



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 29 AUGUST 2012

DEMONSTRATION PLANT UPDATE

Indo Mines Limited (ASX: IDO) advises that there has been a failure of the ball mill gearbox at the Karangwuni trial plant in Indonesia. Engineering repairs will take up to 4 weeks to complete, thereby preventing production of finished concentrate during this time. Mining and primary processing are not impacted.

This failure follows a series of reliability issues that have surfaced during the operation of the secondary processing unit following commissioning of the plant earlier in the year. A recovery plan is underway focussed on debottlenecking the secondary processing unit and increasing runtime through improved reliability.

A detailed engineering and process review has highlighted inadequate engineering and construction standards as the root cause of the ball mill reliability issues, which have resulted in the ball mill throughput being restricted and consequently reducing expected iron concentrate production to approximately 9,000 tonnes per month.

The mining and primary processing plants are comfortably achieving the designed metallurgical performance and operating capacities with the trial plant re-confirming the laboratory test results and process design of the feasibility study producing a consistent product of 55% Fe.

A total of 16,000 tonnes of intermediate product has been stockpiled ahead of the ball mill for processing in conjunction with high grade iron sand once the repairs have been completed.

The Company remains committed to producing approximately 25,000 tonnes of iron concentrate for dispatch in December for testing and trialling in a commercial iron making facility. The results will provide key inputs into the design of the future pig iron plant.

A further review of the trial plant will be undertaken in December to determine the future operating mode of this facility. The review will consider the iron ore market conditions, in conjunction with operational and cost performance to determine the most cost effective method to expedite production. In considering the volatility in the iron ore market, the review will explore the potential for a staged implementation plan to achieve 2 million tonnes of iron concentrate production leading into the commissioning of the pig iron facility.

With the support of our JV partners and major shareholders, the Company is committed to accelerating its plans to develop downstream pig iron capability at the Jogjakarta site in line with its obligations contained within the Contract of Works and in support of the Indonesian government guidelines. Work is well advanced in defining a suitable coal source and associated infrastructure requirements for the pig iron facility.

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