



IKWEZI MINING LIMITED
ARBN 151 258 221

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

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Directors' Report

30 June 2019

The directors of Ikwezi Mining Limited (**Directors**) present their report on the Consolidated Entity consisting of Ikwezi Mining Limited (the **Company** or **Ikwezi**) and the entities it controlled at the end of, or during, the year ended 30 June 2019 (**Consolidated Entity** or **Group**).

DIRECTORS

The following persons were directors of Ikwezi during the financial year or up to the date of this report:

Mr David Pile	<i>Executive Chairman</i>
Mr Ranaldo Anthony	<i>Executive Director</i>
Mr Alok Joshi	<i>Executive Director</i>
Mr Tushar Agrawal	<i>Executive Director</i>

INFORMATION ABOUT DIRECTORS

Current Directors

Mr David Pile – Executive Chairman

David is a Chartered Accountant with comprehensive experience across several industries in Sub-Saharan Africa, South East Asia and Australia. Most recently, he was Chief Financial Officer of Minara Resources, an ASX listed mining company subsequently taken over by Glencore, and prior to that the Chief Financial Officer of Ingwe Collieries, BHP Billiton's South African energy coal operations, where he was also a director of the Richards Bay Coal Terminal.

David was appointed as the Executive Chairman on 27 June 2014. Prior to this, he held the position of Managing Director.

Special responsibilities:

Chairman of the Risk Committee

Member of the Audit Committee

Member of the Remuneration and Nomination Committee

Current Directorships and Former Directorships (last 3 years) of listed public companies:

None

Mr Ranaldo Anthony - Executive Director

Ranaldo is a registered South African geologist and a member of the Geological Society of South Africa. Ranaldo previously worked for BHP Billiton in the mineral resource department of the Energy Coal Division, where he was responsible for the reporting of global energy coal reserves and resources. Most recently, Ranaldo was Deputy Chief Executive Officer of Nucoal South Africa.

Special responsibilities:

Member of the Audit Committee

Member of the Risk Committee

Member of the Remuneration and Nomination Committee

Current Directorships and Former Directorships (last 3 years) of listed public companies:

None

Directors' Report

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Mr Tushar Agrawal - Executive Director

Tushar has extensive experience in both international and South African coal markets with entrepreneurial involvement in the exploration, mining, trading, beneficiation, shipping and logistics of coal. He has been responsible for developing substantial, export-based coal operations in South Africa and has hands-on operational and commercial experience. Tushar has a business administration degree from HR college, Mumbai.

Special responsibilities:

Member of the Audit Committee

Member of the Risk Committee

Chairman of the Remuneration and Nomination Committee

Current Directorships and Former Directorships (last 3 years) of listed public companies:

None

Mr Alok Joshi - Executive Director

Alok has two decades of experience in Mergers and Acquisitions and corporate finance, business development, corporate restructuring, transaction services and audits, built across a range of industry segments and geographies. Alok graduated from Sydenham College, Mumbai and is a Chartered Accountant. Alok is also a member of the Institute of Directors, Southern Africa.

Special responsibilities:

Chairman of the Audit Committee

Member of the Risk Committee

Member of the Remuneration and Nomination Committee

Current Directorships and Former Directorships (last 3 years) of listed public companies:

None

Former Directors

There were no changes to the Board of Directors of the Company during the year ended 30 June 2019 and up to the date of this report.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was coal exploration and development.

DIVIDENDS

No dividends have been declared, provided for, or paid in respect of the financial year ended 30 June 2019 (2018: Nil).

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FORWARD-LOOKING STATEMENTS

This document contains reference to certain intentions, expectations, estimates, future plans, strategies and prospects of the Group which may or may not be achieved and 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 Group may be influenced by several factors, many of which are outside the control of the Group. No representation or warranty, expressed or implied, is made by the Group 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 Group's actual future results, performance or achievements to be materially different from those expected, planned or intended, readers of this document should not place undue reliance on these intentions, expectations, future plans, strategy and prospects.

SUMMARY REVIEW OF OPERATIONS

Financial performance highlights

For the financial year ended 30 June 2019 the Group recorded a net profit of \$1,151,333 (2018: loss \$223,361) and a net cash outflow from operations of \$707,009 (2018: \$356,025).

Thermal coal markets

Thermal coal markets weakened during the year with the API4 FOB Richards Bay price reducing from approximately USD106 per ton (approx. ZAR1,036) in July 2018 to approximately USD63 (approx. ZAR706) during June 2019. The reduction in the USD price was partially offset by a depreciation in the South African Rand (ZAR) over the same period from an average of approximately ZAR13.40 during July 2018 to the USD to approximately ZAR14.57 during June 2019.

Coal remains a major source of global energy. China, followed by India, remains the largest consumer and importer of thermal coal in the world. In China it is still used to generate approximately two thirds of power production. Whilst coal as a source of energy is projected to continue to reduce globally, it still provides a substantial portion of current energy balance.

The realignment of the coal industry over the last few years together with the decline in coal qualities, especially in South Africa, has seen a number of the lower coal grades become market standards. This is a positive for the Company and has and continues to allow it to sell its Run of Mine (ROM) coal.

Mining Operations

Mining operations continued with the extension of the box cut and to ramp up of mining activities at the Company's Kliprand Colliery. Production during the year was lower than expected due to delays in the initial ramp up compounded by low equipment availability.

For the 12 months ended 30 June 2019, a total of 181,299 tonnes of coal were produced of which 103,434 tonnes were sold.

Subsequent to year end, the Company has appointed a new mining contractor, Stefanutti Stocks to undertake contract mining operations at the Kliprand colliery on a 5-year contract.

Directors' Report

30 June 2019

Stefanutti Stocks, which is listed on the Johannesburg Stock Exchange, is one of South Africa's leading construction groups with over 12 000 employees. It operates in the Building, Geotechnical, Bulk Earthworks, Mining, Energy, Water, Transport and Oil & Gas sectors. Stefanutti Stocks have been involved with the Kliprand Colliery from its inception and have a very good understanding of the deposit and its geology have undertaken extensive modelling and mine planning of the coal deposit over the last few years. They bring with them a strong management team and the resources and equipment required to assist the Company in meeting and delivering on its production targets.

Coal sold from the Ntendeka colliery, (ROM coal that has been crushed and screened), attracts a discount to the API4 index prices due its elevated ash and sulphur levels and lower volatiles. In a lower market price environment, sellers of standard quality coal start to target the non-standard coal markets to move their production. This results in an increase in the discounts to the API4 index required to sell non-standard products such as the Ntendeka ROM. As a result, a key focus of the operation is to start the Ntendeka coal wash plant. This will provide a lot more flexibility to the operation allowing it to produce a variety of different coal products to target the different markets. It will also allow the operation to produce and sell a product that is closer to or meets the API4 index qualities reducing or eliminating the current discounts to the index in a low price environment.

The coal wash plant, which has been constructed on site, has a current monthly design capacity of 170,000 tons Run of Mine (ROM) per month, expandable to 340,000 tons ROM with the addition of a second module. The first stage capable of processing 170,000 tons per month has been completed and dry commissioned. The road from the coal wash plant to the siding together with the various bridges and culverts have been rehabilitated. The primary and secondary crushers that have been installed in the coal wash plant are designed to process approximately 400,000 tons ROM per month.

To bring the coal wash plant into production requires completion of some civil works around the plant area including the discard foot print, the completion of the pollution control dams together with the installation of the power infrastructure and water supply systems. Maintenance and some remedial work on the wash plant, roads and bridges is ongoing given the period that the wash plant has been standing.

