IKWEZI MINING

ANNUAL REPORT **2014**

THE STAR

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

www.ikwezimining.com

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OUR MISSION:

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

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

COMPANY OVERVIEW

Ikwezi Mining is a resource exploration and development company aiming to create shareholder value through the acquisition, exploration and development of coal projects in South Africa. Our Group is focused on advancing the development of three coal projects in the KwaZulu-Natal and Mpumulanga provinces of South Africa.

We hold prospecting rights and majority interests in these projects, the most advanced of these being our 70 percent held Newcastle Project (Ntendeka Colliery) with a JORC compliant resource of 294 million tons of coal. Our mining right for this particular project (Newcastle Phase 1) was granted in February 2012. Development of this particular project is well underway along with a Mining Right, Integrated Water Use License and Environmental approval (NEMA) obtained for the project. We have other earlier stage exploration projects in the form of our 60 percent owned Dundee, Assegaai and Acorn projects.

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

Ntendeka Colliery – coal wash plant

One of the bridges constructed by Ikwezi on the main haul road from the Ntendeka Colliery wash plant to the Ngagane siding

Construction of main haul road to siding at Ntendeka Colliery

MAP OF OPERATIONS

CHAIRMANS REPORT

OPERATING ENVIRONMENT

The year has been a difficult one for the Company. With the continued volatility in thermal coal market, the startup of the Ntendeka Colliery has been delayed until such stage as we see some stability in the market. With the thermal coal price declining by over 50% over the last 4 years, the focus of management over the last year has been in adjusting the mine plans and operational structures to ensure that the colliery, when it comes into production, will be able to operate profitably.

The thermal coal market remains over supplied with a substantial number of producers continuing to operate at a loss. Whilst there have been a number of mine closures together with the reduction in production from a number of mines, this has to date been insufficient in bringing the market back into balance. According to figures from the China Coal Industry Association, over 70% of the coal mines in China have incurred a loss this year. The fixed cost structure of a number of the mines, especially with regard to logistics take or pay contracts, has resulted in them continuing to operate at a loss given that the alternative of closing the operations is more expensive.

With the continued delays in the startup of the Ntendeka Colliery, management has reduced the overhead structure of the company substantially. A huge amount of effort has taken place in focusing on the redesign of the various mining pits and product mixes to allow for profitable operations in the current market. In addition, the logistics chain has been reviewed in detail resulting in substantial savings.

WELL POSITIONED

The Company is well positioned to take immediate advantage of an improvement in pricing in the thermal coal market with the requisite licensing and mine plans in place to commence production at its Ntendeka Colliery.

Ntendeka Colliery is expected to produce approximately 1.25 Mtpa of saleable coal and have a life of more than 30 years, subject to further confirmatory drilling, when it comes into production.

Various options currently being reviewed by the Company include toll washing of third party anthracite and coking coal which are currently attracting better premiums in the current market. Further options are being explored with the possibility of exporting coal that has not been beneficiated.

INVESTING IN OUR PEOPLE AND COMMUNITY

A key focus of our operation is our support of the people and the community in which we operate. We have been working very closely with representatives of the various communities and the local authorities in developing programs to assist in their upliftment to the extent possible.

Our people are fundamental to the success of our operation. Under our policies we look to source all labour and service providers locally to the extent that they are commercially competitive. This is expanded geographically only if suitable candidates and services are unavailable. The Company has been working with the various local authorities to build up the supplier base and required skill sets in the area to meet all of Ikwezi's human resource requirements.

To date, Ikwezi has spent approximately ZAR30 million in conjunction with local authorities, including the Department of Transport, to upgrade and maintain roads and river crossings in the area.

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

GOVERNANCE

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

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

CHANGES TO THE BOARD

There were three changes to the Board during the course of the year. It was with great sadness that the Board reported the unexpected passing of Mr Roger Rees during June 2014. Roger brought a great wealth of experience to the company from the many senior roles that he had held through his career and made significant contributions to the company since its listing.

The previous Chairman, Simon Hewetson resigned from the company on 27 June 2014 to focus on other business interest. The company benefited greatly from Simon's insights and experience , and would like to thank him for his substantial contributions during his time with the company. We wish him all of the best with his future endeavours.

Mr Alexander Neuling, Ikwezi Mining's Company Secretary, was appointed to the Board on 27 June 2014. Alex brings with him substantial experience in corporate and finance area and is a welcome addition to the Board.

FUTURE OUTLOOK

Ikwezi's Ntendeka Colliery is well placed to take advantage of an upturn in the thermal coal market as it returns to balance. The colliery has one of the largest remaining undeveloped coal resources in South Africa with easy access to both rail and port.

ACKNOWLEDGEMENTS

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

For and behalf of the Board

David Pile

Chairman

CORPORATE GOVERNANCE REPORT

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

Following the Board changes which took place during the year, including the unfortunate passing of Mr Roger Rees, the Ikwezi Mining Limited Board currently comprises of one Non-Executive Director and two Executive Directors, none of whom are considered to be independent. The Board is seeking to appoint an additional suitably qualified independent Non-Executive Director at an appropriate juncture once a suitable candidate has been identified.

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

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

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

Board responsibilities and composition

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

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

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

The Board considers an independent Director to be a Non-Executive Director who is not a member of our management and who is free from any interest and any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis, rather than referring to a general materiality threshold.

The Board currently comprises one Non-Executive Director and two Executive Directors, none of whom are considered to be independent. The Chairman is an Executive Director. The current Board members are described in Directors Report.

The Board is committed to good corporate governance and, as noted above, we are seeking to appoint an additional suitably qualified independent Non-Executive Director. The Board will consider appointing this independent Non-Executive Director to the Audit Committee and Remuneration and Nomination Committee.

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

Details regarding the skills, qualifications, experience and expertise of each of the Directors as at the date of this Annual report can be found in the Directors report.

Board committees

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

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

The Board undertakes to ensure that these committees are sufficiently resourced to enable them to fulfil their roles and discharge their responsibilities. Given the present structure of the Board and the requirement of each committee charter that the Committees are to comprise at least 3 members, all of the Directors are also members of each of these Committees. It is intended that this be reviewed once additional Board members have been appointed.

Audit Committee

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

The Audit Committee currently comprises of our three Directors; David Pile is currently chairman of the committee, however the Board intends to review this position during 2014/15 given Mr Pile was appointed as Chairman of the Company during the year.

Risk Committee

The role of the Risk Committee is to assist the Board with the identification and management of business and operational risks faced by our Company. The Risk Committee responsibilities include overseeing our risk management systems, practices and procedures and reviewing periodically the scope and adequacy of our insurance. The Risk Committee will comprise at least 3 members and may include Executive and Non-Executive Directors as well as senior executives of our Company. Currently all our Directors serve on the Risk Committee. David Pile currently serves as chair of the Risk Committee.

Remuneration and Nomination Committee

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

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

Currently all of the Directors serve on the Remuneration and Nomination Committee.

Alex Neuling currently serves as chair of the Remuneration and Nomination Committee.

Corporate governance policies and charters

The Board has adopted the following corporate governance policies.

Board Charter

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

Board responsibilities

The Board's responsibilities include:

- overseeing the business and affairs of our Company, including our control and accountability systems;
- appointing the Managing Director and other senior executives and determining their terms and conditions, including remuneration and termination;
- driving the strategic direction of our Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- ensuring the health, safety and well-being of employees; in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of our occupational health and safety systems to ensure the wellbeing of all employees;
- approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- approving the annual, half yearly and quarterly accounts;
- approving significant changes to the organisational structure;
- approving the issue of any shares, options, equity instruments or other securities in our Company;
- ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision-making;
- recommending to Shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them; and
- meeting with the external auditor, at their request, without management being present.

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

Corporate Code of Conduct

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

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

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

Audit Committee Charter

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

Risk Committee Charter

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

Remuneration and Nomination Committee Charter

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

Performance Evaluation Policy

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

Continuous Disclosure Policy

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

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

Risk Management Policy

We are committed to the identification, monitoring and management of risks associated with our business activities and have established a Risk Committee to have responsibility for identifying and overseeing major risk areas and ensuring that systems are in place to manage them, and report to the Board as and when appropriate. The Risk Committee is responsible for overseeing the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements.

