IKWEZI MINING LIMITED
ARBN 151 258 221

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

Directors' Report
30 June 2014

The directors of Ikwezi Mining Limited (**Directors**) present their report on the Consolidated Entity consisting of Ikwezi Mining Limited (the **Company** or **Ikwezi**) and the entities it controlled at the end of, or during, the year ended 30 June 2014 (**Consolidated Entity** or **Group**).

DIRECTORS

The following persons were directors of Ikwezi during the financial year or up to the date of this report:

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

INFORMATION ABOUT DIRECTORS

Current Directors

Mr David Pile – Executive Chairman

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

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

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

Current Directorships and Former Directorships (last 3 years) of listed public companies:
None

Mr Ranaldo Anthony - Executive Director

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

Special responsibilities:

Executive Director
Member of the Audit Committee
Member of the Risk Committee
Member of the Remuneration and Nomination Committee

Current Directorships and Former Directorships (last 3 years) of listed public companies:
None

Mr Alex Neuling – Non-Executive Director and Company Secretary

Alex Neuling is a Chartered Accountant and Chartered Secretary with over 10 years corporate and financial experience including six years as director, chief financial officer and or company secretary of various ASX-listed companies in the mining, mineral exploration, oil and gas and other sectors.

Prior to those roles, Alex worked at Deloitte in London and Perth. Alex also holds an honours degree in Chemistry from the University of Leeds in the United Kingdom and is principal of Erasmus Consulting Pty Ltd (Erasmus), which provides company secretarial and financial management consultancy services, to a variety of ASX-listed and other companies.

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

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

Mozambi Coal Limited (2008 – current).

Former Directors

Mr Simon Hewetson

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

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

Current Directorships and Former Directorships (last 3 years) of listed public companies:
None

Mr Roger Rees

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

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

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

PRINCIPAL ACTIVITIES

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

DIVIDENDS

No dividends have been declared, provided for, or paid in respect of the financial year ended 30 June 2014 (2013: Nil).

FORWARD-LOOKING STATEMENTS

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

SUMMARY REVIEW OF OPERATIONS

For the financial year ended 30 June 2014 the Group recorded a net loss of $1,146,601 (2013: loss $1,175,563) and a net cash outflow from operations of $248,607 (2013: $1,215,511). Activities during the year were focused on development work at the Company's Ntendeka Colliery together with finalising the various licences required to bring it into production.

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

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

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

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

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

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

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

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

The power lines, required to connect the wash plant to the local power networks operated by Eskom, have been installed with an initial 500kVA. The balance of the power will be generated by gensets.

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

The rail account and rail contract with TFR remains in place further to TFR's commitment to provide 1.5 Mtpa rail capacity to either the ports of Richards Bay or Durban... The Company remains in discussion with the relevant port authorities with port capacity and stockpile space currently available. The ports require take-or-pay obligations with agreements in this regard expected to be finalised in line with the Company's decision to commence mining.

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

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

OTHER

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

POST REPORTING DATE EVENTS

There are no post reporting date events to be reported.

FUTURE DEVELOPMENTS

The Company is positioned to bring the Ntendeka Colliery into production despite the current volatility in the thermal coal pricing environment. There are a number of options that the Company currently is investigating to optimise shareholder value whilst minimising risk where possible in a difficult market. This includes the Company's continued assessment and discussions with regard to the feasibility of exporting unwashed coal, supplying coal locally for power generation as an alternative to the export market and using the coal wash plant to toll wash coal for third parties. Financing to bring the operation into production, currently under discussion, is considered most likely to be in the form of a debt facility against offtake or alternatively another form of debt / equity issue, the sale of certain coal rights that the Company owns or a combination of these. Discussions continue with regard to the sale of the farm Allen No 2. with Buffalo Coal as previously announced.

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

The Company continues to seek and evaluate new opportunities as well as looking into consolidation opportunities.

Due to the nature of the Group's business activities, the Directors are not able to state further details in relation to:

(a) likely developments in the entities' operations; or

(b) the expected results of these operations,

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

ENVIRONMENTAL REGULATION

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

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

DIRECTORS' SHAREHOLDINGS

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

	Number of fully paid ordinary shares	Number of share options
Mr. Simon Hewetson	170,000,000 (i)	-
Mr. David Pile	170,000,000 (i)	-
Mr. Ranaldo Anthony	-	-
Mr. Roger Rees	-	-
	170,000,000 (i)	-

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

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2014, and the number of meetings attended by each director (includes matters decided by circular resolution). No meetings were held by committees prior to 30 June 2014.

