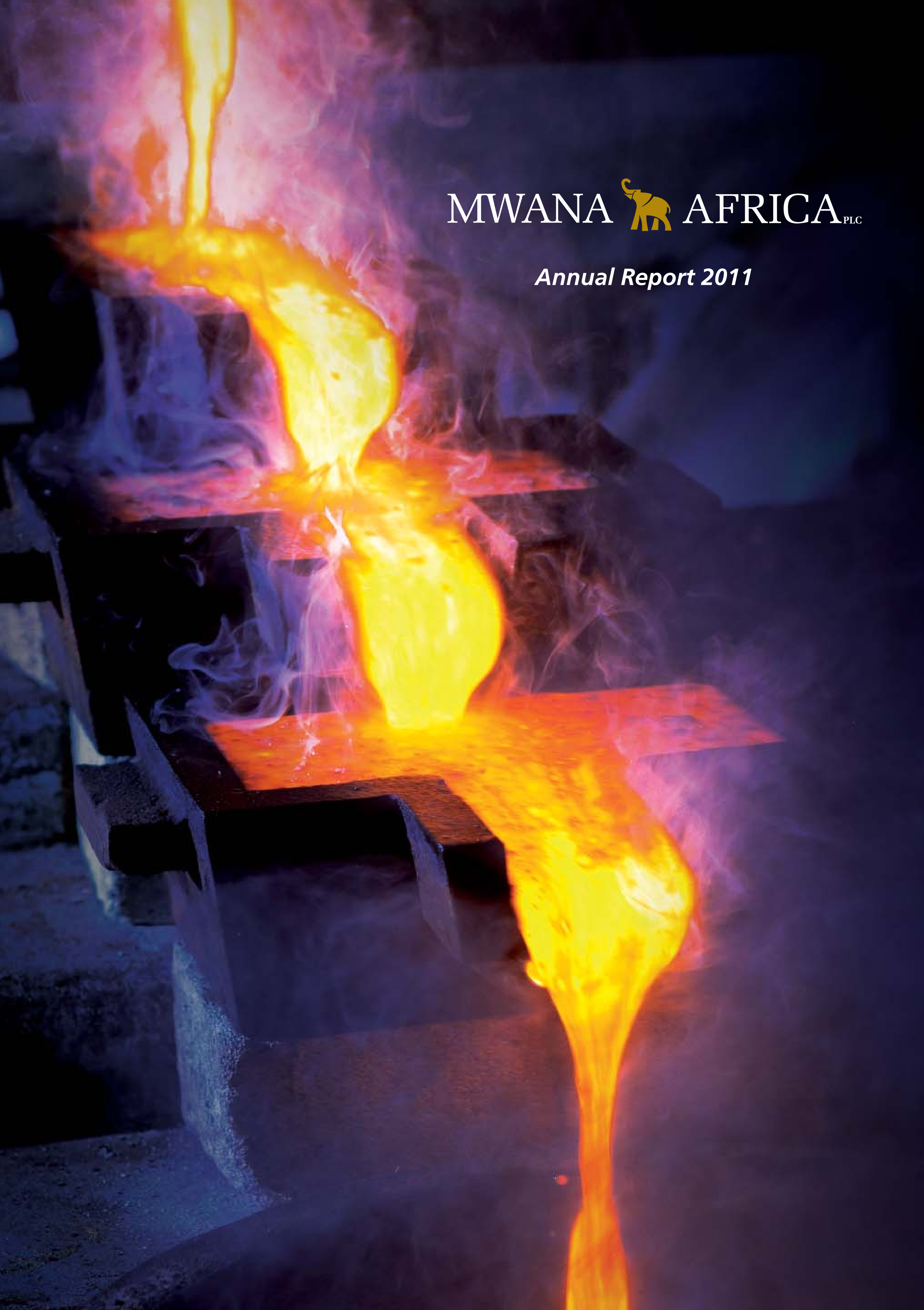
MWANA AFRICA PLC
Annual Report 2011

MWANA AFRICA PLC

Mwana Africa PLC (Mwana) is a pan-African, multi-commodity resources company, with operations and exploration prospects covering gold, diamonds, nickel and other base metals in Zimbabwe, the Democratic Republic of the Congo (DRC) and South Africa.

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Financial highlights

- Group revenues up £8.5 million to £27.3 million (2010: £18.8 million), of which Freda Rebecca contributed £23.4 million (2010: £6.0 million)
- Reduced loss for the group of £7.2 million (2010: £14.4 million loss)
- Reduced loss attributable to Mwana Africa shareholders of £2.1 million (2010: £14.5 million loss)
- Impairment reversal of £11.7 million at Freda Rebecca due to the successful restart and production ramp up
- Exploration spend: £7.7 million (2010: £4.0 million)
- Share placement of 46.4 million shares in October 2010 raised approximately £4.8 million net of expenses
- Drawdown of US$4 million by Freda Rebecca under its IDC facility in February 2011

Operational highlights

- Freda Rebecca production:
  - 27,240oz of gold in the year to March 2011 (2010: 8,550oz – six months production)
- Increased gold resource at Zani-Kodo announced in July 2010:
  - the Indicated Mineral Resource increased to 256koz and the Inferred Mineral Resource increased to 998koz, based on a cut-off grade of 1.0g/t gold
- Detailed plans for the resumption of operations at the Bindura Nickel Corporation ("BNC") Trojan mine:
  - Completion of SRK independent Competent Person's Report reviewing these plans
  - BNC off-take agreement with Glencore International for the purchase of the concentrate produced by Trojan

Highlights after the reporting period

- Increased gold resources at Freda Rebecca announced in April 2011:
  - the Indicated Mineral Resource increased to 1.67Moz and Inferred Mineral Resource increased to 0.64Moz, based on a cut-off grade of 1.5g/t gold
  - £9.27 million gross fund raising completed in June 2011

Chairman's letter

Dear shareholder

Looking back on the past year, it has been one of contrast. We have seen notable success in the continued ramp up of the Freda Rebecca Mine in Zimbabwe which is now a significant producer of gold and a valuable contributor to cash flow, while uncertainty over the outcome of indigenisation proposals by the Government of Zimbabwe have made it challenging to secure the necessary finance for the restart of Bindura.

Metal prices remain strong, with gold in particular continuing to respond positively to quantitative easing in many of the world's major economies, while the China and India growth story continues to confirm the commodity super cycle.

In April we announced a 60% increase in the gold resource at Freda Rebecca. The indicated resource of 1.7Moz demonstrates that the mine has a mine life of at least twenty years even at increased production rates. In addition to our on-going drive to increase production and lower costs, the life of mine expansion adds to Freda Rebecca's strong potential for the future.

Another notable success at Freda Rebecca has been the securing of debt finance for the project. In February we announced the drawdown of US$4 million of the loan facility provided by the IDC (Industrial Development Corporation of South Africa). This was a ground breaking transaction, being one of the very first loans by an external lender into Zimbabwe for many years and I would like to express my gratitude to the IDC for their continued support.

We believe that Freda Rebecca is a success at all levels and demonstrates Mwana's ability to finance and restart operations in Zimbabwe. We will now apply that experience to the restart of operations at Bindura.

Bindura remains on care and maintenance pending the raising of restart finance. The core operational team at the site has been kept in place and the assets have been well maintained. Securing financing for Bindura remains a challenge in the current political climate and with uncertainty prevailing over the Zimbabwe government's indigenisation proposals. Nevertheless we are progressing negotiations for loan finance and for the restructuring of creditor and workforce liabilities which I believe will put us in a better position to restart operations.

In the DRC we have made significant progress at our Zani-Kodo gold project in Ituri, where we have identified a JORC compliant, combined, indicated and inferred resource of 1.25Moz and hope to announce a further increase in resources shortly. While pursuing our strategy of attracting joint venture partners such as the agreement we have in place with Anglo American on the North West Block, the exploration programme has been successful in identifying new drill targets for copper and zinc at SEMHKAT.

With the ongoing cost of care and maintenance at BNC and our commitment to grow our gold resource at Zani-Kodo and base metal exploration in Katanga, it was considered prudent to raise £4.8 million net in October 2010. In March 2011 we embarked on a fund raising to enable the restart of the Trojan Mine. Our presentation to a wide group of international investors was

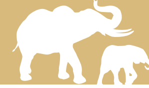
well received and it became clear that more than sufficient demand would be achieved to meet our target. Within a few days of the proposed closing the Zimbabwean government issued regulations on indigenisation which resulted in investors withdrawing their support for the fundraising. It is a sobering thought that as a result of this event we were unable to restart Bindura's Trojan Mine, with the resultant ongoing uncertainties for our 2,170 employees, their dependants and of course our shareholders. As a result, in June 2011 we raised £8.8 million to ensure the company is properly funded through 2011/12. Further initiatives are now under consideration to facilitate the restart.

We are disappointed by the performance of the share price at a time of strong cash flow performance from the Freda Rebecca Mine. As previously mentioned, we believe this stems from the current uncertainties in Zimbabwe.

We have complete confidence that these difficulties can and will be resolved. I would like to take this opportunity to thank our management, operational and exploration teams for their heroic contribution and express our gratitude to our shareholders for their ongoing support and confidence in the company.

Oliver Baring
Executive Chairman

Chief executive's review



Over the last twelve months, we have continued to focus on increasing cash flow from our producing assets whilst further developing our exciting exploration projects. The year has not been without its challenges, but with production growing at Freda Rebecca, strong drilling results from Zani-Kodo and a strengthened balance sheet, we have built a solid basis for our next phase of growth.

The ramp up in production continued successfully at the Freda Rebecca Mine, in parallel with a 60% increase in indicated gold resources, significantly extending the expected life of the mine. Phase I of the restart was successfully completed, with the annualised production rate of 30,000oz reached by February 2011. Since then, the mine reached an annualised run rate of 35,000oz in May and is showing strong progress towards its 50,000oz per annum Phase II production target. Freda Rebecca produced a total of 27,240oz of gold during the period, contributing £14.4 million to group profits and generating £3.8 million of cash inflows.

We are confident that Freda Rebecca will continue to be a strong contributor to our cash flow, as we continue the successful ramp up towards the Phase II production target in parallel with increasing the efficiency of our production process and reducing our cash costs; this involves the refurbishment of the second parallel mill and the expansion of the rock moving fleet. As reported in June, this mill has been successfully commissioned and has contributed as planned to the Phase II tonnage ramp up at Freda Rebecca. The mine is now handling ore at the rate of 2,350t per day up from 1,800t per day, with a targeted Phase II throughput of 2,700t per day, which we expect to reach in September. The nature of the ore body at Freda Rebecca is such that mine economics benefit hugely from increased mined volumes and our aim now is to expand production which will not only increase ounces produced but also lower cash operating costs per ounce. Further limited exploration drilling is being carried out within the mining permit with the aim of expanding the resource inventory of near-surface material. We believe that there is considerable potential to add near-surface resources which could be blended in to the ore processing stream to increase production and lower costs.

We have detailed plans in place for the restart of operations at BNC. We have also refurbished substantial parts of the mine and processing equipment at Trojan in preparation for the restart. The restart plans involve the production of 7,000t per annum of nickel in concentrate annually and we have agreed off-take terms with Glencore International to purchase all of this output. The technical and economic viability of the project has been verified by SRK Consulting in a Competent Person's Report. Negotiations to secure financing for the restart are on-going, together with a restructuring designed to streamline creditor and workforce liability at the asset. Whilst this task has been made difficult by uncertainties in the Zimbabwe mining industry regarding government indigenisation legislation, we remain committed to securing the restart of this unique asset in the Southern African region. Meanwhile, our care and maintenance programme and continuing refurbishment of the mine and equipment are maintaining the integrity of the operations and will ensure a quick and efficient restart process.

Whilst there remain a number of challenges for Zimbabwe, not least of which are the concerns regarding indigenisation of foreign companies which continues to constrain inward investment flows, there are a number of positives in the Zimbabwe economy which are often overlooked. Annual inflation continues its downward trend, falling to 2.7% in March 2011, compared with the hyper inflationary years in the not too distant past, these low inflation figures have brought with them

the stability required for businesses to operate normally. The agricultural sector is poised to grow by 19.3% in 2011 compared to 33.9% in 2010 and 14.9% in 2009. Buoyed by favourable international prices and a stable operating environment, production of most minerals in Zimbabwe has continued to show an upward trend; gold, for example, is expected to increase from a total of 9t produced in 2010 to a forecasted 12.5t in 2011. These performances in the agricultural and mining sectors not only create employment, but also generate substantial foreign currency inflows into Zimbabwe as well as tax revenues for the country.

The strong potential of our exploration assets was confirmed by successful drilling campaigns at both the Zani-Kodo gold project and the SEMHKAT base metals concessions in the DRC. JORC compliant Indicated and Inferred Resources at Zani-Kodo have reached a total of 1.25Moz, with the results of further drilling expected to be known shortly. With a further 7,000 metres of the Zani-Kodo trend yet to be tested, we continue to believe in the tremendous potential of this asset for Mwana. Exploration is also continuing at the SEMHKAT concession, focussing on the development of a resource at Kibolwe through diamond drilling and geochemical surveys. With an intensive exploration programme planned for the months to come, we hope to be able to update the market on this in due course.

Mwana finishes the financial year with a significantly strengthened balance sheet. The proceeds of our successful share placements in October 2010 and June 2011, £4.8 million and £8.8 million respectively have been allocated to our exploration, expansion, and care and maintenance programmes. Our plans at Freda Rebecca were further supported by the drawdown of a US$4 million loan facility from the Industrial Development Corporation of South Africa. The financing, the first of its kind in Zimbabwe, confirms both the quality of our assets and our ability to finance their development in Zimbabwe and beyond.

In addition to providing the best value for our shareholders, our commitment also remains with the communities in which we operate. Education and employee and community health programmes are a priority at our assets, and our positive impact on the local economy has included infrastructure support and procurement expenditure sourced from local suppliers. During the difficult care and maintenance period at BNC, we have continued to provide accommodation, water, electricity and primary health care for BNC employees.

I would like to extend my thanks to our shareholders, management and operational teams, employees and all those who have supported us over the last year and are continuing to do so as we grow into the next stage of our development.

Kalaa Mpinga
Chief Executive Officer

Review of operations and exploration

1. Zimbabwe

Commodities:
Base metals and gold

Operations:
Bindura Nickel Corporation's Trojan and Shangani mines, and Freda Rebecca

Project: Hunters Road

Exploration prospects:
Maligreen mine and Makaha deposit

2. DRC

Commodities:
Base metals, gold and diamonds

Exploration programmes:
Katanga, Maniamuna, Zani-Kodo and 20% stake in MIBA

3. South Africa

Commodity:
Diamonds

Operation:
Klipspringer mine

Precious metals – operations

Freda Rebecca gold mine – Zimbabwe

The Freda Rebecca gold mine, situated in the town of Bindura, was acquired by Mwana Africa in April 2005. Production resumed in October 2009 following an extended period of care and maintenance.

Freda Rebecca produced 27,240oz of gold in the year to March 2011, the first full financial year of production since the restart.

Since the recommencement of production, tonnage mined, grade and recovery have made steady progress. Ramp-up to the Phase I production target rate of 2,500oz per month (30,000oz per annum equivalent) has been successfully achieved with an average monthly production of over 2,500oz for the 10-month period to March 2011.

A steady increase in mined tonnage from underground operations has been recorded. This is attributable to improved loader availability and the deployment of an increased number

of trucking units following the award of a load and haul contract as part of the ramp-up strategy.

