INDO MINES LIMITED
ABN 40 009 245 210

Interim Financial Report for the Half Year Ended 31 December 2011

CORPORATE DIRECTORY

Directors
Mr Christopher Catlow – Non-Executive Chairman
Mr Martin Hacon – Managing Director & CEO
Dr Derek Fisher – Non-Executive Director
Mr Paul Kopejtka – Non-Executive Director
Mr Darryl Harris – Non-Executive Director
Mr Xiangqing Zhang – Non-Executive Director
Mr Hendra Surja – Non Executive Director

Company Secretary
Ms Stacey Apostolou

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Auditors
KPMG
235 St Georges Terrace
Perth WA 6000

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DIRECTORS' REPORT

The Board of Directors present their report on the consolidated entity consisting of Indo Mines Limited ("Indo Mines" or "Company") and the entities it controlled at the end of, and during, the half year ended 31 December 2011 ("Consolidated Entity" or "Group") and the auditor's review report there on.

DIRECTORS

The names of the Directors of Indo Mines in office during the half year and until the date of this report are:

Mr Christopher Catlow
Mr Martin Hacon
Dr Derek Fisher
Mr Paul Kopejtka
Mr Darryl Harris
Mr Xiangqing Zhang (appointed 23 January 2012)
Mr Hendra Surja (appointed 6 February 2012)

Unless otherwise stated, Directors were in office from the beginning of the half year until the date of this report.

REVIEW OF OPERATIONS

During the half year ended 31 December 2011, the Company progressed the studies and approvals required for the development of the Jogjakarta Iron Project (the "Project").

A feasibility study for the staged development of the Project was completed which focused on the initial development of a 2 million tonnes per annum iron concentrate mine and processing facility to provide early cashflow to the Company, whilst finalising the technical design of a 1 million tonne per annum pig iron plant.

The feasibility study showed the Project's potential to generate strong cash margins, both at current iron ore prices and lower long term pricing view amongst analysts.

First iron ingots were manufactured from the sample iron concentrate taken from the pilot plant facility at the Project using the Outotec AusIron® process. Outotec has conducted a series of smelting trials using Direct Reduced Iron produced from the iron concentrate to quantify the potential of producing 1 million tonnes of pig iron a year.

The Company made a number of key appointments to the management team of Jogja Magasa Iron ("JMI"), with the appointment of highly experienced mining expert, Mr Michael O'Connell as President Director JMI and Mr Craig Fogarty as Finance Director of JMI.

Subsequent to the half year end, the Company received approval for the Environmental Impact Assessment (known as AMDAL) in Indonesia. This approval provides the green light for the Project to proceed within the specified boundaries of the submission. The AMDAL is an independent and comprehensive assessment of the significant environmental and social impacts likely to result from the proposed Project implementation. Its submission was based on world best practice environmental standards along with extensive consultation with all stakeholder groups and incorporates the Company's agreements with the local community.

CORPORATE

The following material corporate events occurred during the half year ended 31 December 2011:

- The Company entered into an agreement with the Rajawali Group for the placement of 57.3 million shares each at $0.23 each to raise approximately $13.2 million. $5 million cash was received prior to 31 December 2011 and $8.2 million cash was received subsequent to 31 December 2011, at which time the share capital was issued. The placement provides the Rajawali Group with a 19.9% strategic holding in the Company. The Rajawali Group is an investment holding company with core operations in hospitality, plantations, mining and minerals, including coal, infrastructure and transportation. Its combined portfolio is estimated to be in excess of US$2 billion.

- The Company finalised agreement for the sale of its interest in the Mangkok Coal Project to a private Indonesian group. Pursuant to the agreements entered into:
  - The Company received US$1.6 million cash;
  - The purchaser assumed all liabilities, and commenced being responsible for all operating costs, relating to the Project with effect from 1 September 2011; and
  - The purchaser will pay to the Company a royalty for production in excess of 450,000 tonnes at the rate of US$6/tonne, to a maximum of 850,000 tonnes.