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

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

SHARE OPTIONS

At the date of this report the Company has no options on issue. No options expired or were exercised during the year.

REMUNERATION REPORT

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

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

D Share-based compensation

E Key management personnel equity holdings

F Other transactions with key management personnel of the Group

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

Details of Directors and Executives

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

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

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

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

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

REMUNERATION REPORT (CONTINUED)

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

Non-executive directors

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

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

Retirement benefits and allowances

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

Other benefits

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

Executives

Base pay

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

Short term incentives

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

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

For the period ended 30 June 2014, no short term incentives were paid or payable to Directors or Key Management Personnel of the Company or Group.

REMUNERATION REPORT (CONTINUED)

Long term incentives

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

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

REMUNERATION REPORT (CONTINUED)

B. DETAILS OF REMUNERATION

Amounts of remuneration

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

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

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

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

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

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

REMUNERATION REPORT (CONTINUED)

B. DETAILS OF REMUNERATION (CONTINUED)

During the year to 30 June 2014 no at-risk short-term or long-term incentives were paid or payable to Directors or Executives of the Company / Group.

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

C. SERVICE AGREEMENTS

Remuneration and other terms of agreement for the Company's non-executive directors are formalised in letters of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director. The major provisions of the agreements relating to remuneration are set out below. Non-executive directors' fees are set at an aggregate sum not exceeding $500,000. During the period ended 30 June 2014, the Chairman was not paid in relation to his role as Chairman or Non-Executive Director. This position may be revisited during the 2014 financial year. No termination benefits are payable to non-executive directors under the terms of their letters of appointment.

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

- Mr Pile will be paid a minimum remuneration package of $320,000 per annum and Mr Anthony will be paid a minimum remuneration package of $280,000 per annum. Mr Pile will also be paid an additional amount set by law at 9% of his base salary into retirement funds and Mr Anthony will be paid an additional amount equal to 9% of his base salary into pension contribution funds.
- Each Executive Director may terminate his respective employment agreement at any time by providing 3 months written notice to the Company.
- The Company may terminate the employment of the Executive Directors with immediate effect if the Executive Director commits any act which at common law would entitle us to terminate the Executive Director's employment without notice or payment in lieu of notice or if the Executive Director becomes bankrupt or makes an arrangement or composition with creditors.
- The Company may also at any time terminate an executive employment agreement without cause, by giving the executive 3 months written notice or 3 months payment in lieu of notice, or a combination of notice and payment in lieu of notice.

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

Directors' Report

30 June 2014

REMUNERATION REPORT (CONTINUED)

D. SHARE-BASED COMPENSATION

Option holdings

During the financial year there were no share-based payment arrangements in existence other than as disclosed in Note 24 to the financial statements.

E. KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

Fully paid ordinary shares of Ikwezi Mining Limited

Shares and option holdings

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

Fully paid ordinary shares of Ikwezi Mining Limited

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

1. Or when appointed/resigned

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

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

Share options of Ikwezi Mining Limited

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

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

F. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL OF THE GROUP

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

	Year ended 30/06/14	Year ended 30/06/13
	$	$
Compliance and administration	**23,105**	165,255
	23,105	165,255

The Group has an arrangement with Mr G Pile, a related party of Mr D Pile, in which Mr G Pile provides consulting services to the Group on an arms-length basis. Mr G Pile is a qualified electrical engineer who has overseen various matters for the Group, including project managing the electrical design and installation of the power supply system to the beneficiation plant, negotiations with Eskom and Nersa (National Energy Regulator of South Africa) together with the design of the water supply system to the beneficiation plant. The total amount charged for the period was $23,105 (2013: $165,255) with no amounts outstanding (2013: nil) at year end. Amounts are disclosed above as compliance and administration.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 31 to the financial statements.

