right is valid for a period of 5 years and will expire on 7 April 2014.

The location of the Project relative to neighbouring coal projects owned by Forbes & Manhattan Coal (**Forbes Coal**), (a publicly listed company on the Toronto Stock Exchange) and the Ports of Durban and Richards Bay, is shown below.

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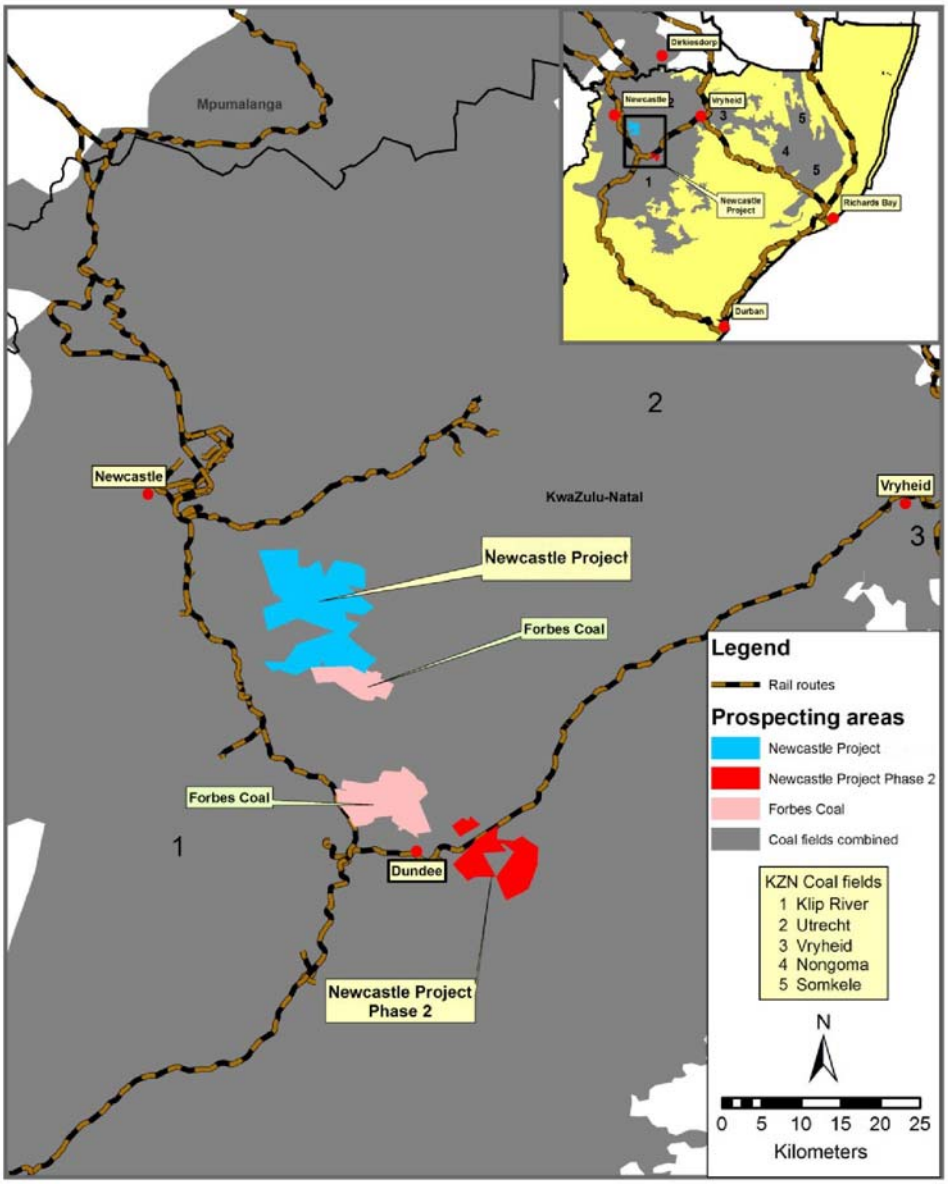


**Exhibit 4.1: Location of the Newcastle Project**
**Source: Ikwezi Mining**

### (b) *Geology*

A comprehensive description of the geology of the Newcastle Project is given in the Independent Competent Person's Report in Section 7 of the prospectus. A brief summary of the geology is presented below. The Independent Competent Person's Report only relates to the Newcastle Project and not the Newcastle Project Phase 2 or the Acorn Project.

The Newcastle Project covers approximately 12,182 hectares in the Magisterial districts of Danhauser and Newcastle in the KwaZulu Natal province of South Africa. The KwaZulu Natal coal fields, in general, are characterised by thin seams of high quality coal. The majority of South Africa's anthracite, as well as a reasonable portion of its coking coal, is produced in KwaZulu Natal with the coals generally being of higher quality than other South African coal fields. Mining is more complex compared to some of the other coal

fields in South Africa due to topographic differences, structural complexities and thin seams. These complexities, and relatively high sulphur levels, are offset by the generally better coal qualities found in KwaZulu Natal (in particular high Calorific Value (**CV**)) and KwaZulu Natal's proximity to the key export ports of Durban and Richards Bay.

KwaZulu Natal's coal is situated within five coalfields, namely from west to east: Klip River, Utrecht, Vryheid, Nongoma and Somkele. The Newcastle Project area is located in the Klip River Coalfield. In this coalfield, the Ecca Group of sediments overlies the Karoo Basin. Where it is characterised by shelf shales and coal it is named the Vryheid Formation. The Newcastle Project falls within the central parts of the Klip River Coalfield which consists of carboniferous sediments of the Ecca Formation and Beaufort Groups of the Karoo Supergroup. There are no pre-Karoo outcrops in the area. The Ecca Group has been subdivided into 3 groups namely Lower, Middle and Upper stages based on lithological divisions.

The Newcastle Project is characterised by two coal seams, the Top Seam and Bottom Seam, which are separated by coarse grained sandstone that is pebbly, cross-bedded and fining upwards to shale at the top. The main focus of the Newcastle Project is the Top Seam, on which our JORC compliant Resource is based. However, we also plan to conduct further studies of the Bottom Seam to determine its economic viability. The spacing between the Top Seam and Bottom Seam ranges from less than a metre to 25 metres in places. Various dolerite intrusions cut through the area vertically as dykes, and horizontally as sills. The sills displace the overlying sediments by distances equal to their thickness, while dykes cause some burning and devolatisation of the coal.

If the Newcastle Project advances to production, mining will be a combination of open cast and underground mining.

**(c)** ***Drilling, Sampling and Modelling***

The geological database used for the determination of the Newcastle Project Resource statement is based on a total of 268 boreholes. Of these, 189 boreholes were acquired from the Council for Geoscience (**CGS**) and the balance of 79 boreholes were drilled by us.

Two independent consultancies, PC Meyer Consulting (**PC Meyer**) and Siyaphambili Geological Services (**Siyaphambili**) were contracted to log the holes drilled by us and prepare the samples for analysis. These boreholes were drilled in two phases. The first phase of 24 boreholes was logged and samples prepared by PC Meyer and the second phase consisting of 51 were logged and samples prepared by Siyaphambili. Two independent laboratories, Advanced Coal Technology (**ACT**) and Siza Coal Services were contracted to conduct analyses of the samples.

The samples were analysed for CV, Total Sulphur (**TS**) and Proximate Analysis (which includes Ash Content, Inherent Moisture Content, Volatile Matter Content and Fixed Carbon Content) using various wash densities, as well as on a Raw basis. The Raw Relative Density of the samples were also analysed.

An aerial survey of the Newcastle Project Prospecting Right was conducted by Southern Mapping GeoSpatial in April 2011. Southern Mapping GeoSpatial then used the aerial survey data (which is indicated to be accurate to within 0.5m) to create a Digital Terrain Model (**DTM**) of the project area used in the modelling.

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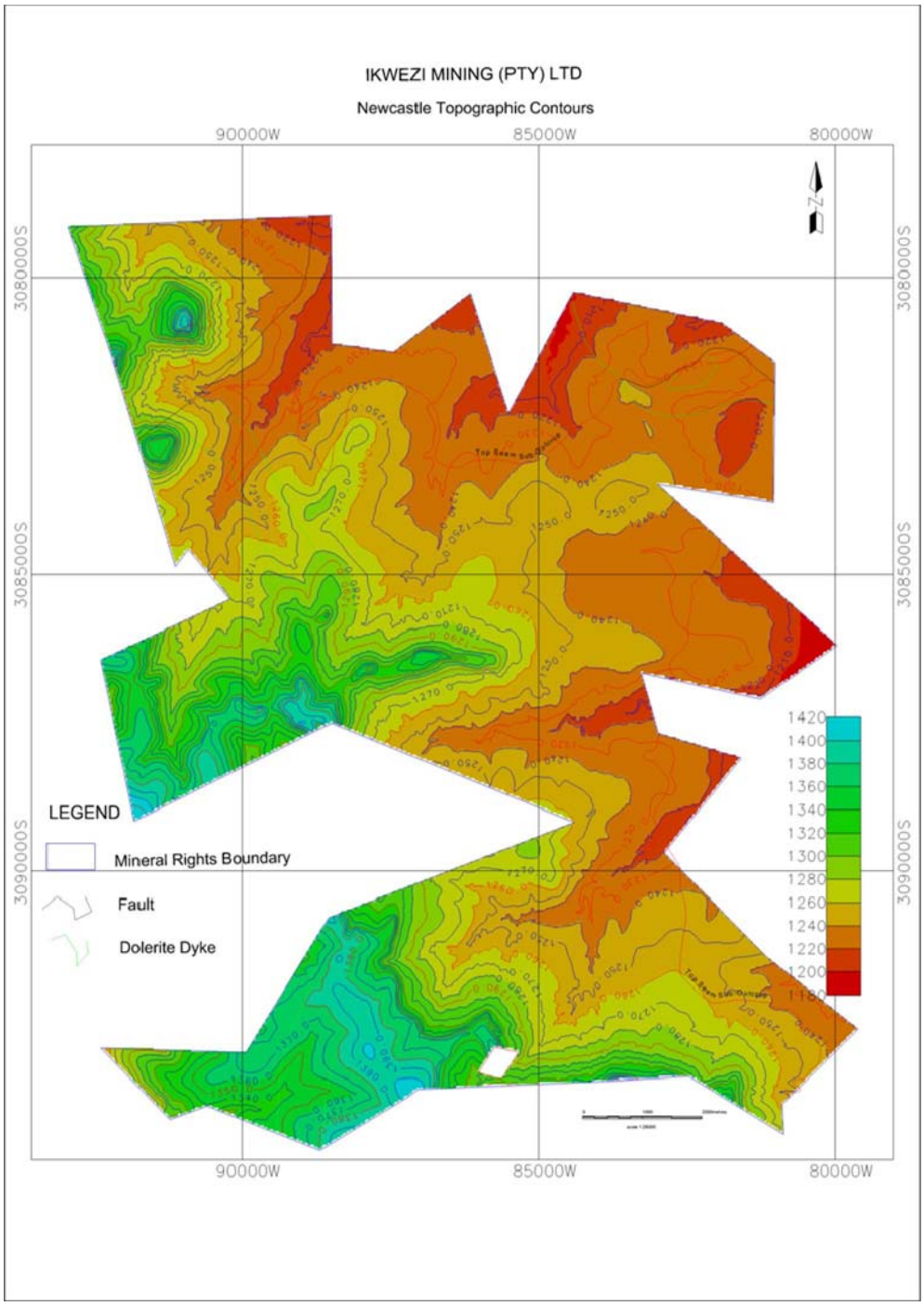


**Exhibit 4.2: Topographic contour map of the Newcastle Project**
**Source: Ikwezi Mining**

### (d) *Coal Resource*

The resource modelling and volume calculations were done using the MINEX 6.0.2 software (published by ECS Mining Software Systems (**ECS**)) (**Minex**). The grid cell size was set at 20 m x 20 m. The gridding was done using the standard ECS "growth" method of interpolation. This algorithm, which is assumed to be accurate based on testing, is being used as the standard for generating model grids in Minex. Cut-off parameters were applied to the coal properties to delineate the Resources. These include seam thicknesses less than 0.7 m and a raw ash content of more than 50%.

There are no coal Resources estimated between the surface grid (TOPS) and the limit of weathering (LOW). Coal volumes were calculated using Minex and this volume was then multiplied by the average raw relative density for each block to derive the gross tonnes in situ (**GTIS**). Due to the nature of the deposit, a geological discount of 15% was applied to derive the inferred and indicated total tonnes in situ (**TTIS**) for each resource area while a geological discount of 10% was applied to derive the measured TTIS for each resource area. This number can be justified and was derived as follows:

- 5% for unknown geological structures; and
- 5-10% for geological losses due to seam thickness variations and dykes.

Product coal qualities were simulated for a raw coal and various ash products. The quality data per block was composited to calculate the average coal quality for the project area.

PC Meyer Consulting CC has reported the following Resource for the Newcastle Project in accordance with the JORC Code (refer to the Independent Competent Person's Report in Section 7 for further detail).

| RESOURCE CLASS | BLOCK NAME | BLOCK AREA | BURDEN THICKNESS | BURDEN VOLUME | COAL AREA | COAL VOLUME | GTIS (Mt) | TTIS (Mt) |
|---|---|---|---|---|---|---|---|---|
| MEASURED RESOURCES | EBLOCKM | 2 722 552 | 16.63 | 45 259 040 | 2 397 891 | 6 155 018 | 9.77 | 8.30 |
| *TOTAL MEASURED RESOURCES* | | *2 722 552* | *16.63* | *45 259 040* | *2 397 891* | *6 155 018* | *9.77* | *8.30* |
| INDICATED RESOURCES | EBLOCKI | 3 858 645 | 136.36 | 526 152 416 | 3 781 987 | 6 100 046 | 9.41 | 8.00 |
| *TOTAL INDICATED RESOURCES* | | *3 858 645* | *136.36* | *526 152 416* | *3 781 987* | *6 100 046* | *9.41* | *8.00* |
| INFERRED RESOURCES | EBLOCKF | 57 602 816 | 29.25 | 1 675 945 600 | 49 157 824 | 85 899 352 | 134.91 | 121.43 |
| | WBLOCKC | 13 055 746 | 149.08 | 1 946 385 536 | 12 759 393 | 23 985 684 | 38.32 | 32.57 |
| | WBLOCKN | 5 456 916 | 47.33 | 258 172 112 | 4 072 564 | 7 851 539 | 12.75 | 10.84 |
| | WBLOCKS | 3 517 575 | 183.09 | 643 865 664 | 2 368 273 | 2 636 392 | 4.40 | 3.74 |
| *TOTAL INFERRED RESOURCES* | | *79 633 053* | *408.75* | *4 524 368 912* | *68 358 054* | *120 372 967* | *190.38* | *168.58* |
| TOTAL RESOURCES | | 86 214 250 | 561.74 | 5 095 780 368 | 74 537 932 | 132 628 031 | 209.56 | 184.88 |

**Exhibit 4.3: Table indicating JORC Code compliant Resources for the Newcastle Project**
**Source: PC Meyer Consulting CC**

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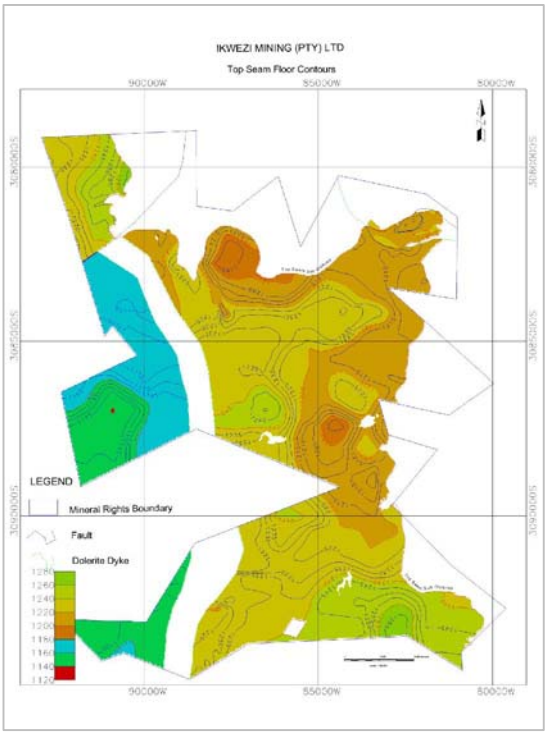
### Top Seam – Floor Elevation Plan




### Top Seam – Seam Thickness Plan

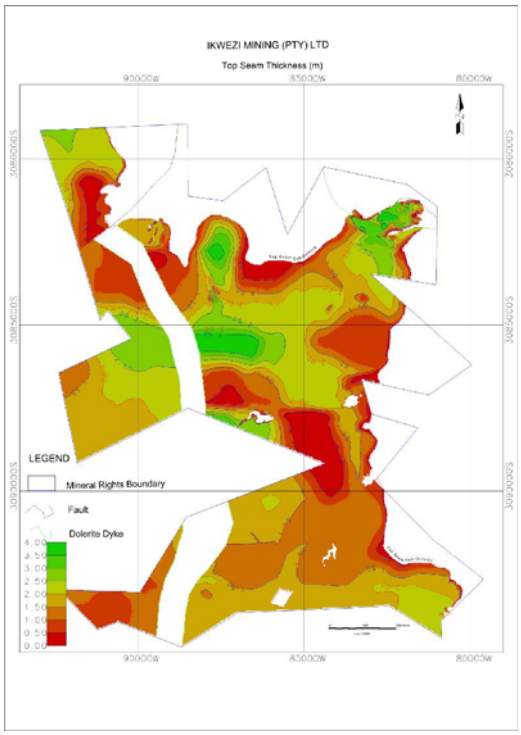
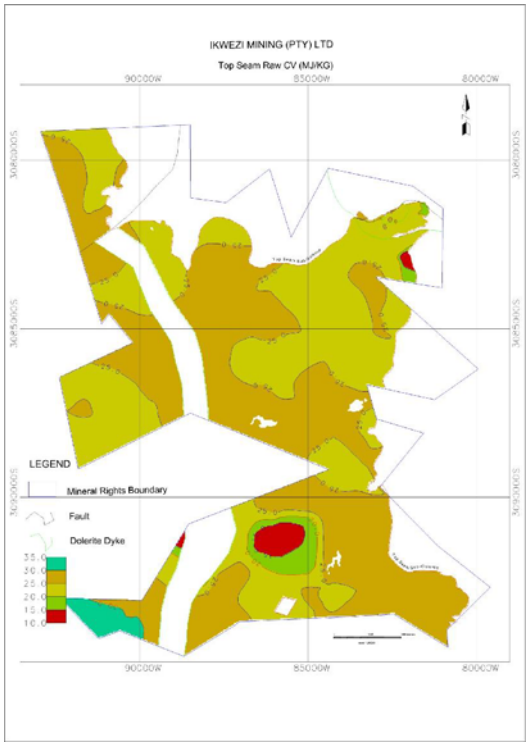



**Exhibit 4.4: Diagrams showing floor elevation and seam thickness of the Top Seam of the Newcastle Project**
**Source: Ikwezi Mining**

### Top Seam – Raw CV Plan




### Top Seam – Raw Ash Content Plan

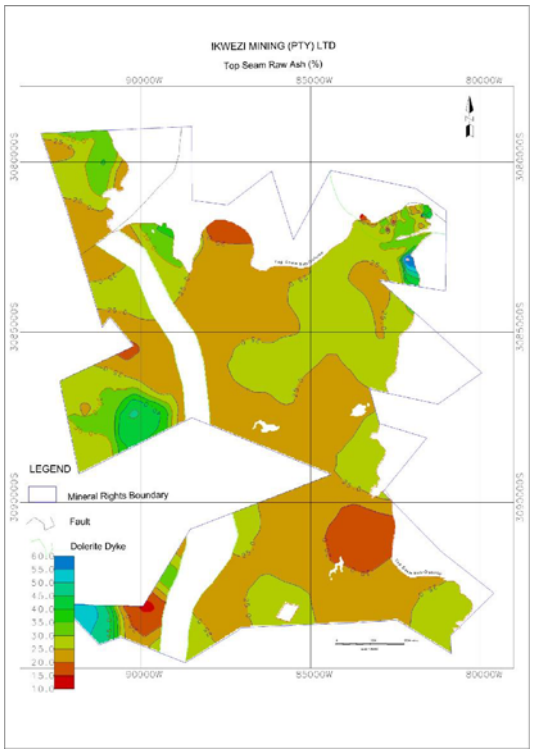



**Exhibit 4.5: Diagrams showing calorific value and raw ash content of the Top Seam of the Newcastle Project.**
**Source: Ikwezi Mining**

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### (e) *Proximity to rail networks*

The Newcastle Project is located close to the main rail line that links the area to both the Ports of Durban and Richards Bay, which are located approximately 402 km and 368 km respectively by rail from the Project. The project area is located on the coastal side of the Overvaal tunnel, thereby avoiding one of the main constraints on the rail network to the Port of Richards Bay. It is also located adjacent to the main road network linking the area to the other provinces. This gives the Newcastle Project the ability to either export, or sell, coal locally in the domestic market should it proceed to production.

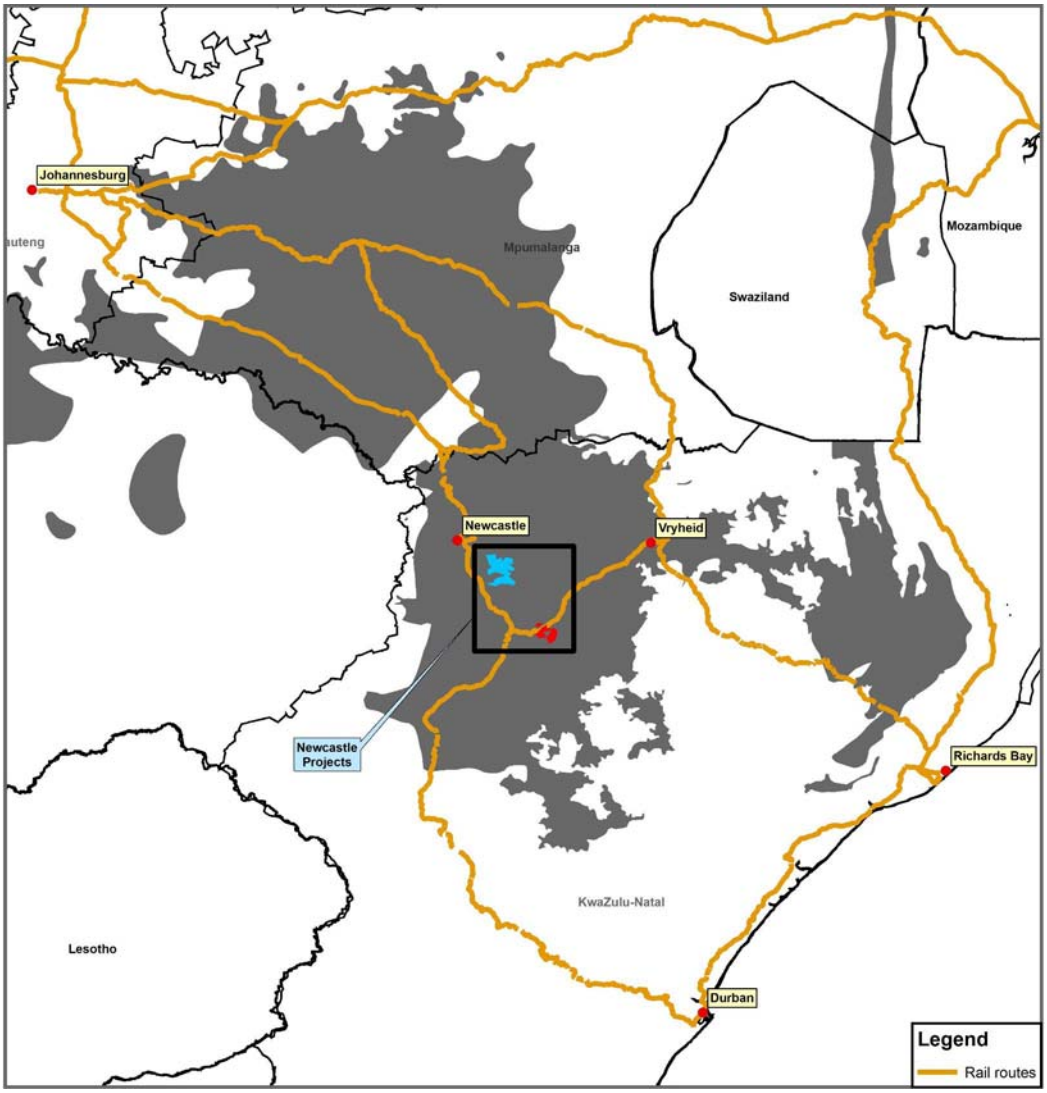


**Exhibit 4.6: Relative location of Newcastle Project to rail network**
**Source: Ikwezi Mining**

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**(f)** ***Transport of product and rail siding***

We commissioned a logistics study by Barberry Group in early 2011. The study reviewed the logistical aspects, costs and estimated capital expenditure relating to the movement of coal from our future proposed site of a wash plant for the Newcastle Project through to port on a free on board (**FOB**) basis. A number of different rail sidings in the area were evaluated together with the connecting road network to the plant. Operating and capital costs for these options were reviewed together with the costs of replacing the road network with a rail link where relevant, together with costs associated with the upgrading of the road and particular siding if required.

We have determined, after considering the results of the above study, that the best option for our Company is to seek to use the Newcastle goods shed rail siding located on the outskirts of the city of Newcastle. The siding is currently not in use. It comprises two existing goods sheds and supporting rail infrastructure. The siding is linked by 26 km of good quality tarred public road to within 1km of the future proposed wash plant. It forms part of the Newcastle goods shed area which is linked to the main shunting yards in the town of Newcastle that also serve Mittal Steel operations.

Application has been made to TFR, which is a division of Transnet Limited, a South African government owned company, which operates heavy haul freight rail in South Africa, for an allocation of 1.5 mtpa rail capacity and the lease of the Newcastle goods shed siding. We received a letter of support from TFR on 6 May 2011 indicating that TFR supported our application for an initial 1.5 mtpa of rail capacity to enable us to rail our coal to either Durban or Richards Bay in line with targeted production starting in the first quarter of calendar 2012. The letter also stated that a proposal to lease the Newcastle goods shed siding to us had been submitted to TFR's lease governance committee for formal approval.

While not legally binding, we consider this letter of support to place us in good standing to obtain access to both this rail capacity and the siding, subject to formal TFR approvals and entry into binding documentation. TFR has expressed a preference that binding documentation be based on a ten year commitment. However, at this stage, the commercial terms of such documentation have yet to be negotiated and agreed.

We highlight that, while we have applied to TFR for rail capacity of initially 1.5 mtpa, this does not mean that the Newcastle Project will produce coal at or up to this capacity. The level of our potential coal production, and our ability to produce coal at all, will be dependent on a number of factors, including us fulfilling the requirements for and being granted a Mining Right and a water use licence, obtaining access to the infrastructure required to commence mining operations and transport our coal product, mining, metallurgical, economic, marketing, legal, environmental, social and governmental. Such factors that are considered material are summarised in the risk factors set out in Section 5. In particular, while we have JORC Code compliant Resources, these are not ore Reserves within the meaning of the JORC Code. Accordingly, it is uncertain whether our JORC Code compliant Resources can be mined in an economically viable manner to achieve at, or up to, that capacity or at all. There remains insufficient certainty with respect to whether economically mineable mineralisation exists at the Newcastle Project to reliably estimate future production rates.

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Our preferred design for the siding uses the open area between the two goods sheds for the construction of a two line rail loading facility of 25 wagons each, with adjacent coal stockpiling and loading areas with supporting environmental systems to contain polluted run-off water. Coal loading will be done mechanically with front-end loaders.

**Exhibit 4.7: Overhead image of the Newcastle goods complex rail siding with our proposed development overlaid**
**Source: Ikwezi Mining**

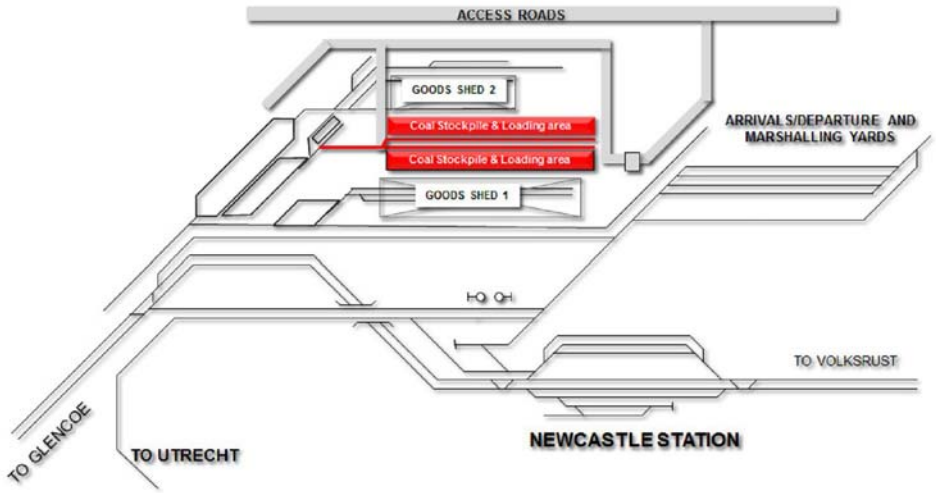


**Exhibit 4.8: Diagram showing proposed location of rail siding**
**Source: Ikwezi Mining**

A detailed cost estimate totalling R19.2 m (approximately A$2.6 m) has been prepared by Barberry Group to bring the siding back into operation together with additional modifications for it to handle a minimum of 1.5 mtpa of coal initially.

We have signed a non-binding letter of intent with Barberry Group by which Barberry Group records its intention to finance the estimated R19.2 m capital required to bring the siding into operation. Under this contemplated arrangement we would repay Barberry Group the principal plus interest at normal commercial rates on a per tonne transported basis over a 5 year period. We would have the option under this proposed arrangement to cancel the agreement prior to the end of the 5 year period through the repayment of the full capital and interest under the agreement at the date of cancellation together with a

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penalty which reduces over the period of the agreement. The entry into a binding agreement on this basis will be subject to agreeing definitive documentation and Barberry Group obtaining finance from a bank lender.

**(g)** ***Wash Plant***

As a key component of developing the Newcastle Project, we will need to construct a wash plant (also known as a coal preparation plant) to prepare coal produced for transport to market. The wash plant washes coal of soil and rock and prepares it in a form that can be sold.

We intend to appoint a third party to build, own, operate and maintain the wash plant on our behalf. Requests for tenders have been issued for the supply of a wash plant with an initial 170,000 tonnes (run of mine (ROM)) per month capacity (with capability to increase to 340,000 tonnes (ROM) per month). The tenders are due in the third quarter of calendar 2011. We estimate that the capital cost of a wash plant of this kind will be approximately R60-80 million (equivalent to approximately A$8.2-11.0 million), which, other than payment of a deposit by us, we intend to seek to fund through the third party. An amount of A$2.8 million (approximately R20.4 million) has been provided for in the use of funds for the payment of a deposit to the third party in relation to the initial payment to the third party.

We highlight that while we are seeking to construct or obtain a wash plant with an initial capacity of 170,000 tonnes ROM per month, this does not mean that the Newcastle Project will produce coal at or up to this capacity. The level of our potential coal production, and our ability to produce coal at all, will be dependent on a number of factors, including us fulfilling the requirements for and being granted a Mining Right and a water use licence, obtaining access to the infrastructure required to commence mining operations and transport our coal product, mining, metallurgical, economic, marketing, legal, environmental, social and governmental. Such factors that are considered material are summarised in the risk factors set out in Section 5. In particular, while we have JORC Code compliant Resources, these are not Ore Reserves within the meaning of the JORC Code. Accordingly, it is uncertain whether our JORC Code compliant Resources can be mined in an economically viable manner to achieve at, or up to, that capacity or at all. There remains insufficient certainty with respect to whether economically mineable mineralisation exists at the Newcastle Project to reliably estimate future production rates.

**(h)** ***Ports***

As previously described, the Newcastle Project is strategically located to access either the Port of Durban or Richards Bay. The Port of Richards Bay consists of a dry bulk terminal, a multi purpose terminal and the privately operated Richards Bay Coal Terminal (**RBCT**). Both the RBCT and dry bulk terminal can be used to export coal product.

Port facilities in South Africa are typically under utilised due to a lack of available rail capacity. While RBCT has a design capacity of 91 mtpa, it has to date generally operated at between 60 to 63 mtpa with a target of operating at approximately 70 mtpa. The current port capacity is fully allocated to existing users although current practice dictates that allocation can be leased at varying costs.

The Port of Durban has approximately 3-5 mtpa export capacity with developments underway to expand this.

We are currently in discussions with port operators at both the Port of Durban and Richards Bay and will seek to enter into a contract for port usage as we advance the development of the Newcastle Project.

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While we have not entered into binding agreement for access to either port, we believe we are well positioned to secure port capacity at either the Port of Durban or Richards Bay due to the location of the Newcastle Project relative to existing rail lines, quicker train turn around time compared to projects in other regions, and the expectation that TFR will provide rail services (subject to binding documentation being entered into with TFR as noted above).

**(i) *Logistics***

We have signed a non-binding letter of intent with Barberry Group under which Barberry Group records its intention to manage all logistics for the movement of coal from the Newcastle Project, should it be brought into production, to its end destination. Under this proposed arrangement, Barberry Group would receive a fixed fee per tonne of coal sold. This arrangement is subject to agreeing definitive documentation with Barberry Group if and when we obtain our rail and port allocations.

**(j) *Product saleability and marketing***

It is expected that a variety of different products will be produced from the Newcastle Project if we can advance the project to production. These products range from a Richards Bay 1 (RB1) export product, through to a low volatile product (lean coal). Saleable coal from the Newcastle Project will generally have elevated sulphur levels and slightly lower volatiles, but a high CV. These specifications will require more specialised marketing.

An adjacent coal mine operated by Forbes Coal called Magdalena is currently producing coal that is being sold into both export and domestic markets.

The primary intended market for coal from the Newcastle Project is export. As previously described, the location of the Newcastle Project gives us the ability to export via the Port of Durban or Richards Bay. We have received expressions of interest for off-take from both commodity traders and end-users.

We intend, however, to only enter into any supply off take agreements once our final development and environmental studies have been completed, our Mining Right and water use licence obtained and we have entered into binding documentation in relation to the rail, rail siding and port capacity as described above.

We are also exploring the possibility of supplying some of our product into the domestic market.

**(k) *Development plan***

Our strategy is to develop the Newcastle Project into an open cast and underground mining operation. While the plans for our Newcastle Project mining operation will be finalised following completion of final studies and drilling, our current expectation is that this will entail the design and excavation of two main opencast areas, four separate underground adits and two limited shallow opencast mini-pits.

In addition to the construction of the wash plant described in Section 4.2(g), this will require the removal of top-soil (for re-use at mine closure), removal of overburden (to stockpile for replacement into the void at the end of the life of the mine), excavation of adit portal areas and portal construction, establishment of evaporation dams, diesel tanks, coal stockpile pads, access roads and other facilities.

Based on our assessment of the various requirements for production to commence, and our management and Directors' previous experience in relation to the development of similar coal mining operations, we are targeting to commence first production during the second quarter of calendar 2012.

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Key milestones of the project development and the critical path to first production are provided in the table below. The timetable assumes:

- Completion, and acceptance by the DMR, of our EMPR;
- timely delivery of government approvals, including the grant of a Mining Right and a water use licence;
- consultation and agreement with landowners and local community on compensation and related issues;
- timely entry into agreements with TFR in respect of rail capacity and the lease of the rail siding;
- timely entry into agreements with Port of Durban and/or Richards Bay operators to obtain port allocation for the export of our coal product; and
- construction of mining infrastructure, including the wash plant, in a timely way (noting that we are still conducting final studies in relation to the final development process and activities); and
- entry into service contracts for the development, mining, coal washing and logistics activities with third-party contractors.

See Section 5, and in particular the risk factors in Sections 5.2(b) and 5.2(i), for further detail on risk factors that will impact on our ability to commence production and timing.

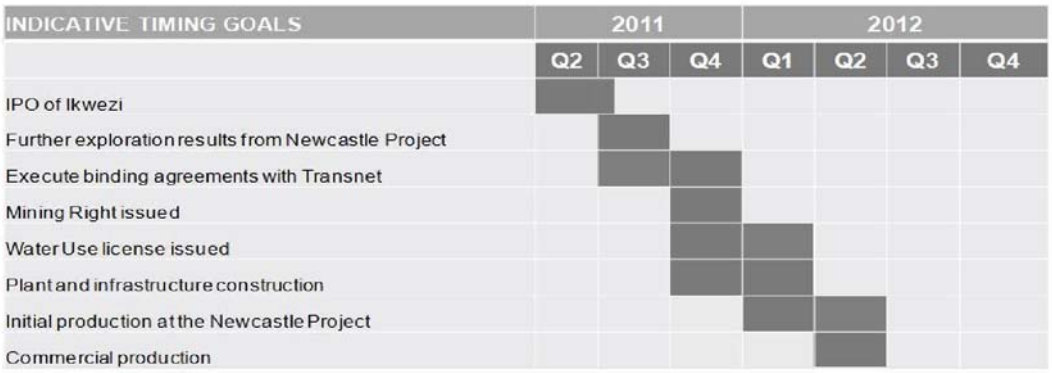


**Exhibit 4.9: Diagram showing indicative and contingent timeline for the development of the Newcastle Project. This timetable is indicative only and subject to change.**
**Source: Ikwezi Mining**

### (I) *Development approvals*

We currently hold a Prospecting Right for the Newcastle Project, which does not confer authority to commence development of the Project or to commence production. In order to move into development and production, we will need to be granted a Mining Right and a water use licence. We have submitted a Mining Right application for the Newcastle Project to the DMR with the necessary information including our mining work programme, evidence of our technical competence and financial ability, our financial plan and our social labour plan. The DMR has confirmed receipt of the application on 13 January 2011.

In order for our application for a Mining Right to be granted, we are required to submit a scoping report, an environmental impact assessment, an EMPR and consult in writing with the landowners or lawful occupiers and submit the results thereof to the DMR. The letter of acceptance from the DMR indicates our application will be processed and decided on

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or no later than 12 October 2011. However, this time period is dependent upon us having completed and complied with all of the requirements of the letter of acceptance.

To date we have submitted a scoping report, provisional environmental impact assessment and a report on our consultations with interested and affected parties. We have not yet submitted our EMPR and will need to do this in order for our application for a Mining Right to be successful. We expect to complete and lodge the EMPR in July 2011. This is in-line with our expected timeframe for the grant of the Mining Right.

We will submit our application for a water use licence on completion of the EMPR.

Additional detail on the South African regulatory framework is contained in Section 3 and on the risk in relation to us not being granted the Mining Right is set out in Section 5.2(i).

*(i) Environmental management programme*

In order for our Mining Right to be granted, we must prepare and submit an EMPR containing a detailed assessment of the impact that our proposed mining operations will have on the environment.

We are also required to make a financial provision for the rehabilitation, management and closure of environmental impacts in relation to our mining activities. Should we not rehabilitate the environment or fail to restore any environmental damage caused by our activities, DMR may use such appropriate part of the financial provision to rehabilitate such impact.

The procedure for the consideration and approval of the EMPR is described in Section 3.4.

We will also require other licences required by environmental laws for operations ancillary to mining, such as the appropriate method of waste disposal, water use, atmospheric conditions as well as the use of explosives.

*(ii) Compensation and access agreements*

If and when we obtain the Mining Right for the Newcastle Project, we will be entitled to the use of surface rights necessary or incidental for mining activities.

Whilst we are currently engaged in negotiations with certain surface right owners in relation to the properties which are covered by the Newcastle Project, especially for the key land which will be needed for the first phase of planned mining operations and the building of the wash plant, no agreements have been entered into with any surface owners at present.

However, once we hold a Mining Right, we will have extensive rights, which encompass all surface rights relating to prospecting and mining, save that the Mining Right holder has to compensate the surface owner for actual loss or damage suffered by the surface owner as a result of prospecting or mining activities.

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## 4.3 Newcastle Project Phase 2

The Newcastle Project Phase 2 (also known as the Dundee Project) is a longer term development project. The Newcastle Phase 2 Project comprises approximately 4,664 hectares in Northern KwaZulu Natal, approximately 9km east of the town of Dundee, in proximity to existing rail sidings with available capacity.

We hold a Prospecting Right to prospect for coal in, on or under, the farms comprising the Newcastle Project Phase 2. The Prospecting Right is valid for a period of 5 years and will expire on 28 January 2015. We plan to begin the initial exploration of this Project in the fourth quarter of calendar 2011. The intention is to drill the Project to a 1,000m borehole spacing grid in the fourth quarter of calendar 2011. Following the evaluation of this initial drilling phase, target areas will be identified and drilled with the aim of identifying a JORC Code compliant Resource.

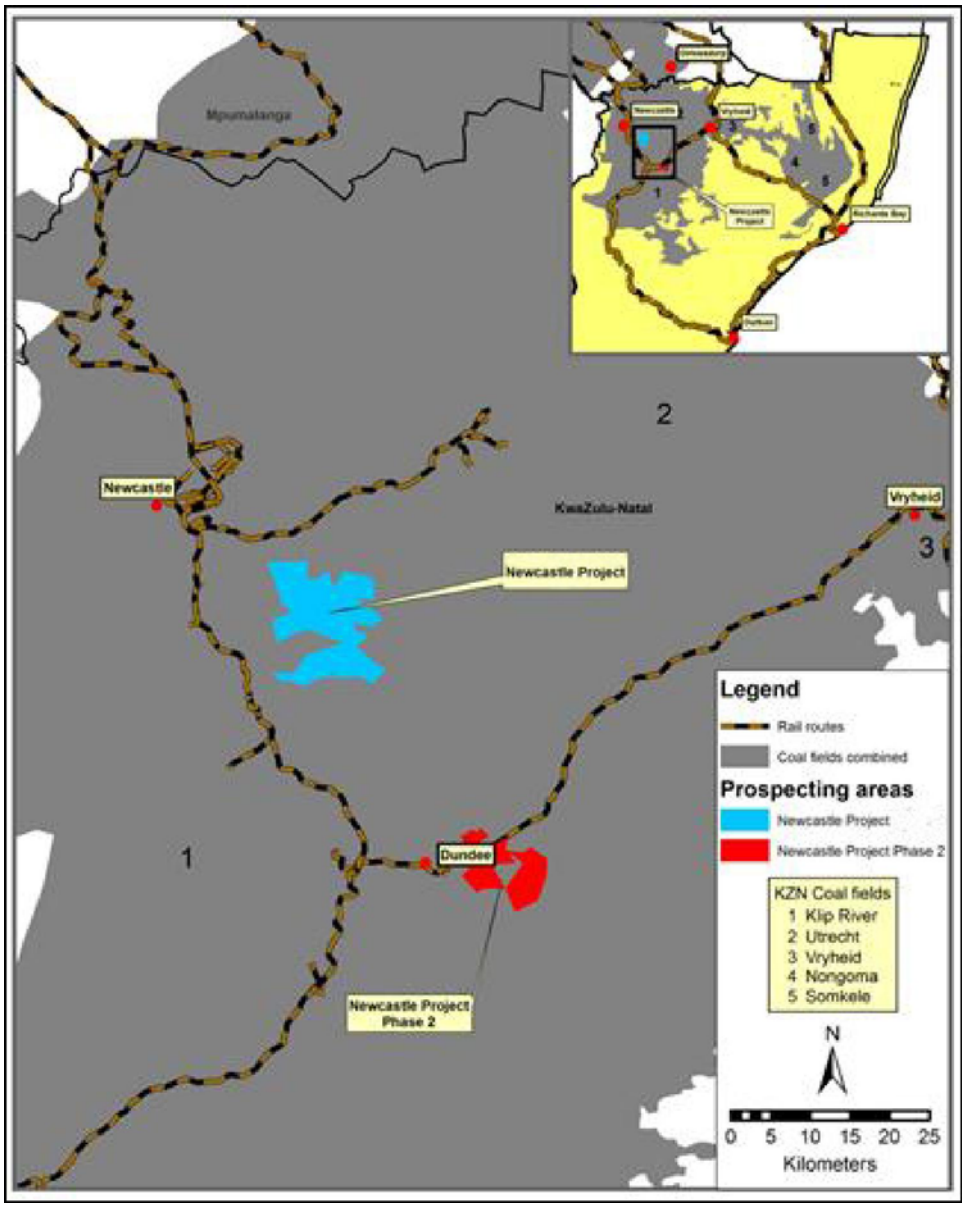


**Exhibit 4.10: Location of Newcastle Phase 2 Project**
**Source: Ikwezi Mining**

## 4.4 Acorn Project

The Acorn Project comprises approximately 20,758 hectares in the Gauteng province in South Africa. Coal fields in the adjacent Limpopo region show similar characteristics to the Waterberg province, and as such it is expected that mining activities in Gauteng and Limpopo will develop as infrastructure becomes more readily available. We view the Acorn Project as a large, long term development prospect.

