indo mines ltd

ANNUAL REPORT

30 JUNE 2013

ABN 40 009 245 210

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CORPORATE DIRECTORY

Directors
Mr Peter Chambers – Non-Executive Chairman
Mr Martin Hacon – Managing Director and CEO
Mr Christopher Catlow – Non-Executive Director
Mr Darryl Harris – Non-Executive Director
Mr Darjoto Setyawan – Non-Executive Director
Mr Hendra Surya – Non-Executive Director

Company Secretary
Ms Stacey Apostolou

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South Perth WA 6151

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Share Register
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Perth WA 6000

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Stock Exchange Listing
Australian Securities 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 Ltd

CHAIRMAN'S STATEMENT

At a time of uncertainty in the international financial markets, the completion of a $50 million investment by the Rajawali Group, one of Indonesia's largest and most respected conglomerates, was a significant vote of confidence in the Company's vision, strategy and project plan. Following this investment, 2013 has been a year of cash conservation, whilst we realigned our business activity to the reflect changes in the international financial markets and Indonesian regulatory environment.

An in depth strategic review refocused the business on the production of pig iron, a core requirement of the Contract of Works (COW). To this end, PT Jogja Magasa Iron (JMI) identified the west end of the COW as the preferred iron making site location. A total of 140 Hectares of land has been acquired for the construction site through a partnership approach providing, financial, business and employment opportunities for the local community and reflecting the Company's commitment to development of the project.

Subject to obtaining sales permits, it remains the intent of JMI to implement the project through the phased construction of the concentrate plant leading in to pig iron production. The completed metallurgical test work program and the production of ~10,000t of finished concentrate have demonstrated the viability of the concentrate process flow sheet. A single Metso Vertical grinding unit, a critical path item, has been purchased and is awaiting shipment from the USA. This will enable construction of a 500,000t plant, subject to receipt of the necessary approvals. Concurrently, JMI will also be seeking opportunities within the local Indonesian market for the potential domestic sale of concentrate. The timing of the expansion to 2 million tonnes of concentrate production is dependent upon receiving the concentrate export permit, and alignment to the pig iron construction plan.

Throughout the year the Company has diligently focused on cost control and cash conservation at both the Corporate and project levels. A review of the Perth office functions resulted in all technical activities being transferred to Indonesia. The Board continues to recognise that a key to the future success of the business is the building of a talented on site management team. With strong support from the Rajawali Group and our local partners, key appointments across engineering, finance and human resources have been made, significantly strengthening the JMI management team.

The Indonesian economy continues to grow at a steady 6% GDP and has demonstrated resilience to the impacts of the continuing economic difficulties experienced in Europe and USA. The Indonesian government is continuing to strive for greater infrastructure growth further increasing the demand for steel. Our business model provides the ability to meet this increasing demand utilizing 100% of local raw materials.

The lack of confidence in the small market cap mining space, the uncertainty surrounding the Indonesian mining regulatory environment and the lack of clarity of the foreign ownership rules have continued to negatively impact our share price. Despite these issues, which are largely outside our control, the Company's strong cash position, the significant strengthening of the relationship with our local partners and JMI's on-site management team, combined with the support of the Rajawali Group, provides a critical platform necessary for our Company's future business success.

Thank you for your continued support throughout the year and I look forward to 2014 being a breakthrough year in the growth and development of our Company.

Peter Chambers
Chairman

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 Entity") and the entities it controlled at the end of, or during, the year ended 30 June 2013 ("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 Peter Chambers	Non-Executive Chairman (appointed 26 November 2012)
Mr Martin Hacon	Managing Director and Chief Executive Officer
Mr Christopher Catlow	Non-Executive Director
Mr Darryl Harris	Non-Executive Director
Mr Darjoto Setyawan	Non-Executive Director (appointed 26 November 2012)
Mr Hendra Surya	Non-Executive Director
Dr Derek Fisher	Non-Executive Director (resigned 4 July 2012)
Mr Paul Kopejtka	Non-Executive Director (resigned 4 July 2012)
Mr Zhang Xiangqing	Non-Executive Director (resigned 26 November 2012)

Unless otherwise disclosed, Directors held their office from 1 July 2012 until the date of this report.

