IKWEZI MINING LIMITED

(Incorporated in Bermuda with registered company number 45349)

ARBN 151 258 221

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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 2015.

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 – Non-executive Director
Mr Tushar Agrawal – Non-executive Director

Review of operations

For the half-year ended 31 December 2015 the Group recorded a net loss attributable to the owners of the Company of $175,640 (2014: net loss of $701,727) and net cash outflows from operating activities of $399,125 (2014: $196,701). Net cash outflows for investing activities was $348,465 (2014: $64,427)

Corporate

As at 31 December 2015 the Company had $2,626,402 cash and cash equivalents on hand.

Operational

Global thermal coal market pricing remains under pressure largely due to market oversupply compounded by lower alternative energy generation costs. The API4 Richards Bay FOB price is in US$50 range at the date of this report. Mine closures in a number of jurisdictions continue but these are as yet to have much impact on market prices. The depreciation of the South African Rand and Australian Dollar versus the USD has however offset the decline in thermal prices to a degree.

The Company believes it has sufficient cash to commence mining activities selling Run of Mine (ROM) coal. However, given the current market conditions, sale of unprocessed ROM coal is marginal from a profitability perspective due mainly to sustained pricing pressure, exacerbated by the entry of the major producers into this area of the market. To bring the coal wash plant into production, will require additional funding. The Company is currently investigating various options in this regard.

During the half year, the Company continued with its focus on bringing all of its capital and operational quotes for the Ntendeka colliery up-to-date to ensure that they are optimised and efficient in the current market conditions. The extent of capital required to bring the wash plant and mining operations into production has been optimised with a number of savings realised, and these estimates are largely complete, with only few items awaiting finalisation.

Contract mining costs continue to reduce with a lot of surplus equipment currently available in the market leading to improved rates. The decrease in the price of oil has also assisted the reduction in the cost structure, with diesel comprising in the region of 35% of the mining costs

DIRECTORS' REPORT (cont)

No further geological or mine planning work has been undertaken on the remainder of the resource as these have already been optimised to be brought into production in the current environment.

Overheads remain at a minimum and management continues to control these on an ongoing basis.

It is recommended that the half-yearly financial statements be read in conjunction with the 30 June 2015 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
15 March 2016, Singapore

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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 consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the declaration of the directors as set out on pages 5 to 17. The consolidated entity comprises the company (Ikwezi Mining Limited) and the entities it controlled at the end of the half-year or from time to time during the half-year.

Director's Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with the Australian Accounting Standards and for such internal control as the directors determine is necessary for the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 Australian Accounting Standards. As the auditor of Ikwezi Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual 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 become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

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 2015 and of its financial performance for the period ended on that date in accordance with Australian Accounting Standards as described in Note 2.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

John Sibenaler
Partner
Chartered Accountants
Perth, 15 March 2016

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 2015 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
Singapore
15 March 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	31 Dec 2015 $	31 Dec 2014 $
Revenue	67,864	90,596
Investment income	20,490	77,165
Other gains and losses	92,667	(382,264)
Depreciation and amortisation expense	(11,827)	-
Employee benefits expense	(59,624)	(330,470)
Finance costs	(3,930)	(1,860)
Consulting expenses	(16,652)	(10,373)
Administration expenses	(143,146)	(126,836)
Occupancy expenses	(84,740)	(89,978)
Travel and transport expenses	(31,067)	(27,648)
Foreign exchange (losses)/gains	(4,254)	(5,082)
Other expenses	(1,421)	(1,599)
Loss before tax	**(175,640)**	**(808,349)**
Income tax expense	-	-
Loss for the period from continuing operations	**(175,640)**	**(808,349)**
Attributable to:		
Owners of the parent	(176,152)	(701,727)
Non-controlling interests	512	(106,622)
	(175,640)	(808,349)
Loss per share (Note 5)		
From continuing operations:		
Basic (cents per share)	(0.02)	(0.07)
Diluted (cents per share)	(0.02)	(0.07)