We hold a Prospecting Right to prospect for coal in, on or under the farms comprising the Acorn Project. The Prospecting Right covers an area of approximately 20,758 hectares and is valid for a period of 5 years and will expire on 17 January 2016.

We intend to commence exploration activity in relation to the Acorn Project in the fourth quarter of calendar 2011.

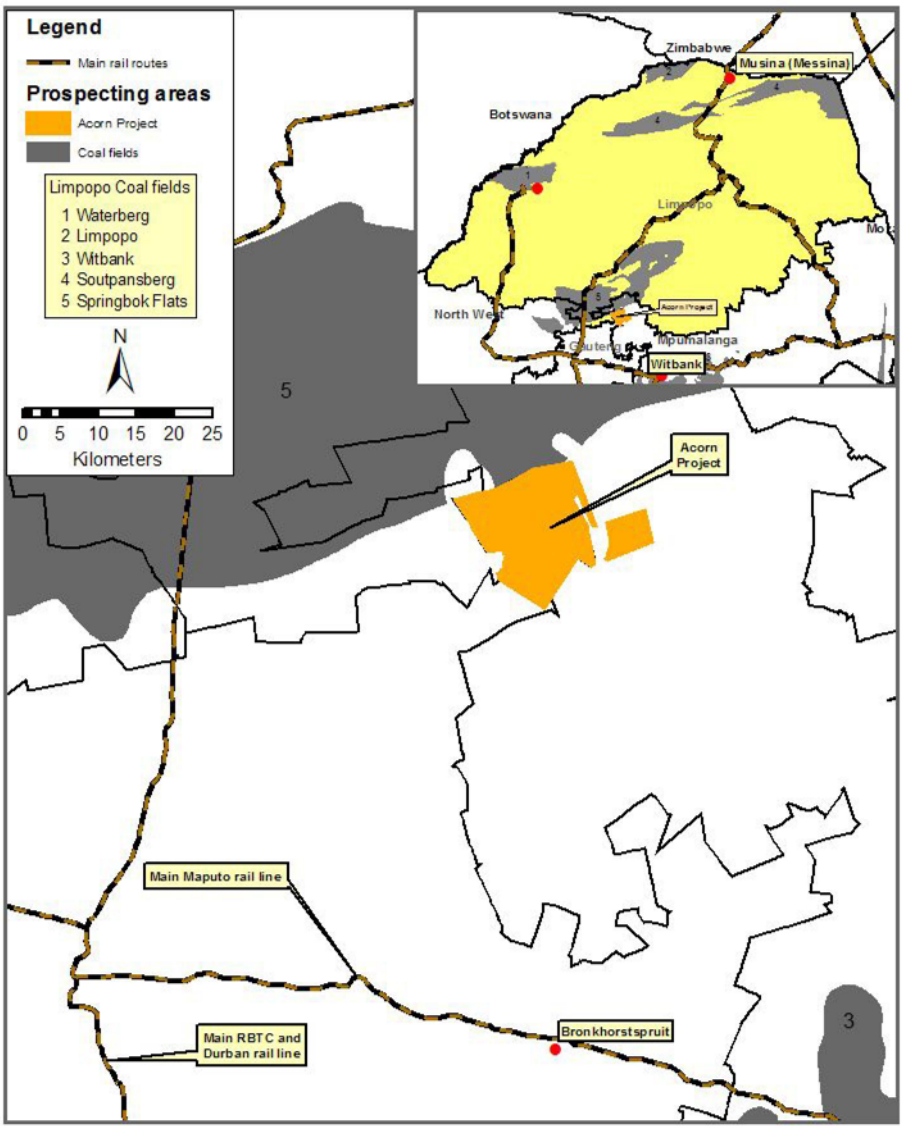


**Exhibit 4.11: Location of Acorn Project**
**Source: Ikwezi Mining**

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## 4.5 Relationship with BEE Partners

We do not hold 100% interests in our Projects. The balance of the interest in our Projects are held by BEE Partners as required to meet South African BEE requirements. These requirements are summarised in Section 3.5. The proportion of our BEE Partners' ownership in our Projects is shown in Exhibit 4.12 below.

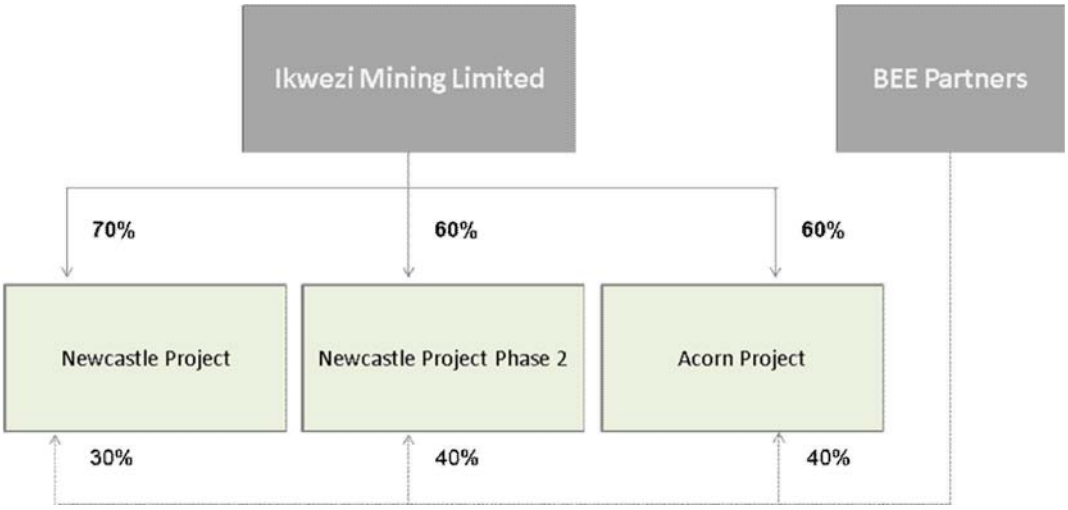


**Exhibit 4.12: Chart depicting ownership of our Projects Source: Ikwezi Mining**

The corporate structure of our Group, including the interests of our BEE Partners, is shown in the diagram in Section 12.1. Through this structure, our BEE Partners hold a 30% interest in the Newcastle Project, a 40% interest in the Newcastle Project Phase 2 and Acorn Projects and a 30% interest in Ikwezi Management Services (Pty) Ltd, which provides management services to the Project holding companies. We hold the balance of interests in our Projects and Ikwezi Management Services (Pty) Ltd.

We have entered into shareholders' agreements with our BEE Partners to regulate our business relationship with them and the governance and management of the Project holding companies.

Under these agreements, we are required to fund all the capital and operating costs incurred by the Project holding companies by way of shareholder loan up until such time as a Mining Right is granted provided that the Project remains economically feasible (in relation to the holding company of the Newcastle Project) or until such time as the Project holding company is able to fund itself from its own cash flows or other sources of funding (in relation to the holding company of the Newcastle Phase 2 and Acorn Projects). Our loans, plus interest at commercial rates, is to be repaid out of the profits (if any) of the Project holding companies.

A more detailed summary of our shareholders agreements with our BEE Partners is set out in Section 11.2.

## 4.6 Other Projects

We intend to actively pursue new projects in the coal sector in South Africa in addition to its existing Projects.

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# 5. RISK FACTORS

## 5.1 Introduction

There are a number of factors, both specific to our Company and of a general nature, which may, either individually or in combination, have a material adverse effect on our ability to effectively implement our strategy; our operating and financial performance and financial position; our prospects; our potential ability to pay dividends in the future and the value of the Shares. Many of the circumstances giving rise to these risks are beyond our control or the control of our Directors and management. There can be no guarantee that we will achieve our stated objectives or that any forward looking statements will eventuate.

By their nature, investments in pre-production mining ventures are subject to numerous risks and you should consider that an investment in our Company is speculative.

This Section describes certain specific areas that are believed to be the major risks associated with an investment in Ikwezi Mining. Prospective investors should note that this Section does not contain an exhaustive list of the risks associated with an investment in our Shares and the information set out here should be considered in conjunction with other information disclosed in this prospectus. You should have regard to your own investment objectives and financial circumstances, and should consider seeking professional guidance from your accountant, stockbroker, lawyer or other independent professional adviser before deciding whether to invest.

## 5.2 Business risk factors

### (a) *Our plans may not be achieved*

We currently have no commercial operations and have not yet commenced development of our Projects. As such, an investment in our Company is speculative in nature. We have no operating history upon which an evaluation of our future success or failure can be made. We intend to use substantially all of the net proceeds from the Offer to finance the development of the Newcastle Project, from which we expect to depend upon for substantially all of our operating revenues and cash flow. We have not obtained all the necessary authorisations and approvals, or entered into all the necessary agreements, for the development of the Project. Accordingly, and as a result of the additional risks identified below and elsewhere in this prospectus, we may not develop any coal mines as planned or at all.

The development of our Projects will require substantial capital expenditure, experienced personnel and regulatory approvals. While members of our Board of Directors and our senior management have experience in mining projects, our Company has not implemented any mining projects. We will, therefore, be subject to all the risks inherent in the establishment of new mining projects.

### (b) *Development of our Projects*

Our future profitability will depend on our ability to commence mining at our Projects and the economic returns and the costs of developing our Projects, particularly the Newcastle Project, which may differ significantly from our current estimates.

There are a number of uncertainties inherent in the development and construction of any new mine and processing facility. In addition to those discussed above, these uncertainties include the:

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- timing and cost, which can be considerable, of the construction of mining and processing facilities;
- availability and cost of skilled labour, power, water and transportation facilities;
- need to obtain necessary environmental and other governmental permits and the timing of those permits; and
- development activities.

In relation to the Newcastle Project specifically, while we have conducted studies and progressed a number of matters for the development of the Newcastle Project as outlined in Section 4, the following must occur before we can commence development and production at the Project:

- completion of further drilling and geological studies;
- completion, and acceptance by the DMR, of our EMPR and environmental management programme;
- timely delivery of government approvals, including the grant of a Mining Right and a water use licence (refer to Section 5.2(i) for further details of the risk of us not being granted a Mining Right);
- consultation and agreement with landowners and local community on compensation and related issues;
- timely entry into agreements with TFR in respect of rail capacity and the lease of the rail siding;
- timely entry into agreements with the Port of Durban and/or Richards Bay operators to obtain port allocation for the export of our coal product; and
- construction of mining infrastructure, including the wash plant, in a timely way (noting that we are still conducting final studies in relation to the final development process and activities).

Mining operations at the Newcastle Project could experience unexpected problems and delays during development, construction and mine start-up. In addition, delays in the commencement of mineral production could occur. Finally, operating cost and capital expenditure estimates could fluctuate considerably as a result of changes in the prices of commodities consumed in the construction and operation of mining projects. Accordingly, our development of our Projects may be less profitable than currently anticipated or may not be profitable at all.

**(c) *Coal marketability and price***

The characteristics of our coal product will impact on its marketability and the price we can obtain for it. As is typical for coal produced from the Kwa-Zulu Natal region, sulphur levels are slightly elevated and a proportion of coal is of lower volatility. In particular, the Newcastle Project is expected to produce a proportion of low volatile coal product, which will require specialized marketing and is unable to be sold via common-user stockpiles at the various ports. The size of the proportion will depend upon a number of factors including source location and washing. There is a risk that some or all of the coal we produce may not be able to be sold or, if it is able to be sold, sold at a discounted price compared to the market price.

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Further, as all of our potential revenues will be derived from the sale of coal, our future earnings will be closely related to the price of coal generally. Coal prices are volatile and may fluctuate as a result of numerous factors, such as:

- energy demand, particularly from developing nations;
- global macroeconomic conditions;
- changes in production costs in major coal producing regions;
- fluctuation in oil prices;
- transportation costs; and
- the volume of coal able to be exported from other producing countries, including the impact of any restrictions or tariffs those countries may impose on exports.

All of these factors are beyond our control and accordingly it is impossible for us to predict future movements in coal prices. A sustained decline in coal price levels could also halt or delay the development of our Projects, result in the deferral or cessation of mining activities and reduce funds available for further exploration activities.

**(d)** ***Resource and Reserves estimates***

The ore quantities and grades included in the Mineral Resources stated in this prospectus are estimates and may not prove to be an accurate indication of the quantity or grade of the ore that we have identified or that we will be able to extract.

Estimating the size and/or grade of a deposit depends on interpreting and extrapolating a limited amount of geological data, including drilling samples and assays. Many complex geological and metallurgical judgments are required in order to estimate Resources, including the interpretation of observable geological structures, the location, spacing direction and depth of drill holes, the application of sampling techniques and the statistical controls to apply to the resulting data. As a result, Resource estimates are inherently uncertain, and there can be no assurance that they will not be subject to future downward revision.

In addition, you should be aware that the inclusion of material in a Resource estimate does not require a conclusion that the material may be economically extracted at the yield indicated or at all. You should not assume that Resource estimates are capable of being directly reclassified as Reserves under the JORC Code. The inclusion of Resource estimates should not be regarded as a representation that these amounts can be economically exploited and investors are cautioned not to place undue reliance on Resource estimates, particularly Inferred Resource estimates, which are highly uncertain.

Converting a Resource into a Reserve requires additional judgements and assumptions, including estimates of mining techniques and costs, infrastructure and processing costs, metallurgical recoveries, transport costs, taxes and royalties and the price at which we will be able to sell its production. Such estimates and judgments may prove to be inaccurate and are subject to changing circumstances. If we commence mining, we will gain additional geological and production data, which may result in revisions to the assumptions on which we have estimated its Reserves. In addition, future changes in circumstances, such as increased costs, changes in taxes or regulations or lower coal prices may alter the economic assumptions on which the Reserve estimates are based, which may result in a downward revision.

Any material reductions in estimates of Resources (and Reserves if any of our Resources are upgraded to Reserves), or of our ability to extract such Resources or Reserves, could have a material adverse effect on our prospects, value, business, results of operations

and financial condition. In addition, a reduction in Reserves (if and when any of our Resources are upgraded to Reserves) could impact depreciation and amortisation rates, asset-carrying values and provisions for closedown, restoration and environmental clean-up costs.

**(e) *Dependence on key personnel***

Our success depends on the continued services of our key personnel, including our Managing Director and Executive Director. Due to our management's experience and the important role they have taken in developing our business and financial plans, we could be adversely affected if any of them ceased to actively participate in our management or left us entirely. As there may be a limited number of persons with the requisite experience and skills to serve in our senior management positions if existing management leave us, we may not be able to locate or employ qualified executives on acceptable terms. We do not currently maintain ''key person'' insurance. If the Company cannot attract, train and retain qualified managers, we may be unable to successfully manage our growth plans.

**(f) *Dependence on external contractors***

We intend to outsource substantial parts of our exploration, development, mining, coal washing and logistics activities pursuant to service contracts with third-party contractors but have not yet entered into formal agreements such contractors. Such contractors may have economic or other interests or goals that are inconsistent with our interests or goals or may be unable or unwilling to fulfil their obligations or comply with our instructions or requests. Their performance may be constrained by labour disputes or actions, shortages in the supply of equipment, facilities, services, materials or supplies or damage to or failure of plants, equipment or machinery. In the event of such problems, we may not be able to find a suitable replacement contractor within a reasonable time, or at all, and our business and results of operations would be materially and adversely affected. We may not be able to control the quality, safety and environmental standards of work done by third-party contractors to the same extent as when work is performed by our own employees.

**(g) *On-going capital requirements***

While the proceeds of this Offer are intended to adequately satisfy our current and anticipated capital requirements to finalise studies for and develop the Newcastle Project to production, if we require access to further funding at any stage in the future, it may be adversely affected in a material way if, for any reason, access to that capital is not available. There can be no assurance that additional funds will be available. If additional funds should be raised by issuing equity securities, this may result in dilution to the then existing Shareholders.

**(h) *Exploration***

Exploration is an inherently speculative endeavour and there can be no assurance that commercial quantities of ore remain to be discovered on our Prospecting Rights. In addition, explorative efforts can be hampered by the unpredictable nature of mineral deposits, inappropriate drilling techniques, incorrect grade estimates, unforeseen and adverse ground conditions, inclement weather, poor equipment availability and cost overruns from unforeseen events. If we are unable to identify sufficient additional Resources, or convert its Resources into Reserves, we may not be able to commence or maintain mining operations.

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**(i)** ***Prospecting Rights and Mining Rights***

Holders of Prospecting Rights and Mining Rights must comply with the terms and conditions of the MPRDA relating to their rights together with the terms and conditions contained within the rights themselves and failure to comply with such obligations may cause suspension or cancellation of the Prospecting Right or Mining Right, as the case may be.

The holder of a Prospecting Right has the exclusive right to apply for and be granted a Mining Right but must satisfy the criteria for the grant of a Mining Right, which is not automatic. Our application for a Mining Right may be unsuccessful if the Minister is not satisfied that: the mineral covered by the application can be mined optimally in accordance with the mining work programme; we have access to financial resources and have the technical ability to conduct the proposed mining operation optimally; our financing plan is compatible with the intended mining operation and its duration; the mining will not result in unacceptable pollution, ecological degradation or damage to the environment; we have provided financially and otherwise for the prescribed social and labour plan; we have the ability to apply with the applicable mine health and safety laws; we are not in contravention of the MRPDA; and the granting of the right will further the objects of the MRPDA and Mining Charter (as described in Section 3.3(b). While we believe we satisfy all of these requirements and have lodged the necessary supporting documentation (other than our environmental management plan) with the DMR as outlined in Section 4.2(l)), there is no guarantee that the holder of a Prospecting Right, including us, will be granted a Mining Right and the Minister does have an element of discretion in determining whether we comply with the criteria for the grant of a Mining Right.

There is no guarantee that Prospecting Rights and Mining Rights will be renewed in accordance with the renewal provisions set out in the MPRDA relating to renewals or Prospecting Rights and Mining Rights respectively. There are certain criteria that have to be fulfilled and the Minister has an element of discretion in determining whether such requirements have been fulfilled by the applicant.

**(j)** ***Licences, permits and approvals***

Mining companies must obtain numerous licences, permits and approvals issued by various South African governmental agencies and regulatory bodies that regulate operational, environmental and safety matters in connection with mining in South Africa. The applicable rules and regulations are complex and may change over time.

We do not have all of the licences, permits and approvals required to commence mining operations in relation to the Newcastle Project or any of our other Projects. The most significant of these are an approved Mining Right, together with relevant environmental authorisations and a water use licence, which are described in Section 4. There is a risk that all necessary licences, permits and approvals will not be granted, may be granted on terms not satisfactory to us, or may be granted but not within the timeframes we anticipate.

**(k)** ***Water supply***

Water supply for the Newcastle Project, and any future projects, will be sourced from individual locations. We intend to apply for water use licences from the relevant governmental authorities as we do not hold these. The process for obtaining water use licences can be lengthy and the Company's operations may be adversely affected in the event that the relevant licences are not obtained in a timely fashion. An inadequate water supply would negatively affect the Newcastle Project and any future projects.

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**(l)** ***Black Economic Empowerment***

The MPRDA contains provisions setting out empowerment objectives, which are aimed at the economic empowerment of HDSAs in South Africa. One of the requirements which must be met before the issue of a Prospecting Right or Mining Right is that an applicant must facilitate the participation by HDSAs in the prospecting and mining operations which result from the granting of the prospecting and mining rights. Under the Mining Charter, which was published to give substance and guidance to the empowerment provisions set out in the MPRDA as read with a clarification document issued in 2004, applicants must be able to demonstrate that they have an equity participation in a prospecting or mining venture of at least 26%.

The Mining Charter also includes provisions relating to skills development, procurement from HDSA companies, social upliftment and beneficiation. Our licence, permit and regulatory consent applications for any exploration and mining activities will need to comply with the Mining Charter provisions which may impose an additional cost burden on the Company.

**(m)** ***Operations***

Coal mining is susceptible to numerous events that may have an adverse impact on our ability to extract coal. Events that may have an adverse impact on our mining operations include (but are not limited to) inclement weather conditions, seismic activity and other natural disasters; unexpected maintenance or technical problems; failure of key equipment; electrical power interruptions, labour and/or civil unrest, environmental hazards (including discharge of gas, pollutants or hazardous chemicals), increased or unexpected reclamation costs; safety related stoppages, ingresses of water, failure of mining pit slopes, water dams and waste stockpiles and interruptions due to transportation delays.

Other difficulties may arise as a result of variations in mining conditions from those projected from drilling, such as variations in coal seam thickness and quality, variations in the strip ratio, variations in rock and other natural materials and other variations in geological conditions. The occurrence of any of these events may result in higher operating and maintenance costs and/or ongoing unplanned capital expenditure than expected to meet coal production targets, which would have a material adverse impact on our operational results and its financial position.

**(n)** ***Electricity Supply***

The major producer and distributor of electricity in South Africa is the State-owned utility, Eskom, which provides over 95% of the country's energy usage. Problems with electrical generating capacity has historically led to, and may continue to lead to, lack of supply capability, load shedding and rolling blackouts, which may impact our future production potential and operating costs if our Company is not able to source electricity supply from other suppliers. We may consider obtaining electricity supply from other suppliers, including suppliers of electricity generation equipment. However, there is no guarantee we will be able to do so.

**(o)** ***Environment***

Mining operations have inherent risks and liabilities associated with pollution of the environment and the disposal of waste products. Laws and regulations involving the protection and remediation of the environment and the government policies for implementation of such laws and regulations are constantly changing and are generally becoming more restrictive. If our environmental compliance obligations alter as a result of changes in laws and regulations, or in certain assumptions we make to estimate liabilities, or if unanticipated conditions arise at our operations, our expenses and provisions would

increase. If material, these expenses and provisions could adversely affect our results and financial condition.

Our operations may cause exposure to hazardous materials. Our operations will generate waste product. Mining operations can also impact flows and water quality in surface water bodies and remedial measures may be required, such as bunding of stream beds, to prevent or minimise such impacts.

The holder of a Mining Right must conduct an environmental impact assessment and submit an EMPR within 180 days of the date on which the applicant is notified by the Regional Manager to do so after having lodged an application for a Mining Right. There is no guarantee that the Minister will approve the EMPR and the applicant has to satisfy the criteria for such approval set out in section 39 of the MPRDA. The Minister may only approve an EMPR after having considered any recommendation by the Regional Mining Development and Environmental Committee and after having received any comments of any State department charged with the administration of any law which relate to matters affecting the environment. Furthermore, the failure to comply with the requirements and undertakings set out in an approved EMPR may lead to suspension or cancellation of the Mining Right.

Despite our best intentions and best efforts, there remains a risk that environmental and/or community incidents may occur that may negatively impact our reputation or licence to operate.

**(p)** ***Environmental standards and greenhouse gas emissions***

Coal can contain impurities, including sulphur, mercury, chlorine and other elements and compounds, many of which are released into the air when coal is burned. Stricter environmental regulations of emissions from coal-fired electricity generation plans and other industrial plants could increase the costs of using coal, thereby reducing demand for coal as a fuel source and adversely affect our coal sales and coal prices. This could materially and adversely affect our business, financial condition, results of operations and prospects.

South Africa and 191 other signatories to the 1992 United Nations Framework Convention on Climate Change (**UNFCC**) intended to limit or capture emissions of greenhouse gases such as carbon dioxide. In December 1997, in Kyoto, Japan, signatories to UNFCC established a potentially binding set of emissions targets for developed nations (**Kyoto Protocol**). The Kyoto Protocol came into effect on 16 February 2005. The specific emissions targets vary from country to country. The enactment of the Kyoto Protocol or other comprehensive legislation focusing on greenhouse gas emissions could have the effect of restricting the use of coal in our primary target markets. Other efforts to reduce emissions of greenhouse gases and initiatives in various countries to encourage the use of natural gas may also affect the use of coal as an energy source and could materially and adversely affect our business, financial condition, results of operations and prospects.

**(q)** ***Production and capital costs***

Our business, results of operations and financial condition may vary with fluctuations in production and capital costs. Our main production expenses are expected to be contractor and logistics costs, employee costs, diesel/fuel and materials including explosives and other mining and processing consumables, and its main capital costs will be the development capital expenditure for our Projects. Some of these costs will be incurred by contractors, rather than directly, and reflected in the fees we must pay our contractors. Changes in the costs of our mining and processing operations as well as its capital costs could occur as a result of unforeseen events, including international and local economic and political events (including movement in exchange rates), and could result in changes in Resource and Reserve estimates. Many of these factors may be beyond our control. In

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addition, some of the capital cost estimates are based on conceptual engineering design and there may be a material change to the estimates once a definitive feasibility study has been completed.

**(r) *Exchange rates***

If we commence production, the majority of our revenue from coal sales will be in US dollars while the majority of our operating expenses will be incurred in South African rand. Appreciation of the South African rand against the US dollar, without offsetting improvement in US dollar denominated coal prices, could adversely affect our margins and profitability as well as our competitiveness with coal exporters in other countries.

Further because our financial statements are in Australian dollars, appreciation of the Australian dollar against the US dollar, or appreciation of the South African rand against the Australian dollar, without offsetting improvement in US dollar denominated coal prices or offsetting reductions in South African rand denominated operating expenses, could adversely affect our reported profitability and financial position.

**(s) *Taxation***

Any change in laws and regulations applicable to the taxation of income, intercompany transactions, withholding taxes, levies and other transactional taxes affecting us in the countries in which we operate or are ultimately listed, or any change in the current interpretation or any disputes with tax authorities or any changes to our income mix, could adversely affect our tax status and increase our tax payable, which could have a negative impact on our financial results.

**(t) *Local community relations, compensation and relocation***

All interested and affected parties, including landowners and occupiers, must be consulted in relation to a Mining Right application and the environmental management programme the subject of the EMPR and the legitimate concerns and interests of such parties must be considered in the grant and approval of the Mining Right and concomitant environmental management programme. Such legitimate concerns, in order to be accommodated, may result in mining becoming more costly and result in potential sterilisation of certain parts of our Resources. The holder of a Mining Right must compensate landowners or occupiers for actual loss or damage suffered by such landowners or occupiers as a result of the mining activities. This may add a considerable cost onto the costs of mining. Furthermore, affected parties may be dissatisfied with the way we address and accommodate their concerns and commence legal proceedings against us, which may cause delays to our proposed development plans and operations.

**(u) *Availability and cost of mining equipment and skilled labour***

Increases in worldwide mining activities may create cost pressures for services and skilled personnel in the coal industry, which may affect our ability to purchase or hire equipment, supplies and services and to recruit skilled contractors and personnel. In addition, the availability of drilling rigs and other mining equipment and services is affected by the level and location of mining activity around the world. An increase in mining activity in South Africa may reduce the availability of equipment and services to us. In addition, due to the increased demand for most mineral commodities experienced over the past few years, there has been significant demand for many mining and processing inputs, which has resulted in shortages, as well as longer lead times for delivery and increases in pricing, of mining equipment and plant, strategic spares and critical consumables. The reduced availability of equipment, services and skilled personnel may delay our planned exploration, development and production activities, which may adversely affect our operations and increase costs which may not be met with the funds to be raised and allocated under the Offer. A shortage of skilled labour in South Africa regional mining

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industry could result in us having insufficient employees or contractors to operate our business, which could adversely affect us, our results of operations and financial condition.

**(v) *Industrial action***

We and contractors we engage to work at our Projects may face labour disruptions, including strikes, work stoppages and other industrial actions, possibly for a significant period of time that interfere with our development plans and operations.

If and when we commence mine development and operations, we expect a number of our employees and the employees of our contractors to be members of unions. We may need to negotiate and enter into wage settlement agreements with them. If we were unable to renew those wage settlement agreements or negotiate favourable terms, our development plans and operations could be adversely effected or delayed.

**(w) *Occupational health and safety***

Our operations are subject to a variety of industry specific health and safety laws and regulations which are formulated to improve and to protect the safety and health of employees. Mining operations are inherently dangerous. The occurrence of any industrial accidents, workplace injuries or fatalities may result in workers' compensation claims, related common law claims and potential occupational health and safety prosecutions.

**(x) *HIV/AIDS and tuberculosis***

The HIV/AIDS pandemic remains a significant challenge to companies operating in South Africa. Allied to the HIV/AIDS pandemic is the increasing occurrence of tuberculosis amongst the South Africa workforce. Any significant increase in the incidence of HIV/AIDS infection, HIV/AIDS-related diseases and tuberculosis in the workforce may adversely impact our operations. In addition, any significant changes in legislation relating to HIV/AIDS in the workplace could have a cost impact on us in relation to providing for antiretroviral medication, sick leave and carer leave.

**(y) *Insurance***

Our business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures and natural phenomena such as inclement weather conditions Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to our properties and the properties of others, delays in development or mining, monetary losses and possible legal liability.

Although we intend to obtain insurance to protect against certain risks in such amounts as we considers to be reasonable if and when we commence our proposed development activities, such insurance is unlikely to cover all of the potential risks associated with our operations. We may also be unable to obtain insurance to cover those risks at economically feasible premiums. Insurance coverage may not be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to us or to other companies in the mining industry on acceptable terms. Losses from any of these events may cause us to incur significant costs that could have a material adverse effect on our financial performance and results of operations.

**(z) *No geographical diversification***

The Company's Projects will all be located in the Northern KwaZulu Natal and Gauteng provinces of South Africa. Any circumstance or event which negatively impacts the

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ownership or development of these areas or which negatively affects South Africa or either or both of these provinces specifically could materially affect the financial performance of the Company and more significantly than if it had a diversified asset base.

### 5.3 Investment risk factors

#### (a) *Stock market fluctuations and economic conditions*

The Shares are to be quoted on ASX, where their price may rise or fall in relation to the Offer Price. The Shares issued under this prospectus carry no guarantee in respect of profitability, dividends, return of capital, or the price at which they may trade on ASX. The value of the Shares will be determined by the stock market and will be subject to a range of factors beyond our control.

Returns from an investment in the Shares may also depend on general stock market conditions as well as our performance. There can be no guarantee that an active market in the Shares will develop or that the market price of the Shares will not decline below the Offer Price. Changes in economic and business conditions or government policies in South Africa, Australia or internationally may affect the fundamentals which underpin demand for coal, our cost structure and profitability, and the stock market generally.

Events may occur within or outside South Africa and Australia that could impact upon the world economy, demand for coal, our operations and the price of Shares. These events include war, acts of terrorism, civil disturbance, political intervention and natural events such as earthquakes, floods, fires and poor weather affecting roadways, mining and transport of coal. We have only a limited ability to insure against some of these risks.

#### (b) *Liquidity and realisation*

There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few or many potential buyers of sellers of Shares on ASX at any given time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price they paid for those Shares.

Further, approximately 50.2% of the Shares will be held by Belvedere and are expected to be subject to the restrictions explained in Section 2.3 for a period of 24 months from Listing. Accordingly, the free float of our Shares following the Offer will be limited for that time, which will reduce the level of liquidity in daily trading during that period.

#### (c) *Significant Shareholder*

Following completion of the Offer, Belvedere will hold approximately 50.2% of the Shares. This will make Belvedere our largest Shareholder. Consequently, Belvedere may have the ability to influence the election of Directors, the appointment of new management and the potential outcome of all matters submitted to a vote of Shareholders. The interests of Belvedere may differ from our interests and the interests of other Shareholders.

#### (d) *Rights and protection accorded to our Shareholders may be different from those applicable to shareholders of an Australian-incorporated company*

We are incorporated in Bermuda as an exempted company under the Bermuda Companies Act. The Corporations Act may provide shareholders of Australian-incorporated companies rights and protection to which there may be no corresponding or similar provisions under the Bermuda Companies Act. As such, if you invest in our Shares, you may or may not be accorded the same level of shareholder rights and protection that a shareholder of an Australian-incorporated company may be accorded under the Corporations Act.

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We have set out in Section 13 a summary of certain provisions under Bermuda company law and in Section 12.2 a summary of the memorandum of association and selected Bye-laws of our Company. A summary of the key differences between the company laws of Bermuda and those of Australia is set out in Section 12.3. Each of the summaries is not intended to be and does not constitute legal advice and any person wishing to have advice on the differences between the Bermuda Companies Act and the Corporations Act and/or the laws of any jurisdiction with which he is not familiar is recommended to seek independent legal advice.

Copies of the memorandum of association of our Company and the Bye-laws are available for inspection by calling the Share Registry on 1300 850 505 until the close of the Offer.

**(e)** ***A takeover offer for your Shares is not required to be made in accordance with Australian takeover laws and regulations***

There are presently no requirements under any Bermuda laws or regulations of general application requiring persons who acquire significant shareholdings in our Company to make takeover offers for our Shares. As our Company is incorporated in Bermuda, the provisions of the Corporations Act relating to takeovers and notification of substantial shareholdings will not apply to offers for our Shares.

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## 6. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

### 6.1 Directors

We will be led by a Board comprising of one Non-Executive Director and two Executive Directors. We are seeking to appoint two suitably qualified independent Non-Executive Directors following listing on the ASX once appropriate candidates are identified.

**Simon Hewetson**

*Chairman and Non-Executive Director*

Simon was a co-founder and Chief Executive Officer of Nucoal where he oversaw the development of the operation up to a production level of 2.5 mtpa before NuCoal sold it to an ASX listed coal producer in January 2010. Simon has extensive trading experience in a number of commodities, and with the development of junior companies.

**David Pile**

*Managing Director*

David is a Chartered Accountant (registered in South Africa) with comprehensive experience across a number of industries in Sub-Saharan Africa, South East Asia and Australia. Most recently he was the Chief Financial Officer of Minara Resources, an ASX listed mining company, and prior to that the Chief Financial Officer of Ingwe Collieries, BHP Billiton's South African energy coal operations, where he was also a director of RBCT.

**Ranaldo Anthony**

*Executive Director*

Ranaldo is a registered South African geologist and a member of the Geological Society of South Africa. Ranaldo previously worked for BHP Billiton in the mineral resource department of the Energy Coal Division, where he was responsible for the reporting of global coal Reserves and Resources. Most recently Ranaldo was Deputy Chief Executive Officer of NuCoal.

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## 6.2 Senior management

We have a management team with strong technical and commercial skills and substantial experience in the coal sector and with building and developing coal projects.

### Malcolm Ford

*Chief Operating Officer*

Malcolm is a registered Certificated Mining Engineer. He is a Fellow of the Southern African Institute of Mining and Metallurgy. He has over 30 years experience in managing large opencast and underground coal mines in South Africa for Randcoal and Ingwe Collieries. Malcolm also has extensive experience in consulting to many of the major coal companies in South Africa, and in developing and operating mines in the Mpumalanga and KwaZulu-Natal areas, including with Mashala Resources (Pty) Limited and NuCoal. He is the holder of a Mine Managers Certificate of Competency (Coal Mines) issued by the DMR.

### Godfrey Mfetoane

*Corporate Affairs Manager*

Godfrey has a legal background and has worked primarily with the DMR. Godfrey was previously the Regional Manager for the DMR for the North West Province and Northern Cape regions in South Africa before being appointed Director: Empowerment Transaction assessment for the DMR.

### Greg Goulding

*Chief Financial Officer*

Greg is a South African Chartered Accountant with 14 years' experience in the coal mining industry. Greg served as Financial Manager for Eskom's Primary Energy Department, which was responsible for the procurement of primary energy (coal) for use by Eskom. More recently Greg was the Chief Financial Officer of NuCoal.

### Alex Neuling

*Joint Company Secretary*

Alex Neuling is a Chartered Accountant and Chartered Secretary with over 10 years corporate and financial experience including 6 years as director, chief financial officer and/or company secretary of various ASX-listed companies in the mining, mineral

exploration, oil and gas and other sectors. Prior to those roles, Alex worked at Deloitte in London and Perth. Alex is principal of Erasmus Consulting Pty Ltd, which provides company secretarial and financial management consultancy services to a variety of ASX-listed and other companies.

Codan Services Limited will resign as company secretary of our Company and be appointed as assistant company secretary of our Company upon the listing of our Shares on ASX. It will remain as our resident representative in Bermuda in order to comply with Bermuda regulatory requirements.

### 6.3 Employees and contractors

Our key corporate functions, including strategy, geology, management of our Prospecting Rights and applications for Mining Rights, marketing and environmental, will be managed by our employed management team. However, we intend to outsource substantial parts of our exploration, development, mining, coal washing and logistics activities pursuant to service contracts with third-party contractors.

### 6.4 Employment agreements with Executive Directors

David Pile, Managing Director, and Ranaldo Anthony, Executive Director, have entered into executive employment agreements with us dated 15 June 2011.

The Executive Directors will be required to perform such duties and exercise such powers as are specified in the agreements. The Executive Directors must perform their duties with due care and diligence and protect and promote our interests.

The Managing Director's base salary is A$320,000 per annum and the Executive Director's base salary is A$280,000 per annum. In addition, in compliance with the Australian compulsory superannuation scheme, we will pay the Managing Director an additional amount currently set by law at 9% of his base salary into retirement funds. We will pay the Executive Director an additional amount currently set at 9% of his base salary into pension contribution funds. Each of the Managing Director's and Executive Director's salaries is reviewable for increase annually commencing 1 June 2012. Any increase is at our sole discretion.

The Managing Director and Executive Director may qualify for a bonus to be decided at the sole discretion of the Board not to exceed an amount equal to 80% of their annual base salary should we be successful in achieving our goal to bring the Newcastle Project into production at specified levels for at least 2 consecutive months and the operations being cash flow positive on or before 30 June 2012.

Each of the executive employment agreements will take effect from 1 May 2011 and will continue until terminated.

Each Executive Director may terminate his respective employment agreement at any time by providing 3 months written notice to us.

We may at any time terminate the employment of the Executive Directors with immediate effect if the Executive Director commits any act which at common law would entitle us to terminate the Executive Director's employment without notice or payment in lieu of notice or if the Executive Director becomes bankrupt or makes an arrangement or composition with creditors.

We may also at any time terminate an executive employment agreement without cause, by giving the executive 3 months written notice or 3 months payment in lieu of notice, or a combination of notice and payment in lieu of notice.

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As we wish to ensure, so far as practicable, the executive is retained for an initial period of 12 months in the event of a change of control of our Company, we will pay the executive an amount of 6 months remuneration if the executive does not resign or terminate the employment within a period of 6 months from the change of control. If for any reason the executive suffers a change in the executive's status, including a substantial decrease in the executive's authority in respect of our business, the executive may elect by giving us two weeks notice to treat the executive's employment as terminated by us, in which case we must pay the executive a payment in lieu of a notice period equal to 12 months remuneration.

The executive employment agreements otherwise contain terms that are customary for executive employment agreements.

### 6.5 Corporate governance

The Board is committed to ensuring that our Company is properly managed to protect and enhance Shareholder interests, and that we and our Directors, officers and employees operate in an appropriate environment of corporate governance.

Accordingly, the Board has adopted corporate governance policies and practices (the majority of which are in accordance with ASX's Corporate Governance Principles and Recommendations (**ASX Recommendations**)) designed to promote the responsible management and conduct of our Company.

While our practices do not comply with the ASX Recommendations 2.1, 2.2, 4.2 or 8.2 because we do not have a majority of Non-Executive Directors, an independent chairman, only Non-Executive Directors or the recommended number of members on our audit and remuneration and/or nomination committees, we are working towards compliance by seeking to appoint two suitably qualified independent Non-Executive Directors following listing on the ASX as soon as appropriate candidates are identified. Once these additional Directors are appointed, we believe we will then be able to comply with these ASX Recommendations other than that part of ASX Recommendation 4.2 that requires our audit committee to have at least three members. In this regard we propose that, following the appointment of the additional Directors, our audit committee be comprised solely of two independent Non-Executive Directors. We consider this appropriate having regard to the size and scale of our operations and the desire to constitute our audit committee solely of independent Non-Executive Directors.

Our main policies and practices are summarised below. In addition, many governance elements are contained in the Constitution. Details of our key policies and practices and charters for the Board and each of its committees are available at www.ikwezimining.com or may be obtained from our Company Secretary.

#### (a) *Board responsibilities and composition*

The Board is ultimately responsible for setting policy regarding the strategic direction and goals for our business and affairs.

The Board delegates day-to-day management of our resources to management, under the leadership of the Managing Director, to deliver the strategic direction and goals determined by the Board.

In discharging their duties, Directors are provided direct access to and may rely upon senior management and external advisers and auditors. The Board collectively, the Board committees and individual Directors may seek independent professional advice at our expense for the purposes of the proper performance of their duties.

The Board considers an independent Director to be a Non-Executive Director who is not a member of our management and who is free from any interest and any business or other

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relationship that could materially interfere with, or could reasonably be perceived to interfere with, the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis, rather than referring to a general materiality threshold.

The Board currently comprises one Non-Executive Director and two Executive Directors. The Chairman is a Non-Executive Director. The current Board members are described in Section 6.1. Due to the interests of Simon Hewetson in the Shares in our Company held by Belvedere (as described in Sections 1.9 and 12.9), none of our Directors are considered by the Board to be independent.

The Board is committed to good corporate governance and, as noted above, we are seeking to appoint two suitably qualified independent Non-Executive Directors following listing on the ASX once appropriate candidates are identified. The Board will consider appointing these independent Non-Executive Directors to the Audit Committee and Remuneration and Nomination Committee.

We consider it important that the Board comprises individuals with a range of knowledge, skills and experience which are appropriate to its objectives. To this end, the composition of the Board is to be reviewed regularly to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction.

Details regarding the skills, qualifications, experience and expertise of each Director as at the date of this prospectus can be found in Section 6.1.

**(b) *Board committees***

The Board discharges its duties in relation to certain specific functions through the following committees of the Board:

- Audit Committee;
- Risk Committee; and
- Remuneration and Nomination Committee.

The Board undertakes to ensure that these committees are sufficiently funded to enable them to fulfil their roles and discharge their responsibilities.

*Audit Committee*

The role of the Audit Committee is to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting and compliance.

The Audit Committee will comprise at least two members. Currently our Managing Director and Executive Director, David Pile and Ranaldo Anthony, serve on the Audit Committee. However, our intention is that once additional Non-Executive Directors have been appointed, the Audit Committee will comprise only Non-Executive Directors, a majority of whom is independent and will be chaired by an independent Non-Executive Director who is not chair of the Board.

David Pile currently serves as chair of the Audit Committee.

*Risk Committee*

The role of the Risk Committee is to assist the Board with the identification and management of business and operational risks faced by our Company. The Risk Committee responsibilities include overseeing our risk management systems, practices and procedures and reviewing periodically the scope and adequacy of our insurance.

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The Risk Committee will comprise at least 3 members and may include Executive and Non-Executive Directors as well as senior executives of our Company. Currently our Directors, David Pile and Ranaldo Anthony, and our Chief Operating Officer, Malcolm Ford, serve on the Risk Committee.

David Pile currently serves as chair of the Risk Committee.

*Remuneration and Nomination Committee*

The role of the Remuneration and Nomination Committee includes attending to matters related to our remuneration policy to enable us to attract and retain executives who will create value for Shareholders and to arrange annual performance evaluations of those executives.

The Remuneration and Nomination Committee also attends to matters relating to succession planning and recommends candidates for election or re-election to the Board. The Remuneration and Nomination Committee will identify and recommend candidates for the Board after considering the necessary and desirable competencies of new Board members to ensure the appropriate mix of skills and experience and after assessment of how the candidates can contribute to the strategic direction of the Company.

Currently all of the Directors serve on the Remuneration and Nomination Committee. However, our intention is that once additional independent Non-Executive Directors have been appointed, the Remuneration and Nomination Committee will comprise a majority of independent Directors, one of whom will be chair of the Remuneration and Audit Committee.

David Pile currently serves as chair of the Remuneration and Nomination Committee.

**(c) *Corporate governance policies and charters***

The Board has adopted the following corporate governance policies.

*Board Charter*

The Board monitors our progress and performance on behalf of our Shareholders, by whom it is elected and to whom it is accountable. The Board charter, which is summarised below, seeks to ensure that the Board discharges its responsibilities in an effective and capable manner.

*Board responsibilities*

The Board's responsibilities include:

- overseeing the business and affairs of our Company, including our control and accountability systems;
- appointing the Managing Director and other senior executives and determining their terms and conditions, including remuneration and termination;
- driving the strategic direction of our Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- ensuring the health, safety and well-being of employees; in conjunction with the senior management team, developing, overseeing and reviewing the

effectiveness of our occupational health and safety systems to ensure the well-being of all employees;

- approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- approving the annual, half yearly and quarterly accounts;
- approving significant changes to the organisational structure;
- approving the issue of any shares, options, equity instruments or other securities in our Company;
- ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision-making;
- recommending to Shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them; and
- meeting with the external auditor, at their request, without management being present.

The Managing Director (as the delegate of the Board) is responsible for the effective leadership and day-to-day operations and administration of our Company.

