# MWANA AFRICA, LL

**ANNUAL REPORT 2014** 



10/07/2014 COMPANIES HOUSE

# CONNECTING *NDLOVU* AND MWANA

Many African cultures revere *ndlovu* (elephant in Ndebele) as a symbol of strength and power. *Ndlovu* is also praised for its size, longevity, stamina, mental faculties, cooperative spirit and loyalty.

Mwana Africa PLC, in adopting the image of the African elephant in its Company branding, recognises the powerful and positive attributes of this majestic creature and strives to imbue the Company with at least some of these same characteristics.

In 2005, Mwana Africa became the first African-owned, African-managed resource company to be listed on the London Stock Exchange's Alternative Investment Market (AIM), through a reverse takeover of African Gold PLC by a privately-held mining company, Mwana Africa Holdings (Proprietary) Limited.

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# **SHARE PRICE**

AIM: MWA 1.5 pence\*

# SHARE PRICE INFORMATION

Exchange: London Stock Exchange

TIDM: MWA

Shares in issue: 1,397,780,675\* Market capitalisation: £20.97 million\*

\* as at 31 March 2014

#### **Current share price**

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

#### **Report PDF**

Scan the QR Barcode with your smartphone or tablet to download a PDF of the 2014 Mwana Africa Annual Report.

www.mwanaafrica.com

### **ABOUT MWANA AFRICA PLC**

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

In Zimbabwe, Mwana Africa's interests are the Trojan and Shangani nickel mines, and Freda Rebecca gold mine. Mwana's nickel and gold projects include Hunter's Road and Maligreen, with the Makaha deposit being a gold exploration prospect.

- The Trojan nickel mine is owned by Mwana's Zimbabwe subsidiary, Bindura Nickel Corporation (BNC). After a four-year period of being under care and maintenance, in 2012 BNC carried out a US\$23m restructuring and recapitalisation programme which allowed it to restart the Trojan mine. The first sale of concentrate to Glencore took place in April 2013
- **The Freda Rebecca** gold mine in Zimbabwe restarted operations in 2009 and in the 12 months ending March 2014, produced 58,704 ozs of gold.

In the DRC, Mwana Africa has exploration programmes in Katanga (copper), Zani-Kodo (gold) and a 20% stake in Société Minière de Bakwanga (MIBA) (diamonds).

- Copper license areas in the Katanga Province. Mwana has a Joint Venture
  Agreement with Zhejiang Hailiang Company Limited to jointly explore some of
  these areas. The Katanga concessions are otherwise known as SEMHKAT (Société
  d'exploration Minière du Haut Katanga).
- The joint venture Zani-Kodo project has a gold mineral resource of 2.97m ounces.

Klipspringer diamond mine is Mwana's South African interest.

 Mwana holds a 69.77% interest in Klipspringer, which is currently on care and maintenance, but involved in a tailings retreatment project and investigating the viability of underground mining.

#### STRATEGIC REPORT • VISION AND STRATEGY

#### **OUR VISION**

Mwana Africa intends to create value by developing a broad-based portfolio of operations and exploration programmes in a range of commodities and countries across the African continent, securing production and cash flow, building trusted partnerships and being the preferred vehicle for African investors and entrepreneurs.

Mwana Africa is well positioned to build a truly pan-African resources group that brings strong returns for its shareholders and contributes significantly to the benefit of the African people and their continent.

#### **OUR STRATEGY**

Mwana Africa's strategy is based on:

Pan-African reach: activities in a portfolio of countries across the African continent

Multi-commodity exposure: production and exploration assets in a range of commodities including gold, nickel, copper, cobalt and diamonds

Development of synergies: value creation through the transfer of skills and realisation of synergies across the portfolio

Trusted partnerships: being the preferred vehicle for African investors, entrepreneurs and partners

High-quality management: led by a highly-skilled and experienced management team able to secure beneficial deals, projects and returns

# **MANAGING OUR 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.

#### **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 34.

#### 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').

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 29. The details of the mitigating actions undertaken by the Group during the period are disclosed in *Environmental impacts and mitigation* in the *Overview of social and environmental responsibility* on page 25 of this report.

#### 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 and BNC is included in the *Overview of social and environmental responsibility* on page 22 of this report.

#### FINANCING RISK

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 market 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.

#### **POLITICAL RISK**

There are political risks impacting the Group's operations in Africa, including indigenisation regulations in Zimbabwe. Details of this risk and the actions undertaken to mitigate it are detailed on page 29 of the *Directors' report* regarding Zimbabwean indigenisation.

# FY2014 HIGHLIGHTS

#### FINANCIAL HIGHLIGHTS

- Group revenue up 30.5% to \$142.5m (2013: \$109.2m)
- Group EBITDA up 40.4% to \$25.0m (2013: \$17.8m)
- Group net profit for the year of \$50.6m after a \$28.0m reversal of impairment on BNC (2013: loss of \$43.5m after a \$43.7m impairment charge on BNC)
- Attributable Group net profit for the year of \$36.6m (2013: net loss of \$28.6m) which equated to a basic earnings per share for the year of 2.89 US cents (1.82 GB pence). Prior year 2013: loss per share of 2.62 US cents (1.66 GB pence)
- Corporate costs cut from 7.8% to 4.5% of revenue
- Group net cash from operating activities up 60.5% to \$6.1m (2013: \$3.8m)
- Exploration spend decreased by 65.4% to \$5.3m (2013: \$15.3m)

#### **OPERATIONAL HIGHLIGHTS**

- Freda Rebecca gold sales of 58,704 ounces for the year (2013: 65,350 ounces)
- Freda Rebecca cash costs (C1) \$959/oz (2013: \$897/oz), all-in sustaining costs (C3) \$1,186/oz (2013: \$1,115/oz)
- Freda Rebecca gold recoveries up to 82% (2013: 81%)
- BNC first concentrate shipped April 2013 and new mining plan adopted July 2013
- . BNC production resumed profitably with nickel sales of 7,129 tonnes for the year
- BNC cash costs (C1) of \$11,567/t, all-in sustaining cost (C3) of \$12,462/t
- Chinese partner initiated Katanga copper buy-in by funding \$7m exploration

### POST PERIOD HIGHLIGHTS

- Freda Rebecca investigates viability of gold recovery from tailings
- BNC smelter restart plan in place, subject to funding, to produce nickel alloy by calendar 2015.
- Transfer of Zani Kodo mining licenses into Mizako SARL (Mwana Africa PLC is 80% shareholder) from SOKIMO SARL
- Klipspringer investigates viability of underground mining

#### **CHAIRMAN'S LETTER**

#### Stuart Morris - Interim Chairman

The past year has probably been one of the most significant in our Company's history, both strategically and operationally.

Strategically, we affirmed our position and goal to be a multi-commodity, multi-country Pan-African mining group. After several years of building our asset portfolio with shareholder funding to achieve a position where we are capable of achieving income self-sufficiency, our business model has moved into its next logical phase of generating future growth organically seeking funding and, if appropriate, partners, on a specific project by project basis rather than by general capital raising. Our focus is firmly set on rewarding shareholders through growth in asset value.

Operationally, we undertook a fundamental restructuring, founded on the premise that, in mining, the lowest-cost producer wins the day. This was motivated by falling prices for the commodities we produce (gold, nickel and diamonds); by the understanding that raising further development capital could be difficult without offering increased foreseeable value and by the imperative of matching our projects to our capacity. In laying the groundwork for this, during the 12 months under review, we:

- Trimmed our head count from Board level down;
- · Reduced the scale of our London office;
- Reduced salaries voluntarily;
- Reduced our reliance on professional services;
- Cut operating costs; and
- Improved operating efficiencies.

Our activities are being directed towards the consolidation of our diversification strategy, reducing overheads, derisking technical mining and exploration issues, increasing our operational cash generation capabilities such that, of our five major projects, two — Bindura Nickel and Freda Rebecca Gold Mine — are income generating; two —copper and diamonds — have reduced their burn

rates; and one, the Zani-Kodo gold project in the eastern DRC, is advancing at limited cost to Mwana. As regards corporate costs, we are on track to achieve our target in annual savings, after allowing for once-off retrenchment and other costs of reduction or closure.

We have the assets in our portfolio capable of delivering on our evolving strategic objectives. At BNC, the operational plan allows earlier mining access and the blending of higher grade massives with disseminated ore to ensure a sustainable improved feed grade through the Trojan life of mine plan. We have restarted the deepening project and organic growth will centre on reopening the smelter, subject to funding, to add value through beneficiation. Most of the legacy labour liabilities at BNC should be discharged by December 2014 and the other liabilities by December 2015, freeing cash flows to be applied to investment and operational purposes. At Freda Rebecca, we will complement our underground production, by concentrating on improving the performance of our plant and complete our testing programme of the recently commissioned tailings retreatment plant. At SEMHKAT, the labour force has been substantially cut and our Chinese partner, Hailiang, has assumed responsibility for exploration expenditure. At Klipspringer Diamonds, the joint venture to treat residue material is generating income while the restart of the mine is being evaluated. At Zani Kodo, we are assessing the prospects of feasibility studies and a small pilot plant for gold production.

Our emphasis upon becoming a multi-commodity company is bearing fruit through the reduction of risks associated with being dependant on a single metal. We have already enjoyed some benefits from this commodity diversification, with Bindura Nickel production having supported the Group and Freda Rebecca pre-2009, while Freda Rebecca production supported the Group and Bindura Nickel post-2009. I am confident of the sound long-term prospects of our two principal metals, though the immediate future is likely to exhibit price volatility. The nickel price has been bolstered

by Indonesia's ban on exports of nickel ore, whilst the gold price has been lower as investors anticipate interest rate increases that raise the cost of holding bullion as an investment.

As the past year's results have shown, we have demonstrated an ability to contain costs to acceptable levels. We are fortunate that the majority of both our revenues and costs are denominated in US dollars as this relieves us of some of the distraction of managing exchange rate fluctuations. Our strategy is to mine profitably. We will not pursue new ventures unless they display clear prospects of sound returns on investment.

Careful cash-flow management is central to our business plan and we will direct investment to those projects and operations that offer the best prospects of returns. This applies as much to our exploration initiatives in the DRC as to our developed mines in Zimbabwe, and this is dealt with more fully by my colleague and CEO, Kalaa Mpinga, in his CEO's report.

In Zimbabwe - the central point of our mining and processing operations - the outcome of the general election in July 2013 lifted much of the political uncertainty that preceded it. Like the governments of many other countries dependent on primary products, Zimbabwe's is aware of the need to foster mining and investment, at the same time being mindful of its responsibility to ensure that the local populace should share fairly in the fruits of their country's own resources. It is pleasing that we are in a position to resume smelting at BNC as it represents cooperation with the Zimbabwean government and its beneficiation objectives. We believe that this, too, can contribute to the indigenisation policy by creating more jobs for local people, by increasing purchases from local suppliers and through generating higher taxable revenues.

I have been Interim Chairman since only February 2014, but have always appreciated the skills and expertise that my Board colleagues and executives bring to the management of our Company. During the year, my long-serving predecessor Oliver Baring retired, along with John Anderson and Etienne Denis and I thank them for the direction they gave during their tenure on the Board. Oliver was succeeded, albeit briefly, by Mark Wellesley-Wood who we would also like to thank for his contribution. I would also like to thank Donald McAlister, who left in September, for his contribution during his time on the Board and to welcome our new Finance Director Yim Kwan to the Board. These departures mean that we are seeking to appoint a permanent Chairman, as well as improving the balance of our Board, and that search will be completed as expeditiously as possible. I would like to express my sincere thanks to my colleagues on the Board, our senior executives and all of our staff in many countries for their support during the past challenging year. I also express my gratitude to our shareholders and stakeholders for their continued support, which has contributed to the successes already mentioned above.

Safety is our priority, and it is with deep regret that I record the unfortunate deaths of two of our colleagues, Lovemore Nyanusanu and Shepherd Muradzi, in accidents at Freda Rebecca and Trojan. My condolences go to the families, friends and colleagues of both men. I assure all of our employees that our efforts to ensure safety are a priority and remain unremitting.

I make no forecast of our Group's near-term performance, particularly given the current uncertainties over commodity prices. There remains some distance to travel before we are generating positive cash flows at all of our projects. But while we will be patient in achieving this, we remain mindful of our commitment to deliver wealth to our shareholders. We shall build on our assets that are generating positive cash flows and carefully develop those that are still in their infancy or are being maintained in anticipation of profitable development. Stakeholders may rest assured that we will work hard to implement our strategy and focus on the sound development of our assets

Stuart Morris Interim Chairman 8 July 2014

#### **CHIEF EXECUTIVE OFFICER'S REVIEW**

#### Kalaa Mpinga - Chief Executive Officer

The performance of Mwana's people during the past financial year underscores our capacity to position our Company as a leading emerging miner on the African continent. It was a performance that overcame difficulties and set-backs while taking new projects forward. This demonstrated our ability to contain costs and to optimise our return on assets.

But the past year was also one which delivered personal tragedies. At the Freda Rebecca gold mine, excavator operator Lovemore Nyanusanu (32) died on 13 October 2013 in a mud rush. At the Trojan nickel mine, Shepherd Muradzi (35), a support rig assistant, lost his life in an underground tramming accident on 16 March 2014. I join with all of my colleagues in sending my most profound condolences to the families of Lovemore and Shepherd and to their friends and colleagues.

Apart from these two unfortunate losses, our overall safety record measured in the Lost Time Injury Frequency Rates (LTIFRs) improved at the two producing mines. Safety comes second to nothing at our operations. We ensure that our employees and contractors are equipped and trained to work safely and to ensure the safety of their colleagues.

As the past year started, members of the technical staff at Freda Rebecca were engaged on replacing a leach tank that had failed in the previous year. The replacement was finished in the year's second quarter and complemented by a second leach tank. Simultaneously the team completed the pilot treatment plant for retreating tailings. Despite some difficulties with the tailings pilot plant's capital equipment, commissioning was nearing completion as the financial year ended. At the time of writing, commissioning had been completed which will allow thorough testing of the project.

An important part of our emphasis at Freda Rebecca has been and continues to be on containing costs. While cash costs per ounce of gold remained comfortably below gold prices for the entire year, by the fourth quarter all-in sustaining costs (C3) were close to the gold price, due to the operation not achieving its volume targets. I am, however, confident that by maximising gold production

and with careful cost controls the mine will continue to operate profitably. Our policy is to mine profitable ore – we are not in the business of producing at any cost.

While Freda Rebecca was being brought up to steady-state, profitable operations, production at BNC's newly re-opened Trojan mine was being ramped up to full capacity. The year under review was the first operating period since operations were placed on a care-and-maintenance basis in 2008. As the financial year began, we were faced with having to re-evaluate our operating strategy in the light of sharply-declining nickel prices.

We had hoped to raise additional capital to build operations, but this proved to be impractical as investors shied away from nickel as the metal's price fell sharply. Our response was to introduce a modified mining sequence, based on the results from drilling carried out during care and maintenance. This mining method was evaluated thoroughly by our consultants, SRK, who confirmed it as safe, feasible and not impacting on the life of mine (LOM). This strategy has proved its worth as nickel prices rose towards the year's end in response to Indonesia's restrictions on exports of nickel ore. Our confidence in the sustainability of nickel's price advance and the successful restart of Trojan has allowed us to reverse a substantial part of the previous year's impairment of BNC's assets.

While this reversal has a significant positive effect on the year's reported headline earning, it is, perhaps, best to remember that this has no effect on the Group's cash flow. For the foreseeable future, BNC will be conserving cash to fund the Trojan mine's deepening and capacity development from internal resources. Cash flow will continue to be directed at clearing BNC's legacy liabilities or debt, strengthening the balance sheet and laying the foundation for the first profits to be reported since 2008.

Once that is completed, and adding to the benefits of the mining developments, we are embarking on the current project to restart the BNC smelter, to move our nickel operations up the value chain.

Preliminary planning started in the year under review and, based on the restart plan reviewed by consultant Hatch Goba, we estimate that the project can come on stream in the first half of 2015 with a capacity to process an annual 160,000 tonnes of concentrate, of which approximately one-third will be drawn from other local nickel miners. The capital cost is estimated at \$26.5m of which half will be debt and the remainder will come from BNC's improved cash resources and cash flow. The project is expected to generate financial benefits on two important fronts — an increase in profit from selling nickel leach alloy rather than concentrate and a reduction in transport costs as we ship leach alloy rather than concentrate.

In South Africa, the management of our diamond interests reflects our careful approach to operations. Following extensive damage caused by the flooding of underground workings in 2010 and 2011, the Klipspringer mine was placed on care and maintenance, where it remains pending our securing funding to re-establish underground mining.

We remain, however, confident of the longer-term potential of Klipspringer's diamondiferous kimberlite fissure deposits and will retain the asset. In October 2013 we entered into an agreement with Greenhurst Mining & Exploration to recover diamonds from the old Marsfontein slimes dumps. Greenhurst brought in a new process for recovering micro-diamonds, a process that has proved its worth at the slimes recovery operation. During the second half of the year under review 28,600 carats of small diamonds were recovered and sold at an average price of \$21 per carat. Revenue from this recovery operation is directed at covering the property's care-and-maintenance costs.

