IKWEZI MINING

ANNUAL REPORT **2012**

THE STAR

Ikwezi Mining Ltd derives its heritage and name from the isiZulu word **"ikwezi"** which translates to **"morning star"** or **"rising star"**.

The South African mining industry entered into a new dawn at the turn of the century and Ikwezi Mining plans to be the rising star in the junior coal mining sector.

www.ikwezimining.com

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OUR MISSION:

To establish the Company as an international mid-tier coal producer with a diversified operational base and product range, focusing on the thermal, anthracite, coking and metallurgical coal markets, that will:

- Maximise stakeholder value by developing our existing core assets as safe and environmentally responsible entities, which benefit the communities in which we operate; and
- Provide secure and sustainable employment opportunities, empowerment for local economic development initiatives and support to community improvement efforts in the region through focus on the export, domestic and high margin specialised coal markets that will allow us to expand this strategy, and diversify into other markets and commodities that will ensure the long-term success of the Company.

COMPANY OVERVIEW

Ikwezi Mining is 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 Limpopo provinces of South Africa.

We hold prospecting rights and majority interests in these projects, the most advanced of these being our 70 percent held Newcastle Project (Ntendeka Colliery) with a JORC compliant resource of 221 million tons of coal. Our mining right for this particular project (Newcastle Phase 1) was granted in February 2012. Development of this particular project is well underway along with obtaining the associated authorisations relating to the project. We have other earlier stage exploration projects in the form of our 60 percent owned Newcastle Phase 2 and Acorn projects as well as our 70 percent owned Waterberg Project.

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.

"Rising Star"

Resource of 221 million tons of coal

HIGHLIGHTS

- ☆ **Successful IPO** raised A$30 million
- ☆ **Mining right** for Newcastle Project (Ntendeka Colliery) secured
- ☆ **Solid foundation** for growth established
- ☆ **Significant progress** made in development of Ntendeka Colliery

MAP OF OPERATIONS

CHAIRMAN'S REPORT

SIMON HEWETSON Chairman and Non-executive Director

Ikwezi successfully listed on 19 July 2011 on the Australian Stock Exchange (ASX). The Initial Public Offering (IPO) was fully subscribed and saw new investors taking up 150 million shares, representing 44.28 percent of the Company's shares in issue and raising A$30 million with shares being offered to selected institutional and other investors.

The mine is expected to produce approximately 1.25 tpa saleable coal and will have a life of more than 30 years subject to further confirmatory drilling.

OPERATING ENVIRONMENT

Global thermal coal markets experienced volatility over the period, with high global inventories and record thermal coal exports out of the US disrupting markets. Low gas prices in the US also resulted in power utilities utilising their gas-powered rather than coal-powered stations to provide the majority of local US energy requirements. This resulted in excess thermal coal stocks which were exported. We expect the supply distortion to normalise over the coming period and believe the fundamentals for thermal coal remain sound, with an improvement in price expected.

A SOLID FOUNDATION FOR GROWTH

Having secured a mining right for the Ntendeka Colliery (formerly Newcastle Phase 1) and prospecting rights for Dundee Colliery (formerly Newcastle Phase 2) in KwaZulu-Natal, the Acorn Project on Gauteng's Springbok Flats, and the Waterberg Project in Limpopo subject to certain conditions precedent under the agreement being met, Ikwezi has a solid portfolio from which to grow.

Following the granting of our mining right for the Ntendeka Colliery in KwaZulu-Natal, in which we have a 70 percent stake, we remain initially focused on this development. KwaZulu-Natal has significant amounts of untapped coal resources and we believe this provides quick expansion platforms and consolidation opportunities. The area is also not constrained by rail capacity and retains the flexibility to export via the Durban and Richards Bay ports, making the distance to the ports short enough to consider trucking.

INVESTING IN OUR PEOPLE

In the first year of production, we expect to be able to create approximately 385 jobs in an area characterised by high unemployment rates. This will escalate to a sustainable 462 people for the remainder of the life of mine. We have set ourselves a target of attempting to employ at least 75 percent of our workforce from people living in the local area. Following studies of demographics of the area, each employee supports six dependants, bringing the number of people who will directly benefit from Ikwezi's operations to approximately 2,700.

Our policy requires that all labour, procurement and service providers are sourced first locally to the extent they are commercially competitive, with the area geographically expanded only if suitable candidates and services are unavailable. As part of this initiative, we are working together with local authorities to build up the skill set and supplier base within the area to meet all Ikwezi's human resource requirements.

In addition, we have committed to providing two new bursaries annually to enable youth from the local community to attend school and university once operations commence, in addition to our social and labour and other commitments in this area.

We fully support the South African government's transformation efforts, with our black economic empowerment (BEE) partners not only having a significant stake in our business, but also forming an integral part of our management team. With a BEE shareholding of 30 percent in the Ntendeka Colliery and 40 percent in our Dundee Colliery, we have exceeded the targets set out in the Mining Charter which requires mining companies to obtain 26 percent BEE ownership by 2014.

INVESTING IN OUR COMMUNITIES

From the outset we have worked together with the local community, traditional authorities and local government to ensure that our mining operations result in real and practical upliftment in the area in which we operate.

We have committed to the establishment of a community trust with a contribution of a beneficial interest in 2.5 percent of the shares in Ikwezi Mining Holdings, our minority BEE shareholder in the Ntendeka Colliery, to assist with development of the local community and broaden our BEE base on commencement of operations. In addition, we have engaged the various local authorities and the Ingonyama Trust, amongst others, together with local communities to assess how best we can assist in developing local areas through corporate social investment programmes.

Ikwezi has also spent approximately ZAR30 million in conjunction with local authorities, including the Department of Transport, to upgrade and maintain roads and river crossings in the area. This project has a real practical benefit to the community, assisting in the improvement of the infrastructure in the region.

INVESTING IN THE ENVIRONMENT

Given the current water constraints in South Africa, the sustainability of fresh water supply remains critical for the long-term success of any mining operation in South Africa. Ikwezi has designed its mine and coal washing plant using the latest, world-class technology so as not only to minimise our impact on the environment and the area's fresh water supply, but to improve the overall status of the water system in the area.

Rather than extract water from either local streams or boreholes as is the norm, our processes will extract, purify and utilise polluted water from old mine workings. We intend extracting water from the old Ngagane Colliery and piping this water approximately six kilometres to its main site for use together with limited borehole water for the life of our operation. This will contribute to an immediate as well as long-term improvement to the local water quality and eco-systems.

We have designed our coal wash plant to minimise its water loss. An additional ZAR20 million has been spent on our wash plant design to specifically reduce its water requirements through the incorporation of centrifuge dewatering and filter presses. This will result in our discard from the wash plant operations being in a coarse form rather than the usual slurry that requires tailings dams as found in the majority of coal processing facilities in South Africa.

We also plan to erect water treatment and sewerage plants to improve the quality of the water used in the plant area and environs to standards acceptable for use from both an industrial and potable water perspective.

GOVERNANCE

We remain committed to operating in a transparent and accountable manner and, at Board level, subscribe to the highest levels of good governance. Our Board charter recognises management's duties and responsibilities to employees, customers, communities as well as other stakeholders.

We are fully committed to the principles of transparency, integrity and accountability. The primary responsibility for good Corporate Governance rests with the Board and its Chairman. The Board is satisfied that the committees set out in detail later in this report have effectively discharged their duties and responsibilities.

CHANGES TO THE BOARD

There were no changes to the Board during the year under review.

FUTURE OUTLOOK

We continue to actively engage the Department of Water Affairs to update relevant officials in KwaZulu-Natal as to progress on our IWUL application. There has been a delay due to the Department of Water Affairs' focus on clearing water use applications from 2004 to 2010 under Project Letsema. We expect to receive this shortly which will allow us to be in a position to commence production at the Ntendeka Colliery in early 2013.

ACKNOWLEDGEMENTS

I would like to thank the Board for their guidance and insight during the year as well as Ikwezi's experienced management team for their dedication and contribution to building a solid foundation for growth. My appreciation also extends to our stakeholders, including shareholders, for their continued commitment.

For and behalf of the Board

Simon Hewetson
Chairman

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement sets out Ikwezi Mining Ltd's (the Company) compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations).

The Ikwezi Mining Ltd Board comprises two Non-executive Directors and two Executive Directors. We are seeking to appoint an additional suitably qualified Independent Non-executive Director, once an appropriate candidate is identified.

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.

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.

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 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 two Non-executive Directors and two Executive Directors.

The Chairman is a Non-executive Director. The current Board members are described in the Directors' Report for the financial year ended 30 June 2012. Due to the interests of Simon Hewetson in the Shares in our Company held by Belvedere (as described in the Directors' Report), only one of our Directors is considered by the Board to be independent.

The Board is committed to good corporate governance and, as noted above, we are seeking to appoint an additional suitably qualified Independent Non-executive Director. The Board will consider appointing this Independent Non-executive Director 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 of the Directors as at the date of this annual report can be found in the Directors' Report.

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 currently comprises our two Non-executive Directors, Roger Rees and Simon Hewetson and Executive Director, Ranaldo Anthony.

Roger Rees, an Independent Non-executive Director, is Chairman of the 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's responsibilities include overseeing our risk management systems, practices and procedures and reviewing periodically the scope and adequacy of our insurance. The Risk Committee will comprise at least three 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, Simon Hewetson and Roger Rees, serve on the Risk Committee.

David Pile currently serves as Chairman of the Risk Committee.

REMUNERATION AND NOMINATION COMMITTEE

The role of the Remuneration and Nomination Committee includes attending to matters relating 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 the two Non-executive Directors serve on the Remuneration and Nomination Committee. Roger Rees currently serves as Chairman of the Remuneration and Nomination Committee.

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, and developing, overseeing and reviewing the effectiveness of our occupational health and safety systems to ensure the wellbeing 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;

CORPORATE GOVERNANCE STATEMENT continued

- 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.

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. 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". 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.

COMPLIANCE WITH BLACK ECONOMIC EMPOWERMENT (BEE) LEGISLATION IN SOUTH AFRICA

The BEE requirements in the South Africa mining industry arise from the equality provisions of the South African Constitution and the Mineral and Petroleum Resources and Development Act (MPRDA). The Department of Mineral Resources (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 stipulates that mines must commit to obtaining 26 percent effective ownership (the meaningful participation of HDSAs 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 percent of its capital goods, 50 percent of its consumer goods and 70 percent of its services from BEE entities (an entity of which a minimum of 25 percent + 1 vote of share capital is directly owned by HDSAs). Further, Mining Right holders need to ensure that all multinational suppliers of capital goods contribute 0.5 percent 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 percent 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 five percent 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 holder 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.

The legal requirements contained in the South African legislation are considered to be more stringent than the reporting recommendations contained in ASX Recommendation 3.3 and 3.4. The Company's South African subsidiaries comply with and in fact exceed the relevant ownership requirements with our BEE partners who form an integral part of the management team owning 30 percent of Ikwezi Mining (Pty) Ltd, Ikwezi Management Services (Pty) Ltd and Ikwezi Resources (Pty) Ltd and 40 percent of Bokamaso (Pty) Ltd. We are committed to meeting and exceeding the provisions contained in the Mining Charter with preference given in terms of our internal employment and procurement policies and procedures not only to HDSA employees and BEE compliant companies but to those that are located in the areas that we operate.

As at the date of this report 40 percent of the senior full time management of the consolidated Group are HDSAs with 20 percent of senior management being female although we have no female Directors. Females comprise 37.5 percent of our current workforce. Our spend during the current financial year ended 30 June 2012 exceeds the legislative requirements in this regard which are due to come into force in 2014.

CORPORATE GOVERNANCE STATEMENT continued

COMPLIANCE WITH ASX RECOMMENDATIONS

The Company follows all of the ASX Recommendations except as outlined in this statement.

During the period to 30 June 2012 the Board comprised two Non-executive Directors and two Executive Directors. The Chairman of the Board during the period was a Non-executive Director, however, only one of the Directors during the period to 30 June 2012 is considered by the Board to be independent based on the criteria outlined in the definition of independence adopted by the Company.