The Newcastle Project (previously, "Ntendeka Colliery") consists of a number of underground areas each with different access, different land ownership and different community groupings. Over the life of the mine, each of the opencast and underground areas will be mined separately although they will all share a common infrastructure and central processing facility. The Kliprand Colliery is the initial opencast area, within the Newcastle Project area. It is located on the farm Kliprand which is owned by the Company.

Other coal projects and opportunities

The Newcastle project also has several different opencast areas. These are currently planned to be operated independently using joint infrastructure, where possible, and a centralised coal was plant. Detailed planning is well progressed on a number of these opencast areas with a view to bringing them into production in line with a start-up of the coal wash plant.

Funding arrangements

During the current financial year, the company successfully closed a renounceable entitlement issue of AUD6.097 million, allowing it to bring the Kliprand Colliery into production.

Directors' Report

30 June 2019

It is expected that the revenue generated from coal sales will be sufficient to fund the operations cash flow and capital requirements going forward.

Access to a railway siding

Ikwezi has previously purchased the land on which the original siding for the mothballed Ngagane Power Station was located with a view to reinstate the siding. An additional siding, approximately one kilometre from the proposed Ikwezi Ngagane siding, is currently being utilised by the Company. This siding does, however, have volume constraints and the operation will need to look at reinstating the Ngagane Power Station siding going forward as production ramps up. Whilst other sidings are available to cater for the expected production ramp up, the redevelopment of the Ngagane siding will provide cost reductions in terms of reduced train turnaround times together with reduced road freight and handling charges (offset by the capital required to reinstate the siding).

Operations costs rationalisation

Operational costs remained at a minimum during the year and further rationalisations, where possible, were made. Staff remained at a minimum during the year, with contractors used as and when required. To assist the cash position of the Company, the Chairman and Directors of the Company have agreed to forgo their salaries and Directors fees. This will be re-evaluated in the next financial year.

Investments held as collateral

The Company has an insurance guarantee in place to cover its future environmental rehabilitation liabilities. During the prior year, the Company, in line with the appointment of the mining contractor, continued to make additional cash payments into the investments pool held as collateral against this guarantee. These payments had the effect of reducing the available cash of the Company but increased the cash provided to meet the future environmental rehabilitation liability.

Other

The directors would like to thank the shareholders for their continued support of the Company.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the state of affairs of the Group occurred during the financial year and to the date of this report other than as referred to in the Summary Review of Operations.

POST REPORTING DATE EVENTS

There has not been any matter or circumstance occurring subsequent to the end of the financial year to be reported except for the following events, which do not result in any adjustments to the reported financial statements.

Appointment of new mining Contractor

As announced on 31 July 2019, the Company has appointed Stefanutti Stocks Mining Services ("SSMS"), a division of Stefanutti Stocks (Pty) Ltd, a subsidiary of a company that is listed on the Johannesburg Stock Exchange, to continue the opencast mining of the Central Mini Pit with effect from 1 August 2019.

Directors' Report

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FUTURE DEVELOPMENTS

The Company continues to focus on identifying and evaluating opportunities in minerals and commodities outside of the coal industry with the view of diversifying both its business, its operations and its geographic base. Current opportunities being evaluated include potential projects in base metals as well as potential opportunities in the LNG space.

A key focus of the Company, however, remains on ramping up production at the Kliprand Colliery and bringing the wash plant into operation.

ENVIRONMENTAL REGULATION

The Group's environmental obligations are regulated under South African laws. The Group has a policy of exceeding or at least complying with its environmental performance obligations.

During the financial year, the Group did not materially breach any particular or significant South African law.

DIRECTORS' SHAREHOLDINGS

At the date of this report the interests of the Directors in shares and options of Ikwezi were as follows:

	Number of fully paid ordinary shares	Number of share options
Mr. David Pile	945,179,300 (i)	-
Mr. Ranaldo Anthony	-	-
Mr. Alok Joshi	-	-
Mr. Tushar Agrawal	3,797,361,343 (ii)	-

- (i) *Mr David Pile has an indirect minority beneficial interest in 945,179,300 shares of the Company.*
- (ii) *Mr Tushar Agrawal has an indirect majority beneficial interest in 3,797,361,343 shares of the Company*

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2019, and the number of meetings attended by each director (includes matters decided by circular resolution).

Full board meetings	No. eligible to attend	No. attended
Mr David Pile	4	4
Mr Ranaldo Anthony	4	4
Mr Alok Joshi	4	4
Mr Tushar Agrawal	4	4

Directors' Report

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Audit committee meetings	No. eligible to attend	No. attended
Mr David Pile	4	4
Mr Ranaldo Anthony	4	4
Mr Alok Joshi	4	4
Mr Tushar Agrawal	4	4

SHARE OPTIONS

During the year and up to the date of this report the Company had no share options on issue.

REMUNERATION REPORT

This remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Key management personnel equity holdings
- F Other transactions with key management personnel of the Group

This remuneration report outlines the director and executive remuneration arrangements of the Company and Group. For the purpose of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Details of Directors and Executives

Current Directors

Mr. David Pile	<i>Executive Chairman</i>
Mr. Ranaldo Anthony	<i>Executive director</i>
Mr. Alok Joshi	<i>Executive director</i>
Mr. Tushar Agrawal	<i>Executive director</i>

No remuneration was paid to directors of the Group by Group companies other than Ikwezi Mining Limited.

Directors' Report

30 June 2019

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the Board, acting in its capacity as remuneration committee, is to ensure that pay and rewards are competitive and appropriate for the results delivered. The remuneration committee charter adopted by the Board aims to align rewards with achievement of strategic objectives and the creation of value for shareholders. The remuneration framework applied provides a mix of fixed and variable pay and a blend of short and long term incentives as appropriate.

Remuneration of executives consists of an un-risked element (base pay) and cash bonuses based on performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting years. As such, remuneration is not linked to the financial performance of the Company.

At present the functions of the remuneration committee in relation to the remuneration of the Company's executives (including share and benefit plans) are carried out by the full board. No directors are present at meetings of the board in this function where their own remuneration is being considered. Issues of remuneration are considered annually or otherwise as required.

Non-executive directors

The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at General Meetings and is currently set at \$500,000. The Company's policy is to remunerate non-executive directors at market rates (for comparable companies) for time, commitment and responsibilities. Fees for non-executive directors are not linked to the performance of the Company, however to align directors' interests with shareholders' interests, Directors are encouraged to hold shares in the Company.

In addition to Directors' fees, non-executive Directors are entitled to additional remuneration as compensation for work outside the scope of non-executive directors duties (whether performed in a consulting or part-time employee capacity). Non-executive Directors' fees and payments are reviewed annually by the board.

Retirement benefits and allowances

No retirement benefits or allowances are paid or payable to non-executive directors of the Company other than Superannuation benefits.

Other benefits

No motor vehicle, health insurance or other similar allowances are made available to non-executive directors.

Executives

Base pay

Executives are offered a competitive level of base pay which comprises the fixed (un-risked) component of their pay and rewards. Base pay for senior executives is reviewed annually to ensure market competitiveness. There are no guaranteed base pay increases included in any senior executives' contracts.

Directors' Report

30 June 2019

Short term incentives

Payment of short-term incentives is dependent on the achievement of key performance milestones as determined by the remuneration committee. These milestones require performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting years.

Short-term bonus payments may be adjusted up or down in line with under or over achievement relative to target performance levels at the discretion of the remuneration committee.

For the period ended 30 June 2019, no short-term incentives were paid or payable to Directors or Key Management Personnel of the Company or Group.

