indo mines ltd

A.B.N. 40 009 245 210

ANNUAL REPORT 2011

CORPORATE DIRECTORY

DIRECTORS

Mr Christopher Catlow - Non-Executive Chairman
Mr Martin Hacon - Managing Director and Chief Executive Officer
Dr Derek Fisher - Non-Executive Director
Mr Paul Kopejtka - Non-Executive Director
Mr Darryl Harris - Non-Executive Director

COMPANY SECRETARY

Ms Stacey Apostolou

REGISTERED AND PRINCIPAL OFFICE

Level 1, 15 Rheola Street
West Perth WA 6005

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SHARE REGISTER

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Level 2
45 St Georges Terrace
Perth WA 6000

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STOCK EXCHANGE LISTING

Australian Stock Exchange Limited
Home Branch – Perth
2 The Esplanade
Perth WA 6000

ASX CODE

IDO – Fully paid ordinary shares

SOLICITORS

Hardy Bowen Lawyers – Australia

Hadiputranto, Hadinoto & Partners – Indonesia

AUDITOR

KPMG

BANKERS

National Australia Bank Limited

Australia and New Zealand Banking Group Limited

CONTENTS

Dear Fellow Shareholders

Your Company has made significant progress towards its strategy of becoming a major supplier to the Indonesian and Asian steel industry during the course of the 2011/12 financial year.

The management team has been considerably strengthened during the course of the year under Managing Director Martin Hacon , which has led to an acceleration of activities across the board.

Jogjakarta Iron Project

The 200,000 tonne per annum iron sands concentrate demonstration plant is nearing completion with the first shipments to customers scheduled for the first quarter of 2012.

The Feasibility Study is complete for the first stage of the Jogjakarta Iron Project, being the development of a 2 million tonne per annum iron sands concentrate facility. The estimated internal rate of return for the project is very attractive at 44% and progress is currently underway to secure the optimal financing package so as to move into construction in a timely fashion. We are pleased with the level of interest in providing finance and are encouraged by discussions to date.

Trial smelting at Outokumpu's facilities in Australia has successfully delivered pig iron from the Jogjakarta iron sands deposit. It is our understanding that this is the first iron to be produced from sands other than from New Zealand Steel's commercial operations. The ease and efficiency with which the iron was produced was very pleasing. Further smelting trials are scheduled and work is underway to ensure that the recovery of all valuable metals contained within the sands is maximized. This work together with determining the coal to be used as the reductant for the project are the next steps towards completing the Definitive Feasibility Study for pig iron production at Jogjakarta.

Rindra Bara Utama Coal Project

The management team must be complimented on ramping up the production rate to close to the predicted rate of 30,000 tonnes per month in difficult circumstances. However, the project is never going to be a Company maker. Therefore, it has been decided that it should be sold to enable management to focus their time more profitably on adding value to core assets.

Whilst the economic turmoil continues in Europe and the USA, the Indonesian and Asia economies have faired much better still enjoying very positive GDP growth. The real growth of GDP in China continues at around 10% per annum whilst Indonesia's is above 6%. This is very positive for steel consumption in the region.

The re-vitalised Indo Mines has established its credentials, and is continuing to develop an impressive management team. The company is now very well-placed to be a supplier into this growing steel market becoming a significant player in the region and in particular the emerging Indonesian iron and steel industry.

We are looking forward to a busy year ahead. Stay tuned!

CHRISTOPHER CATLOW
Non-Executive Chairman

In line with the Company's strategy to become the supplier of choice to the growing Indonesian and Asian Steel and Metals Industry, the Company has made significant progress in the past year on the planned staged development of the Jogjakarta Iron Project with completion of the Feasibility Study for the 2 million tonne per annum iron concentrate facility.

The low cash cost position that the Company has targeted was highlighted in the Feasibility Study, confirming the expectation that the Jogjakarta Iron Project will be one of the lowest cost iron concentrate producers in the world. This low cost position enables the Company to maintain strong cash margins throughout the commodity cycle for the life of the Project generating strong returns even during times of lower iron ore prices.

The Company has also progressed the development of a commercial trial plant at the western end of the Contract of Works area. This plant will target production of 20,000 tonnes per month of iron concentrate. Construction is nearing completion and the plant is expected to be commissioned in November. Significant enquiries for trial volumes have been received from international steel makers.

The Company has also commenced test work to progress the technical design of a 1 million tonne per annum pig iron plant with the large European technology provider Outotec. This test program successfully produced the Company's first pig iron produced from Jogjakarta iron sand concentrate at the Outotec pilot facility in Melbourne marking a key milestone for the Company.

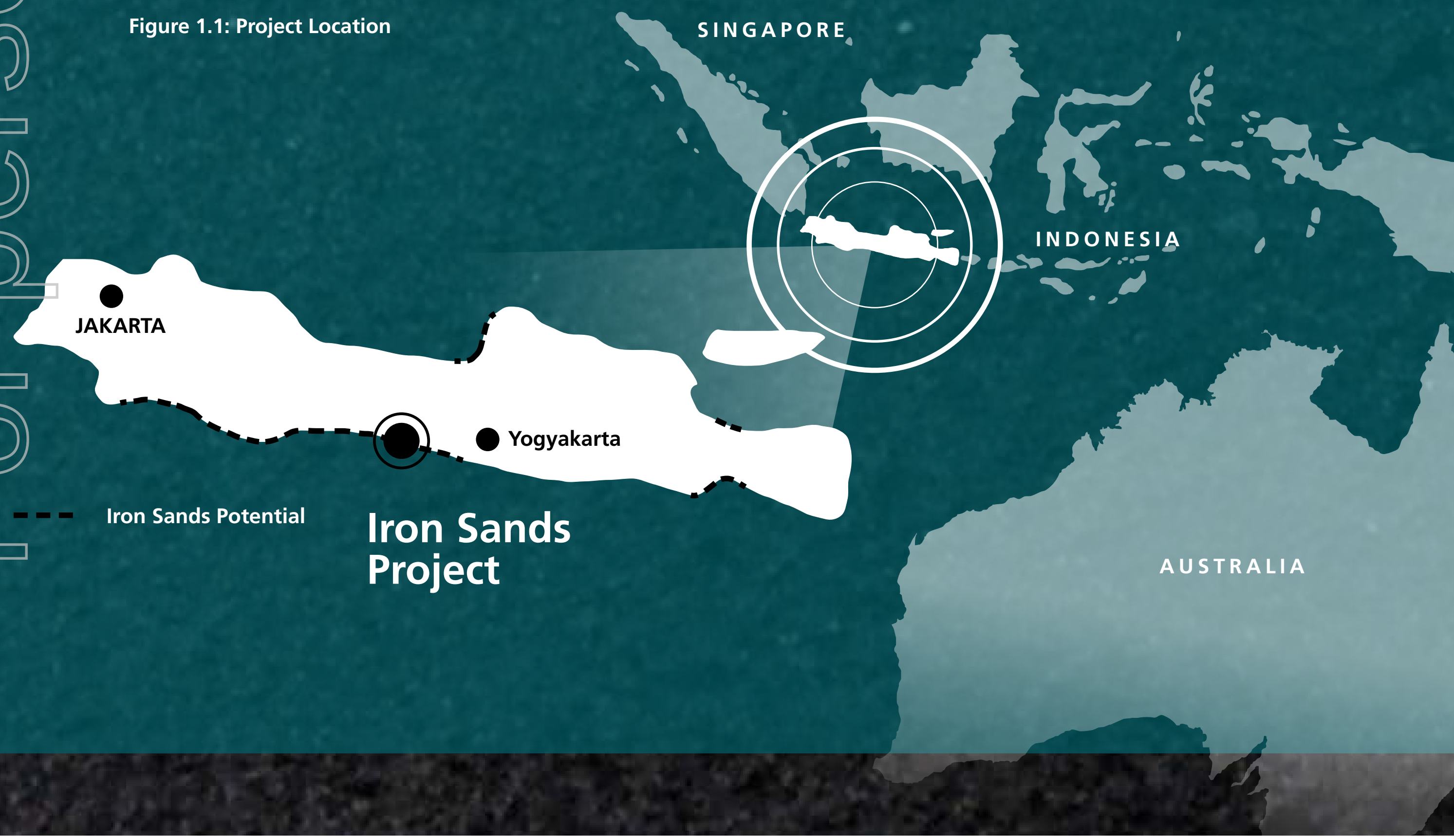
JOGJAKARTA IRON PROJECT

The Jogjakarta Iron Project ("the Iron Project"), located approximately 30kms from the major Indonesian city of Jogjakarta, is covered by a Contract of Works ("CoW") awarded in November 2008 from the Indonesian Government.

The Company has a 70% interest in the Iron Project, with the 30% joint venture partner, PT Jogja Magasa Mining, being a consortium of Indonesian business people including members of the Kingdom of Jogjakarta.

The Iron Project is focussed on the initial development of a 2 million tonnes per annum iron concentrate mine and processing facility. The free flowing titano magnetite sand is extracted using simple mining techniques, with the iron recovered using magnetic separation and light grinding to produce an iron concentrate product of 55% Fe. This product is used in the production of iron from Direct Reduced Iron (DRI) technology and in conventional blast furnaces.

Figure 1.1: Project Location



IRON CONCENTRATE

Feasibility Study

The Feasibility Study for the 2 million tonne Iron Project was undertaken by specialist consultants including URS Corporation, CSA Global Pty Ltd, Ferrum Consultants, Engineering and Project Management Services, Resindo Resources Indonesia and Battery Limits.

The Iron Project was independently modelled using discounted cash flow analysis based on adjusted consensus forecast iron ore pricing (Source: Metalytics) confirming the economic viability, including strong cash margins and modest capital cost. Key financial outcomes from the study were as follows:

Table 1.1 – Key Project Economics	
Capital Cost (inclusive of contingency and working capital)	US$158.3m
Operating Cost (cash cost) per tonne FOB Vessel	US$24.20
IRR (before tax)	44.5%

At spot iron ore pricing and foreign exchange rates, the Iron Project has an IRR of 83.1% (before tax).

It is anticipated that operation of the large scale iron sand mining will begin within 18 months from commencement of construction.

Capital Costs

A summary of capital costs is provided in Table 1.2, showing a modest total of US$158.3 million, inclusive of 15% contingency, as well as working capital requirements until first shipment of product. This cost also includes development of key infrastructure items for the Project, including the loading facility at Glagah.

Table 1.2 – Capital Costs	**US $m**
Direct Costs	108.3
Indirect Costs	22.9
Contingency	16.5
Working Capital	10.6
Total Capital Cost	**158.3**

For the 2 million tonne output of iron concentrate, this capital cost results in a low capital cost per annual tonne of production of US$79.15.

Operating Costs

The Feasibility Study has confirmed the expected low operating cash cost of US$24.20 per tonne FOB vessel, exclusive of government royalties.

This low operating cost will enable the Iron Project to deliver strong cash margins throughout the life of the mine, both at current iron ore prices and the lower long term pricing view amongst analysts.

Optimisation

Following the positive Feasibility Study outcomes, the Company has commenced an optimisation process focussing on the potential transition to dredge mining of the lower level sands to significantly extend the mine life. Initial results indicate that there may be further operating cost savings from adopting this methodology. The Company is also investigating the leasing of key capital items of plant and equipment.

Mining and Reserve

The Company will commence the dry mining of surface sands on the CoW area. CSA Global has defined a Probable Ore Reserve of 163.5 Mt at an average grade of 13.7% Fe for the surface sands accessible above an assumed water table. In defining this reserve, CSA Global relied on metallurgical and financial information relating to the deposit as supplied by Battery Limits, the lead consultant of the Feasibility Study.

All of the material within the mining boundary is mineralised with grades well above the calculated cut-off grade enabling bulk mining methodology to be applied, with minimal feed grade control required. Mining has been scheduled to produce 2.0 Mt of concentrate per annum at 55%Fe.

The sand tailings are pumped back to the mine pit to refill the mined-out areas. Fine tailings produced by the Secondary Concentrator Plant will also be returned to the mined-out area. The fine tails will be open-pipe discharged across placed Primary concentrate sand tailings, filling to the original topographical profile. These fines will be incorporated into the upper levels of the sand tails. Independent studies carried out by the University of Jogjakarta have confirmed crop productivity improvements of up to 40% from the returned tails when compared to the original base sand.

Infrastructure

The Iron Project is close to the major city centre of Jogjakarta hosting a large national airport, accommodation and health care facilities. Given the size of the commercial and industrial centre, the city is well placed to support the operation, inclusive of goods, services and labour supply.

The Java-Bali Power Interconnection passes the Jogjakarta area capable of providing power to the site supplied by the government-owned and operated Perusahaan Listrik Negara.

The port of Glagah is located on the western boundary of the Project area. The port facility is under construction and will provide a location from which concentrate will be barged and trans-shipped for FOB sales.

Pricing and Marketing

Iron concentrate has been produced and exported from New Zealand in commercial quantities for over 30 years for use in both blast furnaces and DRI facilities in Japan and China.

The pricing mechanism is index linked to the Australian Pilbara (62% Fe) high grade fines price inclusive of an adjustment factor to reflect the additional processing costs relating to the TiO_2 and Al_2O_3 content of the iron sand concentrate.

The Company has been approached by, and is continuing discussions with major international steel businesses interested in securing domestic supply of iron concentrate and pig iron for potential Indonesian steel making investments and export supply to existing facilities.

PIG IRON

The Company achieved another significant milestone upon the successful manufacture of the first iron ingots from the Company's Indonesian iron sand concentrate in Jogjakarta using the Outotec AusIron® smelting process.

Outotec is continuing a series of smelting trials using DRI produced from Jogjakarta iron concentrate to quantify the potential of producing 1 million tonnes of pig iron a year.

The test work is being undertaken at the Outotec AusIron® pilot smelting furnace in Dandenong, Victoria, and the results will assist in the preparation of a conceptual plant design and capital estimates for the pig iron facility.

Outotec is a leading global provider of process solutions, technologies and services for the mining and metallurgical industries, providing innovative and environmentally sound solutions and life cycle services.

Figure 1.2: Dry Mining Method

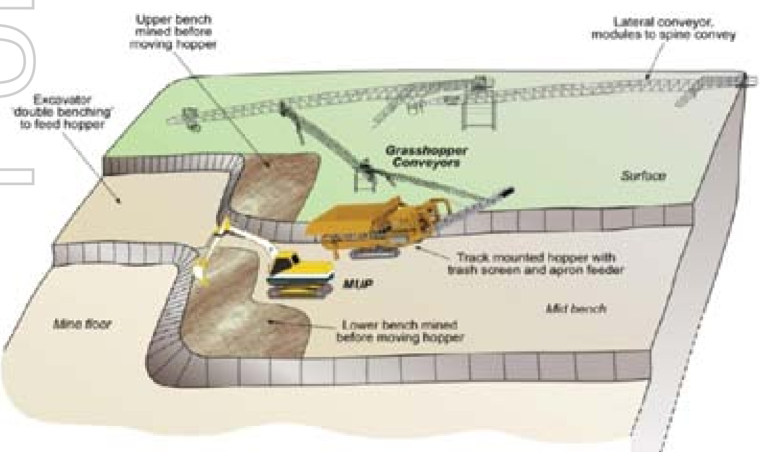


Figure 1.3: First Iron Ingots

MANGKOK COAL PROJECT

The Company commenced production during the year at the Mangkok Coal Project, located in the major coal producing region of South Kalimantan, As a consequence of initial operational inefficiencies, a comprehensive review of operational procedures and practices was undertaken 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 increased production and emphasis on cost control has significantly improved the cash flow of the Project.

The quality of coal produced from the Mangkok Project is consistently in the range of 6,500kcal to 7,200kcal making it a desirable Indonesian coal. Further, a revised mine plan has been implemented which has changed the location of the ROM stockpile, crushing and weighing facilities.

To support the changes outlined above the Company cancelled the forward sales arrangement entered into in May 2010 with Merrill Lynch. 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 control of its cost base.

Exploration continued 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.

THE YEAR AHEAD

The Board and Management team have another busy year ahead, with a focus on the following milestones:

- Secure optimal funding for the 2 million tonne iron concentrate facility and commencement of construction;
- First production and sale of iron concentrate from the Company's commercial test plant at Karangwuni;
- Continuing test work with Outotec to complete the Feasibility of a 1 million tonne per annum Pig Iron facility;
- Maximising value from the Company's Mangkok Coal Project; and
- Secure long term coal supply to meet the potential requirements of the Pig Iron facility;

The progress over the last twelve months has been significant and the Jogjakarta Iron Project provides a starting point from which the Company is aiming to develop additional iron projects both throughout Indonesia and the Asia Pacific region, positioning the Company to become the supplier of choice to the growing Indonesian and Asian Steel and Metals Industry.

I would like to thank our team in Indonesia and Australia for their tremendous efforts in progressing the Company's projects during the year and shareholders for your ongoing support. This is a very exciting time for Indo Mines as we move rapidly to becoming an innovative producing company.

The information in this report that relates to exploration results, mineral resources or ore reserves is based on information compiled by Ms Joan Bath, who is a member Australian Institute of Mining and Metallurgy. Ms Joan Bath is a full-time employee of CSA Global, a consultant of Indo Mines Limited. Ms Joan Bath has sufficient experience, which is relevant to the style of iron ore mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ms Joan Bath consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Directors of Indo Mines Limited present their report on the Consolidated Entity consisting of Indo Mines Limited ("the Company" or "Indo Mines" or "Parent") and the entities it controlled at the end of, or during, the year ended 30 June 2011 ("Consolidated Entity" or "Group").