As a result of this Board structure, the Company did not comply with the following ASX Recommendations for the period to 30 June 2012:

- ASX Recommendation 2.1: A majority of the Board should be Independent Directors.
- ASX Recommendation 2.2: The Chair should be an Independent Director.
- ASX Recommendation 4.2: The Audit Committee should be structured so that it consists only of Non-executive Directors; consists of a majority of Independent Directors; is chaired by an Independent Chair, who is not Chair of the Board; and has at least three members.
- ASX Recommendation 8.2: The Remuneration Committee should be structured so that it consists of a majority of Independent Directors; is chaired by an Independent Chair; and has at least three members.

The Company is working towards complying with the above ASX Recommendations and is seeking to appoint a further Independent Non-executive Director as appropriately qualified candidates are identified. The new appointees will allow the Company to revise the composition of the Audit Committee and Remuneration and Nomination Committee to comply further with ASX Recommendations, however it does not expect in the coming year to comply with the requirement for the Audit Committee to comprise at least three members. The Company does not consider compliance with this part of the ASX Recommendation 4.2 appropriate for the Company at present having regard to the size and scale of its operations and the desire to constitute its Audit Committee solely of Independent Non-executive Directors.

A table outlining the Company's current compliance with each ASX Recommendation starts below.

The Company has made copies of its Corporate Governance charters, policies and documents available in a governance section of the Company's website at www.ikwezimining.com.

ASX Recommendation	Comply (Yes/No)	Explanation
PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
ASX Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	The Board has adopted a formal charter that details the respective Board and management functions and responsibilities. A copy of this Board charter is available in the governance section of the Company's website at www.ikwezimining.com.
ASX Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.	Yes	The Board has adopted a performance evaluation policy, which provides that the Remuneration and Nomination Committee will arrange an annual performance evaluation of senior executives of the Company and that an independent adviser may be used. This evaluation will be based on specific criteria, including the business performance of the Company and its subsidiaries, whether strategic objectives are being achieved, and the development of management and personnel. Each senior executive's performance will be assessed against his or her designated roles and responsibilities. A copy of the performance evaluation policy is available in the governance section of the Company's website at www.ikwezimining.com. No formal performance evaluation of senior executives took place in the period to 30 June 2012.
ASX Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes	The Company includes in the Corporate Governance Statement in its annual reports an explanation of any departure from ASX Recommendations 1.1, 1.2 or 1.3 (if any) and whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed (see above). A copy of the Company's Board charter is available in the governance section of the Company's website at www.ikwezimining.com.

ASX Recommendation	Comply (Yes/No)	Explanation
PRINCIPLE 2: STRUCTURE OF THE BOARD TO ADD VALUE		
ASX Recommendation 2.1: A majority of the Board should be Independent Directors.	No	During the period to 30 June 2012 the Board comprised two Non-executive Directors and two Executive Directors. Only one of the Non-executive Directors is considered by the Board to be independent based on the criteria outlined in the definition of independence adopted by the Company. In particular, the Board does not consider a Director to be independent, unless he or she: • holds an interest of less than five percent of the voting shares of the Company and is not an officer of a shareholder with an interest in more than five percent of the voting shares of the Company (which is the reason why the Board does not consider the other Non-executive Director – being the Chairman of the Company – to be independent); and • within the last three years, has not been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold any such employment (which is the reason why the Board does not consider the Executive Directors to be independent). The Company is working towards complying with this ASX Recommendation and is seeking to appoint additional suitably qualified Independent Non-executive Directors when appropriate candidates are identified. A copy of the definition of independence adopted by the Company is available in the governance section of the Company's website at www.ikwezimining.com.
ASX Recommendation 2.2: The Chair should be an Independent Director.	No	The Chairman of the Company, Mr Simon Hewetson, is not considered to be an Independent Director by the Board based on the criteria outlined in the definition of independence adopted by the Company. This is due to the interests of the Chairman in our Company held by Belvedere (as described in the Directors' Report). As noted above, following listing on the ASX, the Board is seeking to appoint additional suitably qualified Independent Non-executive Directors once suitable candidates are identified. The Company intends that one of these appointees will be appointed Chair of the Board.
ASX Recommendation 2.3: The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	Yes	The role of Chair of the Board is exercised by Mr Simon Hewetson. The role of Managing Director is exercised by Mr David Pile.
ASX Recommendation 2.4: The Board should establish a Nomination Committee.	Yes	The Board has established a Remuneration and Nomination Committee and adopted a charter that sets out the Remuneration and Nomination Committee's role and responsibilities, composition and membership requirements. Currently, Mr Roger Rees (Chair) and Mr Simon Hewetson serve on the Remuneration and Nomination Committee. A copy of the charter of the Remuneration and Nomination Committee is available in the governance section of the Company's website at www.ikwezimining.com.

CORPORATE GOVERNANCE STATEMENT continued

ASX Recommendation	Comply (Yes/No)	Explanation
ASX Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Yes	The Company's Board charter outlines the process for evaluating the performance of the Board. This provides that, once a year, the Board shall hold a meeting to review critically and discuss the performance of the Board as a whole, its committees and individual Directors. If it is apparent that these are problems which cannot be satisfactorily considered by the Board itself, the Board may decide to engage an independent adviser to undertake this review. The Company's Remuneration and Nomination Committee is also required to arrange an annual performance evaluation of the Board, its committees and individual Directors. No formal evaluation was carried out during the financial year ended 30 June 2012. The Board intends to carry out this performance evaluation during the 2012/2013 financial year. Copies of the Board charter and the charter of the Remuneration and Nomination Committee are available in the governance section of the Company's website at www.ikwezimining.com.
ASX Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes	The Company includes in its annual reports the information indicated in the Guide to reporting on Principle 2. The skills, experience and expertise relevant to the position of each Director are set out in the Directors' Report. The Board considers only one of the Directors during the period to 30 June 2012 to be an Independent Director for the reasons outlined in relation to ASX Recommendation 2.1 above. The criteria and materiality thresholds for determining whether a Director is independent are set out in the definition of independence adopted by the Company, a copy of which is available in the governance section of the Company's website at www.ikwezimining.com. The Company's Board charter provides that the Board, Board committees and individual Directors may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairman of the Board. A copy of any such advice received will be made available to all members of the Board. The Company's Nomination and Remuneration Committee charter requires the Nomination and Remuneration Committee to identify and recommend to the Board 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. Mr Simon Hewetson and Mr David Pile were appointed Directors following the incorporation of the Company in May 2011. Mr Ranaldo Anthony was appointed as a Director in June 2011. Mr Roger Rees was appointed as a Non-executive Director in July 2011. During the period to 30 June 2012, Mr Roger Rees (Chair), Mr Simon Hewetson served on the Remuneration and Nomination Committee. The Board charter and charter of the Remuneration and Nomination Committee together set out the policy and procedure for the selection and appointment of new Directors. Copies of each of these charters are available in the governance section of the Company's website at www.ikwezimining.com.

ASX Recommendation	Comply (Yes/No)	Explanation
PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING		
ASX Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	The Company has established a code of conduct that sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from Directors and employees. A copy of the Company's code of conduct is available in the governance section of the Company's website at www.ikwezimining.com.
ASX Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	Yes	The Company recognises that a talented and diverse workforce is a key competitive advantage and that an important contributor to the Company's success is the quality, diversity and skills of its people. The Board does not consider that at this stage it is appropriate for the Company to implement a diversity policy that aligns completely with the ASX Recommendations as it is already required to comply with the diversity requirements under the Broad Based Socio-Economic Empowerment Charter, September 2010 (Mining Charter), published and implemented by the South African Department of Mineral Resources. The Mining Charter aims to facilitate participation of historically disadvantaged South Africans (HDSAs) 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. HDSAs 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 specified racial groups. Amongst other things, under the Mining Charter, in furtherance of employment equity targets, a holder of a mining right must reach 40 percent HDSA representation at all levels of management and core skills by no later than 2014.
ASX Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	No	The Company has not yet set measurable objectives for achieving gender diversity. The Board will consider these and disclose its position in its next annual report.
ASX Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes	Twenty percent of senior management are female although we have no female Directors at present. Females comprise 37.5 percent of our current workforce. Our Board does not include any females at present.

CORPORATE GOVERNANCE STATEMENT continued

ASX Recommendation	Comply (Yes/No)	Explanation
ASX Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	The Company discloses in the Corporate Governance Statement in its annual reports an explanation of any departure from ASX Recommendations 3.1, 3.2, 3.3, 3.4 or 3.5 (see above). Copies of the Company's code of conduct and position on diversity policy are available in the governance section of the Company's website at www.ikwezimining.com.
PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING		
ASX Recommendation 4.1: The Board should establish an Audit Committee.	Yes	The Board has established an Audit Committee and adopted a charter that sets out the Audit Committee's purpose, composition, duties and responsibilities. The role of the Audit Committee is to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting and compliance. A copy of the charter of the Audit Committee is available in the governance section of the Company's website at www.ikwezimining.com.
ASX Recommendation 4.2: The Audit Committee should be structured so that it: • consists only of Non-executive Directors; • consists of a majority of Independent Directors; • is chaired by an Independent Chair, who is not Chair of the Board; and • has at least three members.	No	The structure of the Company's Audit Committee for the period ended 30 June 2012 does not meet the requirements of Recommendation 4.2. This is due to the fact that one of the Non-executive Directors who serves on the Audit Committee, Mr Simon Hewetson, is not considered by the Board to be independent based on the criteria outlined in the definition of independence adopted by the Company. The Board is committed to good corporate governance and will seek to achieve the Audit Committee composition requirements set out in ASX Recommendation 4.2, other than that part of the recommendation that recommends an Audit Committee has at least three members which the Board does not consider is appropriate at this stage due to the size and scale of the Company's current operations, the composition of the Board and the desire to have only Independent Non-executive Directors appointed to the Audit Committee. The Company is seeking to appoint additional suitably qualified Independent Non-executive Directors as appropriate candidates are identified. The Company intends that these Independent Non-executive Directors be appointed to the Audit Committee to replace the existing non-independent members.
ASX Recommendation 4.3: The Audit Committee should have a formal charter.	Yes	The Board has adopted a formal charter that details the Audit Committee's purpose, composition, duties and responsibilities. A copy of the charter of the Audit Committee is available in the governance section of the Company's website at www.ikwezimining.com.
ASX Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	The Company has disclosed in the Directors' Report the names and qualifications of those appointed to its Audit Committee, their attendance at meetings and the number of meetings of the Audit Committee. The Company has disclosed in this Corporate Governance section of its annual report an explanation of departures from Recommendations 4.1, 4.2, 4.3 and 4.4 (see above). The Board has adopted a formal charter of the Audit Committee, which provides information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners. A copy of this charter is available in the governance section of the Company's website at www.ikwezimining.com.

ASX Recommendation	Comply (Yes/No)	Explanation
PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE		
ASX Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	The Company has established a continuous disclosure policy which is designed to guide compliance with ASX Listing Rule disclosure requirements and to ensure that all Directors, senior executives and employees of the Company understand their responsibilities under the policy. The Board has designated the Managing Director and the Company Secretary as the persons responsible for ensuring that this policy is implemented and enforced and that all required price sensitive information is disclosed to the ASX as required. In accordance with the Company's continuous disclosure policy, all information provided to ASX for release to the market will be posted to its website at www.ikwezimining.com after ASX confirms an announcement has been made. A copy of the continuous disclosure policy is available in the governance section of the Company's website at www.ikwezimining.com.
ASX Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	The Company has outlined in this statement an explanation of any departure from ASX Recommendations 5.1 or 5.2 (if any). A copy of the Company's continuous disclosure policy is available in the governance section of the Company's website at www.ikwezimining.com.
PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS		
ASX Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	The Company respects the rights of its shareholders, and to facilitate the effective exercise of those rights the Company has designed a shareholder communication policy which outlines the Company's commitment to: • communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company; • giving shareholders ready access to balanced and understandable information about the Company and corporate proposals; • encouraging shareholders to participate in general meetings of the Company; and • requesting the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report. A copy of the shareholder communication policy is available in the governance section of the Company's website at www.ikwezimining.com.
ASX Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	The Company includes in its annual reports an explanation of any departure from ASX Recommendations 6.1 or 6.2 (if any) and a description of how it will communicate with its shareholders publicly. The Company has provided information about the Company generally for the benefit of its shareholders and market participants (among others) on the Company's website at www.ikwezimining.com and all information provided to ASX for release to the market will be posted to its website at www.ikwezimining.com after ASX confirms an announcement has been made.

