



IKWEZI MINING LIMITED
(Incorporated in Bermuda with registered company number 45349)

ARBN 151 258 221

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

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DIRECTORS' REPORT

The directors of Ikwezi Mining Limited (the Company) submit herewith the financial report of Ikwezi Mining Limited and its subsidiaries (the Group) for the half-year ended 31 December 2011.

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

Mr. Simon Hewetson – *Chairman and Non-executive Director*

Mr. David Pile – *Managing Director*

Mr. Ranaldo Anthony – *Executive Director*

Mr. Roger Rees – *Non-executive Director (appointed 22 July 2011)*

Review of operations

For the half year ended 31 December 2011 the Group recorded a net loss attributable to the owners of the Company of \$580,977 and net cash outflow from operations of \$1,929,363. Cash outflows for development of property, plant and equipment and of exploration assets were \$4,707,064 and \$1,534,062 respectively.

Corporate

The Company's shares were admitted to trading on ASX on 19 July 2011, following the successful completion of a \$30m capital raising. Under the Initial Public Offering (IPO) new investors subscribed for 150 million new fully paid ordinary shares at A\$0.20 per share to raise A\$30 million before costs.

Funds raised under the IPO are being used to complete development studies and to develop our flagship Newcastle Project to initial coal production, continued assessment and exploration work on the Company's other projects, the review and assessment of new projects and for general working capital.

Consistent with the Company's strategy, on 30 September 2011 the Company announced that it had executed agreements to acquire 70% of two prospecting rights covering five farms in the Waterberg Coal field, in Limpopo province, South Africa. The rights cover some 5,714 ha and are expected to yield coal for both the export and local market.

Operational

Ikwezi Mining is focused on advancing the development of our three coal projects in the KwaZulu Natal and Gauteng regions of South Africa. Activities at the Newcastle Project, which is located in the KwaZulu Natal coalfields and in which we own a 70% interest, are progressing well.

The Company remains on schedule to bring the Newcastle Project into production during the second quarter of 2012. Construction of the wash plant is well progressed with commissioning on site expected in Q2 2012.

Final designs have been completed for both the Ngagane siding and the haul road from the Newcastle Project wash plant to the Ngagane siding. The Environmental Impact Assessment for the Ngagane siding is close to completion after which construction will commence with the expectation of the siding being operational from quarter 3 2012. The operation will ship coal to alternate rail sidings in the area until the Ngagane siding is operational. Contract negotiations with our opencast mining contractor are well advanced and the relevant mining equipment is available to commence mining operations on receipt of the relevant regulatory approvals.

From a regulatory perspective, a Mining Right has been granted for the Newcastle project. Applications for an integrated water use license (IWUL) for this project together with the required National Environmental Management Act (NEMA) applications have been lodged with the various Departments and are in process. The Company expects these approvals to be received in quarter 2 2012. A delay in the granting of these approvals will result in a delay in the commencement of production at the Newcastle project.

It is recommended that the half-yearly financial statements be read in conjunction with the 30 June 2011 Annual Report and any public announcements made by the Group during the half year.

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

Subsequent Events

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

Perth, WA 13 March 2012

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 statement of financial position as at 31 December 2011, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 5 to 17. The consolidated entity comprises the company (Ikwezi Mining Limited) and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary for the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 Australian Accounting Standards. As the auditor of Ikwezi Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual 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 become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Deloitte.

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 2011 and of its financial performance for the half-year ended on that date in accordance with Australian Accounting Standards.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Ross Jerrard
Partner
Chartered Accountants
Perth, 13 March 2012

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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 2011 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
Perth, WA 13 March 2012

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	31 Dec 2011 \$
Revenue	474,411
Administration expenses	(291,076)
Employee benefits expense	(871,762)
Depreciation and amortisation expense	(16,285)
Finance costs	(51,008)
Consulting expenses	(63,586)
Occupancy expenses	(144,565)
Travel and transport expenses	(93,238)
Foreign exchange gains	244,986
Other expenses	(3,590)
Loss before tax	(815,713)
Income tax expense	-
Loss for the period from continuing operations	(815,713)
Attributable to:	
Owners of the parent	(580,977)
Non-controlling interests	(234,736)
	(815,713)
Loss per share	
From continuing operations	
Basic (cents per share)	(0.18)
Diluted (cents per share)	(0.18)

Notes to the condensed consolidated financial statements are included on pages 11-17.

**CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME FOR THE HALF-YEAR
ENDED 31 DECEMBER 2011**

	31 Dec 2011
	\$
	<hr/>
Loss for the period	(815,713)
Other comprehensive income	
Exchange differences arising on translation of foreign operations	(691,969)
Other comprehensive income for the period	-
Total comprehensive income for the period	<hr/> (1,507,682) <hr/>
 Total comprehensive income attributable to:	
Owners of the parent	(1,272,946)
Non-controlling interests	<hr/> (234,736) <hr/>
	<hr/> (1,507,682) <hr/>

Notes to the condensed consolidated financial statements are included on pages 11-17.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	Consolidated	
		31 Dec 2011 \$	30 June 2011 \$
Current assets			
Cash and cash equivalents		20,650,457	1,418,025
Trade and other receivables		556,074	110,412
Other financial assets		383,803	-
Other		843	722,641
Total current assets		21,591,177	2,251,078
Non-current assets			
Property, plant and equipment	(4)	6,707,892	1,158
Exploration and evaluation expenditure	(5)	3,129,460	1,595,398
Total non-current assets		9,837,352	1,596,556
Total assets		31,428,529	3,847,634
Current liabilities			
Trade and other payables		2,448,882	660,968
Other liabilities		16,943	498,600
Total current liabilities		2,465,825	1,159,568
Total liabilities		2,465,825	1,159,568
Net assets		28,962,704	2,688,066
Equity			
Issued capital	(8)	30,623,653	2,981,333
Reserves	(9)	(550,513)	1,456
Accumulated losses		(947,803)	(366,826)
Equity attributable to owners of the parent		29,125,337	2,615,963
Non-controlling interest		(162,633)	72,103
Total equity		28,962,704	2,688,066

Notes to the condensed consolidated financial statements are included on pages 11-17.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	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 2011	2,981,333	-	1,456	(366,826)	2,615,963	72,103	2,688,066
Loss for the period	-	-	-	(580,977)	(580,977)	(234,736)	(815,713)
Exchange differences on translation of foreign operations	-	-	(691,969)	-	(691,969)	-	(691,969)
Total comprehensive income for the period	-	-	(691,969)	(580,977)	(1,272,946)	(234,736)	(1,507,682)
Issue of shares:							
- Initial public offering	30,000,000	-	-	-	30,000,000	-	30,000,000
Share issue costs	(2,357,680)	-	-	-	(2,357,680)	-	(2,357,680)
Share based payments	-	140,000	-	-	140,000	-	140,000
Balance at 31 December 2011	30,623,653	140,000	(690,513)	(947,803)	29,125,337	(162,633)	28,962,704

Notes to the condensed consolidated financial statements are included on pages 11-17.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	31 Dec 2011 \$
Cash flows from operating activities	
Payments to suppliers and employees	(1,929,363)
Net cash utilised by operating activities	<u>(1,929,363)</u>
Cash flows from investing activities	
Interest received	474,411
Payments for property, plant and equipment	(4,707,064)
Payments for exploration and evaluation	(1,534,062)
Payments to acquire financial assets	<u>(383,803)</u>
Net cash used in investing activities	<u>(6,150,518)</u>
Cash flows from financing activities	
Proceeds from issues of equity securities	30,000,000
Payments for share issue costs	(1,742,301)
Repayment of loans from related parties	<u>(498,600)</u>
Net cash used in financing activities	<u>27,759,099</u>
Net increase in cash and cash equivalents	19,679,219
Cash and cash equivalents at the beginning of the period	1,418,025
Effects of exchange rate changes on the balance of cash held in foreign currencies	(446,786)
Cash and cash equivalents at the end of the period	<u>20,650,457</u>

Notes to the condensed consolidated financial statements are included on pages 11-17.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

1. 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 (effective 15 July 2011). The condensed consolidated financial statements of the Group as at and for the half-year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

As the Company was incorporated on 2 May 2011, no comparative financial information for the half-year ended 31 December 2010 exists.

