11 December 2017

Dale Allen
Senior Adviser
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Takeover bid by PT Surya Langgeng Utama for Indo Mines Limited – Target's Statement

Indo Mines Limited (**Indo Mines**) attaches, by way of lodgement pursuant to item 14 of section 633(1) of the *Corporations Act 2001* (Cth), a copy of its target's statement (and accompanying independent expert's report) in response to the off-market takeover bid by PT Surya Langgeng Utama (a wholly owned subsidiary of PT Rajawali Corpora (**Rajawali**)) for all the fully paid ordinary shares in Indo Mines which are not already owned by Rajawali through its associates.

Regards,

Richard Edwards
Company Secretary

Redwards@indomines.com.au

This is an important document and requires your immediate attention.

If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.

Indo Mines Limited

(ABN 40 009 245 210)

Target's Statement

This Target's Statement has been issued in response to the off-market takeover bid made by PT Surya Langgeng Utama (a wholly owned subsidiary of PT Rajawali Corpora, which is known as "Rajawali Group") for all the ordinary shares in Indo Mines Limited.

THE INDO MINES INDEPENDENT DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU **ACCEPT** THE TAKEOVER OFFER FROM PT SURYA IN THE ABSENCE OF A SUPERIOR PROPOSAL

Important notices

Nature of this document

This document is a Target's Statement issued by Indo Mines Limited (ABN 40 009 245 210) under Part 6.5 Division 3 of the Corporations Act in response to the off-market takeover bid made by PT Surya Langgeng Utama (**PT Surya**) (a wholly owned subsidiary of PT Rajawali Corpora, which is known as "Rajawali Group" (**Rajawali**)), for all the ordinary shares in Indo Mines.

A copy of this Target's Statement was lodged with ASIC and given to ASX on 11 December 2017. Neither ASIC nor ASX nor any of their respective officers take any responsibility for the content of this Target's Statement.

Key dates

Date of PT Surya's Offer	Tuesday, 28 November 2017
Date of this Target's Statement	Monday, 11 December 2017
Close of PT Surya's Offer Period (unless extended or withdrawn)	7:00pm (AEDT) on Thursday, 28 December 2017

Defined terms

A number of defined terms are used in this Target's Statement. These terms are explained in section 9 of this Target's Statement. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in the Corporations Act have the same meaning and interpretation as in the Corporations Act.

No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. Your Independent Directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

Disclaimer as to forward looking statements

Some of the statements appearing in this Target's Statement (including in the Independent Expert's Report) may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Indo Mines operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of Indo Mines, Indo Mines' officers and employees, any persons named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this

Target’s Statement (including in the Independent Expert’s Report) reflect views held only as at the date of this Target’s Statement.

Disclaimer as to information

The information on PT Surya and the Rajawali Group contained in this Target’s Statement has been prepared by Indo Mines using publicly available information, including information contained in the Bidder's Statement. The information in the Target’s Statement concerning PT Surya and the Rajawali Group and those companies’ assets and liabilities, financial position and performance, profits and losses and prospects, has not been independently verified by Indo Mines. Accordingly Indo Mines does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Foreign jurisdictions

The release, publication or distribution of this Target’s Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target’s Statement has been prepared in accordance with Australian law and the information contained in this Target’s Statement may not be the same as that which would have been disclosed if this Target’s Statement had been prepared in accordance with the laws and regulations outside Australia.

Maps and diagrams

Any diagrams, charts, maps, graphs and tables appearing in this Target’s Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target’s Statement.

Privacy

Indo Mines has collected your information from the Indo Mines register of shareholders and option holders for the purpose of providing you with this Target’s Statement. The type of information Indo Mines has collected about you includes your name, contact details and information on your shareholding in Indo Mines. Without this information, Indo Mines would be hindered in its ability to issue this Target’s Statement. The Corporations Act requires the name and address of shareholders and option holders to be held in a public register. Your information may be disclosed on a confidential basis to Indo Mines’ Related Bodies Corporate and external service providers (such as the share registry of Indo Mines and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by Indo Mines, please contact Indo Mines at the address shown below.

The registered address of Indo Mines is Level 2, 66 Hunter Street, Sydney NSW 2000, Australia.

Contents of this Target's Statement

11 December 2017

Dear Shareholders

Off-market takeover bid by Rajawali Group

On 10 November 2017, PT Surya Langgeng Utama (**PT Surya**) announced an unsolicited off-market takeover bid for all of Your Indo Mines Shares. PT Surya is offering $0.02 per Indo Mines Share, subject to certain conditions as summarised in section 6.2 of this Target's Statement (the **Offer**).

The Offer Price values the total equity of Indo Mines at approximately $10.76 million.

PT Surya is a wholly-owned subsidiary of PT Rajawali Corpora, which is known as Rajawali Group (**Rajawali**). As at the date of the Offer, Rajawali and its Associates held 57.12% of the issued Indo Mines Shares. PT Surya's notice of change of interests of substantial holder dated 8 December 2017 showed that as at 7 December 2017, PT Surya had received acceptances of its Offer for a further 6.41% of Indo Mines Shares, taking its voting power in Indo Mines as at that date to 63.53%.

Indo Mines has appointed BDO Corporate Finance (WA) Pty Ltd as the Independent Expert to opine on whether the Offer is fair and reasonable. The Independent Expert has valued the Indo Mines Shares at between nil and $0.010 per Indo Mines Share with a preferred valuation of $0.003 (on a net assets valuation). The Independent Expert has concluded that, in the absence of an alternate offer, the Offer is fair and reasonable.

The Independent Directors unanimously recommend that you accept the Offer in the absence of a superior proposal. The reasons for the Independent Directors' recommendation are set out below.

1. The Independent Expert has concluded that the Offer is fair and reasonable.
2. The all-cash Offer provides an opportunity for you to receive a certain cash amount for Your Indo Mines Shares.
3. The Independent Directors are not aware of any superior proposal and consider it unlikely that a superior proposal will be forthcoming from the date of this Target's Statement until the end of the Offer Period given that Rajawali and its Associates already have a relevant interest in more than 50% of Indo Mines Shares.
4. PT Surya has indicated in the Bidder's Statement that it will seek to review the listing of Indo Mines on the official list of the ASX if it acquires a relevant interest in less than 90% of the Indo Mines Shares after the close of the Offer.
5. If the Offer does not result in the compulsory acquisition of all Indo Mines Shares but Rajawali and its Associates increase their shareholding in Indo Mines under the Offer (and also acquire the APG Convertible Facility), Rajawali and its Associates may have greater capacity to influence the manner in which Indo Mines' business is conducted.
6. Indo Mines' share price may fall if the Offer does not proceed and no superior proposal emerges.

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Level 2, 66 Hunter Street, Sydney, NSW, 2000
Tel: +61 2 9300 3377 Fax: +61 2 9221 6333

7 You will not pay any brokerage fees on disposal of Your Indo Mines Shares if done by accepting the Offer.[1]

If you are considering selling Your Indo Mines Shares on market as opposed to accepting the Offer, please refer to section 5 of this Target's Statement.

In addition to this Target's Statement, you should have received a Bidder's Statement from PT Surya, which provides information on the Offer. Instructions on how to accept the Offer are contained in section 3.3 of the Bidder's Statement. The terms of the Offer are described in more detail in section 6 of this Target's Statement and section 3 of the Bidder's Statement.

The Offer is scheduled to close at 7:00pm AEDT on Thursday, 28 December 2017 (unless extended or withdrawn). Your Board will keep you informed of any further material developments in relation to the Offer as they occur. If you have any queries in relation to the Offer, please contact the company secretary of Indo Mines on +61 (2) 9300 3377.

I urge you to read this Target's Statement and the Bidder's Statement in their entirety and consider the Offer having regard to your own personal risk profile, investment strategy and tax position. If you are in any doubt as to the action you should take in relation to the Offer, I recommend you consult a professional financial adviser.

Yours sincerely

Peter Chambers
Chairman and Non-Executive Director

[1] However, if you hold Your Indo Mines Shares through CHESS or through a bank, custodian or other nominee, you should ask your controlling participant (normally your stockbroker) or nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer.

1 Frequently asked questions

This section answers some commonly asked questions about the Offer. It is not intended to address all relevant issues for Indo Mines Shareholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer
What is PT Surya's Offer for my Indo Mines Shares?	PT Surya is offering $0.02 for each Indo Mines Share held by you.
What choices do I have as an Indo Mines Shareholder?	As an Indo Mines Shareholder, you have the following choices in respect of your Shares: • accept the Offer; • sell your shares on the ASX (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance); or • do nothing. There are several implications in relation to each of the above choices. A summary of these implications is set out in section 5 of this Target's Statement.
What are the Independent Directors of Indo Mines recommending?	Each Independent Director recommends that you accept the Offer, in the absence of a superior proposal. The Independent Directors' reasons for their recommendation are set out in section 2.1 of this Target's Statement. You are encouraged to read all of this Target's Statement (including section 4, which sets out various important matters for Indo Mines Shareholders to consider). If there is a change in the Independent Directors' recommendation or any material developments in relation to the Offer, Indo Mines will lodge a supplementary target's statement.
What do the Independent Directors of Indo Mines intend to do with their own Indo Mines Shares?	The Independent Director who holds Indo Mines Shares intends to accept the Offer in the absence of a superior proposal.
What does the Independent Expert say?	The Independent Expert has valued the Indo Mines Shares at between nil and $0.010 per Indo Mines Share with a preferred valuation of $0.003 (on a net assets valuation) and concluded that, in the absence of an alternate offer, the Offer is both fair and reasonable.

Question	Answer
	The Independent Expert's Report is included in Attachment 1 of this Target's Statement. You should read the Independent Expert's Report carefully.
How do I accept the Offer?	Details of how to accept the Offer are set out in section 3.3 of the Bidder's Statement.
What are the consequences of accepting the Offer now?	If you accept the Offer, unless withdrawal rights are available (see below), you will give up your right to sell your Shares on the ASX or otherwise deal with your Shares while the Offer remains open.
If I accept the Offer, can I withdraw my acceptance?	You may only withdraw your acceptance if PT Surya varies the Offer in a way that postpones the time when PT Surya is required to satisfy its obligations by more than one month. (See section 6.8 of this Target's Statement for further details.)
When does the Offer close?	The Offer is presently scheduled to close at 7:00pm AEDT on Thursday, 28 December 2017, but the Offer Period can be extended in certain circumstances. (See section 6.5 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.)
What are the conditions to the Offer?	In summary, the conditions to the Offer are: • (**minimum acceptance condition**): before the end of the Offer Period, PT Surya (and its Associates) has a relevant interest in 90% or more (by number) of Indo Mines Shares which are on issue as at the register date; • (**no Prescribed Occurrences**): no Prescribed Occurrences occurring in relation to Indo Mines during the Offer Period; • (**conduct of business**): during the period beginning on 10 November 2017 and ending at the end of the Offer Period, neither Indo Mines nor a Subsidiary of Indo Mines undertakes any of the following, without the written consent of PT Surya: – declares, pays or distributes any dividend, bonus or other share of its profits or assets; – makes any changes to its constitution; – borrows or agrees to borrow any money (except for temporary borrowing from its bankers, or PT Surya (or its Related Bodies Corporate) pursuant to the existing facilities provided by PT Surya (or its

Question	Answer
	Related Bodies Corporate) in the ordinary course of business); – releases, discharges or modifies any substantial obligation to it of any person, firm or corporation or agrees to do so; or – enters or agrees to enter into any contract of service or varies or agrees to vary any existing contract of service with any director, manager or fund manager, or pays or agrees to pay any retirement benefit or allowance to any director, manager or employee, or makes or agrees to make any substantial change in the basis or amount of remuneration of any director, manager or employee (except as required by law or provided under any superannuation, provident or retirement scheme as in effect prior to the date of this announcement); and • (**litigation**) during the period beginning on 10 November 2017 and ending at the end of the Offer Period, no party threatens or commences against Indo Mines any material claims or proceedings in any court or tribunal (including a petition for winding up or an application for appointment of a receiver or receiver and manager) other than proceedings before the Takeovers Panel. (See section 6.2 of this Target's Statement for further details.)
What happens if the conditions of the Offer are not satisfied or waived?	If the conditions are not satisfied or waived before the Offer closes, the Offer will lapse. You would then be free to deal with Your Indo Mines Shares even if you had accepted the Offer.
When will I be sent my consideration if I accept the Offer?	If you accept the Offer, you will have to wait for the Offer to become unconditional before you will be sent your consideration from PT Surya. (See section 6.9 of this Target's Statement for further details on when you will be sent your consideration.)
Is there a number that I can call if I have further queries in relation to the Offer?	If you have any further queries in relation to the Offer, you can call the company secretary of Indo Mines on +61 (2) 9300 3377.

2 Why you should accept or reject the Offer

The Independent Directors unanimously recommend that you **ACCEPT** the Offer, in the absence of a superior proposal for the following reasons.

2.1 Reasons to accept the offer

(a) **The Independent Expert has concluded that, in the absence of an alternate offer, the Offer is fair and reasonable**

The Board has appointed BDO Corporate Finance (WA) Pty Ltd to prepare the Independent Expert's Report in connection with the Offer. BDO Corporate Finance (WA) Pty Ltd is independent of Indo Mines and Rajawali Group and has no involvement with, or interest in, the outcome of the Offer other than the preparation of the Independent Expert's Report.

The Offer is fair

The Independent Expert has valued 100% of the Indo Mines Shares on a controlling interest basis in the range of nil to $0.010 per Indo Mines Share with a preferred valuation of $0.003 (on a net assets valuation).

The Offer Price of $0.02 per Indo Mines Share is greater than the Independent Expert's valuation of an Indo Mines Share. On this basis, the Independent Expert has concluded that the Offer is fair.

The Offer is reasonable

Having regard to the advantages and disadvantages of the Offer (including the advantage that the Offer is fair), the Independent Expert has stated in its report that the position of Indo Mines shareholders if the Offer is accepted is more advantageous than the position if the Offer is not accepted. Accordingly, the Independent expert has concluded that in the absence of any other relevant information the Offer is also reasonable.

A copy of the Independent Expert's Report is set out in Attachment 1 of this Target's Statement. The Independent Directors recommend that you read the Independent Expert's Report carefully before making a decision with respect to the Offer.

(b) **The all-cash Offer provides you with an opportunity to receive a certain cash amount for Your Indo Mines Shares**

The Offer Price of $0.02 cash per Indo Mines Share offered to Indo Mines Shareholders provides certainty of value. You will cease to be exposed to the risks associated with an investment in Indo Mines, including the uncertainties associated with the progression and development of Indo Mines' Kulon Progo iron sands project and the status of Indonesian export laws. You will also cease to be exposed to the risks associated with potential share price volatility due to general share market conditions and business performance and dilution of ownership as a result of new Indo Mines Shares being issued to fund future expenditure requirements.

In contrast, if the Offer lapses, the amount which Indo Mines Shareholders will be able to realise for their Indo Mines Shares will necessarily be uncertain and subject to, amongst other things, the performance of Indo Mines' business and from time to time the vagaries of share market conditions.

(c) **The Independent Directors are not aware of any superior proposal**

The Independent Directors consider the Offer to be the best proposal available to Indo Mines Shareholders and unanimously recommend that Indo Mines Shareholders accept the Offer in the absence of a superior proposal. As at the date of this Target's Statement, Indo Mines has not received any superior proposal for Indo Mines Shares and, given the shareholding of Rajawali in Indo Mines, the Independent Directors consider it unlikely that a superior proposal will be forthcoming from the date of this Target's Statement until the end of the Offer Period.

The Independent Directors will keep Indo Mines Shareholders informed of any material developments.

(d) **If the Offer does not result in the compulsory acquisition of all Indo Mines Shares but Rajawali and its Associates increases its shareholding in Indo Mines, Rajawali and its Associates may have increased influence over Indo Mines**

The Offer is presently subject to a 90% minimum acceptance condition, which, if fulfilled (and all the other conditions are fulfilled or freed) will entitle PT Surya to compulsorily acquire all outstanding Indo Mines Shares (see section 6.12 of this Target's Statement for further details). PT Surya has the right to free its Offer from the 90% minimum acceptance condition.

If the Offer does not result in the compulsory acquisition of all Indo Mines Shares (see section 6.12 of this Target's Statement), but Rajawali and its Associates increase their shareholding in Indo Mines under the Offer (and also acquire the APG Convertible Facility), Rajawali and its Associates may have greater capacity to influence the manner in which Indo Mines' business is conducted.

If the Offer is not successful, the liquidity of Indo Mines Shares may be lower than at present, thereby impacting the ability of Indo Mines Shareholders to sell their Indo Mines Shares on-market.

Additionally, if Rajawali acquires control over 75% or more of Indo Mines Shares, it will be able to pass a special resolution of Indo Mines. This will enable Rajawali to, among other things, amend Indo Mines' constitution.

PT Surya has indicated in the Bidder's Statement that it will seek to review the listing of Indo Mines on the official list of the ASX if it acquires a relevant interest in less than 90% of the Indo Mines Shares after the close of the Offer.

If Indo Mines Shares are removed from the official list of the ASX, Indo Mines Shares will not be able to be bought or sold on the ASX post-delisting.

(e) **Indo Mines' share price may fall if the Offer does not proceed and no superior proposal emerges**

If the Offer is not successful and in the absence of a superior proposal, Indo Mines Shares may trade below the price at which they have traded since announcement of the Offer on 10 November 2017.

In addition, the future trading price of Indo Mines Shares will continue to be subject to market volatility compared to the certain value of $0.02 per Indo Mines Share under the Offer.

The closing price of Indo Mines Shares on the ASX on 27 October 2017, being the last day on which Indo Mines Shares were traded prior to the announcement of the Offer, was $0.018.

The closing price of Indo Mines Shares on the ASX on 8 December 2017, being the last practicable trading day prior to the date of this Target's Statement was $0.019.

Over the three months prior to the last day on which Indo Mines Shares were traded prior to the announcement of the Offer:

- the highest recorded daily closing price for Indo Mines Shares on the ASX was $0.018 on 27 October 2017; and
- the lowest recorded daily closing price for Indo Mines Shares on the ASX was $0.008 on 11 September 2017.

(f) **You will not pay any brokerage fees on disposal of Your Indo Mines Shares if done by accepting the Offer**

By accepting the Offer you will receive (subject to the conditions being satisfied or waived) the Offer Price of $0.02 cash per Indo Mines Share. You will not incur any brokerage fees, which may be incurred if you choose to sell Your Indo Mines Shares on the ASX.

However, if you hold Your Indo Mines Shares through CHESS or through a bank, custodian or other nominee, you should ask your controlling participant (normally your stockbroker) or nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer.

2.2 Reasons you may choose to not accept the offer

1 You may believe that the Offer Price is inadequate.

2 You may wish to remain a shareholder in Indo Mines to participate in the potential upside of prospective operations.

3 You may believe that a superior proposal will emerge for Indo Mines.

4 You may disagree with the recommendation of the Independent Directors.

5 The tax consequences or implications of accepting the Offer may not suit your financial position or circumstances.

6 You may believe that the Offer will not be successful (including due to the minimum acceptance condition not being satisfied or waived).

3 Independent Directors' recommendation

3.1 Summary of Offer

The consideration being offered by PT Surya under its takeover bid is $0.02 cash for each Indo Mines Share not held by PT Surya or its Associates.

The Offer is subject to a number of conditions; those conditions are summarised in section 6.2 of this Target's Statement.

3.2 Directors of Indo Mines

As at the date of this Target's Statement, the directors of Indo Mines are:

Name	Position
Peter Chambers	Non-Executive Director and Chairman
Darryl Harris	Non-Executive Director
Hendra Surya	Non-Executive Director

Indo Mines established an Independent Board Committee comprising Peter Chambers and Darryl Harris to consider matters in relation to the Offer. Hendra Surya is not a member of the Independent Board Committee due to his relationship with Rajawali and its Associates (Mr Surya is the Chief Executive Officer of the Mining and Resources portfolio at Rajawali). Given his relationship with Rajawali, Mr Surya does not consider it is appropriate for him to make any recommendation in relation to the Offer.

The Independent Board Committee considers Mr Chambers to be independent from Rajawali and its Associates on the basis that he has not been employed on an executive basis by the Rajawali Group in the last three years (being the period specified in the ASX Corporate Governance Principles and Recommendations (3rd edition)). Mr Chambers held the position of Managing Director - Strategy and Governance with the Rajawali Group up until June 2014.

Mr Chambers is presently:

(a) an independent commissioner of PT XL Axiata Tbk;[2] and

(b) the chairman of SAPEX Group Limited.[3]

3.3 Independent Directors' recommendations

After taking into account each of the matters in this Target's Statement (including the Independent Expert's Report) and in the Bidder's Statement, each of your Independent Directors recommend that you **ACCEPT** the Offer (in the absence of a superior proposal

[2] A subsidiary of Axiata Group Berhad.

[3] Indo Mines owns 30% of the shares in SAPEX Group Limited.

and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable).

In considering whether to accept the Offer, your Independent Directors encourage you to:

- read the whole of this Target's Statement (including the Independent Expert's Report) and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- carefully consider the terms and conditions of the Offer, which are set out in section 3 of the Bidder's Statement and summarised in section 6 below;
- consider the alternatives noted in section 5 of this Target's Statement; and
- obtain financial advice from your broker or financial adviser on the Offer and obtain taxation advice on the effect of accepting the Offer.

3.4 Your Independent Directors' reasons for their recommendation

A summary of the reasons for your Independent Directors' recommendation is provided in section 2 of this Target's Statement.

3.5 Intentions of your Independent Directors in relation to the Offer

The Independent Director of Indo Mines who holds a relevant interest in Indo Mines Shares, intends to accept the Offer in relation to those Shares, in the absence of a superior proposal.

Details of the relevant interests held by each Independent Director in Indo Mines Shares are set out in section 7 of this Target's Statement.

4 Important matters for Indo Mines Shareholders to consider

4.1 PT Surya's Offer

PT Surya announced its intention to make its takeover bid for Indo Mines on 10 November 2017. A copy of PT Surya's announcement is contained in Appendix A of the Bidder's Statement. A summary of the Offer is contained in section 6 of this Target's Statement.

PT Surya's Offer is open for acceptance until 7:00pm AEDT on Thursday, 28 December 2017, unless it is extended or withdrawn (sections 6.5 and 6.6 of this Target's Statement describe the circumstances in which PT Surya can extend or withdraw its Offer).

4.2 Background and current business activities of Indo Mines

Indo Mines is a minerals exploration company. The principal activity of Indo Mines is mineral exploration and development activities at the Kulon Progo iron sands project.

Indo Mines holds 70% of the issued capital in PT Jogja Magasa Iron (**PT JMI**), a joint venture company between Indo Mines and PT Jogja Magasa Mining (**PT JMM**) which holds the remaining 30%. PT JMM is a consortium of individuals, including members of the family of the Sultan of Yogyakarta.

PT JMI holds a Contract of Work (**CoW**) concession in the Kulon Progo region, ~30 kilometres from the Javanese city of Yogyakarta. The CoW is a production licence to mine iron sands and produce pig iron within a 2,977 hectare area. The area covered by the licence is approximately a 22 kilometre long by 1.8 kilometre wide stretch of beach, between the Kulon Progo and Serang Rivers.

As set out in Indo Mines' ASX Release dated 30 September 2015, a summary of the Mineral Resource Estimate, reported in accordance with the requirements of the JORC Code (2012 edition) for the Kulon Progo iron sands project is summarised as follows:[4]

Block	**Stratigraphy**	**Category**	**Volume**	**Dry Tonnes**	**Fe**	**TiO_2**	**V_2O_5**
			(,000 m^3)	**(,000 t)**	**(%)**	**(%)**	**(%)**
Resource Block	Surface Sand	Measured	29,044	55,370	12.56	1.65	0.06
		Indicated	77,800	150,600	14.17	1.87	0.07
		Total	**106,900**	**206,000**	**13.74**	**1.81**	**0.07**
Mining Boundary	Surface Sand	Measured	22,015	42,079	12.37	1.62	0.06
		Indicated	67,900	131,600	14.15	1.87	0.07
		Total	**89,900**	**173,700**	**13.72**	**1.81**	**0.07**

Note: The Resource Block is defined as all areas of the Resource defined within the concession by the exploration drilling at a 9% Total Fe cut-off. The Mining Boundary is defined as the Resource Block, minus a 200-metre buffer zone (required by Indonesian regulations) between the high tide mark and the allowed mining area boundary at a 9% Total Fe cut-off.

Block	**Stratigraphy**	**Category**	**Volume**	**Dry Tonnes**	**Fe**	**TiO_2**	**V_2O_5**
			(,000 m^3)	**(,000 t)**	**(%)**	**(%)**	**(%)**
Resource Block	Gravel	Indicated	188,500	327,600	7.22	0.90	0.03
Mining Boundary	Gravel	Indicated	150,300	261,900	7.23	0.90	0.03

Note: The Resource Block is defined as all areas of the Resource defined within the concession by the exploration drilling at a 5% Total Fe cut-off. The Mining Boundary is defined as the Resource Block, minus a 200-metre buffer zone (required by Indonesian regulations) between the high tide mark and the allowed mining area boundary at a 5% Total Fe cut-off.

In January 2017, the Indonesian Government revised the mineral export laws to allow a CoW holder to produce and export minerals if their licence is converted to an IUP-K and the holder has provided sufficient proof that a smelter development (value add) process was being undertaken – the maximum period allowed to export was restricted to 5 years (complete mineral export ban enforced from 2021). These changes (along with iron ore pricing volatility and an associated discount per unit of iron in reference pricing) were not conducive to financing development of a commercial beneficiation plant to produce concentrate for export purposes. In addition, Indo Mines considered that converting the CoW to an IUP-K was an unattractive proposition as an IUP-K is less secure from a legal perspective and the royalties associated with an IUP-K are higher.

[4] The information that relates to the Mineral Resource and Ore Reserve estimates of the Kulon Progo iron sands project were declared in an Indo Mines ASX Release dated 30 September 2015. Indo Mines confirms that it is not aware of any new information or data that materially affects the information included in the original announcement. All material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. Indo Mines confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original market announcement.

As such, the CoW has successfully been put into suspension with the Indonesian Ministry of Energy and Mineral Resources (**ESDM**). This suspension allows minimal 'on-ground' activity and investment and must be renegotiated with ESDM on a yearly basis.

Since September 2016, Indo Mines has been in ongoing discussions with a potential strategic partner regarding the potential development of a trial smelter facility at the Kulon Progo project. A trial smelter is required before considering proceeding to a commercial operation in order to test and prove the proposed process (which involves a new technology to process titano magnetite ore). The discussions have been proceeding on the basis that if a trial smelter facility were to proceed with the participation of the potential strategic partner, PT JMI would be required to develop a small beneficiation plant to provide concentrate for the potential partner's trial smelter, with a steel capacity of 100ktpa. There is no guarantee that these discussions will result in any agreement being reached with the potential strategic partner regarding the potential trial smelter facility.

Indo Mines also holds 5,785,922 shares (a 30% shareholding) in SAPEX Group Limited (**SAPEX**). SAPEX is an engineering services company listed on the National Stock Exchange of Australia specialising in drilling and down-hole completion, mat systems (holds Indonesian licence for Dura-Base), on-site exploration logistics, and remote site solutions to the oil and gas, mining, plantation, power, military and construction industries.

For the year ended 30 June 2017, Indo Mines reported a net loss of $7,968,324 and has been reliant on loans from Rajawali to cover operating costs. Indo Mines' most recent financial reports are on Indo Mines' website at www.indomines.com.au.

4.3 Value of PT Surya's Offer

The closing price of Indo Mines Shares on the ASX on 27 October 2017, being the last day on which Indo Mines Shares were traded prior to the announcement of the Offer, was $0.018. The Offer price of $0.02 per Indo Mines Share represents a 11.11% premium to this price.

The closing price of Indo Mines Shares on the ASX on 8 December 2017, being the last practicable trading day prior to the date of this Target's Statement was $0.019.

Over the three months prior to the last day on which Indo Mines Shares were traded prior to the announcement of the Offer:

- the highest recorded daily closing price for Indo Mines Shares on the ASX was $0.018 on 27 October 2017; and
- the lowest recorded daily closing price for Indo Mines Shares on the ASX was $0.008 on 11 September 2017.

The average daily trading volume for Indo Mines Shares in the last three months prior to 27 October 2017, being the last day on which Indo Mines Shares were traded on ASX prior to the announcement of the Offer, was 130,080 Indo Mines Shares.[5] As a result, in the absence of the Offer there is no guarantee that Indo Mines Shareholders will be able to liquidate all of their Indo Mines Shares in a single transaction.

4.4 Independent Expert's Report

This Target's Statement includes, in Attachment 1, a copy of a report by BDO Corporate Finance (WA) Pty Ltd (an independent expert not associated with either Indo Mines or

[5] Days on which no Indo Mines Shares were capable of being traded but on which no trading took place were excluded in calculating this average. This is consistent with the corresponding calculation in Section 7.6 of the Bidder's Statement.

Rajawali Group) stating whether, in its opinion, the Offer is fair and reasonable and giving reasons for forming that opinion.

Indo Mines' Independent Directors recommend that you read the report in full.

By way of summary, BDO Corporate Finance (WA) Pty Ltd, has concluded that, in the absence of an alternate offer, the Offer is fair and reasonable.

4.5 Taxation consequences of a change in control in Indo Mines

The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation considerations of accepting the Offer are set out in section 9 of the Bidder's Statement.

You should carefully read and consider the taxation consequences of accepting the Offer. The outline provided in the Bidder's Statement is of a general nature only and you should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

Indo Mines, its directors and advisers take no responsibility for the contents of the Bidder's Statement.

5 Your choices as an Indo Mines Shareholder

Your Independent Directors recommend that you ACCEPT the Offer (in the absence of a superior proposal).

However, as an Indo Mines Shareholder you have three choices currently available to you:

(a) **Accept the Offer**

Indo Mines Shareholders may elect to accept the Offer. Details of the consideration that will be received by Indo Mines Shareholders who accept the Offer are set out in section 6.1 of this Target's Statement and in the Bidder's Statement.

Shareholders who accept the Offer may be liable for income tax, including by reference to a capital gain made on the sale, and may incur a brokerage charge.[6]

The Bidder's Statement contains details of how to accept the Offer in section 3.3.

(b) **Sell your Shares on market**

During a takeover, shareholders of a target company who have not already accepted the Offer can still sell their shares on market for cash.

On 27 October 2017, being the last day on which Indo Mines Shares were traded prior to the announcement of the Offer, Indo Mines' share price closed at \$0.018, a 11.1% discount to PT Surya's Offer Price of \$0.02 per Share. The latest price for Indo Mines Shares may be obtained from the ASX website **www.asx.com.au**.

[6] However, if you hold Your Indo Mines Shares through CHESS or through a bank, custodian or other nominee, you should ask your controlling participant (normally your stockbroker) or nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer.

Shareholders who sell their Indo Mines Shares on market may be liable for income tax, including by reference to a capital gain made on the sale and may incur a brokerage charge.

Indo Mines Shareholders who wish to sell their Indo Mines Shares on market should contact their broker for information on how to effect that sale.

(c) **Do not accept the Offer or sell their Shares on market**

Indo Mines Shareholders who do not wish to accept the Offer or sell their Shares on market should do nothing.

Indo Mines Shareholders should note that if Rajawali and its Associates have a relevant interest in at least 90% of the Indo Mines Shares during or at the end of the Offer Period, Rajawali and its Associates will be entitled to compulsorily acquire the Indo Mines Shares that it does not already own (see section 6.12 of this Target's Statement for further details).

6 Key features of PT Surya's Offer

6.1 Consideration payable to shareholders who accept the Offer

The consideration being offered by PT Surya is $0.02 for each Indo Mines Share it does not already own.

6.2 Conditions to the Offer

PT Surya's Offer is subject to a number of conditions. Those conditions are set out in full in section 3.7 of the Bidder's Statement.

By way of broad overview, the conditions to the Offer as at the date of this Target's Statement are:

- (**minimum acceptance condition**): before the end of the Offer Period, PT Surya (and its Associates) has a relevant interest in 90% or more (by number) of Indo Mines Shares which are on issue as at the register date;
- (**no Prescribed Occurrences**): no Prescribed Occurrences occurring in relation to Indo Mines during the Offer Period;
- (**conduct of business**): during the period beginning on 10 November 2017 and ending at the end of the Offer Period, neither Indo Mines nor a Subsidiary of Indo Mines undertakes any of the following, without the written consent of PT Surya:
  - declares, pays or distributes any dividend, bonus or other share of its profits or assets;
  - makes any changes to its constitution;
  - borrows or agrees to borrow any money (except for temporary borrowing from its bankers, or PT Surya (or its Related Bodies Corporate) pursuant to the existing facilities provided by PT Surya (or its Related Bodies Corporate) in the ordinary course of business);
  - releases, discharges or modifies any substantial obligation to it of any person, firm or corporation or agrees to do so; or
  - enters or agrees to enter into any contract of service or varies or agrees to vary any existing contract of service with any director,

manager or fund manager, or pays or agrees to pay any retirement benefit or allowance to any director, manager or employee, or makes or agrees to make any substantial change in the basis or amount of remuneration of any director, manager or employee (except as required by law or provided under any superannuation, provident or retirement scheme as in effect prior to the date of this announcement); and

- (**litigation**) during the period beginning on 10 November 2017 and ending at the end of the Offer Period, no party threatens or commences against Indo Mines any material claims or proceedings in any court or tribunal (including a petition for winding up or an application for appointment of a receiver or receiver and manager) other than proceedings before the Takeovers Panel.

As at the date of this Target's Statement, Indo Mines is not aware of any act, omission, event or fact that would result in any of the conditions to the Offer being triggered.

The above is only a summary of the conditions of the Offer. Please refer to section 3.7 of the Bidder's Statement for a full description of the conditions of the Offer.

6.3 Notice of Status of Conditions

Section 3.8 of the Bidder's Statement indicates that PT Surya will give a Notice of Status of Conditions to the ASX and Indo Mines on Tuesday, 19 December 2017.

PT Surya is required to set out in its Notice of Status of Conditions:

- whether the Offer is free of any or all of the conditions;
- whether, so far as PT Surya knows, any of the conditions have been fulfilled; and
- PT Surya and its Associates' voting power in Indo Mines.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, PT Surya is required, as soon as practicable after the extension, to give a notice to the ASX and Indo Mines that states the new date for the giving of the Notice of Status of Conditions.

If a condition is fulfilled (so that the Offer becomes free of that condition) during the bid period but before the date on which the Notice of Status of Conditions is required to be given, PT Surya must, as soon as practicable, give the ASX and Indo Mines a notice that states that the particular condition has been fulfilled.

6.4 Offer Period

Unless PT Surya's Offer is extended or withdrawn, it is open for acceptance from Tuesday, 28 November 2017 until 7:00pm AEDT on Thursday, 28 December 2017.

