



ASX Code: IKW

30 April 2013

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

## **QUARTERLY ACTIVITIES REPORT – 3 MONTHS ENDED 31 MARCH 2013**

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

### **Thermal coal markets and project status update**

Global thermal coal markets have started to stabilise although they remain depressed as the global markets readjust to the impact of increased shale gas production in the US. South African coal producers have not been as affected, with the lower export coal prices being offset by the depreciation of the South African Rand (reducing production costs in US dollar terms) with a strong domestic coal market trading at a premium to export prices.

The Company is confident that it has its fundamental structures in place to bring Ntendeka Colliery into production in Q3 2013. The medium to long term coal price outlook and underlying market fundamentals, as evidenced by the Richards Bay API\$ index, show a positive trend as the thermal coal market is brought back into balance.

The Department of Water Affairs has granted the Ntendeka Colliery its Integrated Water Use Licence (IWUL) (as announced to the ASX on 22 March 2013) represents the achievement of a very important milestone in bringing the Colliery into production.

The granting of the IWUL puts the regulatory framework in place to enable the Company to complete construction of the water supply system to the Ntendeka Colliery wash plant. An IWUL is also a requirement for companies in South Africa to commence with mining activities. The mine scheduling, the production model / product mix, including operational structure, use of contractors and staff structures has been rationalised to assist in further reducing operational costs to maximise profitability and remain competitive in the current lower coal price environment.

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Management continues to pursue actions to reduce non-essential spend given the longer than expected regulatory delays in bringing the Ntendeka Colliery into production.

The remaining key milestone to bring the Ntendeka Colliery into production in Q3 2013 is the approval of the finance facility. It is expected to take between two and three months from the time the decision is made to commence mining to first export coal. This includes the completion of the remaining construction together with mining site establishment and completion of the initial box cut. These activities are planned to run in parallel.

### **Finance**

The Company had A\$3.176m cash on hand as at 31<sup>st</sup> March 2012. Construction of the coal wash plant, the run-of-mine ramp, stock pile area, electrical infrastructure; and other related infrastructure is complete and the wash plant has been 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. The remaining construction activities will only commence on approval of a loan facility.

The Company has received term sheets from three financial institutions for the required loan facility of approximately ZAR200 million which it is currently evaluating before the decision is made to proceed and finalise. An external independent third party review has been finalised of the mines geological models together with the financial models and other related due diligence for the loan facilities.

A detailed review has been conducted and discussions initiated with regard to feasibility of supplying coal locally for power generation as an alternative to the export market given the continued low export prices and the premium that the domestic market currently attracts.

### **Reserves and resources and exploration activities**

Drilling has been put on hold to minimise expenditure given that the first approximate 7 years of production has been drilled to a measured status. This figure is based on the current low market levels as part of the exercise to optimise the production cost structure and revenue of the operation.

### **Prospecting Rights**

The Company announced the acquisition of coal prospecting rights covering some 5,714ha in the Waterberg Coalfield in Limpopo province, South Africa on 30 September 2011. The acquisition agreement was subject to a number of conditions precedent including a Section 11 approval from the Department of Mineral Resources (DMR). Despite granting extensions to the Vendors to allow them to meet the required conditions precedent, the Company has not received the necessary S11 approval for the acquisition of the asset resulting in the acquisition agreement lapsing.

Further to the Company's announcement on 25 October 2012, the Department of Mineral Resources (DMR) has executed its coal prospecting right covering some 3,998ha in the Ermelo Coalfield in Mpumalanga province, South Africa. The Company has a 60% interest in the Assegai project with the

balance held by its BEE partners. The addition of the Assegai project adds substantially to the Company's exploration assets.

## **Corporate**

As announced to ASX on 15 January 2013, 5,000,000 options over ordinary shares in the Company lapsed unexercised during the quarter.

## **Summary**

"Ntendeka Colliery has been granted its Integrated Water Use Licence (IWUL) which represents an important milestone in bringing the Colliery into operation and is a requirement for South African companies to commence with mining activities. This puts the regulatory framework in place to enable the Company to complete construction of the water supply system and commence with mining activities as soon as the finance facility has been approved," said David Pile, MD of Ikwezi Mining.

## **ABOUT IKWEZI**

*Ikwezi Mining Ltd is focused on the exploration and development of coal projects in South Africa. Ikwezi has a 70% stake in the Ntendeka Colliery and a 60% interest in the Dundee, Acorn and Assegai projects. The Ntendeka Colliery is located in the KwaZulu-Natal coal fields and is in close proximity to rail and port infrastructure.*

## **Competent Persons Statement:**

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.

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**Disclaimer regarding future matters and forward-looking statements**

This announcement contains reference to certain intentions, expectations, estimates, future plans, strategy and prospects of the Company. Those intentions, expectations, estimates, future plans, strategy and prospects may or may not be achieved. They are based on certain assumptions, which may not be met or on which views may differ and may be affected by known and unknown risks. The performance and operations of the Company may be influenced by a number of factors, many of which are outside the control of the Company. No representation or warranty, express or implied, is made by the Company or any of its directors, officers, employees, advisers or agents that any intentions, expectations or plans will be achieved either totally or partially or that any particular rate of return will be achieved and each of those persons expressly disclaims all liability with respect to such forward-looking information. Given the risks and uncertainties that may cause the Company's actual future results, performance or achievements to be materially different from those expected, planned or intended, recipients should not place undue reliance on these intentions, expectations, future plans, strategy and prospects.

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## Appendix – Tenement information

Details of the Company's and its controlled entities interests in tenements as at 31 March 2013 are outlined below:

Project name	Type	Reference	Number of hectares and location	Ownership	Licensee
Ntendeka Colliery (formerly Newcastle Project Phase 1)	Mining right	KZN 30/5/1/2/297 MR MPTRO: 77/2012 (MR)	12,182ha, Northern KwaZulu Natal, South Africa	70%	Ikwezi Mining (Pty) Ltd
Dundee Project (formerly Newcastle Phase 2)	Prospecting right	KZN 30/5/1/1/2/387 PR MPTRO: 163/2011 (PR)	4,665ha, Northern KwaZulu Natal, South Africa	60%	Bokamaso Resources (Pty) Ltd
Acorn Project	Prospecting right	GP 30/5/1/1/2/550 PR MPTRO: 115/2011 (PR)	20,758ha, Gauteng Province, South Africa	60%	Bokamaso Resources (Pty) Ltd
Assegai Project	Prospecting right	MP305/1/1/2/4397PR	3,998ha, Mpumalanga Province, South Africa	60%	Bokamaso Resources (Pty) Ltd

**Note:**

1. As announced to ASX on 29 September 2011, the Company had previously announced the acquisition of 70% interests in prospecting rights for the Waterberg Project covering 5,714ha in the Waterberg Coalfield in Limpopo province, South Africa subject to a number of conditions precedent including Section 11 approval from the Department of Mineral Resources (DMR). As announced to ASX on 22 January 2013, despite the timeframes for the vendors to meet the various conditions precedent being extended, the Company is yet to receive the Section 11 approval for its acquisition of these prospecting rights. As a result the acquisition of these prospecting rights has lapsed and those interests are not included in the above table. The Company is in discussions with the DMR to ascertain the nature of the non-processing / non-approval of the Section 11 application and upon receipt of a response will determine how to proceed in either resuscitating the agreement or looking for other opportunities in the Waterberg Coalfield.