DIRECTORS

The names of Directors in office at any time during the financial year or since the end of the financial year are:

Mr Christopher Catlow	Non-Executive Chairman
Mr Martin Hacon	Managing Director and Chief Executive Officer (appointed 2 August 2010)
Dr Derek Fisher	Non-Executive Director
Mr Paul Kopejtka	Non-Executive Director
Mr Darryl Harris	Non-Executive Director
Mr Keith Brooks	Non-Executive Director (resigned 6 October 2010)

Unless otherwise disclosed, Directors held their office from 1 July 2010 until the date of this report.

CURRENT DIRECTORS AND OFFICERS

Christopher Catlow – Non Executive Chairman

Qualifications - B.Sc, FCA

Chris Catlow is a highly experienced executive in the international resources industry, having worked on the development and operations of sand mining, hard rock and oil and gas projects over a 25 year career. He played a central role in the formation of Iluka Resources Limited and most recently was a senior executive of the ASX-listed iron ore mining company Fortescue Metals Group Limited, since shortly after its formation in 2003. During his seven years at Fortescue, initially as its inaugural Chief Financial Officer and then as its Investment and Business Development Director, the company financed and brought into production its major iron ore mining, processing, rail and port facility in Western Australia's Pilbara region. The development established Fortescue as Australia's third largest iron ore producer behind Rio Tinto and BHP Billiton.

Mr Catlow was appointed a Director of Indo Mines Limited on 25 May 2010 and during the three year period to the end of the financial year, Mr Catlow has held directorships in Sirius Exploration Plc (April 2010 – present) and Allied Healthcare Group Ltd (June 2011 - present).

Martin Hacon – Managing Director and Chief Executive Officer

Qualifications – B.Sc. Hons (Metallurgy)

Mr Hacon has over 30 years experience in the steel industry including 20 years in the iron sand business. Sponsored through Leeds University by British Steel Corporation he obtained an honours degree in metallurgy before being appointed to various metallurgical development and commissioning roles in the UK. He joined New Zealand Steel in 1987 where he held a variety of Executive and managerial roles across the mining, iron making, and steel businesses playing an important role in the development of that organisation. Prior to joining Indo Mines, Mr Hacon was the inaugural Vice President, Mining and Co-Products, New Zealand Steel. In this role he grew the minerals business through relationships with groups in China, Japan, Europe, USA to be a significant contributor to the company and developed future growth opportunities

Mr Hacon was appointed a Director of Indo Mines Limited on 2 August 2010 and has not held any other directorships of listed companies in the last three years.

Derek Fisher – Non-Executive Director

Qualifications - PhD

Dr Fisher has more than 35 years of worldwide experience in the resource industry. He has been the principal in listing a number of companies, both in Australia and Canada, and has more than 20 years experience as a manager of publicly listed companies. Dr Fisher began his career with the New South Wales Geological Survey in 1966 and, following graduation from the University of New England, Armidale, NSW, moved into the mineral exploration and mining industry. During the 1970s he undertook doctoral studies at the University of Toronto, Canada, gaining his PhD in 1979. Dr Fisher is an honorary life member of the Association of Mining and Exploration Companies (AMEC), having spent 13 years on the council of AMEC.

Dr Fisher was appointed a director of Indo Mines Limited on 25 May 2010 and during the three year period to the end of the financial year, Dr Fisher held directorships in Moly Mines Ltd (April 2003 – present) and Cortona Resources Ltd (July 2007 – present).

CURRENT DIRECTORS AND OFFICERS (CONTINUED)

Paul Kopejtka – Non-Executive Director

Qualifications – B. Eng (Chem)

Mr Kopejtka is a founding director of Murchison Metals Limited (ASX: MMX). He holds a Bachelor of Engineering (Chemical) degree from Curtin University, specialising in the mineral resources sector. Mr Kopejtka has 22 years experience in the mining industry as an engineer and consultant in the areas of green and brown fields project evaluation and feasibility study management, plant design and engineering and commissioning. This experience extends to both the Australian and overseas mining industry. Throughout the 1990s he held tenure as a technical consultant with the Minproc and Bateman engineering groups before branching out in a similar capacity working with a number of major publicly listed companies.

Mr Kopejtka was appointed a director of Indo Mines Limited on 25 May 2010 and during the three year period to the end of the financial year, Mr Kopejtka held a directorship in Murchison Metals Ltd (November 2004 – present).

Darryl Harris – Non-Executive Director

Qualifications - B.Sc. MAusIMM

Darryl Harris is an engineering metallurgist with over 20 years experience in the design and commissioning of mineral processing plants, in particular diamonds. Mr Harris has had a long association with engineering companies including Nedpac and Signet Engineering and was involved in the development of various projects, including project co-ordinator for the An Feng-Kingstream Steel Project and other Australian ferrous projects.

Mr Harris was appointed a Director of Indo Mines Limited on 16 June 1987 and during the three year period to the end of the financial year, Mr Harris held directorships in Consolidated Tin Mines Ltd (October 2010 – present) and Beacon Minerals Limited (July 2008 – present).

Shane Cranswick – Company Secretary

Qualifications - B.Com, CA, FCIS, F Fin

Mr Cranswick gained a Bachelor of Commerce degree from the University of Western Australia and is a member of the Institute of Chartered Accountants in Australia, the Institute of Chartered Secretaries and the Financial Services Institute of Australasia. He commenced his career with an international Chartered Accounting firm and has since worked in the role of Chief Financial Officer and Company Secretary for a number of listed companies that operate in the resources sector.

Mr Cranswick was appointed Company Secretary of Indo Mines Limited on 25 May 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year consisted of mineral exploration and development activities and there has been no change in the nature of those activities.

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2011 (2010: nil).

EARNINGS PER SHARE

	2011 Cents	2010 Cents
Basic earnings/(loss) per share	(10.2)	(29.3)
Diluted earnings/(loss) per share	(10.2)	(29.3)

CORPORATE STRUCTURE

Indo Mines Limited is a company limited by shares that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report including the entities it incorporated and controlled during the financial year.

CONSOLIDATED RESULTS

	2011 $	2010 $
Profit/(loss) of the Consolidated Entity before income tax expense	(21,530,978)	(27,664,771)
Income tax expense	-	-
Net profit/(loss)	(21,530,978)	(27,664,771)
Net profit/(loss) attributable to minority interest	(1,917,477)	(594,805)
Net loss attributable to members of Indo Mines Limited	(19,613,501)	(27,069,966)

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REVIEW OF OPERATIONS AND ACTIVITIES

The loss after tax of the Consolidated Entity for the year ended 30 June 2011 was $21,530,978 (2010: $27,664,771). The loss for the year arose primarily as a result of a non-cash share based payment expense of $1.94 million, ongoing exploration and development expenditure on the Jogjakarta Iron Project of $4.1 million and loss from operations at the Mangkok Coal Project, including amortisation and impairment, of $8 million as a result of start up costs including initial overburden removal, unforseen logistical complexities and weather constraints.

The planned staged development of the Jogjakarta Iron Project ("Iron Project") continued to take shape with the Feasibility Study completed in August 2011 assessing the potential to produce 2 million tonnes of iron concentrate per year from the Iron Project.

Also during the year the Board approved the commencement of commercial trials of iron concentrate production which is expected to commence in October 2011. This will allow the Company to generate modest early cash flow from the Iron Project while also building its operating expertise ahead of full-scale production targeted for mid-2013. There is also further potential to produce 1 million tonnes of pig iron per year at a later date. A feasibility study for the pig iron development will be completed in the next 18 months.

The Company received approval for the Environmental Impact Assessment scoping document (KA-ANDAL). The KA-ANDAL approval enabled Indo Mines to complete the environmental and social base line measurements and engineering design required to finalise the Feasibility Study. The KA-ANDAL was prepared in accordance with Indonesian legislation and international best practice and defines the scope and boundaries for the Iron Project.

World leading minerals and metals technology company Outotec was appointed to complete the process evaluation and design of the Iron Project. Outotec has commenced a series of smelting trials using Direct Reduced Iron (DRI) produced from Jogjakarta iron concentrate to quantify the potential of producing 1 million tonnes of pig iron a year based on the Outotec Circosmelt® process. The test work is being conducted at the Outotec Ausmelt pilot smelting furnace in Dandenong, Victoria. The results will enable the preparation of a conceptual plant design and capital estimates.

The Company also commenced production at the Mangkok Coal Project, an open-cut mining operation which is located in a major coal producing region 95 kilometres north of Banjarmasin, the capital of South Kalimantan, Indonesia. The Company incurred a loss from operations during the year as a result of initial overburden removal, unforseen logistical complexities and weather constraints. The focus has been on the consolidation and application of operational procedures and standards and an increased emphasis on cost control which has improved the cash flow of the Project in recent months. The Project is currently producing approximately 25,000 tonnes per month of high quality thermal coal and the Company is evaluating other coal opportunities, with a focus on meeting the future coal requirements for iron making.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the Consolidated Entity occurred during the year:

i) The Company granted the following incentive options:

a) 8,866,667 incentive options exercisable at $0.30 each on or before 30 November 2011, vesting upon a volume weighted average shares price over 5 trading days of $0.40;

b) 8,866,667 incentive options exercisable at $0.30 each on or before 31 December 2011, vesting upon a volume weighted average shares price over 5 trading days of $0.50;and

c) 8,866,666 incentive options exercisable at $0.30 each on or before 30 June 2012, vesting upon a volume weighted average shares price over 5 trading days of $0.60.

d) 200,000 incentive options exercisable at $0.50 each on or before 1 June 2012, vesting upon a volume weighted average shares price over 5 trading days of $0.60.

e) 300,000 incentive options exercisable at $0.50 each on or before 2 June 2012, vesting upon a volume weighted average shares price over 5 trading days of $0.70.

f) 500,000 incentive options exercisable at $0.50 each on or before 3 June 2012, vesting upon a volume weighted average shares price over 5 trading days of $0.80.

ii) In September 2010, the Company undertook a placement of 17.5 million ordinary shares at $0.20 each to institutional and sophisticated investors to raise $3.5 million before costs. Funds raised from the placement were used to accelerate the Feasibility Study of the Jogjakarta Iron Project, and to provide general working capital.

iii) In December 2010 the Company completed a strategic placement of 20 million shares at an issue price of $0.27 a share to Rockcheck Steel Co. Ltd, one of the largest privately owned iron and steel producers in China. Rockcheck was one of the first steel companies in China to introduce direct reduction iron making technology and now operates the world's largest rotary hearth furnace, a process that can utilise up to 100% iron concentrate produced from iron sand. As part of this placement, following approval from Shareholders the Company placed a further 10,000,000 shares to key existing institutional and strategic shareholders to raise a further $2.7 million.

iv) In June 2011 the Company completed a placement of 18,608,509 ordinary shares at $0.55 each to institutional and sophisticated investors to raise approximately $10.2 million before costs. Funds raised from the placement are being used to expedite the development of the commercial trial iron sands concentrate plant at the western end of the Contract of Works area in Jogjakarta, and to provide general working capital.

SIGNIFICANT POST BALANCE DATE EVENTS

In August 2011, the Company announced it had completed the Feasibility Study on a 2 million tonne per annum iron sand mine for the Jogjakarta Iron Project showing strong projected cash margins and low capital cost per annual tonne of production.

Other than as outlined above, as at the date of this report there are no matters or circumstances, which have arisen since 30 June 2011 that have significantly affected or may significantly affect:

a) the operations, in financial years subsequent to 30 June 2011 of the Consolidated Entity;
b) the results of those operations, in financial years subsequent to 30 June 2011 of the Consolidated Entity; or
c) the state of affairs, in financial years subsequent to 30 June 2011 of the Consolidated Entity.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

Instances of environmental non-compliance by an operation are identified either by external compliance audits or inspections by relevant government authorities.

There have been no significant known breaches by the Consolidated Entity during the financial year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

It is the Board's current intention that the Consolidated Entity will focus on maximising the value of the Company's Iron Project in Indonesia and is currently sourcing financing to construct the 2 million tonne per annum iron concentrate mine following the recent completion of a Feasibility Study. The Company is also continuing to evaluate options to maximise its investment in the Mangkok Coal Project and will also continue to examine new opportunities in mineral exploration and development, particularly in the iron sands and coal sectors.

All of these activities are inherently risky and the Board is unable to provide certainty that any or all of these activities will be achieved. In the opinion of the Directors, any further disclosure of information regarding likely developments in the operations of the Consolidated Entity and the expected results of these operations in subsequent financial years may prejudice the interests of the Company and accordingly, has not been disclosed.

SHARE OPTIONS

As at 30 June 2011 the following share options remain unexercised:

- 8,833,333 incentive options exercisable at $0.30 each on or before 30 November 2011;
- 8,833,334 incentive options exercisable at $0.30 each on or before 31 December 2011;
- 8,833,333 incentive options exercisable at $0.30 each on or before 30 June 2012;
- 200,000 incentive options exercisable at $0.50 each on or before 1 June 2012, vesting upon a volume weighted average shares price over 5 trading days of $0.60;
- 300,000 incentive options exercisable at $0.50 each on or before 2 June 2012, vesting upon a volume weighted average shares price over 5 trading days of $0.70;
- 500,000 incentive options exercisable at $0.50 each on or before 3 June 2012, vesting upon a volume weighted average shares price over 5 trading days of $0.80;
- 2,000,000 vendor options exercisable at $0.20 each on or before 1 October 2014;
- 1,000,000 vendor options exercisable at $1.00 each on or before 1 March 2014;

Since 30 June 2011, no further options have been granted. No shares have been issued as a result of the exercise of options since 30 June 2010 and no options have expired.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2010, and the number of meetings attended by each Director.

	Board Meetings Number eligible to attend	Board Meetings Number Attended
Christopher Catlow	7	7
Martin Hacon	7	6
Derek Fisher	7	6
Paul Kopejtka	7	7
Darryl Harris	7	3
Keith Brooks	2	1

The following table sets out each Director's relevant interest in shares and options in shares of the Company as at the date of this report:

	Ordinary Shares[1]	Class C Performance Shares[2]	Class D Performance Shares[3]	Class E Performance Shares[4]	Class A Incentive Options[5]	Class B Incentive Options[6]	Class C Incentive Options[7]	$0.20 Vendor Options[8]	$0.20 Vendor Options[9]
Current Directors									
Christopher Catlow[11]	5,702,861	1,572,480	2,096,640	2,096,640	1,666,667	1,666,667	1,666,666	500,000	1,000,000
Martin Hacon	104,000	-	-	-	1,666,667	1,666,667	1,666,666	-	-
Derek Fisher[11]	8,341,040	2,299,919	3,066,559	3,066,559	1,666,667	1,666,666	1,666,667	-	-
Paul Kopejtka[11]	241,648	66,631	88,841	88,841	1,666,666	1,666,667	1,666,667	-	-
Darryl Harris	210,000	-	-	-	-	-	-	-	-
Former Directors									
Keith Brooks[10]	9,902,553	-	-	-	-	-	-	-	-

Notes

(1) "Shares" means fully paid ordinary shares in the capital of the Company.

(2) "Class C Performance Shares" convert into ordinary shares on a 1 for 1 basis subject to certain milestones as outlined in Note 22.

(3) "Class D Performance Shares" convert into ordinary shares on a 1 for 1 basis subject to certain milestones as outlined in Note 22.

(4) "Class E Performance Shares" convert into ordinary shares on a 1 for 1 basis subject to certain milestones as outlined in Note 22.

(5) "Class A Incentive Options" means an option to subscribe for 1 ordinary Share in the Capital of the Company at an exercise price of $0.30 each on or before 30 November 2011, vesting upon a volume weighted average shares price over 5 trading days of $0.40.

(6) "Class B Incentive Options" means an option to subscribe for 1 ordinary Share in the Capital of the Company at an exercise price of $0.30 each on or before 31 December 2011, vesting upon a volume weighted average shares price over 5 trading days of $0.50.

(7) "Class C Incentive Options" means an option to subscribe for 1 ordinary Share in the Capital of the Company at an exercise price of $0.30 each on or before 30 June 2012, vesting upon a volume weighted average shares price over 5 trading days of $0.60.

(8) "$0.20 Vendor Option" means an option to subscribe for 1 ordinary Share in the capital of the Company at an exercise price of $0.20 on or before 1 October 2014.

(9) "$1.00 Vendor Option" means an option to subscribe for 1 ordinary Share in the capital of the Company at an exercise price of $1.00 on or before 1 March 2014, vesting upon the Company delivering 500,000 tonnes of coal or more.

(10) Held as at date of resignation, 6 October 2010.

(11) Held as at date of appointment on 25 May 2010. All ordinary shares, vendor options and performance shares held by Mr Catlow, Dr Fisher and Mr Kopejtka were acquired as a result of their respective shareholdings in Fireside Resources Limited, which was acquired by Indo Mines Limited.

REMUNERATION REPORT

The remuneration policy for the Group's Key Management Personnel (including the Managing Director) has been developed by the Board taking into account:

- the size of the Group;
- the size of the management team for the Group;
- the nature of the Group's current operations; and
- market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

In considering the above general factors, the Board has also placed emphasis on the following specific issues:

- risks associated with resource companies whilst exploring and developing projects; and
- other than profit which may be generated from asset sales (if any), the Group does not expect to be undertaking significant profitable operations until sometime after the successful commercialisation, production and sales of commodities from its Iron Project, or the acquisition of a large scale profitable mining operation.

Remuneration Policy for Executives

The Group's remuneration policy is to provide a fixed remuneration component and a performance based component (incentive options, see below). The Board believes that this remuneration policy is appropriate given the stage of development of the Group and the activities which it undertakes and is appropriate in aligning Key Management Personnel objectives with shareholder and business objectives.