The circumstances in which PT Surya may extend or withdraw its Offer are set out in section 6.5 and section 6.6 respectively of this Target's Statement.

6.5 Extension of the Offer Period

PT Surya may extend the Offer Period at any time before giving the Notice of Status of Conditions (referred to in section 6.3 in this Target's Statement) while the Offer is subject to conditions. However, if the Offer is unconditional (that is, all the conditions are fulfilled or freed), PT Surya may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period, PT Surya improves the consideration offered under the Offer.

If this event occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

6.6 Withdrawal of Offer

PT Surya may not withdraw the Offer if you have already accepted it. Before you accept the Offer, PT Surya may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent. If you have accepted the Offer and PT Surya withdraws the Offer with ASIC's consent, the contract arising from your acceptance may become void because the outstanding conditions would not have been fulfilled or freed at the time of PT Surya's withdrawal of the Offer.

6.7 Effect of acceptance

The effect of acceptance of the Offer is set out in section 3 of the Bidder's Statement. Indo Mines Shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the Rights attaching to their Indo Mines Shares and the representations and warranties which they give by accepting of the Offer.

6.8 Your ability to withdraw your acceptance

You only have limited rights to withdraw your acceptance of the Offer.

You may only withdraw your acceptance of the Offer if PT Surya varies the Offer in a way that postpones, for more than one month, the time when PT Surya needs to meet its obligations under the Offer. This will occur if PT Surya extends the Offer Period by more than one month and the Offer is still subject to conditions.

6.9 When you will receive your consideration if you accept the Offer

In the usual case, you will be issued your consideration on or before the later of:

- one month after the date the Offer becomes or is declared unconditional; and
- one month after the date you accept the Offer if the Offer is, at the time of acceptance, unconditional,

but, in any event (assuming the Offer becomes or is declared unconditional), no later than 21 days after the end of the Offer Period.

However, there are certain exceptions to the above timetable for the issuing of consideration. Full details of when you will be issued your consideration are set out in section 3.9 of the Bidder's Statement.

6.10 Effect of an improvement in consideration on shareholders who have already accepted the Offer

If PT Surya improves the consideration offered under its takeover bid, all Indo Mines Shareholders, whether or not they have accepted the Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration.

6.11 Lapse of Offer

The Offer will lapse if the Offer conditions are not freed or fulfilled by the end of the Offer Period; in which case, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your Indo Mines Shares as you see fit.

6.12 Compulsory acquisition

PT Surya has indicated in section 6 of its Bidder's Statement that if it satisfies the required thresholds it intends to compulsorily acquire any outstanding Indo Mines Shares.

PT Surya will be entitled to compulsorily acquire any Indo Mines Shares in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period:

- PT Surya and its Associates have a relevant interest in at least 90% (by number) of the Indo Mines Shares; and
- PT Surya and its Associates have acquired at least 75% (by number) of the Indo Mines Shares that PT Surya offered to acquire (excluding Indo Mines Shares in which PT Surya or its Associates had a relevant interest at the date of the Offer).

If this threshold is met, PT Surya and its Associates will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Indo Mines Shareholders who have not accepted the Offer. Indo Mines Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent 'fair value' for their Indo Mines Shares. If compulsory acquisition occurs, Indo Mines Shareholders who have their Indo Mines Shares compulsorily acquired are likely to be issued their consideration approximately 5 to 6 weeks after the compulsory acquisition notices are dispatched to them.

If the relevant thresholds are not met during or at the end of the Offer Period, it is still possible that PT Surya and its Associates could, at some time after the end of the Offer Period, become the beneficial holder of 90% of the Indo Mines Shares. PT Surya would then have rights to compulsorily acquire Indo Mines Shares not owned by it within 6 months of becoming the holder of 90%. PT Surya has indicated in section 6.3 of the Bidder's Statement that if the opportunity to exercise these rights arises, PT Surya intends to exercise those rights. PT Surya's price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert.

Indo Mines Shareholders would have certain rights under the Corporations Act to challenge a compulsory acquisition through this procedure, but a challenge would require shareholders who hold at least 10% of the Indo Mines Shares that are proposed to be the subject of the compulsory acquisition to object to the compulsory acquisition. If shareholders holding such number of Indo Mines Shares object to the compulsory acquisition, and PT Surya still wishes to proceed with the compulsory acquisition, PT Surya would be required to establish to the satisfaction of a court that the terms of the compulsory acquisition represent 'fair value' for the Indo Mines Shares. In the absence of a challenge by shareholders holding the requisite number of Indo Mines Shares, Indo Mines Shareholders who have their Indo Mines Shares compulsorily acquired under this procedure are likely to be issued their consideration approximately 5 to 6 weeks after the compulsory acquisition notices are despatched to them.

7 Information relating to your directors

7.1 Interests and dealings in Indo Mines securities

(a) **Interests in Indo Mines Shares and Options**

As at the date of this Target's Statement, the Indo Mines directors had the following relevant interests in Indo Mines Shares:

Director	Number of Indo Mines Shares
Peter Chambers	0
Darryl Harris	210,000
Hendra Surya	0
Total	210,000

Indo Mines does not have any options on issue.

(b) **Dealings in Indo Mines Shares**

No director of Indo Mines has acquired or disposed of a relevant interest in any Indo Mines Shares in the 4 month period ending on the date immediately before the date of this Target's Statement.

7.2 Interests and dealings in securities of PT Surya or its Related Body Corporate

(a) **Interests in PT Surya securities**

As at the date immediately before the date of this Target's Statement, no Indo Mines director had a relevant interest in any securities of PT Surya or its Related Bodies Corporate.

(b) **Dealings in PT Surya securities**

No director of Indo Mines acquired or disposed of a relevant interest in any PT Surya securities in the 4 month period ending on the date immediately before the date of this Target's Statement.

7.3 Benefits and agreements

(a) **Benefits in connection with retirement from office**

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of Indo Mines or Related Body Corporate of Indo Mines.

(b) **Agreements connected with or conditional on the Offer**

There are no agreements made between any director of Indo Mines and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of Indo Mines Shares.

(c) **Benefits from PT Surya**

None of the directors of Indo Mines has agreed to receive, or is entitled to receive, any benefit from PT Surya or its Related Bodies Corporate which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Indo Mines Shares

(d) **Interests of Directors in contracts with PT Surya**

None of the directors of Indo Mines has any interest in any contract entered into by PT Surya or its Related Bodies Corporate.

8 Additional information

8.1 Effect of the takeover on Indo Mines' material contracts

Indo Mines entered into a US$4,000,000 Senior Secured Convertible Debenture with Anglo Pacific Group PLC (**Anglo Pacific**) on 5 June 2009 (**APG Convertible Facility**). The APG Convertible Facility includes an undertaking requiring Indo Mines to maintain the listing of the Indo Mines shares on the ASX.

PT Surya has indicated in section 6.4 of the Bidder's Statement that following the end of the Offer Period, PT Surya intends to review the listing of Indo Mines on the official list of the ASX if it acquires a relevant interest in less than 90% of the Indo Mines Shares after the close of the Offer. Any such removal of the Indo Mines Shares from listing on the official list of the ASX would constitute an event of default under the APG Convertible Facility.

PT Surya has indicated in section 7.8 of the Bidder's Statement and section 1 of the First Supplementary Bidder's Statement that a Related Body Corporate of Rajawali (Gladesburg Holding Ltd) has entered into an agreement to purchase the APG Convertible Facility from Anglo Pacific (**Debenture Purchase Agreement**).

The purchase price is $2,234,391.00 plus the amount of interest that accrues on $4,234,391.00 (the **Notional Principal Amount**) between 1 July 2017 and the business day before the Debenture Purchase Agreement completes, calculated at a rate of 8% per annum. The Notional Principal Amount is the amount of the APG Convertible Facility that was outstanding as at 9 November 2017.

Completion of the Debenture Purchase Agreement is due to occur within 10 Business Days after the end of the Offer Period. The purchase is not subject to any conditions.

To the best of Indo Mines' knowledge, none of the other material contracts to which Indo Mines is a party contain change of control provisions which may be triggered as a result of, or as a result of acceptances of, the Offer and which may have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses and prospects of Indo Mines.

8.2 Material litigation

Indo Mines does not believe that it is involved in any litigation or dispute which is material in the context of Indo Mines and its Subsidiaries taken as a whole.

8.3 Issued capital

As at the date of this Target's Statement, Indo Mines' issued capital consisted of 538,026,598 fully paid ordinary shares.

8.4 Substantial holders

Based on Indo Mines' 2017 annual report and the substantial holding notice lodged by PT Surya on 8 December 2017, the substantial shareholders of Indo Mines as at the date of this Target's Statement are:

Substantial shareholder	Number of Indo Mines Shares	Percentage relevant interest
Rajawali and its Associates	341,818,803	63.53% (including the acceptances of the Offer for 6.41% announced on 8 December 2017)
Rockcheck Trading Limited	36,000,000	6.69%
Anglo Pacific Group Plc	30,336,835	5.64%

8.5 Consents

BDO Corporate Finance (WA) Pty Ltd consents to the inclusion of the Independent Expert's Report as Attachment 1 to this Target's Statement in the form and context in which it appears and to all references to the Independent Expert's Report in this Target's Statement in the form and context in which those references appear.

CSA Global Pty Ltd consents to the inclusion of the Technical Report included with the Independent Expert's Report as Attachment 1 to this Target's Statement in the form and context in which it appears.

As permitted by ASIC Class Order 13/521 this Target's Statement contains statements which are made, or based on statements made, in documents lodged by PT Surya with ASIC or given to the ASX, or announced on the Company Announcements Platform of the ASX, by PT Surya. Pursuant to the Class Order, the consent of PT Surya is not required for the inclusion of such statements in this Target's Statement. Any Indo Mines Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting Indo Mines on +61 (2) 9300 3377.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72 (**Corporations Instrument 2016/72**), this Target's Statement may include or be accompanied by certain statements:

- which fairly represent what purports to be a statement by an official person; or
- which are a correct and fair copy of, or extract from, what purports to be a public official document; or
- which are a correct and fair copy of, or extract from, a statement which has already been published in a book, journal or comparable publication.

Pursuant to this ASIC Class Order, the consent of such persons to whom statements or documents are attributable is not required for the inclusion of those statements in this Target's Statement.

In addition, as permitted by Corporations Instrument 2016/72, this Target's Statement contains trading data sourced from the ASX provided without its consent.

8.6 No other material information

This Target's Statement is required to include all the information that Indo Mines Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any director of Indo Mines.

The directors of Indo Mines are of the opinion that the information that Indo Mines Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information contained in Indo Mines' releases to the ASX, and in the documents lodged by Indo Mines with ASIC before the date of this Target's Statement; and
- the information contained in this Target's Statement (including the information contained in the Independent Expert's Report).

The directors of Indo Mines have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the directors of Indo Mines do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the directors of Indo Mines have had regard to:

- the nature of the Shares;
- the matters that shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to shareholders' professional advisers; and
- the time available to Indo Mines to prepare this Target's Statement.

9 Glossary and interpretation

9.1 Glossary

The meanings of the terms used in this Target's Statement are set out below.

Term	Meaning
$**, **A$ or **AUD**	Australian dollars.
AEDT	Australian Eastern Daylight Time.
APG Convertible Facility	the meaning given in Section 8.1.
ASIC	Australian Securities and Investments Commission.
Associate	has the meaning given in the Corporations Act.
ASX	ASX Limited.
Bidder's Statement	the bidder's statement of PT Surya dated 14 November 2017 and dispatched to Indo Mines Shareholders on 28 November 2017.
Board	the board of directors of Indo Mines.
Business Day	Monday to Friday inclusive except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.
CGT	capital gains tax.
CHESS Holding	a number of Shares which are registered on Indo Mines' share register being a register administered by ASX Settlement Pty Limited and which records uncertificated holdings of Shares.
Corporations Act	the *Corporations Act 2001* (Cth) (as modified or varied by ASIC).
First Supplementary	the supplementary bidder's statement of PT Surya dated 7

Term	Meaning
Bidder's Statement	December 2017.
Independent Directors	Mr Peter Chambers and Mr Darryl Harris.
Independent Expert	BDO Corporate Finance (WA) Pty Ltd.
Independent Expert's Report	the independent expert's report prepared by BDO Corporate Finance (WA) Pty Ltd and dated 11 December 2017 which is contained in Attachment 1 to this Target's Statement.
Indo Mines	Indo Mines Limited ABN 40 009 245 210.
Indo Mines Group	Indo Mines and each of its Subsidiaries.
Indo Mines Shareholders	a holder of Indo Mines Shares as at the Register Date.
Indo Mines Shares	fully paid ordinary shares in Indo Mines.
Notice of Status of Conditions	PT Surya's notice disclosing the status of the conditions to the Offer which is required to be given by section 630(3) of the Corporations Act.
Offer or **PT Surya's Offer**	the offer by PT Surya for the Indo Mines Shares, which offer is contained in section 3 of the Bidder's Statement.
Offer Period	the period during which the Offer will remain open for acceptance in accordance with section 3.2 of the Bidder's Statement.
Offer Price	$0.02 cash per Indo Mines Share.
Prescribed Occurrence	means any of the events set out in sections 652C(1) and 652C(2) of the Corporations Act.
PT Surya	PT Surya Langgeng Utama.

Term	Meaning
PT Surya Shares	fully paid ordinary shares of PT Surya.
Rajawali or **Rajawali Group**	PT. Rajawali Corpora, which is known as Rajawali Group.
Related Body Corporate	has the meaning given in the Corporations Act.
Register Date	the date set by PT Surya under section 633(2) of the Corporations Act, being 15 November 2017 at 7:00pm AEDT.
Rights	has the meaning given in section 11 of the Bidder's Statement.
Subsidiary	has the meaning given in Division 6 of Part 1.2 of the Corporations Act.
Target's Statement	this document (including the attachments), being the statement of Indo Mines under Part 6.5 Division 3 of the Corporations Act.
Your Indo Mines Shares	subject to the terms and conditions set out in the Bidder's Statement, the Indo Mines Shares: • in respect of which you are registered, or entitled to be registered, as holder in the register of shareholders of Indo Mines at 7:00pm AEDT on the Register Date; or • to which you are able to give good title at the time you accept this Offer during the Offer Period.

9.2 Interpretation

In this Target's Statement:

- Other words and phrases have the same meaning (if any) given to them in the Corporations Act.
- Words of any gender include all genders.
- Words importing the singular include the plural and vice versa.
- An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.
- A reference to a section, clause, attachment and schedule is a reference to a section of, clause of and an attachment and schedule to this Target's Statement as relevant.

- A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.
- Headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement.
- A reference to time is a reference to AEDT.
- A reference to dollars, $, A$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

10 Authorisation

This Target's Statement has been approved by a resolution passed by the directors of Indo Mines.

Signed for and on behalf of Indo Mines:

date 11 December 2017

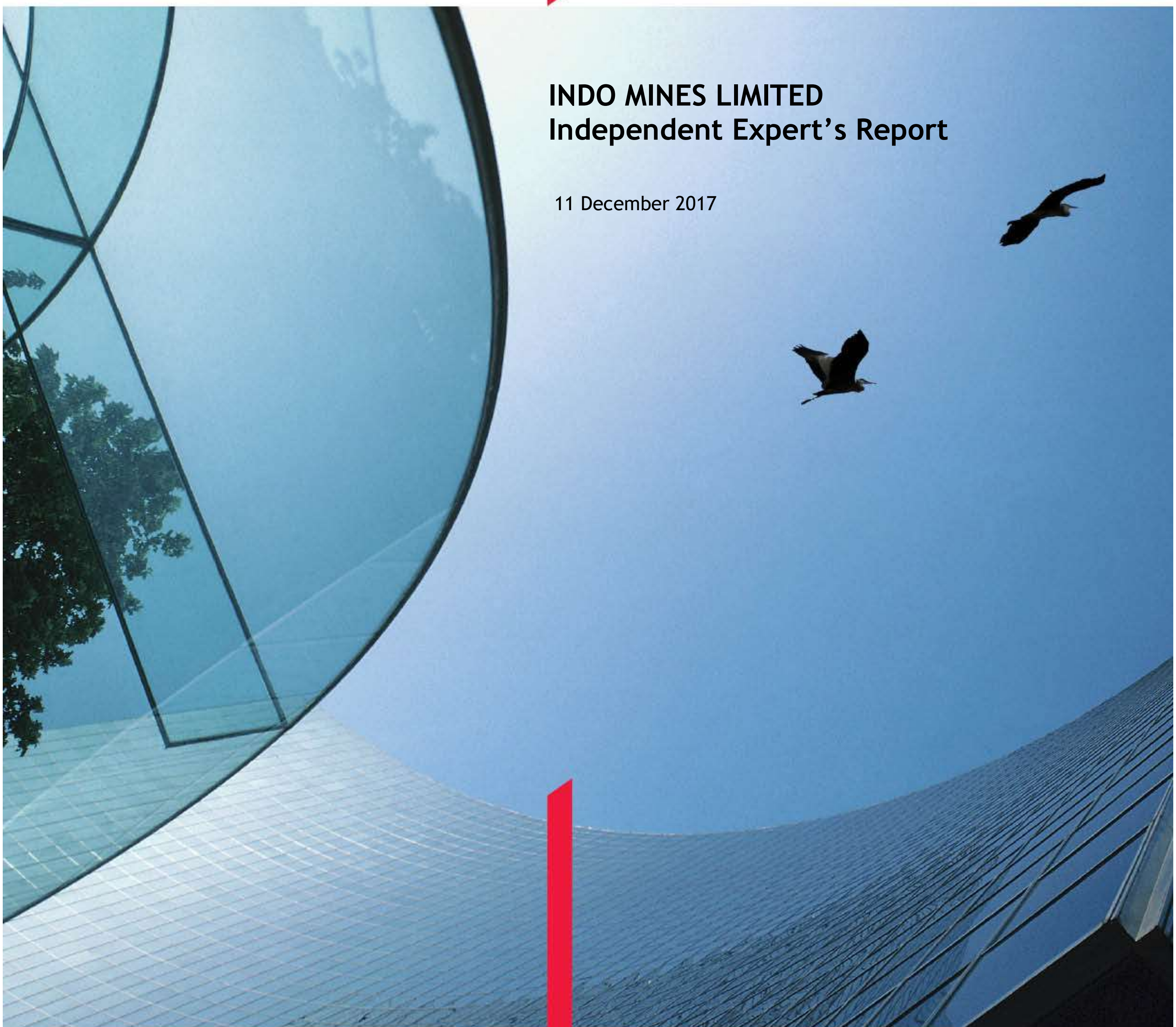
sign here ►

print name MR PETER CHAMBERS

position CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Attachment 1

Independent Expert's Report



INDO MINES LIMITED
Independent Expert's Report

11 December 2017

Financial Services Guide

11 December 2017

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 (‘**we**’ or ‘**us**’ or ‘**ours**’ as appropriate) has been engaged by Indo Mines Limited (‘**Indo Mines**‘) to provide an independent expert’s report on the takeover offer from PT Surya Langgend Utama (‘**Bidder**’), a wholly owned subsidiary of PT Rajawali Corpora (‘**Rajawali**’) for all the issued shares of Indo Mines at $0.02 cash per Indo Mines share (**‘the Offer’**). You will be provided with a copy of our report as a retail client because you are a shareholder of Indo Mines.

Financial Services Guide
In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (‘**FSG**’). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us
BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide
We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice
We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive
We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately $28,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees
All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Indo Mines for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals
We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution
Internal complaints resolution process
As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme
A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('**FOS**'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Free call: 1800 367 287
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details
You may contact us using the details set out on page 1 of the accompanying report.

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Australia

11 December 2017

The Directors
Indo Mines Limited
Level 2, 66 Hunter Street
SYDNEY NSW 2000

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 10 November 2017, Indo Mines Limited ('**Indo Mines**' or '**the Company**') announced that PT Surya Langgeng Utama ('**Bidder**'), a wholly owned subsidiary of PT Rajawali Corpora ('**Rajawali**') expressed its intention to make an off-market cash takeover offer for all the issued shares of Indo Mines at $0.02 per Indo Mines share that it does not already hold. On the same day, the Company also announced its recommendation from the independent board committee for shareholders to take no action in relation to the offer. On 14 November 2017, the Company announced that the takeover bid was formalised with Indo Mines receiving the Bidder's Statement which confirmed the cash takeover offer for all the issued shares in Indo Mines at $0.02 per Indo Mines share ('**the Offer**').

On 7 December 2017, the Company received a Supplementary Bidder's Statement which provided Shareholders with additional information in relation to Gladesburg Holding Ltd's ('**Gladesburg**') purchase of the debentures previously held by Anglo Pacific Group plc ('**Anglo Pacific**').

2. Summary and Opinion

2.1 Purpose of the report

The directors of Indo Mines have requested that BDO Corporate Finance (WA) Pty Ltd ('**BDO**') prepare an independent expert's report ('**our Report**') to express an opinion as to whether or not the Offer is fair and reasonable to the non associated shareholders of Indo Mines ('**Shareholders**').

Our Report is prepared pursuant to section 640 of the Corporations Act 2001 Cth ('**Corporations Act**' or '**the Act**') and is to be included in the Target's Statement for Indo Mines in order to assist the Shareholders in their decision whether to accept the Offer.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('**ASIC**') Regulatory Guide 111 'Content of Expert's Reports' ('**RG 111**') and Regulatory Guide 112 'Independence of Experts' ('**RG 112**').

In arriving at our opinion, we have assessed the terms of the Offer as outlined in the body of this report. We have considered:

- how the value of an Indo Mines share prior to the Offer on a control basis compares to the value of the Offer consideration;
- the likelihood of a superior alternative offer being available to Indo Mines;
- other factors which we consider to be relevant to Shareholders in their assessment of the Offer; and
- the position of Shareholders should the Offer not be accepted.

2.3 Opinion

We have considered the terms of the Offer as outlined in the body of this report and have concluded that, in the absence of an alternate offer, the Offer is fair and reasonable to Shareholders.

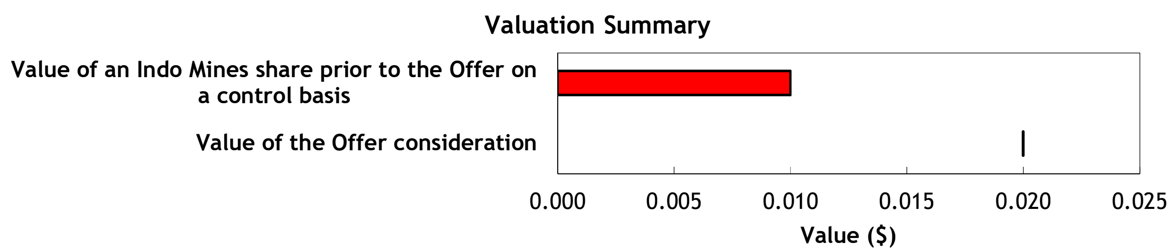
2.4 Fairness

In section 11, we determined that the Offer consideration compares to the value of an Indo Mines share, as detailed below:

	Ref	Low $	Preferred $	High $
Value of an Indo Mines share prior to the Offer on a control basis	10.3	nil	0.003	0.010
Value of the Offer consideration	11	0.020	0.020	0.020

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, and an alternate offer, the Offer is fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both:

- advantages and disadvantages of the Offer; and
- other considerations, including the position of Shareholders if the Offer is not accepted and the consequences of not accepting the Offer.

In our opinion, the position of Shareholders if the Offer is accepted is more advantageous than the position if the Offer is not accepted. Accordingly, in the absence of any other relevant information we believe that the Offer is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	**Advantages**	**Section**	**Disadvantages**
13.1	The Offer is fair	13.2	Shareholders will be unable to participate in the potential upside of prospective operations
13.1	The Offer provides Shareholders with an opportunity to realise their investment with a level of certainty	13.2	The minimum acceptance condition results in a reduction in the level of certainty of accepting the Offer
13.1	The Offer is at a premium to the Company's last quoted price		
13.1	Indo Mines shares display a low level of liquidity, therefore the Offer provides Shareholders with an opportunity to exit their investment		

Other key matters we have considered include:

Section	Description
13.3	Alternative Proposal • Given the presence of a controlling shareholder (and its associates) holding 63.53% of the Company's shares it is unlikely that Shareholders will receive a competing bid or a takeover offer from another party.
13.4	Practical level of control
13.5	Consequences of not accepting the Offer • The Bidder has expressed its intention to compulsorily acquire the remaining shares on issue if its interest reaches 90% following the offer period. If Shareholders do not accept the Offer and the minimum acceptance condition is met, then those Shareholders who do not accept the Offer will have their shares compulsorily acquired at the same price as the Offer Consideration.

Section	Description
	• In the event that Shareholders do not accept the Offer, Shareholders will hold shares in a company that is controlled by the Bidder. This may give rise to a risk that Shareholders will be holding shares in a company with a large controlling shareholder, whose views may be inconsistent with those of minority shareholders. This risk is heightened by the fact that the Bidder has acquired the debentures previously issued to Anglo Pacific.
13.6	Post-announcement pricing

3. Scope of the Report

3.1 Purpose of the Report

The Bidder has prepared a Bidder's Statement in accordance with section 636 of the Act. Under section 633 Item 10 of the Act, Indo Mines is required to prepare a Target Statement in response to the Bidder's Statement.

Section 640 of the Act requires the Target Statement to include an independent expert's report to shareholders if:

- The bidder's voting power in the target is 30% or more; or
- The bidder and the target have a common director or directors.

The Bidder (and its associates) held 57.12% of the Company's issued capital on the date of the Bidder's Statement. Therefore, an independent expert's report is required for inclusion in the Target Statement. The directors of Indo Mines have engaged BDO to satisfy this requirement.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Offer is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to effect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Offer is a control transaction as defined by RG 111 and we have therefore assessed the Offer as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that an Offer is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- a comparison between the value of an Indo Mines share prior to the Offer on a control basis and the value of the Offer consideration (fairness – see section 12 'Is the Offer Fair?'); and
- an investigation into other significant factors to which Shareholders might give consideration, prior to accepting the offer, after reference to the value derived above (reasonableness – see section 13 'Is the Offer Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('**APES 225**').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Offer

On 10 November 2017, the Company announced that PT Surya Langgeng Utama, a wholly owned subsidiary of Rajawali expressed its intention to make an off-market cash takeover offer for all the issued shares of Indo Mines at $0.02 per Indo Mines share that it does not already hold. On the same day, the Company also announced its recommendation from the independent board committee for shareholders to take no action in relation to the offer. On 14 November 2017, the Company announced that the takeover bid was formalised with Indo Mines receiving the Bidder's Statement which confirmed the cash takeover offer for all the issued shares in Indo Mines at $0.02 per Indo Mines share.

The Bidder, through its associates Rajawali Group International Limited, Yogya Metals and Mining Ltd and Java Metals and Mining Ltd, held approximately 57.12% of the issued ordinary share capital of Indo Mines as at the date of the Bidder's Statement. Therefore, the Offer relates to those shares that the Bidder and its associates do not already own.

The terms of the Offer are set out below:

- The Offer will remain open until 28 December 2017 (from 28 November 2017), unless extended or withdrawn;
- The Offer is subject to a minimum acceptance condition of 90%;

- By accepting the offer directly, Shareholders will not incur brokerage costs;
- Partial acceptance of the Offer is prohibited, therefore an acceptance of the Offer represents an acceptance of the Offer for all of a Shareholder's shares plus any additional Indo Mines shares registered as held by each Shareholder at the date the acceptance is processed; and
- If Shareholders accept the Offer, they will be paid by the earlier of one month after the Offer becomes or is declared unconditional and within 21 days after the end of the Offer period.

If Shareholders do not accept the Offer, they will continue to hold their Indo Mines shares.

We note that the Bidder has expressed its intention to compulsorily acquire Shareholders' shares if it receives the required level of acceptances. Given that the minimum acceptance condition of the Offer is 90%, if the minimum condition is met and the Offer is effected, then the remaining shares will be compulsorily acquired.

On 7 December 2017, the Company received a Supplementary Bidder's Statement which provided Shareholders with additional information in relation to Gladesburg's purchase of the debentures previously held by Anglo Pacific.

On 8 December 2017, the Company announced that the Bidder's interest has increased to 63.53% following some acceptances of the Offer.

5. Profile of Indo Mines Ltd

5.1 Background

Indo Mines was listed on the ASX in December 1993 and is a metals and mining company with iron sands mineral assets in Indonesia. In January 2016, Indo Mines announced that it had acquired a 51% stake in Sapex Oil Limited ('**Sapex**'). Subsequently, Sapex Group Limited ('**Sapex Group**') acquired Sapex and listed on The National Stock Exchange of Australia ('**NSX**'). Indo Mines currently holds a 30% interest in Sapex Group. Sapex is a composite mat, downhole tools and location management business that services the mining and oil and gas industries in Indonesia. Sapex holds the license to distribute the composite mat system within Indonesia, which is designed for use in remote and challenging terrain-access locations. For further information regarding Sapex or Sapex Group refer to section 5.3 below.

The current directors and senior management of Indo Mines are:

- Mr Peter Chambers, Non-Executive Chairman;
- Mr Darryl Harris, Non-Executive Director;
- Mr Hendra Surya, Non-Executive Director;
- Mr Arran Marshall, Chief Executive Officer;
- Mr Bobi Sandi, Chief Financial Officer; and
- Mr Richard Edwards, Company Secretary.

5.2 Projects

5.2.1 Kulon Progo Iron Sands Project

Indo Mines, through its Joint Venture Company PT Jogja Magasa Iron, owns a 70% interest in the Kulon Progo Iron Sands Project, located approximately 30 kilometres ('**km**') from the major city of Jogjakarta, Indonesia. Access to the site is via bitumen roads, but there are also rail lines and high voltage power lines servicing the area. The Project centres on a 22 km long by 1.8 km wide stretch of beach between the Kulon Progo and Serang Rivers.

5.3 Sapex Transaction

On 27 January 2016, Indo Mines announced that it had entered into an agreement for the acquisition of a 51% stake in Sapex, which at the time was an unlisted company. The total purchase price for the acquisition was US$3 million.

Indo Mines announced in its June 2017 quarterly activities report that its intention was to divest its 51% interest in Sapex and sell its stake to Sapex Group. A conditional sale agreement was entered into with APAC Partners, with consideration being a 30% stake in a then to be proposed Sapex entity, which was planned to list on the NSX. As consideration for the reduced stake, a Sapex debt facility of US$1.3 million which was secured over Indo Mines' assets was forgiven ('**Sapex Transaction**'). Indo Mines has two non-executive Directors represented on the board of Sapex Group and intend on remaining a long term minority shareholder of Sapex Group. On 15 September 2017, the Sapex Transaction was completed.

5.4 Recent Corporate Events

On 12 June 2015, Indo Mines announced that it had received a Research & Development ('**R&D**') Tax Incentive refund of $1,266,608 for the 2014 financial year. The incentive refund had resulted from expenditure on advancing Indo Mines' Kulon Progo iron sands project in Jogjakarta, Indonesia.

On 27 January 2016, Indo Mines announced that it had entered into an agreement for the acquisition of a 51% stake in Sapex. The total purchase price for the acquisition was US$3 million.

On 5 August 2016, the R&D Tax incentive refund received by Indo Mines for the 2014 financial year was under review by Ausindustry. Indo Mines engaged a tax agent to undertake a review and analysis of the R&D claims made and the advice received from the tax agent who prepared the returns. As a consequence of this analysis, the Indo Mines Board determined that it should voluntarily amend some of the R&D claims made during the 2014 and 2015 financial years.

On 17 March 2017, Indo Mines was suspended from official quotation following failure to lodge its financial statements for the period ended 31 December 2016. On 17 July 2017, the financial statements for the half-year ended 31 December 2016 were lodged and the Company was reinstated.

On 1 May 2017, the March quarterly report was released by the Company, detailing that Rajawali will provide financial support in relation to the Kulon Progo project. A Letter of Support and financial assistance through two working capital facilities, one for US$150,000 and one for US$750,000, was provided by Rajawali until 30 June 2017 to cover any working capital requirements.

On 28 July 2017, Indo Mines announced in its quarterly activities report that its intention was to divest its 51% interest in Sapex and sell its stake to Sapex Group. A conditional sale agreement was entered into with APAC Partners, with consideration being a 30% stake in a then to be proposed NSX listed entity, Sapex Group.

On 15 September 2017, the resolution in relation to the proposed sale of the Company's 51% stake in Sapex to Sapex Group in exchange for a 30% interest in Sapex Group was passed. As consideration for the reduced stake, a Sapex debt facility of US$1.3 million which was secured over Indo Mines' assets was forgiven.

On 30 October 2017, Indo Mines requested a trading halt of its securities pending the release of an announcement regarding a potential control transaction involving the Company.

On 10 November 2017, Indo Mines announced that the Bidder intended to make an all cash off-market takeover offer of $0.02 per share for all the issued shares in Indo Mines that it did not already own.

5.5 Historical Statement of Financial Position

Statement of Financial Position	Audited as at 30-Jun-17 $	Audited as at 30-Jun-16 $	Audited as at 30-Jun-15 $
CURRENT ASSETS			
Cash and cash equivalents	50,629	3,598,563	6,943,958
Trade and other receivables	28,644	67,255	58,465
Assets classified as held for sale	1,907,239	-	-
Term Deposits	-	-	5,283,600
TOTAL CURRENT ASSETS	1,986,512	3,665,818	12,286,023
NON-CURRENT ASSETS			
Restricted cash and cash equivalents	52,428	43,559	42,926
Other receivables	219,681	179,141	137,108
Inventory	18,912	19,797	312,173
Investment in equity accounted investee	-	1,425,600	-
Property, plant and equipment	-	6,000,101	3,448,878
Exploration and evaluation assets	9,385,773	7,649,641	4,692,253
TOTAL NON-CURRENT ASSETS	9,676,794	15,317,839	8,633,338
TOTAL ASSETS	11,663,306	18,983,657	20,919,361
CURRENT LIABILITIES			
Trade and other payables	2,503,332	3,888,751	1,402,543
Liabilities associated with assets classified as held for sale	650,600	-	-
Employee benefits	71,188	55,631	-
Borrowings	6,805,469	-	-

Statement of Financial Position	Audited as at 30-Jun-17 $	Audited as at 30-Jun-16 $	Audited as at 30-Jun-15 $
TOTAL CURRENT LIABILITIES	10,030,589	3,944,382	1,402,543
NON-CURRENT LIABILITIES			
Trade and other payables	53,829	56,347	53,912
Employee benefits	444,798	465,608	394,361
Borrowings	-	5,375,080	5,223,600
Derivative financial instruments	-	49,450	21,946
TOTAL NON-CURRENT LIABILITIES	498,627	5,946,485	5,693,819
TOTAL LIABILITIES	10,529,216	9,890,867	7,096,362
NET ASSETS	1,134,090	9,092,790	13,822,999
EQUITY			
Issued capital	140,998,541	140,998,541	140,998,541
Reserves	152,755	909,978	242,374
Accumulated losses	(121,063,915)	(115,256,710)	(111,485,831)
Total equity attributable to equity holders of the Company	20,087,381	26,651,809	29,755,084
Non-controlling interest	(18,953,291)	(17,559,019)	(15,932,085)
TOTAL EQUITY	**1,134,090**	**9,092,790**	**13,822,999**

Source: Indo Mines' audited financial statements for the years ended 30 June 2017, 30 June 2016 and 30 June 2015

The Company's auditor included an emphasis of matter in its audit report for the year ended 30 June 2017 as a result the material uncertainty relating to the Company's ability to continue as a going concern.