Securities Trading Policy

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

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

Shareholder Communications Policy

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

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

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Compliance with Black Economic Empowerment (BEE) legislation in South Africa

The BEE requirements in the South Africa mining industry arise from the equality provisions of the South African Constitution and the Mineral and Petroleum Resources and Development Act (MPRDA).

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

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

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

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

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

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

Non-compliance with any of the above provisions of the Mining Charter shall render the Mining Right holder in breach of the MPRDA

which may attract strict consequences such as the suspension or cancellation of the relevant Prospecting Right or Mining Right.

The legal requirements contained in the South African legislation exceed the reporting recommendations contained in ASX Recommendation 3.3 and 3.4. The Company's South African subsidiaries comply with and in fact exceed the relevant ownership requirements with our BEE partners who form an integral part of the management team owning 30% of Ikwezi Mining (Pty) Ltd, Ikwezi Management Services (Pty) and Ikwezi Resources (Pty) Ltd and 40% of Bokamaso (Pty) Ltd. We are committed to meeting and exceeding the provisions contained in the Mining Charter with preference given in terms of our internal employment and procurement policies and procedures not only to HDSA employees and BEE compliant Companies but to those that are located in the areas that we operate. As at the date of this report 50% of the senior full time management of the consolidated group are HDSA's with no female senior management or Directors given our current reduced staffing structure. Females comprise 33% of our current workforce. Our spend during the current financial year ended 30 June 2013 exceeds the legislative requirements in this regard which are due to come into force in 2014.

Compliance with ASX Recommendations

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

During the period to 27 June 2014 the Board comprised two Non-Executive Directors and two Executive Directors. The chairman of the Board during the period was a Non-Executive Director, however only one of the Directors during the period to 27 June 2014 were considered by the Board to be independent based on the criteria outlined in the definition of independence adopted by the Company.

Since 27 June 2014, the Board comprises one Non-Executive Director and two Executive Directors. The chairman of the Board is also the Chief Executive Officer and none of the Directors is considered to be independent based on the criteria outlined in the definition of independence adopted by the Company.

As a result of this Board structure, the Company did not comply with the following ASX Recommendations for the period to 30 June 2014:

- ASX Recommendation 2.1: A majority of the board should be independent directors.
- ASX Recommendation 2.2: The chair should be an independent director.
- ASX Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.
- ASX Recommendation 4.2: The audit committee should be structured so that it: consists only of non-executive directors; consists of a majority of independent directors; is chaired by an independent chair, who is not chair of the board; and has at least three members.
- ASX Recommendation 8.2: The remuneration committee should be structured so that it: consists of a majority of independent directors; is chaired by an independent chair; and has at least three members.

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

A table outlining the Company's current compliance with each ASX Recommendation is set out below.

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

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ASX Recommendation	Comply (Yes/No)	Explanation
PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
ASX Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	The Board has adopted a formal charter that details the respective board and management functions and responsibilities. A copy of this board charter is available in the governance section of the Company's website at www.ikwezimining.com.
ASX Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.	Yes	The Board has adopted a performance evaluation policy, which provides that the Remuneration and Nomination Committee will arrange an annual performance evaluation of senior executives of the Company and that an independent adviser may be used. This evaluation will be based on specific criteria, including the business performance of the Company and its subsidiaries, whether strategic objectives are being achieved and the development of management and personnel. Each senior executive's performance will be assessed against his or her designated roles and responsibilities. A copy of the performance evaluation policy is available in the governance section of the Company's website at www.ikwezimining.com. No formal performance evaluation of senior executives took place in the period to 30 June 2014
ASX Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes	The Company includes in the corporate governance statement in its annual reports an explanation of any departure from ASX Recommendations 1.1, 1.2 or 1.3 (if any) and whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed (see above). A copy of the Company's board charter is available in the governance section of the Company's website at www.ikwezimining.com.
PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE		
ASX Recommendation 2.1: A majority of the board should be independent directors.	No	During the period to 27 June 2014 the Board comprised two Non-Executive Directors and two Executive Directors. Only one of the Non-Executive Directors was considered by the Board to be independent based on the criteria outlined in the definition of independence adopted by the Company. From 27 June 2014, the Board comprised one Non-Executive Directors and two Executive Directors. None of the Directors are considered by the Board to be independent based on the criteria outlined in the definition of independence adopted by the Company. In particular, the Board does not consider a Director to be independent unless he or she: • holds an interest of less than 5% of the voting shares of the Company and is not an officer of a shareholder with an interest in more than 5% of the voting shares of the Company (which is the reason why the Board does not consider the other Non-Executive Director (being the Chairman of the Company) to be independent); and • within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment (which is the reason why the Board does not consider the Executive Directors to be independent). The Company is working towards complying with this ASX Recommendation and is seeking to appoint additional suitably qualified independent Non-Executive Directors when appropriate candidates are identified. A copy of the definition of independence adopted by the Company is available in the governance section of the Company's website at www.ikwezimining.com.

ASX Recommendation	Comply (Yes/No)	Explanation
ASX Recommendation 2.2: The chair should be an independent director.	No	Up to 27 June 2014, the Chairman of the Company, Mr Simon Hewetson, was not considered to be an independent director by the Board based on the criteria outlined in the definition of independence adopted by the Company. This was due to the interests of the Chairman in our Company held by Belvedere (as described in Annual Financial Statements). From 27 June 2014, Mr David Pile has been appointed Executive Chairman of the Company and is not considered to be an independent director by the Board based on the criteria outlined in the definition of independence adopted by the Company As noted above, following listing on the ASX, the Board is seeking to appoint additional suitably qualified independent Non-Executive Directors once suitable candidates are identified. The Company intends that one of these appointees will be appointed chair of the Board.
ASX Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.	No	Up to 27 June 2014, the Company was compliant with this recommendation as the role of chair of the Board was exercised by Mr Simon Hewetson and the role of managing director (and also CEO) was exercised by Mr David Pile. Following Mr Simon Hewetson's resignation on 27 June 2014, Mr David Pile has been appointed Executive Chairman of the Company.
ASX Recommendation 2.4: The board should establish a nomination committee.	Yes	The Board has established a Remuneration and Nomination Committee and adopted a charter that sets out the remuneration and nomination committee's role and responsibilities, composition and membership requirements. Currently, Mr Alex Neuling (chair), Mr David Pile and Mr Ranaldo Anthony serve on the Remuneration and Nomination Committee. A copy of the charter of the Remuneration and Nomination Committee is available in the governance section of the Company's website at www.ikwezimining.com.
ASX Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	The Company's board charter outlines the process for evaluating the performance of the Board. This provides that, once a year, the Board shall hold a meeting to review critically and discuss the performance of the Board as a whole, its Committees and individual Directors. If it is apparent that these are problems which cannot be satisfactorily considered by the Board itself, the Board may decide to engage an independent adviser to undertake this review. The Company's Remuneration and Nomination Committee is also required to arrange an annual performance evaluation of the Board, its committees and individual Directors. No formal evaluation was carried out during the financial year ended 30 June 2014, the Board intends to carry out this performance evaluation during the 2014/2015 financial year. Copies of the board charter and the charter of the Remuneration and Nomination Committee are available in the governance section of the Company's website at www.ikwezimining.com.
ASX Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes	The Company includes in its annual reports the information indicated in the Guide to reporting on Principle 2. The skills, experience and expertise relevant to the position of each Director are set out in the Directors Report. The Board considers only one of the Directors during the period to 27 June 2014 to be an independent Director for the reasons outlined in relation to ASX Recommendation 2.1 above. None of the Directors are considered to be

ASX Recommendation	Comply (Yes/No)	Explanation
		independent after that date. The criteria and materiality thresholds for determining whether a Director is independent are set out in the definition of independence adopted by the Company, a copy of which is available in the governance section of the Company's website at www.ikwezimining.com. The Company's board charter provides that the Board, Board committees and individual Directors may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairman of the Board. A copy of any such advice received will be made available to all members of the Board. The Company's Nomination and Remuneration Committee charter requires the Nomination and Remuneration Committee to identify and recommend to the Board candidates for the Board after considering the necessary and desirable competencies of new Board members to ensure the appropriate mix of skills and experience and after assessment of how the candidates can contribute to the strategic direction of the Company. The board charter and charter of the Remuneration and Nomination Committee together set out the policy and procedure for the selection and appointment of new. Copies of each of these charters are available in the governance section of the Company's website at www.ikwezimining.com.
PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING		
ASX Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	The Company has established a code of conduct that sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from Directors and employees. A copy of the Company's code of conduct is available in the governance section of the Company's website at www.ikwezimining.com.
ASX Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Yes	The Company recognises that a talented and diverse workforce is a key competitive advantage and that an important contributor to the Company's success is the quality, diversity and skills of its people. The Board does not consider that at this stage it is appropriate for the Company to implement a diversity policy that aligns completely with the ASX Recommendations as it is already required to comply with the diversity requirements under the Broad Based Socio-Economic Empowerment Charter, September 2010 (**Mining Charter**), published and implemented by the South African Department of Mineral Resources. The Mining Charter aims at facilitating participation of historically disadvantaged South Africans (**HDSAs**) in the mining and minerals industry by providing specific targets that must be met by 2014 in order to effect complete transformation and promote sustainable development and growth of the industry. HDSAs are defined as "any person, category of persons or community, disadvantaged by unfair discrimination" on the basis of race, gender or disability and includes females generally as well as specified racial groups.

