



# ASX ANNOUNCEMENT

31 January 2011

## QUARTERLY ACTIVITIES REPORT – PERIOD ENDED 31 DECEMBER 2011

- Newcastle Project on track to commence production in Q2 2012
- Wash plant on schedule to be commissioned Q2 2012
- Mining Right expected in Q1 2012
- Newcastle Project rail secured with Transport Agreement entered into and rail account opened with Transnet Freight Rail (TFR)
- Drilling completed and mine plans finalised for initial opencast operations
- Water use licence application progressing, expected Q2 2012

Ikwezi Mining Limited (**ASX: IKW, Ikwezi Mining or Company**) is pleased to provide an update on the Company's activities for the quarter ended 31 December 2011.

### Corporate

The Company's shares were admitted to trading on ASX on 19 July 2011, following the successful completion of a \$30m capital-raising.

Funds raised under the IPO are being used to complete development studies and to develop our flagship Newcastle Project to initial coal production, continued assessment and exploration work on the Company's other projects, the review and assessment of new projects and for general working capital.

Consistent with the Company's strategy, on 30 September 2011 the Company announced that it had executed agreements to acquire 70% of two prospecting rights covering five farms in the Waterberg Coal field, in Limpopo province, South Africa. The rights cover some 5,714 ha and are expected to yield coal for both the export and local market. An Exploration Target of approximately 2-4 billion tonnes has been identified\*.

Discussions have been initiated with Transnet Freight Rail (TFR) to secure rail capacity and the relevant port authorities to support the development of the Waterberg project. These have been positive to date. TFR have recently committed to spend ZAR7 billion over the next 5 years to upgrade the coal capacity on the Waterberg line from 4 Mtpa to 23 Mtpa. This, together with the planned capacity upgrade of the Matola terminal in Mozambique by approx. 20 Mtpa is an important facilitator for the Waterberg Project.

*\*This target is conceptual in nature. There has been insufficient exploration to define a mineral resource under JORC guidelines and it is uncertain whether further exploration will result in the determination of a mineral resource. This conceptual target may or may not be outlined with future work, whether in whole or in part.*

Ikwezi Mining Limited (incorporated in Bermuda with registered company number 45349)

ARBN 151 258 221

Clarendon House

2 Church Street

Hamilton

HMCX Bermuda

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## Operational

Ikwezi Mining is focused on advancing the development of our three coal projects in the KwaZulu Natal and Gauteng regions of South Africa. Activities at the Newcastle Project, which is located in the KwaZulu Natal coal fields and in which we own a 70% interest, are progressing well.

We remain on schedule to bring the Newcastle Project into production during Q2 of 2012. Construction of the wash plant is complete from a fabrication perspective and is approximately 80% erected at the supplier's premises. Once tested at the supplier's premises, it will be disassembled, sand blasted and painted before being shipped to site for erection. Commissioning on site is expected in May 2012. Cash expenditure during the quarter relates mainly to the progress payments in this regard as reflected in the attached Appendix 5B. The wash plant will be capable of processing 170,000 tons ROM per month. The design of the wash plant and related discard dumps allows for the future doubling of capacity of the wash plant to take the total processing capacity to 340,000 tons ROM per month in line with the planned ramp up of the operation in late 2013.

Final design for the haul road from the wash plant to the Ngagane siding is complete with upgrade of sections of this road to commence during Q1 2012. Final designs have been completed for the Ngagane siding and quotes received. The Environmental Impact Assessment for the Ngagane siding is close to completion after which construction will commence. It is expected that the siding will be operational from Q3 2012. The operation will ship coal from alternate rail sidings in the area that are currently used to export coal until the Ngagane siding is operational. Contract negotiations with our opencast mining contractor are well advanced and the relevant mining equipment is available to commence mining operations on receipt of the relevant regulatory approvals.

Mine design and production scheduling is well advanced along with pit infrastructure and layout, preparatory to going on site in Q2 2012. Tonnage scheduling for washing and processing has been determined and anticipated sales schedules and detailed quality specifications will be complete before the end of February 2012. Safety and health policies and procedures are being developed in conjunction with Mining and Processing sub-contractors. Legal appointments are being finalized prior to the granting of the Mining Right and key personnel are being recruited to ensure an effective roll out of the mining and coal beneficiation program in Q2 2012. An updated Reserve and Resources statement for the Newcastle Project will be released to the market during February 2012.