CURRENT DIRECTORS AND OFFICERS

Peter Chambers – Non-Executive Chairman
Qualifications – B Comm

Mr Peter Chambers presently holds the position of Managing Director - Strategy and Governance with the Rajawali Group and has served as a member of the Board of Directors of PT. Rajawali Corpora since 2005. Mr Chambers is also a member of the Board of Commissioners and Chairman of the Audit Committee of Excelcomindo, Indonesia's third largest mobile telephone operator. He was one of the key persons when Rajawali established Excelcomindo in the late 1990s.

He has more than 20 years' experience in the finance and telecommunications industries having been the Head of the South East Asia Communication Practice of Coopers and Lybrand (Hong Kong based). Mr Chambers has also held executive roles with various international companies over the years.

Mr Chambers graduated from the Royal Melbourne Institute of Technology in Melbourne, Australia, with a degree in Finance and Accounting.

Mr Chambers was appointed a Director of Indo Mines on 26 November 2012 and has not held a directorship in any other listed company in the past three years.

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 on 2 August 2010 and did not hold any directorships in listed companies in the three year period prior to the end of the financial year.

CURRENT DIRECTORS AND OFFICERS (continued)

Christopher Catlow – Non Executive Director
Qualifications - B.Sc, FCA

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

Darryl Harris – Non-Executive Director
Qualifications - B.Sc. MAusIMM

Mr Harris is an engineering metallurgist with over 20 years' experience in the design and commissioning of mineral processing plants, across a range of different commodities. Mr Harris has had a long association with engineering companies including Nedpac, Signet Engineering, Lurgi WA, Outotec and Outokumpu Australia. He was involved in the development of various projects, including project coordinator for the An Feng-Kingstream Steel Project and other Australian ferrous projects.

Mr Harris was appointed a Director of Indo Mines 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 Limited (October 2010 – present) and Beacon Minerals Limited (July 2008 – March 2012).

Darjoto Setyawan – Non-Executive Director (appointed 26 November 2012)
Qualifications – BSc, Masters of Management

Mr Darojoto Setyawan has been employed with the Rajawali Group since 1996 and has held the role of Managing Director - Mining & Resources since 2005. He was the President Director of the Bentoel Group, a subsidiary of Rajawali, from 1996 to 2006 and continued from 2006 - 2009 as the President Commissioner. Under his leadership, the Bentoel Group successfully negotiated with a syndicate of international banks as well as two leading State-Owned banks and restructured its loans. During the same period Bentoel underwent some structural changes including organization restructuring. The loan and organizational restructuring have paved the way for Bentoel to regain its position as one of the biggest cigarette manufacturers in Indonesia.

In addition to being in charge of mining and resources, Mr Setyawan handles all matters related to external relations including those related to Government officials and agencies. He has also served as a member of the board on a number of companies where the Rajawali Group has an interest, including PT. Nusantara Infrastructure and the Semen Gresik Group.

Mr Setyawan was appointed a Director of Indo Mines on 26 November 2012 and has not held a directorship in any other listed company in the past three years.

Hendra Surya – Non-Executive Director (appointed 6 February 2012)
Qualifications – BSc, Masters of International Management

Mr Surya joined the Rajawali Group in 2005 and is currently the Deputy Managing Director - Mining and Resources. Since he joined with the Rajawali Group, Mr Surya has played a significant role in the on-going success of Rajawali's business in Mining and Resources. His main contributions and deliverables are including M&A, Corporate Finance, Project Development and Operation of Rajawali's mining assets. He currently holds executive management positions in the several subsidiaries and affiliates of Rajawali Group.

Prior to his role with the Rajawali Group, Mr Surya spent eight years with PricewaterhouseCoopers where he was involved with a number of government related projects and a wide number of privatisations and major project financings. He holds a Masters Degree in International Business from the American Graduate School of International Management in Arizona.

CURRENT DIRECTORS AND OFFICERS (continued)

Mr Surya was appointed a Director of Indo Mines on 6 February 2012 and has not held a directorship in any other listed company in the past three years.