ASX Recommendation	Comply (Yes/No)	Explanation
		Amongst other things, under the Mining Charter, in furtherance of employment equity targets, a holder of a mining right must reach 40% HDSA representation at all levels of management and core skills by no later than 2014.
ASX Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No	The Company has not yet set measurable objectives for achieving gender diversity. Given the significant rationalisation of staffing levels which has occurred during the year, the Board intends to review the appropriateness of such objectives during the current year.
ASX Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	Due to the current reduced staffing of the operation, there are no female Directors or senior management at present. Females comprise 33% of our current workforce.
ASX Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	The Company discloses in the corporate governance statement in its annual reports an explanation of any departure from ASX Recommendations 3.1, 3.2, 3.3, 3.4 or 3.5 (see above). Copies of the Company's code of conduct and position on diversity policy are available in the governance section of the Company's website at www.ikwezimining.com.
PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING		
ASX Recommendation 4.1: The Board should establish an audit committee.	Yes	The Board has established an Audit Committee and adopted a charter that sets out the Audit Committee's purpose, composition, duties and responsibilities. The role of the Audit Committee is to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting and compliance. A copy of the charter of the Audit Committee is available in the governance section of the Company's website at www.ikwezimining.com.
ASX Recommendation 4.2: The audit committee should be structured so that it: • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; and • has at least three members.	No	The structure of the Company's Audit Committee for the period ended 30 June 2014 does not meet the requirements of Recommendation 4.2 as this is not possible given the current Board composition. This is due to the fact that up to 27 June 2014, one of the Non-Executive directors who serves on the Audit Committee, Mr Simon Hewetson, is not considered by the Board to be independent based on the criteria outlined in the definition of independence adopted by the Company. From 27 June 2014 the Audit Committee consists of only one Non-Executive Director and two Executive Directors, none of whom are considered to be independent. The Board is committed to good corporate governance and will seek to achieve the Audit Committee composition requirements set out in ASX Recommendation 4.2 other than that part of the recommendation that recommends an audit committee have at least three members, which the Board does not consider is appropriate at this stage due to the size and scale of the Company's current operations, the composition of the Board and the desire to have only independent Non-Executive Directors appointed to the Audit Committee. The Company is seeking to appoint additional suitably qualified independent Non-Executive Directors as appropriate and once suitable candidates are identified. The Company intends that these independent Non-Executive Directors be appointed to the Audit Committee to replace the existing non-independent members.

ASX Recommendation	Comply (Yes/No)	Explanation
ASX Recommendation 4.3: The audit committee should have a formal charter.	Yes	The Board has adopted a formal charter that details the Audit Committee's purpose, composition, duties and responsibilities. A copy of the charter of the Audit Committee is available in the governance section of the Company's website at www.ikwezimining.com.
ASX Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	The Company has disclosed in the Directors' Report the names and qualifications of those appointed to its audit committee, their attendance at meetings and the number of meetings of the audit committee. The Company has disclosed in this Corporate Governance section of its Annual Report an explanation of departures from Recommendations 4.1, 4.2, 4.3 and 4.4 (see above). The Board has adopted a formal charter of the Audit Committee, which provides information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners. A copy of this charter is available in the governance section of the Company's website at www.ikwezimining.com.
PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE		
ASX Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	The Company has established a continuous disclosure policy which is designed to guide compliance with ASX Listing Rule disclosure requirements and to ensure that all directors, senior executives and employees of the Company understand their responsibilities under the policy. The Board has designated the Executive Chairman and the Company Secretary as the persons responsible for ensuring that this policy is implemented and enforced and that all required price sensitive information is disclosed to the ASX as required. In accordance with the Company's continuous disclosure policy, all information provided to ASX for release to the market will be posted to its website at www.ikwezimining.com after ASX confirms an announcement has been made. A copy of the continuous disclosure policy is available in the governance section of the Company's website at www.ikwezimining.com.
ASX Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	The Company includes in its annual reports an explanation of any departure from ASX Recommendations 5.1 or 5.2 (if any). A copy of the Company's continuous disclosure policy is available in the governance section of the Company's website at www.ikwezimining.com.
PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS		
ASX Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company has designed a shareholder communication policy which outlines the Company's commitment to: • communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company; • giving shareholders ready access to balanced and understandable information about the Company and corporate proposals; • encouraging shareholders to participate in general meetings of the Company; and • requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. A copy of the shareholder communication policy is available in the governance section of the Company's website at www.ikwezimining.com.

ASX Recommendation	Comply (Yes/No)	Explanation
ASX Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	The Company includes in its annual reports an explanation of any departure from ASX Recommendations 6.1 or 6.2 (if any) and a description of how it will communicate with its shareholders publicly. The Company has provided information about the Company generally for the benefit of its shareholders and market participants (among others) on the Company's website at www.ikwezimining.com and all information provided to ASX for release to the market will be posted to its website at www.ikwezimining.com after ASX confirms an announcement has been made.
PRINCIPLE 7: RECOGNISE AND MANAGE RISK		
ASX Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	The Company is committed to the identification, monitoring and management of risks associated with its business activities and has established policies in relation to the implementation of practical and effective control systems. The Company has established a risk management policy, a copy of which is available in the governance section of the Company's website at www.ikwezimining.com. The Board is responsible for ensuring that sound risk management strategy and policies are in place. The Board has delegated to the Risk Committee responsibility for identifying and overseeing major risk areas and that systems are in place to manage them, and report to the Board as and when appropriate. The Risk Committee is required to develop and maintain a risk register that identifies the risks to the Company and its operation and assesses the likelihood of their occurrence. The risk register will be updated periodically and presented to the Board for its consideration at least twice a year. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required to assess risk management and associated internal compliance and control procedures and report back quarterly to the Risk Committee on whether those risks are being managed effectively. The Board has adopted a charter of the Risk Committee that defines the Risk Committee's purpose, composition, duties and responsibilities. A copy of the charter of the risk management policy is available in the governance section of the Company's website at www.ikwezimining.com. As addressed above, the Board has established an Audit Committee that is to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting and compliance. A copy of the charter of the Audit Committee is available in the governance section of the Company's website at www.ikwezimining.com.
ASX Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Under the Company's risk management policy, the responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required to assess risk management and associated internal compliance and control procedures and report back quarterly to the Risk Committee on whether those risks are being managed effectively. The Board has received the reports from management required by ASX Recommendation 7.2.
ASX Recommendation 7.3: The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	The Board has received the assurance required by ASX Recommendation 7.3 in respect of its 2014 annual report.

