COMPANY NUMBER 02167843

MWANA AFRICA PLC

ANNUAL REPORT 2013

MWANA AFRICA PLC

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SHARE PRICE

AIM MWA 4 625 pence*

SHARE PRICE INFORMATION

Exchange London Stock Exchange
TIDM MWA
Shares in issue 1119 727m*
Market capitalisation £51 79m*

** as at 28 March 2013*

Current share price

Scan the QR Barcode with your smartphone or tablet to view the current share price

ANNUAL REPORT
2013

Report PDF
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FINANCIAL **HIGHLIGHTS**

- Group revenues up **34%** to **$109.2m** (2012 $81 3m)
- Group loss of **$43.5m** (2012 loss of $6 7m), after a **$43.7m** impairment charge on BNC
- Group profit before impairment of **$0.5m** (2012 loss of $6 4m)
- Exploration spend of **$15.3m** (2012 $10 2m)
- Share placement in April 2012 raised approximately **$32.4m** net of expenses

OPERATIONAL **HIGHLIGHTS**

- Freda Rebecca gold sales increased by **37%** to **65,350** ounces for the year (2012 47,770 ounces)
- Freda Rebecca C1 costs down by **13.6%** to **$897/oz** (2012 $1,038/oz)
- Freda Rebecca gold recoveries up to **81%** (2012 75%)
- Increased gold resource at Zani-Kodo of **30%** from 2 0 million ounces (Moz) to **2.6Moz**
- **Successful restructuring** of BNC and restart of BNC's Trojan mine with sale of first concentrate in April 2013
- **Joint venture agreement signed** with Zhejiang Hailiang Company Limited covering 28 of our copper licences in Katanga, DRC

POST PERIOD **HIGHLIGHTS**

- **Positive test results** at Zani Kodo from test work carried out on samples taken from the Kodo Main orebody The ore was found to be non-refractory and responded well to all recovery processes investigated, with higher than 90% gold extraction being obtained across all the recovery methods tested
- **Agreement signed** with Greenhurst Mining and Exploration to re-treat fine residue tailings at Mwana's Klipspringer diamond mine on a profit share basis Construction of the processing plant and site preparation is in progress
- **Cost cutting programme** and review of funding options announced in response to falling commodity prices
- Despite impairing BNC's non-current assets at year end as a result of lower nickel prices, since year end, BNC has commenced a review of its mine plan, focusing on mining the higher grade massives, which could reduce its funding requirement As such the Board will keep under review the requirement to reverse the impairment at an appropriate time in the future
- Given the fall in commodity prices following the year end, the Mwana Group requires further funding in the coming months and the Board is engaged in a process to secure that funding That process includes discussions with its existing major shareholders and with new strategic investors The company is also in discussions with investors regarding possible project funding solutions for exploration assets within the group

ABOUT **MWANA AFRICA PLC**

Mwana Africa PLC (Mwana) is a pan-African, multi-commodity mining and development company Mwana's principal operations and exploration activities cover gold, nickel, copper and diamonds in Zimbabwe, the Democratic Republic of the Congo (DRC) and South Africa

The restart of operations at the Trojan Nickel Mine, owned by Mwana's Zimbabwe subsidiary Bindura Nickel Corporation (BNC), follows four years during which all of the BNC assets were on care and maintenance In September 2012, Bindura Nickel Corporation carried out a restructuring and recapitalisation involving $23 million being invested into BNC which has allowed it to restart the Trojan mine First sale of concentrate to Glencore took place in April 2013

Mwana's Freda Rebecca Gold Mine in Zimbabwe, having restarted operations in 2009, produced 65,350oz of gold in the 12 months to March 2013

In February 2013, Mwana announced that the gold mineral resource at its Zani-Kodo project in the DRC had increased to 2 6Moz

In February 2013, Mwana announced it had signed a Joint Venture Agreement with Zhejiang Hailiang Company Limited to jointly explore some of its copper licence areas in the Katanga Province of the DRC

"Mwana's Freda Rebecca Gold Mine in Zimbabwe, having restarted operations in 2009, produced 65,350oz of gold in the 12 months to March 2013 "

KALAA MPINGA,
CHIEF EXECUTIVE OFFICER OF MWANA, COMMENTED:

"A considerable amount has been achieved by the Mwana Group over the course of the past financial year including increasing the production rate at Freda Rebecca by 37% to over 65,000oz, expanding the gold resource at Zani-Kodo to over 2 6Moz, securing an established partner in the copper industry to provide exploration funding for SEMHKAT, and successfully concluding the recapitalisation and restructuring of BNC, which in turn led to the restart of the Trojan Nickel Mine and, post period, sale of first concentrate to our off-take partner, Glencore Xstrata

"Our results show a profit before impairment of $0 5 million, which is the first since 2007 and a notable achievement by the company"

Whilst we have, as a result of a steep decline in the Nickel price, decided to impair BNC in our accounts this year, current reviews of BNC's mine plan may result in some reversal of this impairment in the future Our results show a profit before impairment of $0 5 million, which is the first since 2007 and a notable achievement by the company

Post the financial year end our share price has suffered from a combination of weakening commodity prices, which have negatively impacted our cash flows at group level, and a decline in general market sentiment to junior miners In response to these challenges we have announced a cost cutting exercise at corporate and project levels, this, together with securing necessary funding and the underlying quality of our projects, will see Mwana emerging as a stronger mining group in the coming financial year"

For further information, please visit www mwanaafrica com

CHAIRMAN'S **LETTER**

DEAR SHAREHOLDER,

This has in many ways been a very successful year for the group, but, as I write, lower metal prices present some of our operations with major challenges

OLIVER BARING - Chairman

As I outlined in my last letter to you, Mwana raised $33 5 million with the support of a major investor in the form of China International Mining Group Corporation, which took a 21 7% interest in the group This injection of capital provided sufficient funding to restart BNC s Trojan nickel mine, and enabled further exploration at our DRC gold and base metals projects

Production at Freda Rebecca continued to increase and it is now once again the single largest gold mine in Zimbabwe In the DRC, our gold exploration resulted in a 30% increase in the gold JORC mineral resource at Zani-Kodo, taking the total indicated and inferred ounces to 2 6 million Metallurgical test work on the Kodo Main ore body has been extremely encouraging, with gold recoveries of over 90% being achieved from all leaching methods tested In February 2013, a joint venture agreement was signed with Zhejiang Hailiang Company Limited, China's largest copper tube exporter and a leading manufacturer of copper products in China, to provide up to $25 million of investment into exploration of some of our Katanga copper licences

One of the most significant achievements of the financial period was the restructuring and recapitalisation of BNC following a long period of care and maintenance This was a complicated process and only possible due to the joint efforts of Mwana and BNC staff, trade unions, creditors, other BNC shareholders and various Government ministries, I would like to thank all of them for their assistance in getting BNC restarted In September 2012, Mwana underwrote a rights issue in BNC injecting $21 million of new capital, with a further $2 million being raised from local Zimbabwean investors This funding was sufficient to restart operations at the Trojan mine, and Mwana provided support to

BNC throughout the restructuring process Following a period of commissioning at Trojan, BNC reached a major milestone in April, when the first shipment of nickel concentrate was trucked from the Trojan mine to Durban

Sadly, despite the great efforts of the management team at BNC, and the delivery of first production on time, the fall of the nickel price from levels around $18,000/t when we commenced the BNC restart in 2012 to recent lows of around $13,600/t, has meant raising funding (debt or equity) for the ongoing ramp up under the current mine plan has not been possible Given this fall in nickel prices, we have decided to impair BNC in this year's accounts However, BNC is currently reviewing its strategic options including considering alternative mine plans that could reduce the funding requirement in the short term, and this may result in some reversal of the impairment in the future

As we announced on 8 July (and as reflected in note 2 to the Financial Statements), Mwana does require further funding in the coming months and whilst we have received indications of support from some of our major shareholders there is no certainty that funding will be secured The Board has also mandated significant cost cuts across all areas of the group which are being negotiated and implemented, and has deferred payment of all bonuses to executive directors and senior management until cash is available for such purpose or alternative means of settlement can be agreed

"We are encouraged by the successful and peaceful conclusion to the referendum on the new constitution in Zimbabwe"

In spite of our funding requirement, the situation at BNC and negative sentiment in the markets generally towards junior miners, the operational fundamentals of your company remain strong and, subject to appropriate funding being sourced, I believe that Mwana has a bright future ahead of it on the back of progress at Freda Rebecca, Zani-Kodo and our Katanga copper concessions

We are encouraged by the successful and peaceful conclusion to the referendum on the new constitution in Zimbabwe, which has since been ratified by Parliament and Senate This sets the tone for a peaceful election which we hope and believe will usher in a new era for business in Zimbabwe

My thanks go to our operational and exploration teams, ably supported by indefatigable management, and of course to you, our ever loyal shareholders

Oliver Baring
Chairman
30 July 2013

CHIEF EXECUTIVE'S **REVIEW**

It is my pleasure to report that, over the past twelve months, significant operational progress has been achieved across all our major projects Increased gold production from Freda Rebecca has improved our cash flows, returning the group to profit before impairments for the first time since 2007

KALAA MPINGA - Chief Executive Officer

Production at Freda Rebecca Gold Mine continued to ramp up for the majority of the period, however production was adversely affected in the final quarter of the period following the failure and collapse of one of the leach tanks and related damage to a second tank Disruption due to the tank failure was minimised and regular mill throughput recommenced on 1 April using an interim tank configuration Following the incident, immediate modifications were made to the processing circuit to allow limited milling and production to continue In spite of this setback Freda Rebecca produced 65,350 ounces of gold for the year, contributing $26 million to group profits and generating $42 8 million of operating cash flow

The leach tank incident in February was unfortunate but valuable lessons were learnt and our emergency response plan was efficiently executed with little environmental damage I would like to thank our personnel and local and national Government authorities for their efforts throughout the event in dealing quickly and effectively with the situation Despite this setback, Freda Rebecca will continue to be a significant contributor to our cash flow and our focus remains on increasing the efficiency of the production process and reducing our cash costs

In early 2013 we began construction of a tailings retreatment pilot plant This plant is designed to test the viability of producing gold from the large tailings dumps at Freda Rebecca Construction work on the tailings retreatment pilot plant is progressing well Leach tank construction is nearing completion, tailings handling, scrubber circuits and pumping arrangements feeding the plant are at an advanced stage of construction Plant commissioning is expected in the September quarter 2013

In the DRC, substantial progress was made during this financial period at both the Zani-Kodo gold project and our Katanga base metals concessions At Zani-Kodo, a four rig drilling campaign continued over a number of target areas In February 2013, we reported an increase of 30% in mineral resource ounces to 2 6Moz

With some studies already undertaken to better understand the characteristics and economics of the Zani-Kodo ore body, I am confident that we can continue to demonstrate the enormous potential of Zani-Kodo Randgold Resources is expected to commence gold production at its Kibali gold project later this year, and this will be a significant development for gold mining in this highly prospective gold province

A significant portion of our Katanga base metals concessions can now be properly explored following agreement with Zhejiang Hailiang Company Limited (Hailiang) in August 2012 China's largest copper tube exporter is providing up to $25 million of funding over four years in return for a 62% interest in 28 of our licences Mwana maintains a 38% non-dilutable shareholding At the end of the financial period, Hailiang assumed operational control of the exploration programme for the JV licences In my review next year, I very much look forward to updating shareholders on the exploration progress that will have taken place at various targets in Katanga

The recapitalisation and restructuring at Bindura Nickel Corporation (BNC) was a crucial achievement during the period that allowed the restart of the Trojan Mine, and in April 2013, the first shipment of nickel concentrate was trucked to Durban and sold to Glencore Xstrata PLC in line with our off take agreement

"I am confident that we can continue to demonstrate the enormous potential of Zani-Kodo"

In our April 2012 circular we estimated that BNC would need a further circa $15 million in 2013 to finalise the Trojan restart Unfortunately, the nickel price has fallen from around $18,000/t in April 2012 to recent lows of around $13,600/t This fall in prices meant that, based on the current mine plan, BNC s funding requirement has increased and BNC has not been able to raise debt or equity finance to fund the ramp up at Trojan

In light of the fall in nickel prices, we have decided to impair BNC in our accounts as at year end However, post year end, in response to lower nickel prices, BNC has commenced a review of its strategic options, including examining alternative mine plans with the objective of improving short term cash flow and reducing BNC s funding requirement This review may result in some reversal of the impairment in the future The alternative mine plans being reviewed utilise the mining flexibility afforded by the presence of higher grade massive sulphide ore within the Trojan ore body BNC is in the process of seeking short term bridging finance to cover its funding shortfall, and continues to focus on the preservation and integrity of the business and its assets

The falling gold price has also squeezed operating margins at Freda Rebecca since April 2013, and, along with many other mining companies, Mwana has commenced a cost cutting programme aimed at targeting savings from both corporate and project costs

Finally, I would like to thank our shareholders, our suppliers and employees at our various projects for your continual support and I look forward to being in a position next year to update shareholders on improved gold production from Freda and continued positive results from our DRC projects

Kalaa Mpinga
Chief Executive Officer
30 July 2013

REVIEW OF OPERATIONS AND **EXPLORATION**

1. ZIMBABWE

COMMODITIES Base metals and gold

OPERATIONS Bindura Nickel Corporation's Trojan and Shangani mines, and Freda Rebecca Gold Mine

PROJECT Hunters Road and Maligreen

EXPLORATION PROSPECTS Makaha deposit

2. DRC

COMMODITIES Base metals, gold and diamonds

EXPLORATION PROGRAMMES Katanga, Maniamuna, Zani-Kodo and 20% stake in MIBA

3. SOUTH AFRICA

COMMODITY Diamonds

OPERATION Klipspringer mine

4. ANGOLA

COMMODITY Diamonds

EXPLORATION PROSPECT Camafuca project

5. BOTSWANA

COMMODITY Diamonds

EXPLORATION PROSPECT BK16

PRECIOUS METALS – OPERATIONS

Freda Rebecca Gold Mine – Zimbabwe

The Freda Rebecca Gold Mine (Freda Rebecca), situated in the town of Bindura, produced 65,350oz of gold in the year to March 2013, an increase of 36 8% from the March 2012 financial year (47,770oz) Average quarterly production for the financial period was 16,338oz of gold, and the highest level of quarterly gold production was 18,350oz, achieved in the quarter to September 2012 12,510oz of gold was sold in the quarter to March 2013 despite decreased volumes being processed due to the leach tank failure in February 2013

During the financial period, progress was made on the evaluation of the economic potential of Freda Rebecca s tailings dumps including the commencement of the construction of a pilot plant Freda Rebecca, which has been in production since 1988, has accumulated some 13 million tonnes of gold bearing tailings in three main storage facilities within the mine lease area The objective of the pilot scale test plant is to prove that gold can be recovered economically from the tailings with little reprocessing and very low mining and handling costs An auguring programme over the dumps will produce a JORC compliant mineral resource that we believe has the potential to add significantly to Freda Rebecca gold production

Work continues to optimise the processing plant, with the focus on increasing plant throughput and recovery improvement Consultants were engaged during the June 2012 quarter to assist management with the correct configuration of power draw, milling rates and grinds in the milling circuit Improvements in grind and a reduction in mill ball consumption are now being recorded Metallurgical tests indicated some variability in the ore characteristics and this variability has had some impact on recovery To mitigate recovery fluctuations, mining schedules have been amended to ensure the optimal blending of ore supply, which resulted in an improvement in recoveries

Freda Rebecca production results for the periods to March 2012 and March 2013

		Year ended March 2013	Year ended March 2012
Tonnes mined	(t)	**1,043,764**	950,587
Tonnes milled	(t)	**958,568**	893,145
Head grade	(g/t)	**2 64**	2 28
Recovery	(%)	**81%**	75%
Gold sales	(oz)	**65,350**	47,770
Average gold price received	($/oz)	**1,654**	1,671
C1 cash cost	($/oz)	**897**	1,038
C2 production cost	($/oz)	**981**	1,110
C3 total cost	($/oz)	**1,115**	1,231

Freda Rebecca resources are given below

Classification	Cut-off (g/t)	Tonnes ('000t)	Grade Au (g/t)	Gold ('000oz)
Indicated	1 5	21,043	2 48	1,675
Inferred	1 5	8,746	2 28	640
Total	**1 5**	**29,789**	**2 42**	**2,315**

The effective date for the Freda Rebecca resource estimate is April 2011

Zani-Kodo – Democratic Republic of Congo

The Zani-Kodo gold exploration project in the Ituri district of the DRC covers gold mining rights over 1,605km^2 in the Orientale Province Mwana is in a joint venture with the state-owned Office des Mines d'Or de Kilomoto (OKIMO) which holds a 20% free carried interest The licences contain a series of highly prospective greenstone belts of Kibalian age which are considered to have the potential to host world-class gold deposits Zani-Kodo is situated between the Kibali (formerly Moto Mines) Project (Randgold/AngloGold Ashanti JV) and the Mongbwalu Project (AngloGold Ashanti)

Exploration drilling on various targets at Zani-Kodo continued apace this financial year with an updated resource of a total combined JORC compliant gold resource of 2 6 milion oz (based on a cut-off grade of 0 5g/t) an increase of 30% on the February 2012 resource statement This includes the following

- Maiden resource of 442,903oz for the newly discovered Lelumodi deposit
- Kodo Main indicated gold resource increased by 22% to 547,838oz
- Kodo Main inferred gold resources increased by 8% to 1,023,292oz

A further 26 holes for 11,038m drilled have been completed at the Kodo area since the last resource update in February 2012 These have targeted the downdip extension of the Kodo Main zone and the southern margin of the deposits The drilling has continued to extend the broad mineralized zone, with best intersections of 24 0m @ 10 04g/t Au, 12 9m @ 6 50g/t Au, 33 15m @ 3 67g/t Au, 21 5m @ 4 46g/t Au and 14 0m @ 5 98g/t Au Drilling during the year has improved the geological model at Kodo

The Zani South/Lelumodi area is situated along the southern extension of the Zani-Kodo trend and contains a major linear gold in soil anomaly and significant artisanal activity A major NE trending fault displaces the contact between Zani South and Gombiri The first phase of drilling on this anomaly which commenced in 2012 has been completed, with 28 holes drilled on a 50m x 50m grid over a strike length of 300m for a total of 6,400m of core drilling Drilling has successfully identified a series of near surface, sub parallel, laterally continuous mineralised

REVIEW OF OPERATIONS AND EXPLORATION
CONTINUED

Zani-Kodo resources along with a comparison to the previous update in February 2012 are as follows

		February 2012			February 2013		
	Category	Tonnes (t)	Grade Au (g/t)	Au (oz)	Tonnes (t)	Grade Au (g/t)	Au (oz)
Kodo Main	Indicated	3,543,828	3 94	448,901	**4,730,693**	**3 60**	**547,838**
	Inferred	7,254,962	4 06	947,361	**9,062,534**	**3 51**	**1,023,292**
Lelumodi	Inferred				**7,373,152**	**1 87**	**442,903**
Badolite	Inferred	2,806,940	2 34	211,010	**2,806,940**	**2 34**	**211,010**
Zani Central	Inferred	9,683,455	1 28	398,894	**9,683,455**	**1 28**	**398,894**
Total		**23,289,185**	**2 68**	**2,006,166**	**33,656,774**	**2 42**	**2,623,937**

zones associated with sheared and silicified felsic volcanic units within a sequence dominated by metabasalt and metadolerite

The best mineralised intersections from Zani South and Lelumodi include 59 6m @ 2 04g/t Au, 51 0m @ 2 01g/t Au, 50 0m @ 2 51g/t Au and 16 3m @ 3 56g/t Au An initial gold resource of 442,903oz @ 1 87g/t has been defined The mineralised zones remain open along strike to both NW and SE, and are also open at depth

Exploration drilling was completed at the La Badolite target area with continuous mineralisation being identified over a strike length of 600m Drilling at Badolite was constrained by an overlying +100m thick iron formation The orebody remains open to depth below this capping At Zani Central, exploration drilling continued at the target area, located to the south of Badolite, with continuous mineralisation identified over a strike length of 650m The zone remains open at depth and to the south A total of 8,712m has been drilled at this location during the financial period

BASE METALS

Bindura Nickel Corporation – Zimbabwe

Located near the town of Bindura, 90km north-east of Harare, BNC is Africa's only integrated nickel mine, smelter and refinery operation In the past, ore from the company's Shangani and Trojan mines, with a combined hoisting capacity in excess of two million tonnes of ore per year, was concentrated and fed, along with concentrate from third parties, to BNC's smelter and refinery BNC has been listed on the Zimbabwe Stock Exchange since 1971

BNC's mines, smelter and refinery were placed on care and maintenance following the global financial crisis and fall in commodity prices in 2008 and remained so until the conclusion of BNC's rights issue and restructuring in September 2012 when management commenced the restart of the Trojan Nickel Mine The restart involved the refurbishment of the handling facilities for the surface milling flotation, tailings and concentrate The cold commissioning of electrical and mechanical circuits encompassing feed conveyors, mills, flotation, concentrate handling and tailings was completed by the introduction of water through the processing plant circuits in late January 2013 The hot commissioning, through the introduction of ore into the milling circuit, commenced on 8 February 2013

Progress on the surface was matched by a successful ramp up of underground operations The commissioning of the Trojan Nickel Mine marked a major milestone in the restoration of the group's nickel assets, following a four year period of care and maintenance In April 2013, BNC announced the first shipment of concentrate to Glencore