Performance Based Remuneration – Incentive Options

The Board has chosen to issue incentive options to Key Management Personnel as a key component of the incentive portion of their remuneration, in order to attract and retain the services of the Key Management Personnel and to provide an incentive linked to the performance of the Group. The Board considers that each Key Management Personnel's experience in the resources industry will greatly assist the Group in progressing its projects to the next stage of development and the identification of new projects. As such, the Board believes that the number of incentive options granted to Key Management Personnel is commensurate to their value to the Group.

The Board has a policy of granting options to Key Management Personnel with exercise prices at and/or above market share price (at time of agreement). As such, incentive options granted to Key Management Personnel will generally only be of benefit if the Key Management Personnel perform to the level whereby the value of the Group increases sufficiently to warrant exercising the incentive options granted.

Other than market-based vesting conditions, there are no additional performance criteria on the incentive options granted to Key Management Personnel, as given the speculative nature of the Group's activities and the small management team responsible for its running, it is considered the performance of the Key Management Personnel and the performance and value of the Group are closely related.

Key Management Personnel are prohibited at all times from entering into margin lending or similar arrangements in respect to Company Securities they hold or in which they have a relevant interest.

Key Management Personnel are prohibited at all times from dealing in financial products issued or created over or in respect of the Company's Securities.

Impact of Shareholder Wealth on Key Management Personnel Remuneration

The Board does not directly base remuneration levels on the Group's share price or movement in the share price over the financial year. However, as noted above, a number of Key Management Personnel have received options which generally will only be of value should the value of the Group's shares increase sufficiently to warrant exercising the incentive options granted.

As a result of the Group's exploration, development and new business activities, the Board anticipates that it will retain future earnings (if any) and other cash resources for the operation and development of its business. Accordingly the Group does not currently have a policy with respect to the payment of dividends, and as a result the remuneration policy does not take into account the level of dividends or other distributions to shareholders (e.g. return of capital).

Impact of Earnings on Key Management Personnel Remuneration

As discussed above, the Group has recently completed a feasibility study, and does not expect to be undertaking significant profitable operations until sometime after the successful commercialisation, production and sales of commodities from its Jogjakarta Iron Project, or the acquisition of a large scale profitable mining operation. Accordingly the Board does not consider current or prior year earnings when assessing remuneration of Key Management Personnel.

Fixed Compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the remuneration committee through a process that considers individual, segment and overall performance of the Group. In addition, external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place. A senior executive's compensation is also reviewed on promotion.

Remuneration Policy for Non-Executive Directors

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. Given the current size, nature and risks of the Group, incentive options have been used to attract and retain Non-Executive Directors. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholders' interests, the Directors are encouraged to hold shares in the Company and Non-Executive Directors have received incentive options in order to secure their services.

General

Where required, Key Management Personnel receive superannuation contributions, currently equal to 9% of their salary, and do not receive any other retirement benefit. From time to time, some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to Key Management Personnel is valued at cost to the company and expensed. Incentive options are valued using an appropriate option valuation methodology depending upon the terms of the options. The value of these incentive options is expensed over the vesting period.

Employment Contracts with Key Management Personnel

Mr Martin Hacon, Managing Director and Chief Executive Officer of the Group who commenced on 2 August 2010, has a contract of employment with Indo Mines Limited which specifies the duties and obligations to be fulfilled by the Managing Director and CEO. The contract may be terminated by the Company by giving 3 months notice. No amount is payable in the event of termination for neglect or incompetence in regards to the performance of duties. Mr Hacon receives a fixed remuneration component of $450,000 per annum inclusive of superannuation.

Following shareholder approval, Mr Hacon was granted the following option package in accordance with his employment contract:

i) 1,666,667 incentive options exercisable at $0.30 each on or before 30 November 2011, vesting upon a volume weighted average shares price over 5 trading days of $0.40;

ii) 1,666,667 incentive options exercisable at $0.30 each on or before 31 December 2011, vesting upon a volume weighted average shares price over 5 trading days of $0.50; and

iii) 1,666,666 incentive options exercisable at $0.30 each on or before 30 June 2012, vesting upon a volume weighted average shares price over 5 trading days of $0.60.

Mr Shane Cranswick, Company Secretary and Chief Financial Officer of the Group who commenced full time on 1 June 2010, has a contract of employment with Indo Mines Limited which specifies the duties and obligations to be fulfilled by the Company Secretary and CFO. The contract may be terminated by the Company by giving 1 month notice. No amount is payable in the event of termination for neglect or incompetence in regards to the performance of duties. Mr Cranswick receives a fixed remuneration component of $225,000 per annum exclusive of superannuation.

In July 2010, Mr Cranswick was granted the following option package:

i) 333,333 incentive options exercisable at $0.30 each on or before 30 November 2011, vesting upon a volume weighted average shares price over 5 trading days of $0.40;

ii) 333,334 incentive options exercisable at $0.30 each on or before 31 December 2011, vesting upon a volume weighted average shares price over 5 trading days of $0.50; and

iii) 333,334 incentive options exercisable at $0.30 each on or before 30 June 2012, vesting upon a volume weighted average shares price over 5 trading days of $0.60.

REMUNERATION REPORT (CONTINUED)

Key Management Personnel Remuneration (Company and Consolidated)

Details of the nature and amount of each element of the remuneration of each Director of the Company and each of the Company and Group's executives for the financial year are as follows:

		Short-Term		Post Employment						
		Salary $	Directors Fees $	Super-annuation $	Termination Benefits $	Share-based payments Options $	Other Consulting Fees $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Directors										
Christopher Catlow [(i)]	2011	-	20,000	1,800	-	298,333	-	320,133	93.2	93.2
Non-Executive Chairman	2010	-	1,657	149	-	-	-	1,806	-	-
Martin Hacon [(ii)]	2011	412,500	-	-	-	375,000	-	787,500	47.6	47.6
Managing Director & CEO	2010	-	-	-	-	-	-	-	-	-
Derek Fisher [(i)]	2011	-	15,000	1,350	-	298,333	-	314,683	94.8	94.8
Non- Executive Director	2010	-	1,521	137	-	-	-	1,658	-	-
Paul Kopejtka [(i)]	2011	-	15,000	1,350	-	298,333	-	314,683	94.8	94.8
Non-Executive Director	2010	-	1,521	137	-	-	-	1,658	-	-
Darryl Harris	2011	-	15,000	1,350	-	-	-	16,350	-	-
Non-Executive Director	2010	-	19,586	1,763	-	-	-	21,349	-	-
Keith Brooks [(v)]	2011	-	4,027	-	-	-	-	4,027	-	-
Non-Executive Director	2010	-	15,000	-	-	-	-	15,000	-	-
Philip Welten [(iii)]	2011	-	-	-	-	-	-	-	-	-
Managing Director	2010	224,488	-	20,204	84,099	-	-	328,791	-	-
Ian Middlemas [(iv)]	2011	-	-	-	-	-	-	-	-	-
Non-Executive Director	2010	-	-	-	-	-	34,500	34,500	-	-
Executives										
Shane Cranswick	2011	225,000	-	20,250	-	59,667	-	304,917	19.6	19.6
Company Secretary & CFO	2010	18,750	-	1,687	-	-	-	20,437	-	-
Total	**2011**	**637,500**	**69,027**	**26,100**	**-**	**1,329,666**	**-**	**2,062,293**		
	2010	**243,238**	**39,285**	**24,077**	**84,099**	**-**	**34,500**	**425,199**		

Notes

(i) Mr Catlow, Dr Fisher and Mr Kopejtka were appointed on 25 May 2010.

(ii) Mr Hacon was appointed on 2 August 2010.

(iii) Mr Welten resigned on 20 May 2010.

(iv) Mr Middlemas resigned on 22 June 2010.

(v) Mr Brooks resigned on 6 October 2010.

(vi) All ordinary shares, vendor options and performance shares held by Mr Catlow, Dr Fisher and Mr Kopejtka were acquired as a result of their respective shareholdings in Fireside Resources Limited, which was acquired by Indo Mines Limited. Refer Note 29 for full details of the Fireside acquisition. The value of Performance Shares received by Mr Catlow, Dr Fisher and Mr Kopejtka in relation to the funding milestones are as follows (Refer Note 22 for valuation details):

	Class A Performance Shares*	Class D & E Performance Shares	Total
Christopher Catlow	503,194	314,496	817,690
Derek Fisher	735,974	459,984	1,195,958
Paul Kopejtka	21,322	13,326	34,648

* Class A Performance shares expired on 31 December 2010.

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Options Granted to Key Management Personnel

The following table discloses the value of options granted, exercised or lapsed during the year:

	Options Granted Value at Grant Date(i) $	Options Exercised Value at Exercise Date $	Options Lapsed Value at time of Lapse $	Value of Options included in Compensation for the Year(ii) $	Percentage of Compensation for the Year that consists of Options %
2011					
Christopher Catlow	298,000	-	-	298,333	93.2
Martin Hacon	375,000	-	-	375,000	47.6
Derek Fisher	298,333	-	-	298,333	94.8
Paul Kopejtka	298,333	-	-	298,333	94.8
Shane Cranswick	59,667	-	(v)(387,000)	59,667	19.6
2010					
Philip Welten	-	-	(iii) (iv) (2,606,250)	-	-
Shane Cranswick	-	-	(v)(388,500)		

Notes

(i) For details on the valuation of the options, including models and assumptions used, please refer to Note 22 to the financial statements. Each option converts into one ordinary share of Indo Mines on exercise.

(ii) No options were granted to key management personnel during the year ended 30 June 2010.

(iii) As at Mr Welten's date of resignation, 1,250,000 incentive options exercisable at $0.35 previously granted as the incentive component of his remuneration package expired unexercised on 31 December 2009. Subsequent to Mr Welten's resignation, 1,250,000 incentive options exercisable at $0.45 previously granted as the incentive component of his remuneration package expired unexercised on 30 June 2010.

(iv) During the year ended 30 June 2011, 500,000 incentive options exercisable at $1.20 previously granted as the incentive component of Mr Welten's remuneration package expired unexercised on 30 November 2010.

(v) During the year ended 30 June 2010, 500,000 incentive options exercisable at $0.90 previously granted as the incentive component of Mr Cranswick's remuneration package expired unexercised on 30 November 2009. An adjustment of $387,000 was made to the option premium reserve and retained earnings in relation to the value of the above mentioned options that expired unexercised during the year ended 30 June 2011 (2010: $388,500).

INSURANCE OF OFFICERS AND AUDITORS

Under the Constitution the Company is obliged, to the extent permitted by law, to indemnify an officer (including Directors) of the Company against liabilities incurred by the officer in that capacity, against costs and expenses incurred by the officer in successfully defending civil or criminal proceedings, and against any liability which arises out of conduct not involving a lack of good faith.

The Company has in respect of any person who is or has been an officer of the Company or a related body corporate paid or agreed to pay a premium of $19,890 (2010: $19,980) in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

The Company has indemnified officers of the Company against a liability incurred as an officer including costs and expenses in successfully defending legal proceedings.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify an auditor of the Company or of any related body corporate against a liability incurred as such an auditor.

NON-AUDIT SERVICES

There were no non-audit services provided by the auditor (or by another person or firm on the auditor's behalf) during the financial year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration, which forms part of this Directors' Report, for the year ended 30 June 2011 is on Page 17.

This report is made in accordance with a resolution of the Directors made pursuant to section 298(2) of the Corporations Act 2001.

For and on behalf of the Directors

CHRISTOPHER CATLOW
Non-Executive Chairman

Dated this 29th day of September 2011

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Indo Mines Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Brent Steedman
Partner

Perth

29 September 2011

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

	Note	2011 $	2010 $
Continuing Operations			
Revenue		8,742,374	-
Cost of sales	2(a)	(16,757,556)	-
Gross profit		**(8,015,182)**	**-**
Exploration, evaluation and development expenditure	2(a)	(4,141,041)	(5,774,993)
Business development expenses	2(a)	-	(151,853)
Impairment of coal asset	10	(937,858)	-
Share based payments	22	(1,944,600)	-
Depreciation	2(a)	(113,957)	(25,140)
Administration expenses	2(a)	(5,419,661)	(938,625)
Results from operating activities		**(12,557,117)**	**(6,890,611)**
Other exploration expenditure	29(d)	-	(11,293,728)
Net financial income/(expense)	2(b)	(958,679)	(9,506,220)
Gain on sale of equity investments		-	25,788
		(958,679)	**(20,774,160)**
Loss before income tax		**(21,530,978)**	**(27,664,771)**
Income tax expense	3	-	-
Loss from continuing operations		**(21,530,978)**	**(27,664,771)**
Other comprehensive income			
Cumulative loss/(gain) on available-for-sale financial assets transferred to income statement		-	(150,000)
Net change in fair value of available-for-sale financial assets		22,950	20,925
Foreign currency translation differences for foreign operations		(257,933)	(163,189)
Other comprehensive income for the year		(234,983)	(292,264)
		(21,765,961)	**(27,957,035)**
Loss attributable to:			
Non-controlling interests		(1,917,477)	(594,805)
Owners of the Company		(19,613,501)	(27,069,966)
		(21,530,978)	**(27,664,771)**
Total comprehensive loss attributable to:			
Non-controlling interests		(2,027,196)	(643,166)
Owners of the Company		(19,738,765)	(27,313,869)
		(21,765,961)	**(27,957,035)**
Earnings per share:			
Basic profit/(loss) per share from continuing operations (cents per share)	28	(10.2)	(29.3)
Diluted profit/(loss) per share from continuing operations (cents per share)	28	(10.2)	(29.3)

Notes to and forming part of the Income Statements are set out on Pages 23 to 55.

AS AT 30 JUNE 2011

	Note	2011 $	2010 $
ASSETS			
Current Assets			
Cash and cash equivalents	29(b)	8,025,093	911,453
Restricted cash and cash equivalents		100,000	270,650
Trade and other receivables	4	682,966	161,026
Prepayments	5	-	2,181,245
Other financial assets	6	81,000	58,050
Inventory	7	1,615,903	-
Total Current Assets		**10,504,962**	**3,582,424**
Non-current Assets			
Restricted cash and cash equivalents		286,257	140,974
Property, plant and equipment	8	811,432	610,025
Exploration and evaluation assets	9	27,133,531	25,783,296
Mining rights	10	3,591,072	6,718,988
Total Non-current Assets		**31,822,292**	**33,253,283**
TOTAL ASSETS		**42,327,254**	**36,835,707**
LIABILITIES			
Current Liabilities			
Trade and other payables	11	4,268,092	699,313
Deferred income	12	968,824	1,867,632
Provisions	13	242,341	3,907
Total Current Liabilities		**5,479,257**	**2,570,852**
Non-Current Liabilities			
Trade and other payables	14	387,901	-
Borrowings	15	7,185,142	6,510,401
Total Non-Current Liabilities		**7,573,043**	**6,510,401**
TOTAL LIABILITIES		**13,052,300**	**9,081,253**
NET ASSETS		**29,274,954**	**27,754,454**
EQUITY			
Issued capital	16	83,160,779	66,611,252
Reserves	17	2,385,404	1,462,099
Accumulated losses	18	(53,562,649)	(39,637,513)
Total equity attributable to equity holders of the Company		**31,983,534**	**28,435,838**
Minority interest	19	**(2,708,580)**	**(681,384)**
TOTAL EQUITY		**29,274,954**	**27,754,454**

Notes to and forming part of the Balance Sheets are set out on Pages 23 to 55.

	Note	2011 $	2010 $
Cash flows from operating activities			
Receipts from customers		5,698,874	-
Payments to suppliers and employees		(16,821,074)	(3,348,863)
Interest received		110,159	75,950
Interest paid		(236,555)	(252,602)
Income tax paid		-	(961,769)
Net cash outflows from operating activities	29(a)	**(11,248,596)**	**(4,487,284)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(314,866)	(100,108)
Payments for exploration, evaluation and development		(1,498,170)	(1,286,196)
Disposal of property, plant and equipment		45,215	-
Acquisition costs of acquisition of Fireside Resources		-	(68,385)
Cash received on acquisition of Fireside Resources		-	191,952
Pre-acquisition funds loaned to Fireside Resources		-	(3,209,335)
Proceeds from sale of other financial assets		-	1,435,788
Net cash outflows from investing activities		**(1,767,821)**	**(3,036,284)**
Cash flows from financing activities			
Proceeds from issue of shares		21,864,680	5,050,000
Transaction costs from issue of shares		(608,238)	(152,823)
Security deposits		25,364	(54,687)
Net cash inflows/(outflows) from financing activities		**21,281,806**	**4,842,490**
Net increase/(decrease) in cash and cash equivalents		**8,265,389**	**(2,681,078)**
Cash and cash equivalents at the beginning of the financial year		**911,453**	**3,597,562**
Effects of exchange rate changes		**(1,151,749)**	**(5,031)**
Cash and cash equivalents at the end of the financial year	29(b)	**8,025,093**	**911,453**

Notes to and forming part of the Cash Flow Statements are set out on Pages 23 to 55.

