



**IKWEZI MINING LIMITED**  
**ARBN 151 258 221**

**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2016**

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30 June 2016

FINANCIAL REPORT

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# Directors' Report

30 June 2016

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 2016 (**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	<i>Executive Chairman</i>
Mr Ranaldo Anthony	<i>Executive Director</i>
Mr Alok Joshi	<i>Executive Director</i>
Mr Tushar Agrawal	<i>Executive Director</i>

## 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 as 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 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:*

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 2016

## Mr Tushar Agrawal - Executive Director

Tushar has extensive experience in both international and South African coal markets with entrepreneurial involvement in the exploration, mining, trading, beneficiation, shipping and logistics of coal. He has been responsible for developing substantial, export-based coal operations in South Africa and has hands-on operational and commercial experience. Tushar has a business administration degree from HR college, Mumbai.

### *Special responsibilities:*

Member of the Audit Committee

Member of the Risk Committee

Member of the Remuneration and Nomination Committee

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

None

## Mr Alok Joshi - Executive Director

Alok has two decades of experience in M&A and corporate finance, business development, corporate restructuring, transaction services and audits, built across a range of industry segments and geographies. Alok graduated from Sydenham College, Mumbai and is a Chartered Accountant.

### *Special responsibilities:*

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:*

ZYL Limited (appointed 6 September 2013, resigned 16 April 2014)

### *Former Directors*

## Mr Alex Neuling –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.

## PRINCIPAL ACTIVITIES

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

# Directors' Report

30 June 2016

## DIVIDENDS

No dividends have been declared, provided for, or paid in respect of the financial year ended 30 June 2016 (2015: 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

### *Financial performance highlights*

For the financial year ended 30 June 2016 the Group recorded a net loss of \$229,091 (2015: loss \$11,158,558) and a net cash outflow from operations of \$724,847 (2015: \$868,832).

### *Key activities during the year*

Thermal coal markets remained depressed during the year with continued price volatility. The focus of the operations continued on maintaining and further reducing its cost base where possible.

### *Continued Development work at Ntendeka site*

On-site activities were focused on optimising the operational start up plan together with continued development work at the Company's Ntendeka Colliery. The Company believes that it has finalised the optimal ROM production start-up plan which minimises both capital requirements and operational risk. The process of relocating 6 houses on the initial open cast area commenced during the financial year with the view of bringing the mine into production in line with the improvement in the thermal coal market.

### *Assessment of other prospecting rights*

The Company relinquished its Springbok Flats project given the current state of the coal market, the need to conserve cash together with the extended timeframe and costs involved to obtain the requisite licensing to mine in South Africa. The directors are of the view that current resources are better spent on bringing the Ntendeka colliery into production.

The Company has retained its Assegai Project pending further review.

# Directors' Report

30 June 2016

## *Coal wash plant*

The coal wash plant has a current monthly design capacity of 170,000 tons Run of Mine (ROM) per month, expandable to 340,000 tons ROM with the addition of a second module. The first stage capable of processing 170,000 tons per month has been completed and dry commissioned together with the road to the siding and the various bridges rehabilitated. Some additional grading will be required on these roads prior to the start of production of washed coal. The primary and secondary crushers that have been installed are designed to process approximately 400,000 tons ROM per month. The final retention amount due on the coal wash plant was paid subsequent to the year end.

Bringing the wash plant into production will allow for more consistent product quality and a greater product range but does require additional capital versus the option of exporting Run of Mine coal (ROM). To bring the coal wash plant into production requires completion of some civil works around the plant area including the discard foot print, the completion of the pollution control dams together with the installation of the power infrastructure and water supply systems.

The initial start-up plan of the Company is to produce, screen and sell ROM coal which will either be sold Free on Truck (FOT) or Free on Rail (FOR). This will allow for the start-up of the operation on a reduced risk basis until such stage as the mining operations are stable as well as minimise the initial required capital. At the point that management are confident that the mining operations are operating consistently, it will then look to bring the wash plant into operation.

## *Access to railway siding*

A siding, approximately one kilometre from the proposed Ikwezi Ngagane siding, is available for use by the Company should this be required in the interim. (This reduces the initial capital required to reinstate the siding on the Ikwezi site). Rail and port capacity is currently available for coal exports given the current depressed export commodity prices, which has reduced export volumes across a range of commodities.

## *Water and power arrangements*

Additional, different options regarding the water and power supply are in the process of being investigated and finalised which are expected to further reduce the capital requirements and operating costs. We have seen a reduction in contractor rates largely driven by the amount of excess machinery and equipment available which will also assist in reducing the initial capital requirements – substantially in some areas, together with expected improvements in mining rates.

## *Operations costs rationalisation*

Operational costs remain at a minimum and are continually rationalised where possible with contractors and consultants used for specific areas. In addition, the Chairman and Executive Director, Mr Pile and Mr Anthony have agreed to forgo their salaries from April 2015 onwards with no costs in this regard being accrued, to assist the Company in this regard. This will be re-evaluated during the next financial year. Staff has remained at a minimum during the year with contractors used as and when required.

# Directors' Report

30 June 2016

## *International thermal coal prices remained suppressed during the year*

Thermal coal market prices remained low with continued over supply. Lower coal demand in the U.S., China and India has not been offset by a commensurate reduction in production levels. Rationalisation has continued with a number of marginal operations reducing production or closing. In the U.S. over 50 coal companies have filed for bankruptcy since 2012. Actions taken in China where they have banned the opening of any new coal mines until 2019 together with the closure and / or reduced production levels of numerous mines has gone some way to reducing the excess supply. Market prices started to improve and stabilise from early 2016 and this has subsequently continued.

Coal remains a major source of global energy. In India, it is used to generate 62% of power production and 65% of power in Australia. In the U.S., although its share of power generation is decreasing, it is still used for approximately 30% of power generation. In China it is still used to generate approximately two thirds of power production. Whilst coal as a source of energy continues to reduce in China and the U.S., its use is expected to increase in certain areas. Indonesia for example has announced that it will build 117 new coal-fired power plants over the next 4 years.