In February 2013, Mwana announced a 152% increase in the JORC compliant Nickel resource at Trojan The total Nickel resource for the Trojan Nickel Mine is now 114,952t Nickel (based on a 0 45% Ni cut off), compared to 45,600t previously and the overall resource grade has increased from 1 29% to 1 51% The continuation of the high grade massives at depth has also been confirmed

Following a decrease in nickel prices to around $13,600/t, the current mine plan at BNC is not profitable BNC is therefore reviewing its strategic options, including examining alternative mine plans with the objective of improving short term cash flow These plans utilise the mining flexibility afforded by the presence of higher grade massive sulphide ore within the Trojan orebody

Bindura Nickel Corporation – Reserves

Classification	Tonnes ('000t)	Grade (%)	Nickel (t)
Proved			
Trojan	1,720	1 07	18,350
Shangani	–	–	–
Hunter's Road	–	–	–
Probable			
Trojan	690	1 08	7,460
Shangani	–	–	–
Hunter's Road	–	–	–
Total	**2,410**	**1 07**	**25,810**

"BNC is therefore reviewing its strategic options, including examining alternative mine plans with the objective of improving short-term cash flow "

Bindura Nickel Corporation – Resources

Classification	Tonnes ('000t)	Grade (%)	Nickel (t)
Measured			
Trojan	1,710	1 36	23,250
Shangani	1,840	0 58	10,750
Hunter's Road	–	–	–
Total	**3,550**	**0 96**	**34,000**
Indicated			
Trojan	1,455	1 40	20,427
Shangani	480	0 59	2,840
Hunter s Road	36,437	0 55	200,404
Total	**38,372**	**0 58**	**223,671**
Inferred			
Trojan	4,448	1 6	71,275
Shangani	9,710	0 56	54,280
Hunter's Road	–	–	–
Total	**14,158**	**0 89**	**125,555**

Note

The effective date for the Trojan resource statement is January 2013 and the effective date for the Shangani resource statement is August 2008

The effective date for the Hunter s Road resource estimate is May 2006 The JORC compliant Hunter s Road resource of 36,437kt is found in the West Ore body of Hunter's Road and includes 2 377kt of resource which forms part of a 30m cap of oxide ore mineralisation In addition, in 1993, an Anglo American MinRED estimate showed 11,000kt grading 0 43% Ni approximately 600m east of the West Ore body of Hunter's Road which is not included in the resource shown above

REVIEW OF OPERATIONS AND EXPLORATION
CONTINUED

Katanga Base Metals Concessions – Democratic Republic of the Congo

The Mwana Group holds a 100% interest in 33 exploration concessions covering 4,845km^2 in the south-east of the DRC Exploration is focusing on sediment-hosted stratiform copper-cobalt, iron oxide-copper-gold (IOCG) occurrences as well as on showings of lead and zinc

The Hailiang Joint Venture, signed in February 2013, covers 28 licence areas, with a commitment by Hailiang to spend $25 million over a four-year period Under the JV agreement, the licences can be transferred into a development company in which Mwana will hold a 38% non-dilutable stake Under the JV Agreement, Hailiang also has a six-month option over the Kibolwe licence, if this option is exercised by Hailiang they are committed to spend an additional $15 million within 12 months on Kibolwe Mwana will hold a 40% non-dilutable stake in Kibolwe

The exploration programme to date includes a high resolution aeromagnetic and radiometric survey flown over the bulk of the area (54,000 line km) and 12,000m of drilling at the advanced Kibolwe surface deposit, 5,700m drilling on extensions of Kibolwe and 7,000m drilling at satellite targets within 10km radius of Kibolwe An area of approximately 1,500km^2 has been covered by soil geochemical sampling

Kibolwe is the most advanced of the SEMHKAT concessions and is located approximately 150km northwest of Lubumbashi and 86km southwest of the town of Likasi Kibolwe is a near surface secondary enriched sediment-hosted stratiform copper deposit hosted by Mines Sub-group rocks and the dominant oxide mineral is malachite with minor amounts of cuprite and tenorite, occurring within weathered argillaceous limestones The drill programs have outlined near surface, flat lying mineralized units up to 40m thick, extending over a strike of 1,500m

DIAMONDS

Klipspringer – South Africa

Klipspringer diamond mine is situated approximately 250km north of Johannesburg. Mwana acquired its stake of approximately 62% through the purchase of SouthernEra in 2007. The company's stake has increased to 68.93% following dilution of the joint venture partner due to non-investment by the partner in the working capital requirements of Klipspringer.

"An agreement has been signed with Greenhurst Mining and Exploration to re-treat fine residue tailings at Klipspringer on a profit share basis."

As a result of severe weather incidents in December 2010 and January 2011, which flooded the shaft bottom and lower (7) level, the mine remains on care and maintenance. Management is reviewing restart scenarios and timing.

An agreement has been signed with Greenhurst Mining and Exploration to re-treat fine residue tailings at Klipspringer on a profit share basis. Construction of the processing plant and site preparation is in progress. The processing plant will have a capacity of 50 tonnes per hour, with a projected monthly throughput of 22,560 tonnes. Commissioning is targeted for the December Quarter of 2013 and production will commence thereafter.

Other Interests – Botswana, Angola and the Democratic Republic of Congo

Mwana Africa has minority stakes in a number of other diamond projects including a 20% interest in Société Miniere de Bakwanga (MIBA) in the DRC, an 18% interest in the Camafuca project in Angola, and a 12.5%* interest in the BK16 project in Botswana.

* *Mwana currently holds 55% of BK16 and has entered into an agreement with Firestone Diamonds whereby Firestone can earn up to 87.5% of BK16 for financing and carrying out all work up to the completion of a bankable feasibility study.*

FINANCIAL
REVIEW

INCOME STATEMENT

Pro-forma income and expense statement

	Freda Rebecca		Other Mwana Africa Group		Total (Excl BNC)		BNC		Total group	
$ million	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Revenue	**108 1**	79 8	–	–	**108 1**	79 8	**1 0**	1 5	**109 1**	81 3
Cost of sales	**(55 3)**	(45 8)	**(0 6)**	(0 2)	**(55 9)**	(46 0)	**(0 8)**	(0 4)	**(56 7)**	(46 4)
Gross profit/(loss)	**52 8**	34 0	**(0 6)**	(0 2)	**52 2**	33 8	**0 2**	1 1	**52 4**	34 9
Other income	**0 1**	–	–	1 6	**0 1**	1 6	**0 3**	0 5	**0 4**	2 1
Selling and distribution expenses	**(8 1)**	(4 6)	–	–	**(8 1)**	(4 6)	**(0 3)**	(0 3)	**(8 4)**	(4 9)
Care and maintenance expenses	–	–	**(0 9)**	(1 0)	**(0 9)**	(1 0)	**(12 1)**	(13 4)	**(13 0)**	(14 4)
Administrative expenses	**(7 5)**	(5 6)	**(1 1)**	(1 7)	**(8 6)**	(7 3)	**(3 0)**	(2 0)	**(11 6)**	(9 3)
Corporate costs	–	–	**(8 5)**	(8 0)	**(8 5)**	(8 0)	–	–	**(8 5)**	(8 0)
Profit/(Loss) on sale of investment	**0 1**	–	–	(0 4)	**0 1**	(0 4)	**0 2**	–	**0 3**	(0 4)
Profit/(loss) from operating activities before impairment	**37 4**	23 8	**(11 1)**	(9 7)	**26 3**	14 1	**(14 7)**	(14 1)	**11 6**	–
Impairment loss	**(0 3)**	–	**(0 4)**	(0 4)	**(0 7)**	(0 4)	**(43 7)**	–	**(44 4)**	(0 4)
Impairment reversal	–	–	–	0 4	–	0 4	–	–	–	0 4
Profit/(loss) from operating activities	**37 1**	23 8	**(11 5)**	(9 7)	**25 6**	14 1	**(58 4)**	(14 1)	**(32 8)**	–
Finance income	–	–	**0 6**	–	**0 6**	–	**0 9**	0 6	**1 5**	0 6
Finance costs	**(0 7)**	(0 6)	–	(0 4)	**(0 7)**	(1 0)	**(0 1)**	(0 8)	**(0 8)**	(1 8)
Profit/(loss) before income tax	**36 4**	23 2	**(10 9)**	(10 1)	**25 5**	13 1	**(57 6)**	(14 3)	**(32 1)**	(1 2)
Income tax expense	**(9 6)**	(5 5)	**(1 8)**	–	**(11 4)**	(5 5)	–	–	**(11 4)**	(5 5)
Net profit/(loss)	**26 8**	17 7	**(12 7)**	(10 1)	**14 1**	7 6	**(57 6)**	(14 3)	**(43 5)**	(6 7)
Non-controlling interest	**(0 8)**	–	–	–	**(0 8)**	–	**15 7**	6 0	**14 9**	6 0
Net profit/(loss) attributable to owners of the parent	**26 0**	17 7	**(12 7)**	(10 1)	**13 3**	7 6	**(41 9)**	(8 3)	**(28 6)**	(0 7)

The group reported turnover for the year of $109 1 million (2012 $81 3 million) and a profit from operating activities before impairments for the year of $11 6 million (2012 $nil) The net loss for the year is $43 5 million

Freda Rebecca

During the year, Freda Rebecca sold 65,350 ounces of gold (2012 47,770 ounces) at an average price of $1,650 per ounce

(2012 $1,664 per ounce) as well as by-products, generating revenue of $108 1 million (2012 $79 8 million) Operating costs during the period increased in line with the ramp up of operations, and totalled $70 9 million (2012 $56 0 million) for the year Profit before tax for the year was $36 7 million (2012 $23 2 million)

Bindura Nickel Corporation

Revenue of $1 0 million (2012 $1 5 million) was generated through the sale of in-process inventories Operating costs of $16 2 million (2012 $16 1 million) increased slightly from the previous year BNC reported a net loss before impairments and tax of $13 9 million[1] (2012 $14 3 million)

[1] *This number was calculated using the Loss before Income Tax of $57 6 million and adding back the $43 7 million impairment loss*

100% of BNC's non-current assets have been impaired in the Group Financial Statements which resulted in an impairment loss of $43 7 million See note 33 which provides background and financial impact of this impairment

Other Mwana Africa group

The group, excluding BNC and Freda Rebecca, incurred operating costs of $11 1 million (2012 $10 9 million)

"The group reported turnover for the year of $109 1 million (2012 $81 3 million) and a profit from operating activities before impairments for the year of $11 6 million (2012 $nil)"

CASH FLOW STATEMENT

Pro-forma cash reconciliation

	Freda Rebecca		Other Mwana Africa Group		Total (Excl BNC)		BNC		Total group	
$ million	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Opening cash at 1 April 2012	**2 4**	2 1	**3 9**	2 9	**6 3**	5 0	**0 4**	2 4	**6 7**	7 4
Cash financing	**(23 2)**	(7 0)	**22 1**	21 0	**(1 1)**	14 0	**37 8**	5 4	**36 7**	19 4
Equity issues	–	–	**32 8**	14 2	**32 8**	14 2	–	–	**32 8**	14 2
Loan finance (net)	**(1 7)**	4 0	–	–	**(1 7)**	4 0	**4 7**	–	**3 0**	4 0
Cash transferred (to)/ from group	**(20 0)**	(11 0)	**(11 1)**	5 6	**(31 1)**	(5 4)	**31 1**	5 4	–	–
Sale of equity investments	–	–	**0 4**	1 2	**0 4**	1 2	–	–	**0 4**	1 2
Proceeds from NCI	–	–	–	–	–	–	**2 0**	–	**2 0**	–
Dividends paid to minority interests	**(1 5)**	–	–	–	**(1 5)**	–	–	–	**(1 5)**	–
Operations	**24 2**	7 3	**(19 7)**	(20 0)	**4 5**	(12 7)	**(32 7)**	(7 4)	**(28 2)**	(20 1)
Operating cash flow	**42 8**	27 2	**(10 7)**	(9 7)	**32 1**	17 5	**(15 8)**	(8 5)	**16 3**	9 0
Change in working capital	**(1 9)**	(10 8)	**8 4**	(0 1)	**6 5**	(10 9)	**(7 5)**	1 5	**(1 0)**	(9 4)
Capital expenditure	**(8 6)**	(8 2)	**(0 4)**	–	**(9 0)**	(8 2)	**(9 4)**	(0 4)	**(18 4)**	(8 6)
Capitalised exploration	–	–	**(15 3)**	(10 2)	**(15 3)**	(10 2)	–	–	**(15 3)**	(10 2)
Taxation	**(8 1)**	(0 9)	**(1 7)**	–	**(9 8)**	(0 9)	–	–	**(9 8)**	(0 9)
Closing cash at 31 March 2013	**3 4**	2 4	**6 3**	3 9	**9 7**	6 3	**5 5**	0 4	**15 2**	6 7

FINANCIAL REVIEW
CONTINUED

Freda Rebecca

Positive cashflow of $42 8 million (2012 $27 2 million) was generated by operations during the year $1 9 million (2012 10 8 million) was invested in additional working capital $8 6 million (2012 $8 2 million) was invested in capital expenditure

Bindura Nickel Corporation

Sales of inventory and intermediate material and receipt of cash from debtors, were offset by partial repayments to creditors, while the restart programme that commenced during the year was funded from the rights issue $4 7 million was drawn down against a $10 million loan facility made available by Mwana Africa $2 0 million cash was raised from non-controlling interests during the rights issue BNC's net cash position increased from an opening balance of $0 4 million (2012 $2 4 million) to $5 5 million at the year end, mainly due to rights issue cash not yet spent on the restart

Other Mwana Africa group

Mwana Africa (excluding BNC and Freda) saw operating cash outflow of $10 7 million (2012 $9 7 million outflow) During the year, Mwana Africa invested $15 3 million (2012 $10 2 million) on its portfolio of exploration prospects, $3 8 million in Semhkat (2012 $2 9 million) and $11 5 million in Zani (2012 $7 3 million)

During the period, the company issued 399,159,743 million shares at 5 5p per share (2012 185 4 million shares at 5p per share), raising $32 4 million net of costs (2012 $14 2 million)

BALANCE SHEET

	Freda Rebecca		Other Mwana Africa Group		Total (Excl BNC)		BNC		Total group	
$ million	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Non-current assets	49 3	45 6	61 5	46 6	110 8	92 2	0 5	35 1	111 3	127 3
Current assets (excl cash)	13 7	15 4	1 4	1 4	15 1	16 8	9 0	8 3	24 1	25 1
Cash	3 4	2 4	6 4	3 9	9 8	6 3	5 4	0 4	15 2	6 7
Non-current liabilities	(19 4)	(19 9)	(1 6)	(1 5)	(21 0)	(21 4)	(21 2)	(12 6)	(42 2)	(34 0)
Current liabilities	(8 4)	(7 1)	(5 3)	(3 6)	(13 7)	(10 7)	(22 7)	(36 4)	(36 4)	(47 1)
Total equity	38 6	36 4	62 4	46 8	101 0	83 2	(29 0)	(5 2)	72 0	78 0
Non-controlling interest	(2 6)	–	–	–	(2 6)	–	13 4	3 5	10 8	3 5
Equity attributable to owners of the parent	36 0	36 4	62 4	46 8	98 4	83 2	(15 6)	(1 7)	82 8	81 5

At 31 March 2013, the group had cash balances of $15 2 million (2012 $6 7 million), comprising $5 4 million (2012 $0 4 million) held by BNC and $9 8 million (2012 $6 3 million) held by Freda Rebecca and other Mwana Africa group entities The book value of shareholders' equity at the year-end was $115 7 million (2012 $81 5 million) Refer to note 2 for the funding requirements and cash forecast for the group

Freda Rebecca

Non-current assets increased by $3 7 million (2012 $3 3 million) as a result of continued investment in mining assets offset by depreciation

Current assets decreased by $1 7 million (2012 $4 8 million increase) to $13 7 million (2012 $15 4 million) This amount includes a decrease in trade debtors of $3 3 million (2012

$3 5 million increase), an increase in spares and inventory of $1 9 million (2012 $0 9 million) and a decrease in other debtors of $0 3 million (2012 $0 4 million increase)

The movement in non-current liabilities to $19 4 million (2012 $19 9 million) is contributed to the interest on the IDC loan, the continued repayment of the IDC loan facility as well as the increase in the environmental provision

Bindura Nickel Corporation

The value of current assets increased by $1 7 million (2012 $1 6 million decrease) to $9 0 million (2012 $8 3 million) as a result of the restart programme which necessitated increased inventory Non-current assets (excluding investments of $0 5 million) of BNC have been impaired, as described in note 33

Other Mwana Africa group

The value of non-current assets increased to $61 5 million (2012 $46 6 million) Additional exploration expenditure was capitalised during the year in accordance with the group's policy

GROUP LIQUIDITY

At 31 March 2013 the group held cash of $15 2 million (2012 $6 7 million) of which $5 4 million (2012 $0 4 million) was held by BNC Included in the group cash balance is $1 7 million (2012 $1 7 million) reserved for loan repayments in relation to the IDC loan facility in Freda Rebecca As at 30 June 2013, the group held cash of $5 2 million

IDC FACILITY

Freda Rebecca Gold Mine has drawn down the full $10 million of the IDC project loan facility

	IDC Project Loan	
$ million	**2013**	**2012**
Opening balance	**7 9**	3 8
Interest	**0 6**	0 6
Draw down	**0**	5 2
Repayments	**(2 4)**	(1 7)
Closing balance	**6 1**	7 9

The facility is repayable in 10 equal instalments over a five-year period and attracts an interest rate of US$LIBOR plus 5% with final repayment in 2016

GOING CONCERN

The directors, after making enquiries and considering the uncertainties described further in note 2 Basis of preparation to the financial statements 'going concern , believe that the company and the group will be able to access the financial resources to continue in operational existence for the foreseeable future Accordingly they continue to adopt the going concern basis in preparing the Annual Report and financial statements and these financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate

OVERVIEW OF SOCIAL AND ENVIRONMENTAL **RESPONSIBILITY**

Mwana Africa's reputation for responsible and sustainable development has been established by ensuring a safe working environment for its staff, by positively engaging with the communities in which it operates, and by minimising the environmental impact of its activities

The company's primary contribution to the areas in which it operates is the stimulation of economic activity through the creation of jobs, development and support of local businesses, the use of local contractors, and the purchase of goods and services from nearby suppliers The focus of Mwana Africa's social initiatives continues to be in education, health, and enterprise development, in particular in support of small and medium enterprises (SMEs) to diversify local economies and reduce dependence on Mwana's operations as the sole significant employer in the areas in which we operate

We actively engage with our stakeholders through a variety of formal and informal meetings, briefings, surveys, and feedback sessions on issues raised

WORKPLACE HEALTH AND SAFETY

Whilst Mwana Africa recognises that exploration and mining have an inherent level of risk, we deeply regret the loss of life of one of our employees at the Trojan Mine this year We extend our sincere condolences to his family

Operations at Klipspringer remained on care and maintenance, whilst at Freda Rebecca Mine the implementation of proactive safety management programs resulted in the lost time injury frequency rate (LTIFR) remaining at 0 91 All our mines and exploration operations routinely achieved extended periods in which no lost time injuries were reported Our Freda Rebecca Mine maintained certification for the OHSAS 18001 1999 standard for occupational health and safety, and our Trojan Mine aims to achieve similar accreditation in the coming year

"All our mines and exploration operations routinely achieved extended periods in which no lost time injuries were reported "

"During the year Freda Rebecca Gold Mine has increased the proportion of supplies and services that it sources from local suppliers, with 69% of total procurement expenditure sourced locally."

EMPLOYMENT

At the year end, Mwana Africa employed 1,560 people (compared with 2,615 the previous year). The significant staff reduction this year reflects the restructuring at BNC.

Preference during recruitment is given to the local community, especially for unskilled and semi-skilled positions. At the Freda Rebecca Mine in Zimbabwe, 65% of the workforce is from the local town of Bindura. One third of all staff at Bindura Nickel Corporation (BNC) is from the surrounding towns and villages.

In Klipspringer Mine in South Africa, all but one of our employees are from communities in the immediate vicinity of the mine. With the exception of senior expatriate management, all our employees in exploration operations are from the surrounding communities.

All operations and exploration management actively engage with union and workforce representatives, which contribute to positive labour relations, through collaboration with management joint forums on issues such as wages, conditions of employment, occupational health and safety, and serious diseases such as HIV/AIDS. No employee days were lost to industrial action across the group.

"No employee days were lost to industrial action across the group."

LOCAL ECONOMIC IMPACT

During the year Freda Rebecca Gold Mine has increased the proportion of supplies and services that it sources from local suppliers, with 69% of total procurement expenditure sourced locally. Several small business enterprises are assisted by Freda Rebecca to provide services to the mine and the mine villages, and to encourage entrepreneurial ventures. Similarly, BNC sourced 76% of its total procurement locally. The exploration operations in Katanga source 15% of goods and services from local villages, with the remaining 85% spilt between the towns of Likasi and Lubumbashi. The sheer remoteness of Mwana's operations in Zani necessitate that virtually all supplies are imported from Uganda.

Exploration projects routinely assist with infrastructure support such as the upgrading of roads and the construction of access bridges. In cases of extreme emergency, exploration staff assist community members by providing transport to hospitals.

Bindura Estates (a wholly owned subsidiary of Freda Rebecca) embarked on establishing a commercial farm on the arable portions of the Mine Lease. In addition to bolstering the local economy of Bindura and improving food security, this venture is providing stable employment for the local community as permanent employees and seasonal labour.