Derek Fisher – Non-Executive Director (resigned 4 July 2012)
Qualifications - PhD

Paul Kopejtka – Non-Executive Director (resigned 4 July 2012)
Qualifications – B. Eng (Chem)

Zhang Xiangqing – Non-Executive Director (resigned 26 November 2012)

Company Secretary
Stacey Apostolou *B.Bus CPA*

Ms Apostolou was appointed to the position of Company Secretary on 14 October 2011. Ms Apostolou has previously acted as Finance Director to an ASX/AIM listed company, held company secretarial roles for publicly listed companies within the mining and exploration industry and has over 25 years relevant industry experience.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2013, and the number of meetings attended by each Director.

	Board Meetings Number eligible to attend	Board Meetings Number Attended	Audit Committee Number eligible to attend	Audit Committee Number attended
Peter Chambers	8	8	1	1
Martin Hacon	11	11	1	1
Christopher Catlow	11	10	2	2
Darryl Harris	11	10	1	1
Darjoto Setyawan	8	6	-	-
Hendra Surya	9	6	2	-
Zhang Xiangqing	3	-	1	-

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 2013 (2012: nil).

EARNINGS PER SHARE

	2013 Cents	2012 Cents
Basic earnings/(loss) per share	(1.4)	(3.6)
Diluted earnings/(loss) per share	(1.4)	(3.6)

CORPORATE STRUCTURE

Indo Mines 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

	2013 $	2012 $
Profit/(loss) of the Consolidated Entity before income tax expense	(7,937,768)	(11,570,319)
Income tax expense		-
Net profit/(loss)	(7,937,768)	(11,570,319)
Net profit/(loss) attributable to minority interest	1,886,767	(2,556,250)
Net loss attributable to members of Indo Mines Limited	(6,051,001)	(9,014,069)

OPERATING AND FINANCIAL REVIEW

Operating Review

Following the investment by the Rajawali Group in November 2012, an in depth analysis of the Company's short and long-term strategy has been undertaken. The review specifically focussed on PT Jogja Magasa Iron's (JMI) obligations as defined under the 'Contract of Works' (COW), changes in Indonesian Government legislation, local community commitments and expectations and delivering a return on shareholder investment. The work has been ongoing, at both the operational and Board level to critically review the plans and operating structure of the group.

As a consequence of this review, the Company has focused its attention on accelerating pig iron production through the implementation of the project in the following phases: initially targeting 500,000 tonnes of iron concentrate production capacity, climbing to the required 2 million tonnes capacity followed by development of the pig iron plant and associated infrastructure.

The strategy review also concluded that the preferred location for the pig iron plant is the western end of the COW. As a result, JMI is required to resubmit its Feasibility Study to the Indonesian Government for approval of the amended site location. This process represents an amendment to the current approved study and does not impact the COW. JMI is in the process of finalising this amendment which is expected to be submitted by the end of September.

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

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

Given the uncertainty regarding the exporting of concentrate, the Board has taken the view that construction activities in relation to the production of iron concentrate will be placed on hold with expenditures curtailed and the Company's land purchase program realigned to the project implementation plan.

Consistent with this plan, the Company recently announced that JMI had successfully concluded negotiations to acquire land at the western end of the COW area. The acquisition of this core block of land is a key milestone in implementing the pig iron project and establishes the location of the permanent iron making plant and associated infrastructure.

The Company will continue with its land acquisition program and monitor developments with Indonesian Regulations in determining its activities going forward.

Finance Review

At 30 June 2013, the Consolidated Entity held cash, cash equivalents and term deposits of $43,776,151.

During the year, the Company raised $50 million through the placement of 250,000,000 shares to the Rajawali Group at $0.20 per share.

Operating activities consumed $9,431,509 which is net of a research and development refund of $578,669 and interest received of $932,641.

Investing activities consumed $41,498,881 which in the main related to the Company having placed $39,300,000 on term deposit and utilised $2,068,345 for purchases of property plant and equipment, including payments of $1,639,630 made to date for the vertical grinding mill to be used in the proposed concentrate plant. Pursuant to the contract for the vertical grinding mill, further payments of $2,459,445 are due post year end which has been brought to account in trade creditors and accrued expenses.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- The Company completed a placement of 250,000,000 ordinary fully paid shares to the Rajawali Group at $0.20 per share to raise $50.0 million on 26 November 2012. The Rajawali Group now holds a 57.12% interest in the Company.

