IKWEZI MINING LIMITED

(Incorporated in Bermuda with registered company number 45349)

ARBN 151 258 221

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

CONTENTS

DIRECTORS' REPORT

The Directors of Ikwezi Mining Limited ("Company" or "Ikwezi") submit herewith the financial report of Ikwezi Mining Limited and its subsidiaries (the "Group") for the half-year ended 31 December 2019.

The names of the directors of the Company during or since the end of the half-year are:

Mr David Pile – Chairman
Mr Tushar Agrawal – Executive Director
Mr Alok Joshi – Executive Director
Mr Ranaldo Anthony – Director

Review of operations

For the half-year ended 31 December 2019 the Group recorded a net loss attributable to the owners of the Company of $915,298 (2018: net loss of $479,175) and net cash inflows from operating activities of $517,153 (2018 outflow: $826,371). Net cash outflows from investing activities of $129,887 (2018: $2,271,994) and net cash inflows from financing activities of Nil (2018: 5,326,230). The loss during the period relates largely to the under performance of the mining contractor under the mining contract resulting in lower than planned production and sales volumes.

Corporate

The Group had $643,385 cash and cash equivalents on hand at 31 December 2019.

Operational

Thermal coal prices (API4 Richards Bay - FOB Richards Bay for 6,000 kcal, NAR product), improved over the quarter increasing from approximately USD61 per ton to close the period at approximately USD76 per ton. Prices have strengthened further to approximately USD86 per ton in January 2020. These have however dropped off during February and March 2020 in line with the decline in global markets and the reduction in the oil price. The API4 forward curve is currently trading at approximately USD63 per ton for April 2020 at the date of this report and continues to trade between $62 to $65 through to January 2022 before it increases gradually back the USD68 to USD70 range

With the appointment of the new mining contractor, production continued to improve. A total of 191,602 tons of ROM coal were produced during the 6 months to December 2019. Although this is an improvement, the mining contractor has not delivered as per the planned contractual Life of Mine (LOM) mining schedule of approximately 70,000 tons of ROM coal per month. The reasons for this are currently being addressed and Ikwezi is confident that the mining contractor will be delivering as per the planned coal delivery targets shortly. In the interim, a claim under the mining contract has been lodged with the contractor. A total of 159,367 tons of coal has been sold during the period.

Further progress was made during the period on the construction of the pad and the related construction required for the installation of the crusher and screening plant at the Kliprand open cast. (ROM coal is currently being crushed using rented mobile crushers). The static crushing and screening plant is currently in the commissioning phase and is expected to be ready for full production in early 2020.

The majority of the other main capital items, including the workshops, have now been completed. A few smaller capital items remain which will be completed during over the next few months.

A number of different options are currently being investigated to further increase production levels over and above the current pit design through an extension to the current Kliprand Open Pit operation.

With the expected stabilisation in production levels and improved consistency of cash flow generation, the Company expects that it will soon be in a position to start with the completion of the construction of the outstanding infrastructure required to start up the wash plant. It is expected that all the required capital will be funded internally from operations. The commissioning of the wash plant is expected during the second quarter of 2020.

This will provide the Company with the flexibility to sell either ROM coal and / or washed products either domestically and / or onto the export market, dependent on market conditions.

On licensing, a new Social and Labour Plan has been approved by the Department of Mineral Resources for the period 1 July 2019 to 30 June 2023. In addition, the company has successfully managed to relocate additional graves during the quarter. A total of 46 of the 66 graves contained within the overall pit design have been relocated to date.

The Newcastle Project consists of a number of opencast and underground mines. The Kliprand Colliery is the initial opencast area.

It is recommended that the half-yearly financial statements be read in conjunction with the 30 June 2019 Annual Report and any public announcements made by the Group during the period.

In accordance with the continuous disclosure requirements, readers are referred to the announcements lodged with Australian Securities Exchange (ASX) regarding exploration and other activities of the Group.

Subsequent Events

Discussions continue with the mining contractor to resolve the outstanding claim resulting from their underperformance under the mining contract with them.