With the realignment of the coal industry over the last few years a number of large multi-national coal companies have targeted the niche lower grade coal markets, which were not previously their priority markets. In line with this, we have seen a number of the lower coal grades become market standards, especially out of South Africa. This is a positive for the Company and will allow it to sell blended Run of Mine (ROM) coal into these markets.

## *Commencement of operations*

From an operational perspective, the Company remains in a position to commence mining activities within 3 months from date that the decision to start mining is made with the relevant regulatory approvals in place to allow for this. The initial focus will be on export of ROM coal which would be mined, crushed, screened and exported; and/or an alternate option of bringing the wash plant into operation and selling washed product locally and onto the export market, dependent on market conditions.

## *Other*

Mr Tushar Agrawal and Mr Alok Joshi joined the Board at the end of May 2015. They bring with them extensive experience in operating in the South African coal (and other) environments. This combined with their knowledge of the export markets in which they currently operate and trade will assist greatly in bringing Ikwezi's Ntendeka operation into production.

Further we would like to thank our shareholders for their continued support of the Company through what has been a difficult commodity market.

## **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 has not been any matter or circumstance occurring subsequent to the end of the financial year to be reported.

# Directors' Report

30 June 2016

## FUTURE DEVELOPMENTS

The Company continues to seek and evaluate new opportunities as well as looking into consolidation opportunities. Given the current depressed market conditions, the main focus however remains on optimising costs and bringing into production the Ntendeka project.

## ENVIRONMENTAL REGULATION

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

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

## DIRECTORS' SHAREHOLDINGS

At the date of this report 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. David Pile	727,859,118 (i)	-
Mr. Ranaldo Anthony	-	-
Mr. Alok Joshi	-	-
Mr. Tushar Agrawal	746,360,694 (ii)	-

- (i) *Mr David Pile has an indirect minority beneficial interest in 386,158,750 shares of the Company and a notifiable interest in a further 341,700,368 shares due to the ability of Belvedere Mining Holdings (in which Mr Pile as an indirect minority beneficial interest), to influence the voting of these shares.*
- (ii) *Mr Tushar Agrawal has an indirect minority beneficial interest in 746,360,694 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 2016, 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 2015.

Full board meetings	No. eligible to attend	No. attended
Mr David Pile	4	4
Mr Ranaldo Anthony	4	4
Mr Alok Joshi	4	4
Mr Tushar Agrawal	4	4

# Directors' Report

30 June 2016

<b>Audit committee meetings</b>	No. eligible to attend	No. attended
Mr David Pile	4	4
Mr Ranaldo Anthony	4	4
Mr Alok Joshi	4	4
Mr Tushar Agrawal	4	4

## 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 2016

## 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	<i>Executive Chairman</i>
Mr. Ranaldo Anthony	<i>Executive director</i>
Mr. Alok Joshi	<i>Executive director (appointed 29 May 2015)</i>
Mr. Tushar Agrawal	<i>Executive director (appointed 29 May 2015)</i>

#### *Former Directors*

Mr. Alex Neuling	<i>Non-executive director (appointed 27 June 2014 resigned 29 May 2015); Company Secretary</i>
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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 2016

## 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 2016, no short-term incentives were paid or payable to Directors or Key Management Personnel of the Company or Group.

# Directors' Report

30 June 2016

## REMUNERATION REPORT (CONTINUED)

### *Long term incentives*

Long-term performance incentives may 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). No options were issued to Directors in the current or prior period.

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# Directors' Report

30 June 2016

## 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.

Salaries for Mr David Pile and Mr Ranaldo Anthony is not due under their contracts with the Company effective from April 2015 onwards (and they have agreed to forgo these) in an effort to assist the Company during this difficult period, and accordingly no accrual has been made. This decision will be re-evaluated during the next financial year.

	<b>Short-term employee benefits</b>	<b>Post-employment benefits</b>	
	<b>Cash salary and fees</b>	<b>Superannuation</b>	<b>Total</b>
<b>2016</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<i>Non-executive directors</i>			
Mr Alok Joshi	-	-	-
Mr Tushar Agrawal	-	-	-
<i>Executive directors</i>			
Mr David Pile <sup>1</sup>	-	-	-
Mr Ranaldo Anthony <sup>2</sup>	-	-	-
<b>Total</b>	-	-	-

1. Mr David Pile received payments during the financial year ended 30 June 2016 totalling \$120,000 for employee benefits owed for previous financial years. The remaining balance of remuneration for previous financial years of \$391,333 is included in trade and other payables.
2. Mr Ranaldo Anthony received payments during the financial year ended 30 June 2016 totalling \$120,000 for employee benefits owed for previous financial years. The remaining balance of remuneration for previous financial years of \$308,233 is included in trade and other payables.

# Directors' Report

30 June 2016

	Short-term employee benefits	Post-employment benefits	
	Cash salary and fees	Superannuation	Total
2015	\$	\$	\$
<i>Non-executive directors</i>			
Mr Alex Neuling <sup>3</sup>	20,830	-	20,830
Mr Alok Joshi	-	-	-
Mr Tushar Agrawal	-	-	-
<i>Executive directors</i>			
Mr David Pile <sup>4</sup>	238,904	22,154	261,058
Mr Rinaldo Anthony <sup>5</sup>	209,040	19,396	228,436
<b>Total</b>	<b>468,774</b>	<b>41,550</b>	<b>510,324</b>

3. Mr Alex Neuling is entitled to receive \$20,830 for director fees and \$42,353 for Company Secretarial and Accounting services, not related to his role as director, provided by an affiliated entity of Mr Alex Neuling. All fees remain unpaid at 30 June 2015 and are included in trade and other payables.
4. Mr David Pile received payments during the financial year ended 30 June 2015 totalling \$70,000. The remaining balance of remuneration for the financial year ended 30 June 2015 of \$191,058 is included in trade and other payables.
5. Mr Rinaldo Anthony received payments during the financial year ended 30 June 2015 totalling \$55,000. The remaining balance of remuneration for the financial year ended 30 June 2015 of \$173,436 is included in trade and other payables.