"Exploration projects routinely assist with infrastructure support such as the upgrading of roads and the construction of access bridges."

EDUCATION

Freda Rebecca Gold Mine (FRGM) continued expanding its partnership with the Italian NGO Terre des Hommes (TdH) adding to its support network, a local primary school, Mapunga. TdH maintained its commitment to provide school fees for over 150 children, as well as paying the salaries of some teachers. The Mine organised refurbishment of the buildings and surrounds of Mapunga School, constructing 6 new classrooms, ablution facilities, and sinking a borehole for reticulation and sanitation purposes. FRGM also provided assistance with furniture, educational books and stationery. We helped Batani crèche with the construction of a market garden, and this year, the crèche is also embarking on a small scale chicken-rearing enterprise with FRGM and TdH's support. The vegetables from the garden will supplement the children's nutritional needs, and the income generated will subsidize the crèche thereby reducing school fees. In the coming year, a further 6 schools in the immediate vicinity of the Mine will be refurbished. FRGM is also sponsoring 5 students through their degrees at the School of Mines, and offers scholarships on a case-by-case basis to academically gifted students from the local community.

BNC provides on-site primary school education, funds secondary schooling and grants a number of scholarships to higher education institutions for employees' children.

The exploration project at Zani in the DRC has constructed several classrooms for schools in the vicinity, and has finished refurbishing the dormitory at the secondary school adjacent to the camp. In addition, the project has also commissioned a local carpenter to make desks for local primary and secondary schools.

OVERVIEW OF SOCIAL AND ENVIRONMENTAL RESPONSIBLITY
CONTINUED

EMPLOYEE AND COMMUNITY HEALTH

The principal health issues faced in the regions in which we operate are malaria, HIV/AIDS and waterborne diseases such as typhoid and cholera

The company provides medicines, education and training for the prevention and treatment of these diseases, as well as associated infections such as tuberculosis FRGM helped the local municipal council with its refurbishment of the local water supply, upgrading pumping capabilities, as well as 24 hour maintenance assistance In addition, FRGM embarked on a comprehensive borehole reticulation programme for outlying communities to ensure access to safe water supply, to date, 10 holes with manual pumps have been completed

BNC and Freda Rebecca Mine also staff and fund the running of occupational health as well as primary health care clinics for employees and their families Both the Trojan Mine clinic (part of BNC) and the Freda Rebecca clinic have been certified by the government as Opportunistic Infections Clinics Freda Rebecca continued with its Employee Assistance Programme to its employees and dependents, which focused on counselling for work and lifestyle problems Mwana's mine operations have all implemented community-wide HIV/AIDS management strategies linked to the concept of overall Wellness This includes awareness and education campaigns, voluntary counselling and testing (VCT), and health care training Freda Rebecca was certified as an ART clinic to dispense anti-retroviral (ARVs) medication supplied by the government to affected employees and their dependants, as well as the local community Both Freda Rebecca and BNC also receive assistance from the Zimbabwean Business Council on Aids (ZBCA) BNC has initiated a similar association as FRGM with the HIV/AIDS assistance project coordinated by the Swedish Workplace HIV & AIDS Programme (SWHAP) The first phase of cooperation involves the review and implementation of HIV/AIDS and Wellness policies and practices UNICEF donates primary health care drugs to Freda Rebecca, which passes on any unused supplies to the local provincial hospital

"BNC and Freda Rebecca Mine also staff and fund the running of occupational health as well as primary health care clinics for employees and their families "

ENVIRONMENTAL IMPACT

Mwana Africa limits the impact of its operations on the environment through responsible waste disposal and prevention of pollution, and through optimising the use of resources such as water, fuel and electricity We take proactive measures to conserve local biodiversity, and to re-establish habitats disrupted by vehicle movement, waste rock dumps and tailings dams

In all but one of our operations, internal and external environmental audits were completed and no significant non-compliances were found Following the leach tank incident at Freda Rebecca Mine in February, the Mine has successfully cleaned up the pulp spillage to the satisfaction of Zimbabwe's Environmental Management Authority FRGM, in conjunction with EMA, has since continued to monitor the discharge levels in the drainage canal and these have now returned to acceptable levels FRGM maintained ISO14001 certification for environmental practices, and continued air quality monitoring confirms that the dust generated by mining activities is in no way impacting negatively on employee or community health Proactive water quality practices at the Mine have maintained its water discharge status within safe categories The restart at BNC involves the re-establishment of sound environmental practices, including programs to reduce impacts, and the Trojan Mine aims to obtain ISO14001 certification next year

Mwana Africa recognises its obligation to rehabilitate the sites where it has operated In addition, financial provisions are in place for costs associated with the closure of the company's operations in Zimbabwe and South Africa, as prescribed by local laws

BOARD OF **DIRECTORS**

Oliver Baring (68)
Non-executive Chairman

Oliver Baring is a former Managing Director of UBS in the Corporate Finance Division, where he was responsible for the Africa and Mining sectors Before the merger with SG Warburg, he was a partner of Rowe & Pitman, having spent five years with the Anglo American/De Beers group in the United States, the United Kingdom and South Africa Mr Baring is currently a Non-executive Chairman of First Africa Holdings Limited, a Non-executive Director of Blackrock World Mining Trust plc and Ferrexpo plc , and an adviser to the Sentient Resources Fund

Kalaa Mpinga (52)
Chief Executive Officer

Kalaa Mpinga, who is a citizen of the DRC, has held a number of senior positions in different locations around the world His career has included working for Bechtel Corporation in San Francisco and Anglo American Corporation of South Africa from 1991 In 1995 he joined the New Mining Division, the division responsible for exploration and the acquisition of resources in Africa He was appointed a Director of Anglo American Corporation in 1997 Mr Mpinga left the group in December 2001 to pursue business opportunities in mining, founding Mwana Africa Holdings (Pty) Limited, the forerunner of Mwana Africa, in 2003 He is also a Non-executive director of Group Five Limited, a South African leasing, engineering and construction company

Donald McAlister (54)
Finance Director

Donald McAlister has significant breadth of experience in the mining sector, including 20 years of experience as a Finance Director for African mining companies Prior to joining Mwana Africa he was Finance Director of Ridge Mining PLC (formerly Cliff Mining PLC) from 1999 until its acquisition by Aquarius Platinum in July 2009 At Ridge Mining he helped manage the

BOARD OF DIRECTORS
CONTINUED

acquisition, financing and development, through to production of the Blue Ridge platinum mine Prior to Ridge Mining, Mr McAlister was Finance Director at Reunion Mining PLC where his experience included the financing of gold and base metal mines in Zimbabwe, Zambia and Namibia Before that he worked in finance roles at Centurion Mining PLC, Enterprise Oil PLC and Cluff Oil PLC He is currently a Non-executive director of AIM listed mining company Tertiary Minerals plc where he is Chairman of the Audit Committee

Yat Hoi Ning (57)
Non-executive Director

Mr Ning Yat Hoi joined the Board in June 2012 He is the Chairman of Hoi Mor Industrial (Group) Limited, China International Mining Group Corporation, Hong Kong Mining Exchange Company Limited and MBMI Resources Inc Mr Ning also sat as the Vice Chairman of China Non-ferrous Metals Council He has more than 20 years' experience in the trading, investing and managing of non-ferro and precious metals businesses He is the founder of a number of mining companies including Congo International Mining Corporation Sprl, African PGM Processing Sprl and Fareast Nickel Mining Corporation

Yuan Ching Hu (39)
Non-executive Director

Mr Hu, Yuan Ching joined the Board in July 2012 He was born in 1974 in Taipei, Taiwan He studied Architecture and Environment Design, graduating from Taiwan Shu Te University in 2000 He also has a Fiduciary Broker Licence, a Marketing Immovable Property Licence and is a qualified Professional Financial Supervisor Between 2001 and 2006 Mr Hu was General Manager of Taiwan A-Life Company, where he was made an Executive Director in 2005 and in 2006 he established Taiyou Investment Co Ltd in Hong Kong

Stuart Morris (67)
Non-executive Director

Stuart Morris was appointed to the Board in December 2005 He became a partner of KPMG South Africa in 1976, later becoming Senior Partner and a member of the KPMG International executive and board He was Chairman of the South African Institute of Chartered Accountants Ethics Committee, President of the Johannesburg Chamber of Commerce and Industry, a Public Investment Commissioner, and a Council member of Witwatersrand University From 1999 until 2004, when he retired, Mr Morris was Group Financial Director of Nedbank Group Limited He is currently an independent Non-executive Chairman or Director, including Chairman of the audit & risk and remuneration committees, of several other listed and unlisted entities

John Anderson (72)
Non-executive Director

John Anderson was appointed to the Board in February 2007 He is Executive Chairman of J O Hambro Investment Management Limited where he manages investment portfolios for what is predominantly an international client base Prior to joining the company in 1988, he was a Director of J Henry Schroder Wagg, and was instrumental in establishing and managing Schroder Securities Limited Previously he was both Finance and International Partner at the London Stockbrokers Panmure Gordon & Co Mr Anderson has been involved in natural resources and emerging markets for more than 45 years, is a graduate of Edinburgh University and qualified as a Scottish Chartered Accountant in 1966

Etienne Denis (70)
Non-executive Director

Etienne Denis was appointed to the Board in February 2007 He holds a PhD in Science from the University of Louvain (UCL) After working at the university and with Gécamines in the DRC, he joined Umicore (formerly known as Union Minière) in 1974 where he held a number of management positions, including those of Managing Director of Union Zinc, Umicore Engineering and Sibeka until 2003 When he retired, Mr Denis became a board member of Umicore until mid-2005 when he moved to the board of Cumerio He was a Director of Adastra Minerals Inc until 2006, when it was purchased by First Quantum Minerals

Johan Botha (64)
Non-executive Director

Johan Botha joined the Board in January 2012 Johan is a South African citizen with over 40 years' experience in the African mining sector, 26 years of which were spent working across AngloGold's portfolio, as well as working as Manager in the Technical Development Division Since leaving Anglo Johan has assisted and managed in the development and bringing into production of a number of mines, working for BHP and Randgold In more recent years Johan was the VP for Gold Fields Ghana Ltd and then joined Banro to initiate the build of the Twangiza mine in the DRC

DIRECTORS' **REPORT**

The directors present their report and financial statements for the year ended 31 March 2013

PRINCIPAL ACTIVITIES

The groups main activities are exploration, development and production of gold, nickel, copper and diamonds Further information concerning the activities of the group and its future prospects are contained in the Chairman's letter on pages 4 and 5, and the Review of operations and exploration on pages 8 to 13

BUSINESS REVIEW

The group loss before tax was $32 1 million (2012 $1 2 million) The loss for the year attributable to shareholders of the parent company was $28 6 million (2012 $0 7 million) The directors do not recommend the payment of a dividend on ordinary shares As required by the Companies Act 2006, the company must provide a fair review of the development and performance of the group during the year ended 31 March 2013, its financial position at the end of the year and likely future developments in the group's business The information which satisfies these requirements is to be found in the Chairman's letter on pages 4 and 5, the Chief Executive's review on pages 6 and 7, the Review of operations and exploration on pages 8 to 13, and the Financial review on pages 14 to 17

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties to which the group is exposed relate to changes in the market prices of gold, nickel and diamonds, resource and reserves risk, processing risk, environmental risk, mining and operating risk, financing risk and political risk

FINANCING RISK

Financing risk has a critical impact on the going concern of the group and the directors disclose current uncertainties and plans to mitigate them in the basis of preparation note of the financial statements Mining is a capital intensive business and there is a risk that if finance is not available for the development or further exploration of a project then the value of the project may not be realised Mwana's financing risk is linked to the availability of funding in the capital and debt markets which are impacted by their perception of commodity and country risk Mwana seeks to mitigate its financing risk by diversifying its sources of finance for the development of its projects

The impact of the financing raised during the period is discussed in the Financial Review and the current and expected funding requirements are disclosed in Note 2 to the financial statements (regarding Going Concern)

POLITICAL RISK

There is a political risk impacting the group's operations in Zimbabwe The group is facing a risk linked to the indigenisation regulation in Zimbabwe Details of this risk and the actions undertaken to mitigate it are detailed in the following section of the Directors Report regarding Zimbabwean indigenisation

METAL PRICE RISK

Fluctuations in metal prices can clearly affect the profitability of mining operations The group seeks to protect itself from adverse fluctuations by investing in projects which can operate economically in lower metal price environments and by controlling operating costs The group uses no financial instruments or hedging products to fix metal prices

The impact of the metal prices on the performance of the period is assessed in note 32

DIRECTORS' REPORT
CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

RESOURCE AND RESERVE RISK

There is a risk that estimates of Mineral Resources and Reserves overstate their economic potential This uncertainty could give rise to a situation where a mine is, or becomes, commercially unviable

The group manages risk by ensuring that all Mineral Resource and Reserve estimates are calculated by reference to internationally accepted standards (in this case The Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, JORC)

In addition all Mineral Resource estimates published by the group are signed off by an independent qualified person

Information about the resources and reserves is included in the Review of Operations and Exploration

PROCESSING RISK

There is a risk that the processing of ore to recover metal fails to deliver recoveries expected and this may have the effect of reducing projected profitability All of the group s existing mining operations have a long history of economic production and the processing techniques used are well understood When the group invests in new projects the metallurgical processes are thoroughly tested and reviewed by independent consultants before any investment is made

ENVIRONMENTAL RISK

Exploration and development of a project can be adversely affected by environmental legislation and the unforeseen results of environmental studies carried out during evaluation of a project Once a project is in production unforeseen events can give rise to environmental liabilities and or temporary closure of mining operations

The group takes every care to comply with environmental legislation in the countries in which it operates and designs its training and procedures to minimise the environmental impact of operations

The impact of the existing environmental obligations on the financial statements is disclosed in note 27 The details of the mitigating actions undertaken by the group during the period are disclosed in the section 'Environmental Impact' of the Overview of Social and Environmental Responsibility

MINING AND OPERATING RISK

Mining is an inherently risky activity and can involve ground instability, failure of machinery and human error The group makes every effort to ensure that these risks are minimised by ensuring that mining operations are professional, that a high level of workforce training and education is maintained and by prompt reporting of incidents to management

Information about the Health and Safety framework at Freda Rebecca is included in the section Workplace Health and Safety' of the Overview of Social and Environmental Responsibility

ZIMBABWEAN INDIGENISATION

In 2007, the Zimbabwean Government published the Indigenisation and Economic Empowerment Act which made provision for the indigenisation of up to 51% of all foreign owned businesses operating in Zimbabwe Regulations in support of the Indigenisation Act were published in February 2010 in preparation for the implementation of the Act

On 25 March 2011 the Minister of Youth Development, Indigenisation and Empowerment published a notice in the government gazette promulgating the Indigenisation and Economic Empowerment (General) Regulations in statutory instrument 21 of 2010 The document sets out the requirements for the implementation of the Indigenisation Act and its supporting regulations as they pertain to the mining sector These regulations include the requirement to transfer a minimum of 51% or a controlling interest to indigenous Zimbabweans

Since then, Mwana has disposed of 15% of Freda Rebecca to an Indigenous Zimbabwean A community trust has been established and discussions are underway with this trust about a disposal of some shareholding in Freda Rebecca to this trust Furthermore, discussions remain on-going with the Zimbabwean Government to determine any further impact on Mwana's shareholding in its Zimbabwean assets The Board has considered the impact of the uncertainties stemming from indigenisation risk as disclosed in note 2 regarding the basis of preparation of the financial statements and in the note 19 regarding investments

KEY PERFORMANCE INDICATORS

Management monitors the group's liquidity requirement on a weekly basis Financial and operational performance is measured regularly and operational updates are published quarterly

Key performance indicators are specific to each area of the business

FREDA REBECCA

Key performance indicators include tonnes mined and processed, grade of material delivered to plant, gold recovery, operating costs per ounce produced, ounces of gold produced, financial performance and management of assets, health, safety and environmental incidents including lost time events due to injury

BINDURA NICKEL

Key performance indicators in respect of the Trojan Mine includes tonnes mined and processed, grade of nickel delivered to the plant, nickel recovery, operating costs per lb , tonnes of nickel in concentrate within specifications, both in %MgO and moisture content Other measures considered are financial performance and management of assets, health, safety and environmental incidents including lost time events due to injury The remainder of the BNC operations remain on care and maintenance, and the key performance areas include maintenance and the operating integrity of all the assets and the financial performance against the care and maintenance budget

EXPLORATION PROJECTS

Key performance indicators include the addition of resource ounces in the case of Zani and the identification of drill targets at Semhkat

CHANGES IN SHARE CAPITAL

Details of changes in the share capital during the year are set out in note 25 to the financial statements

CREDITOR PAYMENT POLICY

Each operating company in the group is responsible for agreeing the terms of transactions, including payment terms, with suppliers and, provided that suppliers perform in accordance with the agreed terms, it is the group's policy that payment is made accordingly Trade creditors of the group at 31 March 2013 represented 65 days (2012 109 days) of annual purchases, including capital expenditure, and 30 days (2012 34 days) for the group excluding BNC As reported in the Financial Review on pages 14 to 17, BNC was on care and maintenance for half the year pending the financing for the planned restart of the Trojan mine This together with the difficulty obtaining finance for BNC's continued restart activities has consequently severely restricted payments to its creditors

DIRECTORS' REPORT
CONTINUED

SUBSEQUENT EVENTS

The post balance sheet events are described in note 34 to the financial statements

DIRECTORS

The current directors of the company are as follows

Executive directors	
KK Mpinga	Chief Executive Officer
DAR McAlister	Finance Director

Non-executive directors	
OAG Baring	Chairman
YH Ning – appointed 7 June 2012	
YC Hu – appointed 4 July 2012	
SG Morris	
JA Anderson	
E Denis	
JL Botha	

Mr OAG Baring and Mr SG Morris are retiring by rotation and being eligible, offer themselves for re-election Mr E Denis retires by rotation and will not offer himself for re-election

The interests of the directors and their remuneration are described in the Directors' remuneration report which is on pages 28 to 34

MAJOR SHAREHOLDINGS

The share register records that the following shareholders held 3% or more of the issued share capital of the company at 30 April 2013

Shareholder	Number of shares	% interest
China International Mining Group Corporation	242,424,282	21 7
Morstan Nominees Limited	126,665,392	11 3
State Street Nominees	96,748,831	8 6
Chase Nominees Limited	40,399,178	3 6
The Bank of New York (Nominees) Ltd	36,646,793	3 3

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The group has prepared its consolidated accounts for the year ended 31 March 2013 in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRSs)

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The company has purchased Directors' and officers' liability insurance which remains in place at the date of this report

POLITICAL CONTRIBUTIONS AND CHARITABLE DONATIONS

Total contributions of $799,205 (2012 $138,700) were made during the year, $237,162 (2012 $60,000) as political contributions and $562,043 (2012 $78,700) as charitable donations

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

Our auditors, KPMG Audit Plc , has instigated an orderly wind down of KPMG Audit Plc 's business As a result, a resolution to appoint KPMG LLP as auditors of the company is to be proposed at the forthcoming annual general meeting

By order of the Board

Brian P. Tuck

B Tuck
Company Secretary

30 July 2013

DIRECTORS'
REMUNERATION REPORT

REMUNERATION COMMITTEE

The Remuneration Committee comprising non-executive directors JA Anderson (Chairman), SG Morris and E Denis, reviews the performance of the executive directors and sets and reviews the scale, structure and basis of their remuneration and the terms of their service agreements, paying due regard to the interests of shareholders as a whole and the performance of the company

In determining the remuneration of executive directors, the Remuneration Committee seeks to enable the company to attract and retain executives of the highest calibre The Remuneration Committee also makes recommendations to the Board concerning the allocation of share options to employees No director is permitted to participate in discussions or decisions concerning his own remuneration

REMUNERATION POLICY

The policy on directors' remuneration is that the overall remuneration package should be sufficiently competitive to attract and retain individuals of a quality capable of achieving the group's objectives

The remuneration policy is designed such that individuals are remunerated on a basis that is appropriate to their position, experience and value to the company

The Remuneration Committee determines the contract terms, basic salary and other remuneration for each of the executive directors, including performance related share options, bonuses, pension rights and any compensation payments

EXECUTIVE REMUNERATION PACKAGE

The details of individual components of the remuneration package and service and employment contracts are discussed below

BASIC SALARY AND BENEFITS

The policy is to review salary and benefits annually against competitive market data and analysis, and adjust accordingly

BONUS SCHEME

There is no formal bonus scheme in place Bonus awards in respect of the year ended 31 March 2013 are set out in the directors' remuneration report

SHARE OPTIONS

The company has outstanding options under an unapproved Share Option Scheme adopted in 1997 (1997 Scheme) and a new scheme which was approved by shareholders at the company's annual general meeting on 31 July 2007 (2007 Scheme) Details of option awards made under these schemes are detailed in note 31

1997 Scheme

Under the 1997 Scheme unapproved share options were granted to directors and employees by the Board The company's policy on the granting of share options is to make such awards that are necessary to recruit and retain executives

The company has operated this scheme since 1997 where options were granted to any employee, officer or director of the company or any subsidiary of the company The limit for options granted under this scheme was not to exceed 15% of the number of issued ordinary shares from time to time

The Board granted options at its discretion The subscription price was fixed by the Board at the price per share on the dealing day preceding the date of grant