From a regulatory perspective, we have complied with all requirements of our Mining Right application for the project which we expect to be issued shortly. We are advised by the DMR that the two objections that were delaying the issue of the Mining Right have been resolved by them through their internal review processes. The slight delay in the issue of the Mining Right has not affected the startup time line of the project. Applications for an integrated water use license (IWUL) together with the required NEMA applications have been lodged with the various Departments and are in process. The Company expects these approvals to be received in Q2 2012.

The Company announced in December that further to its letter of commitment from Transnet Freight Rail (**TFR**) to provide 1.5 Mtpa rail capacity to either Durban or Richards bay from its Newcastle Project, it had entered into a Transport Agreement with TFR. The

contract is renewable on an annual basis. A rail account has also been opened with TFR and an initial rail deposit paid.

## **Finance**

As of 30 September 2011 the Company's consolidated cash balance was A\$20.65m. An ASX Appendix 5B for the December quarter is attached.

*We are pleased with the progress that has been made to date on the Newcastle project and, notwithstanding the slight delay in the issue of the Mining Right, remain on schedule to commence production during Q2 2012.*

## **Competent Persons report:**

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Petrus Cornelius Meyer, a consultant to the Company. He has more than 20 years experience in the South African coal industry and holds a B.Sc. Hons. (Geology) and M.Sc. (Earth Science Practice and Management) degrees from the University of Pretoria. He is an active member of the Geological Society of South Africa and Fossil Fuel Foundation of South Africa. The Geological Society of South Africa is a "Recognised Overseas Professional Organisation" ('ROPO') and is included in the list of ROPOs promulgated by the ASX.

PC Meyer has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the JORC code. PC Meyer consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

## **About Ikwezi**

*Ikwezi Mining Ltd is focused on the exploration and development of coal projects in South Africa. Ikwezi has a 70% interest in the Newcastle Project and Waterberg Project and a 60% interest in the Newcastle Phase 2 and Acorn projects. The Newcastle project is located in the KwaZulu Natal coal fields, has an existing JORC compliant resource of approximately 209 Mt and is in close proximity to rail and port infrastructure.*

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## Appendix 5B

### Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Ikwezi Mining Limited

ABN

ARBN 151 258 221

Quarter ended ("current quarter")

31 December 2011

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(651)	(1,340)
(b) development	-	-
(c) production	-	-
(d) administration	(768)	(1,413)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	228	474
1.5 Interest and other costs of finance paid	(51)	(51)
1.6 Income taxes paid	-	-
1.7 Other - VAT refundable on fixed asset purchases	(22)	(446)
	(1,264)	(2,776)
<b>Net Operating Cash Flows</b>		
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	(194)
(b) equity investments	-	-
(c) other fixed assets	(1,449)	(4,706)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other - rehabilitation guarantee	(23)	(383)
	(1,472)	(5,283)
<b>Net investing cash flows</b>		
1.13 Total operating and investing cash flows (carried forward)	(2,736)	(8,059)

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**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(2,736)	(8,059)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	30,000
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(499)	(499)
1.18	Dividends paid	-	-
1.19	Other - issue costs	(5)	(1,742)
	<b>Net financing cash flows</b>	<b>(504)</b>	<b>27,759</b>
	<b>Net increase (decrease) in cash held</b>	<b>(3,240)</b>	<b>19,700</b>
1.20	Cash at beginning of quarter/year to date	24,510	1,418
1.21	Exchange rate adjustments to item 1.20	(620)	(468)
1.22	<b>Cash at end of quarter</b>	<b>20,650</b>	<b>20,650</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	357
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Employee benefits and office rental / associated costs on a cost reimbursive basis.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/a

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/a

**Financing facilities available**

Add notes as necessary for an understanding of the position.

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	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	525
4.2 Development	9,400
4.3 Production	-
4.4 Administration	538
<b>Total</b>	<b>10,463</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	14,356	24,510
5.2 Deposits at call	6,314	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>20,650</b>	<b>24,510</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	N/a	N/a	N/a	N/a
6.2 Interests in mining tenements acquired or increased	N/a	N/a	N/a	N/a

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**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 <b>+Ordinary securities</b>	338,750,000	168,800,000		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>ESOP Options</i> <i>Advisor Options</i>	4,000,000 1,000,000		<i>Exercise price</i> \$0.30 \$0.30	<i>Expiry date</i> 31/12/12 31/12/12
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				


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7.12	<b>Unsecured notes</b> (totals only)		
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### Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~not~~\* (delete one) give a true and fair view of the matters disclosed.

Sign here:  ..... Date: 31 January 2012  
(~~Director~~/Company secretary)

Print name: Alex Neuling

### Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.== == == == ==

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