We note the following in relation to Indo Mines' historical statement of financial position:

- Cash and cash equivalents were $6.9 million at 30 June 2015, $3.6 million as at 30 June 2016 and $0.051 million as at 30 June 2017. The decrease in cash and cash equivalents of $3.4 million between 30 June 2015 and 30 June 2016 is primarily attributable to $4.6 million in payments to suppliers and employees, exploration expenditure of $3.1 million and the purchase of purchase property, plant and equipment of $2.8 million. This was partially offset by the R&D tax refund of $1.2 million received and the maturing of a $5.3 million term deposit. The decrease in cash and cash equivalents of $3.5 million between 30 June 2016 and 30 June 2017 mainly was a result of payments of $2.0 million to suppliers and employees as well as exploration expenditure of $1.3 million and the $1.0 million repayment of the Company's R&D tax refund. This was partially offset by the $1.3 million of borrowings from Rajawali.
- Assets classified as held for sale of $1.9 million as at 30 June 2017 relates to a $1.4 million joint arrangement with Sapex Oilfield Services Ltd and a $0.5 million loan agreement with PT Sapex Servis Indonesia.

- Property, plant and equipment as at 30 June 2015 and 30 June 2016 amounted to $3.4 million and $6.0 million respectively and were mainly comprised of construction in progress and buildings. Property, plant and equipment as at 30 June 2017 carries a nil balance, this is due to the entirety of the balance being written off during the period. The equipment was impaired on the basis of a new ruling made by the Indonesian government, which is detailed further in section 5.5.
- The liabilities associated with assets classified as held for sale amounts of $0.7 million as at 30 June 2017 relates to deferred payables on the transaction with Sapex, which has been forgiven subsequent to 30 June 2017.
- The borrowings at 30 June 2016 have been reclassified as a current liability at 30 June 2017. The borrowings relate to the convertible debentures originally issued to Anglo Pacific, which subsequent to 30 June 2017 were sold to Gladesburg, a related body corporate of Rajawali. Further information on the sale of the debentures from Anglo Pacific to Gladesburg can be found in section 6.2.
- The non-controlling interest relates to the 30% interest in PT Jogja Magasa Iron (‘**JMI**’), which holds the Kulon Progo iron sands project. The Company consolidates the interest as if it were a wholly owned subsidiary, therefore the non-controlling represents the 30% interest that the Company does not own.

5.6 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Audited for the year ended 30-Jun-17 $	Audited for the year ended 30-Jun-16 $	Audited for the year ended 30-Jun-15 $
Other income/(loss)	360,000	(1,064,112)	3,778,043
Gain on disposal of fixed asset	-	1,050,188	-
General and administrative project expenditure	(1,529,255)	(2,785,831)	(2,761,881)
Depreciation	(90,773)	(70,857)	(77,423)
Employee benefits expenses	(255,668)	(414,149)	(574,250)
Other expenses	(555,284)	(956,433)	(1,021,314)
Financial income	490,081	64,989	170,146
Financial expense	(660,773)	(204,691)	(1,202,007)
Impairment expenses	(5,726,652)	(301,263)	(1,091,686)
Loss on disposal of subsidiary	-	-	(361,872)
Loss before income tax expense	**(7,968,324)**	**(4,682,159)**	**(3,142,244)**
Income tax (benefit)/expense	-	-	-
Net loss for the year	**(7,968,324)**	**(4,682,159)**	**(3,142,244)**
Other comprehensive loss			
Items that may be reclassified subsequently to profit			

Statement of Comprehensive Income	Audited for the year ended 30-Jun-17 $	Audited for the year ended 30-Jun-16 $	Audited for the year ended 30-Jun-15 $
Re-measurement of defined benefit obligations	-	75,347	(31,971)
Foreign currency translation differences for foreign	9,624	(123,397)	442,130
Exchange differences on disposed entity	-	-	348,199
Other comprehensive income/(loss) for the year	**9,624**	**(48,050)**	**758,358**
Total comprehensive loss for the period	**(7,958,700)**	**(4,730,209)**	**(2,383,886)**

Source: Indo Mines' audited financial statements for the years ended 30 June 2017, 30 June 2016 and 30 June 2015

We note the following in relation to Indo Mines' historical statement of profit or loss and other comprehensive income:

- Other income amounted to $3.8 million for the year ended 30 June 2015, which was largely made up of a $1.3 million R&D refund and a $2.5 million change in the fair value of financial assets. This tax refund was reversed during the year ended 30 June 2016, with the Company incurring an expense of $1.0 million. Other income of $0.4 million for the year ended 30 June 2017 relates to the legal settlement received from a tax advisor in relation to the advice given regarding the Company's previous R&D claims.
- Financial income of $0.49 million for the year ended 30 June 2017 mainly related to interest revenue and a foreign exchange gain.
- The impairment expense of $5.7 million for the year ended 30 June 2017 related to the write off of property, plant and equipment. The Government of Indonesia recently issued a new Government rule, GR NO.1 / 2017 which provided terms for the Contract of Work ('**COW**') holder to undertake export sales for processed minerals (concentrate) if it met the following requirements:
    - The COW holder agrees to convert its COW to the special mining licence (IUPK) Production Operation;
    - The licence holder can undertake export sales for certain amount within a maximum of five years since this new rule was issued on 11 January 2017;
    - The licence holder must pay the export duty in accordance with the applicable rule; and
    - The licence holder can perform export sales for the processed iron sand concentrate after meeting the minimum requirement (threshold) for processed iron sand which is 56% iron.
- The introduction of this new rule has provided the Company with limited opportunity for its 70% owned subsidiary, JMI, to profitably develop the beneficiation plant to export, namely because of the limited export time period of five years and the need to convert the COW to a comparatively less secure mining licence. The Directors have made the assessment that domestic demand is not profitable enough to justify the early capital required to establish the beneficiation plant. As a

consequence, the Company has reviewed the carrying value of the property, plant and equipment assets and elected to impair those assets to nil.

5.7 Capital Structure

The share structure of Indo Mines as at 30 November 2017 is outlined below:

	Number
Total Ordinary Shares on Issue	538,026,598
Top 20 Shareholders	507,268,592
Top 20 Shareholders - % of shares on issue	94.28%

Source: Share registry information

The range of shares held in Indo Mines as at 30 November 2017 is outlined below:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	475	264,421	0.05%
1,001 - 5,000	420	1,090,183	0.20%
5,001 - 10,000	105	856,840	0.16%
10,001 - 100,000	209	7,646,049	1.42%
100,001 - and over	75	528,169,105	98.17%
TOTAL	**1,284**	**538,026,598**	**100.00%**

Source: Share registry information

The ordinary shares held by the most significant shareholders as at 30 November 2017 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Rajawali (and its associates)	307,317,294	57.12%
JP Morgan Nominees Australia Limited	36,341,809	6.75%
Rockcheck Trading Limited	36,000,000	6.69%
Pershing Australia Nominees Pty Ltd<Argonaut Account>	34,186,326	6.35%
Subtotal	413,845,429	76.92%
Others	124,181,169	23.08%
Total ordinary shares on Issue	**538,026,598**	**100.00%**

Source: Share registry information

*As presented above, Rajawali and its associates collectively held 57.12% of the Company, comprising the following individual holdings:

Name	No of Ordinary Shares Held	Percentage of Issued Shares (%)
Yogya Metals and Mining Limited	150,000,000	27.88%
Java Metals and Mining Limited	100,000,000	18.59%
Rajawali Group International Limited	57,317,294	10.65%
Total	**307,317,294**	**57.12%**

We note that per the Company's announcement on 8 December 2017 the Bidder's interest has increased by 34,501,509 shares to currently hold 63.53% of Indo Mines' issued capital.

6. Profile of Rajawali

6.1 Background

Rajawali is an investment holding company based in Jakarta, Indonesia. The corporation was established in 1984. They have engaged in several major business ventures and business portfolios, ranging from Agriculture, Infrastructure, Information, Communication & Technology, Consumer Goods, Media Broadcast, Mining & Resources, Property & Hotels, Retail, and Transportation Services.

The current directors and senior management of Rajawali are:

- Mr Ali Abbas Alam, Managing Director of Investment;
- Mr Dorian Lo, Managing Director of Business Development;
- Mr Riziki Indra Kusuma, Managing Director of Legal;
- Mr Satrio Tjai, Managing Director of Corporate Affairs; and
- Mr Abed Nego, Chief Financial Officer.

6.2 Recent Corporate Events

On 9 November 2017, Gladesburg, a related body corporate of Rajawali, entered into an agreement to purchase the debenture issued by Indo Mines to Anglo Pacific. The purchase price of the facility is $2,234,391 plus the amount of interest that accrues on the notional principal amount ($4,234,391) between 1 July 2017 and the business day before the Debenture Purchase Agreement completes, calculated at 8% per annum. The notional principal amount represents the amount outstanding at 9 November 2017.

7. Economic analysis

7.1 Australia

Domestic growth

Growth in the Australian economy is expected to be around three per cent over the first half of 2018. The Australian economy experienced a decline in mining investment over recent years, with mining investment expected to fall further over the next year. However, much of the remaining decline is expected to be contained to liquefied natural gas investments, indicating that the transition to lower levels of mining investment is almost complete.

Labour market conditions continue to improve, with the recent growth in employment supporting growth in household income and consumption. Underlying inflation is higher than it was late last year, and is expected to increase as spare capacity in the labour market declines. Growth in non-mining activity is also expected to pick up, supported by the stronger growth in household consumption.

Overall, the Australian economy is expected to strengthen, supported by the low level of interest rates and the ongoing recovery in the global economy.

Credit growth

Conditions for obtaining funding remain favourable for banks and non-financial businesses, with spreads of corporate bond yields to government bonds remaining at low levels. Demand for credit has varied across sectors, with reported weakness in approvals for industries including construction, telecommunications, transportation and utilities.

Growth in housing debt has been outpacing the slow growth in household income for some time. To address the medium-term risks associated with high and rising household indebtedness, APRA has introduced a number of supervisory measures. Credit standards have been tightened in a way that has reduced the risk profile of borrowers.

Overall, business credit growth has grown modestly, with the recent pick up reflective of some stability in lending to the resource sector.

Commodity prices

Profits in the mining sector remain high, with resource export volumes rising in line with the increase in bulk commodity prices. Iron ore prices have increased following positive activity data from China and improvements in global economic conditions have driven increases in base metal prices. While strong growth in China's residential property market continues to support commodity prices, there is uncertainty around its growth outlook and how it will address its rising debt levels.

Currency movements

The Australian dollar has appreciated since mid-year, partly reflecting a weakening US dollar. The higher exchange rate is expected to contribute to continued subdued price pressures in the economy. It is also weighing on the outlook for output and employment. An appreciating exchange rate would be expected to result in a slower pick-up in economic activity and inflation than currently forecast.

Source: www.rba.gov.au *Statement by Philip Lowe, Governor: Monetary Policy Decision* 7 November 2017

7.2 Indonesia

Economic growth in Indonesia eased in the third quarter, however GDP growth is still strong, at 5.1% annually. The uptick was driven by accelerations in fixed investment and government spending, while household spending was stable. More recent data indicates a soft start to the fourth quarter, following the easing in growth in the third quarter. The manufacturing purchasing managers index ('**PMI**') fell in October and consumer confidence eased. In parliament, the 2018 budget was approved at the end of October. The targeted deficit of 2.19% of GDP was lower than the revised 2.92% deficit planned for 2017. Notably, while infrastructure remains a high priority, its share of expenditure was broadly unchanged from 2017, a contrast from the Widodo government's previous budgets, which ramped up its share of expenditure.

Growth is projected to strengthen as government spending and investment increase. Key risks to the country's outlook stem from rising political noise ahead of the 2019 election or from a potential slowdown in China's economy.

At its monetary policy meeting on 18-19 November, the central bank of Indonesia, Bank Indonesia ('**the Bank**'), decided to pause its easing cycle and left the BI seven-day Reverse Repo rate unchanged at 4.25%. The decision met market analysts' expectations which followed two surprise rate cuts in August and September. The Bank also decided to keep the lending facility rate unchanged at 5.00% and the deposit facility rate stable at 3.50%. The Bank struck a neutral tone regarding future policy and pointed to a period of unchanged interest rates. Specifically, the Bank stated that "the current policy rate is considered adequate to maintain inflation within the target corridor".

In October, consumer prices increased 0.01% compared to the previous month, which followed September's 0.13% increase. Higher prices for fuels, housing, water, electricity, gas and fuel along with processed foods, beverages, cigarettes and tobacco were broadly balanced by falling prices for foods and transportation.

Inflation eased from September's 3.7% to 3.6% in October, the lowest reading in seven months. Meanwhile, core consumer prices, which exclude volatile items such as food and administered prices, rose 0.17% month-on-month in October, slightly below September's 0.35% increase.

Mining regulations

In 2009, the Indonesian Government introduced new mining regulation (Law No. 4 of 2009 on Mineral and Coal Mining), which required that minerals be processed domestically. The purpose of the regulation, was to create jobs and spur national growth. Further regulation was introduced in 2014, banning the export of unprocessed (or insufficiently processed) mineral ores from Indonesia. In 2017, the government enacted a new ruling, allowing mining companies to export processed products for a period of five years from 11 January 2017, as long as they paid export duties and met the minimum domestic processing and refining requirements. Mining regulation in Indonesia has created challenges for firms who are holders of Contracts of Work ('**CoWs**'), Coal Contracts of Work ('**CCoWs**') and holders of Mining Business Licenses ('**IUPs**'). CoWs and CCoWs were offered to foreign investors prior to the introduction of the 2009 regulation. From 2009 onwards, CoWs and CCoWs have gradually been replaced by a single area based licensing system. Some holders of CoWs and CCoWs are converting to the new licensing system ('**IUPK-OP**'), because under new regulation, only IUPK-OP holders can export processed products. Moving from different systems has brought on a renegotiation process with the Indonesian Government. The uncertainty surrounding the renegotiation process, as well as the restrictions placed on the export of mineral ores, has meant that some companies within Indonesia have either suspended operations or put projects on hold.

New divestment rules were also introduced in 2017. Under the new regulation, companies who are IUP or IUPK holders with foreign shareholders must divest their shares in stages, between years five and ten of production, such that by the tenth year of production foreign shareholders will have a maximum 49% shareholding. Under previous regulation, there was an exemption for companies with underground mining operations or smelting, however these exemptions have been removed under new regulation.

These regulations present a material risk to Indo Mines' future development and operation of the Kulon Progo Project in Indonesia.

Source: www.focus-economics.com *'Indonesian Economic Outlook' and Bank Indonesia Official Website http://www.bi.go.id/en/Default.aspx*

8. Industry analysis

Pig iron is a crude form of iron of varied composition; a typical grade containing about 4% of carbon, 2% of silicon, with smaller amounts of sulphur, manganese and phosphorous, in addition to iron. It is the intermediate product of casting smelting iron with coke, typically using limestone as the cleaning agent to remove oxidation. The high carbon content makes it very brittle and as such impractical for most direct material uses. Consequently, it is used to produce cast iron by remelting with scrap iron, or is more commonly utilised in steel production.

The steelmaking process starts with the processing of iron ore. The rock containing iron ore is ground and the ore is extracted using magnetic rollers. Fine-grained iron ore is processed into coarse-grained clumps for use in the blast furnace. Coal is cleaned of impurities in a coke furnace, yielding an almost pure form of carbon. A mixture of iron ore and coal is then heated in a blast furnace to produce molten iron, or pig iron, from which steel is made.

Steel and Pig Iron Production

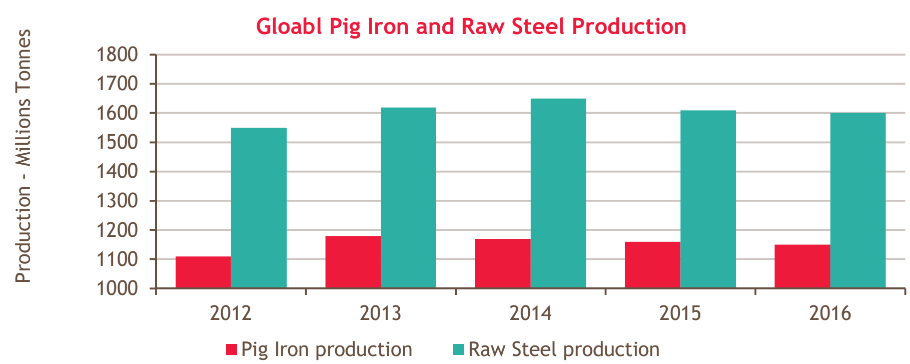
Over the last twelve months, conditions within the global steel market have improved, in particular there has been growth in demand for steel and steel production as well as recoveries in the steel price.

Global steel production increased in 2016, following a decline in production in 2015, primarily as a result of production increases in China and the Middle East. Early indicators suggest this trend will continue for 2017, with steel production growing in all major regions of the world at the start of the year.

Demand growth for steel reached a low in September 2015, before a recovery commenced in early 2016. China is the largest producer, consumer and exporter of steel, as such its steel consumption tends to impact steel markets globally. Chinese steel demand has been declining in recent years, reflecting a decrease in the country's steel intensity. However, during the first half of 2016, following accommodative monetary policy and fiscal stimulus, growth in infrastructure and real estate investment increased, leading to an increase in the demand for steel.

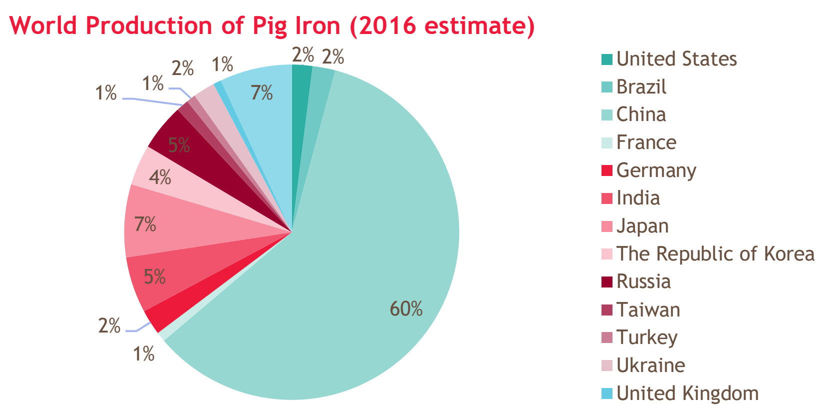
With an increase in the demand for steel, there has been a corresponding increase in the demand for steel making intermediate products such as pig iron.

The pig iron and raw steel production over the period from 2012 to 2016, as sourced from the US Geological Survey ('**USGS**') is illustrated below.



Source: USGS

The chart below shows that China is the leading producer of pig iron, accounting for approximately 60% of global production, with the second largest producer being Japan, with only 7%.

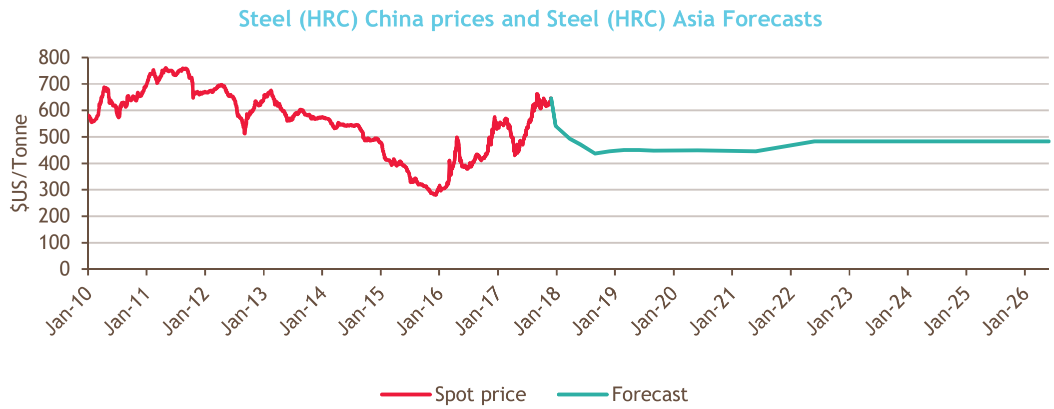


Source: USGS

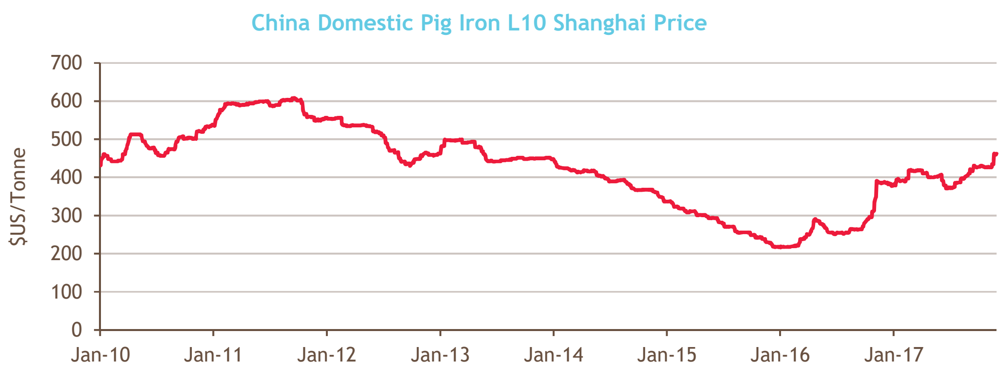
Steel and Pig Iron Pricing

As a result of a recovery in the demand for steel during 2016, steel prices have risen significantly from the lows in late 2015. Prices have also been impacted by the potential closure of substandard steel facilities in China, following an announcement from the National Development and Reform Commission made in January 2017. The historical price chart of hot rolled coil (‘**HRC**’) in China, shown below, demonstrates the upward trend in price from January 2016.

Global steel production growth during 2016, has also seen the prices of steelmaking raw materials, like pig iron increase significantly. These price increases have also been supported by increased import demand in China.



Source: Bloomberg and Consensus Economics



Source: Bloomberg

9. Valuation approach adopted

In assessing whether the Offer is fair for Shareholders, we have considered a comparison between the value of an Indo Mines share on a control basis prior to the Offer and the value of the consideration offered by the Bidder, being $0.020 cash per Indo Mines share.

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings (‘**FME**’)
- Discounted cash flow (‘**DCF**’)
- Quoted market price basis (‘**QMP**’)
- Net asset value (‘**NAV**’)

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

9.1 Valuation of an Indo Mines share prior to the Offer

In our assessment of the value of an Indo share prior to the Offer we have chosen to employ the following methodologies:

- NAV as our primary approach; and
- QMP as our secondary approach.

We have chosen these methodologies for the following reasons:

- Indo Mines is a mineral exploration and development company, with its core value being in the exploration assets that it holds. We have commissioned an independent valuation of the Kulon Progo Project from CSA Global Pty Ltd (‘**CSA**’). Therefore, we have used this valuation to form the basis of our net asset valuation.
  - The Company’s interest in Sapex Group is held at book value, therefore in assessing the market value of this investment, we have considered the QMP basis as Sapex Group’s shares are listed on the NSX. This means that there is an observable market where Sapex Group’s shares can be traded. However, in order for the QMP methodology to be considered appropriate, Sapex Group’s shares should be liquid and the market should be fully informed as to its activities. These factors are considered in section 10.1.2 of our report.
- The QMP basis is a relevant methodology to consider as the Company’s shares are listed on the ASX. This means that there is a regulated and observable market where Indo Mines’ shares can be traded. However, in order for the QMP methodology to be considered appropriate, the Company’s shares should be liquid and the market should be fully informed as to its activities. We have considered these factors in section 10.2 of our Report;
- Indo Mines does not generate regular trading income. Therefore, there are no historical profits that could be used to represent future earnings. This means that the FME valuation approach is not appropriate; and

- Indo Mines has no foreseeable future cash inflows and therefore the application of the DCF valuation approach is not appropriate. We note that the most recent update in reserves and resources resulted in reserves being derecognised.

10. Valuation of Indo Mines prior to the Offer

10.1 Net Asset Valuation of Indo Mines

The value of Indo Mines' net assets on a going concern basis is reflected in our valuation below:

NAV	Ref	Audited as at 30-Jun-17 $	Low $	Preferred $	High $
CURRENT ASSETS					
Cash and cash equivalents	10.1.1	50,629	80,596	80,596	80,596
Trade and other receivables		28,644	28,644	28,644	28,644
Assets classified as held for sale	10.1.2	1,907,239	4,513,000	4,535,000	4,556,000
TOTAL CURRENT ASSETS		1,986,512	4,622,240	4,644,240	4,665,240
NON-CURRENT ASSETS					
Restricted cash and cash equivalents		52,428	52,428	52,428	52,428
Other receivables		219,681	219,681	219,681	219,681
Inventory		18,912	18,912	18,912	18,912
Exploration and evaluation assets	10.1.3	9,385,773	3,227,081	5,532,139	9,220,232
TOTAL NON-CURRENT ASSETS		9,676,794	3,518,102	5,823,160	9,511,253
TOTAL ASSETS		11,663,306	8,140,342	10,467,400	14,176,493
CURRENT LIABILITIES					
Trade and other payables	10.1.4	2,503,332	1,862,938	1,862,938	1,862,938
Liabilities associated with assets classified as held for sale	10.1.5	650,600	-	-	-
Employee benefits		71,188	71,188	71,188	71,188
Borrowings		6,805,469	6,805,469	6,805,469	6,805,469
TOTAL CURRENT LIABILITIES		10,030,589	8,739,595	8,739,595	8,739,595
NON-CURRENT LIABILITIES					
Trade and other payables		53,829	53,829	53,829	53,829
Employee benefits		444,798	444,798	444,798	444,798
TOTAL NON-CURRENT LIABILITIES		498,627	498,627	498,627	498,627
TOTAL LIABILITIES		10,529,216	9,238,222	9,238,222	9,238,222
NET ASSETS		**1,134,090**	**(1,097,880)**	**1,229,178**	**4,938,271**
less: non-controlling interest	10.1.6		**(344,575)**	**(344,575)**	**(344,575)**
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS			**(753,305)**	**1,573,753**	**5,282,846**
Number of shares on issue			538,026,598	538,026,598	538,026,598
Value per share ($)			**-**	**0.003**	**0.010**

Source: BDO analysis

We have been advised that there has not been a significant change in the net assets of Indo Mines since the 30 June 2017 audited position, other than the adjustments set out below.

The table above indicates that the net asset value of an Indo Mines share is between nil and $0.010, with a preferred value of $0.003.

The following adjustments were made to the net assets of Indo Mines as at 30 June 2017 in arriving at our valuation.

10.1.1. Cash and cash equivalents

We have made the following adjustments to cash and cash equivalents:

Cash and cash equivalents	Note	$
Cash and cash equivalents at 30 June 2017		**50,629**
Add: Proceeds from borrowings	a	1,564,791
Less: Payment of current tax liabilities	b	(420,812)
Less: Exploration expenses	c	(618,667)
Less: Other cash payments	d	(495,345)
Adjusted cash and cash equivalents		**80,596**

Note a) Proceeds from borrowings

The proceeds from borrowings represents the borrowings of US$1,187,989 from Rajawali subsequent to 30 June 2017. We have converted this to Australian Dollars at the exchange rate of 0.7592 on 6 December 2017, as sourced from Bloomberg.

Note b) Payment of tax liabilities

We have been provided with a statement from the Australian Taxation Office showing the payments made subsequent to 30 June 2017.

Note c) Exploration expenses

We have adjusted cash and cash equivalents for actual exploration spend over the period from 1 July 2017 to 30 September 2017 based on the Company's Appendix 5B (quarterly cash flow report). We have reduced cash for the exploration costs incurred in October, based on the average monthly spend for the September quarter. Management confirm this to be a reasonable assumption.

Note d) Other cash payments

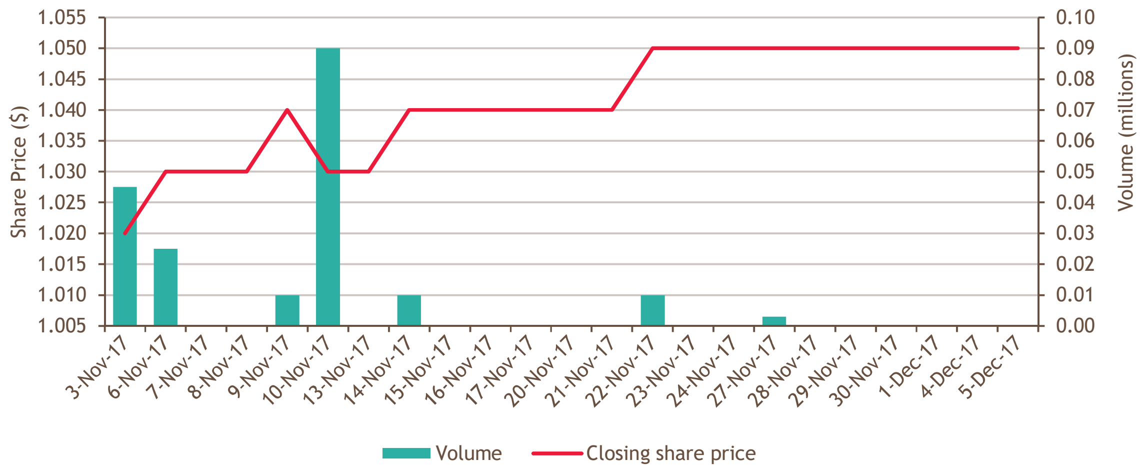
The other cash payments relate to corporate administration and payroll costs.

10.1.2. Assets classified as held for sale

The assets classified as held for sale relate to the Company's interest in Sapex. However, pursuant to the resolution passed on 15 September 2017, the Company's interest in Sapex was sold to Sapex Group for a 30% interest in Sapex Group. Given that Sapex Group is listed on the NSX, there is an observable market on which its shares are traded. Therefore, our valuation on a QMP basis is set out below.

Our analysis of the quoted market price of a Sapex Group share is based on the share price movements for the period 3 November 2017, being the date on which shares in Sapex Group were first traded, to 5 December 2017.

Sapex share price and trading volume history



Source: Bloomberg, BDO analysis

The daily price of Sapex Group shares from 3 November 2017 to 5 December 2017 has ranged from a low of $1.020 on 3 November 2017 to a high of $1.050 on 23 November 2017 (through to 5 December 2017).

To provide further analysis of the market prices for a Sapex Group share, we have also considered the weighted average market price for the 10 day period to 5 December 2017.

Share Price per unit	05-Dec-17	10 Days
Closing price	$1.050	
Volume weighted average price (VWAP)		$1.046

Source: Bloomberg, BDO analysis

An analysis of the volume of trading in Sapex Group shares is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	$1.050	$1.050	-	0.00%
10 Days	$1.040	$1.050	13,000	0.07%

Source: Bloomberg, BDO analysis

This table indicates that Sapex Group's shares display a low level of liquidity, with approximately 0.07% of Sapex Group's current issued capital (13,000 shares) traded over the ten trading days up to and including 5 December 2017. Based on the above analysis, we consider the value of a Sapex Group share to range from $1.040 to $1.050.

Discount for lack of marketability

We consider Indo Mines' 30% interest in Sapex Group to be a large parcel, therefore based on historical trading volumes we consider it unlikely that Indo Mines would be able to dispose its holding at the current market price. As such, we have applied a marketability discount to our assessed market price. In determining the marketability discount to apply we have considered the time that Indo Mines would require to sell its 30% holding in Sapex Group and realise the value in cash based on historical trading volumes.

We have determined the number of trading days required to sell Indo Mines' 30% holding in Sapex Group (5,785,922 shares) based on the volume of shares traded up to and including 5 December 2017. As set out below, based on Sapex Group having a total of 193,000 shares traded over a 23-day period (daily average of 8,391 shares), we have determined that Indo Mines would require approximately 690 trading days in order to sell its 30% holding in Sapex Group and realise the value in cash.

Based on the above, we consider it appropriate to apply a 25% discount as a result of Indo Mines requiring approximately 690 trading days (based on historical trading volumes) to sell its 30% holding in Sapex Group.

Based on the above QMP analysis, we consider the value of a Sapex Group share to be in the range of $1.04 to $1.05.

As such, after applying our assessed marketability discounts to the above values we have determined the rounded value of Indo Mines 30% holding in Sapex Group to be between $4,513,000 and $4,556,000 as set out below:

Value of Indo Mines' Holding in Sapex Group	Low $	High $
Number of shares held by Indo Mines	5,785,922	5,785,922
Share price	1.04	1.050
Value of Indo Mines' holding	6,017,359	6,075,218
Marketability discount applied	25%	25%
Realisable value of Indo Mines' holding	**4,513,019**	**4,556,414**

Therefore, our assessed value of Indo Mines' 30% holding in Sapex Group is between $4,513,000 to $4,556,000 with our preferred value being the rounded midpoint of $4,535,000.

We note that there have not been recent financial statements released to the market that would allow us to undertake an NTA based valuation.

10.1.3. Exploration and evaluation assets

We instructed CSA to provide an independent market valuation of the exploration assets held by Indo Mines. CSA considered a number of different valuation methods when valuing the exploration assets of Indo Mines. CSA applied the comparable transactions method to value the Kulon Progo iron sands project. We consider these methods to be appropriate given the stage of development for Indo Mines' exploration assets. Further information on the methodologies and assumptions used by CSA can be found in their report, contained in Appendix Three.

The range of values for the Kulon Progo Project as assessed by CSA is set out below:

Exploration and evaluation assets	Low $	Preferred $	High $
Value of a 70% interest in the Kulon Progo Project (US$)	**2,450,000**	**4,200,000**	**7,000,000**
USD/AUD exchange rate at 6 December 2017	0.7592	0.7592	0.7592
Value of the Kulon Progo Project ($)	**3,227,081**	**5,532,139**	**9,220,232**

Source: CSA and BDO Analysis

The table above indicates a range of values between $3.23 million and $9.22 million, with a preferred value of $5.53 million.

10.1.4. Trade and other payables

We have adjusted trade and other payables for material movements subsequent to the 30 June 2017 audited position. Specifically, we have adjusted payables for the repayments made in relation to the Company's current tax liabilities. We have also made an adjustment based on management's advice that the Australian Taxation Office waived interest charges amounting to $219,582 in November 2017. These adjustments are set out below.

