



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 31 OCTOBER 2012

30 SEPTEMBER 2012 QUARTERLY REPORT

Jogjakarta Iron Project (Project)

The Company is currently undertaking a review which explores the potential to stage the implementation of the 2 million tonne per annum iron concentrate facility leading into the commissioning of the pig iron facility. A decision on the staged implementation is expected during the December quarter.

Since quarter end, the Indonesian Ministry of Energy and Mineral Resources has issued a Decree confirming approval of PT Jogja Magasa Iron's (JMI) application for Commencement of the Construction Phase of the Project within the Contract of Works Area.

The Decree received from the Ministry is effective and retroactive from 26 April 2012 and is valid for a period of thirty six months from that date.

The Construction Approval completes the Government approval required to commence construction of the commercial scale facility.

Karangwuni Demonstration Plant

A failure of the ball mill gearbox at the Demonstration Plant occurred during late August resulting in delays in the production of concentrate whilst repairs were undertaken.

Following completion of repairs to the gearbox and concrete plinth, treatment of primary concentrate recommenced on 14 October. Plant availability of the secondary processing unit continues to improve following the downtime.

Given the gearbox failure and delays in completing the repairs, the proposed dispatch of material is now likely to occur in the New Year.

Corporate

Placement to Rajawali

The Company entered into a binding subscription agreement (Agreement) with the Rajawali Group to complete a \$50 million placement.

Pursuant to the Agreement, subject to Indo Mines shareholder approval, the Rajawali Group will increase its holding in the Company through the issue of 250 million shares each at \$0.20 per share (Placement) taking their stake in the Company to 57.12%.

The significant cash injection from the Rajawali Group provides funding to assist with the staged implementation of the 2 million tonne per annum iron concentrate facility, ongoing design in relation to downstream pig iron production and working capital.

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The Placement is conditional on Indo Mines shareholder approval being obtained:

- (a) for the issue of the Placement shares pursuant to item 7 of section 611 of the Corporations Act; and
- (b) for the appointment of two nominees of the Rajawali Group to the Company's board,

on or before 3 December 2012.

A General Meeting is to be held on Thursday, 15 November 2012, to consider the resolutions necessary to approve the Placement and appointment of Mr Peter Chambers and Mr Darjoto Setyawan as Directors of the Company.

Subject to completion occurring, Mr Peter Chambers will be elected as Chairman and current Chairman Mr Christopher Catlow will remain as a Non-Executive Director. One of the current Non-Executive Directors (not associated with the Rajawali Group) will resign and Mr Martin Hacon will remain as Managing Director and Chief Executive Officer.

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