



Wesizwe
 Registration number 2003/020161/06 Share code: WEZ ISIN: ZAE00075859 ("Wesizwe" or "the Group")

Introduction

The challenges of this financial year have pushed management to think out of the box in order for the Group to stay on its strategic course. Despite the severe capital constraints, the Group was legally obliged to continue to advance the mine construction and development in terms of the mining licence. The company has been affected by developments around the community's plight for proper accounting for their assets. The company had to rely on a court interdict against interruptions at the construction site. The Company's Annual General Meeting (AGM) was halted and postponed pending a resolution of the intra-shareholder dispute. Regrettably, other Wesizwe shareholders have been unduly affected by these disputes. The share price of Wesizwe exhibited a free-fall direction, a trend which was reinforced by market pessimism around management's ability to finalise a capitalisation transaction for the development of the mine. The public announcement of the successful conclusion of negotiations with the Jinchuan Group Limited (Jinchuan) and the China-Africa Development Fund (CADFund) (collectively referred to as the Chinese consortium) has introduced a welcome reprieve.

This successful capital raising is a significant milestone in the life of Wesizwe – it is a destiny-changing trigger in that, after this transaction, the company will be different in many ways. With this transaction, Wesizwe acquires a new strategic shareholder who has the capacity to influence Wesizwe's future. The company will have at its disposal sufficient cash and guarantees that would see the development and delivery of the Frischgewaagd-Ledig mine. In Jinchuan, Wesizwe has secured a formidable technical partner who has the potential to influence key issues over the development of its core project. With the CADFund, Wesizwe gains access to a strong balance sheet which provides an underpin for future growth opportunities for Wesizwe. In so far as consolidation and synergy opportunities in the bushveld complex, Wesizwe now has a "ticket to the game" where it can assume its rightful position in the industry alongside its peers.

Operations review

In spite of the limited cash resources, the Group had to continue mine development activities in line with the requirements of its mining licence. With judicious capital rationing and austerity measures, management managed to demonstrate commitment to progress the mine construction process.

- The following capital development activities at the mine site were achieved with the benefit of interim funding from the Bank of China:
- Complete construction of the power supply (Eskom) teracing;
 - Establishment of substation container base;
 - Complete construction of access roads on mine site;
 - Construction of temporary water pipeline;
 - Ventilation shaft teracing;
 - Partial construction of the Ventilation boxcut (fenced);
 - Construction of trapezoidal drains; and
 - Construction of the first pollution control dam.

Financial review

Wesizwe's gross charges for the year amounted to R102.8 million (R57.5 million in 2009) and relates to operating expenditure, impairment of mineral rights, investment in subsidiary and exploration expenditure. Included in the operating expenditure are material exceptional expense items such as corporate finance and transaction fees of R27.8 million, Yorkville and Bank of China draw down facility fees of R5 million, legal fees of R3.2 million and corporate governance review costs of R1.7 million.

Operational activities resulted in a profit of R298.9 million (R38.9 million in 2009) comprising gross charges of R102.8 million (R57.5 million in 2009) offset by a gain on bargain purchase of R378.1 million, profit on the re-measurement of the equalisation liability denominated in a foreign currency of R17.9 million, net finance income of R5.6 million and other sundry income of R0.1 million. There was a significant reduction in interest income which amounted to R6.1 million (R16.5 million in 2009). The basic earnings per share for the period was 40.87 cents per share (basic loss of 6.65 cents per share for the same period in 2009). The headline loss per share was 9.76 cents per share (headline loss of 6.65 cents per share for same period in 2009).

During the year under review the Group's assets doubled from R1.3 billion to R2.6 billion. This increase was mainly attributable to the acquisition by Wesizwe of Rustenburg Platinum Mines Limited's (RPM) prospecting rights and 37% participation rights in the Western Bushveld Joint Venture (Project Delta), which led to the consolidation and rationalisation of the various reserves around Wesizwe's core project, the Frischgewaagd-Ledig mine. As the acquisition was equity-settled, RPM becomes the single largest shareholder in Wesizwe.

Applying the principles of IFRS 3 *Business Combinations and Separate Financial Statements*, the Project Delta transaction was accounted for using the purchase method. Any difference between the acquisition-date fair value and the consideration paid is required to be recognised as goodwill.

