IKWEZI MINING LIMITED

(Incorporated in Bermuda with registered company number 45349)

ARBN 151 258 221

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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 2016.

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

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

Review of operations

For the half-year ended 31 December 2016 the Group recorded a net loss attributable to the owners of the Company of $170,707 (2015: net loss of $175,640) and net cash outflows from operating activities of $356,140 (2015: $399,125). Net cash inflows from investing activities aggregated $303,736 (2015: outflow of $348,465).

Corporate

The Group had $2,146,824 cash and cash equivalents on hand at 31 December 2016.

Operational

Thermal coal prices have improved during the half year ended 31 December 2016 despite volatility. The spot API 4 index (basis FOB Richards Bay for 6000 NAR material) firmed up during this period compared with the levels prevailing at the end of June 2016. The API4 index is trading at approximately USD 76 for the remainder of Calendar 2017 at the date of this report. The forward curve reflects a price decline in the medium-to-long term.

The Company believes that it has sufficient cash to commence mining activities, with the mining and selling of Run of Mine (ROM) coal. The current market conditions are stable and support this premise. During the half year, the Company continued its focus to bring the Ntendeka colliery into production to sell ROM coal. Summary of key events during the half year are as follows:

1. The process to relocate houses from the central opencast area is underway together with other activities to enable the commencement of mining. However the relocation process is taking longer than expected and mining is expected to commence during the second quarter of calendar 2017 subject to completion of the relocations.

2. The Company is pursuing the finalisation of its preferred mining contractor for the proposed operations.

3. The Company remains at an advanced stage of concluding off-takers for the product, which will be aligned with the timing of availability of coal for export from South Africa.

4. The overheads and costs continued to be optimised during the quarter.

5. No further geological or mine planning work was undertaken during this period.

DIRECTORS' REPORT (cont)

It is recommended that the half-yearly financial statements be read in conjunction with the 30 June 2016 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 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
15 March 2017

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2
Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

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

We have reviewed the accompanying half-year financial report financial report of Ikwezi Mining Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows, the condensed consolidated 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 declaration of the directors as set out on pages 5 to 15. 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.

Director's 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 the Australian Accounting Standards as described in Note 2 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 the Australian Accounting Standards as described in Note 2. 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.

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 2016 and of its financial performance for the period ended on that date in accordance with Australian Accounting Standards as described in Note 2.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

John Sibenaler
Partner
Chartered Accountants
Perth, 15 March 2017

DIRECTORS' DECLARATION

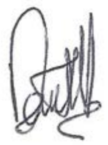
In accordance with a resolution of the directors of Ikwezi Mining Limited, I state that:

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 2016 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
15 March 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	31 Dec 2016 $	31 Dec 2015 $
Revenue	63,774	67,864
Investment income	10,320	20,490
Other gains and losses	7,381	92,667
Depreciation and amortisation expense	(7,252)	(11,827)
Employee benefits expense	(15,346)	(59,624)
Finance costs	(3,129)	(3,930)
Consulting expenses	4,639	(16,652)
Administration expenses	(149,313)	(143,146)
Occupancy expenses	(60,623)	(84,740)
Travel and transport expenses	(8,499)	(31,067)
Foreign exchange (losses)/gains	(9,721)	(4,254)
Other expenses	(2,938)	(1,421)
Loss before tax	**(170,707)**	**(175,640)**
Income tax	-	-
Loss for the period from continuing operations	**(170,707)**	**(175,640)**
Attributable to:		
Owners of the parent	(160,745)	(176,152)
Non-controlling interests	(9,962)	512
	(170,707)	**(175,640)**
Loss per share (Note 5)		
From continuing operations:		
Basic (cents per share)	(0.02)	(0.02)
Diluted (cents per share)	(0.02)	(0.02)

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 2016

	31 Dec 2016 $	31 Dec 2015 $
Loss for the period	**(170,707)**	**(175,640)**
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	1,495,173	(2,529,717)
	1,324,466	(2,705,357)
Other comprehensive income for the period	-	-
Total comprehensive income for the period	**1,324,466**	**(2,705,356)**
Total comprehensive income attributable to:		
Owners of the parent	1,334,428	(2,705,869)
Non-controlling interests	(9,962)	512
	1,324,466	(2,705,357)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	Consolidated 31 Dec 2016 $	Consolidated 30 June 2016 $
Current assets			
Cash and cash equivalents		2,146,824	2,117,524
Trade and other receivables		185,440	50,422
Other financial assets		550,215	1,423,484
Other current assets		156,201	91,077
Total current assets		3,038,680	3,682,507
Non-current assets			
Property, plant and equipment		13,364,723	11,921,207
Exploration and evaluation expenditure		-	-
Total non-current assets		13,364,723	11,921,207
Total assets		16,403,403	15,603,714
Current liabilities			
Trade and other payables		954,595	1,509,524
Provisions		216	194
Other liabilities		1,128	1,340
Total current liabilities		955,939	1,511,058
Non-current liabilities			
Provisions		275,568	245,226
Total non-current liabilities		275,568	245,226
Total liabilities		1,231,507	1,756,284
Net assets		15,171,896	13,847,430
Equity			
Issued capital		34,362,731	34,362,731
Reserves		(4,634,054)	(6,129,228)
Accumulated losses		(11,330,862)	(11,170,117)
Equity attributable to owners of the parent		18,397,815	17,063,386
Non-controlling interest		(3,225,919)	(3,215,956)
Total equity		15,171,896	13,847,430