	Attributable to the equity holders of the Parent							
	Share Capital $	Share-Based Payments Reserve $	Investment Revaluation Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $	Minority Interest $	Total Equity $
Balance at 1 July 2010	**66,611,252**	**1,528,366**	**46,575**	**(112,841)**	**(39,637,513)**	**28,435,839**	**(681,384)**	**27,754,455**
Total comprehensive income for the period								
Net loss for the year	-	-	-	-	(19,613,501)	(19,613,501)	(1,917,477)	(21,530,978)
Other comprehensive income								
Net change in fair value of available-for-sale financial assets	-	-	22,950	-	-	22,950	-	22,950
Exchange differences arising on translation of foreign operations	-	-	-	(148,214)	-	(148,214)	(109,719)	(257,933)
Total other comprehensive income	-	-	22,950	(148,214)	-	(125,264)	(109,719)	(234,983)
Total comprehensive income for the period	-	-	22,950	(148,214)	(19,613,501)	(19,738,765)	(2,027,196)	(21,765,961)
Transactions with owners, recorded directly in equity								
Issue of shares	21,834,680	-	-	-	-	21,834,680	-	21,834,680
Share issue costs	(608,238)	-	-	-	-	(608,238)	-	(608,238)
Expiry of performance shares	(4,800,000)	-	-	-	4,800,000	-	-	-
Expiry of options	-	(888,365)	-	-	888,365	-	-	-
Exercise of options	7,667	(7,667)	-	-	-	-	-	-
Payment on exercise of options	30,000					30,000	-	30,000
Issue of options	-	1,944,600	-	-	-	1,944,600	-	1,944,600
Share-based payments	85,418	-	-	-	-	85,418	-	85,418
Total transactions with owners	16,549,527	1,048,568	-	-	5,688,365	23,286,460	-	23,286,460
Balance at 30 June 2011	**83,160,779**	**2,576,934**	**69,525**	**(261,055)**	**(53,562,649)**	**31,983,534**	**(2,708,580)**	**29,274,954**

Notes to and forming part of the Statements of Changes in Equity are set out on Pages 23 to 55

	Attributable to the equity holders of the Parent							
	Share Capital $	Share-Based Payments Reserve $	Investment Revaluation Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $	Minority Interest $	Total Equity $
Balance at 1 July 2009	**34,000,429**	**4,509,483**	**175,650**	**1,987**	**(16,004,914)**	**22,682,635**	**(11,587)**	**22,671,048**
Total comprehensive income for the period								
Net loss for the year	-	-	-	-	(27,069,966)	(27,069,966)	(594,805)	(27,664,771)
Other comprehensive income								
Net change in fair value of available-for-sale financial assets	-	-	20,925	-	-	20,925	-	20,925
Exchange differences arising on translation of foreign operations	-	-	-	(114,828)	-	(114,828)	(48,361)	(163,189)
Net change in fair value of available-for-sale financial assets transferred to the income statement	-	-	(150,000)	-	-	(150,000)	-	(150,000)
Total other comprehensive income	-	-	(129,075)	(114,828)	-	(243,903)	(48,361)	(292,264)
Total comprehensive income for the period	-	-	(129,075)	(114,828)	(27,069,966)	(27,313,869)	(643,166)	(27,957,035)
Transactions with owners, recorded directly in equity								
Adjustment to outside equity interest in property, plant and equipment transferred to the controlled entity	-	-	-	-	-	-	(26,631)	(26,631)
Issue of ordinary shares	22,388,000	-	-	-	-	22,388,000	-	22,388,000
Share issue costs	(190,691)	-	-	-	-	(190,691)	-	(190,691)
Issue of performance shares	10,050,000					10,050,000		10,050,000
Exercise of options	183,750	(183,750)	-	-	-	-	-	-
Expiry of options unexercised	-	(3,437,367)			3,437,367	-		-
Share-based payments	179,764	640,000	-	-	-	819,763	-	819,764
Total transactions with owners	32,610,823	(2,981,117)	-	-	3,437,367	33,067,072	(26,631)	(33,040,442)
Balance at 30 June 2010	**66,611,252**	**1,528,366**	**46,575**	**(112,841)**	**(39,637,513)**	**28,435,839**	**(681,384)**	**27,754,455**

Notes to and forming part of the Statements of Changes in Equity are set out on Pages 23 to 55.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial report of the Company, Indo Mines Limited and its consolidated entities ("Consolidated Entity" or "Group") for the year ended 30 June 2011 are stated to assist in a general understanding of the financial report. These policies have been consistently applied to all the years presented, except as described below.

Indo Mines Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The financial report of the Group for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 29 September 2011.

a) Financial Position

The Group incurred a loss for the year of $21,530,978 (2010: $27,664,771) and utilised cash of $13,016,417 (before net proceeds from financing activities) as the Group continued the development of the Iron Project and funded the Mangkok Coal Project. These cash outflows were funded by a combination of raising capital and use of available cash.

The financial report has been prepared on a going concern basis which contemplates the continuation of business activity and the realisation of assets and settlement of liabilities in the ordinary course of business, however the Group requires either further equity or debt funding for the development of the Iron Project.

The Group continues to seek opportunities for additional funding, through the issue of new equity or raising debt, and the Directors anticipate these initiatives will be successful over the next 12 months. However, no firm plans or commitments exist at this time. The Directors may also seek to realise funds from the sale of non-core assets.

For the reasons discussed above the Directors are confident that the Group will be able to continue its operations into the foreseeable future. Should the Group be unsuccessful in raising equity or debt there may be a requirement to scale back operations to preserve cash.

b) Basis of Preparation

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

i) derivative financial instruments are measured at fair value
ii) financial instruments at fair value through profit or loss are measured at fair value
iii) available-for-sale financial assets are measured at fair value

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2011.

c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Indo Mines Limited as at 30 June 2011 and the results of all subsidiaries for the year then ended. Indo Mines Limited and its subsidiaries together are referred to as the Group or the Consolidated Entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and potential effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions and balances, and unrealised gains on transactions between Group companies, are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Principles of Consolidation (continued)

i) Business combinations

Measuring goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

Share-based payment awards

When share-based payment awards exchanged (replacement awards) for awards held by the acquiree's employees (acquiree's awards) relate to past services, then a part of the market-based measure of the awards replaced is included in the consideration transferred. If they require future services, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as post-combination compensation cost.

Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

(d) Presentation of financial statements

The Group applies revised AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(e) Exploration and evaluation expenditure

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Exploration and evaluation expenditure incurred by the Group is accumulated for each area of interest and recorded as an asset if:

i) the rights to tenure of the area of interest are current; and

ii) at least one of the following conditions is also met:

1) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and/or

2) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition. Exploration and evaluation expenditure incurred by the Group subsequent to acquisition of the rights to explore is expensed as incurred, up to the point of a Final Investment Decision.

Capitalised exploration costs are reviewed each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

f) Mining rights and amortisation

Other intangible assets

Mining rights and other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated over the cost of the asset, or another amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

g) Revenue Recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For sales of coal the sale occurs when the goods are loaded onto the relevant carrier at port.

h) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Indo Mines Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the Group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the Company. The current tax liability of each Group entity is then subsequently assumed by the Company. The Group notified the Australian Tax Office that it had formed an income tax consolidated group from 1 July 2008.

i) Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

k) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less an allowance for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition. An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

l) Property, Plant and Equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Plant and equipment are depreciated or amortised on a reducing balance or straight line basis at rates based upon their expected useful lives as follows:

	Life
Plant and equipment	2 - 40 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

m) Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

n) Investments and Other Financial Assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in other financial assets in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent to initial recognition, investments in subsidiaries are measured at cost. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

o) Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. The amounts are unsecured and are usually paid within 30 days.

Payables to related parties are carried at the principal amount.

p) Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Employee benefits payable later than one year are measured at the present value of the estimated future cash flows to be made for those benefits.

q) Issued Capital

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

r) Dividends

Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at balance date.

s) Earnings per Share

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings/loss per share to take into account the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Share-Based Payments

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

u) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

v) Segment Reporting

Determination and presentation of operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

w) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

x) Foreign Currency

Both the functional and presentation currency of Indo Mines Limited at 30 June 2011 was Australian Dollars. The following table sets out the functional currency of the subsidiary (unless dormant) of the Group:

Company Name	Functional Currency
PT Jogja Magasa Iron	Indonesian Rupiah
PT Kanlubang Bara Utama	Indonesian Rupiah
PT Puerto Nirvana Prima	Indonesian Rupiah
Kanlubang Singapore Pte Ltd	US Dollars
Fireside Singapore Pte Ltd	US Dollars

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to the income statement with the exception of differences in foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and tax credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Where the functional currency of a subsidiary of Indo Mines Limited is not Australian Dollars the assets and liabilities of the subsidiary at reporting date are translated into the presentation currency of Indo Mines at the rate of exchange ruling at the balance sheet date and the income statements are translated by applying the average exchange rate for the year.

Any exchange differences arising on this retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity and relating to that particular foreign operation is recognised in the Statement of Comprehensive Income.

y) Impairment of financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

z) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option.

The conversion component is recognised at fair value as a liability.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The conversion component is measured at fair value through profit and loss.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised against equity, net of any tax benefit.

2. PROFIT/(LOSS) FROM OPERATIONS

(a) Profit/(loss) before tax

Profit/(loss) before income tax has been arrived at after charging the following expenses attributable to continuing operations:

	2011 $	2010 $
Revenue from operations		
Sales revenue(i)	8,742,374	-
Cost of goods sold	(16,757,556)	-
	(8,015,182)	-
Cost of goods sold		
Cost of production	8,777,341	-
Mine operating costs	5,790,158	-
Amortisation of mining right	2,190,057	-
	16,757,556	-
Exploration, evaluation and development expenditure		
Impairment losses on exploration and evaluation assets	33,998	40,617
Impairment of pre-acquisition loan to Fireside Resources to fund exploration and development activities	-	3,209,335
Exploration expenditure	4,107,043	2,525,041
	4,141,041	5,774,993
Business development expenses		
Project evaluation expenses	-	151,843
	-	151,843
Administration expenses		
Property expenses	283,022	139,440
Corporate expenses	1,395,927	606,239
Audit expenses	168,985	52,198
Employee benefits expense	2,159,882	87,071
Other expenses	1,411,845	53,677
	5,419,661	938,625
Depreciation and amortisation		
Depreciation – plant and equipment	113,957	25,140
	113,957	25,140

(b) Financial income/(expenses)

	2011 $	2010 $
Interest revenue	110,159	73,114
Unrealised foreign exchange gain	894,357	499,578
Other finance income	-	30,095
Finance income	1,004,516	602,787
Borrowing costs	-	(26,083)
Interest expense	(321,973)	(434,928)
Bank charges	(13,747)	(6,875)
Fair value adjustment of convertible debenture option(iii)	(1,568,691)	(1,841,121)
Share based payments funding costs(ii)	-	(7,800,000)
Foreign exchange loss	(58,784)	-
Finance cost	(1,963,195)	(10,109,007)
Net finance (expense)/income	(958,679)	(9,506,220)

(i) Coal production from the Mangkok project commenced during the year and the first revenue was invoiced on 19 October 2010.

(ii) An amount of $7,800,000 was expensed during 2010 relating to share based payments funding costs as part of the acquisition of Fireside Resources Ltd. Refer Note 29 for full details.

(iii) Expense relates to a fair value adjustment of option component of convertible note from Anglo Pacific Group. Refer Note 15 for further details.

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3. INCOME TAX

a) Recognised in the income statement

	2011 $	2010 $
Current income tax:		
Current income tax expense/(benefit)	-	-
Adjustments in relation to current income tax of previous years	-	-
Deferred income tax:		
Adjustments in respect of deferred income tax of previous years	1,268,672	216,991
Origination and reversal of temporary Differences	(3,440,398)	(2,127,758)
Deferred tax assets not brought to account	2,171,726	1,910,767
Income tax expense reported in the Income Statement	-	-

b) Recognised directly in equity

Deferred income tax related to items charged or credited directly to equity		
Available-for-sale financial assets	6,885	6,278
Deferred tax assets used to offset deferred tax liabilities	(6,885)	(6,278)
Income tax expense/(benefit) reported in equity	-	-

c) Reconciliation of income tax expense to prima facie tax payable

Profit/(loss) from continuing operations before income tax	(21,530,978)	(27,664,771)
Tax at the Australian tax rate of 30% (2010: 30%)	(6,459,293)	(8,299,431)
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:		
Entertainment	105	71
Income not assessable for income tax purposes	(288,107)	(194,873)
Tax depreciation	(597,243)	-
Fair value adjustment of convertible debenture	470,607	552,336
Provision for impairment of loans	1,737,047	3,388,118
Amortisation and impairment of coal asset	938,375	-
Sundry items	174,731	86,021
Share-based payments	583,380	2,340,000
Adjustments in relation to current income tax of previous years	1,268,672	216,991
	(2,171,726)	(1,910,767)
Income tax benefit not recognised	2,171,726	1,910,767
Income tax expense	-	-

d) Tax losses not brought to account

Unused tax losses and temporary differences incurred during the year for which no deferred tax asset has been recognised	7,239,093	6,369,223
Potential tax benefit @ 30% (2010: 30%)	2,171,726	1,910,767

e) Tax Consolidation

Indo Mines Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the Group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the Company. The current tax liability of each Group entity is then subsequently assumed by the Company. The Group notified the Australian Tax Office that it had formed an income tax consolidated group from 1 July 2008.

3. INCOME TAX (CONTINUED)

f) Deferred income tax

	2011 $	2010 $
Deferred income tax relates to the following:		
Deferred tax liabilities		
Available-for-sale investments	20,858	13,973
Deferred tax assets used to offset deferred tax liabilities	(20,858)	(13,973)
Deferred tax liabilities – total	-	-
Deferred tax assets		
Provisions	72,703	1,172
Accrued expenses	51,300	18,750
Borrowings	663,989	-
Mining Right	341,132	-
Deferred tax assets used to offset deferred tax liabilities	-	(13,973)
Tax losses available to offset against future taxable income	4,060,502	2,089,073
Deferred tax asset used to offset deferred tax loss	(20,858)	-
Deferred tax assets not brought to account	(5,168,768)	(2,095,022)
Deferred tax assets – total	-	-

Note

The benefit of deferred tax assets not brought to account will only be brought to account if:

a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
c) no changes in tax legislation adversely affect the Company in realising the benefit.

4. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2011 $	2010 $
Trade debtors	505,067	104,505
Sundry debtors	177,899	56,521
	682,966	161,026

5. CURRENT ASSETS – PREPAYMENTS

	2011 $	2010 $
Coal royalty prepayment	-	2,181,245
	-	2,181,245

The 2010 balance related to a prepayment of royalties in respect to coal acquisition rights for the Mangkok Coal Project. The full amount was repaid in the year ended 30 June 2011.

6. CURRENT ASSETS – OTHER FINANCIAL ASSETS

	2011 $	2010 $
Available-for-sale financial assets at fair value:		
Shares – listed	81,000	58,050
	81,000	58,050

Available-for-sale financial assets comprise investments in listed ordinary shares.

7. CURRENT ASSETS – INVENTORY

	2011 $	2010 $
Coal inventory	1,615,903	-
	1,615,903	-

There was no coal inventory at 30 June 2010 as the mine only started producing in the current financial year.

8. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

a) Plant and equipment

	2011 $	2010 $
Cost	1,019,769	750,118
Accumulated depreciation	(208,338)	(140,093)
Net carrying amount	811,431	610,025

b) Reconciliation

Carrying amount at beginning of year, net of accumulated depreciation and impairment	610,025	437,539
Additions	360,578	199,581
Disposals	(45,215)	-
Impairment	-	(1,954)
Depreciation charge for the year	(113,957)	(25,141)
Carrying amount at end of year, net of accumulated depreciation and impairment	811,431	610,025

9. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS

The Company has mineral exploration costs carried forward in respect of the following areas of interest:

a) Areas of interest:

Indonesia		
Jogjakarta Iron Sands Mining Right	27,133,531	25,783,297
	27,133,531	25,783,297

b) Reconciliation

Carrying amount at beginning of year	25,783,296	23,507,512
Deferred exploration, evaluation and development expenditure incurred	1,419,915	2,567,091
Adjustment to parent entity share of recognised exploration, evaluation and development expenditure	(35,682)	(250,690)
Impairment	(33,998)	(40,617)
Carrying amount at end of year, at cost	27,133,531	25,783,296

The ultimate recoupment of the above deferred exploration, evaluation and development expenditure is dependent upon the successful development and commercial exploitation or, alternatively, sale of the respective areas of interest.

10. NON-CURRENT ASSETS – MINING RIGHTS ACQUISITION AND DEVELOPMENT COSTS

The Company has mineral exploration costs carried forward in respect of the following areas of interest:

a) Areas of interest:

Indonesia		
Mangkok Coal Mining Right	6,718,988	6,718,988
Amortisation based on recoverable value	(2,190,058)	-
Impairment based on recoverable value	(937,858)	-
Carrying amount at end of year, at cost	3,591,072	6,718,988

The ultimate recoupment of the above mining asset is dependent upon the successful development and commercial exploitation or, alternatively, sale of the Mangkok Mining Rights. Production of coal commenced during the current financial year. The mining asset was impaired at 30 June 2011 as the forecast operating performance did not meet initial expectations.

11. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Trade creditors	2,312,229	283,851
Accrued expenses	211,175	159,291
Other payables	1,744,688	256,171
	4, 268,092	699,313

12. CURRENT LIABILITIES – DEFERRED INCOME

	2011 $	2010 $
Advance coal sale	968,824	1,867,632

The 2010 balance related to funds received pursuant to a US$3.6 million prepayment towards the purchase of 300,000 tonnes of coal. As at 30 June 2010, an amount of US$1.6 million of the US$3.6 million had been received as funding to develop the Mangkok Mining Right. This prepayment arrangement was terminated in May 2011. The advance coal sales at 30 June 2011 relate to coal sold but not yet shipped.