Trade and other payables	$
Trade and other payables at 30 June 2017	2,503,332
Payment of current tax liabilities	(420,812)
Forgiveness of general interest charges in November	(219,582)
	1,862,938

10.1.5. Liabilities associated with assets classified as held for sale

The liabilities classified as held for sale relate to deferred payables on the transaction with Sapex, which was forgiven subsequent to 30 June 2017. We have therefore adjusted this balance to nil.

10.1.6. Non-controlling interest

The non-controlling interest arises as a result of the Company's 70% interest in JMI, which holds the Kulon Progo iron sands project as well as other assets and liabilities. As detailed in section 10.1.3, we have replaced the book value of exploration assets with the market value as assessed by CSA. This value represents Indo Mines' 70% interest, therefore we have not adjusted for the non-controlling interest relating to JMI's exploration assets. The non-controlling interest adjustment is set out below.

Non-controlling interest	$
Cash and cash equivalents	7,893
Trade and other receivables	68,613
Inventory	5,585
Prepayments	4,234
Restricted cash and cash equivalents	12,398
Accounts Payable	(31,264)
Accruals	(135,607)
Current tax liabilities	(129,171)
Other related parties	(15,897)
Provisions	(131,359)
Total non-controlling interest	**(344,575)**

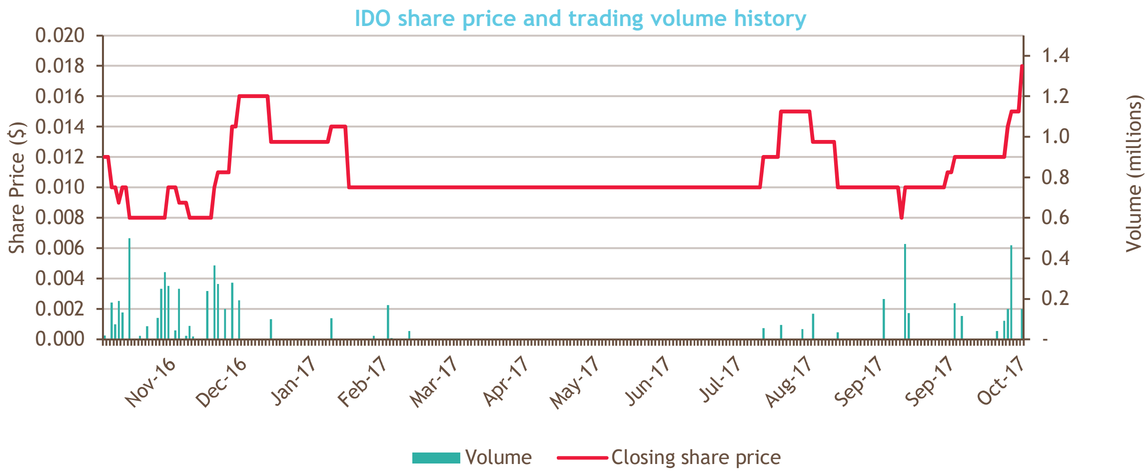
10.2 Quoted Market Prices for Indo Mines' Securities

To provide a comparison to the valuation of Indo Mines in Section 10.1, we have also assessed the quoted market price for an Indo Mines share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

Minority interest value

In accordance with ASX Listing Rule 17.1, Indo Mines requested a trading halt of its securities pending the release of an announcement regarding a potential control transaction involving the Company. In this instance, an intention to make a takeover bid was officially announced to shareholders on 10 November 2017. Our analysis of the quoted market price of an Indo Mines share is based on the pricing prior to the Company's request for an ASX trading halt on Monday 30 October 2017. We have therefore conducted our QMP analysis on 27 October 2017, being the last full-trading day prior to the requested trading halt.



Source: Bloomberg

The daily price of Indo Mines shares over the twelve months from 27 October 2016 to 27 October 2017 has ranged from a low of $0.080 in November and December 2016, as well as 11 September 2017, to a high of $0.018 on 27 October 2017. The highest single day of trading was on 9 November 2016, where 500,000 shares were traded.

During this period a number of announcements were made to the market. The key announcements over the 12 months prior to 27 October 2017 are set out below:

Date	Announcement	Closing Share Price Following Announcement $ (movement)			Closing Share Price Three Days After Announcement $ (movement)		
29/09/2017	Full Year Statutory Accounts	0.011	►	0.0%	0.012	▲	9.1%
29/09/2017	Appendix 4G and Corporate Governance Statement	0.011	►	0.0%	0.012	▲	9.1%
15/09/2017	Results of Meeting	0.010	►	0.0%	0.010	►	0.0%
15/08/2017	Notice of General Meeting/Proxy Form	0.013	►	0.0%	0.010	▼	23.1%
11/08/2017	Update on Sale of Interest in Sapex Oilfield Services Ltd	0.013	►	0.0%	0.010	▼	23.1%
28/07/2017	Quarterly Cashflow Report	0.015	►	0.0%	0.015	►	0.0%

Date	Announcement	Closing Share Price Following Announcement $ (movement)			Closing Share Price Three Days After Announcement $ (movement)		
28/07/2017	Quarterly Activities Report	0.015	►	0.0%	0.015	►	0.0%
17/07/2017	Reinstatement to Official Quotation - 18 July 2017	0.010	►	0.0%	0.012	▲	20.0%
17/07/2017	Lifting of Suspension of Trading	0.010	►	0.0%	0.012	▲	20.0%
17/07/2017	31 December 2016 Half Year Report	0.010	►	0.0%	0.012	▲	20.0%
01/05/2017	Quarterly Activities Report	0.010	►	0.0%	0.010	►	0.0%
01/05/2017	Quarterly Cashflow Report	0.010	►	0.0%	0.010	►	0.0%
17/03/2017	Request for Voluntary Suspension of Trading	0.010	►	0.0%	0.010	►	0.0%
17/03/2017	Suspension from Official Quotation	0.010	►	0.0%	0.010	►	0.0%
31/01/2017	Quarterly Activities Report	0.026	►	0.0%	0.026	►	0.0%
31/01/2017	Quarterly Cashflow Report	0.014	►	0.0%	0.010	▼	28.6%
30/01/2017	Final Director's Interest Notice	0.014	►	0.0%	0.014	►	0.0%
30/11/2016	Results of Meeting	0.009	►	0.0%	0.008	▼	11.1%
30/11/2016	Presentation to AGM	0.009	►	0.0%	0.008	▼	11.1%

Source: Bloomberg and BDO analysis

On 31 January 2017, the Company released its quarterly cashflow report for the quarter ended 31 December 2016. The report detailed a deteriorating cash balance. On the date of the announcement, Indo Mines' share price remained unchanged. However, over the subsequent three trading days the share price decreased by 28.6% to $0.010.

On 17 March 2017, Indo Mines was suspended from official quotation following failure to lodge its accounts for the half year ended 31 December 2016. On 17 July 2017, the accounts were lodged and the reinstatement to Official Quotation was announced on 18 July 2017. In the three days subsequent to reinstatement the share price increased by 20% to close at $0.012.

On 15 August 2017, the Company released its Notice of General Meeting which included the resolution in relation to the Sapex Transaction. Over the subsequent three trading days the share price decreased by 23.19% to close at $0.010.

On 30 October 2017, Indo Mines Limited requested a trading halt of its securities pending the release of an announcement regarding a potential control transaction involving the Company.

To provide a further analysis of the market prices for an Indo Mines share, we have also considered the weighted average market price for 10,30, 60 and 90 day periods to 27 October 2017.

Share Price per unit	27-Oct-17	10 Days	30 Days	60 Days	90 Days
Closing price	$0.018				
Volume weighted average price (VWAP)		$0.015	$0.014	$0.012	$0.013

Source: Bloomberg and BDO analysis

An analysis of the volume of trading in Indo Mines shares for the twelve months to 27 October 2017 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	$0.018	$0.018	150,000	0.11%
10 Days	$0.012	$0.018	899,550	0.66%
30 Days	$0.010	$0.018	1,196,593	0.88%
60 Days	$0.008	$0.018	2,161,363	1.59%
90 Days	$0.008	$0.018	2,338,363	1.72%
180 Days	$0.008	$0.018	2,555,410	1.88%
1 Year	$0.008	$0.018	6,800,508	4.99%

Source: Bloomberg and BDO analysis

This table indicates that Indo Mines' shares displayed a low level of liquidity, with 4.99% of the Company's current issued capital being traded in a twelve month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- regular trading in a company's securities;
- approximately 1% of a company's securities are traded on a weekly basis;
- the spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- there are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Indo Mines, we do not consider there to be a deep market for the Company's shares as a result of only 4.99% of the Company's current issued capital being traded over a twelve month period prior to the announcement of the Offer.

Our assessment is that a range of values for Indo Mines' shares based on market pricing is between $0.014 and $0.018.

Control Premium

We have reviewed the control premiums paid by acquirers of general mining companies listed on the ASX. We have summarised our findings below:

Year	Number of control transactions	Average deal value ($m)	Average control premium (%)
2017	3	20.76	32.90
2016	13	59.54	74.92
2015	9	340.82	57.86

Year	Number of control transactions	Average deal value ($m)	Average control premium (%)
2014	15	118.46	47.88
2013	17	117.99	63.99
2012	18	207.01	52.45
2011	21	811.55	37.42
2010	21	555.11	50.61
2009	20	121.99	50.44
2008	18	631.60	33.19

Source: Bloomberg

The mean and median of the entire data set, comprising control transactions for general mining companies from 2008, onwards is set out below:

Entire data set metrics	Average deal value ($m)	Average control premium (%)
Mean	351.49	50.31
Median	45.48	39.10

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The table above indicates that the long term average of announced control premiums paid by acquirers of general mining companies on the ASX is approximately 50%. However, in assessing the sample of transactions included in the table, we noted transactions that appear to be extreme outliers. These outliers included 15 transactions in which the announced premium was in excess of 100%.
In a sample where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the review period was approximately 39%.

In determining the control premium most appropriate for Indo Mines, we considered a number of factors. The principal factor we considered is that the Company's key project is still in the development phase, and does not currently generate revenue. We also note that there is some uncertainty surrounding economic and political landscape in the Indonesian mining sector. Particularly, as detailed in section 7.2, the requirement for a 49% domestic ownership of any mining assets in Indonesia will reduce the premium that a potential acquirer would be willing to pay for control of Indo Mines. Further, we note that the

Company's auditor included an emphasis of matter relating to the Company's ability to continue as a going concern. As such, we consider it unlikely that an acquirer would pay a control premium in line with historical averages.

Based on the above analysis, we consider an appropriate premium for control is between 20% and 30%, with a midpoint of 25%.

Quoted market price including control premium

Applying a control premium to Indo Mines' quoted market share price results in the following quoted market price value including a premium for control:

	Low $	Midpoint $	High $
Quoted market price value	0.014	0.016	0.018
Control premium	20%	25%	30%
Quoted market price valuation including a premium for control	**0.017**	**0.020**	**0.023**

Source: BDO analysis

Therefore, our valuation of an Indo Mines share based on the quoted market price method and including a premium for control is between $0.017 and $0.023, with a midpoint value of $0.020.

10.3 Assessment of the value of Indo Mines prior to the Offer

The results of the valuations performed are summarised in the table below:

	Ref	Low $	Preferred $	High $
Net assets value	10.1	Nil	0.003	0.010
Quoted market price	10.2	0.017	0.020	0.023

Source: BDO analysis

We note that values derived from the NAV approach is lower than those derived from the QMP approach. The difference between our NAV and QMP valuation may be explained by the following:

- Our NAV includes an independent valuation of the Company's Kulon Progo iron sands project, which was performed by CSA, an independent technical specialist. We note that investors may take a more optimistic view to that of the valuation specialists in relation to the inputs adopted, valuation methodologies used and ultimately their assessment of the value of the Company's mineral assets. Consequently, the market value of the Company's assets may not be reflected in the Company's QMP.
- Under RG111.69, the QMP methodology is considered appropriate when a liquid and active market exists for a company's securities. From our analysis of the QMP of Indo Mines in Section 10.2, we

note that only 4.99% of the Company's issued capital had been traded in the 12 months up to the date of the announcement of the Offer. Hence, the QMP methodology may not best reflect the value of an Indo Mines share.

Based on the results above we consider the value of an Indo Mines share to be between nil and $0.010 with a preferred value of $0.003.

11. Valuation of Offer consideration

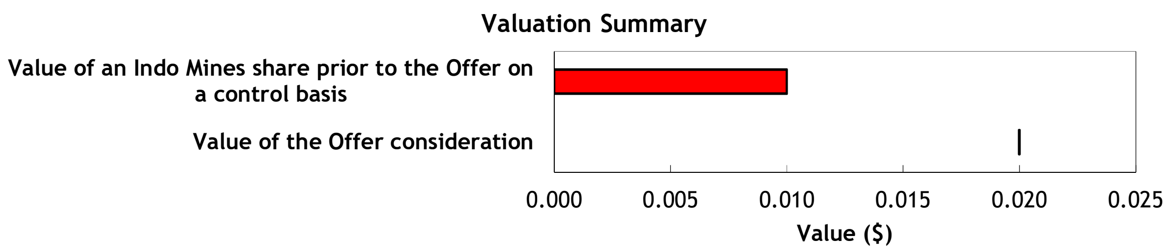
Under the Offer, Shareholders will receive $0.02 for every Indo Mines share held.

12. Is the Offer fair?

A comparison of the value of an Indo Mines share prior to the Offer, on a control basis, and the Offer consideration per share is set out below:

	Ref	Low $	Preferred $	High $
Value of a share in Indo Mines	10.3	Nil	0.003	0.010
Value of Offer consideration	11	0.020	0.020	0.020

The above valuation ranges are graphically presented below:



We note from the table and chart above that the value of an Indo Mines share is less than the value of the Offer consideration. Therefore, we consider that the Offer is fair.

13. Is the Offer reasonable?

13.1 Advantages of Accepting the Offer

We have considered the following advantages when assessing whether the Offer is reasonable.

Advantage	Description
The Offer is fair	As set out in Section 12, the Offer is fair. RG 111 states that an offer is reasonable if it is fair.
The Offer provides Shareholders with an opportunity to realise their investment with a level of certainty	Given that the Offer is in the form of cash, it provides a certain realisation of value for Shareholders.
The Offer is at a premium to the Company's last quoted price	As detailed in section 10.2, the closing price of Indo Mines prior to the trading halt was $0.018, therefore offering Shareholders a premium of 11.1% to the last traded price prior to the announcement of the Offer.
Indo Mines shares display a low level of liquidity, therefore the Offer provides Shareholders with an opportunity to exit their investment	Over the twelve months prior to the Offer, Indo Mines' shares have displayed a low level of liquidity with only 4.99% of its current issued capital being traded. As such, the ability of for Shareholders to dispose of their Indo Mines shares on market is limited. The Offer consideration of cash provides Shareholders with the opportunity to realise their investment, which may otherwise not be available.

13.2 Disadvantages of Accepting the Offer

We have considered the following disadvantages when assessing whether the Offer is reasonable.

Disadvantage	Description
Shareholders will be unable to participate in the potential upside of prospective operations	Those Shareholders that accept the Offer are precluded from any upside from the development of the Kulon Progo project. Similarly, those Shareholders that accept the Offer will not be able to benefit from a potentially superior offer that may emerge in the future.
The minimum acceptance condition results in a reduction in the level of certainty of accepting the Offer	Given that there is a minimum acceptance condition of 90%, there is a risk that if Shareholders accept the Offer, it may not be effectuated. This introduces an element of uncertainty for Shareholders.

13.3 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Indo Mines a premium over the value ascribed, resulting from the Offer. Given the presence of a controlling shareholder (and its associates) which held 57.12% of the Company's shares (at the date of the Bidder's Statement) and 63.53% on 8 December 2017, it is unlikely that Shareholders will receive a competing bid or a takeover offer from another party. However, we note that the Bidder has not expressed that its bid is a first and final bid, therefore there is a possibility that if the minimum acceptance condition is not met then a superior bid may emerge in the future.

13.4 Practical Level of Control

Currently, the Bidder (and its associates) holds 63.53% of the issued capital of Indo Mines and also has one representative on the Board. Given the minimum acceptance condition is 90% and the Bidder has expressed its intention to compulsorily acquire the remaining shares that it does not own if it achieves the required level of acceptances, the level of control the Bidder has in the Company is not a relevant consideration for Shareholders. If the minimum acceptance condition is met, then the Shareholders who did not accept the Offer will have their shares compulsorily acquired. Therefore, if the minimum acceptance condition is met, then Shareholders collectively will not hold an interest in Indo Mines, and if it is not met, then the Bidder's holding in Indo Mines will remain unchanged.

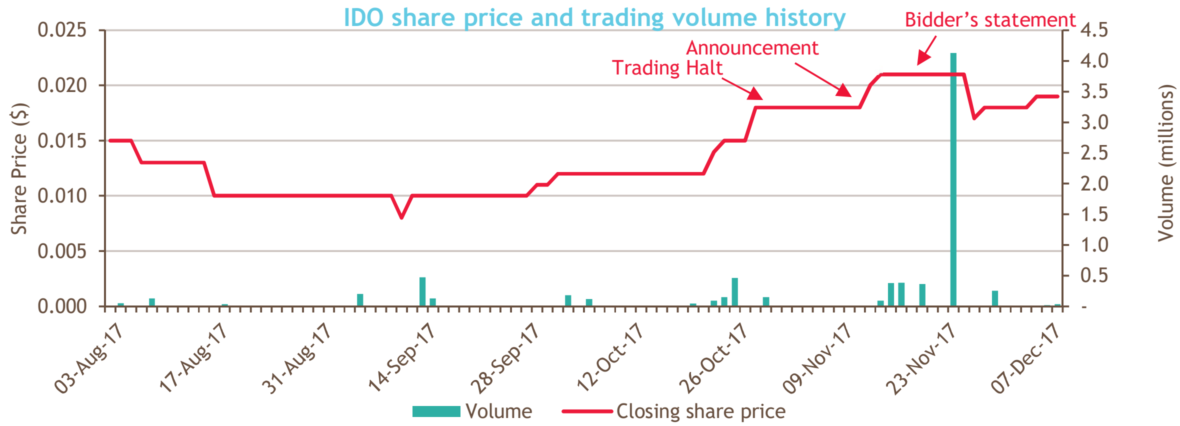
13.5 Consequences of not accepting the Offer

We set out below our assessment of the consequences of not accepting the Offer.

- The Bidder has expressed its intention to compulsorily acquire the remaining shares on issue if its interest reaches 90% following the offer period. If Shareholders do not accept the Offer and the minimum acceptance condition is met, then those Shareholders who do not accept the Offer will have their shares compulsorily acquired at the same price as the Offer Consideration. Therefore, if a Shareholder rejects the Offer but the minimum subscription is met, then the Shareholder will receive the $0.02 for every share it holds, but at a later date.
- In the event that Shareholders do not accept the Offer, Shareholders will hold shares in a company that is controlled by the Bidder. This may give rise to a risk that Shareholders will be holding shares in a company with a large controlling shareholder, whose views may be inconsistent with those of minority shareholders. This risk is heightened by the fact that the Bidder has acquired the debentures previously issued to Anglo Pacific. Further, the Company's auditor included an emphasis of matter in its audit report for the year ended 30 June 2017, relating to the Company's ability to continue as a going concern, which therefore provides the Bidder with increased leverage over the Company.

13.6 Post-announcement pricing

We have analysed movements Indo Mines' share price since the Offer was announced. A graph of the Company's share price and trade volume leading up to and following the announcement of the Offer is set out below.



Source: Bloomberg

The daily price of Indo Mines' shares from 1 August 2017 to 7 December 2017 ranged from a low of $0.008 on 11 September 2017 to a high of $0.021 on 14 November 2017 through to 24 November 2017. On 10 November 2017, the day of the announcement, the share price closed unchanged at $0.018 and no shares were traded. In the period following the announcement to 7 December 5,663,816 shares were traded, which represents approximately 1% of the Company's total issued capital.

The table below details the VWAP of Indo Mines shares for the ten trading days prior to 7 December 2017.

Share Price per unit	07-Dec-17	10 Days
Closing price	$0.019	
Volume weighted average price (VWAP)		$0.019

Source: Bloomberg

Following the announcement of the Offer, Indo Mines share price increased from a VWAP of $0.015 over the 10 days prior to the trading halt, to $0.019 over the ten days prior to 7 December 2017. This indicates that the announcement of the Offer was well received. However, we note the share price did decline from $0.021 on 24 November 2017 to $0.017 on 27 November 2017.

14. Conclusion

We have considered the terms of the Offer as outlined in the body of this report and have concluded that the Offer is fair and reasonable to the Shareholders of Indo Mines.

15. Sources of information

This report has been based on the following information:

- Audited financial statements of Indo Mines for the years ended 30 June 2015, 30 June 2016 and 30 June 2017;
- Unaudited management accounts of Indo Mines for the period ended 31 October 2017;
- Independent Valuation Report of Indo Mines' mineral assets performed by CSA;
- Draft Target's Statement;
- Bidder's Statement and Supplementary Bidder's Statement;
- Share registry information;
- Bloomberg;
- S&P Capital IQ;
- Information in the public domain such as;
  - Reserve Bank of Australia's Monetary Policy Decision dated 7 November 2017;
  - US Geological Survey;
  - Energy and Metals Consensus Forecast for November 2017;
  - Indonesian Economic Outlook;
  - Bank Indonesia Official Website; and
- Discussions with Directors and Management of Indo Mines.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of $28,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Indo Mines in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Indo Mines, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Indo Mines and the Bidder and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Indo Mines and the Bidder and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Indo Mines, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Indo Mines and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 19 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 29 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

18. Disclaimers and consents

This report has been prepared at the request of Indo Mines for inclusion in the Target's Statement which will be sent to all Indo Mines Shareholders. Indo Mines engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the off-market cash takeover offer for all the issued shares of Indo Mines at $0.02 per share.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Target's Statement. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Target's Statement other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to the Offer. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Offer, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Indo Mines, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Indo Mines.

The valuer engaged for the mineral asset valuation, CSA, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Adam Myers	**Sherif Andrawes**
Director	Director

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 Cth
Anglo Pacific	Anglo Pacific Group plc
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 ‘Valuation Services’
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
The Bank	Bank Indonesia, the central bank of Indonesia
BDO	BDO Corporate Finance (WA) Pty Ltd
Bidder	PT Surya Langgeng Utama
CCoW	Coal Contracts of Work
The Company	Indo Mines Limited
Corporations Act	The Corporations Act 2001 Cth
COW	Contract of Work
CSA	CSA Global Pty Ltd
DCF	Discounted Future Cash Flows
Eagle	Eagle High Plantations
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Express	PT Express Transindo Utama
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
Gladesburg	Gladesburg Holding Ltd

Reference	Definition
HRC	Hot Rolled Coil
Indo Mines	Indo Mines Limited
IUP	Mining Business Licenses
JMI	PT Jogja Magasa Iron
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition)
Km	Kilometres
NAV	Net Asset Value
NSX	The National Stock Exchange of Australia
PMI	The manufacturing purchasing managers index
QMP	Quoted market price
R&D	Research & Development
Rajawali	PT Rajawali Corpora
RBA	Reserve Bank of Australia
Regulations	Corporations Act Regulations 2001 (Cth)
The Offer	Cash takeover offer for all the issued shares in Indo Mines at $0.02 per Indo Mines share
Our Report	This Independent Expert's Report prepared by BDO
RG 74	Acquisitions approved by Members (December 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Sapex	Sapex Oil Limited
Sapex Group	Sapex Group Limited
Sapex Transaction	A conditional sale agreement was entered into with APAC Partners, with consideration being a 30% stake in a then to be proposed Sapex entity, which was

Reference	Definition
	planned to list on the NSX. As consideration for the reduced stake, a Sapex debt facility of US$1.3 million which was secured over Indo Mines' assets was forgiven
Shareholders	The non-associated shareholders of Indo Mines
Sum-of-Parts	A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies
USGS	US Geological Survey
Valmin Code	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition)
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price

The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax (‘**EBIT**’) or earnings before interest, tax, depreciation and amortisation (‘**EBITDA**’). The capitalisation rate or ‘earnings multiple’ is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows (‘DCF’)*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

The resource multiple is a market based approach which seeks to arrive at a value for a company by reference to its total reported resources and to the enterprise value per tonne/lb of the reported resources of comparable listed companies. The resource multiple represents the value placed on the resources of comparable companies by a liquid market.

Appendix 3 – Independent Valuation Report prepared by CSA

CSA Global
Mining Industry Consultants

Independent Technical Specialist's Report

Valuation of the Jogjakarta Pig Iron Project Held by Indo Mines Limited

CSA Global Report Nº R430.2017

11th December 2017

www.csaglobal.com

Report prepared for

Client Name	Indo Mines Limited
Project Name/Job Code	IDOITV01
Contact Name	Arran Marshall
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Executive Summary

CSA Global Pty Ltd (CSA Global) was commissioned by BDO Corporate Finance (WA) Pty Ltd ("BDO") to prepare an Independent Technical Specialist's Report and Valuation on the Kulon Progo Iron Sands Project, also referred to as the Jogjakarta Pig Iron Project, owned by Indo Mines Limited ("Indo" or "the Company").

This independent technical assessment and valuation report (the "Report") was prepared for BDO. The Report provides an opinion to support an Independent Expert's Report to be prepared by BDO for distribution to shareholders of the Company, and has been prepared as a public document, in the format of an independent technical specialist's report and has been prepared in accordance with the VALMIN Code.

The Report provides a review of the Jogjakarta Pig Iron Project, and provides a market valuation of these Mineral Assets. CSA Global has used a range of valuation methods to reach a conclusion on the value ranges of these assets. Note that the valuations are of the Mineral Assets, and not of the value of Indo as a company.

The statements and opinions contained in the Report are given in good faith and in the belief that they are not false or misleading. The conclusions are based on the reference date of 11 December 2017 and could alter over time depending on exploration results, mineral prices, and other relevant market factors.

CSA Global's valuations are based on information provided by Indo, and public domain information. CSA Global has endeavoured, by making all reasonable enquiries within the timeframe available, to confirm the authenticity and completeness of the technical data upon which the Report is based. No audit of any financial data has been conducted.

It is stressed that the values are opinions as to likely values, not absolute values, which can only be tested by going to the market.

Jogjakarta Pig Iron Project

The Jogjakarta Pig Iron Project is located on the south coast of the Indonesian island of Java, about 32 km south southwest of the Jogjakarta. The Kulon Progo iron sands deposit extends over about 22 km of east-west coastline between the Bogowonto and Progo Rivers, and for a distance up to about 1.8 km northward from the shoreline. The iron sands are derived from local andesitic volcanoes.

The beach forms a platform raised about 5 m above sea level, behind which there are elongate 3 m to 5 m high dunes largely parallel to the coast. The principal iron-bearing minerals in the dunes comprise magnetite, titanomagnetite, and ilmenite. Silicate minerals, which make up the bulk of the sands, are primarily plagioclase, pyroxene and amphibole.

A general stratigraphic sequence that is present throughout virtually all of the deposit area comprises (from top downwards): a "Surface Sand" unit; underlain by a "Gravel unit"; in turn underlain by a "Silt" unit; and in some cases, a "Mud" unit. Soil occurs in the area but is of very restricted development and is mainly attributable to the agricultural activities by local farmers.

Current Mineral Resources[1] reported for the project include a Measured and Indicated Resource of 206 Mt with a grade of 13.74% Fe, 1.81% TiO_2 and 0.07% V_2O_5 for the Surface Sand, as well as an Indicated Resource of 327.6 Mt with a grade of 7.22% Fe, 0.9% TiO_2 and 0.03% V_2O_5 for the underlying Gravel horizon.

Indo has previously completed a BFS for the Jogjakarta Pig Iron Project, based on supplying a beneficiated concentrate to a smelter employing the CircoSmelt process.

[1] Refer to Indo Mines Ltd ASX announcement dated 30 September 2015

Changes to Indonesian mining regulations have resulted in a ban on the export of unprocessed, or insufficiently processed, material. This, together with changes in the iron ore market, has resulted in Indo seeking alternative development routes for the project, including current discussions with a potential strategic partner.

Valuation

CSA Global's opinion on the current market value of the Kulon Progo iron sands deposit is based primarily on consideration of various market-based valuation methods, as our analysis of DCF models has indicated that the development project is marginal at best, prior to consideration of risk discounts that CSA Global believes would be appropriate. CSA Global has also considered the Yardstick method as a reasonableness check for the market-based and DCF methods (Figure 1).

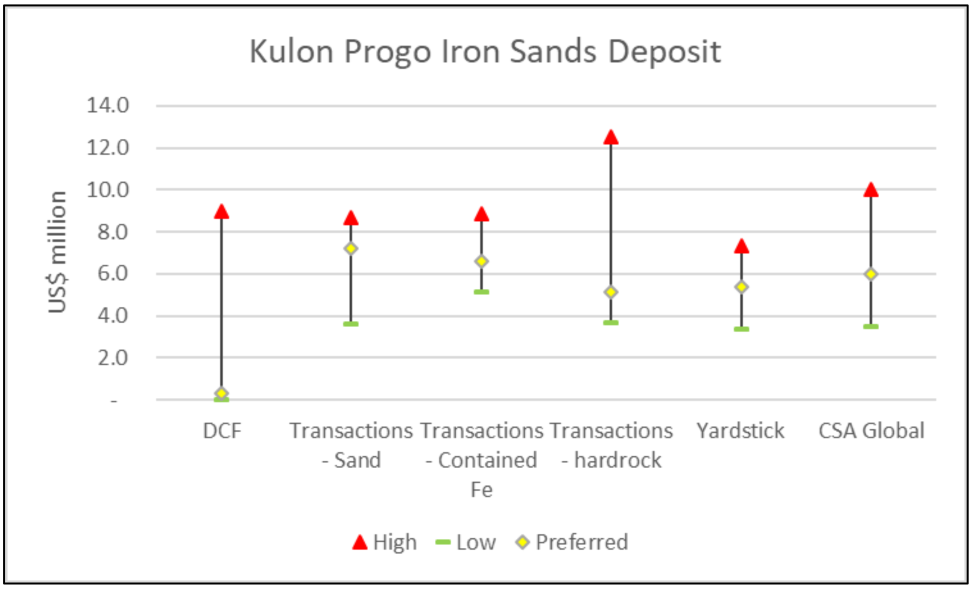

Figure 1: Summary of valuation methods and CSA Global opinion on value

CSA Global has discounted the market-based valuations which consider comparative iron sands projects by 80%, due to the perceived risk to the market value of Indonesian bulk commodity projects as a result of the new Indonesian mining regulations.

It is CSA Global's opinion that the value of the Kulon Progo Iron Sands Deposit, on a 100% basis, is in the range of US$3.5 million to US$10.0 million, with a preferred value of US$6.0 million, at a reference date of 11/12/17.

In setting a Preferred value within the lower portion of the value range, CSA Global has considered the following factors with regards to the Kulon Progo Deposit:

- Risk in the current resource classification due to insufficient characterisation of magnetic recoveries and concentrate composition, as well as deleterious elements not being interpolated.
- Risk related to the uncertainties concerning the exploitation of the gravel resources.
- Current Indonesian regulations, predominantly the inability to export material mined from a CoW.
- The lack of a domestic market for iron sands.
- The likely high titanium and vanadium contents of any possible concentrate to be marketed.

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1 Introduction

1.1 Context, Scope and Terms of Reference

Indo Mines Limited ("Indo" or "the Company") is a Sydney-based, Indonesian-focused mining and metals company listed on the Australian Securities Exchange (ASX) under the symbol IDO. Indo's key assets are related to the Jogjakarta Pig Iron Project in Indonesia.

The Company has engaged BDO Corporate Finance (WA) Pty Ltd ("BDO") to prepare an Independent Expert's Report ("IER") for inclusion with a Target Statement to assist the shareholders of the Company.

The Target Statement will address, and the BDO report will address, the proposed takeover by PT Surya Langgenf Utama ("Bidder"). On 10 November 2017, the Bidder, a wholly-owned subsidiary of PT Rajawali Corpora ("Rajawali") announced its intention to make a conditional cash offer of $0.02 per share for all of the shares in the Company that Rajawali or its associates does not already own. Rajawali and its associates currently hold 57.12% of the issued share capital of the Company.

CSA Global Pty Ltd (CSA Global) was commissioned by BDO to prepare an independent opinion on the Market Valuation of the Kulon Progo Iron Sands Project, referred to in Indo's public releases as the Jogjakarta Pig Iron Project ("CSA Global Report" or the "Report"), in accordance with the requirements of the VALMIN Code 2015[2]. BDO will rely on, and the BDO Report will refer to, the CSA Global valuation opinion, and a copy of the CSA Global Report will be appended to the BDO Report.

The BDO Report will provide an opinion to Indo's shareholders, and as such it will be a public document. CSA Global consent to the use of the CSA Global Report in the form and context in which it will be published.

1.2 Compliance with the VALMIN and JORC Codes

The Report has been prepared in accordance with the VALMIN Code, which is binding upon Members of the Australian Institute of Geoscientists (AIG) and the Australasian Institute of Mining and Metallurgy (AusIMM), the JORC Code[3] and the rules and guidelines issued by such bodies as the Australian Securities and Investments Commission (ASIC) and ASX that pertain to Independent Experts' Reports (IERs).

The authors have taken due note of the rules and guidelines issued by such bodies as ASIC and ASX, including ASIC Regulatory Guide 111 – Content of Expert Reports, and ASIC Regulatory Guide 112 – Independence of Experts.

1.3 Principal Sources of Information

The Report has been based upon information available up to and including 9 December 2017. The information was provided to CSA Global by Indo, or has been sourced from the public domain, and includes both published and unpublished technical reports prepared by consultants, and other data relevant to Indo's projects.

The authors have endeavoured, by making all reasonable enquiries within the timeframe available, to confirm the authenticity and completeness of the technical data upon which the Report is based.

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[2] *Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets*. The VALMIN Code, 2015 Edition. Prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists.

[3] *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves*. The JORC Code, 2012 Edition. Prepared by: The Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

CSA Global personnel undertook site visits to the Kulon Progo Iron Sands Project in 2009 and 2011. CSA Global has had access to and discussions with key Indo personnel, and the current resource Competent Person, and CSA Global is satisfied that there is sufficient current information available to allow an informed evaluation.

Tenement information, including the CoW documentation, was provided by Indo; details are contained in the relevant section describing the Mineral Asset. CSA Global made independent enquiry on the Indonesian mines department website regarding the status and details of the CoW. CSA Global makes no other assessment or assertion as to the legal title of tenements, permits, approvals, etc. and is not qualified to do so.

1.4 Authors of the Report – Qualifications, Experience and Competence

The Report has been prepared by CSA Global, a privately-owned consulting company that has been operating for over 30 years; with its headquarters in Perth, Western Australia.