*Corporate Code of Conduct*

The Board acknowledges the need for high standards of corporate governance practice and ethical conduct by all our Directors and employees.

The Board has adopted a code of conduct that provides a framework for decisions and actions in relation to responsible and ethical conduct in employment. It underpins the Company's commitment to integrity and fairly dealing in its business affairs. The code of conduct sets out for all Directors and employees the minimum standards of behaviour expected of them.

The code of conduct sets out our policies on various matters, including, conflicts of interest, public and media comment, use of our resources, security of information, intellectual property/copyright, discrimination and harassment, corrupt conduct and occupational health and safety.

*Audit Committee Charter*

This Charter defines the Audit Committee's purpose, composition, duties and responsibilities.

*Risk Committee Charter*

This Charter defines the Risk Committee's purpose, composition, duties and responsibilities.

*Remuneration and Nomination Committee Charter*

This Charter defines the Remuneration and Nomination Committee's purpose, composition, duties and responsibilities.

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*Performance Evaluation Policy*

We aim to have a clear process for evaluating the performance of senior executives. The Remuneration and Nomination Committee (excluding the subject of evaluation where he or she is a member of the Remuneration and Nomination Committee) is responsible for arranging an annual performance evaluation of our senior executives. The evaluation will be based on specific criteria, including our business performance, whether strategic objectives are being achieved and the development of management and personnel.

*Continuous Disclosure Policy*

We are committed to continuous disclosure of material information as a means of promoting transparency and investor confidence. The practices of our Company are compliant with the Listing Rules, including in particular those regarding continuous disclosure.

Once listed, we will be a 'disclosing entity' under the Corporations Act. As such, we will be subject to the continuous disclosure requirements of the Listing Rules and the Corporations Act. Subject to the exceptions contained in the Listing Rules, we will be required to disclose to ASX any information concerning our Company that is not generally available and which, if it were available, a reasonable person would expect to have a material effect on the price or value of our securities. In addition, we will provide ASX with any information ASX requests to correct or prevent a false market in our Company's securities.

All information provided to ASX for release to the market will be posted to our website at www.ikwezimining.com after ASX confirms an announcement has been made.

*Risk Management Policy*

We are committed to the identification, monitoring and management of risks associated with our business activities and have established a Risk Committee to have responsibility for identifying and overseeing major risk areas and ensuring that systems are in place to manage them, and report to the Board as and when appropriate.

The Risk Committee is responsible for overseeing the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements.

*Securities Trading Policy*

Our Directors, officers and other employees will be in possession of information relating to our Group and, possibly, other companies. From time to time, some of this information may be classified as "inside information". The Corporations Act provides that it is a criminal offence for a person in possession of inside information in relation to a company to trade, or procure another person to trade, in securities of that company. We have adopted a securities trading policy that explains the prohibition on insider trading and, in addition, limits trading by Directors and certain restricted employees to specific "black out periods", such as prior to the release of our Company's full and half year results announcements and the annual general meeting. In certain instances our policy extends beyond the strict requirements of the Corporations Act. Any such a trade by a Director or restricted employee must be notified in advance to the Managing Director or the Board and clearance obtained.

In addition to their obligations under the Corporations Act in relation to inside information, all Directors, employees and contractors have a duty of confidentiality to us in relation to confidential information they possess.

*Shareholder Communications Policy*

We place great importance on the communication of accurate and timely information to our Shareholders and recognise that efficient and continuous contact with Shareholders is an essential part of earning their trust and loyalty.

To this end, we are committed to communicating effectively with Shareholders through releases to the market via ASX, information mailed to Shareholders and our general meetings.

### 6.6 Share registry

Our register of Shareholders is maintained by Computershare Investors Services Pty Limited.

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## 7. COMPETENT PERSON'S REPORT

# AN INDEPENDENT COMPETENT PERSONS REPORT OF THE VARIOUS COAL PROPERTIES CONSTITUTING THE NEWCASTLE PROJECT OF IKWEZI MINING

**Prepared by PC Meyer Consulting on behalf of:**

**IKWEZI MINING (PTY) LTD**

Author (s): P.C. Meyer Pr. Sci. Nat, B.Sc. Hons. (Geology) and M.Sc (Earth Science Practice and Management)

Date: 31 May 2011

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## EXECUTIVE SUMMARY

The Newcastle Project is an exploration project spanning 16 farms in the Newcastle and Dannhauser Magisterial Districts of the KwaZulu-Natal Province of South Africa. The farms StruisvogelKop 4275, Omdraai 3855, Kromdraai 8626, Goedehoop 3857, Kliprand 8627, A of Rooipoort 10745, B of Rooipoort 7545, portions of the farm Buhle Bomzinyathi B 17495, Kaalvlakte 7496, Cloneen 7591, Drangan 8844, Diepsluiten 4270, Doornsluiten 14366, Droogeplaats 7681, Annie 8798 and Alleen 2 4280 totals 12181.2 hectares and falls geologically within the Klipriver Coalfield of KwaZulu-Natal.

The prospecting right No. KZN30/5/1/1/2/107PR, was granted to Ikwezi Mining CC in terms of Section 17 of the Mineral and Petroleum Resources Development Act (MPRDA), 2002 (Act No. 28 of 2002), effective from 8 April 2009 for a period of five years, ending 7 April 2014.

Previous exploration in the project area started in 1921 and continued intermittently until the late 1990s. The various farms were explored by companies like Ingwe Coal Corporation Ltd; Natal Navigation Collieries & Estate Co. Ltd; Iscor Ltd; Johannesburg Consolidated Investment Company Ltd; amongst others. Recent exploration on the property has only been undertaken by Ikwezi Mining (Pty) Ltd (Ikwezi), a process which started in July 2009 with the drilling of 79 cored boreholes.

There are a few active coal mines in the region of which the Magdalena and Avimore Collieries owned by Forbes Manhattan (TSX: FMC) and the Springlake Colliery, belonging to Shanduka Coal, are the most prominent.

From a mining economics perspective, the main focus of the Newcastle Project is on the Top Seam, which has reasonable prospects for eventual economic extraction, while parts of the Bottom Seam might be exploitable subject to the results of further drilling and analysis. Boreholes were logged and the physical data captured in MICROMINE GBIS 7.8.0. All the coal intersections were sampled and the laboratories tested for the raw relative density, proximate analysis, calorific value, sulphur content of the coal and its washability. The above analysis was performed for all the fractions. Samples were sent to Advanced Coal Technology (ACT) in 2010 and Siza Coal Services CC (Siza) in 2011.

The database consists of 268 boreholes of which 189 were acquired from the Council For Geosciences (CGS) while the other 79 boreholes were drilled by Ikwezi and logged and captured by PC Meyer Consulting and Siyaphambili 1 Geological Services CC(Siyaphambili). The CGS data was supplied in an electronic format as spreadsheets and some as scanned logs in PDF. The DTM used as topography was compiled in April 2011 using aerial survey data acquired specifically for this project, and is accurate to within 0.5m.

Resource areas were defined applying geological boundaries as defined by major dolerite activity, Mineral Rights ownership, Prospecting Limit authorisation, limit of weathering restrictions and seam thickness cut-offs of + 0.7 m.

The resource modelling was done by Siyaphambili, using the MINEX 6.0.2software (published by ECS

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Mining Software Systems (ECS). The grid cell size was set at 20 x 20 m, aligned on a North-South orientation, to give sufficient accuracy without sacrificing speed of calculation. The gridding was done using the standard ECS "growth" method of interpolation. This algorithm has been tested for accuracy and is being used as the standard for generating model grids in Minex. The topographic control was defined using borehole collars and the provided digital terrain model (DTM).

Listed below are the parameters that were modelled for each of the mineable coal seams:

- Seam floor and roof elevations;
- Seam thickness;
- Raw, air dried, coal qualities and various ash content products;
- Limit of weathering.

The Top Seam has been modelled and the total seam thickness was used in the resource calculations. There are no coal resources estimated between the surface grid (TOPS) and the limit of weathering (LOW) and the discount of 10-15% applied to the gross tonnes in situ of each resource block were derived at as follows:

- 5% for unknown geological structures,
- 5-10% for geological losses due to seam thickness variations and dykes,

The total gross in situ resource of 209.56 mt consists of 9.77 mt "**Measured**", 9.41 mt "**Indicated**" and 190.38 mt "**Inferred**" resources for the Top Seam. For all the resources the classification is as defined by the current JORC classification for multiple seam deposits. Tabled below is the tonnage breakdown for the Top Seam.

| Top Seam | |
|---|---|
| Measured | 9.77 |
| Indicated | 9.41 |
| Inferred | 190.38 |
| **Total Resource** | **209.56** |

**Table E_1. Gross in situ tonnes for the Newcastle Project**

Grids were created for raw coal qualities and various ash content products for each block. The average qualities per seam are shown in Table E_2 together with the resources expreesed in both GTIS and TTIS terms. A detailed explanantion of the methodology of deriving the resource classification and values is given in Section 4. All qualities are reported on an air dry basis.

| RESOURCE CLASS | BLOCK NAME | GTIS (Mt) | TTIS (Mt) | SEAM NAME | RAW QUALITIES (AD) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | RD | ASH | IM | VM | TS | CV |
| MEASURED RESOURCES | EBLOCKM | 9.77 | 8.30 | CT | 1.59 | 29.40 | 2.33 | 15.11 | 1.83 | 22.64 |
| *TOTAL MEASURED RESOURCES* | | *9.77* | *8.30* | *CT* | *1.59* | *29.40* | *2.33* | *15.11* | *1.83* | *22.64* |
| INDICATED RESOURCES | EBLOCKI | 9.41 | 8.00 | CT | 1.54 | 24.83 | 1.30 | 17.06 | 2.12 | 25.28 |
| *TOTAL INDICATED RESOURCES* | | *9.41* | *8.00* | *CT* | *1.54* | *24.83* | *1.30* | *17.06* | *2.12* | *25.28* |
| INFERRED RESOURCES | EBLOCKF | 134.91 | 121.43 | CT | 1.57 | 24.22 | 2.05 | 15.67 | 2.36 | 24.75 |
| | WBLOCKC | 38.31 | 32.57 | CT | 1.60 | 28.05 | 1.66 | 15.72 | 2.49 | 24.99 |
| | WBLOCKN | 12.75 | 10.84 | CT | 1.62 | 28.03 | 1.59 | 16.16 | 2.50 | 24.69 |
| | WBLOCKS | 4.40 | 3.74 | CT | 1.67 | 23.89 | 1.42 | 18.99 | 1.81 | 27.38 |
| *TOTAL INFERRED RESOURCES* | | *190.38* | *168.58* | *CT* | *1.58* | *25.20* | *1.93* | *15.80* | *2.38* | *24.85* |
| TOTAL RESOURCES | | 209.56 | 184.88 | CT | 1.58 | 25.37 | 1.92 | 15.82 | 2.35 | 24.77 |

Table E_2. Average Raw Qualities for the various Resource Blocks

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# 1. GENERAL

## 1.1. Purpose of Report

PC Meyer Consulting was commissioned by Ikwezi Mining (Pty) Ltd (Ikwezi) to prepare an independent competent person's report (CPR) in accordance with the JORC Code in relation to the Newcastle Project (Project) (previously referred to as the Doornkop Project) for provision to the directors of Ikwezi for the purpose of assisting them understand aspects of the geology of the farms comprising the Newcastle Project and inclusion as part of a prospectus issued by Ikwezi. The Newcastle Project is a coal exploration venture of various properties within the Dannhauser Magisterial District of the KwaZulu-Natal Province of the Republic of South Africa. The prospecting right No. KZN 30/5/1/1/2/107 PR, was granted to Ikwezi in terms of Section 103 (1) of the Mineral and Petroleum Resources Development Act (MPRDA), 2002 (Act No. 28 of 2002), effective from 8 April 2009 for a period of five years, ending 7 April 2014.

The purpose of this CPR is to report on all the exploration work done as it pertains to the properties in question. The report provides commentary on the reliability of the historic information made available by the Council for Geosciences (CGS) for the exploration area, assess the potential of the coal deposit and provide an outline of the detailed work planned for future exploration.

To the knowledge of the author, there are two previous CPRs compiled for Ikwezi. The first by Thomas Ngobeni dated 9 December 2009. The second compiled by PC Meyer Consulting is dated 9 August 2010.

This CPR is dated 30 April 2011 and is JORC compliant. This CPR has been compiled in compliance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC) (December 2004) and using as a guideline the relevant extracts to the JORC Code from the Australian Securities Exchange Companies Updates: 03/08, 11/07, 03/07, 05/04. In addition this CPR was written using the coal addendum to the SAMREC code, namely SANS 10320:2004, *The South African Guide to the Systematic Evaluation of Coal Resources and Coal Reserves* as a guideline.

A glossary of defined and technical terms is included at the end of this report in section 10.

This report only relates to Ikwezi's Newcastle Project. It does not relate to Ikwezi's Newcastle Phase 2 Project (also known as the Dundee Project) or its Acorn Project.

## 1.2. Project Outline

### 1.2.1. General

The most recent prospecting right for the prospecting area No. KZN 30/5/1/1/2/107 PR, was granted to Ikwezi in April 2009. Previous exploration on the project area started in 1921 and continued intermittently until the late 1990s. The various farms were explored by a number of companies including Ingwe Coal Corporation Ltd; Natal Navigation Collieries & Estate Co. Ltd;

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Iscor Ltd; Johannesburg Consolidated Investment Company Ltd; amongst others.

Recent exploration on the property was only undertaken by Ikwezi. This process started in July 2009 with the drilling of 79 cored boreholes of which 60 intersected coal seams. Boreholes were logged and the physical data captured in MICROMINE GBIS 7.8.0. All coal intersections were sampled and laboratory tested by Advanced Coal Technology (2010) and Siza Coal Services CC (2011).

The resource modelling was done by Siyaphambili 1 Geological Services CC (Siyaphambili), using the ECS MINEX 6.0.2 software. It was found that the only the Top Seam has reasonable prospects for eventual economic extraction.

### 1.2.2. Surface Properties

The Newcastle Project spans 16 farms, totalling 12,181.2 hectares, in the Newcastle and Dannhauser Magisterial Districts of the KwaZulu-Natal Province of South Africa. Geologically the area falls within the Klipriver Coalfield of KwaZulu Natal.

The farms composing the project area are indicated in Figure 1.2.2_1 and are listed in Table 1.2.2_1:

**Table 1.2.2_1. Table showing the properties that form the Newcastle Project**

| | |
|---|---|
| StruisvogelKop 4275 | Omdraai 3855 |
| Kromdraai 8626 | Goedehoop 3857 |
| Kliprand 8627 | A of Rooipoort 10745 |
| B of Rooipoort 7545 | Portions of the farm Buhle Bomzinyathi 17495 |
| Kaalvlakte 7496 | Cloneen 7591 |
| Drangan 8844 | Diepsluiten 4270 |
| Doornsluiten 14366 | Droogeplaats 7681 |
| Annie 8798 | Alleen 2 4280 |

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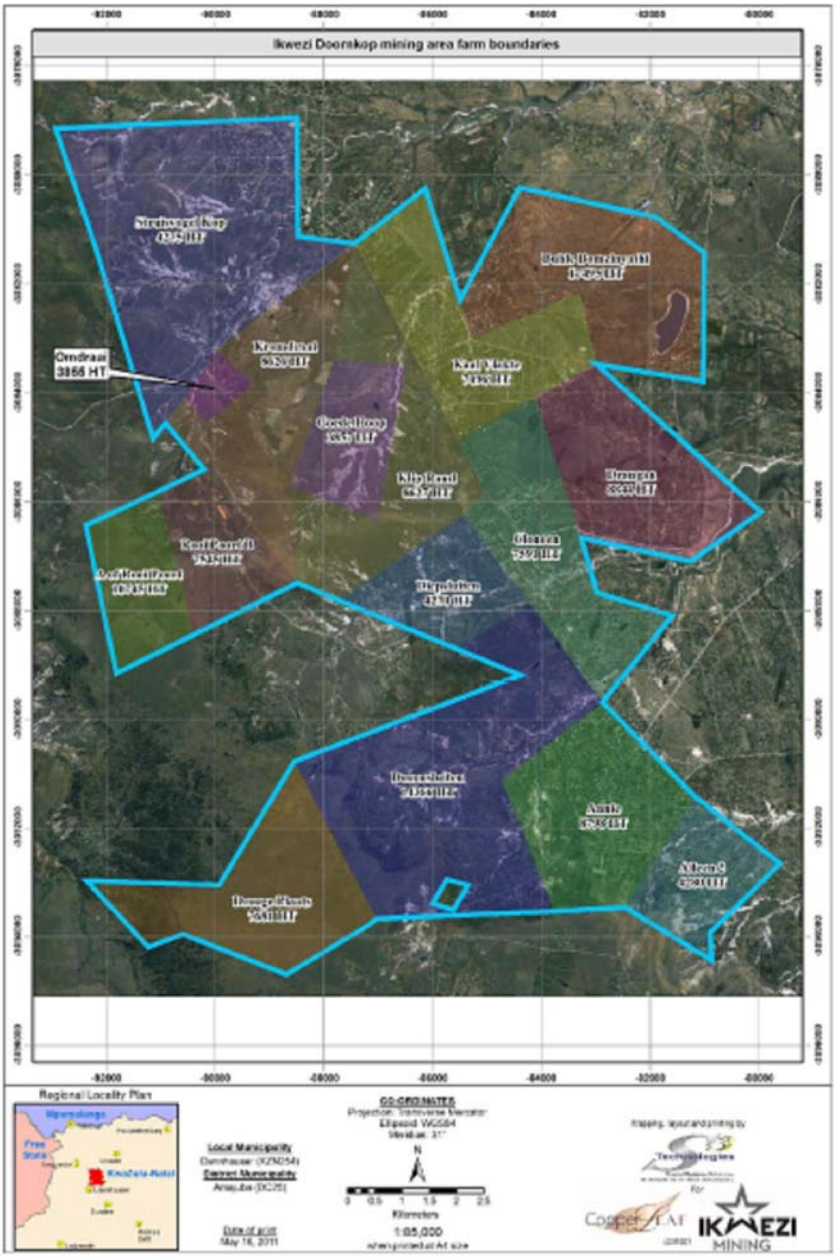


**Figure 1.2.2_1 Map showing the various properties that form the Newcastle Project**

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### 1.2.3. General Geology

The project area is located in the Klipriver Coalfield of KwaZulu-Natal (Figure 1.2.3_1.). In this coalfield the Ecca Group of sediments overlies the Karoo Basin and where it is characterised by shelf shales and coal it is named the Vryheid Formation. The Vryheid Formation lies unconformably on the Dwyka Formation. The Newcastle Project falls within the central parts of the Klipriver Coalfield which comprises of carboniferous sediments of the Ecca Formation and Beaufort Groups of the Karoo Supergroup. There are no pre-Karoo outcrops in the area. The Ecca Group has been subdivided into three groups namely Lower, Middle and Upper stages based on lithological divisions.

In general there are two coal seams, the Top Seam and Bottom Seam, which are separated by coarse grained sandstone, pebbly, cross-bedded and fining upwards to shale at the top. The Top Seam appears to be the only seam that has reasonable prospects for eventual economic extraction. The spacing between the Top Seam and Bottom Seam ranges from less than a metre to 25 metres in places. Various dolerite intrusions cut through the area vertically as dykes and horizontally as sills. The sills displace the overlying sediments by distances equal to their thickness while dykes cause some burning and devolatisation of the coal.

Within the project area, both the Top and Bottom Seam occur with the first to be the economic seam while the Ex-Bottom Seam was intersected in one borehole only and thus not included as a resource. The depth to the roof of the seams changes drastically due to the influence of the dolerite sill position relative to the coal seams and helped to define the resource areas based on seam elevations.

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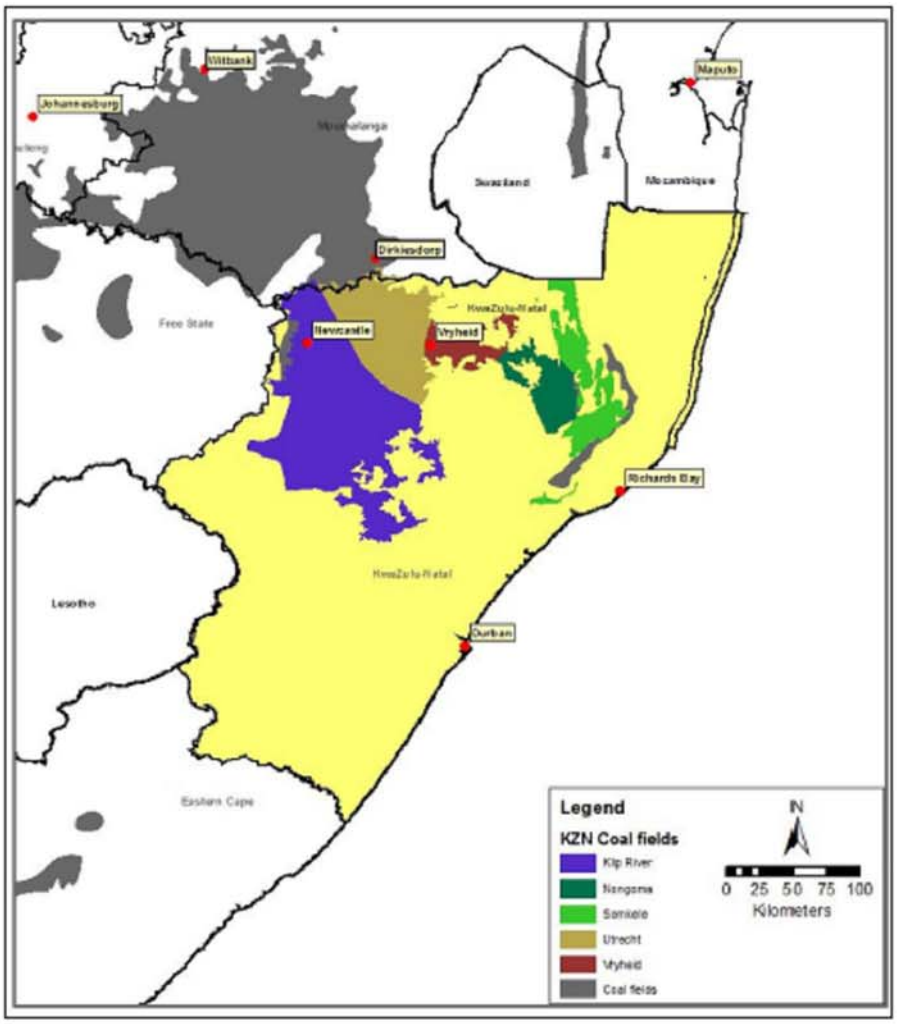


**Figure 1.2.3_1 Map showing the various coalfields in Kwa-Zulu Natal**

## 1.3. History of Exploration

Previous exploration on the Project Area started in 1921 and continued intermittently until the late 1990s. The various farms were explored by companies including Ingwe Coal Corporation Ltd, Natal Navigation Collieries & Estate CO. Ltd, Iscor Ltd, Johannesburg Consolidated Investment Company Ltd amongst others. Only Ikwezi has conducted recent exploration on the property, a process which started in July 2009 with the drilling of 79 cored boreholes.

There is a long history of coal mining in the area which came to a slow end in the 1980s with the closure / end of life of various mines operated by the major coal companies of the time including Anglo American and Iscor Mining. BHP Billiton closed its Kilbarchan Colliery in the 1990s. All of these companies did extensive exploration in the Klipriver Coalfield.

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## 1.4. Project location

The Newcastle Project is located approximately 28 km southeast of the town of Newcastle, along the P296 road, directly south of Osizweni Township, primarily within the Dannhauser and partly within the Newcastle Magisterial Districts of the KwaZulu-Natal Province of the Republic of South Africa. The nearest large town is Newcastle which hosts the Mittal Steelwork. The area was historically known for its coal mines and Eskom's Ingagane Power Station. The location of the Newcastle Project relative to the main rail infrastructure in the eastern parts of South Africa is illustrated in Figure 1.4_1.

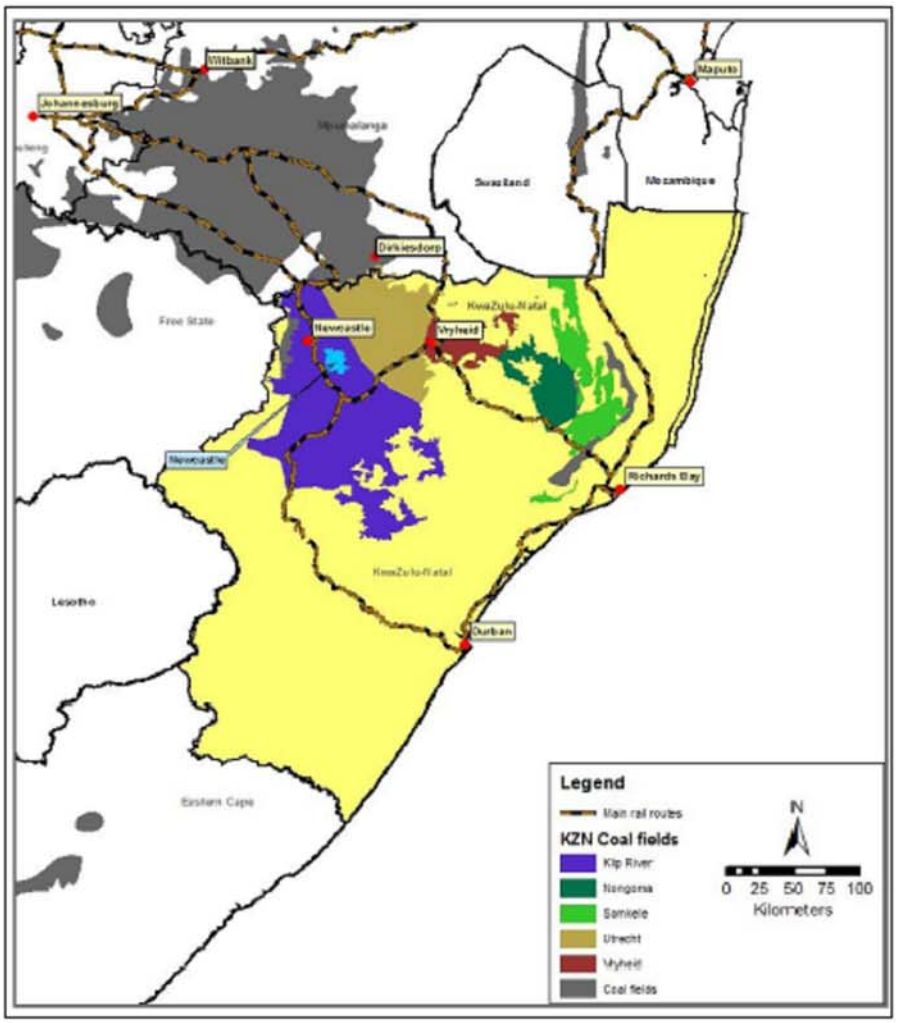


**Figure 1.4_1 Map showing the location of the Newcastle Project**

A few smaller and historic towns are in close proximity to the project area. Towns such as Glencoe and Dundee are both known for their coal mining history.

There are a number of existing railway sidings close to the Prospecting Right that link the area to

the ports of Durban and Richards Bay. Tarred roads are easily accessible and link the area to any part of South Africa. Figure 1.4_2 illustrates the position of the Newcastle Project relative to the main logistical rail and port infrastructure of Kwazulu-Natal.

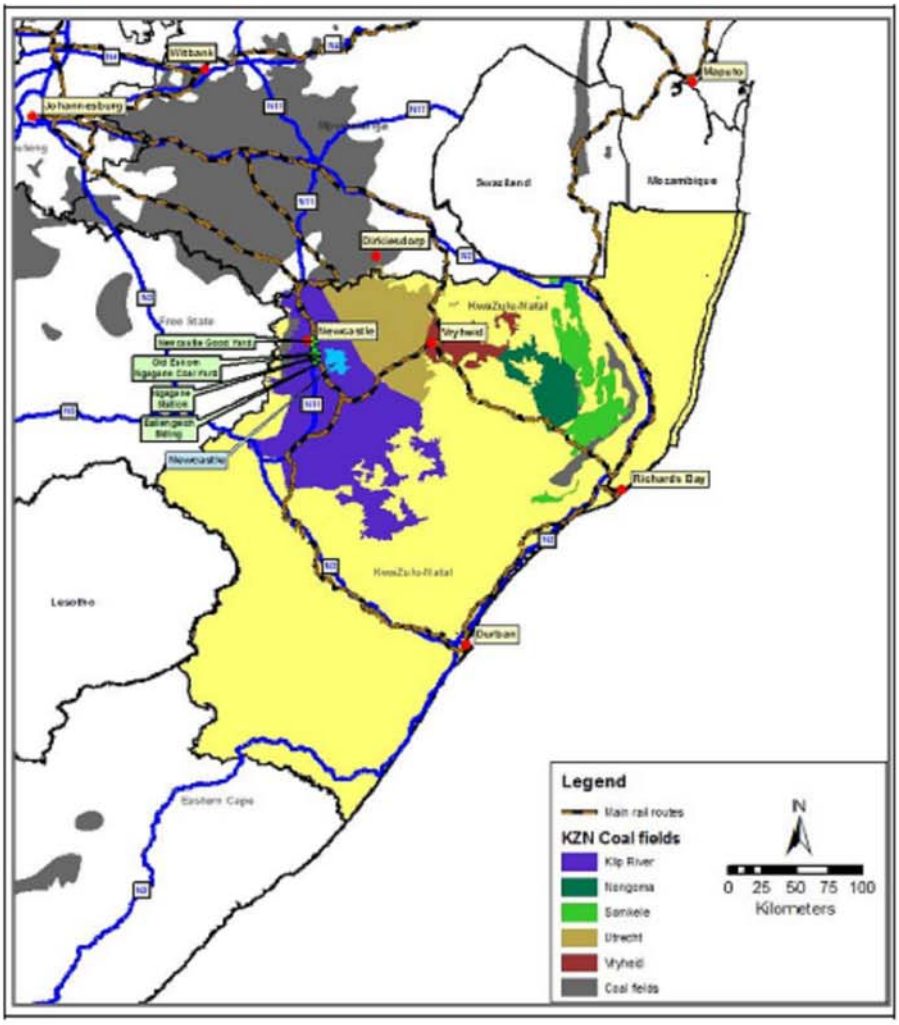


**Figure 1.4_2 Map showing the location of the Newcastle Project in relation to the main Railway Infrastructure and National Roads.**

## 1.5. Topography and Climate

KwaZulu-Natal has a varied yet verdant climate thanks to a diverse and complex topography. Generally, the coast is subtropical with inland regions becoming progressively colder. Temperature drops towards the hinterland becoming much cooler in the winter. Ladysmith in the Tugela River Valley reaches 30 °C (86 °F) in the summer, but may drop below freezing point on winter evenings. Snow may occur in Glencoe and Dundee in winter while Newcastle is known to be one of the coldest towns in South Africa during the winter.



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The topography in the project area consists of undulating surface with large hills and hummocks in the surrounding areas. Mountains can be seen in the distance which forms part of the upper Drakensberg series. In the prospecting area there are a number of stream tributaries with the main river to the north known as the Buffels River.

Farming and industrial activities in Newcastle are the main economical activities in the region. Agriculture is currently the leading activity in the rural areas where water is in abundance and used for irrigation of crops.



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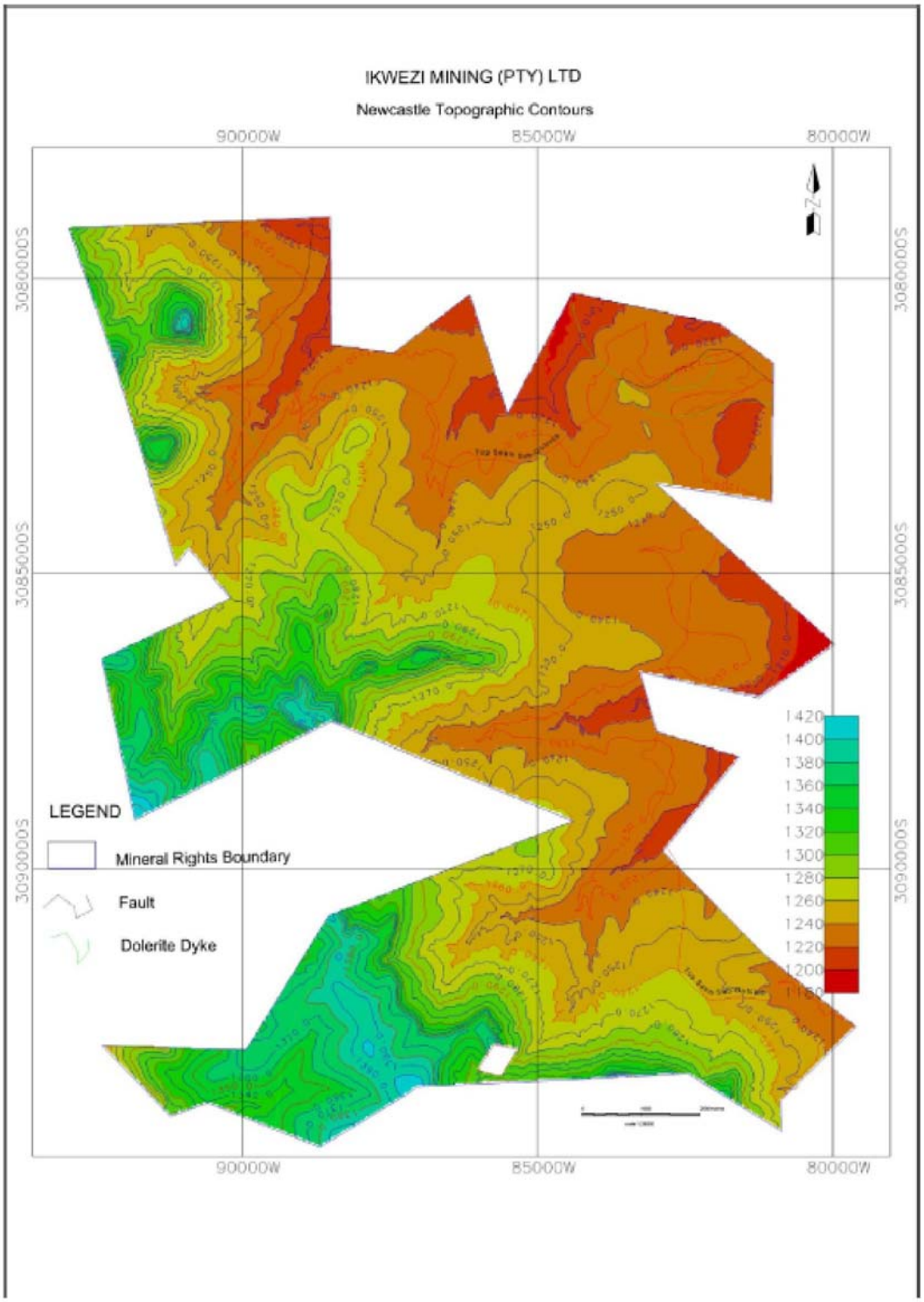


**Figure 1.5_1 Map showing the topography of the Newcastle Project Area.**

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### 1.6. Legal Aspects and Tenure

PC Meyer Consulting has not undertaken legal due diligence on the Prospecting Right for coal over the properties of the Newcastle Project and notes this is the subject of a legal opinion prepared by Taback & Associates (Pty) Limited. That opinion indicates that the Prospecting Right is held by Ikwezi and is in good standing. Surface rights are held by various trusts and private individuals who farm on the properties. Access onto the properties is negotiated by an Ikwezi appointed individual who notifies the surface owner in advance of any activates on his property.

The Newcastle Project is located in the area covered by Prospecting Right No. KZN 30/5/1/1/2/107 PR, which Tabacks have advised was granted to Ikwezi in terms of Section 103 (17) of the Mineral and Petroleum Resources Development Act (MPRDA), 2002 (Act No. 28 of 2002), effective from 8 April 2009 for a period of five years, ending 7 April 2014 over the area.

As far as the author is aware, all prospecting was conducted within the rules and regulations of the Mineral and Petroleum Resources Development Act (28/2002) and appropriate standards were put in place to ensure that the work was done within the Health and Safety Act as well as the Environmental Conservation Act.

Ikwezi has confirmed to PC Meyer Consulting that it does not own any surface areas within the project area.

## 2. PROJECT DATA

### 2.1. Data Management and Database.

The geological database used for the determination of the resource statement in this report is based on a total of 268 boreholes. Of this 189 boreholes were acquired from the CGS and a total of 79 boreholes were drilled by Ikwezi. These boreholes were drilled in two phases. The first phase of 23 boreholes was logged by PC Meyer Consulting and the second phase consisting of 56 was logged by Siyaphambili.

The CGS data was supplied in an electronic format as spreadsheets and some as scanned logs in PDF.

The DTM used as topography was compiled in April 2011 by Southern Mapping GeoSpatial using aerial survey data acquired specifically for this project, and is accurate to within 0.5 m.

During the Ikwezi drilling campaign, all the cored boreholes were logged by a competent coal geologist and the lithological data captured in MICROMINE GBIS 7.8.0. Coal intersections were sampled and submitted to ACT and Siza. The analytical data was reported in Microsoft Excel spreadsheets. The database was updated on a regular basis as the boreholes were completed and the analytical data became available.

## 2.2. Spatial Data

A portion of the CGS boreholes were used and plotted. CGS boreholes that were excluded were done so due to lack of confidence in those particular boreholes or due to the inclusion of boreholes from the more recent Ikwezi drilling programme. It is assumed that the historical x-y coordinates are accurate but some errors were found with the z-elevation. This is discussed in more detail below.

All of the Ikwezi drilled boreholes were positioned in the field using a handheld GPS and then finally surveyed by a certified land surveyor after they were drilled. The coordinates are given in the local South African System based on the WGS 84 Datum.

Indicated in Figure 2.2_1 are all the borehole positions.



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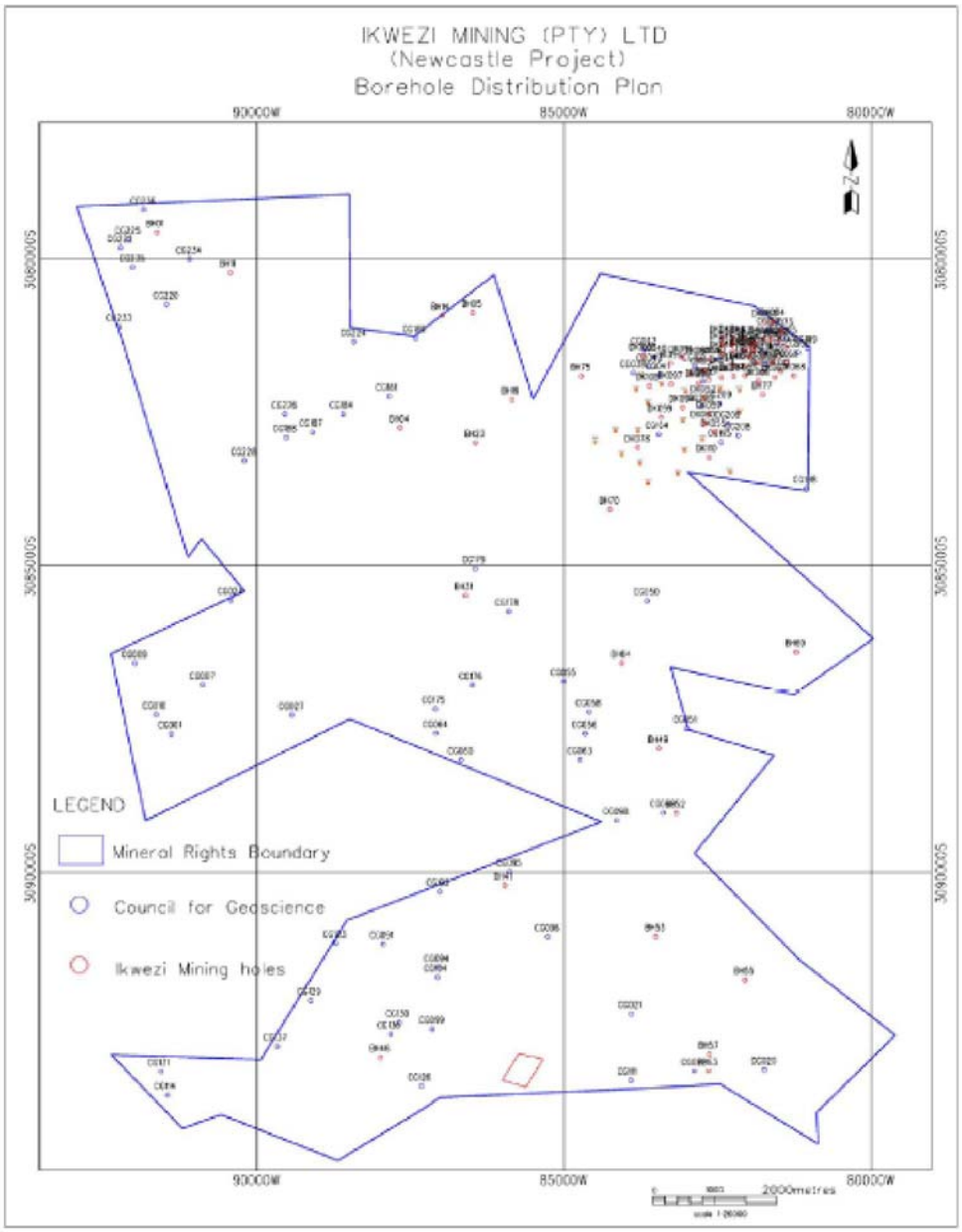


**Figure 2.2_1. Surveyed Borehole Positions and CGS Boreholes.**

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## 2.3. Geological Data

It is assumed that all historical drilling was done producing N-size (60 mm) core. The historic and third party data was made available by CGS but the integrity of this data could not be verified as many of the various companies which undertook the exploration since many no longer exist.

Plotting of the collar elevations of these boreholes against the DTM revealed serious discrepancies ranging from –71 m to +61 m. PC Meyer Consulting advised that the borehole elevations of the CGS boreholes be corrected with the DTM elevations. The Ikwezi drilled boreholes were left unchanged. It is assumed that the x-y coordinates of the CGS boreholes are correct.

The CGS boreholes were assigned a new borehole number, different from the company borehole number, by adding the prefix "BH" to the sequence number of the CGS data. The 23 holes drilled in 2010 were numbered and logged as BH1, BH2, etc. and the 56 boreholes drilled in 2011 were numbered and logged as DK1, DK2, etc.

There are a total of 147 credible boreholes remaining which have been used for the geological modelling but of which only 102 have full washability data.

All the holes drilled by Ikwezi produced N-size core with a diameter of 60 mm. All intersected widths are vertical and true and no angled holes were drilled. The following aspects of the Ikwezi exploration were carefully monitored to ensure the accuracy of the data collection:

- The boreholes had been accurately surveyed;
- All samples were correctly labelled and reported against the correct sample numbers and boreholes;
- Core recoveries and core losses were accurately determined; and
- All intersections are vertical and thicknesses are true thicknesses.

## 2.4. Specific Gravity and Bulk Tonnage Data

The specific gravity of each coal sample, historic and current, was laboratory tested and the raw coal densities reported. These densities were used for the resource calculations.

## 2.5. General Data

Some of the historic (CGS) boreholes were omitted from the database for various reasons. It is assumed that the database is now credible and accurate.

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# 3. SAMPLING

## 3.1. Sampling Governance

It is not possible to comment on the historic procedures for the coal sampling because there is inadequate available information about how that sampling was conducted.

For the current drilling, standard procedures for sampling of the coal core were employed for the project and are described in the section below. All the economic horizons were sampled but coal plies thinner than 0.3 m was not regarded as economical and were omitted. The Top Seam is generally regarded as economical and was sampled. In most cases a single sample from this seam was taken but in instances where the seam was thick, two samples were taken. All intersections of the Bottom Seam, thicker than 0.3 m, were sampled.

## 3.2. Sampling Method, Collection, Validation, Capture and Storage

- Run-wise logging of the coal seams was used as per the prescribed format.
- Litho-depth controls for the coal samples and core recovery were logged.
- Splitting of the sample run was done based on visual changes in the coal quality to keep similar quality coal together.
- Graphical plots were made for easy understanding where necessary.
- As far as possible only full seam lengths were sampled.
- In some instances, coal and mudstone bands were sampled together when the mudstone was thinner than 0.3 m.
- Each sample was labelled using the standard industry numbering system. Ikwezi provided borehole positions with boreholes numbers starting with the prefix "BH". The boreholes were sequentially numbered in the borehole list but drilling took place non-sequentially and therefore the borehole numbers in the database are non-sequential.
- Labelled samples were packed in polythene bags and sent for laboratory testing to the Advanced Coal Technology laboratory in Pretoria.
- All the coal data generated during the current drilling campaign was captured in MICROMINE GBIS 7.8.0.
- Analytical data was provided, on an air dry basis, by ACT and Siza in Microsoft Excel® format for easy extraction and use in the modelling software. All data is stored within the MICROMINE GBIS database.
- Within MICROMINE GBIS the following validation was completed on the data:
  - Lithological Data
    - Coal seams correlations
  - Analytical Data
    - Sum of proximate qualities <> 100% (tolerance of 0.05%);

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- Sum of the yields <> 100% (tolerance of 0.05%);
- Ash trends with increase in wash density;
- Volatile matter content trends with increase in wash density;
- CV/ Ash% correlation (tolerance 4 MJ/kg-1);
- Raw density correlates to the raw ash content (tolerance RD 0.25).

