IKWEZI MINING

IKWEZI MINING LIMITED
ARBN 151 258 221

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

Contents

Directors' Report

30 June 2013

The directors of Ikwezi Mining Limited (**Directors**) present their report on the Consolidated Entity consisting of Ikwezi Mining Limited (the **Company** or **Ikwezi**) and the entities it controlled at the end of, or during, the year ended 30 June 2013 (**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 2.5Mtpa 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 3 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 3 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 3 years) of listed public companies:
None

Mr Roger Rees

Roger 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 Limited 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 3 years) of listed public companies:
Rex Trueform Limited (appointed 1 April 2011)
Murray and Roberts Holdings Limited (resigned 30 June 2011)
Clough Limited (resigned 1 July 2011)
Redefine Properties Limited (appointed September 2012)
SacOil Holdings Limited (appointed 25 July 2013)

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 2013 (2012: 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 2013 the Group recorded a net loss of $1,175,563 (2012: loss $1,412,256) and a net cash outflow from operations of $1,215,511 (2012: $1,872,335). Activities during the year were focused on development work at the Company's Ntendeka Colliery together with finalising the various licences required to bring it into production.

Changes in the South African licensing approval framework and the various Government Departments responsible for reviewing and approving these, extended the licence approval time frames considerably.

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.

The Company was granted an Integrated Water Use License (IWUL) in March 2013 together with approval of its revised Environmental Management Program (EMP) and approval under the National Environmental Management Act (NEMA) subsequent to year end.

The majority of expenditure incurred by the operations during the year under review related to further development of the Ntendeka Colliery in Newcastle.

Detailed design and engineering work 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 has been completed. The construction of the coal washing plant was completed during the previous financial year and was dry commissioned during September 2012.

The wash plant has a monthly design capacity of 170,000 tons ROM coal per month. 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 approx. 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 generation sets were installed during the year under review. The main Eskom line to the wash plant has been installed with an initial 500kVA.

A total of 7MVA from Eskom has been applied for in line with the expected ramp up of the project's underground operations. Eskom have completed the Environmental Impact Assessment (EIA) for the positioning of the power lines to supply the operation.

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 6km 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. A potable water plant that will be used to treat water to a potable standard for use in the operation and 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).

During the year under review, Ikwezi purchased the land on which the siding for the old Ngagane Power station is located. A basic EIA for the siding has been approved by the Department of Environmental Affairs with the Integrated Water Use License (IWUL) for the siding in process.

The restoration of the siding, which is expected to take approximately three months, will start in line with the Company's decision to commence mining activities. A number of alternate sidings can be utilised in the short term to rail product.

The rail account and rail contract with TFR remains in place further to TFR's commitment to provide 1.5 Mtpa rail capacity to either the ports of Richards Bay or Durban. Ikwezi has been offered port allocation at two ports in its own right, totalling approximately 1.2 Mtpa. The Company remains in discussion with the relevant port authorities. The contracts both have take-or-pay obligations and are expected to be finalised in line with the Company's decision to commence mining.

As announced on 23 January 2013, the Company entered into an off take agreement with Vitol for the sale of 3.96 million tons which equates to approximately the first 3 years of production. The agreement, as announced, was subject to Ikwezi putting in place a funding

facility within three months. Pricing in terms of the contract was at a combination of fixed and API4 Richards Bay linked prices. With the delay in the start-up of the operation, the contract has not been extended by the parties. Once the decision to commence mining has been made by the Company, the Company will seek to renegotiate the fixed pricing portion under the contract and have the timeframes amended in line with the revised production schedule.

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 mining commences. The longest lead time relates to the construction of the water pipeline and water treatment facility.

The Company is in advanced discussions with two financial institutions to put a five year loan facility in place 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 had two drill rigs on site at Ntendeka Colliery up to September 2012 to assess coal qualities and geological structures on an on-going basis. A total of 101 boreholes, of which 86 intersected coal were drilled, totalling 10,300 metres drilled during the year. 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. Drilling was subsequently put on hold to minimise expenditure. Work continues on the Company's other prospecting rights at a reduced level given the current cash optimisation of the operation.

As announced on 17 May 2013, total resources for the Ntendeka Colliery have increased to 294 million tons from 221 million tons and reserves to 16 million tons from 14 million tons.

Mine design and planning has been completed for the first approximate seven years of production. Stefanuti Stocks Mining Services (Pty) Ltd were used for all work on the open castable reserves and Mindset (Pty) Ltd were used for all work related to underground reserves. All work relating to mine design and planning have been optimised taking into account the current low export market prices. This has resulted in a significant portion of the reserves being removed from the current reserve statement. These reserves will be re-included should the pricing environment change favourably. To date a total of 470 boreholes have been drilled within the Ntendeka Colliery's mining right area.

