



ASX Code: IKW

31 January 2014

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

QUARTERLY ACTIVITIES REPORT – 6 MONTHS ENDED 31 DECEMBER 2013

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

Thermal coal markets

Global thermal coal markets remain oversupplied largely due to the continued displacement of US coal into the global export markets. Thermal coal production rationalisation continues which will assist in bringing the market back into balance in the short to medium term. Whilst we continue to see some volatility in thermal coal prices, they would appear to have stabilised in the region of USD80 per ton API4 Richards Bay. South African coal operations have been assisted through the depreciation of the ZAR vs. USD with Rand depreciating over the last two years to approximately ZAR11 : USD1 from approximately ZAR7 : USD1. This has to a large extent offset the drop in the USD price of thermal coal in local currency (ZAR) terms.

Corporate

The Company remains on track to finalise financing arrangements with the banks / off take partners to allow it to commence production in mid-2014 should coal markets continue to show stability or slight improvement to current levels. It is intended that the majority of the coal produced will be for the export market.

The Company remains confident of the structure of the Ntendeka Colliery and its financial feasibility. Restructuring of the mine plan for the first five years of operation together with the streamlining of the organisational structure has assisted in reducing the expected operational cost structure. In addition, the depreciation of the South African Rand vs the US Dollar by approximately 57% over the last two years has assisted in improving the robustness of the projected cash flows of the Ntendeka Colliery. It should be noted that portion of the Rands depreciation is offset by increased working costs given approximately 30% of the Companies open cast mining costs are USD denominated. In addition, local South African producer inflation runs at approximately 6% p.a.

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Finance and project status update

The Company had A\$1.529m cash on hand as at 31st December 2013.

As announced by the Company on 21 January 2014, an agreement was entered into with Zinoju Coal Proprietary Limited, a subsidiary of Forbes Coal, to acquire Alleen No. 2 for a purchase price of ZAR 8 million (A\$0.84 million), based on the estimated run of mine that can be extracted from the mining right area. If the run of mine actually extracted exceeds the agreed upon production threshold, Ikwezi is entitled to receive a top-up payment equivalent to ZAR 10 per tonne extracted which exceeds the production threshold.

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.

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 17th May 2013, details of which are set out in that announcement. (Please note that the sale of Alleen No.2 has no impact on these). Exploration activities on the Company's other prospecting rights have been reduced given the current cash optimisation of the operation. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Summary

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 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 Rinaldo 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 Rinaldo Anthony.

Rinaldo 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. Rinaldo 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

In accordance with Listing Rule 5.3.3, details of the Company's and its controlled entities interests in tenements as at 31 December 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

Mining tenements acquired during the quarter:

Nil

Mining tenements disposed of during the quarter:

Nil.

Notes:

1. Ikwezi Mining Limited holds a 70% interest through its 70% holding in Ikwezi Mining (Pty) Ltd.
2. Ikwezi Mining Limited holds a 60% interest through its 60% holding in Bokamaso Resources (Pty) Ltd

Other beneficial interests

Ikwezi Mining Limited held no other beneficial interests in farm-in or farm-out arrangements during the quarter from 1 October 2013 to 31 December 2013.