SIGNIFICANT POST BALANCE DATE EVENTS

PT Jogja Magasa Iron (JMI) successfully concluded negotiations to acquire land at the western end of the Contract of Work (COW) area. The land is located within Paku Alam Ground (PAG). JMI has reached agreement with Pakualaman to have access to 140ha of PAG and pay compensation to local farmers working on the land to secure rights for its use. At this stage, agreements have been reached with farmers operating approximately 100ha of the PAG. JMI has agreed to pay each farmer Rp750 million per ha (or approximately US$65,000 per ha, at the exchange rate of US$1 = Rp11,500). It is expected that arrangements for the remaining 40ha will be concluded on the same basis, resulting in total payments of approximately US$9.2 million to be paid over the course of the next three months to secure rights over the entire 140ha area.

Other than as outlined above, there are no matters or circumstances, which have arisen since 30 June 2013 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2013, of the Consolidated Entity;
(b) the results of those operations, in financials years subsequent to 30 June 2013 of the Consolidated Entity; or
(c) the state of affairs, in financial years subsequent to 30 June 2013 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

During the coming year, the Company plans to focus on those activities that are required in order to develop Jogjakarta Iron Project in Indonesia. Whilst uncertainty remains regarding the exporting of concentrate, engineering work will be undertaken on project design and land acquisition activities will continue.

SHARE OPTIONS

As at 30 June 2013 the following share options remain unexercised:

- 1,500,000 vendor options exercisable at $0.20 each on or before 1 October 2014.

During and since 30 June 2013, no further options over unissued ordinary shares have been granted, no shares have been issued as a result of the exercise of options and no options have expired.

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

	Ordinary Shares	Class E Performance Shares[(1)]	$0.20 Vendor Options[(2)]
Current Directors			
Peter Chambers	-	-	-
Martin Hacon	104,000	-	-
Christopher Catlow[(3)]	5,702,861	2,096,640	500,000
Darryl Harris	210,000	-	-
Darjoto Setyawan	-	-	-
Hendra Surya	-	-	-

Notes
(1) Class E Performance Shares convert into ordinary shares on a 1 for 1 basis subject to certain milestones as outlined in Note 19.
(2) $0.20 Vendor Options 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.
(3) All ordinary shares, vendor options and performance shares held by Mr Catlow were acquired as a result of his shareholding in Fireside Resources Limited, which was acquired by Indo Mines.

REMUNERATION REPORT (AUDITED)

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 Jogjakarta 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, in prior years, 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.

Whilst no incentive options were granted during the current financial year, the Board's policy has been to grant 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 have been 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

REMUNERATION REPORT (continued)

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.

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 in prior years received options which generally will only be of value should the Group's shares increase sufficiently to warrant exercising the incentive options granted.

As a result of the Group's exploration and development 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

The Company 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. The compensation structures take into account the capability and experience of the key management personnel and their ability to assist Company performance.

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 generally reviewed annually by the Remuneration Committee through a process that considers individual, segment and overall performance of the Group. In addition, where necessary, 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. No external consultants were engaged during the year ended 30 June 2013.

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 previously 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. No external consultants were engaged during the year ended 30 June 2013.

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 Group. However, to align Directors' interests with shareholders' interests, the Directors are encouraged to hold shares in the Company and certain Non-Executive Directors have, in prior years, received incentive options in order to secure their services.

REMUNERATION REPORT (continued)

General
Where required, Key Management Personnel receive superannuation contributions, currently equal to 9.25% of their salary and do not receive any other retirement benefit. From time to time, 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.

<u>Employment Contracts with Key Management Personnel</u>

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 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. Mr Hacon is entitled to 4 weeks annual leave per annum.

Ms Stacey Apostolou, Company Secretary and Chief Financial Officer of the Group, entered into a fixed term contract with effect from 1 March 2013 which expires on 31 December 2013 and can be extended by mutual agreement between the parties. In the event that the Company terminates the contract prior to the end date, other than for gross misconduct or neglect of duty, then it will be required to pay out the remainder of the term. No amount is payable in the event of termination for gross misconduct or neglect of duty. Ms Apostolou receives a fixed remuneration component of $20,000 per month inclusive of superannuation. Prior to this Ms Apostolou was employed under a contract of employment for a fixed remuneration component of $250,000 per annum inclusive of superannuation that may be terminated by the Company by giving 3 months' notice. Ms Apostolou is entitled to 4 weeks annual leave per annum.