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

INSURANCE AND INDEMNITY OF OFFICERS AND AUDITORS

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

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

David Pile
Executive Chairman
Singapore
24 September 2014

COMPETENT PERSON'S STATEMENT

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

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

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 (0) 9365 7001
www.deloitte.com.au

Independent Auditor's Report
to the members of Ikwezi Mining Limited

We have audited the accompanying financial report of Ikwezi Mining Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the director's declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 18 to 58.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Deloitte.

Opinion

In our opinion:

(a) the financial report of Ikwezi Mining Limited presents fairly, in all material respects, the consolidated entity's financial position as at 30 June 2014 and its financial performance for the year then ended in accordance with Australian Accounting Standards; and

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

Emphasis of Matter

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ross Jerrard
Partner
Chartered Accountants
Perth, 24 September 2014

Consolidated Statement of Profit or Loss

For the year ended 30 June 2014

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

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	Note	**Year ended 30/06/14 $**	Year ended 30/06/13 $
Loss for the period		**(1,029,583)**	(971,388)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		**-**	-
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(117,018)**	(204,175)
		(117,018)	(204,175)
Other comprehensive income for the period		**(117,018)**	(204,175)
Total comprehensive income for the period		**(1,146,601)**	(1,175,563)
Attributable to:			
Owners of the Company		**(1,151,476)**	(1,166,084)
Non-controlling interests		**4,875**	(9,479)
		(1,146,601)	(1,175,563)

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

Consolidated Statement of Financial Position

As at 30 June 2014

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

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

Consolidated Statement of Cash Flows

For the year ended June 2014

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

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

Consolidated Statement of Changes In Equity

For the year ended 30 June 2014

	Issued Capital	Share based payments reserve	Foreign currency translation reserve	Accumulated losses	Attributable to owners of the parent	Non-controlling interests	Total
	$	$	$	$	$	$	$
Balance at 1 July 2012	30,569,450	140,000	(708,070)	(1,062,830)	28,938,550	65,377	29,003,927
Profit/(loss) for the year	-	-	-	(961,909)	(961,909)	(9,479)	(971,388)
Exchange differences on translation of foreign operations	-		(204,175)	-	(204,175)	-	(204,175)
Total comprehensive income for the year	-		(204,175)	(961,909)	(1,166,084)	(9,479)	(1,175,563)
Balance at 30 June 2013	**30,569,450**	**140,000**	**(912,245)**	**(2,024,739)**	**27,772,466**	**55,898**	**27,828,364**
Profit/(loss) for the period	-	-	-	(1,034,458)	(1,034,458)	4,875	(1,029,583)
Exchange differences on translation of foreign operations	-		(117,018)	-	(117,018)	-	(117,018)
Total comprehensive income for the year	-		(117,018)	(1,034,458)	(1,151,476)	4,875	(1,146,601)
Balance at 30 June 2014	**30,569,450**	**140,000**	**(1,029,263)**	**(3,059,197)**	**26,620,990**	**60,773**	**26,681,763**

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

Notes To The Consolidated Financial Statements
For the year ended 30 June 2014

1. CORPORATE INFORMATION

Ikwezi Mining Limited ("Company" or "Ikwezi") is a company limited by shares incorporated in Bermuda whose shares are publicly traded on the ASX). The consolidated financial statements of the Group as at and for the year to 30 June 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

2. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

2.1 Standards and Interpretations affecting amounts reported in the current period

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

Standards affecting presentation and disclosure

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

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

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

AASB 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

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

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

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

asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

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

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

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

1.1. Standards and Interpretations in issue not yet adopted

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments' and the relevant amending standards.	1 January 2018	30 June 2019
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
AASB 2014-1 Amendments to Australian Accounting Standards:		
Part A – Annual Improvements 2010-2012 and 2011-2013 Cycles	1 July 2014	30 June 2015

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Part C – Materiality	1 July 2014	30 June 2015
Part E – Financial Instruments	1 January 2015	30 June 2016
IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

Statement of compliance

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

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

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

The financial statements were authorised for issue by the directors on 24 September 2014.