13. CURRENT LIABILITIES – PROVISIONS

Employee benefits	242,341	3,907
a) Movement in provisions		
Opening balance	3,907	5,158
Amounts paid to employees	(29,648)	(13,359)
Additional provisions	268,082	12,108
Closing balance	242,341	3,907

14. NON CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Payable to related parties	387,901	-
	387,901	-

The payable to related parties relates to a transfer of assets from PT Jogja Magasa Mining (JMM) on establishment of the joint venture entity.

15. NON-CURRENT LIABILITIES – BORROWINGS

Secured Debenture – Anglo Pacific Group plc	6,510,401	4,971,847
Unrealised foreign exchange gain	(893,950)	(302,567)
	5,616,451	4,669,280
Fair value adjustment of option component through profit and loss	1,568,691	1,841,121
Carrying amount at the end of the year	7,185,142	6,510,401

During the financial year ended 30 June 2009, the Company entered into a US$4 million convertible debenture facility ("the Facility") with Anglo Pacific Group PLC ("Anglo Pacific"). The funds from this Facility have been and continue to be used for the Feasibility Study works, including environmental and social studies, metallurgical testing, infrastructure planning and marketing research in respect of the Iron Project.

The material terms of the Facility are as follows:

i) the Company has agreed to grant a 2% net smelter royalty over its attributable portion of the liquid iron sales produced through the Jogjakarta liquid iron plant until the Facility has been repaid, following which the royalty will reduce to 1% in perpetuity;

ii) repayment of the Facility is only through payment of the royalty with the principal amount of the Facility to be reduced by the amount of royalty payments (unless Anglo Pacific choose to convert the outstanding principal amount into common shares);

iii) a coupon rate of 8.0% p.a. is payable on the reducing outstanding principal each year;

iv) Anglo Pacific is entitled, at its option and at any time to convert any outstanding principal to Shares at a conversion price of A$0.50 per share;

v) if the principal amount of the Facility is converted to shares, rather than repaid, the royalty arrangement ceases;

vi) the Company under the Facility is required to provide security over the Project and the entities holding the Project; and

vii) the note has an expiry date of 31 December 2017.

The option component is classified as a financial liability and is measured at fair value through profit and loss. This has been independently valued using the Black Scholes option valuation methodology. The following table lists the inputs to the model used for the period ended 30 June 2011:

	As at 30 June 2011	As at 30 June 2010
Exercise price	$0.50	$0.50
Share price on date of valuation	$0.57	$0.24
Volatility	90%	105%
Risk-free interest rate	5.00%	5.00%
Valuation date	30 June 2011	30 Jun 2010
Expiry date	31 Dec 2017	31 Dec 2017
Expected life of option (years)	6.51	7.51
Valuation per option	$0.457	$0.197

16. ISSUED CAPITAL

a) Issued and paid up capital:

	2011 $	2010 $
229,809,304 (2010: 163,196,646) fully paid ordinary shares	77,910,779	56,561,253
35,000,000 (2010: 75,000,000) performance shares	5,250,000	10,050,000
	83,160,779	66,611,253

16. ISSUED CAPITAL

b) Movements in ordinary share capital during the past two years were as follows:-

Date	Details	Number of Shares	$
1 July 2009	Opening Balance	80,881,745	34,000,429
3 August 2009	Exercise of $0.20 options	250,000	50,000
	Transfer from option premium reserve	-	20,750
	Share issue expenses	-	(1,650)
18 February 2010	Share placement	12,000,000	3,000,000
	Share issue expenses	-	(141,735)
26 February 2010	Issue to Iron Project Vendors	5,000,000	1,450,000
	Share issue expenses	-	(4,070)
30 March 2010	Issue in lieu of interest	302,534	85,871
	Share issue expenses	-	(1,650)
5 May 2010	Exercise of $0.20 options	1,300,000	260,000
	Share issue expenses	-	(2,398)
25 May 2010	Issue to Fireside Vendors	20,000,000	6,000,000
	Share issue expenses	-	(11,569)
26 May 2010	Exercise of $0.20 options	8,400,000	1,483,000
	Share issue expenses	-	(4,860)
11 June 2010	Conversion of Class B Performance Shares to ordinary shares	20,000,000	6,000,000
	Share issue expenses	-	(12,127)
11 June 2010	Issue to Fireside Vendors	14,400,000	3,888,000
	Share issue expenses	-	(8,731)
30 June 2010	Exercise of $0.20 options	300,000	60,000
	Share issue expenses	-	(861)
26 May 2010	Issue in lieu of interest	362,367	93,893
	Share issue expenses	-	(1,040)
30 Jun 2010	**Closing Balance**	**163,196,646**	**56,561,252**
1 July 2010	**Opening Balance**	**163,196,646**	**56,561,252**
22 September 2010	Share placement	17,500,000	3,500,000
	Share issue expenses	-	(180,200)
1 October 2010	Issue in lieu of interest	404,149	85,418
	Share issue expenses	-	(1,650)
23 December 2010	Share placement	20,000,000	5,400,000
	Share issue expenses	-	(13,167)
14 February 2011	Share placement	10,000,000	2,700,000
	Share issue expenses	-	(3,510)
7 June 2011	Share placement	18,608,509	10,234,680
	Share issue expenses	-	(409,615)
7 June 2011	Exercise of $0.30 options	100,000	37,667
	Share issue expenses	-	(96)
30 June 2011	**Closing Balance**	**229,809,304**	**77,910,779**

Holders of ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held and the amount paid up. Shareholders are entitled to one vote per share held either in person or by proxy at a meeting of the Company.

The Company also has issued share options (see Note 17(b)).

c) **Movements in performance share capital during the past two years were as follows:-**

Date	Details	Number	$
1 July 2009	**Opening Balance**	**-**	**-**
25 May 2010	Issue of Class A Performance Shares	20,000,000	4,800,000
	Issue of Class B Performance Shares	20,000,000	6,000,000
	Issue of Class C Performance Shares	15,000,000	2,250,000
	Issue of Class D and Class E Performance Shares (1)	40,000,000	3,000,000
11 June 2010	Conversion of B Class Performance Shares to ordinary shares	(20,000,000)	(6,000,000)
30 June 2010	**Closing Balance**	**75,000,000**	**10,050,000**
1 July 2010	**Opening Balance**	**75,000,000**	**10,050,000**
31 December 2010	Expiry of Class A Performance Shares	(20,000,000)	(4,800,000)
30 June 2011	**Closing Balances**	**55,000,000**	**5,250,000**

(1) The Class D Performance Shares and the Class E Performance Shares are mutually exclusive and that if the Class D milestone is satisfied then the Class E milestone cannot be satisfied and vice versa.

The milestones for conversion of the performance shares are outlined in Note 22.

17. RESERVES

a) **Reserves:**

Share-based payments reserve		
2,000,000 (2010: 2,000,000) $0.20 Vendor Options exercisable on or before 1 October 2014	484,000	484,000
1,000,000 (2010: 1,000,000) $1.00 Vendor Options exercisable on or before 1 March 2014	156,000	156,000
Nil (2010: 1,500,000) $0.75 Unlisted Options exercisable on or before 31 December 2010	-	54,618
Nil (2010: 1,550,000) $1.20 Unlisted Options exercisable on or before 30 November 2010	-	833,747
8,833,333 (2010: nil) $0.30 Unlisted Options exercisable on or before 30 November 2011	535,667	-
8,833,334 (2010: nil) $0.30 Unlisted Options exercisable on or before 31 December 2011	516,333	-
8,833,334 (2010: nil) $0.30 Unlisted Options exercisable on or before 30 June 2012	605,834	-
200,000 (2010: nil) $0.50 Unlisted Options exercisable on or before 1 June 2012	58,200	-
300,000 (2010: nil) $0.50 Unlisted Options exercisable on or before 2 June 2012	84,900	-
500,000 (2010: nil) $0.50 Unlisted Options exercisable on or before 3 June 2012	136,000	-
	2,576,934	1,528,365
Available-for-sale investment revaluation reserve		
Shares – listed	69,525	46,575
Foreign currency translation reserve	(261,055)	(112,841)
Total Reserves	2,385,404	1,462,099

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of share-based payments made by the Company.

Available-for-sale investment revaluation reserve

The available-for-sale investment revaluation reserve is used to record fair value changes on available-for-sale investments.

Foreign currency translation reserve

Exchange differences arising on translation of a foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(x).

17. RESERVES (CONTINUED)

b) Movements in options during the past two years were as follows:

Date	Details	Number of \$0.20 31 Jul 2009 Options	Number of \$0.20 30 Jun 2010 Options	Number of \$0.35 31 Dec 2009 Options	Number of \$0.45 30 Jun 2010 Options	Number of \$0.75 31 Dec 2010 Options	Number of \$0.90 30 Nov 2009 Options	Number of \$1.20 30 Nov 2010 Options	Number of \$0.20 1 Oct 2014 Options	Number of \$1.00 1 Mar 2014 Options	Number of \$0.50 1 June 2012 Options	Number of \$0.50 2 June 2012 Options	Number of \$0.50 3 June 2012 Options	Number of \$0.30 30 Nov 2011 Options	Number of \$0.30 31 Dec 2011 Options	Number of \$0.30 30 June 2012 Options	Cumulative share-based payment reserve \$
1 Jul 2009	**Opening Balance**	**300,000**	**10,000,000**	**1,250,000**	**1,250,000**	**1,500,000**	**1,550,000**	**1,550,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,509,483**
											-	-	-	-	-	-	
31 Jul 2009	Expiry of Options	(50,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,150)
3 Aug 2009	Exercise of Options	(250,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(20,750)
30 Nov 2009	Expiry of Options	-	-	-	-	-	(1,550,000)	-	-	-	-	-	-	-	-	-	(826,968)
31 Dec 2010	Expiry of Options	-	-	(1,250,000)	-	-	-	-	-	-	-	-	-	-	-	-	(1,327,500)
5 May 2010	Exercise of Options	-	(1,300,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25 May 2010	Grant of Options	-	-	-	-	-	-	-	2,000,000	-	-	-	-	-	-	-	484,000
25 May 2010	Grant of Options	-	-	-	-	-	-	-	-	1,000,000	-	-	-	-	-	-	156,000
26 May 2010	Exercise of Options	-	(8,400,000)	-	-		-	-	-	-	-	-	-	-	-	-	(163,000)
30 Jun 2010	Expiry of Options	-	-	-	(1,250,000)	-	-	-	-	-	-	-	-	-	-	-	(1,278,750)
30 Jun 2010	Exercise of Options	-	(300,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30 Jun 2010	**Closing Balance**	**-**	**-**	**-**	**-**	**1,500,000**	**-**	**1,550,000**	**2,000,000**	**1,000,000**	**-**	**-**	**-**	**-**	**-**	**-**	**1,528,365**
12 July 2010	Grant of Options	-	-	-	-	-	-	-	-	-	-	-	-	7,166,666	-	-	415,667
12 July 2010	Grant of Options	-	-	-	-	-	-	-	-	-	-	-	-	-	7,166,666	-	401,333
12 July 2010	Grant of Options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,166,667	465,834
23 July 2010	Grant of Options	-	-	-	-	-	-	-	-	-	-	-	-	33,334	-	-	2,500
23 July 2010	Grant of Options	-	-	-	-	-	-	-	-	-	-	-	-	-	33,333	-	2,400
23 July 2010	Grant of Options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,333	2,767
26 Nov 2010	Grant of Options	-	-	-	-	-	-	-	-	-	-	-	-	1,666,667	-	-	120,000
26 Nov 2010	Grant of Options	-	-	-	-	-	-	-	-	-	-	-	-	-	1,666,667	-	115,000
26 Nov 2010	Grant of Options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,666,666	140,000
30 Nov 2010	Expiry of Options	-	-	-	-	-	-	(1,550,000)	-	-	-	-	-	-	-	-	(833,747)
31 Dec 2010	Expiry of Options	-	-	-	-	(1,500,000)	-	-	-	-	-	-	-	-	-	-	(54,618)
7 June 2011	Grant of Options	-	-	-	-	-	-	-	-	-	200,000	-	-	-	-	-	58,200
7 June 2011	Grant of Options	-	-	-	-	-	-	-	-	-	-	300,000	-	-	-	-	84,900
7 June 2011	Grant of Options	-	-	-	-	-	-	-	-	-	-	-	500,000	-	-	-	136,000
7 June 2011	Grant of Option	-	-	-	-	-	-	-	-	-	-	-	-	(33,334)	-	-	(2,500)
7 June 2011	Exercise of Options	-	-	-	-	-	-	-	-	-	-	-	-	-	(33,333)	-	(2,400)
7 June 2011	Exercise of Options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(33,333)	(2,767)
30 Jun 2010	**Closing Balance**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,000,000**	**1,000,000**	**200,000**	**300,000**	**500,000**	**8,833,333**	**8,833,333**	**8,833,333**	**2,576,934**

c) Terms and conditions of Options

The options are granted based upon the key terms and conditions detailed in note 22.

d) Movements in available-for-sale investment revaluation reserve during the past two years were as follows:

	2011 $	2010 $
Opening Balance	46,575	175,650
Net valuation gain/(loss) on available-for-sale Investments	-	20,925
Net change in fair value of available-for-sale financial assets transferred to the income statement	22,950	(150,000)
Closing Balance	**69,525**	**46,575**

18. ACCUMULATED LOSSES

Balance at the beginning of year	(39,637,513)	(16,004,914)
Transfer from reserves	5,688,365	3,437,367
Net loss attributable to owners	(19,613,501)	(27,069,966)
Balance at end of year	(53,562,649)	(39,637,513)

19. MINORITY INTERESTS IN CONTROLLED ENTITIES

Interest in:		
- Share capital	122,730	107,438
- Reserves	(158,080)	(48,361)
- Accumulated losses	(2,673,230)	(740,461)
	(2,708,580)	(681,384)

20. KEY MANAGEMENT PERSONNEL COMPENSATION

a) Details of Key Management Personnel

Mr Christopher Catlow	Non-Executive Chairman
Mr Martin Hacon	Managing Director & Chief Executive Officer (appointed 2 August 2010)
Dr Derek Fisher	Non-Executive Director
Mr Paul Kopejtka	Non-Executive Director
Mr Darryl Harris	Non-Executive Director
Mr Keith Brooks	Non-Executive Director (resigned 6 October 2010)
Mr Shane Cranswick	Company Secretary and Chief Financial Officer

There were no other key management personnel of the Group.

b) Key Management Personnel Compensation

Company and Consolidated:		
Short-term employee benefits	706,527	282,523
Post-employment benefits	26,100	24,077
Termination benefits	-	84,099
Other – Consulting fees	-	34,500
Share-based payments	1,329,666	-
Total compensation	2,062,293	425,199

Key management personnel disclosures previously required by AASB 124 Related Party Disclosures paragraphs Aus25.2 to Aus25.6 and Aus25.7.1 and Aus25.7.2 and by Corporations Regulations 2M.3.03 are included the Remuneration Report section of the Directors' Report.

Loans to key management personnel and their related parties

There were no loans made to key management personnel or their related parties during the reporting period.

Other key management personnel transactions

There were no other transactions with key management personnel during the year ended 30 June 2011.

21. RELATED PARTY DISCLOSURES

a) Option holdings and transactions of Key Management Personnel

	Held at 30 June 2009	Exercised	Expired	Held at 30 June 2010	Vested & exercisable at 30 June 2010	Granted	Expired	Held at 30 June 2011	Vested & exercisable at 30 June 2011
Current KMP									
Christopher Catlow	-	-	-	[ix]1,500,000	[ix]500,000	[vi]5,000,000	-	6,500,000	5,500,000
Martin Hacon	-	-	-	-	-	[x]5,000,000	-	5,000,000	5,000,000
Derek Fisher	-	-	-	-	-	[xi]5,000,000	-	5,000,000	5,000,000
Paul Kopejtka	-	-	-	-	-	[xii]5,000,000	-	5,000,000	5,000,000
Darryl Harris	[i]150,000	[i](150,000)	-	-	-	-	-	-	-
Shane Cranswick	[viii]1,000,000	-	(500,000)	500,000	500,000	[xiii]1,000,000	(500,000)	1,000,000	1,000,000
Former KMP									
Keith Brooks	-	-	-	-	-	-	-	-	-
Philip Welten	[iv]2,500,000	-	[iv](1,250,000)	[iv]1,250,000	[iv]1,250,000	-	-	-	-
Ian Middlemas	[ii]3,330,000	[ii](3,300,000)	-	[ii]30,000	[vii]30,000	-	-	-	-
Mark Pearce	[v]750,000	-	[v](150,000)	[v]600,000	[v]600,000	-	-	-	-
Matthew Rimes	[iii]270,000	-	-	-	-	-	-	-	-

Note

(i) Options were exercisable at $0.20 each on or before 31 July 2009.

(ii) Options were exercisable at $0.20 each on or before 30 June 2010.

(iii) Held as at date of resignation – 17 December 2009.

(iv) 1,250,000 incentive options exercisable at $0.35 each on or before 31 December 2009 and 1,250,000 incentive options exercisable at $0.45 each on or before 30 June 2010. 1,250,000 incentive options exercisable at $0.35 expired unexercised. As at the date of his resignation on 20 May 2010, Mr Welten held 1,250,000 incentive options exercisable at $0.45. These options expired unexercised on 30 June 2010.

(v) 150,000 options exercisable at $0.90 each on or before 30 November 2009, 150,000 options exercisable at $1.20 each on or before 30 November 2010 and 300,000 options exercisable at $0.20 each on or before 30 June 2010. 150,000 options exercisable at $0.90 expired unexercised. As at the date of his resignation on 25 May 2010, Mr Pearce held 150,000 options exercisable at $1.20 each on or before 30 November 2010 and 300,000 options exercisable at $0.20 each on or before 30 June 2010.