Long term incentives

Long-term performance incentives may comprise of options granted at the discretion of the remuneration committee in order to align the objectives of directors with shareholders and the Company (refer section D for further information). No options were issued to Directors in the current or prior period.

B. DETAILS OF REMUNERATION

Amounts of remuneration

Details of the remuneration of the Directors and Executive Officers of Ikwezi Mining Limited and the Group are set out in the following table.

Salaries for the Directors have not been accrued in the current year in line with their agreement to forgo these in an effort to assist the Company during this difficult period. This decision will be re-evaluated during the next financial year.

	Short-term employee benefits	Post- employment benefits	
	Cash salary and fees	Superannuation	Total
2019	\$	\$	\$
<i>Non-executive directors</i>			
Mr Alok Joshi	-	-	-
Mr Tushar Agrawal	-	-	-
<i>Executive directors</i>			
Mr David Pile	-	-	-
Mr Ranaldo Anthony	-	-	-
Total	-	-	-

Directors' Report

30 June 2019

DETAILS OF REMUNERATION (CONTINUED)

	Short-term employee benefits	Post- employment benefits	
	Cash salary and fees	Superannuation	Total
2018	\$	\$	\$
<i>Non-executive directors</i>			
Mr Alok Joshi	-	-	-
Mr Tushar Agrawal	-	-	-
<i>Executive directors</i>			
Mr David Pile	-	-	-
Mr Ranaldo Anthony	-	-	-
Total	-	-	-

During the year to 30 June 2019 no at-risk short-term or long-term incentives were paid or payable to Directors or Executives of the Company / Group.

No cash bonuses were forfeited during the year by Directors or Executives or remained unvested at period-end.

C. SERVICE AGREEMENTS

Remuneration and other terms of agreement for the Company's non-executive directors are formalised in letters of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director. The major provisions of the agreements relating to remuneration are set out below. Non-executive directors' fees are set at an aggregate sum not exceeding \$500,000. No termination benefits are payable to non-executive directors under the terms of their letters of appointment.

Directors' Report

30 June 2019

REMUNERATION REPORT (CONTINUED)

On 1 May 2011 the Company entered into an Executive Service Agreement with David Pile (Managing Director) and Rinaldo Anthony (Executive Director). Under the terms of the contract:

- Mr Pile will be paid a minimum remuneration package of \$320,000 per annum and Mr Anthony will be paid a minimum remuneration package of \$280,000 per annum. Mr Pile will also be paid an additional amount set by law at 9% of his base salary into retirement funds and Mr Anthony will be paid an additional amount equal to 9% of his base salary into pension contribution funds.
- Each Executive Director may terminate his respective employment agreement at any time by providing 3 months written notice to the Company.
- The Company may terminate the employment of the Executive Directors with immediate effect if the Executive Director commits any act which at common law would entitle us to terminate the Executive Director's employment without notice or payment in lieu of notice or if the Executive Director becomes bankrupt or makes an arrangement or composition with creditors.
- The Company may also at any time terminate an executive employment agreement without cause, by giving the executive 3 months written notice or 3 months payment in lieu of notice, or a combination of notice and payment in lieu of notice.

Remuneration and other terms of agreement with Alex Neuling in his capacity as the Company Secretary are formalised in an agreement with an entity in which Mr Neuling holds an indirect non-controlling interest. The agreement is on normal commercial terms and provides for a minimum monthly retainer plus hourly rate and has a three month notice period.

Effective April 2015, the above arrangements were suspended in accordance with the Chairman and Executive Director's decision to forego any payroll benefits. Accordingly, no salary has been accrued or paid from that date except for the payment of previously accrued salaries that had remained unpaid.

D. SHARE-BASED COMPENSATION

Option holdings

There were no share-based payment arrangements in existence during the current and prior reporting periods.

Directors' Report

30 June 2019

E. KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

Fully paid ordinary shares of Ikwezi Mining Limited

Shares and option holdings

The numbers of shares and options over ordinary shares in the Group held during the financial year by each director of Ikwezi Mining Limited and other KMP of the Group, including their personally related parties, are noted below.

- (i) *Mr David Pile has a beneficial interest, whether held directly or indirectly, in 945,179,300 shares of the Company.*
- (ii) *Mr Tushar Agrawal has an indirect majority beneficial interest in 3,797,671,343 shares of the Company*

Other than as noted above no director or other KMP of the Group has an interest in shares or options over ordinary shares of the Company.

F. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL OF THE GROUP

The profit for the period includes the following items of revenue and expenses that result from transactions, other than compensation, loans or equity holdings, with key management personnel or their related entities:

Revenue

Revenue relates to the sale of crushed and screened Run of Mine (ROM) coal on a delivered siding basis. During the 2019 financial year, a total of 104,434 tonnes (2018: no coal sales) were made generating a total revenue of \$4,984,028 (2018: \$0).

To facilitate the start-up of mining by the Company, Osho SA Coal (Pty) Ltd (Osho), a related party of Mr Tushar Agrawal and Mr Alok Joshi, Directors of the Company, acting as agent, has been providing marketing, sales and logistics support to the Company on terms and conditions that are equivalent to or more favourable than those available on an arms-length basis. This has allowed Ikwezi to leverage off and take advantage of the relationships and markets that Osho currently supply coal into which they source from a number of different mines including some of their own mining operations.

Under this arrangement, the Company is able to make use of Osho's marketing and sales support together with their rail siding and their rail and port contracts and allocations.

Ikwezi is not obligated to sell any coal to Osho or make use of or utilise any of Osho's facilities or rail or port contracts and allocations, should it so decide.

A marketing and sales committee comprising of the Directors that are not related to Osho, review and give their approval to all sales transactions.

Sales of coal, which are usually sold Free on Board (FOB), are recorded by the Company at the point that the coal is sold to the end customer by Osho. The sales value recorded is the actual selling price to the end customer, as agreed by the Sales and Marketing committee, adjusted for all costs associated with taking the coal from a delivered siding basis to FOB. These include all costs normally associated with the export of coal including costs relating to the siding and

Directors' Report

30 June 2019

loading of trains, rail costs, port handling and loading costs, survey and documentation costs amongst others.

The coal mined at the Kliprand Colliery, is of variable quality given that the product is crushed and screened run of mine coal which has not been washed to achieve consistent qualities. As such, a number of key parameters including ash, sulphur and volatiles are variable depending on the areas mined and require specialist marketing knowledge and skills to sell. Due to the slightly lower volatiles and elevated sulphur of the ROM coal, there is limited demand for it in South Africa and it needs to be exported to markets where it can be used in the Middle East, India and South East Asia. These marketing constraints are removed if the coal is washed to meet the standard API4 specifications.

Cost of Sales

Included in cost of sales is an amount of \$132,521 (2018: \$0) paid to Osho Recycling (Pty) Ltd in relating to the rental of a mobile screen used to screen crushed coal awaiting the installation of a fixed, permanent screen at the open cast operations.

Mr Tushar Agrawal has an ultimate, minority beneficial interest in Osho Recycling (Pty) Ltd.

Loans and Interest

The Company entered into four loan agreements totalling \$3,996,028 (ZAR40,500,000) (2018: \$897,642) with a related party, Osho SA Coal (Pty) Ltd as announced on 30 April 2018, 31 July 2018, 27 September 2018 and 18 October 2018. These ZAR denominate facilities attracted an interest rate of 10% p.a. on amounts drawn down.

Mr Tushar Agrawal, has an ultimate, minority beneficial interest in Osho SA Coal (Pty) Ltd.

