



ASX Code: IKW

27 September 2018

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

Further update on activities at the mine site and funding arrangements

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

Activities at the mining site

The Directors of the Company are pleased to announce that the Company has completed the initial box cut at its Kliprand colliery and recently mined its first coal.

This represents an important milestone for the Company in commercialising the operations. The initial focus of the operations will be on the sale of run of mine (ROM) coal, which has been crushed and screened. Sales will commence on a Free-on-truck ("FOT") basis, to minimise the Company's risk and working capital requirements. Once production has stabilised, the Company will evaluate the option of bringing the wash plant into operation along with obtaining the rail and port linkages. This will provide options for the sale of ROM coal / washed product either locally or onto the export market, dependent on the market conditions.

Short-term funding arrangements

The estimated funding requirements under the current operational mining plans are now estimated at AUD 6.0 million. In order to continue with the plans to operationalise the mining activities at Kliprand Colliery, the Company has obtained an additional short term loan facility of ZAR 10.5 million (approx. AUD 1.0 million) from Osho SA Coal (Pty) Ltd (Osho), a related party. The facility will attract an interest rate of 10% p.a. on amounts drawn down under the facility and is repayable on or before 31 October 2019.

Ikwezi Mining Limited (incorporated in Bermuda with registered company number 45349)
ARBN 151 258 221
Clarendon House
2 Church Street
Hamilton
HMCX Bermuda

For personal use only

To date, the Company has obtained three short term loans from Osho, aggregating ZAR 30 million (approximately A\$3 million) as a bridging facility to allow the Company to bring the Kliprand colliery into production.

1. ZAR 9.5 million with repayment due on or before 31 August 2019;
2. ZAR 10.0 million with repayment due on or before 30 September 2019; and
3. ZAR 10.5 million with repayment due on or before 31 October 2019.

As previously announced, the Company intends to proceed with a renounceable entitlement issue of approx. AUD 6 million over the next few weeks.

The Company has received an in-principle support from one of its shareholders to fully underwrite the planned renounceable entitlement issue. Portion of the proceeds raised under the renounceable entitlement issue will be used to repay the amounts drawn down under the three short term loan facilities from Osho.

Summary

The completion of the box cut and the mining of first coal represents an important milestone for the Company. The API4 coal index remains in a price range that supports the commencement of mining and should place the operation in a position to start generating cash from its operations. This, together with the planned renounceable entitlement issue will place the Company in a strong financial position going forward.

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 Newcastle Project (previously the Ntendeka colliery). The Newcastle Project is located in the KwaZulu-Natal coal fields and are in close proximity to rail and port infrastructure. The Kliprand Colliery, which forms part of the Newcastle Project, is the initial opencast area where mining operations are expected to commence.

For further information contact:

David Pile

Chairman

Tel: +27 87 897 4846

Email: david@ikwezi.co.za

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.