



IKWEZI MINING LIMITED

ARBN 151 258 221

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

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DIRECTORS' REPORT

The Directors of Ikwezi Mining Limited ("Company" or "Ikwezi") submit herewith the financial report of Ikwezi Mining Limited and its subsidiaries (the "Group") for the half-year ended 31 December 2021.

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

Mr Nitin Agrawal	<i>Executive Director and Chairman</i>
Mr Sanjay Goel	<i>Executive Director</i>
Mr Harjinder Singh Kapila	<i>Independent Director</i>

Review of operations

For the half year ended 31 December 2021 the Group recorded a revenue of \$26,071,221 as against \$11,500,365 in December 2020 which is a 126% growth in revenue.

Net profit of \$10,822,512 was recorded as compared to loss of \$1,083,374 in December 2020 and a net cash inflow from operations of \$9,067,180 as against outflow of \$1,475,571 in December 2020.

Corporate

The Group had \$4,499,258 cash and cash equivalents on hand at 31 December 2021.

Operational

As per expectation, the Goede hoop pit was brought into production during December 2021. Although the mining activities remain limited, this is expected to increase gradually during the second half of the 2022 financial year. Total production for Kliprand was 410,777 tonnes as against production of 312,045 tonnes in December 2020. The Shepstone Lake pit is expected to be brought into operation during this year.

Significant progress has been made during the half year with the Wash plant being fully operational. The production in the months of November and December was 79,567 tonnes and 77,872 tonnes respectively as against the planned production of 75,000 tonnes per month. A total of 433,706 feed tonnes was achieved for the half year ended 31 December 2021. With the Goede hoop pit being operational, the Wash plant is expected to achieve a monthly production capacity of 125,000 tonnes.

Thermal coal prices (API4 Richards Bay - FOB Richards Bay for 6,000 kcal, NAR product), increased significantly during the half year and is expected to reach a record high of over USD 400 in March and decreasing gradually thereafter.

It is recommended that the half-yearly financial statements be read in conjunction with the 30 June 2021 Annual Report and any public announcements made by the Group during the period.

In accordance with the continuous disclosure requirements, readers are referred to the announcements lodged with Australian Securities Exchange (ASX) regarding exploration and other activities of the Group.

DIRECTORS' REPORT (contd)

Funding arrangements

Zarbon Coal (Pty) Ltd or Zarbon, a related party, provided a letter of comfort to Ikwezi to provide it with a finance facility of up to USD4.3 million (approximately AUD6 million). Any amounts advanced under the facility will attract interest at an annualised rate of South Africa prime plus 0.5%. Any amounts drawn down under the facility need to be repaid, together with any interest due, on or before 31 March 2022.

As at the end of the half-year, the amount advanced was AUD 1,471 million and interest of AUD 0.18 million had accrued.

Cost of Sales

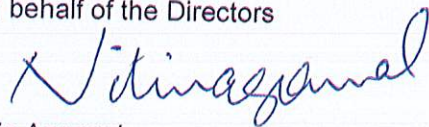
Included in cost of sales is an amount of \$6,308,709 (2020: \$3,724,898) paid to Zarbon Coal (Pty) Ltd and Zarbon Ngangane (Pty) Ltd relating to the use of the siding rail and port allocations for all the export sales done independently by the Company. Both companies are related parties of Mr Nitin Agrawal.

Subsequent Events

No matters/circumstances have arisen since the end of the period which significantly affected/ may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial periods.

Signed in accordance with a resolution of the directors.

On behalf of the Directors



Nitin Agrawal
Director
14 March 2022



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

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Independent Reviewer's Report

to the Members of Ikwezi Mining Limited

We have reviewed the accompanying half-year financial report of Ikwezi Mining Limited, which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the financial half-year as set out on pages 6 to 14.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Independent Reviewer's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with International Standards on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements (ISRE 2400 (Revised)). Those standards require us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also require us to comply with relevant ethical requirements.

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

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

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

Opinion

In our opinion:

- a) The half-year financial report of Ikwezi Mining Limited presents fairly, in all material respects, the consolidated entity's financial position as at 31 December 2021 and its performance for the half-year then ended in accordance with International Standards on Review Engagements 2400 (Revised); and
- b) the half-year financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.