These loans, together with interest thereon totalling \$162,302 were repaid during the 2019 financial year from proceeds of \$6,097,500 raised under the renounceable entitlement issue completed in January 2019.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for all services provided during the year by the auditor are outlined in Note 31 to the financial statements.

The directors are of the opinion that the non-audit services do not compromise the auditor's independence as all non-audit services are reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

Directors' Report

30 June 2019

INSURANCE AND INDEMNITY OF OFFICERS AND AUDITORS

During the year the Company has paid a premium in respect of a contract insuring the directors of the Company (as named above) and the Company Secretary against liabilities incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

This report is made in accordance with a resolution of the directors.



David Pile
Executive Chairman
27 September 2019

Independent Auditor's Report to the Members of Ikwezi Mining Limited

We have audited the accompanying financial report of Ikwezi Mining Limited, which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the 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 year's end or from time to time during the financial year as set out on pages 17 to 55.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 3, 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 an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



Opinion

In our opinion:

- a) the financial report of Ikwezi Mining Limited presents fairly, in all material respects, the consolidated entity's financial position as at 30 June 2019 and its performance for the year then ended in accordance with Australian Accounting Standards; and
- b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 3.

Charter Financial Services

Charter Financial Services

Barry Philip Levin

Partner

Chartered Accountants

Perth, 27 September 2019

Consolidated Statement of Profit or Loss

For the year ended 30 June 2019

	Note	Year ended 30/06/19 \$	Year ended 30/06/18 \$
Revenue	(5)	4,984,029	-
Cost of Sales		(3,162,405)	-
Gross Profit		1,821,624	-
Other income		45,473	55,080
Investment income	(6)	57,748	37,014
Other gains and losses	(7)	16,911	36,720
Administrative expenses	(8)	(597,992)	(272,752)
Depreciation		(11,553)	(6,926)
Consulting expenses		-	-
Occupancy expenses		-	(48,804)
Finance costs	(9)	(153,079)	(13,972)
Net foreign exchange loss		-	(939)
Other expenses		(27,799)	(8,782)
Profit / (Loss) before income tax expense		1,151,333	(223,361)
Income tax (expense) / benefit	(10)	-	-
Profit / Loss for the period from continuing operations		1,151,333	(223,361)
Attributable to:			
Owners of the Company		793,236	(200,736)
Non-controlling interests		358,097	(22,625)
		1,151,333	(223,361)
Profit / (Loss) per share			
Basic and diluted Profit /(Loss) per share (cents per share)	(11)	0.03	(0.02)

The above consolidated statement of profit and loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	Year ended 30/06/19 \$	Year ended 30/06/18 \$
Profit / (Loss) for the period		1,151,333	(223,361)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss			
Exchange rate differences on translating foreign operations		533,995	(185,179)
		533,995	(185,179)
Other comprehensive income / (loss) for the period		533,995	(185,179)
Total comprehensive income / (loss) for the period		1,685,328	(408,540)
Attributable to:			
Owners of the Company		1,327,231	(385,915)
Non-controlling interests		358,097	(22,625)
		1,685,328	(408,540)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	30/06/2019 \$	30/06/2018 \$
Assets			
Current assets			
Cash and cash equivalents	(27)	251,361	130,828
Trade and other receivables	(12)	1,628,924	73,681
Inventories	(13)	2,538,523	-
Other financial assets	(14)	831,652	618,373
Other current assets	(15)	79,837	77,153
Total current assets		5,330,297	900,035
Non-current assets			
Exploration and evaluation expenditure		-	-
Property, plant and equipment	(16)	18,319,147	15,190,927
Total non-current assets		18,319,147	15,190,927
Total assets		23,649,444	16,090,962
Liabilities			
Current liabilities			
Trade and other payables	(17)	647,631	522,859
Short term borrowings	(18)	-	897,642
Provisions	(19)	530,353	2,832
Total current liabilities		1,177,984	1,423,333
Non-current liabilities			
Provisions	(19)	278,520	257,495
Total non-current liabilities		278,520	257,495
Total liabilities		1,456,504	1,680,828
Net assets		22,192,940	14,410,134
Equity			
Issued capital	(20)	40,460,209	34,362,731
Reserves	(21)	(4,498,128)	(5,032,123)
Accumulated losses	(21)	(10,860,262)	(11,653,498)
Equity attributable to owners of the Company		25,101,819	17,677,110
Non-controlling interests	(22)	(2,908,879)	(3,266,976)
Total equity		22,192,940	14,410,134

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Note	Year ended 30/06/19 \$	Year ended 30/06/18 \$
Cash flows from operating activities			
Receipts from customers		3,428,785	-
Payments to suppliers and employees		(4,135,794)	(356,025)
Net cash outflow from operating activities	(27)	(707,009)	(356,025)
Cash flows from investing activities			
Payments for property, plant and equipment		(4,300,172)	(1,735,588)
Payments to acquire financial assets		(213,279)	(15,071)
Interest received		103,221	37,014
Net cash outflow from investing activities		(4,410,230)	(1,713,645)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Company		6,097,478	-
(Repayments of) / Proceeds from borrowings		(897,642)	897,642
Net cash inflow from financing activities		5,199,836	897,642
Net (decrease) / increase in cash and cash equivalents		82,597	(1,172,028)
Cash and cash equivalents at the beginning of the period		130,828	1,278,260
Effects of exchange rate changes on cash and cash equivalents		37,936	24,596
Cash and cash equivalents at the end of the period	(27)	251,361	130,828

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes In Equity

For the year ended 30 June 2019

	Share based payments reserve	Foreign currency translation reserve	Accumulated losses	Attributable to owners of the parent	Non-controlling interests	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	34,362,731	140,000 (4,986,944)	(11,452,762)	18,063,025	(3,244,351)	14,818,674
Profit/(loss) for the year	-	-	(200,736)	(200,736)	(22,625)	(223,361)
Exchange differences on translation of foreign operations	-	(185,179)	-	(185,179)	-	(185,179)
Total comprehensive income for the year	-	(185,179)	(200,736)	(385,915)	(22,625)	(408,540)
Balance at 30 June 2018	34,362,731	140,000 (5,172,123)	(11,653,498)	17,677,110	(3,266,976)	14,410,134
Profit/(loss) for the year	-	-	793,236	793,236	358,097	1,151,333
Exchange differences on translation of foreign operations	-	533,995	-	533,995	-	533,995
Issue of Shares	6,097,478	-	-	6,097,478	-	6,097,478
Total comprehensive income for the year	6,097,478	533,995	793,236	7,424,709	358,097	7,782,806
Balance at 30 June 2019	40,460,209	140,000 (4,638,128)	(10,860,262)	25,101,819	(2,908,879)	22,192,940

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes To The Consolidated Financial Statements

For the year ended 30 June 2019

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 consolidated financial statements of the Group as at and for the year to 30 June 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

2. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

2.1 Amendments to AASBs that are mandatorily effective for the current year

In the current year, the Group has applied a number of new amendments to AASB issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for the period that begins on or after 1 July 2016, and therefore relevant for the current year end.