These options vest immediately and may be exercised at any time within a seven-year period from the date of the grant, unless the Board determines otherwise The options lapse if not exercised by the seventh anniversary of the grant It was the Board's policy to spread the vesting period for options granted to employees over two to three years

Unless the Board agrees otherwise, the right to exercise an option terminates on the holder ceasing to be a participant, subject to certain exceptions, which broadly apply in the event of death of the option holder or where the option holder ceases to be a participant due to retirement, ill health, accident or redundancy In such a case, the option may be exercised within six months of such event provided such exercise will take place within seven years of the original date of grant

2007 Scheme

The 2007 Scheme allows for awards of both tax approved options (approved options) to be made to employees resident in the United Kingdom and unapproved options (unapproved options), to be made to both resident and non-resident employees The company's policy on the granting of share options is to make such awards that are necessary to recruit and retain executives Details of option awards made under this scheme are detailed in note 31

The company has operated this scheme since December 2007 where options may be granted to full-time employees and directors of the company or any subsidiary of the company The overall limit for options granted under this scheme and any other employees share scheme adopted by the company is, in any rolling 10-year period, 10% of the issued ordinary share capital (including treasury shares) of the company for the time being plus 8,100,000 ordinary shares There is an individual limit of a maximum of ordinary shares to the value of £30,000 in respect of approved options

Options may be granted when the Remuneration Committee determines, within 42 days of the announcement by the company of its full or interim results Options may be granted outside the 42-day period if the Remuneration Committee considers there to be exceptional circumstances Options must be granted subject to performance conditions being satisfied The performance conditions must be objective and, save where the Remuneration Committee determines there to be exceptional circumstances, the performance conditions must relate to the overall financial performance of the company or the market value of ordinary shares over a period of at least three years The performance conditions can be waived or amended by the Remuneration Committee if it determines that a change of circumstances means that the performance conditions cannot reasonably be met No consideration is payable on the grant of an option and no option may be granted after 31 July 2017

The Remuneration Committee determines the exercise price before the options are granted which cannot be less than the market value of the shares on the date of grant

The options can be exercised only on or after the third anniversary of the date of grant provided the performance conditions have been satisfied or waived by the Remuneration Committee The options lapse if not exercised by the 10th anniversary of the grant

These options lapse when the option holder ceases to be an eligible employee In the case of death, a participant's personal representatives may exercise his/her options within 12 months after the date of death Where an option holder ceases to be an employee by reason of injury, disability, redundancy, the company that employs the option holder ceasing to be a subsidiary of the company, retirement, pregnancy or in any other circumstances determined by the Remuneration Committee, the options may be exercised within six months of the termination of employment or such longer period as may be determined by the Remuneration Committee

SHARE INCENTIVES

The Share Incentive Scheme was approved by shareholders at the company's annual general meeting on 31 July 2007 The Share Incentive Scheme is designed to complement the Share Option Scheme to facilitate awards to selected executives and managers The Share Incentive Scheme permits the award of any one or a combination of the following incentives

- the sale of ordinary shares on deferred payment terms,

DIRECTORS' REMUNERATION REPORT
CONTINUED

EXECUTIVE REMUNERATION PACKAGE CONTINUED

SHARE INCENTIVES CONTINUED

- share awards as part of a bonus scheme by way of nil cost options in consideration of cash bonuses forgone on terms that would be determined by the Remuneration Committee of the company, and
- the issue of share appreciation rights either by the company or EBT (as defined below)

The company has also adopted an Employees Benefit Trust (EBT) which will operate in conjunction with the Share Option Scheme and Share Incentive Scheme The EBT has not yet been utilised for this purpose and there have been no awards under the Share Incentive Scheme since it was approved by shareholders

PENSIONS

The company does not operate a pension scheme for executive directors but does, according to the director's preference, contribute to the personal pension plan of each executive director, or pays cash in lieu of such contributions up to a specified maximum of 12 5% of salary No pension contributions are made in respect of non-executive directors However, following agreement last year to terminate Mr Baring s service agreement as Executive Director, the company agreed to pay contributions to his personal pension plan for a period of twelve months to 30 September 2012

FEES

The fees for non-executive directors are determined by the Board, having taken independent expert advice on appropriate levels, and are reviewed on an annual basis

SERVICE CONTRACTS

The service and employment contracts of the executive directors are not of a fixed duration and therefore have no unexpired terms, but continuation in office as a director is subject to re-election by shareholders as required under the company's Articles of Association The company's policy is for executive directors to have service and employment contracts with provision for termination of no longer than 12 months' notice

The non-executive directors do not have service contracts Letters of appointment provide for termination of the appointment with up to three months' notice by either party

Details of the current directors' contracts or appointment dates are as follows

Executive directors	Employer	Date of contract
KK Mpinga	Mwana Africa Holdings Limited	16 December 2009
DAR McAlister	Mwana Africa PLC	27 October 2009
Non-executive directors	**Employer**	**Date of appointment**
OAG Baring	Mwana Africa PLC	1 October 2011
SG Morris	Mwana Africa PLC	6 December 2005
JA Anderson	Mwana Africa PLC	27 February 2007
E Denis	Mwana Africa PLC	27 February 2007
JL Botha	Mwana Africa PLC	4 January 2012
YH Ning	Mwana Africa PLC	7 June 2012
YC Hu	Mwana Africa PLC	4 July 2012

DIRECTORS' REMUNERATION

The remuneration of the directors who held office during the year is as follows

Director	Basic salary/ fee[1 2] $	Annual bonus[4 5] $	Benefits in kind[6] $	Share-based payments $	2013 Total $	2012 Total $
KK Mpinga	521,492	541,492	94,392	112,310	**1,269,686**	1,174,165
OAG Baring[3]	32,666	134,415	113,127	32,677	**312,885**	845,564
DAR McAlister	410,872	410,872	66,024	55,320	**943,088**	790,554
SG Morris	79,014	79,014	-	–	**158,028**	63,312
JA Anderson	59,260	59,260	-	–	**118,520**	51,516
E Denis[7]	39,507	39,507	-	–	**79,014**	31,728
JL Botha	39,507	39,507	-	–	**79,014**	9,795
YH Ning[8]	32,922	39,507	-	–	**72,429**	–
YC Hu[9]	29,630	39,507	–	–	**69,137**	–
Total	1,244,870	1,383,081	273,543	200,307	**3,101,801**	2,966,634

(1) Salaries for Mr Mpinga and Mr McAlister were increased in line with inflation with effect from 1 April 2012

(2) The fees payable to Mr Morris Mr Anderson and Mr Denis were increased with effect from 1 April 2012 having not been reviewed since the dates of their appointment on 6 December 2005 in respect of Mr Morris and 27 February 2007 in respect of Mr Anderson and Mr Denis

(3) Following his appointment as Non Executive Director on 1 October 2011 Mr Baring was not paid a fee in respect of the twelve month period ended 30 September 2012 However, he was in receipt of benefits in kind during this period under the terms of the agreement last year to terminate his service agreement as Executive Chairman of the company With effect from 1 October 2012 Mr Baring was in receipt of a fee and benefits in kind in respect of his role as Non-Executive Chairman

(4) Discretionary bonus awards in respect of the year ended 31 March 2013 to Mr Mpinga and Mr McAlister recognised the successful achievements during the year of 1) Freda Rebecca Gold Mine meeting production target, 2) restructuring and refinancing Bindura Nickel Corporation in readiness for restart at Trojan mine 3) increasing JORC compliant gold resources in the DRC, and 4) turning the business around to produce a group profit before impairments for the first time since the year ended 31 March 2007 In addition Mr Mpinga was awarded 666,667 ordinary shares in Bindura Nickel Corporation (BNC) on 24 September 2012 at a price of US 3 cents per share for NIL consideration under the BNC share issue in September 2012 These bonus payments were accrued but not paid at year-end The Remuneration Committee, in recommending the bonuses to the Board stipulated that the bonus was to be paid only when sufficient funds are available Payment of the bonus will therefore be deferred until sufficient funds are available or made in shares, subject to agreement

(5) The Board is of the view that the retention of high quality Non Executive Directors is of great benefit to the company A one-off bonus award was made in January 2013 to the Non-Executive Directors equivalent to their respective annual fee, the net of tax proceeds of which were utilised to subscribe for shares in the company The bonus award was made to ensure independence and compliance with the UK Corporate Governance Code under which Non-Executive Directors are not permitted to hold share options The share options previously awarded to the Non-Executive Directors have been cancelled Mr Baring retained some share options awarded to him whilst in an executive capacity Details of directors interests in shares and options in the company are summarised on pages 32 to 33

(6) Benefits in kind relate to life and medical insurance and pension contributions for Mr Baring and Mr McAlister and pension contributions and security services for Mr Mpinga

(7) The fee is paid to Sapiensa Sprl, a company in which Mr Denis has an interest

(8) Mr YH Ning was appointed a director on 7 June 2012

(9) Mr YC Hu was appointed a director on 4 July 2012

DIRECTORS' REMUNERATION REPORT
CONTINUED

DIRECTORS' REMUNERATION CONTINUED

Contributions in lieu of director's pensions were as follows

Director	2013 $'000	2012 $'000
KK Mpinga	**65**	62
OAG Baring	**21**	42
DAR McAlister	**49**	48
SG Morris	–	–
JA Anderson	–	–
E Denis	–	–
JL Botha	–	–
YH Ning	–	–
YC Hu	–	–
Total	**135**	152

All contributions were either made to personal pension schemes of directors or accrued for future payment to personal pension schemes

DIRECTORS AND DIRECTORS' SHARE INTERESTS

The directors during the year and their beneficial interests at the year-end were as follows

	Ordinary shares of 1p each at 31 March 2013		Ordinary shares of 1p each at 31 March 2012	
	Number	%	Number	%
Palanka Trust [1]	**16,227,260**	**1 45**	16,227,260	2 25
Katema Mukubayi Trust [2]	**19,981,415**	**1 78**	19,981,415	2 77
K K Mpinga [6]	**3,000,000**	**0 27**	3,000,000	0 42
OAG Baring [3]	**3,080,879**	**0 28**	2,452,976	0 34
DAR McAlister	**1,000,000**	**0 09**	1,000,000	0 14
SG Morris	**2,409,090**	**0 22**	1,200,000	0 17
JA Anderson	**1,190,909**	**0 11**	850,000	0 12
E Denis [4]	**1,454,545**	**0 13**	1,000,000	0 14
JL Botha	**954,545**	**0 09**	–	–
YH Ning [5]	**242,878,827**	**21 70**	–	–
YC Hu	**454,545**	**0 04**	–	–

[1] *Mr KK Mpinga controls the voting rights in Palanka Trust*
[2] *Related to Mr KK Mpinga*
[3] *Held through Mr OAG Baring s personal pension fund*
[4] *Includes 454 545 shares held by Sapiensa Sprl a company in which Mr Denis has an interest*
[5] *Includes 242 424,282 shares held by China International Mining Group Corporation a company in which Mr Ning has an interest*
[6] *In addition to the shares in PLC, KK Mpinga also holds 666,667 shares in BNC This equates to 0 06% in BNC*

DIRECTORS' SHARE OPTIONS

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the directors Details of directors interests in shares held under option are shown below

Officer	Options held at 31 March 2012	Options granted during the year	Options lapsed/ cancelled during the year	Options exercised during the year	Options held at 31 March 2013	Exercise price[1]	Latest expiry date
Unapproved options – 1997 Scheme							
KK Mpinga	3,000,000	–	2,000,000	–	1,000,000	79p	12/07/2014
OAG Baring	2,680,000	–	2,680,000	–	–	–	–
DAR McAlister	–	–	–	–	–	–	–
SG Morris	850,000	–	850,000	–	–	–	–
JA Anderson	500,000	–	500,000	–	–	–	–
E Denis	500,000	–	500,000	–	–	–	–
JL Botha[2]	–	–	–	–	–	–	–
YH Ning[2]	–	–	–	–	–	–	–
YC Hu[2]	–	–	–	–	–	–	–
Unapproved options – 2007 Scheme							
KK Mpinga	11,000,000	9,000,000	–	–	20,000,000	10p	10/12/2022
OAG Baring	4,800,000	–	2,000,000	–	2,800,000	9p	30/09/2014
DAR McAlister	3,785,715	3,893,969	–	–	7,679,684	7p	10/12/2022
SG Morris	–	–	–	–	–	–	–
JA Anderson	–	–	–	–	–	–	–
E Denis	–	–	–	–	–	–	–
JL Botha[2]	–	–	–	–	–	–	–
YH Ning[2]	–	–	–	–	–	–	–
YC Hu[2]	–	–	–	–	–	–	–
Unapproved options – 2007 Scheme							
KK Mpinga	–	–	–	–	–	–	–
OAG Baring	76,923	–	76,923	–	–	–	–
DAR McAlister	214,285	360,576	–	–	574,861	9p	10/12/2022
SG Morris	–	–	–	–	–	–	–
JA Anderson	–	–	–	–	–	–	–
E Denis	–	–	–	–	–	–	–
JL Botha[2]	–	–	–	–	–	–	–

[1] *Exercise price is the weighted average of all share options held based on the price at the grant date*
[2] *Presented from the date of appointment as a director*

DIRECTORS' REMUNERATION REPORT
CONTINUED

DIRECTORS' REMUNERATION CONTINUED

DIRECTORS' SHARE OPTIONS CONTINUED

No share options were exercised during the current or prior year

The intrinsic values of all options which have vested during the year were $nil (2012 $nil)

No options have been awarded to directors between the year-end and the signing of these accounts

The market price of the company's shares on 28 March 2013 was 4 625 pence per ordinary share and the highest and lowest share prices during the year were 6 945 pence and 3 5 pence respectively

The agreements covering directors' options are available for inspection at the company's registered office 43 Palace Street, London, SW1E 5HL The company's register of directors' interests (which is also open to inspection) contains full details of the directors' shareholdings and options to subscribe

Signed on behalf of the Board by

OAG Baring
Chairman

30 July 2013

STATEMENT OF DIRECTORS' **RESPONSIBILITIES**

TO THE SHAREHOLDERS OF MWANA AFRICA PLC

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare group and parent company financial statements for each financial year As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as endorsed by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as endorsed by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

On behalf of the Board

DAR McAlister
Finance Director

30 July 2013

STATEMENT OF
CORPORATE GOVERNANCE

The directors support the principles of good corporate governance While not mandatory for an AIM company, the directors have implemented, where practical for a company of this size and nature, certain provisions of the principles of good governance and code of best practices set out in the UK Corporate Governance Code The disclosures presented herein are limited and are not intended to constitute a corporate governance statement as prescribed by the Disclosures and Transparency Rules or the Companies Act

The Board has also considered the guidance published by the Financial Reporting Council concerning the internal control requirements of the UK Corporate Governance Code, in line with the Turnbull Report The Board regularly reviews key business risks, via a number of properly constituted committees, in addition to the financial risks facing the group in the operations of the business

THE BOARD

The Board meets at least quarterly throughout the year The Board is responsible for formulating, reviewing and approving the group's strategy, planning, budgets, acquisitions, risk, and environmental management

The non-executive directors SG Morris, JA Anderson, E Denis and JL Botha are considered by the Board to be independent of management and free from any business or other relationship which could materially affect the exercise of their independent judgement Mr YH Ning and YC Hu have an interest in the group's largest shareholder China International Mining Group Corporation

Directors have the facility to take external independent advice in furtherance of their duties at the group's expense and have access to the services of the Company Secretary

The Board delegates certain of its responsibilities to the Audit, Remuneration and Nomination Committees under clearly defined terms of reference

AUDIT COMMITTEE

The Audit Committee meets at least twice during the year and is responsible for ensuring that the financial performance of the company is properly reported on and monitored, and for meeting the auditors and reviewing the auditors' reports relating to the accounts The committee also recommends the appointment of, and reviews the fees of, the external auditors It meets once a year with the auditors without executive Board members present The Audit Committee comprises at least three members, two of whom shall be non-executive The current membership of the committee is Mr SG Morris (Chairman), Mr E Denis and Mr JA Anderson, all of whom are non-executive

REMUNERATION COMMITTEE

The Remuneration Committee meets at least twice per year It reviews the performance of the executive directors and sets and reviews the scale, structure and basis of their remuneration and the terms of their service agreements paying due regard to the interest of shareholders as a whole and the performance of the company The Remuneration Committee comprises three non-executive directors, Mr JA Anderson (Chairman), Mr SG Morris and Mr E Denis The directors' remuneration report appears on pages 28 to 34

NOMINATION COMMITTEE

The role of the Nomination Committee is to recommend any new appointment of directors to the board, based on the merits of the candidates and the relevance of their background and experience It periodically reviews the structure, size and composition of the Board

The committee comprises at least three members, two of whom shall be non-executive directors The committee is chaired by the Chairman of the Board, Mr OAG Baring Mr SG Morris and Mr JA Anderson are the other non-executive members

The nomination committee did not meet during the year The appointments of Mr YH Ning and Mr YC Hu as non-executive directors were considered and approved by the full Board

INTERNAL CONTROLS

The directors have overall responsibility for the group's internal control effectiveness in safeguarding the assets of the group Internal control systems are designed to identify and mitigate the particular type of business, operational and safety risks to which the group is exposed Internal controls can only provide a reasonable, but not absolute assurance against material misstatements or loss

The Board reviews the effectiveness of the internal controls through the Audit Committee and through executive management reporting to the Board Business plans, budgets and authorisation limits for the approval of significant expenditure, including investments are appraised and approved by the Board The Board also seeks to ensure that there is a proper organisational and management structure with clear responsibilities and accountability

It is the Board's policy to ensure that the management structure and the quality and integrity of the personnel are compatible with the requirements of the group

The company complies with rule 21 of the AIM Rules for Companies regarding dealings in the company's shares and has adopted a share dealing code to ensure compliance by the directors and applicable employees

SHAREHOLDER RELATIONSHIPS

During the year the executive directors met frequently with shareholders and the investment community This included formal road shows and presentations, one-to-one meetings, analysts meetings and press interviews The chief executive officer and finance director regularly brief the Board on these contacts and relay the views expressed

ANTI BRIBERY AND CORRUPTION

Following introduction of the UK Anti Bribery & Corruption Act, the Board introduced a group policy in relation thereto The Board takes a zero tolerance approach to bribery and corruption and will uphold all laws relevant to countering bribery and corruption in all jurisdictions in which the group operates The Board expect the highest standard of personal and professional behaviour from all employees within the group and from external contractors and third parties working or performing services on behalf of the group The Board will not tolerate any incidence of bribery and will take action against anyone employed within the group, or associated with the group, who commits bribery

The group s policy on bribery and corruption has been communicated to all employees and contractors

The Board has delegated oversight of the policy to the Audit Committee and has appointed the finance director to act as the group's anti bribery compliance officer

The group regularly monitors and investigates all allegations of fraud and bribery and corruption and reports on all issues arising to the Board

INDEPENDENT AUDITORS' REPORT
OF MWANA AFRICA PLC

We were engaged to audit the financial statements of Mwana Africa PLC for the year ended 31 March 2013 set out on pages 40 to 85 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

BASIS FOR DISCLAIMER OF OPINION ON FINANCIAL STATEMENTS

In seeking to form an opinion on the financial statements, we have considered the implications of the significant uncertainties disclosed in the financial statements concerning the following matters

- The group s and the company's ability to continue as a going concern, in particular, as disclosed in note 2 to the financial statements, the need to raise funds of at least $4 million by October 2013, the substantial achievement of forecasts including the successful implementation of a significant cost savings plan, the uncertainties linked to gold price market conditions and political and indigenisation risks in Zimbabwe, and uncertainty regarding the availability of sufficient additional funding as may be needed to continue planned activities These conditions, along with other matters explained in note 2 to the financial statements, indicate the existence of material uncertainties which may cast significant doubt as to the group's and the company's ability to continue as a going concern The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern
- The carrying amount of investments in the company relating to its Zimbabwean subsidiaries is $74 6 million (2012 $71 5 million) and these subsidiaries are consolidated in the group financial statements As disclosed in note 19, there are uncertainties linked to the implementation of the Indigenisation Law in Zimbabwe The possible impact of this law is uncertain and represents a significant uncertainty which could adversely impact the group and company financial statements The financial statements do not include the adjustments that would result from any impact of the Zimbabwe indigenisation legislation on the carrying value of the investment held by the company

There is potential for the uncertainties to interact with one another such that we have not been able to obtain sufficient appropriate audit evidence regarding the possible effect of the uncertainties taken together

DISCLAIMER OF OPINION ON FINANCIAL STATEMENTS

Because of the significance of the possible combined effect of the uncertainties described in the Basis for disclaimer of opinion on financial statements paragraph above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion Accordingly we do not express an opinion on the financial statements

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

Notwithstanding our disclaimer of an opinion on the financial statements, in our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In respect solely of the limitation of our work due to the possible effect of the uncertainties referred to above taken together, as a result of those circumstances the directors were unable to provide to us all the information and explanations that we considered necessary for the purpose of our audit