ASX Recommendation	Comply (Yes/No)	Explanation
ASX Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	The Company includes in the corporate governance statement in its annual reports an explanation of any departure from ASX Recommendations 7.1, 7.2, 7.3 or 7.4 (if any), whether the Board has received the report from management under ASX Recommendation 7.2, and whether the Board has received assurance from Managing Director and the Chief Financial Officer under ASX Recommendation 7.3. Both a summary and copies of the Company's risk management policy, charter of the Audit Committee and the charter of the Risk Committee is available in the governance section of the Company's website at www.ikwezimining.com.
PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY		
ASX Recommendation 8.1: The board should establish a remuneration committee.	Yes	The Board has established a Remuneration and Nomination Committee to support and advise the Board in fulfilling its responsibilities to shareholders. The role of the Remuneration and Nomination Committee includes attending to matters related to the Company's remuneration policy to enable the Company to attract and retain executives who will create value for shareholders and to arrange annual performance evaluations of those executives. The Remuneration and Nomination Committee also attends to matters relating to succession planning and recommends candidates for election or re-election to the Board. The Remuneration and Nomination Committee will identify and recommend candidates for the Board after considering the necessary and desirable competencies of new Board members to ensure the appropriate mix of skills and experience and after assessment of how the candidates can contribute to the strategic direction of the Company. The Board has adopted a charter that defines the Remuneration and Nomination Committee's purpose, composition, duties and responsibilities. A copy of this charter is available in the governance section of the Company's website at www.ikwezimining.com.
ASX Recommendation 8.2: The remuneration committee should be structured so that it: • consists of a majority of independent directors; • is chaired by an independent chair; and • has at least three members.	No	The structure of the Company's Remuneration and Nomination Committee for the period ended 30 June 2014 does not meet the requirements of ASX Recommendation 8.2 as this not possible given the current structure of the Board. To 27 June 2014, this is because of the directors that served on the Committee, Mr Roger Rees (chair), and Mr Simon Hewetson, only Mr Roger Rees was considered by the Board to be independent based on the criteria outlined in the definition of independence adopted by the Company. From 27 June 2014, none of the Directors are considered by the Board to be independent based on the criteria outlined in the definition of independence adopted by the Company. The Board is committed to good corporate governance and will seek to achieve the Remuneration and Nomination Committee composition requirements set out in ASX Recommendation 8.2. The Company is seeking to appoint additional suitably qualified independent Non-Executive Directors as appropriate candidates are identified. The Company intends that these independent Non-Executive Directors be appointed to the Remuneration and Nomination Committee.
ASX Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Mr Simon Hewetson was not paid in relation to his role as Chairman or as a Non-Executive Director up to his resignation on 27 June 2014. Mr Roger Rees was entitled to a fixed annual fee for his service to the Company as a Non-Executive Director. Executives of the Company typically receive remuneration comprising a base salary component and other fixed benefits based on the terms of their employment agreements with the Company or its subsidiaries and potentially the ability to participate in bonus arrangements and the Company's option plan described in section 11.5 of the Company's prospectus.

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

IKWEZI MINING

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

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Directors' Report

30 June 2014

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 2014 (**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 David Pile – *Executive Chairman (from 27 June 2014, previously Managing Director)*
Mr Ranaldo Anthony – *Executive Director*
Mr Alex Neuling – *Non-executive Director (appointed 27 June 2014), Company Secretary*
Mr Simon Hewetson – *Chairman and Non-executive Director (resigned 27 June 2014)*
Mr Roger Rees – *Non-executive Director (deceased 19 June 2014)*

INFORMATION ABOUT DIRECTORS

Current Directors

Mr David Pile – Executive Chairman

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.

David was appointed the Executive Chairman following the resignation of Simon Hewetson on 27 June 2014. Prior to this, he held the position of Managing Director.

Special responsibilities:
Chairman of the Board
Chairman of the Risk Committee
Chairman 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 Ranaldo Anthony - Executive Director

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

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

Directors' Report
30 June 2014

Mr Alex Neuling – Non-Executive Director and Company Secretary

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.

Special responsibilities:
Member of the Audit Committee
Member of the Risk Committee
Chairman of the Remuneration and Nomination Committee

Current Directorships and Former Directorships (last 3 years) of listed public companies:

Mozambi Coal Limited (2008 – current).

Former Directors

Mr Simon Hewetson

Simon was a co-founder and Chief Executive Officer of Nucoal Mining (Pty) Ltd South Africa (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 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

Directors' Report

30 June 2014

Current Directorships and Former Directorships (last 3 years) of listed public companies:
Rex Trueform Limited (appointed 1 April 2011)
Redefine Properties Limited (appointed September 2012)
SacOil Holdings Limited (appointed 25 July 2013)

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 2014 (2013: 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 2014 the Group recorded a net loss of $1,146,601 (2013: loss $1,175,563) and a net cash outflow from operations of $248,607 (2013: $1,215,511). 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.

The majority of expenditure incurred by the operations during the year under review related to further development of the Ntendeka Colliery in Newcastle and investigating alternative production options for the operation.

Thermal coal pricing remains weak with continued oversupply in the global thermal coal markets. API4 prices Richards Bay at year end in the mid to low USD70 range. Whilst the depreciation of the South African Rand has assisted in offsetting part of the price decrease, the decline has seen real erosion of margins for most thermal coal producers. The Company's operational and product mix plans have been likewise affected.

Extensive work was undertaken during the year to again redefine the open cast pits taking into account the lower market pricing and adjusting the planned product mixes to target markets where the Company can operate more cost effectively.

The overhead cost base of the Company has been streamlined further with reductions across all areas of the operation that will be reflected in the income statement over the coming year.

Directors' Report

30 June 2014

From an operational perspective, the Company is in a position to commence mining activities with first coal to market within a three month time frame of the decision to commence mining. Funding required to bring the mine into operation is dependent on the production model that will be adopted ranging from approximately $3 million to approximately $20 million depending on volumes and product produced. Substantial progress was made during the year to finalising the ZAR200 million finance facility to bring the mine into production but this has been impacted by the continued depreciation in thermal coal pricing.

A revised operational configuration has however resulted in the capital (and funding) requirements reducing which has also improved the projected cost structure. Discussions with off take parties in this regard are at an advanced stage as the Company looks to lock-in pricing and the requisite associated funding to bring the mine into operation.

The Company is well positioned in that it has all required licensing in place to commence mining, substantial proven coal resources and reserves, a completed coal washing plant and access to rail and port. The remaining construction relates to the completion of the water supply system to the wash plant, associated water storage, pollution control dams, discard dump foot print and rail siding. Alternative rail sidings are available for the Company to use in the interim.

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, have been installed with an initial 500kVA. The balance of the power will be generated by gensets.

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.

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... The Company remains in discussion with the relevant port authorities with port capacity and stockpile space currently available. The ports require take-or-pay obligations with agreements in this regard expected to be finalised in line with the Company's decision to commence mining.

No additional drilling was undertaken by the Company during the year with the focus on mine modelling and planning. A number of redesigns to adjust the product mix and strip ratios in line with the continued decline in thermal coal pricing were undertaken which has increased the number of production and product options available to the Company at different pricing levels. Work continues on the Company's other prospecting rights at a reduced level given the current cash optimisation of the operation.

To date a total of 470 boreholes have been drilled within the Ntendeka Colliery's mining right area.

OTHER

It is with great sadness that the Board of Directors reports that one of its Directors, Mr Roger Rees passed away during the year. Roger has been a non- executive Director of Ikwezi since 2011. Rogers insight, experience and contribution were invaluable to the Company.

Mr Simon Hewetson, the Company's Chairman since 2006, resigned during the year to pursue other business interests. Simon contributed substantially to Ikwezi during his tenure as Chairman and we wish him all of the best with his future endeavours.

Directors' Report

30 June 2014

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

There are no post reporting date events to be reported.

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 where possible in a difficult market. This includes the Company's continued assessment and discussions with regard to the feasibility of exporting unwashed coal, supplying coal locally for power generation as an alternative to the export market and using the coal wash plant to toll wash coal for third parties. Financing to bring the operation into production, currently under discussion, is considered most likely to be in the form of a debt facility against offtake or alternatively another form of debt / equity issue, the sale of certain coal rights that the Company owns or a combination of these. Discussions continue with regard to the sale of the farm Allen No 2. with Buffalo Coal as previously announced.

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 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' Report

30 June 2014

DIRECTORS' SHAREHOLDINGS

As at 30 June 2014, the interests of the Directors in shares and options of Ikwezi were as follows:

	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	-	-
	170,000,000 (i)	-

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

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2014, 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 2014.

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. No options expired or were exercised during the year.

Directors' Report

30 June 2014

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

E Key management personnel equity holdings

F Other transactions with key management personnel of the Group

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

Current Directors		
Mr. David Pile	-	Executive Chairman
Mr. Ranaldo Anthony	-	Executive director
Mr. Alex Neuling		Non-executive director (appointed 27 June 2014); Company Secretary
Former Directors		
Mr. Simon Hewetson	-	Chairman (resigned 27 June 2014)
Mr. Roger Rees	-	Non-executive director (deceased 19 June 2014)

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.