Operational effectiveness as measured by equipment availability, running hours and tonnes per hour have demonstrated that the milling circuit is well established and capable of handling the required volume throughputs. As a result of implementing the planned maintenance programme, which involved significant upgrade work on the processing plant, plant availability has improved and has been sustained ahead of targets.

Plant recovery has improved progressively since operations resumed, with an average recovery rate of 84% being achieved in the quarter ended March 2011.

With effect from the 11th of January, Freda Rebecca joined the "uninterrupted power supply" tariff with the Zimbabwe Electricity Supply Authority. Since that date, the site has benefitted from full power with no incidents of load shedding or power disturbance being recorded.

In June 2011, Mwana announced the completion of the Phase II refurbishment programme and the commencement of commissioning of the second mill at Freda Rebecca. The Phase II programme comprised the overhaul and refurbishment of the second milling circuit and its associated Carbon-In-Pulp/Carbon-In Leach sections. Following completion of the commissioning of the second mill, Freda Rebecca is well positioned to expand its processing capability and reach the targeted Phase II annualised gold production rate of 50,000oz per annum.

In February 2011, following fulfilment of the required conditions, including the provision by the Export Credit Insurance Corporation of South Africa ("ECIC") of political risk insurance for the facility, Freda Rebecca drew down the first US$4 million tranche of a US$10 million project finance facility from the Industrial Development Corporation of South Africa. The drawdown of the remaining US$6 million remains subject to the fulfilment of further conditions precedent.

In April 2011, the company announced increased mineral resources at Freda Rebecca. Based on a cut-off grade of 1.5g/t gold, the Indicated Mineral Resource increased from just over 1Moz to 1.67Moz of gold whilst the Inferred Mineral Resource, as similarly defined, is now 0.64Moz. The updated mineral resource was independently verified by SRK Consulting (UK) Limited, and, is expected to form the basis of an extended mine life.

Freda Rebecca production results for the periods to March 2010 and March 2011

		2011	**2010 (6 months)**
Tonnes mined – underground	t	**410,653**	95,668
Tonnes mined – low grade surface dump	t	**139,608**	137,569
Tonnes processed	t	**539,864**	205,194
Feed grade	g/t	**2.34**	1.76
Plant recovery	%	**76.9**	74.2
Gold produced	oz	**27,240**	8,550

Freda Rebecca mine – Resources at a 1.5g/t cut-off

Classification	**Tonnes ('000t)**	**Grade Au (g/t)**	**Gold ('000oz)**
Indicated	21,043	2.48	1,675
Inferred	8,746	2.28	640

The effective date for the Freda Rebecca resource estimate is September 2010

Precious metals – exploration

Zani-Kodo – Democratic Republic of Congo

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

In July 2010, an increased JORC-compliant resource at Zani-Kodo was announced. Based on a cut-off grade of 1.0g/t gold, the Indicated Mineral Resource increased to 256koz of gold while the Inferred Mineral Resource, as similarly defined, is now 998koz.

Zani-Kodo – Resources at a 0.5g/t cut-off

Classification	Tonnes ('000t)	Grade Au (g/t)	Gold ('000oz)
Indicated	2,489	3.20	256
Inferred	8,623	3.60	998

The effective date for the Zani-Kodo resource estimate is July 2010

Zani-Kodo – Resources at a 1.0g/t cut-off

Classification	Tonnes ('000t)	Grade Au (g/t)	Gold ('000oz)
Indicated	2,480	3.21	256
Inferred	8,578	3.62	998

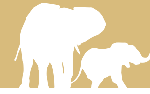
The effective date for the Zani-Kodo resource estimate is July 2010

Diamond drilling during the year was focused on the Badolite target area which is situated 1.5km to the south of the Kodo deposit. A total of 50 holes for 10,027 metres were drilled during the reporting period. The southerly continuation of the Zani-Kodo mineralised trend, which is marked by the sheared contact between footwall metasandstones and hangingwall Banded Iron Formations, was interpreted to pass through the area based on aeromagnetic data and field mapping. The area is largely covered by talus deposits which explains the lack of artisanal activity. Drilling successfully intersected the targeted contact and continuous mineralisation was identified over a strike length of 600m. A high grade shoot with intersections of up to 28m @ 3.0g/t was identified. The ore zone remains completely open at depth. The table alongside shows intersections exceeding 1.0g/t at Le Badolite released to date.

To date a total of 2,000m of the Zani-Kodo trend has been shown to contain continuous mineralisation. A further 7,000m remains to be tested, along with a number of targets in the hangingwall of the structure.

Le Badolite intersections exceeding 1.0g/t released to date

Hole	From (m)	To (m)	Width (m)	Grade Au (g/t)	
BDLDD001	23	32	9	2.15	
BDLDD004	75	90	15	1.52	Incl. 5m @ 2.13g/t
BDLDD006	54	82	28	3.00	Incl. 6m @ 4.24g/t and 10m @ 4.14g/t
BDLDD010	112	118	6	3.69	
	125	128	3	4.27	
BDLDD011	151.8	154.4	2.6	1.80	
	165	167	2	1.55	
BDLDD007	92	111	19	2.39	
BDLDD012	82	85.2	3.2	1.26	
BDLDD013	151	161.2	10.2	2.11	
BDLDD009	57.8	60	2.2	1.15	
BDLDD008	150	154	4	2.30	
BDLDD016	102	103	1	1.02	
BDLDD017	166	172	6	1.10	
BDLDD021	187	189	2	1.78	
BDLDD024	45	48	3	2.14	
	56	62	6	3.43	
	74	79	5	3.55	
BDLDD025	46	50	4	3.88	
BDLDD026	27	29	2	1.13	
	48	49	1	1.64	
BDLDD014	182	200.2	18.2	2.38	Incl. 3.7m @ 4.65g/t
BDLDD018	202.8	213	10.2	2.95	
BDLDD027	251	270	19	2.60	
BDLDD033	299	307	8	3.33	
BDLDD032	333	340.1	7.1	2.81	
BDLDD040	393.4	395.0	1.6	2.96	
BDLDD039	345.2	346.4	1.2	1.87	
BDLDD020	108	117.4	9.4	1.39	
BDLDD022	229.5	234	4.5	2.22	
BDLDD023	272	285	13	1.82	
BDLDD031	261.6	264	2.4	1.62	



Base metals – operations

Bindura Nickel Corporation – Zimbabwe

Situated near the town of Bindura, 90 kilometres north-east of Harare, BNC is the only integrated nickel mine, smelter and refinery operation in Africa. 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 is listed on the Zimbabwe Stock Exchange. Mwana Africa acquired its 52.9% stake in the company in 2003.

The mines, smelter and refinery remained on care and maintenance during the year. The care and maintenance programme continues to preserve the integrity of the underground operations, surface concentrators and the smelter and refinery complex.

BNC has evaluated various scenarios for the resumption of operations. Given relatively limited availability of debt and equity finance for projects in Zimbabwe at this time, a decision was taken to try to restart BNC's operations sequentially, beginning with the resumption of concentrate production from the Trojan mine and processing facility.

BNC has developed detailed plans for the resumption of operations at Trojan, and SRK has completed an independent Competent Person's Report reviewing these plans – the results of which were announced on 10 August 2010. SRK's CPR states that; "SRK has reviewed the Business Plan for the restart of operations at Trojan and considers the plan to be both realistic and achievable".

BNC announced in February 2011 that it had signed an off-take agreement with Glencore International who will purchase all the concentrate produced by Trojan. After the restart, BNC expects to produce concentrate containing 7,000 tonnes of nickel per year at steady state. BNC continues to seek finance to fund the restart of operations.

In anticipation of the restart of operations management has carried out a programme of works aimed at overhauling key components of engineering and operational infrastructure. These works, funded from the BNC balance sheet, included overhaul of the main pumping arrangements and ventilation fans and a replacement programme of shaft guides. On surface the waste handling system has been re-engineered together with a major overhaul of the surface secondary and tertiary crushers.

Preparatory work for the restart of operations has included the commencement of limited underground development (approximately 850m of development has been completed) allowing the commissioning of underground load haul dumpers, rigs and associated mining and engineering services together with shaft systems. Ore and waste hoisted to surface has allowed the successful hot commissioning of the surface waste conveyors and ore crushing facilities. The objective of the programme has been to de-risk the planned restart programme in anticipation of project funding. The management team at BNC has been retained during care and maintenance and have been re-mobilised and actively engaged in the pre-start programme.

In anticipation of the phased restart, plans are underway to restructure the operations so as to reduce cost structures and ensure maximum productivity and profitability going forward. The restart is dependent on obtaining funding which most likely will have to be sourced from foreign investors and/or the international debt markets. Obtaining restart funding will likely be dependent on BNC restructuring and improving its current creditor and workforce structure and resolving issues around the Indigenisation and Empowerment Act.

BNC – Resources at March 2011

	Tonnes ('000t)	Grade (%)	Nickel (t)
Measured			
Trojan	1,710	1.36	23,250
Shangani	1,840	0.58	10,750
Hunters Road	–	–	–
Total	3,550	0.96	34,000
Indicated			
Trojan	710	1.38	9,810
Shangani	480	0.59	2,840
Hunters Road	36,437	0.55	200,404
Total	37,627	0.57	213,054
Inferred			
Trojan	1,110	1.13	12,540
Shangani	9,710	0.56	54,280
Hunters Road	–	–	–
Total	10,820	0.62	66,820

The effective date for the Trojan resource estimate is March 2010, and for the Shangani resource estimate it is August 2008.
The effective date for the Hunters Road resource estimate is May 2006.
The JORC-compliant resource of 36,437kt is found in the West Ore body of Hunters Road and includes 2,377kt of resource which forms part of a 30m cap of oxide ore mineralisation. In addition, in 1993, an Anglo American MinRED estimate showed 11,000kt grading 0.43% Ni approximately 600m east of the West Ore body of Hunters Road which is excluded from the resource shown above.

Base metals – exploration

SEMHKAT (Societe d'exploration Miniere du Haut Katanga)

Mwana holds a 100% interest in SEMHKAT which has exploration concessions covering 4,845 square kilometres in the south-east of the DRC. Exploration is focusing on sediment-hosted stratiform copper-cobalt, iron oxide-copper-gold (IOCG) occurrences as well as on showings of lead and zinc.

Exploration during the year focused on developing the resource at Kibolwe through a diamond drilling programme on the east, south and west of Kibolwe. Soil geochemical surveys were also conducted at Kibolwe, Mukema West and Lunsano target areas. Mwana has outlined a 10,000-metre drilling programme for 2011/12.

Mwana is also conducting exploration under a joint venture agreement with Ambase Exploration Africa over 476 square kilometres in the North West part of the concession. During the course of the year a total of 2,355 samples were collected on regional reconnaissance lines and several new soil geochemical anomalies were identified. Soil geochemical anomalies reach a maximum of 530ppm copper. A regional 20,000m RAB drilling programme is scheduled for 2011 to follow up the soil anomalies.

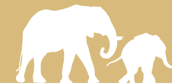
Mwana holds an 85% interest in further exploration rights over 6,395 square kilometres of prospective ground in the western Katanga and eastern Kasai Oriental provinces of the DRC (Maniamuna).

Kibolwe Project

The Kibolwe prospect is a stratiform copper oxide deposit consisting of mainly malachite mineralisation.

Reverse circulation and core drilling programmes carried out from 2004 to 2010 have outlined a near-surface, flat-lying mineralised zone up to 40 metres thick extending over a strike of 1.88 kilometres. During 2010 a core drilling programme of 5,686m was completed with a view to extending the known mineralised zone to both the east and the west.

The table over the page details all intersections exceeding 0.5% at Kibolwe extensions as at March 2011.



Kibolwe intersections exceeding 0.5% as at 31 March 2011

Hole	From (m)	To (m)	Width (m)	Grade Cu (%)
KIBWDD12B	22	26.8	4.8	1.28
	51.2	61.6	10.4	0.64
KIBWDD15B	55.7	61.25	5.55	1.38
	71.2	99	27.8	0.54
KIBWDD19B	54	94	40	1.17
	73	91	18	2.05
KIBWDD19	36	80	44	1.12
KIBWDD21D	76.2	111.3	35.1	0.59
	123.8	128.25	4.45	1.9
KIBEDD001	12	31.5	19.5	0.5
	52	59	7	0.6
KIBEDD002	12	49.9	37.9	0.62
	88.9	105.9	17	0.51
KIBEDD003	62.28	73.8	11.52	0.5
KIBWDD21B	97	101	4	0.91
KIBWDD13	74	145.6	71.6	1
KIBWDD14	0	116.4	116.4	1.3
	38.1	101	62.9	2.16
KIBWDD15	6.12	11	4.88	1
KIBWDD16	50.31	78	27.69	1
KIBWDD14B	18.0	42.5	24.5	1.12
KIBWDD09	110	130.0	20	0.88
	133.0	154.0	21.0	0.8
	215.0	223.0	8.0	0.62
KIBWDD10	40.9	84.4	38.5	0.86
KIBWDD11	20.9	35.9	15.0	0.65
	66.5	70.5	4.0	1.3
	98.2	107.9	9.7	0.57
	117.0	131.6	13.6	0.92
	134.7	142.05	7.35	0.62
	170.6	181.1	10.5	0.53
KIBWDD08	141.85	147	5.15	1.18
	208	227	19	0.69
KIBWDD12	18	70	52	0.62
KIBWDD16C	102	116	14	0.75
KIBWDD17B	67	75.92	8.92	0.71
KIBWDD18B	26	31	5	0.59
KIBEDD05	107	112	5	0.63

To the west at Kibolwe the mineralisation splits into two zones representing the limbs of an antiformal structure. The main Kibolwe area is situated in the crestal area of the fold, with mineralisation deepening to the east. The 2010 drilling has added significant strike length to the already defined deposit.

Mwana is developing new drill targets at Mukema, Lunsano and Kitemena-Kitugulu-Kamungoti.

Diamonds – operations

Klipspringer – South Africa

The Klipspringer diamond mine is situated approximately 250 kilometres north of Johannesburg. Mwana acquired its stake of approximately 62% through the purchase of SouthernEra in 2007. The company's stake has increased to 66.7% following dilution of the joint venture partner due to non-investment by the partner in the working capital requirements of Klipspringer.

A total of 24,780 carats were sold during the year. The average diamond price for the year was US$125 per carat. Although the diamond price improved by almost 15% during the year, this was offset in part by the continuing strength of the South African rand against the United States dollar.

In September 2010 a 31.25 carat stone was recovered from the mine. The diamond was sold for US$8,200 per carat and to date this is the largest diamond recovered from the Klipspringer mining operation in just over 10 years.

Following a number of severe weather incidents in December 2010 and January 2011, which flooded the shaft bottom and lower (7) level, a decision to stop production and development at Klipspringer for reasons of health and safety was taken. Operations have ceased and the mine is currently in a recovery phase aimed at re-instating infrastructure that was damaged as a result of the flooding. Management are reviewing restart scenarios and timing.