Standards affecting presentation and disclosure

AASB 2 Share-based Payment

AASB 7 Financial Instruments: Disclosures

AASB 9 'Financial Instruments' and the relevant amending standards

AASB 13 Fair Value Measurement

AASB 15 'Revenue from Contracts with customers',

AASB 102 Inventories

AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors

AASB 110 Events after the Reporting Period

AASB 112 Income Taxes

AASB 116 Property, Plant and Equipment

AASB 117 Leases

AASB 121 The Effects of Changes in Foreign Exchange Rates

AASB 123 Borrowing Costs

AASB 132 Financial Instruments: Presentation - August 2015

AASB 133 Earnings per Share

AASB 136 Impairment of Assets

AASB 137 Provisions, Contingent Liabilities and Contingent Assets

AASB 138 Intangible Assets

AASB 139 Financial Instruments: Recognition and Measurement

The application of the above have been evaluated and where necessary amendments were made in the Group's consolidated financial statements

Notes To The Consolidated Financial Statements

For the year ended 30 June 2019

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 'Leases'	1 January 2019	30 June 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statement are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(A) Basis of preparation

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Accounting Standards and Interpretations and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

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 financial statements were authorised for issue by the directors on 27 September 2019.

Historical cost convention

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or

Notes To The Consolidated Financial Statements

For the year ended 30 June 2019

liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 profit after tax of \$1,151,333 (30 June 2018: loss of \$223,361) and had a net cash outflow from operating and investing activities of \$5,117,239 (30 June 2018: net cash outflow of \$2,069,670) for the year ended 30 June 2019. As at 30 June 2019 the Consolidated Entity had cash assets of \$251,361 (30 June 2018: \$130,828) and net current assets of \$4,152,313 (30 June 2018: net current liabilities of \$523,298).

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 mined its first coal with mining operations continuing to ramp up. The Company generated cash and made a profit in the current year based on the current operating plans.
- Although the current coal prices have weakened significantly, the company anticipates generating cash and make a margin at the current coal prices

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.

Notes To The Consolidated Financial Statements

For the year ended 30 June 2019

(a) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Profit or loss of each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests.

Total comprehensive income of subsidiaries is attributed to owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Segment Reporting

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. The Group operates principally in South Africa.

(c) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars (\$), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Notes To The Consolidated Financial Statements

For the year ended 30 June 2019

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated in Australian dollars using the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated equity (attributed to non-controlling interests as appropriate).

(d) Revenue recognition

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The group enters into contracts for the sale of coal. Revenue arising from coal sales under these contracts is recognised when the price is determinable, the product has been picked up by the customer or delivered in accordance with the terms of the contract, the significant risks and rewards of ownership have been transferred to the customer, collection of the sales price is probable and associated costs can be readily estimated.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

(e) Income tax

Current income tax expense charged to profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid / (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense is charged directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Notes To The Consolidated Financial Statements

For the year ended 30 June 2019

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

(f) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(h) Trade and other receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised in the income statement within other expenses.

Notes To The Consolidated Financial Statements

For the year ended 30 June 2019

(i) Inventory

Inventory and work in progress are measured at the lower of cost and net realisable value. The production cost of inventory includes an appropriate proportion of depreciation and production overheads. Cost is determined on the following basis:

- Raw materials and consumables are measured at cost on a first in, first out (FIFO) basis or a weighted average cost basis.
- Work in progress and finished products are measured at raw material cost, labour costs and a proportion of production overhead expenses.
- * Coal stocks are included within finished products and are measured at average cost.

(j) Stripping activity asset

A stripping activity asset is accounted for as an addition to mine infrastructure, and classified as a tangible component of property, plant and equipment.

A stripping activity asset is initially measured at cost and subsequently carried at cost or its revalued amount less depreciation or amortisation and impairment losses. A stripping activity asset is amortised over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method is used for this purpose.

(k) Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the group, and the cost of the item can be measured reliably.

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Plant and equipment in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write down the net cost or fair value of each asset over its expected useful life to its estimated residual value.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Notes To The Consolidated Financial Statements

For the year ended 30 June 2019

The estimated useful lives are:

- | | |
|-------------------------------|---------------------------|
| • Land and buildings | 20 years |
| • Rail siding | 20 years |
| • Plant & machinery | 20 years |
| • Mine infrastructure | Unit of production method |
| • Road earthworks | Unit of production method |
| • Office equipment | 3 years |
| • Computer equipment | 3 years |
| • Computer software | 2 years |
| • Motor vehicles | 5 years |
| • Other fixtures and fittings | 6 years |
| • Stripping activity asset | Unit of production method |

(I) Exploration and evaluation

Exploration and evaluation expenditures in relation to each area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) The rights to tenure of the area of interest are current; and
- (ii) At least one of the following conditions is also met:
 - a. The exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - b. Exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of prospecting rights, studies, exploratory drilling, sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Notes To The Consolidated Financial Statements

For the year ended 30 June 2019

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value money is material).

(n) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ('FVTPL')) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial Assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss (FVTPL)', 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Notes To The Consolidated Financial Statements

For the year ended 30 June 2019

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. The Group designates its investment in unit trusts as at FVTPL and states the investment at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the “other gains and losses” line in the income statement. Fair value is determined in the manner described in Note 26.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are considered to be impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Re-Purchase of the Company’s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’.

Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value net of transaction costs.

Notes To The Consolidated Financial Statements

For the year ended 30 June 2019

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(o) Trade and other payables

Trade payables and other accounts payable represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(q) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required, and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to contributions.

(r) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

(s) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the

Notes To The Consolidated Financial Statements

For the year ended 30 June 2019

Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(t) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) / Value Added Tax (VAT), except:

- (i) where the amount of GST / VAT incurred is not recoverable from the Australian Tax Office (ATO) / South African Revenue Service (SARS). In these circumstances the GST / VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- (ii) receivables and payables, with the exception of accrued expenses and expense provisions, are stated with the amount of GST / VAT included.

The net amount of GST recoverable from, or payable to, the ATO / SARS is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the cash flow statement on a gross basis. The GST / VAT components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO / SARS are classified as operating cash flows.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing this financial report management is required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

(a) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax assets

The Group has carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the appropriate jurisdictions.

Capitalisation of exploration and evaluation expenditure

The Group has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively

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sale) of the Areas of Interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

During the 2016 financial year, the Group identified indicators of impairment on certain exploration and evaluation assets under AASB 6 Exploration for and Evaluation of Mineral Resources, including tenement areas where no further exploration activities were to be performed, resulting in a \$9.85 million impairment charge to profit or loss in a prior period.

(b) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting year are:

Impairment of assets

The future recoverability of property, plant and equipment is dependent on a number of factors, including whether the Group decides to exploit the related mining lease itself or, if not, whether it successfully recovers the related asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

5. REVENUE

	Year ended 30/06/19 \$	Year ended 30/06/18 \$
Revenue from Coal Sales	4,984,029	-

Revenue relates to the sale of crushed and screened Run of Mine (ROM) coal on a delivered siding basis. During the 2019 financial year, a total of 104,434 tonnes (2018: no coal sales) were made generating a total revenue of \$4,984,028 (2018: \$0).

The sales were made to a related party, Osho SA Coal (Pty) Ltd (Osho), acting as agent, who have been providing marketing, sales and logistics support to the Company on terms and conditions that are on or better than those available on an arms-length basis. Under this arrangement, the Company is able to make use of Osho's marketing and sales support together with their rail siding and their rail and port contracts and allocations.

Ikwezi is not obligated to sell any coal to Osho or make use of or utilise any of Osho's facilities or rail or port contracts and allocations, should it so decide.

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A marketing and sales committee comprising of the Directors that are not related to Osho SA Coal (Pty) Ltd review and give their approval to all sales transactions.

