IKWEZI MINING LIMITED

(Incorporated in Bermuda with registered company number 45349)

ARBN 151 258 221

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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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 2018.

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

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

Review of operations

For the half-year ended 31 December 2018 the Group recorded a net loss attributable to the owners of the Company of $479,175 (2017: net loss of $161,470) and net cash outflows from operating activities of $826,371 (2017: $421,098). Net cash outflows from investing activities of $2,271,994 (2017: $247,415) and net cash inflows from financing activities of $5,326,230 (2017: Nil).

Corporate

The Group had $2,302,605 cash and cash equivalents on hand at 31 December 2018. The Company successfully closed a renounceable entitlement issue ("the issue") of AUD6.097 million during the half year. A total of AUD2.083 million was subscribed to by shareholders participating in the issue. The unsubscribed portion of the issue was funded subsequent to the 31 December 2018 by the underwriter.

Operational

Thermal coal prices have declined slightly during the half year ended 31 December 2018. The spot API 4 index (basis FOB Richards Bay for 6000 NAR material) ended the half year at approximately USD95 per tonne after trading between USD90 and USD106 for the first six months of the year. Subsequent to the end of the half year, the API4 forward index has declined and is currently trading around the USD80 range for the next 12 months.

The Newcastle Project consists of a number of opencast and underground mines. The Kliprand Colliery is the initial opencast area. Mining operations have commenced at the colliery and the initial box cut has been completed with coal exposed. The mining, crushing and screening of coal together with the creation of the initial Run of Mine (ROM) stockpile pads commenced with initial coal sales expected during the second half of the financial year.

Sales are targeted on a Free-On-Truck / Delivered to Siding basis, to minimise the Company's risk and working capital requirements given it is yet to obtain dedicated rail and port logistics arrangements.

Once production has stabilised, the bringing of the wash plant into operation will be evaluated, along with an attempt to obtain rail and port linkages. This will provide options for the sale of ROM coal / washed product either locally or onto the export market, dependent on the market conditions.

DIRECTORS' REPORT (contd)

It is recommended that the half-yearly financial statements be read in conjunction with the 30 June 2018 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

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 2019

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CHARTERED ACCOUNTANTS & TAXATION AGENTS
REGISTERED COMPANY AUDITOR
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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 2018, 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 - 16.

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.

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 2018 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, 15th March 2019

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 2018 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 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018 $	31 Dec 2017 $
Revenue	3,755	46,330
Investment income	30,560	12,737
Other gains and losses	(24,100)	30,556
Depreciation and amortisation expense	(2,916)	(3,836)
Employee benefits expense	(189,283)	(38,880)
Finance costs	(137,564)	(3,507)
Administration expenses	(155,941)	(145,852)
Occupancy expenses	(246)	(55,191)
Travel and transport expenses	-	(1,220)
Foreign exchange (losses)/gains	-	284
Other expenses	(3,440)	(2,891)
Loss before tax	**(479,175)**	**(161,470)**
Income tax	-	-
Loss for the period from continuing operations	**(479,175)**	**(161,470)**
Attributable to:		
Owners of the parent	(381,961)	(138,036)
Non-controlling interests	(97,214)	(23,434)
	(479,175)	**(161,470)**
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 2018

	31 Dec 2018 $	31 Dec 2017 $
Loss for the period	**(479,175)**	**(161,470)**
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	13,912	578,031
	(465,263)	416,561
Other comprehensive income for the period	-	-
Total comprehensive income for the period	**(465,263)**	**416,561**
Total comprehensive income attributable to:		
Owners of the parent	(368,049)	439,995
Non-controlling interests	(97,214)	(23,434)
	(465,263)	416,561

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	Consolidated 31 Dec 2018 $	Consolidated 30 June 2018 $
Current assets			
Cash and cash equivalents		2,302,605	130,828
Trade and other receivables		339,364	73,681
Other financial assets		692,729	618,373
Other current assets		153,423	77,153
Total current assets		3,488,121	900,035
Non-current assets			
Property, plant and equipment		19,244,218	15,190,927
Total non-current assets		19,244,218	15,190,927
Total assets		22,732,339	16,090,962
Current liabilities			
Trade and other payables		2,276,510	522,859
Short term borrowings		4,141,173	897,642
Provisions		1,133	2,832
Total current liabilities		6,418,816	1,423,333
Non-current liabilities			
Provisions		285,952	257,495
Total non-current liabilities		285,952	257,495
Total liabilities		6,704,768	1,680,828
Net assets		16,027,570	14,410,134
Equity			
Issued capital		36,445,430	34,362,731
Reserves		(5,018,211)	(5,032,123)
Accumulated losses		(12,035,459)	(11,653,498)
Equity attributable to owners of the parent		19,391,760	17,677,110
Non-controlling interest		(3,364,190)	(3,266,976)
Total equity		16,027,570	14,410,134