There has not been any matter or circumstance, other than disclosed elsewhere in this report, the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

David Pile
Director
13 March 2020

CHARTER FINANCIAL SERVICES A.B.N. 51 377 342 156
CHARTERED ACCOUNTANTS & TAXATION AGENTS
REGISTERED COMPANY AUDITOR
Liability limited by a scheme approved under Professional Standards Legislation

Unit 9, 17 Foley Street
Balcatta WA 6021
Tel: (08) 9226 5123
Fax: (08) 9226 5789
PO Box 1082
Balcatta WA 6914
Email: info@charterfin.com.au
www.charterfin.com.au

CHARTER

Independent Auditor's Review Report to the Members of Ikwezi Mining Limited

We have reviewed the accompanying half-year financial report of Ikwezi Mining Limited, which comprises the condensed statement of financial position as at 31 December 2019, the condensed statement of profit or loss, the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year as set out on pages 5 - 15.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not presented fairly, in all material respects, in accordance with the Australian Accounting Standards as described in Note 1. As the auditor of Ikwezi Mining Limited, ADRE 2410 requires that we comply with the ethical requirements relevant to the audit of the half-year financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would have become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors: Barry P. Levin CA.AIM, Grad Cert Tax (Curtin); Post Grad Dip Tax (Curtin), H.Dip Tax Law (Rand), Registered Company Auditor No. 296904
Authorised Representative AFSL No. 1242118 of Futuro Financial Services Pty Ltd, AFSL 238478, ABN 30 085 870 015
Jeff Chonowitz CA. B.Acc
Talia Stan-Bishop CA. B.Com

CHARTER

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Ikwezi Mining Limited does not present fairly, in all material respects, the company's financial position as at 31 December 2019 and of its financial performance for the period ended on that date in accordance with Australian Accounting Standards as described in Note 1.

Charter Financial Services

Charter Financial Services

Barry Philip Levin
Partner
Chartered Accountants
Perth, 13th March 2020

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Ikwezi Mining Limited, I state that:

In the opinion of the Directors:

a) The financial statements and notes of the consolidated entity:
   i. Give a true and fair view of the financial position as at 31 December 2019 and the performance of the consolidated entity for the half-year ended on that date; and
   ii. Comply with Accounting Standard AASB 134: Interim Financial Reporting.

b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors

David Pile
Director
13 March 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	31 Dec 2019 $	31 Dec 2018 $
Revenue	5,535,392	3,755
Cost of sales	(5,962,943)	
Investment income	21,916	30,560
Other gains and losses	18,915	(24,100)
Depreciation and amortisation expense	(14,403)	(2,916)
Employee benefits expense	-	(189,283)
Finance costs	(8)	(137,564)
Administration expenses	(418,832)	(155,941)
Occupancy expenses	-	(246)
Travel and transport expenses	-	-
Mining royalty	(25,694)	-
Other expenses	(69,641)	(3,440)
Loss before tax	**(915,298)**	**(479,175)**
Income tax	-	-
Loss for the period from continuing operations	**(915,298)**	**(479,175)**
Attributable to:		
Owners of the parent	(584,193)	(381,961)
Non-controlling interests	(331,104)	(97,214)
	(915,298)	**(479,175)**

Notes to the condensed consolidated financial statements are included on pages 11-15.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	31 Dec 2019 $	**31 Dec 2018 $**
Loss for the period	**(915,298)**	**(479,175)**
Other comprehensive income		
Items that will not be subsequently reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	21,655	13,912
	(893,643)	(465,263)
Other comprehensive income for the period	-	-
Total comprehensive income for the period	**(893,643)**	**(465,263)**
Total comprehensive income attributable to:		
Owners of the parent	(562,539)	(368,049)
Non-controlling interests	(331,104)	(97,214)
	(893,643)	(465,263)

Notes to the condensed consolidated financial statements are included on pages 11-15.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	Consolidated 31 Dec 2019 $	Consolidated 30 June 2019 $
Current assets			
Cash and cash equivalents		643,385	251,361
Inventories		4,027,354	2,538,523
Trade and other receivables		705,923	1,628,924
Other financial assets		537,419	831,652
Other current assets		67,183	79,837
Total current assets		5,981,264	5,330,297
Non-current assets			
Property, plant and equipment		18,184,711	18,319,147
Exploration and evaluation expenditure		-	-
Total non-current assets		18,184,711	18,319,147
Total assets		24,165,974	23,649,444
Current liabilities			
Trade and other payables		2,561,695	647,631
Short term borrowings		-	-
Provisions		26,215	530,353
Total current liabilities		2,587,911	1,177,984
Non-current liabilities			
Provisions		278,766	278,520
Total non-current liabilities		278,766	278,520
Total liabilities		2,866,677	1,456,504
Net assets		21,299,297	22,192,940
Equity			
Issued capital		40,460,209	40,460,209
Reserves		(4,476,473)	(4,498,128)
Accumulated losses		(11,444,455)	(10,860,262)
Equity attributable to owners of the parent		24,539,280	25,101,819
Non-controlling interest		(3,239,983)	(2,908,879)
Total equity		21,299,297	22,192,940