Eyesure
Registered Auditors

Per: D.J. Smith
Wilgeheuwel
14 March 2022

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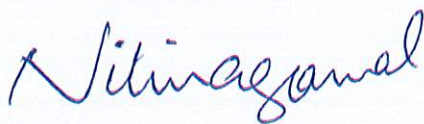
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Ikwezi Mining Limited, I state that:

In the opinion of the Directors:

- a) The financial statements and notes of the consolidated entity:
 - i. Give a true and fair view of the financial position as at 31 December 2021 and the performance of the consolidated entity for the half-year ended on that date; and
 - ii. Comply with International Financial Reporting Standards.
- b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



Nitin Agrawal
Director
14 March 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	31 Dec 2021	31 Dec 2020
	\$	\$
Revenue	26,071,221	11,500,365
Cost of sales	(13,610,036)	(11,952,692)
Investment income	25,178	1,977
Other gains and losses	48,545	116,791
Depreciation and amortisation expense	(46,441)	(40,343)
Employee benefits expense	-	-
Finance costs	(212,058)	(23,628)
Administration expenses	(2,440,446)	(190,600)
Other expenses	(101,389)	(42,836)
Net foreign exchange loss	1,087,938	(452,408)
Profit / (Loss) before tax	10,822,512	(1,083,374)
Income tax	-	-
Loss for the period from continuing operations	10,822,512	(1,083,374)
Attributable to:		
Owners of the parent	7,624,162	(693,278)
Non-controlling interests	3,198,350	(390,096)
	10,822,512	(1,083,374)

Notes to the condensed consolidated financial statements are included on pages 11-14.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR
ENDED 31 DECEMBER 2021**

	31 Dec 2021 \$	31 Dec 2020 \$
Profit / (Loss) for the period	10,822,512	(1,083,374)
Other comprehensive income		
<i>Items that will not be subsequently reclassified to profit or loss</i>	-	-
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation of foreign operations	(2,176,044)	1,433,585
	8,646,468	350,211
Other comprehensive income for the period	-	-
Total comprehensive income for the period	8,646,468	350,211
Total comprehensive income attributable to:		
Owners of the parent	5,448,118	740,307
Non-controlling interests	3,198,350	(390,096)
	8,646,468	350,211

Notes to the condensed consolidated financial statements are included on pages 11-14.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	Consolidated	
		31 Dec 2021	30 June 2021
		\$	\$
Current assets			
Cash and cash equivalents		4,499,258	214,165
Trade and other receivables		6,313,435	287,739
Inventories		23,497,304	11,164,955
Other financial assets	(7)	891,183	816,063
Other current assets		179,329	221,690
Total current assets		35,380,509	12,704,612
Non-current assets			
Property, plant and equipment		16,648,319	18,976,888
Right of use asset		415,721	475,630
Total non-current assets		17,064,040	19,452,518
Total assets		52,444,549	32,157,130
Current liabilities			
Trade and other payables		9,413,318	3,158,648
Short term borrowings	(5)	1,653,600	5,353,574
Provisions		9,382,010	219,493
Lease liability		20,532	18,440
Total current liabilities		20,469,459	8,750,155
Non-current liabilities			
Provisions		390,051	420,266
Lease liability		472,781	520,919
Total non-current liabilities		862,832	941,185
Total liabilities		21,332,291	9,691,340
Net assets		31,112,258	22,465,790
Equity			
Issued capital		40,460,209	40,460,209
Reserves		(7,563,792)	(5,387,748)
Accumulated losses		(2,202,016)	(9,826,178)
Equity attributable to owners of the parent		30,694,401	25,246,283
Non-controlling interest		417,857	(2,780,493)
Total equity		31,112,258	22,465,790

Notes to the condensed consolidated financial statements are included on pages 11-14.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

	Issued capital \$	Share based payments reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Attributable to owners of the parent \$	Non- controlling interest \$	Total \$
Balance as at 1 July 2020	40,460,209	140,000	(9,024,604)	(8,901,474)	22,674,132	(2,199,229)	20,474,904
Loss for the period	-	-	-	(924,704)	(924,704)	(581,264)	(1,505,968)
Exchange differences on translation of foreign operations	-	-	3,496,856	-	3,496,856	-	3,496,856
Total comprehensive income for the period	-	-	3,496,856	(924,704)	2,572,152	(581,264)	1,990,888
Balance at 30 June 2021	40,460,209	140,000	(5,527,748)	(9,826,178)	25,246,284	(2,780,493)	22,465,790
Profit for the period	-	-	-	7,624,162	7,624,162	3,198,350	10,822,512
Exchange differences on translation of foreign operations	-	-	(2,176,044)	-	(2,176,044)	-	(2,176,044)
Total comprehensive income for the period	-	-	(2,176,044)	7,624,162	5,448,117	3,198,350	8,646,468
Balance at 31 December 2021	40,460,209	140,000	(7,703,792)	(2,202,016)	30,694,401	417,857	31,112,258

