



IKWEZI MINING LIMITED

ARBN 151 258 221

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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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 2020.

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

Mr Nitin Agrawal	<i>Executive Director and Chairman</i>
Mr Sanjay Goel	<i>Executive Director</i>
Mr Harjinder Singh Kapila	<i>Independent Director</i>
Mr Blair Sergeant	<i>Independent Director</i>
Mr Tushar Agrawal	<i>Executive Director (chose not to stand for re-election at the Annual General Meeting held on the 7th of January 2021)</i>

Review of operations

For the financial year ended 31 December 2020 the Group recorded a net loss of \$1,083,374 (2019: loss \$915,298) and a net cash outflow from operations of \$1,475,571 (2019: inflow of \$517,153).

Corporate

The Group had \$758,000 cash and cash equivalents on hand at 31 December 2020.

Operational

Thermal coal prices (API4 Richards Bay - FOB Richards Bay for 6,000 kcal, NAR product), improved over the six months increasing from approximately USD53 per ton to close the period at approximately USD90 per ton. The API4 forward curve is currently trading at approximately USD84 per ton for April 2021 at the date of this report and continues to trade between \$80 to \$82 through to January 2022.

During the half year a total of 312,015 tonnes were produced which was lower than expected however this was mainly because of the low tonnages produced during the second quarter due to heavy rains as well as the annual shutdown.

The company commenced trial commissioning of the Emoyeni Wash Plant, a total of 9,000 tons of coal was processed through the plant. Steady state production is expected to be achieved in the next quarter.

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 into the adjoining farm Goedeheop.

The Newcastle Project consists of a number of opencast and underground mines. The Kliprand Colliery is the initial opencast area, future planned opencast areas being Goedeheop, Shepstone Lake and Struysvogelkop.

It is recommended that the half-yearly financial statements be read in conjunction with the 30 June 2020 Annual Report and any public announcements made by the Group during the period.

DIRECTORS' REPORT (contd)

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.

Funding arrangements

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 2020. The repayment date was renegotiated from 31 December 2020 to 31 December 2021.

As at the end of the half-year, the amount advanced was AUD 2,547 million and interest of AUD 0.004 million had accrued.

Cost of Sales

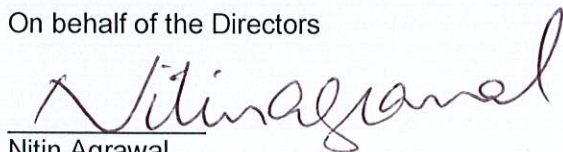
Included in cost of sales is an amount of \$3,724,898 (2019: \$0) paid to Zarbon Coal (Pty) Ltd and Zarbon Ngangane (Pty) Ltd relating to the use of the siding rail and port allocations for all the export sales done independently by the Company. Both companies are related parties of Mr Tushar Agrawal. Zarbon Ngangane (Pty) Ltd is also a related party of Mr Nitin Agrawal.

Subsequent Events

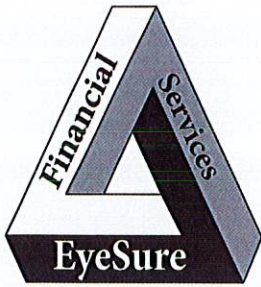
During January 2021, the 100 to 1 share consolidation which was approved by the shareholders at the Annual General Meeting was completed. The company's share capital structure after the consolidation is currently 40,649,974 ordinary fully paid shares.

Signed in accordance with a resolution of the directors.

On behalf of the Directors



Nitin Agrawal
Director
16 March 2021



**EYESURE - FINANCIAL SERVICES
REGISTERED AUDITORS AND
ACCOUNTANTS**

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Independent Reviewer's 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 2020, 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 financial half-year as set out on pages 6 to 14.

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*.

Independent Reviewer'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 International Standards on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements (ISRE 2400 (Revised)). Those standards require us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also require us to comply with relevant ethical requirements.

A review of the half-year financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The independent reviewer performs procedures, primarily consisting of making inquiries of management and others within the entity, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

We believe that the review evidence we have obtained is sufficient and appropriate to provide a basis for our review opinion. We have placed reliance on the reviewed financial statements of the subsidiary entities that were used for the consolidated figures.