Continuing care and maintenance has ensured that underground workings could be restored to initial production within four months followed, three months later, by the preliminary sales of diamonds. In round figures, we estimate that the capital investment required will be approximately \$4m and the pay-back on the project will be 28 months. Discussions are taking place with a number of off-takers to source funding.

Full details are contained elsewhere in this report, but at our Zani-Kodo gold prospect in the Ituri district of the north-eastern DRC where we are partnered by the state-owned mining company Société des Mines d'Or de Kilomoto (SOKIMO), drilling allowed us to increase the size of our gold resource to 2.97m ounces. Metallurgical testing was largely completed in the year under review and we have entered the current year examining various plant-design options to be built into a project feasibility study based, initially, on the Kodo Main property. The area is a highly-prospective zone of gold-bearing greenstone deposits with other major gold companies actively drilling and exploring near our permit areas.

Our other interests in diamonds are limited to minority stakes in prospects in the DRC, Angola and Botswana. Though they are comparatively small interests at present, they do not involve Mwana investing in exploration and development and we look upon them as long-term projects to be undertaken with our partners at some point in the future.

While our understanding of our Zimbabwean and South African resources is well developed, we also see opportunities in prospective ventures under exploration in the Katanga and Orientale provinces of the DRC. Again, we are adopting a cautious approach, steadily adding to the value of our properties' resources while not wanting to over-extend our finances on exploration.

I believe it bears repeating that our strategy is to contain costs and, when appropriate, to partner with others with whom we can share them. This is particularly the case with our copper/cobalt prospect in the DRC's Katanga province where we are partnered in a joint venture between SEMHKAT and Zhejiang Hailiang Company Limited, the Shanghai listed copper tubes fabricator. In terms of the agreement, Hailiang will finance the costs of exploring and drilling 28 of our 34 copper permit areas at a total cost of \$25m over four years, thereby buying into an interest in the venture. In the year under review, Hailiang spent \$7m on exploration, which amount is subject to audit and verification. Targets have been selected based on data collected from the year's field prospecting season. Drilling and further regional prospecting has just begun.

From a personal standpoint, I have again found working with my colleagues to be stimulating and I thank them sincerely for their contributions to the development of Mwana Africa in a year which has seen the Company and our future potential and prospects change dramatically. Their contributions have been made at a sometimes substantial individual personal cost. The Board and staff members have voluntarily made salary sacrifices which have helped mitigate falling commodity prices. I express my sincere thanks to each of the individuals who have made these sacrifices and contributed to the Company's continued process during the year.

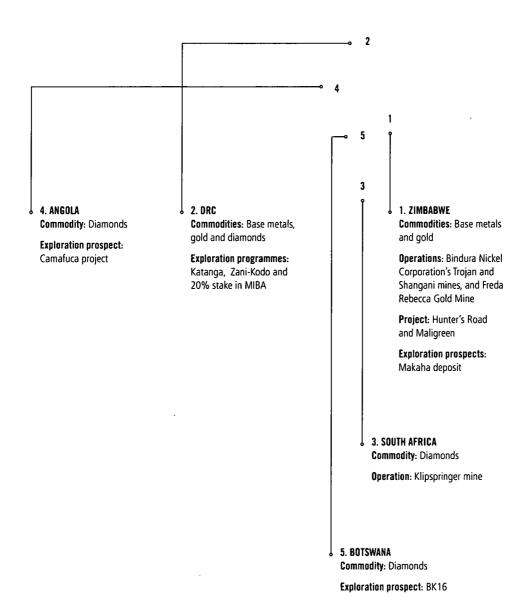
There have been difficulties, but they have been overcome with confidence and dedication and the Company is now on a sound footing from which to develop further.

KALAA MPINGA Chief Executive Officer

8 July 2014

# **REVIEW OF OPERATIONS AND EXPLORATION**

#### **AFRICA**



# ANNUAL FINANCIAL STATEMENTS

# of 63,350oz. A significant contributor to the variance was a leach tank failure in the last quarter of FY2013, which affected recovery during the first quarter of FY2014. The failed leach tank was replaced during the past year and a new, additional leach

The Freda Rebecca gold mine (Freda Rebecca) is situated near the

Total gold production for the year ending 31 March 2014

was 58,704oz, 7.3% down on the previous year's production

tank has also been commissioned. Recoveries have now been restored. Closure for the environmental clean-up was successful, with additional lined spill containment ponds being completed in the year.

Average quarterly production for the financial period was 14,676ozs of gold, and the highest level of quarterly gold production was 17,536ozs, achieved in the second quarter.

#### Tailings retreatment project

The mine, 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. During FY2013, the economic potential of recovering gold from Freda Rebecca's tailings dumps was evaluated and the construction of a pilot recovery plant initiated. The plant was completed and commissioning began in the year ended 31 March 2014.

The objective of the pilot scale test plant is to prove that gold can be recovered economically from the tailings with little reprocessing and low mining and handling costs. An augering programme over the dumps is expected to result in a JORC-compliant mineral resource that has the potential to add significantly to Freda Rebecca's gold production.

Freda Rebecca continues to focus on mining and processing efficiencies, particularly on increasing plant throughput and recovery improvement.

#### Freda Rebecca production results:

Freda Rebecca gold mine - Zimbabwe

town of Bindura, some 90km north-east of Harare.

GOLD

		Year ended March 2014 (FY2014)	Year ended March 2013 (FY2013)
Tonnes mined	(t)	1,098,244	1,043,764
Tonnes milled	(t)	1,060,561	958,568
Head grade	(g/t)	2.10	2.64
Recovery	(%)	82	81
Gold sales	(oz)	58,704	65,350
Average gold price received	(\$/oz)	1,319	1,654
Cash cost (C1)	(\$/oz)	959	897
All-in sustaining cost (C3)	(\$/oz)	1,186	1,115

#### Freda Rebecca resources:

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

# **REVIEW OF OPERATIONS AND EXPLORATION CONTINUED**

#### Zani-Kodo project - Democratic Republic of Congo (DRC)

The Zani-Kodo gold exploration project in the Ituri district of the DRC covers gold mining rights over 1,605 square kilometres in the Orientale Province. Mwana is in a joint venture with the state-owned Office des Mines d'Or de Kilomoto (SOKIMO) which holds a 20% free-carry interest. The licence areas contain a series of greenstone belts of Kibalian age which have the potential to host world-class gold deposits. Zani-Kodo is situated between the Kibali (formerly

Moto Mines) Project (Randgold Resources/AngloGold Ashanti joint venture) and the Mongbwalu Project (AngloGold Ashanti).

The Zani-Kodo project total combined JORC-compliant gold resource now stands at 2.97Moz at 2.43g/t (based on a cut-off grade of 0.5 g/t). This is an increase of 13% on the February 2013 resource statement, which was itself a 30% increase on the February 2012 resource statement.

#### Zani-Kodo resources as at August 2013:

Sub area	Category	Tonnes (t)	Grade (g/t)	Au (oz)
Kodo Main	Indicated	4,799,487	3.63	560,197
	Inferred	10,330,969	3.52	1,169,293
Lelumodi	Indicated	1,118,644	2.06	74,097
	Inferred	8,154,092	1.81	474,563
Lelumodi North	Inferred	1,150,062	2.34	86,532
Badolite	Inferred	2,806,940	2.34	211,197
Zani Central	Inferred	9,683,455	1.28	398,547
TOTAL		38,043,649	2.43	2,974,426

In response to lower commodity prices and in line with the Company's strategy of cutting costs, Mwana suspended exploration drilling at Zani-Kodo during Q2 of FY2014. Prior to the cessation of drilling, 42 diamond core drill holes for a total of 11,268m were completed. Results include 9m @ 6.46g/t Au and 4m @ 8.33g/t.

Test work carried out on samples taken from the Kodo Main orebody found the ore to be non-refractory and showed higher than 90% gold extraction across all the recovery methods tested.

As part of feasibility work underway at Kodo Main, a resource-conversion drilling programme was completed in 2014. This will be followed by a geotechnical drilling programme and regional field investigations will continue.

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# NICKEL

#### Bindura Nickel Corporation (BNC) - Zimbabwe

BNC has been listed on the Zimbabwe Stock Exchange since 1971. Located near the Freda Rebecca gold mine close to the town of Bindura, north-east of Harare, BNC is Africa's only integrated nickel mining, smelting and refining operation. Historically, 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's mines, smelter and refinery were placed on care and maintenance in 2008 and remained so until the conclusion of BNC's rights issue and restructuring in September 2012 when mining restarted at 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 the electrical and mechanical circuits of the feed conveyors, mills, flotation circuits, concentrate handling and tailings handling was completed in January 2013 by passing water through the processing plant circuits. The hot commissioning, with the introduction of ore into the milling circuit, commenced shortly afterwards.

Progress on surface was matched by a successful ramp up of underground operations. In April 2013, BNC sold its first shipment of nickel concentrate since the restart to Glencore, BNC's offtake partner.

As a result of depressed nickel prices, additional financing to fund full ramp up was not secured. BNC began reviewing options to resolve this cash shortfall including considering alternative mine plans at Trojan and seeking bridging finance.

During Q1 of FY2014, the Trojan mine plan was revised to target the higher-grade zones of the orebody, known as 'massives', with the aim of reducing the cost per tonne of nickel produced. The impact of this was already being seen in the first six months, with a drop in cash costs from \$19,251/t in Q1 to \$9,689/t in Q2. In October 2013, a competent person's review of BNC's business plan for Trojan's operations concluded that the plan was realistic and achievable. This enabled BNC to update its ore reserves statement to total proven and probable reserves of 3.168Mt at an average grade of 1.04% for 32,975 tonnes of contained nickel. This denotes a 28% increase on the previously reported Trojan reserves of 25.810 tonnes of contained nickel.

Work has commenced on the Trojan shaft re-deepening project which had been suspended while the mine was on care and maintenance. The re-deepening will extend the operating horizon of Trojan from 35 level to 45 level and secure the life of mine of the Trojan asset.

Trojan mine is making continued progress towards steadystate processing of 195,000t per guarter and the increase in tonnes milled indicates more consistent, efficient operation of the mills.

RNC Traign mine production results for EV2014

one trojan nime production results for F12014:								
	Γ	Total	Q4	Q3	Q2	Q1		
Tonnes mined	(t)	595,656	161,964	159,600	158,694	115,398		
Tonnes milled	(t)	589,637	153,451	133,221	154,552	148,413		
Nickel head grade	%	1.382	1.621	1.730	1.597	0.652		
Recovery	(%)	86.2	88.8	87.5	88.6	70.7		
Ni in concentrate	(t)	7,026	2,207	2,016	2,117	686		
Nickel sales	(t)	7,129	2,250	2,651	1,505	723		
Average nickel price	(\$/t)	14,298	14,075	13,870	13,787	15,460		
Cash cost (C1)	(\$/t)	11,567	11,333	11,181	9,689	19,251		
All-in sustaining cost (C3)	(\$/t)	12,462	12,220	11,819	10,390	21,521		

# **REVIEW OF OPERATIONS AND EXPLORATION CONTINUED**

#### **BNC** reserves:

Classification of reserves	Tonnes ('000t)	Grade (%)	Nickel (t)
Proved			
Trojan	1,908	0.707	13,485
Shangani	_	-	-
Hunter's Road	_	-	_
Probable			- · · · · · · · · · · · · · · · · · · ·
Trojan	1,002	1.37	13,721
Shangani	_	-	-
Hunter's Road	_	-	_
Total	2,910	0.93	27,206
BNC resources			
Classification of resources	Tonnes ('000t)	Grade (%)	Nickel (t)
Measured	•		
Trojan	2,358	1.07	25,185
Shangani	1,840	0.58	10,750
Hunter's Road	_	_	-
Total	4,198	0.85	35,935
Indicated	•		
Trojan	1,507	1.41	21,883
Shangani	480	0.59	2,840
Hunter's Road	36,437	0.55	200,404
Total	38,424	0.58	225,127
Inferred			· · · · · · · · · · · · · · · · · · ·
Trojan	3,755	1.69	63,407
Shangani	9,710	0.56	54,280
Hunter's Road	<u></u>	-	_
Total	13,465	0.87	117,687

Notes: SRK completed a competent person's report on the Trojan resource in March 2013 and this resource is based on that report, less the depletion from mining (April 2013 to 31 March 2014) based on mining shapes from stoping and development.

The effective date for the Trojan resource statement is 31 March 2014, 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 orebody 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 orebody of Hunter's Road which is not included in the resource shown above.

# Æ

# SEMHKAT – Katanga, DRC

The Mwana Group holds a 100% interest in 33 exploration concessions covering 4,845 square kilometres in the south-east of the DRC. The Katanga concessions are otherwise known as SEMHKAT (Société d'Exploration Minière du Haut Katanga). Exploration is fousing on sediment-hosted tratiform coppercobalt, iron-oxide-copper-gold (IOCG) occurrences as well as on showings of lead and zinc.

The Halliang Joint Venture, signed in February 2013, covers 27 licence areas, with a commitment by Halliang to spend U\$25m over a four-year period. In terms of the IV agreement, the licences will be transferred into a development company in which Mwana will hold a 38% non-dilutable stake. Also under the joint venture agreement, Halliang had a six-month option over the Kibolwe licence, which has expired.

kilobwe is the most advanced of the SEMHKAT concessions and is ocated approximately 150 kilometres routh-west of Lubumbashi and 86 kilometres south-west of the town of Likasi. Kibolwe is a near surface secondary enriched sediment-hosted stratiform copper deposit. The dominant oxide mineral is malachite with minor amounts of cuprite and tenorite, occurring within weathered agrillaceous limestones. The drilling programmes have outlined near-surface, flat-lying mineralised units up to 40m thick, extending over a strike of 1,500m.

The exploration programme to date includes:

- a high-resolution aeromagnetic and radiometric survey flown over the bulk of the area (54,000 line km)
- 12,000m of drilling at the advanced Kibolwe surface deposit
- 5,700m drilling on extensions of Kibolwe
- 7,000m drilling at satellite targets within 10km of Kibolwe
- soil geochemical sampling of an area of approximately 1,500km²
   geophysical and geological mapping surveys

Following completion of the Phase 1 programme, which resulted in the statutory shedding of 50% of ground holdings, the Phase 2 work programme commenced in July 2013. The programme has been executed by three Hailiang sub-contractors (Huakuan, Inner Mongolian and SinoMine) and the SEMHKAT technical team.

A target generation exercise was conducted and defined highpriority targets for follow-up exploration during 2014. Eight targets were delineated at Lunsano and reverse circulation dilling started, Other important targets were delineated at Kitemena East, Kawesitu North, Lurobwe, Kifira and Lukosombi.

SEMHKAT commenced an exploration programme on Lutobwe, Lombe, Kapande and Mifumbi.

Our joint venture partner will mobilise for the second year's exploration programme. This includes six targets, with geochemistry and geophysics, followed by drilling.

Katanga prospect areas

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# **REVIEW OF OPERATIONS** AND EXPLORATION CONTINUED

#### DIAMONDS

#### Klipspringer - South Africa

The Project consists of several en echelon (staggered or overlapping) kimberlite fissures and blows trending in a northeast orientation, and includes the Leopard Fissure, the Sugarbird Fissure, the Sugarbird Blow, the Kudu Fissure, and the Kudu Blow, amongst others.

As a result of severe weather incidents in December 2010 and January 2011, which flooded the shaft bottom and lower (7) level of the Leopard fissure, the mine was placed on care and maintenance. Ultimate funding from Mwana, has continued to maintain the asset in a ready state and at the same time the interest in the joint venture has increased to almost 70% due to non-investment by the BEE partner in the working capital requirements of Klipspringer.

Care and maintenance will continue until a source of finance is secured to restart the mine and has ensured that the mine will be in a position to take advantage of favourable market conditions. The evaluation of options to re-open the underground operation along the Leopard fissure will continue.

#### Klipspringer resource - Leopard fissure:

		Gross		Ī	Net attributable	
	Tonnes (millions)	Gross grade (cpht)(1)	Contained diamonds (Mcts)	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)
Measured	0.211	51.57	0.109	0.148	51.57	0.076
Indicated	0.433	51.57	0.223	0.303	51.57	0.156
Inferred	1.565	83.00	1.299	1.095	83.00	0.909
Total	2.209	73.83	1.631	1.546	73.83	1.141

<sup>(1)</sup> Carats per hundred tonnes

Notes: 211,000 tonnes of proven reserves at a grade of 51.57cpht have been transferred to measured resources while the mine is on care and maintenance; 433,000 tonnes of probable reserves at a grade of 51.57cpht have been transferred to indicated resources while the mine is on care and maintenance.

#### Slimes retreatment project

In October 2012, an agreement was signed with Greenhurst Mining and Exploration to re-treat fine-residue tailings at Klipspringer on a profit-sharing basis. Construction and commissioning of the processing plant with a capacity of 50 tonnes per hour was completed by the end of September 2013. At steady state, the plant is projected to produce from 15,000 to 20,000 carats per month from the old Marsfontein fine residue tailings deposit.