Notes to the condensed consolidated financial statements are included on pages 11-17.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	31 Dec 2015 $	31 Dec 2014 $ (restated)
Loss for the period	(175,640)	(808,349)
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 (2014 restated)	(2,529,717)	(2,050,894)
	(2,705,357)	(2,859,243)
Other comprehensive income for the period	-	-
Total comprehensive income for the period	**(2,705,356)**	**(2,859,243)**
Total comprehensive income attributable to:		
Owners of the parent	(2,705,869)	(2,752,621)
Non-controlling interests	512	(106,622)
	(2,705,357)	(2,859,243)

Notes to the condensed consolidated financial statements are included on pages 11-17.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	Consolidated 31 Dec 2015 $	Consolidated 30 June 2015 $
Current assets			
Cash and cash equivalents		2,626,402	3,375,100
Trade and other receivables		43,879	55,948
Other financial assets		1,349,413	1,533,826
Other current assets		78,905	137,205
Total current assets		4,098,599	5,102,079
Non-current assets			
Property, plant and equipment	(6)	10,681,902	12,911,384
Exploration and evaluation expenditure	(7)	283,687	-
Total non-current assets		10,965,589	12,911,384
Total assets		15,064,188	18,013,463
Current liabilities			
Trade and other payables		1,356,927	1,552,347
Provisions		188	227
Other liabilities		1,570	246
Total current liabilities		1,358,685	1,552,820
Non-current liabilities			
Provisions		154,123	203,906
Total non-current liabilities		154,123	203,906
Total liabilities		1,512,808	1,756,726
Net assets		13,551,380	16,256,737
Equity			
Issued capital	(8)	34,362,731	34,362,731
Reserves	(9)	(6,478,729)	(3,949,012)
Accumulated losses		(11,120,905)	(10,944,753)
Equity attributable to owners of the parent		16,763,097	19,468,966
Non-controlling interest		(3,211,717)	(3,212,229)
Total equity		13,551,380	16,256,737

Notes to the condensed consolidated financial statements are included on pages 11-17.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	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 2014 (restated)	30,569,450	140,000	(3,702,853)	(3,059,197)	23,947,400	60,773	24,008,173
Loss for the period	-	-	-	(701,727)	(701,727)	(106,622)	(808,349)
Exchange differences on translation of foreign operations	-	-	(2,050,894)	-	(2,050,894)	-	(2,050,894)
Total comprehensive income for the period	-	-	(2,050,894)	(701,727)	(2,752,621)	(106,622)	(2,859,243)
Share issue costs	(72,328)	-	-	-	(72,328)	-	(72,328)
Balance at 31 December 2014	**30,497,122**	**140,000**	**(5,753,747)**	**(3,760,924)**	**21,122,451**	**(45,849)**	**21,076,602**
Balance as at 1 July 2015	**34,362,731**	**140,000**	**(4,089,012)**	**(10,944,753)**	**19,468,966**	**(3,212,229)**	**16,256,737**
Loss for the period	-	-	-	(176,152)	(176,152)	512	(175,640)
Exchange differences on translation of foreign operations	-	-	(2,529,717)	-	(2,529,717)	-	(2,529,717)
Total comprehensive income for the period	-	-	(2,529,717)	(176,152)	(2,705,869)	512	(2,705,357)
Balance at 31 December 2015	**34,362,731**	**140,000**	**(6,618,729)**	**(11,120,905)**	**16,763,097**	**(3,211,717)**	**13,551,380**