# Directors' Report

30 June 2016

## REMUNERATION REPORT (CONTINUED)

### B. DETAILS OF REMUNERATION (CONTINUED)

During the year to 30 June 2016 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. 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 Rinaldo 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.

Effective April 2015, the above arrangements have been suspended in accordance with the Chairman and Executive Director's decision to forego any payroll benefits. Accordingly, no salary has been accrued or paid from that date except for previously accrued salaries that remained unpaid.

# Directors' Report

30 June 2016

## REMUNERATION REPORT (CONTINUED)

### D. SHARE-BASED COMPENSATION

#### Option holdings

There were no share-based payment arrangements in existence during the current and prior reporting periods.

### 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 noted below.

- (i) Mr David Pile has a beneficial interest, whether held directly or indirectly, in 727,859,118 shares of the Company. Mr Pile has an indirect minority beneficial interest in 386,158,750 shares of the Company. In addition, Mr Pile has a notifiable interest in a further 341,700,368 shares due to the ability of Belvedere Mining Holdings, (in which Mr Pile as an indirect minority beneficial interest), to influence the voting of these shares.
- (ii) Mr Tushar Agrawal has an indirect minority beneficial interest in 746,360,694 shares of the Company

Other than as noted above no director or other KMP of the Group has an interest in shares or options over ordinary shares of the Company.

### 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 30/06/16 \$	Year ended 30/06/15 \$
Compliance and administration	33,832	73,436

The Group has an arrangement with Mr Graham Pile, a related party of Mr David Pile, in which Mr Graham Pile provides engineering and other consulting services to the Group on an arms-length basis. The total amount charged for the period was \$33,832 (2015: \$31,083) with \$9,178 outstanding at the end of June 2016 (30 June 2015: \$116,020). Amounts are included in trade and other payables and are disclosed above as compliance and administration.

## Directors' Report

30 June 2016

In the previous financial year, the Group had an arrangement with an affiliated entity of Mr Alex Neuling in which Mr Alex Neuling provided Company Secretarial and Accounting services on an arms-length basis. The total amount charged for the period ended 30 June 2015 was \$42,353 with the full amount outstanding at the end of that period. Amounts are included in trade and other payables and are disclosed above as compliance and administration.

### NON-AUDIT SERVICES

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

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & 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  
30 September 2016

# Directors' Report

30 June 2016

## 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 2016, the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the director's declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 19 to 55.

### *Directors' Responsibility for the Financial Report*

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

### Auditor's Responsibility

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

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

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

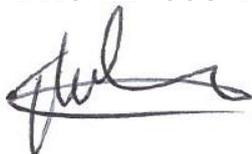
*Opinion*

In our opinion:

- (a) the financial report of Ikwezi Mining Limited presents fairly, in all material respects, the consolidated entity's financial position as at 30 June 2016 and its financial performance for the year then ended in accordance with Australian Accounting Standards; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



**John Sibenaler**

Partner

Chartered Accountants

Perth, 30 September 2016

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# Consolidated Statement of Profit or Loss

For the year ended 30 June 2016

	Note	Year ended 30/06/16 \$	Year ended 30/06/15 \$
Other income – rent		140,561	160,886
Investment income	(5)	42,906	29,806
Other gains and losses	(6)	122,751	(287,548)
<b>Total income</b>		<b>306,218</b>	<b>(96,856)</b>
Administrative expenses		290,308	330,776
Depreciation		21,910	25,407
Impairment of exploration and evaluation assets	(13)	-	9,858,799
Employee benefits expense		12,138	570,631
Consulting expenses		21,467	20,910
Occupancy expenses		148,041	150,684
Travel and transport expenses		34,160	63,039
Finance costs	(7)	1,379	31,727
Net foreign exchange loss		3,568	6,539
Other expenses		2,338	3,190
<b>Loss before income tax expense</b>		<b>(229,091)</b>	<b>(11,158,558)</b>
Income tax (expense) / benefit	(8)	-	-
<b>Loss for the period from continuing operations</b>		<b>(229,091)</b>	<b>(11,158,558)</b>
<b>Attributable to:</b>			
Owners of the Company		(225,363)	(7,885,556)
Non-controlling interests		(3,728)	(3,273,002)
		<b>(229,091)</b>	<b>(11,158,558)</b>
<b>Loss per share</b>			
Basic and diluted loss per share (cents per share)	(9)	(0.02)	(1.3)

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 2015

	Note	Year ended 30/06/16 \$	Year ended 30/06/15 \$
<b>Loss for the period</b>		<u>(229,091)</u>	<u>(11,158,558)</u>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>		<u>-</u>	<u>-</u>
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translating foreign operations		<u>(2,180,216)</u>	<u>(386,159)</u>
		<u>(2,180,216)</u>	<u>(386,159)</u>
<b>Other comprehensive income for the period</b>		<u>(2,180,216)</u>	<u>(386,159)</u>
<b>Total comprehensive income for the period</b>		<u>(2,409,307)</u>	<u>(11,544,717)</u>
<b>Attributable to:</b>			
Owners of the Company		<u>(2,405,579)</u>	<u>(8,271,715)</u>
Non-controlling interests		<u>(3,728)</u>	<u>(3,273,002)</u>
		<u>(2,409,307)</u>	<u>(11,544,717)</u>