In November 2013, Klipspringer sold its first parcel of diamonds (1,512cts) under the Greenhurst agreement. During FY2014, production of diamonds more than doubled, quarter on quarter, as a result of the treatment of 16,000t of fine-residue tailings, at an average grade of 88.5cts/100t. An average selling price of \$21/ct was achieved. Following process changes in the plant, including screening improvements and a DMS surge bin, a substantial increase in throughput is expected and thus a significant contribution to Klipspringer's monthly care-and-maintenance costs should follow in FY2015.

#### Klipspringer slimes retreatment project:

	Year ended – March 2014	Year ended – March 2013
Tonnes treated	23,019	0
Carats recovered	20,386	0
Grade (cpht)1	88.60	0
Revenue	\$334,972	0
Carats - unsold	4,444	0

<sup>&</sup>lt;sup>1</sup> Carats per hundred tonnes

The project will also be exploring other revenue-generating opportunities such as diamond recovery from the tailings dump and the sale of washed aggregate material for the building industry.

#### OTHER INTERESTS – ANGOLA, DRC, BOTSWANA Angola – Camafuca Project

Five kimberlitic pipes intrude a valley and outcrop in the Chicapa River bed and both sides of the river. Contained diamond content for the five pipes, a total surface area of 167ha, quoted down to a depth of 145 metres, is 23million carats.

In 2005, the government approved the formation of the operating company, Sociedade Mineira do Camafuca Lda, which was issued the mining license for the Camafuca project. In terms of the shareholders agreement, Mwana will provide the technical skills and manage the project implementation.

Mwana Africa has no further financial commitments to the development of Camafuca and retains a free carried interest of 18% in the Camafuca project through SouthernEra Diamonds.

#### DRC - Mbuyi Maya (MIBA)

The Mbuji Maya cluster in Kasai-Oriental Province of the DRC was recognised in 1946, 28 years after diamonds were recovered in the

surrounding rivers. The cluster consists of 11 elliptical kimberlites totalling in excess of 39 ha, with associated elluvial and alluvial deposits.

Mwana holds a minority interest of 20% in this project through the Société Minière de Bakwanga (MIBA). The Company is in discussions with the DRC government about the recapitalisation and restructuring of MIBA.

#### Botswana - BK16

In June 2008, Firestone Diamonds entered into an agreement with Mwana under which it can acquire an 87.5% interest in the BK16 kimberlite in return for carrying all costs to completion of bankable feasibility.

At present Mwana holds 55% of the shares in this project through a Botswana registered company, Kenrod Engineering.

#### FINANCIAL REVIEW

#### **INCOME STATEMENT**

	Freda Rebecca		RI	BNC		Other Mwana Africa Group		Total Group	
	2014	2013	2014	2013	2014	2013	2014	2013	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Revenue	77.5	108.1	65.0	1.0	_	-	142.5	109.1	
Cost of sales	(54.2)	(57.9)	(29.7)	(0.6)	-	(0.4)	(83.9)	(58.9)	
Gross profit/(loss)	23.3	50.2	35.3	0.4	-	(0.4)	58.6	50.2	
Other income	0.2	0.1	0.3	0.3	0.1	-	0.6	0.4	
Freight and Insurance expenses	(0.4)	-	(11.7)	(0.5)	-	_	(12.1)	(0.5)	
General and administrative									
expenses	(6.9)	(7.5)	(3.3)	(3.0)	(1.0)	(1.1)	(11.2)	(11.6)	
Care and maintenance expenses	٠-	-	(1.3)	(12.1)	(0.6)	(0.9)	(1.9)	(13.0)	
Corporate costs			-		(6.4)	(8.5)	(6.4)	(8.5)	
Operating profit	16.2	42.8	19.3	(14.9)	(7.9)	(10.9)	27.6	17.0	
Retrenchment and restructuring expenses	_	-	_	_	(2.0)	<b>-</b> 1	(2.0)	_	
Dividends received			_	0.1	-	_ !	-	0.1	
(Loss)/profit on sale of assets	(0.5)	0.1	_	0.2	(1.1)	_	(1.6)	0.3	
Fair value adjustment	-	_	-	_	_ [	(0.4)	_	(0.4)	
Foreign exchange gain	-	_	0.1	0.5	0.9	0.3	1.0	0.8	
EBITDA(1)	15.7	42.9	19.4	(14.1)	(10.1)	(11.0)	25.0	17.8	
Impairment loss	_	(0.3)	_	(43.7)	(0.7)	_	(0.7)	(44.0)	
Impairment reversal	-	-	28.0	-	-	-	28.0	-	
Depreciation	(6.7)	(5.5)	(0.9)	-	(0.1)	(0.2)	(7.7)	(5.7)	
Finance income	0.1	-	0.2	0.3	_	0.3	0.3	0.6	
Finance expense	(0.5)	(0.7)	(0.5)	(0.1)	_	-	(1.0)	(0.8)	
Profit/(loss) before income tax	8.6	36.4	46.2	(57.6)	(10.9)	(10.9)	43.9	(32.1)	
Income tax credit/(expense)	(3.9)	(9.6)	10.9	_ 1	(0.3)	(1.8)	6.7	(11.4)	
Net profit/(loss) for the year	4.7	26.8	57.1	(57.6)	(11.2)	(12.7)	50.6	(43.5)	
Non-controlling interest	(0.5)	(0.8)	(13.5)	15.7	-	_	(14.0)	14.9	
Net profit/(loss) attributable to									
owners of the parent	4.2	26.0	43.6	(41.9)	(11.2)	(12.7)	36.6	(28.6)	

<sup>(1)</sup> Earnings before interest, impairments, tax, depreciation and amortisation.

The Group reported revenue for the year of \$142.5m (2013: \$109.1m) and an EBITDA (before impairments) for the year of \$25.0m (2013: \$17.8m). The net profit for the year is \$50.6m (2013: loss of \$43.5m).

#### FREDA REBECCA

During the year, Freda Rebecca sold 58,704 ounces of gold (2013: 65,350 ounces) at an average price of \$1,319 per ounce (2013: \$1,654 per ounce) as well as by-products, generating revenue of \$77.5m (2013: \$108.1m). Operating costs during the period totalled \$61.3m (2013: \$65.3m) for the year. Profit before tax for the year was \$8.6m (2013: \$36.4m).

#### BINDURA NICKEL CORPORATION

Revenue of \$65.0m (2013: \$1.0m) was generated through the sale of nickel in concentrate (2013: sale of in-process inventories). Operating costs were \$45.7m (2013: \$15.9m) increased from the previous year due to the restart of the Trojan mine. BNC reported EBITDA (before impairments) of \$19.4m (2013: loss of \$14.1m).

In the prior year, 100% of BNC's non-current assets have been impaired in the Group Financial Statements which resulted in an impairment loss of \$43.7m. During the current financial year, \$28m of the impairment relating to the Trojan mine was reversed. During the current year, it became probable that BNC would make taxable profits in the future and that deferred tax should be recognised in their accounts. A net deferred taxation credit of \$3.6m was included in profit during the financial year in respect of impairments. See note 35 which provides background and financial impact of this impairment and reversal.

#### OTHER MWANA AFRICA GROUP

The Group, excluding BNC and Freda Rebecca, incurred operating costs of \$7.9m (2013: \$10.9m).

# FINANCIAL REVIEW

#### **CASH FLOW STATEMENT**

	Freda Rebecca		BNC		Other Mwana Africa Group		Total Group	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Opening cash at 1 April 2013	3.4	2.4	5.5	0.4	6.3	3.9	15.2	6.7
Financing	(6.1)	(23.2)	(1.5)	37.8	12.9	22.1	5.3	36.7
Equity issues	- 1	-	_	-	6.6	32.8	6.6	32.8
Loan finance (net)	(1.9)	(1.7)	-	4.7	-	-	(1.9)	3.0
Cash transferred (to)/from Group	(4.0)	(20.0)	(2.3)	31.1	6.3	(11.1)	-	-
Sale of equity investments	-	-	-	-	_	0.4	-	0.4
Share issuance to NCI	-	-	0.8	2.0	-	-	0.8	2.0
Dividends paid to NCI	(0.2)	(1.5)	-	-	-	-	(0.2)	(1.5)
Operations	4.8	24.2	0.2	(32.7)	(16.4)	(19.7)	(11.4)	(28.2)
Operating cash flow	14.6	42.8	12.8	(15.8)	(12.9)	(10.7)	14.5	16.3
Change in working capital	(0.1)	(1.9)	(5.7)	(7.5)	2.2	8.4	(3.6)	(1.0)
Capital expenditure	(5.7)	(8.6)	(6.9)	(9.4)	-	(0.4)	(12.6)	(18.4)
Capitalised exploration	-	-	-	_	(5.3)	(15.3)	(5.3)	(15.3)
Taxation	(4.0)	(8.1)	-	-	(0.4)	(1.7)	(4.4)	(9.8)
Closing cash at		2.4	4.3		3.0	63	24	15.3
31 March 2014	2.1	3.4	4.2	5.5	2.8	6.3	9.1	15.2

Positive cashflow of \$14.6m (2013: \$42.8m) was generated by operations during the year. \$0.1m (2013: \$1.9m) was invested in additional working capital. \$5.7m (2013: \$8.6m) was invested in capital expenditure.

#### **BINDURA NICKEL CORPORATION**

Positive cash of \$12.8m was generated from operations compared to a negative \$15.8m utilised in the previous year. Capital expenditure was \$5.7m (2013: \$7.5m). An additional \$0.8m was generated by a share issue to the NCI shareholder (2013: \$2m from the rights issue).

#### OTHER MWANA AFRICA GROUP

Mwana Africa (excluding BNC and Freda) saw operating cash outflow of \$12.9m (2013: \$10.7m outflow). During the year, Mwana Africa invested \$5.3m (2013: \$15.3m) on its portfolio of exploration prospects, \$1.5m in SEMHKAT (2013: \$3.8m) and \$3.8m in Zani (2013: \$11.5m).

#### **BALANCE SHEET**

	Freda Rebecca		BN	BNC		Other Mwana Africa Group		Total Group	
\$ million	2014	2013	2014	2013	2014	2013	2014	2013	
Non-current assets	49.4	49.3	52.5	0.5	64.8	61.5	166.7	111.3	
Current assets (excl. cash)	17.3	13.7	13.1	9.0	1.4	1.4	31.8	24.1	
Cash	2.1	3.4	4.2	5.5	2.8	6.3	9.1	15.2	
Non-current liabilities	(18.8)	(19.4)	(18.9)	(21.2)	(1.5)	(1.6)	(39.2)	(42.2)	
Current liabilities	(11.3)	(8.4)	(24.3)	(22.8)	(3.3)	(5.3)	(38.9)	(36.5)	
Total equity	38.7	38.6	26.6	(29.0)	64.2	62.3	129.5	71.9	
Non-controlling interest	(3.0)	(2.6)	(0.9)	13.4	-	-	(3.9)	10.8	
Equity attributable to owners of the parent	35.7	36.0	(25.7)	(15.6)	64.2	62.3	125.6	82.7	

At 31 March 2014, the Group had cash balances of \$9.1m (2013: \$15.2m), comprising \$4.2m (2013: \$5.5m) held by BNC and \$4.9m (2013: \$9.7m) held by Freda Rebecca and other Mwana Africa Group entities. The book value of shareholders' equity for the Group at the year-end was \$125.6m (2013: \$82.8m), whereas for the Company it was \$175.7m (2013: 139.1m). The reason for the Company equity being more than Group equity is because of equity deficits included in the consolidated figure.

#### FREDA REBECCA

Non-current assets of \$49.4m were in line with the prior year (2013: increase of \$3.7m to \$49.3m). Current assets increased by \$3.6m (2013: \$1.7m decrease) to \$17.3m (2013: \$13.7m). This amount includes an increase in trade debtors of \$3.74m (2013: \$3.3m decrease), a decrease in spares and inventory of \$0.1m (2013: \$1.9m increase) and no change in other debtors (2013: \$0.3m decrease).

The movement in non-current liabilities to \$18.8m (2013: \$19.4m) 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 \$4.1m (2013: \$1.7m increase) to \$13.1m (2013: \$9.0m) still being the result of the restart programme which necessitates increased inventory. In the prior year, non-current assets (excluding investments of \$0.5m) of BNC was impaired and the non-current assets of Trojan impaired in 2013 was reversed in the current financial year, as described in note 35.

#### OTHER MWANA AFRICA GROUP

The value of non-current assets increased to \$64.8m (2013: \$61.5m). Additional exploration expenditure was capitalised during the year in accordance with the Group's policy.

#### **GROUP LIQUIDITY**

At 31 March 2014 the Group held cash of \$9.1m (2013: \$15.2m). Included in the Group cash balance is \$1.8m (2013: \$1.7m) reserved for loan repayments in relation to the IDC loan facility in Freda Rebecca. At 30 June 2014 the Group held cash of \$7.3m (30 June 2013: 5.2m).

#### **IDC FACILITY**

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

#### IDC project foan

	2014 \$'000	2013 \$'000
Opening balance	6.1	7.9
Interest	0.4	0.6
Draw down	-	-
Repayments	(2.2)	(2.4)
Closing balance	4.3	6.1

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 social and environmental responsibility is driven by its passion for creating a synergy between sustainable investments, sustainable mining and sustainable communities.

Mwana Africa's social and environmental responsibility is driven by its passion for creating a synergy between sustainable investments, sustainable mining and sustainable communities. Mwana has consistently encouraged this synergy by creating safe working environments for staff, by positively affecting the communities in which it operates, and by minimising the environmental impact of its activities. The Company's major contribution to surrounding communities and social partners is through a multi-faceted approach of driving job creation, technical support of local businesses, the empowerment of local contractors, and the purchase of goods and services from local suppliers.

The Katanga concessions or SEMHKAT, which has 27 of its 33 exploration licences in a joint venture with the Hailiang Group, is actively involved with the daily management of the joint venture to ensure that standard operating procedures are implemented.

The three main pillars of Mwana Africa's corporate social responsibility (CSR) continue to be education, health, and support of small and medium enterprises (SMEs) to help empower local business enterprises. This resonates with government policies of requiring every investor to play a role in the development of disadvantaged communities.

#### STAKEHOLDER ENGAGEMENT

Stakeholder engagement with investors, employees, customers, community partners and regulators and others is actively pursued. This is done through a variety of formal and informal engagements, briefings, surveys, and feedback sessions on issues raised.

#### **WORKPLACE SAFETY**

Mwana Africa recognises that exploration and mining have inherent levels of risk. We regret deeply the loss of two workers this year - excavator operator Lovemore Nyanusanu (32) at Freda

Rebecca mine and support rig assistant Shepherd Muradzi (35) at the Trojan nickel mine. We extend our sincere condolences to their families, colleagues and friends.

At Freda Rebecca gold mine the implementation of proactive safety management programmes resulted in a lost-time injury frequency rate (LTIFR) of 0.53 in our 2014 financial year, compared with 0.91 in 2013.

BNC achieved an LTIFR of 2.52. The Company had progressed well until March 2014 when the fatality took place which resulted in 6,000 lost shifts as we moved to assess safety issues. The lost-time injury severity rate (LTISR) increased from 26 to 455.53. Some 600 managerial and non-managerial employees were trained on Behaviour Based Safety and the system is currently in the implementation phase.

All our mines and exploration operations achieved extended periods in which no lost-time injuries were reported. No exploration related incidents or accidents were reported during FY2014.

Freda Rebecca mine maintained OHSAS 18001 health and safety certification. The Trojan mine is in the process of achieving similar accreditation in the very near future.

Operations at Klipspringer remained on care and maintenance. At the mine's slimes retreatment project, no safety, health or environment issues were recorded during FY2014. The mine recorded zero lost time injuries during the same period.

#### **EMPLOYEE AND COMMUNITY HEALTH**

The principal health issues faced in the regions where Mwana Africa operates 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

expected to result in a significant reduction in AIDS-related psychosocial problems faced by employees and their families, and also in problems ensuing from the period of care and maintenance. Safety, health, environment and quality (SHEQ) management systems certification is planned for December 2015.

UNICEF donates primary health-care drugs to Freda Rebecca gold mine, which passes on the unused portions to the local provincial hospital. Mine teams assist where required with ambulance services for critical health emergencies.

All SEMHKAT personnel have access to one of two hospitals - the Panda Hospital in Likasi and CMC in Lubumbashi.

Klipspringer does not have any employee and community health programmes running at present, due to the underground mining operation not being in production.

At the Zani-Kodo gold project, a fresh-water borehole source has resulted in a dramatic decrease in water-borne disease in Zani village. Mosquito nets have been distributed to all employees and their families. We give monthly financial support to the two local clinics and give Mwana staff free access to medication from the hospital.

#### **EMPLOYMENT AND LABOUR RELATIONS**

At the year's end, Mwana Africa employed 1,605 people (2013: 1,560).

#### Diversity

Preference during recruitment is given to members of the local community, especially for unskilled and semi-skilled positions. At the Freda Rebecca mine in Zimbabwe, 60% of the workforce is from the local town of Bindura. One third of all staff members at BNC are drawn from the surrounding communities. With the exception of some of the senior expatriate management, all employees in our exploration operations come from the surrounding communities. All casual employees at SEMHKAT are recruited locally. At the end of FY2014, Klipspringer mine employed 70 people, both employees and contractors, more than 80% of whom are from local communities. A formal relationship with local leaders helps ensure that local community members benefit from preferential recruitment opportunities.