Notes to the condensed consolidated financial statements are included on pages 11-17.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	31 Dec 2015 $	31 Dec 2014 $
Cash flows from operating activities		
Payments to suppliers and employees	(399,125)	(196,701)
Net cash used in operating activities	(399,125)	(196,701)
Cash flows from investing activities		
Interest received	11,624	77,166
Receipts/(Payments) for property, plant and equipment	-	62,657
Payments for capitalised exploration and evaluation	(283,723)	(98,330)
Proceeds from disposal of property, plant and equipment	-	1,380
Payments to acquire financial assets	(76,366)	(107,300)
Net cash used in investing activities	(348,465)	(64,427)
Cash flows from financing activities		
Repayment of borrowings	-	(91,818)
Share issue costs	-	(13,252)
Net cash used in financing activities	-	(105,070)
Net decrease in cash and cash equivalents	(747,590)	(366,198)
Cash and cash equivalents at the beginning of the period	3,375,100	817,375
Effects of exchange rate changes on the balance of cash held in foreign currencies	(1,108)	(74,505)
Cash and cash equivalents at the end of the period	**2,626,402**	**376,672**

Notes to the condensed consolidated financial statements are included on pages 11-17.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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 2015 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 non-current assets and 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 2015 annual financial report for the financial year ended 30 June 2015, 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.

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

Impact of the application of AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

Completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations.

Restatement

During the financial year ended 30 June 2015, the directors changed the method for translation of foreign operations to comply with AASB 121 The Effects of Changes in Foreign Exchange Rates. Certain non-monetary items, as noted below, were previously translated at historical exchange rates and are now translated using the closing rate at the end of the reporting period as required by AASB 121.

The Directors note this change has no impact on the Consolidated statement of cash flows nor the basic and diluted loss per share for the half-years ended 31 December 2015 and 31 December 2014.

	31 December 2014		
	As previously stated	**Restatement**	**As restated**
Exchange differences on translation of foreign operations	(77,487)	(1,973,407)	(2,050,894)
Total comprehensive income	**(885,836)**	**(1,973,407)**	**(2,859,243)**
Total comprehensive income for the year is attributable to:			
Owners of the Company	(885,836)	(1,973,407)	(2,859,243)

3. Going concern

These condensed 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 $175,640 (31 December 2014: loss of $808,349) and had a net cash outflow from operating and investing activities of $747,590 (31 December 2014: net cash outflow of $261,128) for the half year ended 31 December 2015. As at 31 December 2015 the Consolidated Entity had cash assets of $2,626,402 (30 June 2015: $3,375,100) and net current assets of $2,739,914 (30 June 2015: net current assets of $3,549,259).

The Directors have prepared a cash flow forecast for the period to 31 March 2017 which continues to include previously implemented measures that reduce expenditure in order to meet minimum legal and contractual obligations that match current cash levels. This forecast indicates that the existing cash resources will be sufficient to meet such obligations. The Directors have not yet made a decision to commence mining activities as the form and structure of any mining activity is still being evaluated by the Directors.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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. Loss per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	Half-year ended 31/12/15 $	Half-year ended 31/12/14 $
Loss for the year attributable to owners of the Company	(176,152)	(701,727)
Loss used in the calculation of basic loss per share form continuing operations	(176,152)	(701,727)

	Half-year ended 31/12/15 $	Half-year ended 31/12/14 $
Weighted average number of ordinary shares for the purposes of basic loss per share, including the effects of the rights issue completed before the issue of this report	1,016,250,000	1,016,250,000
Weighted average number of ordinary shares for the purposes of basic loss per share as originally calculated at report date	N/a	338,750,000