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made

Juliette Lowes (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

30 July 2013

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 $'000	2012 $'000
Revenue	7	**109,159**	81,313
Cost of sales	9	**(56,830)**	(46,450)
Gross profit		**52,329**	34,863
Other income	9	**393**	2,181
Selling and distribution expenses		**(8,386)**	(4,914)
Care and maintenance expenses		**(12,956)**	(14,427)
Administrative expenses	9	**(11,594)**	(9,207)
Corporate expenses		**(8,504)**	(8,032)
Profit/(Loss) on sale of investment		**257**	(399)
Fair value adjustment		**(388)**	(411)
Impairment (loss)/reversal	33	**(43,949)**	357
Profit/(loss) from operating activities		**(32,798)**	11
Dividends received		**83**	–
Profit/(loss) before finance charges and income tax		**(32,715)**	11
Finance income	13	**1,435**	220
Finance costs	13	**(784)**	(1,441)
Profit/(loss) before income tax		**(32,064)**	(1,210)
Income tax expense	14	**(11,397)**	(5,498)
Profit/(loss) for the year		**(43,461)**	(6,708)
Profit/(loss) attributable to			
Owners of the Parent		**(28,641)**	(694)
Non-controlling interest		**(14,820)**	(6,014)
Profit/(loss) for the year		**(43,461)**	(6,708)
Earnings/(loss) per share			
Basic Earnings/(loss) per share (cents)	16	**(2 62)**	(0 10)
Diluted Earnings/(loss) per share (cents)	16	**(2 62)**	(0 10)

The notes on pages 49 to 85 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2013

	2013 $'000	2012 $'000
Profit/(loss) for the year	**(43,461)**	(6,708)
Other comprehensive loss		
Foreign currency translation differences	**(1,277)**	(599)
Other comprehensive loss for the year, net of income tax	**(1,277)**	(599)
Total comprehensive loss for the year	**(44,738)**	(7,307)
Total comprehensive profit/(loss) attributable to		
Owners of the Parent	**(29,918)**	(1,293)
Non-controlling interest	**(14,820)**	(6,014)
Total comprehensive loss for the year	**(44,738)**	(7,307)

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2013

	Note	2013 $'000	2012 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**49,283**	80,070
Intangible assets	18,34	**58,262**	42,932
Investments	19	**1,354**	1,825
Deferred tax assets	20	**1,186**	1,018
Non-current receivables	21	**1,268**	1,421
Total non-current assets		**111,353**	127,266
Current assets			
Inventories	22	**11,206**	8,072
Trade and other receivables	23	**12,911**	16,997
Cash and cash equivalents	24	**15,194**	6,696
Total current assets		**39,311**	31,765
Total assets		**150,664**	159,031
EQUITY			
Issued share capital	25	**95,162**	88,817
Share premium		**69,088**	42,641
Reserves		**96,526**	99,843
Retained earnings		**(177,949)**	(149,810)
Total equity attributable to equity holders of the parent		**82,827**	81,491
Non-controlling interest		**(10,793)**	(3,527)
Total equity		**72,034**	77,964
LIABILITIES			
Non-current liabilities			
Loan payable	26	**4,273**	5,927
Rehabilitation provisions	27	**18,893**	18,064
Other Payables		**8,537**	-
Deferred tax liabilities	20	**10,506**	9,998
Total non-current liabilities		**42,209**	33,989
Current liabilities			
Trade payables		**10,825**	11,939
Accruals and other payables	28	**16,481**	24,460
Provisions	29	**9,115**	10,679
Total current liabilities		**36,421**	47,078
Total liabilities		**78,630**	81,067
Total equity and liabilities		**150,664**	159,031

The notes on pages 49 to 85 are an integral part of these financial statements

These financial statements were approved by the Board of directors on 30 July 2013 and were signed on its behalf by

OAG Baring, Chairman
DAR McAlister, Finance Director

COMPANY BALANCE SHEET

AS AT 31 MARCH 2013

	Note	2013 $'000	2012 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**399**	67
Investments	19	**76,823**	74,063
Total non-current assets		**77,222**	74,130
Current assets			
Trade and other receivables	23	**63,598**	70,705
Cash and cash equivalents	24	**1,585**	3,104
Total current assets		**65,183**	73,809
Total assets		**142,405**	147,939
EQUITY			
Issued share capital	25	**95,162**	88,817
Share premium		**69,088**	42,641
Reserves		**1,418**	3,458
Retained earnings		**(26,607)**	10,883
Total equity attributable to equity holders of the company		**139,061**	145,799
LIABILITIES			
Current liabilities			
Accruals and other payables	28	**3,344**	2,140
Total liabilities		**3,344**	2,140
Total equity and liabilities		**142,405**	147,939

These financial statements were approved by the Board of directors on 30 July 2013 and were signed on its behalf by

OAG Baring, Chairman
DAR McAlister, Finance Director

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Profit/(Loss) before income tax		**(32,064)**	(1,210)
Adjustments for			
Foreign exchange movements		**(349)**	(220)
Depreciation		**5,943**	3,872
Fair value adjustments		**413**	587
Charge in relation to share-based payments		**342**	278
Increase/(decrease) in rehabilitation provisions		**210**	(80)
Increase/(decrease) in other provisions		**(1,743)**	3,027
Increase in environmental assets		**(96)**	(92)
Impairment loss/(reversal)		**43,949**	(357)
(Profit)/Loss on sale of non-current assets		**(257)**	348
Finance income		**(1,435)**	(220)
Finance costs		**784**	1,441
		15,697	7,374
(Increase)/decrease in inventories		**(3,153)**	(697)
(Increase)/decrease in trade and other receivables		**2,766**	(1,698)
Increase/(decrease) in trade and other payables		**(980)**	(4,208)
		14,330	771
Finance costs		**(743)**	(1,348)
Income tax paid		**(9,784)**	(937)
Net cash from/(used in) operating activities		**3,803**	(1,514)
Cash flows from investing activities			
Additions to property, plant and equipment		**(18,389)**	(8,567)
Investment in intangible exploration assets		**(15,331)**	(10,234)
Proceeds from sale of property, plant and equipment		**340**	161
Proceeds on sale of investments		**412**	1,220
Finance income		**1,435**	154
Net cash used in investing activities		**(31,533)**	(17,266)
Cash flows from financing activities			
Proceeds from issue of share capital		**33,845**	15,092
Share issue expenses		**(1,054)**	(882)
Dividends paid to non-controlling interests		**(1,462)**	-
Proceeds from non-controlling interests		**2,015**	-
Loans advanced		**4,708**	5,183
Loans repaid		**(1,734)**	(1,222)
Net cash from financing activities		**36,318**	18,171
Net increase/(decrease) in cash and cash equivalents		**8,588**	(609)
Cash and cash equivalents at beginning of the year		**6,696**	7,363
Exchange rate movement on cash and cash equivalents at beginning of year		**(90)**	(58)
Cash and cash equivalents at end of the year	24	**15,194**	6,696

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
(Loss)/profit before income tax		**(39,872)**	(3,254)
Adjustments for			
Depreciation		**74**	47
Foreign exchange movements		**(314)**	(21)
Loss on sale of non-current assets		**4**	–
Charge in relation to share-based payments		**225**	186
Impairment loss		**35,107**	611
Finance income		**(715)**	(702)
		(5,491)	(3,133)
(Increase)/decrease in trade and other receivables		**(5,348)**	(10,128)
Increase/(decrease) in trade and other payables		**1,204**	80
Net cash used in operating activities		**(9,635)**	(13,181)
Cash flows from investing activities			
Additions to property, plant and equipment		**(412)**	(7)
Acquisition of investments		**(24,982)**	-
Proceeds from sale of non-current assets		**4**	–
Finance income		**715**	31
Net cash generated by investing activities		**(24,675)**	24
Cash flows from financing activities			
Proceeds from issue of share capital		**33,845**	15,092
Share issue expenses		**(1,054)**	(882)
Net cash from financing activities		**32,791**	14,210
Net increase/(decrease) in cash and cash equivalents		**(1,519)**	1,053
Cash and cash equivalents at beginning of the year		**3,104**	2,051
Cash and cash equivalents at end of the year	24	**1,585**	3,104

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2013

	Share capital $'000	Share premium $'000
Balance as at 31 March 2011	**85,799**	**31,449**
Loss for the year	–	–
Foreign currency translation differences	–	–
Total comprehensive loss for the year	**–**	**–**
Contributions by and distributions to owners		
Issue of ordinary shares	3,018	12,074
Share issue expenses	–	(882)
Share-based payment transactions	–	–
Share-based payment reversals	–	–
Total contributions by and distributions to owners	**3,018**	**11,192**
Balance as at 31 March 2012	**88,817**	**42,641**
Loss for the year	–	–
Foreign currency translation differences	–	–
Total comprehensive loss for the year	**–**	**–**
Contributions by and distributions to owners		
Issue of ordinary shares	6,345	27,501
Share issue expenses	–	(1,054)
Sale of interest in subsidiary	–	–
Participation in subsidiary rights issue	–	–
Dividends paid by subsidiary	–	–
Share-based payment transactions	–	–
Share-based payment reversals	–	–
Total contributions by and distributions to owners	**6,345**	**26,447**
Balance as at 31 March 2013	**95,162**	**69,088**

Translation reserve $'000	Investment revaluation reserve $'000	Treasury stock $'000	Share based payments $'000	Retained earnings $'000	Total equity attributable to equity holders of the parent $'000	Non-controlling interest $'000	Total equity $'000
96,984	**–**	**(1,719)**	**5,007**	**(149,224)**	**68,296**	**2,487**	**70,783**
–	–	–	–	(694)	(694)	(6,014)	(6,708)
(599)	–	–	–	–	(599)	–	(599)
(599)	**–**	**–**	**–**	**(694)**	**(1,293)**	**(6,014)**	**(7,307)**
–	–	–	–	–	15,092	–	15,092
–	–	–	–	–	(882)	–	(882)
–	–	–	278	–	278	–	278
–	–	–	(108)	108	–	–	–
–	**–**	**–**	**170**	**108**	**14,488**	**–**	**14,488**
96,385	**–**	**(1,719)**	**5,177**	**(149,810)**	**81,491**	**(3,527)**	**77,964**
		–	–	(28,641)	(28,641)	(14,820)	(43,461)
(1,277)	–	–	–	–	(1,277)	–	(1,277)
(1,277)	**–**	**–**	**–**	**(28,641)**	**(29,918)**	**(14,820)**	**(44,738)**
–	–	–	–	–	33,846	–	33,846
–	–	–	–	–	(1,054)	–	(1,054)
–	–	–	–	(2,849)	(2,849)	3,254	405
–	–	–	–	969	969	5,764	6,733
–	–	–	–	–	–	(1,464)	(1,464)
–	–	–	342	–	342	–	342
–	–	–	(2,382)	2,382	–	–	–
–	**–**	**–**	**(2,040)**	**502**	**31,254**	**7,554**	**38,808**
95,108	**–**	**(1,719)**	**3,137**	**(177,949)**	**82,827**	**(10,793)**	**72,034**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2013

	Share capital $'000	Share premium $'000	Treasury stock[1] $'000	Share based payments[2] $'000	Retained earnings $'000	Total equity $'000
Balance as at 31 March 2011	**85,799**	**31,449**	**(1,719)**	**5,007**	**14,091**	**134,627**
Loss for the year	–	–	–	–	(3,254)	(3,254)
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(3,254)**	**(3,254)**
Contributions by and distributions to owners						
Issue of ordinary shares	3,018	12,074	–	–	–	15,092
Premium on share issue less expenses	–	(882)	–	–	–	(882)
Share-based payment transactions	–	–	–	278	–	278
Share-based payment reversals	–	–	–	(108)	46	(62)
Total contributions by and distributions to owners	**3,018**	**11,192**	**–**	**170**	**46**	**14,426**
Balance as at 31 March 2012	**88,817**	**42,641**	**(1,719)**	**5,177**	**10,883**	**145,799**
Loss for the year	–	–	–	–	(39,872)	(39,872)
Total comprehensive profit for the year	**–**	**–**	**–**	**–**	**(39,872)**	**(39,872)**
Contributions by and distributions to owners						
Issue of ordinary shares	6,345	–	–	–	–	6,345
Premium on share issue less expenses	–	26,447	–	–	–	26,447
Share-based payment transactions	–	–	–	342	–	342
Share-based payment reversals	–	–	–	(2,382)	2,382	–
Total contributions by and distributions to owners	**6,345**	**26,447**	**–**	**(2,040)**	**2,382**	**33,134**
Balance as at 31 March 2013	**95,162**	**69,088**	**(1,719)**	**3,137**	**(26,607)**	**139,061**

[1] The treasury stock reserve represents the market value of Mwana Africa PLC shares which were purchased, but not cancelled This is held at the value on the date of purchase

[2] The share-based payments reserve represents the accrued employee entitlements to share awards that have been charged to the income statement as well as accrued group employee entitlements that have been debited to investments in subsidiaries

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

1. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ENDORSED BY THE EUROPEAN UNION

The consolidated financial statements of the parent company (the company) and its subsidiaries (together, the group) and the financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU)

2. BASIS OF PREPARATION

BASIS OF PREPARATION

With the exception of certain items noted below, which are carried at fair value, the financial statements have been prepared under the historical cost convention

The company and consolidated financial statements have been prepared in accordance with applicable law and International Financial Reporting Standards as adopted by the EU (IFRSs) and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006 Under section 408 of the Companies Act 2006, the company has elected not to present its own income statement

GOING CONCERN

The Directors, having considered the group's and the company's current trading activities, funding position and projected funding requirements and the Zimbabwean environment for the period of at least twelve months from the date of approval of these Financial Statements consider it appropriate to adopt the Going Concern basis in preparing the Financial Statements for the year ended 31 March 2013

The group reports a loss for the year ended 31 March 2013 of $43 46 million (2011 $6 71 million) As at 30 June 2013, the group held cash of $5 2 million which, based on a number of market and operational assumptions some of which are outlined below, the Directors believe enables the group to continue operating until October 2013 The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 8 to 13 The financial position of the group, its cashflows and liquidity position are as set out in the Financial Review on pages 14 to 17

Cashflows generated by and ownership of the group's Zimbabwean operations, notably BNC and the Freda Rebecca mine, may be at risk from uncertainties arising from the Indigenisation and Economic Empowerment Act in Zimbabwe further details of which are set out on pages 24 and 25

The group's cash position and funding requirements have been significantly impacted by the decline in metal prices and the continuing challenging Capital Markets In particular the fall in the Nickel price from levels around $18,000/t when Mwana commenced the BNC restart in 2012 to recent lows of around $13,600/t, has meant raising funding for the next phase of the restart under the current mine plan has not been possible As a result BNC has immediate funding needs and is managing its cash flow accordingly BNC is currently reviewing its strategic options including considering alternative mine plans that could reduce the funding requirement in the short term

Whilst BNC continues to examine alternative production scenarios at the Trojan mine and seeks to secure the funding required to continue with the operation, there is considerable uncertainty surrounding the ongoing viability of the Trojan mine and BNC as a whole Mwana has therefore decided to fully impair the carrying value of the non-current assets of BNC in the group financial statements The cash flow projections prepared for the purpose of considering going concern assume that no further funding for BNC is provided by Mwana

2. BASIS OF PREPARATION CONTINUED

During the year to 31 March 2013, operations at Freda Rebecca gold mine (the group's only cash generating operation) produced 65,350oz of gold and this was sold at an average price of $1,650 per ounce However, recent falls in the gold price have adversely affected the group s projected future cash flows and future gold price movements may have a significant impact on the funding needs of the group (see below) Given the significance of the cash flows from Freda Rebecca to the group any volatility in future prices, together with the normal mining operating risks and processing risks represent a material uncertainty in achieving the projected cash flows from Freda Rebecca Uncertainties surrounding compliance with Indigenisation legislation in Zimbabwe and the possible restrictions on transfer of cash from Freda Rebecca may adversely affect the cash available to meet the group's obligations arising in the group's other activities

The group's other activities are funded by its existing cash resources, including cash generated by Freda Rebecca, together with proceeds from an equity issue in April 2012 raising £21 1 million which was used to fund the re-start of the Trojan mine at BNC In line with other exploration companies the group retains a high degree of flexibility over its exploration expenditure albeit there are significant licence fee commitments The group will continue to pursue alternative funding options for its main exploration projects including potential farm-out or joint venture arrangements where appropriate

The Directors have prepared a cost restructuring plan incorporating significant reductions in costs at corporate and project levels within the group with the objective of significantly reducing costs on a permanent basis and conserving cash in the short term These cost cutting measures include the cessation of discretionary exploration expenditure at Zani-Kodo, a reduction in capital expenditure at the Freda Rebecca mine and a substantial reduction in headcount and salaries throughout the group which will necessitate some internal reorganisation and re-assignment of responsibilities This plan is currently in the early stages of being implemented and as such there is a material uncertainty as to the timing and achievability of certain elements of the plan The successful implementation of the plan will have a significant effect on the amount and timing of the forecast funding needs The Board are reviewing the plan and the implementation thereof on a regular basis

The Directors' cash flow forecasts are based on the successful completion of these cost-cutting measures in a short timeframe, average gold production of 5,955oz/month and an average gold price of $1,250/oz Based on the forecasts, the Mwana Group requires further funding of approximately $4 million to enable it to meet its commitments as they fall due for the foreseeable future and intends to raise this by 31 October 2013 Adverse outcomes to the material uncertainties described above would significantly increase the funding requirement above $4 million Favourable outcomes to the material uncertainties described above would reduce the funding requirement below $4 million

The Board is currently engaged in a process to secure the immediate funding requirements and additional funding as needed That process includes discussions which are at an advanced stage with its existing major shareholders and with new strategic investors and the Board has a reasonable expectation, based on these discussions, that sufficient funding will be sourced by the required dates The Board has sought appropriate advice as to managing its obligations in these difficult circumstances and is taking all necessary steps to manage cash on a day to day basis

The Board recognises that for the group to prosper in the longer term and for value to be realised from all its assets there needs to be a strategic review undertaken of its portfolio and future funding requirements As part of this review the company is already in discussions with investors regarding project level funding for the unfunded exploration assets within the group

The Directors are aware that the uncertainties described above might affect the quantum of the funding required The Directors have concluded that these circumstances represent multiple material uncertainties that may cast significant doubt on the company's and the group's ability to continue as a going concern and that therefore the company and the group may be unable to realise all their assets and discharge all of their liabilities in the normal course of business

Nevertheless, whilst the outcome of the funding discussions is uncertain and there remains a significant risk that the group will not secure further funding in the timeframe required, the Directors believe that, after making enquiries and considering the uncertainties described above, given the advanced state of the funding discussions, they have a reasonable expectation that the company and the group will secure adequate financial resources to continue in operational existence for the foreseeable future Accordingly they continue to adopt the going concern basis in preparing these Financial Statements which do not include any adjustments that would result from the going concern basis of preparation being inappropriate

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are those entities over whose financial and operating policies the group has the ability to exercise control The group financial statements incorporate the assets, liabilities and results of operations of the company and its subsidiaries The acquisition method of accounting has been adopted Under this method, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal

Jointly controlled entities

A joint venture is an entity in which the group holds a long-term interest and in which the group has the ability to exercise joint control in terms of a contractual arrangement The group's interest in a jointly controlled entity is accounted for by proportionate consolidation In terms of this method, the group includes its share of the income and expenses, assets and liabilities, and cash flows on a line by line basis with similar items in the group's financial statements

Transactions eliminated on consolidation

Intra-group transactions and balances are eliminated in the consolidated financial statements

3. SIGNIFICANT ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses Actual results may differ from these estimates

Estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected

Derivation of assumptions used in the estimation of the recoverable values of assets requires a significant amount of judgement The assumptions underlying the estimated recoverable values include, amongst others, the technical performance, revenue, operating costs and discount rate (for discounted cash flow based valuations), and are based on management's best judgements at the date of signing the accounts

The life of mine periods used for the purpose of calculating estimated recoverable values are based on resources and reserves These judgements used by management correspond to realistic scenarios taking into account the information available The impairment note discloses a sensitivity analysis with regard to the assumptions which the board deems most susceptible to variances against forecast

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 CONTINUED

3. SIGNIFICANT ESTIMATES AND JUDGEMENTS CONTINUED

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes

Note 17 – Property, Plant and Equipment, including

Asset lives and depreciation rates for property, plant and equipment and mineral interests

Depreciation, depletion and amortization rates are calculated on a straight-line basis based on the estimated asset lives

Should the asset life differ from the initial estimate, an adjustment would be made The asset lives are estimated based on the shorter of the life of the mine and the useful life of the specific component of the asset

Commencement of commercial/operating level production

As a mine is developed and until it reaches an operating level that is consistent with the use intended by management, costs incurred are capitalized as property, plant and equipment The company exercises judgement to determine the commencement of commercial production that is defined as the date when a mine achieves a sustainable level of production that provides a basis for a reasonable expectation of profitability along with various qualitative factors including but not limited to the achievement of mechanical completion, whether production levels are sufficient to be at least capable of generating sustainable positive cash flow, and whether the product is of sufficient quantity to be sold

Note 20 – Deferred tax

In assessing the probability of realising deferred income tax assets management makes estimates related to expectations of future taxable income, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognised Also, future changes in tax laws could limit the company from realizing the tax benefits from the deferred tax assets The company reassesses unrecognised deferred income tax assets at each reporting period

Note 22 – Inventories

The assumptions used in the valuation of work-in process and finished goods inventories include estimates of gold contained in the leach tanks, the amount of gold in the mill circuits, recovery percentage and the estimation of the gold price expected to be realized when the gold is recovered

Note 27 – Rehabilitation provisions

The cost estimates are updated annually during the life of a mine to reflect known developments, (e g revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals Rehabilitation liabilities are estimated based on the company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon rehabilitation of the mine site Such estimates are subject to change based on changes in laws and regulations, technology and negotiations with regulatory authorities