#### Mwana employee diversity

	Male	%	Female	%
Directors	6	100.0	0	0.0
Senior managers	165	88.2	22	11.8
Employees	1,368	96.9	44	3.1

#### Labour relations

In all operations, joint consultative forums with employee leaders and unions are conducted regularly and this has the effect of creating healthy labour relations. The areas of mutual interest are generally wages, conditions of employment, occupational health and safety and serious diseases such as HIV/AIDS. No work stoppages were reported due to industrial action across the Group.

The Hailiang joint venture is actively assisted and encouraged to respect relevant DRC law in connection with employees, contractors and local casual workers. Regular meetings and inspections take place to monitor employment processes.

diseases, as well as associated infections such as tuberculosis. During FY2014 there were two reports of malaria in SEMHKAT's Lunsano camp. The contractors concerned were treated timeously and returned to work within a week.

Freda Rebecca gold mine acts in partnership with the local Bindura municipality to provide technical support for water reticulation. The mine also complements municipal efforts in the provision of clean water programmes for outlying communities to ensure access to safe water supplies. To date, 10 boreholes with manual pumps have been donated to local communities. BNC runs its own water treatment plant and has oxidation ponds for handling sewage.

Mwana's mine operations have all implemented community-wide HIV/AIDS management strategies linked to the concept of overall wellness. They include awareness and education campaigns, voluntary counselling and testing (VCT), and health-care training.

At BNC and at Freda Rebecca, Mwana Africa staffs and funds the running of clinics for employees and their families. Freda Rebecca and Trojan mine clinics are certified Opportunistic Infections Clinics. Shangani mine has also applied for this status and is being monitored. Trojan and Freda Rebecca are also certified as anti-retroviral therapy (ART) clinics and dispense anti-retroviral (ARVs) medication supplied by the government to affected employees and their dependents, as well as to members of the local community. Both Freda Rebecca and BNC receive assistance from the Zimbabwean Business Council on AIDS (ZBCA). BNC also runs an HIV/AIDS assistance project coordinated by the Swedish Workplace HIV and AIDS Programme (SWHAP). The first phase of cooperation involves the review and implementation of HIV/AIDS and wellness policies and practices.

At BNC, a wellness programme is scheduled to be launched in the second quarter of the new financial year. This intervention is

# **OVERVIEW OF SOCIAL** AND ENVIRONMENTAL RESPONSIBILITY

BNC has an active workers' committee at the Trojan nickel mine and the workers are free to join the trade union.

#### COMMUNITY DEVELOPMENT

#### Education

Freda Rebecca mine has continued to enhance its corporate social responsibility (CSR) footprint in the area of education. This is being done in partnership with other stakeholders such as the NGO Terre des Hommes (TdH). TdH provides school fees for some 100 children at the Batanai Early Childhood Development Centre. Freda Rebecca mine is also sponsoring five students working towards their degrees at the Zimbabwe 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 Company also provides training opportunities for undergraduates from different learning institutions, with Bindura University being given the first priority.

The exploration project at Zani-Kodo in the DRC has constructed several classrooms for schools in the vicinity and has refurbished the dormitory at the adjacent secondary school. In addition, the project has also commissioned a local carpenter to construct desks for local primary and secondary schools. The project has also been involved in donating stationery to local schools and has refurbished numerous community offices. Staff training in computer literacy takes place on a continual basis.

Klipspringer does not provide any assistance in this regard due to its being under care and maintenance. Detailed programmes are included in our social and labour plan and will be implemented once the mine returns to steady state production.

In Katanga, two local workers were provided with opportunities for part-time study in English and management during 2013. This programme will continue and be extended to benefit more local workers.

#### Enterprise development

The exploration projects continue to reach out to surrounding communities in the areas of routine road upgrades and the construction of access bridges. BNC donates material such as waste rock to the local authority and other institutions for road construction and building.

Freda Rebecca mine has consistently maintained the proportion of its local procurement, with about 60% of total procurement sourced from local suppliers. A considerable number of small business enterprises continue to be assisted by Freda Rebecca mine in providing services to the mine and mine villages. The mine also encourages and supports local entrepreneurial ventures.

BNC similarly sourced 76% of its total procurement locally. The remoteness of Mwana's operations in Zani-Kodo necessitates that many supplies have to be imported from Uganda, though fuel and some foodstuffs are sourced locally when they are available.

The operations in Katanga source 15% of goods and services from local villages, with the remaining 85% split between the towns of Likasi and Lubumbashi. Villagers provide guard services for the camps, house and office.

Despite the limited nature of operations at Klipspringer, the mine strives to ensure that goods and services are sourced from local suppliers. We estimate that between 65 % and 75% of procurement spend was sourced from local suppliers.

In 2012, Bindura Estates (a wholly-owned subsidiary of Freda Rebecca mine) began establishing a commercial farm on the arable portions of the mine's lease areas. Bindura Estates successfully completed its first farming season in FY2014 and the results are encouraging in the areas of potato, soya bean and maize farming, enhancing the local economy of Bindura and improving food security. So far this venture has provided employment for more than 300 women who have been engaged on a seasonal labour basis.

The limited income derived from diamond sales at Klipspringer does not allow the mine to invest in infrastructure support or small business enterprises at present. Klipspringer mine personnel and equipment are on stand-by during the dry winter months to assist neighbouring land owners in combating the threat of runaway veld fires that may damage property or lives, including wildlife.

Since the year-end, Mwana's Freda Rebecca gold mine and BNC have embarked on further empowerment plans in the areas of education and mining, in collaboration with Zimbabwe's Ministry of Youth, Indigenisation and Economic Empowerment. The two companies have offered to adopt and partner with Bindura Vocational College, providing \$200,000 sponsorship for the college's refurbishment over a period of five years. In the area of mining, Freda Rebecca will be assisting young people by making available on a tribute basis its special grant claim on areas adjacent to the mining lease. The mine will also consider purchasing a stamp mill for the site for use by the beneficiaries and offering initial setup technical training.

#### ARTISANAL AND SMALL-SCALE MINING

Where operations interact with artisanal gold miners, the Company has undertaken studies to better understand the issues of and challenges faced by these populations. This is a prelude to formulating a strategy aimed at improving these miners' working conditions. At Zani-Kodo in the DRC, PACT, an American NGO, is assisting Mwana with this process.

Mwana Africa recognises its obligation to rehabilitate the sites where it has operated. The Company has put financial provisions in place for costs associated with the closure of the Company's operations in Zimbabwe and South Africa, as prescribed by local laws. These provisions are audited and reviewed annually by independent consultants as prescribed by regulations.

#### ANTI-CORRUPTION MEASURES

The UK Bribery Act of 2010 updated and enhanced existing UK law on bribery and ensured conformity with the requirements of the 1997 OECD Anti-Bribery Convention. It is now among the strictest laws governing international bribery, prohibiting actively bribing entities or persons in the context of international business transactions and imposing heightened liability for companies, directors and individuals. Mwana Africa PLC, as a company incorporated/doing business in the UK, supports the law and has implemented procedures to ensure compliance with the Act's requirements for strong, effective anti-bribery policies and systems. Mwana Africa's proactive measures protect it from strict liability that the Act would otherwise impute to a company in the event of an unacceptable bribery attempt by any of its individual officials. All of Mwana's executives have signed personal commitments to respect the provisions and the intent of the UK Bribery Act of 2010 and best practices.

#### **SUPPLY CHAIN MANAGEMENT**

Mwana Africa has also been an active participant in and contributor to the ICGLR-OECD UN GoE Joint Forum on Responsible Mineral Supply Chains from Conflicted-Affected and High-Risk Areas process which started with the first consultation meeting with the mining sector on December 8, 2009 in Paris. The Forum's Gold Supplement provides specific recommendations for gold producers, refiners and exporters to establish controls and transparency in their supply systems to ensure identifiable chain of custody. The recommendations vary depending on the Company's activity within the chain (refining mined gold, original recycled/scrap gold, consolidated recycled/scrap gold, melted recycled/scrap gold and/or mixed gold) because the risks of leakage are related to the specific activities involved. Mwana Africa has regularly reviewed its procedures to ensure its ongoing compliance with these recommendations and best practices.

Mwana Africa has also made progress with granting claims on a tributary basis to more than 200 applicants on its ground holdings near Kwe Kwe, Zimbabwe. This exercise is being conducted in conjunction with traditional leaders and the relevant regulatory authorities. The potential exists to assist small-scale miners with the viable exploitation of mineral resources and, in turn, provide employment and improve the local economy.

#### **ENVIRONMENTAL IMPACTS AND MITIGATION**

Mwana Africa limits the impact of its operations on the environment through responsible waste disposal and prevention of pollution, and by optimising the use of resources such as water, fuel and electricity. Proactive measures are taken 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. No significant non-compliances were found by Zimbabwe's Environmental Management Authority. Freda Rebecca Mine has maintained its ISO14001 certification for environmental practices. Continued air-quality monitoring shows that the dust generated by mining activities is not at a level that impacts negatively on employees' or community health.

BNC and the Zimbabwean Environmental Management Authority continue to monitor discharges from the permitted sources of effluent. The restart at BNC operations involved the re-establishment of sound environmental practices, including programmes to reduce impacts, and the Trojan mine aims to obtain ISO and OHSAS certification by December 2015.

Klipspringer continued during the year with external audits being conducted on our environmental impacts, including water abstraction and water disposal. No significant areas of non-compliance were recorded.

Regular inspections by SEMHKAT have been set up to mortical the environmental impact of the joint venture's operations, followed by minuted meetings.

#### THIS STRATEGIC REPORT

was approved by the Board on 8 July 2014 and signed

their behalf by:

Chief Executive Officer

# **BOARD OF DIRECTORS** AS AT 31 MARCH 2014

EXECUTIVE DIRECTORS	
,	
Kalaa Mpinga (53) - Chief Executive Officer	Kwan, Yim Chiu (59) - Finance Director
NON-EXECUTIVE DIRECTORS	
`	
Stuart Morris (68)- Interim Non-Executive Chairman	Ning, Yat Hoi (58) - Non-Executive Director
Hu, Yuan Ching (40) - Non-Executive Director	Johan Botha (65) - Non-Executive Director

#### KALAA MPINGA (53)

#### **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. Kalaa 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.

#### KWAN, YIM CHIU (59)

#### **Finance Director**

Yim Kwan joined the Board in October 2013. Mr. Kwan, a chartered accountant, has over 30 years of experience in finance, commercial, auditing, taxation and corporate finance accumulated from senior positions in accounting firms and private and public corporations. He also has extensive exposure to different business environments in Asia, Africa and North America. He has previously held the position of chief financial officer and board director of MBMI Resources Inc., a Canadian mining company focused on the exploration and development of nickel projects in the Philippines.

#### STUART MORRIS (68)

#### Interim Non-Executive Chairman

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, Stuart was group financial director of Nedbank Group Limited. He is currently an independent non-executive chairman and director, including chairman of the audit and risk and remuneration committees, of several other listed and unlisted entities.

#### NING, YAT HOI (58)

#### **Non-Executive Director**

Mr Yat Hoi Ning 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-ferrous 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.

#### HU, YUAN CHING (40)

#### Non-Executive Director

Mr Yuan Ching Hu 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 License, a Marketing Immovable Property License and is a qualified professional financial supervisor.

Between 2001 and 2006 he was general manager of Taiwan A-Life, where he was made an executive director in 2005 and in 2006 he established Taiyou Investment Co Ltd in Hong Kong.

#### JOHAN BOTHA (65)

#### 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 vice president for Gold Fields Ghana Ltd and then joined Banro to initiate the build of the Twangiza mine in the DRC.

Note: For details of Board movements during FY2014, please go to the Directors' report on page XX.

# **DIRECTORS' REPORT**

The directors present their report and financial statements for the year ended 31 March 2014.

#### PRINCIPAL ACTIVITIES

The Group's 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 page 6 and the *Review of operations and exploration* on pages 10 to 17.

#### BUSINESS REVIEW

The Group profit before tax was \$43.9m (2013: \$32.1m loss). The profit for the year attributable to shareholders of the parent Company was \$36.6m (2013: \$28.6m loss). 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 2014, 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 page 6, the Chief Executive Officer's review on pages 8 to 9, the Review of operations and exploration on pages 10 to 17, and the Financial review on pages 19 to 21.

#### 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

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 market 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.

#### Political risk

There are political risks impacting the Group's operations in Africa, including indigenisation regulations in Zimbabwe. Details of this risk and the actions undertaken to mitigate it are detailed on page 29 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 34.

#### 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 29. The details of the mitigating actions undertaken by the Group during the period are disclosed in the section Environmental impacts and mitigation 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 and BNC is included in the Overview of social and environmental responsibility on page 22 of this report.

#### 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 sell a sufficient shareholding so that 51% or a controlling interest is owned by indigenous Zimbabweans, and/or provides for foreign investors to earn indigenisation credits to meet the ownership requirements.

During the year ended 31 March 2013, Mwana had disposed of 15% of Freda Rebecca to an indigenous Zimbabwean.

A community trust has been established in the year ended 31 March 2013 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 on the financial statements as disclosed in note 3 regarding the basis of preparation of the financial statements and in the note 22 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. Refer to page 11 in the Review of operations and exploration.

#### Bindura Nickel

Key performance indicators in respect of the Trojan Mine include 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. Refer to pages 13 to 14 in the Review of operations and exploration.

#### **Exploration projects**

Key performance indicators include the addition of resource ounces in the case of Zani and the identification of drill targets at SEMHKAT. Refer to pages 12 and 15 in the Review of operations and exploration.

#### **CHANGES IN SHARE CAPITAL**

Details of changes in the share capital during the year are set out in note 27 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 2014 represented 76 days (2013: 65 days) of annual purchases, including capital expenditure.

#### SUBSEQUENT EVENTS

The post balance sheet events are described in note 36 to the financial statements.

# **DIRECTORS' REPORT CONTINUED**

#### **DIRECTORS**

The current directors of the Company are as follows:

Executive Directors		Non-Execut	Non-Executive Directors			
KK Mpinga	Chief Executive Officer	SG Morris	Interim Chairman (appointed as Interim Chairman 24 February 2014)			
YC Kwan Finance Director – appointed 1 October 2013	YH Ning					
		YC Hu				
		JL Botha				

The directors who left during the year were as follows:

OAG Baring	Resigned	1 September 2013
JA Anderson	Retired	27 September 2013
E Denis	Retired	27 September 2013
DAR McAlister	Resigned	30 September 2013

M Wellesley-Wood was appointed a director on 3 September 2013 and left on 24 February 2014.

JL Botha and SG Morris are retiring by rotation and being eligible, offer themselves for re-election.

YC Kwan was appointed as a director after the last annual general meeting and, in accordance with the Articles & Association, retires at the forthcoming annual general meeting. Being eligible, Mr Kwan offers himself for re-election.

The interests of the directors and their remuneration are described in the Directors' remuneration report which is on pages 32 to 36.

#### MAJOR SHAREHOLDINGS

The share register records that the following shareholders held 3% or more of the issued share capital of the Company at 5 May 2014:

Shareholder	Number of shares	% interest	
China International Mining Group Corporation	299,424,282	21.4	
HSBC Client Holdings Nominee (UK) Limited	126,665,392	9.1	
Yat Hoi Ning	106,709,262	7.6	
Lynchwood Nominees Limited	49,381,326	3.5	
Barclayshare Nominees Limited	44,241,658	3.2	
Smart Landscape Holdings Limited	43,980,796	3.2	

#### INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has prepared its consolidated accounts for the year ended 31 March 2014 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 \$113,512 (2013: \$799,205) were made during the year, \$58,914 (2013: \$237,162) as political contributions and \$54,599 (2013: \$562,043) 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**

In accordance with Section 418 of the Companies Act 2006, 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:

S GILBERT

Company secretary

8 July 2014

# **DIRECTORS' REMUNERATION REPORT**

#### **REMUNERATION COMMITTEE**

The Remuneration Committee comprising non-executive directors JL Botha (Chairman) and SG Morris, 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 2014 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 33.

#### 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 33.

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;
- 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.

#### 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:

<b>Executive directors</b>	Employer	Date of contract	
KK Mpinga	Mwana Africa Holdings Limited	16 December 2009	
YC Kwan	Mwana Africa Holdings Limited	30 September 2013	
Non-executive directors	Employer	Date of appointment	
SG Morris	Mwana Africa PLC	6 December 2005	
JL Botha	Mwana Africa PLC	4 January 2013	
YH Ning	Mwana Africa PLC	7 June 2013	
YC Hu	Mwana Africa PLC	4 July 2013	

# **DIRECTORS'** REMUNERATION REPORT CONTINUED

#### **DIRECTORS' REMUNERATION**

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

Director	Salary/ fee (1,2) \$	Annual bonus <sup>(5)</sup> \$	Benefits in kind <sup>(6)</sup> \$	Share-based payments \$	2014 Total \$	2013 Total \$
KK Mpinga	480,189	_	82,954	149,454	712,597	1,269,686
YC Kwan (8)	119,104	-	-	4,163	123,267	-
SG Morris (3)	49,627	_	-	-	49,627	158,028
JL Botha (3) (10)	27,354	_	-	-	27,354	79,014
YH Ning (3)	24,813	-	-	-	24,813	72,429
YC Hu <sup>(3)</sup>	24,813	_	-	-	24,813	69,137
OAG Baring <sup>(4)(1))</sup>	14,999	_	43,781	13,265	72,045	312,885
DAR McAlister (11) (12)	729,304	_	36,417	63,496	829,217	943,088
JA Anderson (3) (11)	22,332	-	-	-	22,332	118,520
E Denis (3) (7) (11)	14,888	_	_	-	14,888	79,014
M Wellesley-Wood (9) (10) (12)	81,467	-	_	-	81,467	_
Total	1,588,890	-	163,152	230,378	1,982,420	3,101,801

<sup>(1)</sup> Salaries for Mr Mpinga and Mr McAlister were increased with effect from 1 April 2013.