In addition to the redesign of the mine plan, extensive work was undertaken during the year with regard to the operational and contractor structure, as well as the product mix, to optimise the mine's ability to operate under the current low price environments.

The Company entered into an agreement to purchase 70% of two Prospecting Rights in the Waterberg region of South Africa as announced on 30 September 2012 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. Despite the time frames for the vendors to meet the various conditions precedent being extended, the Company did not receive a S11 approval for the acquisition of the asset. As a result of this, the acquisition agreement lapsed as announced on 22 January 2013.

The Company applied for and was granted a Prospecting Right covering 3,998 hectares (the Assegai Project), in the Ermelo coal field as announced on 25 October 2013, which was executed in January 2013.

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 Company received approval for its revised Environmental Management Program and approval under the National Environmental Management Act.

169,950,000 of the Company's shares held by Belvedere Mining Holdings Inc. were released from escrow on 19 July 2013. These shares had been subject to escrow restrictions for the period of 24 months from the date of the Company's listing on the ASX (being 19 July 2011) and are now no longer subject to restrictions.

FUTURE DEVELOPMENTS

The Company is positioned to bring the Ntendeka Colliery into production despite the current volatility in the thermal coal pricing environment. There are a number of options that the Company currently is investigating to optimise shareholder value whilst minimising risk in a difficult market. This includes the Company's continued assessment and discussions with regard to the feasibility of supplying coal locally for power generation as an alternative to the export market given the continued low export prices and the premium that the domestic market currently attracts.

Once a decision is made by the Company to commence mining and the finance facility under negotiation has been put in place, the Company intends to complete the water supply system to the Ntendeka Colliery wash plant and commence work on the restoration of the Ngagane siding in order to be able to commence operations.

Exploration activities in respect of its Ntendeka Colliery will continue once in production 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, Assegai and Dundee Projects in respect of the respective Prospecting Rights Works Programmes.

The Company continues to seek and evaluate new opportunities as well as looking 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)	-
Mr. Ranaldo Anthony	-	-
Mr. Roger Rees	-	-
	-	-

(i) Mr David Pile and Mr Simon Hewetson each have an indirect beneficial interest in 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 2013, 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 2013.

Full board meetings	No. eligible to attend	No. attended
Mr Simon Hewetson	3	3
Mr David Pile	3	3
Mr Ranaldo Anthony	3	3
Mr Roger Rees	3	3

Audit committee meetings	No. eligible to attend	No. attended
Mr Simon Hewetson	3	3
Mr Ranaldo Anthony	3	3
Mr Roger Rees	3	3

SHARE OPTIONS

At the date of this report the Company has no options on issue. During the year ended 30 June 2013, 5,000,000 options expired; the options had a grant date of 15 July 2011 with an exercise price of $0.30.

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

No remuneration was paid to directors of the Group by Group companies other than Ikwezi Mining Limited.

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.

REMUNERATION REPORT (CONTINUED)

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.

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 2013, no short term incentives were paid or payable to Directors or Key Management Personnel of the Company or Group.

REMUNERATION REPORT (CONTINUED)

Long term incentives

Long-term performance incentives comprise of options granted at the discretion of the remuneration committee in order to align the objectives of directors with shareholders and the Company (refer 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.

REMUNERATION REPORT (CONTINUED)

B. DETAILS OF REMUNERATION

Amounts of remuneration

Details of the remuneration of the Directors and Executive Officers of Ikwezi Mining Limited and the Group are set out in the following table.

	Short-term benefits			Post-employment benefits		Share-based payment	
2013	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Retirement benefits $**	**Options $**	**Total $**
Non-executive directors							
Mr Simon Hewetson	-	-	-	-	-	-	-
Mr Roger Rees	75,000	-	-	-	-	-	75,000
Sub-total non-executive directors	75,000	-	-	-	-	-	75,000
Executive directors							
Mr David Pile	320,000	-	-	28,800	-	-	348,800
Mr Ranaldo Anthony	280,000	-	-	25,200	-	-	305,200
Total	675,000	-	-	54,000	-	-	729,000

2012	Short-term benefits			Post-employment benefits		Share-based payment	
	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	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 [1]	319,998	-	-	28,800	-	56,000	404,798
Mr Ranaldo Anthony [1]	281,522	-	-	25,337	-	56,000	362,859
Total	670,270	-	-	54,137	-	112,000	836,407

[1] 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 24 to the financial statements.

REMUNERATION REPORT (CONTINUED)

B. DETAILS OF REMUNERATION (CONTINUED)

During the year to 30 June 2013 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 2013, the Chairman was not paid in relation to his role as Chairman or Non-Executive Director. This position may be revisited during the 2014 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 9% of his base salary into retirement funds and Mr Anthony will be paid an additional amount equal to 9% of his base salary into pension contribution funds.
- Mr Pile and Mr Anthony were able to, but did not, qualify for a bonus to be decided at the sole discretion of the Board, not to exceed an amount equal to 80% of their annual base salary, should the Company be successful in achieving the goal to bring the Newcastle Project into production at specified levels for at least 2 consecutive months and the operations being cash flow positive on or before 30 June 2012.
- Each Executive Director may terminate his respective employment agreement at any time by providing 3 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 3 months written notice or 3 months payment in lieu of notice, or a combination of notice and payment in lieu of notice.