Sales of coal, which are usually sold Free on Board (FOB), are recorded by the Company at the point that the coal is sold to the end customer by Osho. The sales value recorded is the actual selling price to the end customer, as agreed by the Sales and Marketing committee, adjusted for all costs associated with taking the coal from a delivered siding basis to FOB. These include all costs normally associated with the export of coal including costs relating to the siding and loading of trains, rail costs, port handling and loading costs, survey and documentation costs amongst others.

6. INVESTMENT INCOME

	Year ended 30/06/19 \$	Year ended 30/06/18 \$
Interest income	57,748	37,014

7. OTHER GAINS AND LOSSES

	Year ended 30/06/19 \$	Year ended 30/06/18 \$
Net gain/(loss) arising on financial assets designated as at FVTPL	16,911	36,720
	16,911	36,720

8. ADMINISTRATION EXPENSES

	Year ended 30/06/19 \$	Year ended 30/06/18 \$
Administration expenses	597,992	272,752
	597,992	272,752

Administration expenses include all general administrative expenses incurred by the operations not specifically related to bringing the Newcastle Project (previously Ntendeka colliery) into operation. These mainly include employees' costs, rent and audit fees.

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For the year ended 30 June 2019

9. FINANCE COSTS

	Year ended 30/06/19 \$	Year ended 30/06/18 \$
Other finance costs	153,079	13,972
	153,079	13,972

10. INCOME TAX

	Year ended 30/06/19 \$	Year ended 30/06/18 \$
Current tax expense	-	-
Deferred tax expense	-	-

The income tax expense for the year / period can be reconciled to the accounting profit / (loss) as follows:

	Year ended 30/06/19 \$	Year ended 30/06/18 \$
Accounting profit /(loss) before tax	1,151,333	(223,361)
Income tax expense calculated at 30%	345,400	67,008
Effect of unused tax losses not recognised as deferred tax assets	(345,400)	(67,008)
	-	-

Unused tax losses for which no deferred tax assets have been recognised are attributable to tax losses (revenue in nature). No deferred tax assets have been recognised based upon the Directors assessment of future probable taxable profits arising from exploration and evaluation assets and property, plant and equipment. Accordingly, the Group had deferred tax assets not brought to account in relation to the tax losses.

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For the year ended 30 June 2019

11. PROFIT / (LOSS) PER SHARE

	Year ended 30/06/19 Cents	Year ended 30/06/18 Cents
Basic / diluted profit (loss) per share		
Profit / (Loss) attributable to the ordinary equity holders of the company	0.03	(0.02)
Profit / (Loss) used in calculation of basic / diluted profit (loss) per share	\$	\$
Profit / (Loss)	1,151,333	(223,361)
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	4,065,000,000	1,016,250,000
Weighted average number of ordinary shares used as the denominator in calculating diluted loss per share	4,065,000,000	1,016,250,000

12. TRADE AND OTHER RECEIVABLES

	30/06/19 \$	30/06/18 \$
VAT receivable	386,746	73,681
Other receivables	1,242,178	-
	1,628,924	73,681

(a) Fair value

Due to the short-term nature of these receivables, their carrying value is assumed to approximate fair value.

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For the year ended 30 June 2019

13. INVENTORIES

	30/06/19 \$	30/06/18 \$
Finished products	2,538,523	-
	2,538,523	-

The cost of inventories recognised as an expense and included in cost of sales amounted to \$3,162 million (2018: \$ Nil). Inventories held at net realisable value amounted to \$2,539 million (2018: \$ Nil). There was no write-down of inventories at year end.

14. OTHER FINANCIAL ASSETS

	30/06/19 \$	30/06/18 \$
Financial assets carried at fair value through profit or loss (FVTPL)		
Non-derivative financial assets designated as at FVTPL	831,652	618,373
	831,652	618,373

The Group holds an interest in certain unit trust products which one ceded as security for the rehabilitation guarantee.

15. OTHER CURRENT ASSETS

	30/06/19 \$	30/06/18 \$
Prepayments	30,639	29,048
Deposits	49,198	48,006
Other	-	99
	79,837	77,153

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16. 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									
Opening Balance	841,128	145,077	8,071,927	3,112,543	1,481,642	23,331	68,122	55,882	13,799,652
Additions	36,220	-	16,204	1,659,640	-	-	23,703	-	1,735,767
Disposals	-	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	(13,814)	(1,675)	(93,539)	(81,244)	(17,110)	(269)	604	(645)	(207,692)
Balance at 30 June 2018	863,534	143,402	7,994,592	4,690,939	1,464,532	23,062	92,429	55,237	15,327,727
Additions	-	4,142	32,008	3,724,493	-	26,664	45,883	5,476	3,838,666
Disposals	-	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	25,250	4,216	234,340	191,254	42,823	1,711	4,810	1,673	506,077
Balance at 30 June 2019	888,784	151,760	8,260,940	8,606,686	1,507,355	51,437	143,122	62,386	19,672,470

During the year, the Management performed an impairment assessment for the Newcastle Project Cash Generating Unit ("CGU"). The Group prepared a value in use model for the purpose of impairment testing as at 30 June 2019. In calculating value in use, the cash flows include projections of cash inflows and outflows associated with the CGU which require management to make significant estimates and judgements. As a result of this testing, no impairment charge was identified for the year ended 30 June 2019.

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For the year ended 30 June 2019

	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
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accumulated depreciation									
Opening Balance	-	-	-	-	-	10,606	68,122	52,775	131,503
Depreciation charged to profit or loss	-	-	-	-	-	751	3,197	2,978	6,926
Effect of foreign currency exchange differences	-	-	-	-	-	(139)	(974)	(516)	(1,629)
Balance at 30 June 2018	-	-	-	-	-	11,218	70,345	55,237	136,800
Eliminated on disposals of assets	-	-	-	-	-	-	-	-	-
Depreciation charged to profit or loss	-	-	-	970,026	183,229	3,583	7,373	567	1,164,777
Depreciation related to exploration and evaluation	-	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	-	-	39,839	7,527	452	2,295	1,633	51,746
Balance at 30 June 2019	-	-	-	1,009,865	190,756	15,253	80,013	57,437	1,353,323
Carrying amount									
At 30 June 2018	863,534	143,402	7,994,592	4,690,939	1,464,532	11,844	22,084	-	15,190,927
At 30 June 2019	888,784	151,760	8,260,940	7,596,821	1,316,599	36,184	63,109	4,949	18,319,147

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For the year ended 30 June 2019

17. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	30/06/19 \$	30/06/18 \$
Trade payables	502,971	386,927
Other – accruals	144,660	135,932
	<u>647,631</u>	<u>522,859</u>

- (a) The average credit period on purchases is 30 days from the date of invoice. Group policy is to pay all undisputed invoices on the due date.
- (b) The carrying amount of trade payables is a reasonable approximation of fair value due to their short-term nature.

18. SHORT TERM BORROWINGS

	30/06/19 \$	30/06/18 \$
Short term borrowings	-	897,642
	<u>-</u>	<u>897,642</u>

In the prior year the Company obtained a short-term unsecured loan facility of ZAR 9.5 million (approx. AU\$ 1 million) from Osho SA Coal (Pty) Ltd, a related party. This loan facility attracted an interest rate of 10 percent per annum. Repayment was due on or before 31 August 2019. The Company repaid this loan from the proceeds from the renounceable entitlement issue.

Notes To The Consolidated Financial Statements

For the year ended 30 June 2019

19. PROVISIONS

	30/06/19 \$	30/06/18 \$
Employee benefits (i)	-	2,832
Other Expenses (ii)	530,353	-
Decommissioning (iii)	278,520	257,495
	808,873	260,327
Current	530,353	2,832
Non-current	278,520	257,495
	808,873	260,327

- (i) The provision for employee benefits represents annual leave entitlements accrued by employees.
- (ii) The provision for other expenses predominantly represents the estimated amount due to the mining contractor.
- (iii) The provision for decommissioning represents the cost to decommission the beneficiation plant and is included in the additions to the cost of the plant. The movement for the year represents an increase in the value of the provision adjusted for foreign exchange movements.