Directors' Report

30 June 2014

REMUNERATION REPORT (CONTINUED)

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

Non-executive directors

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

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

Retirement benefits and allowances

No retirement benefits or allowances are paid or payable to non-executive directors of the Company other than Superannuation benefits.

Other benefits

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

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 2014, no short term incentives were paid or payable to Directors or Key Management Personnel of the Company or Group.

Directors' Report

30 June 2014

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.

Directors' Report

30 June 2014

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	
2014	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Retirement benefits $**	**Options $**	**Total $**
Non-executive directors							
Mr Alex Neuling [1]	41,860	-	-	-	-	-	41,860
Mr Simon Hewetson	-	-	-	-	-	-	-
Mr Roger Rees	75,000	-	-	-	-	-	75,000
Executive directors							
Mr David Pile [2]	320,000	-	-	29,594	-	-	349,594
Mr Ranaldo Anthony [3]	279,680	-	-	25,865	-	-	305,545
Total	716,540	-	-	55,459	-	-	771,999

1. Fees for Mr Alex Neuling are for Company Secretarial and Accounting services provided by an affililated entity of Mr Alex Neuling. All fees remain unpaid at 30 June 2014 and are included in trade and other payables.

2. Mr David Pile received payments during the financial year ended 30 June 2014 totalling $29,198. The remaining balance of remuneration of $320,467 is included in trade and other payables.

3. Mr Ranaldo Anthony received payments during the financial year ended 30 June 2014 totalling $50,920. The remaining balance of remuneration of $254,625 is included in trade and other payables.

Directors' Report

30 June 2014

	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

Directors' Report

30 June 2014

REMUNERATION REPORT (CONTINUED)

B. DETAILS OF REMUNERATION (CONTINUED)

During the year to 30 June 2014 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 2014, 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.
- 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.

Remuneration and other terms of agreement with Alex Neuling in his capacity as the Company Secretary are formalised in an agreement with an entity in which Mr Neuling holds an indirect non-controlling interest, entered into prior to his appointment to the Board. The agreement is on normal commercial terms and provides for a minimum monthly retainer plus hourly rate and has a three month notice period.

Directors' Report
30 June 2014

REMUNERATION REPORT (CONTINUED)

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.

E. KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

Fully paid ordinary shares of Ikwezi Mining Limited

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.

Fully paid ordinary shares of Ikwezi Mining Limited

2014 & 2013	Balance at 1 July 1 No	Granted as compen-sation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June No.	Balance held nominally No.
Mr. David Pile [2]	-	-	-	-	-	-
Mr. Ranaldo Anthony	-	-	-	-	-	-
Mr. Alex Neuling	-	-	-	-	-	-
Mr. Simon Hewetson [2]	-	-	-	-	-	-
Mr. Roger Rees	-	-	-	-	-	-

1. Or when appointed/resigned

2. *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.*

There has been no movement in the share holdings of key management personnel from 1 July 2012 to 30 June 2014.

Directors' Report

30 June 2014

Share options of Ikwezi Mining Limited

	Balance at 1 July 1	Granted as compens ation	Exer-cised	Net other change	Balance at 30 June 1	Balance vested at 30 June	Options vested during the year
	No.	No.	No.	No.	No.	No.	No.
2014							
Mr David Pile	-	-	-	-	-	-	-
Mr Ranaldo Anthony	-	-	-	-	-	-	-
Mr Alex Neuling	-	-	-	-	-	-	-
Mr Simon Hewetson	-	-	-	-	-	-	-
Mr Roger Rees	-	-	-	-	-	-	-
2013							
Mr David Pile	2,000,000	-	-	(2,000,000)	-	-	-
Mr Ranaldo Anthony	2,000,000	-	-	(2,000,000)	-	-	-
Mr Alex Neuling	-	-	-	-	-	-	-
Mr Simon Hewetson	-	-	-	-	-	-	-
Mr Roger Rees	-	-	-	-	-	-	-

All options vested were exercisable at the report date. All share options issued to key management personnel were made in accordance with the provisions of the employee share option plan. Options held during the year ended 30 June 2013 were issued on 15 July 2011 and were exercisable at $0.30 per option held for one ordinary share in the Company, on or before 31 December 2012.

F. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL 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 30/06/14 $	Year ended 30/06/13 $
Compliance and administration	**23,105**	165,255
	23,105	165,255

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 $23,105 (2013: $165,255) with no amounts outstanding (2013: nil) at year end. Amounts are disclosed above as compliance and administration.

Directors' Report

30 June 2014

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 31 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.

David Pile
Executive Chairman
Singapore
24 September 2014

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.

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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 2014, 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 35 to 74.

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 X, management also states, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Deloitte.

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 2014 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 in the financial report which indicates that the Consolidated Entity incurred a net loss of $1,029,583 and had net cash outflows from operating and investing activities of $1,202,489 for the year ended 30 June 2014. These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company and Consolidated Entity to continue as going concerns and therefore, the Company and Consolidated Entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ross Jerrard
Partner
Chartered Accountants
Perth, 24 September 2014

Consolidated Statement of Profit or Loss

For the year ended 30 June 2014

	Note	Year ended 30/06/14	Year ended 30/06/13
		$	$
Other income - rent		**10,542**	-
Investment income	(5)	**26,919**	117,728
Other gains and losses	(6)	**138,397**	128,706
Total income		**175,858**	246,434
Administrative expenses		**267,425**	285,242
Depreciation		**1,003**	1,484
Employee benefits expense		**716,985**	778,020
Consulting expenses		**31,796**	25,902
Occupancy expenses		**23,158**	8,959
Rental expenses		**-**	10,171
Travel and transport expenses		**102,882**	52,733
Finance costs	(7)	**59,325**	46,371
Net foreign exchange loss		**(93)**	5,688
Other expenses		**2,960**	3,252
Loss before income tax expense		**(1,029,583)**	(971,388)
Income tax (expense) / benefit	(8)	**-**	-
Loss for the period from continuing operations		**(1,029,583)**	(971,388)
Attributable to:			
Owners of the Company		**(1,034,458)**	(961,909)
Non-controlling interests		**4,875**	(9,479)
		(1,029,583)	(971,388)
Loss per share			
Basic and diluted loss per share (cents per share)	(9)	**(0.3)**	(0.3)

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 2014

	Note	**Year ended 30/06/14** $	Year ended 30/06/13 $
Loss for the period		**(1,029,583)**	(971,388)
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		**(117,018)**	(204,175)
		(117,018)	(204,175)
Other comprehensive income for the period		**(117,018)**	(204,175)
Total comprehensive income for the period		**(1,146,601)**	(1,175,563)
Attributable to:			
Owners of the Company		**(1,151,476)**	(1,166,084)
Non-controlling interests		**4,875**	(9,479)
		(1,146,601)	(1,175,563)

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 2014

	Note	2014 $	2013 $
Assets			
Current assets			
Cash and cash equivalents	(27)	**817,375**	2,544,753
Trade and other receivables	(10)	**81,257**	165,845
Other financial assets	(11)	**1,276,858**	1,048,913
Other current assets	(12)	**97,678**	104,520
Total current assets		**2,273,168**	3,864,031
Non-current assets			
Exploration and evaluation expenditure	(13)	**10,698,096**	9,986,562
Property, plant and equipment	(14)	**15,245,157**	15,375,874
Total non-current assets		**25,943,253**	**25,362,436**
Total assets		**28,216,421**	29,226,467
Liabilities			
Current liabilities			
Trade and other payables	(15)	**1,262,547**	742,694
Borrowings	(17)	**91,818**	359,083
Provisions	(18)	**214**	6,602
Other liabilities	(16)	**6,214**	12,656
Total current liabilities		**1,360,793**	1,121,035
Non-current liabilities			
Borrowings	(17)	**-**	99,386
Provisions	(18)	**173,865**	177,682
Total non-current liabilities		**173,865**	**277,068**
Total liabilities		**1,534,658**	**1,398,103**
Net assets		**26,681,763**	27,828,364
Equity			
Issued capital	(20)	**30,569,450**	30,569,450
Reserves	(21)	**(889,263)**	(772,245)
Accumulated losses	(21)	**(3,059,197)**	(2,024,739)
Equity attributable to owners of the Company		**26,620,990**	27,772,466
Non-controlling interests	(22)	**60,773**	55,898
Total equity		**26,681,763**	**27,828,364**