Historical cost convention

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

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

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

Going Concern

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

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

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

I. Measures have been implemented to reduce expenditure in order to meet minimum legal and contractual obligations to match current cash levels;

II. The Directors are confident that the sale of the property known as Alleen No 2 and the receipt of sale proceeds of approximately $800,000 will occur before 31 December 2014; and/or

III. The Directors are in negotiations to raise funds of at least $2,000,000 before 31 December 2014 through a debt facility and associated offtake agreement or through a capital raising. The form and final value of such funding is yet to be determined. The proceeds of which will be used to fund the development of the Ntendeka Colliery and general working capital requirements.

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

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

(b) Principles of consolidation

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

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

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

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

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

(c) Segment Reporting

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

(d) Foreign currencies

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

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

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

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

(e) Revenue recognition

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

- Interest income is recognised as it accrues.

(f) Income tax

Current income tax expense charged to profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid / (recovered from) the relevant taxation authority.

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

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

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

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

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

(g) Impairment of assets

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

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

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

(h) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(i) Trade and other receivables

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

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

(j) Property, plant and equipment

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

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

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

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

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

(k) Exploration and evaluation

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

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

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

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

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

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

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

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

(l) Provisions

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

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

(m) Financial instruments

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

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

Financial Assets

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

Effective interest method

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

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

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. The Group designates its investment in unit trusts as at FVTPL and states the investment at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line in the income statement. Fair value is determined in the manner described in note 26.

Loans and receivables

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

Impairment of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Other financial liabilities

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

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

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

(n) Trade and other payables

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

(o) Operating leases

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

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

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

(p) Employee benefits

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

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

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

(q) Issued capital

Ordinary shares are classified as equity.

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

(r) Earnings per share

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

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

(s) Goods and services tax

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

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

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

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

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

(t) Share based payments

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Significant accounting judgements

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

Deferred tax assets

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

Capitalisation of exploration and evaluation expenditure

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

(b) Significant accounting estimates and assumptions

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

Impairment of assets

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

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

As at 30 June 2014, the carrying value of capitalised exploration and evaluation is $10,698,096 (2013: $9,986,562).

5. INVESTMENT INCOME

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

6. OTHER GAINS AND LOSSES

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

7. FINANCE COSTS

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

8. INCOME TAX

	Year ended 30/06/14 $	Year ended 30/06/13 $
Current tax expense	**-**	-
Deferred tax expense	**-**	-

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

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

Unused tax losses for which no deferred tax assets have been recognised are attributable to tax losses (revenue in nature). No deferred tax assets have been recognised based upon the Directors assessment of future probable taxable profits arising from current exploration and evaluation assets. As at 30 June 2014, the Group had deferred tax assets not brought to account in relation to the tax losses (at 30%) of $917,749 (2013: $608,874).

9. LOSS PER SHARE

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

10. TRADE AND OTHER RECEIVABLES

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

(a) Fair value

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

11. OTHER FINANCIAL ASSETS

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

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

12. OTHER CURRENT ASSETS

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

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

13. EXPLORATION AND EVALUATION EXPENDITURE

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

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

14. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Rail Siding (in progress)	Beneficiation Plant (in progress)	Mine Infrastructure (in progress)	Road Earthworks (in progress)	Office & Computer Equipment & Software	Motor Vehicles	Other Fixtures & Fittings	Total
	$	$	$	$	$	$	$	$	$
At cost									
Opening Balance	-	150,493	8,547,701	1,648,390	1,515,239	21,872	247,414	67,274	**12,198,383**
Additions	875,854	24,513	792,650	1,351,583	276,762	6,669	-	-	**3,328,031**
Disposals	-	-	-	-	-	(1,986)	(50,491)	-	**(52,477)**
Effect of foreign currency exchange differences	-	-	-	-	-	(341)	(15,890)	-	**(16,231)**
Balance at 30 June 2013	**875,854**	**175,006**	**9,340,351**	**2,999,973**	**1,792,001**	**26,214**	**181,033**	**67,274**	15,457,706
Additions	34,504	-	5,293	(87,273)	-	-	-	-	**(47,476)**
Disposals	-	-	-	-	-	(770)	(73,514)	-	**(74,284)**
Effect of foreign currency exchange differences	-	-	-	-	-	(168)	(8,373)	-	**(8,541)**
Balance at 30 June 2014	**910,358**	**175,006**	**9,345,644**	**2,912,700**	**1,792,001**	**25,276**	**99,146**	**67,274**	**15,327,405**