Klipspringer production results for the periods to March 2010 and March 2011

		2011*	2010
Tonnes mined	t	**48,946**	46,497
Tonnes treated	t	**48,946**	46,786
Carats recovered*	carats	**22,700**	24,642
Grade	cpht	**46.00**	52.67

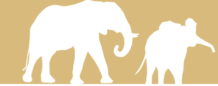
* *Effectively represents 9 months production due to the weather incidents in December/January*

Diamonds – other interests

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

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

Financial review



Income statement

Pro-forma income and expense

£ million	Freda Rebecca	BNC	Other Mwana Africa group	Total
Revenue	**23.4**	**2.6**	**1.3**	**27.3**
Cost of sales	(16.3)	–	(2.1)	(18.4)
Gross profit/(loss)	**7.1**	**2.6**	**(0.8)**	**8.9**
Other income	0.1	1.2	0.7	2.0
Selling and distribution expenses	(1.1)	–	–	(1.1)
Care and maintenance expenses	–	(11.1)	–	(11.1)
Administrative expenses	(3.0)	(2.8)	(1.6)	(7.4)
Corporate costs	–	–	(4.9)	(4.9)
Impairment reversal	11.7	–	–	11.7
Profit/(loss) from operating activities	**14.8**	**(10.1)**	**(6.6)**	**(1.9)**
Finance income	–	–	0.1	0.1
Finance costs	(0.4)	(0.6)	(0.9)	(1.9)
Profit/(loss) before income tax	**14.4**	**(10.7)**	**(7.4)**	**(3.7)**
Income tax expense	(3.3)	(0.1)	–	(3.4)
Non-controlling interest	–	5.0	–	5.0
Net profit/(loss) attributable to owners of the parent	**11.1**	**(5.8)**	**(7.4)**	**(2.1)**

The group reported turnover for the period of £27.3 million (2010: £18.8 million) and a net loss before income tax for the year of £3.7 million (2010: £14.4 million).

Freda Rebecca

During the year, Freda Rebecca sold 27,240oz of Gold (2010: 8,550oz) at an average price of US$1,325 per ounce (2010: US$1,116 per ounce) as well as by-products, generating revenue of £23.4 million (2010: £6.0 million). Operating costs during the period increased in line with the ramp up of operations, and totalled £20.4 million (2010: £9.7 million) for the year. An operating profit of £3.1 million together with a reversal of impairment on property, plant and equipment of £11.7 million resulted in a net profit before income tax of £14.4 million.

Bindura Nickel Corporation

Revenue of £2.6 million (2010: £11.8 million) was generated through the sale of in-process inventories. Operating costs of £15.1 million (2010: £16.6 million before impairment) were reduced from the previous year as the mine was on care and maintenance for the entire year. BNC reported a net loss before income tax of £10.7 million (2010: £4.8 million).

Other Mwana Africa group

Other revenue of £1.3 million (2010: £1.0 million) was generated by the group, principally the Klipspringer diamond mine. The company, excluding BNC and Freda Rebecca, incurred operating costs of £8.6 million (2010: £8.6 million).

Cash flow statement

Pro-forma cash reconciliation

£ million	Freda Rebecca	BNC	Other Mwana Africa group	Total
Opening cash at 1 April 2010	0.7	4.7	9.8	15.2
Cash financing	**2.4**	**1.8**	**4.8**	**9.0**
Equity issues	–	–	4.8	4.8
Loan finance	2.4	–	–	2.4
Sale of equity investments	–	1.8	–	1.8
Operations	**(1.8)**	**(5.0)**	**(12.8)**	**(19.6)**
Operating cash flow	3.8	(7.3)	(7.3)	(10.8)
Change in working capital	(3.0)	3.7	2.2	2.9
Capital expenditure	(2.6)	(1.4)	–	(4.0)
Capitalised exploration	–	–	(7.7)	(7.7)
Closing cash at 31 March 2011	**1.3**	**1.5**	**1.8**	**4.6**

Freda Rebecca

Positive cash flow of £3.8 million was generated by operations during the year. £3.0 million was invested in additional working capital of which £2.2 million was used to increase inventory to more adequate levels. Further capital expenditure of £2.6 million (2010: £2.2 million) comprises £1.0 million to maintain operations and £1.6 million to expand operations through the Phase II project. Funding was made available by the drawdown of £2.4 million (US$4 million) from a loan facility provided by the Industrial Development Corporation of South Africa and positive operating cash flow.

Bindura Nickel Corporation

Sales of inventory and intermediate material and investments and receipt of cash from debtors, was offset by partial repayments to creditors and the costs of the care and maintenance programme. Net working capital movements resulted in the release of £5.5 million (2010: £2.8 million) including the sale of listed equities held by BNC. BNC's net cash position decreased from an opening balance of £4.7 million to £1.5 million at the year end.

Other Mwana Africa group

Mwana Africa (excluding BNC and Freda) saw an operating cash outflow of £7.3 million (2010: £7.2 million). During the year, Mwana Africa invested £7.7 million (2010: £4.0 million) in its portfolio of exploration prospects, £2.8 million in SEMHKAT (2010: £1.9 million) and £4.9 million in Zani (2010: £2.1 million).

During the period, the company issued 46.4 million shares (2010: 88.3 million), raising £4.8 million net of costs (2010: £8.4 million).

Balance sheet

£ million	Freda Rebecca 2011	Freda Rebecca 2010	BNC 2011	BNC 2010	Other Mwana Africa group 2011	Other Mwana Africa group 2010	Total 2011	Total 2010
Non-current assets	**26.4**	13.2	**21.8**	21.9	**24.0**	17.1	**72.2**	52.2
Current assets (excl. cash)	**6.6**	2.7	**6.2**	11.7	**1.3**	3.8	**14.1**	18.2
Cash	**1.3**	0.7	**1.5**	4.7	**1.8**	9.8	**4.6**	15.2
Non-current liabilities	**(7.8)**	(2.0)	**(7.9)**	(9.4)	**(2.8)**	(3.3)	**(18.5)**	(14.7)
Current liabilities	**(4.6)**	(3.8)	**(20.3)**	(15.6)	**(3.5)**	(2.7)	**(28.4)**	(22.1)
Total equity	**21.9**	10.8	**1.3**	13.3	**20.8**	24.7	**44.0**	48.8
Minority interests	**–**	–	**(1.5)**	(7.3)	**–**	–	**(1.5)**	(7.3)
Equity attributable to owners of the parent	**21.9**	10.8	**(0.2)**	6.0	**20.8**	24.7	**42.5**	41.5

At 31 March 2011, the group had cash balances of £4.6 million (2010: £15.2 million), comprising £1.5 million (2010: £4.7 million) held by BNC and £3.1 million (2010: £10.5 million) held by other Mwana Africa group entities. The book value of shareholders' equity at the year end was £42.5 million (2010: £41.5 million).

Freda Rebecca

A combination of continued investment in assets, the ramp up to Phase II and the impairment reversal of £11.7 million has resulted in an increase in non-current assets to £26.4 million (2010: £13.2 million).

Current assets increased by £3.9 million to £6.6 million (2010: £2.7 million). This amount includes an increase in trade debtors of £1.2 million, an increase in spares and inventory of £2.0 million and other debtors of £0.7 million.

Bindura Nickel Corporation

The value of current assets reduced by £5.5 million to £6.2 million (2010: £11.7 million) owing to conclusion of sales of various in-process inventories, certain non-critical stocks and spares, sale of the remaining portion of the equity portfolio, and receipts from an outstanding debtor. Raising additional provisions have resulted in an increase in current liabilities to £20.3million (2010: £15.6 million).

Other Mwana Africa group

The value of non-current assets increased to £24.0 million (2010: £17.1 million) as a result of additional exploration expenditure which was capitalised during the year in accordance with the group's policy.

Group liquidity

At 31 March 2011, the group, excluding BNC, held cash of £3.1 million (2010: £10.5 million). As at 30 June 2011, the group, excluding BNC, held cash of £8.8 million following funds raised of £8.8 million in June 2011 and positive operational cash flows from Freda Rebecca.

IDC facility

As announced in February 2011, following the fulfilment of required conditions, including the provision by the Export Credit Insurance Corporation of South Africa ("ECIC") of political risk insurance for the facility, Freda Rebecca drew down the first US$4 million tranche of the Industrial Development Corporation of South Africa Ltd ("IDC") US$10 million project finance facility. The facility is repayable in 10 equal instalments over a five-year period and attracts an interest rate of US$LIBOR plus 5%.

Drawdown of the second tranche of the facility, totalling US$6 million, is subject to independent verification of JORC/SAMREC-compliant measured gold resources, sufficient to support a 10-year mine life. Adequate Inferred and Indicated Resources to support this mine life were defined in the resource update at Freda Rebecca announced in April 2011 and discussions are ongoing with the IDC to confirm whether this is sufficient to meet the drawdown condition.

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', have a reasonable expectation 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.

Overview of social and environmental responsibility

Mwana Africa's reputation for responsible development has been established by ensuring a safe working environment for its staff, by delivering benefits to the communities in which it operates, and by minimising the environmental impact of its activities. The company's primary contribution to the remote areas in which it operates is the stimulation of economic activity through the creation of jobs, development and support of local businesses, the use of local contractors, and the purchase of goods and services from nearby suppliers. The focus of Mwana Africa's social initiatives continues to be in education, health, and support of small and medium enterprises (SMEs).

The Mwana group policies for Business Principles, Occupational Heath and Safety, Environment, and Corporate Social Responsibility (CSR) were all updated and revised during this reporting period. All Exploration Standards of Practice were similarly reviewed and re-issued. Stakeholder engagement is actively pursued through a variety of formal and informal meetings, briefings, surveys, and feedback sessions on issues raised.

Given the importance of CSR, Mwana was very proud that Freda Rebecca received an award for the best CSR programme in 2010 in the Mashonoland Central region by the Zimbabwe Chamber of Commerce.

As per the South African Department of Mineral Resources requirements, for the calendar year to 31 December 2010, the Klipspringer diamond mine was 62% compliant with the South African 2002 Mining Charter targets for black economic empowerment (BEE), employment equity (EE) and localisation of recruitment and procurement, skills training, and environmental practices.

Workplace health and safety

Mwana Africa recognises that exploration and mining have an inherent level of risk, and is pleased to report that no fatalities occurred this year at any of its operations. Proactive safety management programmes instituted at our active mines resulted in reductions in the lost time injury frequency rate (LTIFR) at the Klipspringer diamond mine from 14.78 to 1.06, and from 5.61 to 0.53 at the Freda Rebecca Mine. Both mines and all our exploration operations routinely achieved months in which no lost time injuries were reported. Freda Rebecca Mine began the initial systems and documentation compilation for certification to the OHSAS 18001: 1999 standard for occupational health and safety.

Employment

At the year end, Mwana Africa employed 2,991 people, of which 276 are in management and administrative positions.

Preference during recruitment is given to the local community, especially for unskilled and semi-skilled positions. With the exception of senior expatriate management, all staff in our exploration operations are drawn from the immediate communities. At Freda Rebecca Mine in Zimbabwe 94% of the workforce is from the local town of Bindura. 90% of BNC's staff are from the local communities of Bindura and Shangani.

Between 90% and 100% of our workforce are represented by unions, which contribute to positive labour relations and collaboration with management through joint forums on issues such as wages, conditions of employment, Occupational Health and Safety, and serious diseases such as HIV/AIDS. No employee days were lost to industrial action. At the Klipspringer diamond mine in South Africa, 52% of the workforce was recruited from the immediate community and a further 41% from within the province.

Local economic impact

At the Klipspringer and the Freda Rebecca Mines, 31% and 23% respectively of total procurement expenditure was sourced from local/provincial suppliers. Several small business enterprises have been established or assisted by Freda Rebecca to provide services to the mine and the mine villages, and to encourage entrepreneurial ventures. The mines and exploration projects assist with infrastructure support such as the refurbishment of schools, upgrade of roads, and the construction of small bridges.

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 as a prelude to formulating a strategy to manage future interactions

with the aim to improve these miners working conditions. At Zani, PACT, an American NGO, is assisting Mwana with this process.

Education

Freda Rebecca Mine has developed a partnership with the Italian NGO Terre des Hommes to improve the educational facilities at the local village's crèche. This NGO aims to uplift vulnerable children through the full provision of school fees for a child's educational career. It is hoped that this partnership can be extended to the local primary schools in the Bindura area. Both BNC and Freda Rebecca Mine assist local scholars to complete their tertiary education by providing them with six-month vocational placements. The Freda Rebecca Mine is also sponsoring four students through their degrees at the School of Mines. BNC provides on-site primary school education, funds secondary schooling and grants a number of scholarships to higher education institutions for employees' children.

Employee and community health

The principal health issues faced in the regions where Mwana Africa operates are malaria and HIV/AIDS. The company provides medicines, education and training for the prevention and treatment of both diseases, as well as associated infections such as tuberculosis. BNC and Freda Rebecca Mine also staff and fund the occupational health as well as primary health care clinics for employees and their families. Freda Rebecca recently began offering an Employee Assistance Programme to its employees and dependents, which focused on counselling for work and lifestyle problems. Mwana's mine operations have all implemented community-wide HIV/AIDS management strategies linked to the concept of overall Wellness. This includes awareness and education campaigns, voluntary counselling and testing (VCT), and health care training. UNICEF donates primary health care drugs to Freda Rebecca, which passes on the unused portions to the local provincial hospital.

Both Freda Rebecca and BNC have been accepted into the HIV/AIDS assistance programme co-ordinated by the Swedish Workplace HIV & AIDS Programme (SWHAP). This was possible through the relationship with a Swedish company, one of Mwana's major equipment suppliers. Assistance from this organisation will improve the implementation of Mwana's Zimbabwean HIV/AIDS and Wellness practices, and assist with specialized studies such as zero-prevalence surveys, Knowledge, Attitude and Practice (KAP) questionnaires, and statistical risk assessments. Both organisations also receive assistance from the Zimbabwean Business Council on Aids (ZBCA). Freda Rebecca, through a company supported medical aid, provides anti-retroviral (ARVs) medication to affected employees and their dependents. BNC has initiated the process of providing this aid through the same medical aid organisation.

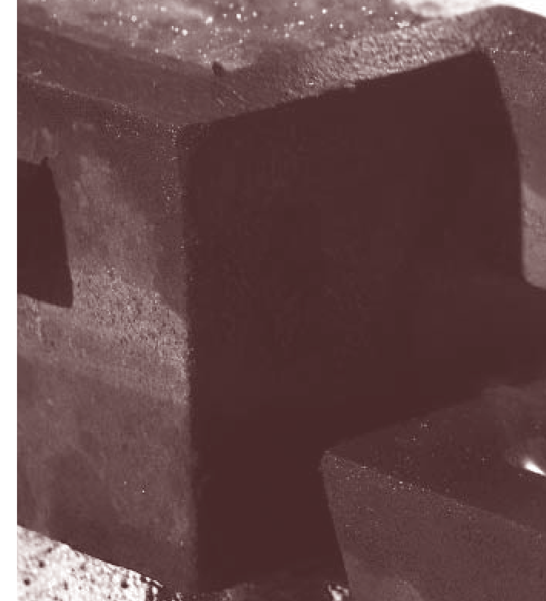
Environmental impact

Mwana Africa limits the impact of its operations on the environment through responsible waste disposal and prevention of pollution, and 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, and Freda Rebecca received a complimentary report from the Zimbabwean Chamber of Mines for overhauled environmental management systems. Monitoring of water discharged by pumping after the flooding incidents at Klipspringer diamond mine showed no contamination of the groundwater. Geohydrological studies at Freda Rebecca Mine established that the groundwater has not been contaminated with acid mine drainage (AMD) or industrial pollution or effluent. Proactive water quality practices have sufficiently improved on Freda Rebecca Mine to reduce its discharge permits from red to blue.

Freda Rebecca has successfully implemented an Environmental Management Programme, prepared in accordance with the Equator Principles and the performance standards of the IFC/World Bank/World Health Organisation Guidelines. This mine has begun the process of obtaining ISO14001 certification for environmental practices.