CORPORATE GOVERNANCE STATEMENT continued

ASX Recommendation	Comply (Yes/No)	Explanation
PRINCIPLE 7: RECOGNISE AND MANAGE RISK		
ASX Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	The Company is committed to the identification, monitoring and management of risks associated with its business activities and has established policies in relation to the implementation of practical and effective control systems. The Company has established a risk management policy, a copy of which is available in the governance section of the Company's website at www.ikwezimining.com. The Board is responsible for ensuring that sound risk management strategy and policies are in place. The Board has delegated to the Risk Committee responsibility for identifying and overseeing major risk areas and that systems are in place to manage them, and report to the Board as and when appropriate. The Risk Committee is required to develop and maintain a risk register that identifies the risks to the Company and its operation and assesses the likelihood of their occurrence. The risk register will be updated periodically and presented to the Board for its consideration at least twice a year. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required to assess risk management and associated internal compliance and control procedures and report back quarterly to the Risk Committee on whether those risks are being managed effectively. The Board has adopted a charter of the Risk Committee that defines the Risk Committee's purpose, composition, duties and responsibilities. A copy of the charter of the risk management policy is available in the governance section of the Company's website at www.ikwezimining.com. As addressed above, the Board has established an Audit Committee that is to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting and compliance. A copy of the charter of the Audit Committee is available in the governance section of the Company's website at www.ikwezimining.com.
ASX Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes	Under the Company's risk management policy, the responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required to assess risk management and associated internal compliance and control procedures and report back quarterly to the Risk Committee on whether those risks are being managed effectively. The Board has received the reports from management required by ASX Recommendation 7.2.
ASX Recommendation 7.3: The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	The Board has received the assurance required by ASX Recommendation 7.3 in respect of its 2012 annual report.

ASX Recommendation	Comply (Yes/No)	Explanation
ASX Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	The Company includes in the Corporate Governance Statement in its annual reports an explanation of any departure from ASX Recommendations 7.1, 7.2, 7.3 or 7.4 (if any), whether the Board has received the report from management under ASX Recommendation 7.2, and whether the Board has received assurance from the Managing Director and the Chief Financial Officer under ASX Recommendation 7.3. Both a summary and copies of the Company's risk management policy, charter of the Audit Committee and the charter of the Risk Committee are available in the governance section of the Company's website at www.ikwezimining.com.
PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY		
ASX Recommendation 8.1: The Board should establish a Remunerations Committee.	Yes	The Board has established a Remuneration and Nomination Committee to support and advise the Board in fulfilling its responsibilities to shareholders. The role of the Remuneration and Nomination Committee includes attending to matters related to the Company's remuneration policy to enable the Company 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. The Board has adopted a charter that defines the Remuneration and Nomination Committee's purpose, composition, duties and responsibilities. A copy of this charter is available in the governance section of the Company's website at www.ikwezimining.com.
ASX Recommendation 8.2: The Remunerations Committee should be structured so that it: • consists of a majority of Independent Directors; • is chaired by an Independent Chair; and • has at least three members.	No	The structure of the Company's Remuneration and Nomination Committee for the period ended 30 June 2012 does not meet the requirements of ASX Recommendation 8.2. This is because of the Directors serving on the committee, Mr Roger Rees (Chair) and Mr Simon Hewetson; only Mr Roger Rees is considered by the Board to be independent based on the criteria outlined in the definition of independence adopted by the Company. The Board is committed to good corporate governance and will seek to achieve the Remuneration and Nomination Committee composition requirements set out in ASX Recommendation 8.2. The Company is seeking to appoint additional suitably qualified Independent Non-executive Directors as appropriate candidates are identified. The Company intends that these Independent Non-executive Directors be appointed to the Remuneration and Nomination Committee.
ASX Recommendation 8.3: Companies should clearly distinguish the structure of Non-executive Directors' remuneration from that of executive Directors and senior executives.	Yes	Mr Simon Hewetson is not currently paid in relation to his role as Chairman or as a Non-executive Director. The Company will revisit this position during the 2013 financial year. Mr Roger Rees is paid a fixed annual fee for his service to the Company as a Non-executive Director. Executives of the Company typically receive remuneration comprising a base salary component and other fixed benefits based on the terms of their employment agreements with the Company or its subsidiaries and potentially the ability to participate in bonus arrangements and the Company's option plan described in Section 11.5 of the Company's prospectus. Under the charter of the Remuneration and Nomination Committee, the Remuneration and Nomination Committee must: • review and approve the Company's recruitment, retention and termination policies and procedures for senior executives to enable the Company to attract and retain executives and Directors who can create value for shareholders; • implement and subsequently review the ongoing appropriateness and relevance of the executive remuneration policy and other executive benefit programmes;

CORPORATE GOVERNANCE STATEMENT continued

ASX Recommendation	Comply (Yes/No)	Explanation
ASX Recommendation 8.3 (continued): Companies should clearly distinguish the structure of Non-executive Directors' remuneration from that of executive Directors and senior executives (continued)		• ensure that any remuneration policies fairly and responsibly reward executives having regard to the performance of the Company, the performance of the executive and prevailing remuneration expectations in the market; • consider and make recommendations to the Board on the remuneration for each Executive Director (including base pay, incentive payments, equity awards, retirement rights, termination payments, service contracts) having regard to the executive remuneration policy; • review and approve the proposed remuneration (including incentive awards, equity awards and service contracts) for the direct reports to the Managing Director. As part of this review the Remuneration and Nomination Committee will oversee an annual performance evaluation of the executive team; • implement and subsequently review the ongoing appropriateness and relevance of the non-executive remuneration policy; and • consider and make recommendations to the Board on the remuneration for each Non-executive Director (as distinct from the remuneration structures of Executive Directors and senior executives) having regard to the non-executive remuneration policy.
ASX Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	The Company includes in its annual reports: • an explanation of any departure from ASX Recommendations 8.1, 8.2, 8.3 or 8.4 (if any); • the existence and terms of any schemes for retirement benefits, other than superannuation, for Non-executive Directors; and • the names of the members of the Remuneration Committee and their attendance at meetings of the committee, or where a Company does not have a Remuneration Committee, how the functions of a Remuneration Committee are carried out. The Board has adopted a formal charter of the Remuneration and Nomination Committee, which defines the Remuneration and Nomination Committee's purpose, composition, duties and responsibilities. A copy of this charter is available in the governance section of the Company's website at www.ikwezimining.com. The Company will determine, and then intends to make publicly available on the Company's website a summary of the Company's policy on prohibiting executives entering into transactions in associated products that limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme made available by the Company.

IKWEZI MINING

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

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DIRECTORS' REPORT

30 JUNE 2012

The Directors of Ikwezi Mining Ltd (Directors) present their report on the Consolidated Entity consisting of Ikwezi Mining Ltd (the Company or Ikwezi) and the entities it controlled at the end of, or during, the year ended 30 June 2012 (Consolidated Entity or Group).

DIRECTORS

The following persons were Directors of Ikwezi during the financial year or up to the date of this report:
Mr Simon Hewetson – Chairman and Non-executive Director (appointed 10 May 2011)
Mr David Pile – Managing Director (appointed 10 May 2011)
Mr Ranaldo Anthony – Executive Director (appointed 8 June 2011)
Mr Roger Rees – Non-executive Director (appointed 22 July 2011)

INFORMATION ABOUT DIRECTORS

MR SIMON HEWETSON

Simon was a co-founder and Chief Executive Officer of Nucoal Mining (Pty) Ltd (Nucoal) where he oversaw the development of the operation up to a production level of 2.5 Mtpa before Nucoal was sold to an Australian Securities Exchange (ASX) listed coal producer in January 2010. Simon has extensive trading experience in a number of commodities and the development of junior mining companies.

Special responsibilities:
Chairman of the Board, Non-executive Director, Member of the Audit Committee, Member of the Remuneration and Nomination Committee

Current directorships and former directorships (last three years) of listed public companies:
None

MR DAVID PILE

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 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 the Richards Bay Coal Terminal.

Special responsibilities:
Managing Director, Member of the Risk Committee

Current directorships and former directorships (last three years) of listed public companies:
None

MR RANALDO ANTHONY

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 energy coal reserves and resources. Most recently, Ranaldo was Deputy Chief Executive Officer of Nucoal.

Special responsibilities:
Executive Director, Member of the Audit Committee, Member of the Risk Committee, Member of the Remuneration and Nomination Committee

Current directorships and former directorships (last three years) of listed public companies:
None

MR ROGER REES

Roger was appointed to the Ikwezi Board on 22 July 2011. He has held a number of senior management positions, including serving as the Finance Director of the South African engineering and construction business Murray and Roberts for over 10 years. Roger was also a Non-executive Director of Clough Ltd from November 2005 and Deputy Chairman from April 2010 to July 2011. He developed his early career with Arthur Andersen in London and Johannesburg, followed by financial leadership positions in the food, tobacco and media sectors. Roger has developed extensive international expertise in corporate finance entailing due diligence studies, mergers, acquisitions and disposal of companies.

Special responsibilities:
Chairman of Audit Committee, Chairman of Risk Committee, Chairman of Remuneration and Nomination Committee

Current directorships and former directorships (last three years) of listed public companies:
Rex Trueform Ltd (appointed 1 April 2011)
Murray and Roberts Holdings Ltd (resigned 30 June 2011)
Clough Ltd (resigned 1 July 2011)

COMPANY SECRETARY

The Company Secretary is Mr Alex Neuling (appointed 15 June 2011).

Alex Neuling is a Chartered Accountant and Chartered Secretary with over 10 years corporate and financial experience including six 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 also holds an honours degree in Chemistry from the University of Leeds in the United Kingdom and is principal of Erasmus Consulting (Pty) Ltd (Erasmus), which provides company secretarial and financial management consultancy services to a variety of ASX-listed and other companies.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was coal exploration and development.

DIVIDENDS

No dividends have been declared, provided for, or paid in respect of the financial year ended 30 June 2012 (2011: Nil).

FORWARD-LOOKING STATEMENTS

This document contains reference to certain intentions, expectations, estimates, future plans, strategy and prospects of the Group. Those intentions, expectations, estimates, future plans, strategy and prospects may or may not be achieved. They are based on certain assumptions, which may not be met or on which views may differ and may be affected by known and unknown risks. The performance and operations of the Group may be influenced by a number of factors, many of which are outside the control of the Group. No representation or warranty, express or implied, is made by the Group or any of its Directors, officers, employees, advisers or agents that any intentions, expectations or plans will be achieved either totally or partially or that any particular rate of return will be achieved and each of those persons expressly disclaims all liability with respect to such forward-looking information. Given the risks and uncertainties that may cause the Group's actual future results, performance or achievements to be materially different from those expected, planned or intended, readers of this document should not place undue reliance on these intentions, expectations, future plans, strategy and prospects.

SUMMARY REVIEW OF OPERATIONS

For the financial year ended 30 June 2012 the Group recorded a net loss of $1,412,256 and a net cash outflow from operations of $1,872,335. Activities during the year were focused on listing the Company on the ASX and development work on the Newcastle Project (Ntendeka Colliery). On 15 July 2011, the Company was listed on the ASX via an Initial Public Offering (IPO) which raised $30,000,000, before issue costs.

The majority of expenditure incurred by the operations, together with capital spend during the year under review, related to bringing the Ntendeka Colliery into production. The Company was granted a mining right covering 12,182 ha for the Ntendeka Colliery by the Department of Mineral Resources (DMR) in February 2012 with registration of the right in June 2012, representing an important step towards bringing the colliery into production.

DIRECTORS' REPORT (continued)

30 JUNE 2012

Studies required for the submission of the Environmental Impact Assessment (EIA); National Environmental Management Act (NEMA) applications; Environmental Management Programme (EMP); as well as the Integrated Water Use Licence (IWUL) application were completed. These included grassland; soil type; avifaunal; aquatic; traffic; heritage; and archaeological studies, amongst others.

Detailed design and engineering work were completed for the construction of a wash plant and related infrastructure including engineering designs for the supply of power and water; offices; change houses; pollution control dams; water processing facilities; and water storage dams. Construction of the coal washing plant was completed during the year under review and the wash plant commissioned during September 2012.