(vi) 1,666,667 incentive options exercisable at $0.30 each on or before 30 November 2011 (vesting upon a volume weighted average shares price over 5 trading days of $0.40), 1,666,667 incentive options exercisable at $0.30 each on or before 31 December 2011 (vesting upon a volume weighted average shares price over 5 trading days of $0.50) and 1,666,666 incentive options exercisable at $0.30 each on or before 30 June 2012 (vesting upon a volume weighted average shares price over 5 trading days of $0.60). All options are vested and exercisable as at 30 June 2011.

(vii) Held as at date of resignation – 22 June 2010.

(viii) 500,000 options exercisable at $1.20 each on or before 30 November 2010 expired during the year.

(ix) 1,000,000 vendor options exercisable at $1.00 each on or before 1 March 2014 vesting upon the delivery of 500,000 tonnes of coal by the Company and 500,000 vendor options exercisable at $0.20 each on or before 1 October 2014. Options held as at date of appointment – 25 May 2010.

(x) 1,666,667 incentive options exercisable at $0.30 each on or before 30 November 2011 (vesting upon a volume weighted average shares price over 5 trading days of $0.40), 1,666,667 incentive options exercisable at $0.30 each on or before 31 December 2011 (vesting upon a volume weighted average shares price over 5 trading days of $0.50) and1,666,666 incentive options exercisable at $0.30 each on or before 30 June 2012 (vesting upon a volume weighted average shares price over 5 trading days of $0.60). All options are vested and exercisable as at 30 June 2011.

(xi) 1,666,667 incentive options exercisable at $0.30 each on or before 30 November 2011 (vesting upon a volume weighted average shares price over 5 trading days of $0.40), 1,666,666 incentive options exercisable at $0.30 each on or before 31 December 2011 (vesting upon a volume weighted average shares price over 5 trading days of $0.50) and 1,666,667 incentive options exercisable at $0.30 each on or before 30 June 2012 (vesting upon a volume weighted average shares price over 5 trading days of $0.60). All options are vested and exercisable as at 30 June 2011.

(xii) 1,666,666 incentive options exercisable at $0.30 each on or before 30 November 2011 (vesting upon a volume weighted average shares price over 5 trading days of $0.40), 1,666,667 incentive options exercisable at $0.30 each on or before 31 December 2011 (vesting upon a volume weighted average shares price over 5 trading days of $0.50) and 1,666,667 incentive options exercisable at $0.30 each on or before 30 June 2012 (vesting upon a volume weighted average shares price over 5 trading days of $0.60). All options are vested and exercisable as at 30 June 2011.

(xiii) 333,333 incentive options exercisable at $0.30 each on or before 30 November 2011 (vesting upon a volume weighted average shares price over 5 trading days of $0.40), 333,333 incentive options exercisable at $0.30 each on or before 31 December 2011 (vesting upon a volume weighted average shares price over 5 trading days of $0.50) and 333,334 incentive options exercisable at $0.30 each on or before 30 June 2012 (vesting upon a volume weighted average shares price over 5 trading days of $0.60). All options are vested and exercisable as at 30 June 2011.

b) Ordinary share holdings and transactions of Key Management Personnel

	Held at 1 July 2009	Purchases/ (Sales)	Options Exercised	Performance Shares Converted	Held at 30 June 2010	Purchases/ (Sales)	Options Exercised	Performance Shares Converted	Held at 30 June 2011
Current KMP									
Christopher Catlow	(iv)2,096,640	(v)1,509,581	-	(vi)2,096,640	5,702,861	-	-	-	5,702,861
Martin Hacon	-	-	-	-	-	104,000	-	-	104,000
Derek Fisher	(iv)3,066,559	(v)2,207,922	-	(vi)3,066,559	8,341,040	-	-	-	8,341,040
Paul Kopejtka	(iv)88,841	(v)63,966	-	(vi)88,841	241,648	-	-	-	241,648
Darryl Harris	60,000	-	150,000	-	210,000	-	-	-	210,000
Shane Cranswick	15,000	-	-	-	15,000	85,000	-	-	100,000
Former KMP									
Philip Welten	-	-	-	-	-	-	-	-	-
Ian Middlemas	3,700,000	-	3,300,000	-	(ii)7,000,000	-	-	-	-
Keith Brooks	3,419,214	-	-	-	3,419,214	6,483,339	-	-	(vii)9,902,553
Matthew Rimes	300,000	-	-	-	(i)300,000	-	-	-	-
Mark Pearce	500,000	-	-	-	(iii)500,000	-	-	-	-

Note

(i) Held as at date of resignation – 17 December 2009.

(ii) Held as at date of resignation – 22 June 2010.

(iii) Held as at date of resignation – 25 May 2010.

(iv) Held as at date of appointment – 25 May 2010.

(v) Additional ordinary shares as consideration for the respective shareholdings in Fireside Resources.

(vi) Conversion of class B Performance Shares issued originally as consideration for the respective shareholdings in Fireside Resources.

(vii) Held as at date of resignation – 6 October 2010.

c) Performance share holdings and transactions of Key Management Personnel

	Held at 25 May 2010	Performance Shares Converted	Performance Shares expired	Held at 30 June 2010	Performance Shares Expired	Held at 30 June 2011
Christopher Catlow	(i)9,959,040	(iv)(2,096,640)	-	7,862,400	(v)(2,096,640)	5,765,760
Derek Fisher	(ii)14,566,155	(iv)(3,066,559)	-	11,499,596	(v)(3,066,559)	8,433,037
Paul Kopejtka	(iii)421,995	(iv) (88,841)	-	333,154	(v)(88,841)	244,313

Note

(i) Held as at date of appointment – 25 May 2010. Consists of 2,096,640 Class A, 2,096,640 Class B, 1,572,480 Class C, 2,096,640 Class D and 2,096,640 Class E. Full terms of performance shares are detailed in Note 22.

(ii) Held as at date of appointment – 25 May 2010. Consists of 3,066,559 Class A, 3,066,559 Class B, 2,299,919 Class C, 3,066,559 Class D and 3,066,559 Class E. Full terms of performance shares are detailed in Note 22.

(iii) Held as at date of appointment – 25 May 2010. Consists of 88,841 Class A, 88,841 Class B, 66,631 Class C, 88,841 Class D and 88,841 Class E. Full terms of performance shares are detailed in Note 22.

(iv) Conversion of class B Performance Shares issued originally as consideration for the respective shareholdings in Fireside Resources.

(v) Expiry of class A Performance Shares on 31 December 2010 issued originally as consideration for the respective shareholdings in Fireside Resources.

22. SHARE-BASED PAYMENTS

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2011 No.	2011 WAEP	2010 No.	2010 WAEP
Outstanding at beginning of year	6,050,000	$0.72	17,400,000	$0.43
Granted during the year	27,600,000	$0.31	3,000,000	$0.47
Expired during the year	(3,050,000)	$0.98	(4,100,000)	$0.59
Exercised during the year	(100,000)	$0.30	(10,250,000)	$0.20
Outstanding at end of year	30,500,000	$0.32	6,050,000	$0.72

The outstanding balance as at 30 June 2011 is represented by:

- 8,833,333 (2010: nil) unlisted incentive options with an exercise price of $0.30 each that expire on 30 November 2011, vesting upon a volume weighted average shares price over 5 trading days of $0.40.
- 8,833,334 (2010: nil) unlisted incentive options with an exercise price of $0.30 each that expire on 31 December 2011, vesting upon a volume weighted average shares price over 5 trading days of $0.50.
- 8,833,333 (2010: nil) unlisted incentive options with an exercise price of $0.30 each that expire on 30 June 2012, vesting upon a volume weighted average shares price over 5 trading days of $0.60.
- 200,000 (2010: nil) unlisted incentive options with an exercise price of $0.50 each that expire on 1 June 2012, vesting upon a volume weighted average shares price over 5 trading days of $0.60.
- 300,000 (2010: nil) unlisted incentive options with an exercise price of $0.50 each that expire on 2 June 2012, vesting upon a volume weighted average shares price over 5 trading days of $0.70.
- 500,000 (2010: nil) unlisted incentive options with an exercise price of $0.50 each that expire on 3 June 2012, vesting upon a volume weighted average shares price over 5 trading days of $0.80.
- 2,000,000 (2010: 2,000,000) vendor options with an exercise price of $0.20 each that expire on 1 October 2014.
- 1,000,000 (2010: 1,000,000) vendor options with an exercise price of $1.00 each that vest on the date the Company delivers 500,000 tonnes of coal and expire on 1 March 2014.
- nil (2010: 1,500,000) unlisted options with an exercise price of $0.75 each that expire on 31 December 2010.
- nil (2010: 1,550,000) unlisted options with an exercise price of $1.20 each that expire on 30 November 2010.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 0.9 years (2010: 2.25 years).

The fair value of the equity-settled share options granted is estimated as at the date of grant using an appropriate option valuation model taking into account the terms and conditions upon which the options were granted.

Where applicable, the fair value is calculated at grant date and recognised over the period during which the incentive option holder becomes unconditionally entitled to the incentive options in accordance with AASB 2 – Share-based Payment.

Options were granted by the Company in 4 tranches during the year ended 30 June 2011. The following tables lists the inputs to the model used for the year:

Tranche A – 12 July 2010	Class A Options	Class B Options	Class C Options
Exercise price	$0.30	$0.30	$0.30
Number of options	7,166,666	7,166,667	7,166,667
Share price barrier	$0.40	$0.50	$0.60
Share price on date of valuation	$0.20	$0.20	$0.20
Dividend yield	-	-	-
Volatility	90%	90%	90%
Risk-free interest rate	4.51%	4.51%	4.51%
Valuation date	12 Jul 2010	12 Jul 2010	12 Jul 2010
Expiry date	30 Nov 2011	31 Dec 2011	30 Jun 2012
Expected life of option (years)	1.39	1.47	1.97
Fair value at grant date	$0.058	$0.056	$0.065

Tranche B – 23 July 2010	Class A Options	Class B Options	Class C Options
Exercise price	$0.30	$0.30	$0.30
Number of options	33,334	33,333	33,333
Share price barrier	$0.40	$0.50	$0.60
Share price on date of valuation	$0.23	$0.23	$0.23
Dividend yield	-	-	-
Volatility	90%	90%	90%
Risk-free interest rate	4.68%	4.68%	4.68%
Valuation date	23 Jul 2010	23 Jul 2010	23 Jul 2010
Expiry date	30 Nov 2011	31 Dec 2011	30 Jun 2012
Expected life of option (years)	1.36	1.44	1.94
Fair value at grant date	$0.075	$0.072	$0.083

Tranche C – 26 November 2010	Class A Options	Class B Options	Class C Options
Exercise price	$0.30	$0.30	$0.30
Number of options	1,666,667	1,666,667	1,666,666
Share price barrier	$0.40	$0.50	$0.60
Share price on date of valuation	$0.25	$0.25	$0.25
Dividend yield	-	-	-
Volatility	90%	90%	90%
Risk-free interest rate	5.07%	5.07%	5.07%
Valuation date	27 Nov 2011	27 Nov 2011	27 Nov 2011
Expiry date	30 Nov 2011	31 Dec 2011	30 Jun 2012
Expected life of option (years)	1.01	1.10	1.60
Fair value at grant date	$0.072	$0.0069	$0.084

Tranche D – 7 June 2011	Class D Options	Class E Options	Class F Options
Exercise price	$0.50	$0.50	$0.50
Number of options	200,000	300,000	500,000
Share price barrier	$0.60	$0.70	$0.80
5 day VWAP on date of valuation	$0.641	$0.641	$0.641
Dividend yield	-	-	-
Volatility	95%	95%	95%
Risk-free interest rate	4.84%	4.84%	4.84%
Valuation date	7 June 2011	7 June 2011	7 June 2011
Expiry date	1 June 2012	2 June 2012	3 June 2012
Expected life of option (years)	0.986	0.989	0.992
Fair value at grant date	$0.291	$0.283	$0.272

22. SHARE-BASED PAYMENTS (CONTINUED)

The issue of options during the year ended 30 June 2010 related to part consideration for the acquisition of Fireside Resources Limited. Full details of the transaction are outlined in Note 29(d). The following table lists the inputs to the model used for the period ended 30 June 2010:

	$0.20 Options 1 Oct 2014	$1.00 Options 1 Mar 2014
Exercise price	$0.20	$1.00
Share price on date of valuation	$0.30	$0.30
Dividend yield	-	-
Volatility	105%	105%
Risk-free interest rate	5.03%	4.73%
Valuation date	21 May 2010	21 May 2010
Expiry date	1 Oct 2014	1 March 2014
Expected life of option (years)	4.37	3.78
Fair value at grant date	$0.242	$0.156

The dividend yield reflects the assumption that the current dividend payout will remain unchanged. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The share based payment expense for both employees and consultants for the year ended 30 June 2011 was $1,944,600 (2010: $nil).

The following table illustrates the number of, and movements in, performance shares issued during the year:

	2011 No.	2010 No.
Outstanding at beginning of year	75,000,000	-
Granted during the year	-	95,000,000
Expired during the year	(20,000,000)	-
Converted during the year	-	(20,000,000)
Outstanding at end of year	55,000,000	75,000,000

The performance shares convert to ordinary shares on a 1 for 1 basis. The milestones for conversion of the performance shares are as follows:

Class A Performance Shares: the Company securing US$10 million in unconditional funding for the additional funds required to complete the Feasibility Study for the Jogjakarta Pig Iron Project by way of debt, equity or free cash flows from coal operations (or any combination thereof) expiring 31 December 2010;

Class B Performance Shares: the Company:

a) making a decision to mine the BBPK (Mangkok) Coal Project; and
b) procuring the funds required for the development, construction and operation of the BBPK (Mangkok) Project by way of capital raising,

expiring 31 December 2010;

Class C Performance Shares: the production and sale by the Company of a total of 300,000 tonnes of coal from the BBPK (Mangkok) Coal Project or any other coal project expiring 31 December 2011.

Class D Performance Shares: either

a) the Company executing an unconditionally legally binding agreement with a strategic partner to substantially assist in both the development and financing of the Jogjakarta Pig Iron Project and:
   i) making a Decision to Mine the Jogjakarta Pig Iron Project; and
   ii) the strategic partner procuring unconditional funding for at least 40% of the funds required for the development, construction and operation of the Jogjakarta Pig Iron Project; or
b) the completion of the Feasibility Study for the Jogjakarta Pig Iron Project and the Company, acting reasonably, would have made a Decision to Mine but has sold or otherwise disposed of all of its interest in the Jogjakarta Pig Iron Project,

expiring 31 December 2012;

Class E Performance Shares: the

a) completion of the Feasibility Study for the Jogjakarta Pig Iron Project and the Company not making a Decision to Mine; and
b) production and sale by the Company of a total of 1,000,000 tonnes of coal from the BBPK (Mangkok) Coal project or any other coal project,

expiring 31 December 2014.

The Class A Performance Shares expired during the year. The Class B Performance Shares were converted to ordinary shares in the 30 June 2010 financial year.

The Class D Performance Shares and the Class E Performance Shares are mutually exclusive in that if the Class D milestone is satisfied then the Class E milestone cannot be satisfied and vice versa.

The fair value of the performance shares is based on an independent valuation on the maximum number of performance shares issued multiplied by the prevailing share price as at the date of issue of the performance shares multiplied by the probability that the performance milestones (as outlined above) are achieved.

The following table lists the inputs to the model used for the period ended 30 June 2010:

	Class A Performance Shares	Class B Performance Shares	Class C Performance Shares	Class D & E Performance Shares
Share price on date of valuation	$0.30	$0.30	$0.30	$0.30
Valuation date	21 May 2010	21 May 2010	21 May 2010	21 May 2010
Expiry date	31 Dec 2010	31 Dec 2010	31 Dec 2011	31 Dec 2012
Probability factor	80%	100%	50%	25%
Fair value at grant date	$0.24	$0.30	$0.15	$0.15

23. CONTROLLED ENTITIES

All controlled entities are included in the consolidated financial statements. The financial year-end of the controlled entities is the same as that of the parent entity, excluding the Indonesian subsidiaries which have a 31 December year end.

Name of controlled entity	Place of incorporation	% of Shares held(i) 2011	2010
PT Jogja Magasa Iron	Indonesia	70	70
Terrace Gold Pty Ltd	Australia	80	80
Indo Energy Pty Ltd	Australia	100	100
Indo Mines (Indonesia) Pty Ltd	Australia	100	100
Fireside Resources Pty Ltd	Australia	100	100
Fireside Singapore Pte Ltd	Singapore	100	100
Kanlubang Singapore Pte Ltd	Singapore	100	100
Fireside Puerto Nirvana Pte Ltd	Singapore	100	100
Fireside Cyprus Pte Ltd	Singapore	100	100
PT Puerto Nirvana	Indonesia	100	100
PT Pantai Batu	Indonesia	100	100
PT Kanlubang Bara Utama	Indonesia	100	100
Indo Holdings Pte Ltd	Singapore	100	-
Steel Resources Pty Ltd	Australia	100	-
Metal Technologies International Pty Ltd	Australia	100	-

Notes

(i) The percentage of voting power is its proportion to ownership.

The above named investments in controlled entities have a carrying value at balance date of nil (2010: nil).