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



Board of directors

Oliver Baring (66)

Executive Chairman

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

Kalaa Mpinga (50)

Chief Executive Officer

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

Donald McAlister (52)

Finance Director

Donald McAlister has significant breadth of experience in the mining sector, including 19 years of experience as a Finance Director for African mining companies. Prior to joining Mwana Africa he was Finance Director of Ridge Mining PLC from 1999 until its acquisition by Aquarius Platinum in July 2009. At Ridge Mining he helped manage the acquisition, financing and development, through to production of the Blue Ridge platinum mine. Prior to Ridge Mining, Mr McAlister was Finance Director at Reunion Mining PLC where his experience included the financing of gold and base metal mines in Zimbabwe, Zambia and Namibia. Before that he worked in finance roles at Centurion Mining PLC, Enterprise Oil PLC and Cluff Oil PLC. He is currently a Non-executive Director of AIM listed mining company Tertiary Minerals plc where he is Chairman of the Audit Committee.

Stuart Morris (65)

Non-executive Director

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

John Anderson (70)

Non-executive Director

John Anderson was appointed to the Board in February 2007. He is Executive Chairman of J O Hambro Investment Management Limited where he manages investment portfolios for what is predominantly an international client base. Prior to joining the company in 1988, he was a Director of J Henry Schroder Wagg, and was instrumental in establishing and managing Schroder Securities Limited. Previously he was both Finance and International Partner at the London stockbrokers, Panmure Gordon & Co. Mr Anderson has been involved in natural resources and emerging markets for more than 40 years, is a graduate of the University of Edinburgh and qualified as a Scottish Chartered Accountant in 1966.

Etienne Denis (68)

Non-executive Director

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

The directors present their report and financial statements for the year ended 31 March 2011.

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 pages 2 and 3 and the Review of operations and exploration on pages 6 to 13.

Business review

The loss for the year attributable to shareholders of the parent company was £2.1 million (2010: £14.5 million). The directors do not recommend the payment of a dividend on ordinary shares. As required by the Companies Act 2006, the company must provide a fair review of the development and performance of the group during the year ended 31 March 2011, its financial position at the end of the year and likely future developments in the group's business. The information which satisfies these requirements is to be found in the Chairman's letter on pages 2 and 3, the Chief executive's review on pages 4 and 5, the Review of operations and exploration on pages 6 to 13, and the Financial review on pages 14 to 17.

Principal risks and uncertainties

The operating entities are also exposed to changes in the market prices of gold, nickel and diamonds. The group does not hedge against sales prices of commodities or exchange rates. Cash balances are held in the British pound, the United States dollar and the South African rand.

The group is significantly exposed to the risks inherent to all exploration activities. Management limits the group's exposure to this risk by closely monitoring the results of all exploration activities and by evaluating the feasibility of exploration prospects against changes in the relevant markets on an ongoing basis.

Zimbabwean indigenisation

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

On 25 March 2011 the Minister of Youth Development, Indigenisation and Empowerment published a notice in the government gazette promulgating the Indigenisation and Economic Empowerment (General) Regulations in statutory instrument 21 of 2010. The document sets out the requirements for the implementation of the Indigenisation Act and its supporting regulations as they pertain to the mining sector. These regulations include the requirement to transfer a minimum of 51% or a controlling interest to indigenous Zimbabweans. They also state that the valuation of the shares would be calculated taking into account the State's sovereign ownership of the minerals exploited.

The company has submitted representations relating to the indigenisation regulations to the Zimbabwe government and discussions are ongoing to determine the impact, if any, on Mwana's shareholding in its Zimbabwean assets.

52.9% of BNC is owned by Mwana with Zimbabwean shareholders owning the remaining 47.1%, which includes the government who own approximately 22% through government controlled entities. The directors of Mwana consider that through the local ownership and the participation by BNC in local community initiatives, BNC substantially complies with Zimbabwean indigenisation regulations existing and proposed. BNC has submitted its Indigenisation Plan and is in discussion with government concerning the restructuring of BNC's creditors.

Freda Rebecca Gold Mine which is currently 100% owned, submitted its Indigenisation Plan in 2010 and is in discussion with government concerning these proposals. The Board of Mwana anticipates that these discussions will result in an ownership structure that will benefit all stakeholders and will not reduce Mwana's ability to control the cash flows of Freda Rebecca although there may be a reduction in its economic interest. Mwana has already committed to sell a 15% interest in Freda Rebecca Gold Mine to a local Zimbabwean investor as detailed in note 31 to the accounts.

Key performance indicators

The key performance indicators are presented in the Review of operations and exploration and in the Financial review.

Changes in share capital

Details of changes in the share capital during the year are set out in note 26 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 2011 represented 90 days (2010: 154 days) of annual purchases, including capital expenditure and 57 days (2010: 93 days) for the group excluding BNC. As reported in the Financial review on pages 14 to 17, BNC has remained on care and maintenance, pending financing for the planned restart of the Trojan mine. As such, BNC's liquidity has consequently been severely restricted, slowing payments to its creditors.

Subsequent events

The post balance sheet events are described in note 33 to the financial statements.

Directors

The current directors of the company are as follows:

Executive directors

OAG Baring	Executive Chairman
KK Mpinga	Chief Executive Officer
DAR McAlister	Finance Director

Non-executive directors

SG Morris
JA Anderson
E Denis

The directors retiring by rotation are Mr SG Morris and Mr E Denis who, being eligible, offer themselves for re-election.

The interests of the directors and their remuneration are described in the Directors' remuneration report which is on pages 25 to 29.

Major shareholdings

The share register records that the following shareholders held 3% or more of the issued share capital of the company at 22 July 2011:

Shareholder	Number of shares	% interest
Vidacos Nominees Limited	86,955,389	12.1
State Street Nominees Limited <OM02>	60,049,630	8.3
Chase Nominees Limited	31,844,713	4.4
Chase Nominees Limited <CMBL>	26,290,350	3.7
TD Waterhouse Nominees (Europe) Limited	25,780,068	3.6

International financial reporting standards

The group has prepared its consolidated accounts for the year ended 31 March 2011 in accordance with International Financial Reporting Standards as endorsed by the European Union (EU-endorsed IFRSs).

Political contributions and charitable donations

The group made no political contributions during the year. Charitable donations amounted to £9,732 (2010: £2,138).

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 for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the Board:

B Tuck
Company Secretary
25 July 2011

Remuneration Committee

The Remuneration Committee, comprising non-executive directors SG Morris and E Denis, and chaired by non-executive director JA Anderson, 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 and no bonus awards were paid in respect of the year ended 31 March 2011.

Share options

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

1997 Scheme

Under the 1997 Scheme unapproved share options were granted to directors and employees by the Remuneration Committee. 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 and the previous option arrangements are detailed in note 31.

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

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

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

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

2007 Scheme

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

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

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

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

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

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

Share incentives

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

- the sale of ordinary shares on deferred payment terms;
- 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 three months' notice by either party. Details of the current directors' contracts or appointment dates are as follows:

Executive directors	Employer	Date of contract
KK Mpinga	Mwana Africa Holdings Limited	16 December 2009
DAR McAlister	Mwana Africa PLC	27 October 2009
OAG Baring	Mwana Africa PLC	18 June 2007
Non-executive directors	**Employer**	**Date of appointment**
SG Morris	Mwana Africa PLC	6 December 2005
JA Anderson	Mwana Africa PLC	27 February 2007
E Denis	Mwana Africa PLC	27 February 2007

Directors' remuneration

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

Director	Basic salary/fee[1]	Annual bonus[2]	Benefits in kind[3]	Share-based payments	2011 Total	2010 Total
KK Mpinga	**310,000**	–	**57,126**	**29,758**	**396,884**	579,037
OAG Baring	**220,000**	–	**75,725**	**19,343**	**315,068**	440,303
DAR McAlister	**240,000**	–	**33,552**	**22,319**	**295,871**	201,126
PE Sydney-Smith[4]	–	–	–	–	–	40,918
KC Owen[5]	–	–	–	–	–	135,258
SG Morris	**40,000**	–	–	–	**40,000**	40,000
JA Anderson	**32,500**	–	–	–	**32,500**	20,000
E Denis[6]	**20,000**	–	–	–	**20,000**	20,000
Total	**862,500**	–	**166,403**	**71,420**	**1,100,323**	1,394,806

(1) *Salaries for Mr Mpinga and Mr Baring were increased with effect from 1 April 2010 having not been adjusted since 1 January 2008. The fee payable to Mr Anderson was increased with effect from 1 April 2010 in recognition of his additional responsibilities as Chairman of the Remuneration Committee.*

(2) *No bonuses were awarded in respect of the year ended 31 March 2011.*

(3) *Benefits in kind relate to life, medical insurance and pension contributions for Mr OAG Baring and Mr DAR McAlister, and pension contributions and security services for Mr KK Mpinga.*

(4) *Resigned as a director on 9 September 2009.*

(5) *Resigned as a director on 3 September 2009.*

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

Contributions in lieu of directors' pensions were as follows:

Director	2011 £'000	2010 £'000
KK Mpinga	**34**	34
OAG Baring	**26**	24
DAR McAlister	**29**	14
PE Sydney-Smith	**–**	–
KC Owen	**–**	13
SG Morris	**–**	–
JA Anderson	**–**	–
E Denis	**–**	–
Total	**89**	85

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

Directors and directors' share interests

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

	Ordinary shares of 10p each at 31 March 2011		Ordinary shares of 10p each at 31 March 2010	
	Number	%	Number	%
Palanka Trust[1]	**16,227,260**	**3.03**	16,227,260	3.32
Kalaa Katema Mukubayi Trust[2]	**19,981,415**	**3.73**	19,981,415	4.09
KK Mpinga	**2,000,000**	**0.37**	2,000,000	0.41
OAG Baring[3]	**2,052,976**	**0.38**	2,052,976	0.42
DAR McAlister	**500,000**	**0.09**	500,000	0.10
PE Sydney-Smith	**–**	**–**	–	–
KC Owen	**–**	**–**	–	–
SG Morris	**500,000**	**0.09**	400,000	0.08
JA Anderson	**250,000**	**0.05**	250,000	0.05
E Denis	**–**	**–**	–	–

[1] Mr KK Mpinga controls the voting rights in Palanka Trust.

[2] Related to Mr KK Mpinga.

[3] Held through Mr OAG Baring's personal pension fund.

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 2010	Options granted during the year	Options lapsed during the year	Options exercised during the year	Options held at 31 March 2011	Exercise price[1]	Latest expiry date
Unapproved Options – 1997 Scheme							
KK Mpinga	3,000,000	–	–	–	**3,000,000**	60p	12/07/2014
OAG Baring	2,750,000	–	(70,000)	–	**2,680,000**	61p	12/07/2014
DAR McAlister	–	–	–	–	**–**	–	–
PE Sydney-Smith	–	–	–	–	**–**	–	–
KC Owen	3,000,000	–	–	–	**3,000,000**	55p	03/09/2012
SG Morris	850,000	–	–	–	**850,000**	44p	07/12/2013
JA Anderson	500,000	–	–	–	**500,000**	48.75p	17/04/2014
E Denis	500,000	–	–	–	**500,000**	48.75p	17/04/2014
Unapproved Options – 2007 Scheme							
KK Mpinga	4,000,000	–	–	–	**4,000,000**	27p	10/12/2019
OAG Baring	3,300,000	–	–	–	**3,300,000**	29p	10/12/2019
DAR McAlister	1,285,715	–	–	–	**1,285,715**	14p	10/12/2019
PE Sydney-Smith	–	–	–	–	**–**	–	–
KC Owen	1,500,000	–	–	–	**1,500,000**	39p	03/09/2012
SG Morris	–	–	–	–	**–**	–	–
JA Anderson	–	–	–	–	**–**	–	–
E Denis	–	–	–	–	**–**	–	–
Approved Options – 2007 Scheme							
KK Mpinga	–	–	–	–	**–**	–	–
OAG Baring	76,923	–	–	–	**76,923**	39p	13/03/2018
DAR McAlister	214,285	–	–	–	**214,285**	14p	10/12/2019
PE Sydney-Smith	–	–	–	–	**–**	–	–
KC Owen	–	–	–	–	**–**	–	–
SG Morris	–	–	–	–	**–**	–	–
JA Anderson	–	–	–	–	**–**	–	–
E Denis	–	–	–	–	**–**	–	–

[1] *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 was £nil (2010: £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 2011 was 7.4 pence per ordinary share and the highest and lowest share prices during the year were 14.00 pence and 6.98 pence respectively.

The agreements covering directors' options are available for inspection at the company's registered office: Devon House, 12-15 Dartmouth Street, London, SW1H 9BL. The company's register of directors' interests (which is also open to inspection) contains full details of the directors' shareholdings and options to subscribe.

Signed on behalf of the Board by:

OAG Baring
Executive Chairman
25 July 2011

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 adopted 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 adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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

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

On behalf of the Board:

DAR McAlister
Finance Director
25 July 2011

Statement of corporate governance

The directors support the principles of good corporate governance. While not mandatory for an AIM listed company, the directors have implemented, where practical for a company of its size and nature, certain provisions of the principles of good governance and code of best practices under the 2008 Combined 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 Institute of Chartered Accountants in England and Wales concerning the internal control requirements of the Combined 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, major items of capital expenditure, acquisitions, risk, human resources and environmental management.

Audit Committee

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

Remuneration Committee

A 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 the non-executive directors, Mr JA Anderson (Chairman), Mr SG Morris and Mr E Denis. The Directors' remuneration report appears on pages 25 to 29.

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 reflect the particular type of business, operations and safety risks and to identify and manage risks, but not entirely all risks to which the business is exposed. As a result, internal controls can only provide a reasonable, but not absolute assurance against material misstatements or loss.

The processes used by the Board to review the effectiveness of the internal controls are through the Audit Committee and the executive management reporting to the Board on a regular basis where business plans, budgets and authorisation limits for the approval of significant expenditure, including investments are appraised and agreed. 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.

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 2011, set out on pages 34 to 74. 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 auditors' 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 30, 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 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 (APB'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 APB's web-site at *www.frc.org.uk/apb/scope/private.cfm*.

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 2011 and of the group's loss 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 and as regards the group financial statements, Article 4 of the IAS Regulation.

Emphasis of matter – going concern

In determining the form of our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the group's and the company's ability to continue as a going concern.

In particular, the group's ability to continue as a going concern is dependent upon its ability to effect suitable financial and other arrangements to restart operations at Bindura Nickel Corporation and to settle deferred creditors or to continue to maintain all of the BNC assets on care and maintenance.