Note 29 – Provisions

The use of estimates regarding the probability of the outflow of economic benefits as well as whether the company has an obligation which needs to be settled

Note 31 – Share-based payments
The use of valuation models to fair value share-based payments require assumptions regarding the estimated term of the option, share price volatility and expected dividend yield

4. ACCOUNTING POLICIES

FOREIGN CURRENCIES

The individual financial statements of each group entity are prepared in its functional currency, which is the currency of the primary economic environment in which that entity operates For the purpose of the consolidated financial statements, the results and financial position of each entity are translated into US dollars, which is the presentational currency of the group

(a) Reporting foreign currency transactions in functional currency

Transactions in currencies other than the entity's functional currency (foreign currencies) are initially recorded at the rates of exchange prevailing on the dates of the transactions At each subsequent balance sheet date

- Foreign currency monetary items are re-translated at the rates prevailing at the balance sheet date Exchange differences arising on the settlement or re-translation of monetary items are recognised in the income statement,
- Non-monetary items measured at historical cost in a foreign currency are not re-translated, and
- Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in the income statement except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in the other comprehensive income, in which case any exchange component of that gain or loss is also recognised directly in equity

The directors have prepared the financial statements on the basis of their judgement that the functional currency under IAS 21 of the group's Zimbabwean subsidiaries is the US dollar The directors judge that the functional currency of these subsidiaries is the US dollar, based on revenue, capital expenditure and the majority of costs being denominated in US dollars

(b) Translation from functional currency to presentational currency

When the functional currency of a group entity is different from the group's presentational currency (US dollars), its results, financial position and cash flows are translated into the presentational currency as follows

- Assets and liabilities are translated using exchange rates prevailing at the balance sheet date,
- Income and expense items are translated at average exchange rates for the year, except where the use of such an average rate does not approximate the exchange rate at the date of the transaction, in which case the transaction rate is used, and
- All resulting exchange differences are recognised in translation reserves as a separate component of equity and are recognised in the income statement in the period in which the foreign operation is disposed of
- Cash flows are translated using average exchange rates during the period and the effect of exchange rate changes on the balances of cash and cash equivalents is presented as part of the reconciliation of movements therein

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment

Capitalised mine development costs include expenditure incurred to develop new ore bodies, to define further mineralisation in existing ore bodies and, to build or expand the capacity of a mine or to enhance its future economic benefits

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 CONTINUED

4. ACCOUNTING POLICIES CONTINUED

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION CONTINUED

Development projects are stated at cost, net of depreciation and any provision for impairment The costs capitalised under development projects will include an allocation of salary costs, materials and any other costs directly attributable to the project This does not include administration and general expenses which would have been incurred irrespective of whether the project was taking place

Any sales taking place within the development project period would be shown as revenue with corresponding costs allocated to cost of sales

Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal instalments over the estimated useful economic lives as set out below

- **Mining assets** mining assets consists of plant and equipment used in mining operations and is depreciated at varying rates on a straight-line basis over the expected useful lives (defined by reference to the life of mine), which range from three to 17 years It also includes capitalised mine development costs and development projects The group's policy is to depreciate the cost in equal instalments over the estimated economic life of the project These costs are depreciated from the date on which commercial production begins
- **Smelter and refinery assets** smelter and refinery assets are depreciated at varying rates on a straight-line basis over the expected useful lives, which range from five to 40 years
- **Plant and equipment and motor vehicles** plant and equipment and motor vehicles are depreciated on a straight line basis over their estimated useful lives at the annual rate of 10% and 20% respectively
- **Buildings** buildings are depreciated on a straight-line basis over the expected useful lives, currently 40 years

INTANGIBLE ASSETS – EXPLORATION AND EVALUATION EXPENDITURE

All expenditure directly related to mineral exploration is capitalised on a project-by-project basis, pending the determination of the feasibility of the project Exploration costs include certain administration and salary costs If a project is ultimately deemed commercially and technically viable, the related exploration costs remain capitalised and are reclassified to tangible assets whilst the asset is developed, and are then written off over the life of the estimated ore reserve on a unit-of-production basis If it is determined that a project is not expected to be successful, whether relinquished, abandoned or uncommercial, the related exploration costs are written off

Once a decision is made to develop then the related exploration and evaluation costs are transferred from intangible to tangible assets

Depreciation of property, plant and equipment used in exploration activities is capitalised to intangible exploration and evaluation assets

For the purpose of impairment assessment, capitalised exploration and evaluation expenditures are allocated to the cash generating units on the basis of the exploration field in which the costs have been incurred

IMPAIRMENT

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment If any such indication exists, the asset's recoverable amount is estimated

Exploration and evaluation assets are also assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount

An impairment loss is recognised to the extent that the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount The recoverable amount of an asset or CGU is the higher of i) its fair value less costs to sell and ii) its value in use, which is the present value of the future cash flows expected to be derived from the asset or CGU, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks associated with the asset or CGU Impairment losses are recognised in the income statement

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets It usually corresponds to the exploration field or the production unit

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been de-recognised The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement

The company assesses for impairment the value of its investments in and loans to its subsidiaries when there are indicators of impairment

REVERSALS OF IMPAIRMENT

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the income statement If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement An impairment loss in respect of goodwill is not reversed

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised Reversals of impairment relating to other assets are recognised in the income statement

INVESTMENTS

The group's investments in equity securities are recognised initially at fair value Subsequent to their initial recognition, they are re-measured at fair value and changes therein, including impairment losses, are recognised through profit or loss

The group holds a 68 93% interest in the Klipspringer Diamond Mine joint venture, the assets, liabilities, income and expenses of which are consolidated on a proportional basis

The company has investments in its various subsidiaries These are accounted for at cost less impairment All inter-group loans are repayable on demand or at arm's length basis

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and call deposits with an initial period to maturity of no more than three months Cash reserves held in currencies other than US Dollar are subject to changes in value resulting from exchange rate fluctuations

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 CONTINUED

4. ACCOUNTING POLICIES CONTINUED

INVENTORIES

Inventories are stated at the lower of cost and net realisable value In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used For finished goods and work in progress which includes quantities of gold in process, cost is taken as production cost, which includes an appropriate proportion of attributable overheads Net realisable value is calculated based on market prices prevailing as at the year-end less costs to sell

NON-CONTROLLING INTERESTS

Non-controlling interests exist in less than wholly-owned subsidiaries of the company and represent the outside interest's share of the carrying values of the subsidiaries Non-controlling interests are recorded at their proportionate share of the identifiable net assets acquired as at the date of acquisition and are presented immediately after the shareholder's equity section of the Consolidated Balance Sheet When the subsidiary company issues its own shares to outside interests, a dilution gain or loss arises as a result of the difference between the company's share of the proceeds and the carrying value of the underlying equity If the change in ownership does not result in loss of control, it is accounted for as an equity transaction

LOAN PAYABLE

Loans are recognised initially at fair value, net of transaction costs incurred Loans are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate

REHABILITATION PROVISION

A provision is recognised when the group has a present legal or constructive obligation as a result of past events, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made

Estimated long-term environmental obligations, comprising pollution control, rehabilitation and mine closure, are based on the group's environmental management plans in compliance with current technology, environmental and regulatory requirements

On initial recognition, the net present value of estimated future decommissioning costs are capitalised to property, plant and equipment and the concomitant provisions are raised These estimates are reviewed annually and discounted using a pre-tax rate that reflects current market assessments of the time value of money Any increases in such revised estimates are capitalised to property, plant and equipment while decreases in estimates are recognised by impairing the asset in the income statement in the period in which they are incurred

REVENUE RECOGNITION

Revenue represents the sale of gold, nickel and diamonds net of discounts and taxes Revenue also includes toll refining and processing of material on behalf of, or purchased from, non-group companies Revenue from the sale of gold is based on the spot price on the date of delivery, which is also the point at which the company recognises the revenue for gold sales, while revenue from the sale of nickel is based on the international market price of nickel Diamond revenue is based on negotiated prices Revenue is only recognised when significant risks and rewards of ownership have passed to the purchaser

LEASES

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases Operating lease rentals are charged to the income statement on a straight-line basis over the period of the lease

The group has not entered into any finance lease arrangements

EMPLOYEE BENEFITS

(a) Defined contribution pension scheme

Certain companies in the group operate defined contribution pension schemes The assets of the schemes are held separately from those of the group in independently administered funds The amounts charged to the income statement represent the contributions payable to the schemes in respect of the accounting period

(b) Share-based payments

The share option programmes allow employees to acquire shares of the company The fair value of options granted is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options The fair value of the options granted is measured using an option- pricing model, taking into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting

TAXATION

The tax expense represents the sum of the current tax and deferred tax

Current tax payable is based on taxable profit for the year Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The group s liability for current tax is calculated using tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the associated deferred tax is also dealt with in equity

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 CONTINUED

5. REVISED AND AMENDED STANDARDS AND INTERPRETATIONS

The following revised and amended standard, which have been endorsed by the EU, have been adopted by the group in these consolidated financial statements, the adoption has had no material impact on the groups net cash flows, financial position, total comprehensive income or earnings per share

- **Amendments to IFRS 7, Financial Instruments** Requires additional disclosure about transfer of financial assets e g securitisations and should enable users to understand the possible effects of any risks that may remain with the transferor

STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following new, revised and amended standards and interpretations have been issued and endorsed by the EU unless otherwise stipulated, but are not yet effective and have not been adopted by the group in these consolidated financial statements

- **IFRS 9 'Financial Instruments'**, IASB effective 1 January 2015, however, not yet endorsed by the EU Based on the nature of the group's financial assets, the adoption of the standard is not expected to have a material impact on the financial position or performance of the group,
- **IFRS 10 'Consolidated Financial Statements'**, issued in May 2011, replaces the consolidation requirements in SIC-12 'Consolidation – Special Purpose Entities' and IAS 27 'Consolidated and Separate Financial Statements' This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company The standard provides additional guidance to assist in the determination of control where this is difficult to assess

  The standard has been endorsed by the EU and is effective for the accounting period beginning on 1 January 2014 The group is yet to assess IFRS 10's full impact on its financial position or performance,
- **IFRS 11 'Joint Arrangements'**, issued in May 2011, replaces IAS 31 'Interests in joint ventures' The standard establishes accounting principles based on the rights and obligations of the joint arrangement rather than its legal form The standard introduces two types of joint arrangement – joint operations and joint ventures – and eliminates proportionate consolidation for any form of joint arrangement The standard has been endorsed by the EU and is effective for the accounting period beginning on 1 January 2014 The group is yet to assess IFRS 11 s full impact on its financial position or performance,
- **IFRS 12 'Disclosure of Interests in Other Entities'**, issued in May 2011, is a new standard that establishes the disclosure requirements for all entities that a group has an interest in, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles The standard has been endorsed by the EU and is effective for the accounting period beginning on 1 January 2014 The group is yet to assess IFRS 12's full impact on its financial position or performance,
- **IFRS 13 'Fair Value Measurement'**, issued in May 2011 and endorsed by the EU in December 2012, is a new standard that aims to improve consistency and reduce complexity of fair value measurement techniques adopted in financial statements As the requirements, which are largely aligned between IFRSs, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs, the adoption of the standard is not expected to have a material impact on the financial position or performance of the group The effective date for application in the EU has not yet been set,
- **IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine'** issued in October 2011 and endorsed by the EU in December 2012, is effective for the accounting period beginning on 1 January 2013 This interpretation applies to the treatment of waste removal (stripping) costs incurred in surface mining activity during the production phase of a mine The group has assessed that IFRIC 20 will have no material impact on its financial position and performance as the group has no significant surface mining activity, and
- **Improvements to IFRSs** There are a number of amendments to certain standards following the 2011 annual improvements project which have not yet been endorsed by the EU The impact of any consequential changes to the consolidated financial statements is not likely to be significant

6. FINANCIAL RISK MANAGEMENT

OVERVIEW

The group has exposure to the following risks in relation to its operating and financial activities

- Credit risk,
- Liquidity risk,
- Market risk, and
- Currency risk

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital Further quantitative disclosures are included within note 32

The Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework The subsidiaries report regularly to the Board of Directors on their activities and their risk management procedures

The group Audit Committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group

CREDIT RISK

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers

The companys cash balances are held in investments and with institutions considered by the directors to have a low risk of default The group's policy on credit risk is to seek, to the extent possible, to deal with customers with a strong financial position, and to ensure that appropriate measures are taken to reduce the level of counterparty credit risk Such measures may include limiting shipments of material while balances are outstanding, requesting the use of bank and/or corporate guarantees, and, where appropriate, retention of amounts owed by the group to its counterparties by way of offset against amounts owed to the group The group's principal customer is the Zimbabwe Chamber of Mines who purchases gold production from Freda Rebecca

LIQUIDITY RISK

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due and is measured by reference to cash levels and forecasted cash flows The group's approach to managing liquidity is to seek to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation The group monitors its current and forecasted cash and cash equivalents positions to ensure that it will be able to meet its financial commitments

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates and commodity prices will affect the group's income The group's earnings are exposed to movements in the prices of gold, nickel, and diamonds that it produces The group is also exposed to movements in interest rates on cash and cash equivalents as well as the risk related to market price of the investments held The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return The group's policy is not to hedge commodity price risk Consequently, as at 31 March 2013 and during the year, the group did not have any long term commodity price hedges in place

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 CONTINUED

6. FINANCIAL RISK MANAGEMENT CONTINUED

CURRENCY RISK

The group operates internationally and is exposed to foreign exchange risk arising from transactions and investments that are denominated in currencies other than the US dollar, including pound sterling and the South African rand Such risks include the effect of movements in exchange rates on the group's forecasts of capital and operating expenditure, and on the group's forecasts of revenue The group's policy is not to hedge currency risk Consequently, as at 31 March 2013 and during the year, the group did not have any currency hedges in place

CAPITAL MANAGEMENT

The group considers its capital to be equal to the sum of its total equity The Board is committed to maintaining a capital base that maintains creditors confidence in Mwana's ability to meet its commitments

The company's primary objectives when managing its capital are

- to ensure that the company is able to operate as a going concern,
- to have available both the necessary financial resources and the appropriate equity to allow the company to make investments including, where necessary, further investment in existing subsidiaries, that will deliver acceptable future returns to the company's shareholders, and
- to maintain sufficient financial resources to mitigate against risks and unforeseen events

There were no changes in the companys approach to capital management in the year Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements

7. SEGMENTAL INFORMATION

The group has four reportable segments, as described below, which are the group's strategic business units

The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies The CEO reviews internal management reports for each of the strategic business units The following summary describes the operations in each of the group's reportable segments

- **Gold** Gold mining and prospecting activities
- **Nickel** Nickel mining, smelting and refining activities partially on care and maintenance
- **Diamonds** Diamond mining activities currently on care and maintenance
- **Exploration** Gold and base metal exploration activities

INFORMATION ABOUT REPORTABLE SEGMENTS – OPERATIONS

	Gold (Freda Rebecca)		Nickel (Bindura Nickel Corporation)		Diamonds (Klipspringer diamond mine)		Exploration		Total	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
External revenue	**108,116**	79,804	**1,026**	1,509	**17**	–	**–**	–	**109,159**	81,313
Reportable segment profit/(loss) before tax	**36,436**	23,180	**(57,552)**	(14,265)	**(1,581)**	(1,523)	**(844)**	(708)	**(23,541)**	6,684
Reportable segment assets	**66,486**	63,427	**14,966**	43,829	**1,528**	1,906	**59,201**	43,946	**142,181**	153,108
Reportable additions to property, plant and equipment	**8,586**	8,157	**9,365**	310	**1**	–	**13**	79	**17,965**	8,546
Reportable additions to intangible assets	**–**	–	**–**	–	**–**	–	**15,331**	10,234	**15,331**	10,234

RECONCILIATION OF REPORTABLE SEGMENT PROFIT OR LOSS

	2013 $'000	2012 $'000
Total profit/(loss) for reportable segments	**(23,541)**	6,684
Unallocated amounts		
Other corporate expenses	**(8,523)**	(7,894)
Consolidated loss before income tax	**(32,064)**	(1,210)

INFORMATION ABOUT REPORTABLE SEGMENTS – GEOGRAPHICAL

	South Africa and Zimbabwe		Democratic Republic of the Congo		Ghana		United Kingdom		Total	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
External revenue	**109,159**	81,313	**–**	–	**–**	–	**–**	–	**109,159**	81,313
Reportable segment profit/(loss) before tax	**(25,231)**	6,016	**(844)**	(588)	**(25)**	(565)	**(5,964)**	(6,073)	**(32,064)**	(1,210)
Reportable segment assets	**87,825**	109,693	**59,201**	43,946	**14**	40	**3,636**	5,352	**150,676**	159,031
Reportable additions to property, plant and equipment	**17,964**	8,481	**13**	79	**–**	–	**412**	7	**18,389**	8,567
Reportable additions to intangible assets	**–**	–	**15,331**	10,234	**–**	–	**–**	–	**15,331**	10,234

Freda Rebecca sells its gold production to the Zimbabwean Chamber of Mines The main products at BNC during the year related to nickel and the major customers were well-established commodities traders

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 CONTINUED

8. LOSS FROM JOINT VENTURE

Included in the group income statement are the following amounts relating to the Klipspringer diamond mine joint venture

	2013 $'000	2012 $'000
Revenue	–	–
Cost of sales	–	–
Gross loss	–	–
Other income	**48**	254
Care and maintenance expenses	**(1,355)**	(1,148)
Selling and distribution costs	**(1)**	–
Administrative costs	**(273)**	(629)
Loss from operating activities	**(1,581)**	(1,523)
Finance income	–	–
Loss before tax	**(1,581)**	(1,523)

The group holds a 68 93% interest (2012 68%) in the Klipspringer diamond mine joint venture The mine, which is situated in South Africa's Limpopo Province, was placed on care and maintenance in February 2011 following a number of severe weather incidents which occurred in December 2010 and January 2011, flooding the shaft bottom lower (7) level Mwana Africa is currently the sole funder of the operation and the joint venture partners' interest is being diluted in accordance with the contractual agreement

9. ANALYSIS OF LOSS FROM OPERATING ACTIVITIES

Loss from operating activities is stated after charging

	2013 $'000	2012 $'000
Cost of goods sold	**50,744**	42,666
Depreciation	**5,860**	3,872
Provision for closure costs	**226**	(88)
Cost of sales	**56,830**	46,450
Other income items	**418**	2,357
(Loss)/profit on sale of available-for-sale financial assets	**(25)**	(176)
Other income	**393**	2,181
Operations (technical)	**10,827**	8,564
Exploration	**767**	643
Administrative expenses	**11,594**	9,207

Depreciation on property, plant and equipment capitalised as intangible assets is not included in the above analysis

10. AMOUNTS PAYABLE TO KPMG

	2013 $'000	2012 $'000
Audit of these financial statements	**205**	218
Audit of financial statements of subsidiaries pursuant to legislation	**172**	163
Other services relating to taxation	**30**	12
Services relating to corporate finance transactions	**49**	–
All other services	**23**	34
Total Auditors' remuneration	**479**	427

11. REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are people responsible for the direction of the business, and comprise the executive and non-executive directors of Mwana Africa PLC The remuneration of key management personnel is set out below in aggregate for each of the categories as specified in IAS 24 9

Director	Short-term employee benefits $'000	Annual bonus[1] $'000	Post-employment benefits $'000	Share-based payments $'000	Total $'000
2013					
KK Mpinga	521	541	94	112	1,268
OAG Baring	33	134	113	33	313
DAR McAlister	411	411	66	55	943
SG Morris	79	79	–	–	158
JA Anderson	59	59	–	–	118
E Denis	40	40	–	–	80
JL Botha	39	40	–	–	79
YH Ning	33	40	–	–	73
YC Hu	30	40	–	–	70
Total	**1,245**	**1,384**	**273**	**200**	**3,102**

[1] Discretionary bonus awards in respect of the year ended 31 March 2013 to Mr Mpinga and Mr McAlister recognised the successful achievements during the year of 1) Freda Rebecca Gold Mine meeting production target, 2) restructuring and refinancing Bindura Nickel Corporation in readiness for restart at Trojan mine, 3) increasing JORC compliant gold resources in the DRC, and 4) turning the business around to produce a group profit before impairments for the first time since the year ended 31 March 2007 These bonus payments were accrued but not paid at year-end The Remuneration Committee in recommending the bonuses to the Board stipulated that the bonus was to be paid only when sufficient funds are available Payment of the bonus will therefore be deferred until sufficient funds are available or made in shares, subject to agreement

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013 CONTINUED

11. REMUNERATION OF KEY MANAGEMENT PERSONNEL CONTINUED

Director	Short-term employee benefits $'000	Annual bonus $'000	Post-employment benefits $'000	Share-based payments $'000	Total $'000
2012					
KK Mpinga	494	505	93	82	1,174
OAG Baring	519	158	130	38	845
DAR McAlister	398	280	64	48	790
SG Morris	63	–	–	–	63
JA Anderson	52	–	–	–	52
E Denis	32	–	–	–	32
JL Botha	10	–	–	–	10
Total	1,568	943	287	168	2,966

12. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Wages and salaries	**20,146**	17,128	**1,797**	2,356
(Decrease)/Increase in labour accrual[1]	**(5,365)**	4,578	**–**	–
Equity-settled share-based payment transactions (see note 31)	**342**	278	**225**	186
Compulsory social security contributions	**566**	684	**219**	314
Contributions to defined contribution plans	**671**	633	**176**	213
Total employee benefits expense	**16,360**	23,301	**2,417**	3,069