FINANCIAL RESULTS

The Group made a loss for the period of $6,564,192 (31 December 2010: $7,622,468) principally due to ongoing exploration and evaluation expenditure of $5,112,596 and a loss on the sale of the Mangkok Coal Project of $1,217,256.

SUBSEQUENT EVENTS

On 6 February 2012, following Shareholder approval, the Company completed the placement of 57,317,294 ordinary fully paid shares to the Rajawali Group at $0.23 to raise approximately $13.2 million.

Other than as outlined above, there were no significant events occurring after the balance sheet date requiring disclosure.

LEAD AUDITORS' INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 3 and forms part of the directors' report for the six months ended 31 December 2011.

This report is made in accordance with a resolution of the Board of Directors.

M.J. Hacon

MARTIN HACON
Managing Director & CEO

15 March 2012

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 review for the half-year ended 31 December 2011 there have been:

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

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

KPMG

KPMG

Brent Steedman

Partner

Perth

15 March 2012

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Note	Half Year Ended 31 December 2011 $	31 December 2010 *re-presented $
Continuing Operations			
Exploration and evaluation expenditure		(5,112,596)	(2,698,259)
Business development expenses		-	(456,305)
Share based payments expense		-	(1,844,033)
Depreciation		(78,091)	(9,478)
Administration expenses		(2,126,760)	(737,797)
Results from operating activities		(7,317,447)	(5,745,872)
Gain on sale of equity investments		170,439	-
Net financial income		1,800,072	98,867
Loss before income tax		**(5,346,936)**	**(5,647,005)**
Income tax expense		-	-
Loss from continuing operations		**(5,346,936)**	**(5,647,005)**
Discontinued Operations			
Loss from discontinued operation (net of income tax)	6	(1,217,256)	(1,975,463)
Loss for the year		**(6,564,192)**	**(7,622,468)**
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		-	43,200
Foreign currency translation for foreign operations		(300,555)	7,177
Other comprehensive income for the period		(300,555)	50,377
Total comprehensive loss for the period		**(6,864,747)**	**(7,572,091)**
Loss attributable to:			
Non-controlling interest		**(1,451,692)**	**(338,557)**
Owners of the Company		**(5,112,499)**	**(7,283,911)**
		(6,564,191)	**(7,622,468)**
Total comprehensive loss attributable to:			
Non-controlling interest		**(1,379,840)**	**(292,976)**
Owners of the Company		**(5,484,907)**	**(7,279,115)**
		(6,864,747)	**(7,572,091)**
Loss per share			
Basic and diluted loss per share		(2.2 cents)	(4.2 cents)
Basic and diluted loss per share from continuing operations		(1.7 cents)	(3.1 cents)

The above Condensed Consolidated Interim Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	As at 31 December 2011 $	As at 30 June 2011 $
ASSETS			
Current Assets			
Cash and cash equivalents		5,540,991	8,025,093
Restricted cash and cash equivalents		60,000	100,000
Trade and other receivables		187,303	682,966
Prepayments		71,432	-
Other financial assets		-	81,000
Inventory		-	1,615,903
Total Current Assets		**5,859,726**	**10,504,962**
Non-current Assets			
Restricted cash and cash equivalents		203,402	286,257
Property, plant and equipment	7	2,924,807	811,432
Exploration and evaluation assets	8	27,133,531	27,133,531
Mining rights	6	-	3,591,072
Total Non-current Assets		**30,261,740**	**31,822,292**
TOTAL ASSETS		**36,121,466**	**42,327,254**
LIABILITIES			
Current Liabilities			
Trade and other payables		2,481,797	4,268,092
Deferred income		-	968,824
Financial liability	9	5,000,000	-
Provisions		123,257	242,341
Total Current Liabilities		**7,605,054**	**5,479,257**
Non-current Liabilities			
Trade and other payables		344,816	387,901
Provisions		194,562	-
Borrowings	10	5,419,605	7,185,142
Total Non-current Liabilities		**5,958,983**	**7,573,043**
TOTAL LIABILITIES		**13,564,037**	**13,052,300**
NET ASSETS		**22,557,429**	**29,274,954**
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	11	81,127,525	83,160,779
Reserves	12	614,472	2,385,404
Accumulated losses		(55,096,148)	(53,562,649)
Total equity attributable to equity holders of the Company		26,645,849	31,983,534
Non-controlling interest		(4,088,420)	(2,708,580)
TOTAL EQUITY		**22,557,429**	**29,274,954**

