



ASX Code: IKW

31st July 2012

Company Announcements Office
Australian Securities Exchange
Level 4 Exchange Centre
20 Bridge Street
Sydney NSW 2000

QUARTERLY ACTIVITIES REPORT – 3 MONTHS ENDED 30 JUNE 2012

Ikwezi Mining Limited (**ASX: IKW, Ikwezi Mining or Company**).

Thermal coal markets and project status update

Thermal coal markets continue to be affected by price volatility, driven by high global inventory levels. Production cutbacks in the US and Indonesia, together with stockpile reductions in the US, are expected to lead to a stabilisation of prices over the coming months. The Company remains positive on the medium-term to longer-term coal price outlook and market fundamentals as the thermal coal market is brought back into balance.

The focus of the Company at this point remains finalising its remaining licensing approvals and its proposed bank loan facility announced to ASX on 19th June 2012, together with restructuring its mine plan and product mix, to ensure that the operation will be competitive and profitable in a low-price environment. The current thermal coal market volatility and historically low coal price levels will impact on the optimum timing to bring the Company's Ntendeka colliery into production. The Company is able to maintain a low fixed operating cost structure prior to commencement of mining and management believes a conservative approach is preferable given the continued market volatility. As such it is now likely that commencement of production will be deferred from October 2012 to early 2013. It is expected to take between two and three months from the time the decision is made to commence mining to first export coal.

Finance

As at 30th June 2012 the Company had A\$12.131 m in cash on hand. Expenditure during the quarter related mainly to developmental work at the Company's Ntendeka Colliery located close to the town of Newcastle in KwaZulu-Natal. Construction of the coal wash plant is now complete, together with the

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construction of the run-of-mine ramp, stock pile area and related infrastructure. The remaining construction activities required to bring the plant into operation relate to the construction of the water supply system, which includes the pipeline from the old Ngagane Colliery workings to the wash plant, together with the completion of the water storage and pollution control dams. These construction activities can only commence on receipt of the integrated Water Use License (IWUL) and have a scheduled construction timeframe of approximately two to three months.

Forecast expenditure during the quarter ended 30th September 2012 relates mainly to timing of payment for work done during June and July 2012 on the product haul road upgrade, the plant electrical installation, together with the acquisition of certain surface rights required for mining operations from third parties.

Discussions continue to progress well with regard to putting a bank loan facility in place for the operation. Global thermal coal market conditions over the last few months have resulted in the Company revisiting its mine plans and economic cut-offs to optimise profitability in a low thermal coal price environment. This has resulted in a change to the opencast and underground layouts to optimise production in a low-price environment which has also resulted in a decrease in our forecast operational cost per ton. The Company is also reviewing the option of a varied product to focus a portion of production on certain specialised markets that attract improved margins.

Water Use License - IWUL

Discussions with the Department of Water Affairs continue in respect of the Company's application for the IWUL for the Ntendeka colliery. These discussions are progressing well and Ikwezi hopes to be granted this licence in the near future. The granting of the IWUL is a requirement for mining to commence and the water supply system to the wash plant to be constructed.

Haul road

The upgrade of the first section of the main haul road to the Ngagane siding has been completed, together with the repair of the main two culverts, as well as several smaller ones. The second 8 km section of the road is usable in its current form. Since the road is a public road, the upgrade represents a substantial contribution to the community in the area (and there has been a noticeable increase in general traffic volumes since completion).

Reserves and resources and exploration activities

Drilling is progressing as planned with two drill rigs on site full-time. Expenditure of A\$416 k was incurred on exploration and evaluation during the quarter of which A\$84 k was paid with a total of 76 holes totalling 5,814 m drilled which all intersected coal. An updated Reserve and Resource statement including the optimised Life of Mine Plan will be released to market once complete.

Off-take agreement

As announced to ASX on 19th June 2012, the Company has been offered an off-take agreement from one of the major international traders to purchase all of the Newcastle Project's coal and provide port facilities for a three year period. Given the current decline in the global thermal coal price, the product mix of the operation is currently being reviewed to optimise revenue in line with the revised mine plans.

From a mine economics' perspective the opencast and underground layouts are in the process of being remodelled in line with the lower price scenario to ensure that the operation's profitability on start-up is maximised. Documentation of the off-take agreement is expected to be finalised after the IWUL and NEMA approvals are received as these, together with the approval of the banking facility, dictate the start-up timeframe for the operation.

Port Allocation

As announced to ASX on 19th June 2012, Ikwezi is also in final stages of negotiation of an approx. 500,000 tpa port allocation in its own name in addition to the port facilities that will be provided pursuant to the proposed off-take agreement if entered into. The various contractual and legal obligations to formalise this additional port allocation are expected to be completed in line with the revised timetable for proposed commencement of production.

Ntendeka coal wash plant



Completed wash plant ramp



Completed culvert on haul road



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Disclaimer regarding future matters and forward-looking statements

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