



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 30 APRIL 2013

### 31 MARCH 2013 QUARTERLY REPORT

During the quarter, the Company announced its renewed emphasis on pig iron production and a phased approach to iron concentrate production.

PT Jogja Magasa Iron's (JMI) review of its implementation strategy has concluded that the preferred location for the pig iron plant is the western end of the Contract of Work (COW) area. As a result, JMI is required to resubmit its Feasibility Study to the Indonesian Government for approval of the amended site location. This process represents an amendment to the current approved study and does not impact the COW. Land negotiations to secure the site for permanent plant facilities and infrastructure are progressing well with strong local support. The Company has continued to strengthen the JMI team to build an effective working relationship with the local community and local shareholders to achieve the project goals

The first phase in the successful development of the pig iron project is to prove the process flow sheet for the production of iron concentrate. To this end, JMI has produced approximately 10,000 tonnes of iron concentrate currently stockpiled at the Karangwuni site. JMI's ability to produce a finished concentrate of target grade, despite the poor equipment reliability of Karangwuni, has proven the success of the process flow sheet.

Finalising customer off-take contracts and financing the concentrate phase of the pig iron project is dependent on securing an export permit for the sale of iron concentrate (Export Permit). However, Indonesian Government Regulation 7/2012 prohibits the export of mineral ores and raw materials from Indonesia effective from 1 January 2014 and obligates mining companies to process ores through onshore processing facilities to produce semi-finished goods. Given the Company's commitment to downstream processing and the installation of pig iron facilities, the Company continues to engage with Government to achieve a satisfactory outcome and to secure an Export Permit.

Should this regulation be maintained, then JMI will be unable to export concentrate. It would, however, be able to use concentrate in the production of pig iron for local and overseas markets.

Given the uncertainty regarding the exporting of concentrate, the Board of Indo Mines is now of a view that construction activities in relation to the production of iron concentrate will be placed on hold with expenditures curtailed and the Company's land purchase program realigned to the project implementation plan. The Board believes this is a prudent action to preserve cash until clarity over the ability to sell concentrate is resolved. In the event that a successful conclusion is not forthcoming prior to 31 December 2013, the Company's Indonesian activity will solely focus on those elements that are directly related to the production of pig iron.

If the Export Permit is issued at the end of December 2013, then first concentrate from the 500,000 tonne facility would be expected in the last quarter of 2014, with the 2.0Mtpa facility completed in the first quarter of 2016. Pig iron production would then follow around the first quarter of 2017. To ensure the Company's ability to move rapidly into concentrate production, a vertical grinding mill (VTM1500) with capacity of 500,000 tonnes per annum, has been ordered from Metso USA. Further orders will be placed after receipt of the Export Permit.

In the event that the Export Permit is not issued, management will continue with studies and test work related to pig iron production. The Company intends to seek joint venture partners to assist in the pig iron development and associated infrastructure. Equipment orders for pig iron production will occur in accordance with the project implementation plan.

In order to diversify its investments and to leverage its strong cash reserves of \$46.9 million, the Company, with the full support of its major shareholder, has commenced looking at additional iron sand and heavy mineral opportunities outside of Indonesia. Of particular interest are those deposits that have the ability to be brought into production within a reasonably short time frame. This approach is consistent with the Company's goal of becoming the world's leading producer of iron and associated minerals from iron sand.

As previously announced, the Company continues to strengthen the local capabilities within JMI through the appointment and secondment of experienced Rajawali staff. In keeping with this objective, it is pleased to report the appointment of Mr Hendra Surya to the role of Chief Operating Officer of Indo Mines. Mr Surya will be responsible for Indo Mine's investment in JMI.

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