Directors' Report

30 June 2013

REMUNERATION REPORT (CONTINUED)

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 share-based payment arrangements in existence other than as disclosed in Note 24 to the financial statements.

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 32 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 & 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
20 September 2013

COMPETENT PERSON'S STATEMENT

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Ranaldo Anthony, an Executive Director of the Company. Mr Anthony has more than 12 years of experience in the South African coal industry, holds a B.Sc. Hons. (Geology) degree from the University of Natal and is an active member of the Geological Society of South Africa. The Geological Society of South Africa is a "Recognised Overseas Professional Organisation" ('ROPO') and is included in the list of ROPOs promulgated by the ASX. All work related to Mine planning, design and reserve determination was conducted by independent contractors, with sufficient qualifications, experience and knowledge, to meet the requirements of a Competent Person, and was collectively supervised and approved by Mr Ranaldo Anthony.

Ranaldo Anthony has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Ranaldo Anthony consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report 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 2013, the statement of profit or loss, the statement of profit or loss and other 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 director's 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 19 to 60.

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.

Deloitte.

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 2013 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, 20 September 2013

Consolidated Statement of Profit or Loss

For the year ended 30 June 2013

	Note	Year ended 30/06/13 $	Year ended 30/06/12 $
Investment income	(5)	**117,728**	737,657
Other gains and losses	(6)	**128,706**	36,246
Total income		**246,434**	773,903
Administrative expenses		**285,242**	325,164
Depreciation		**1,484**	555
Employee benefits expense		**778,020**	937,853
Consulting expenses		**25,902**	63,966
Occupancy expenses		**8,959**	45,020
Rental expenses		**10,171**	15,554
Travel and transport expenses		**52,733**	55,223
Finance costs	(7)	**46,371**	9,789
Net foreign exchange loss		**5,688**	17,368
Other expenses		**3,252**	6,141
Loss before income tax expense		**(971,388)**	(702,730)
Income tax (expense) / benefit	(8)	**-**	-
Loss for the period from continuing operations		**(971,388)**	(702,730)
Attributable to:			
Owners of the Company		**(961,909)**	(696,004)
Non-controlling interests		**(9,479)**	(6,726)
		(971,388)	(702,730)
Loss per share			
Basic and diluted loss per share (cents per share)	(9)	**(0.3)**	(0.2)

The above consolidated statement of profit and loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013

	Note	**Year ended 30/06/13** $	Year ended 30/06/12 $
Loss for the period		**(971,388)**	(702,730)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		**-**	-
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(204,175)**	(709,526)
		(204,175)	(709,526)
Other comprehensive income for the period		**(204,175)**	(709,526)
Total comprehensive income for the period		**(1,175,563)**	(1,412,256)
Attributable to:			
Owners of the Company		**(1,166,084)**	(1,405,530)
Non-controlling interests		**(9,479)**	(6,726)
		(1,175,563)	(1,412,256)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2013

	Note	2013 $	2012 $
Assets			
Current assets			
Cash and cash equivalents	(27)	**2,544,753**	12,130,904
Trade and other receivables	(10)	**165,845**	196,933
Other financial assets	(11)	**1,048,913**	760,694
Other current assets	(12)	**104,520**	218,113
Total current assets		**3,864,031**	13,306,644
Non-current assets			
Exploration and evaluation expenditure	(13)	**9,986,562**	6,913,846
Property, plant and equipment	(14)	**15,375,874**	12,150,579
Total non-current assets		**25,362,436**	19,064,425
Total assets		**29,226,467**	32,371,069
Liabilities			
Current liabilities			
Trade and other payables	(15)	**742,694**	3,129,962
Borrowings	(17)	**359,083**	-
Provisions	(18)	**6,602**	43,242
Other liabilities	(16)	**12,656**	8,700
Total current liabilities		**1,121,035**	3,181,904
Non-current liabilities			
Borrowings	(17)	**99,386**	-
Provisions	(18)	**177,682**	185,238
Total non-current liabilities		**277,068**	185,238
Total liabilities		**1,398,103**	3,367,142
Net assets		**27,828,364**	29,003,927
Equity			
Issued capital	(20)	**30,569,450**	30,569,450
Reserves	(21)	**(772,245)**	(568,070)
Accumulated losses	(21)	**(2,024,739)**	(1,062,830)
Equity attributable to owners of the Company		**27,772,466**	28,938,550
Non-controlling interests	(22)	**55,898**	65,377
Total equity		**27,828,364**	29,003,927