- Discard sample mass is stored by the laboratory until they are given permission to dispose of it.
- Samples were sent for laboratory testing to ACT and Siza. These laboratories are located in South Africa, recognised as coal analytical specialists and have the necessary accreditation. Only full core samples were submitted as a certain volume is required for washability tests. Certificates were issued for all the analytical results.

### 3.3. Examples of logs produced for the Newcastle Project

The following figures set out, by way of example the logs produced in respect of one borehole logged in 2007 for the Newcastle Project.

The examples of the logs produced are examples only and not necessarily representative of all boreholes drilled for the Newcastle Project. However they are included because they provide a diagrammatical representation of the relevant geology in the project area.

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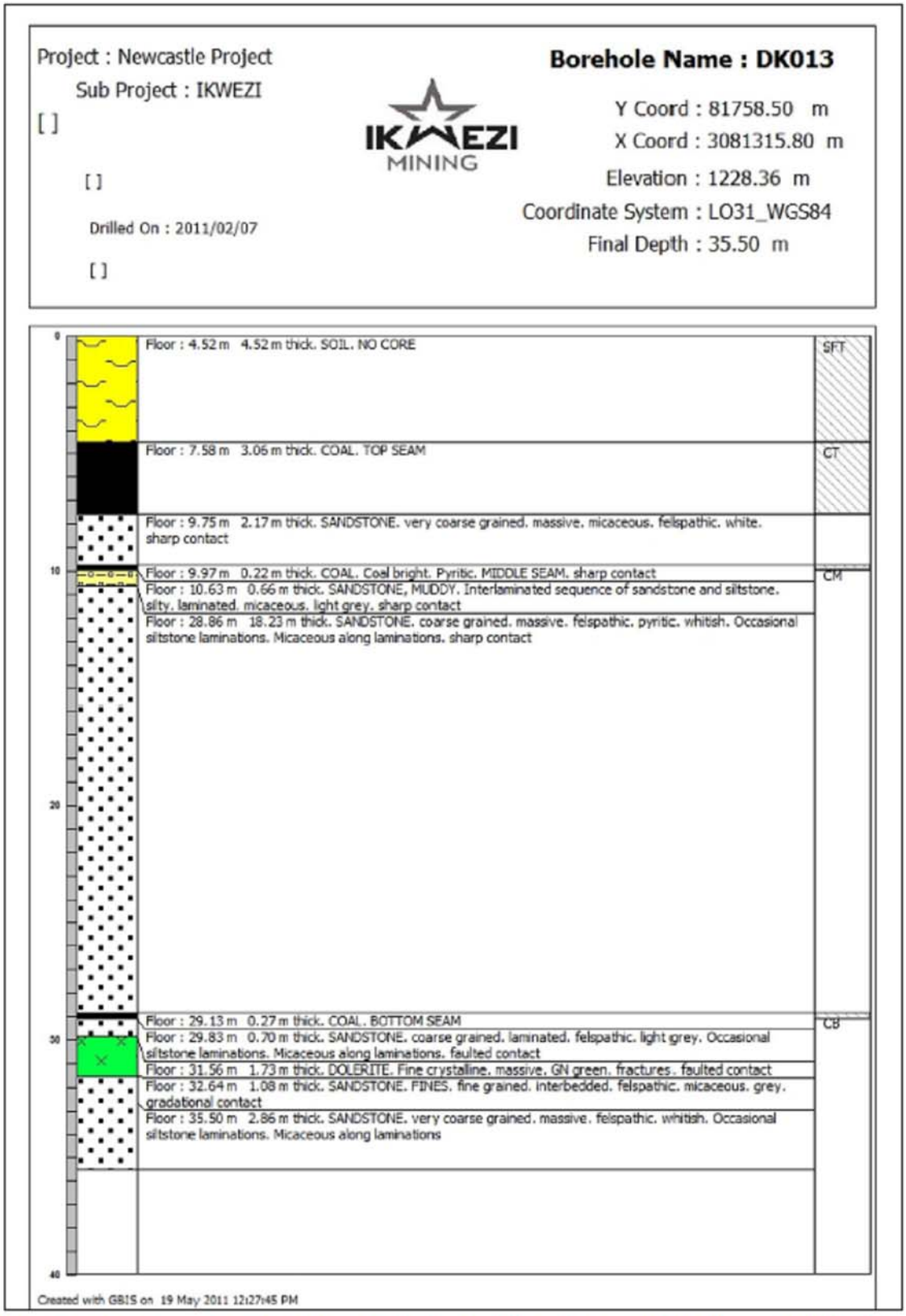


**Figure 3.3_1. An example of the lithological graphical log produced for the Newcastle Project.**

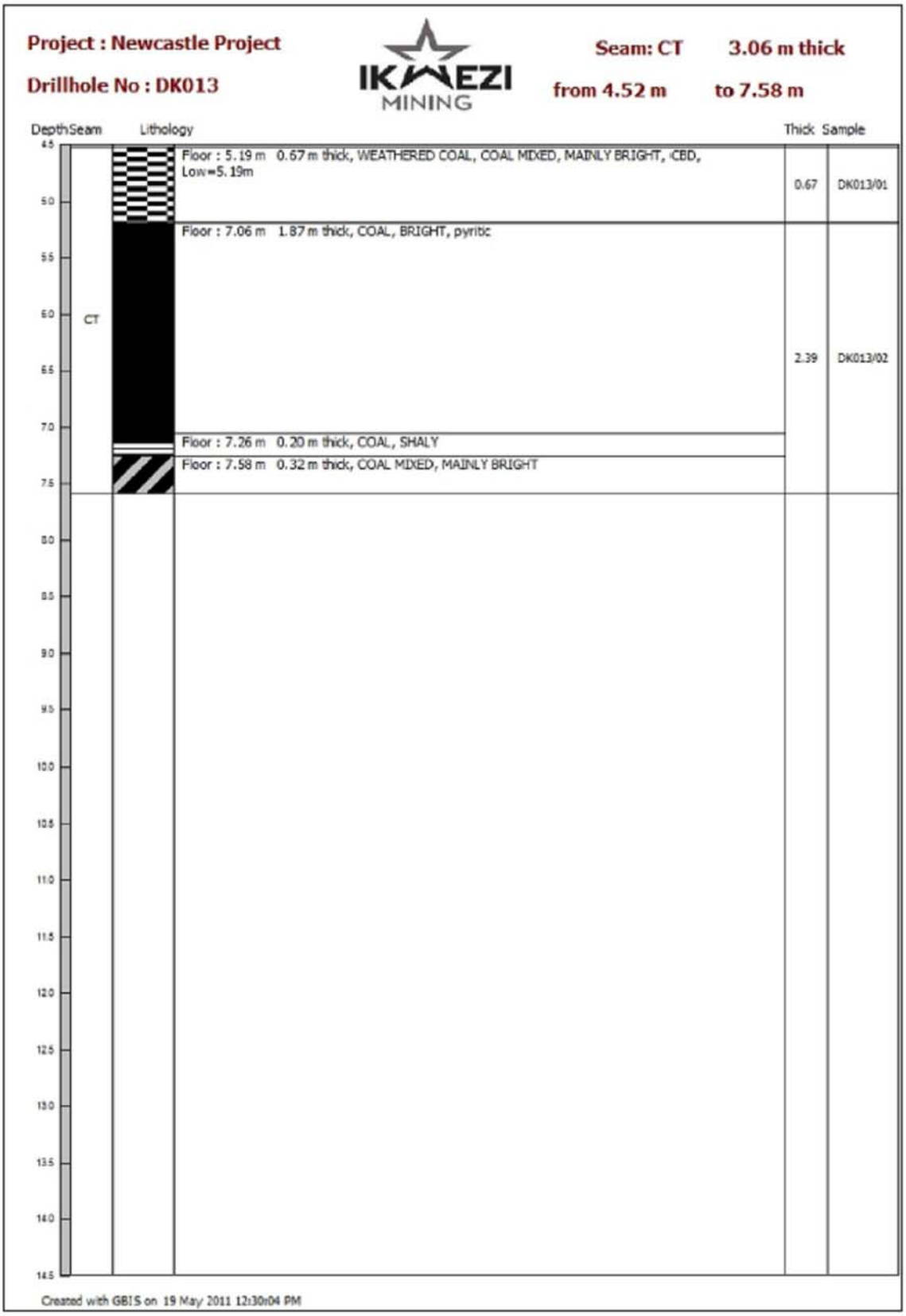


Figure 3.3_2. An example of the coal graphical log produced for the Newcastle Project.



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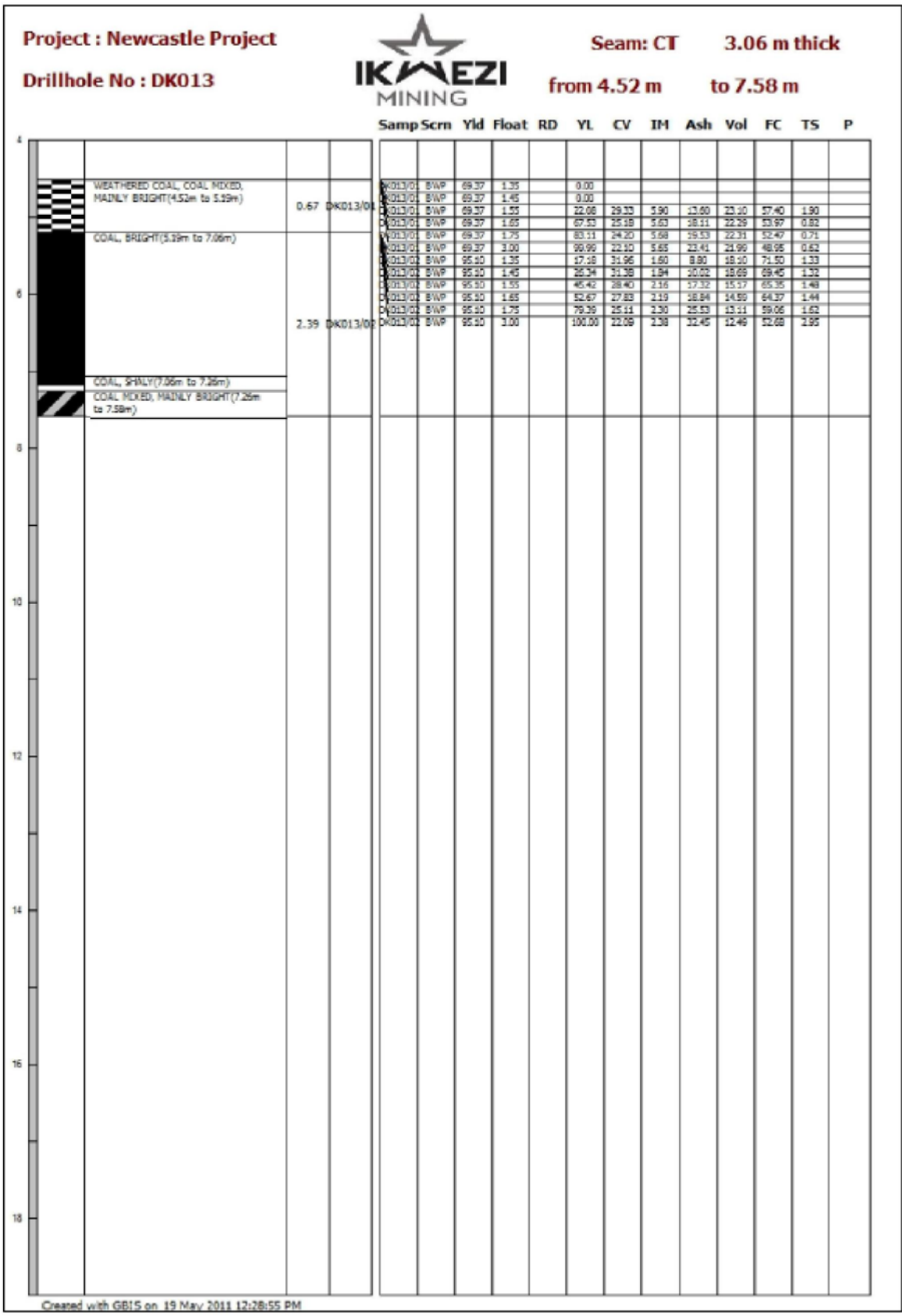


Figure 3.3_3. An example of the graphical log with analyses produced for the Newcastle Project.



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## 4. INTERPRETATION AND MODELLING

The resource modelling and volume calculations were done by Siyaphambili, using the MINEX 6.0.2 software (published by ECS Mining Software Systems). The grid cell size was set at 20 x 20 m, aligned on a North-South orientation, to give sufficient accuracy without sacrificing speed of calculation. The gridding was done using the standard ECS "growth" method of interpolation. This algorithm has been tested for accuracy and is being used as the standard for generating model grids in Minex. The topography was derived from a DTM compiled in April 2011 by using aerial survey data acquired specifically for this project, and is accurate to within 0.5 m. Detailed graphical outputs from the modelling can be viewed in Appendix 1 and 2.

Cut-off parameters, applied to the coal properties, to delineate the resources are seam thicknesses less than 0.7 m and a raw ash content of more than 50%. The following parameters were modelled for each of the mineable coal seams:

- Seam Floor and Roof Elevations;
- Seam Thickness;
- Raw and product coal (various ash content %) qualities on air dried basis;
- Topography – as defined from aerial surveys; and
- Limit of Weathering.

All the coal seams have been modelled. Full seam thickness, rather than selected horizons, was used in the modelling process. There are no coal resources estimated between the surface grid (TOPS) and the limit of weathering (LOW).Grids were created for raw coal qualities and a washed product.

The Top and Bottom Seams were modelled using as the dataset the lithology and quality in the GBIS database, as described above. Coal seam floor elevations were gridded and plotted to determine the amount of displacement caused by the underlying dolerite sill. This resulted in the deposit being divided into resource areas based on the seam elevations and seam thickness. Figure 4_1 indicates the resource blocks based on seam elevation differences.

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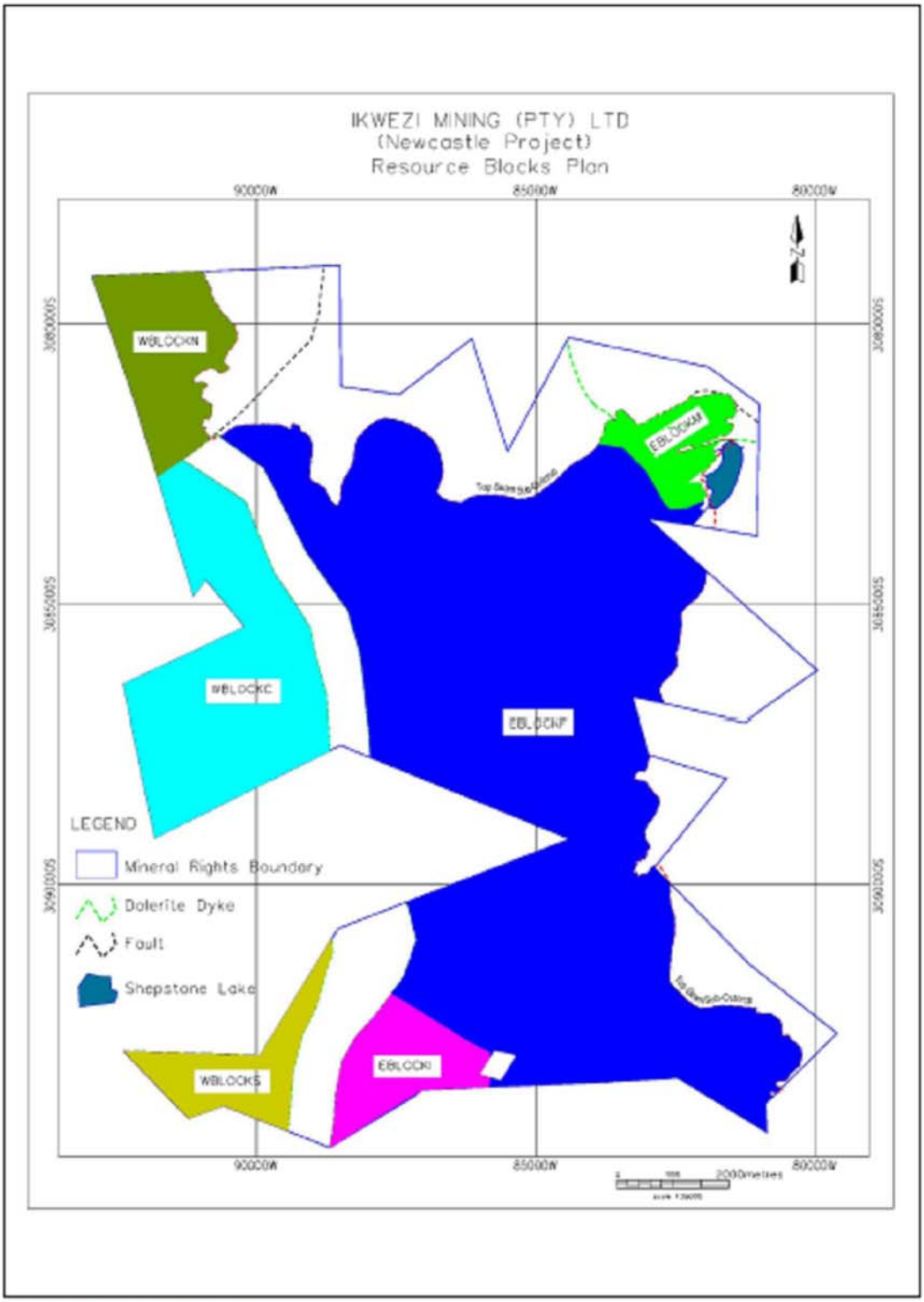


**Figure 4_1. Resource Blocks.**

Grid values in areas outside the resource blocks were blanked out and the different averages for each parameter calculated for each block. Coal volumes were calculated using Minex 6.0.2 and this volume was then multiplied by the average raw RD for each block to derive the *gross tonnes in situ* (GTIS). Due to the nature of the deposit a geological discount of 15% was applied to derive the inferred and indicated *total tonnes in situ* (TTIS) for each resource area while a geological discount of 10% was applied to derive the measured *total tonnes in situ* (TTIS) for each resource area. Based on the structural complexities and the "indicated" status of the project, this number can be justified and was derived at as follows:

- 5% for unknown geological structures; and
- 5-10% for geological losses due to seam thickness variations and dykes.

Product coal qualities were simulated for a raw coal and various ash products. The quality data per block was composited to calculate the average coal quality for the project area. Details of the resource tonnage, classification and coal qualities are given in Section 7.



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## 5. GEOLOGICAL RISKS

Key geological risks identified in relation to the resources referred to in this report include:

- Seam continuity: It is possible that more dolerite sills and dykes occur than intersected with the current drilling. This might influence the shape and size of the current resource blocks and reduce the gross in situ tonnage.
- Seam thickness continuation: The Top Seam coal has a thickness range of 0 to 3.89 m and any small change will influence the mineability and shape of the resource areas.
- Quality distribution: It is possible that unknown dykes might reduce the mineable coal extent caused by the devolatisation of the coal.
- Price fluctuations: The Rand coal price is dependent on both the US Dollar exchange rate and the export coal price. Inland coal prices are generally export parity dependent and influenced by the same factors.

A separate section describing risks relating to Ikwezi and the Newcastle Coal Project generally is included in section 5 of the prospectus in which this report is included.

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## 6. RESOURCE CLASSIFICATION CRITERIA

The Newcastle Project area covers 12 181.2 ha of farm land of which 8,808 ha has potential mineable coal resources. In the resource areas the depth to the roof of the Top Seam ranges from 0 to 270.5m with an average of 59.4 m.

Portions of a deposit that do not have a reasonable prospect for eventual economic extraction were not included in the Resource classification. The following key assumptions were made in determining that the Resources classified have a reasonable prospect for eventual economic extraction:

- Seam thicknesses less than 0.7 m were considered to e uneconomic;
- Material with a raw ash content of more than 50% was considered not to be coal; and
- There are no coal resources estimated between the surface grid (TOPS) and the limit of weathering (LOW).

The following guidelines were used to classify the resource areas and only boreholes with full washability analysis were considered for classification purposes.

- Drill hole density (Figure 6_1):
  - Measured Resource. > 8 boreholes per 100 ha (< 350 x 350 m drill grid [= 197 m radius]);
  - Indicated Resource. 4 to 8 boreholes per 100 ha (< 500 x 500 m drill grid [= 282 m radius]); and
  - Inferred Resource. < 4 boreholes per 100 ha (> 1 000 x 1 000 m drill grid [= 564 m radius]).
- Geological and grade continuity; and
- Geological structure.

A total of 102 boreholes have full washability analysis. Using the borehole distance gridding in MINEX 6.0.2 and taking into consideration the structural complexity of the project, the resources were classified as illustrated in Figure 4_1.

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**Figure 6_1. Borehole Distribution Radii as done in Minex 6.0.2.**

For the Top Seam, the area was drilled to a density sufficient to enable classification of the resource areas. The total gross *in situ* resource of 209.56 mt consists of 9.77 mt "**Measured**", 9.41 mt "**Indicated**" and 190.38 mt "**Inferred**" resources. For all the resources the classification is as defined by the current JORC classification for multiple seam deposits. Tabled below are the tonnage breakdown (in millions) and the classification per resource block.

**Table 6_1. Tonnage per Resource Classification.**

| Top Seam (Mt) | |
|---|---|
| Measured | 9.77 |
| Indicated | 9.41 |
| Inferred | 190.38 |
| **Total** | **209.56** |



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## 7. RESOURCE STATEMENT

Table 7_1. Resource per Area and its Classification.

| RESOURCE CLASS | BLOCK NAME | BLOCK AREA | BURDEN THICKNESS | BURDEN VOLUME | COAL AREA | COAL VOLUME | GTIS (Mt) | TTIS (Mt) |
|---|---|---|---|---|---|---|---|---|
| MEASURED RESOURCES | EBLOCKM | 2 722 552 | 16.63 | 45 259 040 | 2 397 891 | 6 155 018 | 9.77 | 8.30 |
| *TOTAL MEASURED RESOURCES* | | *2 722 552* | *16.63* | *45 259 040* | *2 397 891* | *6 155 018* | *9.77* | *8.30* |
| INDICATED RESOURCES | EBLOCKI | 3 858 645 | 136.36 | 526 152 416 | 3 781 987 | 6 100 046 | 9.41 | 8.00 |
| *TOTAL INDICATED RESOURCES* | | *3 858 645* | *136.36* | *526 152 416* | *3 781 987* | *6 100 046* | *9.41* | *8.00* |
| INFERRED RESOURCES | EBLOCKF | 57 602 816 | 29.25 | 1 675 945 600 | 49 157 824 | 85 899 352 | 134.91 | 121.43 |
| | WBLOCKC | 13 055 746 | 149.08 | 1 946 385 536 | 12 759 393 | 23 985 684 | 38.32 | 32.57 |
| | WBLOCKN | 5 456 916 | 47.33 | 258 172 112 | 4 072 564 | 7 851 539 | 12.75 | 10.84 |
| | WBLOCKS | 3 517 575 | 183.09 | 643 865 664 | 2 368 273 | 2 636 392 | 4.40 | 3.74 |
| *TOTAL INFERRED RESOURCES* | | *79 633 053* | *408.75* | *4 524 368 912* | *68 358 054* | *120 372 967* | *190.38* | *168.58* |
| TOTAL RESOURCES | | 86 214 250 | 561.74 | 5 095 780 368 | 74 537 932 | 132 628 031 | 209.56 | 184.88 |

Table 7_2. Average Raw Coal Qualities (air dry).

| RESOURCE CLASS | BLOCK NAME | TTIS (Mt) | SEAM NAME | RAW QUALITIES (AD) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | RD | ASH | IM | VM | TS | CV |
| MEASURED RESOURCES | EBLOCKM | 8.30 | CT | 1.59 | 29.40 | 2.33 | 15.11 | 1.83 | 22.64 |
| *TOTAL MEASURED RESOURCES* | | *8.30* | *CT* | *1.59* | *29.40* | *2.33* | *15.11* | *1.83* | *22.64* |
| INDICATED RESOURCES | EBLOCKI | 8.00 | CT | 1.54 | 24.83 | 1.30 | 17.06 | 2.12 | 25.28 |
| *TOTAL INDICATED RESOURCES* | | *8.00* | *CT* | *1.54* | *24.83* | *1.30* | *17.06* | *2.12* | *25.28* |
| INFERRED RESOURCES | EBLOCKF | 121.43 | CT | 1.57 | 24.22 | 2.05 | 15.67 | 2.36 | 24.75 |
| | WBLOCKC | 32.57 | CT | 1.60 | 28.05 | 1.66 | 15.72 | 2.49 | 24.99 |
| | WBLOCKN | 10.84 | CT | 1.62 | 28.03 | 1.59 | 16.36 | 2.50 | 24.69 |
| | WBLOCKS | 3.74 | CT | 1.67 | 23.89 | 1.42 | 18.99 | 1.81 | 27.38 |
| *TOTAL INFERRED RESOURCES* | | *168.58* | *CT* | *1.58* | *25.20* | *1.93* | *15.80* | *2.38* | *24.85* |
| TOTAL RESOURCES | | 184.88 | CT | 1.58 | 25.37 | 1.92 | 15.82 | 2.35 | 24.77 |

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## Table 7_3. Product Qualities for 15% Ash Content (air dry) Product.

| RESOURCE CLASS | BLOCK NAME | TTIS (Mt) | SEAM NAME | 15 % ASH CONTENT PRODCUT QUALITIES (AD) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | WASH RD | IM | VM | TS | CV | YIELD |
| MEASURED RESOURCES | EBLOCKM | 8.30 | CT | 1.57 | 2.39 | 17.67 | 1.20 | 28.36 | 57.35 |
| *TOTAL MEASURED RESOURCES* | | *8.30* | *CT* | *1.57* | *2.39* | *17.67* | *1.20* | *28.36* | *57.35* |
| INDICATED RESOURCES | EBLOCKI | 8.00 | CT | 1.68 | 1.30 | 18.39 | 1.42 | 29.73 | 76.73 |
| *TOTAL INDICATED RESOURCES* | | *8.00* | *CT* | *1.68* | *1.30* | *18.39* | *1.42* | *29.73* | *76.73* |
| INFERRED RESOURCES | EBLOCKF | 121.43 | CT | 1.64 | 1.97 | 17.02 | 1.54 | 28.97 | 70.13 |
| | WBLOCKC | 32.57 | CT | 1.52 | 1.77 | 18.46 | 1.31 | 29.29 | 50.46 |
| | WBLOCKN | 10.84 | CT | 1.52 | 1.41 | 16.30 | 1.33 | 29.46 | 47.92 |
| | WBLOCKS | 3.74 | CT | 1.60 | 1.51 | 18.25 | 1.34 | 29.59 | 66.27 |
| *TOTAL INFERRED RESOURCES* | | *168.58* | *CT* | *1.61* | *1.89* | *17.28* | *1.48* | *29.08* | *64.82* |
| TOTAL RESOURCES | | 184.88 | CT | 1.61 | 1.88 | 17.34 | 1.46 | 29.07 | 65.00 |

## Table 7_4. Product Qualities for 16% Ash Content (air dry) Product.

| RESOURCE CLASS | BLOCK NAME | TTIS (Mt) | SEAM NAME | 16 % ASH CONTENT PRODCUT QUALITIES (AD) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | WASH RD | IM | VM | TS | CV | YIELD |
| MEASURED RESOURCES | EBLOCKM | 8.30 | CT | 1.62 | 2.41 | 17.38 | 1.21 | 27.96 | 63.18 |
| *TOTAL MEASURED RESOURCES* | | *8.30* | *CT* | *1.62* | *2.41* | *17.38* | *1.21* | *27.96* | *63.18* |
| INDICATED RESOURCES | EBLOCKI | 8.00 | CT | 1.82 | 1.30 | 18.20 | 1.48 | 29.34 | 81.07 |
| *TOTAL INDICATED RESOURCES* | | *8.00* | *CT* | *1.82* | *1.30* | *18.20* | *1.48* | *29.34* | *81.07* |
| INFERRED RESOURCES | EBLOCKF | 121.43 | CT | 1.72 | 1.97 | 16.84 | 1.62 | 28.57 | 75.62 |
| | WBLOCKC | 32.57 | CT | 1.55 | 1.78 | 18.24 | 1.33 | 28.90 | 56.96 |
| | WBLOCKN | 10.84 | CT | 1.55 | 1.43 | 16.06 | 1.36 | 29.04 | 54.58 |
| | WBLOCKS | 3.74 | CT | 1.65 | 1.52 | 18.07 | 1.38 | 29.18 | 70.69 |
| *TOTAL INFERRED RESOURCES* | | *168.58* | *CT* | *1.67* | *1.89* | *17.09* | *1.54* | *28.68* | *70.55* |
| TOTAL RESOURCES | | 184.88 | CT | 1.68 | 1.89 | 17.15 | 1.52 | 28.67 | 70.68 |

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## Table 7_5. Product Qualities for 17% Ash Content (air dry) Product.

| RESOURCE CLASS | BLOCK NAME | TTIS (Mt) | SEAM NAME | 17 % ASH CONTENT PRODCUT QUALITIES (AD) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | WASH RD | IM | VM | TS | CV | YIELD |
| MEASURED RESOURCES | EBLOCKM | 8.30 | CT | 1.69 | 2.41 | 17.10 | 1.24 | 27.54 | 68.08 |
| *TOTAL MEASURED RESOURCES* | | *8.30* | *CT* | *1.69* | *2.41* | *17.10* | *1.24* | *27.54* | *68.08* |
| INDICATED RESOURCES | EBLOCKI | 8.00 | CT | 2.01 | 1.30 | 18.05 | 1.53 | 28.96 | 84.81 |
| *TOTAL INDICATED RESOURCES* | | *8.00* | *CT* | *2.01* | *1.30* | *18.05* | *1.53* | *28.96* | *84.81* |
| INFERRED RESOURCES | EBLOCKF | 121.43 | CT | 1.82 | 1.97 | 16.68 | 1.68 | 28.19 | 80.21 |
| | WBLOCKC | 32.57 | CT | 1.59 | 1.77 | 18.03 | 1.36 | 28.51 | 63.18 |
| | WBLOCKN | 10.84 | CT | 1.60 | 1.46 | 15.84 | 1.41 | 28.62 | 61.09 |
| | WBLOCKS | 3.74 | CT | 1.70 | 1.52 | 17.93 | 1.43 | 28.80 | 74.64 |
| *TOTAL INFERRED RESOURCES* | | *168.58* | *CT* | *1.76* | *1.89* | *16.91* | *1.60* | *28.29* | *75.57* |
| TOTAL RESOURCES | | 184.88 | CT | 1.77 | 1.89 | 16.97 | 1.58 | 28.29 | 75.63 |

## Table 7_6. Product Qualities for 18% Ash Content (air dry) Product.

| RESOURCE CLASS | BLOCK NAME | TTIS (Mt) | SEAM NAME | 18 % ASH CONTENT PRODCUT QUALITIES (AD) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | WASH RD | IM | VM | TS | CV | YIELD |
| MEASURED RESOURCES | EBLOCKM | 8.30 | CT | 1.75 | 2.41 | 16.90 | 1.27 | 27.14 | 72.10 |
| *TOTAL MEASURED RESOURCES* | | *8.30* | *CT* | *1.75* | *2.41* | *16.90* | *1.27* | *27.14* | *72.10* |
| INDICATED RESOURCES | EBLOCKI | 8.00 | CT | 2.07 | 1.30 | 17.92 | 1.58 | 28.65 | 87.81 |
| *TOTAL INDICATED RESOURCES* | | *8.00* | *CT* | *2.07* | *1.30* | *17.92* | *1.58* | *28.65* | *87.81* |
| INFERRED RESOURCES | EBLOCKF | 121.43 | CT | 1.90 | 1.98 | 16.52 | 1.75 | 27.81 | 84.16 |
| | WBLOCKC | 32.57 | CT | 1.64 | 1.76 | 17.84 | 1.38 | 28.11 | 69.03 |
| | WBLOCKN | 10.84 | CT | 1.65 | 1.48 | 15.65 | 1.45 | 28.21 | 66.69 |
| | WBLOCKS | 3.74 | CT | 1.79 | 1.52 | 17.76 | 1.49 | 28.38 | 78.20 |
| *TOTAL INFERRED RESOURCES* | | *168.58* | *CT* | *1.83* | *1.90* | *16.75* | *1.65* | *27.91* | *79.98* |
| TOTAL RESOURCES | | 184.88 | CT | 1.84 | 1.89 | 16.80 | 1.63 | 27.90 | 79.97 |

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## Table 7_7. Product Qualities for 19% Ash Content (air dry) Product.

| RESOURCE CLASS | BLOCK NAME | TTIS (Mt) | SEAM NAME | 19 % ASH CONTENT PRODCUT QUALITIES (AD) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | WASH RD | IM | VM | TS | CV | YIELD |
| MEASURED RESOURCES | EBLOCKM | 8.30 | CT | 1.82 | 2.42 | 16.74 | 1.32 | 26.77 | 75.36 |
| *TOTAL MEASURED RESOURCES* | | *8.30* | *CT* | *1.82* | *2.42* | *16.74* | *1.32* | *26.77* | *75.36* |
| INDICATED RESOURCES | EBLOCKI | 8.00 | CT | 2.14 | 1.31 | 17.79 | 1.63 | 28.34 | 90.26 |
| *TOTAL INDICATED RESOURCES* | | *8.00* | *CT* | *2.14* | *1.31* | *17.79* | *1.63* | *28.34* | *90.26* |
| INFERRED RESOURCES | EBLOCKF | 121.43 | CT | 2.02 | 1.98 | 16.38 | 1.81 | 27.44 | 87.59 |
| | WBLOCKC | 32.57 | CT | 1.74 | 1.76 | 17.68 | 1.41 | 27.71 | 74.43 |
| | WBLOCKN | 10.84 | CT | 1.73 | 1.49 | 15.46 | 1.51 | 27.79 | 72.30 |
| | WBLOCKS | 3.74 | CT | 1.89 | 1.51 | 17.60 | 1.56 | 27.98 | 81.11 |
| *TOTAL INFERRED RESOURCES* | | *168.58* | *CT* | *1.94* | *1.90* | *16.60* | *1.71* | *27.53* | *83.92* |
| TOTAL RESOURCES | | 184.88 | CT | 1.95 | 1.89 | 16.66 | 1.69 | 27.53 | 83.81 |

## Table 7_8. Product Qualities for 20% Ash Content (air dry) Product.

| RESOURCE CLASS | BLOCK NAME | TTIS (Mt) | SEAM NAME | 20 % ASH CONTENT PRODCUT QUALITIES (AD) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | WASH RD | IM | VM | TS | CV | YIELD |
| MEASURED RESOURCES | EBLOCKM | 8.30 | CT | 1.89 | 2.41 | 16.60 | 1.37 | 26.40 | 78.24 |
| *TOTAL MEASURED RESOURCES* | | *8.30* | *CT* | *1.89* | *2.41* | *16.60* | *1.37* | *26.40* | *78.24* |
| INDICATED RESOURCES | EBLOCKI | 8.00 | CT | 2.23 | 1.31 | 17.67 | 1.70 | 28.03 | 92.58 |
| *TOTAL INDICATED RESOURCES* | | *8.00* | *CT* | *2.23* | *1.31* | *17.67* | *1.70* | *28.03* | *92.58* |
| INFERRED RESOURCES | EBLOCKF | 121.43 | CT | 2.16 | 1.99 | 16.25 | 1.89 | 27.07 | 90.56 |
| | WBLOCKC | 32.57 | CT | 1.82 | 1.75 | 17.50 | 1.48 | 27.30 | 79.40 |
| | WBLOCKN | 10.84 | CT | 1.82 | 1.50 | 15.27 | 1.59 | 27.37 | 77.51 |
| | WBLOCKS | 3.74 | CT | 2.00 | 1.51 | 17.45 | 1.66 | 27.59 | 83.89 |
| *TOTAL INFERRED RESOURCES* | | *168.58* | *CT* | *2.07* | *1.90* | *16.46* | *1.79* | *27.15* | *87.42* |
| TOTAL RESOURCES | | 184.88 | CT | 2.07 | 1.90 | 16.51 | 1.76 | 27.15 | 87.23 |

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## 8. FUTURE EXPLORATION

The Newcastle Project falls within the Klipriver Coalfield, one of several in the Kwazulu-Natal Coalfields. It is known from previous exploration and mining that these coalfields are structurally complex and that the coal rank can range from bituminous to anthracitic within a few meters. It is essential that the geology be properly understood and the coal rank well delineated to determine mining parameters and product qualities. This involves extensive drilling and in many instances the grid is closer spaced than that required for a certain JORC classification.

In the Newcastle Project area there are several displaced blocks, mainly caused by faulting or dolerite activity affecting the coal formations.

The resource area has been subdivided into several target exploitable blocks. These blocks are in the process of being drilled to a measured status. With the subsequent exploration of each exploitable block the overall understanding of the geology of the resource will lend itself to more detailed drilling plans on an ongoing basis.

## 9. AUDITS AND REVIEWS

There were no external audits performed on any of the data or modelling done. Corrections were done to the data as problems were encountered during the modelling and cross checks were performed between the electronic data and the PDF logs.

## 10. OTHER CONSIDERATIONS

All factors considered relevant by the Competent Person were considered in relation to the subject matter of this report.

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## 11. QUALIFICATIONS OF COMPETENT PERSONS AND OTHER KEY TECHNICAL STAFF

PC Meyer Consulting CC is a South African based consultancy that has as its sole proprietor Petrus Cornelius Meyer, a registered natural scientist (Pr. Sci. Nat, Reg. No. 400025/03), who is familiar with and adheres to the South African Minerals and Petroleum Resources Development Act of 2002 (ACT No. 28 of 2002) and the 2007 SAMREC code. PC Meyer Consulting CC is an independent Geological Consultancy, advising a number of coal companies in South Africa and abroad and derives its main income from geological work. PC Meyer Consulting CC also uses as associates a number of suitably qualified and registered geologists and surveyors to conduct field work and manage exploration programmes on its behalf.

### COMPETENT PERSON STATEMENT AND CONSENT - PC MEYER

This report has been prepared by, and the information in it that relates to Exploration Results and Mineral Resources is based on information compiled by, Mr Petrus Cornelius Meyer. He has more than 20 years experience in the South African coal industry and holds a B.Sc. Hons. (Geology) and M.Sc (Earth Science Practice and Management) degrees from the University of Pretoria. He is an active member of the Geological Society of South Africa and the Fossil Fuel Foundation of South Africa. The Geological Society of South Africa is a 'Recognised Overseas Professional Organisations' ('ROPO') and is included in the list of ROPOs promulgated by the ASX.

PC Meyer has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code. PC Meyer consents to the inclusion in this prospectus of the matters based on his information in the form and context in which it appears.

## 12. STATEMENT OF INDEPENDENCE

Neither the principal nor associates of PC Meyer Consulting have any material interest or entitlement in the securities or assets of Ikwezi. PC Meyer Consulting will be paid a fee for this report comprising its normal professional rates and reimbursable expenses. The fee is not contingent on the conclusion of this report. PC Meyer has not done work for Ikwezi before 2010.

## 13. LIMITATIONS

PC Meyer Consulting does not accept any liability other than its statutory liability to any individual, organisation or company and, to the maximum extent permitted by law, takes no responsibility for any loss or damage arising from the use of this report, or information, data or assumptions contained therein.

PC Meyer
Pr.Sci. Nat. (Reg. No. 400025/03)

31 May 2011
Date

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## GLOSSARY OF TERMS, ABBREVIATIONS AND UNITS

| Terms, Abbreviations and Units | Definition |
|---|---|
| ACT | Advanced Coal Technology |
| Analyses | Chemical and physical properties of a coal sample |
| Anthracite | A high quality low volatile coal used as a reductant in the metals industry and for low smoke fuel |
| Ash | Is a measure of the non combustible material in coal expressed as a percentage |
| Beneficiation | The separation of non coal and poor coal in a floatation process |
| Bituminous coal | A medium quality coal mostly used in for raising steam for the generation of electricity |
| Bottom Seam | The second of the two seams, from the surface down, present in the Project Area |
| Borehole | Core or chips extracted from a cylindrical hole during drilling |
| Borehole log | A graphical representation of the information revealed by vertical diamond drilling |
| CGS | Council for Geosciences |
| CPR | Competent Persons' Report as defined in JORC |
| CV | Calorific Value is a measure of contained heat measured in MJ/kg |
| DTM | Digital Terrain Model |
| EMP | Environmental Management Programme |
| EMPR | Environmental Management Programme Report |
| Farm | The combined surface area of a property that |

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|---|---|
| | has been consolidated under a single identifiable name. |
| Hectare (Ha) | A measurement of an area 100 metres by 100 metres |
| *in situ* tonnage | Measure of mass of coal in the ground containing inherent moisture |
| Indicated Resource(s) | Part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, quality and mineral content can be estimated with a reasonable level of confidence, as defined in the JORC Code |
| Inferred Resource(s) | Part of a ore deposit for which quality can only be estimated with a low level of confidence, as defined in the JORC Code |
| Inherent Moisture (IM) | Inherent water content in coal expressed as a percentage |
| JORC Code | Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves |
| Km | Kilometre |
| Klipriver Coalfield | A coal bearing region in the coal basin of the Karoo System in South Africa. |
| LOW | Limit of Weathering. This is a depth below the surface over which the structural integrity of the underlying strata has been affected. |
| m | Metre |
| Measured Mineral Resource | Part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. |
| Prospecting Right | the right to prospect for minerals on an area of land which is the subject of the prospecting right, granted in terms of Section 17 (1) of the Mineral and Petroleum Resources Development Act 28 of 2002 (as amended). |

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|---|---|
| Proximate analyses | Laboratory determinations of the percentages of Moisture, Ash, Volatiles and Fixed Carbon. |
| RD | Relative Density (measured in $g/cm^3$) |
| Resources or Mineral Resources | A concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. Mineral Resources are subdivided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories, as defined in the JORC Code |
| SAMREC | South African Mineral Resource Committee |
| SAMREC Code | South African Code for Reporting of Mineral Resources and Mineral Reserves |
| Raw | Quality of the whole coal that has not been beneficiated |
| Total Sulphur (TS) | Inherent sulphur content in coal expressed as a percentage |
| Top Seam | The first of the two seams, from the surface down, present in the Project Area |
| TOPS | Topography Surface |
| TTIS | Total Tonnes *in situ* |
| Volatile Matter (Vols) | Volatile or (combustible gasses in coal) expressed as a percentage. |
| Wash RD | Relative Density of mixture used to separate differing fractions of coal. |
| washability | The various qualities of coal that is determined for varying fractions of the entire sample that is derived from the separation process related to the relative density of material within the sample. |
| Yield | The amount of coal of a certain quality expressed as a percentage of whole coal after beneficiation |

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# APPENDICES

## CONTOUR PLANS, SECTIONS AND OTHER PLANS

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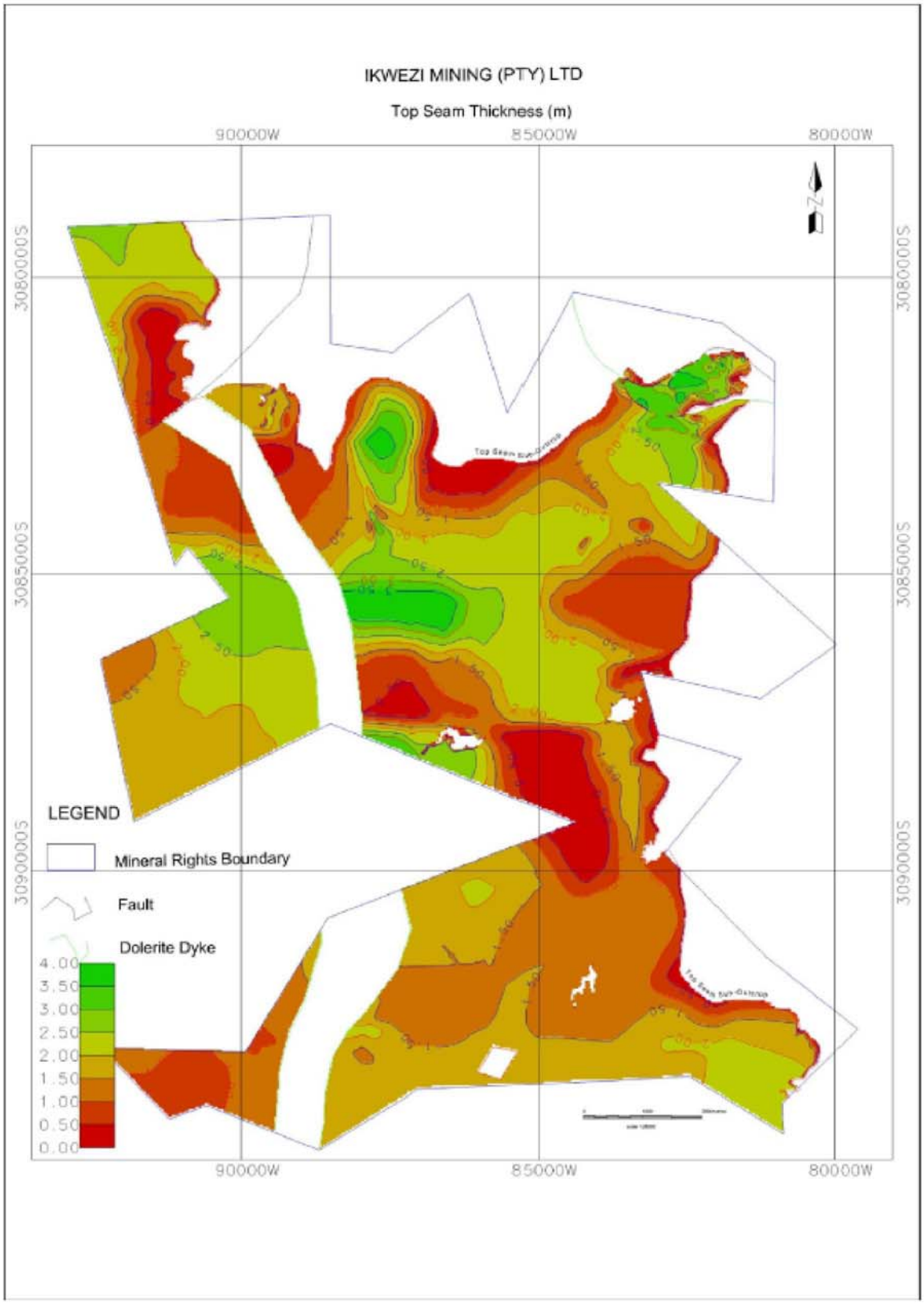


Top Seam - Seam Thickness Plan.

