

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 March 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	568	7,777
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	-	-
	(c) production	(2,833)	(8,884)
	(d) staff costs	(254)	(867)
	(e) administration and corporate costs	(103)	(189)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	7	15
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	(2,615)	(2,148)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(395)	(779)
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	(45)	263
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	(440)	(516)

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	2,523	2,523
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	2,523	2,523

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	643	251
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,615)	(2,148)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(440)	(516)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,523	2,523
4.5	Effect of movement in exchange rates on cash held	(20)	(19)
4.6	Cash and cash equivalents at end of period	91	91

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	76	496
5.2	Call deposits	15	147
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)	91	643

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

-

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

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.

**Total facility
amount at quarter
end
\$A'000**

**Amount drawn at
quarter end
\$A'000**

- 7.1 Loan facilities

6,500

2,523

- 7.2 Credit standby arrangements

-

-

- 7.3 Other (please specify)

-

-

- 7.4 **Total financing facilities**

6,500

2,523

- 7.5 **Unused financing facilities available at quarter end**

3,977

- 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, (previously Osho SA Coal (Pty) Ltd), has provided a letter of comfort to Ikwezi to provide it with a finance facility of up to USD4.3 million (approximately AUD6,5 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.

As at 31 March 2020, Zarbon had advanced an amount of AUD2.523m or approximately USD1.66m to Ikwezi as shown under item 3.5 above.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,615)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(2,615)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	91
8.5 Unused finance facilities available at quarter end (Item 7.5)	3,977
8.6 Total available funding (Item 8.4 + Item 8.5)	4,068
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1.56

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: As previously announced by Ikwezi, the South African Government announced a nationwide lock down in late March 2020 to try and limit the spread of COVID-19. In line with this lock down, Ikwezi, suspended operations at its Ntendeka colliery. The suspension of mining activities has reduced the production costs payable for the quarter. At the same time, some of the stocks that were built up during the first quarter have been sold. The additional cash generated through the reduction in stock levels / debtors combined with reduced cash outflows will assist in improving the cash flow over the next quarter.

The lockdown on opencast mines has been lifted by the South African Government with effect from 1 May 2020 and opencast mines are able to resume full production from that date.

During March and April 2020, coal prices (API4 FOB Richards bay) have declined as a result of the disruption to the global economy caused by COVID-19. In line with this decline, a key focus remains on cost reduction and productivity improvement at Ntendeka colliery and ensure that the colliery remains profitable.

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: As outlined in 7.6 above, Zarbon Coal (Pty) Ltd or Zarbon, a related party, (previously Osho SA Coal (Pty) Ltd), has provided a letter of comfort to Ikwezi to provide it with a finance facility of up to USD4.3 million. No further steps are envisaged at this point to raise additional cash.

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: Yes, as set above, the Company expects to be able to continue its operations and meet its business objectives. The operational plan over the next few months will be focussed on maximising cash flow, reducing the cost structure of the operation and improving productivity..

Compliance statement

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

Date: 30 April 2020

Authorised by: Tushar Agrawal – Director

(Name of body or officer authorising release – see note 4)

Notes

1. 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.
2. 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 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.