	Land & Buildings	Rail Siding (in progress)	Beneficiation Plant (in progress)	Mine Infrastructure (in progress)	Road Earthworks (in progress)	Office & Computer Equipment & Software	Motor Vehicles	Other Fixtures & Fittings	Total
	$	$	$	$	$	$	$	$	$
Accumulated depreciation									
Opening Balance	-	-	-	-	-	2,811	37,630	7,363	**47,804**
Eliminated on disposals of assets	-	-	-	-	-	(359)	(6,470)	-	**(6,829)**
Depreciation charged to profit or loss	-	-	-	-	-	608	-	876	**1,484**
Depreciation related to exploration and evaluation	-	-	-	-	-	3,311	42,199	10,031	**55,541**
Effect of foreign currency exchange differences	-	-	-	-	-	(317)	(15,851)	-	**(16,168)**
Balance at 30 June 2013	**-**	**-**	**-**	**-**	**-**	**6,054**	**57,508**	**18,270**	81,832
Eliminated on disposals of assets	-	-	-	-	-	(342)	(28,507)	-	**(28,849)**
Depreciation charged to profit or loss	-	-	-	-	-	268	-	740	**1,008**
Depreciation related to exploration and evaluation	-	-	-	-	-	3,237	16,804	9,525	**29,566**
Effect of foreign currency exchange differences	-	-	-	-	-	112	(1,421)	-	**(1,309)**
Balance at 30 June 2014	**-**	**-**	**-**	**-**	**-**	**9,329**	**44,384**	**28,535**	**82,248**
Carrying amount									
At 30 June 2013	875,854	175,006	9,340,351	2,999,973	1,792,001	20,160	123,525	49,004	**15,375,874**
At 30 June 2014	**910,358**	**175,006**	**9,345,644**	**2,912,700**	**1,792,001**	**15,947**	**54,762**	**38,739**	**15,245,157**

15. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

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

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

(a) Fair value

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

16. OTHER CURRENT LIABILITIES

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

17. BORROWINGS

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

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

18. PROVISIONS

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

	Provision for decommissioning
Balance at 1 July 2012	185,238
Additional provisions recognised	7,920
Effect of foreign exchange movements	(15,476)
Balance at 30 June 2013	177,682
Additional provisions recognised	9,712
Effect of foreign exchange movements	(13,529)
Balance at 30 June 2014	173,865

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

(ii) The provision for decommissioning represents the cost to decommission the beneficiation plant and is included in the additions to the cost of the plant. The movement for the year represents an increase in the value of the provision adjusted for foreign exchange rates.

19. OBLIGATIONS UNDER FINANCE LEASES

(a) Leasing arrangements

The Group has financed 10% of the contract price for the construction and commission of its Beneficiation Plant under a finance lease. The lease term is for 19 months with interest chargeable at 12% per annum. The Group's obligation under the finance lease is secured by the lessors' title to the leased assets.

(b) Finance lease liabilities

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

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

20. ISSUED CAPITAL

(a) Share capital

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

(b) Movements in ordinary share capital

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

Description	Number of shares	$
Opening Balance	**338,750,000**	**30,569,450**
Balance at 30 June 2013	**338,750,000**	**30,569,450**
Balance at 30 June 2014	**338,750,000**	**30,569,450**

.

21. RESERVES AND ACCUMULATED LOSSES

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

(d) Nature and purpose of reserves

Equity-settled employee benefits reserve:

The reserve relates to share options granted by the Company to its employees under its employee share option plan. Further information about share-based payments to employees is set out in note 24.

Foreign currency translation reserve:

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

22. NON CONTROLLING INTERESTS

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

23. OPTIONS

At 30 June 2014, there were no options on issue (2013: Nil). During the previous financial year, 4,000,000 options over ordinary shares held by Company executives expired. A further 1,000,000 options over ordinary shares held by third parties also expired. There were no options issued during the year ended 30 June 2014 (2013: Nil).

Share options granted under the Company's employee share option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are provided in note 24.