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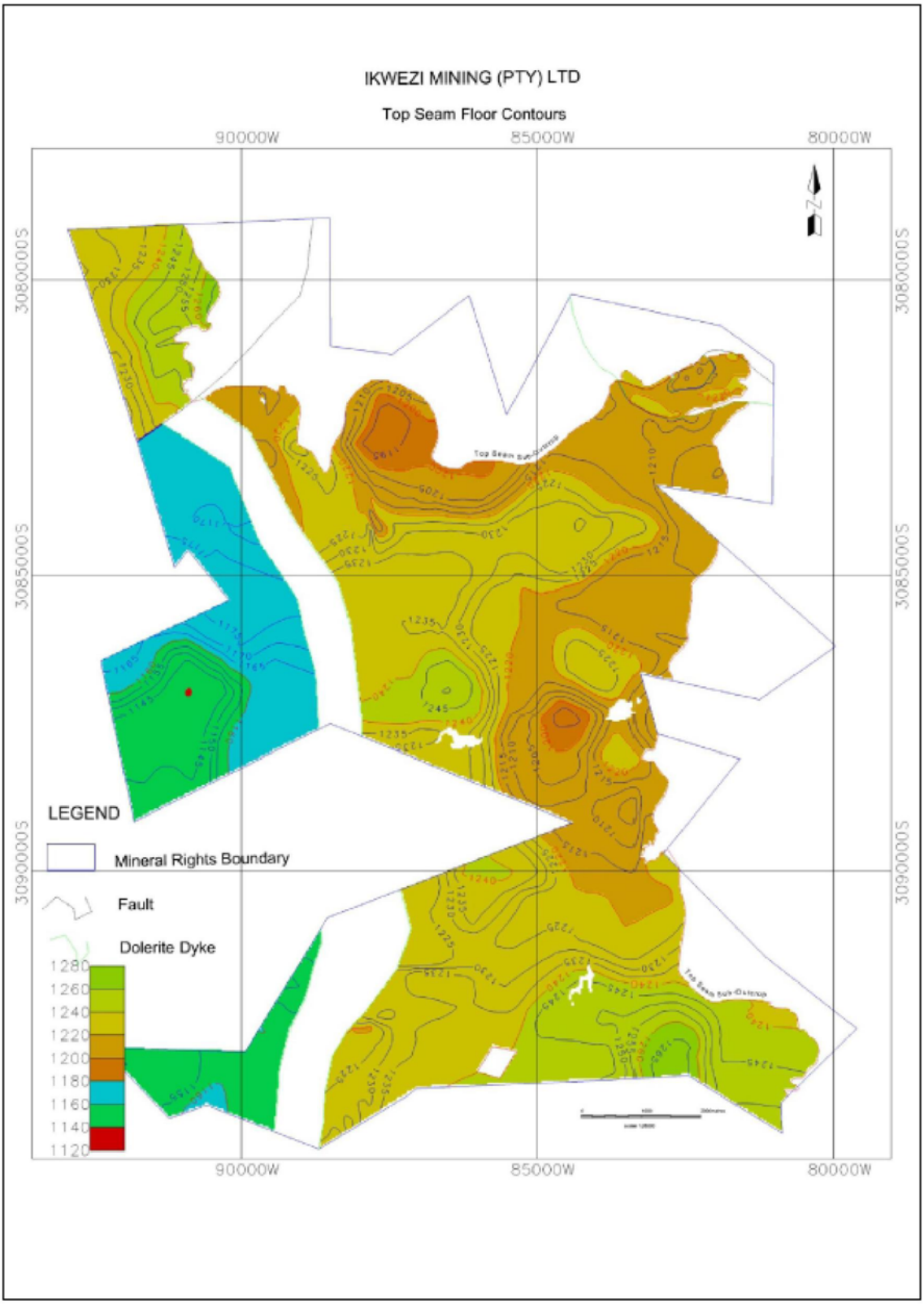


Top Seam - Floor Elevation Plan

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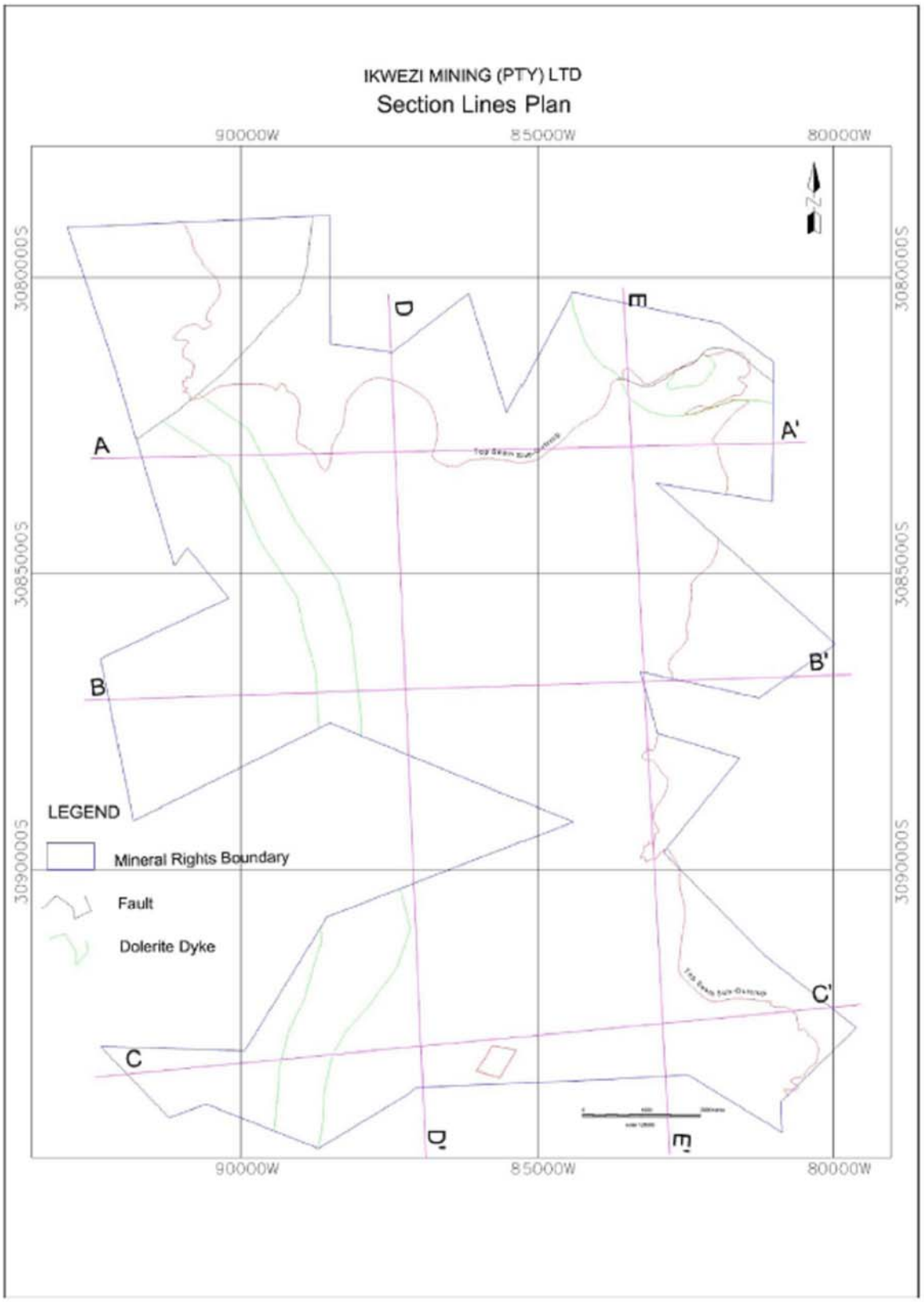
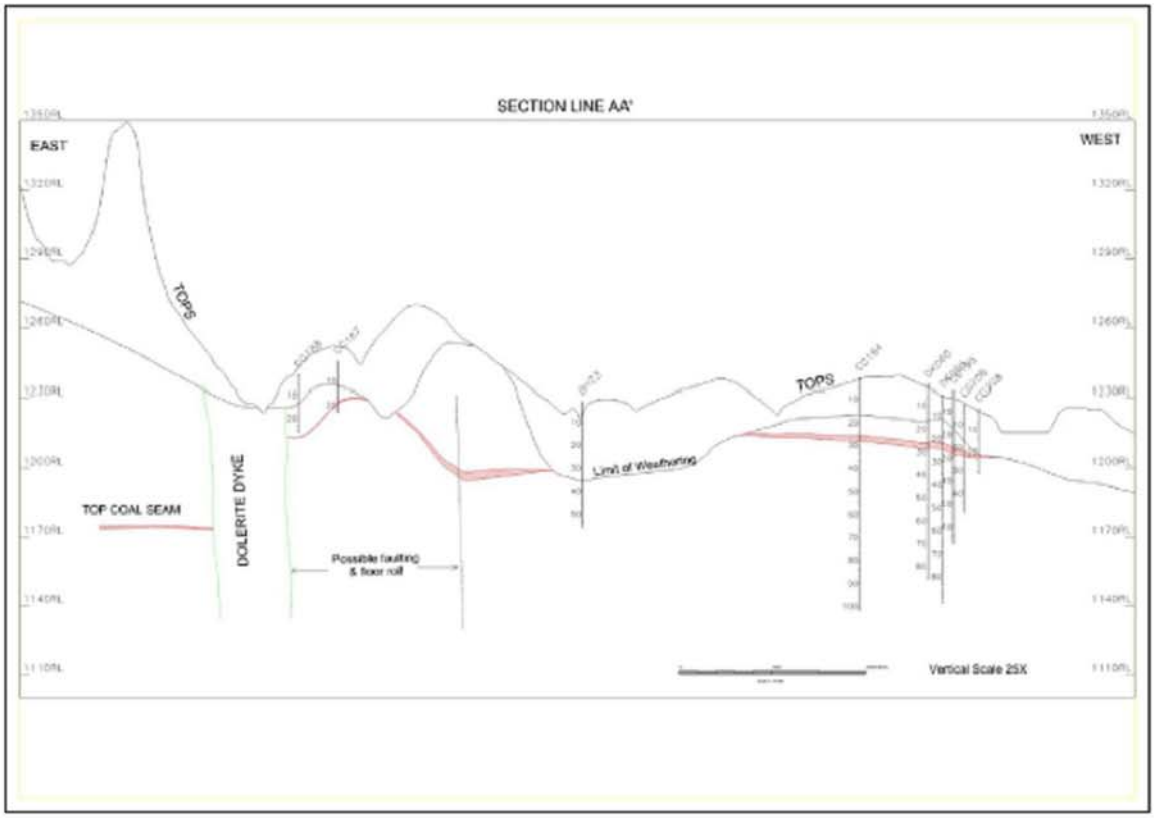



Plan showing the Location of the various Cross Sections




WE Cross Section A – A'

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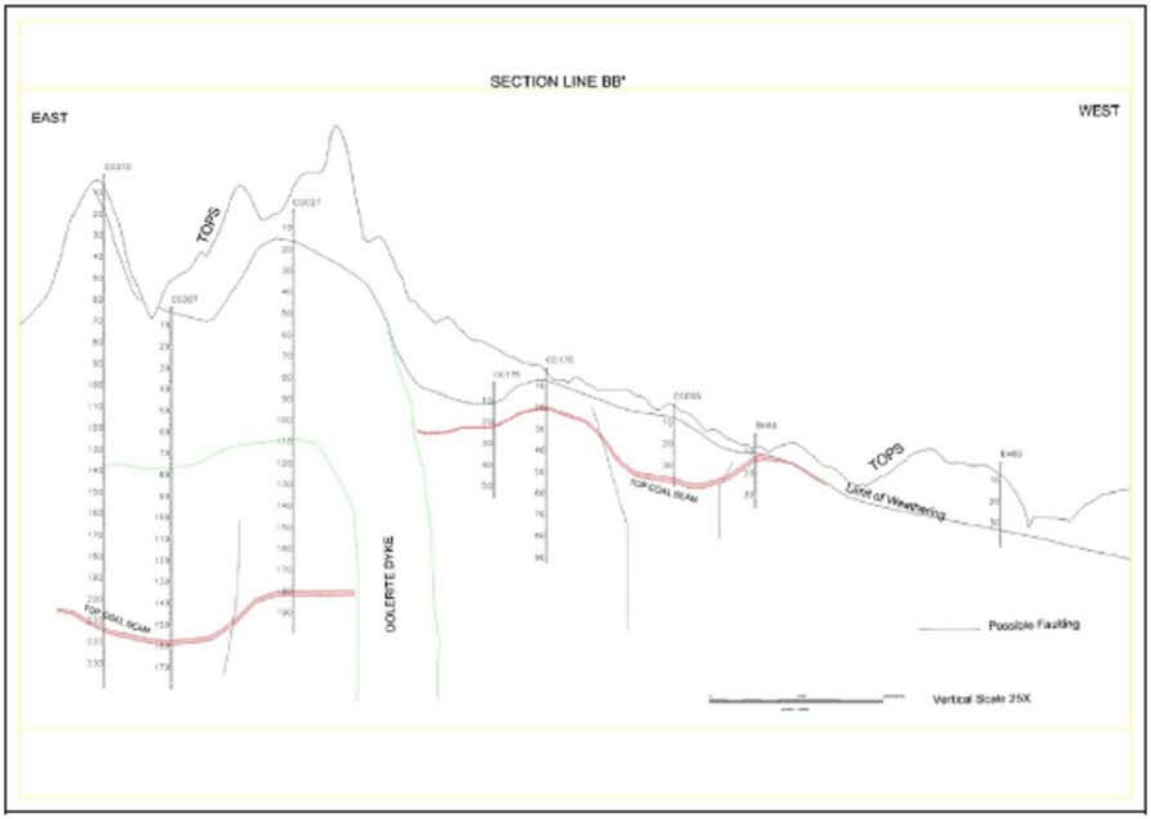


WE Cross Section B - B'

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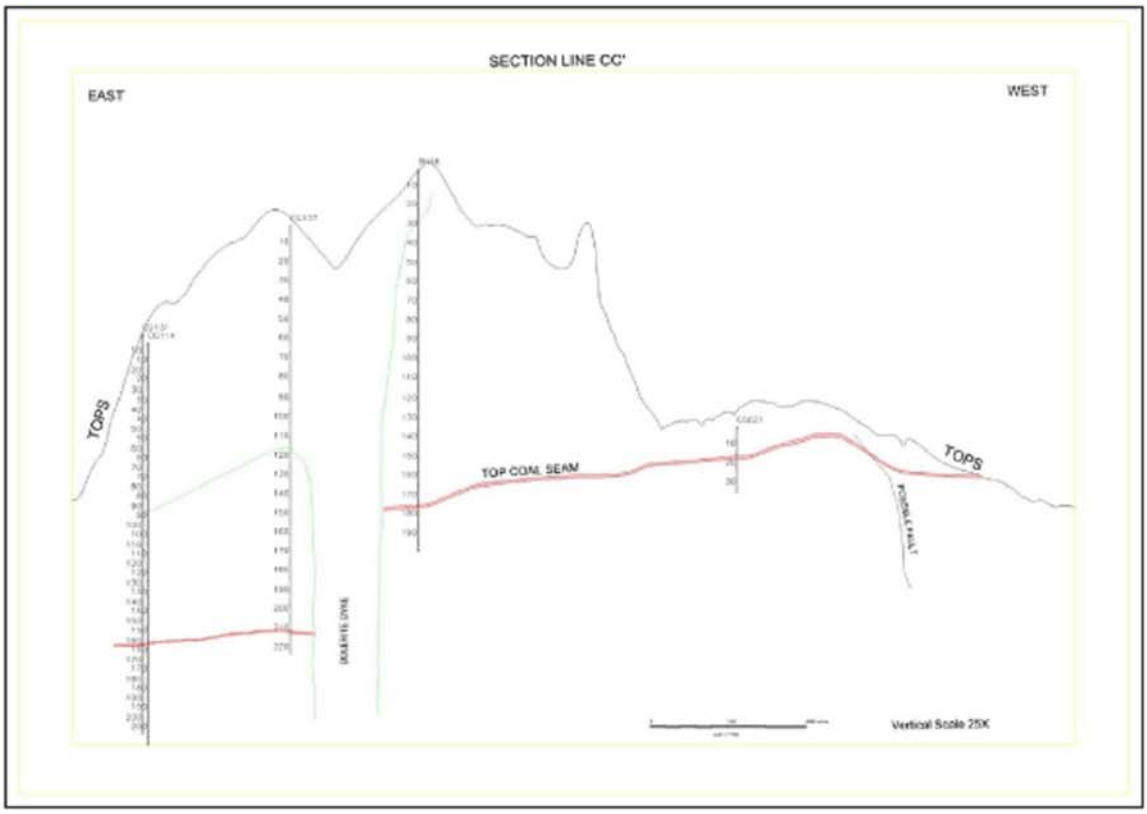


WE Cross Section C- C'

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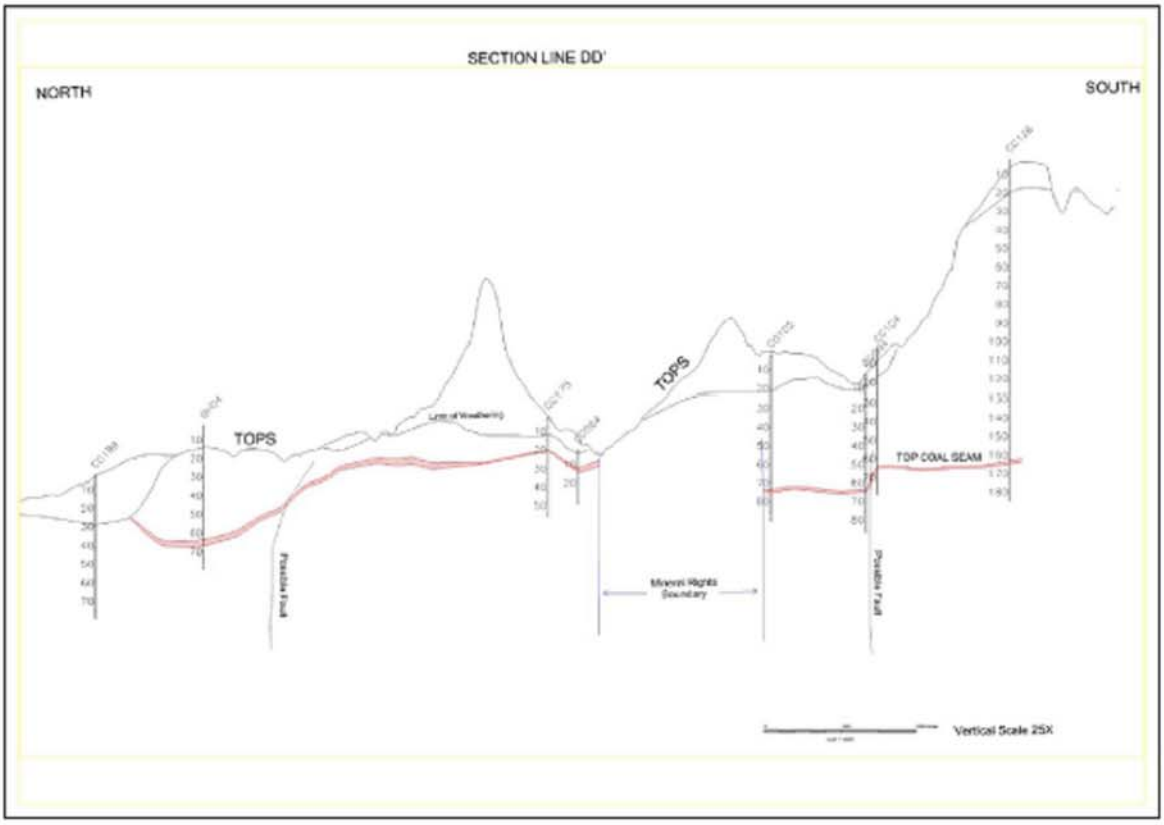


NS EW Cross Section D – D'





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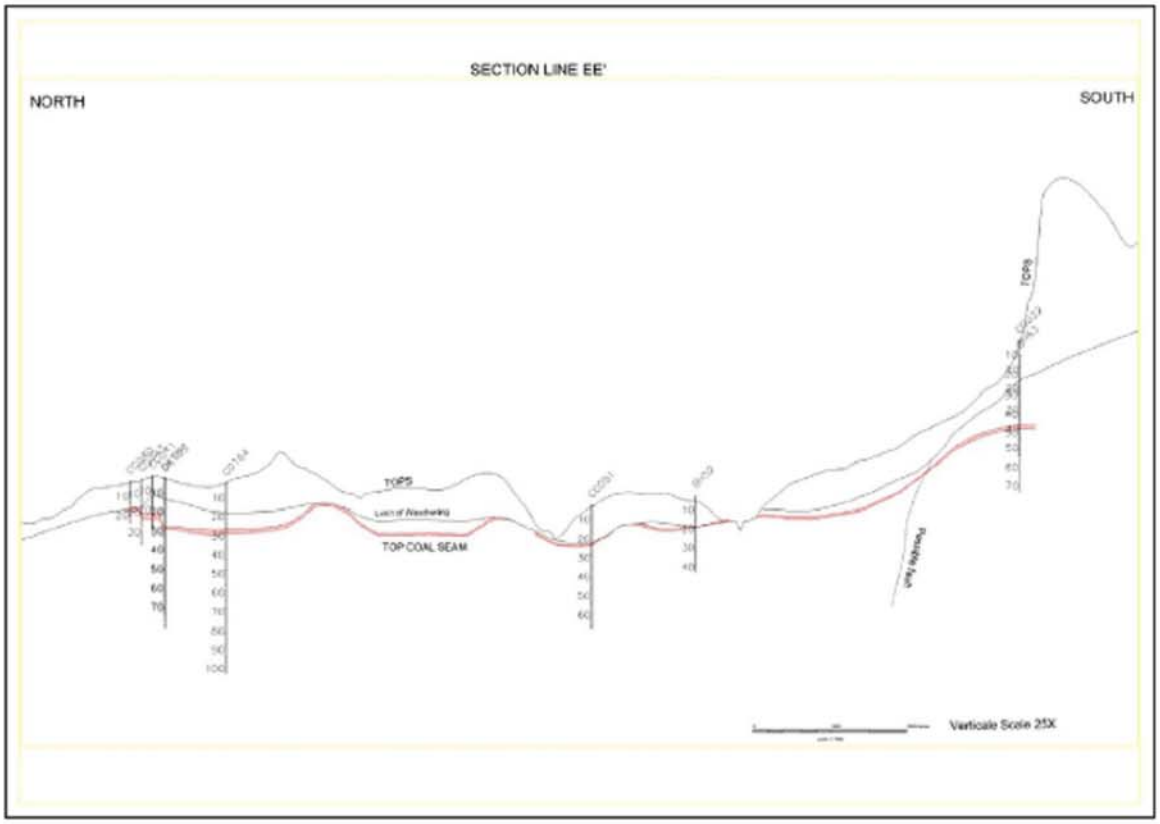


NS Cross Section E – E'

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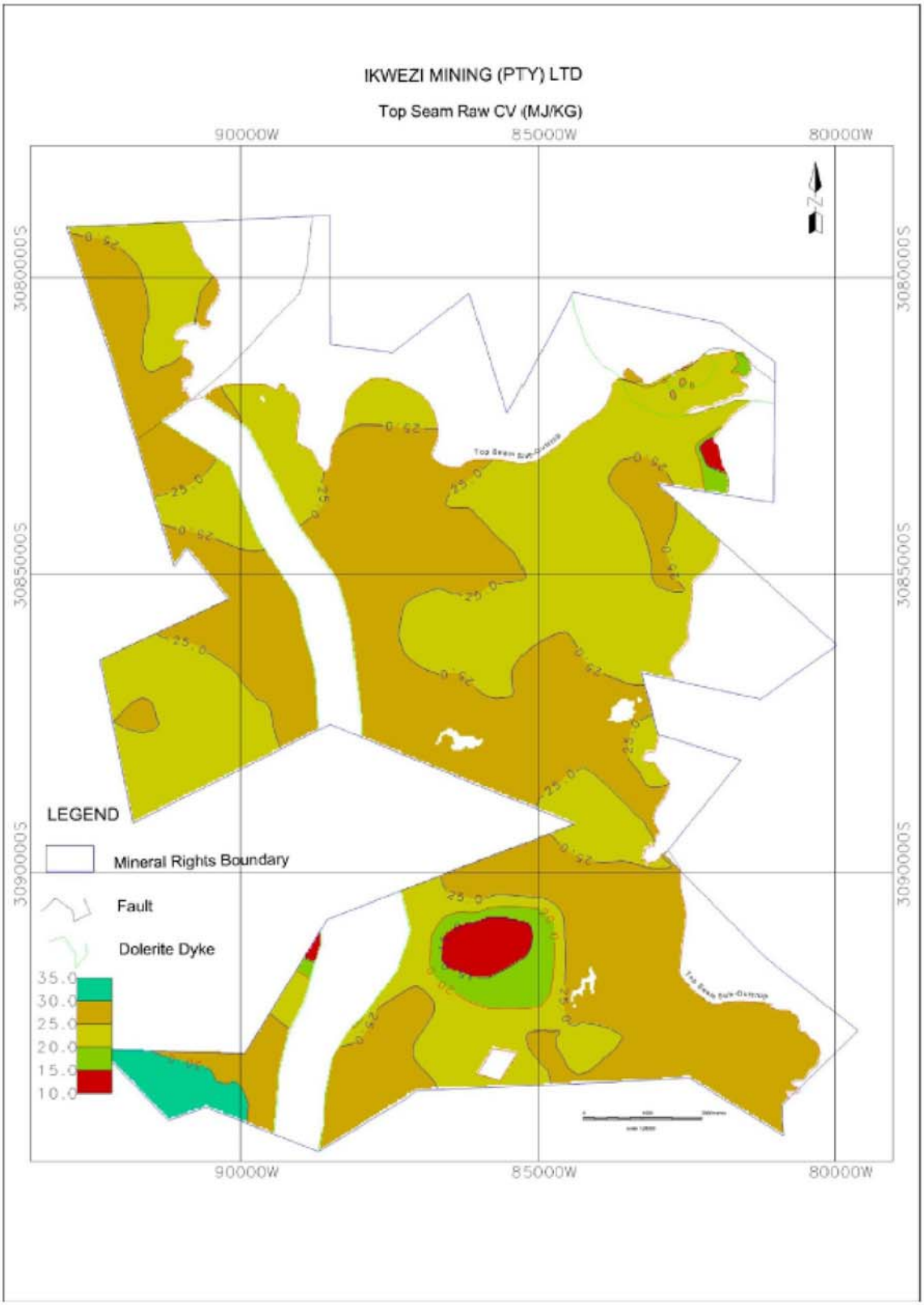


Top Seam - Raw CV Plan

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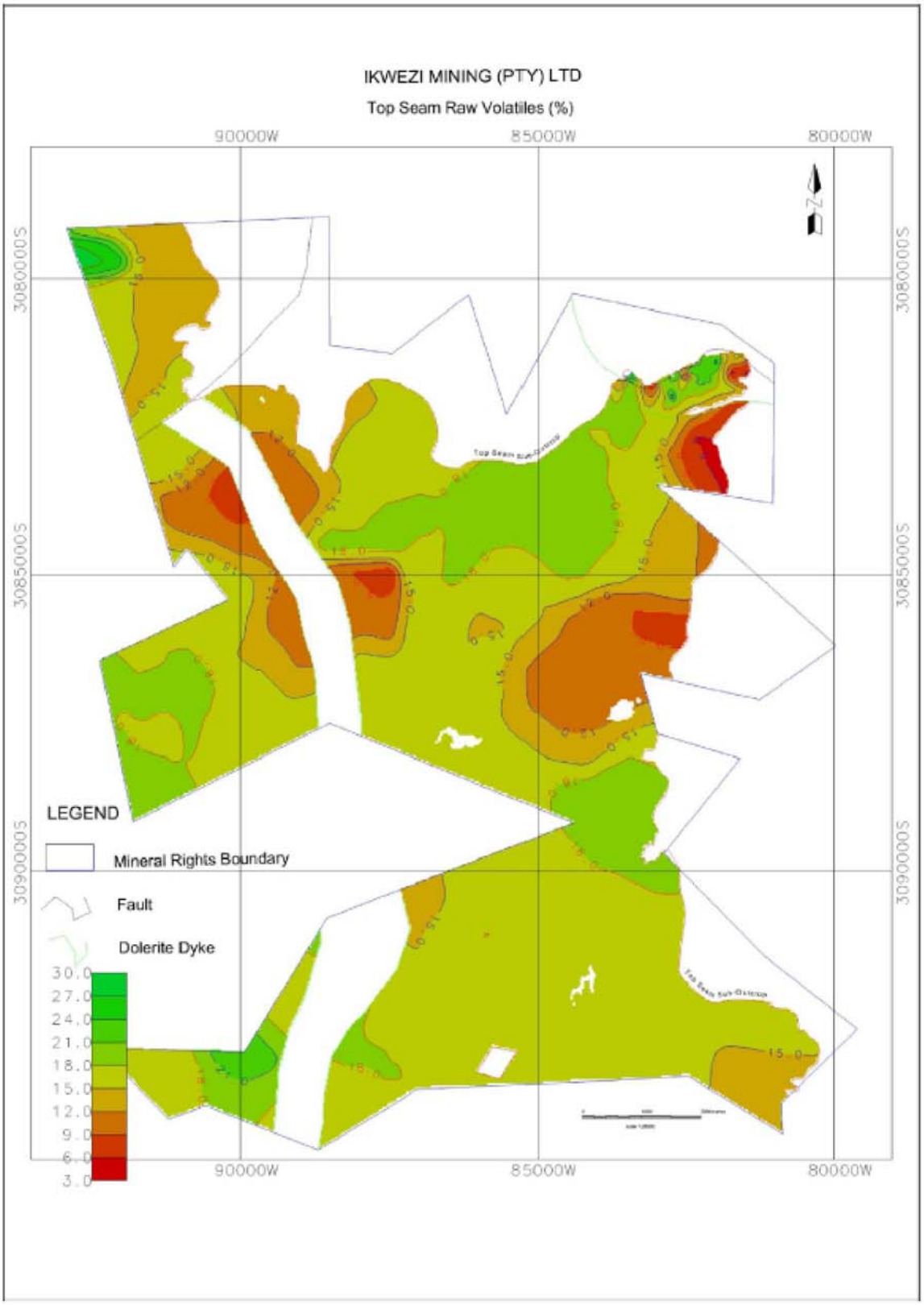


Top Seam - Raw Volatile Matter Plan

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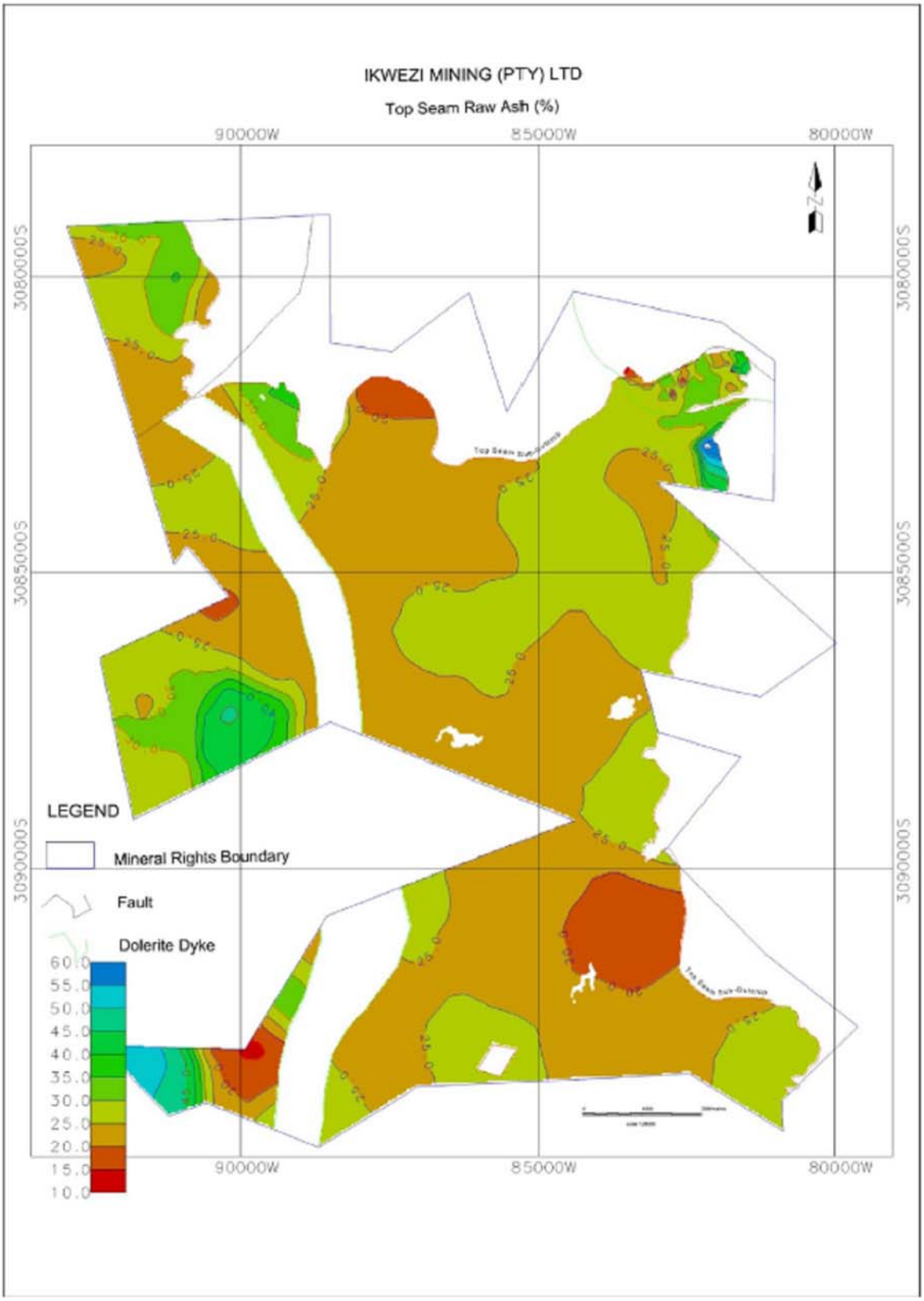


Top Seam - Raw Ash Content Plan

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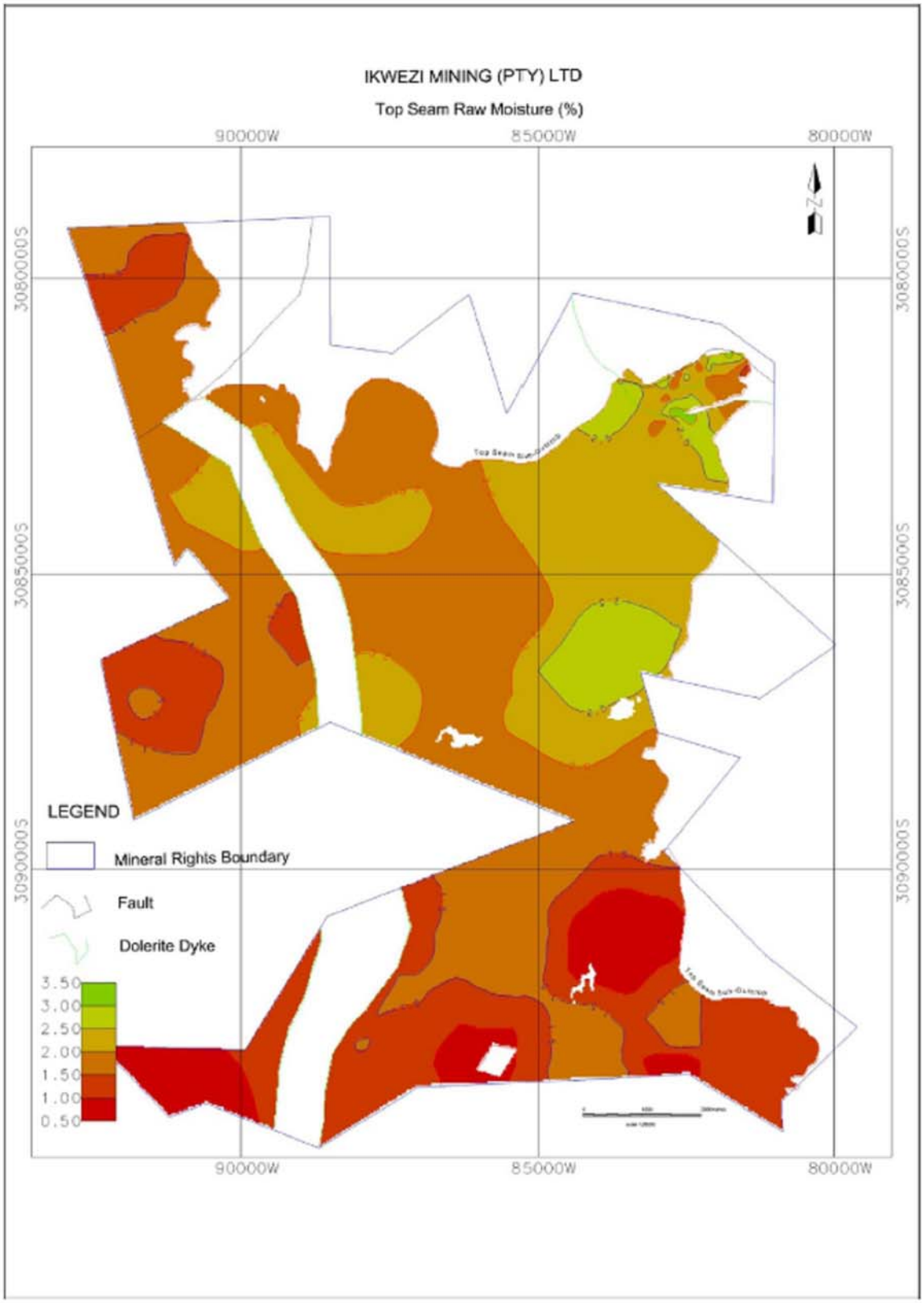


Top Seam - Raw Inherent Moisture Plan

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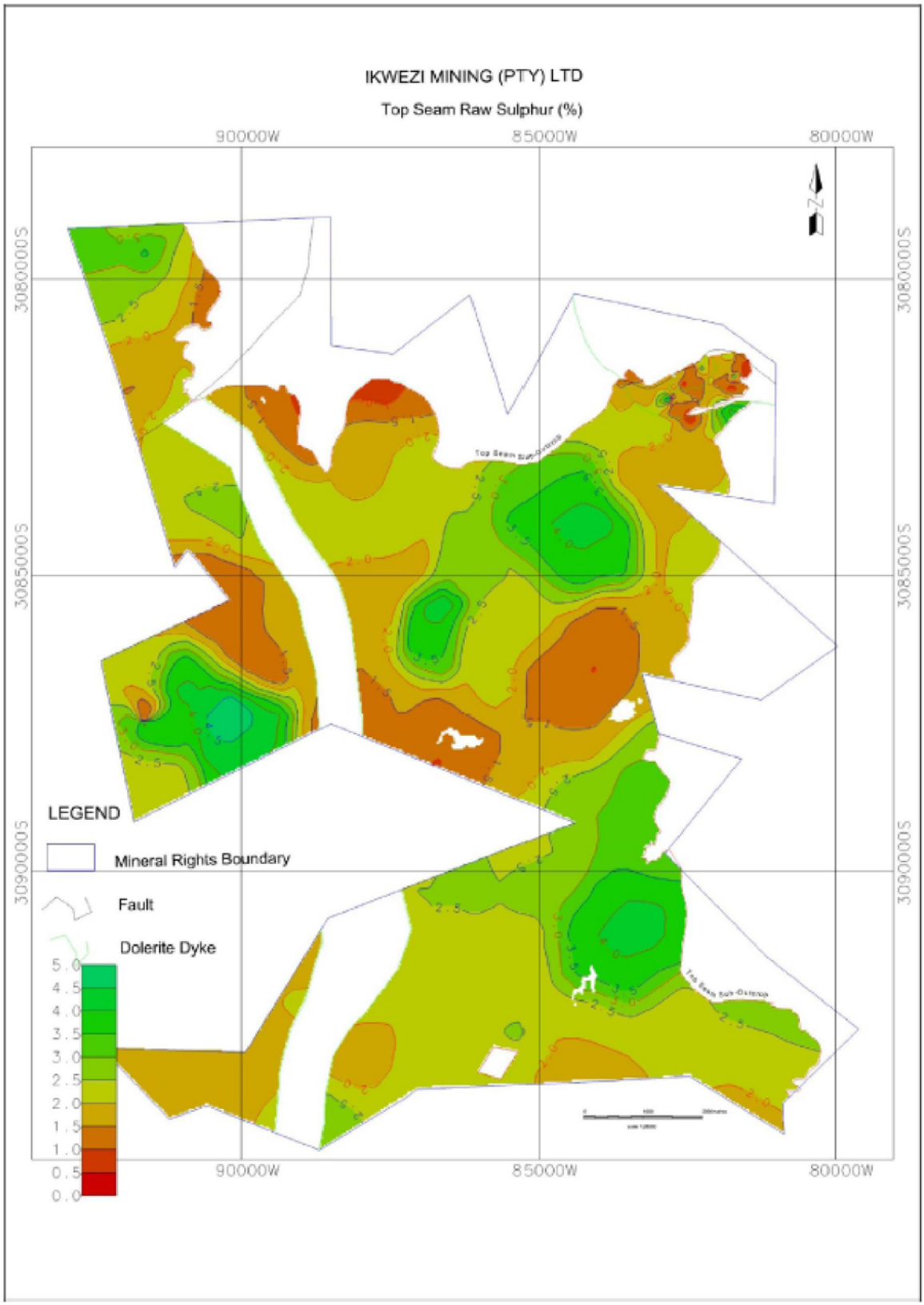


Top Seam - Raw Total Sulphur Plan

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# 8. FINANCIAL INFORMATION

## 8.1 Basis of Preparation of Financial Information

Ikwezi Mining Limited was incorporated on 2 May 2011.