CSA Global provides multi-disciplinary services to a broad spectrum of clients across the global mining industry. Services are provided across all stages of the mining cycle from project generation, to exploration, resource estimation, project evaluation, development studies, operations assistance, and corporate advice, such as valuations and independent technical documentation.

The information in this report that relates to Technical Assessment and Valuation of Mineral Assets reflects information compiled and conclusions derived by Trivindren Naidoo, who is a Member of the Australasian Institute of Mining and Metallurgy. Trivindren is not a related party or employee of Indo. Trivindren has sufficient experience relevant to the Technical Assessment and Valuation of the Mineral Assets under consideration and to the activity which he is undertaking to qualify as a Practitioner as defined in the 2015 edition of the “Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets”. Trivindren consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The valuation of Mineral Resources and Exploration Properties was completed by CSA Global Principal Consultant, Mr Trivindren Naidoo, MSc (Exploration Geology), Grad.Cert (Mineral Economics), FGSSA, MAusIMM, and Pr.Sci.Nat. (Geology). Trivindren is a consulting geologist with over 17 years’ experience in the minerals industry, including 12 years as a consultant. He has an extensive background in mineral exploration, and specialises in due diligence reviews, project evaluations and valuations, as well as code-compliant reporting. Trivindren’s knowledge is broad-based, and he has wide-ranging experience in the field of mineral exploration and resource development, having managed or consulted on various projects ranging from first-pass grassroots exploration to brownfields exploration and evaluation. Trivindren has the relevant qualifications, experience, competence, and independence to be considered a “Specialist” under the definitions provided in the VALMIN Code and a “Competent Person” as defined in the JORC Code.

The technical assessment of the Mineral Resources was completed by CSA Global Principal Geologist, Mr Dmitry Pertel, MSc (Geology), MAIG, MGAA. Dmitry has over (26) years’ of geological experience in mining, exploration and field work, office and operations establishment and management together with specific skills in mining and geological computer applications using Datamine, Micromine and other software, database management, resource modelling and evaluation, consulting, due diligence services and audits. Dmitry has the relevant qualifications, experience, competence and independence to be considered a “Competent Person” relevant to the style of mineralisation and type of deposit described in the Report, as defined in the JORC Code.

The assessment of the technical inputs in the Jogjakarta mining studies was undertaken by CSA Global Principal Mining Engineer, Wayne Ghavalas, BSc(Eng:Mining), GDipAppFinInv, MAusIMM. Wayne is a mining engineer with over 20 years of experience. This mining experience has been gained in operational, technical and consulting roles. Site based experience has been gained in South Africa, Namibia and Australia. Non-mining experience is in mergers and acquisitions, venture capital and capital raisings.

The reviewer of the Report is CSA Global Manager Corporate, Principal Geologist Graham Jeffress, BSc (Hons) Applied Geology, FAIG, RPGeo (Mineral Exploration), FAusIMM, FSEG. Graham is a geologist with over 25 years' experience in exploration geology and management in Australia, Papua New Guinea and Indonesia. He is Principal Geologist with CSA Global in Perth and manages the Exploration and Evaluation Division. Graham has worked in exploration (ranging from grassroots reconnaissance through to brownfields, near-mine and resource definition), project evaluation and mining in a variety of geological terrains, commodities and mineralisation styles within Australia and internationally. He is competent in multidisciplinary exploration, and proficient at undertaking prospect evaluation and all phases of exploration – sampling, mapping, prospecting and drilling through to resource definition; as well as project management including planning, budgeting, logistics, safety, people management, landowner liaison and project presentation. Additionally, Graham has completed numerous Independent Geologist Reports, Competent Person Reports, and Independent Valuation Reports. Graham was a Federal Councillor of the Australian Institute of Geoscientists for 11 years and joined the Joint Ore Reserves Committee in 2014.

1.5 Prior Association and Independence

The authors of this report have no prior association with Indo in regard to the Mineral Assets. Neither CSA Global, nor the authors of this report, have or have had previously, any material interest in Indo or the mineral properties in which Indo has an interest. CSA Global's relationship with Indo is solely one of professional association between client and independent consultant.

CSA Global is an independent geological consultancy. This report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report. The fee for the preparation of this report is approximately A$28,300.

No member or employee of CSA Global is, or is intended to be, a director, officer or other direct employee of Indo. No member or employee of CSA Global has, or has had, any shareholding in Indo. There is no formal agreement between CSA Global and Indo to CSA Global conducting further work for Indo.

Between 2009 and 2012, CSA Global provided a range of services to the Company, encompassing valuation, resource estimation and mining studies. Since that time there has been no contracts for work.

1.6 Declarations

The statements and opinions contained in this Report are given in good faith and in the belief that they are not false or misleading. This Report has been compiled based on information available up to and including the date of this Report. The statements and opinions are based on the reference date of 11 December 2017 and could alter over time depending on exploration results, mineral prices and other relevant market factors.

The opinions expressed in this Report have been based on the information supplied to CSA Global by Indo. The opinions in this Report are provided in response to a specific request from BDO to do so. CSA Global has exercised all due care in reviewing the supplied information. Whilst CSA Global has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. CSA Global does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features, as they existed at the time of CSA Global's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which CSA Global had no prior knowledge nor had the opportunity to evaluate.

CSA Global's valuations are based on information provided by Indo and BDO, and public domain information. This information has been supplemented by making all reasonable enquiries within the timeframe available, to confirm the authenticity and completeness of the technical data.

No audit of any financial data has been conducted. The valuations discussed in this Report have been prepared at a reference date of 11 December 2017. It is stressed that the values are opinions as to likely values, not absolute values, which can only be tested by going to the market.

1.6.1 Notice to Third Parties

CSA Global has prepared this Report having regard to the particular needs and interests of our client, and in accordance with their instructions. This Report is not designed for any other person's particular needs or interests. Third party needs and interests may be distinctly different to the Client or Indo's needs and interests, and the Report may not be sufficient nor fit or appropriate for the purpose of the third party.

CSA Global has created this Report using data and information provided by or on behalf of the Client, Indo, or Indo's agents and contractors. Unless specifically stated otherwise, CSA Global has not independently verified that all data and information is reliable or accurate. CSA Global accepts no liability for the accuracy or completeness of that data and information, even if that data and information has been incorporated into or relied upon in creating this Report.

1.6.2 Results are Estimates and Subject to Change

The interpretations and conclusions reached in this Report are based on current scientific understanding and the best evidence available to the authors at the time of writing. It is the nature of all scientific conclusions that they are founded on an assessment of probabilities and, however high these probabilities might be, they make no claim for absolute certainty.

The ability of any person to achieve forward-looking production and economic targets is dependent on numerous factors that are beyond CSA Global's control and that CSA Global cannot anticipate. These factors include, but are not limited to, site-specific mining and geological conditions, management and personnel capabilities, availability of funding to properly operate and capitalise the operation, variations in cost elements and market conditions, developing and operating the mine in an efficient manner, unforeseen changes in legislation and new industry developments. Any of these factors may substantially alter the performance of any mining operation.

2 Jogjakarta Pig Iron Project

Indo Mines Limited is an Australian Stock Exchange listed company that owns a 70% interest in the Jogjakarta Pig Iron Project through its 70% shareholding in PT Jogja Magasa Iron ("JMI"). The other 30% of JMI and the Project is held by PT Jogja Magasa Mining ("JMM"). JMI is a Foreign Investment Joint Venture Company under Indonesian law.

2.1 Location and Access

The Jogjakarta Pig Iron Project is located on the south coast of the Indonesian island of Java, about 32 km, or about an hour's drive, south southwest of the capital of Jogjakarta Province, Jogjakarta (Figure 2). The Kulon Progo iron sands deposit lies entirely within the Jogjakarta Regency and extends over about 22 km of east-west coastline between the Bogowonto and Progo Rivers, and for a distance up to about 1.8 km northward from the shoreline.

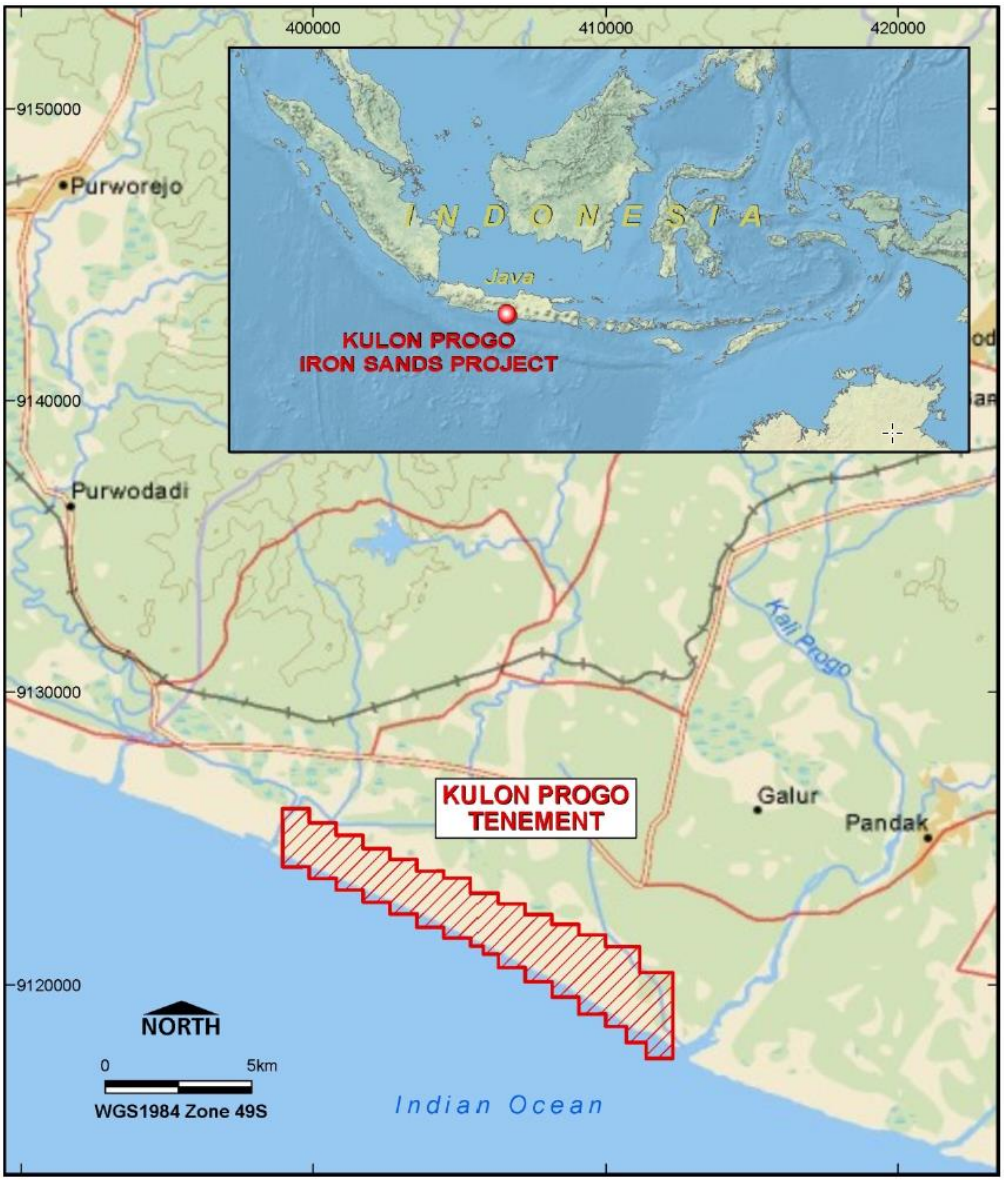

Figure 2: Location of Jogjakarta Pig Iron Project

Source: Indo Mines

Access to the project area is via sealed provincial highways or local sealed roads to the southwest from Yogyakarta. There are a number of routes that could be taken from the city of Yogyakarta, with the most direct route to one mining area at Pantai Glagah (Glagah Beach, village of Karangwuni) taking approximately 1 hour and then an additional 30 minutes to the second mining area of Pantai Trisik (Trisik Beach) via hardened unsealed roads. Yogyakarta itself is a major Indonesian city, well serviced by commercial airlines and road networks from other parts of Indonesia.

2.2 Topography and Climate

Southern Java has a typical tropical climate, with the Project area situated at a latitude of about 7°56'S. The wet season extends from November to February, with the remainder of the year relatively dry. Annual rainfall is about 2,700 mm. Although rainfall events can be very intense, the iron sands contain little clay and are free draining. Temperatures are relatively constant year round and are generally moderate to hot.

The area between the Progo and Bogowonto Rivers is essentially flat, apart from the beach that slopes down to the Indian Ocean (Figure 3). Topographic relief from the shoreline to the tops of a series of east-west elongate sand dunes is about 15 metres. Relief over the raised part of the beach, i.e. the height of the dunes, is about 4 or 5 metres, although in many places the dunes have been levelled out for agriculture.

Figure 3: Iron Sands on Indian Ocean Shoreline

Natural vegetative cover is relatively sparse, with dense thickets of shrubs and bushes interspersed with open areas with a cover of straggly ground covers. Natural vegetation is now only present adjacent to the coastline in areas of uncultivated land extending from 100 to 500 m inland. North of this coastal strip the land is mostly cultivated to varying degrees, with cultivation becoming progressively more intense toward the north.

2.3 Mineral Tenure

Tenement information was provided by Indo. The Mineral Asset comprises a Contract of Work 008/KPTS/KP/EKPL/X/2005 (Figure 4).

The JMI CoW concession area is based on the legality of a Contract of Work (CoW) signed on the 4th November 2008.

The coordinates of the concession, as outlined within the statutory documents, provided in Appendix 1. The CoW area has been adjusted on a number of occasions from the inception of the project in 2005 (Figure 4). The latest adjustment is date stamped October 2013. The CoW covers an area of 2,977 ha.

A CoW is a concession used by foreign investment for participation in Indonesian mining projects. The system is a binding contractual arrangement between the concession owner and the Republic of Indonesia, which sets out a series of development steps and stages from initial surveys to development and production. Although no longer issued under the new mining law, a number of CoWs exist for a number of commodities throughout Indonesia and are considered the most secure form of mineral concession within Indonesia.

The Kulon Progo Project is a joint venture between Indo Mines Limited (70%) and PT Jogja Magasa Mining (JMM, 30%).

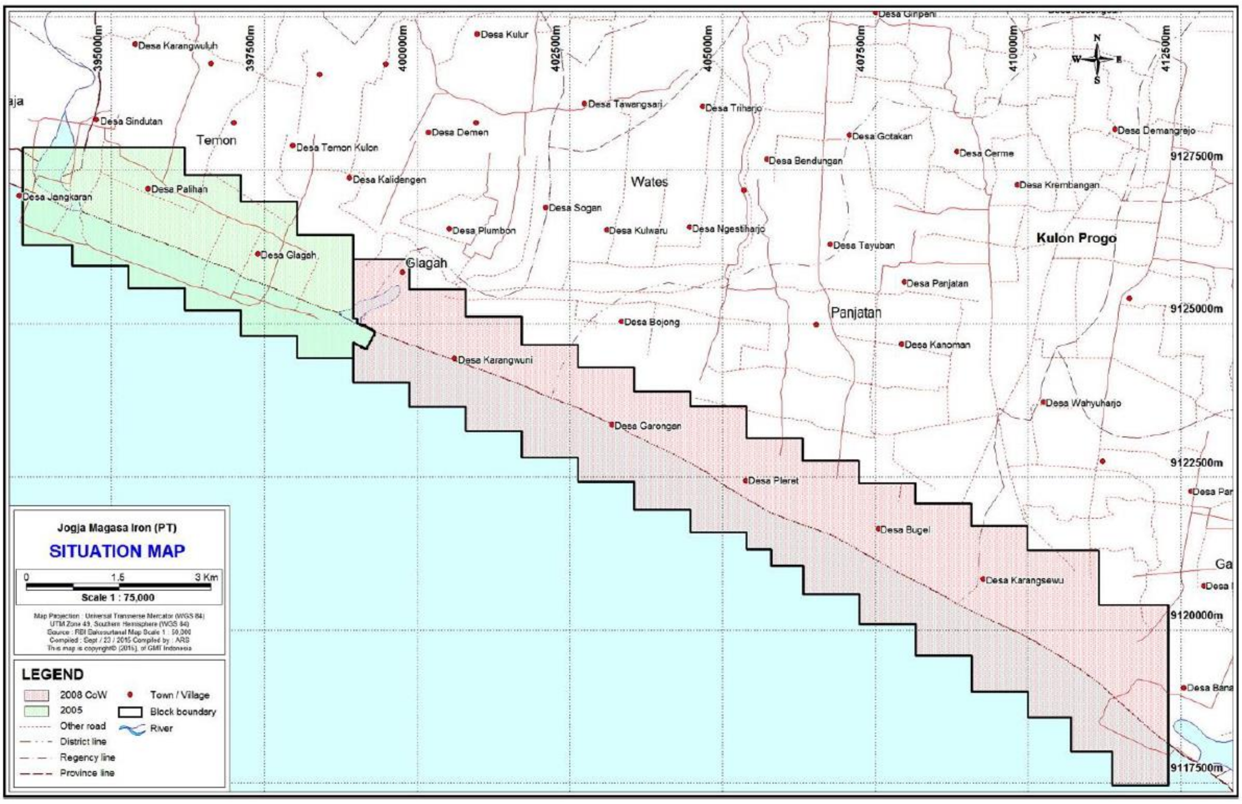

Figure 4: Location of the JMI CoW

Current area (shaded red) and the original area explored (green shaded area in addition to the red shaded area)

CSA Global undertook an independent check on the tenure on the DESDM website (Dept of Energi dan Sumber Daya Mineral, the short form of Kementerian Energi dan Sumber Daya Mineral Republik Indonesia, the Ministry of Energy and Mineral Resources of the Republic of Indonesia). The enquiry confirmed that the CoW exists, is registered to PT JMI and is recorded as issued.

CSA Global makes no other assessment or assertion as to the legal title of tenements, permits, approvals, etc. and is not qualified to do so.

Indo owns 70% of the Project through a 70% owned Indonesian subsidiary company JMI, the balance of which is owned by a consortium of Indonesian business people. A Contract of Work ("CoW") for the development of the Project was granted in November 2008.

The CoW provides security of tenure over the property and agreed guidelines for the development and operation of the Project, as well as permitting JMI to mine and process iron sands throughout Indonesia. It grants JMI the sole rights to explore for iron sands and associated minerals in the Contract Area (Figure 4) and to mine, process, store, transport, market, sell and/or dispose of iron sand and its end products.

The CoW is valid for a total of 55 to 80 years, provided that JMI meets the minimum requirements of a five stage defined work program comprising:

- General Survey Period. To be completed within 1 year from 4 November 2008, in which the most likely areas for mineral deposits are determined within the Contract area. Minimum expenditure US$2,700, with provision for a 1 year extension with Government approval.
- Exploration Period. Term 3 years from the end of the General Survey Period, with provision for 2 x 1 year extensions, during which a detailed exploration program considered appropriate by JMI must be completed and a minimum of US$3,000 expended.
- Feasibility Study Period. Completion of a feasibility study over a period of 1 year from the completion of the Exploration Period, with a 1 year extension available if JMI requires more time to complete the evaluation. No minimum expenditure specified.
- Construction Period. Construction of a mine and associated facilities within a period to be agreed with the Government, with provision for extension if applied for by JMI. No minimum expenditure specified.
- Operating Period. Mining and processing iron sand and/or other minerals to produce products including, but not limited to, pig iron and vanadium slag. The Operating Period includes the construction and operation of the pig iron plant and associated facilities, all the necessary licences and permits for which are granted by the CoW. The term of the Operating Period is 30 years from the commencement of mining, with provision for 2 x 10 year extensions, approval of which will not be unreasonably withheld.

The first three stages have been completed.

Indo announced that the CoW at Kulon Progo has successfully been put into suspension with the Indonesian Ministry for Resources ESDM, which allows for minimal "on-ground" activity and investment. The suspension is valid until April 2018, and must be renegotiated on a yearly basis.

2.3.1 Forestry Status

The forestry zonation of the project area, an important aspect of any mining project in Indonesia, according to Forestry Ministry shows that the CoW comprises APL (Other Land Use) over the entire concession area. The APL area, by its nature, does not require forestry permits for exploration or production (Gunter, 2015).

2.3.2 Indonesian Mining Regulations

Mining regulation in Indonesia has created challenges for firms who are holders of Contracts of Work ('CoWs'), Coal Contracts of Work ('CCoWs') and holders of Mining Business Licenses ('IUPs'). CoWs and CCoWs were offered to foreign investors prior to the introduction of the new mining regulation in 2009.

The Indonesian Government introduced new mining regulation (Law No. 4 of 2009 on Mineral and Coal Mining) in 2009, which *required that minerals be processed domestically*. The purpose of the regulation was to create jobs and spur national growth.

From 2009 onwards, CoWs and CCoWs have gradually been replaced by a single area based licensing system. Further regulation banning the export of unprocessed (or insufficiently processed) mineral ores from Indonesia was introduced in 2014.

Some holders of CoWs and CCoWs are converting to the new licensing system ('IUPK-OP'), because *under new regulation, only IUPK-OP holders can export processed products*. Moving from different systems has brought on a renegotiation process with the Indonesian Government. The uncertainty surrounding the renegotiation process, as well as the restrictions placed on the export of mineral ores, has meant that some companies within Indonesia have either suspended operations or put projects on hold.

The Indonesian government enacted a new ruling in 2017, allowing mining companies to export processed products for a period of five years from 11 January 2017, as long as they paid export duties and met the minimum domestic processing and refining requirements.

New divestment rules were also introduced in 2017. Under the new regulation, companies who are IUP or IUPK holders with foreign shareholders must divest their shares in stages, between years five and ten of production, such that by the tenth year of production foreign shareholders will have a maximum 49% shareholding. Under previous regulation, there was an exemption for companies with underground mining operations or smelting, however these exemptions have been removed under new regulation.

2.4 Local Infrastructure

Jogjakarta is serviced by several flights a day from the Indonesian capital, Jakarta, and the Balinese capital, Denpasar, with connecting flights to several Australian capital cities available daily. There are excellent sealed roads that enable access to either end of the property, and a minor sealed road that passes through the numerous villages that are located about 1.5 km inland from the coast. Between this road and the coast, there is a network of both sealed and unsealed roads throughout the area. Indo has established an office/sample storage facility in the town of Glagah, near the western end of the deposit.

There are 500 kV and 150 kV power lines in close proximity to the proposed location for the smelter near the western end of the property, and an existing 150 kV transfer station 1 to 2 km away. The main railway line from Jogjakarta to Bandung and Jakarta passes through the town of Wates (Figure 2). There is no widely available cable telephone system, however, reliable cellular phone coverage is available throughout the area. Local water requirements are largely sourced from shallow groundwater wells. There is a small harbour for fishing vessels at the mouth of the Serang River which appeared to be undergoing upgrading at the time of CSA Global's site visit. An Indonesian Air Force radar installation is present near the town of Congot in the west of the area.

3 Exploration History

Gunter (2015) compiled a history of work over the CoW.

3.1 Geological Survey of Indonesia 1971

The Kulon Progo iron sands have been explored on a number of occasions dating from approximately 1971 when a survey was carried out by the Geological Survey of Indonesia (GSI), an economic study by the Japanese Overseas Technical Cooperation Agency and a feasibility study by Sverdrup and Parcel Inc. However, there does not appear to be any records of this work (Cary, 2009).

The Australian Government (GSI) evaluated several mineral deposits in Indonesia, including the Kulon Progo area and in May 1973 reported a resource estimate of 20.4 million tons (or tonnes - not established) of contained magnetite grading 54.9% Fe was likely situated above the water table (Carey, 2009). The dominant iron mineral recorded was magnetite, with very minor alteration to limonite and some partially altered ilmenite was also recorded together with orthopyroxene and quartz. It was noted that the magnetite was titaniferous, containing up to 11% TiO2 (Carey, 2009).

3.2 Australian Mineral Development Laboratories 1973

In 1975, the Australian Mineral Development Laboratories ("AMDEL") completed a feasibility study for the development of the deposit as potential feed for a magnetite pelletising plant, including the preparation of resource estimates in October 1973 (Howarth, et al., 1973). AMDEL had access to a database of 2,515 drill holes, which appears to post-date that attributed to the GSI. Sample intervals were over 1 metre, composites from surface to the water table, from the water table to sea level and in many cases below sea level. The drilling technique was not known.

Resource estimation was undertaken on the basis of 100m x 400 metre blocks that generally each contained four boreholes. In keeping with the terminology, the material was described in October 1973 as an "ore reserve" which, at a cut-off of 8% soluble iron, constituted 231,970,000 tonnes and at average 12.25% soluble Fe. It is noted that this "reserve" estimate is not JORC (2012) compliant and quoted only as a historical estimate.

It was noted that highest Fe grades occurred at the eastern end of the beach, decreased towards the centre and again increasing to the west. Grades were recorded as being highest near surface and to decrease with depth. A detailed mineralogical examination indicated little lateral variation in mineralogy or sizing, but that the sand became coarser with depth and that iron oxide minerals are increasingly locked up with gangue minerals at depth.

3.3 Mackay & Schnellmann 2006

The exploration program that generated the drilling data used in this resource estimate was completed by MacKay and Schnellmann commencing in March 2006 and was largely completed by the end of July 2006 (Reynolds, 2006).

The drilling program covered the original 2005 CoW limits which extend approximately 6km further northwest of the current 2008 CoW. The report compiled by Reynolds (2006) is extremely comprehensive and detailed, adding a high level of confidence that the data collection procedures and QA/QC protocols were best practice. Notably, all reports we have reviewed in compiling this report have relied heavily on the observations made by Reynolds (2006).

3.4 Snowden 2007

Snowden Mining Industry Consultants (Snowden) conducted an analysis of the drilling sample data to determine whether the stratigraphic horizons within the deposit are homogeneous in terms of grade ahead of IM commencing metallurgical test work. The work consisted of an evaluation of internal grade distributions for the Surface Sand and Gravel stratigraphic domains. Average grades were calculated for the elements of interest (Fe, Al2O3, SiO2, P, TiO2 and V2O5) for layers with similar depth below surface (Schoning, 2007).

Snowden concluded that for the Surface Sand unit:

- Fe, TiO2, P, V2O5 and magnetic susceptibility decrease with depth.
- SiO2 and Al2O3 increased with depth.
- The standard deviation for grade for all elements was found to be low throughout the profile.
- Fe variability across strike indicates that the grade consistently decreases slightly toward the centre of the deposit over much of its strike extent.
- Fe content was quite uniform along strike.

3.5 CSA Global 2009-2011

A number of reports were commissioned by IML for the project, with CSA Global Pty Ltd being the main consulting firm used. These included an independent valuation and assessment (Cary, 2009), an estimate of the gravel layer Resource (Jones, 2011), a feasibility study (Bath, 2011), an estimate of the surface sand Resource (Jones et al., 2011) and a surface sand Resource estimate summary (Jones et al., 2013).

There has been no real data acquisition since these report were compiled, with the current data set basically the same used by all previous workers and that originating from the 2006 exploration works completed.

3.6 SRK Consulting 2012

The latest formal work appears to be a valuation report by SRK Consulting (Australia) Pty Ltd completed in September 2012 (Stepcich, 2012).

3.7 Exploration and evaluation methods

Air core drilling at the Kulon Progo deposit used a nominal 89 mm (3.5") diameter bit with 1.5 metre long drill rods. The Surface Sand unit was easier to drill than the deeper Gravel unit, which tended to cave badly, especially when large inflows of water occurred. Holes were often abandoned in the Gravel unit.

During the 2006 drilling program, 929 holes were completed for 14,468 m of drilling for an average depth of approximately 15.6m. Holes were drilled, where possible to a minimum target depth of 15 metres with the deepest hole reaching 37 m.

A total of 10,361 one-metre samples, 490 standard samples, 469 blank samples and 417 duplicate samples of drilling were analysed by ALS Chemex in Perth, Western Australia.

Samples were routinely analysed for a suite of 11 elements and oxides by XRF with Loss on Ignition (LoI) being determined gravimetrically. The variables determined were Al_2O_3, CaO, Fe, K_2O, MgO, Mn, P, S, SiO_2, TiO_2, V_2O5, and LoI.

4 Geology

Iron sand deposits occur along the south coast of Java as raised beaches immediately inland from the coast. The source of the magnetite is believed to be basaltic and andesitic volcanic rocks, the erosional products from which are transported down drainages to the coast where they are deposited and reworked by coastal wave and wind action (Reynolds, 2006).

4.1 Regional Geology

The bedrock geology of Java consists of a Lower Tertiary volcanic sequence with overlying Middle Tertiary limestone. These rock types are in turn covered by later detrital deposits including alluvium and iron sand beaches.

The Tertiary volcanic sequence ranges from andesite and basalt to rhyolite, which occur as large volcanoes, some of which are still active. The basaltic and andesitic volcanic rocks contain a small proportion of magnetite and are considered to be the original source of magnetite in the beach sand deposits. During erosion, the magnetite has been transported down the drainages to the coast where they are deposited and reworked by wave and wind action forming raised beaches (*Figure 5*). During the course of this transportation, deposition and reworking, magnetite was partially or completely liberated from associated silicate minerals such as feldspar and pyroxene (Reynolds, 2006).

4.1.1 Stratigraphy

The 2006 drilling program defined a general stratigraphic sequence that is present throughout the area (Reynolds, 2006). From the top downwards, the sequence generally consists of a “Surface Sand” unit underlain by a “Gravel unit”, which in turn overlies a “Silt” unit and/or a “Mud” unit.

Soil occurs in the area, but is of very restricted development and is probably mainly attributable to the agricultural activities by local farmers. Although soil is considered to exist over much of the deposit, it is generally very thin and was not therefore usually logged as a separate unit.

Surface Sand

The Surface Sand unit is present over virtually the entire deposit area and ranges from 0 m to 15 m in thickness with an average of 6 m. The base of the Surface Sand is undulating, but not specifically related to the present topographical surface.

The sand is fine to medium grained with the average grain size increasing towards the base of the unit. The unit is composed mainly of magnetite, feldspar and pyroxene (Howarth, et al., 1973; Reynolds, 2006) with highest concentrations of magnetite tending to be within the upper 1-3 m of the unit, where values up to ≈20% Fe are recorded, and decreasing towards the base of the unit. The iron grade ranges from 5.1% to 37.5% Fe with a mean grade of 13.2% Fe.

The boundary between Surface Sand and underlying Gravel unit is usually very distinct, although in certain cases the boundary is logged as gradational which may relate to the one metre sample intervals masking the transition.

It is possible that higher grades in the upper sections of the Surface Sands are a result of the magnetite near the surface being liberated and subsequently concentrated by water and/or wind action winnowing out lighter silicate minerals.

Gravel

The Gravel unit is present below the Surface Sand unit and was encountered in most drillholes that penetrated the full thickness of the Surface Sand. The Gravel thickness cannot be estimated, as only a few of the 2006 drillholes went deep enough to penetrate the base of this unit. According to Reynolds (2006) there does not seem to be any direct relationship between the Gravel roof and floor. The Gravel unit assays range from 4.5% to 21% Fe with a mean of 7.1% Fe.

Pebble- and gravel-sized particles constitute around 50% of the Gravel unit with the balance being fine to medium to coarse grained sands. The coarser fragments in the Gravel unit consist of rounded clasts of volcanic rock up to 60mm in diameter. As a consequence of the drilling method and recovery, it was not possible to tell if the unit consisted of homogenous gravel, or interlayer gravel and sandy beds.

Silt

The top of the Silt unit was intersected in all holes that penetrated the base of the Gravel unit, however the base of the silt unit was observed in only a few of the 2006 holes. Based on this lack of data, it is not possible to estimate any thickness parameters for this unit.

The Silt consisted of silt and fine-grained sand particles with the same mineralogy as for the Surface Sand and ranged from 5.3% to 17% Fe with a mean 9.3% Fe. Magnetic susceptibility readings indicated that much of the iron occurred as magnetite.

Mud

A Mud unit was encountered in the few boreholes that penetrated beneath the Silt unit and at shallower depths in a few drillholes located adjacent to the present day rivers. The Mud unit was very fine grained, making the mineralogical composition difficult to determine; however the iron content ranged from around 6.3% Fe to 13.2% Fe with a mean of 9.3% Fe.

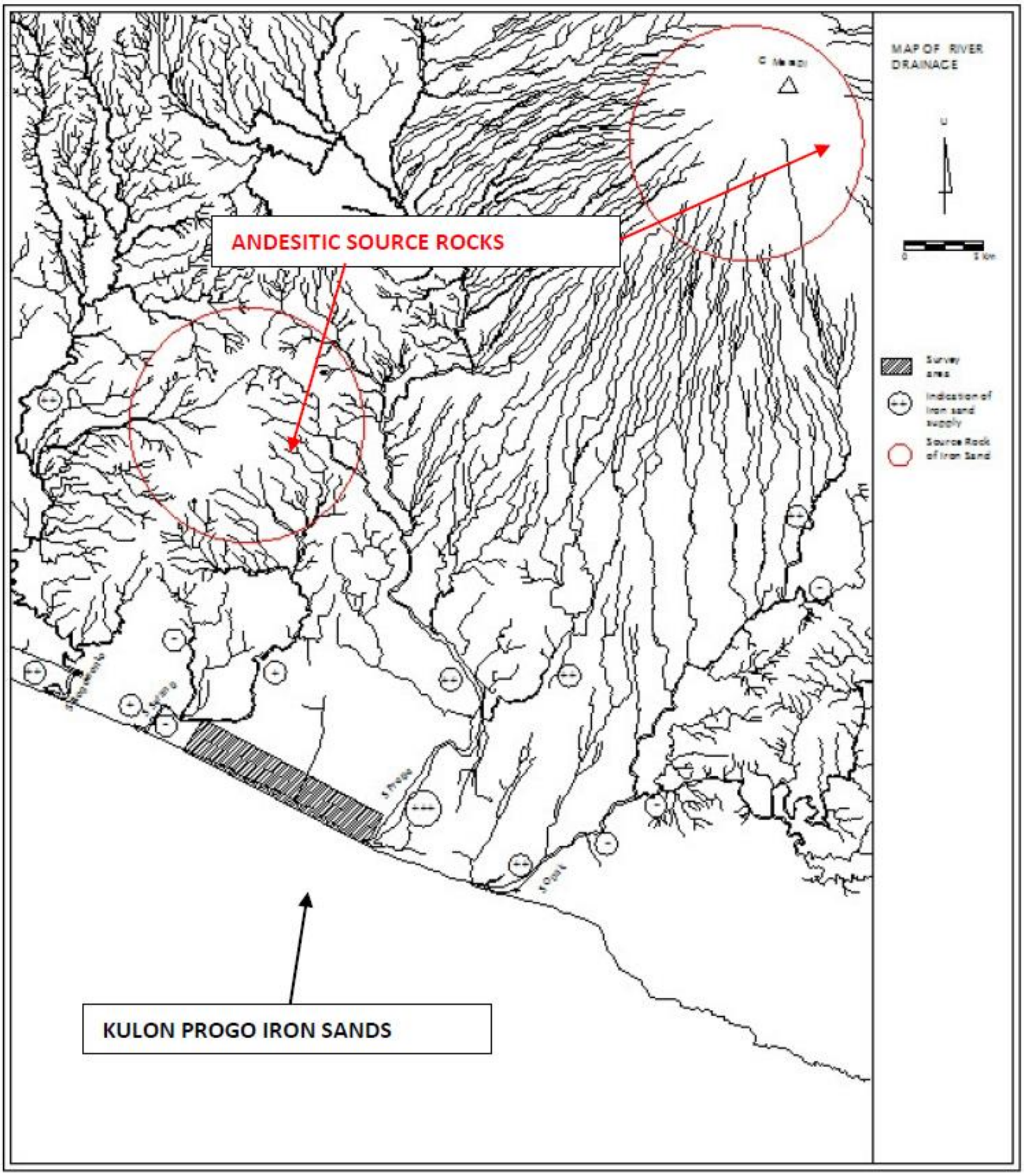

Figure 5. Drainage pattern of Bogowonto, Serang, Progo, and Opak Rivers. Probable sources of magnetite derived from andesitic volcanoes marked by red circles

Source: Syafrizal (2011).