Opinion

In our opinion:

- a) The half-year financial report of Ikwezi Mining Limited presents fairly, in all material respects, the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year then ended in accordance with International Standards on Review Engagements 2400 (Revised); and
- b) the half-year financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.



Eyesure
Registered Auditors

Per: D.J. Smith
Wilgeheuwel
12 March 2021

Group Directors
DJ Smith, I Smith, S Jordaan
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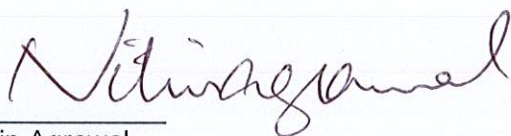
DIRECTORS' DECLARATION

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 2020 and the performance of the consolidated entity for the half-year ended on that date; and
 - ii. Comply with International Financial Reporting Standards.
- 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



Nitin Agrawal
Director
16 March 2021

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	31 Dec 2020	31 Dec 2019
	\$	\$
Revenue	11,500,365	5,535,392
Cost of sales	(11,952,692)	(5,962,943)
Investment income	1,977	21,916
Other gains and losses	116,791	18,915
Depreciation and amortisation expense	(40,343)	(14,403)
Employee benefits expense	-	-
Finance costs	(23,628)	(8)
Administration expenses	(190,600)	(418,832)
Other expenses	(42,836)	(95,335)
Net foreign exchange loss	(452,408)	
Loss before tax	(1,083,374)	(915,298)
Income tax	-	-
Loss for the period from continuing operations	(1,083,374)	(915,298)
Attributable to:		
Owners of the parent	(693,278)	(584,193)
Non-controlling interests	(390,096)	(331,104)
	(1,083,374)	(915,298)

Notes to the condensed consolidated financial statements are included on pages 12-14.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR
ENDED 31 DECEMBER 2020**

	31 Dec 2020 \$	31 Dec 2019 \$
Loss for the period	(1,083,374)	(915,298)
Other comprehensive income		
<i>Items that will not be subsequently reclassified to profit or loss</i>	-	-
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation of foreign operations	1,433,585	21,655
	350,211	(893,643)
Other comprehensive income for the period	-	-
Total comprehensive income for the period	350,211	(893,643)
Total comprehensive income attributable to:		
Owners of the parent	740,307	(562,539)
Non-controlling interests	(390,096)	(331,104)
	350,211	(893,643)

Notes to the condensed consolidated financial statements are included on pages 12-14.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	Consolidated	
		31 Dec 2020	30 June 2020
		\$	\$
Current assets			
Cash and cash equivalents		758,000	2,548,000
Trade and other receivables		3,169,047	1,469,523
Inventories		5,703,509	3,231,733
Other financial assets	(7)	654,328	521,874
Other current assets		99,975	83,049
Total current assets		10,384,859	7,854,179
Non-current assets			
Property, plant and equipment		17,548,986	14,734,366
Right of use asset		478,214	478,335
Total non-current assets		18,027,200	15,212,701
Total assets		28,412,059	23,066,880
Current liabilities			
Trade and other payables		1,796,258	1,371,815
Short term borrowings	(5)	2,550,770	-
Provisions		2,492,063	446,744
Lease liability		14,194	10,623
Total current liabilities		6,853,285	1,829,181
Non-current liabilities			
Provisions		228,665	276,971
Lease liability		504,995	485,824
Total non-current liabilities		733,660	762,796
Total liabilities		7,586,945	2,591,977
Net assets		20,825,114	20,474,904
Equity			
Issued capital		40,460,209	40,460,209
Reserves		(7,451,019)	(8,884,603)
Accumulated losses		(9,594,751)	(8,901,474)
Equity attributable to owners of the parent		23,414,439	22,674,132
Non-controlling interest		(2,589,325)	(2,199,229)
Total equity		20,825,114	20,474,904

Notes to the condensed consolidated financial statements are included on pages 12-14.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	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 2019	40,460,209	140,000	(4,638,128)	(10,860,262)	25,101,819	(2,908,879)	22,192,940
Profit for the period	-	-	-	1,958,789	1,958,789	709,650	2,688,439
Exchange differences on translation of foreign operations	-	-	(4,386,476)	-	(4,386,476)	-	(4,386,476)
Total comprehensive income for the period	-	-	(4,386,476)	1,958,789	(2,427,687)	709,650	(1,718,037)
Balance at 30 June 2020	40,460,209	140,000	(9,024,604)	(8,901,474)	22,674,132	(2,199,229)	20,474,904
Loss for the period	-	-	-	(693,278)	(693,278)	(390,096)	(1,083,374)
Exchange differences on translation of foreign operations	-	-	1,433,585	-	1,433,585	-	1,433,585
Total comprehensive income for the period	-	-	1,433,585	(693,278)	740,307	(390,096)	350,211
Balance at 31 December 2020	40,460,209	140,000	(7,591,019)	(9,594,751)	23,414,439	(2,589,325)	20,825,114