The wash plant has a monthly design capacity of 170,000 tons ROM coal per month and the design is modular allowing for future relocation if necessary. It has also been designed to allow for processing capacity to be doubled to 340,000 tpm ROM. The primary and secondary crushers installed are designed to process approximately 400,000 tpm ROM, with the first wash plant module having a design processing capacity of 170,000 tpm ROM. A second wash plant module can be added with the related infrastructure designed to allow for this ramp up.

The power lines required to connect the wash plant to the local power networks operated by Eskom and the Company's gensets were installed subsequent to year-end. Four 1 MVA gensets were ordered of which one has been delivered to the site to run the wash plant prior to the link up to Eskom's main line power. The main Eskom line to the wash plant has been installed with an initial 500 kVA. A total of 7 MVA from Eskom has been applied for in line with the ramp up of the project's underground operations.

Water will be supplied to the Ntendeka Colliery from the old Ngagane Colliery workings through a pumping system to a break pressure tank and then via gravity feed to the coal wash plant approximately 6 km away. The water will then be treated to an industrial standard via a dissolved air flotation system to be used by the coal wash plant. The water system is designed to minimise the impact on the surrounding area and will contribute to an immediate environmental improvement by minimising legacy decant from the old workings. The wash plant incorporates filter presses which result in the discard from the wash plant operations being in a coarse form rather than the usual slurry that requires tailings dams.

The plant's water consumption is also minimised. The design incorporates a potable water plant that will be used to treat water to a potable standard for use in the operation. A sewage system will also be installed resulting in the operation being completely self-sufficient from an infrastructural perspective.

The Ngagane siding design has been approved by Transnet Freight Rail (TFR) and the EIA for the siding completed and approved by the relevant authorities. The siding is designed to be compliant with the requirements to ship coal to the Richards Bay Coal Terminal (RBCT).

The upgrade of the first section of the haul road to the Ngagane siding together with the grading of the balance of the road, the rebuilding of two bridges, together with a number of culverts was completed during the year.

As announced on 19 December 2011, Ikwezi has secured an option to purchase the land on which the siding for the old Ngagane Power Station is located subject to the successful completion of a basic Environmental Impact Assessment (EIA). Restoration of the siding will commence on finalisation of the bank facility that the Company is in the process of negotiating. The cost to restore the siding and signalling is expected to be very similar to that of the originally planned goods-shed siding in Newcastle, i.e. approximately AUD3.4 million with a construction timeframe of three months. In the interim, the Company plans to transport coal via an existing siding on the outskirts of Newcastle utilising the P272 for the first month or two of operations should this be required. A number of alternate sidings can be utilised in the short term to rail product.

In terms of logistics, an account was opened with Transnet Freight Rail (TFR) further to its commitment to provide 1.5 Mtpa rail capacity to either the ports of Richards Bay or Durban, with Ikwezi's production volumes incorporated in their annual and five-year budgets. Ikwezi has been offered port allocation at two ports in its own right totalling approximately 1.2 Mtpa which are under discussion with the relevant port authorities. The contracts both have take-or-pay obligations and are expected to be finalised in line with the finalisation of an off-take agreement. The Company has been offered an off-take agreement as announced on 19 June 2012 from one of the major international traders to purchase all of the Newcastle Project's coal and provide port facilities for a three-year period. Documentation of this agreement is expected to be finalised after the IWUL and NEMA approvals are received.

Initial site establishment for the first opencast mining area has commenced. Completion of the water supply line and related water storage facilities to supply the wash plant together with the plant pollution control dams will be completed on receipt of the IWUL for the project and on finalisation of the Company's proposed finance facility described below.

The work completed at the Ntendeka Colliery, together with additional work undertaken up to the date of this report, has placed the operation in the position to ship its first coal approximately three months from the time that mining commences. The longest lead time relates to the construction of the water pipeline and treatment facility for which the IWUL is required.

The Company is in advanced discussions with the Development Bank of South Africa and two other banks to put a five-year loan facility in place for the operation of approximately ZAR200 million (approximately AUD24 million). The decision for Ikwezi to fund the purchase of the coal wash plant itself rather than through a third party, together with the additional cost associated with the decision to move the location of the siding from Newcastle to Ngagane, added approximately ZAR100 million (approximately AUD12 million) to the project's initial capital requirements. These changes will, however, reduce the cash operating cost per ton and reduce the social impact on the surrounding community which is critical to the long-term sustainability of the operation. The loan facility will also provide an additional cash buffer for operational purposes.

The Company has two drill rigs on site at Ntendeka Colliery to assess coal qualities and geological structures on an ongoing basis. A total of 261 boreholes were drilled totalling 19,168 metres during the year. Of these 261 boreholes, 229 boreholes were positive in intersecting coal. This exploration programme resulted in an increase in resources as well as providing a higher level of confidence in the geology of the project area.

The Company entered into an agreement to purchase 70 percent of two Prospecting Rights in the Waterberg as announced on 30 September 2011 for a total consideration of ZAR3.5 million subject to the satisfactory conclusion of certain conditions precedent, including an approval under Section 11 of the Mineral and Petroleum Resources Development Act (S11 approval) by the DMR. A deposit of ZAR1.5 million was paid with the balance due on the various conditions precedent contained in the agreement, including the S11 approval being met. Whilst progress has been made in this regard, certain of the conditions precedent including the S11 remain outstanding,

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the state of affairs of the Group occurred during the financial year and to the date of this report other than as referred to in the Summary Review of Operations.

POST REPORTING DATE EVENTS

Subsequent to the Company's year-end, the Ntendeka Colliery's coal wash plant was dry commissioned on the completion of the link up of the main Eskom power line and installation of the genset on site. An additional offer of port capacity was made to the Company bringing the total to approximately 1.2 Mtpa. Documentation of these agreements is expected to be finalised in line with the off-take agreement after the IWUL and NEMA approvals are received.

DIRECTORS' REPORT (continued)

30 JUNE 2012

FUTURE DEVELOPMENTS

On receipt of the IWUL and finalisation of the finance facility under negotiation, the Company intends to complete the water supply system to the Ntendeka Colliery wash plant, commence work on the restoration of the Ngagane siding in order to be able to commence mining operations.

Exploration activities in respect of its Ntendeka Colliery will continue in order to improve its confidence in the geology of the project area, as well as to further define reserves to support its envisaged medium- to long-term mine plan.

The Company will also continue to conduct exploration on its Acorn and Dundee projects in line with its commitments to its Prospecting Rights Works Programmes with exploration of the Company's Waterberg Project commencing on receipt of S11 approval for the acquisition of the project and fulfilment of the relevant conditions precedent.

The Company continues to seek and evaluate new opportunities as they arise as well as to look into consolidation opportunities.

Due to the nature of the Group's business activities, the Directors are not able to state further details in relation to:
(a) likely developments in the entities' operations; or
(b) the expected results of these operations,

as to do so would result in unreasonable prejudice to the Consolidated Entity.

ENVIRONMENTAL REGULATION

The Group's environmental obligations are regulated under South African laws. The Company has a policy of exceeding or at least complying with its environmental performance obligations.

During the financial year, the Group did not materially breach any particular or significant South African law.

DIRECTORS' SHAREHOLDINGS

As at the date of this report, the interests of the Directors in shares and options of Ikwezi are:

	Number of fully paid ordinary shares	Number of share options
Mr Simon Hewetson	170,000,000[(i)]	–
Mr David Pile	170,000,000[(i)]	2,000,000
Mr Ranaldo Anthony	–	2,000,000
Mr Roger Rees	–	–
	–	4,000,000

[(i)] *Mr David Pile and Mr Simon Hewetson each have an indirect beneficial interest in the same 170,000,000 shares of the Company.*

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2012, and the number of meetings attended by each Director (includes matters decided by circular resolution). No meetings were held by committees prior to 30 June 2012.

Full Board meetings	Number eligible to attend	Number attended
Mr Simon Hewetson	3	3
Mr David Pile	3	3
Mr Ranaldo Anthony	3	3
Mr Roger Rees	3	3

SHARE OPTIONS

At the date of this report the Company has the following options on issue.

Description	**2012 Number**	Exercise price	Grant date	Expiry date
Options:				
Broker options	**1,000,000**	$0.30	15 July 2011	31 Dec 2012
Director options	**4,000,000**	$0.30	15 July 2011	31 Dec 2012
	5,000,000			

REMUNERATION REPORT

This remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation

This remuneration report outlines the Director and executive remuneration arrangements of the Company and Group. For the purpose of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

DETAILS OF DIRECTORS AND EXECUTIVES

Directors

Mr Simon Hewetson	Chairman
Mr David Pile	Managing Director
Mr Ranaldo Anthony	Executive Director
Mr Roger Rees	Non-executive Director

Executives

Mr Alex Neuling	Company Secretary

No remuneration was paid to Directors of the Group by Group Companies other than Ikwezi Mining Ltd.

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the Board, acting in its capacity as Remuneration Committee, is to ensure that pay and rewards are competitive and appropriate for the results delivered. The Remuneration Committee charter adopted by the Board aims to align rewards with achievement of strategic objectives and the creation of value for shareholders. The remuneration framework applied provides a mix of fixed and variable pay and a blend of short- and long-term incentives as appropriate.

Remuneration of executives consists of an un-risked element (base pay) and cash bonuses based on performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting years. As such, remuneration is not linked to the financial performance of the Company.

At present the functions of the Remuneration Committee in relation to the remuneration of the Company's executives (including share and benefit plans) are carried out by the full Board. No Directors are present at meetings of the Board in this function where their own remuneration is being considered. Issues of remuneration are considered annually or otherwise as required.

NON-EXECUTIVE DIRECTORS

The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders at general meetings and is currently set at $500,000. The Company's policy is to remunerate Non-executive Directors at market rates (for comparable companies) for time, commitment and responsibilities. Fees for Non-executive Directors are not linked to the performance of the Company. However, to align Directors' interests with shareholders' interests, Directors are encouraged to hold shares in the Company.

In addition to Directors' fees, Non-executive Directors are entitled to additional remuneration as compensation for work outside the scope of Non-executive Directors' duties (whether performed in a consulting or part-time employee capacity). Non-executive Directors' fees and payments are reviewed annually by the Board.

Retirement benefits and allowances

No retirement benefits or allowances are paid or payable to Non-executive Directors of the Company other than superannuation benefits.

Other benefits

No motor vehicle, health insurance or other similar allowances are made available to Non-executive Directors.

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION (continued)

EXECUTIVES

Base pay

Executives are offered a competitive level of base pay which comprises the fixed (un-risked) component of their pay and rewards. Base pay for senior executives is reviewed annually to ensure market competitiveness. There are no guaranteed base pay increases included in any senior executives' contracts.

Short-term incentives

Payment of short-term incentives is dependent on the achievement of key performance milestones as determined by the Remuneration Committee. These milestones require performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting years.

Short-term bonus payments may be adjusted up or down in line with under or over achievement relative to target performance levels at the discretion of the Remuneration Committee.

For the period ended 30 June 2012, no short-term incentives were paid or payable to Directors or Key Management Personnel of the Company or Group.

Long-term incentives

Long-term performance incentives comprise options granted at the discretion of the Remuneration Committee in order to align the objectives of Directors with shareholders and the Company (refer to Section D for further information). The issue of options to Directors requires shareholder approval.

The grant of share options has not been directly linked to previously determined performance milestones or hurdles as the current stage of the Group's activities makes it difficult to determine effective and appropriate key performance indicators and milestones.

B. DETAILS OF REMUNERATION

AMOUNTS OF REMUNERATION

Details of the remuneration of the Directors and Executives of Ikwezi Mining Ltd and the Group are set out in the following table.