The above Condensed Consolidated Interim Statement of Financial Position is to be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Equity Attributable to Equity Holders of the Parent							
	Share Capital	Share-based Payments Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total	Non-controlling Interest	Total Equity
	$	$	$	$	$	$	$	$
Balance at 1 July 2011	**83,160,779**	**2,576,934**	**69,525**	**(261,055)**	**(53,562,649)**	**31,983,534**	**(2,708,580)**	**29,274,954**
Total comprehensive income for the period:								
Net loss for the period	-	-	-	-	(5,112,499)	(5,112,499)	(1,451,692)	(6,564,191)
Other comprehensive income:								
Net change in the fair value of available-for-sale financial assets	-	-	(69,525)	-	-	(69,525)	-	(69,525)
Exchange differences arising on translation of foreign operations	-	-	-	(372,407)	-	(372,407)	71,852	(300,555)
Total other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period								
Expired performance shares	(2,250,000)	-	-	-	2,250,000	-	-	-
Expired options	-	(1,184,800)	-	-	1,184,800	-	-	-
Share based payments	-	-	-	-	-	-	-	-
Exercise of options	-	(144,200)	-		144,200		-	-
Payment on exercise of options	220,000	-	-	-	-	220,000	-	220,000
Share issue costs	(3,254)	-	-	-	-	(3,254)	-	(3,254)
Balance at 31 December 2011	**81,127,525**	**1,247,934**	**-**	**(633,462)**	**(55,096,148)**	**26,645,849**	**(4,088,420)**	**22,557,429**

The above Condensed Consolidated Interim Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2011 (Continued)

	Equity Attributable to Equity Holders of the Parent							
	Share Capital	Share-based Payments Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total	Non-controlling Interest	Total Equity
	$	$	$	$	$	$	$	$
Balance at 1 July 2010	**66,611,252**	**1,528,366**	**46,575**	**(112,841)**	**(39,637,513)**	**28,435,838**	**(681,384)**	**27,754,454**
Total comprehensive income for the period:								
Net loss for the period	-	-	-	-	(7,283,911)	(7,283,911)	(338,557)	(7,622,468)
Other comprehensive income:								
Net change in the fair value of available-for-sale financial assets	-	-	43,200	-	-	43,200	-	43,200
Exchange differences arising on translation of foreign operations	-	-	-	(38,404)	-	(38,404)	45,581	7,177
Total other comprehensive income	-	-	43,200	(38,404)	-	4,796	45,581	50,377
Total comprehensive loss for the period	-	-	43,200	(38,404)	(7,283,911)	(7,279,095)	(292,976)	(7,572,091)
Expired performance shares	(4,800,000)	-	-	-	4,800,000	-	-	-
Expired options	-	(888,366)	-	-	888,366	-	-	-
Share based payments	-	1,844,033	-	-	-	1,844,033	-	1,844,033
Issue of shares	8,985,418	-	-	-	-	8,985,418	-	8,985,418
Share issue costs	(195,016)	-	-	-	-	(195,016)	-	(195,016)
Balance at 31 December 2010	**70,601,654**	**2,484,033**	**89,775**	**(151,245)**	**(41,233,056)**	**31,791,161**	**(974,360)**	**30,816,801**

The above Condensed Consolidated Interim Statement of Changes in Equity is to be read in conjunction with the accompanying notes