Contributions in lieu of director's pensions were as follows:

	2014 \$'000	2013 \$'000
Director		
KK Mpinga	60	65
YC Kwan	-	_
SG Morris	-	-
JL Botha	-	-
YH Ning	-	_
YC Hu	-	-
JA Anderson	-	-
E Denis	-	-
OAG Baring	-	21
DAR McAlister	25	49
M Wellesley-Wood	-	_
Total	85	135

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

Salary for Mr Mpinga was reduced by 25% with effect from 1 September 2013.

The fees payable to Mr Morris, Mr Anderson, Mr Denis, Mr Botha, Mr Ning and Mr Hu were decreased by 50% with effect from 1 July 2013.

<sup>(</sup>e) Mr Baring was in receipt of a fee until June 2013 and benefits in kind in respect of his role as Non-Executive Chairman until 31 August 2013.

<sup>(5)</sup> No bonuses were awarded to any directors in respect of the year ended 31 March 2014. In August 2013 Mr Mpinga waived his bonus award of £330,000 (\$541,492) in respect of the year to 31 March 2013.

Benefits in kind relate to life and medical insurance and pension contributions for Mr McAlister until 30 September 2013, to life and medical insurance for Mr Baring until 31 August 2013 and to pension contributions and security services for Mr Mpinga.

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

<sup>(</sup>a) Mr Y Kwan was appointed a director on 1 October 2013.

Mr M Wellesley-Wood was appointed Non-Executive Chairman on 3 September 2013 and left the Board on 24 February 2014.

Mr Botha and Mr Wellesley-Wood were paid additional fees of £800 for attendance at each Board committee meeting since the beginning of December 2013, when these payments were approved by the Board.

<sup>(1)</sup> Mr Baring resigned from the Board on 1 September 2013, Mr Anderson and Mr Denis retired from the Board on 27 September 2013 and Mr McAlister resigned from the Board on 30 September 2013.

<sup>(12)</sup> Basic salary includes ex gratia payments to Mr McAlister of £322,743 in September 2013 and to Mr Wellesley-Wood of £15,000 in March 2014

#### 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	Ordinary shares of 1p each at 31 March 2013			
	Number	%	Number	%	
Palanka Trust <sup>(1)</sup>	16,227,260	1.16	16,227,260	1.45	
Katema Mukubayi Trust (2)	19,981,415	1.43	19,981,415	1.78	
KK Mpinga (3)	3,000,000	0.21	3,000,000	0.27	
YC Kwan	-	0.00	_	0.00	
SG Morris	2,409,090	0.17	2,409,090	0.22	
JL Botha	954,545	0.07	954,545	0.09	
YH Ning (4)	406,133,544	29.10	242,878,827	21.70	
YC Hu	454,545	0.03	454,545	0.04	
OAG Baring (5) (7)	2,652,976	0.18	3,080,879	0.28	
DAR McAlister (7)	1,000,000	0.07	1,000,000	0.09	
JA Anderson (7)	1,190,909	0.09	1,190,909	0.11	
E Denis (6) (7)	1,454,545	0.10	1,454,545	0.13	
M Wellesley-Wood	_	0.00	_	0.00	

<sup>(1)</sup> Mr KK Mpinga controls the voting rights in Palanka Trust.

### 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 2013	Options granted during the year	Options lapsed/ cancelled during the year	Options exercised during the year	Options held at 31 March 2014	Exercise price (1)	Latest expiry date
Unapproved options – 1997 Scheme							
KK Mpinga	1,000,000	_	_	_	1,000,000	. 79p	12/07/2014
YC Kwan <sup>(2)</sup>	-	-	_	-	-	_	-
SG Morris	_	-	_	-	_	-	_
JL Botha	-	-	_	_	-	-	<del>-</del> ,
YH Ning	=	_	_	-	-	-	-
YC Hu	_	-	_	-	-	-	-
OAG Baring (3)	_	-	-	-	-	-	-
DAR McAlister (3)	-	-	-	-	-	-	-
JA Anderson (3)	-	-	-	_	-	-	-
E Denis (3)	_	_	-	-	_	-	-
M Wellesley-Wood (3)	-	-	-	-	-	_	-

<sup>(2)</sup> Related to Mr KK Mpinga.

<sup>(</sup>a) In addition to the shares in Mwana Africa PLC, KK Mpinga also holds 666,667 shares in BNC. This equates to 0.06% in BNC.

<sup>(4)</sup> Includes 299,424,282 shares held by China International Mining Group Corporation, a company in which Mr Ning has an interest.

<sup>&</sup>lt;sup>(5)</sup> Held through Mr OAG Baring's personal pension fund.

<sup>(6)</sup> Includes 454,545 shares held by Sapiensa Sprl, a company in which Mr Denis has an interest.

<sup>(1)</sup> Presented to the date of ceasing to be a director.

#### **DIRECTORS' REMUNERATION REPORT CONTINUED**

Officer	Options held at 31 March 2013	Options granted during the year	Options lapsed/ cancelled during the year	Options exercised during the year	Options held at 31 March 2014	Exercise price (1)	Latest expiry date
Unapproved options ~ 2007 Scheme	20,000,000	_	<del>-</del>		20,000,000	10p	10/12/2022
YC Kwan <sup>(2)</sup>	-	3,000,000	_	-	3,000,000	1.6p	03/10/2023
SG Morris	_	_	-	_	_	_	_
JL Botha	-	_	_		_	-	-
YH Ning	-	_	_	_	-	-	-
YC Hu	_	_	_	_	_	-	-
OAG Baring (3)	2,800,000	_	_	_	2,800,000	9р	30/09/2014
DAR McAlister (3)	7,679,684	_	-	-	7,679,684	7р	10/12/2022
JA Anderson (3)	-	-	_	-	-	-	-
E Denis (3)	_	-	-	-	-	-	-
M Wellesley-Wood (3)		8,000,000	8,000,000				
Approved options – 2007 Scheme						<del></del> .	
KK Mpinga	-	_	-	-	-	-	-
YC Kwan <sup>(2)</sup>	_	-	_	-	-	-	-
SG Morris	_	-	_	_	_	-	-
JL Botha	_	-	-	-	-	-	-
YH Ning	_	_	-	-	-	_	_
YC Hu	_	_		-	-	-	_
OAG Baring (3)	_	-	_	-	-	-	_
DAR McAlister (3)	574,861	_	_	_	574,861	9р	10/12/2022
JA Anderson (3)	_	-	=	_	-	-	_
E Denis (3)	_	_	_	-	-	-	_
M Wellesley-Wood (3)	-	_	_	_	-	_	<del>-</del>

<sup>(1)</sup> Exercise price is the weighted average of all share options held based on the price at the grant date.

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 (2013: 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 31 March 2014 was 1.5 pence per ordinary share and the highest and lowest share prices during the year were 4.65 pence and 1.1 pence respectively.

The agreements covering directors' options are available for inspection at the Company's registered office: Premier House, 10 Greycoat Place, London, SW1P 1SB. 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:

SG MORRIS Chairman

8 July 2014

<sup>&</sup>lt;sup>(2)</sup> Presented from the date of appointment as a director.

Presented to the date of ceasing to be a director. The options are still held by these previous directors where shown as held above.

#### **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:

Finance director

8 July 2014

#### **STATEMENT OF CORPORATE GOVERNANCE**

#### 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 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 SG Morris (Chairman) and JL Botha, both of whom are non-executive, and Mr YC Kwan.

#### **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 two non-executive directors, JL Botha (Chairman) and SG Morris. The Directors' remuneration report appears on pages 32 to 36.

#### 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, SG Morris. JL Botha is the other non-executive member and KK Mpinga is also a member of the committee.

The nomination committee met twice during the year. The appointments of Mr YC Kwan as Finance Director and M Wellesley-Wood as Non-Executive Chairman 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.

## GOVERNANCE

# ANNUAL FINANCIAL STATEMENTS

#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MWANA AFRICA PLC

We have audited the financial statements of Mwana Africa PLC for the year ended 31 March 2014 set out on pages 42 to 80. 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 Statement of directors' responsibilities set out on page 37, 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.

#### **OPINION ON FINANCIAL STATEMENTS**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2014 and of the Group's
  profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### **EMPHASIS OF MATTER - CARRYING VALUE OF COMPANY INVESTMENTS**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 22 to the financial statements concerning the carrying value of investments held by the Company in the Zimbabwean operation of \$96.5m (2013: \$74.6m). As disclosed in note 22, there are uncertainties linked to the implementation of the Indigenisation Law in Zimbabwe. The possible impact of this law is uncertain and causes doubt over the carrying value of the investments held by the Company. The financial statements do not include the adjustments that would result from the impact of the Zimbabwe indigenisation legislation on the carrying value of the investment held by the Company.

#### OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and 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

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 by the parent Company, or returns adequate for our audit have not been received from branches not
  visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- · certain disclosures of directors' remuneration specified by law are not made; or
- · we have not received all the information and explanations we require for our audit.

#### **J LOWES**

#### **Senior Statutory Auditor**

for and on behalf of KPMG LLP, Statutory Auditor Chartered Accountants 15, Canada Square, Canary Wharf

8 July 2014

#### **CONSOLIDATED STATEMENT OF PROFIT AND LOSS**

FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 \$'000	2013 \$'000
Revenue	8	142,460	109,159
Cost of sales	10	(83,850)	(59,051)
Gross profit		58,610	50,108
Other income		620	393
Freight and insurance expenses		(12,098)	(514)
General and administrative expenses		(11,240)	(11,594)
Care and maintenance expenses		(1,890)	(12,956)
Corporate expenses		(6,442)	(8,504)
Operating profit	10	27,560	16,933
Retrenchment and restructuring expenses (1)		(2,004)	_
Dividends received		-	83
(Loss)/profit on sale of assets	11	(1,636)	257
Fair value adjustment		(6)	(388)
Foreign exchange gain		1,055	790
EBITDA (2)		24,969	17,675
Impairment loss	35	(671)	(43,949)
Impairment reversal	35	27,987	-
Depreciation		(7,631)	(5,651)
Finance income	15	319	645
Finance expense	15	(1,033)	(784)
Net profit/(loss) before income tax		43,940	(32,064)
Income tax credit/(expense)	16	6,655	(11,397)
Net profit/(loss) for the year		50,595	(43,461)
Net profit/(loss) attributable to:		-	
Owners of the Parent		36,605	(28,641)
Non-controlling interest		13,990	(14,820)
Net profit/(loss) for the year		50,595	(43,461)
Earnings/(loss) per share			
Basic earnings/(loss) per share (US cents)	19	2.89	(2.62)
Diluted earnings/(loss) per share (US cents)	19	2.89	(2.62)

The notes on pages 51 to 80 are an integral part of these consolidated financial statements.

<sup>(</sup>ii) Following a decision to reduce corporate costs, certain staff retrenchment and once-off costs in respect of restructuring costs were incurred during the year in respect of London, Johannesburg and DRC (SEMHKAT).

<sup>(2)</sup> Earnings before interest, impairments, tax, depreciation and amortisation.

## **CONSOLIDATED STATEMENT** OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2014

	2014 \$'000	2013 \$'000
Profit/(loss) for the year	50,595	(43,461)
Other comprehensive loss		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	(884)	(1,277)
Other comprehensive loss for the year, net of income tax	(884)	(1,277)
Total comprehensive profit/(loss) for the year	49,711	(44,738)
Total comprehensive profit/(loss) attributable to:		
Owners of the Parent	35,721	(29,918)
Non-controlling interest	13,990	(14,820)
Total comprehensive profit/(loss) for the year	49,711	(44,738)

inance director

These financial statements were approved by the Board of directors on 8 July 2014 and were signed on its behalf by:

Chairman

#### **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 31 MARCH 2014

	Nata	2014 \$'000	2013 \$'000
ASSETS	Note	\$ 000	
Non-current assets		j	
Property, plant and equipment	20	81,355	49,283
Intangible assets	21	62,986	58,262
Investments	22	615	1,354
Deferred tax assets	17	19,406	1,186
Non-current receivables	23	2,288	1,268
Total non-current assets		166,650	111,353
Current assets		100,030	111,555
Inventories	24	12,994	11,206
Trade and other receivables	25	18,832	. 12,911
Cash and cash equivalents	26	9,089	15,194
Total current assets		40,915	39,311
Total assets		207,565	150,664
EQUITY		201,000	
Issued share capital	27	99,572	95,162
Share premium		69,536	69,088
Reserves		97,157	96,526
Retained earnings	i.	(140,628)	(177,949)
Total equity attributable to equity holders of the parent		125,637	82,827
Non-controlling interest		3,284	(10,793)
Total equity		128,921	72,034
LIABILITIES			
Non-current liabilities			
Loan payable	28	2,446	4,273
Rehabilitation provisions	29	17,847	18,893
Other payables		_ ]	8,537
Deferred tax liabilities	17	18,878	10,506
Total non-current liabilities		39,171	42,209
Current liabilities			
Trade payables		15,300	10,825
Accruals and other payables	30	21,568	16,481
Provisions	31	2,605	9,115
Total current liabilities		39,473	36,421
Total liabilities		78,644	78,630
Total equity and liabilities		207,565	150,664

The notes on pages 51 to 80 are an integral part of these financial statements.

These financial statements were approved by the Board of directors on 8 July 2014 and water signed of its behalf by

SG MORRIS

Chairman

Finance director

## **COMPANY STATEMENT** OF FINANCIAL POSITION AS AT 31 MARCH 2014

	Note	2014 \$'000	2013 \$'000
ASSETS	Note	\$ 000	\$ 000
,			
Non-current assets		}	
Property, plant and equipment	20	34	399
Investments	22	97,505	76,823
Total non-current assets		97,539	77,222
Current assets			·
Trade and other receivables	25	80,902	63,598
Cash and cash equivalents	26	1,420	1,585
Total current assets		82,322	65,183
Total assets		179,861	142,405
EQUITY			
Issued share capital	27	99,572	95,162
Share premium		69,536	69,088
Reserves		2,933	1,418
Retained earnings		3,416	(26,607)
Total equity attributable to equity holders of the Company		175,457	139,061
LIABILITIES			
Current liabilities			
Accruals and other payables	30	4,404	3,344
Total liabilities		4,404	3,344
Total equity and liabilities		179,861	142,405

These financial statements were approved by the Board of directors on 8 July 2014 and were signed on its behalf by:

SG MORRIS

Chairman

## **CONSOLIDATED STATEMENT** OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2014

N	ote	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Profit/(loss) before income tax		43,940	(32,064)
Adjustments for:			
Foreign exchange movements		(1,055)	(349)
Depreciation		7,631	5,943
Fair value adjustments		6	413
Charge in relation to share-based payments		512	342
(Decrease)/increase in rehabilitation provisions		(1,046)	210
Decrease in other provisions		(9,947)	(1,743)
Increase in environmental assets		-	(96)
Impairment loss		671	43,949
Impairment reversal		(27,987)	-
Loss/(profit) on sale of non-current assets		1,636	(257)
Finance income		(319)	(1,435)
Finance costs		1,033	784
		15,075	15,697
Increase in inventories		(1,788)	(3,153)
(Increase)/decrease in trade and other receivables		(10,813)	2,766
Increase/(decrease) in trade and other payables		9,074	(980)
		11,548	14,330
Finance costs		(1,033)	(743)
Income tax paid		(4,421)	(9,784)
Net cash from operating activities		6,094	3,803
Cash flows from investing activities			
Additions to property, plant and equipment		(12,770)	(18,389)
Investment in intangible exploration assets		(5,235)	(15,331)
Proceeds from sale of property, plant and equipment		49	340
Proceeds on sale of investments		-	412
Finance income		319	1,435
Net cash used in investing activities		(17,637)	(31,533)
Cash flows from financing activities			
Proceeds from issue of share capital		6,990	33,845
Share issue expenses		(413)	(1,054)
Dividends paid to non-controlling interests		(150)	(1,462)
Share issuance to NCI		837	2,015
Loans advanced		-	4,708
Loans repaid		(1,827)	(1,734)
Net cash from financing activities		5,437	36,318
Net (decrease)/increase in cash and cash equivalents		(6, 106)	8,588
Cash and cash equivalents at beginning of the year		15,194	6,696
Exchange rate movement on cash and cash equivalents at beginning of year		1	(90)
Cash and cash equivalents at end of the year	26	9,089	15,194

## **COMPANY STATEMENT** OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2014

Note	2014 \$'000	2013 \$'000
Cash flows from operating activities		-
Profit/(loss) before income tax	29,307	(39,872)
Adjustments for:		
Depreciation	88	74
Fair value adjustments	395	-
Foreign exchange movements	(2,234)	(314)
Loss on sale of non-current assets	1,080	4
Charge in relation to share-based payments	512	225
Impairment loss	-	35,107
Impairment reversal	(35,044)	-
Finance income	(776)	(715)
	(6,672)	(5,491)
Increase in trade and other receivables	(972)	(5,348)
Increase in trade and other payables	63	1,204
Net cash used in operating activities	(7,581)	(9,635)
Cash flows from investing activities		
Additions to property, plant and equipment	(10)	(412)
Acquisition of investments	-	(24,982)
Proceeds from sale of non-current assets	17	4
Finance income	776	715
Net cash generated by/(used in) investing activities	783	(24,675)
Cash flows from financing activities		
Proceeds from issue of share capital	6,990	33,845
Share issue expenses	(413)	(1,054)
Net cash from financing activities	6,577	32,791
Net decrease in cash and cash equivalents	(221)	(1,519)
Cash and cash equivalents at beginning of the year	1,585	3,104
Exchange rate movement on cash at beginning of year	56	
Cash and cash equivalents at end of the year 26	1,420	1,585

#### **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 MARCH 2014

	Share capital \$'000	Share premium \$'000
Balance as at 31 March 2012	88,817	42,641
Loss for the year	_	_
Foreign currency translation differences	_	-
Total comprehensive loss for the year	-	<del>-</del>
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
Balance as at 31 March 2013	95,162	69,088
Profit for the year	_	
Foreign currency translation differences	<u> </u>	
Total comprehensive income for the year		-
Contributions by and distributions to owners		
Issue of ordinary shares	4,410	-
Dividends	-	-
Premium on share issue less expenses	-	2,101
Disposal of treasury stock	-	(1,653)
Share-based payment transactions	-	<i>.</i>
Share-based payment reversals		
Total contributions by and distributions to owners	4,410	448
Balance as at 31 March 2014	99,572	69,536

<sup>(1)</sup> 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.