In accounting for Project Delta, the fair value of the 37% interest in the WBJV far exceeded the consideration paid thus resulting in a "bargain purchase". A bargain purchase represents negative goodwill which must be accounted for in profit or loss through the statement of comprehensive income.

The Project Delta transaction further resulted in the net asset value of the Group exceeding the current market capitalisation. Management is of the opinion that the investment acquired is fairly valued and no impairment is required.

It is important to highlight that Wesizwe's reported headline loss resulted from cash consuming activities that support the project development process which is the basis for value creation and future capital growth. These losses therefore are likely to continue until such time that the Group commences mining production activities that will generate revenues and ultimately profit for distribution in the form of dividends in the long run.

It is a common industry practice to value the company by attributing a discount or premium to the net present value (NPV) of the company's projects. Development stage (junior) companies are usually priced at a discount to NPV (currently 0.4x to 0.8x). Precursors are priced at a premium to NPV (average 1.5x). At the lowest ebb, Wesizwe was valued at 0.3x NPV, a 70% discount to NPV.

Strategy direction and focus

The resumption of the 2009 AGM should offer Wesizwe an opportunity to draw a line in the sand from the murky past. The Group ought to leave behind all the negative aspects and move into a new era focusing on shareholder value creation. Wesizwe shareholders deserve better and should at least be relieved from the theatrics and dramatics which have been the primary cause for value erosion.

With capital funding secured, the strategic thrust for the company is now clear. The focus will be on accelerating the mine construction at the core project of Wesizwe.

While the primary focus for Wesizwe is the development and construction of the Frischgewaagd-Ledig mine, the company is well placed to play a key role in the opportunities for consolidation around the bushveld complex. In addition, management is evaluating potential infrastructure synergies with the Group's neighbours on the complex. The realisation of these synergies would significantly reduce investment expenditure which would in turn improve the NPV of the project.

The conclusion of Project Delta provided a simplified ownership structure which makes it viable and possible to implement and realise cost optimisation synergies that are beneficial to both the Frischgewaagd-Ledig mine and Maseve Investments 11 (Proprietary) Limited (Maseve) (Projects 1 and 3). Wesizwe and Platinum Group Metals (RSA) (Proprietary) Limited (PTM) have a cordial working relationship which is essential for unlocking and realising the contemplated synergies. As an ultimate 26% investor in Maseve, Wesizwe will have influence over the developments of Projects 1 and 3. Wesizwe's capital contribution is significantly covered for a period in excess of two years of development through PTM's exercising the option to subscribe for additional shares, thus diluting Wesizwe's shareholding from 45.25% to 26% in Maseve.

Markets

Money markets and commodity markets have continued to be extremely volatile. The rand strengthened from R7.34 in January and closed at R6.63. Platinum prices have improved from an average of USD1 205/oz in 2009 to an average of USD1 581/oz. While the rand's strength and platinum group metals (PGM) prices usually have a counteracting effect on minerals value, the situation is different in that platinum prices are exhibiting differing rates of volatility. The rand is more volatile than PGM prices. Most concerning to Wesizwe is the fact that, as a result of the strengthening of the rand, the company may receive a reduced rand amount from the dollar capital proceeds from its capitalisation transaction.

Corporate governance

The objective of Wesizwe's governance regime is to achieve the highest level of compliance in all regulated and legislated areas. The board is the ultimate custodian of the Group's governance principles and policies; therefore a strong, well functioning board is fundamentally important to the achievement of good corporate governance. It is anticipated that after the conclusion of the capitalisation transaction, the Wesizwe board will be complemented and strengthened further with representatives of the new shareholders.

Currently, the board is supported by five sub-committees, which are chaired by non-executive directors as required under the provisions of King III. It is anticipated that going forward, these committees will be rationalised to provide a platform for optimal compliance on corporate governance matters.

Directors and changes in directors

- The following directorate changes have taken place since the last report:
- Humphrey Mathe Resigned 11 January 2010
 - Clive Knobbs Resigned 11 January 2010
 - Ezekiel Mookgogola Resigned 11 January 2010
 - Arthur Mashitshidi Appointed as finance director on 1 March 2010
 - Milbo Mqudwa Appointment changed from non-executive to executive director 15 March 2010
 - Mike Rogers Appointed 23 April 2010 and resigned 25 August 2010 due to a conflict of interest
 - Kgomotso Moroka Appointed as non-executive director representing RPM on 7 September 2010
 - Boris van der Merwe Appointed as non-executive director representing RPM on 7 September 2010
 - Goleele Mosinyi Resigned 17 September 2010
 - Michael Solomon Resigned as chief executive and remains as non-executive director effective 1 October 2010
 - Arthur Mashitshidi Assumed the role as chief executive effective 1 October 2010
 - Jacques de Wet Appointed as finance director on 1 October 2010

In accordance with article 29 of the company's articles of association one-third of the directors shall retire at each annual general meeting on a rotational basis as determined in this article. Retiring directors are eligible for re-election. Julian Williams was not re-elected at the 2009 annual general meeting held on 9 March 2011.