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 2014

	Note	Year ended 30/06/14 $	Year ended 30/06/13 $
Cash flows from operating activities			
Payments to suppliers and employees		**(248,607)**	(1,215,511)
Net cash outflow from operating activities	(27)	**(248,607)**	(1,215,511)
Cash flows from investing activities			
Payments for capitalised exploration and evaluation		**(772,771)**	(4,244,237)
Payments for property, plant and equipment		**(192,044)**	(4,118,670)
Proceeds from disposal of property, plant and equipment		**62,592**	43,523
Proceeds from government grants		**-**	248,012
Proceeds from land rental		**10,542**	-
Payments to acquire financial assets		**(227,945)**	(159,513)
Interest received		**165,744**	114,968
Net cash outflow from investing activities		**(953,882)**	(8,115,917)
Cash flows from financing activities			
Repayment of borrowings		**(397,723)**	-
Net cash inflow from financing activities		**(397,723)**	-
Net decrease in cash and cash equivalents		**(1,600,212)**	(9,331,428)
Cash and cash equivalents at the beginning of the period		**2,544,753**	12,130,904
Effects of exchange rate changes on cash and cash equivalents		**(127,166)**	(254,723)
Cash and cash equivalents at the end of the period	(27)	**817,375**	2,544,753

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 2014

	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 2012	30,569,450	140,000	(708,070)	(1,062,830)	28,938,550	65,377	29,003,927
Profit/(loss) for the year	-	-	-	(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**
Profit/(loss) for the period	-	-	-	(1,034,458)	(1,034,458)	4,875	(1,029,583)
Exchange differences on translation of foreign operations	-		(117,018)	-	(117,018)	-	(117,018)
Total comprehensive income for the year	-		(117,018)	(1,034,458)	(1,151,476)	4,875	(1,146,601)
Balance at 30 June 2014	**30,569,450**	**140,000**	**(1,029,263)**	**(3,059,197)**	**26,620,990**	**60,773**	**26,681,763**

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 2014

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 2014 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

In the current year, the Group has applied a number of new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

Standards affecting presentation and disclosure

AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. As a result the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. In the current year the individual key management personnel disclosure previously required by AASB 124 (notes 20 and 21 in the 30 June 2013 financial statements) is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.
AASB CF 2013-1 'Amendments to the Australian Conceptual Framework' and AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part A Conceptual Framework)	This amendment has incorporated IASBs Chapters 1 and 3 Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the Preparation and Presentation of Financial Statements. The amendment also included not-for-profit specific paragraphs to help clarify the concepts from the perspective of not-for-profit entities in the private and public sectors. As a result the Australian Conceptual Framework now supercedes the objective and the qualitative characteristics of financial statements, as well as guidance previously available in Statement of Accounting Concepts SAC 2 'Objective of General Purpose Financial Reporting'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In August 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 12 'Disclosure of Interests in Other Entities', AASB 127 (as revised in 2011) 'Separate Financial Statements' and AASB 128 (as revised in 2011) 'Investments in Associates and Joint Ventures'. Subsequent to the issue of these standards, amendments to AASB 10, AASB 11 and AASB 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

In the current year, the Group has applied for the first time AASB 10, AASB 11, AASB 12 and AASB 128 (as revised in 2011) together with the amendments to AASB 10, AASB 11 and AASB 12 regarding the guidance. AASB 127 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and Interpretation 112 'Consolidation – Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The adoption of this standard and amending standard does not have any material impact on the consolidated financial statements.
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'	AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements.
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes). AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative period. Other than the additional disclosures, the application of AASB 13 does not have any material impact on the amounts recognized in the consolidated financial statements.

AASB 2012-10 'Amendments to Australian Accounting Standards- Transition Guidance and Other Amendments"

This standard amends AASB 10 and various Australian Accounting Standards to revise the transition guidance on the initial application of those Standards. This standard also clarifies the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

1.1. 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 2018	30 June 2019
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
AASB 2014-1 Amendments to Australian Accounting Standards:		
Part A – Annual Improvements 2010-2012 and 2011-2013 Cycles	1 July 2014	30 June 2015
Part C – Materiality	1 July 2014	30 June 2015
Part E – Financial Instruments	1 January 2015	30 June 2016
IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014	30 June 2015
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014	30 June 2015

The potential effect of the revised Standards and Interpretations on the Group's financial statements has not yet been determined.

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 24 September 2014.

Historical cost convention

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or

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For the year ended 30 June 2014

liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 2014 of $1,029,583 (30 June 2013: loss of $971,388) and had a net cash outflow from operating and investing activities for the year ended 30 June 2014 of $1,202,489 (30 June 2013 net cash outflow of $9,331,428). As at 30 June 2014 the Consolidated Entity had cash assets of $817,375 (30 June 2013: $2,544,753) and net current assets of $912,375 (30 June 2013: net current assets of $2,742,996).

The Directors have reviewed the 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. Measures have been implemented to reduce expenditure in order to meet minimum legal and contractual obligations to match current cash levels;
II. The Directors are confident that the sale of the property known as Alleen No 2 and the receipt of sale proceeds of approximately $800,000 will occur before 31 December 2014; and/or
III. The Directors are in negotiations to raise funds of at least $2,000,000 before 31 December 2014 through a debt facility and associated offtake agreement or through a capital raising. The form and final value of such funding is yet to be determined. The proceeds of which will be used to fund the development of the Ntendeka Colliery and general working capital requirements.

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.

Notes To The Consolidated Financial Statements

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Notwithstanding this there is a material uncertainty as to whether the Company and Consolidated Entity will continue as going concerns and, therefore, whether they will realise their assets and discharge their liabilities in the normal course of business.
These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Company and Consolidated Entity be unable to continue as going concerns.

(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 when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Profit or loss of each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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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

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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.

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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

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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

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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.

Notes To The Consolidated Financial Statements

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(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.

Notes To The Consolidated Financial Statements

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(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:

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

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 2014, the carrying value of capitalised exploration and evaluation is $10,698,096 (2013: $9,986,562).

5. INVESTMENT INCOME

	Year ended 30/06/14 $	Year ended 30/06/13 $
Interest income	**26,919**	117,728

6. OTHER GAINS AND LOSSES

	Year ended 30/06/14 $	Year ended 30/06/13 $
Net gain/(loss) arising on financial assets designated as at FVTPL	**138,397**	128,706

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

7. FINANCE COSTS

	Year ended 30/06/14 $	Year ended 30/06/13 $
Interest on obligations under finance leases	31,072	23,140
Other interest expense	26,481	13,242
Total interest expense for financial liabilities not classified as at fair value	57,553	36,382
Other finance costs	1,772	9,989
	59,325	**46,371**

8. INCOME TAX

	Year ended 30/06/14 $	Year ended 30/06/13 $
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 30/06/14 $	Year ended 30/06/13 $
Accounting loss before tax	(1,029,583)	(971,388)
Income tax expense calculated at 30%	308,875	291,416
Effect of unused tax losses not recognised as deferred tax assets	(308,875)	(291,416)
	-	**-**

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. As at 30 June 2014, the Group had deferred tax assets not brought to account in relation to the tax losses (at 30%) of $917,749 (2013: $608,874).

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

9. LOSS PER SHARE

	Year ended 30/06/14	Year ended 30/06/13
	Cents	Cents
Basic / diluted loss per share		
Loss attributable to the ordinary equity holders of the company	**(0.3)**	(0.3)
Loss used in calculation of basic / diluted loss per share	**$**	$
Loss	**(1,034,458)**	(961,909)
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	**338,750,000**	338,750,000
Weighted average number of ordinary shares used as the denominator in calculating diluted loss per share	**338,750,000**	338,750,000

10. TRADE AND OTHER RECEIVABLES

	30/06/14	30/06/13
	$	$
Prospecting right deposit repayable	**75,230**	162,861
VAT receivable	**-**	-
Other receivables	**6,027**	2,984
	81,257	165,845

(a) Fair value

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

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

11. OTHER FINANCIAL ASSETS

	30/06/14	30/06/13
	$	$
Financial assets carried at fair value through profit or loss (FVTPL)		
Non-derivative financial assets designated as at FVTPL	**1,276,858**	1,048,913
	1,276,858	1,048,913

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

12. OTHER CURRENT ASSETS

	30/06/14	30/06/13
	$	$
Prepayments	**31,795**	33,206
Deposits	**65,883**	71,314
	97,678	104,520

13. EXPLORATION AND EVALUATION EXPENDITURE

	$
At cost	
Opening balance	6,913,846
Additions	3,237,128
Prospecting right deposit repayable	(162,861)
Impairment	(1,551)
Balance at 30 June 2013	**9,986,562**
Additions	711,534
Balance at 30 June 2014	**10,698,096**

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.