Furthermore, as disclosed in note 2, the group's and the company's financial position is also subject to uncertainties linked to the reliance on creditor deferral, commodity market conditions and political and indigenisation risks in Zimbabwe. These conditions, along with other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

Emphasis of matter – carrying value of company investments

In determining the form of our opinion, which is not modified, we have considered the adequacy of disclosures made in note 18 to the financial statements concerning the carrying value of investments held by the company in Mwana Africa Holdings (Pty) Ltd of £44,618,315 (2010: £8,673,428). As disclosed in note 18, there are uncertainties linked to the implementation of the Indigenisation Law in Zimbabwe. The possible impact of this law is uncertain and represents a material uncertainty which may cast significant 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 value of the investments being lower than their carrying amount as a result of the implementation of the requirements of the Indigenisation Law.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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 Audit Plc, Statutory Auditor

Chartered Accountants
15 Canada Square, Canary Wharf
25 July 2011

Consolidated income statement *for the year ended 31 March 2011*

	Note	2011 £'000	2010 £'000
Revenue		**27,267**	18,780
Cost of sales	7	**(18,442)**	(9,861)
Gross profit		**8,825**	8,919
Other income	7	**1,988**	728
Selling and distribution expenses		**(1,131)**	(2,316)
Care and maintenance expenses		**(11,054)**	(9,447)
Administrative expenses	7	**(7,409)**	(5,240)
Corporate expenses		**(4,916)**	(4,542)
Other expenses	7	**(37)**	(4,250)
Impairment loss	11	**–**	(2,395)
Impairment reversal	11	**11,743**	4,073
Loss from operating activities		**(1,991)**	(14,470)
Investment income		**–**	368
Dividends received		**16**	20
Loss before finance charges and income tax		**(1,975)**	(14,082)
Finance income	12	**87**	134
Finance costs	12	**(1,913)**	(428)
Loss before income tax		**(3,801)**	(14,376)
Income tax expense	13	**(3,360)**	(67)
Loss for the year		**(7,161)**	(14,443)
Loss attributable to:			
Owners of the Parent		**(2,148)**	(14,520)
Non-controlling interest		**(5,013)**	77
Loss for the year		**(7,161)**	(14,443)
Loss per share			
Basic loss per share (pence)	15	**(0.42)**	(3.63)
Diluted loss per share (pence)	15	**(0.42)**	(3.63)

The presentation of the operating expenses in the income statement has been changed for the year ended 31 March 2011. Refer to note 7.

The notes on pages 43 to 74 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 March 2011

	2011 £'000	2010 £'000
Loss for the year	**(7,161)**	(14,443)
Other comprehensive (loss)/profit		
Foreign currency translation differences	**(1,219)**	(1,148)
Net change in fair value of available-for-sale financial assets, net of tax	**(1,252)**	1,252
Other comprehensive profit for the year, net of income tax	**(2,471)**	104
Total comprehensive loss for the year	**(9,632)**	(14,339)
Total comprehensive loss attributable to:		
Owners of the Parent	**(3,862)**	(14,492)
Non-controlling interest	**(5,770)**	153
Total comprehensive loss for the year	**(9,632)**	(14,339)

Consolidated balance sheet as at 31 March 2011

	Note	2011 £'000	2010 £'000
Assets			
Non-current assets			
Property, plant and equipment	16	**46,832**	35,451
Intangible assets	17	**20,299**	13,659
Investments	18	**2,516**	2,076
Deferred tax assets	19	**1,575**	–
Non-current receivables	20	**948**	1,005
Total non-current assets		**72,170**	52,191
Current assets			
Cash and cash equivalents	21	**4,592**	15,156
Inventories	22	**4,597**	3,674
Trade and other receivables	23	**9,582**	12,197
Available-for-sale financial assets	24	**–**	2,250
Assets held for sale	25	**–**	108
Total current assets		**18,771**	33,385
Total assets		**90,941**	85,576
Equity			
Issued share capital	26	**53,514**	48,877
Share premium		**19,615**	19,406
Reserves		**62,541**	64,291
Retained earnings		**(93,073)**	(91,100)
Total equity attributable to equity holders of the parent		**42,597**	41,474
Non-controlling interest		**1,551**	7,321
Total equity		**44,148**	48,795
Liabilities			
Non-current liabilities			
Loan payable	27	**1,919**	–
Rehabilitation provisions	28	**11,201**	13,954
Deferred tax liabilities	19	**5,338**	670
Total non-current liabilities		**18,458**	14,624
Current liabilities			
Trade payables		**8,317**	8,879
Provisions and other payables	29	**20,018**	13,278
Total current liabilities		**28,335**	22,157
Total liabilities		**46,793**	36,781
Total equity and liabilities		**90,941**	85,576

The notes on pages 43 to 74 are an integral part of these financial statements.

These financial statements were approved by the Board of directors on 25 July 2011 and were signed on its behalf by:

OAG Baring
Executive Chairman

DAR McAlister
Finance Director

Company balance sheet as at 31 March 2011

	Note	2011 £'000	2010 £'000
Assets			
Non-current assets			
Property, plant and equipment	16	**67**	92
Investments	18	**46,435**	10,602
Total non-current assets		**46,502**	10,694
Current assets			
Cash and cash equivalents	21	**1,279**	8,856
Trade and other receivables	23	**37,472**	30,113
Total current assets		**38,751**	38,969
Total assets		**85,253**	49,663
Equity			
Issued share capital	26	**53,514**	48,877
Share premium		**19,615**	19,406
Reserves		**2,051**	2,087
Retained earnings		**8,789**	(21,760)
Total equity attributable to equity holders of the company		**83,969**	48,610
Liabilities			
Current liabilities			
Provisions and other payables	29	**1,284**	1,053
Total liabilities		**1,284**	1,053
Total equity and liabilities		**85,253**	49,663

These financial statements were approved by the Board of directors on 25 July 2011 and were signed on its behalf by:

OAG Baring
Executive Chairman

DAR McAlister
Finance Director

Consolidated statement of cash flows *for the year ended 31 March 2011*

	Note	2011 £'000	2010 £'000
Cash flows from operating activities			
Loss before income tax		**(3,801)**	(14,376)
Adjustments for:			
Inventory write-off		**65**	–
Foreign exchange movements		**313**	(280)
Depreciation		**1,265**	1,192
Fair value adjustments		**(294)**	–
Charge in relation to share-based payments		**139**	262
(Decrease)/increase in rehabilitation provisions		**(1,169)**	8,295
Increase in other provisions		**5,107**	–
Increase in environmental assets		**(48)**	(5,402)
Impairment loss		**–**	2,395
Impairment reversal		**(11,743)**	(4,073)
Profit on sale of non-current assets		**(996)**	(551)
Profit on sale of equity investments		**–**	(368)
Loss on sale of assets held for sale		**–**	1,036
Finance income		**(87)**	(134)
Finance costs		**555**	428
		(10,694)	(11,576)
(Increase)/decrease in inventories		**(1,142)**	4,113
Decrease/(increase) in trade and other receivables		**1,905**	(879)
Increase in creditors		**2,555**	743
		(7,376)	(7,599)
Finance costs		**(523)**	(428)
Income tax paid		**(10)**	(60)
Net cash used in operating activities		**(7,909)**	(8,087)
Cash flows from investing activities			
Additions to property, plant and equipment		**(3,995)**	(2,028)
Investment in intangible exploration assets		**(7,652)**	(4,047)
Acquisition of investments		**(25)**	–
Proceeds from sale of property, plant and equipment		**51**	439
Proceeds from sale of investments		**–**	1,200
Proceeds from sale of available-for-sale financial assets		**1,815**	233
Finance income		**87**	134
Net cash used in investing activities		**(9,719)**	(4,069)
Cash flows from financing activities			
Proceeds from issue of share capital		**5,100**	8,834
Share issue expenses		**(255)**	(456)
Loans		**2,440**	(102)
Net cash from financing activities		**7,285**	8,276
Net decrease in cash and cash equivalents		**(10,343)**	(3,880)
Cash and cash equivalents at beginning of the year		**15,156**	18,886
Exchange rate movement on cash and cash equivalents at beginning of year		**(221)**	150
Cash and cash equivalents at end of the year	21	**4,592**	15,156

Company statement of cash flows for the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
Cash flows from operating activities			
Profit/(loss) before income tax		**30,404**	(2,487)
Adjustments for:			
Depreciation		**29**	19
Foreign exchange movements		**2,074**	–
Loss on sale of non-current assets		**9**	–
Charge in relation to share-based payments		**91**	186
Impairment loss		**–**	2,332
Impairment reversal		**(35,981)**	(4,331)
Finance income		**(25)**	(37)
		(3,399)	(4,318)
Decrease in inventories		**–**	417
Increase in trade and other receivables		**(9,435)**	(9,771)
Increase in trade and other payables		**232**	474
Net cash used in operating activities		**(12,602)**	(13,198)
Cash flows from investing activities			
Additions to property, plant and equipment		**(3)**	(54)
Acquisition of investments		**(25)**	(1,000)
Proceeds on sale of investment		**183**	–
Finance income		**25**	37
Net cash generated by/(used in) investing activities		**180**	(1,017)
Cash flows from financing activities			
Proceeds from issue of share capital		**5,100**	8,834
Share issue expenses		**(255)**	(456)
Net cash from financing activities		**4,845**	8,378
Net decrease in cash and cash equivalents		**(7,577)**	(5,837)
Cash and cash equivalents at beginning of the year		**8,856**	14,693
Cash and cash equivalents at end of the year	21	**1,279**	8,856

Consolidated statement of changes in equity *for the year ended 31 March 2011*

	Share capital £'000	Share premium £'000	Translation reserve £'000
Balance as at 31 March 2009	40,043	19,406	62,176
Loss for the year	–	–	–
Foreign currency translation differences	–	–	(634)
Revaluation of available-for-sale financial assets	–	–	–
Deferred tax on available-for-sale financial assets	–	–	–
Total comprehensive loss for the year	–	–	(634)
Contributions by and distributions to owners			
Issue of ordinary shares	8,834	–	–
Share issue expenses	–	–	–
Share-based payment transactions	–	–	–
Share-based payment reversals	–	–	–
Total contributions by and distributions to owners	8,834	–	–
Balance as at 31 March 2010	48,877	19,406	61,542
Loss for the year	–	–	–
Foreign currency translation differences	–	–	(1,052)
Reversal of fair value adjustments on available-for-sale financial assets	–	–	–
Deferred tax on available-for-sale financial assets	–	–	–
Total comprehensive loss for the year	–	–	(1,052)
Contributions by and distributions to owners			
Issue of ordinary shares	4,637	–	–
Share issue expenses	–	209	–
Share-based payment transactions	–	–	–
Share-based payment reversals	–	–	–
Total contributions by and distributions to owners	4,637	209	–
Balance as at 31 March 2011	**53,514**	**19,615**	**60,490**

Investment revaluation reserve £'000	Treasury stock £'000	Share-based payments £'000	Retained earnings £'000	Total equity attributable to equity holders of the parent £'000	Non-controlling interest £'000	Total equity £'000
–	(1,072)	3,247	(76,474)	47,326	7,168	54,494
–	–	–	(14,520)	(14,520)	77	(14,443)
–	–	–	–	(634)	(514)	(1,148)
697	–	–	–	697	621	1,318
(35)	–	–	–	(35)	(31)	(66)
662	–	–	(14,520)	(14,492)	153	(14,339)
–	–	–	–	8,834	–	8,834
–	–	–	(456)	(456)	–	(456)
–	–	262	–	262	–	262
–	–	(350)	350	–	–	–
–	–	(88)	(106)	8,640	–	8,640
662	(1,072)	3,159	(91,100)	41,474	7,321	48,795
–	–	–	(2,148)	(2,148)	(5,013)	(7,161)
–	–	–	–	(1,052)	(167)	(1,219)
(697)	–	–	–	(697)	(621)	(1,318)
35	–	–	–	35	31	66
(662)	–	–	(2,148)	(3,862)	(5,770)	(9,632)
–	–	–	–	4,637	–	4,637
–	–	–	–	209	–	209
–	–	139	–	139	–	139
–	–	(175)	175	–	–	–
–	–	(36)	175	4,985	–	4,985
–	**(1,072)**	**3,123**	**(93,073)**	**42,597**	**1,551**	**44,148**

Company statement of changes in equity *for the year ended 31 March 2011*

	Share capital £'000	Share premium £'000	Treasury stock[1] £'000	Share-based payments[2] £'000	Retained earnings £'000	Total equity £'000
Balance as at 31 March 2009	40,043	19,406	(1,072)	3,247	(19,066)	42,558
Loss for the year	–	–	–	–	(2,487)	(2,487)
Total comprehensive loss for the year	–	–	–	–	(2,487)	(2,487)
Contributions by and distributions to owners						
Issue of ordinary shares	8,834	–	–	–	–	8,834
Share issue expenses	–	–	–	–	(456)	(456)
Share-based payment transactions	–	–	–	262	–	262
Share-based payment reversals	–	–	–	(350)	249	(101)
Total contributions by and distributions to owners	8,834	–	–	(88)	(207)	8,539
Balance as at 31 March 2010	48,877	19,406	(1,072)	3,159	(21,760)	48,610
Profit for the year	–	–	–	–	30,404	30,404
Total comprehensive profit for the year	–	–	–	–	30,404	30,404
Contributions by and distributions to owners						
Issue of ordinary shares	4,637	–	–	–	–	4,637
Premium on share issue less expenses	–	209	–	–	–	209
Share-based payment transactions	–	–	–	139	–	139
Share-based payment reversals	–	–	–	(175)	145	(30)
Total contributions by and distributions to owners	4,637	209	–	(36)	145	4,955
Balance as at 31 March 2011	**53,514**	**19,615**	**(1,072)**	**3,123**	**8,789**	**83,969**

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

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

1. Adoption of International Financial Reporting Standards as endorsed by the European Union

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

2. Accounting policies

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 (IFRSs) as adopted by the EU and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006. Under section 408 of the Companies Act 2006, the company has elected not to present its own income statement.

Going concern

The directors, having considered the group's and the company's current trading activities, funding position and projected funding requirements and the Zimbabwean environment for the period 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 2011. The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Review of operations and exploration on pages 6 to 13. The financial position of the group, its cash flows and liquidity position are as set out in the Financial review on pages 14 to 17. The group is also facing additional uncertainty arising from the recently announced indigenisation law in Zimbabwe, further details of which are set out on page 22. The group reports a loss for the year ended 31 March 2011 of £7.2 million (2010: £14.4 million). As at 30 June 2011, the group held cash of £8.8 million, of which £0.7 million is held by BNC.

During the year to 31 March 2011, operations at Freda Rebecca have continued to ramp up and the Phase I production rate of 30,000oz of gold per annum was achieved in March. Production averaged 2,949oz per month in the four months to June 2011, the month in which the second mill was commissioned. The second mill will enable production to be increased further. As such, Freda Rebecca is now well positioned to expand its processing capability and reach the targeted Phase II annualised gold production rate of 50,000oz per annum. The operating cash inflows from Freda Rebecca represent a strengthening of the group's cash generating ability.

During the year there have been steps towards the planned restart of the Trojan mine at Bindura Nickel Corporation ("BNC"). SRK Consulting completed their Competent Person's Report on the restart of operations at BNC. This study confirmed the economic and technical viability of the planned restart of the Trojan mine and concentrator. During the year BNC has also signed an agreement for the off-take of all of the nickel concentrate from Trojan and has made progress arranging loan finance which will provide part of the funds required for the restart.

BNC remains on care and maintenance pending the restart of Trojan. BNC's ongoing costs for the year to 31 March 2011 have been funded from its own resources, inter-company loans from group and by the continued deferral of significant amounts which remain due on demand to creditors. The restart of BNC remains a priority for the Board and the directors have considered the continued care and maintenance costs of BNC in light of the group's current cash resources. They recognise that securing funds in the next 15 months will be necessary to continue to maintain all of the BNC assets on care and maintenance. Whilst securing financing for BNC remains a challenge in the current political climate and with the uncertainty prevailing over the Zimbabwe government's indigenisation programme the directors are nevertheless making progress with negotiations for loan finance and for the restructuring of creditor and workforce liabilities and believe it is reasonable to plan on the basis that arrangements can be made to refinance BNC and to restart operations in the coming year.