Notes to the condensed consolidated financial statements are included on pages 11-15.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Issued capital $	Share based payments reserve $	Foreign currency translation reserve $	Accumulated losses $	Attributable to owners of the parent $	Non-controlling interest $	Total $
Balance as at 1 July 2018	**34,362,731**	**140,000**	**(5,172,123)**	**(11,653,498)**	**17,677,110**	**(3,266,976)**	**14,410,134**
Profit for the period	-	-	-	793,236	793,236	358,097	1,151,333
Exchange differences on translation of foreign operations	-	-	533,995	-	533,995	-	533,995
Issue of shares	6,097,478	-	-	-	6,097,478	-	6,097,478
Total comprehensive income for the period	6,097,478	-	533,995	793,236	7,424,709	358,097	7,782,806
Balance at 30 June 2019	**40,460,209**	**140,000**	**(4,638,128)**	**(10,860,262)**	**25,101,819**	**(2,908,879)**	**22,192,940**
Loss for the period	-	-	-	(584,193)	(584,193)	(331,104)	(915,298)
Exchange differences on translation of foreign operations	-	-	21,655	-	21,655	-	21,655
Total comprehensive income for the period	-	-	21,655	(584,193)	(562,539)	(331,104)	(893,643)
Balance at 31 December 2019	**40,460,209**	**140,000**	**(4,616,473)**	**(11,444,455)**	**24,539,281**	**(3,239,983)**	**21,299,298**

Notes to the condensed consolidated financial statements are included on pages 11-15.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	31 Dec 2019 $	31 Dec 2018 2019 $
Cash flows from operating activities		
Receipts from Customers	6,458,393	(261,928)
Payments to suppliers and employees	(5,941,240)	(564,443)
Net cash used in operating activities	517,153	(826,371)
Cash flows from investing activities		
Interest received	21,916	30,560
Payments for property, plant and equipment	(446,036)	(2,302,554)
Reduction in financial assets	294,233	-
Net cash used in investing activities	(129,887)	(2,271,994)
Cash flows from financing activities		
Proceeds from issue of equity instruments of the company	-	2,082,699
Proceeds from borrowings	-	3,3243,531
Net cash generated by financing activities	-	5,326,230
Net increase in cash and cash equivalents	387,266	2,227,865
Cash and cash equivalents at the beginning of the period	251,362	130,828
Effects of exchange rate changes on the balance of cash held in foreign currencies	4,757	(56,088)
Cash and cash equivalents at the end of period	**643,385**	**2,302,605**

Notes to the condensed consolidated financial statements are included on pages 11-15.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Corporate Information

Ikwezi Mining Limited ("Company" or "Ikwezi") is a company limited by shares incorporated in Bermuda whose shares are publicly traded on the ASX. The condensed consolidated financial statements of the Group as at and for the half-year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with AASB 134"Interim Financial Reporting" (AASB 134). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2019 annual financial report for the financial year ended 30 June 2019, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

1.1 Standards and Interpretations affecting amounts in the current year (and/or prior years)

The Group has applied all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current half year.

AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	This Standard amends AASB 116 and AASB 138 to: (a) establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; (b) clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset; and (c) clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	The subjects of the principal amendments to the Standards include an amendment to AASB 5 Non-current Assets Held for Sale and Discontinued Operations relating to Changes in methods of disposal, AASB 7 Financial Instruments: Disclosures regarding servicing contracts and the applicability to condensed interim financial statements, AASB 119 Employee Benefits discount rates to address regional market issues, and AASB 134 Interim Financial Reporting Disclosure of information 'elsewhere in the interim financial report'.
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101.

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Company's financial statements.