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

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	-	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**
Additions	34,504	-	5,293	(87,273)	-	-	-	-	**(47,476)**
Disposals	-	-	-	-	-	(770)	(73,514)	-	**(74,284)**
Effect of foreign currency exchange differences	-	-	-	-	-	(168)	(8,373)	-	**(8,541)**
Balance at 30 June 2014	**910,358**	**175,006**	**9,345,644**	**2,912,700**	**1,792,001**	**25,276**	**99,146**	**67,274**	**15,327,405**

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

	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	-	-	-	-	-	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**
Eliminated on disposals of assets	-	-	-	-	-	(342)	(28,507)	-	**(28,849)**
Depreciation charged to profit or loss	-	-	-	-	-	268	-	740	**1,008**
Depreciation related to exploration and evaluation	-	-	-	-	-	3,237	16,804	9,525	**29,566**
Effect of foreign currency exchange differences	-	-	-	-	-	112	(1,421)	-	**(1,309)**
Balance at 30 June 2014	**-**	**-**	**-**	**-**	**-**	**9,329**	**44,384**	**28,535**	**82,248**
Carrying amount									
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**
At 30 June 2014	**910,358**	**175,006**	**9,345,644**	**2,912,700**	**1,792,001**	**15,947**	**54,762**	**38,739**	**15,245,157**

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

15. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	30/06/14 **$**	30/06/13 $
Trade payables	**312,529**	551,644
VAT payable	**7,700**	13,348
Other – accruals	**942,318**	177,702
	1,262,547	742,694

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

	30/06/14 **$**	30/06/13 $
Other liabilities (note 28)	**6,214**	12,656
	6,214	12,656

17. BORROWINGS

	30/06/14 **$**	30/06/13 $
Secured – at amortised cost		
Finance lease liabilities (note 19)	**91,818**	458,469
Current	**91,818**	359,083
Non-current	**-**	99,386
	91,818	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.

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

18. PROVISIONS

	30/06/14 $	30/06/13 $
Employee benefits (i)	**214**	6,602
Decommissioning (ii)	**173,865**	177,682
	174,079	184,284
Current	**214**	6,602
Non-current	**173,865**	177,682
	174,079	184,284

	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
Additional provisions recognised	9,712
Effect of foreign exchange movements	(13,529)
Balance at 30 June 2014	173,865

(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.

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

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 with interest chargeable at 12% per annum. 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	
	30/06/14	30/06/13	30/06/14	30/06/13
	$	$	$	$
Not later than one year	92,783	390,867	91,818	359,083
Later than one year and not later than five years	-	100,430	-	99,386
	92,783	491,297	91,818	458,469
Less future finance charges	(965)	(32,828)	-	-
Present value of minimum lease payments	91,818	458,469	458,469	458,469

	30/06/14	30/06/13
Included in the consolidated financial statements as (note 17):		
Current borrowings	91,818	359,083
Non-current borrowings	-	99,386
	91,818	458,469

20. ISSUED CAPITAL

(a) Share capital

	Number	$
At 30 June 2014:		
Fully paid ordinary shares	338,750,000	30,569,450
At 30 June 2013:		
Fully paid ordinary shares	338,750,000	30,569,450

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

(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	**338,750,000**	**30,569,450**
Balance at 30 June 2013	**338,750,000**	**30,569,450**
Balance at 30 June 2014	**338,750,000**	**30,569,450**

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21. RESERVES AND ACCUMULATED LOSSES

	30/06/14 $	30/06/13 $
(a) Equity-settled employee benefits reserve		
Opening balance	**140,000**	140,000
Share-based payments	**-**	-
Balance at 30 June	**140,000**	140,000
(b) Foreign currency translation reserve		
Opening balance	**(912,245)**	(708,070)
Exchange differences arising on translation of foreign operations	**(117,018)**	(204,175)
Balance at 30 June	**(1,029,263)**	(912,245)
(c) Accumulated losses		
Opening balance	**(2,024,739)**	(1,062,830)
Net loss for the period attributable to the owners of the Company	**(1,034,458)**	(961,909)
Balance at 30 June	**(3,059,197)**	(2,024,739)

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

(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

	30/06/14 $	30/06/13 $
Opening balance	**55,898**	65,377
Share of profit/(loss) for the period	**4,875**	(9,479)
Balance at 30 June	**60,773**	55,898

23. OPTIONS

At 30 June 2014, there were no options on issue (2013: Nil). During the previous financial 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 2014 (2013: Nil).

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.

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

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 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	**-**	-
Granted during the financial year	**-**	-
Exercised during the year	**-**	-
Expired / Lapsed during the year	**-**	-
Balance at 30 June 2014	**-**	**-**
Exercisable at end of year	**-**	**-**

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

25. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

The aggregate compensation made to directors and other members of key management personnel of the company and the Group is set out below:

	Year ended 30/06/14 $	Year ended 30/06/13 $
Short term employee benefits	716,540	675,000
Post-employment benefits	55,460	54,000
Non-monetary benefits	-	-
Share based payment	-	-
	772,000	729,000

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

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:

	30/06/14 $	**30/06/13 $**
Financial assets		
Cash and cash equivalents	817,375	2,544,753
Fair value through profit or loss (FVTPL):		
Designated as at FVTPL	1,276,858	1,048,913
Loans and receivables (including trade receivables)	81,257	165,845
Financial liabilities		
Trade and other payables	1,262,547	742,694
Finance lease	91,818	458,469

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

(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	
	30/06/14 $	30/06/13 $	30/06/14 $	30/06/13 $
South African Rand	532,075	754,491	468,012	1,359,317
US Dollars	21,400	19,933	106,524	98,555

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	**34,616**	**5,631**
Equity	**198,510**	**104,943**

(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 2014 would decrease/increase by $890 (2013: $7,236). This is mainly attributable to the Group's exposure to variable interest rates on its cash balances.

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

(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 2014, 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, excluding borrowings as detailed in Note 17, of $1,262,547 (2013: $742,694), 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 2014				
Non-interest bearing	-	106,525	81,257	187,782
Variable interest rate instruments	1.95%	710,851	-	710,851
		817,376	81,257	898,633
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

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

(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.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30/06/14	30/06/13		
Unit trust	$1,276,858	$1,048,913	Level 1	Quoted unit prices in an active market

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	30/06/14		30/06/13	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Financial liabilities				
Financial lease payables	91,818	86,849	458,469	456,131

(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.

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

27. CASH AND CASH EQUIVALENTS

	30/06/14	30/06/13
	$	$
Cash at bank and in hand	**817,375**	2,544,753

(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 (2013: $41,934) 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 30/06/14	Year ended 30/06/13
	$	$
Loss for the period	**(1,029,583)**	(971,388)
Adjustment for:		
Net foreign exchange loss	**(93)**	5,688
Depreciation	**1,003**	1,484
Investing income/land rental	**(10,542)**	
Finance lease interest	**31,072**	
Interest income recognised in profit and loss	**(26,919)**	(117,728)
Other gains and losses	**(138,397)**	(128,706)
Increase /(decrease) in current liabilities	**836,565**	(143,946)
Decrease / (increase) in trade and other receivables	**88,287**	139,085
Net cash outflow from operating activities	**(248,607)**	**(1,215,511)**

(d) Non-cash transactions

No share-based payments were made during the year (2013: Nil). There were no non-cash transactions during the year.

