



ASX Code: IKW

31 October 2013

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

## QUARTERLY ACTIVITIES REPORT – 3 MONTHS ENDED 30 SEPTEMBER 2013

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

### Thermal coal markets

Global thermal coal markets, while remaining depressed have shown a slight upward trend during the quarter although current thermal or steam coal supply still exceeds demand.

Total global coal production (steam and coking coal) during 2012 was 7,813 Mt, a 2.9% increase over 2011 according to the World Coal Association<sup>1</sup>. Of this, China produced 3,549Mt, USA 935 Mt, India 595 Mt, Indonesia 443Mt, Australia 421Mt, Russia 329Mt and South Africa 259Mt.

Top Ten Steam Coal Producers (2012e) -Mt ( Tonnes million)			
PR China	3039	Russia	201
USA	782	Australia	200
India	504	Kazakhstan	108
Indonesia	440	Colombia	85
South Africa	258	Poland	68

  

Total Steam Coal exports		Total Steam Coal imports	
Indonesia	380	PR China	218
Australia	159	Japan	132
Russia	116	India	123
USA	51	South Korea	94
Colombia	82	Chinese Tapei	56
South Africa	74	Germany	36
Canada	4	UK	40
Other	97	Other	264
<b>Total</b>	<b>963</b>	<b>Total</b>	<b>963</b>

Table 1: Summary of largest steam coal exporters and importers by Country<sup>1</sup>

As can be seen from Table 1, China remains the dominant producer (and consumer) of coal globally accounting for just over 45% of production and approximately 48% of coal consumption. India, Japan and Korea remain

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<sup>1</sup> <http://www.worldcoal.org/resources/coal-statistics/>

substantial consumers of thermal coal. The increased exports of thermal from the United States, (driven largely by lower gas prices which resulted in power utilities switching to gas generation at the expense of coal), had a marked impact on the 963Mt thermal coal seaborne trade pricing. Whilst US coal inventories showed a small decrease over the last few months, markets continue to readjust to the impact of the displaced US coal due to increased shale gas production in the US. We expect that we will continue to see some production rationalisation over the next few months to bring the market back into balance.

## **Corporate**

The Company remains confident of the structure of the Ntendeka Colliery and its financial feasibility. Management has completed extensive work to optimise the mine's ability to operate under the current low price environments. Thermal coal prices ex Richards Bay (API4) have declined from approx. US\$125 per ton FOB in July 2011 when the Company listed to lows of approximately US\$70 per tonne, current prices have recovered to approximately US\$85 per ton at end October 2013. This, combined with a depreciation in the South African Rand, has assisted in improving the robustness of the projected cash flows of the Ntendeka Colliery.

The volatility in both thermal coal pricing together with the South African Rand versus the USD over the last few months, resulted in management re-reviewing the optimal time to bring the operation into production to minimise overall risk to the Company. In the interim, the Company has implemented actions to reduce all non-essential spend and overhead reduction given the longer than expected delays in bringing the Ntendeka Colliery into production.

The Company will look to finalise financing arrangements with the banks / off take partners to allow it to commence production in early to mid-2014 should coal markets continue to show stability or slight improvement to current levels. Discussions continue with regard to the feasibility of supplying coal locally for power generation as an alternative to the export market and the premium that the domestic market still attracts.

## **Finance and project status update**

The Company had A\$1.979m cash on hand as at 30<sup>th</sup> September 2013.

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. Once financing is in place, it is expected that the remaining construction will be completed and first coal shipped within a three to four month timeframe.

Initial production has been planned at approximately 2 Mtpa Run of Mine (ROM) coal or approximately 1.25 Mtpa saleable product. The infrastructure has been designed to allow for the ramp up of production to 4 Mtpa ROM or 2.5 Mtpa saleable product on the provision of main grid electricity through the addition of a plant module.

The Ntendeka Colliery licensing framework to commence production is now in place with a Mining Right, an Integrated Water Use License (IWUL) as well as its Environmental Authorisation in terms of the National Environmental Management Act (NEMA) granted by the Department of Environmental Affairs.

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

The Company announced an upgrade to its reserve and resources for the Ntendeka Colliery on 17<sup>th</sup> May 2013, details of which are set out in that announcement. Exploration activities on the Company's other prospecting rights have been reduced given the current cash optimisation of the operation.

Management is currently finalising the necessary various aspects of the project in order to be compliant with the new JORC code for reporting of reserves and resources.

## Summary

The Company is now well positioned to bring the Ntendeka Colliery into production in early 2014. The depreciation of the South African Rand by approx. 40% from approx. R7:USD1 to approx. R10:USD1 over the last two years has off set a large portion of the impact on the Company of the decline in USD denominated thermal global coal prices given that the majority of the Ntendeka Colliery's costs will be Rand based.

The Company will look to finalise the finance facility of approximately AUD21 million required to complete construction provide working capital to allow the Company to commence production in early to mid-2014. The regulatory framework is now in place to enable the Company to complete all remaining construction and commence with mining activities once the finance facility is in place.

## 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 Ranaldo Anthony, an Executive Director of the Company. Mr Anthony has more than 12 years of experience in the South African coal industry, holds a B.Sc. Hons. (Geology) degree from the University of Natal and is an active member of the Geological Society 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. All work related to Mine planning, design and reserve determination was conducted by independent contractors, with sufficient qualifications, experience and knowledge, to meet the requirements of a Competent Person, and was collectively supervised and approved by Mr Ranaldo Anthony.

Ranaldo Anthony 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 in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Ranaldo Anthony 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% 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.*

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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.

## Appendix – Tenement information

Details of the Company's and its controlled entities interests in tenements as at 31 October 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	MP305/1/1/2/4397 PR MPTRO: 12/293 PR	3,998ha, Mpumalanga Province, South Africa	60%	Bokamaso Resources (Pty) Ltd