



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 20 MAY 2011

Progress Update for the Mangkok Coal Project

- *Coal Production is now consistently achieving circa 25,000 tonnes per month;*
- *Revised mine plan being implemented to target production of circa 35,000 tonnes per month;*
- *Recent coal quality from production 6500 to 7,200 kcal;*
- *Indo Mines to refund coal forward sales to focus on mine gate sales positioning the Company to take advantage of strengthening thermal coal prices.*

The Directors of Indo Mines ("Indo Mines" or "Company") are pleased to provide an update on recent operations at the Mangkok Coal Project, located in the major coal producing region of South Kalimantan, Indonesia.

The Company has recently completed a comprehensive review of operational procedures and practices at the Project resulting in increased productivity and a significant reduction in operating costs. Subsequent changes to the operational structure of the business have led to consistent production of 25,000 tonnes per month. This focus on production and emphasis on cost control has significantly improved the cash flow of the Project.

The quality of coal produced from the Project is consistently in the range of 6,500kcal to 7,200kcal making it a desirable Indonesian coal. Further, a revised mine plan is being implemented which incorporates changing the location of the ROM stockpile, crushing and weighing facilities. The revised mine plan will result in a targeted production level of 35,000 tonnes per month from August 2011.

To support the changes outlined above the Company has agreed with Merrill Lynch to cancel the forward sales arrangement entered into in May 2010. This agreement has enabled the Company to switch the focus to a simple mine gate sales model thus eliminating logistics uncertainties and complexities from the business model allowing the Company to take advantage of strengthening thermal coal prices.

Exploration is continuing across other significant coal opportunities both in the region and other locations across Indonesia, with a focus on meeting the coal requirements for the Company's Jogjakarta Iron Project.

Indo Mines Managing Director and CEO, Mr Martin Hacon, said: "These developments have allowed the Company to now focus management time on the key Jogjakarta Iron Project whilst the Mangkok Project provides a net positive cash flow to the Group. Indo Mines will continue to seek coal assets to feed our future requirements for iron making, to allow the Company to control its input costs to become one of the lowest cost pig iron producers in the world."

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