Notes to the condensed consolidated financial statements are included on pages 11-14.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	31 Dec 2021 \$	31 Dec 2020 \$
Cash flows from operating activities		
Receipts from Customers	27,883,122	9,800,843
Payments to suppliers and employees	(18,815,942)	(11,276,414)
Net cash used in operating activities	9,067,180	(1,475,571)
Cash flows from investing activities		
Interest received	4,470	1,977
Payments for property, plant and equipment	(449,056)	(2,645,355)
Receipts from/ (payments to) acquire financial assets	(82,102)	(76,663)
Net cash used in investing activities	(526,688)	(2,720,041)
Cash flows from financing activities		
Proceeds from issue of equity instruments of the company	-	-
Proceeds from borrowings	(4,200,402)	2,550,770
Net cash generated by financing activities	(4,200,402)	2,550,770
Net increase in cash and cash equivalents	4,340,090	(1,644,842)
Cash and cash equivalents at the beginning of the period	214,165	2,548,000
Effects of exchange rate changes on the balance of cash held in foreign currencies	(54,997)	(145,158)
Cash and cash equivalents at the end of period	4,499,258	758,000

Notes to the condensed consolidated financial statements are included on pages 11-14.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

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 half-year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general-purpose financial report prepared in accordance with Accounting Standards and Interpretations and comply with other requirements of law. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ("IFRS"). The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2021 annual financial report for the financial year ended 30 June 2021, except for the impact of the Standards and Interpretations described below where applicable. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

1.1 Accounting standards not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been early adopted by the Group for the half-year reporting period ending 31 December 2021. It is not expected that these Australian Accounting Standards and Interpretations will have a material impact on the Group when they are adopted in future reporting periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

2. Going concern

These consolidated financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

The Consolidated Entity has incurred a net profit of \$10,822,512 (31 December 2020: loss of \$1,083,374) and had a net cash inflow from operating and investing activities of \$8,540,492 (31 December 2020: net cash outflow of \$4,195,612) for the half-year ended 31 December 2021. As at 31 December 2021 the Consolidated Entity had cash assets of \$4,499,258 (30 June 2021: \$214,165) and net current assets of \$14,911,050 (30 June 2021: net current assets of \$3,954,457).

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 Wash plant is in steady operation and achieving the tonnages per the production plan which provides the operations with flexibility to produce different grades of coal for different markets.
- The Goede hoop pit has been brought into production which will result in increased tonnages being mined.

The Directors believe that at the date of signing the financial statements, having regard to the matters outlined above, there are reasonable grounds to believe that the Company and Consolidated Entity will have sufficient funds to meet their obligations as and when they fall due and that the use of the going concern basis of preparation is appropriate.

3. Segment information

Management has determined that the Group has one reportable segment, being coal mining and development. As the Group is focused on coal mining, the Board monitors the Group based on actual versus budgeted revenues and expenditure incurred by area of interest. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the company and its ongoing mining activities, while also taking into consideration the results of mining work that has been performed to date. The Group operates principally in South Africa.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

4. Cash and cash equivalents

	31/12/21 \$	30/06/21 \$
Cash at bank and in hand	<u>4,499,258</u>	<u>214,165</u>

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

5. Short-term borrowings

	6 Months ended 31/12/21 \$	Year ended 30/06/21 \$
Short-term borrowings	1,653,600	5,353,574

Zarbon Coal (Pty) Ltd or Zarbon, a related party, provided a letter of comfort to Ikwezi to provide it with a finance facility of up to USD4.3 million (approximately AUD6 million). Any amounts advanced under the facility will attract interest at an annualised rate of South African prime plus 0.5%. Any amounts drawn down under the facility need to be repaid, together with any interest due, on or before 31 March 2022.

6. Contingencies and commitments

6.1 Capital expenditure commitments

The company continues to spend on the Wash Plant to ramp up its throughput.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

7. Financial instruments

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

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

The following table gives information about how the fair values of the Group's financial assets are determined when measured at fair value at the end of each reporting period.

Financial assets	Fair value as at:		Fair value hierarchy	Valuation technique and key input
	31/12/21	30/06/21		
Unit trust	\$891,183	\$816,063	Level 1	Quoted unit prices in an active market.

8. Subsequent events

No matters / circumstances have arisen since the end of the period which significantly affected / may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial periods.