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 2013

	Note	Year ended 30/06/13 $	Year ended 30/06/12 $
Cash flows from operating activities			
Payments to suppliers and employees		**(1,215,511)**	(1,872,335)
Net cash outflow from operating activities	(27)	**(1,215,511)**	(1,872,335)
Cash flows from investing activities			
Payments for capitalised exploration and evaluation		**(4,244,237)**	(3,876,664)
Payments for property, plant and equipment		**(4,118,670)**	(10,529,329)
Proceeds from disposal of property, plant and equipment		**43,523**	-
Proceeds from government grants		**248,012**	-
Payments to acquire financial assets		**(159,513)**	(724,448)
Interest received		**114,968**	737,657
Net cash outflow from investing activities		**(8,115,917)**	(14,392,784)
Cash flows from financing activities			
Proceeds from issues of shares	(20)	**-**	30,000,000
Share issue costs	(20)	**-**	(1,796,504)
Repayment of loans from related parties		**-**	(498,600)
Net cash inflow from financing activities		**-**	27,704,896
Net increase in cash and cash equivalents		**(9,331,428)**	11,439,777
Cash and cash equivalents at the beginning of the period		**12,130,904**	1,418,025
Effects of exchange rate changes on cash and cash equivalents		**(254,723)**	(726,898)
Cash and cash equivalents at the end of the period	(27)	**2,544,753**	12,130,904

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes In Equity

For the year ended 30 June 2013

	Issued Capital	Share based payments reserve	Foreign currency translation reserve	Accumulated losses	Attributable to owners of the parent	Non-controlling interests	Total
	$	$	$	$	$	$	$
Balance at 1 July 2011	2,981,333	-	1,456	(366,826)	2,615,963	72,103	2,688,066
Profit/(loss) for the year	-	-	-	(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)**	**(1,062,830)**	**28,938,550**	**65,377**	**29,003,927**
Profit/(loss) for the period	-	-	-	(961,909)	(961,909)	(9,479)	(971,388)
Exchange differences on translation of foreign operations	-		(204,175)	-	(204,175)	-	(204,175)
Total comprehensive income for the year	-		(204,175)	(961,909)	(1,166,084)	(9,479)	(1,175,563)
Balance at 30 June 2013	**30,569,450**	**140,000**	**(912,245)**	**(2,024,739)**	**27,772,466**	**55,898**	**27,828,364**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes To The Consolidated Financial Statements

For the year ended 30 June 2013

1. CORPORATE INFORMATION

Ikwezi Mining Limited ("Company" or "Ikwezi") is a company limited by shares incorporated in Bermuda whose shares are publicly traded on the ASX). The consolidated financial statements of the Group as at and for the year to 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

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..

Standards affecting presentation and disclosure

Amendment to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income' introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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 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' and the relevant amending standards.	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards.'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards.'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards.'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards.'	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards.'	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 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures –	1 January 2013	30 June 2014

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'		
AASB 2012-2 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	1 January 2013	30 June 2014
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	30 June 2014
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

Assessment of the expected impacts of these Standards and Interpretations is ongoing, however it is expected that there will be no significant changes in the Group's accounting policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statement 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 20 September 2013.

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 re-valued 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

These consolidated financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

The Consolidated Entity has incurred a net loss after tax for the year ended 30 June 2013 of $961,909 (30 June 2012: loss of $696,004) and had a net cash outflow from operating activities for the year ended 30 June 2013 of $1,215,511 (30 June 2012 net cash outflow of $1,872,335). As at 30 June 2013 the Consolidated Entity had a net current asset position of $2,742,996 (30 June 2012: net current assets of $10,124,740).

The Directors have reviewed the Company and Consolidated Entity's overall position and outlook in respect of the matters identified above and are of the opinion that the use of the going concern basis remains appropriate given the following:

I. The Directors are in negotiations to raise funds through a debt facility, the form and value of such funding is yet to be determined. The proceeds of which will be used primarily to fund the development of the Ntendeka Colliery and general working capital requirements; and

II. The Directors have reviewed the quantum and timing of all discretionary expenditures including corporate, exploration and development costs, and have commenced a process to minimise or defer these costs to suit the Consolidated Entity's cash flow needs. As a result, the Ntendeka Colliery will not commence mining and coal exploration project activities will be deferred, until such time as sufficient funds are raised to enable the Consolidated Entity to resume its development and exploration activities.

The Directors believe that at the date of signing the financial statements, having regard to the matters outlined above, there are reasonable grounds to believe that the Company and Consolidated Entity will have sufficient funds to meet their obligations as and when they fall due and that the use of the going concern basis of preparation is appropriate.

(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 Limited and its subsidiaries together are referred to in the financial information as the Group or the consolidated entity.

The Group was formed following the acquisition of the Naledi Holdings 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.