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 2016

	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 2015	**34,362,731**	**140,000**	**(4,089,012)**	**(10,944,753)**	**19,468,966**	**(3,212,229)**	**16,256,737**
Loss for the period	-	-	-	(176,152)	(176,152)	512	(175,640)
Exchange differences on translation of foreign operations	-	-	(2,529,717)	-	(2,529,717)	-	(2,529,717)
Total comprehensive income for the period	-	-	(2,529,717)	(176,152)	(2,705,869)	512	(2,705,357)
Balance at 31 December 2015	**34,362,731**	**140,000**	**(6,618,729)**	**(11,120,905)**	**16,763,097**	**(3,211,717)**	**13,551,380**
Balance as at 1 July 2016	**34,362,731**	**140,000**	**(6,269,228)**	**(11,170,117)**	**17,063,386**	**(3,215,957)**	**13,847,429**
Loss for the period	-	-	-	(160,745)	(160,745)	(9,962)	(170,707)
Exchange differences on translation of foreign operations	-	-	1,495,173	-	1,495,173	-	1,495,173
Total comprehensive income for the period	-	-	1,495,173	(160,745)	1,334,428	(9,962)	1,324,466
Balance at 31 December 2016	**34,362,731**	**140,000**	**(4,774,054)**	**(11,330,862)**	**18,397,815**	**(3,225,919)**	**15,171,896**

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 2016

	31 Dec 2016 $	31 Dec 2015 $
Cash flows from operating activities		
Payments to suppliers and employees	(356,140)	(399,125)
Net cash used in operating activities	(356,140)	(399,125)
Cash flows from investing activities		
Interest received	2,452	11,624
Payments for property, plant and equipment	(689,017)	-
Payments for capitalised exploration and evaluation		(283,723)
Receipts/(Payments) for financial assets	990,301	(76,366)
Net cash used in investing activities	303,736	(348,465)
Net decrease in cash and cash equivalents	(52,404)	(747,590)
Cash and cash equivalents at the beginning of the period	2,117,524	3,375,100
Effects of exchange rate changes on the balance of cash held in foreign currencies	81,704	(1,108)
Cash and cash equivalents at the end of period	**2,146,824**	**2,626,402**

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 2016

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. The condensed consolidated financial statements of the Group as at and for the half-year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

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 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 2016 annual financial report for the financial year ended 30 June 2016, 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.

2.1 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.

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the following applicable Standards and Interpretations that were issued but not yet effective are listed below.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	31 December 2018
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15 and AASB 2016-3 Amendments to Australian Accounting Standards Clarification to AASB 15.	1 January 2018	31 December 2018
AASB 16 'Leases'	1 January 2019	31 December 2019
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	31 December 2017

The Group has not yet determined the impact of adoption of the above standards.

3. 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 $170,707 (31 December 2015: loss of $175,640) and had a net cash outflow from operating and investing activities of $52,404 (31 December 2015: net cash outflow of $747,590) for the half year ended 31 December 2016. As at 31 December 2016 the Consolidated Entity had cash assets of $2,146,824 (30 June 2016: $2,117,524) and net current assets of $2,082,741 (30 June 2016: net current assets of $2,171,450).

The Directors have reviewed the Consolidated Entity's overall position and outlook in respect of the matters identified above and are of the opinion that the use of the going concern basis remains appropriate given that measures have been implemented to reduce expenditure in order to meet minimum legal and contractual obligations with existing cash levels with a view that the Company will bring the open cast area of the Ntendeka Colliery into production in the second quarter of calendar year 2017. The Company is in the process of finalising its preferred mining contractor and once this has been completed, a final decision will be made by the Board on the commencement of mining operations. The Directors believe that at the date of signing the financial statements, having regard to the matters outlined above, there are reasonable grounds to believe that the Consolidated Entity will have sufficient funds to meet their obligations as and when they fall due and that the use of the going concern basis of preparation is appropriate.

4. 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.

5. Issued capital

Issued capital as at 31 December 2016 amounted to $34,362,731 (2015: $34,362,731) comprising 1,016,250,000 ordinary shares (2015: 1,016,250,000). There were no movements in the issued capital of the company in either the current or prior half years.

6. Contingencies and commitments

6.1 Capital expenditure commitments

The company has no capital expenditure commitments in either the current or prior period.

6.2 Exploration and evaluation commitments

The Group must meet the following tenement expenditure commitments to maintain 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 and are:

	31 Dec 16	30 Jun 16
Tenement expenditure commitments	**$**	**$**
Not longer than 1 year	103,548	106,735
Later than 1 year and not longer than 5 years	16,342	58,825
Longer than 5 years	-	-
	119,890	165,560

6.3 Other commitments

	31 Dec 16	30 Jun 16
Lease and rental commitments	**$**	**$**
Not longer than 1 year	45,225	42,519
Later than 1 year and not longer than 5 years	-	
Longer than 5 years	-	-
	45,225	42,519

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
	31/12/16	30/06/15		
Unit trust	$550,215	$1,423,484	Level 1	Quoted unit prices in an active market.

9. 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.