<sup>&</sup>lt;sup>(2)</sup> All of the treasury shares were sold by the Company pursuant to the 20 September 2013 placing.

Total equity \$'000	Non- controlling interest \$'000	Total equity attributable to equity holders of the parent \$'000	Retained earnings \$'000	Total reserves \$'000	Share based payments \$'000	Treasury stock <sup>(1) (2)</sup> \$'000	Translation reserve \$'000
77,964	(3,527)	81,491	(149,810)	231,301		(1,719)	96,385
(43,461)	(14,820)	(28,641)	(28,641)	_	_	_	_
(1,277)	_	(1,277)	_	(1,277)	_	-	(1,277)
(44,738)	(14,820)	(29,918)	(28,641)	(1,277)		-	(1,277)
22.046		22.046		22.046			
33,846 (1,054)	_	.33,846	-	33,846	_	_	-
(1,054)	2.254	(1,054)	(2.040)	(1,054)	_	-	-
	3,254	(2,849)	(2,849)	-	-	_	_
6,733	5,764	969	969	_	_	-	-
(1,464)	(1,464)	-	-	-	_	_	_
342	_	342	_	342	342	-	-
			2,382	(2,382)	(2,382)		
38,808	7,554	31,254	502	30,752	(2,040)	_	<del>-</del>
72,034	(10,793)	82,827	(177,949)	260,776	3,137	(1,719)	95,108
72,034	(10,793)	82,827	(177,949)	260,776	3,137	(1,719)	95,108
50,595	13,990	36,605	36,605	-	-	-	_
(884)	_	(884)	_	(884)	_	_	(884)
49,711	13,990	35,721	36,605	(884)	_	_	(884)
5,247	837	4,410		4,410	_	_	_
(750)	(750)	_	_	_	_		_
2,101	_	2,101	_	2,101	_	_	_
66	_	66	_	66	_	1,719	_
512	_	512	_	512	512	_	_
_	_	_	716	(716)	(716)	_	_
7,176	87	7,089	716	6,373	(204)	1,719	
128,921	3,284	125,637	(140,628)	266,265	2,933	· -	94,224

#### **COMPANY STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 MARCH 2014

Share capital \$'000	Share premium \$'000	Treasury stock <sup>(1)</sup> . \$'000	Share based payments (2) \$'000	Retained earnings \$'000	Total equity \$'000
88,817	42,641	(1,719)	5,177	10,883	145,799
_	_	_	_	(39,872)	(39,872)
_	_	_	-	(39,872)	(39,872)
6,345	_	_	-	_	6,345
-	26,447	-	_	_	26,447
-	-	_	342	_	342
· -	_	_	(2,382)	2,382	-
6,345	26,447	_	(2,040)	2,382	33,134
95,162	69,088	(1,719)	3,137	(26,607)	139,061
_	_	_	_	29,307	29,307
_	_	-	_	29,307	29,307
4,410	-	_	_	_	4,410
_	2,101	_	_	-	2,101
	(1,653)	1,719	_	-	66
-	_	_	512	-	512
-	_	_	(716)	716	_
4,410	448	1,719	(204)	716	7,089
99,572	69,536	_	2,933	3,416	175,457
	capital \$'000 88,817 ————————————————————————————————————	capital \$'000         premium \$'000           88,817         42,641           -         -           -         -           6,345         -           -         -           6,345         26,447           95,162         69,088           -         -	capital \$'000         premium \$'000         stock (i) \$'000           88,817         42,641         (1,719)           -         -         -           -         -         -           -         -         -           6,345         -         -           -         -         -           -         -         -           -         -         -           -         -         -           -         -         -           4,410         -         -           4,410         448         1,719	capital \$'000         premium \$'000         stock (i) \$'000         payments (a) \$'000           88,817         42,641         (1,719)         5,177           -         -         -         -           -         -         -         -           -         -         -         -           -         26,447         -         -         342           -         -         -         (2,382)           6,345         26,447         -         (2,040)           95,162         69,088         (1,719)         3,137           -         -         -         -           -         -         -         -           -         -         -         -           -         -         -         -           -         -         -         -           -         -         -         -           -         -         -         -           -         -         -         -           -         -         -         -           -         -         -         -           -         -         -         -	capital \$'000         premium \$'000         stock (n) \$'000         payments (a) \$'000         earnings \$'000           88,817         42,641         (1,719)         5,177         10,883           -         -         -         -         (39,872)           -         -         -         -         (39,872)           6,345         -         -         -         -         -           -         26,447         -         -         -         -           -         -         -         (2,382)         2,382           95,162         69,088         (1,719)         3,137         (26,607)           -         -         -         -         29,307           -         -         -         -         29,307           4,410         -         -         -         -         -           -         2,101         -         -         -         -           -         -         -         512         -           -         -         -         512         -           -         -         -         (716)         716

<sup>(\*)</sup> 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. All of the treasury shares were sold by the Company pursuant to the 20 September 2013 placing.

<sup>&</sup>lt;sup>(2)</sup> 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.

FOR THE YEAR ENDED 31 MARCH 2014

#### 1. REPORTING ENTITY

Mwana Africa PLC ('the Company') is a company domiciled in the UK. The address of the Company's registered office is Premier House, 10 Greycoat Place, London, SW1P 1SB. The consolidated financial statements of the Company as at and for the year ended 31 March 2014 comprise the Company and its subsidiaries (together referred to as 'the Group' and individually as 'Group entities') and the Group's interest in jointly controlled entities. The Group primarily is involved in the mining of gold and nickel.

#### 2. 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).

#### 3 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 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 2014.

The Group's activities, together with the factors likely to affect its future development, performance and position are set out in the Business review on page 28. The financial position of the Group, its cash flows and liquidity position are as set out in the Financial review on pages 19 to 21.

During the year to 31 March 2014 operations at BNC have re-started successfully and the operating cash inflows from BNC together with significant cost cutting measures achieved during the year have significantly improved the Group's cash position and outlook.

The directors' cash flow forecasts assume:

- an average nickel price of \$18,500 per tonne and average gold price of \$1,250 per ounce;
- settlement in full of the legacy creditors at BNC in line with agreements concluded last financial year. Staff creditors will be settled by December 2014 and trade creditors in December 2015;
- all planned capital expenditure to maintain existing operations, with any additional capital expenditure to be funded from external sources. The directors also plan to restart the smelter at BNC and expand the milling capacity at Freda Rebecca if debt funding is obtained from external sources. These projects would impact positively the cash flow forecast if achieved during the period considered for the going concern analysis;
- the Group's other activities are assumed to be funded from internally generated cash resources, however, in line with other mining companies the Group retains a high degree of flexibility over its expenditure and will continue to pursue alternative funding options for its main exploration projects from time to time including potential farm-out or joint venture arrangements where appropriate.

These forecasts indicate that the Group will have sufficient cash available to continue in operation for at least a year from the date of approval of these financial statements

The Directors are aware that various uncertainties outside the Group's control might impact the validity of their forecasts. These uncertainties include future gold and nickel prices, mining and processing risks, resource and reserve risks and customer risks in addition to the political and indigenisation risks in Zimbabwe which may constrain the ability of the Company to control the movement of cash between entities or receive dividends. Nickel prices in particular have been historically volatile, however absent a structural change in the market (such as a decision by Indonesia to reverse the export ban) forecasts are considered to be achievable. Reasonably expected variations in nickel price would not cause the going concern assumption to be inappropriate.

The Directors consider that they have a number of actions available to them in the event of any of these uncertainties eventuating including constraining cash expenditure at operations, curtailing exploration expenditure and arranging additional debt financing.

The directors, after making enquiries and considering the uncertainties described above, believe that the Company and the Group have adequate 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.

FOR THE YEAR ENDED 31 MARCH 2014

#### 3. BASIS OF PREPARATION CONTINUED

#### **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.

#### 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.

#### 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

Inter-group balances and transactions and any unrealised income and expenses arising from inter-group transactions are eliminated in the consolidated financial statements.

#### Companies with different year-ends than the parent Company

The following subsidiaries of Mwana Africa PLC have 31 December year ends as required by DRC legislation:

- · Mwana Africa Congo Gold SPRL (Zani Kodo)
- SEMHKAT SPRL

#### 4. 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.

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:

#### Property, Plant and Equipment (Note 20); including:

#### Assets' useful lives and depreciation rates for property, plant and equipment and mineral interests

Depreciation, depletion and amortisation rates are calculated on a straight-line basis based on the estimated assets' useful lives.

Should the assets' useful lives differ from the initial estimate, an adjustment would be made. The assets' useful 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 capitalised 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.

#### Deferred tax (Note 17)

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 realising the tax benefits from the deferred tax assets. The Company reassesses unrecognised deferred income tax assets at each reporting period.

#### Inventories (Note 24)

The assumptions used in the valuation of work-in-progress 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 realised when the gold is recovered.

#### Rehabilitation provisions (Note 29)

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.

#### Provisions (Note 31)

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.

#### Share-based payments (Note 31)

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.

#### 5. ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

#### Foreign currencies

#### (a) Functional and presentation currency

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.

#### (b) 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 retranslation 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.

#### (c) 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;
- 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; and
- 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.

FOR THE YEAR ENDED 31 MARCH 2014

#### 5. ACCOUNTING POLICIES CONTINUED

#### 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.

#### Property, plant and equipment

Items of property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition or development of the asset.

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.

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.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of capitalised cost, from the date that commercial production is reached.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful 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 5 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.
- Depreciation is generally recognised in profit and loss, unless the amount is included in the carrying amount of another asset.
- Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

#### Impairment

(i) Non-financial assets

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.

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.

#### (ii) Non-derivative financial assets

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.

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.

#### **Financial instruments**

#### (a) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit and loss) are recognised initially on trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit and loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

#### (i) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

#### (b) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

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#### 5. ACCOUNTING POLICIES CONTINUED

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

#### Investments

#### Joint ventures

The Group holds a 69.77% interest in the Klipspringer Diamond Mine joint venture, the assets, liabilities, income and expenses of which are consolidated on a proportional basis.

#### Investments in subsidiaries

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.

#### Inventories

Inventories are measured 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 includes an appropriate share of production overheads based on normal capacity.

Net realisable value is calculated based on market prices prevailing as at the year-end less costs to self.

#### 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 and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Any increases in such revised estimates are capitalised to property, plant and equipment while decreases in estimates are recognised as an impairment of the asset in the period in which they are incurred.

#### Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

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 is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards and measurement varies depending on the item sold, which occurs as follows:

- 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.
- Revenue from the sale of nickel is recognised on delivery and the measurement based on the international market price of nickel.
- · Diamond revenue is based on negotiated prices and recognised on delivery.

#### 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.

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund is available or a reduction in future payments is available.

#### (b) Share-based payments

The share option programmes allow employees to acquire shares of the Company. The grant-date fair value of the share-based payment award is recognised as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. 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 (including withholding tax) and deferred tax.

#### (a) Current 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. Current tax also includes any tax liability arising from withholding tax on dividends.

#### (b) Deferred tax

Deferred tax is measured on temporary 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.

#### 6. REVISED AND AMENDED STANDARDS AND INTERPRETATIONS

The following revised and amended standards, 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 Group's net cash flows, financial position, total comprehensive income or earnings per share.

- Amendments to IFRS 7 'Offsetting Financial Assets and Financial Liabilities', issued December 2011 and endorsed by the EU December 2012. Additional disclosures for financial assets and liabilities within the scope of the common disclosures.
- Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income', issued May 2012 and endorsed by the EU in June 2012. The amendment deals with the clarification of the requirements for comparative information.
- Amendments to IAS 19 'Employee Benefits', issued in June 2011, endorsed by the EU in June 2012. The amendments include clarification of
  miscellaneous issues and enhanced disclosure.
- 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.
- 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.

#### 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 (Hedge accounting and Amendments to IFRS 9, IFRS 7 and IAS 39)' issued in November 2013, but not yet endorsed by the EU, the standard is IASB effective for periods beginning on or after 1 January 2018. The standard introduces a new hedge accounting chapter and makes improvements to the reporting of changes in the fair value of an entity's own debt. The Group is yet to assess IFRS 9's full impact on its financial position or performance;

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#### 6. REVISED AND AMENDED STANDARDS AND INTERPRETATIONS CONTINUED

- 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 15 'Revenue from Contracts with Customers' issued in May 2014, IASB effective for periods beginning on or after 1 January 2017 but not yet endorsed by the EU. The standard introduces a new revenue recognition model that recognises revenue either at a point in time or over time. The Group is yet to assess IFRS 15's full impact on its financial position or performance;
- IAS 27 (2011) 'Separate Financial Statements', issued in May 2011 and endorsed by the EU in December 2012. Consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10 'Consolidated Financial Statements'; and
- Improvements to IFRSs. There are a number of amendments to certain standards following the 2011 annual improvements project of which some have been endorsed by the EU and others not. The impact of any consequential changes to the consolidated financial statements is not likely to be significant. The following amendments have been endorsed by the EU:
- · Amendments to IAS 28 (2008) Investments in Associates and Joint Ventures;
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 36 Recoverable disclosures for non-financial assets;
- . Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27); and
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12).

#### 7. 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 34.

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 Company's 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. At year-end, the Group's principal customers are Fidelity Printers and Refineries who purchases gold production from Freda Rebecca, as well as Glencore who purchases nickel production from BNC.

#### 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 2014 and during the year, the Group did not have any long term commodity price hedges in place.

#### **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 2014 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 Company's approach to capital management in the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

#### 8. 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

	Go	Gold Nickel		Gold Nickel Diamonds		Nickel		Diamonds		ration		
	(Freda Rebecca)		(Bindura Nickel ca) Corporation)		(Klipspringer diamond mine)				Total for reportable segments			
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000		
External revenue	77,449	108,116	65,011	1,026	_	17	-	-	142,460	109,159		
EBITDA	15,684	42,904	19,398	(14,188)	(880)	(1,536)	(1,372)	(845)	32,830	26,335		
Impairment reversal/(loss)	_	(280)	27,987	(43,669)	(118)	_	(553)	_	27,316	(43,949)		
Reportable segment profit/ (loss) before income tax	8,577	36,436	46,196	(57,552)	(1,027)	(1,581)	(1,925)	(844)	51,821	(23,541)		
Reportable segment assets	68,873	66,486	69,844	14,966	1,224	1,528	65,263	59,201	205,204	142,181		
Reportable additions to property, plant and equipment	5,723	8,586	7,030	9,365	_	1	. <b>7</b>	13	12,760	17,965		
Reportable additions to intangible assets	_	_		_	_	-	5,278	15,331	5,278	15,331		

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#### 8. SEGMENTAL INFORMATION CONTINUED

#### Reconciliation of reportable segments information

	Total for reportable segments		Corporate (not a reportable segment)		Total per Financial Statements	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
External revenue	142,460	109,159	-	-	142,460	109,159
EBITDA	32,830	26,335	(7,861)	(8,660)	24,969	17,675
Impairment reversal/(loss)	27,316	(43,949)	-	-	27,316	(43,949)
Reportable segment profit/(loss) before income tax	51,821	(23,541)	(7,881)	(8,523)	43,940	(32,064)
Reportable segment assets	205,204	142,181	2,361	8,483	207,565	150,664
Reportable additions to property, plant and equipment	12,760	17,965	10	424	12,770	18,389
Reportable additions to intangible assets	5,278	15,331		-	5,278	15,331

#### Information about reportable segments - Geographical

	l	frica and abwe	Democrati of the	•	Gha	ana	United K	Cingdom	To	tal
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
External revenue	142,460	109,159	_	_	_	_	-	_	142,460	109,159
EBITDA	31,264	24,483	(1,372)	(844)	33	(25)	(4,956)	(5,939)	24,969	17,675
Reportable segment profit/ (loss) before income tax	50,866	(25,231)	(1,925)	(844)	33	(25)	(5,034)	(5,964)	43,940	(32,064)
Reportable non-current segment assets	101,973	51,393	63,500	58,816	5	14	36	.1,130	165,514	111,353
Reportable segment assets	140,272	87,825	65,263	59,201	16	14	2,014	3,624	207,565	150,664
Reportable additions to property, plant and equipment	12,753	17,964	7	13	_	-	10	412	12,770	18,389
Reportable additions to intangible assets	_	-	5,278	15,331	_	-	-	_	5,278	15,331

The main products at Freda Rebecca and BNC during the year were gold and nickel respectively and the major customers were well-established commodities traders.