24. SHARE BASED PAYMENTS

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

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

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

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

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

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

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

	Number of options	Weighted average exercise price
Balance at 30 June 2012	**5,000,000**	$0.30
Granted during the financial year	**-**	-
Exercised during the year	**-**	-
Expired / Lapsed during the year	**(5,000,000)**	$0.30
Balance at 30 June 2013	**-**	-
Granted during the financial year	**-**	-
Exercised during the year	**-**	-
Expired / Lapsed during the year	**-**	-
Balance at 30 June 2014	**-**	**-**
Exercisable at end of year	**-**	**-**

25. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

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

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

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

26. FINANCIAL INSTRUMENTS

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

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

The Group holds the following financial instruments:

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

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

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

	South African Rand impact	US Dollar impact
	$	**$**
Profit or loss	**34,616**	**5,631**
Equity	**198,510**	**104,943**

(ii) Interest rate risk

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

Interest rate sensitivity analysis

If interest rates had been 50 basis points higher/lower and all other variables were held constant the Group's profit for the year ended 30 June 2014 would decrease/increase by $890 (2013: $7,236). This is mainly attributable to the Group's exposure to variable interest rates on its cash balances.

(b) Credit risk

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

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

As at 30 June 2014, all cash and cash equivalents were held with AA rated banks.

(c) Liquidity risk

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

Contractual maturities of financial liabilities

As at the reporting date the Group had total financial liabilities, excluding borrowings as detailed in Note 17, of $1,262,547 (2013: $742,694), comprised of non interest-bearing trade creditors and accruals with a maturity of less than 6 months.

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

	Weighted average effective interest rate	Less than 1 month $	1-3 months $	Total $
30 June 2014				
Non-interest bearing	-	106,525	81,257	187,782
Variable interest rate instruments	1.95%	710,851	-	710,851
		817,376	81,257	898,633
30 June 2013				
Non-interest bearing	-	641,425	165,845	807,270
Variable interest rate instruments	2.89%	1,893,473	-	1,893,473
		2,534,898	165,845	2,700,743

(d) Fair value estimation

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

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

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

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

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

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

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

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

(e) Capital risk management

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

27. CASH AND CASH EQUIVALENTS

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

(a) Cash balances not available for use

Prospecting Rights in which the Company has an interest require the Company to provide a pecuniary financial provision to rehabilitate the areas disturbed by prospecting activities. The Company has provided financial guarantees to certain regulatory bodies which are secured over cash held by the Company. The total value of these guarantees is $41,934 (2013: $41,934) and is classified as cash not available for use.

(b) Fair value

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

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

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

(d) Non-cash transactions

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

Notes To The Consolidated Financial Statements

For the year ended 30 June 2014

28. OPERATING LEASES

Operating leases relate to a lease for office space with a lease term of 3 years with an option to renew for a further 3 years. The Group does not have an option to purchase the office space at the expiry of the lease period.

Payments recognised as an expense:

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

Non-cancellable operating lease commitments:

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

Liabilities recognised in respect of non-cancellable operating leases:

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

29. COMMITMENTS & CONTINGENCIES

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

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

Capital expenditure commitments

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

Exploration and Evaluation Commitments

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

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

Other commitments

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

30. SUBSIDIARIES

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

Name of subsidiary	**Principal activity**	**Place of incorporation and operation**	**Proportion of ownership interest and voting power held by the Group**	
			30/06/14	**30/06/13**
Naledi Holdings Ltd	Holding company	Mauritius	100%	100%
Naledi Investments Ltd	Investment company	Mauritius	100%	100%
Ikwezi Mining Services Pty Ltd	Administrative services	Australia	100%	100%
Ikwezi Mining (Pty) Ltd	Coal mining	South Africa	70%	70%
Ikwezi Management Services (Pty) Ltd	Management services	South Africa	70%	70%
Bokamoso Resources (Pty) Ltd	Coal exploration	South Africa	60%	60%
Ikwezi Resources (Pty) Ltd	Coal exploration	South Africa	70%	70%

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

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

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

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

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

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

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

31. REMUNERATION OF AUDITORS

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

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

The auditor of Ikwezi Mining Limited is Deloitte Touche Tohmatsu.

32. SUBSEQUENT EVENTS

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

Directors' Declaration

The Directors declare that:

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

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

Signed in accordance with a resolution of the Directors

David Pile
Executive Chairman
Singapore
24 September 2014

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

The Company Secretary is Mr. Alex Neuling.

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

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

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

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