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

ARBN 151 258 221

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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 2017.

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 2017 the Group recorded a net loss attributable to the owners of the Company of $161,470 (2016: net loss of $170,707) and net cash outflows from operating activities of $421,098 (2016: $356,140). Net cash outflows from investing activities aggregated $247,415 (2016: inflow of $303,736).

Corporate

The Group had $600,656 cash and cash equivalents on hand at 31 December 2017.

Operational

Thermal coal prices have remained at their improved levels during the half year ended 31 December 2017 despite volatility. The API4 index is trading at approximately USD 92 for March 2018 with a gradual decline to approximately US$83 by March 2019. The forward curve reflects a price decline in the medium-to-long term.

In order to commence mining activities, 6 households need to be relocated from the initial opencast mining area. Of these 3 households have been successfully relocated to date. The remaining 3 families have resisted relocation resulting in the Company following the normal legal procedures in this regard. A consent order has been obtained from the High Court of South Africa in December 2017 to relocate these families to a safer area for the farm away from the mining operations. The construction of the remaining three houses has commenced in early 2018 in terms of the High Court consent order with the relocation of the remaining families expected prior to the end of the financial year.

The funding required to start mining activities at the Ntendeka colliery has been re-evaluated during the quarter. Depending on whether the initial box cut is financed by the mining contractor together with the final terms of the offtake arrangements, it is possible that the Company will look to raise additional funding in the form of either debt or equity or a combination of these to bring the mine into operation. No decision has been made in this regard as yet. Any decision on this will be made in conjunction with the decision as to when to start mining once the relocation of the remaining households is completed.

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 legal process to relocate the remaining 3 households continued culminating in the High Court consent order to relocate them in December 2017.

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.

It is recommended that the half-yearly financial statements be read in conjunction with the 30 June 2017. 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
16 March 2018

CHARTER FINANCIAL SERVICES A.B.N. 51 377 342 156
CHARTERED ACCOUNTANTS & TAXATION AGENTS
REGISTERED COMPANY AUDITOR
Liability limited by a scheme approved under Professional Standards Legislation

Unit 9, 17 Foley Street
Balcatta WA 6021
Tel: (08) 9226 5123
Fax: (08) 9226 5789
PO Box 1082
Balcatta WA 6914
Email: info@charterfin.com.au
www.charterfin.com.au

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 2017, 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 - 15.

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 2, 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 2. 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.

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 2017 and of its financial performance for the period ended on that date in accordance with Australian Accounting Standards as described in Note 2.

Charter Financial Services

Charter Financial Services

Barry Philip Levin
Partner
Chartered Accountants
Perth, 16th March 2018

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 2017 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
16 March 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	31 Dec 2017 $	31 Dec 2016 $
Revenue	46,330	63,774
Investment income	12,737	10,320
Other gains and losses	30,556	7,381
Depreciation and amortisation expense	(3,836)	(7,252)
Employee benefits expense	(38,880)	(15,346)
Finance costs	(3,507)	(3,129)
Consulting expenses	-	4,639
Administration expenses	(145,852)	(149,313)
Occupancy expenses	(55,191)	(60,623)
Travel and transport expenses	(1,220)	(8,499)
Foreign exchange (losses)/gains	284	(9,721)
Other expenses	(2,891)	(2,938)
Loss before tax	**(161,470)**	**(170,707)**
Income tax	-	-
Loss for the period from continuing operations	**(161,470)**	**(170,707)**
Attributable to:		
Owners of the parent	(138,036)	(160,745)
Non-controlling interests	(23,434)	(9,962)
	(161,470)	**(170,707)**
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 2017

	31 Dec 2017 $	31 Dec 2016 $
Loss for the period	**(161,470)**	**(170,707)**
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	578,031	1,495,173
	416,561	1,324,466
Other comprehensive income for the period	-	-
Total comprehensive income for the period	**416,561**	**1,324,466**
Total comprehensive income attributable to:		
Owners of the parent	439,995	1,334,428
Non-controlling interests	(23,434)	(9,962)
	416,561	1,324,466