2. 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 non-current assets and 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 2011 annual financial report for the financial year ended 30 June 2011, 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.

New or revised Standards and Interpretations that are first effective in the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. There are no new and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

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.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

4. Property, plant and equipment

	Land & Buildings \$	Rail Siding in progress \$	Wash Plant in progress \$	Mine infrastructure in progress \$	Office & Computer Equipment \$	Motor Vehicles \$	Furniture & Fittings \$	Total \$
At cost								
At 1 July 2011	-	-	-	-	1,231	-	-	1,231
Additions	127,647	108,247	6,084,427	79,713	10,227	247,414	65,344	6,723,019
At 31 December 2011	127,647	108,247	6,084,427	79,713	11,458	247,414	65,344	6,724,250
Accumulated Depreciation								
At beginning of interim period	-	-	-	-	73	-	-	73
Depreciation	-	-	-	-	765	13,472	2,048	16,285
At end of interim period	-	-	-	-	838	13,472	2,048	16,358
Net book value								
At beginning of interim period	-	-	-	-	1,158	-	-	1,158
At end of interim period	127,647	108,247	6,084,427	79,713	10,620	233,942	63,296	6,707,892

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

5. Exploration and evaluation expenditure

	Half-year ended 31 December 2011
	\$
At cost	
Balance at beginning of the interim period	1,595,398
Additions	1,534,062
Balance at end of the interim period	<u>3,129,460</u>

6. Contingencies and commitments

6.1. Capital expenditure commitments

	31 Dec 11	30 Jun 11
	\$	\$
Plant and equipment		
Not longer than 1 year	1,240,015	-
Later than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	<u>1,240,015</u>	-

	31 Dec 11	30 Jun 11
	\$	\$
Land and buildings		
Not longer than 1 year	361,124	-
Later than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	<u>361,124</u>	-

6.2. Exploration and evaluation commitments

During the half-year period, the Group acquired the prospecting rights to the Waterberg Coal field for a total consideration of ZAR 3,500,000, approximately AUD 420,000. Of the consideration, ZAR 2,000,000 is deferred and is payable within 7 days of the fulfillment of the last of the conditions precedent on the acquisition agreement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

6.2. Exploration and evaluation commitments (continued)

	31 Dec 11	30 Jun 11
Waterberg Prospecting rights purchase	\$	\$
Not longer than 1 year	240,749	-
Later than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	<u>240,749</u>	<u>-</u>

The Group must also meet the following tenement expenditure commitments to maintain them in good standing until they are joint ventured, sold, reduced, relinquished, exemptions from expenditure are applied or are otherwise disposed of. These commitments, net of farm outs, are not provided for in the financial statements and are:

	31 Dec 11	30 Jun 11
Tenement expenditure commitments	\$	\$
Not longer than 1 year	581,792	935,539
Later than 1 year and not longer than 5 years	1,248,667	1,442,186
Longer than 5 years	-	-
	<u>1,830,459</u>	<u>2,377,725</u>

7. Key management personnel

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

8. Issued capital

Issued capital as at 31 December 2011 amounted to \$30,623,653 (338,750,000 ordinary shares). Movements in issued capital are described below:

Description	Number of shares	\$
Balance at 30 June 2011	188,750,000	2,981,333
Initial public offering (i)	150,000,000	30,000,000
Cost of issue		(2,357,680)
Closing balance	338,750,000	30,623,653

(i) Initial public offering

On 15 July 2011, the Company listed on the ASX raising an amount of \$30,000,000 before costs for the issue of 150,000,000 fully paid ordinary shares.

9. Reserves

	31 Dec 11	30 Jun 11
	\$	\$
Foreign currency translation reserve	(690,513)	1,456
Share based payments reserve	140,000	-
	(550,513)	1,456

9.1. Foreign currency translation reserve

	31 Dec 11	30 Jun 11
	\$	\$
Balance at the beginning of the period	1,456	-
Exchange differences arising on translation of foreign operations	(691,969)	1,456
Balance at the end of the period	(690,513)	1,456

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

9.2. Share based payments reserve

	31 Dec 11	30 Jun 11
	\$	\$
Balance at the beginning of the period	-	-
Share based payments	140,000	-
Balance at the end of the period	140,000	-

10. Subsequent events

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.

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