



ASX Code: IKW

29 January 2021

Company Announcements Office
Australian Securities Exchange
Exchange Centre
20 Bridge Street
Sydney NSW 2000

QUARTERLY ACTIVITIES REPORT – 3 MONTHS ENDED 31 DECEMBER 2020

Ikwezi Mining Limited (**ASX: IKW, Ikwezi Mining or Company**).

Operational update

Coal production during the quarter has been lower than planned due to additional stripping activities, however, total mining stood at 942,831 bank cubic meters just under the planned production target of 960,000 bank cubic meters.

During the quarter the completion of the essential infrastructure to bring the Emoyeni wash plant into operation was achieved and trial commissioning of the plant was carried out. No major problems have been experienced and the wash plant is expected to be in steady state operations in the following quarter.

Finance update

Cash and cash equivalents of the Company as at 31 December 2020 totalled A\$0.758 million (30 September 2020: A\$0.114 million), together with undrawn finance facilities in the amount of A\$3.453 million.

Coal sales receipts for the quarter totalled A\$5.062 million (Quarter ended 30 September 2020: A\$3.928 million).

The expenditure incurred on production activities during the quarter as summarised in this report was approximately A\$5.295 million. No expenditure was incurred on exploration or development activities during the quarter.

Thermal coal markets

Thermal coal prices (API4 Richards Bay - FOB Richards Bay for 6,000 kcal, NAR product) increased steadily during the quarter to an average of US\$75. With the market recovering, the trend predicts an increase in the prices to an average of US\$84 over the next 12 months.

Future Developments

Ikwezi expects the Emoyeni wash plant to be in steady state production in the next quarter estimated at 60,000 tonnes per month. Further production ramp ups will be planned once steady state production is reached.

Summary

Key management focus in the short term remains on improving the product value through beneficiation of the coal at the wash plant.

The Company's Appendix 5B includes amounts in item 6.1, being related party payments. The amount represents payments made to Zarbon Coal (Pty) Ltd and Zarbon Ngagane (Pty) Ltd (related parties) for fees charged relating to the export of coal.

ABOUT IKWEZI

Ikwezi Mining Limited is focused on the exploration and development of coal projects in South Africa. The Ikwezi mining right area consists of a number of opencast and underground areas. The Kliprand Colliery (previously, Ntendeka) is the initial opencast area where mining operations have commenced. Ikwezi has a 70% stake in the mining right area located in the province of KwaZulu-Natal and are in close proximity to rail and port infrastructure.

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Disclaimer regarding future matters and forward-looking statements

This announcement contains reference to certain intentions, expectations, estimates, future plans, strategy and prospects of the Company. Those intentions, expectations, estimates, future plans, strategy and prospects may or may not be achieved. They are based on certain assumptions, which may not be met or on which views may differ and may be affected by known and unknown risks. The performance and operations of the Company may be influenced by a number of factors, many of which are outside the control of the Company. No representation or warranty, express or implied, is made by the Company or any of its directors, officers, employees, advisers or agents that any intentions, expectations or plans will be achieved either totally or partially or that any particular rate of return will be achieved and each of those persons expressly disclaims all liability with respect to such forward-looking information. Given the risks and uncertainties that may cause the Company's actual future results, performance or achievements to be materially different from those expected, planned or intended, recipients should not place undue reliance on these intentions, expectations, future plans, strategy and prospects.

Appendix – Tenement information

In accordance with Listing Rule 5.3.3, details of the Company and its controlled entities' interests in tenements as at 31 December 2020 are outlined below:

Project name	Type	Reference	Number of hectares and location	Ownership	Licensee
Newcastle Project (previously "Ntendeka Colliery").	Mining Right	KZN 30/5/1/2/2/297 MR MPTRO: 77/2012 MR	12,182ha, Northern KwaZulu Natal, South Africa	70% ¹	Ikwezi Mining (Pty) Ltd

Note 1: Ikwezi Mining Limited holds a 70% interest through its 70% holding in Ikwezi Mining (Pty) Ltd.

Mining tenements acquired during the quarter:

None.

Mining tenements disposed of during the quarter:

None.

Other beneficial interests

Ikwezi Mining Limited held no other beneficial interests in farm-in or farm-out arrangements during the quarter ended 31 December 2020.

Appendix 5B

Mining exploration entity or oil and gas exploration entity
quarterly cash flow report

Name of entity

IKWEZI MINING LIMITED

ABN

ARBN 151 258 221

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	5,062	8,991
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	-	-
	(c) production	(5,295)	(9,742)
	(d) staff costs	(227)	(476)
	(e) administration and corporate costs	(214)	(355)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	2
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(673)	(1,580)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(1,183)	(2,589)
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	(39)	(77)
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,222)	(2,666)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	2,547	2,547
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	2,547	2,547
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	114	2,548
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(673)	(1,580)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,222)	(2,666)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,547	2,547
4.5	Effect of movement in exchange rates on cash held	(8)	(91)
4.6	Cash and cash equivalents at end of period	758	758

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	721	73
5.2 Call deposits	37	41
5.3 Bank overdrafts	-	-
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	758	114

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	1,306
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

The payments per 6.1 were made to Zarbon Coal (Pty) Ltd and Zarbon Ngagane (Pty) Ltd, related parties, for the fees charged relating to the exportation of coal.

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	6,000	2,547
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	6,000	2,547

7.5 Unused financing facilities available at quarter end	3,453
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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Zarbon Coal (Pty) Ltd or Zarbon, a related party, provided a letter of comfort to Ikwezi to provide it with a finance facility of up to USD4.3 million (approximately AUD6 million). Any amounts advanced under the facility will attract interest at an annualised rate of 5% p.a. Any amounts drawn down under the facility need to be repaid, together with any interest due, on or before 31 December 2021. The repayment date was renegotiated from 31 December 2020 to 31 December 2021.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(673)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(673)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	758
8.5	Unused finance facilities available at quarter end (Item 7.5)	3,453
8.6	Total available funding (Item 8.4 + Item 8.5)	4,211
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	6.26

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 29 January 2021

Authorised by: Nitin Agrawal – Chairman

Notes

- This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.