This section contains historical financial information and pro forma financial information for Ikwezi Mining Limited. The historical financial information has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards and the accounting policies adopted by Ikwezi Mining Limited as detailed in Section 8 of this prospectus. The pro forma financial information has been derived from the historical financial information and assumes the completion of the pro forma adjustments as set out in Section 8.4, note 2 as if those adjustments had occurred as at 31 May 2011.

The financial information contained in this section of this prospectus is presented in an abbreviated form and does not contain all the disclosures that are provided in a financial report prepared in accordance with the Corporations Act and Australian Accounting Standards (including the Accounting Interpretations).

The historical financial information comprises:

- The unaudited consolidated statement of financial position of Ikwezi Mining Limited as at 31 May 2011;
- The unaudited consolidated statement of comprehensive income for the period 2 May 2011 to 31 May 2011; and
- The notes to the historical financial information.

The pro forma consolidated financial information comprises:

- The consolidated pro forma statement of financial position of Ikwezi Mining Limited as at 31 May 2011, prepared on the basis that the pro forma adjustments detailed in Section 8.4, note 2 had occurred on that date.
- The notes to the pro forma consolidated financial information.

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## 8.2 Statement of Financial Position

Set out below is the unaudited consolidated statement of financial position of Ikwezi Mining Limited and the pro forma consolidated statement of financial position as at 31 May 2011.

| | Notes | Historical Consolidated 31 May 2011 A$ | Pro forma Consolidated 31 May 2011 A$ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 3 | 2,900,207 | 30,998,367 |
| Other | 4 | 438,953 | 37,113 |
| **Total Current Assets** | | 3,339,160 | 31,035,480 |
| **Non-Current Assets** | | | |
| Exploration & evaluation assets | 5 | 1,261,990 | 1,261,990 |
| Property, Plant and Equipment | | 1,210 | 1,210 |
| **Total Non-Current Assets** | | 1,263,200 | 1,263,200 |
| **Total Assets** | | 4,602,360 | 32,298,680 |
| **Current Liabilities** | | | |
| Trade and other payables | 6 | 1,186,712 | 784,872 |
| Other | 7 | 522,325 | 522,325 |
| **Total Current Liabilities** | | 1,709,037 | 1,307,197 |
| **Total Liabilities** | | 1,709,037 | 1,307,197 |
| **Net Assets** | | 2,893,323 | 30,991,483 |
| **Equity** | | | |
| Issued Capital | 8 | 2,981,962 | 31,052,122 |
| Share based payment reserve | 10 | - | 140,000 |
| Accumulated losses | 11 | (149,885) | (261,885) |
| | | 2,832,077 | 30,930,237 |
| Equity amounts attributable to owners of the Company | | 2,832,077 | 30,930,237 |
| Non controlling interests | | 61,246 | 61,246 |
| **Total Equity** | | 2,893,323 | 30,991,483 |

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## 8.3 Statement of Comprehensive Income

Set out below is the unaudited consolidated statement of comprehensive income of Ikwezi Mining Limited for the period 2 May 2011 to 31 May 2011.

| | Historical Consolidated 31 May 2011 A$ |
|---|---|
| **Expenses:** | |
| Administration expenses | 149,885 |
| **Loss before income tax** | 149,885 |
| Income tax expense | - |
| **Loss after income tax** | 149,885 |

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## 8.4 Notes to the Financial Information

### 1. Summary of Significant Accounting Policies

The significant accounting policies that have been adopted in the preparation of the financial information are:

#### *(a) Basis of preparation*

The financial information has been prepared in accordance with the accounting policies described below.

The financial information has been prepared the using the accrual basis of accounting and is based on historical cost and does not take account of changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial information has been prepared on a going concern basis.

#### *(b) Principles of Consolidation*

The pro forma consolidated statement of financial position incorporates the assets and liabilities of the subsidiaries of Ikwezi Mining Limited as at 31 May 2011. Ikwezi Mining Limited and its subsidiaries together are referred to in the financial information as the Group or the consolidated entity.

The Group was formed following the acquisition of the Naledi Holdings group. The business combination included entities that were under common control in accordance with AASB 3 "*Business Combinations"* (AASB 3) as all of the combining entities were controlled by the same parties both before and after the business combination and that control was not transitory. Accordingly, the provisions of AASB 3 did not apply to the acquisition. The Group has determined to account for the common control combination based on the book values of the entities involved in the combination. The assets, liabilities and contingent liabilities of the combining entities were therefore stated at the book value at the date of acquisition being 16 May 2011. Refer Note 5 for further details of the acquisition.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible 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. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### *(c) Income tax*

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are

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therefore measured at the amounts expected to be paid / (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense is charged directly to equity instead of the Statement of Comprehensive Income when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted of substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

***(d) Impairment of Assets***

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

***(e) Exploration and evaluation expenditure***

Prospecting Rights are carried at cost, less accumulated impairment losses.

Mineral exploration is accumulated in respect of each identifiable area of interest. There costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest or sale of that area of interest, or where exploration and evaluation activities have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable Reserves and active or significant operations in or in relation to, the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the period in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest

are amortised over the life of the area according to the rate of depletion of the economically recoverable Reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

### *(f) Cash and Cash Equivalents*

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### *(g) Foreign Currency Transactions and Balances*

**Functional and Presentation Currency**

The functional currency of each of the entities in the consolidated entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

**Transactions and Balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical costs continue to be carried at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised directly in the income statement except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

**Translation**

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained profits are translated at the exchange rates prevailing at the date of the transaction.
- Exchange differences arising on translation of foreign operations are transferred directly to the foreign currency translation reserve in the statement of financial position.

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### *(h) Critical Accounting Estimates and Other Accounting Judgements*

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company is of the view that there are no critical accounting estimates and judgements in this financial information, other than accounting estimates and judgements in relation to the carrying value of mineral exploration and evaluation expenditure, refer note 1(e).

### *(i) Share-Based Payments*

The fair value determined at the grant date of equity-settled share-based payments is treated as the cost of assets acquired or expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. Vesting is not conditional upon a market condition. Options issued as part of a capital raising are taken to equity as a cost of capital. No asset or expense is recognised for share-based payments that do not vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

### *(j) Revenue recognition*

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

- Interest income is recognised as it accrues.

### *(k) Acquisitions of Assets*

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is the published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

***(l) Trade Creditors***

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

***(m) Issued Capital***

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

***(n) Goods and Service Tax (GST)***

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivable and payable are stated with the amount of GST included.

The net amount of GST payable to the taxation authority is included as part of payables in the Statement of Financial Position.

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## 2. Actual and Proposed Transactions to Arrive at Pro Forma Consolidated Statement of Financial Position (pro forma adjustments)

The pro forma consolidated statement of financial position has been included for illustrative purposes to reflect the position of Ikwezi Mining Limited on the assumption that the following transactions had occurred as at 31 May 2011:

(i) The issue pursuant to this prospectus of 150,000,000 ordinary shares at A$0.20 per share raising A$30,000,000 cash.

(ii) The payment and recognition in equity of share issue costs of A$1,929,840 in connection with the Offer as follows:

- A$1,500,000 in cash representing a 5% management and underwriting fee payable to Euroz Securities Limited;
- A$28,000 represented by the issue of 1,000,000 options to Euroz Securities Limited in their role as lead manager and underwriter (refer note 15);
- A$401,840 in cash representing legal and compliance costs, of which A$401,840 was incurred prior to 31 May 2011 and recorded as a current asset (other) and current payable.

(iii) The issuance of 4,000,000 options to employees of the Company in accordance with the Ikwezi Mining Option Plan valued at A$112,000 (refer note 15).

| | Historical Consolidated 31 May 2011 A$ | Pro forma Consolidated 31 May 2011 A$ |
|---|---|---|
| **3. Cash** | | |
| Cash at bank and on hand | 2,900,207 | 30,998,367 |
| **Adjustments arising in the preparation of the pro forma cash balance are summarised as follows:** | | |
| Actual balance as at 31 May 2011 | | 2,900,207 |
| Issue of 150,000,000 fully paid shares at A$0.20 per share | | 30,000,000 |
| Management and underwriting fee payable to Euroz Securities Limited | | (1,500,000) |
| Share issue costs represented by legal and compliance costs | | (401,840) |
| | | 30,998,367 |

The pro forma consolidated cash balance has been prepared on the basis that the minimum subscription of A$30,000,000 is raised.

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| | Historical Consolidated 31 May 2011 A$ | Pro forma Consolidated 31 May 2011 A$ |
|---|---|---|
| **4. Other – Current** | | |
| Other – VAT receivable | 26,320 | 26,320 |
| Prospecting right deposit | 10,793 | 10,793 |
| Capital raising costs | 401,840 | - |
| | 438,953 | 37,113 |
| **5. Exploration & Evaluation – Non-Current** | | |
| Exploration and Evaluation costs | 1,261,990 | 1,261,990 |
| Exploration and evaluation expenditure | 1,261,990 | 1,261,990 |

On 16 May 2011 Ikwezi Mining Limited purchased various coal projects located in South Africa. The purchase included the acquisition of the Naledi Holdings group which holds the project and related exploration tenements through its wholly owned subsidiary located in South Africa. The total consideration for the acquisition was 169,000,000 shares in Ikwezi Mining Limited. This transaction has been accounted for as an asset acquisition, and accordingly the value attributable to the shares issued is equivalent to the net assets of the acquired company Naledi Holdings, being A$121,962.

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on successful development and commercial exploitation or sale of the respective exploration areas.

Exploration and evaluation expenditure is assessed for impairment by the directors when facts and circumstances suggest that the carrying amount exceeds the future economic benefit that maybe recovered from the asset. The assessment is performed when the above occur and at every reporting date.

| | | |
|---|---|---|
| **6. Payables – Current** | | |
| Trade and other payables | 1,186,712 | 784,872 |
| **7. Other – Current Liabilities** | | |
| Loans – related parties | 522,325 | 522,325 |

The above loans are from our BEE Partner, Ikwezi Mining Holdings (Proprietary) Limited to the Company and are unsecured, non interest bearing and have no fixed repayment terms. There is an expectation these loans will be settled in the next 12 months.

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## 8. Issued Capital

| Ordinary shares fully paid | Number |
|---|---|
| Ordinary issued and paid up share capital: | |
| Shares issued 2 May 2011 – Incorporation | 1,000,000 |
| Shares issued 16 May 2011 – Asset acquisition | 169,000,000 |
| Shares issued 27 May 2011 – Seed capital | 18,750,000 |
| Shares issued pursuant to the prospectus | 150,000,000 |
| | 338,750,000 |

| Ordinary shares fully paid | A$ |
|---|---|
| Ordinary issued and paid up share capital: | |
| Shares issued 2 May 2011 – Incorporation | 10,000 |
| Shares issued 16 May 2011 – Asset acquisition | 121,962 |
| Shares issued 27 May 2011 – Seed capital | 3,000,000 |
| Share raising costs – Seed capital | (150,000) |
| | 2,981,962 |
| Shares issued pursuant to the prospectus | 30,000,000 |
| Share raising costs | (1,929,840) |
| | 31,052,122 |

## 9. Unlisted Options

The Company has on issue unlisted options, to subscribe for Ordinary shares, the details of which are disclosed at Section 11.9 in this prospectus. The reconciliation for the issue of these options is as follows:

| Options | Historical Consolidated 31 May 2011 Number | Pro forma Consolidated 31 May 2011 Number |
|---|---|---|
| Opening balance as at 2 May 2011 | - | - |
| Options to be issued to employees (refer to note 15) | - | 4,000,000 |
| Options to be issued to Euroz Securities Limited (refer to note 15) | - | 1,000,000 |
| | - | 5,000,000 |

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| | Historical Consolidated 31 May 2011 A$ | Pro forma Consolidated 31 May 2011 A$ |
|---|---|---|
| **10. Reserves** | | |
| Share based payment reserve (refer to note 15) | - | 140,000 |
| **11. Accumulated Losses** | | |
| Accumulated losses | 149,885 | 261,885 |

Movement represented by options issued to directors of the Company. Refer to note 15 for further detail.

## 12. Related Party Disclosure

***Directors***

The Directors in office as at the date of this prospectus are:

Mr Simon Hewetson – Non Executive Director and Chairman
Mr David Pile – Executive Director and Managing Director
Mr Ranaldo Anthony – Executive Director

***Directors' Interests in Shares and Options***

The aggregate number of Shares and Options of the Company held by Directors and their related entities at 31 May 2011:

| | Number of Shares | Number of Options |
|---|---|---|
| Mr David Pile[1] | - | 2,000,000 |
| Mr Simon Hewetson [1] | - | - |
| Mr Ranaldo Anthony | - | 2,000,000 |

[1] Mr David Pile and Mr Simon Hewetson each have a beneficial interest, whether held directly or indirectly, in 170,000,000 shares of the Company.

***Transactions with Directors***

During the period there have been no transactions with directors of the Company.

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## 12. Related Party Disclosure (continued)

***Directors' Remuneration***

The Company has entered into an Executive Service Agreement with Mr David Pile as Managing Director as detailed in 6.4 of the prospectus. Mr David Pile will receive an annual salary of A$320,000 (excluding statutory superannuation).

The Company has entered into an Executive Service Agreement with Mr Ranaldo Anthony as detailed in 6.4 of the prospectus. Mr Ranaldo Anthony will receive an annual salary of A$280,000 (excluding statutory superannuation).

Mr Simon Hewetson as Chairman and Non-Executive Director will receive no annual salary.

**Wholly Owned Group**

The wholly-owned group after listing will consist of Ikwezi Mining Limited, the parent entity, and the following entities:

| | | |
|---|---|---|
| Naledi Holdings Ltd | Mauritius | 100% |
| Naledi Investments Ltd | Mauritius | 100% |
| Ikwezi Mining Services Pty Ltd | Australia | 100% |
| Ikwezi Management Services (Pty) Ltd | South Africa | 70% |
| Ikwezi Mining (Pty) Ltd | South Africa | 70% |
| Bokamaso (Pty) Ltd | South Africa | 60% |

## 13. Commitments

***Exploration commitments***

In order to maintain current rights of tenure to Prospecting Rights in which the Company is involved, the Company is committed to meet the conditions under which the rights were granted. The Company is required to perform minimum exploration work to meet requirements that arise from the contracts with the underlying owners of the mining properties. These obligations are subject to negotiation when application for a Prospecting Right is made and at other times.

The Company will be able to withdraw from these agreements at any time without penalty, thus terminating these obligations.

The Prospecting Rights also require the company to provide a pecuniary financial provision to rehabilitate the areas disturbed by prospecting activities. The Company has provided financial guarantees to certain regulatory bodies which are secured over cash held by the Company. The total value of these guarantees is A$10,767 and is disclosed as a Prospecting Rights deposit, refer to note 4.

***Operating lease commitments***

The Company has no operating lease commitments.

The Company has an arrangement with Ergomode Services (Pty) Ltd, a company in which our Chairman, Simon Hewetson has beneficial interests, by which the Company is on-charged the cost of the use of office premises and equipment in Johannesburg, the details of which are disclosed in section 12.9 of the prospectus.

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## 14. Contingent Assets and Liabilities

There are no material contingent assets or liabilities existing at 31 May 2011.

## 15. Equity Based Transactions

Euroz Securities Limited will receive 1,000,000 options exercisable at A$0.30 on or before 31 December 2012 in accordance with the agreement to act as Lead Manager and Underwriter of the Capital Raising. The value (A$28,000) of the options is included as a transaction cost of the issue and accounted for in issued capital in the pro forma consolidated statement of financial position on issue.

Directors of the Company will receive 4,000,000 options exercisable at A$0.30 on or before 31 December 2012 in accordance with the Ikwezi Mining Option Plan. The value of the director's options (A$112,000) will be charged to the statement of comprehensive income on issue.

All of the options (A$140,000) are included in the share based payments reserve.

Using the Black-Scholes option valuation methodology the fair value of the lead manager and underwriter's and director's options was calculated.

The following inputs were used:

| Input | Options |
|---|---|
| Share price | A$0.20 |
| Exercise price | $0.30 |
| Expected volatility | 60% |
| Expiry date | 31/12/2012 |
| Expected dividends | Nil |
| Risk free interest rate | 4.85% |
| Value per option | A$0.028 |
| Number of options | 5,000,000 |
| Value of options | A$140,000 |

## 16. Subsequent Events

There are no material subsequent events.

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# 9. INVESTIGATING ACCOUNTANT'S REPORT

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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15 June 2011

The Directors
Ikwezi Mining Limited
Clarendon House
2 Church Street
Hamilton HMII Bermuda

Dear Sirs

**Investigating Accountants' Report**

## 1. Introduction

The Directors of Ikwezi Mining Limited (Ikwezi or the Company) have requested Deloitte Touche Tohmatsu (Deloitte) to prepare an Investigating Accountants' Report (Report) for inclusion in a prospectus to be issued by Ikwezi (Prospectus), in respect of the offering of shares in the Company (the Capital Raising).

All the terms used in this Report have the same meaning as the terms used and defined in the Prospectus unless otherwise defined in this Report.

## 2. HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

Deloitte has been engaged by the Directors of Ikwezi to prepare a Report covering the following financial information:

### 2.1 Historical and Pro Forma Financial Information

The historical and pro forma financial information presented in Section 8 of the Prospectus comprises:

(i) The unaudited consolidated historical statement of financial position of Ikwezi as at 31 May 2011;
(ii) The unaudited consolidated statement of comprehensive income of Ikwezi for the period 2 May 2011 to 31 May 2011;
(iii) The consolidated pro forma statement of financial position of Ikwezi as at 31 May 2011, prepared on the basis that the pro forma adjustments detailed in Note 2, had occurred on that date.
(iv) The pro forma adjustments set out in Section 8 of the Prospectus (pro forma adjustments); and
(v) Accompanying notes

collectively referred to as the Financial Information for the purposes of this Report.

### 2.2 Responsibility for the Financial Information

The Directors of Ikwezi are responsible for the preparation and presentation of the Financial Information (including the determination of the pro forma adjustments) set out in Section 8 of the Prospectus.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

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The Financial Information has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates, for any purpose other than that for which it was prepared.

The Financial Information is presented in summarised form in that it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

**3. Scope**

We have reviewed the Financial Information set out in Section 8 of the Prospectus in order to report whether anything has come to our attention which causes us to believe that the Financial Information is not presented fairly in accordance with the basis of preparation as described in Section 8 of the Prospectus.

Our review has been conducted in accordance with Australian Standard on Review Engagements ASRE 2405 "Review of Historical Financial Information Other than a Financial Report". We have made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- Analytical procedures on the Financial Information;
- A review of workpapers, accounting records and other documents;
- A review of the Pro Forma Adjustments and the assumptions on which they are based as described in Section 8 of the Prospectus;
- A review of the application of the recognition and measurement principles in Australian Accounting Standards and the accounting policies adopted by Ikwezi as disclosed in Section 8 of the Prospectus; and
- Enquiry of the Directors and management of Ikwezi.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. For the purposes of this Report, we have not performed an audit and, accordingly, we do not express an audit opinion on the Financial Information.

**4. Review Statements**

Based on the scope of our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information as set out in Section 8 of the Prospectus is not presented fairly in accordance with the basis of preparation as described in Section 8 of the Prospectus.

Based on the scope of our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Financial Information and the pro forma adjustments as set out in Section 8 of the Prospectus are not presented fairly in accordance with the basis of preparation as described in Section 8 of the Prospectus.

**5. Subsequent Events**

Apart from the matters dealt with in this Report, and having regard for the scope of our Report, nothing has come to our attention that would cause us to believe that matters arising after 31 May 2011, other than matters dealt with in Section 8 of the Prospectus, would require comment on, or adjustments to, the information contained in Section 8 of the Prospectus, or would cause such information to be misleading or deceptive.

**6. Independence and Disclosure of Interest**

Deloitte Touche Tohmatsu does not have any interest in the outcome of the Offer other than the preparation of this Report and other related services in relation to the Offer for which normal professional fees will be received.

Deloitte.

## 7. Consent

Deloitte Touche Tohmatsu has consented to the inclusion of this Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, Deloitte Touche Tohmatsu makes no representation regarding, and takes no responsibility for, any other documents or material in, or omissions from, the Prospectus.

Yours faithfully

Deloitte Touche Tohmatsu

**DELOITTE TOUCHE TOHMATSU**

**Ross Jerrard**
Partner
Chartered Accountants

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## 10. OPINION ON MINING TITLE

TABACKS
CORPORATE LAW ADVISORS

**Our Ref** **NALE1-EB1**
**Mr C I Stevens**

**Date** **1 June 2011**

The Directors
Ikwezi Mining Limited
c/o Codan Services Limited
Clarendon House
2 Church Street
Hamilton
HM 11
Bermuda

Dear Sirs

**TITLE HELD BY IKWEZI MINING (PROPRIETARY) LIMITED AND BOKAMOSO RESOURCES (PROPRIETARY) LIMITED**

**1. Introduction**

1.1 We have acted as South African counsel to Ikwezi Mining Limited ("**Ikwezi**") in relation to furnishing a title opinion of the mineral titles held and applied for by Ikwezi and its Group in South Africa in connection with Ikwezi's proposed IPO and admission to the Australian Securities Exchange (**"the Transaction"**).

1.2 We confirm that we were requested, in connection with the Transaction, to provide the above addressees with a title opinion (the "**Opinion**") as of the date hereof on Ikwezi Group's rights to prospect in respect of its South African Newcastle, Newcastle Phase 2 and Acorn Projects.

Taback and Associates (Proprietary) Limited Reg No 2000/010434/07
13 Eton Road Parktown 2193 Johannesburg South Africa PO Box 3334 Houghton 2041 Johannesburg South Africa
Docex 375 Johannesburg Tel +27 (0)11 358-7700 Fax +27 (0)11 358-7800 Website www.tabacks.com
Directors M Aphiri D Band CM Keene CI Stevens M Taback E van Biljon L van Staden St E Wilken
Associates KJ Comline DJ Kriel TL Makhetha F Paton APJ Wilson
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1.3 We have examined such documents as we have considered necessary for the purposes of giving this Opinion including executed copies of new order prospecting rights granted to Ikwezi Mining (Proprietary) Limited ("**Ikwezi Mining**") and Bokamoso Resources (Proprietary) Limited ("**Bokamoso**") companies within the Ikwezi Group.

1.4 We have also examined such other documents, and conducted such searches and made such title investigations and other enquiries as we have considered necessary or relevant in order for us to provide this Opinion.

## 2. Qualifications and assumptions

2.1 Our Opinion is subject to the limitations that:

2.1.1 we are only qualified to practice law in South Africa and do not express any opinions in this Opinion concerning any laws other than the current laws of South Africa;

2.1.2 we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to authentic original documents of all documents submitted to us as certified, confirmed, or photocopies of such original documents;

2.1.3 we have assumed that all agreements and other documents submitted to us have been properly executed and, other than where it is indicated in this Opinion that we have performed independent verification, that the signatories thereto had the necessary legal capacity to execute them.



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## 3. Opinion

3.1 We are of the opinion that:

3.1.1 Ikwezi Mining and Bokamoso each hold prospecting rights validly granted to and executed in the name of Ikwezi Mining and Bokamoso respectively in terms of section 17 of the Mineral and Petroleum Resources Development Act 28 of 2002 ("**MPRDA**") in respect of the area covered by the prospecting rights identified in paragraphs 4.3, 4.4 and 4.5 (the "**Prospecting Rights**").

3.1.2 The Prospecting Rights confer on each of Ikwezi Mining and Bokamoso the exclusive right to apply for a mining right in relation to the area covered thereby and we see no reason why Ikwezi Mining and Bokamoso would not be entitled to obtain mining rights over the area covered by the Prospecting Rights, subject to compliance with the provisions of sections 22 and 23 the MPRDA relating to the application for and grant of new order mining rights.

3.1.3 Ikwezi Mining has applied for a mining right for coal in terms of section 22 MPRDA in respect of the area covered by the prospecting rights identified in 4.3 hereof (the "**Application**").

3.1.4 The Prospecting Rights are in full force and effect and the Application has been accepted.

3.1.5 Ikwezi Mining and Bokamoso have good, marketable, unchallenged and unencumbered title to the Prospecting Rights.



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3.1.6 The Prospecting Rights cover the mineral coal.

3.1.7 The Prospecting Rights endure until 7 April 2014 in the case of Ikwezi Mining and 28 January 2015 and 17 January 2016 in the case of Bokamoso subject to Ikwezi' Mining's and Bokamoso's right to renew the Prospecting Rights for up to 3 (THREE) years in terms of section 18 of the MPRDA subject to compliance with the requirements for renewal set out in section 18 of the MPRDA.

3.2 We are of the further opinion that:

3.2.1 No action has been taken by the Minister of Mineral Resources (the "**Minister**") or the Department of Mineral Resources ("DMR") with regard to the breach of any of the terms of any of the Prospecting Rights.

3.2.2 The Minister and the DMR have not at the date of this Opinion, imposed any additional conditions in relation to any of the Prospecting Rights other than in terms of the MPRDA.

3.2.3 There are no disputes with any third parties in relation to the titles or rights to the Prospecting Rights held by Ikwezi Mining and Bokamoso.

3.2.4 Other than the written consent of the Minister, no consent is required from any other party in order to assign or transfer the rights and obligations of Ikwezi Mining and Bokamoso under the Prospecting Rights and, accordingly, Ikwezi Mining and Bokamoso are free to nominate any party they may so choose for the purposes of making any such assignment or transfer.



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3.2.5 The Prospecting Rights and the MPRDA do contain change of control provisions which could lead to adverse consequences if any transaction does constitute a change of control without the consent of the Minister under section 11 of the MPRDA, provided that such consent is not required if the change of control occurs at the level of a listed entity (which will include an entity listed on the Australian Securities Exchange). We do not consider that the Transaction constitutes a change of control under these provisions.

3.2.6 Ikwezi Mining and Bokamoso hold valid surface rights that are sufficient to enable them to conduct uninterrupted prospecting activities on the surface of the areas covered by the Prospecting Rights identified in paragraphs 4.3, 4.4 and 4.5 below by virtue of the provisions of section 5(3) of the MPRDA.

3.2.7 There exists no litigation or potential or threatened litigation which affects or could affect the surface rights referred to in paragraph 4.6 of Ikwezi Mining or Bokamoso.

3.2.8 There is no evidence from the searches we have conducted and the documents we have inspected that Ikwezi Mining and Bokamoso have granted any royalty or similar rights in respect of the Prospecting Rights to third parties.

3.3 We are further of the opinion that as a result of the holding by Ikwezi Holdings (Proprietary) Limited of a 30% shareholding in Ikwezi Mining and as a result of Maroo Holdings (Proprietary) Limited and Ikwezi Holdings (Proprietary) Limited holding a 15% and 25% shareholding in Bokamoso respectively, Ikwezi Mining and Bokamoso both comply with current Black Economic Empowerment ("BEE") requirements under

prevailing BEE legislation in South Africa for the obtaining of a mining right over the areas identified in 4.3, 4.4 and 4.5 (including, without limitation, under the MPRDA, the BEE Codes of Good Practice and the Mining Charter (as amended), as contemplated by the Broad-based Black Economic Empowerment Act 53 of 2003).

## 4. Background to opinion

4.1 Definitions.

In this Opinion, the following terms and phrases have the following corresponding meanings:

4.1.1 "**rights to prospect**" means valid prospecting rights granted under the MPRDA.

4.1.2 "**mining rights**" means rights granted pursuant to Section 23(1) of the MPRDA and any renewal thereof.

4.1.3 "**prospecting rights**" means rights granted pursuant to Section 17(1) of the MPRDA and any renewal thereof.

4.2 Prospecting and Mining Rights.

The MPRDA vests in the State all mineral and petroleum resources within State boundaries. Prior to the MPRDA, some minerals were privately owned and others granted by the State; some were severed from surface rights, while others were not; some were governed by the common law, while others were governed by the Minerals Act or other statutes. This gave rise to a complex ownership of minerals within the country and required a transition process to convert these rights to rights under the





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MPRDA. Under the MPRDA however, rights to prospect are granted by the State to applicants under sections 16 and 17 of the MPRDA. Rights to mine are granted by the State to applicants under sections 22 and 23 of the MPRDA. Holders of prospecting rights have the exclusive right to apply for and be granted a mining right.

4.3 **Prospecting Right KZN 30/5/1/1/2/107 PR ("Newcastle Project")**

4.3.1 On 8 April 2009, Ikwezi Mining was granted a prospecting right in terms of section 17 of the MPRDA by the Department of Mineral Resources (Kwazulu-Natal Region) ("DMR") to prospect for coal in, on or under the farms: Doornsluiten 4366, Struisvogel Kop 4275, Omdraai 3855, Kromdraai 8626, Goedehoop 3857, Kliprand 8627, A of Rooipoort 10745, B of Rooipoort 7545, Braakwater 7910, Ironstone Brae 8597, Shepstone Lake 13760, Kaalvlakte 7496, Cloneen 7591, Drangan 8844, Droogeplaats 7681, Annie 8798 and Alleen 2 4280, all situated in the Magisterial District of Utrecht, Kwazulu-Natal Province. The Prospecting Right covers an area of 12,181.17 hectares, was notarially executed on 8 April 2009 and registered at the Mineral and Petroleum Titles Registration Office ("MPTRO") on 5 November 2009 and filed under MPT No. 389/2009(PR). The Prospecting Right is valid for a period of 5 years and will expire on 7 April 2014.

4.3.2 According to Appendix "B6" of the original prospecting work programme the total estimated exploration costs in respect of the Prospecting Right amounts to R2,102,500. However, a revised prospecting works programme provides for a total exploration budget of R5,718,150 for the 5 year prospecting period.



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4.3.3 In terms of the Environmental Management Plan dated 12 July 2006 and approved by the DMR on 8 April 2009, the total estimated costs for the rehabilitation of damage caused by the prospecting operations both by sudden closure during the normal operation of the project and at final planned closure amounts to R79,000. A financial guarantee for such rehabilitation in terms of section 41 of the MPRDA has been provided to the DMR.

4.3.4 Ikwezi Mining applied in terms of section 22 of the MPRDA for a mining right in respect of all the farm areas covered under the Prospecting Right, which application was accepted by the DMR on 12 January 2011 under DMR reference KZN 30/5/1/2/2/297MR. The application in respect of the mining right is still being processed by the DMR. We do note that the mining right application includes a property known as Buhle Bomzinyathi 17495 HT, which was not part of the Prospecting Right. Buhle Bomzinyathi 17495 H.T. is a consolidation of the farms Braakwater South of Braakwater 7910, Ironstone Brae 8597 and Shepstone Lake 13760. The mining right application thus covered all of the farms included in the prospecting right. In terms of the letter of acceptance in terms of section 22 of the MPRDA, Ikwezi Mining had to submit a scoping report, an environmental impact assessment and environmental management programme and notify and in writing consult with the landowners or lawful occupiers and submit the results thereof. The letter of acceptance does state that the application will be processed and decided on or no later than 12 October 2011. That time period would be dependent upon Ikwezi Mining having complied with all of the requirements of the letter of acceptance. To date Ikwezi Mining has submitted its scoping report, provisional EIA and a report on its consultations with interested and affected parties.



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4.3.5 No further section 11 consent would be required as a result of the listing process as the ultimate controlling shareholder will remain the same after the listing of Ikwezi.

4.3.6 Ikwezi Mining is up to date with the payment of prospecting fees as required in terms of the regulations in force under the MPRDA and has submitted the annual progress reports referred to in regulation 8 in force under the MPRDA for 2010 and 2011.

**4.4 Prospecting Right KZN 30/5/1/1/2/387 PR ("Newcastle Phase 2 Project")**

4.4.1 On 29 January 2010, Bokamoso was granted a Prospecting Right in terms of section 17 of the MPRDA by the DMR (Kwazulu-Natal Region) to prospect for coal in, on and under the farms Irondale 15935, Lennox 2395, Huddersfield 3319, Lerryn 8602, Mosswan 14807, Hayfield 9722 and Springfield 9753, all situated in the Magisterial District of Umzinyathi, Kwazulu-Natal Province. The Prospecting Right covers an area of 4,664.2447 hectares and was notarially executed on 29 January 2010. The Prospecting Right is valid for a period of 5 years and will expire on 28 January 2015. The Prospecting Right was lodged for registration at the MPTRO and still has not been registered due to discrepancies in respect of the property description on the Prospecting Right, the power of attorney and the sketch plan. The discrepancies are currently in the process of being rectified by Stead Attorneys. The lack of registration does not affect the validity of the right. The obligation is on the holder of a right to lodge the right within 30 days, which it has duly done.



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4.4.2 The total estimated exploration costs according to the prospecting work programme in respect of the Prospecting Right amounts to R6 399 960.

4.4.3 A copy of the approved EMP has been attached to the due diligence documents and after a perusal thereof appears to be in compliance with statutory requirements and duly approved.

4.4.4 Specifically in regard to the provisions relating to sections 2(d) and (f) of the MPRDA relating to empowerment, Bokamoso is bound by the provisions of an agreement dated 15 October 2008. Please refer to paragraph 4.5.4 below.

4.4.5 We have been given proof that the first year's prospecting fees have been paid. No regulation 8 report has been furnished for the first year as no drilling was done for the first 12 months.

4.4.6 The DMR conducted a site inspection and compliance meeting on 8 October 2010. The DMR sent Bokamoso a letter dated 23 December 2010 confirming that the Department was satisfied with Bokamoso's compliance of the terms and conditions of the prospecting right and the MPRDA.

4.4.7 A restructuring of Bokamoso recently occurred to bring Bokamoso formally under the Naledi Investments / Ikwezi Holdings shareholding. We are of the view that no section 11 approval was required as the ultimate controlling shareholder remained the same after that restructure. We are also of the opinion that the restructuring complies with the provisions relating to sections 2(d) and (f) of the MPRDA relating to empowerment, and Bokamoso's agreement dated 15 October 2008 requiring that the BEE shareholding remained the same.



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4.4.8 Our comments in paragraph 4.3.5 above relating to whether a further section 11 consent is required would apply *mutatis mutandis* to the listing in the case of Bokamoso in that Naledi is the controlling shareholder currently in Bokamoso.

4.5 **Prospecting Right GP 30/5/1/1/2/550 PR ("Acorn Project")**

4.5.1 On 18 January 2011, Bokamoso was granted a prospecting right in terms of section 17 of the MPRDA by the DMR (Gauteng Region), to prospect for coal, in on or under portions of the farms Rooikop 181 J.R., Bezuidenhoutskraal 166 J.R. (excluding portion 5), Melkhoutfontein 183 J.R., Leeuwkraal 184 J.R., Klopperdam 187 J.R. (excluding portions 6, 7, 15 and the remaining extent of portion 1), all situated in the Magisterial District of Cullinan, Gauteng Province. The Prospecting Right covers an area of 20,758.3351 hectares and was notarially executed on 18 January 2011. The Prospecting Right is valid for a period of 5 years and will expire on 17 January 2016. The Prospecting Right was timeously lodged for registration at the MPTRO on 1 February 2011 and still has not been registered due to an error in respect of the property description on the power of attorney, which error is still the process of being rectified by Stead Attorneys. The lack of registration does not affect the validity of the prospecting right.

4.5.2 The total estimated exploration costs in respect of the Prospecting Right amounts to R7,661,700.



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4.5.3 A copy of the approved EMP has been attached to the due diligence documents and after a perusal thereof appears to be in compliance with statutory requirements and duly approved.

4.5.4 A restructuring of Bokamoso recently occurred to bring Bokamoso formally under the Naledi Investments / Ikwezi Holdings shareholding. We are of the view that no section 11 approval was required as the ultimate controlling shareholder remained after that restructure. We are also of the opinion that the restructuring complies with the provisions relating to sections 2(d) and (f) of the MPRDA relating to empowerment, and Bokamoso's agreement dated 15 October 2008 requiring that the BEE shareholding remained the same.

4.5.5 In regard to Ikwezi Holdings, it is an HDSA as defined in the Charter as 51% of the shareholding is held by Shanthini Kesaru – Anthony, who is an HDSA. Maroo (100% held by Tina Tsekeli) is furthermore an HDSA entity as defined in the Charter.

4.6 **Surface use**

Whilst negotiations are under way with certain surface right owners in relation to the properties which are covered by these prospecting rights, which are the subject of the report, especially for the key land which will be needed for the first phase of planned mining operations and the building of the wash plant, no agreements have been entered into with any surface owners at present. The holders of the prospecting rights (and once Ikwezi Mining holds a mining right), will have the rights set out in section 5(3) of the MPRDA, which are extensive, and encompasses all surface rights relating to

prospecting and mining, save that the holder has to compensate the surface owner for actual loss or damage suffered by the surface owner as a result of prospecting or mining activities.

4.7 **Water use**

The rights set out in section 5(3) of the MPRDA referred to in paragraph 4.6 above extend to the use of water subject to the provisions of the National Water Act. Ikwezi Mining and Bokamoso have been advised that they do not need to apply for a water use licence for their prospecting activities. The only water that is expected to be used for their prospecting activities will come from already licensed or registered sources (as the case may be). For example, Ikwezi Mining and Bokamoso will not be drawing water from any rivers. Ikwezi Mining has done substantial work on its water use licence application for its mining activities. Its application is expected to be lodged in June once the results of certain studies have been received.

4.8 **Ikwezi Mining's compliance with BEE legislation**

4.8.1 The basis of empowerment is found in section 2(d) of the MPRDA which provides for one of the objects of the MPRDA being to substantially and meaningfully expand opportunities for historically disadvantaged persons to enter the mineral and petroleum industries and to benefit from the exploitation of the Nation's mineral and petroleum resources. This objective is given effect to in terms of section 100 of the MPRDA whereby the Minister in order to ensure the objectives set out in section 2(d) must develop a broad-based socio-economic empowerment charter that will set the framework, targets and timetable for





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effecting the entry of historically disadvantaged South Africans into the mining industry, and allow South Africans into the mining industry, and allow South Africans to benefit from the exploitation of mining and mineral resources.

4.8.2 The Mining Charter has been promulgated in accordance with section 100 of the MPRDA. The Mining Charter in itself is a very unclear document from a legal point of view and to the extent that it deals with ownership participation, it appears only to deal only with conversions of mining rights rather than new applications. The Scorecard attached to the Mining Charter refers to targets of 15% of equity or attributable units of production vesting in HDSA hands in a particular project within 5 years from the commencement of the MPRDA and 26% within 10 years. However, this deals with conversions and not new applications.

4.8.3 Furthermore, the situation regarding empowerment is somewhat obfuscated in relation to new prospecting right applications in terms of sections 16 and 17 of the MPRDA in that the only mention of empowerment is in terms of section 17(4) where the Minister may, having regard to the type of mineral concerned and the extent of the proposed prospecting project, request the applicant to give effect to the object referred to in section 2(d). There is no mention of when and how the Minister will exercise the discretion and it would appear that in terms of section 17(4) the Minister should exercise such discretion on a case-by-case basis. Thus we have always advised clients to lodge their prospecting right applications and then deal with the request under section 17(4) by the Minister once the application has been before the Minister as the Minister may then call upon the applicant to demonstrate how it satisfies the objectives set out section 2(d).



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4.8.4 Because of the lack of clarity in regard to new applications, the DME issued the clarification document regarding new applications in July 2004.

4.8.5 In 3.1.2 of the clarification document, which is a document which stipulates the Government's policy in relation to equity ownership of HDSA's, it was provided in respect of unused old order rights that if the rights were formerly privately held, the black economic empowerment requirement will be a minimum of 26% during the one year transitional period. In respect of the State held mineral rights during the one year period from 1 May 2004 to 30 April 2005, the HDSA equity requirement is 51%. For all new applications lodged after 1 May 2005, the HDSA equity requirement is 26%. The legal efficacy of the clarification document as read with the Mining Charter and section 17(4) is extremely debatable and doubtful. However, if one does not comply with the clarification document it is unlikely that the Minister will issue an applicant with a prospecting right, in which event the applicant would have to take the Minister to the High Court on review in regard to the refusal, which is something that companies are obviously loathe to do at this stage of the country's political history.

4.8.6 The question then arises as to what type of ownership can be vested in an HDSA entity in order to satisfy the requirements of the Government. Once again, there are no legal principles and rules applicable. However, the Mining Charter in paragraph 4.7 thereof does mention equity ownership and joint ventures which could be unincorporated joint ventures. Furthermore, the Scorecard attached to the Mining Charter specifically refers to ownership by means of equity or attributable units of production of 15% and 26%. Therefore, in order to satisfy the "legal" requirements, the HDSA Partner should either have a 51% or 26%, as the



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case may be, shareholding in the company owning the right, or the company owning the right should have concluded a joint venture in the form of an unincorporated joint venture with an HDSA entity in terms of which an undivided 51% or a 26%, as the case may be, share of the production of the joint venture is vested in an HDSA entity and the HDSA entity ultimately acquires an undivided 51% or 26%, as the case may be, share of the prospecting right so that the prospecting right itself is held in undivided shares as to 74% and 26% (or 51% and 49%) by the non-HDSA entity and the HDSA entity respectively.

4.8.7 The Code of Good Practice for the South African Minerals Industry was promulgated in the Government Gazette on 29 April 2009, making it clear that in relation to ownerships and joint ventures the 26% equity ownership target is measured by virtue of three aspects, namely voting rights, economic interest and net value. Therefore, in structuring affairs financially with BEE partners it has to be borne in mind that economic interest and the net value must constitute 26%. Therefore, one cannot have a structure in terms of which 26% of the shares are held by the BEE partner, but its economic interest is less than 26% (i.e. it is entitled to less than 26% of the dividends), or in terms of which the net value is less than 26%. The concept of net value is somewhat difficult to decipher from the definitions in the Code of Good Practice, but it means the value of equity interest held by the HDSA's as determined on the date of measurement less the carrying value of any acquisition debts of the relevant HDSA participants on the date of measurement expressed as a percentage of the value of the measured entity on the date of measurement. Paragraph 2.1.1 of the Codes of Good Practice then state that net value will only be applicable after 2 years from the date of the agreement. In other words, the BEE partner must have a full net 26%

value 2 years after it concludes the transaction. This may seem extremely iniquitous, but if one looks at the definition of "acquisition debt" in the Codes of Good Practice, it excludes debts incurred by the measured entity. In our view therefore, if there is vendor financing then the 2 year net value restriction would not apply. It is only in the case of third party financing that the 2 year provision would apply.

4.8.8 The definition of "HDSA" in the Mining Charter is important to note. The requirement is to vest 26% or 51%, as the case may be, of the equity or attributable units of production in the project in the hands of an HDSA entity. An HDSA entity is defined in the Mining Charter as "*a company which is controlled or owned by historically disadvantaged South Africans*" and "historically disadvantaged South Africans" refers to "*any person, category of persons or community, disadvantaged by unfair discrimination before the Constitution came into effect*". The amended Mining Charter published in September 2010 does not change the essentials of equity ownership of HDSA's described above.

4.8.9 The writer has been to see Mr J Rocha, the erstwhile Deputy-Director, Mineral Development, who was tasked with the granting of prospecting rights at a central Government level as the delegatee of the Minister in terms of a formal delegation, relating to many empowerment ventures with which the writer has been involved. He always stated certain principles in relation to BEE deals such as:

4.8.9.1 the HDSA groupings that are involved should be broad-based and it is not good enough merely to have a black entrepreneur taking up 26% or 51%, as the case may be, of the equity in the project. Furthermore, if it is



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possible to involve local communities surrounding the project areas, then this should be achieved. It is also possible for a workers' trust to be set up to take up a percentage of the equity, but once again this may not be feasible currently in the Company's circumstances and may be more applicable at the mining phase;

4.8.9.2 Mr Rocha scrutinised all shareholders agreements with HDSA partners or unincorporated joint ventures with HDSA partners to ensure that the economic benefit of the project vests as to 26% or 51%, as the case may be, in the HDSA partner. The DME is very alert to transactions where excessive management fees are charged or where the entirety of dividend streams are recouped from BEE partners to repay loans for funding. Furthermore, there must be provisions in the agreements dealing in detail with skills transfer, co-management of operations, mentoring programmes and appointments in all aspects of the operations of representatives from the HDSA equity partner;

4.8.9.3 the DME does not favour agreements concluded by the non-HDSA partner with numerous HDSA entities as this results in a divide-and-rule situation. The acceptable formula is now for the BEE groupings to create a Newco themselves and regulate their own relationship within a shareholders agreement and the non-HDSA partner would then conclude an agreement with the BEE Newco as one single entity;

4.8.9.4 the Mining Charter then contemplates that HDSA partners should acquire their participation at fair value and it is not expected that the HDSA partner



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should be carried at any stage during the project. Therefore if the HDSA shareholders of the Company are "carried" through to bankable feasibility study then there is no objection to the non-HDSA partner furnishing the HDSA shareholder a loan to contribute to the company for its share of the feasibility study, which loan can be recouped at some stage in the future, either by means of a lump sum repayment once the project becomes bankable, or through a mixture of a lump sum payment and the recoupment out of dividends from the project accruing to the HDSA shareholder, provided that it is not 100% of the dividends unless there is an extremely short pay-back period. I have seen deals that have been approved where 50% of the dividends are used to recoup loans so that at least the BEE partner is able to retain 50% of the dividends flowing from the project;

4.8.9.5 the non-HDSA shareholder is not entitled to structure a deal so that the economic benefit of the deal is solely in the non-HDSA shareholder while the HDSA shareholder's interest is free-carried. In other words, there is no entitlement to charge excessive management fees;

4.8.9.6 it is not competent to dilute the BEE participation, at least until after the mining right has been issued and even then the ability to dilute the HDSA below the thresholds referred to above would be a potential contravention of the Mining Charter and the MPRDA and give rise to the ability of the Minister to cancel, terminate or suspend the relevant mining right. It must be noted that an annual audit needs to be done in relation to the compliance with the Mining Charter and any dilution will have the effect that the holder of the right will no longer comply with the requirements;



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4.8.9.7 unfortunately the Mining Charter does not contemplate the situation where a listing is involved. In other words, should the Company envisage the situation where the HDSA shareholders in the subsidiaries would wish to flip-up into acquiring a shareholding in the listed company rather, then there would a potential dilution of the HDSA shareholders' interest in the South African projects as the HDSA shareholders would then get equivalent units of production but outside of South Africa. This situation is not contemplated in the Mining Charter and to give effect to this would require some form of agreement with the DME (as well as Reserve Bank approval). We are aware that other structures have been entered into and approved on this basis, such as the Pelawan/Anooraq platinum group venture structure and we are aware that BEE partners of Aquarius Platinum South Africa have the right to flip-up into Aquarius in Australia which is a listed entity, once again provided the consent of the Minister is obtained;

4.8.9.8 the obligation on the holder of a right is to maintain its HDSA equity stake for the life of the project. This is not entirely clearly stated in the Mining Charter but is the stated policy of the Government that this must be so and therefore it is not competent to enter into a once-off HDSA deal merely to see the HDSA partners selling their equity to a non-HDSA third party immediately thereafter and thus adequate lock-up mechanisms should be provided in the relevant agreements.