(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 a 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 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 profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial

recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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

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

(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 & 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

(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 info 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.

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 26.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed of 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 asset, 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.

(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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(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 Receiver of Revenue (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.

(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 2013, the carrying value of capitalised exploration and evaluation is $9,986,562 (2012: $6,913,846).

5. INVESTMENT INCOME

	Year ended 30/06/13 $	Year ended 30/06/12 $
Interest income	**117,728**	737,657

6. OTHER GAINS AND LOSSES

	Year ended 30/06/13 $	Year ended 30/06/12 $
Net gain arising on financial assets designated as at FVTPL	**128,706**	36,246

7. FINANCE COSTS

	Year ended 30/06/13 $	Year ended 30/06/12 $
Interest on obligations under finance leases	23,140	-
Other interest expense	13,242	7,263
Total interest expense for financial liabilities not classified as at fair value	36,382	7,263
Other finance costs	9,989	2,526
	46,371	9,789

8. INCOME TAX

	Year ended 30/06/13 $	Year ended 30/06/12 $
Current tax expense	**-**	-
Deferred tax expense	**-**	-

The income tax expense for the year / period can be reconciled to the accounting profit / (loss) as follows:

	Year ended 30/06/13 $	Year ended 30/06/12 $
Accounting loss before tax	(971,388)	(702,730)
Income tax expense calculated at 30%	291,416	210,819
Effect of unused tax losses not recognised as deferred tax assets	(291,416)	(210,819)
	-	**-**

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.

9. LOSS PER SHARE

	Year ended 30/06/13	Year ended 30/06/12
	Cents	Cents
Basic / diluted loss per share		
Loss attributable to the ordinary equity holders of the company	**(0.3)**	(0.2)
Loss used in calculation of basic / diluted loss per share	**$**	$
Loss	**(961,909)**	(696,004)
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	**338,750,000**	332,996,575
Weighted average number of ordinary shares used as the denominator in calculating diluted loss per share	**338,750,000**	337,804,795

10. TRADE AND OTHER RECEIVABLES

	30/06/13	30/06/12
	$	$
Prospecting right deposit repayable	**162,861**	-
VAT receivable	**-**	196,933
Other receivables	**2,984**	-
	165,845	196,933

(a) Fair value

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

11. OTHER FINANCIAL ASSETS

	30/06/13	30/06/12
	$	$
Financial assets carried at fair value through profit or loss (FVTPL)		
Non-derivative financial assets designated as at FVTPL	**1,048,913**	760,694
	1,048,913	760,694

The Group holds an interest in a unit trust which is ceded as security for the rehabilitation guarantee.

12. OTHER CURRENT ASSETS

	30/06/13	30/06/12
	$	$
Prepayments	**33,206**	96,399
Loans to employees	**-**	65,870
Deposits	**71,314**	55,844
	104,520	218,113

13. EXPLORATION AND EVALUATION EXPENDITURE

	$
At cost	
Opening balance	1,595,398
Additions	5,318,448
Balance at 30 June 2012	**6,913,846**
Additions	3,237,128
Prospecting right deposit repayable	(162,861)
Impairment	(1,551)
Balance at 30 June 2013	**9,986,562**

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on successful development and commercial exploitation or sale of the respective exploration areas. Exploration and evaluation expenditure is assessed for impairment by the directors when facts and circumstances suggest that the carrying amount exceeds the future economic benefit that maybe recovered from the asset. The assessment is performed when the above occurs and at every reporting date.

14. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Rail Siding (in progress)	Beneficiation Plant (in progress)	Mine Infrastructure (in progress)	Road Earthworks (in progress)	Office & Computer Equipment & Software	Motor Vehicles	Other Fixtures & Fittings	Total
	$	$	$	$	$	$	$	$	$
At cost									
Opening Balance	-	-	-	-	-	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**
Additions	875,854	24,513	792,650	1,351,583	276,762	6,669	-	-	**3,328,031**
Disposals	-	-	-	-	-	(1,986)	(50,491)	-	**(52,477)**
Effect of foreign currency exchange differences	-	-	-	-	-	(341)	(15,890)		**(16,231)**
Balance at 30 June 2013	**875,854**	**175,006**	**9,340,351**	**2,999,973**	**1,792,001**	**26,214**	**181,033**	**67,274**	**15,457,706**