STAFF NUMBERS

	Number of employees Group	
	2013	2012
Management and administration	**184**	208
Operatives	**1,376**	2,407
Total	**1,560**	2,615

The employee benefits expense includes remuneration of key management personnel as disclosed in note 11

[1] *The release of the labour accrual was due to the settlement agreement as part of the Trojan Mine restart in September 2012*

13. NET FINANCE INCOME AND COSTS

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Interest income on bank deposits	**645**	154	–	30
Investments	–	–	–	–
Foreign exchange gains	**790**	66	–	–
Loans	–	–	**715**	672
Finance income	**1,435**	220	**715**	702
Interest costs	**(784)**	(1,441)	–	–
Finance costs	**(784)**	(1,441)	–	–

Finance income of the company includes loan interest of $54,353 and $661,025 from Freda Rebecca and BNC respectively $4,707,969 of a $10 million loan facility to BNC was drawn down during the year Refer to note 23 Trade and other receivables for details of the loan balances outstanding at year-end

14. INCOME TAX EXPENSE

	2013	2012
	$'000	$'000
Current tax expense		
Current year tax	**11,105**	2,527
Prior periods tax	**(48)**	24
Deferred tax expense		
Origination and reversal of temporary differences	**340**	2,947
Total income tax expense	**11,397**	5,498
Reconciliation of effective tax rate		
Loss before income tax	**(32,064)**	(1,210)
Income tax using the company's domestic tax rate –24% (2012 26%)	**7,695**	315
Effect of tax rates in foreign jurisdictions	**(1,563)**	(209)
Non-deductible expenses	**(5,330)**	(960)
Prior year current tax	**48**	(24)
Prior year deferred tax	–	238
Utilised tax losses brought forward	**2,814**	357
Current year losses for which no deferred tax asset was recognised	**(6,029)**	(4,622)
Impairment losses non deductible	**(10,510)**	–
Other temporary differences not recognised	**1,478**	(593)
Total tax expense as per consolidated income statement	**(11,397)**	(5,498)

Deferred taxation impacts are described more fully in note 20

Significant factors affecting the tax charge relate to the taxation regimes for the mining sector in the UK, Zimbabwe, South Africa and the DRC Changes in any of these areas could, adversely or positively, impact the group's tax charge in the future

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 CONTINUED

15. DIVIDENDS

No dividends were declared during the 2013 financial year (2012 nil)

16. EARNINGS PER SHARE

Basic earnings per share (EPS) is computed by dividing the profit or loss after taxation for the year available to ordinary shareholders by the sum of the weighted average number of ordinary shares in issue ranking for dividend during the year

Diluted earnings per share is computed by dividing the profit or loss after taxation for the year available to ordinary shareholders by the sum of the weighted average number of ordinary shares in issue, adjusted for the effect of all dilutive potential ordinary shares that were outstanding during the year

	2013 $'000	2012 $'000
Earnings		
Profit/(Loss) attributable to ordinary shareholders	**(28,640)**	(694)
	Number	**Number**
Weighted average number of shares		
Issued ordinary shares at the beginning of the year	**720,567,308**	507,956,489
Effect of shares issued	**373,104,337**	174,509,679
Weighted average shares at the end of the year for basic and diluted EPS	**1,093,671,645**	682,466,168
Basic earnings/(loss) per share	**(2 62c)**	(0 10c)
Diluted earnings/(loss) per share	**(2 62c)**	(0 10c)

No dilutive effect is recognised for the 2013 financial year as the dilutive potential ordinary shares would reduce the loss per share

17. PROPERTY, PLANT AND EQUIPMENT

	Mining assets $'000	Smelter and refinery plant and equipment $'000	Plant and equipment $'000	Exploration assets $'000	Building & leasehold $'000	Motor vehicles $'000	Total $'000
Cost or deemed cost							
Balance at 1 April 2011	113,567	33,955	3,335	3,917	31,645	13,700	200,119
Additions	8,157	–	21	79	–	310	8,567
Additions of environmental assets	119	135	–	–	–	–	254
Write down of environmental assets recognised previously							
Disposals	–	(99)	(2)	(136)	–	–	(237)
Impairment Reversal	–	–	–	357	–	–	357
Effect of movements in exchange rates	–	–	(113)	–	–	–	(113)
Balance at 31 March 2012	121,843	33,991	3,241	4,217	31,645	14,010	208,947
Additions	17,288	–	929	13	–	159	18,389
Additions of environmental assets	839	–	–	–	–	–	839
Disposals	(375)	(340)	(92)	–	–	(29)	(836)
Impairment reversal	–	–	–	–	–	–	–
Effect of movements in exchange rates	–	–	(158)	–	–	–	(158)
Balance at 31 March 2013	**139,595**	**33,651**	**3,920**	**4,230**	**31,645**	**14,140**	**227,181**
Depreciation and impairment losses							
Balance at 1 April 2011	(57,424)	(20,152)	(2,841)	(3,917)	(27,128)	(13,571)	(125,033)
Depreciation for the year	(3,445)	–	(172)	–	–	(255)	(3,872)
Depreciation capitalized to intangible assets	–	–	–	(152)	–	–	(152)
Disposals	–	53	2	55	–	–	110
Effect of movements in exchange rates	–	–	70	–	–	–	70
Balance at 31 March 2012	(60,869)	(20,099)	(2,941)	(4,014)	(27,128)	(13,826)	(128,877)
Depreciation for the year	(5,466)	–	(312)	–	–	(82)	(5,860)
Depreciation capitalized to intangible assets	–	–	–	(83)	–	–	(83)
Disposals	95	295	68	–	–	16	474
Impairment Loss	(25,570)	(13,847)	–	–	(4,097)	(155)	(43,669)
Effect of movements in exchange rates	–	–	117	–	–	–	117
Balance at 31 March 2013	**(91,810)**	**(33,651)**	**(3,068)**	**(4,097)**	**(31,225)**	**(14,047)**	**(177,898)**
Carrying amounts							
At 31 March 2011	56,143	13,803	494	–	4,517	129	75,086
At 31 March 2012	60,974	13,892	300	203	4,517	184	80,070
At 31 March 2013	**47,785**	**–**	**852**	**133**	**420**	**93**	**49,283**

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FOR THE YEAR ENDED 31 MARCH 2013 CONTINUED

17. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Property, plant and equipment includes rehabilitation assets of $4 2 million for Freda Rebecca

The net book value of the company's property, plant and equipment as at 31 March 2013 amounted to $398,817 (2012 $66,857) Depreciation charged to the income statement of the company during the year amounted to $73,829 (2012 $47,473) and capital expenditure for the year to $411,939 (2012 $7,213)

Mining Assets are a separate category of PPE defined in note 4

18. INTANGIBLE ASSETS

	Development assets $'000	Exploration and evaluation assets $'000	Total $'000
Cost or deemed cost			
Balance at 1 April 2011	9,272	198,715	207,987
Capitalised exploration costs	–	10,234	10,234
Capitalised depreciation	–	152	152
Impairment losses transferred from amortization and impairment losses	(9,272)	(137,664)	(146,936)
Effect of movements in exchange rates	–	–	–
Balance at 31 March 2012	–	71,437	71,437
Capitalised exploration costs	–	15,248	15,248
Capitalised depreciation	–	82	82
Impairment losses transferred from amortization and impairment losses	–	–	–
Balance at 31 March 2013	–	**86,767**	**86,767**
Amortisation and impairment losses			
Balance at 1 April 2011	(9,272)	(166,169)	(175,441)
Impairment losses transferred to cost	9,272	137,664	146,936
Effect of movements in exchange rates			
Balance at 31 March 2012	–	(28,505)	(28,505)
Impairment losses transferred to cost	–	–	–
Balance at 31 March 2013	–	**(28,505)**	**(28,505)**
Carrying amounts			
At 31 March 2011	–	32,546	32,546
At 31 March 2012	–	42,932	42,932
At 31 March 2013	–	**58,262**	**58,262**

The carrying amount of the intangible assets relates to capitalised exploration on the SEMHKAT and Zani-Kodo exploration projects

19. INVESTMENTS

GROUP

	Ownership %	2013 $'000	2012 $'000
Mantle Diamonds Ltd	3 73 (2012 3 88)	**780**	1,228
Others		**574**	597
Total Investments		**1,354**	1,825

The group has certain investments which include a 20% interest in Société Minière de Bakwanga (MIBA) in the DRC, an 18% interest in the Camafuca project in Angola, and a 12 5% interest in the BK16 project in Botswana These investments are carried at $nil value (2012 $nil)

The directors consider that the group does not have significant influence over the entities classified as investments, as it cannot influence the operating policy of these entities

The group s exposure to credit, currency and interest rate risks related to other investments is disclosed in note 32

COMPANY

	Shares in non-group undertakings $'000	Shares in group undertakings $'000	Total $'000
Cost			
At beginning of year	1,228	194,602	195,830
Cumulative impairments	–	(121,767)	(121,767)
Net book value at beginning of the year	1,228	72,835	74,063
Fair value adjustment [1]	(448)	-	(448)
Impairment2	–	(21,887)	(21,887)
Share-based payments to subsidiary employees	–	118	118
Additional Investments	–	24,977	24,977
At end of year	**780**	**76,043**	**76,823**
Net book value			
At 31 March 2011	1,643	72,806	74,449
At 31 March 2012	1,228	72,835	74,063
At 31 March 2013	**780**	**76,043**	**76,823**

[1] *The fair value adjustment was in relation the investment in Mantle Diamonds*

[2] *The impairment was in relation to all investments held in BNC Refer to note 33*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 CONTINUED

19. INVESTMENTS CONTINUED

The investment in Zimnick Ltd, which is a subsidiary of the company, contributed $21 million of the additional investments Zimnick holds 57 8% of Bindura Nickel Corporation after the rights issue that took place during the year

The recoverable value of the investments in the Zimbabwean operation exceeds its carrying value but developments in the Zimbabwe indigenisation legislation, which are explained in more detail in the Director's report on page 24, may have an impact on the recoverable value of the investments

The impact cannot be reliably measured as there are uncertainties regarding the implementation of this legislation and the directors consider there is a material uncertainty which may cast significant doubt over the carrying value, amounting to $74 6 million (2012 $71 5 million), of the investments relating to Zimbabwean subsidiaries consolidated in the group financial statements

These financial statements do not include any adjustments that would result from the impact of the Zimbabwe indigenisation legislation on the carrying value of the investment held by the company and on the entities that are included by consolidation in the group financial statements

In addition to the company s investments in shares in group undertakings, loans to group undertakings totalling $62,698,297 (2012 $66,096,774) are included in trade and other receivables within note 23 below The major subsidiaries in which the group's interest at the year-end is more than 20% are as follows

Subsidiary undertakings	Country	Activity	Percentage of shares held by group
SEMHKAT SPRL [1]	Democratic Republic of Congo	Base metal exploration	100
Bindura Nickel Corporation Limited [3]	Zimbabwe	Holding company	77
Trojan Nickel Mine Limited [3]	Zimbabwe	Nickel mining	77
Freda Rebecca Gold Mine Limited [2]	Zimbabwe	Gold mining	85
Mwana Africa Holdings Limited	Mauritius	Holding company	100
Mwana Africa Holdings (Proprietary) Limited*	South Africa	Holding company	100
Basilik Trading (Proprietary) Limited	South Africa	Management services	100
Sibeka SA*	Belgium	Holding company	100
Mwana Africa Congo Gold SPRL [1]	Democratic Republic of Congo	Exploration of gold	100
SouthernEra Diamonds Inc	Canada	Diamond exploration	100
SouthernEra International Limited	Cayman Islands	Holding company	100
SouthernEra Management Services South Africa (Proprietary) Limited	South Africa	Management services and diamond exploration	100
Zimnick*	Mauritius	Holding company	100
Congo Copper Ltd*	Mauritius	Holding company	100
Mwana Africa Congo Limited*	Mauritius	Exploration of gold	100

* *Companies in which Mwana Africa PLC has a direct holding*

[1] *The year-end of these subsidiaries is 31 December as required by DRC legislation and appropriate adjustments were made to recognise movements to 31 March to bring the reporting date of these entities in line with the group's financial year-end*

[2] *The group disposed of a 15% interest in Freda Rebecca Gold Mine Limited to a local investor for total consideration of $405,000 in October 2012 Further details are disclosed under note 35*

[3] *During the year BNC had a rights issue in which Zimnick a wholly owned subsidiary of Mwana PLC acquired the majority of the shares which led to Mwana PLC s increase in holding to 76 5% from 52 9%*

The group holds a 68 93% interest (2012 68%) in the Klipspringer diamond mine joint venture situated in South Africa's Limpopo Province Information regarding the group loss from the joint venture has been disclosed in accordance with IAS31 Interests in Joint Ventures and can be found in note 8 The group had no other material interest in an associate or joint venture

As at 31 March 2013 27 exploration licences within Semhkat formed part of an unincorporated joint venture agreement entered into with Hailiang Mining (Congo) SPRL Under the earn-in arrangement the group retained a 100% interest in these licences at year-end The group's interest will dilute from Q4 2014 based on the venture partner's investment

Additionally the joint venture partner can require the group to transfer these licenses to an incorporated joint ventures that will be held at 38% by the group The joint venture partner can also request the group to transfer the Kibolwe licence to an incorporated joint venture that will be held at 40% by the group

20. DEFERRED TAX ASSETS AND LIABILITIES

	2013 $'000	2012 $'000
Net deferred tax liability at beginning of year	**8,980**	6,033
Charge to the income statement	**340**	2,947
Exchange rate adjustment	–	–
Net deferred tax liability at end of the year	**9,320**	8,980
Deferred tax assets	**(1,186)**	(1,018)
Deferred tax liabilities	**10,506**	9,998
The elements of deferred taxation are as follows		
Difference between accumulated depreciation and amortisation and capital allowances	**10,496**	17,854
Unutilised losses	**-**	(3,754)
Other timing differences	**(1,176)**	(5,120)
	9,320	8,980

The deferred tax liability represents the difference between the carrying amount of property, plant and equipment and the corresponding tax bases on those assets The deferred tax liability principally relates to Freda Rebecca

UNRECOGNISED DEFERRED TAXES

	2013 $'000	2012 $'000
Deferred taxes have not been recognised in respect of the following items		
Difference between accumulated depreciation and amortisation and capital allowances	**11,615**	1,341
Tax losses	**24,779**	27,236
Other timing differences	**(2,223)**	1,082
	34,171	29,659

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the group can utilise the benefits

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FOR THE YEAR ENDED 31 MARCH 2013 CONTINUED

20. DEFERRED TAX ASSETS AND LIABILITIES CONTINUED
RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Group deferred tax assets and liabilities are attributable to the following

	Asset		Liability		Net	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Property, plant and equipment	–	–	**(10,496)**	(17,854)	**(10,496)**	(17,854)
Mine rehabilitation provision	**1,186**	1,018	–	3,257	**1,186**	4,275
Tax loss	–	–	–	5 120	–	5,120
Others	–	–	**(10)**	(521)	**(10)**	(521)
Total	**1,186**	1,018	**(10,506)**	(9,998)	**(9,320)**	(8,980)

21. NON-CURRENT RECEIVABLES

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Loans and other receivables	**5**	7	–	–
Environmental investment	**1,263**	1,414	–	–
	1,268	1,421	–	–

The environmental investment relates to the Klipspringer diamond mine which has placed funds into an investment account for the purpose of funding rehabilitation costs upon closure of the mine

22. INVENTORIES

	Group	
	2013 $'000	2012 $'000
Raw materials and consumables	**10,370**	7,365
Work in progress	**821**	665
Finished goods	**15**	42
	11,206	8,072

During the year, raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to $18,144,471 (2012 $17,123,331), with raw materials written down by $nil (2012 $nil) to net realisable values

23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Trade receivables	**3,133**	6,621	-	-
Receivables from group undertakings	-	–	**62,699**	66,097
Loans and other receivables	**8,940**	8,217	**639**	4,197
Pre-payments	**838**	1,228	**260**	411
Tax receivable	-	931	-	–
	12,911	16,997	**63,598**	70,705

All current trade and other receivables are due within 12 months of the financial year-end At 31 March 2013, no trade receivables were outstanding past their due repayment date Receivables from group undertakings are due and payable on demand

Included in the group's loans and other receivables is an amount of $5 1 million which relates to amounts receivable from the Zimbabwe Central Bank in relation to BNC which is expected to be settled against the provision of the same amount Refer to note 29 for the corresponding liability

The group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed further in note 32

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cash and cash equivalents	**15,194**	6,696	**1,585**	3,104

Net cash and cash equivalents were represented by the following major currencies

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
British pound	**607**	460	**607**	461
Euro	**7**	7	–	–
South African rand	**527**	499	**7**	49
United States dollar	**14,053**	5,730	**971**	2,594
Net cash and cash equivalents	**15,194**	6,696	**1,585**	3,104

Included in the group's cash and cash equivalents there is an amount of $1,746,683 (2012 $1,830,648) represents restricted cash, of which $15,103 (2012 $98,523) is being held by banking institutions as guarantees, and $1,731,579 (2012 $1,732,125) is reserved for loan repayments BNC held an amount of $5,435,292

The group's exposure to interest rate risks and sensitivity analysis for financial assets and liabilities is disclosed in note 32

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 CONTINUED

25. ISSUED SHARE CAPITAL

	Number of shares		Nominal value of shares	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Allotted, called up and fully paid				
Opening balance	**720,567,308**	535,141,760	**11,598**	85,799
Split to deferred shares	–	–	–	(77,219)
Issued during the year	**399,159,743**	185,425,548	**6,345**	3,018
Closing balance	**1,119,727,051**	720,567,308	**17,943**	11,598
Deferred shares				
Opening balance	**535,141,760**	–	**77,219**	–
Split from ordinary shares	–	535,141,760	–	77,219
Closing balance	**535,141,760**	535,141,760	**77,219**	77,219
Total	**1,654,868,811**	1,255,709,068	**95,162**	88,817

At an extraordinary general meeting held on 19 April 2012, the shareholders approved, inter alia, the placing and subscription of 383,042,447 new ordinary shares at a price of 5 5 pence per share 140,618,165 new ordinary shares were placed with institutional and other investors China International Mining Group Corporation subscribed for 242,424,282 new ordinary shares, so becoming interested in 22% of the enlarged issued share capital of the company On 20 April 2012, the placing and subscription shares were admitted to the AIM market of the London Stock Exchange raising $32 4 million (£20 4 million) net of expenses

Pursuant to an introduction agreement, relating to the above subscription, dated 2 April 2012 Mr Chuanhua Shang subscribed for 12,121,214 new ordinary shares in the company at a price of 5 5 pence per share These were admitted to the AIM market of the London Stock Exchange on 24 May 2012 raising $1,048,800 (£666,667)

3,996,082 new ordinary shares in the company were admitted to the AIM market of the London Stock Exchange on 24 January 2013 raising $348,234 (£219,785) These shares were subscribed by the Non-Executive Directors of the company at a price of 5 5 pence per share

No shares were issued but not fully paid as at 31 March 2013 (2012 185,425,548 shares)

WARRANTS

Warrants were granted to Liberum Capital Ltd under the terms of a warrant agreement dated 20 April 2012 The warrants provide the warrant holder with the right to subscribe for 5,624,727 ordinary shares at an exercise price of 6 pence per share at any time up to 3 years from 20 April 2012

The company had no warrants outstanding at 31 March 2012

26. LOAN PAYABLE

	2013 $'000	2012 $'000
Total liability	**6,066**	7,831
Current portion (included in note 28)	**(1,793)**	(1,904)
Long-term portion	**4,273**	5,927

The loan is secured by a mortgage bond registered over moveable and immovable assets of Freda Rebecca Gold Mine

The following table illustrates the contractual maturities of financial liabilities, including estimated interest payments

	2013 $'000	2012 $'000
Cashflow profile		
Within one year	**2,250**	2,364
Two to five years	**4,717**	2,250
Over five years	**–**	4,736
Contracted	**6,967**	9,350

27. REHABILITATION PROVISIONS

	2013 $'000	2012 $'000
Balance at beginning of year	**18,064**	17,959
Exchange rate adjustments	**(224)**	(162)
Provisions made during the year	**1,014**	30
Provisions reversed during the year	**–**	(150)
Unwinding of discount	**39**	387
Balance at end of the year	**18,893**	18,064

The rehabilitation provision relates principally to the estimated closure and rehabilitation costs of the business operations of BNC, Freda Rebecca, and the Klipspringer diamond mine joint venture Settlement of this provision will occur at the end of life of each mining operation

28. ACCRUALS AND OTHER PAYABLES

	2013 $'000	2012 $'000
Accrued expenses and other payables	**14,688**	22,556
Current portion of loan payable	**1,793**	1,904
Balance at end of the year	**16,481**	24,460

The company's other payables and accrued expenses as at 31 March 2013 amounted to $3,344,145 (2012 $2,140,440)

29. PROVISIONS

	Provisions at beginning of year $'000	Effect of movements in exchange rates $'000	Additional provisions $'000	Amounts settled during the year $'000	Provisions reversed during the year $'000	Provisions at end of year $'000
2013						
Legal [1]	**3,727**	**–**	**693**	**(596)**	**(2,437)**	**1,387**
Other [2]	**6,952**	**(29)**	**2,280**	**(1,233)**	**(242)**	**7,728**
Provisions	**10,679**	**(29)**	**2,973**	**(1,829)**	**(2,679)**	**9,115**
2012						
Legal	3,209	–	682	(164)	–	3,727
Other	6,856	(24)	2,952	(2,225)	(607)	6,952
Provisions	10,065	(24)	3,634	(2,389)	(607)	10,679