2. Going concern

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

The Consolidated Entity has incurred a net loss after tax of $915,298 (31 December 2018: loss of $479,175) and had a net cash inflow from operating, investing and financing activities of $387,266 (31 December 2018: net cash inflow of $2,227,865) for the half year ended 31 December 2019. As at 31 December 2019 the Consolidated Entity had cash assets of $643,385 (30 June 2019: $251,361) and net current assets of $3,393,353 (30 June 2019: net current assets of $4,152,313).

The Directors have reviewed the Consolidated Entity's overall position and outlook and are of the opinion that the use of the going concern basis remains appropriate given that the Company has commenced production and is currently generating positive cash flow at current market pricing. The Directors believe that, at the date of signing the interim financial statements, having regard to the matters outlined above, the Consolidated Entity will have sufficient funds to meet their obligations as and when they fall due in the foreseeable future and that the use of the going concern basis of preparation of these condensed consolidated financial statements for the half year ended 31 December 2019 is appropriate.

3. Segment information

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

4. Issued capital

Ordinary shares are classified as equity.

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

5. REVENUE and TRADE DEBTORS

	6 Months ended 31/12/19 $	6 Months ended 31/12/18 $
Revenue from Coal Sales	5,535,392	-

	31/12/19 $	30/06/19 $
Trade Debtors – related parties	581,211	1,439,340

Revenue relates to the sale of crushed and screened Run of Mine (ROM) coal on a delivered siding basis. During the 6 months to 31 December 2019, a total of 159,367 tonnes (6 months to 31 December 2018: 0) were made generating a total revenue of $5,535,392 (2018: $0).

The sales were made to a related party, Osho SA Coal (Pty) Ltd (Osho), acting as agent, who have been providing marketing, sales and logistics support to the Company on terms and conditions that are on or better than those available on an arms-length basis. Under this arrangement, the Company is able to make use of Osho's marketing and sales support together with their rail siding and their rail and port contracts and allocations.

Ikwezi is not obligated to sell any coal to Osho or make use of or utilise any of Osho's facilities or rail or port contracts and allocations, should it so decide.

A marketing and sales committee comprising of the Directors that are not related to Osho SA Coal (Pty) Ltd review and give their approval to all sales transactions.

Sales of coal, which are usually sold Free on Board (FOB), are recorded by the Company at the point that the coal is sold to the end customer by Osho. The sales value recorded is the actual selling price to the end customer, as agreed by the Sales and Marketing committee, adjusted for all costs associated with taking the coal from a delivered siding basis to FOB. These include all costs normally associated with the export of coal including costs relating to the siding and loading of trains, rail costs, port handling and loading costs, survey and documentation costs amongst others.

Included under Trade Debtors and other receivables as at 31 December 2019 is an amount of $581,211 (30 June 2019 : $1,439,340) relating to sales undertaken by Osho as agent on behalf of the Company.

6. Contingencies and commitments

6.1 Capital expenditure commitments

The company continues to spend to build up ROM (Run of Mine) inventories on site.

6.2 Exploration and evaluation commitments

The Group must meet the certain tenement expenditure commitments to maintain any tenements that are covered by Prospecting Permits in South Africa and keep them in good standing until they are joint ventured, sold, reduced, relinquished or exemptions from expenditure are applied or are otherwise disposed of. These commitments, net of farm outs, are not provided for in the financial statements.

The Group currently does not hold any tenements covered by Prospecting Permits and, as such, does not have any tenement expenditure commitments as at 31 December 2019.

6.3 Other commitments

	31 Dec 19	30 Jun 19
Lease and rental commitments	**$**	**$**
Not longer than 1 year	49,871	45,779
Later than 1 year and not longer than 5 years	-	
Longer than 5 years	-	-
	49,871	45,779

7. Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

8. Financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

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

The following table gives information about how the fair values of the Group's financial assets are determined when measured at fair value at the end of each reporting period.

Financial assets	Fair value as at:		Fair value hierarchy	Valuation technique and key input
	31/12/19	30/06/19		
Unit trust	$537,419	$831,652	Level 1	Quoted unit prices in an active market.

9. Subsequent events

A claim against the mining contractor was lodged during February 2020 relating to the mining contractors under performance under their mining contract with the Company during the period under review. Discussions continue with the mining contractor to resolve the claim.

There has not been any matter or circumstance, other than disclosed elsewhere in this report, the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.