4.2 Deposit Geology

The Kulon Progo iron beach sand deposit occurs between the Bogowonto and Progo Rivers which, along with other rivers in the area and were probably responsible for the transportation of the material from the volcanic hinterland to the beach depositional environment (Figure 6, where green polygons define andesitic source rocks for iron oxide mineralisation). The beach forms a platform raised about 5m above sea level, behind which there are elongate 3 to 5 m high dunes largely parallel to the coast.

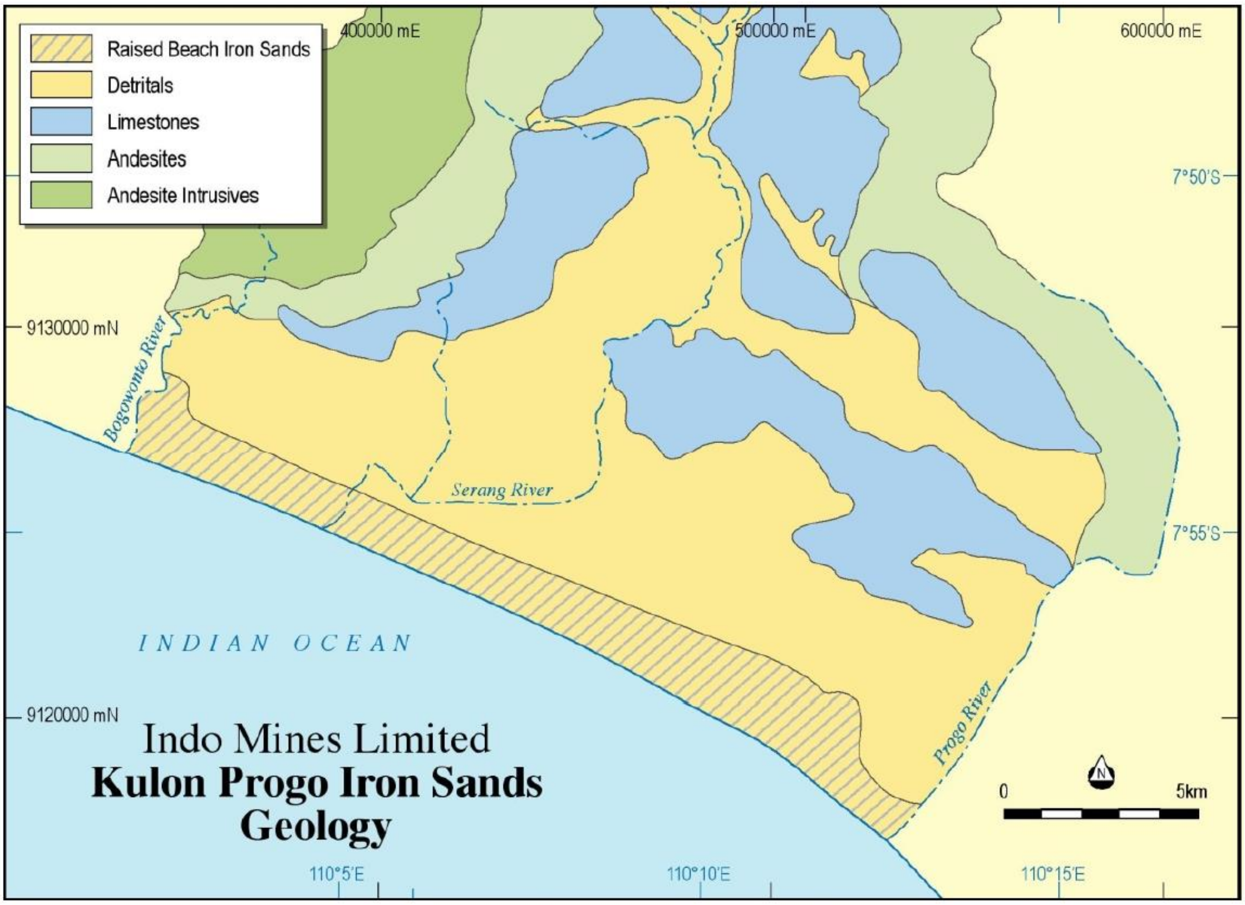

Figure 6 Local geology of the Kulon Progo deposit

Source: Reynolds (2006).

The principal iron-bearing minerals in the dunes consist of magnetite, titanomagnetite and ilmenite. Silicate minerals, which make up the bulk of the sands, are primarily plagioclase, pyroxene and amphibole (Howarth, et al., 1973; Reynolds, 2006).

As reported by Reynolds (2006) the drilling programme defined a general stratigraphic sequence that is present throughout virtually all of the area (Figure 7). From top downwards, the sequence generally consists of a “Surface Sand” unit underlain by a “Gravel unit”, in turn underlain by a “Silt” unit and in some cases a “Mud” unit. The 2006 drilling program defined a general stratigraphic sequence that is present throughout the area (Reynolds, 2006). Soil occurs in the area but is of very restricted development and is probably mainly attributable to the agricultural activities by local farmers.

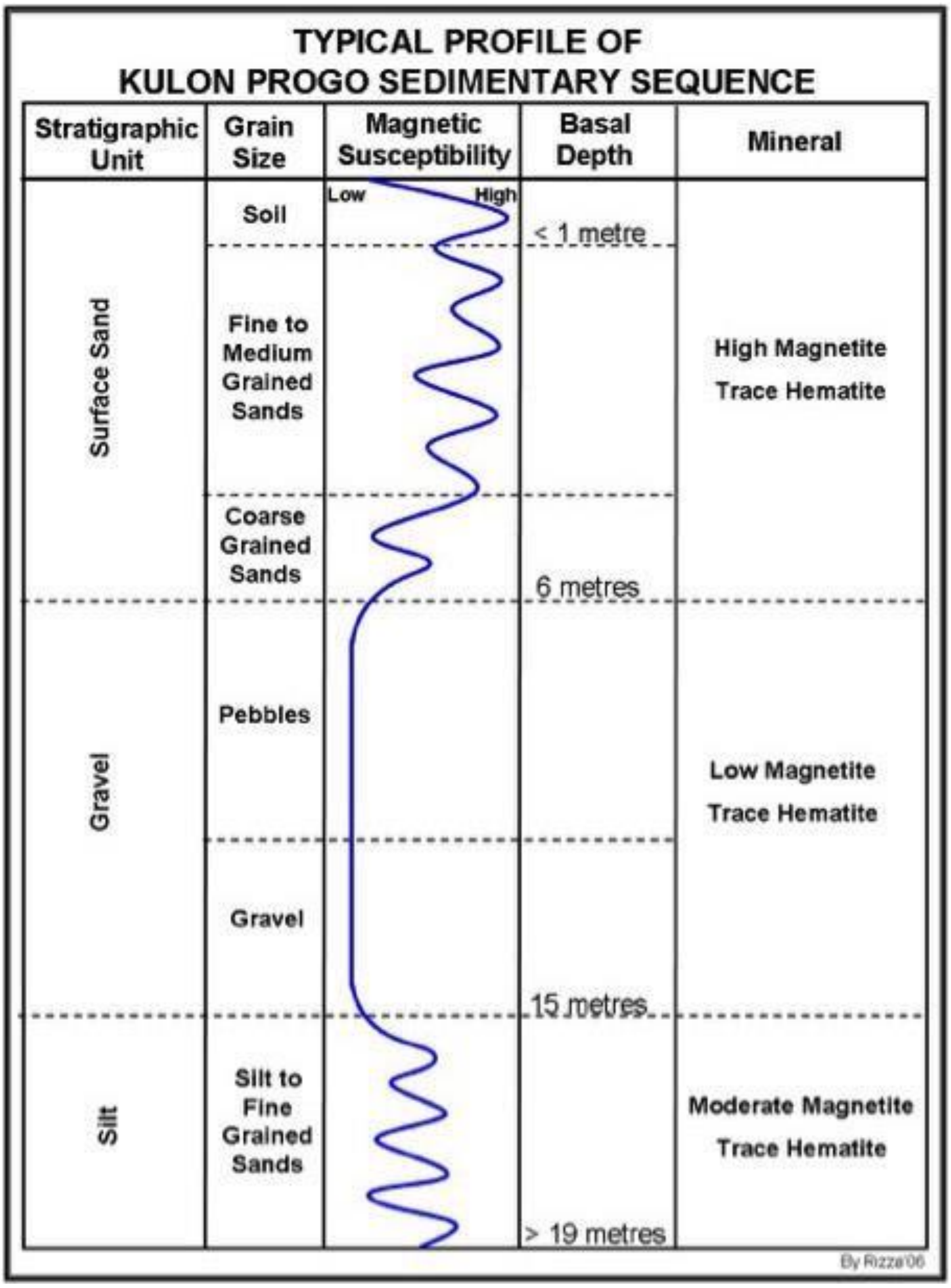

Figure 7: Generalised profile of the Kulon Progo sequence

with characteristics of each horizon from the Ss to Sl units (from Reynolds, 2006).

4.2.1 Surface Sand Unit (Ss)

The Surface Sand unit is present over virtually the entire deposit area and ranges from 0 to 15m in thickness with an average of 6m. The base of the Surface Sand is undulating, but not specifically related to the present topographical surface.

The sand is fine to medium grained with the average grain size increasing towards the base of the unit. The unit is composed mainly of magnetite, feldspar and pyroxene (Howarth, et al., 1973; Reynolds, 2006) with highest concentrations of magnetite tending to be within the upper one to three metres of the unit, where values up to +20% Fe are recorded, and decreasing towards the base of the unit. The Fe grade ranges from 5.1% to 37.5% Fe with a mean grade of 13.2% Fe (Figure 8).

The boundary between Surface Sand and underlying Gravel unit is usually very distinct, although in certain cases the boundary is logged as gradational which may relate to the one metre sample intervals masking the transition.

It is possible that higher grades in the upper sections of the Surface Sands are a result of the magnetite near the surface being liberated and subsequently concentrated by water and / or wind action winnowing out lighter silicate minerals.

The 2006 drilling program defined a general stratigraphic sequence that is present throughout the area (Reynolds, 2006). From the top downwards, the sequence generally consists of a "Surface Sand" unit underlain by a "Gravel unit", which in turn overlies a "Silt" unit and/or a "Mud" unit. A typical cross section is presented in Figure 8.

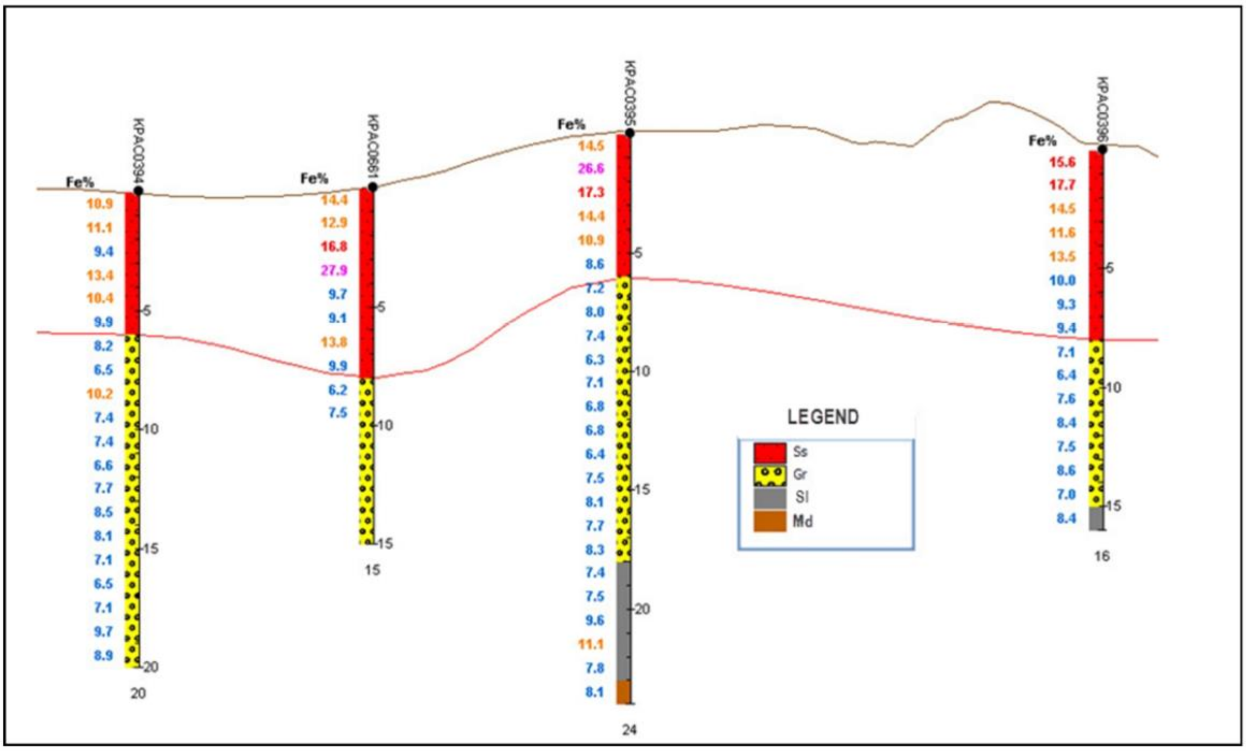

Figure 8: Cross section illustrating higher Fe % grades in the upper part of the Surface Sand

(Ss) unit, decreasing towards the underlying Gravel unit. Borehole KPAC 0395 intersected all four stratigraphic units. Borehole depths in metres. Vertical exaggeration = 5x.

4.3 Mineralisation

The Surface Sand (Ss), Gravel (Gr) and Silt (Sl) units are all mineralised in the sense that they contain liberated magnetite that is potentially extractable. The Ss unit is obviously the most attractive from a potential exploitation point of due to the higher grades and generally consistent nature of the Ss horizon.

Although the Gr unit is lower in grade than the Ss unit, there is the possibility of pre-screening to remove the coarse material and only processing the fine-grained fraction, which is similar in composition to the Ss material (interstitial sand between the larger clast material).

Iron and magnetite contents in the Sl unit are higher than for the Gr unit, although not as high as for the Ss unit. The extent of the Sl unit is not well defined in the drilling data and is excluded from any Resource estimate made here.

In a similar sense, there is limited data on the Fe content within the Md unit and, likewise, it is not considered a potential source of mineral Resources in this study. Schoning (2007) also noted various trends in grade variation for Fe within the Ss and Gr horizons:

- In Ss, the Fe tends to be evenly spread along the strike of the deposit, decreases with depth and has a depletion trend in the centre of the deposit,
- In Gr, the strike trend is generally homogenous with a slight increase near the edges of the deposit, this is similar for the cross-strike trend and Fe decreases with depth.

4.4 Geological Interpretation

Gunter (2015) noted that: *"In reviewing the exploration data, the geological interpretation is simple and cannot be interpreted in any other way. The sequence is clearly flat lying and extends parallel to the coastline in the area. The stratigraphy is not complex and has resulted from the deposition of surface sands and gravels containing variable concentrations of iron as both magnetite and other minerals containing iron. The sequence from the surface is Soil (in places), surface sand (deposited over the entire area with the best grades of Total Fe), gravel (deposited over the entire area, with lower Total Fe content) and underlying silt or mud.*

The various horizons are flat lying and extend for 14.7km along the coast within the concession and up to 1.8km inland from the high tide watermark. The mineralisation also extends to the northwest outside of the current CoW boundary and some drilling has been completed in this area when the concession was larger (2005 to 2008) concession area. "

4.5 Exploration Potential

It was noted that drilling was not completed to the limits of what was then the tenement, i.e. prior to the granting of the deposit. The majority of the area not drilled is presumably the area occupied by housing and other developments adjacent to the east-west sealed road that passes through the string of villages near the northern limit of the deposit. Previous reports were of the view that potential for resource additions extends at least as far north as the sealed road through the villages, but was uncertain of the potential to the north of the road as the area is under rice paddies that obscure the underlying geology. An exploration target for additional surface sand has been identified within the undrilled areas of the tenement by the Company. This target is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource. It is not certain that further exploration will result in the estimation of such a Mineral Resource.

5 Mineral Resources

The most recent MRE was completed by PT GMT Indonesia (GMT) in September 2015 (see ASX release on 30 September 2015, reporting the work of Gunter (2015)) . This section of the Report contains information on the review of the main phases and stages of the work to model and estimate the deposit's Mineral Resources, and CSA Global's opinion on the appropriateness of the applied modelling methodology and of the quality of the estimate.

5.1 Mineral Resource Report

The MRE for the Jogjakarta Pig Iron Project is based on estimated grades in the block model spatially constrained by geological parameters and mining permits.

GMT reported Mineral Resources separately within Resource model and Mining boundary. The Resource Block is defined as all areas of the Resource defined within the concession by the exploration drilling, and the Mining Boundary is defined as the Resource Block, minus a 200-metre buffer zone (required by Indonesian regulations) between the high tide mark and the allowed mining area boundary.

Table 1. GMT Mineral Resource Statement for "Surface Sand" as of 25 September 2015[4]

Block	Stratigraphy	Category	Volume	Dry Tonnes	Total Fe	TiO_2	V_2O_5
			(,000 m^3)	(,000 t)	(%)	(%)	(%)
Resource Block	Surface Sand	Measured	29,044	55,370	12.56	1.65	0.06
		Indicated	77,800	150,600	14.17	1.87	0.07
		Total	**106,900**	**206,000**	**13.74**	**1.81**	**0.07**
Mining Boundary	Surface Sand	Measured	22,015	42,079	12.37	1.62	0.06
		Indicated	67,900	131,600	14.15	1.87	0.07
		Total	**89,900**	**173,700**	**13.72**	**1.81**	**0.07**

Table 2. GMT Mineral Resource Statement for "Gravel" as of 25 September 2015

Block	Stratigraphy	Category	Volume	Dry Tonnes	Total Fe	TiO_2	V_2O_5
			(,000 m^3)	(,000 t)	(%)	(%)	(%)
Resource Block	Gravel	Indicated	188,500	327,600	7.22	0.90	0.03
Mining Boundary	Gravel	Indicated	150,300	261,900	7.23	0.90	0.03

The reporting cut-off grades were 9% total Fe for the "surface sand" and 5% total Fe for the "gravel" lithological units. The base of the "gravel" unit Resource has also been truncated at a level approximately 10m below mean seal level, even though the "gravel" unit extends below this point in many areas.

CSA Global reproduced the Mineral Resource figures stated in the tables, using the provided block model. The stated figures were reported correctly.

5.2 Information and Data Provided

Indo provided CSA Global with the following information for the review:

- PT GMT Indonesia report on the deposit's Resource Estimation,
- Exploration database, including drillhole collars, analytical data file, downhole surveys and lithological logging in TEXT CSV format,

[4] Refer to Indo Mines Ltd ASX release dated 30 September 2015

- All wireframe models in Leapfrog format,
- Block models with interpolated grades in TEXT CSV format,
- Topography surface in DXF format.

All provided data files were imported into Micromine software.

5.3 Review of Mineral Resources

5.3.1 QA/QC Analysis

PT GMT Indonesia completed QA/QC analysis which was described in detail in the report. The report included information related to the following:

- Exploration methods and techniques, drilling methods, downhole surveys,
- Sampling methods,
- Logging methods,
- Bulk density determination,
- Sample preparation protocol,
- Analytical methods, and
- CRMs, blanks and duplicate samples (both internal and external laboratory analyses).

CSA Global comment. CSA Global reviewed the results of the QA/QC analysis and concluded that it was acceptable and completed in accordance with industry standards.

5.3.2 Database Compilation

Indo supplied CSA Global with the database in TEXT CSV format. The database included all the exploration results and geological logging. The provided drilling database is summarised in Table 3.

Table 3: Summary of supplied data

Category	Number
Drillholes	929
Metres drilled	14,466
Assays records	14,467
Assayed intervals:	
- Al_2O_3 assays	10,361
- CaO assays	10,361
- Fe assays	10,361
- K_2O assays	10,361
- MgO assays	10,361
- Mn assays	10,361
- P assays	10,361
- S assays	10,361
- SiO_2 assays	10,361
- TiO_2 assays	10,361
- V_2O_5 assays	10,361
- LOI assays	10,361
- Density determinations	3,058
Geological logging records	14,467

The analytical data file included XRF assays for 11 elements with LOI (Loss of Ignition) being determined gravimetrically.

CSA Global comment. CSA Global imported of the various datasets, including all wireframe and block models into Micromine which proceeded without any issues.

5.3.3 Data Validation

The database was validated by CSA Global in Micromine using macros and processes designed to detect errors. No errors were identified in the supplied data.

The topography digital terrain model (DTM) was validated to make sure that it covered the area of the modelled deposits. Drillhole collars were found to match with the topography surface.

CSA Global comment. Data validation did not reveal any issues.

5.3.4 Exploratory Data Analysis – Statistical Analysis

Classical statistical analysis was implemented by GMT for all the elements in the analytical data file. Raw data statistics was provided in the tables, and histograms were generated for all elements separately within “surface sand” and “gravel” geological units.

CSA Global coded the assay data by lithological codes and reproduced some of the histograms and statistical parameters of the elements. The results were not always consistent with the reported figures and histograms.

GMT reported statistics for 929 holes, including 6,517 samples for “surface sand” and 4,242 samples for “gravel” (total combined 10,759 assays). However, the provided database had 10,361 assays for all lithological units, and it is not clear why GMT had more assays.

The reported by GMT average grades within “surface sand” and “gravel” were different from those generated by CSA Global (Table 4).

Table 4. Statistics for main elements

Unit	Surface Sand	Gravel
Reported by GMT		
Fe%	11.73	7.42
TiO_2	1.54	0.934
V_2O_5	0.061	0.034
Produced by CSA Global		
Fe%	13.206	7.15
TiO_2	1.737	0.895
V_2O_5	0.068	0.028

No elements demonstrated obvious mixing of grade populations. The coefficient of variation for all elements except sulphur was below 1.0 indicating that top-cutting of those elements is likely not required, and that it is likely that robust variogram models could be obtained.

CSA Global Comment. A statistical analysis was completed by GMT, but the average figures could not be reproduced by CSA Global. Generally, the approach adopted by GMT for the statistical analysis is correct.

5.3.5 Interpretation, Domaining and Wireframing

No manual interpretation was used by GMT. The deposit domaining was based on lithological logging. The geological file included codes for “surface sand” and “gravel”, which were used for the modelling of these two mineralised domains. GMT calculated coordinates for all top and bottom points for each geological unit, and then used Leapfrog Geo software to model the surfaces.

CSA Global loaded the modelled surfaces together with drillhole traces, and checked the accuracy of the modelled surfaces. It was found that the surfaces were correctly snapped to the corresponding drillhole intervals.

CSA Global comment. The applied modelling methodology is believed to be appropriate for the style of mineralisation and deposit geology.

5.3.6 Drillhole Data Selection and Compositing

Drillhole data selection is a standard procedure which ensures that the correct samples are used in classical statistical and geostatistical analyses, and grade interpolation processes. All drillhole samples were already coded by each geological domain, thus no additional coding was required.

The analytical data file had 14,467 records out of which two intervals were 0.5m, and all other intervals were 1.0m. Therefore, the length compositing was not required. However, GMT reported that the analytical data was composited to 1.0m intervals.

The classical statistical analysis demonstrated that top-cutting is not required. GMT reported that no top cut was applied to any elements.

CSA Global comment. CSA Global considers the applied drillhole selection and compositing methodology appropriate.

5.3.7 Density Values

Density values can be assigned to block model cells using the following methods:

- Direct assignment of the values to block model cells,
- Calculation of values for each cell using regression formulas,
- Interpolation of values, and
- Use of geological model to assign values into each model cell.

GMT used the third method, i.e. the density values were interpolated to each model cell from the available database. From the interpolation, the bulk dry density for “surface sand” averages 1.927 t/m^3 with a median value of 1.932 t/m^3. This is consistent with the original interpretation of Reynolds (2006). For Gr, the mean bulk density is 1.736 t/m^3 with a median of 1.733 t/m^3.

CSA Global comment. The adopted methodology of the density values estimate are correct and appropriate to this style of mineralisation. CSA Global recommends establishing and modelling a relationship between DTR mass recovery (%) and in situ bulk density. There could be many factors affecting density, including DTR% percentage, clay content, and depth. When all those factors are established, density values could be calculated using regression formulas.

5.3.8 Geostatistical Analysis

The purpose of geostatistical analysis is to generate a series of semi-variograms that can be used as the input weighting mechanism for kriging algorithms. There is no section in the GMT report with the details how the geostatistical analysis was run, and what were the modelled semivariograms. The reports states that Leapfrog Geo v2.2 was used for modelling, and a table with semivariogram parameters applied presented.

CSA Global is not able to comment of the quality of the completed geostatistical analysis due to the lack of information in the GMT report.

5.3.9 Block Modelling

An empty block model was created by GMT for both modelled geological domains ("surface sand" and "gravel") within the closed wireframe models for mineralisation.

Block model parameters are shown in Table 5. The generated block model had regular size blocks (25x25x1m) with no subcelling. The rotation angle was 25 degrees clock-wise.

Table 5: Block model characteristics

Axis	Extent (m)		Block size (m)	Maximum sub-celling (m)	No. of parent blocks
	Minimum	Maximum			
Easting	398355.076	412420.314	25	N/A	440
Northing	9124228.645	9119904.257	25	N/A	296
RL	-9.500	11.500	1	N/A	22

CSA Global considers the selected block modelling approach is correct. It is recommended to create subcells in vertical direction, as the block model would better honour lithological boundaries.

5.3.10 Grade Interpolation

GMT interpolated total iron, V_2O_5 and TiO_2 into the block model using ordinary kriging. Elements were interpolated separately to the "surface sand" and "gravel" lithological units. It was reported that the "base range" was 800 m. No other interpolation parameters are provided in the GMT report.

CSA Global is not able to comment on the selected grade interpolation parameters. The selected "base range" of 800 metres is believed to be too large when the distance between exploration lines was 200 metres. That could result in overall smoothing of grades in the block model.

It is not clear why GMT estimated three elements only, and other elements from the analytical database were not interpolated. For example, sulphur, phosphorus, silica, LOI and other elements and parameters could significantly influence the quality of the concentrate, its price and the overall economics of the project.

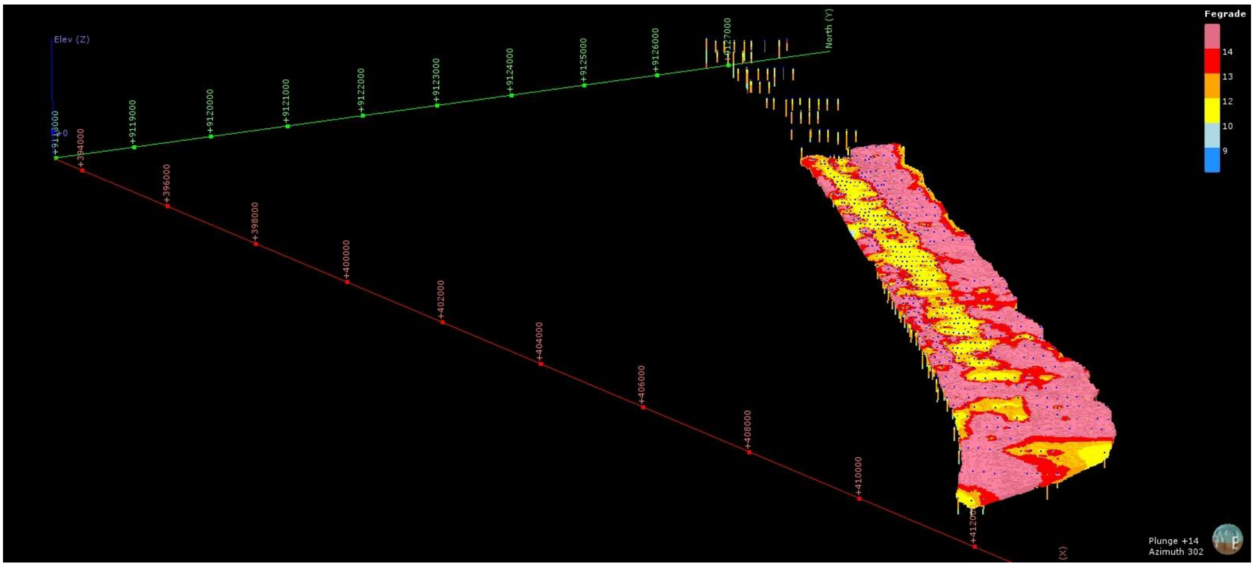

Figure 9: View of the completed block model coloured by Fe (%) within the Ss unit

Source: Gunter (2015)

5.3.11 Block Model Validation

GMT reported that the block model was validated visually, with slices reviewed along each drill line to ensure the block model followed the lithological contacts and the lithologies logged for each drill hole.

CSA Global compared global modelled mean grade values (with 0% cut-off) with the average grade values in the analytical database separately for “surface sand” and “gravel”, shown in Table 6. In almost all cases modelled elements returned higher grades in the model, which is a concern, as usually models return slightly lower grades caused by the grade smoothing during interpolation process.

Table 6. Average grades, model vs samples

Unit	Surface Sand	Gravel
GMT Model		
Fe%	13.74	7.31
TiO2	1.812	0.905
V_2O_5	0.0696	0.0255
Assays		
Fe%	13.206	7.15
TiO_2	1.737	0.895
V_2O_5	0.068	0.028
Difference, %		
Fe%	4.0	2.2
TiO_2	4.3	1.1
V_2O_5	2.4	-8.9

CSA Global comment. Visual validation of the model is not sufficient. Models should also be validated statistically, and swath plots should be generated for all easting, northing sections and level plans for each lithological unit. CSA Global is concerned that modelled grades are globally higher than the average grades in the analytical database.

5.4 Metallurgical Testing

GMT reported that Jones (2011) outlined the results of metallurgical testing completed on a number of samples from the existing drill holes. The locations were chosen to fairly represent both coastal sands and coarser inland sands. XRF analyses, Davis Tube Recovery (DTR) magnetic mineral separation and Satmagan magnetite tests were conducted during May 2011.

From these tests, GMT concluded that:

- Satmagan magnetite accounts for 56-70% of the Total Fe% head grade and there is a direct correlation between Satmagan and Total Fe% head grade within the material tested.
- DTR magnetic mineral content ranges between 53-72% of the Total Fe% head grade and that the correlation between DTR Fe% is poor, suggesting a variable liberation of magnetite from different areas of the deposit.
- Head grade (Total Fe%), DTR Concentrate Grade (Fe%), mass recovery and DTR Recovered Fe% all decrease with depth in the deposit.

Although the recovery of the magnetite from the mineral sands will not equal the Total Fe%, GMT felt that there is not yet sufficient data to determine accurate recoveries from all sections of the deposit. In this regard, they have reported all Resources as Total Fe%.

CSA Global comment. DTR Concentrate grade and magnetite recovery to concentrate are one of the key parameters of any magnetite iron sand projects unless it is a direct shipping project. GMT noted that there is no data for accurate prediction of recoveries from different sections of the deposit. CSA Global believes *that further work is required to establish and to model magnetite recovery and DTR concentrate grade in the model.*

5.5 Mineral Resource Classification Strategy

The Mineral Resource classification strategy was based primarily on exploration grid density. GMT reported that:

- Measured Resources, occurring both within the Resource Block and the Mining Boundary defined as the area drilled on a general 200m x 50m spacing, which is sufficient to demonstrate continuity in the deposit. No Measured category was assigned to the "gravel" lithological unit due to the uncertainties related to the potential mining method for gravel.
- Indicated Resources, the same as the Resource Block, all drilling data within the concession with a 20m buffer and extending to the high-tide water mark. The drilling has been completed on a spacing ranging from 800m x 100m (in the southeast end of the deposit) to 400m x 100m over most of the deposit area.

CSA Global comment. Generally, the adopted Mineral Resource classification approach is believed to be acceptable. However, the generated block model does not have such parameters as LOI, concentrate grade and magnetite recovery, as well as other elements were not modelled (P, S, SiO_2 etc.). CSA Global recommends that all Measured Resources are downgraded to Indicated until these issues can be addressed.