[1] *Contingent liabilities are disclosed in note 36 relating to these legal provisions*

[2] *The provisions relate to various claims raised against the group's Zimbabwean subsidiaries It includes $5 1 million related to amounts claimed by the Zimbabwe Central Bank that arose in 2009 when Zimbabwe changed its currency from Zim$ to US$ There is an uncertainty regarding the legal enforceability of this claim from the Zimbabwean Central bank*

30. PENSION SCHEME

GROUP

Certain of the group's Zimbabwean subsidiaries contribute towards defined contribution plans, details of which are provided below

MINING INDUSTRY PENSION FUND

The Mining Industry Pension Fund is a defined contribution plan The group s obligations under the scheme are limited to 5% of pensionable emoluments for lower grade employees and 10% for higher grade employees

OTHERS

The group contributes towards personal pension schemes of certain of its employees, including certain directors in the United Kingdom

The pension charge for the year represents contributions payable by the group to the various schemes and amounted to $670,814 (2012 $631,588)

There were no un-accrued or pre-paid contributions at either the beginning or end of the financial year

COMPANY

The company does not operate any pension schemes, but does make contributions towards personal pension schemes of its employees, including certain directors

The pension charge for the year represents contributions payable by the company to the personal pension schemes and amounted to $175,543 (2012 $212,678)

There were no un-accrued or pre-paid contributions at either the beginning or end of the financial year

31. SHARE-BASED PAYMENTS

SHARE OPTIONS – EMPLOYEES

The company has outstanding options under an unapproved share option scheme adopted in 1997 which expired in September 2007 (the 1997 Scheme) and a new scheme which was approved by shareholders at the company's annual general meeting on 31 July 2007 (the 2007 Scheme)

1997 Scheme

The company has operated this scheme since 1997 where options were granted to any employee, officer or director of the company or any subsidiary of the company The limit for options granted under this scheme was not to exceed 15% of the number of issued ordinary shares from time to time

The Board granted options at its discretion The subscription price was fixed by the Board at the price per share on the dealing day preceding the date of grant

For the directors, these options vest immediately and may be exercised at any time within a seven-year period from the date of the grant, unless the Board determines otherwise The options lapse if not exercised by the seventh anniversary of the grant

For the employees, there is a vesting period of one to three years from the date of grant Once vested, the options may be exercised at any time within a seven-year period from date of grant, unless the Board determines otherwise The options lapse if not exercised by the seventh anniversary of the grant

The right to exercise an option terminates on the holder ceasing to be a participant, subject to certain exceptions, which broadly apply in the event of death of the option holder or where the option holder ceases to be a participant due to retirement, ill health, accident or redundancy In such a case, the option may be exercised within six months of such event provided such exercise will take place within seven years of the original date of grant

2007 Scheme

The 2007 Scheme allows for both tax approved options (approved options) to be made to employees resident in the United Kingdom and unapproved options (unapproved options), which can be made to both resident and non-resident employees

The company has operated this scheme since December 2007 where options may be granted to full-time employees and directors of the company or any subsidiary of the company The overall limit for options granted under this scheme and any other employees' share scheme adopted by the company is, in any rolling ten-year period, 10% of the issued ordinary share capital (including treasury shares) of the company for the time being plus 8,100,000 ordinary shares There is an individual limit of ordinary shares to a maximum of £30,000 in value in respect of approved options

Options may be granted when the Remuneration Committee determines, within 42 days of the announcement by the company of its full or interim results Options may be granted outside the 42-day period if the Remuneration Committee considers there to be exceptional circumstances Options must be granted subject to performance conditions being satisfied The performance conditions must be objective and, save where the Remuneration Committee determines there to be exceptional circumstances, the performance conditions must relate to the overall financial performance of the company or the market value of ordinary shares over a period of at least three years The performance conditions can be waived or amended by the Remuneration Committee if it determines that a change of circumstances means that the performance conditions cannot reasonably be met The current performance condition in relation to these options is that the market value of the company's shares must increase above the exercise price by not less than 10% per annum on a compound basis No consideration is payable on the grant of an option and no option may be granted after 31 July 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 CONTINUED

31. SHARE-BASED PAYMENTS CONTINUED

SHARE OPTIONS – EMPLOYEES CONTINUED

The Remuneration Committee determines the exercise price before the options are granted and cannot be less than the market value of the shares on the date of grant

The options can only be exercised on or after the third anniversary of the date of grant provided the performance conditions have been satisfied or waived by the Remuneration Committee The options lapse if not exercised by the tenth anniversary of the grant

These options lapse when the option holder ceases to be an eligible employee In the case of death, a participant's personal representatives may exercise his/her options within 12 months after the date of death Where an option holder ceases to be an employee by reason of injury, disability, redundancy, the company that employs the option holder ceasing to be a subsidiary of the company, retirement, pregnancy or in any other circumstances determined by the Remuneration Committee, the options may be exercised within six months of the termination of employment or such longer period as may be determined by the Remuneration Committee

Other share-based payments

At the time of the acquisition of Freda Rebecca gold mine in 2005, the group agreed to sell a 15% interest in the company with a fair value of $405,000 at the time to a local investor The option vested immediately This disposal took place in October 2012 after receipt of approval from the IDC

SHARE INCENTIVES

The share incentive scheme was approved by shareholders at the company's annual general meeting on 31 July 2007 (the Share Incentive Scheme) The Share Incentive Scheme is designed to complement the Share Option Scheme to facilitate awards to selected executives and managers The Share Incentive Scheme permits the award of any one or a combination of the following incentives

- the sale of ordinary shares on deferred payment terms,
- share awards as part of a bonus scheme by way of nil cost options in consideration of cash bonuses forgone on terms that would be determined by the Remuneration Committee of the company, and
- the issue of share appreciation rights either by the company or EBT (as defined below)

The company has also adopted an Employees Benefit Trust (EBT) which will operate in conjunction with the Share Option Scheme and Share Incentive Scheme The EBT has not yet been utilised for this purpose and there have been no awards under the Share Incentive Scheme since it was approved by shareholders

The share options have been valued using a Black Scholes model

	2013 Weighted average exercise price	2013 Number of options	2012 Weighted average exercise price	2012 Number of options
Unapproved Options – 1997 Scheme				
Outstanding at the beginning of the year	**54p**	**19,090,000**	53p	19,290,000
Granted during the year	–	–	–	–
Exercised during the year	–	–	–	–
Lapsed/cancelled during the year	**52p**	**(13,190,000)**	50p	(200,000)
Outstanding at the end of the year	**55p**	**5,900,000**	54p	19,090,000
Exercisable at the end of the year	**55p**	**5,900,000**	54p	19,090,000
Unapproved Options – 2007 Scheme				
Outstanding at the beginning of the year	**15p**	**33,652,144**	25p	16,400,715
Granted during the year	**5 5p**	**34,135,950**	5p	17,811,429
Exercised during the year	–	–	–	–
Lapsed/cancelled during the year	**38p**	**(4,975,000)**	26p	(560,000)
Outstanding at the end of the year	**8p**	**62,813,094**	15p	33,652,144
Exercisable at the end of the year	**41p**	**11,690,715**	40p	7,080,000
Approved Options – 2007 Scheme				
Outstanding at the beginning of the year	**17p**	**936,702**	24p	458,131
Granted during the year	**5 5p**	**1,627,595**	9p	478,571
Exercised during the year	–	–	–	–
Lapsed/cancelled during the year	**36p**	**(121,923)**	–	–
Outstanding at the end of the year	**9p**	**2,442,374**	17p	936,702
Exercisable at the end of the year	**41p**	**351,208**	40p	183,846

The total expenses recognised for the year arising from share-based payments related to share options is $342,224 (2012 $277,709)

No options were exercised during current or previous year

The options outstanding at the year-end have a range of exercise prices of 5p to 79p (2012 5p to 79p) and a weighted average contractual life of 8 0 years (2012 5 0 years)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 CONTINUED

31. SHARE-BASED PAYMENTS CONTINUED

SHARE INCENTIVES CONTINUED

For share option grants made in the current and prior year

	2013	2012
Weighted average fair value at measurement date	**0 2**	0 02
Weighted average share price	**0 6**	0 05
Weighted average exercise price	**0 6**	0 05
Expected volatility	**35%**	35%
Expected option life	**4 5 years**	4 5 years
Expected dividends	**–**	–
Risk-free interest rate	**3 0%**	3 0%

The expected volatility is primarily based on the historic volatility

Since the year-end, no share options have been awarded or exercised and 500,000 share options have lapsed

32. FINANCIAL INSTRUMENTS

The directors determine, as required, the degree to which it is appropriate to use financial instruments, commodity contracts, other financial instruments or techniques to mitigate risks The principal risks for which such instruments may be appropriate are interest rate risk, liquidity risk, foreign currency risk and commodity price risk The most significant of these is foreign currency risk which comprises transactional exposure on operating activities Some translation exposure also exists in respect of the investments in overseas operations, since these have functional currencies other than the group's reporting currency The group is also exposed to commodity price risk since its sales are dependent on the price of gold, nickel and diamonds

The group has not currently engaged in any instruments to mitigate or hedge any such risks, although the directors keep this regularly under review

Trade receivables of $2,927,307 (2012 $6,400,261) were due to Freda Rebecca by the Zimbabwean Chamber of Mines, none of which was outstanding past its due date

Based on historical default rates, the group believes that no impairment allowance is necessary in respect of trade receivables as explained in note 6

EXPOSURE TO CURRENCY RISK

The group's exposure to currency risk was as follows based on notional amounts

	2013				2012			
	ZAR $'000	**GBP $'000**	**Other $'000**	**Total $'000**	**ZAR $'000**	**GBP $'000**	**Other $'000**	**Total $'000**
Receivables	**436**	**899**	**–**	**1,335**	3,819	1,002	–	4,821
Net cash and cash equivalents	**526**	**607**	**7**	**1,140**	499	460	7	966
Payables	**(866)**	**(3,210)**	**–**	**(4,076)**	(892)	(2,002)	–	(2,894)
Gross balance sheet exposure	**96**	**(1,704)**	**7**	**(1,601)**	3,426	(540)	7	2,893

The following significant exchange rates applied against the US dollar during the year

	Average rate		Balance sheet rate	
	2013	**2012**	**2013**	**2012**
EUR	**0 7768**	0 7265	**0 7799**	0 7497
GBP	**0 6328**	0 6265	**0 6575**	0 6254
ZAR	**8 4948**	7 4213	**9 2451**	7 6805

SENSITIVITY ANALYSIS

A 10% weakening of the US dollar against the following currencies at 31 March and the average rate for the year ended 31 March would have increased/(decreased) equity and results before minority interest by the amounts shown below This analysis assumes that all other variables, in particular interest rates, remain constant The analysis is performed on the same basis for 2012

	Equity		Results	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
EUR	**(2)**	(2)	**1**	–
GBP	**–**	–	**31**	–
ZAR	**(744)**	(341)	**74**	656

A 10% strengthening of the US dollar against the above currencies would have had a similar but opposite effect to the amounts shown above, on the basis that all other variables remain constant

CREDIT RISK

The company's maximum exposure to credit risk is the value of its trade receivables, and loans and other receivables which are reflected in note 23

COMMODITY PRICE RISK

For the 2013 financial year, the group's earnings were mainly exposed to changes in the prices of gold and nickel A 10% increase and decrease in these prices would have increased/(decreased) equity and results by the amounts shown below This analysis assumes that all other variables, in particular interest rates, remain constant The analysis is performed on the same basis for 2012

	Equity		Results	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
10% increase in nickel price	**103**	151	**103**	151
10% decrease in nickel price	**(103)**	(151)	**(103)**	(151)
10% increase in gold price	**10,780**	5,963	**10,780**	5,963
10% decrease in gold price	**(10,780)**	(5,963)	**(10,780)**	(5,963)

LIQUIDITY RISK

The group analysis of the liquidity risk is based on an 18-month term cash flow projection This is disclosed in detail in note 2, along with the risks and uncertainties included within the forecasts

32. FINANCIAL INSTRUMENTS CONTINUED

FINANCIAL RISK MANAGEMENT

Fair values

Fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties Wherever possible, fair value is calculated by reference to quoted prices in active markets for identical instruments Where no such quoted prices are available, other observable inputs are used and if there are no observable inputs then fair values are calculated by discounting projected future cash flows at prevailing rates translated at year-end exchange rates

Fair values for financial assets and liabilities recognised at cost in the group balance sheet

	Book value		Fair value	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Investments held at fair value through profit or loss				
Investments	**1,354**	1,825	**1,354**	1,825
Loans and receivables				
Non-current receivables	**1,267**	1,421	**1,267**	1,421
Trade and other receivables	**12,911**	16,997	**12,911**	16,997
Cash and cash equivalents	**15,194**	6,696	**15,194**	6,696
	29,372	25,114	**29,372**	25,114
Financial liabilities				
Loan payable	**4,273**	5,927	**4,273**	5,927
Trade payables	**10,825**	11,939	**10,825**	11,939
Accruals and other payables	**16,481**	24,460	**16,481**	24,460
	31,579	42,326	**31,579**	42,326

FAIR VALUE HIERARCHY

The table below analyses financial instruments measured at fair value, into a fair value hierarchy based on the valuation technique used to determine fair value

- **Level 1** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i e as prices) or indirectly (i e derived from prices)
- **Level 3** inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	2013				2012			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Mantle Diamonds Ltd	–	–	779	779	–	–	1,228	1,228
Others	16	–	559	575	40	–	557	597
	16	–	1,338	1,354	40	–	1,785	1,825

During the financial year there were no transfers between Levels In order to determine the fair value of investments, management used a valuation technique in which all significant inputs were based on observable market data for Level 1 including quoted share prices

The company's only financial asset held at fair value through profit or loss is its investment in Mantle Diamonds Ltd which is categorised as Level 3

Reconciliation of Level 3 fair value measurements of financial assets for the group is as follows

	2013 $'000	2012 $'000
Opening balance	1,785	2,204
Fair value adjustment recognised in profit or loss	(387)	(415)
Foreign exchange adjustments	(60)	(4)
Closing balance	1,338	1,785

33. IMPAIRMENT

The substantial decrease in the Nickel price since February 2013, was deemed a trigger event requiring an impairment assessment of the BNC assets as at 31 March 2013 A discounted cash flow model was prepared based on the Trojan life of mine model, which includes key assumptions regarding the discount rate and production, and the LME future Nickel prices This resulted in impairing all non-current assets (except for an investment of $0 5 million) within BNC Events after the reporting period covered in note 34 may result in some reversal of this impairment in the future

The effect of the impairment loss on the balance sheet is as follow

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Property, plant and equipment (1)	(43,949)	357	–	–
Investments	–	–	(21,887)	–
Trade and other receivables	–	–	(13,157)	–
Net Assets	(43,949)	357	(35,044)	–
Retained earnings	(33,709)	357	(35,044)	–
Non-controlling interest	(10,240)	–	–	–
Net Equity and Liabilities	(43,949)	357	(35,044)	–

[1] *Included in the impairment loss of $43 9 million is $0 28 million which relates to a leach tank at Freda Rebecca that has been impaired*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 CONTINUED

34. EVENTS AFTER THE REPORTING PERIOD

In addition to the post balance sheet events pertaining to the funding situation of the group as discussed in note 2, the other post balance sheet events are

BNC CURRENT SITUATION

Nickel prices have fallen from around $16,500/t at year-end to recent lows of around $13,600/t At current prices BNC's existing mine plan for Trojan is uneconomic and the funding requirement for the Trojan restart has increased BNC and Mwana have to date been unsuccessful in raising funds to complete the operational ramp-up at Trojan

BNC is reviewing its strategic options, including examining alternative mine plans with the objective of improving short term cash flow and reducing BNC's funding requirement These plans utilise the mining flexibility afforded by the presence of higher grade massive sulphide ore within the Trojan ore body BNC is in the process of seeking short term bridging finance to cover its funding shortfall, and continues to focus on the preservation and integrity of the business and its assets This review of alternative mine plans may result in a plan being implemented that, in the future, may require some reversal of the impairment of BNC's non-current assets

This does not have any further impact on the group financial statements as at 31 March 2013 as all BNC s non-current assets (excluding a $0 5 million investment) has been fully impaired at year-end

COST SAVING PROGRAMME

The Mwana board has embarked from the end of June 2013 on a significant cost cutting exercise targeting annualised savings from budgeted corporate costs of around $5 million, and has reduced exploration spend whilst strategic options are considered

These are non-adjusting post balance sheet events, which therefore does not impact the financial statements as at 31 March 2013 They will be taken into consideration when considering the obligations and impairments in the next financial year

35. RELATED PARTY DISCLOSURES

GROUP

Transactions between group subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note Remuneration of key management personnel are disclosed in note 11

COMPANY

The company provided funding to subsidiary companies which are disclosed as current receivables in note 23 Investments in subsidiaries are disclosed in note 19

The company also charged a management fee to Mwana Africa Holdings (Pty) Ltd and Basilik Trading (Pty) Ltd in relation to management time spent on these subsidiaries

KEY MANAGEMENT PERSONNEL AND DIRECTOR TRANSACTIONS

During the year the group disposed of a 15% interest in Freda Rebecca Gold Mine Limited to Suncraft Enterprises (Pvt) Ltd in which Mr K Mushani, a non-executive director of Freda Rebecca Gold Mine Limited has an interest, for total consideration of $405,000 in October 2012 This was done through a market related interest bearable Loan of USD-LIBOR plus 700 basis points, repaid through 50% of its dividends received from Freda Rebecca Gold Mine

It needs to be noted that the transaction was agreed upon before Mr Mushani became a related party and was considered to be at arms length at the time

36. COMMITMENTS AND CONTINGENT LIABILITIES

COMMITMENTS

Capital commitments at the end of the financial year relating principally to property, plant and equipment for BNC and Freda Rebecca, for which no provision has been made, are as follows

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Contracted	**1,253**	4,804	–	–

The group and company have the following total minimum lease payments under non-cancellable operating leases

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Operating leases which expire				
Within one year	**168**	51	**96**	51
Two to five years	**842**	-	**572**	–
Over five years	**-**	-	**-**	–
Contracted	**1,010**	51	**668**	51

CONTINGENT LIABILITIES

The group and company monitor contingent liabilities, including, inter alia, those relating to taxation in the various jurisdictions in which the company's operate, environmental, closure and other contingent liabilities, on an ongoing basis Provision for such liabilities is raised in the financial statements when the necessary recognition criteria have been satisfied

The following contingencies exist at the year-end

GROUP

- There are a number of legal claims which have been brought against BNC and Freda Rebecca These have been provided for when the obligation relating to these liabilities met the criteria for recognition under IAS 37 and are disclosed in note 29

COMPANY

- The company has committed to a death in service benefit of five times executive annual salary for Mr KK Mpinga Twice the annual salary is covered by an insurance policy leaving the company with a remaining exposure of three years
- The company has issued a guarantee to the Industrial Development Corporation of South Africa for the loan given to Freda Rebecca

FORWARD-LOOKING STATEMENTS

This report has been issued by, and is the sole responsibility of Mwana Africa PLC This report includes 'forward-looking statements' Words such as 'anticipates', 'expects', 'intends', 'plans', 'forecasts', 'projects', 'budgets', 'believes', 'seeks', estimates', 'could', 'might', 'should', and similar expressions identify forward-looking statements All statements other than statements of historical facts included in this report, including, without limitation, those regarding Mwana Africa's business strategy and plans and objectives of management for future operations and acquisition opportunities, are forward-looking statements Such forward-looking statements involve known and unknown risks, uncertainties and other important factors which could cause the actual results, performance or achievements of Mwana Africa or the markets and economies in which Mwana Africa operates to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements, including, without limitation, political, regulatory and economic factors

Factors that would cause actual results or events to differ from current expectations include, among other things, changes in commodity prices, changes in equity markets, failure to establish estimated mineral resources, political risks, changes to regulations affecting Mwana Africa's activities, delays in obtaining or failures to obtain required regulatory approvals, failure of equipment, uncertainties relating to the availability and costs of financing needed in the future, the uncertainties involved in interpreting drilling results and other geological data, delays in obtaining geological results, and other risks involved in the mineral exploration industry Mwana Africa believes that the assumptions inherent in the forward-looking statements are reasonable, however, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein Mwana Africa does not assume any responsibility to update any of such forward-looking statements, save as required by relevant law or regulatory authority This report contains information regarding the results of various exploration activities Where a mineral resource has not been defined, it should be noted that the potential quantity and grade is conceptual in nature, there has been insufficient exploration to define a mineral resource, and that it is uncertain if further exploration will result in the target being delineated as a mineral resource

Charl du Plessis, Executive Vice President Exploration of Mwana Africa, who holds a PhD and is a Member of the AusIMM, and James Arthur, Executive Vice President Operations of Mwana Africa, Fellow of the Southern African Institute of Mining and Metallurgy, are 'Qualified Persons' as defined in the AIM Rules The exploration and resource information contained in this report pertaining to Zani-Kodo and SEMHKAT has been reviewed and verified by Dr Du Plessis, and, the resource information contained in this report pertaining to Trojan mine, Shangani mine, Hunters Road and Freda Rebecca Gold Mine has been reviewed and verified by Mr Arthur

NOTES

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