In terms of the company's articles of association, new directors may hold office until the next annual general meeting at which they are required to retire and offer themselves up for re-election. Arthur Mashitshidi and Milbo Mqudwa's appointments were confirmed at the 2009 annual general meeting held on 9 March 2011.

The directors retiring and seeking re-election at the annual general meeting are Mike Eksteen, Dawn Mokhobo, Rob Rainey and Michael Solomon. Confirmation of the appointments of Jacques de Wet and Barrie van der Merwe will be sought at the 2010 annual general meeting.

Funding and going concern

The management of Wesizwe assesses the liquidity risk of the Group on a continuous basis and has adopted a cash preservation approach in dealing with operating costs of the Group. Where possible, capital commitments were deferred with the exception of items of a strategic nature to the implementation timeline of the Frischgewaagd-Ledig mine such as the teracing of the shafts and the electricity substation.

The WBJV agreements required the payment of an equalisation payment by Africa Wide Mineral Prospecting and Exploration (Proprietary) Limited (Africa Wide) to RPM of approximately R120 million to equalise the mineral resources and funding contribution of Africa Wide in relation to its historic 26% economic participation in the WBJV. RPM has the right to nominate settlement in Wesizwe shares. Although the liability is due by 31 March 2011, RPM has granted Wesizwe extension to 31 May 2011 pending the imminent finalisation of the transaction with the Chinese consortium, after which it will be settled in cash.

Following the approval by the shareholders of Wesizwe on 9 March 2011 for the recapitalisation of the company through the issuing of an additional 829,884 million shares and the approval for the waiver of the requirement under Rule 8 of the SRP Code for Jinchuan and CADFund to make a mandatory offer for all the company's ordinary shares, the remaining key conditions precedent to the financial closure of the transaction are:

- The registration of all resolutions and special resolutions required to enable the issuing of the shares to the subscribers; and
- The receipt of approval from the Financial Surveillance Department for the Parties to perform their respective obligations; and
- The receipt of all necessary Chinese regulatory approvals by Jinchuan and CADFund, namely the approval of the National Development and Reform Commission, the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission, and the State Administration of Foreign Exchange.

Management is of the view that, since the shareholder approval has been secured, outstanding conditions precedent, from a Wesizwe perspective, are of an administrative nature and therefore should not prevent the execution of the sale of shares agreement for cash within a reasonable timeframe. Management's understanding is that the Chinese regulatory approvals are at an advanced stage with little or no significant delays being anticipated.

At the date of this report, the Group had cash resources of R31 million available to cover operating expenditure. In addition the Group has access to R49 million available from the Bank of China drawdown facility which will enable the Group to continue progressive development of the Frischgewaagd-Ledig mine.

The directors are of the opinion that the cash resources at the date of this report coupled with the cash to be received from the pending subscription transaction would be sufficient to support the activities of the Group for the next twelve months.

Subsequent events

a) Exercise of PTM option
 In April 2010, Wesizwe received the necessary regulatory approvals required under Project Delta to assume 100% ownership of its core Frischgewaagd-Ledig project whilst retaining a 45.25% interest in Projects 1 and 3 of Maseve with PTM owning the balance of 54.75%. This transaction also granted PTM the option, within a stipulated time period, to increase its stake to 74%. On 14 January 2011 PTM exercised this option by depositing approximately R408 million into an escrow account on behalf of the company. The escrow account is held by Maseve but will be used solely for funding Wesizwe's now 26% contribution to project development.

b) Increase in share capital
 In terms of an ordinary resolution passed at the company's last general meeting held on 9 March 2011, the authorised ordinary share capital of the company was increased from 1 500 000 000 to 2 000 000 000 by the creation of 500 000 000 new ordinary shares of R0.00001 each.

