



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 31 OCTOBER 2017

## SEPTEMBER 2017 QUARTERLY ACTIVITIES REPORT

### HIGHLIGHTS

- **Sale of interest in Sapex and NSX listing of Sapex Group Limited**
- **Continued support from majority shareholder**
- **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 September 2017 quarter included the following:

#### **Sale of interest in Sapex Oilfield Services Limited**

In September 2017, at a general meeting of shareholders, shareholders approved the sale of the Company's 51% stake in Sapex Oilfield Services Limited. The consideration received was a 30% stake in a listed entity on the National Stock Exchange of Australia, Sapex Group Limited. The listing expands the capital base of Sapex, and allows Sapex to operate major rental contracts in its pipeline and sales agreements.

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

At the listing price of \$1.00 per share, the 30% interest of the Company in Sapex Group Limited is valued at \$5,785,922. The Company is able to sell a 10% interest immediately in Sapex Group Limited, with the Company's additional 20% interest able to be sold following a six month escrow period that commenced on 15 September 2017.

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

As announced previously 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\$1,902,989 at the end of the September quarter, secured against a first priority payment on the sale of an interest in Sapex Group 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 its financial obligations for a period of twelve months from the date signing of the annual report.

## **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.