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

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 30/06/14 $	Year ended 30/06/13 $
Minimum lease payments	51,262	124,519
	51,262	124,519

Non-cancellable operating lease commitments:

	30/06/14 $	30/06/13 $
Not later than 1 year	113,193	128,535
Later than 1 year and not later than 5 years	-	57,810
Later than 5 years	-	-
	113,193	186,345

Liabilities recognised in respect of non-cancellable operating leases:

	30/06/14 $	30/06/13 $
Current	6,213	12,656
	6,213	12,656

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	**30/06/14 $**	30/06/13 $
Not longer than 1 year	**278,038**	300,954
Later than 1 year and not longer than 5 years	**245,940**	266,210
Longer than 5 years	**-**	-
	523,978	567,164

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

Exploration and Evaluation Commitments

The Group must 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	**30/06/14**	30/06/13
	$	$
Not longer than 1 year	**343,831**	412,726
Later than 1 year and not longer than 5 years	**350,172**	751,202
Longer than 5 years	**-**	-
	694,003	1,163,928

Other commitments

Rental expenditure	**30/06/14**	30/06/13
	$	$
Not longer than 1 year	**20,787**	20,833
Later than 1 year and not longer than 5 years	**-**	-
Longer than 5 years	**-**	-
	20,787	20,833

30. SUBSIDIARIES

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	**Principal activity**	**Place of incorporation and operation**	**Proportion of ownership interest and voting power held by the Group**	
			30/06/14	**30/06/13**
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%

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non controlling interests:

Name of subsidiary	Proportion of ownership interests and voting rights held by non-controlling interests	Profit (loss) allocated to non-controlling interests	Accumulated non-controlling interests
30/06/2014			
Ikwezi Mining (Pty) Ltd	30%	(897,689)	(1,706,689)
Individually immaterial subsidiaries with non-controlling interests			(37,270)
			(1,743,959)
30/06/2013			
Ikwezi Mining (Pty) Ltd	30%	(473,160)	(809,000)
Individually immaterial subsidiaries with non-controlling interests			(2,102)
			(811,102)

Summarised financial information in respect of Ikwezi Mining (Pty) Ltd is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	30/06/14 $	30/06/13 $
Current assets	1,561,253	2,288,700
Non-current assets	20,605,959	22,335,251
Current liabilities	(27,174,359)	(27,911,930)
Non-current liabilities	(173,865)	(180,325)
Equity attributable to owners of the Company	(3,626,715)	(2,427,820)
Non-controlling interests	(1,554,307)	(1,040,494)

	Year ended 30/06/14 $	Year ended 30/06/13 $
Revenue	10,542	-
Expenses	(2,113,696)	(2,189,221)
Profit/(loss) for the year	(2,103,154)	(2,189,221)
Profit/(loss) attributable to owners of the Company	(1,472,208)	(1,532,455)
Profit/(loss) attributable to non-controlling interests	(630,946)	(656,766)
Profit/(loss) for the year	(2,103,154)	(2,189,221)

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

	Year ended 30/06/14 $	Year ended 30/06/13 $
Other comprehensive income attributable to owners of the Company	1,918,075	1,827,294
Other comprehensive income attributable to non-controlling interests	-	
Other comprehensive income for the year	1,918,075	1,827,294
Total comprehensive income attributable to owners of the Company	445,867	294,839
Total comprehensive income attributable to non-controlling interests	(630,946)	(656,766)
Total comprehensive income for the year	(185,079)	(361,927)
Dividends paid to non-controlling interests	-	-
Net cash inflow (outflow) from operating activities	(320,382)	(257,716)
Net cash inflow (outflow) from investing activities	(489,113)	(7,350,964)
Net cash inflow (outflow) from financing activities	46,544	3,049,518
Net cash inflow (outflow)	(762,950)	(4,559,162)

31. 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 30/06/14 $	Year ended 30/06/13 $
Auditor of the parent entity		
Audit or review financial statements	78,812	78,759
Other services - Tax review	7,989	2,141
Total remuneration for audit and other assurance services	**86,801**	80,900

The auditor of Ikwezi Mining Limited is Deloitte Touche Tohmatsu.

32. 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

David Pile
Executive Chairman
Singapore
24 September 2014

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 16 October 2014.

SUBSTANTIAL HOLDERS

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

Holder	Shares	% Holding
Belvedere Mining Holdings Limited	127,656,250	37.7
Sonny Holdings Limited	42,343,750	12.5

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

One of the Company's Directors, David Pile, holds a minority, ultimate beneficial interests in the shares in the Company held by Belvedere Mining Holdings Limited as outlined in the Directors' Report.

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

TWENTY LARGEST SHAREHOLDERS

Rank	Name	Units	% of units
1.	BELVEDERE MINING HOLDINGS INC	127,656,250	37.68
2.	SONNY HOLDINGS INC	42,343,750	12.50
3.	INNOVATIVE LEASING COMPANY PTY LTD	21,381,576	6.31
4.	ZERO NOMINEES PTY LTD	10,676,250	3.15
5.	ICE COLD INVESTMENTS PTY LTD <BROWNS CHELTENHAM RD S/F A/C>	9,975,000	2.94
6.	GREATSIDE HOLDINGS PTY LTD	6,750,000	1.99
7.	RAPCORP PTY LTD	5,000,000	1.48
8.	INKESE PTY LTD	4,000,000	1.18
9.	WILLIAM TAYLOR NOMINEES PTY LTD	3,047,500	0.90
10.	MRS ALISON RUTH YEARSLEY	3,021,501	0.89
11.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 3	3,000,000	0.89
12.	DELWOOD HOLDINGS PTY LTD <MAHON FAMILY SUPER FUND A/C>	2,500,000	0.74
13.	WALLOON SECURITIES PTY LTD	2,000,000	0.59
14.	MR MARCUS JAMES TAYLOR	1,975,000	0.58
15.	MR ROBERT RUSSEL DAWSON + MS KAREN RUTH HOPKINS <DAWSON HOPKINS SUPERFUND AC>	1,700,000	0.50
16.	DONROSE INVESTMENTS PTY LTD <DONROSE SUPER FUND A/C>	1,700,000	0.50
17.	ROSYLYNDALE NOMINEES PTY LTD	1,650,000	0.49
18.	MR RODNEY GEOFF TREMLETT + MRS PATRICIA ANN TREMLETT <TREMLETT SUPERFUND A/C>	1,600,000	0.47
19.	URBAN LAND NOMINEES PTY LTD	1,500,000	0.44
20.	MS YONGMEI HUANG	1,476,200	0.44
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		**252,953,027**	**74.67**
Total Remaining Holders Balance		**85,796,973**	**25.33**
Total number of shares		**338,750,000**	**100.00**

DISTRIBUTION OF EQUITY SECURITIES

Range	Total Holders	Units	%of issued capital
1 – 1,000	6	119	0.00
1,001 – 5,000	11	38,665	0.01
5,001 – 10,000	21	184,950	0.05
10,001 – 100,000	230	15,104,565	4.46
100,001 – 9,999,999,999	213	323,421,701	95.48
Total	639	338,750,000	100.00

Number holding less than a marketable parcel: 84.

VOTING RIGHTS

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

UNQUOTED SECURITIES

The Company has no unlisted options on issue as at 16 October 2013.

SECURITIES SUBJECT TO MANDATORY ESCROW ARRANGEMENTS

The Company has no securities subject to mandatory escrow arrangements as at 16 October 2014.

ON-MARKET BUY BACK

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

LIST OF TENEMENTS

Project name	Type	Reference number	Number of hectares	Ownership	Licensee
Ntendeka Colliery	Mining right	KZN 30/5/1/2/297 MR MPTRO: 77/2012 (MR)	12,182	70%	Ikwezi Mining (Pty) Ltd
Dundee Project	Prospecting right	KZN 30/5/1/1/2/387 PR MPTRO: 163/2011 (PR)	4,665	60%	Bokamaso Resources (Pty) Ltd
Acorn Project	Prospecting right	GP 30/5/1/1/2/550 PR MPTRO: 115/2011 (PR)	20,758	60%	Bokamaso Resources (Pty) Ltd
Assegai Project	Prospecting right	MP 30/5/1/1/2/4397 MPTRO: 12/293 (PR)		60%	Bokamaso Resources (Pty) Ltd

CORPORATE DIRECTORY

Incorporation
Country of Incorporation: Bermuda
Company Registration Number: 45349

Registered and Principal Administrative Office
Clarendon House
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Company Secretary
Alex Neuling

Assistant Company Secretary
Codan Services Limited

Directors
David Pile – Chairman and Executive Director
Ranaldo Anthony – Chief Executive Officer and Executive
Alexander Neuling - Director

ASX Code
IKW

Website
www.ikwezimining.com