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Note	Half Year Ended 31 December 2011 $	31 December 2010 $
Cash flows from operating activities			
Payments to suppliers and employees		(10,508,461)	(6,297,005)
Cash receipts from customers		3,432,406	2,180,501
Interest received		60,413	16,937
Interest expense		(161,910)	(519)
Income tax paid		-	(2,314)
Net cash used in operating activities		**(7,177,552)**	**(4,102,400)**
Cash flows from investing activities			
Proceeds from sale of equity investments		181,914	-
Proceeds from sale of property, plant and equipment		-	19,112
Purchase of property, plant and equipment		(2,222,081)	(27,940)
Disposal of discontinued operation, net of cash proceeds	6	1,549,312	-
Net cash from/(used in) investing activities		**(490,855)**	**(8,828)**
Cash flows from financing activities			
Security deposits		122,855	(88,353)
Share issue costs		(3,254)	(221,038)
Proceeds from issue of shares		220,000	8,900,000
Proceeds from prepaid equity	9	5,000,000	
Net cash from/(used in) financing activities		**5,339,601**	**8,590,609**
Net decrease in cash and cash equivalents		**(2,328,806)**	**4,479,381**
Cash and cash equivalents at 1 July		8,025,093	911,453
Effects of foreign exchange rate changes		(155,296)	491
Cash and cash equivalents at 31 December		**5,540,991**	**5,391,325**

The above Condensed Consolidated Interim Statement of Cash Flows is to be read in conjunction with the accompanying notes.

1. REPORTING ENTITY

Indo Mines Limited (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial statement of the Company for the half year ended 31 December 2011 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity").

The consolidated annual financial statements of the Consolidated Entity as at and for the year ended 30 June 2011 is available upon request from the Company's registered office.

2. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements for half year reporting period ended 31 December 2011 are a general purpose financial statement which has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting.

The consolidated interim financial statements do not include all the notes normally included in an annual financial statement. Accordingly, this report is to be read in conjunction with the annual report of Indo Mines Limited for the year ended 30 June 2011 and any public announcements made by Indo Mines Limited and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The consolidated interim financial statements were approved by the Board of Directors on 14 March 2012.

3. ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained below.

The comparative statement of comprehensive income has been re-presented as if an operation discontinued during the current year had been discontinued from the start of the comparative year (see note 6).

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

Going Concern

The Directors have prepared the financial report on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business and at the amounts stated in the financial report.

The Group made a loss for the period of $6,564,192 (31 December 2010: $7,622,468) principally due to ongoing exploration and evaluation expenditure of $5,112,956 and a loss on the sale of the Mangkok Coal Project of $1,217,256. The exploration and evaluation expenditure was incurred as the Group continues with studies in relation to the development of the Jogjakarta Iron Project. The Group will continue to incur cash outflows whilst it seeks to progress the Iron Project to a point where its development can be externally funded. As at 31 December 2011, the Group had available cash of $5,540,991. Subsequent to 31 December 2011 the Rajawali Group paid an additional $8.2 million for the placement of 57.3 million shares.

The Group will continue to incur cash outflows whilst it seeks to progress the Iron Project to a point where its development can be externally funded. Based on the forecast expenditures, additional funding will be required in the next 12 months. Whilst the Board anticipates success in this regard, no firm plans or commitments exist at this time.

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.

4. ESTIMATES

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial statement, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statement as at and for the year ended 30 June 2011.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011 (Continued)

5. SEGMENT REPORTING

Primary Reporting – Geographical Segments

The Group has 2 reportable segments as described below, which are the Group's strategic business units following the sale, during the period, of the entire Coal segment (refer note 6). The strategic business units undertake the same business activity – exploration. They are managed separately as they are operated in either different geographical areas or different businesses. 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 – exploration activities in Indonesia
- Australia – corporate

	Indonesia Iron Sands		Indonesia Coal - discontinued		Australia		Consolidated Entity	
	6 months to 31 Dec 2011 $	6 months to 31 Dec 2010 $	6 months to 31 Dec 2011 $	6 months to 31 Dec 2010 $	6 months to 31 Dec 2011 $	6 months to 31 Dec 2010 $	6 months to 31 Dec 2011 $	6 months to 31 Dec 2010 $
Revenue								
Other Revenues	-	-	3,892,967	1,666,490	-	-	3,892,967	1,666,490
Unallocated revenue							-	89,389
Total segment revenue							3,892,967	1,755,879
Results								
Segment result	(5,447,720)	(2,343,203)	(1,217,256)	(1,975,462)	102,858	(1,459,769)	(6,562,117)	(5,778,434)
Unallocated expenses							(2,074)	(1,844,034)
Loss before income tax expense							(6,564,191)	(7,622,468)
Income tax expense							-	-
Net loss							(6,564,191)	(7,622,468)