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	Land & Buildings	Rail Siding (in progress)	Beneficiation Plant (in progress)	Mine Infrastructure (in progress)	Road Earthworks (in progress)	Office & Computer Equipment & Software	Motor Vehicles	Other Fixtures & Fittings	Total
	$	$	$	$	$	$	$	$	$
Accumulated depreciation									
Opening Balance	-	-	-	-	-	73	-	-	**73**
Depreciation charged to profit or loss	-	-	-	-	-	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	7,363	**47,804**
Eliminated on disposals of assets	-	-	-	-	-	(359)	(6,470)	-	**(6,829)**
Depreciation charged to profit or loss	-	-	-	-	-	608	-	876	**1,484**
Depreciation related to exploration and evaluation	-	-	-	-	-	3,311	42,199	10,031	**55,541**
Effect of foreign currency exchange differences	-	-	-	-	-	(317)	(15,851)		**(16,168)**
Balance at 30 June 2013	**-**	**-**	**-**	**-**	**-**	**6,054**	**57,508**	**18,270**	**81,832**
Carrying amount									
At 30 June 2012	-	150,493	8,547,701	1,648,390	1,515,239	19,061	209,784	59,911	**12,150,579**
At 30 June 2013	**875,854**	**175,006**	**9,340,351**	**2,999,973**	**1,792,001**	**20,160**	**123,525**	**49,004**	**15,375,874**

15. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	30/06/13 $	30/06/12 $
Trade payables	**551,644**	2,969,348
VAT payable	**13,348**	-
Other - accruals	**177,702**	160,614
	742,694	3,129,962

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.

16. OTHER CURRENT LIABILITIES

	30/06/13 $	30/06/12 $
Other liabilities (note 28)	**12,656**	8,700
	12,656	8,700

17. BORROWINGS

	30/06/13 $	30/06/12 $
Secured – at amortised cost		
Finance lease liabilities (note 19)	**458,469**	-
Current	**359,083**	-
Non-current	**99,386**	-
	458,469	-

The finance lease is secured by the asset leased. The borrowing is a fixed interest rate debt with repayment period not exceeding 5 years.

18. PROVISIONS

	30/06/13 $	30/06/12 $
Employee benefits (i)	**6,602**	43,242
Decommissioning (ii)	**177,682**	185,238
	184,284	228,480
Current	**6,602**	43,242
Non-current	**177,682**	185,238
	184,284	228,480

	Provision for decommissioning
Balance at 1 July 2012	185,238
Additional provisions recognised	7,920
Effect of foreign exchange movements	(15,476)
Balance at 30 June 2013	177,682

(i) The provision for employee benefits represents annual leave entitlements accrued by employees. The decrease in the carrying amount of the provision for the current year results from benefits being paid in the current year.

(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 an increase in the value of the provision adjusted for foreign exchange rates.

19. OBLIGATIONS UNDER FINANCE LEASES

(a) Leasing arrangements

The Group has financed 10% of the contract price for the construction and commission of its Beneficiation Plant under a finance lease. The lease term is for 19 months. The Group's obligation under the finance lease is secured by the lessors' title to the leased assets.

(b) Finance lease liabilities

	Minimum lease payments		Present value of minimum lease payments	
	30/06/13	30/06/12	30/06/13	30/06/12
	$	$	$	$
Not later than one year	390,867	-	359,083	-
Later than one year and not later than five years	100,430	-	99,386	-
	491,297	-	458,469	-
Less future finance charges	(32,828)	-	-	-
Present value of minimum lease payments	458,469	-	458,469	-

	30/06/13	30/06/12
Included in the consolidated financial statements as (note 17):		
Current borrowings	359,083	-
Non-current borrowings	99,386	
	458,469	

(c) Fair value

The fair value of the finance lease liability is approximately equal to its carrying amount.

20. ISSUED CAPITAL

(a) Share capital

	Number	$
At 30 June 2013:		
Fully paid ordinary shares	338,750,000	30,569,450
At 30 June 2012:		
Fully paid ordinary shares	338,750,000	30,569,450

(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	**188,750,000**	**2,981,333**
Shares issued – IPO (i)	150,000,000	30,000,000
Issue costs (i)		(2,411,883)
Balance at 30 June 2012	**338,750,000**	**30,569,450**
Balance at 30 June 2013	**338,750,000**	**30,569,450**

(i) 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 24 for details.

21. RESERVES AND ACCUMULATED LOSSES

	30/06/13 $	30/06/12 $
(a) Equity-settled employee benefits reserve		
Opening balance	**140,000**	-
Share-based payments	**-**	140,000
Balance at 30 June	**140,000**	140,000
(b) Foreign currency translation reserve		
Opening balance	**(708,070)**	1,456
Exchange differences arising on translation of foreign operations	**(204,175)**	(709,526)
Balance at 30 June	**(912,245)**	(708,070)
(c) Accumulated losses		
Opening balance	**(1,062,830)**	(366,826)
Net loss for the period attributable to the owners of the Company	**(961,909)**	(696,004)
Balance at 30 June	**(2,024,739)**	(1,062,830)

(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 24.

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.

22. NON CONTROLLING INTERESTS

	30/06/13 $	30/06/12 $
Opening balance	**65,377**	72,103
Share of loss for the period	**(9,479)**	(6,726)
Balance at 30 June	**55,898**	65,377

23. OPTIONS

At 30 June 2013, there were no options on issue (2012: 5,000,000). During the year, 4,000,000 options over ordinary shares held by Company executives expired. A further 1,000,000 options over ordinary shares held by third parties also expired. There were no options issued during the year ended 30 June 2013 (2012: 1,000,000).

