

ASX Code: IKW

31st October 2012

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

QUARTERLY ACTIVITIES REPORT – 3 MONTHS ENDED 30 SEPTEMBER 2012

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

Thermal coal markets and project status update

Thermal coal markets remain affected by high global inventory levels which have resulted in continued price volatility. Cutbacks in production in the US, Indonesia and China 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 remains on finalising its remaining licence approvals and its proposed bank loan facility which was previously announced.

The addition of the Assegai project as announced on 25th October 2012 is expected to add substantially to the Company's resource base and future product mix should exploration activities confirm management's expectations.

A revised mine plan for the Ntendeka colliery, including all mine scheduling and other relevant information covering the first approx. 5 years of open cast operations and first approx. 2 years of underground operations, has been completed. Product mix and coal qualities have been improved with the revised plan to ensure that the operation maximises profitability and competitiveness in the current lower coal price environment. The production model including operational structure, use of contractors and staff structure have also been reviewed in detail and rationalised to further reduce the operational cost per ton.

Management has also implemented actions to reduce non-essential spend given the longer than expected time frame to finalise the various license approvals. The Company remains on track to bring

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the Ntendeka colliery into production in early to mid-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 September 2012 the Company had A\$6.892m in cash on hand. Expenditure during the quarter related mainly to the payment of invoices of developmental work undertaken at the Company's Ntendeka Colliery during the 3 months ended 30th June 2012. Construction of the coal wash plant, the run-of-mine ramp, stock pile area, electrical infrastructure and other related infrastructure is now complete and the wash plant dry commissioned. 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 31st December 2012 relates mainly to the acquisition of certain surface rights and payment of carryover invoices for the completion of the Ntendeka Colliery's electrical infrastructure and transformers. In addition, the option for the acquisition of the land on which the Ngagane siding will be located has been exercised with the receipt of an approved Environmental Impact Assessment on the proposed siding having been received from the Department of Environmental Affairs. Transfer of this property to Ikwezi is expected to be completed within the quarter ended 31st December 2012.

Discussions continue to progress well with regard to putting a bank loan facility in place for the operation although these were delayed through the revision of the detailed mine plan and associated production scheduling.

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. We are in continuous contact with the Department and are hopeful that the license will be issued shortly. The granting of the IWUL is a requirement for mining to commence and the water supply system to the wash plant to be constructed.

Reserves and resources and exploration activities

Drilling is progressing as planned with two drill rigs on site full-time. Expenditure of A\$301k was paid in respect of exploration and evaluation during the quarter ended 30th September 2012 with a total of 70 holes drilled totalling 6,462m

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 Ntendeka Colliery's coal and provide port facilities for a three year period. Interest has been expressed from a number of other parties in this regard as well. 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 previously announced, Ikwezi has been offered approx. 1.2 Mtpa of port capacity 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 timetable for proposed commencement of production.

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Disclaimer regarding future matters and forward-looking statements

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