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 2016

	Note	2016 \$	2015 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	(25)	2,117,524	3,375,100
Trade and other receivables	(10)	50,422	55,948
Other financial assets	(11)	1,423,484	1,533,826
Other current assets	(12)	91,077	137,205
<b>Total current assets</b>		<b>3,682,507</b>	<b>5,102,079</b>
<b>Non-current assets</b>			
Exploration and evaluation expenditure	(13)	-	-
Property, plant and equipment	(14)	11,921,207	12,911,384
<b>Total non-current assets</b>		<b>11,921,207</b>	<b>12,911,384</b>
<b>Total assets</b>		<b>15,603,714</b>	<b>18,013,463</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(15)	1,509,524	1,552,347
Provisions	(17)	194	227
Other liabilities	(16)	1,340	246
<b>Total current liabilities</b>		<b>1,511,058</b>	<b>1,552,820</b>
<b>Non-current liabilities</b>			
Provisions	(17)	245,226	203,906
<b>Total non-current liabilities</b>		<b>245,226</b>	<b>203,906</b>
<b>Total liabilities</b>		<b>1,756,284</b>	<b>1,756,726</b>
<b>Net assets</b>		<b>13,847,430</b>	<b>16,256,737</b>
<b>Equity</b>			
Issued capital	(18)	34,362,731	34,362,731
Reserves	(19)	(6,129,228)	(3,949,012)
Accumulated losses	(19)	(11,170,117)	(10,944,753)
<b>Equity attributable to owners of the Company</b>		<b>17,063,386</b>	<b>19,468,966</b>
Non-controlling interests	(20)	(3,215,956)	(3,212,229)
<b>Total equity</b>		<b>13,847,430</b>	<b>16,256,737</b>

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 30 June 2016

	Note	Year ended 30/06/16 \$	Year ended 30/06/15 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(724,847)	(868,832)
<b>Net cash outflow from operating activities</b>	(25)	<b>(724,847)</b>	<b>(868,832)</b>
<b>Cash flows from investing activities</b>			
Payments for capitalised exploration and evaluation		-	(284,540)
Payments/refunds for property, plant and equipment		(501,329)	54,127
Proceeds from disposal of property, plant and equipment		-	1,415
Payments to acquire financial assets		-	(78,608)
Interest received		42,906	29,806
<b>Net cash outflow from investing activities</b>		<b>(458,423)</b>	<b>(277,800)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity instruments of the Company		-	4,065,000
Payment for share issue costs		-	(212,643)
Repayment of borrowings		-	(91,818)
<b>Net cash inflow from financing activities</b>		<b>-</b>	<b>3,760,539</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,183,270)</b>	<b>2,613,907</b>
Cash and cash equivalents at the beginning of the period		3,375,100	817,375
Effects of exchange rate changes on cash and cash equivalents		(74,306)	(56,182)
<b>Cash and cash equivalents at the end of the period</b>	(25)	<b>2,117,524</b>	<b>3,375,100</b>

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 2016

	Issued Capital \$	Share based payments reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Attributable to owners of the parent \$	Non- controlling interests \$	Total \$
<b>Balance at 1 July 2014</b>	30,569,450	140,000	(3,702,853)	(3,059,197)	23,947,400	60,773	24,008,173
Profit/(loss) for the year	-	-	-	(7,885,556)	(7,885,556)	(3,273,002)	(11,158,558)
Exchange differences on translation of foreign operations	-	-	(386,159)	-	(386,159)	-	(386,159)
Total comprehensive income for the year	-	-	(386,159)	(7,885,556)	(8,271,715)	(3,273,002)	(11,544,717)
Rights issue shares	4,065,000	-	-	-	4,065,000	-	4,065,000
Share issue expenses	(271,719)	-	-	-	(271,719)	-	(271,719)
<b>Balance at 30 June 2015</b>	<b>34,362,731</b>	<b>140,000</b>	<b>(4,089,012)</b>	<b>(10,944,753)</b>	<b>19,468,966</b>	<b>(3,212,229)</b>	<b>16,256,737</b>
Profit/(loss) for the year	-	-	-	(225,363)	(225,363)	(3,728)	(229,091)
Exchange differences on translation of foreign operations	-	-	(2,180,216)	-	(2,180,216)	-	(2,180,216)
Total comprehensive income for the year	-	-	(2,180,216)	(225,363)	(2,405,579)	(3,728)	(2,409,307)
<b>Balance at 30 June 2016</b>	<b>34,362,731</b>	<b>140,000</b>	<b>(6,269,228)</b>	<b>(11,170,116)</b>	<b>17,063,387</b>	<b>(3,215,957)</b>	<b>13,847,430</b>

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 2016

## 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 2016 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 Amendments to AASBs that are mandatorily effective for the current year

In the current year, the Group has applied a number of new amendments to AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2015, and therefore relevant for the current year end.

#### Standards affecting presentation and disclosure

AASB 2015-3 ‘Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality’ This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

The application of this amendment does not have any material impact on the disclosures or the amounts recognised in the Group’s consolidated financial statements.

### 2.2 Standards and Interpretations in issue not yet adopted

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

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
AASB 9 ‘Financial Instruments’ and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 ‘Revenue from Contracts with Customers’, AASB 2014-5 ‘Amendments to Australian Accounting Standards arising from AASB 15’, AASB 2015-8 ‘Amendments to Australian Accounting Standards – Effective date of AASB 15’	1 January 2018	30 June 2019
AASB 16 ‘Leases’	1 January 2019	30 June 2020
AASB 2014-3 ‘Amendments to Australian	1 January 2016	30 June 2017

# Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations’		
AASB 2014-4 ‘Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation’	1 January 2016	30 June 2017
AASB 2015-1 ‘Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle’	1 January 2016	30 June 2017
AASB 2015-2 ‘Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101’	1 January 2016	30 June 2017
AASB 2016-1 ‘Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses’	1 January 2017	30 June 2018
AASB 2016-2 ‘Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107’	1 January 2017	30 June 2018

At the date of authorisation of the financial statements, the following IASB Standards or IFRIC Interpretations (for which Australian equivalent Standards and Interpretations have not yet been issued) were in issue but not yet effective. The impact of these recently issued or amended Standards and Interpretations have not been assessed by the Group.

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
Clarifications to IFRS 15 ‘Revenue from Contracts with Customers’	1 January 2018	30 June 2019

### 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.

# Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

## (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 30 September 2016.

### *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 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.

# Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

## *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 of \$229,091 (30 June 2015: loss of \$11,158,558) and had a net cash outflow from operating and investing activities of \$1,183,270 (30 June 2015: net cash outflow of \$1,146,632) for the year ended 30 June 2016. As at 30 June 2016 the Consolidated Entity had cash assets of \$2,117,524 (30 June 2015: \$3,375,100) and net current assets of \$2,171,449 (30 June 2015: net current assets of \$3,549,259).