24. PARENT ENTITY DISCLOSURES

a) Financial Position

	2011 $	2010 $
Assets		
Current Assets	6,695,588	745,401
Non-Current Assets	41,727,490	36,437,748
Total Assets	48,423,078	37,183,149
Liabilities		
Current Liabilities	406,706	396,333
Non-Current Liabilities	7,185,142	6,510,401
Total Liabilities	7,591,848	6,906,734
Equity		
Issue Capital	83,160,779	66,611,252
Share based payments reserve	2,576,932	1,528,365
Available-for-sale investments revaluation reserve	69,525	46,575
Accumulated losses	(44,976,006)	(37,909,778)
Total Equity	40,831,230	30,276,414

b) Financial Performance

Loss of the year	(11,901,861)	(25,685,058)
Other comprehensive income/(loss)	22,950	(129,075)
Total comprehensive loss	(11,878,911)	(25,814,133)

c) Financial Support of Controlled Entities

The parent entity has committed itself to providing financial support to its controlled entities so that it may meet its debts as and when they fall due.

25. REMUNERATION OF AUDITORS

	2011 $	2010 $
Audit services		
KPMG Australia	119,250	52,198
Other Auditors	49,013	33,381
Total Auditors' Remuneration	168,263	85,579

26. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of deferred exploration, evaluation and development expenditure

The Group tests annually whether deferred exploration, evaluation and development expenditure has suffered any impairment, in accordance with the accounting policy.

(ii) Valuation of share-based payments

The fair value of options granted (determined using either the Black-Scholes or Monte Carlo option pricing model) is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which option holders become unconditionally entitled to the options.

(iii) Convertible Note

The option component of the convertible note is classifed as a financial liability as is measured at fair value through the Income statement. The option component of the convertible note is valued using the Black Scholes option valuation methodology. This valuation method calculates the expected benefit from acquiring the shares outright less the present value of paying the exercise price for the options on the date of expiration.

(iv) Value of Coal Asset

The Group tests annually whether the value of the coal asset has suffered any impairment by either coal reserves being deleting through mining operations or a reduction in recoverable value. Where required the asset is amortised or impaired.

27. SEGMENT INFORMATION

Primary Reporting – Geographical Segments

The Group has three reportable segments as described below, which are the Group's strategic business units. The strategic business units undertake the same business activity – exploration and development. They are managed separately as they are operated in different geographical areas. For each of the strategic business units, the Directors review internal management reports at least half yearly.

The following summary describes the operations of each of the reportable segments:

- Indonesia - Iron Sands
- Indonesia - Coal
- Australia - Corporate

	Indonesia Iron Sands		Indonesia Coal		Australia		Consolidated Entity	
	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $
Revenue								
Other revenues	-	-	8,742,374	-	-	-	8,742,374	-
Unallocated revenue							-	-
Total revenue							8,742,374	-
Results								
Segment result	(6,391,588)	(5,655,350)	(9,308,201)	(11,293,728)	(5,797,191)	(10,675,077)	(21,496,980)	(27,624,154)
Unallocated expenses							(33,998)	(40,617)
Loss before income tax expense							(21,530,978)	(27,664,771)
Income tax expense							-	-
Net loss							(21,530,978)	(27,664,771)
Assets								
Segment assets	28,700,459	26,470,575	6,732,562	9,532,289	6,894,233	832,843	42,327,254	36,835,707
Unallocated assets							-	-
Total assets							42,327,254	29,294,739
Liabilities								
Segment liabilities	3,436,301	213,952	2,024,151	1,960,567	7,591,848	6,906,734	13,052,300	9,081,253
Unallocated liabilities								-
Total liabilities							13,052,300	9,081,253
Other								
Acquisition of property, plant and equipment	284,397	91,713	-	-	76,181	7,495	360,578	99,209
Acquisition of other assets	-	2,256,105	-	7,571,722	-	-	-	9,827,827
Depreciation of segment assets	62,826	13,052	35,285	-	15,846	12,087	113,957	25,140
Impairment provision for exploration expenditure	-	-	-	-	-	-	33,998	40,617
Exploration, evaluation and development expenditure	4,189,641	5,308,840	-	-	(48,600)	425,536	4,141,041	5,734,376
Other exploration expenditure	-	-	-	11,293,728	-	-	-	11,293,728

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28. EARNINGS PER SHARE

	2011 Cents per Share	2010 Cents per Share
Basic profit/(loss) per share:		
From continuing operations	(10.2)	(29.3)
Total basic profit/(loss) per share	(10.2)	(29.3)
Diluted profit/(loss) per share:	(10.2)	(29.3)
From continuing operations	(10.2)	(29.3)
Total diluted profit/(loss) per share	(10.2)	(29.3)

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2011 $	2010 $
Net profit/(loss) used in calculating basic and diluted earnings per share	(19,613,501)	(27,069,966)

	Number of Shares 2011	Number of Shares 2010
Weighted average number of ordinary shares used in calculating basic earnings per share	192,414,007	92,216,808
Effect of dilutive securities*	-	-
Adjusted weighted average number of ordinary shares and potential ordinary shares used in calculating basic and diluted earnings per share	192,414,007	92,216,808

***Dilutive securities**

At 30 June 2011, options were not included in the calculation of diluted EPS as they were not considered dilutive as they would decrease the loss per share. Accordingly, for the year ended 30 June 2011, diluted loss per share is the same as the basic loss per share.

Conversions, calls, subscriptions or issues after 30 June 2011

No shares have been issued as a result of the exercise of options since 30 June 2011 and no options have been issued or expired.

29. NOTES TO THE CASH FLOW STATEMENTS

(a) Reconciliation of profit/(loss) from continuing operations after tax to net cash flows from operating activities

	2011 $	2010 $
Profit/(loss) for the year	(21,530,978)	(27,664,771)
Adjustment for non-cash income and expense items		
Depreciation and amortisation	2,293,985	25,140
Impairment of coal asset	937,858	-
Impairment of fixed assets	-	1,954
Fair value adjustments	1,568,691	1,841,121
Impairment of acquisition cost of Fireside Resources	-	11,293,728
Impairment of pre-acquisition loan to Fireside Resources	-	3,209,335
Loss/(gain) on sale of other financial assets	-	(25,788)
Share-based payments expensed	2,030,018	7,979,764
Exploration expenditure written off	33,998	40,617
Unrealised foreign exchange loss/(gain)	58,377	(141,362)
Changes in assets and liabilities		
Decrease/(Increase) in trade and other receivables	1,659,305	(77,917)
Decrease/(Increase) in Inventory	(1,714,897)	-
Increase/(Decrease) in trade and other payables	3,956,680	(6,086)
Increase/(Decrease) in current tax liabilities	-	(961,769)
Increase/(Decrease) in provisions	(541,633)	(1,250)
Net cash outflows from operating activities	(11,248,596)	(4,487,284)

29. NOTES TO THE CASH FLOW STATEMENTS (CONTINUED)

b) Reconciliation of Cash and Cash Equivalents

	2011 $	2010 $
Cash at bank and on hand	7,976,124	840,003
Short term deposits	48,969	71,540
	8,025,093	911,453

c) Credit Standby Arrangements with Banks

At balance date, other than as outlined in Note 14, the Company had no used or unused financing facilities.

d) Non-cash Financing and Investing Activities

30 June 2011

The Company issued Anglo Pacific Group Plc a total of 404,149 ordinary shares during the year in consideration of the interest payable on the convertible note facility for the quarter ending 30 September 2010 totalling $85,418.

30 June 2010

During the financial year ended 30 June 2010, the Company acquired 100% of Fireside Resources Ltd which holds the contractual rights to purchase coal from the Mangkok Coal Project in South Kalimantan. The Mangkok Project consists of Block C, which Fireside has contractual rights, as well as Block D, which an affiliate of Fireside Resources, PT Rindra Bara Utama (RBU), holds various exploration and development rights. The Company has no contractual rights to Block D.

Fireside does not have any direct ownership in RBU and as such, the portion of consideration allocated to the additional exploration potential (Block D and remaining CoW area) of the Mangkok Project cannot be recognised as an asset under AASB 6 and accordingly has been expensed as at 30 June 2010. Details of consideration provided to Fireside shareholders in consideration are as follows:

	2010 $
Consideration given	
20,000 000 Ordinary Shares	6,000,000
14,400,000 additional Ordinary Shares	3,888,000
20,000,000 Class A Performance Shares	4,800,000
20,000,000 Class B Performance Shares	6,000,000
15,000,000 Class C Performance Shares	2,250,000
20,000,000 Class D and 20,000,000 Class E Performance Shares	3,000,000
2,000,000 $0.20 Vendor Options	484,000
1,000,000 $1.00 Vendor Options	156,000
	26,578,000
Share based payments in relation to funding milestones of Jogjakarta Iron Project expensed (Class A and D&E Performance Shares)	(7,800,000)
	18,778,000
Other costs	87,450
Total cost	18,865,450
Fair value of net assets acquired	852,734
Excess of consideration over fair value of assets acquired	18,012,716
Allocation of net consideration paid:	
Other exploration expenditure	11,293,728
Mining rights	6,718,988
	18,012,716

Full details on the valuation methodology in relation to the above consideration and terms and conditions of the securities issues are outlined in Note 22.

The Company issued Anglo pacific Group Plc a total of 664,901 ordinary shares during the year in consideration of the interest payable on the convertible note facility for the quarters ending 31 March 2010 and 30 June 2010 totalling $179,764.

During the financial year ended 30 June 2010, the Company issued 5,000,000 fully paid ordinary shares to Nusantara Energy Ltd at an issue price of $0.29 per share (refer Note 16) pursuant to the Acquisition agreement to acquire an interest in the Jogjakarta Ironsands Project ("Project") following the Company increasing its interest in the Project from 30% to 70% and the signing of a Contract of Works for the Project.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Overview

The Company's and Group's principal financial instruments comprise trade and other receivables, trade and other payables, available-for-sale investments, cash and short-term deposits. The main risks arising from the Company's and Group's financial instruments are interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk.

This note presents information about the Company's and Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Given the nature and size of the business, no formal risk management committees have been established, however responsibility for control and risk management is delegated to the appropriate level of management with the chairman and chief financial officer (or their equivalent) having ultimate responsibility to the Board for the risk management and control framework.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Arrangements put in place by the Board to monitor risk management include monthly reporting to the Board in respect of the operations and financial position of the Company. The Board also reviews risks that relate to operations and financial instruments as required, but at least every six months.

Given the uncertainty as to the timing and amount of cash inflows and outflows, the Company has not implemented any additional strategies to mitigate the financial risks and no hedging has been put in place. As the Company's operations change, the Directors will review this policy periodically going forward.

b) Credit risk

Credit risk is the risk of financial loss to the Company or Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables.

The carrying amount of the Company's and Group's financial assets represents the maximum credit risk exposure, as represented below:

	2011 $	2010 $
Cash and cash equivalents	8,025,093	911,453
Restricted cash and cash equivalents	386,260	411,624
Trade and other receivables	682,966	161,026
Prepayments	-	2,181,245
Other financial assets	81,000	58,050
	9,175,319	3,723,398

Trade and other receivables comprise a coal sale receivable, GST and other tax refunds due. Where possible the Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. At 30 June 2011, none (2010: none) of the Group's receivables are past due.

Significant concentration of credit risk exists within cash and cash equivalents and other financial assets. Cash and cash equivalents is invested at a counterparty with a good credit rating. Other financial assets consist of listed securities tradable on ASX.

With respect to credit risk arising from cash and cash equivalents, the Company's and Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Cash and cash equivalents are held with the ANZ and NAB banks which are Australian banks with an AA credit rating (Standard & Poor's).

In relation to credit risk arising from other financial assets, the Group limits its exposure by only investing in liquid securities tradable on the Australian Securities Exchange (ASX).

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due.

The contractual maturities of financial liabilities, including estimated interest payments, are provided below. There are no netting arrangements in respect of financial liabilities.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

2011 Group	≤6 months $	6-12 months $	1-5 years $	≥5 Years $	Total $
Financial Liabilities					
Trade and other payables	4,268,092	-	387,901	-	4,655,993
Borrowings	-	-	3,409,812	3,775,330	7,185,142
	4,268,092	-	3,797,713	3,775,330	11,841,135

2010 Group	≤6 months $	6-12 months $	1-5 years $	≥5 Years $	Total $
Financial Liabilities					
Trade and other payables	699,313	-	-	-	699,313
Deferred income	1,867,632	-	-	-	1,867,632
Borrowings	-	-	1,841,121	4,669,280	6,510,401
	2,566,945	-	1,841,121	4,669,280	9,077,346

d) Interest rate risk

The Company's and Group's exposure to the risk of changes in market interest rates relates primarily to the cash and short-term deposits with a floating interest rate.

These financial assets with variable rates expose the Company and Group to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables, investments and payables are non-interest bearing.

All cash balances were interest bearing as disclosed below:

	2011 $	2010 $
Variable rate instruments		
Financial assets	8,025,093	911,453
	8,025,093	911,453
Fixed rate instruments		
Financial liabilities	(7,185,142)	(6,510,401)
	(7,185,142)	(6,510,401)

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 3.07% (2010: 2.35%).

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

Interest rate sensitivity

A sensitivity of 20% has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 20% movement in interest rates at the reporting date would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is prepared based on cash balances as at year end and due to significant movements in the cash balance throughout the year is not considered representative of the risk during the year.

2011	Profit or loss 20% increase	 20% decrease
Group		
Cash and cash equivalents	51,616	(51,616)

2010	Profit or loss 20% increase	 20% decrease
Group		
Cash and cash equivalents	4,956	(4,956)

The financial liabilities are at fixed interest rates therefore not subject to risk.

e) Foreign currency risk

As a result of activities overseas, the Company's and Group's balance sheet can be affected by movements in exchange rates.

The Group also has transactional currency exposures. Such exposure arises from transactions denominated in currencies other than the functional currency of the entity.

The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

The Group's exposure to foreign currency risk was as follows, based on notional amounts in AUD:

	Indonesian Rupiah		United States Dollars	
	2011	2010	2011	2010
Cash and cash equivalents	516,501	90,674	1,023,045	33,109
Restricted cash and equivalents	63,017	80,973	93,243	-
Trade and other receivables	195,074	109,427	442,594	270,650
Prepayments	-	127	-	2,179,245
Trade and other payables	(1,417,316)	(242,279)	(1,220,604)	-
Deferred income	-	-	-	(1,867,632)
Borrowings	-	-	(7,185,142)	(6,510,401)
	(642,724)	**38,922**	**(6,846,864)**	**(2,895,029)**

The following significant exchange rates applied during the year:

	Average Rate		As at 30 June	
AUD	**2011**	**2010**	**2011**	**2010**
Rp	8,709	8,353	9,220	7,852
USD	0.9892	0.8822	1.05951	0.8567

Sensitivity analysis for currency risk

A strengthening of the AUD, as indicated below, against the Rp and USD at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010, albeit that the reasonably possible foreign exchange rate variance were different, as indicated below.

2011	Equity	Profit or (loss)
USD (10% strengthening)	684,686	684,686
Rp (10% strengthening)	64,272	64,272
2010		
USD (10% strengthening)	289,503	289,503
Rp (10% strengthening)	(3,892)	(3,892)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

f) Equity price risk

The Group is exposed to equity price risk arising from its equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments and no hedging or derivative transactions have been used to manage equity price risk.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks arising from available-for-sale financial assets held at the reporting date. At reporting date, if the equity prices had been 20% higher or lower:

- Equity reserves at 30 June 2011 would increase/decrease by $16,200 (2010: increase/decrease by $11,610) for the Group and the Company as a result of the changes in fair value of available-for-sale investments.

g) Commodity Price risk

The Group is exposed to commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Group's control. No hedging or derivative transactions have been used to manage commodity price risk.

h) Capital management

The Board's policy is to maintain a suitable capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

i) Fair Value

The net fair value of financial assets and financial liabilities approximates their carrying value. The methods for estimating fair value are outlined in the relevant notes to the financial statements.

31. COMMITMENTS

Estimated commitments for which no provisions were included in the financial statements are as follows:

a) Exploration expenditure commitments

The Company has no obligations to incur minimum exploration expenditure on the Iron Project or Mangkok Coal Project. All other tenements are farmed out whereby the farminee is contracted to meet the minimum expenditure commitment.

A controlled entity holds a number of tenements in Peru. There is no minimum exploration work commitment for these tenements.

b) Operating lease commitments

	2011 $	2010 $
Non-cancellable operating lease contracted for but not capitalised in the financial statements		
Minimum lease payments payable:		
- not later than one year	361,068	146,805
- later than one year but not later than 5 years	692,157	219,673
- later than 5 years	-	-
	1,053,225	366,478

The non-cancellable operating lease recognised in the current year expires 26 September 2015.

c) Minera Andes del Norte SAC

Terrace Gold NL ("Terrace") a controlled entity exercised its option to acquire the issued capital of Minera Andes del Norte SAC in 1997. Terrace issued 5,000,000 ordinary fully paid shares to the vendor as part of the settlement of this acquisition. Further shares in Terrace may need to be issued to the vendor upon the Stock Exchange listing of Terrace in order that the vendor's holding will equate to the greater of 5,000,000 shares or 10% of the issued capital of Terrace at the time of such listing.

d) **Financial Support of Controlled Entity**

The parent entity has committed to provide financial support to its controlled entities, Fireside Resources Limited, PT Jogja Magasa Iron, and Terrace Gold Pty Ltd.

e) **Terrace Gold 's Acquisition of Nangali**

Terrace Gold Pty Ltd and Compass Resources NL signed a letter of intent with Compania LJB Normandy Peru SA to acquire the Nangali Gold Project in 2004. Pursuant to the Letter of Intent, the parties paid US$30,000 upon signing with a further US$200,000 due when full title has been transferred to Terrace and Compass. In June 2006 the parties agreed to expedite the purchase and varied the terms of this Letter of Intent such that the balance of the purchase price was reduced to US$150,000 payable immediately. Terrace's share of the balance outstanding is US$45,000, which was paid on 14 July 2006. A supreme decree is now being sought so that full title can be transferred to Terrace and Compass.