The group's other activities have been funded by its cash resources, including cash generated by Freda Rebecca together with proceeds from equity issues in October 2010 and June 2011 raising £4.8 million and £8.8 million respectively and the drawing of US$4 million by Freda Rebecca under the IDC loan facility. The group has no other borrowings and US$6 million of the IDC loan facility remains undrawn.

2. Accounting policies (continued)

The directors have prepared the cash flow forecasts of the group and are of the opinion that the group's current cash resources, together with the cash forecast to be generated by Freda Rebecca, are sufficient to fund all of the group's planned activities for at least twelve months from the date of these financial statements, with the exception of the planned restart of operations at BNC which will require additional funds to be raised. The creditor restructuring at BNC and the financing (debt and equity) of the BNC restart is the subject of negotiations with a number of parties and the directors are confident that financing can be arranged within the twelve month period. The group cash flow forecast shows sufficient cash flows for the rest of the group and to keep BNC on care and maintenance until the earlier of the BNC restart and autumn 2012.

The directors are aware that various uncertainties might affect the validity of their forecasts. These uncertainties include metal prices, mining and processing risks and resource and reserve risks, in addition to the political and indigenisation risks in Zimbabwe as noted above which may constrain the ability of the company to control the movement of cash between entities. The directors believe they have the ability to manage cash flows and will continue to do so even taking into account the indigenisation proposals such that these risks could be mitigated and their impact on the going concern status of the group and company is minimised. This can be by achieved by deferring discretionary exploration spend, drawing down the second tranche of the IDC loan when related conditions are met and restructuring to meet the indigenisation law in a way that the company is still able to exercise control over cash flows from both BNC and Freda Rebecca. However, the directors acknowledge that there is no certainty of successfully carrying out such mitigating steps.

The directors have concluded that the combination of these circumstances represents a material uncertainty that may cast significant doubt on the company's and the group's ability to continue as a going concern and that therefore the company and the group may be unable to realise all their assets and discharge their liabilities in the normal course of business. This uncertainty is linked to the current reliance of BNC on creditor deferral and future availability of funding for BNC, general market conditions and reflects the political and economic situation in Zimbabwe and in particular the recent developments relating to indigenisation laws which the directors have considered in the context of making their going concern assumption. Nevertheless, after making enquiries and considering the uncertainties described above the directors have a reasonable expectation 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 these financial statements which do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Basis of consolidation

Subsidiaries

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

Jointly controlled entities – Klipspringer diamond mine

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

Transactions eliminated on consolidation

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

Use of 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, disclosed in note 11 relating to impairment, 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:
Note 11 – Impairment
Note 22 – Inventories
Note 28 – Rehabilitation provisions
Note 29 – Provisions and other payables
Note 31 – Share-based payments

Foreign currencies

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

(a) Reporting foreign currency transactions in functional currency

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

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

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

(b) Translation from functional currency to presentational currency

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

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

Property, plant and equipment and depreciation

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

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

- **Mining assets:** mining assets are depreciated at varying rates on a straight-line basis over the expected useful lives, which range from three to 17 years.
- **Smelter and refinery assets:** smelter and refinery assets are depreciated at varying rates on a straight-line basis over the expected useful lives, which range from five to 40 years.
- **Plant and equipment and motor vehicles:** plant and equipment and motor vehicles are depreciated over their estimated useful lives on a straight line basis at the rate of 10% and 20% respectively.
- **Buildings:** buildings are depreciated on a straight-line basis over the expected useful lives, currently 40 years.

2. 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 whilst the asset is developed, and are then written off over the life of the estimated ore reserve on a unit-of-production basis. If it is determined that a project is not expected to be successful, whether relinquished, abandoned or uncommercial, the related exploration costs are written off.

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

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

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

Impairment

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

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

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

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

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

The company assesses the value of its investments in and loans to its subsidiaries for impairment.

Reversals of impairment

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

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

Investments

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

The group holds a 66.7% interest in the Klipspringer diamond mine joint venture, the assets, liabilities, income and expenses of which are consolidated on a proportional basis.

The company has investments in its various subsidiaries. These are accounted for at cost less impairment. All inter-group loans are repayable on demand.

Cash and cash equivalents

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

Inventories

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

Available-for-sale financial assets

The group's Zimbabwean investments in equity securities, which were disposed of during the year were classified as available-for-sale financial assets. Subsequent to their initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised directly in other comprehensive income. When an investment is de-recognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Loan payable

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

Rehabilitation provision

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

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

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

Revenue recognition

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

Leases

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

The group has not entered into any finance lease arrangements.

2. Accounting policies (continued)

Employee benefits

(a) Defined contribution pension scheme

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

(b) Share-based payments

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

Taxation

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

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

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

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

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

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

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

3. Revised and Amended Standards and Interpretations

The following revised and amended standards and interpretations, which have all been endorsed by the EU, have been adopted by the group in these consolidated financial statements; their adoption has had no material impact on the group's net cash flows, financial position, total comprehensive income or earnings per share.

- IFRS 1 (Revised), First-time Adoption of International Financial Reporting Standards, which is effective for accounting periods beginning on or after 1 July 2009, simplifies the structure of IFRS 1 without making any technical changes.
- Amendments to IFRS 2, group Cash-settled Share-based Payments Transactions, which is effective for accounting periods beginning on or after 1 January 2010, provides a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements.

- IFRS 3 (Revised), Business Combinations, which is effective for accounting periods beginning on or after 1 July 2009. The standard continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through profit or loss; goodwill and non-controlling interests may be calculated on a gross or net basis; and all transaction costs are to be expensed.
- IAS 27, Consolidated and Separate Financial Statements, which is effective for accounting periods beginning on or after 1 July 2009, requires the effects of all transactions with non-controlling interests where there is no change in control to be recorded in equity. Such transactions will no longer result in goodwill or gains and losses in the income statement.
- Amendment to IAS 39, Financial Instruments: Recognition and Measurement, for Eligible Hedged Items, which is effective for accounting periods beginning on or after 1 July 2009, clarifies how to apply the principles that determine whether a hedged risk or portion of cash flows is eligible for designation.
- IFRIC 15, Agreements for the Construction of Real Estate, which is effective for accounting periods beginning on or after 1 January 2010, standardises accounting practice for the recognition of revenue by real estate developers for sales before construction is complete.
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation, which is effective for accounting periods beginning on or after 1 July 2009, clarifies which currency exposures qualify for hedge accounting; which entity within a group can hold the hedging instrument; and how to determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when an investment in a foreign operation is disposed of.
- IFRIC 17, Distributions of Non-cash Assets to Owners, which is effective for accounting periods beginning on or after 1 January 2010, clarifies how an entity should measure distributions of assets, other than cash, when it pays dividends to its owners.
- IFRIC 18, Transfers of Assets from Customers, which is effective for accounting periods beginning on or after 1 November 2009, clarifies the accounting for arrangements where an item of property, plant and equipment provided by the customer is used to provide an ongoing service.

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. None of these revised and amended standards and interpretations is expected to have a material impact on the group's net cash flows, financial position, total comprehensive income or earnings per share.

- IFRS 9, Financial Instruments, which has not yet been endorsed by the EU and which is effective for accounting periods beginning on or after 1 January 2013, is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39.
- IAS 24 (Revised), Related Party Disclosures, which has been endorsed by the EU and which is effective for accounting periods beginning on or after 1 January 2011, removes the requirement for government related entities to disclose details of transactions with the government and other government related entities and clarifies and simplifies the definition of a related party.
- Amendment to IAS 32, Financial Instruments: Presentation, which has been endorsed by the EU and which is effective for accounting periods beginning on or after 1 February 2010, addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer.
- Amendment to IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction, entitled Prepayments of a Minimum Funding Requirement, which has been endorsed by the EU and which is effective for accounting periods beginning on or after 1 January 2011, applies to companies that are required to make minimum funding contributions to a defined benefit pension plan.
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments, which has been endorsed by the EU and which is effective for accounting periods beginning on or after 1 July 2010, clarifies the accounting treatment for equity instruments that are used to extinguish financial liabilities.
- Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards, (a) Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, which has been endorsed by the EU and which is effective for accounting periods beginning on or after 1 July 2010, ensures that first-time adopters of IFRS benefit from the same transition provisions that amendments to IFRS 7 provide to current IFRS preparers; and (b) Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, which has not yet been endorsed by the EU and which is effective for accounting periods beginning on or after 1 July 2011, provides relief for first-time adopters of IFRS from having to reconstruct transactions that occurred before their date of transition to IFRS and provides guidance for entities emerging from severe hyperinflation.

3. Revised and Amended Standards and Interpretations (continued)

- Amendments to IFRS 7, Financial Instruments: Disclosures, which has not yet been endorsed by the EU and which is effective for accounting periods beginning on or after 1 July 2011, enhances the reporting of transfers of financial assets.
- Amendments to IAS 12, Income Taxes, Deferred tax: Recovery of Underlying Assets, which has not yet been endorsed by the EU and which is effective for accounting periods beginning on or after 1 January 2012, provides a practical approach for measuring deferred tax assets and liabilities when investment properties are measured at fair value.

4. Financial risk management

Overview

The group has exposure to the following risks in relation to its operating and financial activities:
- credit risk,
- liquidity risk,
- market risk, and
- currency risk.

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

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

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

Credit risk

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

The 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. The group's principal customer is the Zimbabwe Chamber of Mines who purchase gold production from Freda Rebecca.

Liquidity risk

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

BNC's cash position deteriorated during the period since it has remained on care and maintenance. BNC was not able to settle creditors and is reliant on continuing creditor deferral to avoid liquidation. BNC has initiated discussions to reach settlement with its creditors in due course.

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 2011 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 British pound, including the United States dollar 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 2010 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.

The Board of directors monitors the return on capital using a number of metrics, including return on net assets and return on investment. 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.

5. 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 currently on care and maintenance
- **Diamonds:** Diamond mining activities currently on care and maintenance
- **Exploration:** Gold and base metal exploration activities

Information about reportable segments – Operations

	Gold (Freda Rebecca)		Nickel (Bindura Nickel Corporation)		Diamonds (Klipspringer diamond mine)		Exploration		Total	
	2011 £'000	**2010 £'000**	**2011 £'000**	**2010 £'000**	**2011 £'000**	**2010 £'000**	**2011 £'000**	**2010 £'000**	**2011 £'000**	**2010 £'000**
External revenue	**23,279**	5,979	**2,648**	11,796	**1,340**	1,005	**–**	–	**27,267**	18,780
Reportable segment profit/(loss) before tax	**14,353**	(3,699)	**(10,863)**	(4,887)	**(748)**	(761)	**(813)**	2,472	**1,929**	(6,875)
Reportable segment assets	**34,327**	16,647	**29,540**	38,306	**1,360**	1,742	**21,199**	15,070	**86,426**	71,765
Reportable additions to property, plant and equipment	**2,555**	2,210	**1,414**	(261)	**16**	–	**–**	–	**3,985**	1,949
Reportable additions to intangible assets	**–**	–	**–**	–	**–**	–	**7,652**	4,047	**7,652**	4,047

5. Segmental information (continued)

Reconciliation of reportable segment profit or loss

	2011 £'000	2010 £'000
Total profit/(loss) for reportable segments	**1,929**	(6,875)
Unallocated amounts:		
Other corporate expenses	**(5,730)**	(7,501)
Consolidated loss before income tax	**(3,801)**	(14,376)

Information about reportable segments – Geographical

	South Africa and Zimbabwe		Democratic Republic of the Congo		Ghana		United Kingdom		Total	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
External revenue	**27,267**	18,780	**–**	–	**–**	–	**–**	–	**27,267**	18,780
Reportable segment profit/ (loss) before tax	**1,613**	(10,097)	**(287)**	1,922	**358**	(1,132)	**(5,485)**	(5,069)	**(3,801)**	(14,376)
Reportable segment assets	**65,988**	57,618	**21,110**	14,854	**1,139**	1,025	**2,704**	11,022	**90,941**	84,519
Reportable additions to property, plant and equipment	**3,991**	1,956	**–**	–	**–**	–	**4**	72	**3,995**	2,028
Reportable additions to intangible assets	**–**	–	**7,652**	4,047	**–**	–	**–**	–	**7,652**	4,047

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

6. Loss from joint venture

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

	2011 £'000	2010 £'000
Revenue	**1,340**	1,005
Cost of sales	**(2,035)**	(1,272)
Gross loss	**(695)**	(267)
Other income	**37**	–
Selling and distribution costs	**(39)**	–
Administrative costs	**(663)**	(748)
Loss from operating activities	**(1,360)**	(1,015)
Finance income	**686**	84
Loss before tax	**(674)**	(931)

The group holds a 66.7% interest (2010: 65%) in the Klipspringer diamond mine joint venture. The mine is situated in South Africa's Limpopo Province. 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.

7. Analysis of loss from operating activities

Loss from operating activities is stated after charging:

	2011 £'000	2010 £'000
Cost of goods sold	**17,112**	8,669
Depreciation	**1,265**	1,192
Write-off of inventory	**65**	–
Cost of sales	**18,442**	9,861
Other income items	**698**	177
Profit on sale of available-for-sale financial assets	**996**	551
Fair value adjustments on investments	**294**	–
Other income	**1,988**	728
Operations (technical)	**6,883**	4,792
Exploration	**526**	448
Administrative expenses	**7,409**	5,240
Loss on assets held for sale	**–**	1,036
Write-off of capitalised exploration costs	**37**	281
Provision for closure costs	**–**	2,933
Other expenses	**37**	4,250

The presentation of the operating expenses in the income statement has been changed in the year ended 31 March 2011 in order to present a more detailed analysis of the costs of the group.

The presentation of the expenses previously classified as cost of sales of BNC has been changed in the income statement. These are presented as care and maintenance expenses in the operational profit/(loss) section. As a consequence expenses of £9.4 million presented as cost of sales in 2010 have been reclassified to care and maintenance expenses in the comparative information.

In the previous years, certain expenses allocated to technical activities were disclosed as part of cost of sales as it was the view of the group that these expenses were by nature linked to the operational activity of BNC and Freda Rebecca. It has been decided to reclassify these costs under separate administration cost categories as part of the operational profit/(loss). As a consequence the presentation of the comparative balances have been changed by £3.9 million classified as cost of sales in 2010 and now reclassified into administrative costs.

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

8. Amounts payable to KPMG

	2011 £'000	2010 £'000
Audit of these financial statements	**136**	125
Audit of financial statements of subsidiaries pursuant to legislation	**113**	115
Other services pursuant to such legislation	**–**	2
Other services relating to taxation	**4**	2
Services relating to corporate finance transactions	**30**	40
All other services	**15**	25
Total Auditors' remuneration	**298**	309

9. Remuneration of key management personnel

Key management personnel are people responsible for the direction of the business, and comprise the executive and non-executive directors of Mwana Africa PLC. The remuneration of key management personnel is set out below in aggregate for each of the categories as specified in IAS 24.9.