Mr Satya Graha, Executive Director of Operations Planning and Market Development of PT Jogja Magasa Iron who commenced on 18 July 2011, has a contract of employment with PT Jogja Magasa Iron which specifies the duties and obligations to be fulfilled by the Executive Director of Operations and Planning and Market Development. Mr Graha receives a fixed remuneration component of US$260,000 per year net of applicable income tax and superannuation payments of 7.74% of base salary. Under Indonesian law Mr Graha is entitled to an additional months pay for THR paid prior to the end of Ramadan.

Mr Michael O'Connell, President Director of PT Jogja Magasa Iron, who resigned on 29 August 2012, had a contract of employment with PT Jogja Magasa Iron which specified the duties and obligations to be fulfilled by the President Director. The contract was for an initial term of two years and could be terminated by either party by giving 3 months' notice. Mr O'Connell received a fixed remuneration component of $300,000 per annum inclusive of superannuation.

<u>Non-executive directors</u>

Total compensation for all Non-Executive Directors, last voted upon by shareholders at the 2011 AGM, is not to exceed $500,000 per annum and is set with reference to fees paid to other non-executive directors of comparable companies. With effect from 1 December 2012, base fees payable for the independent Non-Executive Directors are $50,000 per annum inclusive of superannuation contributions. Prior to this, Mr Catlow received $20,000 per annum in his capacity as Non- Executive Chairman and Mr Harris $15,000 per annum as a Non-Executive Director. Directors appointed by the Rajawali Group do not receive any Directors' Fees.

Non-Executive Directors did not receive any performance related compensation in 2013 (2012: Nil). Directors' fees cover all main board activities and committee memberships.

External consultants were not engaged in the preparation of the remuneration report.

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 Group and each of the Group's executives for the financial year are as follows:

		Short-Term				Post Employment			Share-based payments	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
Directors		Salary & Fees $	STI cash bonus $	Non monetary benefits $	Total $	Super-annuation $	Other long term $	Termination Benefits $	Options and rights $	$	%	%
Peter Chambers[1]	2013	-	-	-	-	-		-	-	-	-	-
Non-Executive Chairman	2012	-	-	-	-	-		-	-	-	-	-
Martin Hacon	2013	467,308	-	-	467,308	-		-	-	467,308	-	-
Managing Director & CEO	2012	450,000	-	-	450,000	-		-	-	450,000	-	-
Christopher Catlow	2013	35,091	-	-	35,091	3,158		-	-	38,249	-	-
Non-Executive Director	2012	20,000	-	-	20,000	1,800		-	-	21,800	-	-
Darryl Harris	2013	33,008	-	-	33,008	2,971		-	-	35,979	-	-
Non-Executive Director	2012	15,000	-	-	15,000	1,350		-	-	16,350	-	-
Darjoto Setyawan [2]	2013	-	-	-	-	-		-	-	-	-	-
Non-Executive Director	2012	-	-	-	-	-		-	-	-	-	-
Hendra Surya [3]	2013	-	-	-	-	-		-	-	-	-	-
Non-Executive Director	2012	-	-	-	-	-		-	-	-	-	-
Derek Fisher [4]	2013	-	-	-	-	-		-	-	-	-	-
Non- Executive Director	2012	(15,000)	-	-	(15,000)	(1,350)		-	-	(16,350)	-	-
Paul Kopejtka [4]	2013	-	-	-	-	-		-	-	-	-	-
Non-Executive Director	2012	(15,000)	-	-	(15,000)	(1,350)		-	-	(16,350)	-	-
Zhang Xiangqing [5]	2013	-	-	-	-	-		-	-	-	-	-
Non-Executive Director	2012	-	-	-	-	-		-	-	-	-	-
Executives												
Shane Cranswick [6]	2013	-	-	-	-	-		-	-	-	-	-
Company Secretary & CFO	2012	82,071	-	-	82,071	5,841		-	-	87,912	-	-
Stacey Apostolou	2013	244,133	-	-	244,133	16,470		-	-	260,603	-	-
Company Secretary & CFO	2012	76,644	-	-	76,644	6,881		-	-	83,525	-	-
Michael O'Connell [7]	2013	74,983	-	-	74,983	-		100,000	-	174,983	-	-
President Director JMI	2012	178,409	-	-	178,409	-		-	-	178,409	-	-
Satya Graha	2013	335,892	-	8,476	344,368	17,967		-	-	353,859	-	-
Operations Director	2012	315,698	-	-	315,698	17,186		-	-	332,884	-	-
Total	**2013**	**1,190,416**	**-**	**8,476**	**1,198,892**	**40,566**		**100,000**	**-**	**1,339,458**	**-**	**-**
	2012	**1,107,822**	**-**	**-**	**1,107,822**	**30,358**		**-**	**-**	**1,138,180**	**-**	**-**