4.8.10 We are of the opinion that Ikwezi Mining and Bokamoso have complied with the ownership equity requirements of the Charter by virtue of Ikwezi Holdings retaining 30% shareholding in Ikwezi Mining and by virtue of Maroo Holdings



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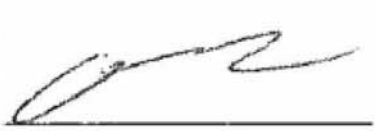
(Proprietary) Limited and Ikwezi Holdings (Propriety) Limited retaining 40% of the shareholding in Bokamoso. Maroo and Ikwezi Holdings are both HDSA companies for purposes of the Mining Charter.

Yours faithfully



**CHRIS STEVENS**

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## 11. MATERIAL AGREEMENTS AND ARRANGEMENTS

The Board considers that certain agreements or arrangements relating to the Group are significant to the Offer, our operations or may otherwise be relevant to investors. A description of these agreements or arrangements, together with a summary of the more important details of each, is set out below.

### 11.1 Underwriting Agreement

The Offer is being underwritten and managed by the Lead Manager pursuant to an Underwriting Agreement, dated 15 June 2011, between us and the Lead Manager.

**(a) *Commission, fees and expenses***

Our Company must:

- pay the Lead Manager an underwriting fee equal to 4%, and a management fee equal to 1%, in each case of the gross proceeds of the Offer; and
- grant the Lead Manager 1 million Options on the terms set out in Section 11.6(a).

The above fees are exclusive of GST and will become payable by our Company on the settlement date of the Offer.

Our Company has also agreed to reimburse the Lead Manager for certain costs and expenses incurred incidental to the Offer.

**(b) *Warranties, undertakings and other terms***

The Underwriting Agreement contains certain common representations, warranties and undertakings provided by our Company to the Lead Manager as well as common conditions precedent.

These relate to matters such as the conduct of the parties (including in respect of the due diligence process, the conduct of our operations and compliance with applicable laws and the applicable ASX Listing Rules), information provided to the Lead Manager, accounting controls, material contracts, our Prospecting Rights and application for a Mining Right, litigation, insurance, information in this prospectus and the conduct of the Offer.

Our Company's undertakings also include that we will not, during the period until 6 months after the issue of Shares under the Offer, issue or buy-back, or agree to issue or buy-back, any Shares or other securities without the prior written consent of the Lead Manager (subject to certain limited exceptions, including as contemplated in this prospectus or under the employee incentive plan described in Section 11.5) and that we will not dispose or agree to dispose of the whole or a substantial part of our business or property.

**(c) *Indemnity***

Subject to certain exclusions relating to, among other things misconduct, fraud or negligence by an indemnified party, our Company has agreed to keep the Lead Manager and certain affiliated parties of the Lead Manager indemnified from certain losses suffered in connection with the Offer including losses arising from non-compliance by the Company with applicable laws or regulatory requirements, advertising of the Offer and documents (if any) that accompany this prospectus or any supplementary prospectus to

this prospectus, statements in this prospectus or any supplementary prospectus to this prospectus and any breach of the Underwriting Agreement.

**(d)** ***Termination events***

If any of the following events occurs at any time from the date of the underwriting until the issue of all of the Shares under the Offer or such other time as specified below, the Lead Manager may terminate its obligations under the underwriting agreement without cost or liability by notice to our Company.

If an event marked with an asterisk (*) occurs, the Lead Manager may not terminate unless, in its reasonable opinion reached in good faith, the event has or is likely to have a material adverse effect on the Offer or the subsequent market for Shares (including, without limitation, a material adverse effect on a decision of an investor to invest in Shares offered under the Offer) or a material adverse effect on our condition, trading, financial position and performance, profits and losses, results, prospects, business or operations taken as a whole or could give rise to a liability of the Lead Manager under the Corporations Act.

(i) (**indices fall**): the S&P ASX 200 Index is at any time after the date of this Agreement 10% or more below its level as at the close of business on the Business Day prior to the date of this Agreement and remains 10% or more below that level as at the close of trading for 2 consecutive business days at any time during the period up to and including the date that the shortfall under Offer (if any) required to be underwritten is determined;

(ii) (**prospectus**): this prospectus or the Offer is withdrawn by us;

(iii) (**copies of prospectus**): we fail to provide the Lead Manager with such number of copies of this prospectus by the date of opening of the Broker Firm Offer the Company fails to comply with and such failure is not remedied within a further 3 business days;

(iv) (**consent**): if:

- any of our accounting or legal advisers refuse to give its consent or having previously consented to the issue of this prospectus withdraws such consent; or
- any other person (other than the Lead Manager) whose consent to the issue of this prospectus is required by section 716 of the Corporations Act withdraws such consent and any such withdrawal becomes public or is not given again within 24 hours after it is withdrawn or where it is withdrawn less than 24 hours before the date for issue of the Shares under the Offer;

(v) (**no listing approval**): Approval for the listing of our Shares on ASX (conditional only on standard conditions) has not been granted by the date that the shortfall (if any) required to be underwritten is determined or, having been granted, is subsequently withdrawn, withheld or qualified; or

(vi) (**supplementary prospectus**):

- the Lead Manager forms the view on reasonable grounds that a supplementary prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and we fail to lodge a supplementary prospectus in such form and content and within such time as the Lead Manager may reasonably require; or

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- we lodge a supplementary prospectus without the prior written agreement of the Lead Manager; or

(vii) (**non compliance with disclosure requirements**): it transpires that the prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of:

- our assets and liabilities, financial position and performance, profits and losses and prospects; and
- the rights and liabilities attaching to the Shares;

(viii) (**misleading prospectus**): it transpires that there is a statement in this prospectus that is misleading or deceptive or likely to mislead or deceive in a material respect, or that there is an omission of a material fact from this prospectus (having regard to the provisions of Sections 710, 711 and 716 of the Corporations Act) or if any statement in this prospectus becomes misleading or deceptive or likely to mislead or deceive in a material respect or if the issue of this prospectus is or becomes misleading or deceptive or likely to mislead or deceive in a material respect;

(ix) (**restriction on allotment**): our Company is prevented from allotting the Shares within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction or by ASIC, ASX or any governmental or semi governmental agency or authority;

(x) (**certificate**): a certificate which is required to be furnished by the Company under the Underwriting Agreement to the Lead Manager is not furnished when required or a statement in that certificate is untrue, incorrect or misleading or deceptive;

(xi) (**ASIC action**):

- ASIC gives notice of an intention to hold a hearing under section 739(2) of the Corporations Act or issues an order under section 739(1) of the Corporations Act or an interim order under section 739(3) of the Corporations Act or ASIC applies for an order under sections 1324B or 1325 of the Corporations Act in relation to the Offer or this prospectus or gives notice of an intention to prosecute our Company or any of our directors; or
- an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or this prospectus, and any such application becomes public or is not withdrawn within two business days after it is made or, where it is made less than two business days before the date that the shortfall under the Offer (if any) required to be underwritten is determined, it has not been withdrawn by the date that the shortfall under the Offer (if any) required to be underwritten is determined; or
- ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Offer or this prospectus and any such investigation or hearing becomes public or is not withdrawn within two business days after it is commenced or, where it is

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commenced less than two business days before the date that the shortfall under the Offer (if any) required to be underwritten is determined, it has not been withdrawn by the date that the shortfall under the Offer (if any) required to be underwritten is determined; or

(xii) (**authorisation**): any authorisation which is material to anything referred to in this prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Lead Manager;

(xiii) (**indictable offence**): any of our directors or senior managers is charged with an indictable offence;

(xiv) *(**default**): default or breach by us under the underwriting agreement of any terms, condition, covenant or undertaking;

(xv) *(**incorrect or untrue representation**): any representation, warranty or undertaking given by us in the underwriting agreement is or becomes untrue or incorrect;

(xvi) *(**contravention of constitution or corporations law**): a contravention by us of any provision of our memorandum of association and bye-laws (or similar document in relation to any of our subsidiaries), the Corporations Act, the Bermuda Companies Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC, ASX or the Bermuda Monetary Authority;

(xvii) *(**adverse change**): an event occurs which gives rise to a material adverse effect (of the type referred to above) or any adverse change or any development including a prospective adverse change in our assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations;

(xviii) *(**error in due diligence results**): it transpires that any of the results of the due diligence process conducted in relation to the Offer was false, misleading or deceptive or that there was an omission from them;

(xix) *(**significant change**): a “new circumstance” as referred to in Section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;

(xx) *(**public statements**): without the prior approval of the Lead Manager, we make a public statement in relation to the Offer or this prospectus;

(xxi) *(**misleading information**): any information supplied at any time by us to the Lead Manager in respect of any aspect of the Offer or our affairs is or becomes misleading or deceptive or likely to mislead or deceive;

(xxii) *(**official quotation qualified**): the official quotation of our Shares is qualified or conditional other than by way of a standard condition;

(xxiii) *(**change in law or policy**): there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any act or prospective act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;

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(xxiv) *(**prescribed occurrence**): certain changes to our share capital, entry by us into an agreement to purchase our own shares, certain issues of securities, us disposing or agreeing to dispose of or charge the whole or a substantial part of our business or property, a resolution or order that our Company or any of its subsidiaries be wound up or the appointment of an insolvency administrator to, or entry into a deed of company arrangement by, any of them;

(xxv) *(**suspension of debt payments**): the Company suspends payment of its debts generally;

(xxvi) *(**event of insolvency**): certain specified events of insolvency, or events that could be indicative of insolvency, occur in respect of any member of our Group;

(xxvii) *(**judgment against us**): a judgment in an amount exceeding A$25,000 is obtained against any member of our Group and is not set aside or satisfied within 7 days;

(xxviii) *(**litigation**): litigation, arbitration, administrative or industrial proceedings are commenced against any member of our Group;

(xxix) *(**board and senior management composition**): there is a change in the composition of our Board or a change in the senior management of the Company that occurs without the prior written consent of the Lead Manager;

(xxx) *(**Change in shareholdings**): there is a material change in the major or controlling shareholders of a member of our Group;

(xxxi) *(**timetable**): there is a delay in the timetable for the Offer of greater than 3 business days;

(xxxii) *(**force majeure**): a force majeure affecting our business or any obligation under the underwriting agreement lasting in excess of 7 days occurs;

(xxxiii) *(**certain resolutions passed**): any member of our Group passes or takes any steps to pass a resolution to approve a repurchase of shares or the grant of financial assistance to a person to acquire its shares or a resolution to amend its constituent documents without the prior written consent of the Lead Manager;

(xxxiv) *(**capital structure**): any member of our Group alters its capital structure in any manner not contemplated by this prospectus;

(xxxv) *(**investigation**): any person is appointed under any legislation in respect of companies to investigate the affairs of any member of our Group;

(xxxvi) *(**market conditions**): a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets;

(xxxvii) *(**contracts**): any contract described in this Section of this prospectus other than the underwriting agreement is void or voidable, is amended without the prior consent of the Lead Manager or is breached, terminated, or rescinded or circumstances exist or have arisen which would entitle a party to the contract to terminate that contract or a condition precedent to

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an obligation under any one of those contracts is not satisfied or waived by the last time for it to be satisfied or waived under the contract or becomes incapable of being satisfied in the reasonable opinion of the Lead Manager; or

(xxxviii)*(**hostilities**): there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this agreement involving one or more of Australia, New Zealand, South Africa, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the People's Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world.

### 11.2 Shareholders agreements with BEE Partners

As described in Section 4.5, we have entered into shareholders' agreements with our BEE Partners in order to regulate our business relationship with them and the governance and management of our Project holding companies.

Under these agreements, we are required to fund all the capital and operating costs incurred by the Project holding companies by way of shareholder loan up until such time as a Mining Right is granted provided that the Project remains economically feasible (in relation to the holding company of the Newcastle Project) or until such time as the Project holding company is able to fund itself from its own cash flows or other sources of funding (in relation to the holding company of the Newcastle Phase 2 and Acorn Projects). Our loan, plus interest at commercial rates, is to be repaid out of the profits (if any) of the Project holding companies.

Certain key decisions of the Project holding companies require a 75% majority vote of shareholders, including the sale of substantially all of the assets, or any substantial asset, of the relevant company and the encumbering of the relevant company in excess of R50 million (equivalent to approximately A$6.8 million).

Shareholders of the Project holding companies are entitled to appoint one director for each 15% shareholding in the relevant Project holding company.

The shareholders agreements provide for a dividend policy for the Project holding companies. This includes that at least 10% of the net profits of the Project holding companies be retained in the relevant Project holding company.

The shareholders agreements contain other customary terms, including providing for pre-emptive rights on the issue and sale of shares in the relevant companies and restrictions on transfer of shares without consent of the other shareholders generally. These restrictions will not apply to transfers of Shares in our Company. Our consent (not to be unreasonably withheld) is also required for any change in the BEE or HDSA ownership and control of the BEE Partners.

Our Executive Director, Ranaldo Anthony, is also a director of our BEE Partner in respect of the Newcastle Phase 2 and Acorn Projects and is expected to obtain a 51% interest in our BEE Partner, Ikwezi Mining Holdings (Pty) Ltd, as described in Section 1.9.

### 11.3 Historical acquisition agreements

#### (a) *Agreement relating to the acquisition of Naledi Holdings*

Our Company entered into a sale of shares agreement with Belvedere on 16 May 2011 by which our Company agreed to acquire 100% of the shares in Naledi Holdings, and thereby acquired our interests in our Projects, in consideration of the issue to Belvedere by our

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Company of 169 million Shares at A$0.01 each and credited as fully paid. Completion of this acquisition occurred on 16 May 2011 and Naledi Holdings is now a wholly owned subsidiary of our Company. Our Directors, Simon Hewetson and David Pile, each have a beneficial interest in Belvedere.

**(b)** ***Agreement relating to the acquisition of our 70% interest in Ikwezi Mining (Pty) Ltd***

A subsidiary of Naledi Holdings, which is now our subsidiary, acquired 70% of the shares in Ikwezi Mining (Pty) Ltd, the holder of Newcastle Project, from Shanthini Kesaru Anthony and Graham Andrew Pile for R1 million (equivalent to approximately A$137,000). This acquisition was completed on 16 May 2011 but is deemed to have been effective as of 1 February 2011. Graham Andrew Pile is the brother of our Managing Director, David Pile. Shanthini Kesaru Anthony is the wife of our Executive Director Ranaldo Anthony.

**(c)** ***Agreement relating to the acquisition of our 60% interest in Bokamoso Resources (Pty) Ltd***

A subsidiary of Naledi Holdings, which is now our subsidiary, acquired 60% of the shares in Bokamoso Resources (Pty) Ltd, the holder of the Newcastle Phase 2 and Acorn Projects, from Kaiser Investments Incorporated for consideration of R60 (equivalent to approximately A$8). This acquisition was completed on 11 May 2011 but is deemed to have been effective as of 30 April 2011. At the time of that acquisition, our Chairman, Simon Hewetson, had a beneficial interest in Kaiser Investments Incorporated.

### 11.4 Deeds of Access, Insurance and Indemnity

We have entered into standard deeds of access, insurance and indemnity with the Directors. By each deed, we undertake to (to the extent permitted by law and consistent with the Bermuda Companies Act and our Bye-laws):

- indemnify each Director against certain liabilities and costs;
- maintain directors and officers insurance cover in favour of the Director from the date of his appointment as a Director of our Company (or member of our Group) and for 7 years after the person ceases to be a director;
- pay the reasonable expenses of any independent professional advice obtained by a Director in the course of performing his or her duties where the advice is obtained with the prior approval of the Board, or certain members of the Board, as the case may be; and
- keep a complete set of corporate records, and allow the Director to access or copy those corporate records while the Director is an officer of any member of our Group, and for seven years after the Director has ceased to be a director of a member of our Group.

Each deed also provides that our Company may, in our discretion, advance to each Director an amount equal to the legal costs against which the Director would be entitled to be indemnified by our Company under the deed when the outcome of a legal proceeding is known.

### 11.5 Employee incentive plan

Our Company has established the Ikwezi Mining Option Plan (**Option Plan**) to give incentives and to assist in the retention of our key executives. The Option Plan will involve the issue to eligible employees of rights to acquire Shares (**Options**). Shares issued under the Option Plan will rank equally with other issued Shares. The key terms of the Option Plan are as summarised below.

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**(a)** ***Size of the Option Plan***

When an offer is made under the Option Plan, the sum of the following must not exceed 5% of the Shares on issue at the time of the offer:

- the total number Shares to which the offer of Options relates; plus
- the total number of Shares which could be issued were each outstanding offer of Shares under the Option Plan (or any other employee incentive scheme of our Company) accepted or exercised; plus
- the total number of Shares issued in the previous five years under the Option Plan (or any other employee incentive scheme of our Company).

**(b)** ***Eligibility***

Under the Option Plan the Board may, from time to time, at its discretion, invite eligible employees to apply to participate in the Option Plan.

The eligibility of employees will be determined by the Board in its discretion and in accordance with the rules of the Option Plan and any applicable laws.

**(c)** ***Consideration for options***

Options granted under the Option Plan to our employees may be issued and granted for no consideration.

**(d)** ***Nature of Options and vesting of Options***

An Option holder will be entitled to exercise unexpired Options granted under the Option Plan if, at the time of exercise:

- the exercise period has commenced;
- the exercise price (if any) has been paid; and
- all exercise conditions (if any) have been satisfied.

The Board will have a discretion as to the terms upon which it will grant Options under the Option Plan, including the terms upon which the Options will become exercisable (for example, Options may be subject to performance criteria which must be satisfied over specified periods of time).

**(e)** ***Disposal restrictions***

Options issued under the Option Plan cannot be transferred, disposed of, or otherwise dealt with without the prior approval of the Board (except in certain circumstances such as by force of law upon death).

**(f)** ***Issue of Shares on exercise of Options***

Shares in respect of which a participant has exercised Options must be issued to the participant by our Company not more than 10 business days after the exercise is effective.

**(g)** ***Expiry of Options***

Unless the Board determines otherwise, an unexercised Option will expire if, amongst other things:

- performance criteria (if any) to which the Option is subject are not satisfied within the applicable periods of time;
- the participant ceases to be employed by a member of the Group (other than by reason of death, total and permanent disablement, retirement or the sale of a member of our Group or its business);
- the Option is not exercised by the seventh anniversary of the date on which the Option was issued (or if the exercise period expires on an earlier date, that earlier date); or
- in the opinion of the Board the participant has acted fraudulently or dishonestly or has materially breached his or her obligations to a member of the Group.

**(h)** ***Quotation***

Options will not be quoted on the ASX. However, if at the time the Shares are quoted on the ASX, we will apply for, and use our best endeavours to obtain, quotation of any Shares issued upon exercise of Options on the ASX in accordance with the Listing Rules.

**(i)** ***Takeover, merger, compromise, scheme or arrangement***

The Board may determine in its discretion how a participant's unexercised Option will be dealt with (including as to whether it may be exercised) if an event such as a takeover bid, merger, compromise, scheme or arrangement occurs.

**(j)** ***Other option plan terms***

The Option Plan will also contain customary and usual terms for dealing with:

- changes in our Company's capital structure; and
- the administration, amendment and suspension of the Option Plan.

**(k)** ***Other employee incentive schemes***

The Board may implement further equity-based employee incentive schemes to assist in the attraction, motivation and retention of employees at all levels.

### 11.6 Initial grants of Options

**(a)** ***Grant of Options to the Lead Manager***

Pursuant to the underwriting agreement described in Section 11.1, our Company has agreed to issue the Lead Manager 1 million Options upon successful completion of the Offer as part of the consideration payable under that agreement. The terms of these Options are outlined in Section 11.6(c) below.

**(b)** ***Initial grants to our Directors under the Option Plan***

Our Company has granted 2 million Options to each of our Executive Directors, David Pile and Ranaldo Anthony, under the employee incentive plan described in Section 11.5 above. The material terms of these Options are consistent with the terms of the Options granted to the Lead Manager outlined in Section 11.6(c) below but also subject to the rules of the Option Plan.

**(c)** ***Terms of Options***

The terms of the Options to be granted to the Lead Manager, and granted to our Directors, Mr David Pile and Mr Anthony Ranaldo, are as follows:

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(i) Each Option entitles the holder to subscribe for one Share at an exercise price of A$0.30 cents.

(ii) The Options are exercisable at any time on or before 5.00 pm (WST) on 31 December 2012 by completing a notice of exercise together with the payment for the number of Shares in respect of which the Options are exercised.

(iii) All Shares issued upon exercise of Options will be allotted within 10 business days after the receipt of a properly executed notice of exercise and the application monies in respect of the exercise.

(iv) Shares issued pursuant to the exercise of Options will rank pari passu in all respects with then existing Shares. Subject to the Listing Rules, the Company will apply to ASX for quotation of all Shares issued upon exercise of the Options.

(v) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered or made available to Shareholders in respect of their Options.

(vi) In the event of any reconstruction (including a consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of holders of Options will be changed to the extent necessary to comply with the Listing Rules at the time of the reorganisation.

(vii) Options not exercised by 5.00 pm (WST) on 31 December 2012 will lapse. There is no obligation to exercise Options.

The Options granted to each of our Executive Directors, David Pile and Ranaldo Anthony, are also subject to the terms of the Option Plan described in Section 11.5.

### 11.7 Restriction agreements

As a condition of Listing, ASX is likely to classify the holdings of Belvedere, our Executive Directors, David Pile and Ranaldo Anthony, and the Lead Manager as restricted securities. Prior to Listing, these persons will be required to enter into mandatory escrow restriction agreements in relation to their Shares and/or Options with our Company.

The effect of the mandatory escrow restriction agreements will be that the securities cannot be dealt with for a period as determined by ASX, which is likely to be 24 months from the date of Listing. It is expected that the 50.2% shareholding of Belvedere in our Company, the 4 million Options held by our Executive Directors, David Pile and Ranaldo Anthony, and the 1 million Options held by the Lead Manager, will be subject to escrow for 24 months from Listing. Any new Shares issued to Belvedere and Directors may also be classified by ASX as restricted securities and subject to restriction agreements.

In total, 50.2% of our post-Offer Shares and 5 million Options are expected to be subject to these restriction arrangements.

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## 12. ADDITIONAL INFORMATION

### 12.1 Registration and corporate structure

Our Company was incorporated in Bermuda on 2 May 2011 as an exempted company. We were registered as a foreign company under the Corporations Act on 2 June 2011.

On 16 May 2011 we acquired all the shares in Naledi Holdings, a company incorporated in Mauritius, from our Existing Shareholder, Belvedere, in exchange for our issuing Shares to it. Naledi Holdings holds our interests in the Projects through a number of South African subsidiary companies. Our corporate structure, including our BEE Partners and the interests they hold in our Projects, is shown in the diagram below.

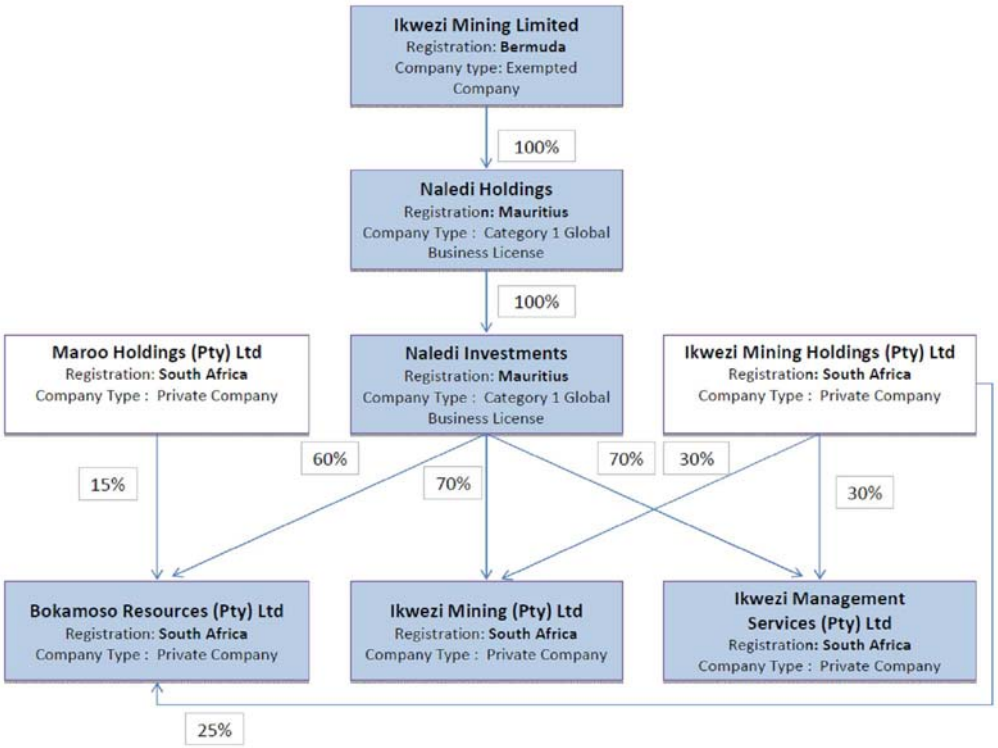


**Exhibit 12.1: Our corporate structure and our BEE Partners**

Our Company also owns 100% of the shares in Ikwezi Mining Services Pty Ltd, an Australian company incorporated to act as our local agent for the purposes of our registration as a foreign company under the Corporations Act.

### 12.2 Constitution

#### (a) *Summary of the Constitution and Shares*

The rights attaching to the Shares are:

- set out in the Constitution; and
- in certain circumstances, regulated by the Bermuda Companies Act, the Listing Rules, the ASX Settlement Operating Rules and the general law.

The key provisions of the Constitution and the principal rights and obligations of Shareholders are summarised in this Section.

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**(b)** ***Voting***

At a general meeting, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands (unless the Shareholder appoints more than one proxy or attorney, in which case those proxies and/or attorneys may only vote on a poll and not on a show of hands) and one vote on a poll for each Share held (with adjusted voting rights for partly paid shares). Where there are two or more joint holders of a share and more than one joint holder tenders a vote, the vote of the holder named first in the register who tenders the vote will be accepted to the exclusion of the votes of the other joint holders. Voting at any meeting of Shareholders is by a show of hands unless a poll is demanded (or required by ASX). A poll may be demanded by at least three Shareholders entitled to vote at the meeting, Shareholders with not less than one tenth of the votes that may be cast at the meeting, or the Chairman. If votes are equal on a proposed resolution, the Chairman has a second or casting vote, in addition to any other vote he may have, on either a show of hands or a poll.

**(c)** ***Dividends***

Subject to the Bermuda Companies Act and the Constitution, the Board may from time to time declare a dividend or such other distributions to be paid to Shareholders as may be lawfully made out of the assets of our Company.

Subject to the rights attaching to Shares or their terms of issue, all dividends will be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid. All dividends will be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

**(d)** ***Share capital***

The authorised share capital of our Company is currently A$9,000,000 divided into 900 million shares with a par value of A$0.01 each, of which 338.75 million Shares will have been issued on completion of the Offer.

**(e)** ***Issue of further Shares***

Subject to the Constitution, the Listing Rules and the Bermuda Companies Act, the Board may issue, grant options in respect of, or otherwise dispose of unissued shares on terms and conditions (including preferential, deferred or special rights, privileges or conditions or restrictions) as they see fit, but so that no shares are issued at a discount to par value.

**(f)** ***Variation of class rights***

Subject to the Bermuda Companies Act and their terms of issue, the rights attaching to any class of shares may be varied with the written consent in writing of 75% in nominal value of the issued shares of the relevant class of shares, or by a special resolution passed at a separate meeting of the holders of shares of that class.

The creation or issue of further shares ranking equally with a class of shares already on issue is not a variation of class rights.

**(g)** ***Transfer of shares***

Subject to the Constitution, Shareholders may transfer Shares by a written instrument of transfer in the usual or common form or any form approved by the Board or by a proper transfer effected in accordance with the ASX Settlement Operating Rules and ASX requirements. All transfers must comply with the Listing Rules and the ASX Settlement Operating Rules.

The Board may refuse to register a transfer of Shares, including in circumstances permitted by the Listing Rules. The Board must refuse to register a transfer of shares where required to do so by the Listing Rules or the ASX Settlement Operating Rules. The Board may suspend the registration of a transfer at any time, and for any period, as permitted by the Bermuda Companies Act, the Listing Rules and the ASX Settlement Operating Rules.

The Company may purchase its own shares for cancellation or acquire them as treasury shares in accordance with the Bermuda Companies Act on such terms as the Board thinks fit.

**(h) *General meeting and notices***

Subject to the Bermuda Companies Act and the Listing Rules, Shareholders are entitled to receive notice of, attend and vote at general meetings of our Company and to receive notices, accounts and other documents required to be sent to members under the Bye-laws or the Bermuda Companies Act. At least 14 days notice of a meeting must be given to Shareholders.

**(i) *Winding up***

Subject to the Constitution and any special resolution or preferential rights attaching to any class or classes of shares, Shareholders will be entitled on a winding up to share in any surplus assets of our Company in proportion to the Shares held by them.

**(j) *Directors – appointment and removal***

The minimum number of Directors is three and the maximum is to be fixed by the Directors but may not be more than nine unless Shareholders pass a resolution varying the number. Directors are elected at the annual general meetings of our Company.

Retirement will occur on a rotational basis so that one third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) must retire from office, provided that a Director must retire at the third annual general meeting of our Company after the Director was elected or last re-elected. This does not apply to the Managing Director.

The Directors may also appoint a Director to fill a casual vacancy on the Board or, if authorised by the Shareholders, in addition to the existing Directors, who will then hold office until the next annual general meeting of our Company.

**(k) *Directors – voting***

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of any equality of votes the chairman of the meeting shall have an additional or casting vote.

**(l) *Directors – remuneration***

The ordinary remuneration of the Directors shall from time to time be determined as the Board decides, but the total amount provided to all Directors, other than the Managing Director and any Executive Director, for their services as directors shall not exceed in aggregate in any financial year the amount fixed by the Company in general meeting. The current maximum aggregate sum approved by Shareholders is A$500,000 per annum. Any change to that aggregate sum needs to be approved by Shareholders.

The Constitution also provides for us to pay all expenses of Directors reasonably incurred in attending meetings and carrying out their duties. Remuneration of the Managing

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Director or an Executive Director shall be the amount that the Directors decide. The Company may also pay a Director extra remuneration if, in the opinion of the Board, the Director performs services which go beyond the ordinary duties of a Director.

A Director appointed to be Managing Director (or a person holding an equivalent position, or a deputy or joint managing director position) or to hold any other employment or executive office with us may receive such remuneration and such other benefits and allowances as the Board may from time to time determine, either in addition to or in lieu of their remuneration as a Director.

**(m)** ***Powers and duties of Directors***

The Board may exercise all powers of our Company that are not expressly required by the Bermuda Companies Act, any other applicable law of Bermuda or the Constitution to be exercised by our Company in general meeting.

**(n)** ***Capitalisation of profits***

Subject to the Bermuda Companies Act, the Constitution, the Listing Rules, any rights or restrictions attached to any shares or class of shares and any resolution of our Company, upon the recommendation of the Board, our Company may capitalise and distribute profits or other amounts available for distribution among those Shareholders who would be entitled to receive dividends and in the same proportions.

**(o)** ***Alteration of share capital***

Subject to the Bermuda Companies Act, the Listing Rules and the Constitution, our Company may alter its share capital.

**(p)** ***Preference shares***

Our Company may, subject to the Bermuda Companies Act, issue preference shares including preference shares which are liable to be redeemed or convertible to ordinary shares. The rights attaching to preference shares are those set out in the Constitution.

**(q)** ***Directors' and officers' indemnity and insurance***

Our Company indemnifies each of the Directors, secretary and other officers and every auditor for the time being of our Company from and against all actions, costs, charges, losses, damages and expenses (including legal expenses) which any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, or in their respective offices or trusts. The indemnity does not extend to any matter in respect of any fraud or dishonesty which may attach to any of the indemnified persons.

To the extent permitted by the Bermuda Companies Act, the Company may pay or agree to pay a premium for a contract insuring the Directors, the company secretary and other officers of the Company against legal costs and a liability incurred by that person as an officer of our Company (or of a subsidiary of our Company).

To the extent permitted by the Bermuda Companies Act, the Company may enter into an agreement or deed with a Director, secretary or other officer of our Company or a person who is, or has been, an officer of a subsidiary, under which our Company must do all or any of the following:

- keep books of our Company and allow either (or both) that person and that person's advisers access to such books on the terms agreed;

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- indemnify that person against any liability incurred by that person as an officer of the Company or an officer of a subsidiary of our Company;
- make a payment (whether by way of advance, loan or otherwise) to that person in respect of costs, charges and expenses incurred by that person in defending any civil or criminal proceedings against him, on the condition that he shall repay the amount of the payment if any allegation of fraud or dishonesty is proved against him in such civil or criminal proceeding; and
- keep that person insured in respect of any act or omission by that person while an officer of our Company or an officer of a subsidiary of our Company, on the terms agreed (including as to payment of all or part of the premium for the contract of insurance).

**(r)** ***Amendment***

No Bye-law shall be rescinded, altered or amended and no new Bye-law shall be made until the same has been approved by a resolution of the Board and confirmed by a special resolution of the members. A special resolution shall be required to alter the provisions of the memorandum of association or to change the name of our Company.

### 12.3 Applicable company law

As we are incorporated in Bermuda, we operate subject to Bermuda law and, in particular, are not subject to certain aspects of Australian company law. We have been designated by the Bermuda Monetary Authority as non-resident for Bermuda exchange control purposes.

Set out below is a table summarising some of the key differences between Australian and Bermuda company laws as they apply to us followed by a fuller summary of relevant Bermuda company law in Section 14, covering the following areas:

- share capital;
- membership;
- financial assistance for the acquisition of shares in a company or its holding company;
- purchase of shares and warrants by a company and its subsidiaries;
- takeovers;
- dividends and distributions;
- protection of minorities;
- management;
- accounting and auditing requirements and auditors;
- exchange control;
- taxation and stamp duty;
- loans to directors;
- inspection of corporate records; and
- winding up.

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It is important to note that neither summary purports to be a complete review of all matters of Bermuda company law and taxation or highlight all provisions that may differ from equivalent provisions in Australia.

Table 13.1: Key differences between Australian and Bermuda company laws

| | Australia | Bermuda |
|---|---|---|
| **Takeovers** | Substantial holder notice requirements 20% stop rule<br>Compulsory acquisition permitted by holders of 90% or more of shares | No equivalent substantial holder notice or 20% stop rule provisions.[2]<br>Compulsory acquisition permitted:<br>• where a scheme or contract involving the transfer of shares in a company to another company (in this item referred to as 'transferee company'), has, within four months after the making of the offer in that behalf by the transferee company, been approved by the holders of not less than 90% in value of the shares whose transfer is involved, other than shares already held at the date of the offer by, or by a nominee for, the transferee company or its subsidiary; and<br>• by holders of 95% or more of shares. |
| **Directors' duties** | The Corporations Act contains a number of statutory duties which are imposed on directors, including the duty of due care and diligence, good faith and avoidance of improper use of position or information. | The Bermuda Companies Act provides for comparable duties, being to act honestly and in good faith with a view to the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.<br>In addition, the Corporations Act obligations will apply where the act or omission of the director or officer occurs in connection with:<br>• the Company carrying on business in Australia;<br>• an act that the Company does, or proposes to do, in Australia; or<br>• a decision by the Company whether or not to do, or refrain from doing, an act in Australia.<br>Having regard to the Company's business, these requirements may not always be applicable. |
| **Financial assistance/ self-acquisition** | Financial assistance and self-acquisition of shares in the company or its holding company are prohibited subject to limited exception. | Comparable Bermuda provisions exist in relation to financial assistance, although the precise scope of the exceptions differs from those in the Corporations Act.<br>An acquisition of shares in the company or its holding company is allowed subject to certain conditions. |
| **Protection of minorities** | The Corporations Act has various provisions allowing for application for a court order for oppressive conduct of a company's affairs, | Bermuda law has comparably wide statutory oppression and just and equitable winding up actions. |

[2] The Company may be required to disclose changes in substantial holdings of which it is aware in accordance with its continuous disclosure obligations under the Corporations Act and ASX listing rules.

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| | Australia | Bermuda |
|---|---|---|
| | allowing for derivative actions and permitting the inspection of a company's books.<br>A winding up may also be sought on just and equitable grounds. | Class actions and derivative actions are, in some circumstances, available to members under Bermuda law. |
| **Related party transactions** | The Corporations Act regulates the provision of financial benefits to related parties of 'public companies'. | The Bermuda Companies Act does not contain provisions to this effect.<br>The Company will, however, be required to comply with ASX listing rule requirements in respect of related party transactions. |
| **Filing of documents/access to information** | The Corporations Act requires a corporation to file various documents with ASIC, including its accounts and notification of changes to its constitution. Documents filed with ASIC are available to the public.<br>The Corporations Act also provides for a statutory right to apply to a court for an order permitting the member to inspect the books of a company. | Although the Company is required to comply with the Australian obligations, and may also be required to disclose such information to ASX under continuous disclosure, the Company is not subject to orders under the Corporations Act permitting a member to inspect its books.<br>The Bermuda Companies Act requires a company to file certain documents with the Bermuda Registrar of Companies, including an increase in authorised share capital, a company's memorandum of association (including its objects and powers) and any alteration thereto. Members of the general public have the right to inspect the public documents of a company available at the office of the Bermuda Registrar of Companies which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association.<br>Members of a company have the right to inspect the bye-laws of the company, minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. The register of members of a company shall during business hours (subject to such reasonable restrictions as the company may impose so that not less than two hours in each day be allowed for inspection) be open for inspection by members of the general public without charge. |
| **Notice of meetings** | The Corporations Act requires at least 28 days' notice of a general meeting of a listed company. | The Bermuda Companies Act requires five days' notice of a general meeting and the Constitution provides for 14 days' notice. |
| **Removal of directors** | The Corporations Act contains various provisions regarding resignation, removal and retirement of directors. The Corporations Act provides that a director may be removed by resolution at a general meeting, subject to the company receiving at least two months' notice of the intention to move the resolution and the company notifying the relevant director as soon as possible after receiving notice of that intention. | The Bermuda Companies Act provides that subject to a company's bye-laws, the members of a company may, at a special general meeting called for that purpose, remove a director. Notice of such meeting must be served on the director at least 14 days before the meeting, and he shall be entitled to be heard at the meeting. |

Where it is noted that Bermuda company law contains comparable provisions to those existing under Australian law, it is emphasised that the summary table only attempts to provide general guidance, and that the detailed provisions may contain differences (including as to the availability of the cause of action), and may also be subject to differing interpretation by Australian and Bermuda courts.

### 12.4 Our financial year

We will report based on a financial year ending 30 June annually.

### 12.5 Ownership restrictions

Issues and transfers of securities in exempted companies involving non-residents for exchange control purposes must receive prior approval from the Bermuda Monetary Authority. However, the Bermuda Monetary Authority has granted to all Bermuda companies with voting shares listed on an appointed stock exchange (defined in the Bermuda Companies Act to include the ASX) a general permission for the issue and subsequent transfer of any securities of such companies from and/or to a non-resident of Bermuda for so long as any voting shares of such companies remain so listed.

### 12.6 ASX waivers

We intend to apply for a waiver of Listing Rule 6.10.4 so that a removal of a Shareholder's right to vote is permitted, not only where the right is removed or changed under Australian legislation, but under any applicable Bermuda legislation. The Company intends to apply for this waiver at the time of lodgement of its application for admission to the official list of ASX.

We may also seek waivers in the future to permit any buy-back or divestments of Shares permitted under Bermuda legislation which may be proposed in the future.

### 12.7 Foreign Selling Restrictions

The prospectus does not constitute an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful. No action has been taken to register or qualify the Shares that are the subject of the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia. The distribution of this prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws. Each Applicant in the Broker Firm Offer and each person in Australia to whom the Institutional Offer is made under this prospectus will be taken to have represented, warranted and agreed as follows:

(a) it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any State or other jurisdiction of the United States and may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and any applicable US state securities laws;

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(b) it is located in Australia at the time of such Application;

(c) it has not sent and will not end this prospectus or any other material relating to the Offer (including, without limitation, the Pathfinder) to any person in the United States; and

(d) it will not offer or sell Shares in the United States or in any other jurisdiction outside Australia, except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which such Shares are offered and sold.

## 12.8 Australian tax considerations

### (a) *Australian taxation considerations*

This is a general description of the Australian income tax consequences for investors who acquire Shares through the Broker Firm Offer or Institutional Offer.

This taxation summary seeks to provide Australian tax resident individual shareholders, Australian tax resident corporate shareholders, and Australian tax resident complying superannuation fund shareholders with an overview of the relevant Australian income tax considerations associated with holding Shares, the future disposal of their Shares and the payment of dividends by our Company.

The taxation summary has been provided on the basis that our Company, to be listed on the ASX, is tax resident in Bermuda and not an Australian tax resident. Our Company carries on no activities in Australia.

The Australian tax laws are complex, and this summary is general in nature. This summary is not intended to be a complete or authoritative statement of the applicable law. As the circumstances specific to each investor may affect the taxation implications of that investor, each investor should seek appropriate independent professional advice that considers the taxation implications in respect of their own specific circumstances.

To the maximum extent permitted by law, we disclaim all liability to the investor or other party for all costs, losses, damages and liabilities that the investor or any other party may suffer or incur arising from or relating to or in any way connected with the contents of this summary or the provision of this summary to the investor or any other party or the reliance on it by the investor or any other party.

Unless otherwise indicated, this summary is based on the income tax law, established interpretations of that law and the understanding of the practice of the tax authority in Australia as at the date of this prospectus. Investors should also be aware that the Australian tax rules are continuing to undergo significant change.

### (b) *Application of controlled foreign company regime to Australian tax resident Shareholders*

Broadly, where a company is a controlled foreign company (**CFC**), Australian taxpayers are required to include in assessable income, on an accruals basis, certain income or gains earned by the CFC, which are attributable to the taxpayer, even though the income or gains may be retained by the CFC.

The current controlled foreign company provisions are proposed to be repealed and replaced with new provisions. It is unclear when these new provisions will apply, however they are likely to apply to income years starting in the 12 months on or after 1 July 2011, or 1 July 2012. The new provisions are proposed to apply only to taxpayers and their associates who control foreign corporations. Our Board has not determined if our



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Company is a CFC under the current or proposed Australian CFC provisions. We note that a CFC will exist under the current Australian provisions if:

- there are five or fewer Australian residents (each holding at least 1%) who have or are entitled to acquire at least a 50% control interest in the foreign company; or
- a single Australian resident (together with associates) holds at least 40% of the control interests in the foreign company. It follows that a foreign company will not be a CFC if there is a person who is not an Australian resident who actually controls the foreign company; or
- irrespective of the interests in the foreign company, five or fewer Australian residents (including their associates) have *de facto* control of the foreign company.