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 2018

	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 2017	**34,362,731**	**140,000**	**(4,986,944)**	**(11,452,762)**	**18,063,025**	**(3,244,351)**	**14,818,674**
Loss for the period	-	-	-	(138,036)	(138,036)	(23,434)	(161,470)
Exchange differences on translation of foreign operations	-	-	578,031	-	578,031	-	578,031
Total comprehensive income for the period	-	-	578,031	(138,036)	439,995	(23,434)	416,561
Balance at 31 December 2017	**34,362,731**	**140,000**	**(4,408,913)**	**(11,590,798)**	**18,503,020**	**(3,267,785)**	**15,235,235**
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**
Issue of shares	2,082,699	-	-	-	-	-	-
Loss for the period	-	-	-	(381,961)	(381,961)	(97,214)	(479,175)
Exchange differences on translation of foreign operations	-	-	13,912	-	13,912	-	13,912
Total comprehensive income for the period	2,082,699		13,912	(381,961)	(368,049)	(97,214)	(465,263)
Balance at 31 December 2018	**36,445,430**	**140,000**	**(5,158,211)**	**(12,035,459)**	**17,309,061**	**(3,364,190)**	**13,944,871**

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 2018

	31 Dec 2018 $	31 Dec 2017 $
Cash flows from operating activities		
Receipts from Customers	(261,928)	-
Payments to suppliers and employees	(564,443)	(421,098)
Net cash used in operating activities	(826,371)	(421,098)
Cash flows from investing activities		
Interest received	30,560	12,737
Payments for property, plant and equipment	(2,302,554)	(260,152)
Net cash used in investing activities	(2,271,994)	(247,415)
Cash flows from financing activities		
Proceeds from issue of equity instruments of the company	2,082,699	-
Proceeds from borrowings	3,243,531	-
Net cash generated by financing activities	5,326,230	-
Net decrease in cash and cash equivalents	2,227,865	(668,513)
Cash and cash equivalents at the beginning of the period	130,828	1,278,260
Effects of exchange rate changes on the balance of cash held in foreign currencies	(56,088)	(9,091)
Cash and cash equivalents at the end of period	**2,302,605**	**600,656**

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 2018

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 2018 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 2018 annual financial report for the financial year ended 30 June 2018, 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.

1.2 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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	30 June 2019
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	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2019

The Group has not yet determined the impact of adoption of the above standards, which is not expected to materially affect the financial statements going forward.

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 $479,175 (31 December 2017: loss of $161,470) and had a net cash inflow from operating, investing and financing activities of $2,227,865 (31 December 2017: net cash outflow of $668,513) for the half year ended 31 December 2018. As at 31 December 2018 the Consolidated Entity had cash assets of $2,302,605 (30 June 2018: $130,828) and net current assets of -$2,930,695 (30 June 2018: net current assets of -$523,298).

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 raised AUD6.097 million by means of a renounceable entitlement issue during the reporting period, mining operations have commenced with the initial box cut completed and first coal mined. These events place the company in a position to start with generating positive cash flows from its operations based on current market prices. 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 2018 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

Issued capital as at 31 December 2018 amounted to $36,445,430 (2017: $34,362,731) comprising 2,057,610,651 ordinary shares (2017: 1,016,250,000). On 21 November 2018, the Company announced a renounceable entitlement issue. It entitled shareholders registered at the Record Date, to three shares for every one share held, at an issue price of $0.002 per share. The issue size was A$6,097,500 (based on the number of Shares on issue as at the date of the Prospectus).

On 10 December 2018, 1,041,360,651 entitlement issue shares were accepted, totalling A$2.083 million. The shortfall of 2,007,389,349 shares was fully underwritten by Finevest Investments Limited, a company incorporated in the United Arab Emirates, and A$4.015 million was received subsequent to the end of the quarter.

5. Contingencies and commitments

5.1 Capital expenditure commitments

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

5.2 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 2018.

5.3 Other commitments

	31 Dec 18	30 Jun 18
Lease and rental commitments	**$**	**$**
Not longer than 1 year	45,779	49,678
Later than 1 year and not longer than 5 years	-	
Longer than 5 years	-	-
	45,779	49,678

6. Key management personnel

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

7. Financial instruments

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

7.1 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
	31/12/18	30/06/18		
Unit trust	$692,729	$618,373	Level 1	Quoted unit prices in an active market.

8. Subsequent events

On 21 November 2018, the Company announced a renounceable entitlement issue. The issue size was A$6,097,500 (based on the number of Shares on issue as at the date of the Prospectus). On 10 December 2018, 1,041,360,651 entitlement issue shares were accepted, totalling A$2.083 million. The shortfall of 2,007,389,349 shares was fully underwritten by Finevest Investments Limited, a company incorporated in the United Arab Emirates, and A$4.0145 million was received subsequent to the end of the half year review.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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.