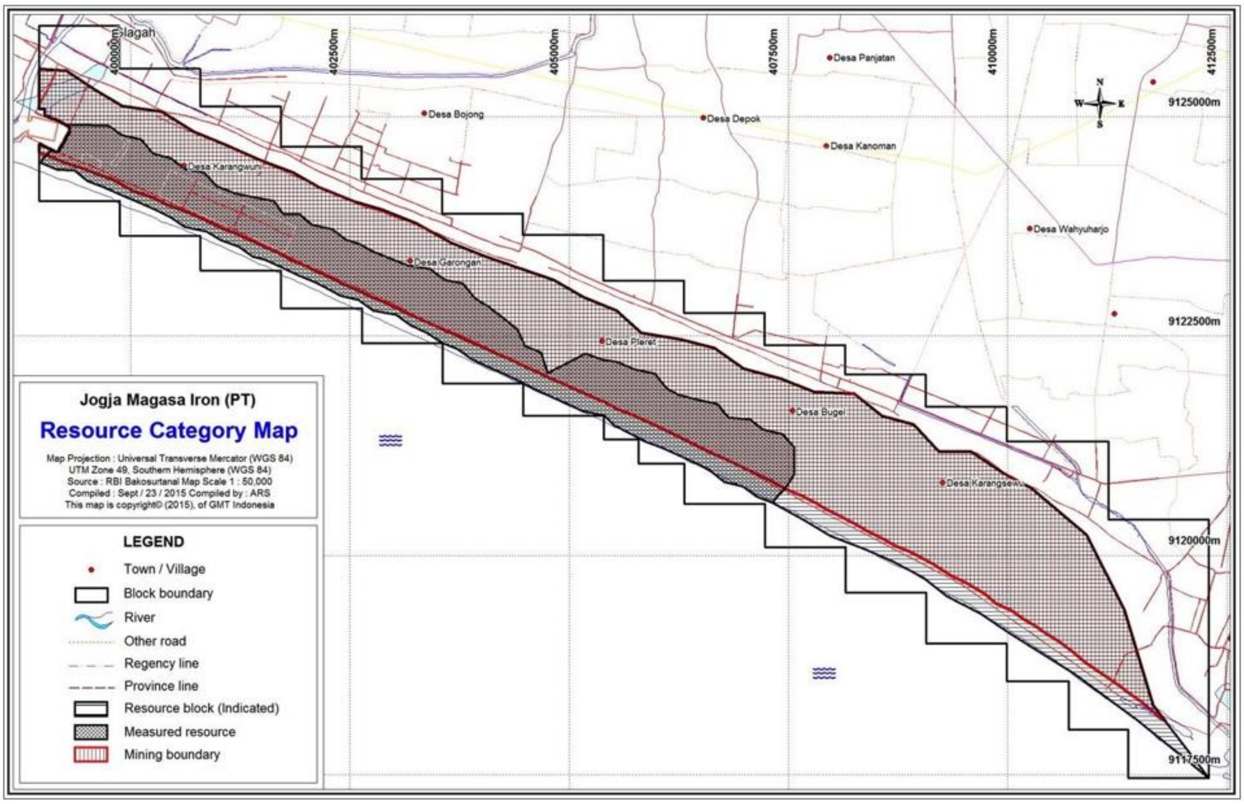

Figure 10: Defining boundaries for each Resource category and sub-set.

Source (Gunter (2015)

5.6 CSA Global Comments

CSA Global reviewed the MRE for the Jogjakarta Pig Iron Project, which was completed by PT GMT Indonesia in September 2015. The review did not reveal any Fatal Flaws; thus, bearing in mid the issues discussed above and summarised below, the resource estimate is considered suitable for use in this valuation report.

The main findings are as follows:

1. The approach to the statistical analysis adopted by GMT was correct, but the average figures could not be reproduced by CSA Global.
2. The geological interpretation and wireframe modelling applied by GMT is believed to be appropriate for the style of mineralisation and deposit geology.
3. Grade interpolation method was ordinary kriging, which is industry standard. CSA Global is not able to comment on the selected interpolation parameters due to the lack of information in the provided report.
4. Some limited metallurgical testing was done, but CSA Global believes it was not sufficient to model the magnetite recovery to concentrate and concentrate grades in the model.
5. Mineral Resources were classified by GMT as Measured and Indicated. CSA Global suggests that all Measured blocks are downgraded to Indicated due to insufficient information in the block model, mainly related to the magnetite recovery to concentrate and concentrate grades that were not estimated.
6. Block model was validated visually, which is not sufficient. The average model grades were higher than the average sample grades, which is a concern.

CSA Global recommends the following to upgrade the model and to receive more robust results:

1. Complete additional DTR tests so that the results could be used to model the magnetite recovery to concentrate and concentrate grades. The tests could be done for selected exploration lines, or for new holes, so that the results could characterise all areas of the deposit and all geological units at various depth levels.
2. The resource statement should be based on the concentrate grades instead of the total iron, because total iron could be not only from magnetite, but also from hematite and silicates. In addition to titanium and vanadium minerals, magnetite could contain up to 3-5% of vanadium and up to 10-15% of titanium in its structure. Recovery of titanium and vanadium to concentrate could also have impact the economics of the project.
3. Additional elements and parameters should also be modelled and included into the block model, such as loss of ignition, sulphur, phosphorus, as well as the magnetite recovery to concentrate and concentrate grades and slimes.
4. Bulk density values could be calculated using regression formulas, using iron grades or concentrate grades, slimes and depth.
5. The block model should be flattened for more robust geostatistical analysis and grades interpolation. Subcelling should be used for better definition of geological boundaries.

6 Mining and Processing

6.1 Strategic partnership

Indo announced discussions with a potential strategic partner in June 2017. The following is quoted from the Indo Mines Annual Report 2017:

"Based on revised mineral export regulations, Indonesia still requires development of value add processing (smelting of iron to 75%+Fe). Because of the unique nature of iron sand concentrate, Indo Mines is limited who it can partner with to develop a value add process. Indo Mines subsidiary, PT JMI and its local partner PT JMM have been in discussions with a potential strategic partner (both financial and technical). Although specific details cannot be provided at this stage, a basic outline of the potential deal structure is provided below;

First stage of the partnership will see development of a trial furnace facility to process Kulon Progo iron sands to pig iron or finished steel. The strategic partner would finance and develop the furnace facility utilising their technology to process the iron sand concentrate. To provide feedstock to this facility PT JMI would develop a beneficiation plant.

Key advantages of this structure include the following;

6. *Lower capital cost commitment and financial raising would be required from PT JMI.*
7. *Removes the need to obtain an export license for iron sand concentrate.*
8. *Allows retention of the existing Contract of Work and removes the need to covert to an IUPK license.*
9. *PT JMI can focus on the less technically sensitive mining and beneficiation rather than the hot-metal and steel production process.*
10. *The project is developed on a modular basis, and production capacity can be increased as market conditions allow.*

The key stakeholders of the project, including the majority shareholder Rajawali Corpora, met in May 2017 and have agreed that the potential partner would add value to the project. An invitation has been sent to the potential partner to meet with the key stakeholders and formalise the agreements that have been negotiated."

6.2 Brief description of proposed mining strategy

The proposed operating strategy for the Kulon Progo Project consists of surface mining using conventional truck and shovel mining practices. The mined material is then trucked, using the mining fleet, to a Rougher LIMS plant. Slurry from the rougher LIMS plant will be pumped to the beneficiation plant for further upgrading. The beneficiation plant is designed to produce a 58.5% Fe concentrate. This concentrate will be sold to a third party for further refinement into Pig Iron. In this scenario, the potential strategic partner that JMI is in discussion with, would provide an off-take agreement for the life of mine.

The strategy investigated adopts a stepped approach looking at initially delivering 200 kt of concentrate per annum. Increasing in 600 kt increments in years four and six until a final output of 2.0 Mt/yr is reached in the ninth year.

The model investigated has a 2-year pre-production period, followed by 18.5 years of operation which would produce 13.7 Mt of concentrate.

7 Risks

7.1 Technical risks

7.1.1 Characterising magnetic recoveries and concentrate grades

DTR Concentrate grade and magnetite recovery to concentrate are one of the key parameters of any magnetite iron sand projects unless it is a direct shipping project. GMT noted that there is no data for accurate prediction of recoveries from different sections of the deposit. CSA Global believes that further work is required to establish and to model magnetite recovery and DTR concentrate grade in the model.

Magnetite recovery and concentrate grade will be key drivers of project economics, and uncertainty in these key parameters adds significantly to project risk.

7.1.2 Classification

It is not clear why only three elements were interpolated in the resource model, and other relevant elements from the analytical database were not interpolated. For example, sulphur, phosphorus, silica, LOI and other elements and parameters could significantly influence the quality of the concentrate, its price and the overall economics of the project.

As the block model does not include parameters such as LOI, concentrate grade and magnetite recovery, as well as other missing elements (P, S, SiO_2 etc.), CSA Global recommends that all Measured Resources be downgraded to Indicated. It is CSA Global's view that uncertainty in these parameters limits precludes confident use of these resources for mine planning purposes.

7.1.3 Grade model uncertainty

The block model was validated visually only. CSA Global believe that this poses a risk, as the average model grades were higher than the average sample grades, which is a concern. Statistical validation checks and the use of swath plots may have identified this issue during the model validation process.

Added uncertainty with regards to grade in the block model presents a risk to the project, in that there is potential for the predicted global grade to be higher than what could be recovered through mining.

7.1.4 Processing risk

The current processing path envisioned for the project involves the development with a strategic partner of new smelting innovations that have not been tested as yet on a commercial scale. There is therefore a risk that the technology may fail to be developed on a commercial scale or may not perform to expectations on a commercial scale.

7.1.5 Risks in exploitation of the gravel resources

Around half of the Mineral Resources estimated for Kulon Progo comprise a deeper gravel unit. Apart from the greater depth of this resources, much of it below sea level, around 50% of the Gravel unit is pebble- and gravel-sized rocks, with the balance being sands. Additionally, the gravel unit is only half the iron grade of the overlying Surface Sand. The gravel would be more expensive to mine and process that the Surface Sand. There is also less information about this unit.

7.2 Sovereign risks

7.2.1 Indonesian export ban

The export ban means that unprocessed ore may not be exported from the project, and without converting the CoW to a IUP-K, processed ore can not be exported either. This severely limits development options for the project, and represents a material risk to the economic exploitation of the mineral resource.

7.2.2 Tenure conversion

If project proponents were to consider converting the CoW to a IUP-K to allow for the export of processed material, this would entail negotiating licence terms, and there is material risk that licence terms would be less attractive than the current terms.

7.3 Market risks

7.3.1 Specification of product

The Surface Sand resource has a TiO_2 grade of 1.81% and a V_2O5 grade of 0.07% at the stated grade of 13.74% Fe, and the Gravel resource has a TiO_2 grade of 0.9% and a V_2O5 grade of 0.03% at the stated grade of 7.22% Fe. There is a material risk that the TiO_2 and V_2O_5 grades of any concentrate above 58% Fe having TiO_2 and V_2O_5 grades that are too far out of marketable concentrate specifications, such that the concentrate may either sell for a significant discount, or may not be marketable at all.

When sold into the main stream seaborne iron ore the market tolerance is about 0.2% TiO_2, possibly up to 0.5% with penalties, as it builds up as Titanium carbonitride (TiCN) in the blast furnace and damages the refractories. The New Zealand Iron Sands can be up to 4-5% TiO_2 and are sold into a niche market in China of about 10-30 Mt/yr. The product is added into the feed of old blast furnaces or damaged ones to build up the wall integrity allowing an extra few years life.

Likewise, ≈0.2% V_2O_5 is tolerated in the main stream market without penalties. Up to 0.5% V_2O_5 may be accepted with penalties.

7.3.2 Domestic market for product

In light of the Indonesian ban on export of unprocessed minerals, any product from the project would have to be sold on the domestic Indonesian market. CSA Global is not aware of any current potential buyers of unprocessed iron sands in Indonesia, or any buyers for high-titanium pig iron.

Indo will therefore have to create a domestic market for their product, or form a partnership to do so. Given the limited current options for project development, partnership terms may well be onerous to Indo.

8 Valuation

8.1 Previous Valuations

CSA Global completed an independent valuation of the Jogjakarta Pig Iron Project on behalf of BDO Kendalls Corporate Finance (WA) Pty Ltd in September 2009. At the time, a Scoping Study had been completed, and a BFS study was being completed, contemplating the use of the CircoSmelt process for the production of pig iron on site. CSA Global's opinion, based on DCF modelling of various scenarios based on selling pig iron into the global market at spot prices, was that Indo's 70% interest in the Jogjakarta Pig Iron Project had a value in the range A$18 million to A$40 million, with a most likely value of A$30 million.

SRK completed an independent valuation of the Jogja Iron Sands Project for BDO in September 2012. The SRK valuation was completed after the BFS study was completed, but the proposed mining method was changed from that contemplated in the BFS.

The SRK valuation considered two stages or scenarios, with the first stage/scenario being the production of an iron concentrate of 55% Fe grade which is sold to end users (exported), and the second stage/scenario being the development of an on site pig iron plant using the CircoSmelt process to produce pig iron at a grade of 95% Fe for the export market. Using DCF modelling and various scenarios, SRK valued the iron sands operation at US$67.4 million to US$90.2 million with a preferred value of US$78.2 million, and they valued the pig iron operation at US$1,003.8 million to US$1,378.5 million with a preferred value of US$1,175.4 million. Taking into account risk weightings, SRK valued the Jogjakarta Iron Sands Joint Venture at US$247.9 million to US$338.8 million with a preferred value of US$289.9 million .

CSA Global notes that Indo is no longer considering using the CircoSmelt process for the Jojakarta Pig Iron Project, and is exploring the use of a new, as-yet untested at commercial scale smelting process with a strategic partner. Therefore, from a processing point of view, the project is effectively set back to the stage that is was in when valued in 2009, and certainly not as advanced as it was when valued in 2012.

Furthermore, the Indonesian ban on unprocessed mineral exports, and a push to change CoW tenures to IUP-K tenures before exporting of processed minerals can occur, will have a large effect on the value of the project.

Finally, the iron ore price in 2009 was much higher than currently, and climbing. Even with iron ore prices declining in 2012, prices were still significantly higher than presently.

8.2 Valuation Approach

Valuation of Mineral Assets is not an exact science; and a number of approaches are possible, each with varying positives and negatives. While valuation is a subjective exercise, there are a number of generally accepted procedures for establishing the value of Mineral Assets. CSA Global consider that, wherever possible, inputs from a range of methods should be assessed to inform the conclusions about the Market Value of Mineral Assets.

The valuation is always presented as a range, with the preferred value identified. The preferred value need not be the median value and is determined by the Practitioner based on their experience.

Refer to Appendix 1 for a discussion of Valuation Approaches and Valuation Methodologies, including a description of the VALMIN classification of Mineral Assets. In forming an opinion on the Market Value of the Jogjakarta Pig Iron Project, the valuation approach adopted by CSA Global has been to rely primarily on Market-based methods (primarily the Comparative Transaction method). This was based on the declared Resources of the Kulon Progo iron sands mineral deposit.

CSA Global has considered several alternative valuation methods to crosscheck our valuation opinion (Table 7). Alternative methods considered included the income approach (Discounted Cash Flow analysis), Yardstick market factors, and multiple bases for the income approach. The choice of alternative valuation method employed was dictated by the exploration stage of the asset and the availability of information.

Table 7: Valuation basis and methods employed for the Jogjakarta Pig Iron Project

Mineral Asset	Development stage	Basis of valuation	Valuation methods
Kulon Progo Iron Sands Deposit	Pre-Development	Declared Resources	Comparable Transactions, DCF, Yardstick

The Valuation Basis employed by CSA Global is Market Value, as defined by the VALMIN Code (2015). The Valuation Date is 11 December 2017. The currency is US dollars (US$) unless otherwise stated.

In the project valuation provided below, CSA Global has applied various factors to the technical valuations to derive a fair market value. Two principal factors were considered:

11. A resource risk factor; and
12. A jurisdiction factor.

As part of CSA Global's technical assessment of the resources of the mineral assets, various risk factors were identified for each component of the Mineral Resource. To reflect these risks, the valuer has applied a 20% discount to the valuations to address these resource risks. An additional discount factor of 25% was applied to the gravel resource to reflect the greater risks and uncertainties associated with mining and processing this unit.

CSA Global has also considered the jurisdiction in which asset is located; with an export ban being the major factor as discussed above in section 7. This is considered a major influence on the current value of the project and therefore has been set at 80%.

8.3 Income Approach - DCF Valuation

The financial model (IDO -Fin. Model Beni Plant – Option 1 Smelter.v3) was reviewed and modified as discussed below for the DCF valuation.

- The DCF project model was reviewed and no issues were identified.
- No adjustments were made to the production rate, freight costs, royalties and taxes and other fixed costs.
- The operating costs were updated to reflect the latest operating cost estimates for the various production rates, as provided by Indo. An additional modification to the estimated operating costs was made to reflect the increase in power costs. The modified operating cost that has been used in the DCF valuation is US$45.93 per tonne of concentrate during the initial stage of the project when the production rate is limited to 200 ktpa of concentrate. This cost decreases to US$27.42 per tonne of concentrate for all other production rates. The operating costs include all mining, processing and site support costs.
- The beneficiation plant capital cost was reduced to US$10 million for the initial plant capable of producing 200 kt/yr of concentrate. Expanding the plant to 800 kt/yr output capacity is estimated to cost an additional US$30 million. The modular expansion to 1.4 Mt/yr output has been estimated to cost an additional US$10 million. No capital allowance for this additional capacity increase was included in the financial model provided. Expanding the plant to the 2.0 Mt/yr output attracts an additional US$30 million in capital.
- The revenue calculation and the inputs into the calculation were reviewed and are considered reasonable, resulting in a realised sales price of US$38.94 per tonne of concentrate sold.

The modified financial model was used to produce after tax net present values (NPV) for the project at various discount rates as shown in the table below.

Table 8: Financial model results

Discount rate	NPV (US$)
8%	8,991,771
10%	309,122
12%	-5,857,203

Based on the risks associated with the project, it is suggested that a higher discount rate (than the 8% used by the Company) be used for the DCF valuation, resulting in a NPV that is near zero or negative. **The Income Approach is therefore considered unsuitable for valuing the project, based on the strategy modelled, due to its negative NPV.**

8.4 Iron Ore Market and Pricing

Prior to 2009, iron ore was not traded in an open market like other commodities, instead large miners (iron ore sellers) and steel mills (iron ore buyers) negotiated the price to be paid on an annual basis. This price was then used by others as a benchmark price for that year. The price paid reflected the grade of iron in the ore but also, equally importantly, the deleterious element chemistry of the ore as well as physical parameters such as the lump:fines ratio of the ore. The key deleterious elements are silica, alumina, phosphorus and sulphur. The grade of these deleterious elements is required to be below threshold values otherwise price penalties are incurred.

Since then, the largest sellers and buyers have moved away from an annual benchmarking process towards an indexed market that adjusts the price on a quarterly basis. There is also a spot market where iron ore can be sold in a relatively open market and where prices can fluctuate based on demand. This market is generally used by smaller producers to sell iron ore that is not under long term contract or by buyers looking to acquire additional feedstock outside their existing contracts.

No matter what method is used for pricing, the key attributes that affect iron ore pricing are the particle size (lump content), iron content and deleterious element contents. For simplicity CSA Global has chosen to use the fines price as a benchmark, as the Kulon Progo mineralisation will most likely produce a fines product. The graph presented in Figure 11 shows the prices for 62% Fe iron ore fines CFR* Tianjin China. The specifications for this ore type are:

- Fe content 62%
- SiO_2 content 4.5%
- Al_2O_3 content 2.0%
- Phosphorus content 0.075%
- Sulphur content 0.02%
- Grainsize 90%, <10mm (>40% above 150µm)

*CFR – Cost and Freight to port

Should the iron ore grade be below 62%, or the deleterious element chemistry above the threshold values, then the price is reduced commensurate with the level of deviation from the desired specifications, by normalising back to the standard specification.

Titanium and Vanadium content are also generally subject to specified concentration limits in the smelter feed. When sold into the mainstream seaborne iron ore market, the tolerance is around 0.2% TiO_2, possibly up to 0.5% with penalties. There is a small niche market in China that will tolerate up to 4–5%

TiO_2, with the product blended into the plant feed of old or damaged blast furnaces to build up the wall integrity, allowing an extra few years of life.

Likewise, ~0.2% V_2O_5 is tolerated in the main stream market without penalties. Up to 0.5% V_2O_5 may be accepted with penalties. Vanadium goes into the slag, and needs to be disposed of as a toxic waste, unless the smelter is specifically set up to recover a vanadium product.

From Figure 11 it can be seen that the iron ore price has decreased dramatically from a high of US$185.60/t in January 2011 to a low of US$41.50/t in January 2016. Since then the iron ore price has been volatile, but has increased to US$71.30/t by 1 December 2017. Short term spikes have seen a high of US$91.50/t in February 2017 and a low of US$56.20/t in May 2017. These dramatic changes in the iron ore price over this period highlights the need to normalise prices when comparing transactions that occurred over this period.

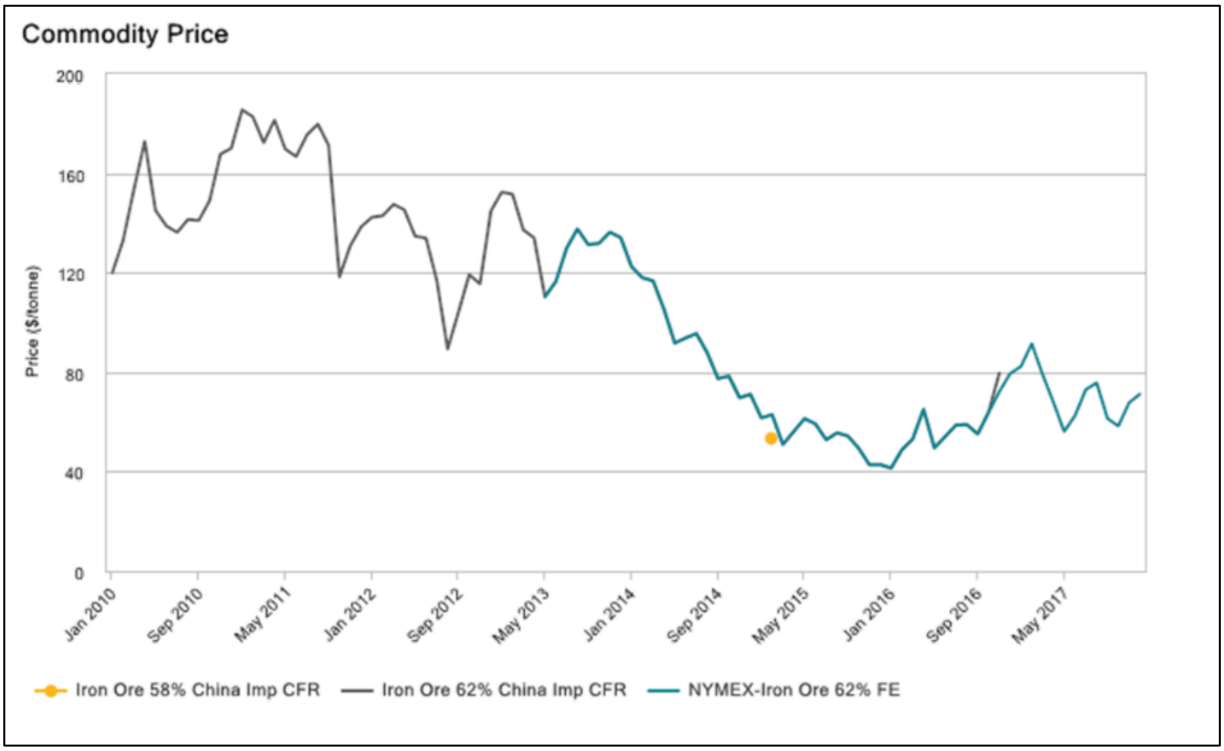

Figure 11: Iron ore price history since January 2010

Source: S&P Global Market Intelligence

8.5 Market Approaches to Valuation

In considering market approaches to inform our opinion on the value of the Kulon Progo Iron Sands deposit, CSA Global analysed comparative iron sands transactions, both in terms of tonnes of sand and in terms of contained Fe. In addition, CSA Global considered the value of a hardrock magnetite deposits in the Asia-Pacific region with the same contained Fe, based on analysing hardrock magnetite transactions.

As a crosscheck, CSA Global considered the Yardstick method for contained iron.

8.5.1 Comparative Transactions

CSA Global has identified and analysed six transactions involving iron sands projects with defined resources in the Asia Pacific region, post January 2010 (Table 22 and Table 23 in Appendix 2). Further iron sands projects globally were identified, but CSA Global did not identify any further transactions with sufficient information in the public domain to allow analysis in terms of price paid per resource ton.

The earliest transaction analysed is the December 2011 placement to Rajawali, whereby Rajawali acquired a 14% interest in the Jogjakarta project. This was the only Indonesian transaction captured, with the remaining five transactions comprising two from Fiji and one each from the Philippines, Papua New Guinea (PNG) and New Zealand.

The Sigatoka transaction (Fiji) was excluded as a high outlier. The grade of the deposit is much lower than all the other projects considered, resulting in a very small contained Fe resource. The resource estimate was only finalised after the transaction was announced, and the analysis suggests that the transaction may have been predicated on potential resource tonnes, as opposed to contained Fe.

The Amazon Bay transaction (PNG) was likewise excluded as a low outlier. This transaction was based on a historical, non-JORC resource, and the very low price achieved is not comparable to the other projects.

In analysing these transactions, CSA Global normalised the implied US$/t purchase prices to an iron ore price of US$71.30/t, which is the iron ore spot price for 1 December 2017.

A summary of the analysis of these transactions, both in terms of US$ per resource tonnes acquired and in terms of US$ per tonne of contained Fe acquired, is presented in Table 9.

Table 9: Summary of analysis of Comparative Iron Sands Transactions

Grouping	Statistic	Resource tonnes		Contained Fe	
		US$/t	Normalised	US$/t	Normalised
All transactions	Count	6	6	5	5
	Minimum	0.00	0.00	0.01	0.01
	Maximum	0.18	0.23	11.11	8.45
	Mean	0.10	0.09	3.01	2.44
	Median	0.13	0.10	1.44	0.85
	Weighted Average	0.10	0.08	1.11	0.91
Excluding Sigatoka and Amazon Bay	Count	4	4	3	3
	Minimum	0.00	0.00	0.81	0.74
	Maximum	0.18	0.23	1.69	2.14
	Mean	0.11	0.11	1.31	1.24
	Median	0.13	0.10	1.44	0.85
	Weighted Average	0.13	0.11	1.21	1.00

From this analysis, CSA Global concludes that suitable valuation factors based on resource tonnes of iron sand would be a low factor of US$0.05/t, a high factor of US$0.12/t and a preferred factor of US$0.10/t.

Similarly, CSA Global concludes that suitable valuation factors based on tonnes of contained Fe in the iron sand resource would be a low factor of US$0.70/t, a high factor of US$1.20/t and a preferred factor of US$0.90/t.

CSA Global has identified and analysed seven transactions involving hard-rock magnetite projects in the Asia-Pacific region post-2010. This was done to consider the broader magnetite market in addition to the restricted iron sands market. Note that this does not necessarily cover all magnetite transactions in this time, merely those flagged as containing magnetite in the S&P Market Intelligence platform. Also note that magnetite skarn and IOCG deposits were excluded due to differences in mineralogy and potential products.

Of the seven transactions considered, six projects were in Australia, and one project was in China. The Chinese project was excluded, as it was a strategic transaction, with the transaction value largely driven by debt assumed, as opposed to consideration paid. The resource base was also one to two orders of magnitude smaller than the other transactions considered, and not sufficiently comparable to the Kulon Progo resource base.

In analysing these transactions, CSA Global normalised the implied US$/t purchase prices to an iron ore price of US$71.30/t, which is the iron ore spot price for 1 December 2017.

A summary of the analysis of these transactions, both in terms of US$ per resource tonnes acquired and in terms of US$ per tonne of contained iron acquired, is presented in Table 10.

From this analysis, CSA Global concludes that suitable valuation factors based on tonnes of contained Fe in the hard-rock magnetite resource would be a low factor of US$0.10/t, a high factor of US$0.34/t and a preferred factor of US$0.14/t.

Table 10: Summary of analysis of hard-rock magnetite project transactions

Statistic	Resource tonnes		Contained Fe	
	US$/t	Normalised	US$/t	Normalised
Count	6	6	6	6
Minimum	0.04	0.04	0.09	0.10
Maximum	0.20	0.11	0.56	0.34
Mean	0.11	0.07	0.27	0.18
Median	0.09	0.07	0.20	0.14
Weighted Average	0.08	0.06	0.18	0.14

8.5.2 Valuation based on tonnes of iron sand

Applying the valuation factors for tonnes of iron sand resource derived from the analysis of comparative transactions described in the previous section of this report to the Kulon Progo resource base of 534 Mt results in an undiscounted valuation range as presented in Table 11.

Table 11: Summary of undiscounted valuation based on tonnes of iron sand

Resource	Tonnes (Mt)	Low (US$M)	High (US$M)	Preferred (US$M)
Surface Sand	206	10.3	24.7	20.6
Gravel	327.6	16.4	39.3	32.8
Total	*534*	*26.7*	*64.0*	*53.4*

Low factor US$0.05/t; high factor US$0.12/t; preferred factor US$0.10/t
The figures reported have been rounded, and may appear to sum incorrectly

To account for the effect of the Indonesian ban on exporting unprocessed material, and the need to convert to a less secure form of tenure in order to export processed material, CSA Global have applied a discount factor of 80% to the undiscounted values. This resulted in a discounted valuation range as presented in Table 12.

Table 12: Summary of discounted valuation based on tonnes of iron sand

Resource	Tonnes (Mt)	Low (US$M)	High (US$M)	Preferred (US$M)
Surface Sand	206	1.6	4.0	3.3
Gravel	327.6	2.0	4.7	3.9
Total	*534*	*3.6*	*8.7*	*7.2*

Low factor US$0.70/t; high factor US$1.20/t; preferred factor US$0.90/t
Discount factor of 80% applied for Export ban
Discount of 20% applied for resource risk (with an additional 25% for extra risks associated with the gravel resource)
The figures reported have been rounded, and may appear to sum incorrectly

8.5.3 Valuation based on contained iron in iron sands

Applying the valuation factors for contained Fe in the iron sand resource derived from the analysis of comparative transactions described in the previous section of this report to the Kulon Progo resource base of 52.0Mt Fe results in an undiscounted valuation range as presented in Table 13.

Table 13: Summary of undiscounted valuation based on Contained Fe

Resource	Contained Fe (Mt)	Low (US$M)	High (US$M)	Preferred (US$M)
Surface Sand	28.3	19.8	34.0	25.5
Gravel	23.7	16.6	28.4	21.3
Total	*52.0*	*36.4*	*62.3*	*46.8*

Low factor US$0.70/t; high factor US$1.20/t; preferred factor US$0.90/t
The figures reported have been rounded, and may appear to sum incorrectly

To account for the effect of the Indonesian ban on exporting unprocessed material, and the need to convert to a less secure form of tenure in order to export processed material, CSA Global have applied a discount factor of 80% to the undiscounted values. This resulted in a discounted valuation range as presented in Table 14.

Table 14: Summary of discounted valuation based on Contained Fe

Resource	Contained Fe (Mt)	Low (US$M)	High (US$M)	Preferred (US$M)
Surface Sand	28.3	3.2	5.4	4.1
Gravel	23.7	2.0	3.4	2.6
Total	*52.0*	*5.2*	*8.8*	*6.6*

Low factor US$0.70/t; high factor US$1.20/t; preferred factor US$0.90/t
Discount factor of 80% applied for Export ban
Discount of 20% applied for resource risk (with an additional 25% for extra risks associated with the gravel resource)
The figures reported have been rounded, and may appear to sum incorrectly

8.5.4 Valued as equivalent to a hard-rock magnetite deposit

Applying the valuation factors for contained Fe in hard-rock magnetite resource derived from the analysis of transactions described in the previous section of this report to the Kulon Progo resource base of 52.0Mt Fe results in a valuation range as presented in Table 13.

Table 15: Summary of undiscounted valuation based on Contained Fe in hard-rock Magnetite

Resource	Contained Fe (Mt)	Low (US$M)	High (US$M)	Preferred (US$M)
Surface Sand	28.3	2.8	9.6	4.0
Gravel	23.7	2.4	8.0	3.3
Total	*52.0*	*5.2*	*17.7*	*7.3*

Low factor US$0.10/t; high factor US$0.34/t; preferred factor US$0.14/t
The figures reported have been rounded, and may appear to sum incorrectly

To account for the identified resource risks, CSA Global have applied a 20% discount to the value of all resources, with an additional 25% discount to the value of the Gravel resources. This resulted in a discounted valuation range as indicated in Table 16.

Table 16: Summary of discounted valuation based on Contained Fe in hard-rock Magnetite

Resource	Contained Fe (Mt)	Low (US$M)	High (US$M)	Preferred (US$M)
Surface Sand	28.3	2.3	7.7	3.2
Gravel	23.7	1.4	4.8	2.0
Total	*52.0*	*3.7*	*12.5*	*5.2*

Low factor US$0.10/t; high factor US$0.34/t; preferred factor US$0.14/t
Discount of 20% applied for resource risk (with an additional 25% for extra risks associated with the gravel resource)
The figures reported have been rounded, and may appear to sum incorrectly

8.5.5 Yardstick Crosscheck

CSA Global used the Yardstick method as a reasonableness check on the valuations that were completed using comparable transactions.

For the Yardstick valuation, CSA Global used the following commodity spot price, which is the iron ore spot price for 1 December 2017: US$71.30/t.

In addition, CSA Global utilised the following commonly used yardstick valuation factors:

- Inferred Mineral Resources: 0.5% to 1% of spot price
- Indicated Mineral Resources: 1% to 2% of spot price
- Measured Mineral Resources: 2% to 5% of spot price

As the Yardstick factors take a very broad, global industry view on commodities and prices, CSA Global applied the following project-specific discounts to the spot price so that the Yardstick crosscheck could be compared with the other valuations:

- A discount of 80% to account for the effect of the Indonesian ban on exporting unprocessed material, and the need to convert to a less secure form of tenure in order to export processed material;
- A discount of 25% to account for the likely penalty to the spot price that the Kulon Progo concentrates are likely to face, based on the high titanium and vanadium content of the concentrate.

This resulted in a discounted spot price of US$10.70/t being applied to this resource base for the purposes of the Yardstick crosscheck.

A summary of the comparative valuation, which are based on Yardstick Factors, are presented in Table 10.

This method resulted in a valuation range of US$3.9 million to US$8.5 million, with a preferred value of US$6.2 million.

Table 17: Summary of undiscounted Yardstick crosscheck

Resource Category	Contained Fe (Mt)	Low (US$M)	High (US$M)	Preferred (US$M)
Measured	7.0	1.5	3.7	2.6
Indicated	45.0	2.4	4.8	3.6
Total	*51.9*	*3.9*	*8.5*	*6.2*

Based on a discounted spot price of US$10.70/t and standard Yardstick factors
The figures reported have been rounded, and may appear to sum incorrectly

To account for the identified resource risks, CSA Global have applied a 20% discount to the value of all resources, with an additional 25% discount to the value of the Gravel resources. This resulted in a discounted valuation range as indicated in Table 18.

Table 18: Summary of discounted Yardstick crosscheck

Resource Category	Contained Fe (Mt)	Low (US$M)	High (US$M)	Preferred (US$M)
Measured	7.0	1.2	3.0	2.1
Indicated	45.0	2.2	4.4	3.3
Total	*51.9*	*3.4*	*7.3*	*5.3*

Based on a discounted spot price of US$10.70/t and standard Yardstick factors
Discount of 20% applied for resource risk (with an additional 25% for extra risks associated with the gravel resource)
The figures reported have been rounded, and may appear to sum incorrectly

Bearing in mind that this approach is simplistic, CSA Global considers that these results are broadly indicative of those derived using the market approach.