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 that measures have been implemented to reduce expenditure in order to meet minimum legal and contractual obligations with existing cash levels with a view that the Company will bring the open cast area of the Ntendeka Colliery into production in the first quarter of calendar year 2017. The Company is in the process of finalising its preferred mining contractor and once this has been completed, a final decision will be made by the Board on the commencement of mining operations.

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

## **(b) Principles of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved 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.

# Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

## (c) Segment Reporting

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

## (d) Foreign currencies

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

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

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

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

## (e) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, duties and taxes paid.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

# Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

## (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 or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

## (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.

# Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

## (i) Trade and other receivables

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

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

## (j) Property, plant and equipment

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

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

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

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

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

# Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

## (k) Exploration and evaluation

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

- (i) The rights to tenure of the area of interest are current; and
- (ii) At least one of the following conditions is also met:
  - a. The exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - b. Exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

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

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

## (l) Provisions

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

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

# Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

## (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 or loss.

### **Financial Assets**

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

### **Effective interest method**

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

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

### **Financial assets at FVTPL**

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. The Group designates its investment in unit trusts as at FVTPL and states the investment at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line in the income statement. Fair value is determined in the manner described in note 24.

### **Loans and receivables**

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

### **Impairment of financial assets**

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

# Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

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

## Financial liabilities and equity instruments

### *Classification as debt or equity*

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

### *Equity instruments*

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

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

### *Financial liabilities*

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

### *Other financial liabilities*

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

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

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

### **(n) Trade and other payables**

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

### **(o) Operating leases**

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

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more

# Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

representative of the time pattern in which economic benefits from the leased asset are consumed.

## **(p) Employee benefits**

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

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

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

## **(q) Issued capital**

Ordinary shares are classified as equity.

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

## **(r) Earnings per share**

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

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

## **(s) Goods and services tax**

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

- (i) where the amount of GST / VAT incurred is not recoverable from the Australian Tax Office (ATO) / South African Receiver of Revenue (SARS). In these circumstances the GST / VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- (ii) receivables and payables, with the exception of accrued expenses and expense provisions, are stated with the amount of GST / VAT included.

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

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

# Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### (a) Significant accounting judgements

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

#### *Deferred tax assets*

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

#### *Capitalisation of exploration and evaluation expenditure*

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

During the prior year, the Group identified indicators of impairment on certain exploration and evaluation assets under AASB 6 Exploration for and Evaluation of Mineral Resources, including tenement areas where no further exploration activities were to be performed, resulting in a \$9.85 million impairment charge to profit or loss in the prior year.

### (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 property, plant and equipment is dependent on a number of factors, including whether the Group decides to exploit the related mining lease itself or, if not, whether it successfully recovers the related 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

# Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

## 5. INVESTMENT INCOME

	Year ended 30/06/16 \$	Year ended 30/06/15 \$
Interest income	42,906	29,806

## 6. OTHER GAINS AND LOSSES

	Year ended 30/06/16 \$	Year ended 30/06/15 \$
Net gain/(loss) arising on financial assets designated as at FVTPL	122,751	104,512
Loss on sale of non-current assets	-	(392,060)
	<u>122,751</u>	<u>(287,548)</u>

## 7. FINANCE COSTS

	Year ended 30/06/16 \$	Year ended 30/06/15 \$
Interest on obligations under finance leases	-	3,413
Other interest expense	-	26,514
Total interest expense for financial liabilities not classified as at fair value	-	29,927
Other finance costs	1,379	1,800
	<u>1,379</u>	<u>31,727</u>

## 8. INCOME TAX

	Year ended 30/06/16 \$	Year ended 30/06/15 \$
Current tax expense	-	-
Deferred tax expense	-	-

## Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

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

	Year ended 30/06/16 \$	Year ended 30/06/15 \$
Accounting loss before tax	(229,091)	(11,158,558)
Income tax expense calculated at 30%	68,727	3,347,567
Effect of unused tax losses not recognised as deferred tax assets	(68,727)	(3,347,567)
	-	-

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 exploration and evaluation assets and property, plant and equipment. As at 30 June 2016, the Group had deferred tax assets not brought to account in relation to the tax losses (at 30%) of \$4,334,043 (2015: \$4,265,316).

### 9. LOSS PER SHARE

	Year ended 30/06/16 Cents	Year ended 30/06/15 Cents
<b>Basic / diluted loss per share</b>		
Loss attributable to the ordinary equity holders of the company	(0.02)	(1.3)
<b>Loss used in calculation of basic / diluted loss per share</b>		
	\$	\$
Loss	(229,091)	(7,885,556)
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	1,016,250,000	616,109,161
Weighted average number of ordinary shares used as the denominator in calculating diluted loss per share	1,016,250,000	616,109,161

# Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

## 10. TRADE AND OTHER RECEIVABLES

	30/06/16 \$	30/06/15 \$
VAT receivable	44,956	49,555
Other receivables	5,466	6,393
	<u>50,422</u>	<u>55,948</u>

### (a) Fair value

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

## 11. OTHER FINANCIAL ASSETS

	30/06/16 \$	30/06/15 \$
<b>Financial assets carried at fair value through profit or loss (FVTPL)</b>		
Non-derivative financial assets designated as at FVTPL	1,423,484	1,533,826
	<u>1,423,484</u>	<u>1,533,826</u>

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

## 12. OTHER CURRENT ASSETS

	30/06/16 \$	30/06/15 \$
Prepayments	31,330	63,082
Deposits	59,747	69,884
Other	-	4,239
	<u>91,077</u>	<u>137,205</u>

## 13. EXPLORATION AND EVALUATION EXPENDITURE

	\$
<b>At cost</b>	
Opening balance	10,698,096
Additions	363,111
Impairment	(9,858,799)
Effect of foreign exchange differences	(1,202,408)
<b>Balance at 30 June 2015</b>	<u>-</u>
<b>Balance at 30 June 2016</b>	<u>-</u>

## Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

During the prior year, the Group identified indicators of impairment on certain exploration and evaluation assets under AASB 6 Exploration for and Evaluation of Mineral Resources, including tenement areas where no further exploration activities were to be performed, resulting in a \$9.85 million impairment charge to profit or loss for the year.