32. CONTINGENT LIABILITIES

In accordance with normal industry practice the economic entity has entered into joint venture operations and farm-in agreements with other parties for the purpose of exploring and developing its mineral interests. If a party to a joint venture defaults and does not contribute its share of joint venture obligations, then the other joint venturers are liable to meet those obligations. In this event the interest in the tenements held by the defaulting party may be redistributed to the remaining joint venturers. A contingent liability exists in respect of contributions due to be paid by farm-in partners of the economic entity to some of its joint ventures.

33. SUBSEQUENT EVENTS

In August 2011, the Company announced it had completed the Feasibility Study on a 2 million tonne per annum iron sand mine for the Iron Project showing strong projected cash margins and low capital cost per annual tonne of production. Management is currently evaluating various funding options to develop the Iron Project.

Other than as outlined above, as at the date of this report there are no matters or circumstances, which have arisen since 30 June 2011 that have significantly affected or may significantly affect:

a) the operations, in financial years subsequent to 30 June 2011, of the Company or Group;
b) the results of those operations, in financial years subsequent to 30 June 2011, of the Company or Group; or
c) the state of affairs, in financial years subsequent to 30 June 2011, of the Company or Group.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Indo Mines Limited, I state that:

1) In the opinion of the Directors:

   a) the financial statements and notes and the Remuneration Report in the directors' report set out on pages 12 to 55 are in accordance with the Corporations Act 2001 including:

      i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

      ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

   c) the financial statements also comply with International Financial Reporting Standards as disclosed in note 1(b); and

2) There are reasonable grounds to believe that the Company will be able to meet any obligations or liabilities when they become due and payable; and

3) The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2011.

On behalf of the Board.

CHRISTOPHER CATLOW
Non-Executive Chairman

Dated this 29th day of September 2011

KPMG

Independent auditor's report to the members of Indo Mines Limited

Report on the financial report

We have audited the accompanying financial report of the Group comprising Indo Mines Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, accompanying notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Indo Mines Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Brent Steedman
Partner

Perth, 29 September 2011

The Board of Directors of Indo Mines Limited is responsible for its corporate governance, that is, the system by which the Group is managed.

1. BOARD OF DIRECTORS

1.1 Role of the Board and Management

The Board represents shareholders' interests in continuing a successful business, which seeks to optimise medium to long-term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Group is managed in such a way to best achieve this desired result. Given the current size and operations of the business, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic directions for the Group, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Group.

The Board has sole responsibility for the following:

- appointing and removing the Managing Director and any other executives and approving their remuneration;
- appointing and removing the Company Secretary / Chief Financial Officer and approving their remuneration;
- determining the strategic direction of the Group and measuring performance of management against approved strategies;
- review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- monitoring the Group's medium term capital and cash flow requirements;
- approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- determining that satisfactory arrangements are in place for auditing the Group's financial affairs;
- review and ratify systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- ensuring that policies and compliance systems consistent with the Group's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Group's corporate governance practices are being continually reviewed and improved as required.

1.2 Composition of the Board and New Appointments

The Company currently has the following Board members:

Mr Christopher Catlow	Non-Executive Chairman
Mr Martin Hacon	Managing Director and Chief Executive Officer
Dr Derek Fisher	Non-Executive Director
Mr Paul Kopejtka	Non-Executive Director
Mr Darryl Harris	Non-Executive Director

Details of the directors, including their qualifications, experience and date of appointment are set out in the Directors' Report.

The Company's Constitution provides that the number of directors shall not be less than three and not more than ten. There is no requirement for any share holding qualification.

The Board has assessed the independence status of the directors and has determined that Messrs, Catlow, Fisher, Kopejtka and Harris are independent.

1. BOARD OF DIRECTORS

1.2 Composition of the Board and New Appointments

The Board has followed the ASX Corporate Governance Principles and Recommendations when assessing the independence of the directors which define an independent director to be a director who:

- is non-executive;
- is not a substantial shareholder (i.e. greater than 5%) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another Group member;
- is not a significant supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a significant supplier or customer;
- has no material contractual relationship with the Company or another Group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount which is greater than five percent of either the net assets of the Company or an individual director's net worth is considered material for these purposes.

The Board believes that the individuals on the Board can make, and do make, quality and independent judgements in the best interests of the Company on all relevant issues.

If the Group's activities increase in size, nature and scope, the size of the Board will be reviewed periodically to determine the optimum number of directors required for the Board to properly perform its responsibilities and functions.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Group's scope of activities, intellectual ability to contribute to the Board duties and physical ability to undertake the Board duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting. Under the Company's Constitution the tenure of directors (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his last appointment. Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

1.3 Committees of the Board

The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Group's activities and to ensure that it adheres to appropriate ethical standards.

The Board has also established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

If the Group's activities increase in size, scope and nature, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

1.4 Conflicts of Interest

In accordance with the Corporations Act 2001 and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Where the Board believes that a significant conflict exists the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

1.5 Independent Professional Advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Group's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

2. ETHICAL STANDARDS

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Group.

2.1 Code of Conduct for Directors

The Board has adopted a Code of Conduct for Directors to promote ethical and responsible decision-making by the Directors. The code is based on a code of conduct for Directors prepared by the Australian Institute of Company Directors.

The principles of the code are:

- a director must act honestly, in good faith and in the best interests of the Company as a whole;
- a director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office;
- a director must use the powers of office for a proper purpose, in the best interests of the Company as a whole;
- a director must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interest of all stakeholders of the Company;
- a director must not make improper use of information acquired as a director;
- a director must not take improper advantage of the position of director;
- a director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company;
- a director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken as a Board;
- confidential information received by a director in the course of the exercise of directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law;
- a director should not engage in conduct likely to bring discredit upon the Company; and
- a director has an obligation at all times, to comply with the spirit, as well as the letter of the law and with the principles of the Code.

The principles are supported by guidelines as set out by the Australian Institute of Company Directors for their interpretation. Directors are also obliged to comply with the Company's Code of Ethics and Conduct, as outlined below.

2.2 Code of Ethics and Conduct

The Group has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Group.

All employees and directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse Group information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Group's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must report that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

2.3 Diversity

The Group takes a broad view of diversity covering ethnicity, age, cultural background and gender. During the next 12 months, the Group will develop and communicate it's diversity policy.

2.4 Dealings in Company Securities

The Group's share trading policy imposes trading restrictions on all employees of the Group with 'inside information', and additional trading restrictions on the directors of the Company.

'Inside information' is information that:

- is not generally available; and
- if it were generally available, it would, or would be likely to influence investors in deciding whether to buy or sell the Company's securities.

2. ETHICAL STANDARDS (CONTINUED)

2.4 Dealings in Company Securities (continued)

If an employee possesses inside information, the person must not:

- trade in the Company's securities;
- advise others or procure others to trade in the Company's securities; or
- pass on the inside information to others – including colleagues, family or friends – knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities.

This prohibition applies regardless of how the employee or Director learns the information (e.g. even if the employee or Director overhears it or is told in a social setting).

In addition to the above, Directors must notify the Company Secretary as soon as practicable, but not later than 5 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the ASX, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

These restrictions have been developed having regard to the current nature of the Company's activities, being exploration and development rather than production. Should the Company move into production, then the policy may be amended to restrict trading of securities during certain periods prior to the release of operating results.

2.5 Interests of Other Stakeholders

The Group's objective is to leverage into resource projects to provide a solid base in the future from which the Group can build its resource business and create wealth for shareholders. The Group's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for the Group to achieve.

To assist in meeting its objective, the Group conducts its business within the Code of Ethics and Conduct, as outlined in 2.2 above.

3. DISCLOSURE OF INFORMATION

3.1 Continuous Disclosure to ASX

The continuous disclosure policy requires all executives and Directors to inform the Managing Director or in their absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information need not be disclosed if:

a) It is not material and a reasonable person would not expect the information to be disclosed, or it is material but due to a specific valid commercial reason is not to be disclosed; and
b) The information is confidential; or
c) One of the following applies:
   i) it would breach a law or regulation to disclose the information;
   ii) the information concerns an incomplete proposal or negotiation;
   iii) the information comprises matters of supposition or is insufficiently definite to warrant disclosure;
   iv) the information is generated for internal management purposes;
   v) the information is a trade secret;
   vi) it would breach a material term of an agreement, to which the Group is a party, to disclose the information;
   vii) the information is scientific data that release of which may benefit the Group's potential competitors.

The Managing Director is responsible for interpreting and monitoring the Group's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

3.2 Communication with Shareholders

The Group places considerable importance on effective communications with shareholders.

The Group's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The strategy provides for the use of systems that ensure a regular and timely release of information about the Group is provided to shareholders. Mechanisms employed include:

- announcements lodged with ASX;
- ASX Quarterly Cash Flow Reports;
- Half Yearly Report;
- presentations at the Annual General Meeting/General Meetings; and
- Annual Report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Group's strategy and goals.

The Group also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

4. RISK MANAGEMENT AND INTERNAL CONTROL

4.1 Approach to Risk Management and Internal Control

The identification and effective management of risk, including calculated risk-taking, is viewed as an essential part of the Group's approach to creating long-term shareholder value.

The Group operates a standardised risk management process that provides a consistent framework for the identification, assessment, monitoring and management of material business risks. This process is based on the Australian/New Zealand Standard for Risk Management (AS/NZS 4360 Risk Management) and the Committee of Sponsoring Organisations of the US Treadway Commission (COSO) control framework for enterprise risk management.

Strategic and operational risks are reviewed at least annually as part of the annual strategic planning, business planning, forecasting and budgeting process.

The Group has developed a series of operational risks which the Group believes to be inherent in the industry in which the Group operates having regard to the Group's circumstances (including financial resources, prospects and size). These include:

- fluctuations in commodity prices and exchange rates;
- accuracy of mineral reserve and resource estimates;
- reliance on licenses, permits and approvals from governmental authorities;
- ability to obtain additional financing; and
- changing operating, market or regulatory environments.

These risk areas are provided here to assist investors to understand better the nature of the risks faced by our Group and the industry in which the Group operates. They are not necessarily an exhaustive list.

4.2 Risk Management Roles and Responsibilities

Management is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system. Management reports to the Board annually, or more frequently as required, on the Group's key risks and the extent to which it believes these risks are being managed.

The Board is responsible for reviewing and approving the Group's risk management and internal control system and satisfying itself annually, or more frequently if required, that management has developed and implemented a sound system of risk management and internal control.

4.3 Integrity of Financial Reporting

The Board also receives a written assurance from the Chief Executive Officer or equivalent (CEO) and the Chief Financial Officer or equivalent (CFO) that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

The Board notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

4.4 Role of External Auditor

The Group's practice is to invite the auditor (who now must attend) to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

5. PERFORMANCE REVIEW

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committees (if any) during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- a review by the Board of the Group's financial performance;
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Group;
- in analysis of the Group's prospects and projects; and
- a review of feedback obtained from third parties, including advisors.

The Remuneration Report discloses the process for evaluating the performance of senior executives, including the Managing Director.

6. REMUNERATION ARRANGEMENTS

The broad remuneration policy is to ensure that remuneration properly reflects the relevant persons duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide Executive Directors and executives with a remuneration package consisting of fixed components that reflect the person's responsibilities, duties and personal performance.

In addition to the above, the Group has developed a limited equity-based remuneration arrangement for key executives and consultants.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to non-executive directors by other companies of similar size in the industry.

The aggregate amount payable to the Company's Non-Executive Directors must not exceed the maximum annual amount approved by the Company's shareholders.

During the 2011 financial year, the Company complied with the ASX Principles and Recommendations other than in relation to the matters specified below.

Recommendation Reference	Notification of Departure	Explanation for Departure
2.4	A separate Nomination Committee has not been formed.	The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board. A separate Nomination Committee has been formed for the 2012 financial year.
4.2, 4.3, 4.4	A separate Audit Committee has not been formed and there is not an Audit Committee operating charter.	The Board considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems. A separate Audit Committee has been formed for the 2012 financial year.
8.2, 8.3, 8.4	There is no separate Remuneration Committee.	The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company. A separate Remuneration Committee has been formed for the 2012 financial year.

As the Company's activities increase in size, scope and/or nature, the Company's corporate governance principles will be reviewed by the Board and amended as appropriate.

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 30 September 2011.

1. TWENTY LARGEST HOLDERS OF LISTED SECURITIES

The names of the twenty largest holders of each class of listed securities are listed below:

Ordinary Shares

Name	No of Ordinary Shares Held	Percentage of Issued Shares
JP Morgan Nominees Australia Limited <Cash income A/C>	59,409,362	25.85%
Rockcheck Trading Limited	36,000,000	15.67%
Penson Australia Nominees Pty Ltd <Argonaut Limited>	28,525,314	12.41%
HSBC Custody Nominees (Australia) Limited	16,653,650	7.25%
Crown Valley Resources Limited	7,000,000	3.05%
Trillium Investments Pty Ltd	6,674,510	2.90%
Arredo Pty Ltd	6,000,000	2.61%
Bond Street Custodians Limited <Officium Emerging Res A/C>	5,937,510	2.58%
Broadscope Pty Ltd <Catlow Family A/C>	5,702,861	2.48%
Mr Eddie Sugar	5,260,000	2.29%
Mitra Indo Resources Pte Ltd	4,433,339	1.93%
Citicorp Nominees Pty Limited	3,339,837	1.45%
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	2,611,927	1.14%
Grandor Pty Ltd <Mark Scott Family P/F A/C>	2,000,000	0.87%
Warbont Nominees Pty Ltd <Settlement Entrepot A/C>	1,887,176	0.82%
Regans Ford Estate Pty Ltd	1,666,530	0.73%
Telunapa Pty Ltd <Telunapa Capital A/C>	1,450,727	0.63%
Jebros Pty Ltd <Jebros Super Fund A/C>	1,166,570	0.51%
SPO Equities Pty Ltd <March Street Equity A/C>	1,130,208	0.49%
National Nominees Limited	1,054,099	0.46%
Total Top 20	**197,903,620**	**86.12%**
Others	31,905,684	13.88%
Total Ordinary Shares on Issue	**229,809,304**	**100.00%**

2. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of shareholders by size of holding:

Distribution	Ordinary Shares Number of Shareholders	Ordinary Shares Number of Shares
1 – 1,000	493	279,025
1,001 – 5,000	486	1,279,248
5,001 – 10,000	150	1,220,340
10,001 – 100,000	311	10,275,203
More than 100,000	87	216,755,488
Totals	**1,527**	**229,809,304**

There were 505 holders of less than a marketable parcel of ordinary shares.

3. VOTING RIGHTS

See Note 16(b) of the Notes to the Financial Statements.

4. SUBSTANTIAL SHAREHOLDERS

As at 30 September 2011, Substantial Shareholder notices have been received from the following:

Substantial Shareholder	Number of Shares
Rockcheck Trading Limited	41,083,548
Anglo Pacific Group Plc	28,872,314
Deutsche Bank AG	14,029,590

5. UNQUOTED SECURITIES

The names of the security holders holding more than 20% of an unlisted class of security are listed below:

Class C Performance Shares	Number
29 holders (less than 20%)	15,000,000
Total	**15,000,000**

Class D Performance Shares	Number
29 holders (less than 20%)	20,000,000
Total	**20,000,000**

Class E Performance Shares	Number
29 holders (less than 20%)	20,000,000
Total	**20,000,000**

Class A Incentive Options exercisable @$0.30 on or before 30 November 2011	Number
7 holders (less than 20%)	8,833,333
Total	**8,833,333**

Class B Incentive Options exercisable @ $0.30 on or before 31 December 2011	Number
7 holders (less than 20%)	8,833,334
Total	**8,833,334**

Class C Incentive Options exercisable @ $0.30 on or before 30 June 2012	Number
7 holders (less than 20%)	8,833,333
Total	**8,833,333**

Class D Incentive Options exercisable @ $0.50 on or before 1 June 2012	Number
Mr Kevin Xu	200,000
Total	**200,000**

Class E Incentive Options exercisable @ $0.50 on or before 2 June 2012	Number
Mr Kevin Xu	300,000
Total	**300,000**

Class F Incentive Options exercisable @ $0.50 on or before 3 June 2012	Number
Mr Kevin Xu	500,000
Total	**500,000**

Class A Vendor Options exercisable @ $0.20 on or before 1 October 2014	Number
Broadscope Pty Ltd <Catlow Family A/C>	500,000
Mr Collis James Thorp	500,000
Edward Aryeh Sugar	1,000,000
Total	**2,000,000**

Class B Vendor Options exercisable @ $1.00 on or before 1 March 2014	Number
Broadscope Pty Ltd <Catlow Family A/C>	1,000,000
Total	**1,000,000**

6. ON-MARKET BUY BACK

There is currently no on-market buy back program for any of Indo Mines Limited's listed securities.

7. EXPLORATION INTERESTS

As at 30 September 2011, the Company has an interest in the following projects:

Project Name	Permit Number	Percentage Interest
Indonesia		
Jogjakarta	Contract of Work	70%
Peru		
Chinguela	01-01282-96	100%
Nangali	01-00038-01	30%
	01-00039-01	30%
	01-00553-01	30%
	01-00554-01	30%
	01-00555-01	30%
	01-00556-01	30%
	01-01177-02	30%

“ Targeting a unique market niche to be the raw material supplier of choice to the growing Indonesian steel and metals industries”

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