



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 28 OCTOBER 2016

SEPTEMBER 2016 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- **Large Scale Qualitative Testing**
- **Potential strategic partnership to develop both beneficiation and pyro-metallurgical plant**
- **Research & Development (R&D) Tax Rebate Shortfall Update**
- **Sapex Update**

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

Kulon Progo iron sand project

The September quarter has seen the pricing rally of 62% iron ore fines which occurred in the June quarter sustained, with the price continuing to range between \$50 - \$60 CFR China.

The Indonesian Energy and Ministry authority (ESDM) has recently announced that ESDM will issue a revision to the existing Government Regulation (GR) Number 1/2014 while waiting for the new Mining Law draft to be finalized & approved. The existing regulation provided a relaxation of the export ban for mining licence holders until January 2017. The regulation changes will allow mining license holders to export concentrate up to five years from the commencement of changes to the government regulation (under certain stipulations).

The positive indications in the iron ore pricing and potential changes to the export ban regulation has allowed Indo Mines management to explore options not previously available to the Company and its project to develop the beneficiation plant to generate initial cash flow from the Kulon Progo project.

Large Scale Qualitative Testing

The beneficiation plant has been designed based on many analytical and qualitative tests conducted in the past several years from labs all over the world. As continuation of the beneficiation plant design optimisation, Indo Mines has prepared large quantitative test to ensure the equipment sizes and selections has high potential to succeed on a full-scale basis. The testing will be started in late October 2016 at a certified mineral laboratory.

Strategic partnership to develop both beneficiation and pyro-metallurgical plant

As mentioned in the last quarter, considering the advanced nature of the Kulon Progo iron sand project, Indo Mines management had 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 confirmed their interest in development of the iron plant to steel and binding terms are currently still being discussed and negotiated on the basis of this 'strategic partnership'.

In order to gain an export license under the draft of new government regulation, ESDM will still require Indo Mines to prove its advancement of 'value-add' processing for iron sand asset. The support of this potential strategic partner in the development of the iron plant is "a key aspect" to the success of this application.

Meanwhile, 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 former Premier Li Keqiang.

Coming under this Chinese Government's 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.

One of the potential strategic partners is currently working and supporting Indo Mines for examining the preliminary equipment selection for beneficiation plant which is also one of terms in this strategic partnership.

Research & Development (R&D) Tax Rebate Shortfall

As advised during the quarter, a review and analysis of the R&D claims made by the Company for the 2014 and 2015 financial years concluded that the Company should voluntarily amend some of the R&D claims made in relation to those years. The Company has now entered into a payment arrangement with the Australian Taxation Office ('ATO') regarding the shortfall amount arising from the 2015 claim. Under the payment arrangement the Company will in the current month make a payment of \$500,000 to the ATO, followed by monthly payments of \$32,479 per month for the following 18 months. The Company is waiting to hear from the ATO still in relation to the amended claim amount for 2014. The Company has, under the repayment plan submitted to the ATO requested that any repayments in relation to a shortfall amount arising from the 2014 claim be made over the 18 month period that the balance of the 2015 shortfall amount is being repaid. The Company is exploring options to recover costs and damages relating to the advice provided by the Company's previous tax consultants.

Sapex Oilfield Services Ltd

Sapex Oilfield Services Ltd ('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. The project commenced in the June 2016 quarter and was completed in September 2016. Two optional wells that are pending are expected to break ground in the March 2017 quarter. 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 and 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 its client's unique operational challenges.

Enquiries: Arran Marshall, Chief Executive Officer
Telephone: +62 8777-0000-456

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.