REMUNERATION REPORT (continued)

Notes
(1) Mr Chambers was appointed on 26 November 2012. No Directors Fees are payable to Mr Chambers.
(2) Mr Setyawan was appointed on 26 November 2012. No Directors Fees are payable to Mr Setyawan.
(3) Mr Surya was appointed on 6 February 2012. No directors fees are payable to Mr Surya.
(4) Dr Fisher and Mr Kopejtka resigned on 4 July 2012. They declined payment of outstanding 2011 Directors fees.
(5) Mr Zhang Xiangqing was appointed on 23 January 2012 and resigned on 26 November 2012. No directors fees were payable to Mr Zhang.
(6) Mr Cranswick resigned on 14 October 2011.
(7) Mr O'Connell resigned on 29 August 2012. Termination benefits of $100,000 consisted of a $75,000 termination payment for his three month notice period and a discretionary $25,000 as full and final satisfaction of any outstanding claims.

Options Granted to Key Management Personnel

No options were granted, exercised or lapsed during the year. Chris Catlow has 500,000 performance options as disclosed in note 19 which vested in prior years.

End of Remuneration Report

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 $17,606 (2012: $18,253) 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 2013 is on page 13.

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

PETER CHAMBERS
Non-Executive Chairman

Dated this 27th day of September 2013

KPMG

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

To: the directors of Indo Mines Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 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

27 September 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
Continuing Operations			
Exploration, evaluation and development expenditure	3(a)	(4,544,075)	(9,175,650)
Depreciation	3(a)	(382,761)	(193,191)
Employee benefits expense	3(a)	(1,738,766)	(1,395,276)
Other expense	3(a)	(2,380,637)	(2,111,819)
Results from operating activities		**(9,046,239)**	**(12,875,936)**
Net financial income/(expense)	3(b)	1,108,471	2,352,434
Gain on sale of available for sale investments		-	170,439
		1,108,471	**2,522,873**
Loss before income tax		**(7,937,768)**	**(10,353,063)**
Income tax expense	5	-	-
Loss from continuing operations		**(7,937,768)**	**(10,353,063)**
Discontinued Operations			
Loss from discontinued operation (net of income tax)	4	-	(1,217,256)
Loss for the year		**(7,937,768)**	**(11,570,319)**
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of available-for-sale financial assets		-	(69,525)
Foreign currency translation differences for foreign operations		259,372	(154,346)
Other comprehensive loss for the year		259,372	(223,871)
Total comprehensive loss for the year		**(7,678,396)**	**(11,794,190)**
Loss attributable to:			
Non-controlling interests		(1,886,767)	(2,556,250)
Owners of the Company		(6,051,001)	(9,014,069)
		(7,937,768)	**(11,570,319)**
Total comprehensive loss attributable to:			
Non-controlling interests		(1,808,956)	(2,450,680)
Owners of the Company		(5,869,440)	(9,343,510)
		(7,678,396)	**(11,794,190)**
Earnings/(loss) per share:			
Basic earnings and diluted earnings/(loss) per share (cents)	25	(1.4)	(3.6)
Earnings/(loss) per share – continuing operations:			
Basic earnings and diluted earnings/(loss) per share (cents)	25	(1.4)	(3.1)