c) Jinchuan transaction
 On 9 March 2011 the Shareholders of Wesizwe approved the issuing of 732 522 177 and 97 362 283 new ordinary shares to a Chinese consortium, consisting of Jinchuan and CADFund, and Micawber, respectively representing 45% and 6% of the company's enlarged issued share capital. The consortium and Micawber will settle the aggregate subscription price of US\$227 million as follows:

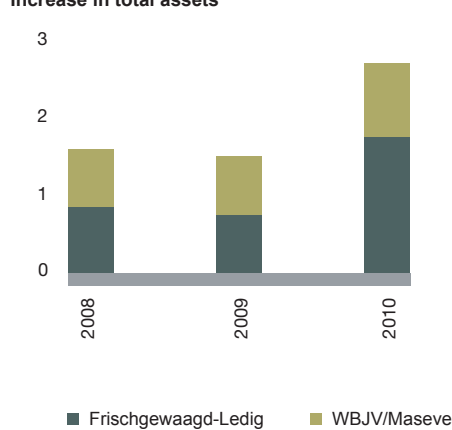
- in respect of the consortium subscription shares, by way of a cash payment of USD200 368 295;
- in respect of the Micawber subscription shares, by way of a cash payment of USD26 631 705.

The combined subscription by the Chinese consortium and Micawber equates to a subscription price of R1.86 per Wesizwe share, at an exchange rate of USD/R6.82 (closing exchange rate 14 December 2010). The company is not providing any funding or any guarantees to or on behalf of Micawber in respect of the specific issue of the Micawber subscription shares. In addition, Jinchuan and CADFund will secure the provision of a USD650 million debt facility to the company on the following terms:

- total commitment is USD650 000 000;
- the term of the loan is 12 years (including a grace period of five years);
- the interest rate is six month LIBOR plus margin of 350 bps;

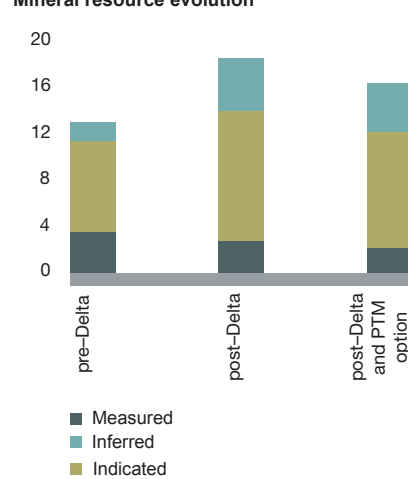
Total assets increased from R1.4 billion – R2.6 billion

Increase in total assets



Mineral resources increased from 13.1Moz - 18.6Moz

Mineral resource evolution



Wesizwe believes that the proposed transaction represents both a compelling value and strategic proposition for shareholders as it provides for a total financing solution for the development of the core project, thereby ensuring that there will be no further dilution of equity throughout the construction phase. With the introduction of Jinchuan, Wesizwe has also secured an experienced mining, financial and technical partner.

Notice of annual general meeting
 Notice is hereby given that the annual general meeting of shareholders will be held at the Glenhove Conference Centre, 52 Glenhove Road, Midvale Estate, Houghton, Johannesburg, at 09:00 on Thursday, 5 May 2011 to consider and, if deemed fit, to pass, with or without modification, the resolutions as stated in the financial statements.

Shareholders are advised that the financial statements will be distributed to shareholders on 31 March 2011.

Share capital R'000	2010 Authorised	2009 R'000
1 500 000 000 (2009: 1 500 000 000) ordinary shares of R0.00001 each	15	15

Issued	2010	2009
797 942 598 (2009: 586 092 473) ordinary shares of R0.00001 each	8	6

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

In terms of an ordinary resolution passed at the company's last annual general meeting held on 9 March 2011, all authorised but unissued share capital was placed under the control of the directors, with the aggregate number of ordinary shares which may be allotted and issued being limited to 15% of the ordinary shares in issue, until the next annual general meeting of shareholders. Shareholders' approval will be sought at the next annual general meeting for the continued placing of unissued share capital under the control of directors.