5. SEGMENT REPORTING (continued)

	Indonesia Iron Sands		Indonesia Coal - discontinued		Australia		Consolidated Entity	
	31 December 2011	30 June 2011	31 December 2011	30 June 2011	31 December 2011	30 June 2011	31 December 2011	30 June 2011
	$	$	$	$	$	$	$	$
Assets								
Segment assets	30,786,225	26,358,415	-	9,131,761	5,335,241	5,631,302	36,121,466	41,121,478
Unallocated assets							-	-
Total assets							36,121,466	41,121,478
Liabilities								
Segment liabilities	2,046,946	3,436,301	-	2,024,151	11,517,091	7,591,848	13,564,037	13,052,300
Unallocated liabilities							-	-
Total liabilities							13,564,037	13,052,300

6. DISCONTINUED OPERATIONS

During the half year ended 31 December 2011 the Group sold its interest in the Mangkok Coal project. Pursuant to the agreements entered into:

- The Company received US$1.6 million cash
- The purchaser assumed all liabilities, and commenced being responsible for all operating costs, relating to the Project with effect from 1 September
- The purchaser will pay the Company a royalty for production in excess of 450,000 tonnes at the rate of US$6/tonne, to a maximum of 850,000 tonnes.

	31 December 2011	31 December 2010
Results of discontinued operation		
Revenue	3,892,967	1,666,490
Expenses	(2,337,592)	(3,641,952)
Results from operating activities	**1,555,375**	**(1,975,462)**
Income tax	(206,502)	**-**
Results from operating activities net of tax	**1,348,873**	**(1,975,462)**
Loss on sale of discontinued operations	(2,566,127)	-
Profit (loss) for the year	**(1,217,256)**	**(1,975,462)**
Basic earnings (loss) per share from discontinued operations	**(0.5 cents)**	**(1.1 cents)**
Diluted earnings (loss) per share from discontinued operations	**(0.5 cents)**	**(1.1 cents)**

The loss from discontinued operations of $1,217,256 (31 December 2010 loss of $1,975,462) is attributable entirely to the owners of the Company.

	31 December 2011	31 December 2010
Cash flows from (used in) discontinued operation		
Net cash used in operating activities	(964,758)	(31,758)
Net cash from investing activities	1,549,312	-
Net cash from financing activities	-	-
Net cash flows for the year	584,554	(31,758)

6. DISCONTINUED OPERATIONS (continued)

	31 December 2011
Effect of disposal on the financial position of the Group	
Inventory	(939,967)
Trade and other receivables	(275,368)
Prepayments	(220,382)
Cash and cash equivalents	(3,665)
Mining right	(3,591,072)
Trade and other payables	438,709
Other liabilities	472,641
Net assets and liabilities	**(4,119,104)**
Consideration received, satisfied in cash	(1,552,977)
Cash and cash equivalents disposed of	3,665
Net cash inflow	(1,549,312)

7. PROPERTY, PLANT AND EQUIPMENT

During the half year ended 31 December 2011 the consolidated entity acquired assets at a cost of $2,113,375 (half year ended 31 December 2010 net disposals $129,471). These assets relate predominately to the Primary Concentrator plant in Jogjakarta.

8. EXPLORATION AND EVALUATION ASSETS

Movements in Exploration and Evaluation Assets

	$
Carrying amount at 1 July 2010	**25,783,296**
Expenditure during the period	-
Carrying amount at 31 December 2010	**25,783,296**
Carrying amount at 1 July 2011	**27,133,531**
Expenditure capitalised during the period	-
Carrying amount at 31 December 2011	**27,133,531**

9. FINANCIAL LIABILITY

On 20 December 2011 the Company entered into an agreement with the Rajawali Group for a share placement of 57.3 million shares at $0.23 each. Under the terms of the agreement the Rajawali Group provided the Company with a pre-payment of $5 million on 21 December 2011 which has been classified as a financial liability at 31 December 2011. The 19.9% placement was approved by the Company's shareholders on 30 January 2012 and completed on 6 February 2012, at which time this amount was converted to equity.

