



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 28 JULY 2017

## **JUNE 2017 QUARTERLY ACTIVITIES REPORT**

### **HIGHLIGHTS**

- **Continued support from majority shareholder**
- **Advancement of sale of interest in Sapex**
- **Continuation of negotiations with potential strategic partner to develop both beneficiation plant and smelter plant at Kulon Progo**

Activities for the Indo Mines Limited ('Indo Mines' or 'the Company') group during the June 2017 quarter included the following:

#### **Continued support from majority shareholder**

As announced in the previous quarter Indo Mines has received the financial support of the Company's majority shareholder, Rajawali Corpora ('Rajawali'), as the Company progresses discussions with a potential strategic partner in developing a trial smelter facility at the Company's Kulon Progo project. To date this support has been by way of Loan Agreements totalling US\$1,363,000, secured against a first priority payment on the sale of an interest in Sapex Oilfield Services Limited. In addition to the Loan Agreements, Rajawali has confirmed to the Directors of the Company of its ongoing financial assistance to Company as and when it is needed to enable the Company to continue its operations and fulfill all of its financial obligations for a period of twelve months from the date signing of the half year report. This support enabled the Company to release its half year report subsequent to the end of the quarter and lift the suspension of trading in the Company's securities.

#### **Sale of interest in Sapex Oilfield Services Limited ('Sapex')**

Over the past three months, the oil and gas sector has seen resurgence with requests for quotes for services increasing significantly from 2016. Sapex has entered into a consortium partnership with PT SAS International, a wholly owned subsidiary of Sapex, to service Durabase Mat rental contracts. The first of such clients is a major oil company which is a current client of PT SAS International and is currently expanding drilling operations in Java.

In order to operate such contracts Sapex needs to expand its capital base and have access to additional working capital funding and capital for mat purchases. Indo Mines is not in a position to provide such capital and as such has looked at divesting its position in Sapex, so its capital raising options are not limited.

Indo Mines has entered into a conditional sale agreement with APAC Partners to sell its stake in Sapex. The consideration is a 30% stake in a proposed Sapex listed entity on the National Stock Exchange of Australia. The listing will expand the capital base of Sapex, provide a \$1,500,000 working capital facility and allow Sapex to operate major rental contracts in its pipeline and sales agreements.

While options were considered to divest the stake completely, the Board considered the growth prospects of Sapex are attractive and found this option gave Indo Mines stakeholders the greatest exposure to growth while minimal capital outlay requirements as a shareholder.

Should it be required under ASX Listing Rule 11.4, the disposal of the interest in Sapex will be put before shareholders for approval.

Indo Mines will provide two non-executive Directors to the listed entity and will remain a long term minority shareholder while the company executes its operating strategy.

### **Strategic partnerships to develop trial beneficiation and smelter plant**

Based on revised mineral export regulations, Indonesia still requires development of value add processing (smelting of iron to 75%+Fe). Because of the unique nature of iron sand concentrate, Indo Mines is limited who it can partner with to develop a value add process. Indo Mines subsidiary, PT JMI and its local partner PT JMM have been in discussions with a potential strategic partner (both financial and technical). Although specific details cannot be provided at this stage, a basic outline of the potential deal structure is provided below;

First stage of the partnership will see development of a trial furnace facility to process Kulon Progo iron sands to pig iron or finished steel. The strategic partner would finance and develop the furnace facility utilising their technology to process the iron sand concentrate. To provide feedstock to this facility PT JMI would develop a beneficiation plant.

Key advantages of this structure include the following;

1. Lower capital cost commitment and financial raising would be required from PT JMI.
2. Removes the need to obtain an export license for iron sand concentrate.
3. Allows retention of the existing Contract of Work and removes the need to convert to an IUPK license.
4. PT JMI can focus on the less technically sensitive mining and beneficiation rather than the hot-metal and steel production process.
5. The project is developed on a modular basis, and production capacity can be increased as market conditions allow.

The key stakeholders of the project, including the majority shareholder Rajawali Corpora, met in May 2017 and have agreed that the potential partner would add value to the project. An invitation has been sent to the potential partner to meet with the key stakeholders and formalise the agreements that have been negotiated.

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Indo Mines Limited provides the following additional information in accordance with ASX Listing Rule 5.3.3.

Mining tenements held at the end of the quarter and their location

Project Name	Location	Area	Status	Interest Held
Kulon Progo iron sands project	Kabupaten Kulon Progo, Yogyakarta Region, Java, Indonesia	2,978 Ha	Granted in November 2008 under contract of work	70%

Mining tenements acquired during the quarter and their location

Not applicable.

Mining tenements disposed of during the quarter and their location

Not applicable.

Beneficial percentage interests held in farm-in or farm-out agreements at the end of quarter

Not applicable.

Beneficial percentage interests held in farm-in or farm-out agreements acquired or disposed of during the quarter

Not applicable.