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	Consolidated 31 Dec 2017 $	Consolidated 30 June 2017 $
Current assets			
Cash and cash equivalents		600,656	1,278,260
Trade and other receivables		20,145	36,525
Other financial assets		611,468	558,353
Other current assets		141,704	152,079
Total current assets		1,373,973	2,025,217
Non-current assets			
Property, plant and equipment		14,517,993	13,668,149
Exploration and evaluation expenditure		-	-
Total non-current assets		14,517,993	13,668,149
Total assets		15,891,966	15,693,366
Current liabilities			
Trade and other payables		439,867	629,033
Provisions		(449)	715
Other liabilities		-	506
Total current liabilities		439,418	630,254
Non-current liabilities			
Provisions		217,313	244,438
Total non-current liabilities		217,313	244,438
Total liabilities		656,731	874,692
Net assets		15,235,235	14,818,674
Equity			
Issued capital		34,362,731	34,362,731
Reserves		(4,268,913)	(4,846,944)
Accumulated losses		(11,590,798)	(11,452,762)
Equity attributable to owners of the parent		18,503,020	18,063,025
Non-controlling interest		(3,267,785)	(3,244,351)
Total equity		15,235,235	14,818,674

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 2017

	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 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**
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**

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 2017

	31 Dec 2017 $	31 Dec 2016 $
Cash flows from operating activities		
Payments to suppliers and employees	(421,098)	(356,140)
Net cash used in operating activities	(421,098)	(356,140)
Cash flows from investing activities		
Interest received	12,737	2,452
Payments for property, plant and equipment	(260,152)	(689,017)
Payments for capitalised exploration and evaluation		
Receipts/(Payments) for financial assets	-	990,301
Net cash used in investing activities	(247,415)	303,736
Net decrease in cash and cash equivalents	(668,513)	(52,404)
Cash and cash equivalents at the beginning of the period	1,278,260	2,117,524
Effects of exchange rate changes on the balance of cash held in foreign currencies	(9,091)	81,704
Cash and cash equivalents at the end of period	**600,656**	**2,146,824**

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 2017

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 2017 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 2017 annual financial report for the financial year ended 30 June 2017, 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

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 $161,470 (31 December 2016: loss of $170,707) and had a net cash outflow from operating and investing activities of $668,513 (31 December 2016: net cash outflow of $52,404) for the half year ended 31 December 2017. As at 31 December 2017 the Consolidated Entity had cash assets of $600,656 (30 June 2017: $1,278,260) and net current assets of $934,555 (30 June 2017: net current assets of $1,394,963).

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. 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.

The Company is looking to bring the open cast area of the Ntendeka Colliery into production in the second quarter of calendar year 2018. It 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. Should the decision be made to commence mining, the operation may require additional funding to be raised either via debt or equity or a combination thereof for the initial site establishment and the box cut together with additional working capital required for the mining activities.

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 2017 amounted to $34,362,731 (2016: $34,362,731) comprising 1,016,250,000 ordinary shares (2016: 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. As part of the process of bringing the Ntendeka Colliery into production, certain houses and graves need to be relocated from the initial opencast mining area. It is expected that the Company will need to spend approximately AUD155,000 to relocate the remaining houses and graves.

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 17	30 Jun 17
Tenement expenditure commitments	**$**	**$**
Not longer than 1 year	-	64,502
Later than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	64,502

6.3 Other commitments

	31 Dec 17	30 Jun 17
Lease and rental commitments	**$**	**$**
Not longer than 1 year	49,678	47,782
Later than 1 year and not longer than 5 years	-	
Longer than 5 years	-	-
	49,678	47,782

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
	31/12/17	30/06/17		
Unit trust	$611,468	$558,353	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.