10. BORROWINGS

	Consolidated 31 December 2011 $	Consolidated 30 June 2011 $
Non-current		
Convertible debenture	5,419,605	7,185,142

Movement in Borrowings

	$
Convertible debenture	
Balance as at 1 July 2011	7,185,142
Unrealised foreign exchange movement	163,228
	7,348,370
Fair value adjustment of option component through profit and loss – disclosed as net financial income	(1,928,765)
Carrying value of liability at 31 December 2011	**5,419,605**

The convertible debenture was issued to Anglo Pacific plc on 28 October 2009 at a face value of US$4 million.

The material terms of the debenture are as follows:

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

ii. repayment of the debenture is only through payment of the royalty with the principal amount of the debenture 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 debenture is converted to shares, rather than repaid, the royalty arrangement ceases; and

vi. the Company under the debenture is required to provide security over the Project and the entities holding the Project.

11. CONTRIBUTED EQUITY

	Consolidated 31 December 2011 $	Consolidated 30 June 2011 $
(a) Issued Capital		
230,709,304 (30 June 2011: 229,809,304) fully paid ordinary shares	78,127,525	77,910,779
40,000,000 (30 June 2011: 55,000,000) performance shares [(i)]	3,000,000	5,250,000
	81,127,525	83,160,779

Note

(i) The performance shares convert to ordinary shares on a 1 for 1 basis. The milestones for conversion and holdings at 31 December 2011 of the performance shares are as follows:

- Class D Performance Shares (20,000,000):
  - 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 (20,000,000):
  - 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.

(b) Movements in Other Share Capital (Performance Shares) during the past six months were as follows:

Date	Details	Number of Shares	Issue Price $	$
1 July 2011	**Opening Balance**	**55,000,000**	**-**	**5,250,000**
31 December 2011	Expiry of Class C Performance Shares	(15,000,000)	-	(2,250,000)
31 December 2011	Closing Balance	40,000,000	-	3,000,000
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)
31 December 2010	Closing Balance	55,000,000	-	5,250,000

11. CONTRIBUTED EQUITY (CONTINUED)

(c) Movements in Ordinary Share Capital during the past six months were as follows:

Date	Details	Number of Shares	Issue Price $	$
1 July 2011	**Opening Balance**	**229,809,304**	**-**	**77,910,779**
11 October 2011	Exercise of Class A vendor options	500,000	0.20	100,000
	Share issue expenses			(1,754)
11 October 2011	Exercise of Class A incentive options	200,000	0.30	60,000
	Share issue expenses			(750)
31 October 2011	Exercise of Class A incentive options	200,000	0.30	60,000
	Share issue expenses			(750)
31 December 2011	**Closing Balance**	**230,709,304**	**-**	**78,127,525**

Date	Details	Number of Shares	Issue Price $	$
1 July 2010	**Opening Balance**	**163,196,646**	**-**	**56,561,252**
22 September 2010	Share Placement	17,500,000	0.20	3,500,000
	Share issue expenses			(180,200)
1 October 2010	Issue in lieu of Interest	404,149	0.21	85,418
	Share issue expenses			(1,650)
23 December 2010	Share Placement	20,000,000	0.27	5,400,000
	Share issue expenses			(13,167)
31 December 2010	**Closing Balance**	**201,100,795**	**-**	**65,351,653**