Statements of financial position at 31 December

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Assets				
Non-current assets	2 516 054	1 218 727	808 716	631 583
Property, plant and equipment	1 583 551	130 993	8 459	9 785
Tangible exploration and evaluation assets	–	143 473	–	–
Intangible exploration and evaluation assets	–	268 367	–	–
Available-for-sale financial asset	10 283	7 162	–	–
Investment in equity accounted investee	922 220	668 732	–	–
Investment in subsidiaries	–	–	800 257	621 798
Current assets	56 237	143 756	1 035 678	717 931
Loans receivable from subsidiaries	–	–	988 768	577 499
Loan to the Bakubung community	8 257	–	8 257	–
Other receivables	9 271	4 870	291	1 711
Restricted cash	27 852	27 802	27 852	27 802
Cash and cash equivalents	10 857	111 084	10 510	110 919
Total assets	2 572 291	1 362 483	1 844 394	1 394 514
Equity and liabilities				
Capital and reserves	2 105 860	1 337 828	1 716 902	1 337 102
Share capital	8	6	8	6
Share premium	1 955 159	1 489 091	1 955 159	1 489 091
Share-based payment reserve	65 384	62 582	65 384	62 582
Available-for-sale reserve	1 012	726	–	–
Retained earnings/(accumulated loss)	84 297	(214 577)	(303 649)	(214 577)
Non-current liabilities	290 113	–	–	–
Deferred tax liability	290 113	–	–	–
Other non-current liabilities	–	–	–	–
Current liabilities	176 318	24 655	127 492	12 412
Trade and other payables	22 214	24 655	6 658	12 412
Bridging loan	33 270	–	–	–
Equalisation liability	120 834	–	120 834	–
Total equity and liabilities	2 572 291	1 362 483	1 844 394	1 394 514

Statements of comprehensive income for the year ended 31 December

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Revenue	–	–	14 186	12 824
Other income	144	176	144	176
Gain on bargain purchase	378 083	–	–	–
Profit on re-measurement of liability denominated in a foreign currency	17 878	–	–	–
Administration expenditure	(85 821)	(56 910)	(83 424)	(61 948)
Profit on sale of property, plant and equipment	–	49	–	59
Impairment of mineral rights	(7 721)	–	–	–
Impairment of environmental deposit	–	(436)	–	–
Exploration and evaluation expenses	(1 787)	(363)	(11)	(363)
Impairment of loan to subsidiary	–	–	(26 079)	(8 232)
Profit/(loss) from operations	300 776	(57 484)	(95 184)	(57 484)
Net finance income	5 600	18 553	6 112	18 553
Finance income	6 122	18 553	6 121	18 553
Finance costs	(522)	–	(9)	–
Profit/(loss) from operating activities	306 376	(38 931)	(89 072)	(38 931)
Share of loss of equity accounted investee (net of tax)	(2 640)	–	–	–
Profit/(loss) before income tax	303 736	(38 931)	(89 072)	(38 931)
Income tax expense	(4 862)	–	–	–
Profit/(loss) for the year	298 874	(38 931)	(89 072)	(38 931)
Net change in fair value of the available-for-sale financial asset	286	726	–	–
Other comprehensive income	286	726	–	–
Total comprehensive income/(loss) for the year	299 160	(38 205)	(89 072)	(38 931)
Earnings/loss per share				
Basic earnings/(loss) per share (cents)	40,87	(6,65)	–	–
Diluted earnings/(loss) per share (cents)	40,85	(6,65)	–	–

Statements of cash flows for the year ended 31 December

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Cash flows from operating activities	(89 637)	(118 690)	(69 124)	(55 414)
Finance income	6 122	18 553	6 121	18 553
Finance cost paid	(9)	–	(9)	–
Cash utilised in operations	(83 524)	(100 137)	(63 012)	(36 861)
Cash flows utilised by investing activities				
Acquisition of property, plant and equipment as a result of increasing operations	(41 945)	(36 766)	(234)	(44)
Acquisition of tangible exploration and evaluation assets as a result of increasing operations	–	(21 030)	–	–
Expenditure on intangible exploration and evaluation assets as a result of increasing operations	–	(16 808)	–	–
Loan to associate	(7 279)	–	–	–
Recovery of intangible exploration and evaluation expenditure	10 346	–	–	–
Capital invested in the available-for-sale financial asset	(2 835)	(2 636)	–	–
Loan advanced	(8 257)	–	(8 257)	–
Increase in amounts owed by Group companies	–	–	(28 905)	(115 607)
Proceeds on disposal of property, plant and equipment	47	80	47	78
Net cash outflow from investing activities	(49 223)	(77 160)	(37 347)	(115 573)
Cash flows from financing activities				