	Provision for decommissioning
Balance at 1 July 2017	244,438
Additional provisions recognised	15,881
Effect of foreign exchange movements	(2,824)
Balance at 30 June 2018	257,495
Additional provisions recognised	13,496
Effect of foreign exchange movements	7,529
Balance at 30 June 2019	278,520

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20. ISSUED CAPITAL

(a) Share capital

	Number	\$
At 30 June 2019:		
Fully paid ordinary shares	4,065,000,000	40,460,209
At 30 June 2018:		
Fully paid ordinary shares	1,016,250,000	34,362,731

(b) Movements in ordinary share capital

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting or by proxy, is entitled to one vote. Upon a poll every holder is entitled to one vote per share held.

Description	Number of shares	\$
Balance at 30 June 2018	1,016,250,000	34,362,731
Balance at 30 June 2019	4,065,000,000	40,460,209

21. RESERVES AND ACCUMULATED LOSSES

	30/06/19 \$	30/06/18 \$
(a) Equity-settled employee benefits reserve		
Opening balance	140,000	140,000
Share-based payments	-	-
Balance at 30 June 2019	140,000	140,000

(b) Foreign currency translation reserve

Opening balance	(5,172,123)	(4,986,944)
Exchange differences arising on translation of foreign operations	533,995	(185,179)
Balance at 30 June 2019	(4,638,128)	(5,172,123)

Notes To The Consolidated Financial Statements

For the year ended 30 June 2019

(c) Accumulated losses

Opening balance	(11,653,498)	(11,452,762)
Net profit / (loss) for the period attributable to the owners of the Company	793,236	(200,736)
Balance at 30 June 2019	(10,860,262)	(11,653,498)

(d) Nature and purpose of reserves

Equity-settled employee benefits reserve:

The reserve relates to share options previously granted by the Company to its employees under its employee share option plan. Further information about share-based payments to employees is set out in Note 24.

Foreign currency translation reserve:

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (being Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

22. NON CONTROLLING INTERESTS

	30/06/19 \$	30/06/18 \$
Opening balance	(3,266,976)	(3,244,351)
Share of profit/(loss) for the period	358,097	(22,625)
Balance at 30 June	(2,908,879)	(3,266,976)

23. OPTIONS

At 30 June 2019, there were no options on issue (2018: Nil). There were no options issued during the year ended 30 June 2019 (2018: Nil).

Share options previously granted under the Company's employee share option plan carry no rights to dividends and no voting rights.

24. SHARE BASED PAYMENTS

There were no share-based payment options / arrangements in existence during the current and prior year.

Notes To The Consolidated Financial Statements

For the year ended 30 June 2019

25. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

The aggregate compensation made to directors and other members of key management personnel of the company and the Group is set out below:

	Year ended 30/06/19	Year ended 30/06/18
	\$	\$
Short term employee benefits	-	-
Post-employment benefits	-	-
	-	-

26. FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

Ikwezi's board of directors (the "Board") performs the duties of a risk management committee in identifying and evaluating sources of financial and other risks. The Board provides written principles for overall risk management which balance the potential adverse effects of financial risks on Ikwezi's financial performance and position with the "upside" potential made possible by exposure to these risks and by taking into account the costs and expected benefits of the various methods available to manage them.

The Group holds the following financial instruments:

	30/06/19	30/06/18
	\$	\$
Financial assets		
Cash and cash equivalents	251,361	130,828
Fair value through profit or loss (FVTPL):		
Designated as at FVTPL	831,652	618,373
Loans and receivables (including trade receivables)	1,628,924	73,681
Financial liabilities		
Trade and other payables	647,631	522,858

Notes To The Consolidated Financial Statements

For the year ended 30 June 2019

(a) Market risk

(i) Foreign exchange risk

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	30/06/19	30/06/18	30/06/19	30/06/18
	\$	\$	\$	\$
South African Rand	107,172	1,386,821	2,347,837	1,599,248
US Dollars	3,947	37,405	379	12,378

The Group is mainly exposed to the currency of South Africa (Rand) and the currency of the United States (US Dollars).

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates.

The sensitivity analysis includes loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or equity where the Australian dollar strengthens 10% against the relevant currency. For a 10% weakening of the Australian dollar against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative

	South African Rand impact	US Dollar impact
	\$	\$
Profit or loss	210,576	448
Equity	1,569,160	8,332

(ii) Interest rate risk

As at and during the year ended on balance date the Group had no significant interest-bearing assets or liabilities other than liquid funds on deposit and short term borrowings. The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

If interest rates had been 50 basis points higher/lower and all other variables were held constant the Group's profit for the year ended 30 June 2019 would decrease/increase by \$898 (2018: \$4,985). This is mainly attributable to the Group's exposure to variable interest rates on its cash balances and short term borrowings.

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(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers. The Group trades only with recognised, trustworthy third parties. It is the Group's policy to perform credit verification procedures in relation to any customers wishing to trade on credit terms with the Group. These include taking into account the customers' financial position and any past experience to set individual risk limits as determined by the Board.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in part (a) of this note.

As at 30 June 2019, all cash and cash equivalents were held with reputed and rated banks.

(c) Liquidity risk

Prudent liquidity risk management involves the maintenance of sufficient cash, committed credit facilities and access to the capital markets. It is the policy of the Board to ensure that the Group is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities through keeping committed credit lines available where possible, ensuring the Group has sufficient working capital and preserving the 15% share issue limit available to the Group under the ASX Listing Rules. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows.

Contractual maturities of financial liabilities

As at the reporting date the Group had total financial liabilities of \$647,631 (2018: \$1,420,501), comprised of non-interest-bearing trade creditors and accruals with a maturity of not exceeding 12 months.

The following table details the Group's expected maturity for its non-derivative financial assets.

	Weighted average effective interest rate	Less than 1 month \$	1-3 months \$	Total \$
30 June 2019				
Non-interest bearing	-	71,719	1,628,924	1,700,643
Variable interest rate instruments	4.06%	179,642	-	179,642
		251,361	1,628,924	1,880,285
30 June 2018				
Non-interest bearing	-	38,426	73,681	112,107
Variable interest rate instruments	4.06%	92,402	-	92,402
		130,828	73,681	204,509

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For the year ended 30 June 2019

The following table details the Group's expected maturity for its non-derivative financial liabilities.

	Weighted average effective interest rate	Less than 1 month \$	1-3 months \$	Total \$
30 June 2019				
Non-interest bearing	-		647,631	647,631
Variable interest rate instruments	10%		-	-
			647,631	647,631

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and/or disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30/06/19	30/06/18		
Unit trust	\$831,652	\$618,373	Level 1	Quoted unit prices in an active market

(e) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the potential return to shareholders.

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For the year ended 30 June 2019

27. CASH AND CASH EQUIVALENTS

	30/06/19 \$	30/06/18 \$
Cash at bank and in hand	251,361	130,828

(a) Cash balances not available for use

Prospecting Rights in which the Company has / had an interest require / required the Company to provide a pecuniary financial provision to rehabilitate the areas disturbed by prospecting activities. The Company has provided financial guarantees to certain regulatory bodies which are secured over cash held by the Company. The total value of these guarantees is \$32,991 (2018: \$32,054) and is classified as cash not available for use.