Director	Short-term employee benefits £'000	Annual bonus £'000	Post-employment benefits £'000	Share-based payments £'000	Total £'000
2011					
KK Mpinga	**310**	**–**	**57**	**30**	**397**
OAG Baring	**220**	**–**	**75**	**19**	**314**
DAR McAlister	**240**	**–**	**34**	**22**	**296**
PE Sydney-Smith	**–**	**–**	**–**	**–**	**–**
KC Owen	**–**	**–**	**–**	**–**	**–**
SG Morris	**40**	**–**	**–**	**–**	**40**
JA Anderson	**33**	**–**	**–**	**–**	**33**
E Denis	**20**	**–**	**–**	**–**	**20**
Total remuneration	**863**	**–**	**166**	**71**	**1,100**
2010					
KK Mpinga	275	193	56	55	579
OAG Baring	200	140	47	53	440
DAR McAlister	120	60	15	7	202
PE Sydney-Smith	208	–	–	(249)	(41)
KC Owen	105	–	13	17	135
SG Morris	40	–	–	–	40
JA Anderson	20	–	–	–	20
E Denis	20	–	–	–	20
Total remuneration	**988**	**393**	**131**	**(117)**	**1,395**

10. Employee benefits expense

	Group		Company	
	2011	**2010**	**2011**	**2010**
	£'000	**£'000**	**£'000**	**£'000**
Wages and salaries	**12,213**	6,435	**1,076**	1,256
Increase in provision	**3,993**	–	**–**	–
Equity-settled share-based payment transactions (see note 31)	**139**	262	**91**	287
Compulsory social security contributions	**585**	359	**104**	145
Contributions to defined contribution plans	**177**	152	**119**	91
Total employee benefits expense	**17,107**	7,208	**1,390**	1,779

Staff numbers

	Number of employees Group	
	2011	**2010**
	£'000	**£'000**
Management and administration	**276**	322
Operatives	**2,715**	2,660
Total	**2,991**	2,982

During the year, increases in minimum wage rates in Zimbabwe were legislated. These increases which mainly impact BNC were applied retrospectively resulting in an increase in the current years expense. The wages and salaries expense for Freda Rebecca increased by £3.4 million as the mine was operational for the full year.

11. Impairment

The group's assets, and the impairment charges and reversals recognised in the period, have been allocated to cash-generating units as set out in the table below.

	Cash Generating Units					
	Freda Rebecca £'000	BNC £'000	Klip-springer £'000	Diamond exploration £'000	Gold exploration £'000	Base metal exploration £'000
2010						
Carrying values						
Recoverable value of assets allocated to the cash generating units as at 1 April 2009	8,161	21,487	333	362	7,000	3,000
Effect of movements in exchange rates	(465)	(1,223)	80	(21)	(398)	(171)
Assets realised during the year	–	–	–	(341)	(1,886)	–
Other movements during the year	5,493	1,285	(107)	–	2,216	2,219
Total carrying values of assets allocated to the cash generating units as at 31 March 2010	13,189	21,549	306	–	6,932	5,048
Impairment loss						
Intangible exploration assets	–	–	–	–	–	(2,395)
Impairment reversal						
Intangible exploration assets	–	–	–	–	4,073	–
Total impairment reversal/(loss) of assets allocated to the cash generating units for the year ended 31 March 2010	–	–	–	–	4,073	(2,395)
Recoverable value of assets allocated to the cash generating units as at 31 March 2010	13,189	21,549	306	–	11,005	2,653
2011						
Carrying values						
Recoverable value of assets allocated to the cash generating units as at 1 April 2010	**13,189**	**21,549**	**306**	**–**	**11,005**	**2,653**
Effect of movements in exchange rates	**(791)**	**(1,292)**	**5**	**–**	**(660)**	**(159)**
Other movements during the year	**639**	**1,204**	**(65)**	**–**	**4,767**	**2,693**
Total carrying values of assets allocated to the cash generating unit as at 31 March 2011	**13,037**	**21,461**	**246**	**–**	**15,112**	**5,187**
Impairment reversal						
Property, plant and equipment	**11,743**	**–**	**–**	**–**	**–**	**–**
Total impairment reversal of assets allocated to the cash generating units for the year ended 31 March 2011	**11,743**	**–**	**–**	**–**	**–**	**–**
Recoverable value of assets allocated to the cash generating units as at 31 March 2011	**24,780**	**21,461**	**246**	**–**	**15,112**	**5,187**

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Impairment losses:				
Exploration and development assets	**–**	(2,395)	**–**	–
Trade and other receivables	**–**	–	**–**	(2,332)
Impairment loss for the year	**–**	(2,395)	**–**	(2,332)
Impairment reversals:				
Property, plant and equipment	**11,743**	–	**–**	–
Exploration and development assets	**–**	4,073	**–**	–
Non-current investments	**–**	–	**35,981**	–
Impairment reversal of trade and other receivables	**–**	–	**–**	4,331
Impairment reversal for the year	**11,743**	4,073	**35,981**	4,331
Net impairment reversal for the year	**11,743**	1,678	**35,981**	1,999

All impairment charges and reversals have been booked to the income statement in 2011 and 2010.

The Board has assessed the carrying values of the group's intangible exploration assets, property, plant and equipment and equity investments for impairment as at 31 March 2011. In addition, the company's investments in, and loans to subsidiaries have been assessed for impairment as at 31 March 2011.

As a result of these assessments, the impairment charges recognised in previous years to reduce the carrying value of property, plant and equipment of Freda Rebecca have been reversed. Impairment charges recognised in previous years to reduce the carrying value of the company's investment in Mwana Africa Holdings (Pty) Ltd has also been reversed.

Freda Rebecca

In September 2010, Freda Rebecca exceeded its targeted Phase I monthly production rate of 2,500oz. The consistent achievement of this targeted production rate since September 2010 has resulted in the operations at Freda Rebecca being considered as having achieved steady state during the year. The achievement of steady state has prompted a review of the assets for potential reversal of impairments recognised in previous years. A value in use of US$66 million (£41 million) has been calculated as a present value of future cash flows on the basis of the annual production rate of 50,000oz, the operations Phase II target.

Gold Exploration Assets

Mwana Africa owns gold exploration prospects in the DRC with currently defined resources totalling 1,253,766oz (2010: 638,290oz). A 96.4% increase in resource ounces combined with a stable outlook on the price of gold indicate a recoverable value exceeding the carrying value of the assets. Consequently, no further impairment is considered necessary.

Base Metal Exploration Assets

Mwana Africa holds exploration concessions in the Katanga province of the DRC. As at 31 March 2011, expenditure of £18.7 million (2010: £17.9 million) had been incurred on exploration at the concessions. Management estimated a recoverable value of £5.2 million on the basis of its fair value less costs to sell. Following impairment of £13.5 million recorded in previous years, no further impairment charge is necessary.

Company – Investments

The value of investments in subsidiary companies has been adjusted as a result of the impairment reversal of Freda Rebecca's assets. Investments in subsidiary companies were impaired by £36 million in previous years as a result of the operations of Bindura Nickel Corporation Limited and Freda Rebecca being on care and maintenance. Achievement of steady state production by Freda Rebecca during the year has resulted in an increase in the carrying value of the investment, and consequently, a reversal of the impairments recognised in previous years.

11. Impairment (continued)

The directors have assessed the carrying value of the group's investment in BNC in light of the need to raise funds for the planned restart of the Trojan mine and the Zimbabwe Government's recent indigenisation proposals as set out in more detail in note 2 Basis of preparation 'going concern'. Given the directors are confident that appropriate funding will be secured for the restart and the indigenisation requirements will be met without significant impact on the group's interest in BNC, no further impairments are considered necessary as at 31 March 2011.

12. Net finance income and costs

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Interest income on bank deposits	**87**	53	**25**	37
Investments	**–**	81	**–**	–
Finance income	**87**	134	**25**	37
Interest costs	**(555)**	(428)	**–**	–
Foreign exchange differences	**(1,358)**	–	**–**	–
Finance costs	**(1,913)**	(428)	**–**	–

13. Income tax expense

	2011 £'000	2010 £'000
Current tax expense		
Current year tax	**–**	3
Prior periods tax	**132**	28
Deferred tax expense		
Origination and reversal of temporary differences	**3,916**	(770)
Recognition of previously unrecognised tax losses	**(688)**	553
Effect of change in tax rate	**–**	253
Total income tax expense	**3,360**	67
Reconciliation of effective tax rate		
Loss before income tax	**(3,801)**	(14,376)
Income tax using the company's domestic tax rate – 28% (2010: 28%)	**1,064**	4,025
Effect of tax rates in foreign jurisdictions	**(501)**	(714)
Non-deductible expenses	**(776)**	(1,183)
Prior year current tax	**(124)**	28
Prior year deferred tax	**869**	(980)
Utilised tax losses brought forward	**(704)**	553
Current year losses for which no deferred tax asset was recognised	**(3,636)**	(3,818)
Other temporary differences not recognised	**448**	2,022
Total tax expense as per consolidated income statement	**(3,360)**	(67)

Deferred taxation impacts are described more fully in note 19.

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.

14. Dividends

No dividends were declared during the 2011 financial year (2010: nil).

15. Earnings per share

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

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

	2011	2010
	£'000	£'000
Earnings		
Loss attributable to ordinary shareholders	(2,148)	(14,520)
	Number	Number
Weighted average number of shares		
Issued ordinary shares at the beginning of the year	400,433,819	385,707,792
Effect of shares issued	107,522,670	14,726,027
Weighted average shares at the end of the year	507,956,489	400,433,819
Basic loss per share	(0.42p)	(3.63p)
Diluted loss per share	(0.42p)	(3.63p)

No dilutive effect is recognised for the 2011 financial year as the dilutive potential ordinary shares would reduce the loss per share.

16. 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 2009	68,797	23,817	2,032	2,713	22,265	9,633	129,257
Additions	1,787	162	61	–	–	18	2,028
Additions of environmental assets	5,402	–	–	–	–	–	5,402
Disposals	(14)	–	(12)	–	–	(14)	(40)
Effect of movements in exchange rates	(3,706)	(1,451)	41	(125)	(1,268)	(547)	(7,056)
Balance at 31 March 2010	72,266	22,528	2,122	2,588	20,997	9,090	129,591
Additions	3,969	–	26	–	–	–	3,995
Additions of environmental assets	24	–	–	–	–	–	24
Write down of environmental assets recognised previously	(906)	–	–	–	–	–	(906)
Disposals	(72)	–	–	–	–	–	(72)
Effect of movements in exchange rates	(4,448)	(1,350)	(68)	(145)	(1,259)	(545)	(7,815)
Balance at 31 March 2011	**70,833**	**21,178**	**2,080**	**2,443**	**19,738**	**8,545**	**124,817**
Depreciation and impairment losses							
Balance at 1 April 2009	(51,774)	(14,181)	(1,618)	(2,711)	(19,085)	(9,500)	(98,869)
Depreciation for the year	(1,006)	–	(162)	–	–	(24)	(1,192)
Disposals	3	–	7	–	–	3	13
Effect of movements in exchange rates	3,302	810	46	123	1,086	541	5,908
Balance at 31 March 2010	(49,475)	(13,371)	(1,727)	(2,588)	(17,999)	(8,980)	(94,140)
Impairment reversal	11,743	–	–	–	–	–	11,743
Depreciation for the year	(1,124)	–	(118)	–	–	(23)	(1,265)
Disposals	41	–	–	–	–	–	41
Effect of movements in exchange rates	2,998	802	73	145	1,079	539	5,636
Balance at 31 March 2011	**(35,817)**	**(12,569)**	**(1,772)**	**(2,443)**	**(16,920)**	**(8,464)**	**(77,985)**
Carrying amounts							
At 31 March 2009	17,023	9,636	414	2	3,180	133	30,388
At 31 March 2010	22,791	9,157	395	–	2,998	110	35,451
At 31 March 2011	**35,016**	**8,609**	**308**	**–**	**2,818**	**81**	**46,832**

Depreciation on exploration assets was capitalised to intangible assets.

The net book value of the company's property, plant and equipment as at 31 March 2011 amounted to £66,811 (2010: £92,187). Depreciation charged to the income statement of the company during the year amounted to £28,772 (2010: £18,749) and capital expenditure for the year to £3,395 (2010: £53,874).

17. Intangible assets

	Goodwill £'000	Development assets £'000	Exploration and evaluation assets £'000	Total £'000
Cost or deemed cost				
Balance at 1 April 2009	34,782	5,783	113,836	154,401
Capitalised exploration costs	–	–	4,047	4,047
Capitalised depreciation	–	–	141	141
Effect of movements in exchange rates	–	–	119	119
Balance at 31 March 2010	34,782	5,783	118,143	158,708
Capitalised exploration costs	–	–	7,652	7,652
Capitalised depreciation	–	–	33	33
Effect of movements in exchange rates	–	–	(1,887)	(1,887)
Balance at 31 March 2011	**34,782**	**5,783**	**123,941**	**164,506**
Amortisation and impairment losses				
Balance at 1 April 2009	(34,782)	(5,783)	(105,836)	(146,401)
Impairment reversal	–	–	4,073	4,073
Impairment loss	–	–	(2,395)	(2,395)
Effect of movements in exchange rates	–	–	(326)	(326)
Balance at 31 March 2010	(34,782)	(5,783)	(104,484)	(145,049)
Effect of movements in exchange rates	–	–	842	842
Balance at 31 March 2011	**(34,782)**	**(5,783)**	**(103,642)**	**(144,207)**
Carrying amounts				
At 31 March 2009	–	–	8,000	8,000
At 31 March 2010	–	–	13,659	13,659
At 31 March 2011	**–**	**–**	**20,299**	**20,299**

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

18. Investments

Group

	Ownership %	2011 £'000	2010 £'000
Mantle Diamonds Ltd	10.31	**1,025**	1,000
Signature Metals Ltd	5.35	**997**	702
Others		**494**	374
Total investments		**2,516**	2,076

Shares in Signature Metals Ltd were sold subsequent to the year-end for a total consideration of £742,751.

The group has other investments which include a 20% interest in Société Miniére de Bakwanga (MIBA) in the DRC, an 18% interest in the Camafuca project in Angola, and a 55% interest in the BK16 project in Botswana which will be reduced to 12.5% in terms of an agreement with Firestone Diamonds, once a bankable feasibility study has been completed. These investments are carried at £nil value (2010: £nil)

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

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

Company

	Shares in non-group undertakings £'000	Shares in group undertakings £'000	Total £'000
Cost			
At beginning of year	1,000	9,602	10,602
Acquisition of investments	25	–	25
Disposal of investments	–	(192)	(192)
Share-based payments to subsidiary employees	–	19	19
Reversal of impairment	–	35,981	35,981
At end of year	**1,025**	**45,410**	**46,435**
Net book value			
At 31 March 2009	–	9,627	9,627
At 31 March 2010	1,000	9,602	10,602
At 31 March 2011	**1,025**	**45,410**	**46,435**

The carrying value of the investment in Mwana Africa Holdings (Pty) Ltd amounted to £44,618,315 as at 31 March 2011. An impairment reversal of £35,980,887 has been recorded during the period against this investment. Mwana Africa Holdings (Pty) Ltd, which is a subsidiary of the company, is the holding company of the group's Zimbabwean operations. The recoverable value of this investment exceeds its carrying value as a result of the increase in the expected return in the investment relating to the Freda Rebecca mine, requiring a full reversal of previous impairments. Recent developments in the Zimbabwe indigenisation legislation, which are explained in more detail in the Directors' report on page 22, may have an impact on the recoverable value of the investment in Mwana Africa Holdings (Pty) Ltd. The impact cannot be reliably measured as there are uncertainties regarding the implementation of this legislation and the directors consider there is a material uncertainty which may cast significant doubt over the carrying value of the investment. 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.

In addition to the company's investments in shares in group undertakings, loans to group undertakings totalling £35,153,734 (2010: £27,126,976) are included in trade and other receivables within note 23.