We note that, very broadly, under the proposed Australian CFC provisions, a CFC will be a foreign company which is controlled by (or is controlled by an associate of) an Australian resident. Where two or more entities jointly control a foreign company, each of them will be treated as controlling that foreign company.

The concept of control for these purposes is proposed to be determined in accordance with the Australian Accounting Standard AASB 131.

**(c) *Foreign accumulation funds (FAF)***

The foreign investment fund provisions have been repealed. It is proposed to introduce the FAF rules in its place. The FAF rules are currently in draft form and may change before their promulgation and entry into law. The comments below are merely an indication of the principles outlined in the FAF draft legislation, and may change. Professional advice should be sought before placing reliance on these comments. The expected date of entry into law is currently uncertain.

Broadly, the FAF rules introduce specific anti-roll-up rules which target investment in certain foreign accumulation funds that re-invest interest-like returns. The FAF rules will apply where:

- an investor holds an interest in a foreign accumulation fund;
- the investor receives a tax deferral benefit as a result of the interest; and
- the investor entered into the scheme with the dominant purpose of obtaining a tax deferral benefit.

In instances where the FAF rules apply, the Commissioner may make a determination to include the whole or part of the tax deferral benefit in the investor's assessable income for the relevant income year.

Investors who have an amount attributed to their assessable income as a result of this rule will be protected from double taxation against future distributions from the foreign accumulation fund.

**(d) *Taxation of dividends***

Dividends are paid to Shareholders from the accounting profits of our Company. No Bermuda withholding tax should be deducted from such dividends.

It should be noted that the definition of dividend for Australian income tax purposes is broad and can include certain capital returns and off-market share buy-backs.

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*(i) Australian tax resident Shareholders – general*

Generally, dividends received by Australian tax resident Shareholders will be included in their assessable income. There is an exemption for non-portfolio investments held by Australian tax resident corporate Shareholders (see (iii) below).

No foreign income tax offset is likely to be available in relation to any assessable dividends as Bermudan withholding tax should not have been deducted from these dividends.

*(ii) Australian tax resident Shareholders – complying superannuation funds*

Generally, complying superannuation fund Shareholders will be taxable on dividends paid by our Company.

*(iii) Australian tax resident Shareholders – corporations*

Broadly, where Australian tax resident corporate Shareholders hold less than a 10% interest in our Company, dividends paid by our Company to the Shareholders should be assessable income.

Where an Australian tax resident corporate Shareholder holds a 10% or greater interest in our Company, dividends paid by the Company to the Shareholders should not be assessable.

**(e) *Taxation of future share disposals***

*(i) Australian tax resident Shareholders – general*

Australian tax resident Shareholders who trade Shares in the ordinary course of their business and/or hold their Shares on revenue account or as trading stock include any gains made on the disposal of their Shares in their assessable income. Shareholders who include gains made on the disposal of their Shares in their assessable income are then not assessed for Australian capital gains tax on the disposal.

All other Shareholders hold their Shares on capital account. These Shareholders must consider the impact of Australian capital gains tax rules on the disposal of their Shares.

*(ii) Individual and complying superannuation fund Shareholders – Australian capital gains tax concession*

Australian tax resident individual Shareholders may be entitled to a concession on the amount of capital gains assessed. The concession is available to individual Shareholders who hold their shares for at least 12 months prior to disposal. The concession results in only 50% of any capital gain being assessable. Capital losses must be applied first to reduce capital gains before applying the discount capital gains tax provisions. The concession is not available to corporate Shareholders.

The capital gains tax treatment of Australian tax resident complying superannuation fund Shareholders is, in general the same as that set out for Australian tax resident individuals, except the capital gains tax discount is one third rather than 50%.

*(iii) Australian tax resident Shareholders – corporations*

Any capital gain derived upon disposal of shares by an Australian tax resident corporate Shareholder would generally be included in assessable income where the Shareholder held less than a 10% interest in our Company.

Any capital gain or loss derived upon a disposal of shares by an Australian tax resident corporate Shareholder may be reduced where that Shareholder held at least 10% of the direct voting interest in the Company for a continuous period of 12 months in the two years before the disposal. Broadly, the Australian capital gains tax gain or loss would be reduced by the 'active business asset percentage' for the Company.

**(f)** ***Stamp duty***

No stamp duty will be payable by successful applicants or bidders on the issue of Shares to successful applicants or bidders pursuant to the Offer. In addition, under current stamp duty legislation, no stamp duty would ordinarily be payable on any subsequent transfer of shares by successful applicants or bidders.

**(g)** ***Goods and services tax***

Under current Australian law, goods and services tax will not be payable in respect of any issue or transfer of Shares.

## 12.9 Interests of Directors and advisers

Other than as set out in this prospectus:

- no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to a Director, or proposed director to induce them to become, or to qualify as, a director of our Company.
- None of the following persons:
  - (i) a Director or proposed director of our Company;
  - (ii) each person named in this prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this prospectus;
  - (iii) a promoter of our Company; or
  - (iv) an underwriter to the issue of the Shares,
- holds or held at any time during the last two years an interest in:
  - (i) the formation or promotion of our Company;
  - (ii) property acquired or proposed to be acquired by our Company in connection with its formation or promotion or the offer of the Shares; or
  - (iii) the offer of the Shares,

  or was paid or given or agreed to be paid or given any amount or benefit for services provided by such persons in connection with the formation or promotion of the Company or the offer of the Shares.

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### (b) *Interests of Directors*

The Directors are not required to hold any Shares under the provisions of the Constitution. The table below shows the interests of each Director (whether held directly or indirectly) in our securities as at the date of this prospectus.

| Name | Shares | Options |
|---|---|---|
| Simon Hewetson and David Pile (each of whom have a beneficial interest in Belvedere, the holder of the Shares referred to in the next column) | 170,000,000 | Nil |
| David Pile | Nil other than his interest referred to above | 2,000,000 |
| Ranaldo Anthony | Nil | 2,000,000 |

Directors may hold the relevant interests in Shares shown above directly, or through holdings by companies, trusts or other persons with whom they are associated.

It is proposed that Non-Executive Directors to be appointed by the Company in future will be paid for their services as Directors the remuneration, not exceeding in aggregate a maximum sum, which is fixed by our Company in general meeting. The current maximum aggregate sum which Shareholders have fixed to be paid as fees to the Non-Executive Directors is A$500,000 per annum. This amount was fixed by Shareholders by written resolution passed on 15 June 2011.

The Chairman, being the only Non-Executive Director currently on the Board, is not currently paid in relation to his role as Chairman or Non-Executive Director. We may revisit this position and intend do so if and when we commence income earning operations.

Remuneration payable by our Company to Non-Executive Directors is not to be by commission on, or percentage of, profits or operating revenue.

The remuneration of the Executive Directors is fixed by the Board and may consist of salary, bonuses or any other elements, but must not be a commission on, or percentage of, profits or other operating revenue. Refer to Section 6.4 for further information on Executive Director remuneration.

Our Executive Director, Ranaldo Anthony, is also a director of our BEE Partner in respect of the Newcastle Phase 2 and Acorn Projects and is expected to obtain a 51% interest in our BEE Partner, Ikwezi Mining Holdings (Pty) Ltd, as described in Section 1.9.

We have an arrangement with Ergomode Services (Pty) Ltd, a company in which our Chairman, Simon Hewetson, has beneficial interests, by which we are on-charged the cost of our use of office premises and equipment in Johannesburg leased by Ergomode Services (Pty) Ltd at cost, and in any event not exceeding A$20,000 per month.

Each of our Directors has directorships in a number of private companies and has beneficial interests in other mining and related interests, which are unrelated to us and our Projects.

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**(c)** ***Interests of advisers and others***

Euroz Securities Limited is the Lead Manager and Underwriter in relation to the Offer. Ikwezi Mining has agreed to pay Euroz Securities Limited the amounts in accordance with the Underwriting Agreement referred to in Section 11.1(a) for these services. Euroz Securities Limited is also entitled to receive approximately A$150,000 (plus) in retainer fees under a mandate agreement between our Company and Euroz entered into prior to the Underwriting Agreement.

Deloitte Touche Tohmatsu has acted as Investigating Accountant to the Offer, and has prepared an Investigating Accountants' Report. Deloitte Touche Tohmatsu has received or will receive approximately A$27,500 (plus GST) for work undertaken by them in connection with the Offer and this prospectus. Further amounts may be paid to Deloitte Touche Tohmatsu in accordance with its time-based charges.

Blake Dawson has provided various Australian legal services and has received or will receive professional fees of approximately A$295,000 (plus GST) for work undertaken by them in connection with the Offer, this prospectus and the formation of our Company. Further amounts may be paid to Blake Dawson in accordance with its time-based charges.

Taback & Associates (Pty) Limited has provided various South African legal services, and has provided the opinion on mining title set out in Section 10, and has received or will receive professional fees of approximately R350,000 (equivalent to approximately A$48,000) for work undertaken by them in connection with the Offer and this prospectus.

PC Meyer Consulting CC has provided the Competent Person's Report set out in Section 7 and has received or will receive approximately R75,000 (equivalent to approximately A$10,275 for providing that report, plus any travel or accommodation costs.

Unless stated otherwise, all such payments have been paid or are payable in cash. The Company is generally obligated to pay the out-of-pocket expenses of the advisers listed above which are included in the amounts stated.

## 12.10 Exploration results and Mineral Resources information

The information in this prospectus that relates to Mineral Resources is based on information compiled by Petrus Cornelius Meyer. Mr Meyer is the sole proprietor of PC Meyer Consulting CC. Mr Meyer is a Member of The Geological Society of South Africa, a Recognised Overseas Professional Organisation (ROPO) included in the list of ROPOs promulgated by ASX and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code. Mr Meyer consents to the inclusion in the prospectus of the matters based on his information in the form and context in which it appears.

Mineral Resources information included herein is presented in accordance with the JORC Code. Investors should note that it is a requirement of the Listing Rules that the reporting of Mineral Resources and Ore Reserves in Australia are prepared in accordance with the JORC Code, whereas mining companies in other countries may be required to report their Resources and/or Reserves in accordance with other guidelines. Investors should note that while our Mineral Resources estimates comply with the JORC Code, they may not comply with the relevant guidelines in other countries.

## 12.11 Consents and disclaimers of responsibility

Written consents to the issue of this prospectus have been given and, at the time of lodgement of this prospectus with ASIC, had not been withdrawn by the following parties:

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- Euroz Securities Limited has given, and not withdrawn prior to the lodgement of this prospectus with ASIC, its written consent to be named in this prospectus as the Lead Manager and Underwriter in the form and context it is so named;
- Deloitte Touche Tohmatsu has given, and not withdrawn prior to the lodgement of this prospectus with ASIC, its written consent to be named as investigating accountant and the Company's auditor in the form and context it is so named and has not withdrawn its consent to the inclusion in this prospectus of its investigating accountants' report for inclusion in this prospectus. Deloitte Touche Tohmatsu has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for any part of, this prospectus other than any reference to its name and its report;
- Blake Dawson has given, and not withdrawn prior to the lodgement of this prospectus with ASIC, its written consent to be named in this prospectus as the Company's Australian legal adviser in the form and context it is so named. Blake Dawson has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for any part of, this prospectus other than any reference to its name;
- Taback & Associates (Pty) Limited has given, and not withdrawn prior to the lodgement of this prospectus with ASIC, its written consent to be named in this prospectus as the Company's South African legal adviser in the form and context it is so named and has not withdrawn its consent to the inclusion in this prospectus of its opinion on mining title for inclusion in this prospectus. Taback & Associates (Pty) Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for any part of, this prospectus other than any reference to its name and its opinion on mining title;
- PC Meyer Consulting CC has given, and not withdrawn prior to the lodgement of this prospectus with ASIC, its written consent to be named in this prospectus as Independent Geologist in the form and context he is so named and has not withdrawn his consent to the inclusion in this prospectus of the Independent Competent Person's Report for inclusion in this prospectus. PC Meyer Consulting has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for any part of, this prospectus other than any reference to his name and its report;
- Barberry Group has given, and not withdrawn prior to the lodgement of this prospectus with ASIC, its written consent to be named in this prospectus as having prepared a logistics study to our Company in the form and context it is so named. Barberry Group has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for any part of, this prospectus other than any reference to its name and any statement included in this prospectus with its consent;
- Siyaphambili Geological Services (**Siyaphambili**) has given, and not withdrawn prior to the lodgement of this prospectus with ASIC, its written consent to be named in this prospectus and the Independent Competent Person's Report and the inclusion in this prospectus and the Independent Competent Person's Report of each statement that is based on a statement made by Siyaphambili, including each statement in relation to geological services provided by Siyaphambili to Ikwezi Mining (Pty) Limited. Siyaphambili has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for any part of, this prospectus other than any reference to its name and any statement included in this prospectus with its consent;

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- Advanced Coal Technology (**ACT**) has given, and not withdrawn prior to the lodgement of this prospectus with ASIC, its written consent to be named in this prospectus and the Independent Competent Person's Report and the inclusion in this prospectus and the Independent Competent Person's Report of each statement that is based on a statement made by ACT, including each statement in relation to geological services provided by ACT to Ikwezi Mining (Pty) Limited. ACT has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for any part of, this prospectus other than any reference to its name and any statement included in this prospectus with its consent;

- Southern Mapping Geospatial (**SMG**) has given, and not withdrawn prior to the lodgement of this prospectus with ASIC, its written consent to be named in this prospectus and the Independent Competent Person's Report and the inclusion in this prospectus and the Independent Competent Person's Report of each statement that is based on a statement made by SMG, including each statement in relation to geological services provided by SMG to Ikwezi Mining (Pty) Limited. SMG has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for any part of, this prospectus other than any reference to its name and any statement included in this prospectus with its consent; and

- Computershare Investor Services Pty Limited has given, and has not withdrawn, its written consent to be named as the Share Registry of the Company in the form and context in which it is named. Computershare Investor Services Pty Limited has not taken part in the preparation of any part of this prospectus other than the recording of its name as Share Registry of the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of and expressly disclaims and takes no responsibility for any part of this prospectus.

### 12.12 Offer costs

The total costs of the Offer payable by our Company are estimated to be approximately A$2.1 million (plus GST where applicable). This includes advisory, legal, accounting, tax, listing and administrative fees, Lead Manager and Underwriting fees Share Registry and other expenses.

### 12.13 ASX Admission and Quotation

We intend to apply within seven days after the date of this prospectus for admission to the Official List of ASX and for official quotation of the Shares on the market operated by ASX.

### 12.14 Litigation and claims

The Directors are not aware of any current or threatened litigation, arbitration proceeding or administrative appeal, or criminal or governmental prosecution of a material nature in which we are directly or indirectly concerned which is likely to have a material adverse impact on our business or financial position.

### 12.15 Governing Law

This prospectus is governed by the laws of Western Australia and the Commonwealth of Australia.

### 12.16 Directors' statement

This prospectus is issued by Ikwezi Mining. Each Director has consented to the lodgement and issue of this prospectus by Ikwezi Mining, and has not withdrawn that consent.

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## 13. APPLICABLE COMPANY LAW

Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in Australia.

A table summarising key differences between Australian and Bermuda company laws is set out in section 12.3 of this prospectus.

### 13.1 Share Capital

The Bermuda Companies Act provides that where a company issues shares for a consideration above the par value of the shares, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares must be transferred to an account (**Share Premium Account**) to which the provisions of the Bermuda Companies Act relating to a reduction of share capital of a company shall apply as if the Share Premium Account were paid up share capital of the company except that the Share Premium Account may be applied by the company:

(a) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares; or

(b) in writing off:

  (i) the preliminary expenses of the company; or

  (ii) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(c) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Bermuda Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Bermuda Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws of a company authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required. The holders of not less in the aggregate than 10% of the issued shares of that class may apply to a Bermuda court to have the variation cancelled and, where such application is made, the variation shall not have effect unless and until it is confirmed by the court.

Where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the rights attached to any class of shares may, unless otherwise provided by the terms of issue of that class, be varied with the written consent of the holders of three quarters of the issued shares of that class or the sanction of a resolution passed as aforesaid.

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### 13.2 Membership

Under the Bermuda Companies Act, only those persons who agree to become members of a Bermuda company and whose names are entered on the register of members of such a company are considered members. A Bermuda company is also not bound to see to the execution of any trust, whether express, implied or constructive, to which any of its shares are subject and whether or not the company had notice of such trust. Accordingly, persons holding shares through a trustee, nominee or depository will not be recognised as members of a Bermuda company under Bermuda law and may only have the benefit of rights attaching to the shares or remedies conferred by law on members through or with the assistance of the trustee, nominee or depository.

### 13.3 Financial assistance to purchase shares of a company or its holding company

A company is prohibited from providing financial assistance directly or indirectly for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition against giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose of the company or the assistance is of an insignificant amount such as the payment of minor costs. In addition, the Bermuda Companies Act expressly permits the grant of financial assistance where: (i) the financial assistance does not reduce the company's net assets or, to the extent the net assets are reduced, such financial assistance is provided for out of funds of the company which would otherwise be available for dividend or distribution; (ii) an affidavit of solvency is sworn by the directors of the company; and (iii) the financial assistance is approved by resolution of shareholders of the company.

### 13.4 Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Shares repurchased may be cancelled or held as treasury shares.

Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the Share Premium Account. Any amount due to a shareholder on a purchase by a company of its own shares may: (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled (in which event, the company's issued, but not its authorised, capital will be diminished accordingly) or may be held as treasury shares. Under the laws of Bermuda, if a company holds shares as treasury shares, the company shall be entered in the register of members as the member holding the shares but the company is not permitted to exercise any rights in respect of those shares and no dividend or other distribution (whether in cash or otherwise) shall be paid or made to the company in respect of such shares.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases and the

directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Bermuda Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Bermuda Companies Act.

### 13.5 Takeovers

There are presently no Bermuda laws or regulations of general application which will require persons who acquire significant holdings in the Company's Shares to make takeover offers for those Shares or to notify the Company.

### 13.6 Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that: (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and Share Premium Accounts. Contributed surplus is defined for purposes of section 54 of the Bermuda Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

### 13.7 Protection of minorities

Class actions and derivative actions are, in some circumstances, available to shareholders under the laws of Bermuda. Order 15, rule 12 of the Rules of the Supreme Court of Bermuda provides that if a number of people have the same interest in legal proceedings, the proceedings may be begun and continued by or against one or more of them as representing all. Where representative action is taken, the individual shareholder does not bring an action in his own right alone, but on behalf of himself and all his fellow shareholders. Given a common interest and a common grievance, a representative suit may be commenced if the relief sought is in its nature beneficial to all whom the plaintiff proposes to represent. A judgement will bind all persons represented unless the plaintiff did not fairly fight the case or the other persons were not actually named as parties to the proceedings.

In certain circumstances, a shareholder may, rather than seeking to enforce a personal right, enforce a claim on behalf of the company. A derivative action may be brought under an exception to the rule in Foss v Harbottle (for example, where the act complained of is alleged to be beyond the corporate power of the company, is illegal, would constitute a fraud against the minority shareholders or would result in the violation of the company's memorandum of association and bye-laws). The derivative action is subject, however, to the doctrine of "clean hands". This principle has been applied in cases of acquiescence by the plaintiff shareholder in the wrongdoing of which he complains and in cases where the plaintiff has been regarded as a puppet of outsiders whose interests are opposed to those of the company (for example, where the plaintiff's motive is to benefit a rival concern which has encouraged him to sue and has indemnified him against costs).

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Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the Bermuda court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the Bermuda court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of loss or damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

The Bermuda Companies Act also provides that the Minister of Finance of Bermuda may at any time appoint one or more inspectors to investigate the affairs of an exempted company and to report on them in such manner as the Minister may direct. The inspector shall, on the completion of his investigation, report to the Minister and shall send copies of such reports to the company. However, no other person shall be informed of the nature or contents of the report save at the request of the company or on the direction of the Minister. Upon receiving the inspector's report, the Minister may require the company to take such measures as he may consider necessary in relation to its affairs or direct the Bermuda Registrar of Companies to petition the Bermuda court for the winding up of the company.

### 13.8 Management

The Bermuda Companies Act contains no specific restriction on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Bermuda Companies Act requires that every officer should comply with the Bermuda Companies Act, regulations passed pursuant to the Bermuda Companies Act and the bye-laws of the company.

The Bermuda Companies Act contains no specific provision in respect of the establishment or composition of audit committees or similar committees of the board of directors of a company.

### 13.9 Accounting and auditing requirements

The Bermuda Companies Act requires a company to cause proper records of account to be kept with respect to: (i) all sums of money received and expended by the company and

the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Furthermore, it requires a company to keep its records of account at the registered office of the company or at such other place as the directors think fit and such records must at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there must be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange (as defined in the Bermuda Companies Act and includes the ASX), there must be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Bermuda Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period signed on the balance sheet page by two directors of the company. However, this requirement may be waived if all of the members and all of the directors, either in writing or at a general meeting, agree that in respect of a particular interval no financial statements or auditor's report thereon need be laid before a general meeting. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Bermuda Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor must identify the generally accepted auditing standards used. Subject to certain exceptions provided in the Bermuda Companies Act, the company must send to every member a copy of financial statements, prepared in accordance with generally accepted accounting principles and containing all such information and documents as required by the Bermuda Companies Act (**Financial Statements**), at least five days before the general meeting of the company at which the Financial Statements are to be tabled.

A company listed on an appointed stock exchange , such as the ASX, may send to its members summarised financial statements derived from the Financial Statements for the relevant period instead of the Financial Statements. The summarised financial statements must include a summarised report of the Financial Statements and be accompanied by the auditor's report. The summarised financial statements must be sent to members not less than 21 days before the general meeting at which the Financial Statements are to be tabled, and a copy of the summarised financial statements must be made available for inspection by the public at the company's registered office in Bermuda. The company must also make a copy of the full Financial Statements available for inspection by the public at the company's registered office. Summarised financial statements must be accompanied by a notice informing members how they may elect to receive the company's Financial Statements.

### 13.10 Auditors

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the members and all of the directors, either in writing or at the general meeting, agree that no auditor shall be appointed to hold office until the close of the next annual general meeting.

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A person, other than an incumbent auditor, is not capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than 21 days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the company secretary waive the foregoing requirements.

An auditor appointed to replace another auditor must, before accepting the appointment or consenting to be appointed, seek from the former auditor a written statement as to the circumstances of the latter's replacement. If the former auditor does not respond within 15 days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the former auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned or been removed, or whose term of office has expired or is about to expire, or who has vacated office, is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

### 13.11 Exchange control

Exchange control is operated under the Exchange Control Act 1972 of Bermuda (and the regulations made thereunder) and is administered by the Bermuda Monetary Authority. Generally, any payment by a person resident in Bermuda to or for the credit of a person resident outside Bermuda will require prior approval from the Bermuda Monetary Authority.

Exempted companies, such as the Company, are normally designated non resident for exchange control purposes and are able to conduct their day to day operations free of exchange control formalities. Such companies are able to pay dividends, distribute capital, open and maintain bank accounts in any foreign currency and to acquire assets and meet all liabilities without reference to the Bermuda Monetary Authority.

Issues and transfers of securities in exempted companies involving non-residents for exchange control purposes must receive prior approval from the Bermuda Monetary Authority. However, the Bermuda Monetary Authority has granted to all Bermuda companies with voting shares listed on an appointed stock exchange, such as the ASX, a general permission for the issue and subsequent transfer of any securities of such companies from and to a non-resident of Bermuda for so long as any voting shares of such companies remain so listed.

### 13.12 Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, or any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company, such as the Company, or its operations, and there is no Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda.

Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable to it or any of its operations until 31 March 2035, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily

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resident in Bermuda. The Company applied for such assurance, which was granted by the Minister of Finance on 11 May 2011.

### 13.13 Stamp duty

An exempted company, such as the Company, is exempt from all stamp duties except on transactions involving 'Bermuda property'. This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

### 13.14 Loans to directors

Bermuda law prohibits a company from: (i) making loans to any of its directors (or any directors of its holding company) or to their spouse or children or to companies (other than a company which is a holding company or a subsidiary of the company making the loan) in which they own or control directly or indirectly more than a 20% interest; or (ii) entering into any guarantee or providing any security in connection with a loan made to such persons as aforesaid by any other person, without the consent of any member or members holding in aggregate not less than nine tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan, guarantee or security is made or given on condition that it will be repaid or discharged, as the case may be, within six months from the conclusion of the next following annual general meeting if the loan, guarantee or security is not approved at or before such meeting. If the approval of the company is not given for the loan, guarantee or security as aforesaid, the directors who authorised it will be jointly and severally liable to indemnify the company for any loss arising therefrom.

### 13.15 Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Bermuda Registrar of Companies, which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two hours during business hours each day.

Except when the register of members is closed under the provisions of the Bermuda Companies Act, the register of members of a company shall during business hours (subject to such reasonable restrictions as the company may impose so that not less than two hours in each day be allowed for inspection) be open for inspection by members of the general public without charge. A company may on giving notice by advertisement in an appointed newspaper close the register of members for any time or times not exceeding in the whole 30 days in a year. A company is required to maintain its register of members in Bermuda but may, subject to the provisions of the Bermuda Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any member of the public may require a copy of the register of members or any part thereof which must be provided within 14 days of a request on payment of the appropriate fee prescribed in the Bermuda Companies Act. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

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A company is required to maintain a register of directors and officers at its registered office in Bermuda and such register must during business hours (subject to such reasonable restrictions as the company may impose, so that not less than two hours in each day be allowed for inspection) be open for inspection by members of the public without charge. Any member of the public may require a copy of the register of directors and officers, or any part of it, on payment of the appropriate fee prescribed in the Bermuda Companies Act.

Where a company, the shares of which are listed on an appointed stock exchange, such as the ASX, sends its summarised financial statements to its members pursuant to section 87A of the Bermuda Companies Act, a copy of the full financial statements (as well as the summarised financial statements) must be made available for inspection by the public at the company's registered office in Bermuda.

### 13.16 Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributories. The Bermuda court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in the liquidator's hands and no future executive action may be carried out without the liquidator's approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Bermuda Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full in the period stated in the directors' declaration of solvency, the liquidator is obliged to summon a meeting of creditors and lay before the meeting a statement of the assets and liabilities of the company.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned for the day, or the next day following the day on which the meeting of the members at which the resolution for voluntary winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions. The creditors and the members at their respective meetings may nominate a person to be

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liquidator for the purposes of winding up the affairs of the company provided that if the creditors and the members nominate different persons, the person nominated by the creditors shall be the liquidator. If no person is nominated by the creditors, the person (if any) nominated by the company shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year and must lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purpose of laying the account before such meetings and giving an explanation thereof. This meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

Within one week after the date of the meetings, or if the meetings are not held on the same date, after the date of the later meeting, the liquidator is required to send to the Bermuda Registrar of Companies a copy of the account and make a return in accordance with the Bermuda Companies Act. The company will be deemed to be dissolved on the expiration of three months from the registration by the Bermuda Registrar of Companies of the account and the return. However, a Bermuda court may, on the application of the liquidator or of some other person who appears to the court to be interested, make an order deferring the date at which the dissolution of the company is to take effect for such time as the court thinks fit.

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# 14. GLOSSARY

## 14.1 General glossary

| | |
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| $ or A$ | Australian dollars |
| ABN | Australian Business Number |
| ARBN | Australian Registered Body Number |
| ASIC | Australian Securities and Investments Commission |
| ASX Settlement | ASX Settlement Pty Ltd ABN 49 008 504 532 |
| ASX Settlement Operating Rules | The operating rules of ASX Settlement and, to the extent that they are applicable, the operating rules of each of ASX and ASX Clear Pty Limited ABN 48 001 314 503 |
| ASX | ASX Limited ABN 98 008 624 691 (formerly named Australian Stock Exchange Limited) and, where the context requires, the Australian Securities Exchange (also known as the Australian Stock Exchange)operated by ASX Limited |
| Applicant | A person who submits an Application Form |
| Application Form | An application form either attached to or accompanying this prospectus or in its paper copy form as downloaded in its entirety from the Ikwezi Mining website www.ikwezimining.com |
| BBBEEA | Broad Based Black Economic Empowerment Act |
| Belvedere | Belvedere Mining Holdings Inc., a company in which our Directors, Simon Hewetson and David Pile, each hold beneficial interests |
| BEE | Black Economic Empowerment as described in Section 3.2 |
| BEE Partners | Ikwezi Mining Holdings (Proprietary) Limited (in relation to the Newcastle Project holding company, Ikwezi Mining (Proprietary) Limited)<br><br>Maroo Holdings (Proprietary) Limited and Ikwezi Mining Holdings (Proprietary) Limited in relation to the Newcastle Phase 2 and Acorn Projects holding company, Bokamoso Resources (Proprietary) Limited |
| Bermuda Companies Act | The Companies Act 1981 of Bermuda, as amended, supplemented or modified from time to time |
| Board or Board of Directors | The board of directors of Ikwezi Mining |
| Broker | An ASX participating organisation |

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| Broker Firm Offer | Offer of Shares under this prospectus to Australian residents who are sophisticated or professional investors (within the meaning of sections 708(8) and 708(11) of the Corporations Act, respectively), or, following lodgement of the prospectus, to Australian resident investors who are not Institutional Investors and who have received a firm allocation from their Broker, as described in Section 2.4 |
| Bye-laws | The bye-laws of the Company, as amended, supplemented or modified from time to time |
| CHESS | Clearing House Electronic Subregister System operated by ASX Settlement |
| Closing Date | The date by which Applications must be lodged for the Broker Firm Offer, being 5.00pm (WST) on 29 June 2011 |
| Constitution | The memorandum of association of the Company, as amended, supplemented or modified from time to time, and the Bye-laws |
| Corporations Act | *Corporations Act 2001* (Cth) |
| Directors | The directors of the Company as at the date of this prospectus |
| DMR | The South African Department of Mineral Resources |
| Eligible US Fund Manager | Dealer or other professional fiduciary organised, incorporated or (if an individual) resident in the United States that is acting for an account (other than an estate or trust) held for the benefit or account of persons that are not US Persons for which it has and is exercising investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S under the US Securities Act |
| EMPR | The environmental management programme report that we are required to submit to the DMR in connection with our application for a Mining Right, as described in Section 3.4 |
| Executive Director | An executive director of our Company or, where the term is used in relation to the title of Ranaldo Anthony, our Executive Director, Ranaldo Anthony |
| Existing Shareholders | Belvedere and Zero Nominees Pty Ltd |
| Exposure Period | The period commencing on the date of lodgement of this prospectus with ASIC and ending seven days after lodgement, subject to any extension of the period by ASIC |
| Ikwezi Mining or Company | Ikwezi Mining Limited, an exempted company incorporated under the laws of Bermuda with company number 45349 (ARBN 151 258 221) |

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| Institutional Offer | Invitation to Institutional Investors under this prospectus to acquire Shares, as described in Section 2.5 |
| Group | Our Company and each of our subsidiaries |
| HDSA | Historically disadvantaged South Africans, as defined in the Broad Based Socio-Economic Empowerment Charter |
| Ikwezi Mining Option Plan or Option Plan | The Company's option plan summarised in Section 11.5 |
| Institutional Investor | An investor to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality which Ikwezi Mining is willing to comply with), including in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708(8) or section 708(11) of the Corporations Act, provided that such a person may not be located in the United States unless it and any such underlying investor for whose account or benefit it is acting is reasonably believed to be an Eligible US Fund Manager |
| Lead Manager or Underwriter | Euroz Securities Limited ABN 23 089 314 983 |
| Listing | Official quotation of the Shares on ASX |
| Listing Rules | The listing rules of ASX |
| Mining Charter | The South African Socio-Economic Empowerment Charter, September 2010 |
| Minister | Minister of Mineral Resources |
| MPRDA | Mineral and Petroleum Resources Development Act 28 of 2002 (South Africa) |
| Naledi Holdings | Naledi Holdings, a company incorporated in Mauritius with registration number 097660 CI/GBL |
| New Shareholders | Shareholders that have been issued Shares under the Offer other than the Existing Shareholders |
| NuCoal | NuCoal Mining (Pty) Limited, a company registered in South Africa |
| Non-Executive Director | A non-executive Director |
| Offer | Offer under this prospectus of 150,000,000 new Shares to be issued by Ikwezi Mining |
| Offer Price | The price of Shares offered pursuant to this prospectus, being A$0.20 per Share |

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|---|---|
| Official List | Official list of entities that ASX has admitted to and not removed from listing |
| Pathfinder | The draft of this prospectus provided to Institutional Investors in connection with the Institutional Offer prior to the date of this prospectus |
| Projects | The Newcastle Project, the Newcastle Phase 2 Project and the Acorn Project |
| R | South African rand, the currency of South Africa |
| RBCT | Richards Bay Coal Terminal, located at the Port of Richards Bay |
| Regulation S | Regulation S promulgated under the US Securities Act |
| Share | Fully paid ordinary share in Ikwezi Mining, and includes the shares to be issued under the Offer where appropriate |
| Share Registry | Computershare Investor Services Pty Limited ABN 48 078 279 277 |
| Shareholders | Registered holders of Shares |
| South Africa | Republic of South Africa |
| South African Companies Act | Companies Act No 71 of 2008 (South Africa) |
| Successful Applicant | Applicant who is allocated Shares under the Offer |
| TFR | Transnet Freight Rail, a division of Transnet Limited, a South African government owned company, which operates heavy haul freight rail in South Africa |
| Underwriting Agreement | The underwriting agreement entered into by the Lead Manger and the Company, key provisions of which are summarised in Section 11.1 |
| US or United States | United States of America, its territories and provinces, any state of the United States of America and the District of Columbia |
| US Person | Has the meaning given to it in Rule 902(k) of Regulation S |
| US Securities Act | *United States Securities Act of 1933* |
| US$ or US dollar | United States dollar |
| We, us and our | Ikwezi Mining and, unless the context otherwise requires, together with each of its related bodies corporate |
| You and your | Any person who is an Applicant or is considering making an application for Shares under this prospectus |

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## 14.2 Glossary of technical terms and abbreviations

| | |
|---|---|
| adit | an entrance to an underground mine which is horizontal or nearly horizontal |
| Ash | All inorganic matter remaining after complete combustion of the coal. Expressed as a % of the original mass of the coal sample either on an Air Dried (ad), Dry basis (db), or As Received basis (AR) |
| Ash Content | A measure of the non combustible material in coal expressed as a percentage |
| Calorific value or CV | a measure of contained heat measured in MJ/kg |
| farm | The combined surface area of a property that has been consolidated under a single identifiable name |
| Fixed Carbon Content | FC is the Carbon left after the Ash, Inherent Moisture, and the Volatile content of the coal is removed. Expressed as a % of the original mass of the coal sample on a Dry basis (db) |
| GTIS | Gross tonnes in situ |
| Indicated Resource(s) | Part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, quality and mineral content can be estimated with a reasonable level of confidence, as defined in the JORC Code |
| Inherent Moisture Content | The moisture held within the coal itself (excluding surface moisture). Expressed as a % of the original mass of the coal sample on an Air Dried (ad) |
| Inferred Resource(s) | Part of a ore deposit for which quality can only be estimated with a low level of confidence, as defined in the JORC Code |
| JORC | Australasian Joint Ore Reserves Committee, which is sponsored by the Australian mining industry and its professional organisations |
| JORC Code | Code prepared by JORC in late 2004 which defines criteria for public reporting of Ore Resources and Reserves |
| Limit of Weathering or LOW | A depth below the surface over which the structural integrity of the underlying strata has been affected. |

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| | |
|---|---|
| Mineral Resources or Resources | A concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. Mineral Resources are subdivided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories, as defined in the JORC Code |
| Mining Right | The right to mine minerals on an area of land which is the subject of the prospecting right, granted in terms of Section 23 (1) of the MPRDA |
| Mt | million tonnes |
| Ore Reserves or Reserves | Probable Reserves, being Measured Resources and/or Indicated Resources which are not yet proven but of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of determination and under specific economic conditions, as defined in the JORC Code |
| Prospecting Right | the right to prospect for minerals on an area of land, which is the subject of the prospecting right granted in terms of Section 17 (1) of the MPRDA |
| Proximate Analysis | Laboratory determinations of the percentages of Moisture, Ash, Volatiles and Fixed Carbon |
| Raw Basis | The classification of the various measures of coal quality when describing coal which has not been beneficiated in any coal washing process |
| Raw Relative Density | The relative density or specific gravity of the coal before any form of beneficiation. Relative Density is the ratio of the mass of a particular volume of coal to the mass of a similar volume of water (water having a relative density of 1.0) |
| ROM | Run of mine |
| Surface Grid (TOPS) | Topography surface |
| Total Sulphur | Inherent sulphur content in coal expressed as a percentage |
| TTIS | Total tonnes in situ |
| Volatile matter content | those components of coal which are released at high temperature (except moisture) in the absence of air. Expressed as a % of the original mass of the coal sample either on an Air Dried (ad), Dry basis (db), or As Received basis (AR) |

This Application Form is important. If you are in doubt as to how to deal with it please contact your stockbroker or professional adviser without delay. You should read the entire Prospectus carefully before completing this form. The Corporations Act prohibits any person from passing onto another person an Application Form in relation to the offer of Shares, unless the Application Form is attached to, or accompanies, a complete and unaltered copy of the Prospectus. Capitalised terms in this Application Form have the meanings set out in the Prospectus.

This Application Form relates to the Offer of 150,000,000 Shares in Ikwezi Mining Limited at A$0.20 per Share pursuant to a prospectus dated 15 June 2011 issued by Ikwezi Mining Limited (**Prospectus**). The Prospectus was lodged with the Australian Securities and Investment Commission on that date. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. The Prospectus contains information about investing in the Shares of the Company and it is advisable to read the Prospectus before applying for Shares. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary or replacement prospectus. While the Prospectus is current, a paper copy of the Prospectus, and any supplementary or replacement prospectus and the Application Form will be provided to you, at no charge on behalf of the Company, by telephoning Euroz Securities Limited (**Euroz**) on +61 8 9488 1400. Other than in relation to applications by Institutional Investors, applications for Shares will only be accepted if made on an Application Form that was attached to or accompanied the Prospectus.

**This Application Form is due to Euroz before 5pm (Perth time) on the Closing Date (Wednesday, 29 June 2011).**

**Application Monies are due to Euroz before 5pm (Perth time) on Friday, 8 July 2011. Please see payment instructions below.**

# IKWEZI MINING LIMITED ARBN 151 258 221 BROKER FIRM APPLICATION FORM

## APPLICANTS DETAILS:

Full name (PLEASE PRINT)

Title, Given Name(s) & Surname or Company Name

Joint Applicant #2 or <designated account>

Joint Applicant #3 or <designated account>

Postal Address (PLEASE PRINT)

Street Number Street

Suburb/Town State Post Code

ABN, Tax File Number or Exemption Applicant #2 Applicant #3

CHESS HIN (where applicable)

| Number of Shares applied for | Application Monies at A$0.20 per Share |
|---|---|
| | A$…… |

(Minimum 10,000 Shares and then multiples of 5,000 Shares).

I/We whose full name(s) and address appear above hereby apply for the number of Shares shown above (to be allocated to me/us by the Company in respect of this Application) under the Prospectus on the terms set out in the Prospectus.

My/Our contact numbers in the case of inquiry are:

Telephone ( ) . . . . . Fax ( ) . . . . . .

### Declaration

This Application Form does not need to be signed. By submitting this Application Form I/we:

(1) represent and warrant that I/we have read and understood the Prospectus to which this Application Form relates;

(2) represent, warrant and agree that I/we am/are an Australian citizen or resident in Australia and am/are not acting for the account or benefit of, a person in the United States or any other foreign person and will not offer or sell the Shares in the United States or any other jurisdiction outside Australia except in transactions exempt from registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which such shares are offered or sold;

(3) apply for the number of Shares specified in the Application Form or such lesser number as may be allocated by the Directors upon and subject to the terms of the Prospectus and hereby authorise the Company to complete and execute any documents necessary to effect allotment of any Shares;

(4) agree to be bound by the constitution of the Company;

(5) declare that all statements made by me/us in this Application Form are complete and accurate; and

(6) authorise the Directors to complete or amend this Application Form where necessary to correct any errors or omissions.

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## PAYMENT INSTRUCTIONS

Application Monies may be paid via cheque or by transferred funds directly to Euroz's Trust account (details below) by Friday, 8 July 2011.

Euroz's bank account details are as follows:

Account Name: Euroz Securities Limited Trust Account
Account No.: 379182
Bank: Westpac Banking Corporation
Bank Address: Westpac Banking Corporation, Level 17, 109 St Georges Terrace, Perth WA 6000
Bank BSB: 036-000
Reference: IKW / Your Euroz Account Number / Your Euroz Account Name

Cheque's should be made payable to Euroz Securities – Trust Account, crossed "NOT NEGOTIABLE" and forwarded to Euroz to arrive no later than Friday, 8 July 2011.

## INSTRUCTIONS TO APPLICANTS

Please fax or email the completed Application Form to Euroz (+61 8 9488 1458 or email tstampfli@euroz.com.au). If an Applicant has any questions on how to complete this Application Form, please contact your adviser or telephone Euroz on 08 9488 1400. The Application Form must be received by Euroz no later than 5pm (Perth time) on the Closing Date.

**A. Shares Applied For**
Enter the number of Shares you wish to apply for. Applications must be for a minimum of 10,000 Shares. Applications in excess of the minimum must be in multiples of 5,000 Shares.

**B. Application Monies**
Enter the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by A$0.20.

**C. Applicant Name(s)**
Enter the full name you wish to appear on the holding statement. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHESS) participants should complete their name identically to that present in the CHESS system.

**D. Postal Address**
Enter your postal address for all correspondence. All communications to you from the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

**E. Contact Details**
Enter your contact details. These are not compulsory but will assist us if we need to contact you.

**F. TFN, ABN or Exemption Category**
Enter your Australian tax file number (**TFN**) or ABN or exemption category. Where applicable, please enter the TFN/ABN of each joint applicant. Collection of TFNs is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your application.

**G. CHESS**
The Company will apply to the ASX to participate in CHESS, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. In CHESS, the Company will operate an electronic CHESS Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Shares issued to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on issue, you will be issuer sponsored and allocated a Securityholder Reference Number (SRN).

**Please ensure that your registration details match your CHESS REGISTRATION details EXACTLY and include your HIN. Failure to match CHESS REGISTRATION exactly will result in stock being made ISSUER SPONSORED.**

If an Application Form is not completed correctly, or if the associated payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept an Application Form, and how to construe, amend or complete it shall be final. An Application Form will not however, be treated as an application for more Shares than is indicated by the amount of any accompanying cheque. The Application Form does not need to be signed. If an application is rejected, or is accepted in part only, you will receive a refund of all or part of your Application Monies without interest (as applicable).

**Please fax or email your Application Form to:**

**Euroz Securities Limited**
**Fax (+61 8 9488 1458) or email (tstampfli@euroz.com.au)**

## PRIVACY STATEMENT

Information about you as a Shareholder (including your name, address and details of the Shares you hold) will be included in the public register of the Company. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may also be provided to the Company's agents and service providers. You can obtain access to your personal information by writing to or telephoning the Share Registry as follows: Computershare Investor Services Pty Limited, Level 2, 45 St Georges Terrace, Perth, WA, 6000 or phone 1300 850 505.

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## CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons under 18 years of age. Examples of the correct form of registrable title are set out below.

| Type of Investor | Correct Form of Registration | Incorrect Form of Registration |
|---|---|---|
| Individual Use given names in full, not initials | Mr John Alfred Smith | J A Smith |
| Company Use the company's full title, not abbreviations | ABC Pty Ltd | ABC P/L or ABC Co |
| Joint Holdings<br>Use full and complete names | Mr Peter Robert Williams &<br>Ms Louise Susan Williams | Peter Robert &<br>Louise S Williams |
| Trusts<br>Use the trustee(s) personal name(s). | Mrs Susan Jane Smith<br><Sue Smith Family A/C> | Sue Smith Family Trust |
| Deceased Estates<br>Use the executor(s) personal name(s). | Ms Jane Mary Smith &<br>Mr Frank William Smith<br><Est John Smith A/C> | Estate of late John Smith<br>or<br>John Smith Deceased |
| Minor (a person under the age of 18)<br>Use the name of a responsible adult with an appropriate designation. | Mr John Alfred Smith<br><Peter Smith A/C> | Master Peter Smith |
| Partnerships<br>Use the partners personal names. | Mr John Robert Smith &<br>Mr Michael John Smith<br><John Smith and Son A/C> | John Smith and Son |
| Long Names. | Mr John William Alexander Robertson-Smith | Mr John W A Robertson-Smith |
| Clubs/Unincorporated Bodies/Business Names<br>Use office bearer(s) personal name(s). | Mr Michael Peter Smith<br><ABC Tennis Association A/C> | ABC Tennis Association |
| Superannuation Funds<br>Use the name of the trustee of the fund. | Jane Smith Pty Ltd<br><Super Fund A/C> | Jane Smith Pty Ltd Superannuation Fund |

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