

## QUARTERLY ACTIVITIES REPORT – PERIOD ENDED 31 MARCH 2012

- Mining Right for the Newcastle Project granted in February 2012
- Construction of coal wash plant progressing on schedule with commissioning on track for Q2 2012
- Reserves and Resource Statement updated
- Opencast mining contract signed with Stefanutti Stocks Mining Services (SSMS)
- Mining operations on schedule to commence on granting of Water Use License

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 March 2012.

### Corporate

Ikwezi Mining is focused on advancing the development of our four coal projects in the KwaZulu Natal, Gauteng and Limpopo regions of South Africa. The Company's current focus remains on bringing its Newcastle Project, which is located in the KwaZulu Natal coal fields, into production during mid-2012. Mining is expected to commence on the granting of an Integrated Water Use License (IWUL) for the project. In parallel, the Company is progressing discussions with the various rail and port authorities (which are well progressed), to secure logistics for its Waterberg project to enable development to start on this.

### Operational

The Company was granted a Mining Right for its Newcastle project during the quarter. The mining right covers an area of approx. 12,000 ha with an initial JORC compliant Reserve of 14 million tons, and a JORC compliant Resource of 221 million tons. The Reserves figure is expected to increase as the infill drilling program at the Newcastle Project continues. Construction of the coal wash plant at the Newcastle project has progressed well during the quarter with fabrication of the wash plant having been completed and the plant tested at the supplier's premises. It is now in the process of being shipped to site and erected there. It is expected that this will be completed during Q2 2012.

Ancillary work at the wash plant site with regard to electrics and water supply are also on schedule. The wash plant is designed to process 2,040 million tons ROM per annum with an expected practical yield of approximately 63%. Initial wash plant operations will commence using gensets until Eskom power for the wash plant operations is available later during the year. Four one Mva gensets have been procured with two of these delivered to date.



Picture of the Newcastle Project wash plant at site – 11<sup>th</sup> April 2012

Site establishment for the initial opencast operation has commenced which will allow the operation to commence mining as soon as the IWUL is received. Rehabilitation of the existing product haul road and culverts from the wash plant to the Ngagane siding is underway. Completion of the required basic Environmental Impact Assessment for the re-establishment of the Ngagane siding (which used to supply the Ngagane power station) is close to completion, after which the relaying of rail tracks and pollution control dams will commence. Completion of the siding is expected in the second half of 2012 with rail shipments made from other rail sidings available in the area in the interim.

Progress of the Company's Integrated Water Use license for the Newcastle Project is in line with expectations with continued positive interaction with the Department of Water Affairs. The granting of an Integrated Water Use License is required prior to the commencement of mining activities. Whilst the Company believes that it should receive this within Q2 2012 which will enable us to commence mining, it is subject to the various processes within the Department of Water Affairs which we do not have control over. From a Company perspective we have taken all steps that we can to minimize water usage of the operation and hence its impact on the local water system and environment. Water for the operation will be extracted from the old Ngagane colliery workings which are currently decanting and piped approx. 6 km to the wash plant. This will resolve the current decant issues and contribute to an immediate as well as long term improvement to the local water quality and eco systems. In addition, through the incorporation of centrifuge dewatering and filter presses in the wash plant design, the plant's discard dumps will be dry as opposed to the normal slurry dams found in the majority of coal processing facilities in South Africa.

## Finance

As of 31 March 2012 the Company's consolidated cash balance was A\$14.6 m. An ASX Appendix 5B for the March quarter is attached. The Company, which is currently debt free, is in discussions with two lenders which are well progressed to put in place a loan facility for the operation to provide additional cash reserves for the operation should these be required.

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## Outlook

Ikwezi's Board believes that the global outlook for coal remains positive in the medium to long term, underpinned by a recovery of commodity prices and with demand driven by India and China.

Our strategy remains focused on exploring and developing coal assets in South Africa. As the first pillar of this strategy, we aim to generate income and capital growth for our shareholders by bringing the Newcastle Project into production during mid 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 221 Mt and is in close proximity to rail and port infrastructure.*