



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 29 JULY 2016

## **JUNE 2016 QUARTERLY ACTIVITIES REPORT**

### **HIGHLIGHTS**

- **Optimisation of beneficiation plant design**
- **Potential off-takers of iron sand concentrate**
- **Potential strategic partnership to develop both beneficiation and pyro-metallurgical plant**
- **Sapex awarded a comprehensive Integrated Project Management services contract**

Activities for the Indo Mines Limited ('Indo Mines') group during the June 2016 quarter included the following:

### **Kulon Progo iron sand project**

The June quarter has seen a rally in pricing of 62% iron ore fines sustained between \$50 - \$60 CFR China – this in turn has led to some of the most bearish analysts lifting the outlook for iron ore, at least in the short term while steel markets remain volatile. In April new mining draft regulations were issued by Indonesian Energy and Mineral authority, ESDM, on potential relaxation of the export ban. This draft legislation specifically mentions iron sand license holders may be able to export concentrate for a five year period from commencement of changes to the law (under certain stipulations).

Both the positive momentum in pricing and potential changes to the export ban has allowed Indo Mines management to explore options not previously available to the company to develop the beneficiation plant to generate cash flow. Three areas of focus for Indo Mines management have been;

1. Beneficiation plant design optimisation
2. Potential off-takers of iron sand concentrate
3. Strategic partnership to develop both beneficiation and pyro-metallurgical plant

### **Beneficiation plant design optimisation**

During basic engineering design, production capacity allowed for the plant to process up to 1,500 tons per hour of run of mine (ROM) material. This capacity was put in place so that the plant could process ROM as low as 9% iron ('Fe') and still maintain producing a consistent 58.5% Fe product and required tonnage (645,000 tons per year). At average grade (13.6% Fe) the plant would operate at around 800 tons per hour to produce the same grade and concentrate tonnage.

This grade and tonnage is specific to the requirements of the smelter and would only be produced for Indo Mines' purposes.

For export purposes, the plant can produce approximately 1.6 million tons of 56% Fe grade at an acceptable yield from an economics and life of mine perspective. Cash cost to produce this grade of concentrate is competitive with current market pricing and favorable shipping rates to the primary market in China would make the product price competitive.

### **Potential off-takers of iron sand concentrate**

During the month of June, the CEO of Indo Mines spent time in China meeting with both equipment suppliers and potential off-takers.

There are three main uses for iron sand concentrate in China;

- Briquettes for furnace refractory repair (utilising TiO<sub>2</sub> in the concentrate)
- Low cost source of vanadium alloy
- Low cost source of Fe credits (usually blended in pellets)

Potential off-takers Indo Mines management met with were primarily focused on utilising the iron sand as a low cost source of Fe credits and were blending the product with high grade fines to produce a pellet. Based on initial conversations with these companies there seemed to still be a solid market for the product – but clearly price was the primary factor in terms of their tonnage demand.

Indo Mines management is currently engaged with these off-takers in negotiating potential terms of trade. Iron sand concentrate samples have been prepared so the potential off-takers can run test work on the iron sand concentrate.

### **Strategic partnership to develop both beneficiation and pyro-metallurgical plant**

Because of the advanced nature of the Kulon Progo iron sand project, Indo Mines management has approached several large Chinese steel producers to assess whether they would participate in developing both the beneficiation and pyro-metallurgical plant. One of the largest steel producers in China has confirmed their interest in development of the iron plant to steel and binding terms are being negotiated on this 'strategic partnership'.

In order to gain an export license under the draft regulation, ESDM will still require Indo Mines to prove its advancement of 'value-add' processing. The support of this potential strategic partner in developing the iron plant is a key aspect to the success of this application. The potential strategic partner will assist Indo Mines in applying to the Chinese Central Government to come under the 'One Belt, One Road' foreign economic development initiative that was introduced in October 2013 by Premier Li Keqiang.

Coming under this initiative allows for greater support and advantageous terms/financial backing of the project, but it is also a time consuming process. The potential strategic partner believes development of the beneficiation plant as the first phase of this project development, will greatly improve the iron and steel projects' chances of being approved under the 'One Belt, one Road' initiative.

Terms of the potential strategic partnership include but not limited to the following;

- EPC of both beneficiation and iron/steel plants
- Design and EPC of loading jetty
- Financing
- Sourcing of equipment
- Off-take for iron sand concentrate
- Technical support
- One Belt, One Road application to Central Chinese Government

In addition to sourcing a potential strategic partner, Indo Mines management was pleasantly surprised in terms of equipment pricing. The recent downturn in the iron and steel market has had a significant effect on technology and equipment suppliers. Pricing for equipment relevant to developing the beneficiation plant was significantly discounted compared to pricing even 12 months earlier. This will have a substantial positive bearing on the beneficiation plant Capex and therefore IRR.

### **Sapex Oil Services Limited**

Sapex Oil Services Limited ('Sapex') has successfully been awarded a comprehensive Integrated Project Management ('IPM') services contract for a 1+2 well drilling campaign with an emerging multinational operator in Indonesia. Sapex strategically developed, and has commenced execution on this turn-key phased management services contract; enabling our client to achieve their desired drilling and completions objectives. Services commenced in the June 2016 quarter. The first well will be expected to be drilled by the December 2016 quarter, with two optional wells pending. This is the first IPM for Sapex in Indonesia, with an additional 7 well IPM's for another operator being bid on currently.

Sapex is currently also bidding on multiple heavy-lift, drilling & completions, construction, facilities, logistic and management service projects across Indonesia. Targeting primarily oil & gas, mining and civil construction sectors, Sapex is ideally positioned to capture ongoing work, and continue providing solutions to our client's unique operational challenges.

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### **Additional ASX Listing Rule Information**

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.