#### 9. LOSS FROM JOINT VENTURE

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

	2014 \$'000	2013 - \$'000
Revenue	-	-
Cost of sales	-	
Gross loss	-	_
Other income	67	48
Care and maintenance expenses	(630)	(1,355)
Selling and distribution expenses	-	(1)
Impairment loss	(118)	_
General and administrative expenses	(346)	(273)
Loss before tax	(1,027)	(1,581)

The Group holds a 69.77% interest (2013: 68.93%) in the Klipspringer diamond mine joint venture. The Group does not have control over the joint venture as the decision making is still shared between the joint venture partners. 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.

#### 10. OPERATING PROFIT

Profit from operating activities is stated after charging:

	2014 \$'000	2013 \$'000
Cost of goods sold	64,623	50,439
Provision for closure costs	(598)	226
Selling and distribution expenses (1)	19,825	8,386
Cost of sales	83,850	59,051
Other income items	631	418
Loss on sale of available-for-sale financial assets	(11)	(25)
Other income	620	393
Operations (technical)	10,837	10,827
Exploration	403	767
General and administrative expenses	11,240	11,594

<sup>(1)</sup> Selling and distribution expenses are not comparable as in FY2013 BNC was not operational.

In the current year, some costs were reclassified to show what management believes to be a more accurate reflection of the expenses incurred. Prior year figures have been reclassified to be comparable to the current year. The effect is not significant and does not affect the profit/(loss) incurred by the Group.

#### 11. (LOSS)/PROFIT ON SALE OF ASSETS

The loss on sale of assets for the current year includes a loss of \$810k on the disposal of shares held in Mantle Diamonds Ltd., that were disposed of during the year in return for shares in Kimberley Diamonds Ltd with no cash effect. The current year loss also includes losses on disposal of property, plant and equipment to the value of \$824k mostly relating to Freda Rebecca.

In the prior year, the profit on sale of assets (\$257k) related to property, plant and equipment disposed of in BNC and Freda Rebecca.

#### 12. AMOUNTS PAYABLE TO KPMG

	2014 \$'000	2013 \$'000
Audit of these financial statements	144	205
Audit of financial statements of subsidiaries pursuant to legislation	152	172
Other services relating to taxation	-	30
Services relating to corporate finance transactions	-	49
All other services	7	23
Total auditors' remuneration	303	479

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#### 13. 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.

2014

Director	Salary/fee \$'000	Annual bonus (1) \$'000	Benefits in kind \$'000	Share-based payments \$'000	Total \$'000
KK Mpinga	480	_	83	149	712
Y Kwan	119	-	-	4	123
SG Morris	50	_	-	-	50
JL Botha	27	_	_	_	27
YH Ning	25	_	-	-	25
YC Hu	25	_	-	_	25
OAG Baring <sup>(2)</sup>	15	-	44	13	72
DAR McAlister (2) (4)	730	_	36	64	830
JA Anderson (2)	22	_	-	-	22
E Denis (2)	15	_	-	_	15
M Wellesley-Wood (3) (4)	81	_	-	-	81
Total	1,589	_	163	230	1,982

#### 2013

Director	Salary/fee \$'000	Annual bonus (1) \$'000	Benefits in kind \$'000	Share-based payments \$'000	Total \$'000
KK Mpinga	521	541	94	112	1,268
SG Morris	79	79	_	-	158
JL Botha	39	40	_	-	79
YH Ning	33	40	-	_	73
YC Hu	30	40	_	_	70
OAG Baring	33	134	113	33	313
DAR McAlister	411	411	66	55	943
JA Anderson	· 59	59	_	_	118
E Denis	40	40	_	_	80
Total	1,245	1,384	273	200	3,102

<sup>(1)</sup> No bonuses were awarded to any directors in respect of the year ended 31 March 2014. In August 2013 Mr Mpinga waived his bonus award of £330,000 (\$541,492) in respect of the year to 31 March 2013.

#### 14. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Wages and salaries	21,456	20,146	865	1,797
Decrease in labour accrual (1)	-	(5,365)	-	_
Equity-settled share-based payment transactions (see note 33)	512	342	276	225
Compulsory social security contributions	438	566	220	219
Contributions to defined contribution plans	1,350	671	158	176
Total employee benefits expense	23,756	16,360	1,519	2,417

<sup>&</sup>lt;sup>(2)</sup> Mr Baring resigned from the Board on 1 September 2013, Mr Anderson and Mr Denis retired from the Board on 27 September 2013 and Mr McAlister resigned from the Board on 30 September 2013.

<sup>(9)</sup> Mr M Wellesley-Wood was appointed Non-Executive Chairman on 3 September 2013 and left the Board on 24 February 2014.

<sup>(</sup>a) Basic salary includes ex gratia payments to Mr McAlister of £322,743 in September 2013 and to Mr Wellesley-Wood of £15,000 in March 2014.

#### Staff numbers

	Number of emplo	yees		
	Group	Group		
	2014	2013		
Management and administration	193	184		
Operatives	1,412	1,376		
Total	1,605	1,560		

The employee benefits expense includes remuneration of key management personnel as disclosed in note 13.

#### 15. NET FINANCE INCOME AND COSTS

	Group	Group		y
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Interest income on bank deposits	319	645	10	-
Loans	-	-	766	715
Finance income	319	645	776	715
Interest costs	(1,033)	(784)	-	_
Finance costs	(1,033)	(784)	-	-

Finance income of the Company was received from BNC. \$2,000,000 of a \$10 million loan facility to BNC was repaid during the year (2013: \$4,707,969 drawn down). Refer to note 25 Trade and other receivables for details of the loan balances outstanding at year-end.

#### 16. INCOME TAX (CREDIT)/EXPENSE

	2014	2013
	\$'000	\$'000
Current tax expense		
Current year tax	3,195	11,105
Prior periods tax	(2)	(48)
Deferred tax expense		
Origination and reversal of temporary differences	12,107	340
Recognition of previously unrecognised tax losses	(21,955)	
Total income tax (credit)/expense	(6,655)	11,397
Reconciliation of effective tax rate		
Profit/(loss) before income tax	43,940	(32,064)
Income tax using the Company's domestic tax rate –23% (2013: 24%)	(10,107)	7,695
Effect of tax rates in foreign jurisdictions	(1,843)	(1,563)
Non-deductible expenses	(2,149)	(5,330)
Prior year current tax	2	48
Prior year deferred tax (previously not recognised)	20,955	_
Utilised tax losses brought forward	418	2,814
Current year losses for which no deferred tax asset was recognised	(324)	(6,029)
Impairment reversals non-taxable/(losses non-deductible)	449	(10,510)
Other temporary differences not recognised	(746)	1,478
Total tax credit/(expense) as per consolidated income statement	6,655	(11,397)

<sup>(1)</sup> In the prior year, the release of the labour accrual was due to the settlement agreement as part of the Trojan Mine restart in September 2013.

FOR THE YEAR ENDED 31 MARCH 2014

#### 16. INCOME TAX (CREDIT)/EXPENSE CONTINUED

Deferred taxation impacts are described more fully in note 17.

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Changes to the Company's domestic tax rate are unlikely to have a significant impact on the Group's current tax charge as the majority of taxable income is incurred in foreign jurisdictions.

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.

#### 17. DEFERRED TAX ASSETS AND LIABILITIES

	2014 \$'000	2013 \$'000
Net deferred tax liability at beginning of year	9,320	8,980
Charge to the income statement	(9,848)	340
Exchange rate adjustment	-	-
Net deferred tax (asset)/liability at end of the year	(528)	9,320
Deferred tax assets	(19,406)	(1,186)
Deferred tax liabilities	18,878	10,506
The elements of deferred taxation are as follows:		
Difference between accumulated depreciation and amortisation and capital allowances	18,734	10,496
Unutilised losses	(19,213)	-
Other timing differences	(49)	(1,176)
	(528)	9,320

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 asset principally relates to unutilised tax losses at Bindura Nickel Corporation. The full taxation loss has been fully recognised in the current year since the restart of the Trojan mine, as management is now of the opinion that the full tax loss will be utilised against future taxable generated by the operation.

#### Unrecognised deferred taxes

	2014 \$'000	2013 \$'000
Deferred taxes have not been recognised in respect of the following items:		
Difference between accumulated depreciation and amortisation and capital allowances	981	1,105
Intangible asset	6,743	6,577
Tax losses	11,722	39,514
Other timing differences	1,174	4,063
	20,620	51,259

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.

#### Recognised deferred tax assets and liabilities

Group deferred tax assets and liabilities are attributable to the following:

i	Asset		Liability	,	Net	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Property, plant and equipment	-	-	(18,734)	(10,496)	(18,734)	(10,496)
Mine rehabilitation provision	-	1,186	-	-	-	1,186
Tax loss	19,213	-	-	-	19,213	-
Others	193	-	(144)	(10)	49	(10)
Total	19,406	1,186	(18,878)	(10,506)	528	(9,320)

#### 18. DIVIDENDS

No dividends were declared during the 2014 financial year (2013: Nil).

#### 19. EARNINGS PER SHARE

Basic earnings per share (EPS) is computed by dividing the profit or loss after taxation for the year attributable 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 attributable 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.

	2014 \$'000	2013 \$'000
Earnings		
Profit/(loss) attributable to ordinary shareholders	36,605	(28,641)
	Number	Number
Weighted average number of shares		
Issued ordinary shares at the beginning of the year	1,119,727,051	720,567,308
Effect of shares issued	146,596,861	373,104,337
Weighted average shares at the end of the year for basic and diluted EPS	1,266,323,912	1,093,671,645
Basic earnings/(loss) per share	2.89c	(2.62c)
Diluted earnings/(loss) per share	2.89c	(2.62c)

The effect of shares issued reflects the number of shares in issue during the year, weighted for the number of days that the shares were in issue for the financial year. Share placements were made on 12 September 2013 (130,254,717 shares), 17 September 2013 (109,913,459 shares) and on 23 October 2013 (37,885,448 shares).

No dilutive effect was recognised for the 2014 financial year as the exercise price of all potentially dilutive instruments at year-end were higher than the average share price for the portion of the year that these instruments were in issue.

No dilutive effect was recognised for the 2013 financial year as the dilutive potential ordinary shares would have reduced the loss per share.

FOR THE YEAR ENDED 31 MARCH 2014

#### 20. 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 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)
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
Additions	7,433	_	5,002	_	_	335	12,770
Disposals	(1)	-	(2,458)	_	_	(125)	(2,584)
Impairment reversal	_	_	-	_	_		_
Effect of movements in exchange rates	_	_	(99)	_	_	_	(99)
Balance at 31 March 2014	147,027	33,651	6,365	4,230	31,645	14,350	237,268
Depreciation and impairment losses							
Balance at 1 April 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 capitalised 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)
Depreciation for the year	(3,119)	_	(4,446)	_	-	(66)	(7,631)
Depreciation capitalised to intangible assets	_	_		(43)	_	_	(43)
Disposals	_	<u>-</u>	1,636	_	_	71	1,707
Impairment loss	_	_	(112)	=	-	_	(112)
Impairment Reversal	24,221	_	_	_	3,766	_	27,987
Effect of movements in exchange rates	-	_	77	_	_	_	77
Balance at 31 March 2014	(70,708)	(33,651)	(5,913)	(4,140)	(27,459)	(14,042)	(155,913)
Carrying amounts							
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
At 31 March 2014	76,319	_	452	90	4,186	308	81,355

Property, plant and equipment includes rehabilitation assets of \$3.7 million for Freda Rebecca.

In the previous financial year an impairment loss to the value of \$43,7m was recognised on all property, plant and equipment held by BNC. In the current year, \$28.0m of the impairment relating to the assets of the Trojan mine was reversed as disclosed in note 35.

The net book value of the Company's property, plant and equipment as at 31 March 2014 amounted to \$34,137 (2013: \$398,817). Depreciation charged to the income statement of the Company during the year amounted to \$87,602 (2013: \$73,829) and capital expenditure for the year to \$10,157 (2013: \$411,939).

Mining assets are a separate category of PPE defined in note 5.

#### 21. INTANGIBLE ASSETS

	Exploration and evaluation assets \$'000	Total \$'000
Cost or deemed cost	\$ 000	<b>3 000</b>
Balance at 1 April 2012	71,437	71,437
Capitalised exploration costs	15,248	15,248
Capitalised depreciation	82	82
Impairment losses transferred from amortisation and impairment losses	_	_
Effect of movements in exchange rates	_	_
Balance at 31 March 2013	86,767	86,767
Capitalised exploration costs	5,235	5,235
Capitalised depreciation	43	43
Effect of movements in exchange rates	-	-
Balance at 31 March 2014	92,045	92,045
Amortisation and impairment losses		
Balance at 1 April 2012	(28,505)	(28,505)
Impairment losses transferred to cost	-	-
Effect of movements in exchange rates	-	_
Balance at 31 March 2013	(28,505)	(28,505)
Impairment loss (refer to note 35)	(554)	(554)
Effect of movements in exchange rates	-	-
Balance at 31 March 2014	(29,059)	(29,059)
Carrying amounts		
At 31 March 2012	42,932	42,932
At 31 March 2013	58,262	58,262
At 31 March 2014	62,986	62,986

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

#### 22. INVESTMENTS

#### Group

	Ownership %	2014 \$'000	2013 \$'000
Mantle Diamonds Ltd	Nil (2013: 3.73)	-	780
Kimberley Diamonds Ltd	0.04 (2013: Nil)	50	_
Other		565	574
Total investments		615	1,354

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% (1) interest in the BK16 project in Botswana. These investments are carried at nil value (2013: 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 34.

The Group 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. Firestone Diamonds have sole management authority over the project.

FOR THE YEAR ENDED 31 MARCH 2014

#### 22. INVESTMENTS CONTINUED

Company

	Shares in non-Group undertakings \$'000	Shares in Group under- takings \$'000	Total \$'000
Cost			
At beginning of year	780	219,697	220,477
Cumulative impairments	-	(143,654)	(143,654)
Net book value at beginning of the year	780	76,043	76,823
Fair value adjustment <sup>(1)</sup>	80	(475)	(395)
Reversal of impairment (2)		21,887	21,887
Disposal of share investment (3)	(853)	-	(853)
Additional Investments	43	-	43
At end of year	50	97,455	97,505
Net book value			
At 31 March 2012	1,228	72,835	74,063
At 31 March 2013	780	76,043	76,823
At 31 March 2014	50	97,455	97,505

<sup>(1)</sup> The fair value adjustment was in relation the investment in Mantle Diamonds Ltd and Kimberley Diamonds Ltd.

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 *Directors' report* on page 29, 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 which the directors consider may impact the carrying value, amounting to \$96.5m (2013: \$74.6m), 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.

<sup>(2)</sup> The impairment reversal was in relation to all investments held in BNC. Refer to note 35; Impairments.

<sup>(</sup>a) The disposal of share investment related to all the shares held in Mantle Diamonds Ltd on 24 February 2014.

In addition to the Company's investments in shares in Group undertakings, loans to Group undertakings totalling \$77,708,300 (2013: \$62,698,297) are included in trade and other receivables within note 25 below. The major subsidiaries in which the Group's interest at the year-end is more than 20% are as follows:

Cubaidian undanhaliana	Country	A	Percentage of shares held by
Subsidiary undertakings SEMHKAT SPRL <sup>(1)</sup>	Country  Democratic Republic of Congo	Activity  Page metal exploration	Group % 100
		Base metal exploration	
Bindura Nickel Corporation Limited (3)	Zimbabwe	Holding company	75
Trojan Nickel Mine Limited (3)	Zimbabwe	Nickel mining	75
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 SPRL1	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.

The Group holds a 69.77% interest (2013: 68.93%) 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 9. The Group had no other material interest in an associate or joint venture.