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 2016

### 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
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>At cost</b>									
Opening Balance	804,735	145,894	7,591,017	2,456,356	1,489,979	21,219	68,505	56,196	<b>12,633,901</b>
Additions	-	-	19,437	(62,631)	-	-	-	-	<b>(43,194)</b>
Disposals	-	-	-	(392,060)	-	-	-	-	<b>(392,060)</b>
Effect of foreign currency exchange differences	48,864	8,859	517,367	140,568	90,474	1,288	4,160	3,412	<b>814,992</b>
<b>Balance at 30 June 2015</b>	<b>853,599</b>	<b>154,753</b>	<b>8,127,821</b>	<b>2,142,233</b>	<b>1,580,453</b>	<b>22,507</b>	<b>72,665</b>	<b>59,608</b>	<b>13,013,639</b>
Additions	-	-	423,269	496,607	-	-	-	-	<b>919,876</b>
Disposals	-	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	(123,795)	(22,444)	(1,167,276)	(338,685)	(229,211)	(3,263)	(10,538)	(8,644)	<b>(1,903,856)</b>
<b>Balance at 30 June 2016</b>	<b>729,804</b>	<b>132,309</b>	<b>7,383,814</b>	<b>2,300,155</b>	<b>1,351,242</b>	<b>19,244</b>	<b>62,127</b>	<b>50,964</b>	<b>12,029,659</b>

During the year, the Group identified indicators of impairment with respect to its Property, plant and equipment. As a result, the Group performed an impairment assessment for the Ntendeka Colliery Cash Generating Unit ("CGU"). The Group prepared a value in use model for the purpose of impairment testing as at 30 June 2016. In calculating value in use the cash flows include projections of cash inflows and outflows associated with the CGU which require management to make significant estimates and judgements. As a result of this testing, no impairment charge was identified.

## Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

	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
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Accumulated depreciation</b>									
Opening Balance	-	-	-	-	-	7,831	24,043	30,460	<b>62,334</b>
Depreciation charged to profit or loss	-	-	-	-	-	1,582	14,316	9,509	<b>25,407</b>
Effect of foreign currency exchange differences	-	-	-	-	-	1,030	9,841	3,643	<b>14,514</b>
<b>Balance at 30 June 2015</b>	-	-	-	-	-	<b>10,443</b>	<b>48,200</b>	<b>43,612</b>	<b>102,255</b>
Eliminated on disposals of assets	-	-	-	-	-	-	-	-	-
Depreciation charged to profit or loss	-	-	-	-	-	372	13,010	8,641	<b>22,023</b>
Depreciation related to exploration and evaluation	-	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	-	-	-	-	(1,538)	(1,913)	(12,375)	<b>(15,826)</b>
<b>Balance at 30 June 2016</b>	-	-	-	-	-	<b>9,277</b>	<b>59,297</b>	<b>39,878</b>	<b>108,452</b>
<b>Carrying amount</b>									
At 30 June 2015	853,599	154,753	8,127,821	2,142,233	1,580,453	12,064	24,465	15,996	<b>12,911,384</b>
<b>At 30 June 2016</b>	<b>729,804</b>	<b>132,309</b>	<b>7,383,814</b>	<b>2,300,155</b>	<b>1,351,242</b>	<b>9,967</b>	<b>2,830</b>	<b>11,086</b>	<b>11,921,207</b>

# Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

## 15. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	30/06/16 \$	30/06/15 \$
Trade payables	151,825	289,484
Beneficiation plant retention payable (a)	363,869	-
Other – accruals	993,830	1,262,863
	<b>1,509,524</b>	<b>1,552,347</b>

- (a) Subsequent to the end of the financial year, the Group reached a settlement agreement with a supplier for payment in relation to the beneficiation plant. The settlement has been recognised as a current liability at 30 June 2016 and was settled in full on 9 September 2016. See Note 30 for further details.
- (b) 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.
- (c) The carrying amount of trade payables is a reasonable approximation of fair value due to their short-term nature.

## 16. OTHER CURRENT LIABILITIES

	30/06/16 \$	30/06/15 \$
Other liabilities	1,340	246
	<b>1,340</b>	<b>246</b>

## 17. PROVISIONS

	30/06/16 \$	30/06/15 \$
Employee benefits (i)	194	227
Decommissioning (ii)	245,226	203,906
	<b>245,420</b>	<b>204,133</b>
Current	194	227
Non-current	245,226	203,906
	<b>245,420</b>	<b>204,133</b>

# Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

	<u>Provision for decommissioning</u>
Balance at 1 July 2014	173,865
Additional provisions recognised	29,786
Effect of foreign exchange movements	255
Balance at 30 June 2015	<u>203,906</u>
Additional provisions recognised	68,450
Effect of foreign exchange movements	<u>(27,130)</u>
Balance at 30 June 2016	<u>245,226</u>

- (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.

## 18. ISSUED CAPITAL

### (a) Share capital

	<u>Number</u>	<u>\$</u>
<b>At 30 June 2016:</b>		
Fully paid ordinary shares	1,016,250,000	34,362,731
<b>At 30 June 2015:</b>		
Fully paid ordinary shares	<u>1,016,250,000</u>	<u>34,362,731</u>

### (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.

<u>Description</u>	<u>Number of shares</u>	<u>\$</u>
<b>Opening Balance at 30 June 2014</b>	<b>338,750,000</b>	<b>30,569,450</b>
Rights issue (a)	677,500,000	4,065,000
Issue costs		(271,719)
<b>Balance at 30 June 2015</b>	<b><u>1,016,250,000</u></b>	<b><u>34,362,731</u></b>
<b>Balance at 30 June 2016</b>	<b><u>1,016,250,000</u></b>	<b><u>34,362,731</u></b>

## Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

- a) On 22 December 2014, the Company announced a renounceable rights issue of 2 shares for every 1 share held at an issue price of \$0.006 per share. The Company later announced the rights issue closed on 16 January 2015 resulting in 335,799,632 ordinary shares being issued ("Rights Issue") to raise \$2,014,798 before costs with a further 341,700,368 ordinary shares issued to the underwriter of the rights issue to raise a further \$2,050,202 before costs.