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 24.

24. 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 for 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 and the Companies Act 1981 (Bermuda).

Each share option converts into one ordinary share of Ikwezi Mining Limited 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 & Vesting 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 Limited pursuant to the underwriting agreement in place for the Company's Initial Public Offering.

There were no share options issued during the year. During the year ended 30 June 2012, the weighted average fair value of the share options granted was $0.028.

The following reconciles the share options outstanding at the beginning and end of the year.

	Number of options	Weighted average exercise price
Balance at 30 June 2011	-	-
Granted during the financial year	**5,000,000**	$0.30
Exercised during the year	-	-
Lapsed during the year	-	-
Balance at 30 June 2012	**5,000,000**	$0.30
Granted during the financial year	-	-
Exercised during the year	-	-
Expired / Lapsed during the year	**(5,000,000)**	$0.30
Balance at 30 June 2013	**-**	**-**
Exercisable at end of year	**-**	**-**

25. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

The Key Management Personnel of Ikwezi Mining Limited during the period were as follows:

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

a) KMP compensation

	Year ended 30/06/13 $	Year ended 30/06/12 $
Short term employee benefits	675,000	670,270
Post-employment benefits	54,000	54,137
Non-monetary benefits	-	-
Share based payment	-	112,000
	729,000	836,407

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

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	Short-term benefits			Post-employment benefits		Share-based payment	
2013	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Retirement benefits $**	**Options $**	**Total $**
Non-executive directors							
Mr Simon Hewetson	-	-	-	-	-	-	-
Mr Roger Rees	75,000	-	-	-	-	-	75,000
Executive directors							
Mr David Pile	320,000	-	-	28,800	-	-	348,800
Mr Ranaldo Anthony	280,000	-	-	25,200	-	-	305,200
Total	675,000	-	-	54,000	-	-	729,000
2012							
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	670,270	-	-	54,137	-	112,000	836,407

(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 24 to the financial statements.

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 by each director of Ikwezi Mining Limited and other KMP of the Group, including their personally related parties, are set out below.

KMP Share holdings

2013	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	-	-	-	-

2012	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

2013	Balance at start of period*	Granted during the period as remuneration	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

2012	Balance at start of period*	Granted during the period as remuneration	Exercised during the period	Net other change	Balance at end of period
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	-	-	-	-	-

c) Loans to KMP

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

26. 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 program 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:

	30/06/13	30/06/12
	$	$
Financial assets		
Cash and cash equivalents	2,544,753	12,130,905
Fair value through profit or loss (FVTPL):		
Designated as at FVTPL	1,048,913	760,694
Loans and receivables (including trade receivables)	165,845	196,933
Financial liabilities		
Trade and other payables	742,694	3,129,962
Finance lease	458,469	-

(a) Market risk

(i) 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	
	30/06/13	30/06/12	30/06/13	30/06/12
	$	$	$	$
South African Rand	754,491	3,219,006	1,359,317	7,223,746
US Dollars	19,933	13,108	98,555	118,447

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

The following table details the Group's sensitivity to a 10% 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% 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% against the relevant currency. For a 10% 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**

(ii) 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 2013 would decrease/increase by $7,236 (2012: $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 customers' 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 2013, 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% 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 $742,694 (2012: $3,124,319), comprised of non interest-bearing trade creditors and accruals with a maturity of less than 6 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 2013				
Non-interest bearing	-	641,425	165,845	807,270
Variable interest rate instruments	2.89%	1,893,473	-	1,893,473
		2,534,898	165,845	2,700,743
30 June 2012				
Non-interest bearing	-	691,889	196,933	888,822
Variable interest rate instruments	4.08%	11,439,016	-	11,439,016
		12,130,905	196,933	12,327,837

(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 $1,048,913 at 30 June 2013 (2012: $760,694) and a fair value gain of $128,706 has been recorded in the year ended 30 June 2013 (2012: gain $36,246) 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.

27. CASH AND CASH EQUIVALENTS

	30/06/13	30/06/12
	$	$
Cash at bank and in hand	**2,544,753**	12,130,904

(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 $41,934 (2012: $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 30/06/13 $	Year ended 30/06/12 $
Loss for the period	**(971,388)**	(702,730)
Adjustment for:		
Net foreign exchange loss	**5,688**	17,368
Depreciation	**1,484**	555
Share-based payment expense	**-**	112,000
Interest income recognised in profit and loss	**(117,728)**	(737,657)
Other gains and losses	**(128,706)**	(36,246)
Increase /(decrease) in current liabilities	**(143,946)**	(320,364)
Decrease / (increase) in trade and other receivables	**139,0855**	(205,261)
Net cash outflow from operating activities	**(1,215,511)**	(1,872,335)

(d) Non-cash transactions

No share-based payments were made during the year (2012: $112,000). There were no non-cash transactions during the year.