As at 31 March 2014 27 exploration licences within SEMHKAT formed part of an unincorporated joint venture agreement entered into with Hailiang Mining (Congo) SPR. The Group retained a 100% interest in these licences at year-end and its interest may dilute based on the venture partner's investment.

Additionally the joint venture partner can require the Group to transfer these licenses into a development company that will be held at 38% by the Group.

<sup>&</sup>lt;sup>(1)</sup> 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.

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#### 23. NON-CURRENT RECEIVABLES

	Group	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	
Loan to Community Trust (1)	1,136	_	-	_	
Loans and other receivables	2	5	-	_	
Environmental investment	1,150	1,263	-	-	
	2,288	1,268	-	_	

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.

#### 24. INVENTORIES

	Gro	ир
	2014 \$'000	2013 \$'000
Raw materials and consumables	11,355	10,370
Work in progress	1,054	821
Finished goods	585	15
	12,994	11,206

During the year, raw materials, consumables and changes in finished goods and work-in-progress recognised as cost of sales amounted to \$19,752,694 (2013: \$18,144,471). No raw materials were written down to net realisable value during the year (2013: Nil).

#### 25. TRADE AND OTHER RECEIVABLES

	Group	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	
Trade receivables	10,765	3,133	-	_	
Receivables from Group undertakings	_	-	80,248	62,699	
Loans and other receivables	6,589	8,940	516	639	
Pre-payments	600	838	138	260	
Tax receivable	878	_	-	_	
	18,832	12,911	80,902	63,598	

All current trade and other receivables are due within 12 months of the financial year-end. At 31 March 2014, no trade receivables were outstanding past their due repayment date. Receivables from Group undertakings are due and payable on demand.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed further in note 34.

#### 26. CASH AND CASH EQUIVALENTS

	Grou	пр	Comp	pany
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
sh equivalents	9,089	15,194	1,420	1,585

<sup>(1)</sup> Previously the loan to Community Trust was included in current receivables.

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

	Group	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	
British pound	292	607	292	607	
Euro	7	7	-	_	
South African rand	211	527	3	7	
United States dollar	8,579	14,053	1,125	971	
Net cash and cash equivalents	9,089	15,194	1,420	1,585	

Included in the Group's cash and cash equivalents is an amount of \$1,796,277 (2013: \$1,746,683) which represents restricted cash, of which \$39,510 (2013: \$15,103) is being held by banking institutions as guarantees, and \$1,756,277 (2013: \$1,731,579) is reserved for loan repayments.

The Group's exposure to interest rate risks and sensitivity analysis for financial assets and liabilities is disclosed in note 34.

#### 27. ISSUED SHARE CAPITAL

	Number of shares		Nominal value of shares	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Allotted, called up and fully paid				
Opening balance	1,119,727,051	720,567,308	17,943	11,598
Split to deferred shares	_	-	· –	-
Issued during the year	278,053,624	399,159,743	4,410	6,345
Closing balance	1,397,780,675	1,119,727,051	22,353	17,943
Deferred shares				
Opening balance	535,141,760	535,141,760	77,219	77,219
Split from ordinary shares	-	- [	-	-
Closing balance	535,141,760	535,141,760	77,219	77,219
Total .	1,932,922,435	1,654,868,811	99,572	95,162

On 12 September 2013, 130,254,717 ordinary shares were issued to new and existing investors by the Company and were admitted to the AIM market of the London Stock Exchange at a subscription price of 1.57 pence per share, raising a total of £2,044,999. On 20 September 2013, 109,913,459 ordinary shares were issued to new and existing investors by the Company and were admitted to the AIM market of the London Stock Exchange at a subscription price of 1.57 pence per share, raising a total of £1,725,611.

On 23 October 2013 the Company implemented previously accrued bonus arrangements in respect of the year ended 31 March 2013, pursuant to which 37,885,448 ordinary shares were admitted to the AIM market of the London Stock Exchange and were issued at a price of 1.57 pence per share in lieu of cash bonuses, none of which were issued to directors of the Company.

The deferred shares have no voting rights, no rights to dividends and only very limited rights to a return on capital, whereas ordinary shares have these rights.

No shares were issued but not fully paid as at 31 March 2014 (2013: Nil).

#### 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.

FOR THE YEAR ENDED 31 MARCH 2014

#### 28. LOAN PAYABLE

	2014 \$'000	2013 \$'000
Total liability	4,269	6,066
Current portion (included in note 30)	(1,823)	(1,793)
Long term portion	2,446	4,273

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:

	2014 \$'000	2013 \$'000
Cashflow profile:		
Within one year	2,121	2,250
Two to five years	2,577	4,717
Over five years	- }	_
Contracted	4,698	6,967

#### 29. REHABILITATION PROVISIONS

Balance at beginning of year  Exchange rate adjustments	18,893	18,064
Provisions made during the year Provisions reversed during the year	(949)	1,014
Unwinding of discount	46	39
Balance at end of the year	17,847	18,893

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.

#### 30. ACCRUALS AND OTHER PAYABLES

	2014 \$'000	2013 \$'000
Accrued expenses and other payables	19,745	14,688
Current portion of loan payable	1,823	1,793
Balance at end of the year	21,586	16,481

The Company's other payables and accrued expenses as at 31 March 2014 amounted to \$4,404,213 (2013: \$3,344,145).

## VERNANCE

## ANNUAL FINANCIAL STATEMENTS

#### 31. PROVISIONS

#### 2014

	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	Provisions at end of year \$'000
Legal <sup>(1)</sup>	1,387	· -	264	(153)	(247)	1,251
RBZ Surrender provision (2)	5,065	-	-	_	(5,065)	-
Other (3)	2,663	(20)	2,375	(3,004)	(660)	1,354
Total	9,115	(20)	2,639	(3,157)	(5,972)	2,605

#### 2013

	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	Provisions at end of year \$'000
Legal	3,727	-	693	(596)	(2,437)	1,387
RBZ Surrender provision (2)	5,065	_	-	-	_	5,065
Other	1,887	(29)	2,280	(1,233)	(242)	2,663
Total	10,679	(29)	2,973	(1,829)	(2,679)	9,115

<sup>(1)</sup> Contingent liabilities are disclosed in note 38 relating to these legal provisions.

#### 32. 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.

The pension charge for the year represents contributions payable by the Group to the various schemes and amounted to \$1,349,912 (2013: \$670,814).

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 \$158,338 (2013: \$175,543).

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

a) The RBZ Surrender provision was presented as a contra against a corresponding receivable during the current financial year.

<sup>(9)</sup> The provisions relate to various claims raised against the Group's Zimbabwean subsidiaries.

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#### 33. 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.

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.

#### 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.

	20	14	20.	13
	Weighted		Weighted	
	average	Number of	average	Number of
	exercise price	options	exercise price	options
Unapproved ptions – 1997 Scheme			i	
Outstanding at the beginning of the year	55p	5,900,000	54p	19,090,000
Granted during the year	-	-	-	_
Exercised during the year	-	-	_	-
Lapsed/cancelled during the year	42.6p	(3,900,000)	52p	(13,190,000)
Outstanding at the end of the year	79p	2,000,000	55p	5,900,000
Exercisable at the end of the year	79p	2,000,000	55ρ	5,900,000
Unapproved options – 2007 Scheme				
Outstanding at the beginning of the year	8p	62,813,094	15ρ	33,652,144
Granted during the year	1.6p	11,125,000	5.5p	34,135,950
Exercised during the year	-	_ !	-	-
Lapsed/cancelled during the year	1.8p	(8,434,000)	38p	(4,975,000)
Outstanding at the end of the year	8p	65,504,094	8р	62,813,094
Exercisable at the end of the year	22p	11,690,715	41p	11,690,715
Approved Options – 2007 Scheme		· <del>-</del>		
Outstanding at the beginning of the year	9p	2,442,374	17р	936,702
Granted during the year	1.6p	1,875,000	5.5p	1,627,595
Exercised during the year	_	-	-	-
Lapsed/cancelled during the year		_	36р	(121,923)
Outstanding at the end of the year	5.6p	4,317,374	9р	2,442,374
Exercisable at the end of the year	22р	351,208	41p	351,208

The total expenses recognised for the year arising from share-based payments related to share options is \$511,566 (2013: \$342,224).

No options were exercised during current or previous year.

The options outstanding at the year-end have a range of exercise prices of 1.6p to 79p (2013: 5p to 79p) and a weighted average contractual life of 7.6 years (2013: 8.0 years).

The following assumptions have been used in valuing the share options:

	2014	2013
Weighted average fair value at measurement date	0.01	0.02
Weighted average share price	0.02	0.06
Weighted average exercise price	0.02	0.06
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, exercised or have lapsed.

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#### 34. 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.

#### Exposure to currency risk

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

	2014			2013				
	ZAR \$'000	GBP \$'000	Other \$'000	Total \$'000	ZAR \$'000	GBP \$'000	Other \$'000	Total \$'000
Receivables	68	558	-	626	436	899	-	1,335
Net cash and cash equivalents	211	292	7	510	526	607	7	1,140
Payables	(337)	(1,733)	_	(2,070)	(866)	(3,210)	_	(4,076)
Gross balance sheet exposure	(58)	(883)	7	(934)	96	(1,704)	7	(1,601)

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

	Average i	Average rate		et rate
	2014	2013	2014	2013
EUR	0.7464	0.7768	0.7271	0.7799
GBP	0.6297	0.6328	0.6009	0.6575
ZAR	10.1238	8.4948	10.5833	9.2451

#### 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 non-controlling 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 2013.

	Equ	Equity		ults
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
EUR	(2)	(2)	_	1
GBP	1	_	1	31
ZAR	(495)	(744)	207	74

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 25.

In Freda Rebecca, trade receivables of \$4,513,938 (2013: \$2,927,307) were due by Fidelity Printers and Refineries (2013: Zimbabwe Chamber of Mines), none of which was outstanding past its due date.

In BNC, trade receivables of \$6,024,342 (2013: Nil) were due by Glencore, which were due within normal terms of agreement.

There is a concentration of risk in respect of trade receivables from Fidelity Printers and Refineries as well as Glencore, being the two major customers of the respective subsidiaries.

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables as explained in note 7.

#### Commodity price risk

For the 2014 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 2013.

	Equ	Equity		ults
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
10% increase in nickel price	6,501	103	6,501	103
10% decrease in nickel price	(6,501)	(103)	(6,501)	(103)
10% increase in gold price	7,729	10,780	7,729	10,780
10% decrease in gold price	(7,729)	(10,780)	(7,729)	(10,780)

#### 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 3, along with the risks and uncertainties included within the forecasts.

#### Financial risk management

#### Fair values

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Financial assets				
Investments held at fair value through profit or loss				
Investments	615	1,354	615	1,354
Loans and receivables				-
Non-current receivables	2,288	1,267	2,288	1,267
Trade and other receivables	18,832	12,911	18,832	12,911
Cash and cash equivalents	9,089	15,194	9,089	15,194
	30,209	29,372	30,209	29,372
Financial liabilities				<u>*</u>
Loan payable <sup>(1)</sup>	2,446	4,273	2,446	4,273
Trade payables	15,300	10,825	15,300	10,825
Accruals and other payables	21,568	16,481	21,568	16,481
	39,314	31,579	39,314	31,579

<sup>(1)</sup> Management is of the opinion that the expected recoverable amount is equal to the book value.

#### 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).

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#### 34. FINANCIAL INSTRUMENTS CONTINUED

	2014			2013				
	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	T -	_		-	_	_	779	779
Kimberley Diamonds Ltd	50	_	_	50	_	_	_	_
Others	6	-	559	565	16	-	559	575
Total investments	56	_	559	615	16	_	1,338	1,354
Total loans and receivables	-	_	30,209	30,209		_	29,372	29,372
Total financial liabilities	_	_	39,314	39,314	_	_	31,579	31,579

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 Group's only financial asset held at fair value through profit or loss is its investment in Kimberley Diamonds Ltd which is categorised as Level 1.

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

	2014 \$'000	2013 \$'000
Opening balance	1,338	1,785
Fair value adjustment recognised in profit or loss	159	(387)
Disposal of financial assets	(811)	_
Foreign exchange adjustments	(77)	(60)
Closing balance	609	1,338

#### 35. IMPAIRMENT

#### Group

An impairment indicator was identified for Freda Rebecca, being the low gold price. Management calculated the value-in-use for the cash-generating unit of Freda Rebecca Gold Mine by applying a discounted cash flow model to the future expected cash flows expected to arise from the operation. The key assumptions of the discounted cash flow model were a gold price of \$1,250/oz at an average yearly production of around 62,000oz p.a. for another seven years of the mine still being in production. A pre-tax discount rate ranging between 20% and 25% was used and was calculated as a discounting rate for similar mining operations in developing countries, adjusted for the specific risks of the Freda Rebecca Gold Mine. Management was satisfied that the value-in-use exceeded the carrying amount of the assets despite the lower current gold price and no impairment of Freda Rebecca's assets was deemed necessary.

In the prior year, all of BNC's non-current assets were impaired after the falling nickel price was deemed a trigger event for impairment testing and a discounted cash flow model was applied to the Trojan life of mine model. In the current year, nickel prices have steadily been increasing and with the Trojan mine becoming fully operational, another discounted cash-flow model was applied to the updated Trojan life of mine plan. The key assumptions for the model was a long-term nickel price of \$18,500 for the remaining life of mine of an estimated eight years, a pre-tax discount rate ranging between 20% and 25% which was calculated as a discounting rate for similar mining operations in developing countries, adjusted for the specific risks of BNC. The Trojan mine operates independently and is regarded as a separate Cash Generating Unit (CGU) from other BNC assets. This resulted in a reversal of the impairment of the non-current assets of Trojan mine recorded in the prior year to the amount of \$28.0m (before tax). This value represents the fair value less costs of disposal for the CGU. The BSR smelter and Shangani mine are still under care and maintenance and no impairment reversal was deemed appropriate.

During the year, SEMHKAT exploration licenses for ASMA, PACHALU and Kinkombe sites expired, were not renewed and no future plans to explore these areas are expected. This was a trigger event for impairment testing. These licenses were for specific geographical areas and are regarded as separate CGUs. Management is of the opinion that no future benefits or cash flows will come from the past costs capitalised to these projects, and the full value of these intangible assets were fully impaired to the amount of \$553,824.

The Klipspringer Diamond Mine is currently on care and maintenance and this, in conjunction with current issues regarding the renewal of the diamond license, was deemed a trigger event for impairment testing. A decision was made to impair the full value of the non-current assets to the value of \$117,514.

#### Company

During the year, the Company reversed impairments relating to loans and investments of BNC (directly and indirectly) after management was satisfied that BNC will be able to repay these loans and the full value of the investment is expected to be recovered from future cash flows.

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The effect of the impairment reversal/(losses) on the balance sheet is as follow:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Property, plant and equipment(1)	27,870	(43,949)	-	_
Intangible assets	(554)	-	-	-
Investments	-	-	21,887	(21,887)
Trade and other receivables	-	-	13,157	(13,157)
Net assets	27,316	(43,949)	35,044	(35,044)
Retained earnings	20,940	(33,709)	35,044	(35,044)
Non-controlling interest	6,370	(10,240)	-	-
Net equity and liabilities	27,310	(43,949)	35,044	(35,044)

<sup>&</sup>lt;sup>(1)</sup> The current year impairment for property, plant and equipment includes an impairment charge of \$118k shown as net of an impairment reversal of \$27,987, which amounts to a total impairment charge for the year of \$671k and a total impairment reversal for the year of \$27,987.

#### 36. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Zani Kodo mining licenses have been transferred into Mizako SARL (Mwana Africa PLC is 80% shareholder) from SOKIMO SARL.

This is a non-adjusting balance sheet event, which therefore does not impact the financial statements as at 31 March 2014.

#### 37. 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 13.

#### Company

The Company provided funding to subsidiary companies which are disclosed as current receivables in note 25. Investments in subsidiaries are disclosed in note 22.

Related party transactions during the year:

Management fees (paid)/received were in relation to management time spent on/(by) these companies during the year.

	2014 \$'000
Management fees received	
Mwana Africa Holdings (Pty) Ltd	32
Basilik Trading (Pty) Ltd	28
Management fees paid	
Mwana Africa Holdings (Pty) Ltd	(202)
Interest received	
Bindura Nickel Corporation Ltd	767

Transactions with key management personnel and director transactions are disclosed in note 13.

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#### 38. 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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Contracted	1,220	1,253	_	_

The Group and Company have the following total minimum lease payments under non-cancellable operating leases:

	Group	Group		у
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Operating leases which expire:				
Within one year	281	168	178	96
Two to five years	615	842	448	572
Over five years	_	-	_	_
Contracted	896	1,010	626	668

#### **Contingent liabilities**

The Group and Company monitor contingent liabilities, including, *inter alia*, those relating to taxation in the various jurisdictions in which the Company operates 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 31.

#### 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.

#### **CORPORATE INFORMATION**

#### **REGISTRATION NUMBER**

02167843

#### OFFICES

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#### **COMPANY SECRETARY**

**BP Tuck** 

#### **AUDITORS**

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#### BANKERS

Barclays Bank PLC.

#### NOMINATED ADVISOR AND BROKER

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#### JOINT BROKER

#### Peel Hunt

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