### 19. RESERVES AND ACCUMULATED LOSSES

	30/06/16	30/06/15
	\$	\$
<b>(a) Equity-settled employee benefits reserve</b>		
Opening balance	140,000	140,000
Share-based payments	-	-
Balance at 30 June	<u>140,000</u>	<u>140,000</u>
<b>(b) Foreign currency translation reserve</b>		
Opening balance	(4,089,012)	(3,702,853)
Exchange differences arising on translation of foreign operations	(2,180,216)	(386,159)
Balance at 30 June	<u>(6,269,228)</u>	<u>(4,089,012)</u>
<b>(c) Accumulated losses</b>		
Opening balance	(10,944,753)	(3,059,197)
Net loss for the period attributable to the owners of the Company	(225,363)	(7,885,556)
Balance at 30 June	<u>(11,170,116)</u>	<u>(10,944,753)</u>

#### (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 22.

*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.

# Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

## 20. NON CONTROLLING INTERESTS

	30/06/16 \$	30/06/15 \$
Opening balance	(3,212,229)	60,773
Share of profit/(loss) for the period	(3,728)	(3,273,002)
Balance at 30 June	(3,215,957)	(3,212,229)

## 21. OPTIONS

At 30 June 2016, there were no options on issue (2015: Nil). There were no options issued during the year ended 30 June 2016 (2015: Nil).

Share options granted under the Company's employee share option plan carry no rights to dividends and no voting rights.

## 22. SHARE BASED PAYMENTS

There were no share-based payment arrangements in existence during the current and prior reporting periods. There were no share options issued during the current or previous financial years.

## 23. 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 30/06/16 \$	Year ended 30/06/15 \$
Short term employee benefits	-	468,774
Post-employment benefits	-	41,550
	-	510,324

## 24. 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.

## Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

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:

	30/06/16	30/06/15
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	2,117,524	3,375,100
Fair value through profit or loss (FVTPL):		
Designated as at FVTPL	1,423,484	1,533,826
Loans and receivables (including trade receivables)	50,422	55,948
<b>Financial liabilities</b>		
Trade and other payables	1,509,524	1,552,347

### (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	
	30/06/16	30/06/15	30/06/16	30/06/15
	\$	\$	\$	\$
South African Rand	768,232	555,184	435,444	280,757
US Dollars	34,046	32,986	54,593	91,099

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

# Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

	South African Rand impact \$	US Dollar impact \$
<b>Profit or loss</b>	1,120	3,623
<b>Equity</b>	1,511,863	3,104

## (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 2016 would decrease/increase by \$4,027 (2015: \$6,159). This is mainly attributable to the Group's exposure to variable interest rates on its cash balances.

## (b) Credit risk

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

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

As at 30 June 2016, all cash and cash equivalents were held with AA rated banks.

## (c) Liquidity risk

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

### *Contractual maturities of financial liabilities*

As at the reporting date the Group had total financial liabilities of \$1,509,523 (2015: \$1,552,347), comprised of non interest-bearing trade creditors and accruals with a maturity of less than 6 months.

## Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

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 \$
<b>30 June 2016</b>				
Non-interest bearing	-	54,593	50,422	110,541
Variable interest rate instruments	1.78%	2,062,931	-	2,062,931
		2,117,524	50,422	2,173,472
<b>30 June 2015</b>				
Non-interest bearing	-	91,099	55,948	147,047
Variable interest rate instruments	1.57%	3,283,977	-	3,283,977
		3,375,076	55,948	3,431,024

### (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
	30/06/16	30/06/15		
Unit trust	\$1,423,484	\$1,533,826	Level 1	Quoted unit prices in an active market

### (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 2016

## 25. CASH AND CASH EQUIVALENTS

	30/06/16 \$	30/06/15 \$
Cash at bank and in hand	<u>2,117,524</u>	<u>3,375,100</u>

### (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 (2015: \$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 30/06/16 \$	Year ended 30/06/15 \$
Loss for the period	<u>(229,091)</u>	<u>(11,158,558)</u>
Adjustment for:		
Net foreign exchange loss	3,568	6,539
Depreciation	21,910	25,407
Impairment of exploration and evaluation assets	-	9,858,799
Interest income recognised in profit and loss	(42,906)	(29,806)
Other gains and losses	(122,751)	287,548
Increase /(decrease) in current liabilities	(400,072)	224,717
Decrease / (increase) in trade and other receivables	44,495	(83,478)
<b>Net cash outflow from operating activities</b>	<u><b>(724,847)</b></u>	<u><b>(868,832)</b></u>

### (d) Non-cash transactions

No share-based payments were made during the year (2015: Nil). There were no non-cash transactions during the year.

## Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

### 26. OPERATING LEASES

Operating leases relate to a lease for office space with a lease term of 1 year, with an option to renew for a further 1 year. The Group does not have an option to purchase the office space at the expiry of the lease period.

The Group has two separate sub-lease arrangements in place for the office property. Both subleases are on the same terms as the head lease agreement for a 1-year period. Sub-lease payments received are shown as a reduction in rental/occupancy expense.

#### Payments recognised as an expense:

	Year ended 30/06/16 \$	Year ended 30/06/15 \$
Minimum lease payments	102,804	113,666
Less sub-lease payments received	(98,240)	(108,619)
	<b>4,564</b>	<b>5,047</b>

#### Non-cancellable operating lease commitments:

	30/06/16 \$	30/06/15 \$
Not later than 1 year	100,526	107,870
Later than 1 year and not later than 5 years	43,378	168,315
Later than 5 years	-	-
	<b>143,904</b>	<b>276,185</b>

#### Liabilities recognised in respect of non-cancellable operating leases:

	30/06/16 \$	30/06/15 \$
Current	1,340	246
	<b>1,340</b>	<b>246</b>

# Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

## 27. COMMITMENTS & CONTINGENCIES

The Group's operating lease commitments are detailed in note 26.