12. RESERVES

	Consolidated 31 December 2011 $	Consolidated 30 June 2011 $
(a) Share-based Payments Reserve		
Nil (30 June 2011: 8,833,333) $0.30 Class A Incentive Options exp 30 November 2011	-	535,667
Nil (30 June 2011: 8,833,333) $0.30 Class B Incentive Options exp 31 December 2011	-	516,333
8,833,333 (30 June 2011: 8,833,334) $0.30 Class C Incentive Options exp 30 June 2012	605,834	605,834
200,000 (30 June 2011: 200,000) $0.50 Class D Incentive Options exp 1 June 2012	58,200	58,200
300,000 (30 June 2011: 300,000) $0.50 Class E Incentive Options exp 2 June 2012	84,900	84,900
500,000 (30 June 2011: 500,000) $0.50 Class F Incentive Options exp 3 June 2012	136,000	136,000
1,500,000 (30 June 2011: 2,000,000) $0.20 Vendor Options exp 1 October 2014	363,000	484,000
1,000,000 (30 June 2010: 1,000,000) $1.00 Vendor Options exp 1 March 2014	-	156,000
	1,247,934	**2,576,934**

There were no options granted during the period.

During the period, 18,266,667 options lapsed unexercised.

	Consolidated 31 December 2011 $	Consolidated 30 June 2011 $
(b) Fair Value Reserve		
Shares – listed	-	69,525
	-	**69,525**

The listed shares were disposed of during the period.

	Consolidated 31 December 2011 $	Consolidated 30 June 2011 $
(c) Foreign Currency Translation Reserve		
Translation of controlled foreign entity	(633,462)	(261,055)
	(633,462)	**(261,055)**

13. 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 period:

	31 December 2011 No.	31 December 2011 WAEP	31 December 2010 No.	31 December 2010 WAEP
Outstanding at beginning of period	30,500,000	0.32	6,050,000	0.72
Granted during the period	-	-	26,000,000	0.30
Exercised during the period	(900,000)	0.24	-	-
Expired during the period	(18,266,667)	0.34	(3,050,000)	0.73
Outstanding at end of the period[(i)]	**11,333,333**	**0.30**	**17,550,000**	**0.43**

Note

(i) The outstanding balance as at 31 December 2011 is represented by:

- 1,500,000 Vendor Options with an exercise price of $0.20 each that expire on 1 October 2014, vesting upon delivery of 500,000 tonnes of coal to the ship.
- 8,833,333 Class C Incentive Options with an exercise price of $0.30 each that expire on 30 June 2012, vesting upon a five day volume weighted average share price of $0.60;
- 200,000 Class D Incentive Options with an exercise price of $0.50 each that expire on 1 June 2012, vesting upon a five day volume weighted average share price of $0.60;
- 300,000 Class E Incentive Options with an exercise price of $0.50 each that expire on 2 June 2012, vesting upon a five day volume weighted average share price of $0.70;
- 500,000 Class E Incentive Options with an exercise price of $0.50 each that expire on 3 June 2012, vesting upon a five day volume weighted average share price of $0.80;

The weighted average remaining contractual life for the share options outstanding as at 31 December 2011 is 9 months. The WAEP for options outstanding at the end of the half year was $0.30.

The fair value of the equity-settled share options granted is estimated as at the date of grant using the Monte Carlo 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 immediately, or in the case of incentive options, over the period during which the incentive option holder becomes unconditionally entitled to the incentive options in accordance with AASB 2 – Share-based Payment.

14. CONTINGENT LIABILITIES

Since the last annual reporting date, there has been no material change in contingent liabilities.

15. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the half year.

16. SUBSEQUENT EVENTS

On 6 February 2012, following Shareholder approval, the Company completed the placement of 57,317,294 ordinary fully paid shares to the Rajawali Group at $0.23 to raise approximately $13.2 million.

Other than as outlined above, there were no significant events occurring after the balance sheet date requiring disclosure.

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

(a) the financial statements and notes, as set out on pages 4 to 20, are in accordance with the Corporations Act 2001, including:

    (i) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001; and

    (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half year ended on that date.

(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.

On behalf of the Board

M.J. Hacon

MARTIN HACON
Managing Director & CEO

15 March 2012

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

Report on the financial report

We have reviewed the accompanying interim financial report of Indo Mines Limited, which comprises the condensed consolidated interim statement of financial position as at 31 December 2011, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 16 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 half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Indo Mines Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Indo Mines Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Brent Steedman
Partner

Perth

15 March 2012