The major subsidiaries in which the group's interest at the year end is more than 20% are as follows:

Subsidiary undertakings	Country	Activity	Percentage of shares held by group
Alpinore Limited	Ghana	Mining and exploration of gold	100
SEMHKAT SPRL†	Democratic Republic of Congo	Base metal exploration	100
Bindura Nickel Corporation Limited	Zimbabwe	Holding company	52.9
Trojan Nickel Mine Limited	Zimbabwe	Nickel mining	52.9
Freda Rebecca Gold Mine Limited	Zimbabwe	Gold mining	100
Mwana Africa Holdings Limited	Mauritius	Holding company	100
Mwana Africa Holdings (Proprietary) Limited*	South Africa	Holding company	100
Basilik Trading (Proprietary) Limited	South Africa	Management services	100
Sibeka SA*	Belgium	Holding company	100
Mwana Africa Congo Gold SPRL†	Democratic Republic of Congo	Exploration of gold	100
Diamond Mines Australia (Proprietary) Limited	Australia	Diamond exploration	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	100
SouthernEra RDC†	Democratic Republic of Congo	Diamond exploration	100

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

† 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.

The group holds a 66.7% interest (2010: 65%) in the Klipspringer diamond mine joint venture situated in South Africa's Limpopo Province. Information regarding the loss from the joint venture has been disclosed in accordance with IAS31 Interests in Joint Ventures and can be found in note 6. The group had no other material interest in an associate or joint venture.

19. Deferred tax assets and liabilities

	2011 £'000	2010 £'000
Net deferred tax liability at beginning of year	**669**	670
Charge to the income statement	**3,228**	36
Exchange rate adjustment	**(134)**	(36)
Net deferred tax at end of the year	**3,763**	670
Deferred tax assets	**(1,575)**	–
Deferred tax liabilities	**5,338**	670
The elements of deferred taxation are as follows:		
Difference between accumulated depreciation and amortisation and capital allowances	**10,255**	8,919
Unutilised losses	**(4,063)**	(5,091)
Other timing differences	**(2,429)**	(3,158)
	3,763	670

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

Unrecognised deferred taxes

	2011 £'000	2010 £'000
Deferred taxes have not been recognised in respect of the following items:		
Difference between accumulated depreciation and amortisation and capital allowances	**930**	74
Tax losses	**15,546**	24,053
Other timing differences	**370**	425
	16,846	24,552

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

Deferred tax assets and liabilities are attributable to the following:

	Asset		Liability		Net	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Property, plant and equipment	**–**	–	**(10,255)**	(8,919)	**(10,255)**	(8,919)
Mine rehabilitation provision	**652**	–	**1,976**	3,353	**2,628**	3,353
Tax loss	**882**	–	**3,181**	5,091	**4,063**	5,091
Others	**41**	–	**(240)**	(195)	**(199)**	(195)
Total	**1,575**	–	**(5,338)**	(670)	**(3,763)**	(670)

20. Non-current receivables

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Loans and other receivables	**19**	139	**–**	–
Environmental investment	**929**	866	**–**	–
	948	1,005	**–**	–

21. Cash and cash equivalents

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Cash at bank and on hand	**4,592**	6,300	**1,279**	–
Call deposits	**–**	8,856	**–**	8,856
Cash and cash equivalents	**4,592**	15,156	**1,279**	8,856

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

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Australian dollar	**–**	272	**–**	–
British pound	**352**	7,330	**352**	7,330
Euro	**5**	5	**–**	–
South African rand	**369**	244	**34**	–
United States dollar	**3,866**	7,305	**893**	1,526
Net cash and cash equivalents	**4,592**	15,156	**1,279**	8,856

£69,027 (2010: £67,946) represents restricted cash and is being held by various institutions as guarantees.

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

22. Inventories

	2011	2010
	£'000	£'000
Raw materials and consumables	**4,159**	3,544
Work in progress	**265**	–
Finished goods	**173**	130
	4,597	3,674

During the year, raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to £10,422,100 (2010: £21,471,968), with raw materials written down by £64,905 (2010: nil) to net realisable values.

23. Trade and other receivables

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Trade receivables	**2,785**	3,751	**–**	–
Receivables from group undertakings	**–**	–	**35,154**	27,127
Loans and other receivables	**5,987**	7,347	**2,220**	2,878
Pre-payments	**719**	1,042	**98**	108
Tax receivable	**91**	57	**–**	–
	9,582	12,197	**37,472**	30,113

All current trade and other receivables are due within 12 months of the financial year-end. Receivables from group undertakings are due and payable on demand.

Of the £35,153,734 (2010: £27,126,923) above being receivable from group undertakings, £201,437 (2010: £81,831) is due from BNC and £7,970,231 (2010: £8,704,958) is due from Freda Rebecca. The directors have considered the recoverability of these amounts in light of the cash resources at BNC and the need for financing for the restart of Trojan and the uncertainty around the potential impact of the Zimbabwe indigenisation law on both BNC and Freda Rebecca. The directors are satisfied that these amounts are due and will be received.

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

24. Available-for-sale financial assets

	2011	2010
	£'000	£'000
Equity investments	**–**	2,250

Investments in shares on the Zimbabwean Stock Exchange were made in previous years to preserve the value of Zimbabwean dollar surpluses held by Bindura Nickel Corporation Limited. These investments were all disposed of during the year for a profit of £1.0m, and the proceeds of £1.8 million used to fund ongoing care and maintenance costs.

25. Assets held for sale

	2011	2010
	£'000	£'000
Capitalised exploration costs	**–**	108

Exploration interests valued at US$227,334 (2010: US$162,147) were transferred to investments following completion of conditions precedent relating to the agreement of a sale.

26. Issued share capital

	Number of shares		Nominal value of shares	
	2011	2010	2011 £'000	2010 £'000
Authorised				
Ordinary shares of 10 pence each	**Unlimited**	65,000,000	**Unlimited**	65,000
Allotted, called up and fully paid				
Opening balance	**488,774,359**	400,433,819	**48,877**	40,043
Issued during the year	**46,367,401**	88,340,540	**4,637**	8,834
Closing balance	**535,141,760**	488,774,359	**53,514**	48,877

During the year the company issued 46,367,401 ordinary 10 pence shares for 11 pence per share (2010: 88,340,540 ordinary 10 pence shares for 10 pence per share) raising total consideration of £5,100,414 (2010: £8,834,054).

No shares were issued but not fully paid as at 31 March 2011 (2010: nil).

27. Loan payable

	2011 £'000	2010 £'000
Total liability	**2,368**	–
Current portion (included in note 29, provisions and other payables)	**(449)**	–
Long-term portion	**1,919**	–

Freda Rebecca has drawn down US$4 million (£2.5 million) of a US$10 million IDC loan facility for its Phase I capital project. An additional amount of US$6 million (£3.7 million) which relates to the Phase II project remains undrawn due to unfulfilled conditions precedent. This portion will be drawn down once conditions have been satisfied. The loan is secured by a mortgage bond registered over moveable and immovable assets of Freda Rebecca Gold Mine.

28. Rehabilitation provisions

	2011 £'000	2010 £'000
Balance at beginning of the year	**13,954**	5,580
Exchange rate adjustments	**(770)**	(22)
Provisions made during the year	**52**	8,396
Provisions reversed during the year	**(2,157)**	–
Unwinding of discount	**122**	–
Balance at end of the year	**11,201**	13,954

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.

29. Provisions and other payables

	Provisions at beginning of year £'000	Effect of movements in exchange rates £'000	Additional provisions £'000	Provisions at end of year £'000
2011				
Legal provision	**819**	**(49)**	**1,232**	**2,002**
Other provisions	**423**	**(22)**	**3,875**	**4,276**
Provisions	**1,242**	**(71)**	**5,107**	**6,278**
Other payables and accrued expenses				**13,291**
Current portion of non-current loan payable				**449**
Total provisions and other payables				**20,018**
2010				
Legal provision	120	(28)	727	819
Other provisions	378	(22)	67	423
Provisions	498	(50)	794	1,242
Other payables and accrued expenses				12,036
Total provisions and other payables				13,278

The company's other payables and accrued expenses as at 31 March 2011 amounted to £1,284,837 (2010: £1,052,928).

30. Pension scheme

Group

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

Mining Industry Pension Fund

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

Others

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

The pension charge for the year represents contributions payable by the group to the various schemes and amounted to £177,264 (2010: £151,695).

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 £119,003 (2010: £90,775).

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

31. Share-based payments

Share options – employees

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

1997 Scheme

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

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

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

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

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

2007 Scheme

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

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

Options may be granted when the Remuneration Committee determines, within 42 days of the announcement by the company of its full or interim results. Options may be granted outside the 42-day period if the Remuneration Committee considers there to be exceptional circumstances. Options must be granted subject to performance conditions being satisfied. The performance conditions must be objective and, save where the Remuneration Committee determines there to be exceptional circumstances, the performance conditions must relate to the overall financial performance of the company or the market value of ordinary shares over a period of at least three years. The performance conditions can be waived or amended by the Remuneration Committee if it determines that a change of circumstances means that the performance conditions cannot reasonably be met. 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 it 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.

31. Share-based payments (continued)

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

Other share-based payments

At the time of the acquisition of Freda Rebecca Gold Mine in 2005, the group agreed to sell a 15% interest in the company with a value of US$375,000 to a local investor. This option has vested immediately on inception and can be exercised at any time. Documentation and completion of the sale have yet to be concluded.

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.

	2011		2010	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Unapproved Options – 1997 Scheme				
Outstanding at beginning of the year	**54p**	**19,565,000**	48p	19,770,000
Granted during the year	**–**	**–**	–	–
Exercised during the year	**–**	**–**	–	–
Lapsed/cancelled during the year	**84p**	**(275,000)**	48p	(205,000)
Outstanding at end of the year	**53p**	**19,290,000**	54p	19,565,000
Exercisable at end of the year	**53p**	**19,290,000**	54p	19,565,000
Unapproved Options – 2007 Scheme				
Outstanding at beginning of the year	**26p**	**17,988,408**	43p	14,597,648
Granted during the year	**–**	**–**	13p	9,760,715
Exercised during the year	**–**	**–**	–	–
Lapsed/cancelled during the year	**27p**	**(1,587,693)**	47p	(6,369,955)
Outstanding at end of the year	**25p**	**16,400,715**	26p	17,988,408
Exercisable at end of the year	**40p**	**7,390,000**	–	–
Approved Options – 2007 Scheme				
Outstanding at beginning of the year	**26p**	**550,438**	40p	331,198
Granted during the year	**–**	**–**	14p	274,285
Exercised during the year	**–**	**–**	–	–
Lapsed/cancelled during the year	**33p**	**(92,307)**	55p	(55,045)
Outstanding at end of the year	**24p**	**458,131**	26p	550,438
Exercisable at end of the year	**40p**	**183,846**	–	–

The total expenses recognised for the year arising from share-based payments related to share options is £139,310 (2010: £261,927).

No options were exercised during current or previous year.

The options outstanding at the year-end have a range of exercise prices of 10p to 79p (2010: 10p to 125p) and a weighted average contractual life of 5.0 years (2010: 6.0 years).

For share option grants made in the current and prior year:

	2011	2010
Weighted average fair value at measurement date	–	4p
Weighted average share price	–	13p
Weighted average exercise price	–	13p
Expected volatility	–	35%
Expected option life	–	4.5 years
Expected dividends	–	–
Risk-free interest rate	–	4.0%

The expected volatility is primarily based on the historic volatility.
Since the year-end, 750,000 share options have been awarded, 50,000 share options have lapsed and no share options have been exercised.

32. Financial instruments

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

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

Trade receivables of £1,799,860 (2010: £884,583) were due to Freda Rebecca by the Zimbabwean Chamber of Mines, none of which was outstanding past its due date. Trade receivables of £848,863 (2010: £2,866,294) were receivable from a well-established commodities trader. None of the trade receivables was outstanding past its due date.

Based on historical default rates, the group believes that no impairment allowance is necessary in respect of trade receivables as explained in note 4.

Exposure to currency risk

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

	2011					2010				
	USD	ZAR	GBP	Other	Total	USD	ZAR	GBP	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Receivables	**8,766**	**466**	**350**	**–**	**9,582**	9,522	924	1,743	8	12,197
Net cash and cash equivalents	**3,866**	**369**	**352**	**5**	**4,592**	7,305	244	7,330	277	15,156
Payables	**(26,287)**	**(761)**	**(1,290)**	**–**	**(28,338)**	(20,217)	(764)	(1,171)	(5)	(22,157)
Gross balance sheet exposure	**(13,655)**	**74**	**(588)**	**5**	**(14,164)**	(3,390)	404	7,902	280	5,196

The following significant exchange rates applied against the British pound during the year:

	Average rate		Balance sheet rate	
	2011	2010	2011	2010
AUD	**1.6510**	1.8859	**1.5551**	1.6397
EUR	**1.1769**	1.1296	**1.1372**	1.1204
USD	**1.5561**	1.5963	**1.6033**	1.5072
ZAR	**11.2093**	12.5117	**10.9642**	11.1420

Sensitivity analysis

A 10% weakening of the British pound against the following currencies at 31 March and the average rate for the year ended 31 March would have increased/(decreased) equity and results before minority interest by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

	Equity		Results	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
USD	**2,587**	3,083	**587**	698
AUD	**–**	20	**–**	33
ZAR	**(3,279)**	(579)	**(385)**	(154)

A 10% strengthening of the British pound 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.

Commodity price risk

For the 2011 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 2010.

	Equity		Results	
	2011	**2010**	**2011**	**2010**
	£'000	**£'000**	**£'000**	**£'000**
10% increase in nickel price	**257**	624	**265**	1,180
10% decrease in nickel price	**(257)**	(624)	**(265)**	(1,180)
10% increase in gold price	**2,260**	598	**2,328**	598
10% decrease in gold price	**(2,260)**	(598)	**(2,328)**	(598)

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 4, along with the risks and uncertainties included within the forecasts.

Financial risk management

Fair values

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

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

	Book value		Fair value	
	2011	**2010**	**2011**	**2010**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets				
Investments	**2,516**	2,076	**2,516**	2,076
Non-current receivables	**948**	1,005	**948**	1,005
Trade and other receivables	**9,582**	12,197	**9,582**	12,197
Cash and cash equivalents	**4,592**	15,156	**4,592**	15,156
Financial liabilities				
Trade and other payables	**9,188**	8,879	**9,188**	8,879
Other payables	**19,568**	12,036	**19,568**	12,036

33. Events after the reporting period

At an extraordinary general meeting held on 9 June 2011, the shareholders approved a capital reorganisation under which the existing ordinary shares with a nominal value of 10p each were subdivided into one new ordinary share of 1p and one deferred share of 9p. Immediately following the capital reorganisation, every shareholder held one new ordinary share and one deferred share in place of any existing share held.

On 9 June 2011 the company successfully placed 185,425,548 shares at a price of 5p for a total consideration of £8.8 million net of costs.

34. Related party disclosures

Group

Transactions between group subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Company

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

During the period March to September 2010, Mr Oliver Baring incurred costs of a personal nature on his company credit card, a balance which is settled by the company on a monthly basis. £82,288 including interest charged at 3% per annum was repaid on 30th of September 2010.

35. 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	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Contracted	**1,801**	1,390	**–**	–

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

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	**198**	236	**130**	130
Two to five years	**153**	351	**153**	283
Over five years	**–**	–	**–**	–
Contracted	**351**	587	**283**	413

Contingent liabilities

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

The following contingencies exist at the year-end:

Group

- There are a number of legal claims which have been brought against BNC and Freda Rebecca.

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.

Notes

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Forward-looking statements

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

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

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

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