	Short-term benefits			Post-employment benefits			
2012	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary benefits $**	**Superannuation $**	**Retirement benefits $**	**Share-based payment options $**	**Total $**
Non-executive Directors							
Mr Simon Hewetson	–	–	–	–	–	–	–
Mr Roger Rees	68,750	–	–	–	–	–	68,750
Sub-total Non-executive Directors	**68,750**	–	–	–	–	–	**68,750**
Executive Directors							
Mr David Pile	319,998	–	–	28,800	–	56,000	404,798
Mr Ranaldo Anthony	281,522	–	–	25,337	–	56,000	362,859
Executives							
Mr Alex Neuling*	50,453	–	–	–	–	–	50,453
Sub-total Executives	**651,973**	–	–	**54,137**	–	**112,000**	**818,110**
Total	**720,723**	–	–	**54,137**	–	**112,000**	**886,860**

** Amounts shown as remuneration for Mr Neuling are fees paid or payable to associated entities of the Company Secretary.*

REMUNERATION REPORT (continued)

B. DETAILS OF REMUNERATION (continued)

AMOUNTS OF REMUNERATION (continued)

2011	Short-term benefits: Cash salary and fees $	Short-term benefits: Cash bonus $	Short-term benefits: Non-monetary benefits $	Post-employment benefits: Superannuation $	Post-employment benefits: Retirement benefits $	Share-based payment options $	Total $
Non-executive Directors							
Mr Simon Hewetson	–	–	–	–	–	–	–
Mr Roger Rees	–	–	–	–	–	–	–
Sub-total Non-executive Directors	–	–	–	–	–	–	–
Executive Directors							
Mr David Pile	53,333	–	–	4,800	–	–	58,133
Mr Ranaldo Anthony	46,667	–	–	4,200	–	–	50,867
Executives							
Mr Alex Neuling*	1,350	–	–	–	–	–	1,350
Sub-total Executives	101,350	–	–	9,000	–	–	110,350
Total	101,350	–	–	9,000	–	–	110,350

** Amounts shown as remuneration for Mr Neuling are fees paid or payable to associated entities of the Company Secretary.*

During the year to 30 June 2012 no at-risk short-term or long-term incentives were paid or payable to Directors or Executives of the Company/Group.

No cash bonuses were forfeited during the year by Directors or Executives or remained unvested at period-end.

C. SERVICE AGREEMENTS

Remuneration and other terms of agreement for the Company's Non-executive Directors are formalised in letters of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of Director. The major provisions of the agreements relating to remuneration are set out below. Non-executive Directors' fees are set at an aggregate sum not exceeding $500,000. During the period ended 30 June 2012, the Chairman was not paid in relation to his role as Chairman or Non-executive Director. This position may be revisited during the 2013 financial year. No termination benefits are payable to Non-executive Directors under the terms of their letters of appointment.

On 1 May 2011, the Company entered into an Executive Service Agreement with David Pile (Managing Director) and Ranaldo Anthony (Executive Director). Under the terms of the present contract:

- Mr Pile will be paid a minimum remuneration package of $320,000 per annum and Mr Anthony will be paid a minimum remuneration package of $280,000 per annum. Mr Pile will also be paid an additional amount set by law at nine percent of his base salary into retirement funds, and Mr Anthony will be paid an additional amount equal to nine percent of his base salary into pension contribution funds.
- Mr Pile and Mr Anthony may qualify for a bonus to be decided at the sole discretion of the Board, not to exceed an amount equal to 80 percent of their annual base salary, should the Company be successful in achieving the goal to bring the Newcastle Project into production at specified levels for at least two consecutive months and the operations being cash flow positive on or before 30 June 2012.
- Each Executive Director may terminate his respective employment agreement at any time by providing three months written notice to the Company.
- The Company may 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.
- The Company may also at any time terminate an executive employment agreement without cause, by giving the executive three months written notice or three months payment in lieu of notice, or a combination of notice and payment in lieu of notice.

C. SERVICE AGREEMENTS (continued)

Remuneration and other terms of agreement with Alex Neuling in his capacity as the Company Secretary are formalised in an agreement with Erasmus Consulting (Pty) Ltd (a related entity of Mr Neuling), which was entered into prior to his appointment. The agreement is on normal commercial terms and provides for a minimum monthly retainer plus hourly rate and has a three-month notice period.

D. SHARE-BASED COMPENSATION

Option holdings

During the financial year there were no other share-based payment arrangements in existence other than as disclosed above.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 29 to the financial statements.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board.

INSURANCE AND INDEMNITY OF OFFICERS AND AUDITORS

During the year the Company has paid a premium in respect of a contract insuring the Directors of the Company (as named above) and the Company Secretary against liabilities incurred as such a Director, Secretary or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

This report is made in accordance with a resolution of the Directors.

Simon Hewetson
Chairman

Monaco
26 September 2012

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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TO THE MEMBERS OF IKWEZI MINING LIMITED

We have audited the accompanying financial report of Ikwezi Mining Limited which comprises the statement of financial position as at 30 June 2012, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 31 to 59.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The Directors' are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error. In note 3, management also states, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements, and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion:

(a) the financial report of Ikwezi Mining Limited presents fairly, in all material respects, the consolidated entity's financial position as at 30 June 2012 and its financial performance for the year then ended in accordance with Australian Accounting Standards; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in note 3.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu

Ross Jerrard
Partner
Chartered Accountants
Perth, 26 September 2012

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2012

	Note	Year ended 30 June 2012 $	Two month period ended 30 June 2011 $
Investment income	5	**737,657**	1,303
Other gains and losses	6	**36,246**	–
Total income		**773,903**	1,303
Administrative expenses		**325,164**	60,908
Depreciation		**555**	73
Employee benefits expense		**937,853**	224,751
Consulting expenses		**63,966**	15,159
Occupancy expenses		**45,020**	21,637
Rental expenses		**15,554**	–
Travel and transport expenses		**55,223**	11,715
Finance costs		**9,789**	–
Net foreign exchange loss		**17,368**	23,140
Other expenses		**6,141**	617
Loss before income tax expense		**(702,730)**	(355,463)
Income tax (expense)/benefit	7	**–**	–
Loss for the period from continuing operations		**(702,730)**	(355,463)
Attributable to:			
Owners of the Company		**(696,004)**	(366,826)
Non-controlling interests		**(6,726)**	11,363
		(702,730)	(355,463)
Loss per share			
Basic and diluted loss per share (cents per share)	8	**(0.2)**	(0.3)

The above consolidated income statement should be read in conjunction with the accompanying notes. The comparative period reported is from incorporation to 30 June 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Year ended 30 June 2012 $	Two month period ended 30 June 2011 $
Loss for the period	**(702,730)**	(355,463)
Other comprehensive income		
Exchange differences on translating foreign operations	**(709,526)**	1,456
Total comprehensive income for the period	**(1,412,256)**	(354,007)
Attributable to:		
Owners of the Company	**(1,405,530)**	(365,371)
Non-controlling interests	**(6,726)**	11,363
	(1,412,256)	(354,007)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes. The comparative period reported is from incorporation to 30 June 2011.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Note	2012 $	2011 $
ASSETS			
Current assets			
Cash and cash equivalents	24	**12,130,904**	1,418,025
Trade and other receivables	9	**196,933**	110,412
Other financial assets	10	**760,694**	-
Other current assets	11	**218,113**	722,641
Total current assets		**13,306,644**	2,251,078
Non-current assets			
Exploration and evaluation expenditure	12	**6,913,846**	1,595,398
Property, plant and equipment	13	**12,150,579**	1,158
Total non-current assets		**19,064,425**	1,596,556
Total assets		**32,371,069**	3,847,634
LIABILITIES			
Current liabilities			
Trade and other payables	14	**3,129,962**	644,715
Provisions	16	**43,242**	16,253
Other liabilities	15	**8,700**	498,600
Total current liabilities		**3,181,904**	1,159,568
Non-current liabilities			
Provisions	16	**185,238**	-
Total non-current liabilities		**185,238**	-
Total liabilities		**3,367,142**	1,159,568
Net assets		**29,003,927**	2,688,066
EQUITY			
Issued capital	17	**30,569,450**	2,981,333
Reserves	18	**(568,070)**	1,456
Accumulated losses	18	**(1,062,830)**	(366,826)
Equity attributable to owners of the Company		**28,938,550**	2,615,963
Non-controlling interests	19	**65,377**	72,103
Total equity		**29,003,927**	2,688,066

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 2012

	Note	**Year ended 30 June 2012 $**	Two month period ended 30 June 2011 $
Cash flows from operating activities			
Payments to suppliers and employees		**(1,872,335)**	(527,323)
Net cash outflow from operating activities	24	**(1,872,335)**	(527,323)
Cash flows from investing activities			
Payments for capitalised exploration and evaluation		**(3,876,664)**	(1,534,658)
Payments for property, plant and equipment		**(10,529,329)**	(1,230)
Payments to acquire financial assets		**(724,448)**	–
Interest received		**737,657**	1,303
Net cash outflow from investing activities		**(14,392,784)**	(1,534,585)
Cash flows from financing activities			
Proceeds from issues of shares	17	**30,000,000**	3,131,342
Share issue costs	17	**(1,796,504)**	(150,009)
Repayment of loans from related parties		**(498,600)**	–
Proceeds from loans from related parties		**–**	498,600
Net cash inflow from financing activities		**27,704,896**	3,479,933
Net increase in cash and cash equivalents		**11,439,777**	1,418,025
Cash and cash equivalents at the beginning of the period		**1,418,025**	–
Effects of exchange rate changes on cash and cash equivalents		**(726,898)**	–
Cash and cash equivalents at the end of the period	24	**12,130,904**	1,418,025

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes. The comparative period reported is from incorporation to 30 June 2011.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	Issued capital $	Share-based payments reserve $	Foreign currency translation reserve $	Accumulated losses $	Attributable to owners of the parent $	Non-controlling interests $	Total $
Balance at incorporation	10,000	–	–	–	10,000	–	10,000
Profit/(loss) for the period 2 May 2011 to 30 June 2011	–	–	–	(366,826)	(366,826)	11,363	(355,463)
Exchange differences on translation of foreign operations	–	–	1,456	–	1,456	–	1,456
Total comprehensive income for the period	–	–	1,456	(366,826)	(365,370)	11,363	(354,007)
Issue of shares – asset acquisition	121,342	–	–	–	121,342	–	121,342
Issue of shares – seed capital	3,000,000	–	–	–	3,000,000	–	3,000,000
Share issue costs	(150,009)	–	–	–	(150,009)	–	(150,009)
Non-controlling interests arising on asset acquisition	–	–	–	–	–	60,740	60,740
Balance at 30 June 2011	2,981,333	–	1,456	(366,826)	2,615,963	72,103	2,688,066
Profit/(loss) for the period	**-**	**-**	**-**	**(696,004)**	**(696,004)**	**(6,726)**	**(702,730)**
Exchange differences on translation of foreign operations	**-**		**(709,526)**	**-**	**(709,526)**	**-**	**(709,526)**
Total comprehensive income for the year	**-**		**(709,526)**	**(696,004)**	**(1,405,530)**	**(6,726)**	**(1,412,256)**
Issue of shares – Initial Public Offering	**30,000,000**	**-**	**-**	**-**	**30,000,000**	**-**	**30,000,000**
Share issue costs, net of tax	**(2,411,883)**	**-**	**-**	**-**	**(2,411,883)**	**-**	**(2,411,883)**
Recognition of share-based payments	**-**	**140,000**	**-**	**-**	**140,000**	**-**	**140,000**
Balance at 30 June 2012	**30,569,450**	**140,000**	**(708,070)**	**(2,105,826)**	**28,938,550**	**65,377**	**29,003,927**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes. The comparative period reported is from incorporation to 30 June 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. CORPORATE INFORMATION

Ikwezi Mining Ltd ("Company" or "Ikwezi") is a Company limited by shares incorporated in Bermuda whose shares are publicly traded on the ASX (effective 15 July 2011). The consolidated financial statements of the Group as at and for the year to 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities"). The comparative period reported represents the two month period from incorporation (2 May 2011) to 30 June 2011.

2. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

2.1 STANDARDS AND INTERPRETATIONS AFFECTING AMOUNTS REPORTED IN THE CURRENT PERIOD

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements, but that have had no effect on the amounts reported are set out in Section 2.2.

Standards affecting presentation and disclosure

Amendments to AASB 7 'Financial Instruments: Disclosure'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
Amendment to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items in other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
AASB 124 'Related Party Disclosures' (revised December 2009)	AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities. The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in AASB 124 (revised December 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous standard. The related party disclosures set out in note 27 to the consolidated financial statements have been changed to reflect the application of the revised standard. Changes have been applied retrospectively.

Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

2.2 STANDARDS AND INTERPRETATIONS ADOPTED WITH NO EFFECT ON FINANCIAL STATEMENTS

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements, but may affect the accounting for future transactions or arrangements.