(b) Fair value

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

(c) Reconciliation of loss after income tax to net cash outflow from operating activities

	Year ended 30/06/19 \$	Year ended 30/06/18 \$
Profit / (Loss) for the period	1,151,333	(223,361)
Adjustment for:		
Net foreign exchange loss	-	939
Depreciation	1,171,951	6,926
Interest income recognised in profit and loss	(103,221)	(37,014)
Other gains and losses	517,083	(36,720)
Increase /(decrease) in current liabilities	652,293	(104,564)
Decrease / (increase) in trade and other receivables, and other movements, net	(4,096,450)	37,769
Net cash outflow from operating activities	(707,009)	(356,025)

(d) Non-cash transactions

No share-based payments were made during the year (2018: Nil).

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28. OPERATING LEASES AND COMMITMENTS

At the beginning of the financial year, the company had an operating lease for office space. The Group did not have an option to purchase the office space at the expiry of the lease period.

The Group also had two separate sub-lease arrangements in place for this office space. Both subleases were on the same terms as the head lease agreement for a 1-year period.

The Group did not renew the operating lease on its expiry which also resulted in the lapsing of the sub-lease arrangements.

Payments recognised as an expense:

	Year ended 30/06/19 \$	Year ended 30/06/18 \$
Minimum lease payments	24,882	37,339
Less sub-lease payments received	(22,937)	(55,080)
	1,945	(17,741)

Non-cancellable operating lease commitments:

	30/06/19 \$	30/06/18 \$
Not later than 1 year	-	-
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	-	-

Liabilities recognised in respect of non-cancellable operating leases:

	30/06/19 \$	30/06/18 \$
Current	-	-
	-	-

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29. COMMITMENTS & CONTINGENCIES

The Group's operating lease commitments are detailed in Note 28.

The Group had no contingent assets or liabilities at the reporting date.

Capital expenditure commitments

Plant & Equipment	30/06/19	30/06/18
	\$	\$
Not longer than 1 year	-	197,188
Later than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	197,188

Exploration and Evaluation Commitments

The Group does not have any tenement expenditure commitments at 30 June 2019. These commitments, net of farm outs, are not provided for in the financial statements.

Tenement expenditure commitments	30/06/19	30/06/18
	\$	\$
Not longer than 1 year	-	-
Later than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	-

Other commitments

Lease and rental commitments	30/06/19	30/06/18
	\$	\$
Not longer than 1 year	491,021	-
Later than 1 year and not longer than 5 years	2,455,103	-
Longer than 5 years	-	-
	2,946,124	-

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30. SUBSIDIARIES

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			30/06/19	30/06/18
Naledi Holdings Ltd	Holding company	Mauritius	100%	100%
Naledi Investments Ltd	Investment company	Mauritius	100%	100%
Ikwezi Mining Services Pty Ltd	Administrative services	Australia	100%	100%
Ikwezi Mining (Pty) Ltd	Coal mining	South Africa	70%	70%
Ikwezi Management Services (Pty) Ltd	Management services	South Africa	70%	70%
Bokamoso Resources (Pty) Ltd	Coal exploration	South Africa	60%	60%
Ikwezi Resources (Pty) Ltd	Coal exploration	South Africa	70%	70%

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Proportion of ownership interests and voting rights held by non-controlling interests	Profit (loss) allocated to non-controlling interests	Accumulated non-controlling interests
30/06/2019			
Ikwezi Mining (Pty) Ltd	30%	610,142	(3,624,244)
Individually immaterial subsidiaries with non-controlling interests			(475,192)
			<u>(4,099,436)</u>
30/06/2018			
Ikwezi Mining (Pty) Ltd	30%	(88,379)	(4,556,666)
Individually immaterial subsidiaries with non-controlling interests			(581,381)
			<u>(5,138,047)</u>

Notes To The Consolidated Financial Statements

For the year ended 30 June 2019

Summarised financial information in respect of Ikwezi Mining (Pty) Ltd, the South African subsidiary, are set out below. The summarised financial information below represents amounts before intragroup eliminations.

	30/06/19	30/06/18
	\$	\$
Current assets	5,085,658	60,491
Non-current assets	19,368,676	14,610,342
Current liabilities	(36,988,369)	(28,701,927)
Non-current liabilities	(278,520)	(257,495)
Equity attributable to owners of the Company	(9,188,311)	(9,731,923)
Non-controlling interests	(3,624,244)	(4,556,666)

	Year ended 30/06/19	Year ended 30/06/18
	\$	\$
Revenue	5,103,005	5,606
Expenses	(3,945,919)	(300,204)
Profit/(loss) for the year	<u>1,157,086</u>	<u>(294,598)</u>

Profit/(loss) attributable to owners of the Company	809,960	206,219
Profit/(loss) attributable to non-controlling interests	347,126	88,379
Profit/(loss) for the year	<u>1,157,086</u>	<u>(294,598)</u>

Other comprehensive income attributable to owners of the Company	613,703	-
Other comprehensive income for the year	<u>613,703</u>	<u>-</u>

Total comprehensive income attributable to owners of the Company	529,594	-
Total comprehensive income attributable to non-controlling interests	347,126	88,379
Total comprehensive income for the year	<u>876,720</u>	<u>88,379</u>

Dividends paid to non-controlling interests	-	-
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Net cash inflow (outflow) from operating activities	(707,009)	(356,025)
Net cash inflow (outflow) from investing activities	(4,410,230)	(1,713,645)
Net cash inflow (outflow) from financing activities	5,199,836	897,642
Net cash inflow (outflow)	<u>82,597</u>	<u>(1,172,028)</u>

Notes To The Consolidated Financial Statements

For the year ended 30 June 2019

31. REMUNERATION OF AUDITORS

During the period the following fees were paid or are payable for services provided by the auditor of the Group, and its related parties and non-related audit firms:

	Year ended 30/06/19 \$	Year ended 30/06/18 \$
Auditor of the parent entity		
Audit or review financial statements	36,300	33,067
Other services – business structure	-	-
Total remuneration for audit and other assurance services	36,300	33,067

The auditor of Ikwezi Mining Limited is Charter Financial Services.

32. SUBSEQUENT EVENTS

No other events occurred subsequent to the date of this report that require disclosure or adjustment to the financial statements other than those relating to appointment of new mining contractor subsequent to the year end, which have been described in Post reporting events in the directors' report.

Directors' Declaration

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the financial statements and accompanying notes are prepared in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements.

Signed in accordance with a resolution of the Directors

A handwritten signature in black ink, appearing to be 'DP', with a large loop at the top and a horizontal stroke at the bottom.

David Pile
Executive Chairman
27 September 2019

Details of Company Secretary, Registered and Principal Administrative Office and Share Registry

The Joint Company Secretaries are Mr. Alex Neuling and Codan Services.

The Company's registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company's principal administrative office is Building 5 Thornhill Office Park, 94 Bekker Road, Johannesburg South Africa (Tel +27 11 9948900, Fax: +27 11 3271885).

The Company's agent in Australia, Ikwezi Mining Services Pty Ltd has a registered office c/- Erasmus Consulting Pty Ltd, Unit 24, 589 Stirling Highway, Cottesloe, Western Australia, Australia (Tel +61 8 6153 1861, Fax: +61 8 6314 1557).

The Company's Australian Share Registry is maintained by Computershare Investor Services Pty Ltd, Level 11, 172 St Georges Terrace, Perth WA 6000 (Tel: +61 8 9323 2000, Fax: +61 8 9323 2033).