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

### Capital expenditure commitments

<b>Plant &amp; Equipment</b>	<b>30/06/16</b>	<b>30/06/15</b>
	<b>\$</b>	<b>\$</b>
Not longer than 1 year	-	260,874
Later than 1 year and not longer than 5 years	-	260,874
Longer than 5 years	-	-
	<b>-</b>	<b>521,748</b>

### 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:

<b>Tenement expenditure commitments</b>	<b>30/06/16</b>	<b>30/06/15</b>
	<b>\$</b>	<b>\$</b>
Not longer than 1 year	<b>106,735</b>	221,889
Later than 1 year and not longer than 5 years	<b>58,825</b>	193,644
Longer than 5 years	-	-
	<b>165,560</b>	<b>415,533</b>

### Other commitments

<b>Lease and rental commitments</b>	<b>30/06/16</b>	<b>30/06/15</b>
	<b>\$</b>	<b>\$</b>
Not longer than 1 year	<b>42,519</b>	44,098
Later than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	<b>42,519</b>	<b>44,098</b>

# Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

## 28. 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	
			30/06/16	30/06/15
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%

### 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
<b>30/06/2016</b>			
Ikwezi Mining (Pty) Ltd	30%	(1,260,787)	(5,249,004)
Individually immaterial subsidiaries with non-controlling interests			(565,416)
			<u>(5,814,420)</u>
<b>30/06/2015</b>			
Ikwezi Mining (Pty) Ltd	30%	(2,281,528)	(3,988,217)
Individually immaterial subsidiaries with non-controlling interests			(467,127)
			<u>(4,455,344)</u>

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

## Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

	<b>30/06/16</b>	<b>30/06/15</b>
	<b>\$</b>	<b>\$</b>
Current assets	1,844,138	1,709,700
Non-current assets	11,907,290	12,926,902
Current liabilities	(28,838,401)	(27,592,252)
Non-current liabilities	(245,226)	(260,290)
Equity attributable to owners of the Company	(10,083,195)	(9,251,167)
Non-controlling interests	(5,249,004)	(3,964,786)
	<b>Year ended</b>	<b>Year ended</b>
	<b>30/06/16</b>	<b>30/06/15</b>
	<b>\$</b>	<b>\$</b>
Revenue	15,630	3,621
Expenses	(4,218,253)	(7,608,714)
Profit/(loss) for the year	<u>(4,202,623)</u>	<u>(7,605,094)</u>
Profit/(loss) attributable to owners of the Company	(2,941,836)	(5,323,566)
Profit/(loss) attributable to non-controlling interests	(1,260,787)	(2,281,528)
Profit/(loss) for the year	<u>(4,202,623)</u>	<u>(7,605,094)</u>
Other comprehensive income attributable to owners of the Company	2,086,366	(2,803,397)
Other comprehensive income attributable to non-controlling interests	-	-
Other comprehensive income for the year	<u>2,086,366</u>	<u>(2,803,397)</u>
Total comprehensive income attributable to owners of the Company	(855,470)	(8,126,963)
Total comprehensive income attributable to non-controlling interests	(1,260,787)	(2,281,528)
Total comprehensive income for the year	<u>(2,166,257)</u>	<u>(10,408,491)</u>
Dividends paid to non-controlling interests	-	-
Net cash inflow (outflow) from operating activities	(141,612)	(268,907)
Net cash inflow (outflow) from investing activities	(472,692)	(426,020)
Net cash inflow (outflow) from financing activities	834,567	535,447
Net cash inflow (outflow)	<u>220,264</u>	<u>(159,480)</u>

# Notes To The Consolidated Financial Statements

For the year ended 30 June 2016

## 29. REMUNERATION OF AUDITORS

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

	Year ended 30/06/16 \$	Year ended 30/06/15 \$
<b>Auditor of the parent entity</b>		
Audit or review financial statements	100,619	60,587
Other services – business structure	4,740	32,250
<b>Total remuneration for audit and other assurance services</b>	<b>105,359</b>	<b>92,837</b>

The auditor of Ikwezi Mining Limited is Deloitte Touche Tohmatsu.

## 30. SUBSEQUENT EVENTS

On 6 September 2016, the Group entered into a settlement agreement with Bond Equipment (Pty) Ltd (“Bond”), the Group’s main contractor for the beneficiation plant. Bond had alleged that the Group owed amounts pursuant to an earlier contract between the two parties.

Under the terms of the settlement agreement, the Group has agreed to pay ZAR 4,000,000 (plus VAT) (AUD \$363,867 at reporting date) to Bond without admitting any liability in respect of any alleged amounts outstanding and to settle all outstanding issues between the two parties.

Prior to settlement, the Group had recognised a capital commitment of approximately ZAR 6.4 million (AUD \$582,200 at reporting date) in relation to the alleged amounts outstanding. As the settlement provides evidence of conditions that existed at the end of the reporting period it has been treated as an adjusting event during the reporting period. A current liability has been recognised for the settlement amount with a corresponding increase in the carrying value of the Beneficiation Plant within Property, Plant and Equipment. The capital commitment is also no longer recognised.

No other 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  
30 September 2016

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

The Company Secretary is Mr. Alex Neuling.

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

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

The Company's registered office in Australia is c/- Erasmus Consulting Pty Ltd, Unit 24, 589 Stirling Highway, Cottesloe, Western Australia, Australia (Tel +61 8 6153 1861, Fax: +61 8 6314 1557).

The Company's Australian Share Registry is maintained by Computershare Investor Services Pty Ltd, Level 11, 172 St Georges Terrace, Perth WA 6000 (Tel: +61 8 9323 2000, Fax: +61 8 9323 2033).