8.6 Valuation opinion

CSA Global's opinion on the current market value of the Kulon Progo iron sands deposit is based primarily on consideration of various market-based valuation methods, as our analysis of DCF models has indicated that the development project is marginal at best, prior to consideration of risk discounts that CSA Global believes would be appropriate. CSA Global has also considered the Yardstick method as a reasonableness check for the market-based and DCF methods (Figure 12).

CSA Global has discounted the market-based valuations which consider comparative iron sands projects by 80%, due to the perceived risk to the market value of Indonesian bulk commodity projects as a result of the new Indonesian mining regulations.

The 80% discount was not applied to the mineral resource – it was a market discount applied to the value derived using market transactions. This was based on CSA Global's opinion of the market discount likely to be encountered due to the Indonesian ban on exports from material derived from a CoW tenement, and the negative risks associated with converting a CoW to an IUP-K.

- The projects and transactions analysed as comparatives were not affected by the January 2017 regulations for mining in Indonesia, therefore the valuation factors derived from market comparatives did not take this into account.
- The fastest and least capital-intensive route to monetising the iron sands deposits is via export of beneficiated or partly beneficiated material as smelter feed to existing plants.
- Even projects that do eventually plan to spend the capital to build their own plants, typically include early export of DSO or beneficiated plant feed as a means of raising early revenue to help offset the capital costs of developing the plant.
- This option is not available to the Jogjakarta Pig Iron Project. Even the export of pig iron directly from the holding company is not an available option, as the tenure is currently a CoW.
- Current potential buyers of iron sands projects will be aware of this, and will likely apply a substantial discount to the project value when comparing to projects in other jurisdictions.

CSA Global notes that the undiscounted values are similar in magnitude to the 2009 valuation of the project, which was arguably at a similar level of development, but was not faced with the current legislative restrictions.

CSA Global further notes that the discounted values are similar in magnitude to the value derived by treating the deposit as though it were a hard-rock magnetite project in Australia with a similar amount of contained Fe. CSA Global are of the opinion that this is a valid comparison, as any concentrate shipped from the Kulon Progo deposit will be competing in the marketplace with concentrates from these types of deposits. In addition, we believe that the market discount attributable to the Indonesian export ban is likely to be larger than the discount that would be attributable to hard rock (therefore more expensive to mine) magnetite deposits in Australia.

Therefore it is CSA Global's opinion that the value of the Kulon Progo Iron Sands Deposit, on a 100% basis, is in the range of US$3.5 million to US$10.0 million, with a preferred value of US$6.0 million, for a reference date of 11/12/17.

In setting a Preferred value within the lower portion of the value range, CSA Global has considered the following factors with regards to the Kulon Progo Deposit:

- Risk in the current resource classification due to insufficient characterisation of magnetic recoveries and concentrate composition, as well as deleterious elements not being interpolated.
- Risk related to the uncertainties concerning the exploitation of the gravel resources.
- Current Indonesian regulations, predominantly the inability to export material mined from a CoW.
- The lack of a domestic market for iron sands.
- The likely high titanium and vanadium contents of any possible concentrate to be marketed.

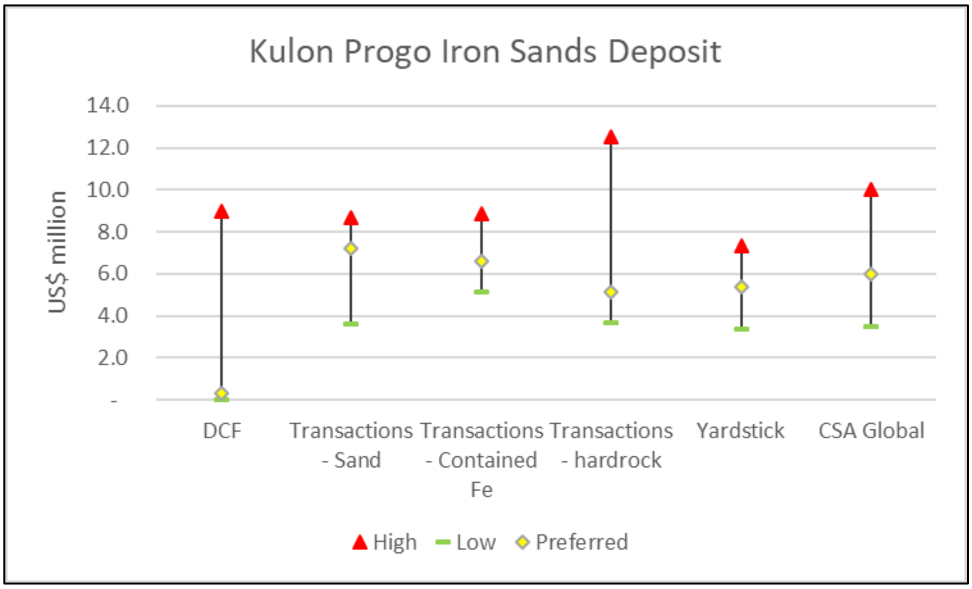

Figure 12: Summary of valuation methods and CSA Global opinion on value

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10 Glossary

For further information on technical terms please refer to internet sources such as Wikipedia www.wikipedia.org

Appendix 1: Tenure Details

CoW Area

CONTRACT OF WORK - PT JOGJA MAGASA (008/KPTS/KP/EKPL/X/2005)

IRON, OCT 2013 – NOW

Point	Easting			Southing		
	Degrees	Minutes	Seconds	Degrees	Minutes	Seconds
1	110	5	0	7	54	20
2	110	5	30	7	54	20
3	110	5	30	7	54	36
4	110	6	0	7	54	36
5	110	6	0	7	54	50
6	110	6	30	7	54	50
7	110	6	30	7	55	5
8	110	7	0	7	55	5
9	110	7	0	7	55	17
10	110	7	30	7	55	17
11	110	7	30	7	55	30
12	110	8	0	7	55	30
13	110	8	0	7	55	38
14	110	8	30	7	55	38
15	110	8	30	7	55	55
16	110	9	0	7	55	55
17	110	9	0	7	56	7
18	110	9	30	7	56	7
19	110	9	30	7	56	19
20	110	10	0	7	56	19
21	110	10	0	7	56	30
22	110	10	30	7	56	30
23	110	10	30	7	56	42
24	110	11	0	7	56	42
25	110	11	0	7	56	55
26	110	11	38	7	56	55
27	110	11	38	7	57	24
28	110	12	15	7	57	24
29	110	12	15	7	59	0
30	110	11	45	7	59	0
31	110	11	45	7	58	42
32	110	11	23	7	58	42
33	110	11	23	7	58	24

Point	Easting			Southing		
	Degrees	Minutes	Seconds	Degrees	Minutes	Seconds
34	110	11	0	7	58	24
35	110	11	0	7	58	10
36	110	10	30	7	58	10
37	110	10	30	7	57	51
38	110	10	0	7	57	51
39	110	10	0	7	57	34
40	110	9	30	7	57	34
41	110	9	30	7	57	18
42	110	9	0	7	57	18
43	110	9	0	7	57	3
44	110	8	43	7	57	3
45	110	8	43	7	56	54
46	110	8	30	7	56	54
47	110	8	30	7	56	45
48	110	8	0	7	56	45
49	110	8	0	7	56	33
50	110	7	30	7	56	33
51	110	7	30	7	56	18
52	110	7	0	7	56	18
53	110	7	0	7	56	5
54	110	6	30	7	56	5
55	110	6	30	7	55	51
56	110	6	0	7	55	51
57	110	6	0	7	55	38
58	110	5	30	7	55	38
59	110	5	30	7	55	25
60	110	5	0	7	55	25
61	110	5	0	7	55	3.7
62	110	5	0.52	7	55	3.7
63	110	5	0.52	7	55	4
64	110	5	1.06	7	55	4
65	110	5	1.06	7	55	4.39
66	110	5	1.82	7	55	4.39
67	110	5	1.82	7	55	4.83
68	110	5	2.7	7	55	4.83
69	110	5	2.7	7	55	5.22
70	110	5	3.47	7	55	5.22
71	110	5	3.47	7	55	5.61
72	110	5	4.3	7	55	5.61
73	110	5	4.3	7	55	6.21
74	110	5	5.5	7	55	6.21
75	110	5	5.5	7	55	6.76

Point	Easting			Southing		
	Degrees	Minutes	Seconds	Degrees	Minutes	Seconds
76	110	5	7.15	7	55	6.76
77	110	5	7.15	7	55	6.15
78	110	5	7.61	7	55	6.15
79	110	5	7.61	7	55	5.14
80	110	5	8.04	7	55	5.14
81	110	5	8.04	7	55	4.29
82	110	5	8.59	7	55	4.29
83	110	5	8.59	7	55	3.71
84	110	5	8.96	7	55	3.71
85	110	5	8.96	7	55	2.79
86	110	5	9.58	7	55	2.79
87	110	5	9.58	7	55	1.64
88	110	5	10	7	55	1.64
89	110	5	10	7	55	0.71
90	110	5	10.59	7	55	0.71
91	110	5	10.59	7	54	59.76
92	110	5	11.21	7	54	59.76
93	110	5	11.21	7	54	57.32
94	110	5	10.48	7	54	57.32
95	110	5	10.48	7	54	56.87
96	110	5	9.63	7	54	56.87
97	110	5	9.63	7	54	56.28
98	110	5	8.51	7	54	56.28
99	110	5	8.51	7	54	55.73
100	110	5	7.46	7	54	55.73
101	110	5	7.46	7	54	55.18
102	110	5	6.39	7	54	55.18
103	110	5	6.39	7	54	54.54
104	110	5	4.81	7	54	54.54
105	110	5	4.81	7	54	54.16
106	110	5	3.75	7	54	54.16
107	110	5	3.75	7	54	53.5
108	110	5	2.19	7	54	53.5
109	110	5	2.19	7	54	50.88
110	110	5	0	7	54	50.88

CoW History

NO	PERMIT/LICENSE	NUMBER	ISSUER	DATE
1.	Contract of Work between the Government of the Republic of Indonesia and PT Jogja Magasa Iron ("PT JMI")			4 Nov 2008
2.	Decree of Minister of Energy and Mineral Resources on Time of Inception of Feasibility Study Phase of the Contract of Work's Area	289.K/20/DJB/2009	Ministry of Energy and Mineral Resources	27 Apr 2009
3.	Decree of Minister of Energy and Mineral Resources on Extension to the Feasibility Study Phase of the Contract of Work's Area	391.K/30/DJB/2010	Ministry of Energy and Mineral Resources	20 May 2010
4.	Decree of Minister of Energy and Mineral Resources on Second Extension to the Feasibility Study Phase of the Contract of Work's Area	607.K/30/DJB/2011	Ministry of Energy and Mineral Resources	29 Mar 2011
5.	Plan of the Construction of PT JMI's Pilot Plant in Karangwuni Village, Wates District, Kulon Progo Regency, Yogyakarta Special Province	815/30/DBM/2011	Directorate General of Mineral and Coal, Ministry of Energy and Mineral Resources	26 Jul 2011
6.	Granting Location Permit to PT JMI to Construct Pilot Plant of Iron Sand Mining in Karangwuni Village, Wates District, Kulon Progo Regency	258 of 2011	Regent of Kulon Progo	1 Aug 2011

Appendix 2: Valuation Approaches

Valuation of Mineral Assets is not an exact science; and a number of approaches are possible, each with varying positives and negatives. While valuation is a subjective exercise, there are a number of generally accepted procedures for establishing the value of Mineral Assets. CSA Global consider that, wherever possible, inputs from a range of methods should be assessed to inform the conclusions about the Market Value of Mineral Assets.

The valuation is always presented as a range, with the preferred value identified. The preferred value need not be the median value and is determined by the Practitioner based on their experience.

Background

Mineral Assets are defined in the VALMIN Code as all property including (but not limited to) tangible property, intellectual property, mining and exploration Tenure and other rights held or acquired in connection with the exploration, development of and production from those Tenures. This may include the plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals in connection with that Tenure.

Business valuers typically define market value as "The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious buyer, and a knowledgeable, willing but not anxious seller acting at arm's length." The accounting criterion for a market valuation is that it is an assessment of "fair value", which is defined in the accounting standards as "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction." The VALMIN Code defines the value of a Mineral Asset as its Market Value, which is "the estimated amount (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion".

Market Value usually consists of two components, the underlying or Technical Value, and a premium or discount relating to market, strategic or other considerations. The VALMIN Code recommends that a preferred or most-likely value be selected as the most likely figure within a range after taking into account those factors which might impact on Value.

The concept of Market Value hinges upon the notion of an asset changing hands in an arm's length transaction. Market Value must therefore take into account, inter alia, market considerations, which can only be determined by reference to "comparable transactions". Generally, truly comparable transactions for Mineral Assets are difficult to identify due to the infrequency of transactions involving producing assets and/or Mineral Resources, the great diversity of mineral exploration properties, the stage to which their evaluation has progressed, perceptions of prospectivity, tenement types, the commodity involved and so on.

For exploration tenements, the notion of value is very often based on considerations unrelated to the amount of cash which might change hands in the event of an outright sale, and in fact, for the majority of tenements being valued, there is unlikely to be any "cash equivalent of some other consideration". Whilst acknowledging these limitations, CSA Global has identified what it considers to be comparable transactions that have been used in assessing the values to be attributed to the Mineral Assets.

Valuation Methods for Exploration Projects

The choice of valuation methodology applied to Mineral Assets, including exploration licences, will depend on the amount of data available and the reliability of that data.

The VALMIN Code classifies Mineral Assets into categories that represent a spectrum from areas in which mineralisation may or may not have been found through to Operating Mines which have well-defined Ore Reserves, as listed below:

- **"Early-stage Exploration Projects"** – tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified.
- **"Advanced Exploration Projects"** – tenure holdings where considerable exploration has been undertaken and specific targets identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category.
- **"Pre-Development Projects"** – tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made.
- **"Development Projects"** – tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a Prefeasibility Study.
- **"Production Projects"** – tenure holdings – particularly mines, wellfields and processing plants - that have been commissioned and are in production.

Each of these different categories will require different valuation methodologies, but regardless of the technique employed, consideration must be given to the perceived "market valuation".

The Market Value of Exploration Properties and Undeveloped Mineral Resources can be determined by four general approaches: Cost; Market; Geoscience Factor or Income.

Cost

Appraised Value or Exploration Expenditure Method considers the costs and results of historical exploration.

The Appraised Value Method utilises a Multiple of Exploration Expenditure (MEE), which involves the allocation of a premium or discount to past expenditure through the use of the Prospectivity Enhancement Multiplier (PEM). This involves a factor which is directly related to the success (or failure) of the exploration completed to date, during the life of the current tenements.

Guidelines for the selection of a PEM factor have been proposed by several authors in the field of mineral asset valuation (Onley, 1994). Table 19 lists the PEM factors and criteria used in this Report.

Table 19: Prospectivity Enhancement Multiplier (PEM) factors

PEM range	Criteria
0.2-0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation identified
0.5-1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0-1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3-1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical activities)
1.5-2.0	Scout drilling (RAB, air-core, RCP) has identified interesting intersections of mineralisation
2.0-2.5	Detailed drilling has defined targets with potential economic interest
2.5-3.0	A Mineral Resource has been estimated at Inferred JORC category, no concept or scoping study has been completed
3.0-4.0	Indicated Mineral Resources have been estimated that are likely to form the basis of a Prefeasibility Study
4.0-5.0	Indicated and Measured Resources have been estimated and economic parameters are available for assessment

Market

Market Approach Method or Comparable Transactions looks at prior transactions for the property and recent arm's length transactions for comparable properties.

The Comparable Transaction method provides a useful guide where a mineral asset that is comparable in location and commodity has in the recent past been the subject of an "arm's length" transaction, for either cash or shares.

In an exploration joint venture or farm-in, an equity interest in a tenement or group of tenements is usually earned in exchange for spending on exploration, rather than a simple cash payment to the tenement holder. The joint venture or farm-in terms, of themselves, do not represent the Value of the tenements concerned. To determine a Value, the expenditure commitments should be discounted for time and the probability that the commitment will be met. Whilst some practitioners invoke complex assessments of the likelihood that commitments will be met, these are difficult to justify at the outset of a joint venture, and it seems more reasonable to assume a 50:50 chance that a joint venture agreement will run its term. Therefore, in analysing joint venture terms, a 50% discount may be applied to future committed exploration, which is then "grossed up" according to the interest to be earned to derive an estimate of the Value of the tenements at the time that the agreement was entered into.

Where a progressively increasing interest is to be earned in stages, it is likely that a commitment to the second or subsequent stages of expenditure will be so heavily contingent upon the results achieved during the earlier phases of exploration that assigning a probability to the subsequent stages proceeding will in most cases be meaningless. A commitment to a minimum level of expenditure before an incoming party can withdraw must reflect that party's perception of minimum value and should not be discounted. Similarly, any up-front cash payments should not be discounted.

The terms of a sale or joint venture agreement should reflect the agreed value of the tenements at the time, irrespective of transactions or historical exploration expenditure prior to that date. Hence the current Value of a tenement or tenements will be the Value implied from the terms of the most recent transaction involving it/them, plus any change in Value as a result of subsequent exploration. Where the tenements comprise applications over previously open ground, little to no exploration work has been completed and they are not subject to any dealings, it is thought reasonable to assume that they have minimal, if any Value, except perhaps, the cost to apply for, and therefore secure a prior right to the ground, unless of course there is competition for the ground and it was keenly sought after. Such tenements are unlikely to have any Value until some exploration has been completed, or a deal has been struck to sell or joint venture them, implying that a market for them exists.

High quality Mineral Assets are likely to trade at a premium over the general market. On the other hand, exploration tenements that have no defined attributes apart from interesting geology or a "good address" may well trade at a discount to the general market. Market Values for exploration tenements may also be impacted by the size of the land holding, with a large, consolidated holding in an area with good exploration potential attracting a premium due to its appeal to large companies.

Geoscience Factors

Geoscience Factor Method seeks to rank and weight geological aspects, including proximity to mines, deposits and the significance of the camp and the commodity sought.

The Geoscience Factor (or Kilburn) method, as described by Kilburn (1990), provides an approach for the technical valuation of the exploration potential of mineral properties, on which there are no defined resources.

Valuation is based upon a calculation in which the geological prospectivity, commodity markets, and mineral property markets are assessed independently. The Geoscientific Factors method is essentially a technique to define a Value based upon geological prospectivity. The method appraises a variety of mineral property characteristics:

- Location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies
- Location and nature of any mineralisation, geochemical, geological or geophysical anomaly within the property and the tenor of any mineralisation known to exist on the property being valued
- Number and relative position of anomalies on the property being valued
- Geological models appropriate to the property being valued.

The Geoscientific Factor method systematically assesses and grades these four key technical attributes of a tenement to arrive at a series of multiplier factors (Table 21).

The Basic Acquisition Cost (BAC) is an important input to the Geoscientific Factors Method and it is calculated by summing the application fees, annual rent, work required to facilitate granting (e.g. native title, environmental etc.) and statutory expenditure for a period of 12 months. Each factor is then multiplied serially by the BAC to establish the overall technical value of each mineral property. A fifth factor, the market factor, is then multiplied by the technical value to arrive at the fair market value.

Yardstick

The Rule-of-Thumb (Yardstick) Method is relevant to exploration properties where some data on tonnage and grade exist may be valued by methods that employ the concept of an arbitrarily ascribed current in situ net value to any Ore Reserves (or Mineral Resources) outlined within the tenement (Lawrence 2001, 2012).

Rules-of-Thumb (Yardstick) Methods are commonly used where a Mineral Resource remains is in the Inferred category and available technical/economic information is limited. This approach ascribes a heavily discounted in situ value to the Resources, based upon a subjective estimate of the future profit or net value (say per tonne of ore) to derive a rule-of-thumb.

This Yardstick multiplier factor applied to the Resources delineated (depending upon category) varies depending on the commodity. Typically, a range from 0.4% to 3% is used for base metals and PGM, whereas for gold and diamonds a range of 2% to 4.5% is used. The method estimates the in situ gross metal content value of the mineralisation delineated (using the spot metal price and appropriate metal equivalents for polymetallic mineralisation as at the valuation date).

The chosen percentage is based upon the valuer's risk assessment of the assigned JORC Code's Mineral Resource category, the commodity's likely extraction and treatment costs, availability/proximity of transport and other infrastructure (particularly a suitable processing facility), physiography and maturity of the mineral field, as well as the depth of the potential mining operation.

Income

The Income Approach is relevant to exploration properties on which undeveloped Mineral Resources have been identified by drilling. Value can be derived with a reasonable degree of confidence by forecasting the cash flows that would accrue from mining the deposit, discounting to the present day and determining a net present value (NPV).

The Income Approach is not appropriate for properties without Mineral Resources.

Valuation Approaches by Asset Stage

Regardless of the technical application of various valuation methods and guidelines, the valuer should strive to adequately reflect the carefully considered risks and potentials of the various projects in the valuation ranges and the preferred values, with the overriding objective of determining the "fair market value".

Table 20 below shows the valuation approaches that are generally considered appropriate to apply to each type of mineral property.

Table 20: Valuation approaches for different types of mineral properties (VALMIN, 2015)

Valuation approach	Exploration properties	Mineral Resource properties	Development properties	Production properties
Income	No	In some cases	Yes	Yes
Market	Yes	Yes	Yes	Yes
Cost	Yes	In some cases	No	No

Table 21: Geoscientific Factor Ranking

Rating	Address/Off-property factor	On-property factor	Anomaly factor	Geological factor
0.5	Very little chance of mineralisation; Concept unsuitable to the environment	Very little chance of mineralisation; Concept unsuitable to the environment	Extensive previous exploration with poor results	Generally unfavourable lithology; No alteration of interest
1	Exploration model support; Indications of prospectivity; Concept validated	Exploration model support; Indications of Prospectivity; Concept validated	Extensive previous exploration with encouraging results; Regional targets	Deep cover; Generally favourable lithology/alteration (70%)
1.5	Recon (RAB/AC) drilling with some scattered favourable results; Minor workings	Exploratory sampling with encouragement	Several early stage targets outlined from geochemistry and geophysics	Shallow cover; Generally favourable lithology/alteration 50-60%
2	Several old workings; Significant RCP drilling leading to advanced project	Several old workings; Recon drilling or RCP drilling with encouraging intersections	Several well-defined targets supported by recon drilling data	Exposed favourable; Lithology/alteration
2.5	Abundant workings; Grid drilling with encouraging results on adjacent sections	Abundant workings; Core drilling after RCP with encouragement	Several well-defined targets with encouraging drilling results	Strongly favourable lithology, alteration
3	Mineral Resource areas defined	Advanced Res Def. drilling (early stages)	Several significant sub-economic targets; No indication of 'size'	Generally favourable lithology with structures along strike of a major mine; Very prospective geology
3.5	Abundant Workings/mines with significant historical production; Adjacent to known mineralisation at PFS stage	Abundant workings/mines with significant historical production; Mineral Resource areas defined	Several significant sub-economic targets; Potential for significant 'size'; Early stage drilling	
4	Along strike or adjacent to Resources at DFS stage	Adjacent to known mineralisation at PFS stage	Marginally economic targets of significant 'size' advanced drilling	
4.5	Adjacent to development stage project	Along strike or adjacent to Resources at DFS stage	Marginal economic targets of significant 'size' with well drilled Inferred Resources	
5	Along strike from operating major mine(s)	Adjacent to development stage project	Several significant ore grade co-relatable intersections	

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Appendix 3: Comparable Transactions

Table 22: Summary of Comparative Iron Sands Transactions

Transaction	Project	Country	Date	Iron Ore Price	Buyer	Seller	Equity	Synopsis	Comment
Rajawali interest in Jogjakarta	Jogjakarta	Indonesia	Dec-11	138.50	Rajawali Group	Indo Mines Limited	14%	In December 2011, Indo announced 19.9% a placement to Rajawali to raise A$13.2 million to complete project finance due diligence for the Jogjakarta iron project and to assist with finalisation of the demonstration plant. Indo had a 70% interest in the Jogjakarta project, giving Rajawali a 14% interest in the project.	Indonesia has since effectively banned the export of unprocessed minerals.
Aus Asia acquisition of Cagayan	Cagayan	Philippines	Mar-16	53.20	Aus Asia Minerals Limited	Empire Equity Ltd	100%	In March 2016, Aus Asia announced an agreement to acquire the exclusive mining rights to the Cagayan Iron Sands Project, held by Empire Equity Limited. Aus Asia agreed to pay a A$100,000 option fee, and Aus Asia would acquire 100% of the issued capital of Empire Equity Limited in exchange for 19.9% of the issued capital of Aus Asia at time of settlement. In addition, Aus Asia agreed to pay 30% of future gross profits from the project to the Vendor.	Project at comparatively early stage
Bluescope divestment of Taharoa	Taharoa	New Zealand	Apr-17	68.00	Taharoa Mining Investments Limited	Bluescope Steel Limited	100%	In April 2013, Taharoa Mining Investments Limited agreed to acquire New Zealand Steel Mining Limited from Bluescope Steel by assuming all liabilities associated with the business, including NZD 76.5 million in finance lease liabilities.	
Dome acquisition of Sigatoka	Sigatoka	Fiji	Jun-14	93.80	Dome Gold Mines Limited	Magma Mines Pty Ltd	100%	In June 2014, Dome announced an agreement to acquire the entire share capital of Magma, and hence acquire exclusive rights to the Sigatoka Magnetite Project. As payment, Magma shareholders would be in the form of Dome shares, with Magma shareholders holding approximately 44% of the share capital in Dome following completion of the transaction.	Resource estimate released just after transaction occurred. Much lower grade, hence smaller contained resource
Waratah acquisition of Mba Delta	Mba Delta	Fiji	May-17	56.20	Waratah International (ASIA) Limited	Investor Group	84%	In March 2017, Waratah announced a takeover bid for Amex Resources, the 100% owner of the Mba Delta iron sands project in Fiji. Waratah offered A$0.50 per share, for the 84% of shares it did not already control, valuing the company at A$54million	Advanced - 100% above Inferred, funded and being actively advanced, plus control premium
Foyson consolidation of Amazon Bay	Amazon Bay	Papua New Guinea	Mar-15	51.00	Foyson Resources Limited	Titan Mines Limited	50%	In March 2015, Foyson announced that it had acquired the remaining 50% interest in the Amazon Bay project for a cash consideration (A$150,000) and an agreement to pay a 0.5% royalty on the gross revenue actually received from any future production. The agreement also terminated all existing agreements, including Foyson's obligation to pay both the outstanding Option Fee of A$300,000 and the Option Exercise consideration of A$10 million and the issue of new shares equivalent to 2.16% of the total issued capital in the company.	Value of royalty not considered. Old resource, not updated. Appears to have been driven by strategic considerations.

Table 23: Comparative Iron Sands transactions analysed

Transaction	Date	Iron Ore Price	Asset Description	Tonnes (Mt)	Grade (% Fe)	Contained Fe (Mt)	Classification	% above Inferred	Resource tonnes		Contained Fe		Comment
									$/t	Normalised	$/t	Normalised	
Rajawali interest in Jogjakarta	Dec-11	138.50	The Jogjakarta Pig Iron Project had a Resource base of 630.4 Mt at 10.7% Fe, including a declared Reserve of 163.5 Mt at 13.7% Fe, and a full Feasibility Study had been completed in August 2011.	630.4	11%	67.5	Reserves, Measured, indicated, Inferred	86%	0.15	0.08	1.44	0.74	Indonesia has since effectively banned the export of unprocessed minerals.
Aus Asia acquisition of Cagayan	Mar-16	53.20	The Cagayan Iron Sands Project is located off the northern coast of Philippines and covers approximately 2000 Ha. The project has all required licenses in place, combined with a Mineral Production Sharing Agreement which will allow mining and the export of concentrate. An Inferred resource of 135 Mt (no disclosed grade) was disclosed.	135.0		-	Inferred	0%	0.00	0.00			Project at comparatively early stage
Bluescope divestment of Taharoa	Apr-17	68.00	Taharoa is an operating dredging and open pit iron sands operation dependent on the export market. It had a resource base of 488 Mt with 24.3% magnetics / 55.9% FeMagnetics at the time of the transaction.	488.0	14%	66.3	Measured, Indicated, Inferred	62%	0.11	0.12	0.81	0.85	

Transaction	Date	Iron Ore Price	Asset Description	Tonnes (Mt)	Grade (% Fe)	Contained Fe (Mt)	Classification	% above Inferred	Resource tonnes		Contained Fe		Comment
									$/t	Normalised	$/t	Normalised	
Dome acquisition of Sigatoka	Jun-14	93.80	The Sigatoka Magnetite project was an advanced exploration project at the time, and a maiden resource of 131.4Mt at 15.9% iron sand was announced within months of the transaction.	131.4	1%	1.8	Indicated, Inferred	14%	0.15	0.11	11.11	8.45	Resource estimate released just after transaction occurred. Much lower grade, hence smaller contained resource
Waratah acquisition of Mba Delta	May-17	56.20	The Mba Delta iron sands deposit consists of magnetite-bearing sands covering an area of 15km long by 4 km wide. It had a resource base of 220 Mt with a grade of 10.9% Fe.	220.0	11%	24.0	Indicated, Inferred	100%	0.18	0.23	1.69	2.14	Advanced - 100% above Inferred, funded and being actively advanced, plus control premium
Foyson consolidation of Amazon Bay	Mar-15	51.00	Amazon Bay had a historic (non-JORC) resource of up to 445 Mt, and S&P quote a grade of 7% Fe.	445.0	7%	31.2	Historic	0%	0.00	0.00	0.01	0.01	Value of royalty not considered. Old resource, not updated. Appears to have been driven by strategic considerations.

Table 24: Summary of hard-rock magnetite project transactions

Transaction	Project	Date	Iron Ore Price	Buyer	Seller	Equity	Synopsis	Asset Description	Comment
Todd acquisition of Rutila	Balla Balla	May-15	61.40	Todd Corporation Limited	Rutila Resources Limited	31%	In May 2015, Todd offered A$0.30 per share to acquire all shares in Rutila that it did not already own or control via a cooperative agreement with Rutila's next-largest shareholder. Through the cooperative agreement, Todd had effective control of 69.4% of Rutila's shares prior to the offer.	Balla Balla is Rutila's flagship project. It had a resource base of 455.9 Mt grading 44.7% Fe, 0.66% V2O5, and 13.8% TiO2	Excludes value of other projects, not likely to be material. Magnetic recovery not considered in resource figures.
Todd increases Balla Balla interest	Balla Balla	Jul-13	129.90	Todd Corporation Limited	Forge Resources Ltd	7%	In July 2013, Todd agreed to pay Forge A$7 million to purchase a further 7% interest in Balla Balla, taking Todd's interest to 32%. In a related transaction, Todd agreed to provide Forge with a funding commitment of A$1.5 million towards working cpital and expenditure commitments on its West Eucla Project tenements located in the Fraser Range region.	Balla Balla is a magnetite project. It had a resource base of 455.9 Mt grading 44.7% Fe, 0.66% V2O5, and 13.8% TiO2	
Todd acquisition of Balla Balla	Balla Balla	Mar-12	147.60	Todd Corporation Limited	Forge Resources Ltd	25%	In March 2012, Forge sold a 25% interest in Balla Balla to Todd for A$10M, as part of a larger investment in Forge by Todd. This included Todd taking an A$8 million share subscription at A$0.50 per share and provision of secured project-level debt of A$27.5M.	Balla Balla is a magnetite project. It had a resource base of 455.9 Mt grading 44.7% Fe, 0.66% V2O5, and 13.8% TiO2	
Forge acquisition of Balla Balla	Balla Balla	Dec-11	138.50	Forge Resources Ltd	Atlas Iron Ltd	100%	In December 2011, Forge agreed to acquire a 100% interest in the Balla Balla project from Atlas for A$40 million plus a capped royalty payment structure based on tonnage sold.	Balla Balla is a magnetite project. It had a resource base of 455.9 Mt grading 44.7% Fe, 0.66% V2O5, and 13.8% TiO3	
Brilliant Glory acquisition of Byro	Byro	Mar-14	116.80	Brilliant Glory Investments Pty Ltd	Athena Resources Limited	70%	In March 2014, Athena announced that it had entered into a binding terms sheet with a private Chinese investment holding company to sell a 70% JV interest in the ferrous minerals contained in the tenements comprising the Byro Project. Athena also announced a placement to the Chinese investment holding company at the same time.	Byro had an Inferred resource of 22.8Mt at a grade of 25.6% Fe	

Transaction	Project	Date	Iron Ore Price	Buyer	Seller	Equity	Synopsis	Asset Description	Comment
Todd acquisition of Flinders	Pilbara, Canegrass	Mar-16	53.20	Todd Corporation Limited	Flinders Mines Limited	34%	In March 2016, Todd announced an offer to acquire all outstanding Flinders shares for A$0.013 per share. This was later raised to A$0.025 per share in May 2016. This resulted in Todd increasing its shareholding in Flinders by 34%.	The Pilbara Iron Ore Project had a total resource of 1,042Mt at 55.6% Fe, and the Canegrass project had a total resource of 216Mt at 25.4% Fe.	

Table 25: Hard-rock magnetite project transactions analysed

Transaction	Project	Date	Iron Ore Price	Asset Description	% above Inferred	Tonnes		Contained Fe		Comment
						$/t	Normalised	$/t	Normalised	
Todd acquisition of Rutila	Balla Balla	May-15	61.40	Balla Balla is Rutila's flagship project. It had a resource base of 455.9 Mt grading 44.7% Fe, 0.66% V2O5, and 13.8% TiO2	67%	0.06	0.07	0.14	0.16	Excludes value of other projects, not likely to be material. Magnetic recovery not considered in resource figures.
Todd increases Balla Balla interest	Balla Balla	Jul-13	129.90	Balla Balla is a magnetite project. It had a resource base of 455.9 Mt grading 44.7% Fe, 0.66% V2O5, and 13.8% TiO2	67%	0.20	0.11	0.45	0.25	
Todd acquisition of Balla Balla	Balla Balla	Mar-12	147.60	Balla Balla is a magnetite project. It had a resource base of 455.9 Mt grading 44.7% Fe, 0.66% V2O5, and 13.8% TiO2	67%	0.09	0.04	0.21	0.10	
Forge acquisition of Balla Balla	Balla Balla	Dec-11	138.50	Balla Balla is a magnetite project. It had a resource base of 455.9 Mt grading 44.7% Fe, 0.66% V2O5, and 13.8% TiO3	67%	0.09	0.04	0.19	0.10	
Brilliant Glory acquisition of Byro	Byro	Mar-14	116.80	Byro had an Inferred resource of 22.8Mt at a grade of 25.6% Fe	0%	0.14	0.09	0.56	0.34	
Todd acquisition of Flinders	Pilbara, Canegrass	Mar-16	53.20	The Pilbara Iron Ore Project had a total resource of 1,042Mt at 55.6% Fe, and the Canegrass project had a total resource of 216Mt at 25.4% Fe.	71%	0.04	0.06	0.09	0.12	

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