AASB 2010-5 'Amendments to Australian Accounting Standards'	The standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (continued)

2.3 STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2014	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'	1 January 2013	30 June 2014

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	30 June 2015
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2014	30 June 2014
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Directors on 26 September 2012.

Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, except for certain non-current assets that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Directors continue the ongoing and active management of the expenditure incurred by the Group. The cash flow forecast indicates that there are sufficient cash resources available to fund the activities and commitments of the Group for at least 12 months. In the unlikely event that unbudgeted costs are incurred, the Group does have various alternatives available including the ability to reduce discretionary expenditure whilst additional finance is sought through either debt financing or capital raising arrangements.

The Group incurred a net loss of $696,004 for the year to 30 June 2012 (2011: loss $366,826) and had a net cash outflow from operations of $1,872,335 (2011: net cash outflow $527,323) for the year. Notwithstanding this, the financial report has been prepared on a going concern basis which the Directors consider to be appropriate based upon the available cash assets of $12,130,904 as at 30 June 2012 (2011: $1,418,025).

(b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Ikwezi Mining Ltd 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 Ltd 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 acquisition 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 Ltd.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Segment reporting

Management has determined that the Group has one reportable segment, being coal exploration and development. As the Group is focused on coal exploration, the Board monitors the Group based on actual versus budgeted revenues and expenditure incurred by area of interest. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date. The Group operates principally in South Africa.

(d) Foreign currencies

The individual financial statements of each Group Entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each Group Entity are expressed in Australian dollars ($), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual Group Entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated in Australian dollars using the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated equity (attributed to non-controlling interests as appropriate).

(e) 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.

(f) 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 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 or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets

At each reporting date, the Group 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.

(h) Cash and cash equivalents

For cash flow statement presentation purposes, 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.

(i) Trade and other receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest rate method.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised in the income statement within other expenses.

(j) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Plant and equipment in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight-line basis so as to write down the net cost or fair value of each asset over its expected useful life to its estimated residual value.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting year. The estimated useful lives are:

• Land and buildings	20 years
• Rail siding	20 years
• Plant and machinery	20 years
• Mine infrastructure	7 years
• Road earthworks	20 years
• Office equipment	3 years
• Computer equipment	3 years
• Computer software	2 years
• Motor vehicles	5 years
• Other fixtures and fittings	6 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Exploration and evaluation

Exploration and evaluation expenditures in relation to each area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) The rights to tenure of the area of interest are current; and

(ii) At least one of the following conditions is also met:

(a) The exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(b) Exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of prospecting rights, studies, exploratory drilling, sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value money is material).

(m) Financial instruments

Financial assets and financial liabilities are recognised when a Group Entity becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit of loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss” (FVTPL), “held-to-maturity” investments, “available-for-sale” (AFS) financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. The Group designates its investment in unit trusts as at FVTPL and states the investment at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line in the income statement. Fair value is determined in the manner described in note 23.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are considered to be impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Re-purchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Trade and other payables

Trade payables and other accounts payable represent liabilities for goods and services provided to the Group, prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(p) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to contributions.

(q) 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 from the proceeds.

(r) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(s) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST)/Value Added Tax (VAT), except:

(i) where the amount of GST/VAT incurred is not recoverable from the Australian Tax Office (ATO)/South African Revenue Service (SARS). In these circumstances the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables, with the exception of accrued expenses and expense provisions, are stated with the amount of GST/VAT included.

The net amount of GST recoverable from, or payable to, the ATO/SARS is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the cash flow statement on a gross basis. The GST/VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO/SARS are classified as operating cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 21.

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.

Equity-settled share-based payment transactions with parties, other than employees, are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing this financial report, the Group has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

(a) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax assets

The Group has carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the appropriate jurisdictions.

Capitalisation of exploration and evaluation expenditure

The Group has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the Areas of Interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

(b) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting year are:

Impairment of assets

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

As at 30 June 2012, the carrying value of capitalised exploration and evaluation is $6,913,846 (2011: $1,595,398).

		Year ended 30 June 2012 $	Period ended 30 June 2011 $
5.	**INVESTMENT INCOME**		
	From continuing operations		
	Interest income	**737,657**	1,303
6.	**OTHER GAINS AND LOSSES**		
	From continuing operations		
	Net gain arising on financial assets designated as at FVTPL	**36,246**	–
7.	**INCOME TAX**		
	Current tax expense	**-**	–
	Deferred tax expense	**-**	–
	The income tax expense for the year/period can be reconciled to the accounting profit/(loss) as follows:		
	Accounting loss before tax	**(702,730)**	(355,463)
	Income tax expense calculated at 30%	**210,819**	106,639
	Effect of unused tax losses not recognised as deferred tax assets	**(210,819)**	(106,639)
		-	–

Unused tax losses for which no deferred tax assets have been recognised are attributable to tax losses (revenue in nature). No deferred tax assets have been recognised based upon the Directors' assessment of future probable taxable profits arising from current exploration and evaluation assets.

		Year ended 30 June 2012 Cents	Period ended 30 June 2011 Cents
8.	**LOSS PER SHARE**		
	Basic/diluted loss per share		
	Loss attributable to the ordinary equity holders of the Company	**(0.2)**	(0.3)
	Loss used in calculation of basic/diluted loss per share	**$**	$
	Loss	**(696,004)**	(366,826)
	Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	**332,996,575**	140,703,390
	Weighted average number of ordinary shares used as the denominator in calculating diluted loss per share	**337,804,795**	140,703,390

9. TRADE AND OTHER RECEIVABLES

	30 June 2012 $	30 June 2011 $
VAT receivable	**196,933**	110,412
	196,933	110,412

(a) Fair value

Due to the short-term nature of these receivables, their carrying value is assumed to approximate fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

		30 June 2012 $	30 June 2011 $
10.	**OTHER FINANCIAL ASSETS**		
	Financial assets carried at fair value through profit or loss (FVTPL)		
	Non-derivative financial assets designated as at FVTPL	**760,694**	–
		760,694	–
	The Group holds an interest in a unit trust which is ceded as security for the rehabilitation guarantee.		
11.	**OTHER CURRENT ASSETS**		
	Prepayments	**96,399**	722,641
	Loans to employees[(i)]	**65,870**	–
	Deposits	**55,844**	–
		218,113	722,641
	(i) Loans to employees include loans totalling $12,558 which are non-interest bearing with principal repayment due in less than 12 months. The balance of $53,312 attracts interest at six percent per annum but at the date of this report, have no fixed repayment terms.		
12.	**EXPLORATION AND EVALUATION EXPENDITURE**		
	At cost		
	Opening balance	**–**	
	Additions	**1,595,398**	
	Balance at 30 June 2011	**1,595,398**	
	Additions	**5,318,448**	
	Balance at 30 June 2012	**6,913,846**	

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 may be recovered from the asset. The assessment is performed when the above occurs and at every reporting date.

13. PROPERTY, PLANT AND EQUIPMENT

	Rail siding (in progress) $	Beneficiation plant (in progress) $	Mine infrastructure (in progress) $	Road earthworks (in progress) $	Office and computer equipment and software $	Motor vehicles $	Other fixtures and fittings $	**Total $**
At cost								
Opening Balance	–	–	–	–	–	–	–	**–**
Additions	–	–	–	–	1,231	–	–	**1,231**
Balance at 30 June 2011	–	–	–	–	1,231	–	–	**1,231**
Additions	150,493	8,547,701	1,648,390	1,515,239	20,641	247,414	67,274	**12,197,152**
Balance at 30 June 2012	150,493	8,547,701	1,648,390	1,515,239	21,872	247,414	67,274	**12,198,383**
Accumulated depreciation								
Opening Balance	–	–	–	–	–	–	–	**–**
Depreciation	–	–	–	–	73	–	–	**73**
Balance at 30 June 2011	–	–	–	–	73	–	–	**73**
Depreciation charged to the income statement	–	–	–	–	439	–	116	**555**
Depreciation related to exploration and evaluation	–	–	–	–	2,299	37,630	7,247	**47,176**
Balance at 30 June 2012	–	–	–	–	2,811	37,630	59,911	**47,804**
Carrying amount								
At 30 June 2011	**–**	**–**	**–**	**–**	**1,158**	**–**	**–**	**1,158**
At 30 June 2012	**150,493**	**8,547,701**	**1,648,390**	**1,515,239**	**19,061**	**209,784**	**59,911**	**12,150,579**

	30 June 2012 $	30 June 2011 $
14. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES		
Trade payables	**2,969,348**	468,360
Other – accruals	**160,614**	176,355
	3,129,962	644,715

The average credit period on purchases is 45 days from the date of invoice. Group policy is to pay all undisputed invoices within 30 days from the month of receipt.

(a) Fair value

The carrying amount of trade payables is a reasonable approximation of fair value due to their short-term nature.

	30 June 2012 $	30 June 2011 $
15. OTHER CURRENT LIABILITIES		
Loans from related parties(i)	**–**	498,600
Other	**8,700**	–
	8,700	498,600

(i) The loan from a related party, Ikwezi Mining Holdings (Pty) Ltd to the Group was repaid during the year. The loan was unsecured, non-interest bearing and had no fixed repayment terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

		30 June 2012 $	30 June 2011 $
16.	**PROVISIONS**		
	Employee benefits(i)	**43,242**	16,253
	Decommissioning(ii)	**185,238**	–
		228,480	16,253
	Current	**43,242**	16,253
	Non-current	**185,238**	–
		228,480	16,253

(i) The provision for employee benefits represents annual leave entitlements accrued by employees.

(ii) The provision for decommissioning represents the cost to decommission the beneficiation plant and is included in the additions to the cost of the plant. The movement for the year represents the initial recognition of the provision.

		Number	$
17.	**ISSUED CAPITAL**		
(a)	**Share capital**		
	At 30 June 2012		
	Fully paid ordinary shares	**338,750,000**	**30,569,450**
	At 30 June 2011		
	Fully paid ordinary shares	188,750,000	2,981,333

(b) Movements in ordinary share capital

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of shares held. On a show of hands, every holder of ordinary shares present at a meeting or by proxy is entitled to one vote. Upon a poll every holder is entitled to one vote per share held.

Description	Number of shares	$
Opening balance	–	–
Incorporation	1,000,000	10,000
Asset acquisition(i)	169,000,000	121,342
Seed capital(ii)	18,750,000	3,000,000
Issue costs(ii)		(150,009)
Balance at 30 June 2011	188,750,000	2,981,333
Shares issued – IPO(iii)	150,000,000	30,000,000
Issue costs(iii)		(2,411,883)
Balance at 30 June 2012	**338,750,000**	**30,569,450**

(i) Asset acquisition

On 16 May 2011, the Company completed the acquisition of the Naledi Holdings group in South Africa. The total consideration paid was 169,000,000 fully paid ordinary shares in Ikwezi Mining Ltd.

(ii) Seed capital

On 27 May 2011, the Company raised $3,000,000 in seed capital through the issue of 18,750,000 fully paid ordinary shares. Share issue costs incurred were $150,009.

(iii) Initial Public Offering (IPO)

On 15 July 2011, the Company completed its IPO and was listed on the Australian Securities Exchange (ASX). The Company raised $30,000,000 through the issue of 150,000,000 ordinary shares. Share issue costs incurred were $2,411,883 including share-based payment costs of $28,000. Refer to note 21 for details.

		30 June 2012 $	30 June 2011 $
18.	**RESERVES AND ACCUMULATED LOSSES**		
(a)	**Equity-settled employee benefits reserve**		
	Opening balance	**–**	–
	Share-based payments	**140,000**	–
	Balance at 30 June	**140,000**	–
(b)	**Foreign currency translation reserve**		
	Opening balance	**1,456**	–
	Exchange differences arising on translation of foreign operations	**(709,526)**	1,456
	Balance at 30 June	**(708,070)**	1,456
(c)	**Accumulated losses**		
	Opening balance	**(366,826)**	–
	Net loss for the period attributable to the owners of the Company	**(696,004)**	(366,826)
	Balance at 30 June	**(1,062,830)**	(366,826)

(d) Nature and purpose of reserves

Equity-settled employee benefits reserve:

The reserve relates to share options granted by the Company to its employees under its employee share option plan. Further information about share-based payments to employees is set out in note 21.

