



ASX Code: IKW

31 July 2013

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

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

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

### Thermal coal markets

Global thermal coal markets remain depressed with current thermal coal supply exceeding demand. Whilst US coal inventories have decreased over the first 4 months of 2013 (due to increased thermal coal burn related to higher natural gas prices), global markets continue readjust to the impact of increased shale gas production in the US. It is expected that the thermal coal market will continue see some production rationalisation over the next few months to bring the market back into balance. The depreciation of the South African Rand together with a strong domestic coal market, (which is trading at a premium to the export market) has assisted profitability levels of South African producers in the current market.

### Corporate

The Company remains confident of the structure of the Ntendeka Colliery and its financial feasibility. Extensive work has been undertaken over the last 18 months with regard to redesigning the mine plan, operational and contractor structure, as well as the product mix, to optimise the mine's ability to operate under the current low price environments. Thermal coal prices ex Richards Bay have declined from approx. US\$125 per ton FOB in July 2011 when the Company listed to the current price levels of approximately US\$75 per ton FOB.

Given the current volatility of the thermal coal market, management have been reviewing the optimal time to bring the operation into production to minimise overall risk to the Company, and are continuing to pursue actions to reduce non-essential spend and overhead reduction given the longer than expected delays in bringing the Ntendeka Colliery into production.

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Discussions continue with regard to the 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.

### **Finance and project status update**

The Company had A\$2.545m cash on hand as at 30<sup>th</sup> June 2013. As previously advised to the market, there are a number of options available to the Company with regard to the debt financing required to bring the Ntendeka Colliery into production. The Company will seek to finalise a finance facility in line with the Company's decision to proceed to production.

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

### **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. Drilling has subsequently been put on hold to minimise expenditure given that the first approximate 7 years of production for the Ntendeka Colliery has now been drilled to a measured status. Work continues on the Company's other prospecting rights at a reduced level given the current cash optimisation of the operation.

### **Summary**

The Company is positioned to bring the Ntendeka Colliery into production despite the current volatility in the thermal coal pricing environment. The depreciation of the South African Rand by approx. 40% from approx. R7:USD1 to approx. R9.80: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.

There are a number of options that the Company currently is investigating to optimise shareholder value whilst minimising risk in a difficult market. From a licensing perspective, the granting of the Integrated Water Use Licence (IWUL) earlier in the year represents an important milestone in bringing the

Ntendeka 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.

### **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.

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## Appendix – Tenement information

Details of the Company's and its controlled entities interests in tenements as at 30 June 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 22 January 2012, 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.