28. OPERATING LEASES

Operating leases relate to a lease for office space with a lease term of 3 years with an option to renew for a further 3 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 30/06/13 $	Year ended 30/06/12 $
Minimum lease payments	124,519	82,067
	124,519	**82,067**

Non-cancellable operating lease commitments:

	30/06/13	30/06/12
	$	$
Not later than 1 year	128,535	128,670
Later than 1 year and not later than 5 years	57,810	203,330
Later than 5 years	-	-
	186,345	**332,000**

Liabilities recognised in respect of non-cancellable operating leases:

	30/06/13	30/06/12
	$	$
Current	12,656	8,700
	12,656	8,700

29. COMMITMENTS & CONTINGENCIES

The Group's operating lease commitments are detailed in note 28.

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

Capital expenditure commitments

Plant & Equipment	**30/06/13**	30/06/12
	$	$
Not longer than 1 year	**300,954**	2,565,913
Later than 1 year and not longer than 5 years	**266,210**	445,326
Longer than 5 years	**-**	-
	567,164	3,011,239

Exploration and Evaluation Commitments

In September 2011, the Group acquired the prospecting rights to the Waterberg Coal field for a total consideration of ZAR 3,500,000, approximately AUD 420,000. Of the consideration, ZAR 2,000,000 was deferred and was payable within 7 days of the fulfillment of the last of the conditions precedent on the acquisition agreement.

In January 2013, the Company announced that the conditions precedent on the acquisition agreement had not been met and that the agreement has subsequently lapsed.

Waterberg Prospecting Rights purchase	30/06/13 $	30/06/12 $
Not longer than 1 year	-	236,942
Later than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	236,942

The Group must also meet the following tenement expenditure commitments to maintain them in good standing until they are joint ventured, sold, reduced, relinquished, 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:

Tenement expenditure commitments	30/06/13 $	30/06/12 $
Not longer than 1 year	**412,726**	604,355
Later than 1 year and not longer than 5 years	**751,202**	928,025
Longer than 5 years	-	-
	1,163,928	1,532,380

Other commitments

Rental expenditure	30/06/13 $	30/06/12 $
Not longer than 1 year	**20,833**	22,732
Later than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	20,833	22,732

30. RELATED PARTY TRANSACTIONS

Key management personnel ('KMP') compensation and equity holdings have been disclosed in note 25.

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 30/06/13 $	Year ended 30/06/12 $
Compliance and administration	**165,255**	89,697
Occupancy expenses	-	142,514
	165,255	232,211

Total assets arising from transactions other than loans and amounts receivable in relation to equity instruments with KMP or their related parties:

	30/06/13	30/06/12
	$	$
Property, plant and equipment	**-**	83,806
	-	83,806

The Group had 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 at a commercial rate.

The total amount charged for the period was nil (2012: $142,514), with no amounts outstanding (2012: nil) at year end. Amounts are disclosed above as occupancy expenses.

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 arms-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 $165,255 (2012: $89,697) with no amounts outstanding (2012: nil) at year end. Amounts are disclosed above as compliance and administration.

During the year ended 30 June 2012, the Group acquired office equipment from Ikwezi Mining Holdings (Pty) Ltd with a cost of $83,806.

31. SUBSIDIARIES

Name of subsidiary	**Principal activity**	**Place of incorporation and operation**	**Proportion of ownership interest and voting power held by the Group**	
			30/06/13	**30/06/12**
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%	70%

32. 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 30/06/13 $	Year ended 30/06/12 $
Auditor of the parent entity		
Audit or review financial statements	78,759	136,522
Other services - Tax review	2,141	1,249
Total remuneration for audit and other assurance services	**80,900**	**137,771**

The auditor of Ikwezi Mining Limited is Deloitte Touche Tohmatsu.

33. 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;

(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
20 September 2013

Details of Company Secretary, Registered and Principal Administrative Office and Share Registry

The Company Secretary is Mr Alex Neuling.

The Company's registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company's principal administrative office is 198 Oxford Road
Illovo, Johannesburg South Africa (Tel +27 11 9948900, Fax: +27 11 3271885).

The Company's registered office in Australia is c/- Ashurst Australia, Level 32, 2 The Esplanade, Perth, Western Australia, Australia (Tel + 61 9366 8000, Fax: + 61 8 9366 8111).

The Company's Australian Share Registry is maintained by Computershare Investor Services Pty Ltd, Level 2, 45 St Georges Terrace, Perth WA 6000 (Tel within Australia: 1300 262 164, outside Australia: +61 3 9415 4000, Fax within Australia: 1800 783 447, outside Australia: +61 3 9473 2555).