Foreign currency translation reserve:

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (being Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

		30 June 2012 $	30 June 2011 $
19.	**NON-CONTROLLING INTERESTS**		
	Opening balance	**72,103**	–
	Share of loss for the period	**(6,726)**	11,363
	Non-controlling interests arising on the acquisition of Naledi Holdings Ltd	**–**	60,740
	Balance at 30 June	**65,377**	72,103

20. OPTIONS

At 30 June 2012, Executives of the Company held options over 4,000,000 (2011: nil) ordinary shares of the Company with an expiry date of 31 December 2012.

Share options granted under the Company's employee share option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are provided in note 21.

At 30 June 2012, 1,000,000 options were on issue to the lead brokers of the Company's Initial Public Offering (2011: nil). The options have an expiry date of 31 December 2012 and were issued as part of the terms of the underwriting agreement for the IPO.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

21. SHARE-BASED PAYMENTS

The Group has an ownership-based compensation scheme, the Ikwezi Mining Option Plan (IMOP), for employees of the Group for the purpose of providing employees with an opportunity to share in the growth in value of the Company and to encourage them to improve the longer-term performance of the Company. The IMOP allows the Board of the Company to invite employees and related parties to participate in the plan at the Board's absolute discretion as permitted by the ASX Listing Rules, the Corporations Act 2001 (Cth) and the Companies Act 1981 (Bermuda).

Each share option converts into one ordinary share of Ikwezi Mining Ltd on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Options series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
Director options	4,000,000	15/07/11	31/12/12	0.30	0.028
Consultant options	1,000,000	15/07/11	31/12/12	0.30	0.028

The Consultant options were issued to Euroz Securities Ltd pursuant to the underwriting agreement in place for the Company's Initial Public Offering.

The weighted average fair value of the share options granted during the financial year is $0.028. Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of no-transferability, exercise restrictions (including the probability of meeting market conditions attached to the options), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past five years.

Inputs into the model:

Grant date share price	$0.20
Exercise price	$0.30
Expected volatility	60%
Expected dividends	Nil
Risk-free interest rate	4.85%

The following reconciles the share options outstanding at the beginning and end of the year. Comparatives for the year ended 30 June 2011 have not been provided as there were no options on issue during that time.

	Number of options	Weighted average exercise price
Balance at 30 June 2011	–	–
Granted during the year	5,000,000	$0.30
Exercised during the year	–	–
Lapsed during the year	–	–
Balance at 30 June 2012	**5,000,000**	**$0.30**
Exercisable at end of the year	5,000,000	$0.30

22. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

The key management personnel of Ikwezi Mining Ltd during the period were as follows:

Mr Simon Hewetson – *Chairman and Non-executive Director (appointed 10 May 2011)*
Mr David Pile – *Managing Director (appointed 10 May 2011)*
Mr Ranaldo Anthony – *Executive Director (appointed 8 June 2011)*
Mr Roger Rees – *Non-executive Director (appointed 22 July 2011)*

(a) KMP compensation

	Year ended 30 June 2012 $	Period ended 30 June 2011 $
Short-term employee benefits	**670,270**	100,000
Post-employment benefits	**54,137**	9,000
Non-monetary benefits	**–**	–
Share-based payment	**112,000**	–
	836,407	109,000

The compensation of each member of the key management personnel of the Group for the current period is set out below:

	Short-term benefits			**Post-employment benefits**		**Share-based payment**	
2012	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Retire-ment benefits $**	**Options $**	**Total $**
Non-executive Directors							
Mr Simon Hewetson	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Mr Roger Rees	**68,750**	**–**	**–**	**–**	**–**	**–**	**68,750**
Executive Directors							
Mr David Pile(i)	**319,998**	**–**	**–**	**28,800**	**–**	**56,000**	**404,798**
Mr Ranaldo Anthony(i)	**281,522**	**–**	**–**	**25,337**	**–**	**56,000**	**362,859**
Total	**601,520**	**–**	**–**	**54,137**	**–**	**112,000**	**767,657**
2011							
Non-executive Directors							
Mr Simon Hewetson	–	–	–	–	–	–	–
Mr Roger Rees	–	–	–	–	–	–	–
Executive Directors							
Mr David Pile	53,333	–	–	4,800	–	–	58,133
Mr Ranaldo Anthony	46,667	–	–	4,200	–	–	50,867
Total	100,000	–	–	9,000	–	–	109,000

(i) Mr David Pile and Mr Ranaldo Anthony were granted share options under the employee share option plan on 15 July 2011. Further details of the options granted are contained in note 21 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

22. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION (continued)

(b) Equity instrument disclosures relating to KMP

Shares and option holdings

The numbers of shares and options over ordinary shares in the Group held during the financial year (2011 period) by each Director of Ikwezi Mining Ltd and other KMP of the Group, including their personally related parties, are set out below.

KMP Share holdings

2012	**Balance at start of period***	**Purchased as investors**	**Net other change**	**Balance at end of year**
Directors				
Mr Simon Hewetson	**(i)**	**–**	**–**	**(i)**
Mr David Pile	**(i)**	**–**	**–**	**(i)**
Mr Ranaldo Anthony	**–**	**–**	**–**	**–**
Mr Roger Rees	**–**	**–**	**–**	**–**

2011	Balance at start of period*	Purchased as investors	Net other change	Balance at end of period
Directors				
Mr Simon Hewetson	(i)	–	–	(i)
Mr David Pile	(i)	–	–	(i)
Mr Ranaldo Anthony	–	–	–	–
Mr Roger Rees	–	–	–	–

* *Or when appointed.*

(i) *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.*

Option holdings

2012	**Balance at start of period***	**Granted during the period as remu-neration**	**Exercised during the period**	**Net other change**	**Balance at end of year**
Directors					
Mr Simon Hewetson	**–**	**–**	**–**	**–**	**–**
Mr David Pile	**–**	**2,000,000**	**–**	**–**	**2,000,000**
Mr Ranaldo Anthony	**–**	**2,000,000**	**–**	**–**	**2,000,000**
Mr Roger Rees	**–**	**–**	**–**	**–**	**–**

* *Or when appointed.*

2011	Balance at start of period*	Granted during the period as remu-neration	Exercised during the period	Net other change	Balance at end of period
Directors					
Mr Simon Hewetson	–	–	–	–	–
Mr David Pile	–	–	–	–	–
Mr Ranaldo Anthony	–	–	–	–	–
Mr Roger Rees	–	–	–	–	–

* *Or when appointed.*

c) Loans to KMP

There were no loans made to Directors of Ikwezi Mining Ltd or other KMP of the Group (or their personally related entities) during the current financial period.

23. FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

Ikwezi's Board of Directors (the Board) performs the duties of a Risk Management Committee in identifying and evaluating sources of financial and other risks. The Board provides written principles for overall risk management which balance the potential adverse effects of financial risks on Ikwezi's financial performance and position with the "upside" potential made possible by exposure to these risks and by taking into account the costs and expected benefits of the various methods available to manage them.

The Group holds the following financial instruments:

	30 June 2012 $	30 June 2011 $
Financial assets		
Cash and cash equivalents	**12,130,905**	1,418,025
Fair value through profit or loss (FVTPL)		
Designated as at FVTPL	**760,694**	–
Loans and receivables (including trade receivables)	**196,933**	110,412
Financial liabilities		
Trade and other payables	**3,129,962**	644,715

(a) Market risk

Foreign exchange risk

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		**Assets**	
	30 June 2012 $	30 June 2011 $	**30 June 2012 $**	30 June 2011 $
South African Rand	**3,219,006**	365,584	**7,223,746**	1,167,215
US Dollar	**13,108**	29,956	**118,447**	386,151

The Group is mainly exposed to the currency of South Africa (Rand) and the currency of the United States (US Dollar).

The following table details the Group's sensitivity to a 10 percent increase and decrease in the Australian Dollar against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10 percent change in foreign currency rates. The sensitivity analysis includes loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or equity where the Australian Dollar strengthens 10 percent against the relevant currency. For a 10 percent weakening of the Australian Dollar against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	South African Rand impact $	US Dollar impact $
Profit or loss	–	–
Equity	364,067	9,576

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

23. FINANCIAL INSTRUMENTS (continued)

(a) Market risk (continued)

Interest rate risk

As at and during the year ended on balance date, the Group had no significant interest-bearing assets or liabilities other than liquid funds on deposit. The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2012 would decrease/increase by $84,000. This is mainly attributable to the Group's exposure to variable interest rates on its cash balances.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers. The Group trades only with recognised, trustworthy third parties. It is the Group's policy to perform credit verification procedures in relation to any customers wishing to trade on credit terms with the Group. These include taking into account the customer's financial position and any past experience to set individual risk limits as determined by the Board.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in part (a) of this note.

As at 30 June 2012, all cash and cash equivalents were held with AA-rated banks.

(c) Liquidity risk

Prudent liquidity risk management involves the maintenance of sufficient cash, committed credit facilities and access to capital markets. It is the policy of the Board to ensure that the Group is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities through keeping committed credit lines available where possible, ensuring the Group has sufficient working capital and preserving the 15 percent share issue limit available to the Group under the ASX Listing Rules. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows.

Contractual maturities of financial liabilities

As at the reporting date, the Group had total financial liabilities of $3,124,319 (2011: $1,159,568), comprised of non-interest bearing trade creditors and accruals with a maturity of less than six months.

The following table details the Group's expected maturity for its non-derivative financial assets.

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 months $	Total $
30 June 2012				
Non-interest bearing	**–**	**691,899**	**196,933**	**888,822**
Variable interest rate instruments	**4.08**	**11,439,016**	**–**	**11,439,016**
		12,130,905	**196,933**	**12,327,837**
30 June 2011				
Variable interest rate instruments	5.79	1,418,025	–	1,418,025
		1,418,025	–	1,418,025

23. FINANCIAL INSTRUMENTS (continued)

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and/or disclosure purposes

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Financial assets designated at FVTPL

Financial assets designated at FVTPL have been measured at their fair value through a Level 1 fair value measurement which are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities. The assets have a fair value of $760,694 at 30 June 2012 (2011: nil) and a fair value gain of $36,246 has been recorded in the year ended 30 June 2012 (2011: nil) in other gains and losses in profit or loss.

(e) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the potential return to shareholders.

	30 June 2012 $	30 June 2011 $
24. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**12,130,904**	1,418,025

(a) Cash balances not available for use

Prospecting rights in which the Company has an interest 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 $33,910 and is classified as cash not available for use.

(b) Fair value

The carrying amount of cash and cash equivalents is a reasonable approximation of fair value.

(c) Reconciliation of loss after income tax to net cash outflow from operating activities

	Year ended 30 June 2012 $	Period ended 30 June 2011 $
Loss for the period	**(702,730)**	(355,463)
Adjustment for:		
Net foreign exchange loss	**17,368**	23,140
Depreciation	**555**	73
Share-based payment expense	**112,000**	–
Interest income recognised in profit and loss	**(737,657)**	(1,303)
Other gains and losses	**(36,246)**	
Increase/(decrease) in current liabilities	**(320,364)**	639,284
Decrease/(increase) in trade and other receivables	**(205,261)**	(833,054)
Net cash outflow from operating activities	**(1,872,335)**	(527,323)

(d) Non-cash transactions

On 15 July 2011, the Company issued options to executives and consultants, the details of which are disclosed in note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

25. OPERATING LEASES

Operating leases relate to a lease for office space with a lease term of three years with an option to renew for a further three years. The Group does not have an option to purchase the office space at the expiry of the lease period.

Payments recognised as an expense:

	Year ended 30 June 2012 $	Period ended 30 June 2011 $
Minimum lease payments	82,067	–
Contingent rentals	–	–
Sub-lease payments received	–	–
	82,067	–
Non-cancellable operating lease commitments:		
Not later than 1 year	128,670	–
Later than 1 year and not later than 5 years	203,330	–
Later than 5 years	–	–
	332,000	–
Liabilities recognised in respect of non-cancellable operating leases:		
Lease straight-lining reserve		
Current	8,700	–
	8,700	–

26. COMMITMENTS AND CONTINGENCIES

The Group's operating lease commitments are detailed in note 25.

The Group had no contingent assets or liabilities at reporting date.

Capital expenditure commitments.