6. Property, plant and equipment

	Land & Buildings $	Rail Siding (in progress) $	Beneficiation Plant (in progress) $	Mine infrastructure (in progress) $	Road Earthworks (in progress) $	Office & Computer Equipment & Software $	Motor Vehicles $	Other Fixtures & Fittings $	Total $
At cost									
At 1 July 2015	**853,599**	**154,753**	**8,127,821**	**2,142,233**	**1,580,453**	**22,507**	**72,665**	**59,607**	**13,013,638**
Additions	-	-	(15,596)	-	-	-	-	-	(15,596)
Effect of foreign currency exchange differences	(145,729)	(26,420)	(1,386,975)	(365,727)	(269,819)	(3,843)	(12,405)	(10,176)	(2,221,094)
At 31 Dec 2015	**707,870**	**128,333**	**6,725,250**	**1,776,506**	**1,310,634**	**18,664**	**60,260**	**49,431**	**10,776,948**
Accumulated Depreciation									
At 1 July 2015	**-**	**-**	**-**	**-**	**-**	**10,443**	**54,822**	**36,989**	**102,255**
Depreciation	-	-	-	-	-	255	6,954	4,618	11,827
Effect of foreign currency exchange differences	-	-	-	-	-	(1,818)	(10,287)	(6,931)	(19,036)
At 31 Dec 2015	**-**	**-**	**-**	**-**	**-**	**8,880**	**51,489**	**34,677**	**95,046**
Net book value									
At 1 July 2015	853,599	154,753	8,127,821	2,142,233	1,580,453	12,064	17,843	22,618	12,911,384
At 31 Dec 2015	**707,870**	**128,333**	**6,725,250**	**1,776,506**	**1,310,634**	**9,784**	**8,771**	**14,754**	**10,681,902**

7. Exploration and evaluation expenditure

	Half-year ended 31 December $
At cost	
Balance at 1 July 2015	-
Additions	283,687
Balance at 31 December 2015	**283,687**

During the financial year ended 30 June 2015, the Group identified indicators of impairment on certain exploration and evaluation assets, including tenement areas where no further exploration activities were to be performed, resulting in a $9.85 million impairment charge to profit and loss.

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on successful development and commercial exploitation or sale of the respective exploration areas. Exploration and evaluation expenditure is assessed for impairment by the directors when facts and circumstances suggest that the carrying amount exceeds the future economic benefit that may be recovered from the asset. The assessment is performed when the above occurs and at every reporting date.

8. Issued capital

Issued capital as at 31 December 2015 amounted to $34,362,731 (2014: $30,497,122) comprising 1,016,250,000 ordinary shares (2014: 338,750,000).

9. Reserves

	31 Dec 15 $	30 Jun 15 $
Foreign currency translation reserve	(6,618,729)	(4,089,012)
Share based payments reserve	140,000	140,000
	(6,478,729)	(3,949,012)

9.1 Foreign currency translation reserve

	31 Dec 15 $	30 Jun 15 $
Balance at the beginning of the period	(4,089,012)	(3,702,853)
Exchange differences arising on translation of foreign operations	(2,529,717)	(386,159)
Balance at the end of the period	(6,618,729)	(4,089,012)

9.2 Share based payments reserve

	31 Dec 15	30 Jun 15
	$	$
Balance at the beginning of the period	140,000	140,000
Share based payments	-	-
Balance at the end of the period	140,000	140,000

10. Contingencies and commitments

10.1 Capital expenditure commitments

	31 Dec 15	30 Jun 15
Plant and equipment	$	$
Not longer than 1 year	559,181	260,874
Later than 1 year and not longer than 5 years	-	260,874
Longer than 5 years	-	-
	559,181	521,748

10.2 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 15	30 Jun 15
Tenement expenditure commitments	$	$
Not longer than 1 year	112,497	221,889
Later than 1 year and not longer than 5 years	104,336	193,644
Longer than 5 years	-	-
	216,833	415,533

10.3 Other commitments

	31 Dec 15	30 Jun 15
Lease and rental commitments	$	$
Not longer than 1 year	114,839	107,870
Later than 1 year and not longer than 5 years	92,564	168,315
Longer than 5 years	-	-
	207,403	276,185

11. Key management personnel

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

12. Financial instruments

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

12.1 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**
	31/12/15	**30/06/15**		
Unit trust	$1,349,413	$1,552,347	Level 1	Quoted unit prices in an active market.

13. 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.