Notes to the condensed consolidated financial statements are included on pages 12-14.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	31 Dec 2020	31 Dec 2019
	\$	\$
Cash flows from operating activities		
Receipts from Customers	9,800,843	6,458,393
Payments to suppliers and employees	(11,276,414)	(5,941,240)
Net cash used in operating activities	<u>(1,475,571)</u>	<u>517,153</u>
Cash flows from investing activities		
Interest received	1,977	21,916
Payments for property, plant and equipment	(2,645,355)	(446,036)
Receipts from/ (payments to) acquire financial assets	(76,663)	294,233
Net cash used in investing activities	<u>(2,720,041)</u>	<u>(129,887)</u>
Cash flows from financing activities		
Proceeds from issue of equity instruments of the company	-	-
Proceeds from borrowings	2,550,770	-
Net cash generated by financing activities	<u>2,550,770</u>	<u>-</u>
Net increase in cash and cash equivalents	(1,644,842)	387,266
Cash and cash equivalents at the beginning of the period	2,548,000	251,362
Effects of exchange rate changes on the balance of cash held in foreign currencies	(145,158)	4,757
Cash and cash equivalents at the end of period	<u>758,000</u>	<u>643,385</u>

Notes to the condensed consolidated financial statements are included on pages 12-14.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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 2020 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 Accounting Standards and Interpretations and comply with other requirements of law. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ("IFRS"). 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 2020 annual financial report for the financial year ended 30 June 2020, except for the impact of the Standards and Interpretations described below where applicable. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

1.1 Accounting standards not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been early adopted by the Group for the half-year reporting period ending 31 December 2020. It is not expected that these Australian Accounting Standards and Interpretations will have a material impact on the Group when they are adopted in future reporting periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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 of \$1,083,374 (31 December 2019: loss of \$915,298) and had a net cash outflow from operating and investing activities of \$4,195,612 (31 December 2019: net cash inflow of \$387,266) for the half-year ended 31 December 2020. As at 31 December 2020 the Consolidated Entity had cash assets of \$758,000 (30 June 2020: \$2,548,000) and net current assets of \$3,531,574 (30 June 2020: net current assets of \$6,024,998).

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 the following:

- The Company has started exporting independently and mining operations continue to ramp up. The Wash plant will be in steady operation shortly which will significantly increase the value of coal.
- Although the coal prices for the half-year had weakened significantly, the market is recovering, and the trend is predicting an increase in the prices over the next 12 months.

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 Company and 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.

3. Segment information

Management has determined that the Group has one reportable segment, being coal mining and development. As the Group is focused on coal mining, 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 mining activities, while also taking into consideration the results of mining work that has been performed to date. The Group operates principally in South Africa.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

4. Cash and cash equivalents

	31/12/20 \$	30/06/20 \$
Cash at bank and in hand	758,000	2,548,000

The carrying amount of cash and cash equivalents is a reasonable approximation of the fair value.

5. Short-term borrowings

	6 Months ended 31/12/20 \$	Year ended 30/06/20 \$
Short-term borrowings	2,550,770	-

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 2020. The repayment date was renegotiated from 31 December 2020 to 31 December 2021.

As at the end of the half-year, the amount advanced was AUD 2,547 million and interest of AUD 0.004 million had accrued.

6. Contingencies and commitments

6.1 Capital expenditure commitments

The company continues to spend on the Wash Plant to ensure that it is in steady operation.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

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
	31/12/20	30/06/20		
Unit trust	\$654,328	\$521,874	Level 1	Quoted unit prices in an active market.

8. Subsequent events

During January 2021, the 100 to 1 share consolidation which was approved by the shareholders at the Annual General Meeting was completed. The company's share capital structure after the consolidation is currently 40,649,974 ordinary fully paid shares.