Plant and equipment		
Not longer than 1 year	2,565,913	–
Later than 1 year and not longer than 5 years	445,326	–
Longer than 5 years	–	–
	3,011,239	–

Exploration and evaluation commitments

During the year, the Group acquired prospecting rights in the Waterberg Coal field for a total consideration of ZAR3,500,000 (approximately AUD415,000). Of the consideration, ZAR2,000,000 is deferred and payable within seven days of the fulfilment of the last of the conditions precedent on the acquisition agreement.

Certain of these conditions precedent, including the Section 11 approval, are still outstanding.

Waterberg prospecting rights purchase		
Not longer than 1 year	236,942	–
Later than 1 year and not longer than 5 years	–	–
Longer than 5 years	–	–
	236,942	–

26. COMMITMENTS AND CONTINGENCIES (continued)

The Group must also meet the following tenement expenditure commitments to maintain them in good standing until they are joint ventured, sold, reduced, relinquished or exemptions from expenditure are applied or are otherwise disposed of. These commitments, net of farm outs, are not provided for in the financial statements and are:

	30 June 2012 $	30 June 2011 $
Tenement expenditure commitments		
Not longer than 1 year	**604,355**	935,539
Later than 1 year and not longer than 5 years	**928,025**	1,442,186
Longer than 5 years	**-**	–
	1,532,380	2,377,725
Other commitments		
Rental expenditure		
Not longer than 1 year	**22,732**	–
Later than 1 year and not longer than 5 years	**-**	–
Longer than 5 years	**-**	–
	22,732	–

27. RELATED PARTY TRANSACTIONS

Key management personnel (KMP) compensation and equity holdings have been disclosed in note 22.

Other transactions with KMP of the Group

Loss for the period includes the following items of revenue and expense that result from transactions, other than compensation, loans or equity holdings, with key management personnel or their related entities:

	Year ended 30 June 2012 $	Period ended 30 June 2011 $
Compliance and administration	**89,697**	–
Occupancy expenses	**142,514**	71,506
	232,211	71,506
Total assets arising from transactions other than loans and amounts receivable in relation to equity instruments with KMP or their related parties:		
Property, plant and equipment	**83,806**	–
	83,806	–
Total liabilities arising from transactions other than compensation in relation to equity instruments with KMP or their related parties:		
Trade and other payables	**-**	29,261
	-	29,261

The Group has an arrangement with Ergomode Services (Pty) Ltd, a company in which Mr Simon Hewetson has beneficial interests, by which the Group is on-charged the cost of the use of office premises and equipment in Johannesburg. The total amount charged for the period was $142,514 (2011: $71,506), with no amounts outstanding (2011: $29,261) at year-end.

The Group has an arrangement with Mr G Pile, a related party of Mr D Pile, in which Mr G Pile provides consulting services to the Group on an arm's length basis. Mr G Pile is a qualified electrical engineer who has overseen various matters for the Group, including project managing the electrical design and installation of the power supply system to the beneficiation plant, negotiations with Eskom and Nersa (National Energy Regulator of South Africa) together with the design of the water supply system to the beneficiation plant. The total amount charged for the period was $89,697 (2011: nil) with no amounts outstanding.

The Group acquired office equipment from Ikwezi Mining Holdings (Pty) Ltd at a cost of $83,806.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

28. SUBSIDIARIES

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group **30 June 2012**	30 June 2011
Naledi Holdings Ltd	Holding company	Mauritius	**100%**	100%
Naledi Investments Ltd	Investment company	Mauritius	**100%**	100%
Ikwezi Mining Services (Pty) Ltd	Administrative services	Australia	**100%**	100%
Ikwezi Mining (Pty) Ltd	Coal mining	South Africa	**70%**	70%
Ikwezi Management Services (Pty) Ltd	Management services	South Africa	**70%**	70%
Bokamoso Resources (Pty) Ltd	Coal exploration	South Africa	**60%**	60%
Ikwezi Resources (Pty) Ltd	Coal exploration	South Africa	**70%**	Nil

29. REMUNERATION OF AUDITORS

During the period the following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms:

	Year ended 30 June 2012 $	Period ended 30 June 2011 $
Auditor of the parent entity		
Audit or review of the 2011 financial statements	**46,089**	17,500
Audit or review of the 2012 financial statements	**90,433**	–
Tax review	**1,249**	–
Investigating accountant's report	**–**	37,500
Total remuneration for audit and other assurance services	**137,771**	55,000

The auditor of Ikwezi Mining Ltd is Deloitte Touche Tohmatsu.

30. SUBSEQUENT EVENTS

No events occurred subsequent to the date of this report that require disclosure or adjustment to the financial statements.

DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the financial statements and accompanying notes are prepared in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements.

Signed in accordance with a resolution of the Directors

Simon Hewetson
Chairman

Monaco
26 September 2012

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 18 September 2012.

SUBSTANTIAL HOLDERS

The following is a list of registered holders of five percent or more of the Company's share capital.

Holder	Shares	% Holding
Belvedere Mining Holdings Inc	170,000,000	50.18
Zero Nominees (Pty) Ltd	21,254,168	6.27

The Company is incorporated in Bermuda as an exempted company and is subject to Bermudan Law. It is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001 dealing with the acquisition of shares (including substantial shareholdings and takeovers) and shareholders are not required to provide with notifications relating to becoming a substantial holder, changes in substantial holdings or ceasing to be a substantial holder.

The Company's Directors, Simon Hewetson and David Pile, each hold beneficial interests in the shares in the Company held by Belvedere Mining Holdings Inc as outlined in the Directors' Report.

Other than as outlined above, the Company is not aware of any other persons who are a substantial holder in the Company within the meaning of Section 671B of the Corporations Act 2001.

TWENTY LARGEST SHAREHOLDERS

Rank	Name	Units	% of units
1.	Belvedere Mining Holdings Inc	170,000,000	50.18
2.	Zero Nominees (Pty) Ltd	21,254,168	6.27
3.	National Nominees Ltd	10,198,929	3.01
4.	JP Morgan Nominees Australia Ltd	5,359,441	1.58
5.	The Trust Company (Australia) Ltd <MOF A/C>	3,301,500	0.97
6.	Citicorp Nominees (Pty) Ltd <Colonial First State Inv A/C>	3,113,137	0.92
7.	HSBC Custody Nominees (Australia) Ltd	3,100,000	0.92
8.	William Taylor Nominees (Pty) Ltd	3,047,500	0.90
9.	UBS Nominees (Pty) Ltd	3,000,000	0.89
10.	Delwood Holdings (Pty) Ltd <Mahon Family Super Fund A/C>	2,500,000	0.74
11.	Ice Cold Investments (Pty) Ltd <Browns Cheltenham Rd S/F>	2,500,000	0.74
12.	Walloon Securities (Pty) Ltd	2,000,000	0.59
13.	Mr Marcus James Taylor	1,975,000	0.58
14.	Mr Ronald Ross Martin + Mrs Verna Ruth Martin	1,900,000	0.56
15.	BNP Paribas Noms (Pty) Ltd <Master cust DRP>	1,714,710	0.51
16.	Mr Robert Russel Dawson + Ms Karen Ruth Hopkins <Dawson Hopkins Superfund A/C>	1,700,000	0.50
17.	Mr Rodney Tremlett + Mrs Patricia Ann Tremlett <Tremlett Super Fund A/C>	1,600,000	0.47
18.	Mr Paul Bernard Bastion + Mrs Belinda Louise Bastion <Bastion Super Fund A/C>	1,592,800	0.47
19.	Urban Land Nominees (Pty) Ltd	1,500,000	0.44
20.	Bearded Rooster Nominees (Pty) Ltd	1,350,000	0.40
Totals: Top 20 holders of ordinary fully paid shares (total)		242,707,185	71.65
Total remaining holders' balance		96,042,815	28.35

DISTRIBUTION OF EQUITY SECURITIES

Range	Total holders	Units	% of issued capital
1 – 1,000	5	114	0.00
1,001 – 5,000	11	38,665	0.01
5,001 – 10,000	25	214,730	0.06
10,001 – 100,000	340	21,547,898	6.36
100,001 – 9,999,999,999	258	316,948,593	93.57
Total	639	338,750,000	100.00

Number holding less than a marketable parcel: 23.

VOTING RIGHTS

Fully paid ordinary shares carry voting rights of one vote for each share held upon a poll.

UNQUOTED SECURITIES

The Company has 5,000,000 unlisted options on issue as at 14 August 2012. 4,000,000 of those options have been granted under the Ikwezi Mining Option Plan. The balance of 1,000,000 options are held by Euroz Securities Ltd.

SECURITIES SUBJECT TO MANDATORY ESCROW ARRANGEMENTS

Shareholders subject to restriction agreements	Number of shares subject to restriction agreements	Number of options subject to restriction agreements	Date of expiry of restriction period
Belvedere Mining Holdings Inc	169,950,000	–	19 July 2013
Mr David John Pile	–	2,000,000	19 July 2013
Mr Ranaldo Charles Anthony	–	2,000,000	19 July 2013
Euroz Securities Ltd	–	1,000,000	19 July 2013

ON-MARKET BUY BACK

There is currently no on-market buy back programme for any of the Company's listed securities.

USE OF CASH AND ASSETS READILY CONVERTIBLE TO CASH

The Company confirms that it has used the cash and assets readily convertible to cash, which it had at the time of admission to the ASX, in a way that is consistent with its business objectives as set out in its prospectus.

LIST OF TENEMENTS

Project name	Type	Reference number	Number of hectares	Ownership	Licensee
Ntendeka Colliery (formerly Newcastle Project Phase 1)	Mining right	KZN 30/5/1/2/297 MR MPTRO: 77/2012 (MR)	12,182	70%	Ikwezi Mining (Pty) Ltd
Dundee Project (formerly Newcastle Phase 2)	Prospecting right	KZN 30/5/1/1/2/387 PR MPTRO: 163/2011 (PR)	4,665	60%	Bokamaso Resources (Pty) Ltd
Acorn Project	Prospecting right	GP 30/5/1/1/2/550 PR MPTRO: 115/2011 (PR)	20,758	60%	Bokamaso Resources (Pty) Ltd
Waterberg Project 1	Prospecting right	LP 30/5/1/1/2/2543 PR MPTRO: 176/2011 (PR)	1,280	70%	Ikwezi Resources (Pty) Ltd
Waterberg Project 1	Prospecting right	LP 30/5/1/1/2/2547 PR MPTRO: 186/2011 (PR)	4,434	70%	Ikwezi Resources (Pty) Ltd

COMPETENT PERSON STATEMENT

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Petrus Cornelius Meyer, a consultant to the Company. 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) degree from the University of Pretoria. He is an active member of the Geological Society of South Africa and Fossil Fuel Foundation of South Africa. The Geological Society of South Africa is a “Recognised Overseas Professional Organisation” (‘ROPO’) and is included in the list of ROPO’s 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 by the JORC code. PC Meyer consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

NOTES

NOTES

CORPORATE DIRECTORY

Incorporation
Country of Incorporation: Bermuda
Company Registration Number: 45349

Registered and Principal Administrative Office
Clarendon House
2 Church Street
Hamilton, HM11, Bermuda

Australian Office
c/o Ashurst Australia
Level 32
2 The Esplanade
Perth, WA Australia
Tel + 61 8 9366 8000
Fax + 61 8 9366 8111

Mauritian Office
2nd Floor, Block B
Ruisseau Creole Offices
La Mivoie
Riviere Noire
Mauritius
Tel +230 483 5130
Fax +230 483 6016

South African Office
198 Oxford Road
Illovo
Johannesburg, South Africa
Tel +27 11 994 8900
Fax +27 11 327 1885

Share Registry
Computershare Investor Services (Pty) Ltd
Level 2
45 St Georges Terrace
Perth, WA Australia
Tel +61 3 9415 4000
Fax +61 3 9473 2555
Codan Services Limited
Clarendon House
2 Church Street
Hamilton, HM11, Bermuda

Company Secretary
Alex Neuling

Assistant Company Secretary
Codan Services Limited

Directors
Simon Hewetson – Non-executive Chairman
David Pile – Managing Director and Executive Director
Ranaldo Anthony – Chief Executive Officer
and Executive Director
Roger Rees – Independent Non-executive Director

ASX Code
IKW

Website
www.ikwezimining.com

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