Notes to and forming part of the Statement of Comprehensive Income are set out on Pages 19 to 51.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	2013	2012
ASSETS		**$**	**$**
Current Assets			
Cash and cash equivalents	26(b)	4,416,151	5,251,106
Term deposits		39,360,000	60,000
Trade and other receivables	6	422,477	329,876
Total Current Assets		44,198,628	5,765,925
Non-current Assets			
Restricted cash and cash equivalents		73,598	70,836
Inventory	7	1,598,349	124,943
Property, plant and equipment	8	8,698,956	4,564,130
Exploration and evaluation assets	9	27,278,008	27,090,953
Total Non-current Assets		37,648,911	31,725,919
TOTAL ASSETS		81,847,539	37,491,844
LIABILITIES			
Current Liabilities			
Trade and other payables	10	3,747,839	1,279,910
Employee benefits	11	156,398	227,524
Total Current Liabilities		3,904,236	1,507,434
Non-Current Liabilities			
Trade and other payables	12	59,919	-
Employee benefits	13	316,885	338,888
Borrowings	14	4,452,755	4,784,576
Total Non-Current Liabilities		4,829,558	5,123,464
TOTAL LIABILITIES		8,733,795	6,630,898
NET ASSETS		**73,113,744**	**30,860,946**
EQUITY			
Issued capital	15	143,998,541	94,066,344
Reserves	16	23,590	(157,971)
Accumulated losses	17	(63,940,171)	(57,888,167)
Total equity attributable to equity holders of the Company		80,081,960	36,020,206
Non-controlling interest	18	(6,968,216)	(5,159,260)
TOTAL EQUITY		**73,113,744**	**30,860,946**

Notes to and forming part of the Statement of Financial Position are set out on Pages 19 to 51.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
Cash flows from operating activities			
Receipts from customers		-	3,604,042
Research and development refund		578,669	-
Payments to suppliers and employees		(10,624,007)	(17,655,503)
Interest received		932,641	238,783
Interest paid		(318,812)	(318,988)
Net cash outflows from operating activities	26(a)	**(9,431,509)**	**(14,131,666)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,068,345)	(4,004,757)
Payments for exploration, evaluation and development		(139,228)	-
Disposal of property, plant and equipment		8,692	-
Term deposits		(39,300,000)	-
Proceeds from sale of other financial assets		-	181,914
Net cash outflows from investing activities		**(41,498,881)**	**(3,822,843)**
Cash flows from financing activities			
Proceeds from issue of shares		50,000,000	13,402,978
Proceeds from sale of coal operation		-	1,549,101
Transaction costs from issue of shares		(67,803)	(22,796)
Security deposits		-	255,421
Net cash inflows/(outflows) from financing activities		**49,932,197**	**15,184,704**
Net increase/(decrease) in cash and cash equivalents		**(998,193)**	**(2,769,804)**
Cash and cash equivalents at the beginning of the financial year		5,251,106	8,025,093
Effects of exchange rate changes		163,238	(4,183)
Cash and cash equivalents at the end of the financial year	26(b)	**4,416,151**	**5,251,106**

Notes to and forming part of the Statement of Cash Flows are set out on Pages 19 to 51.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

Attributable to the equity holders of the Parent

	Share Capital $	Performance Shares $	Share-Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $	Non-controlling Interest $	Total Equity $
Balance at 1 July 2012	**91,066,344**	**3,000,000**	**363,000**	**(520,971)**	**(57,888,167)**	**36,020,206**	**(5,159,260)**	**30,860,946**
Total comprehensive income for the period								
Net loss for the year	-	-	-	-	(6,051,001)	(6,051,001)	(1,886,767)	(7,937,768)
Other comprehensive income								
Exchange differences arising on translation of foreign operations	-	-	-	181,561	-	181,561	77,811	259,372
Total other comprehensive income	-	-	-	181,561	-	181,561	77,811	259,372
Total comprehensive income for the period	-	-	-	181,561	(6,051,001)	(5,869,440)	(1,808,956)	(7,678,396)
Transactions with owners, recorded directly in equity								
Issue of shares	50,000,000	-	-	-	-	50,000,000	-	50,000,000
Share issue costs	(67,803)	-	-	-	-	(67,803)	-	(67,803)
Expiry of performance shares	-	-	-	-	-	-	-	-
Expiry of Options	-	-	-	-	-	-	-	-
Payment on exercise of options	-	-	-	-	-	-	-	-
Other	-	-	-	-	(1,003)	(1,003)	-	(1,003)
Total transactions with owners	49,932,197	-	-	-	(1,003)	49,931,194	-	49,931,194
Balance at 30 June 2013	**140,998,541**	**3,000,000**	**363,000**	**(339,410)**	**(63,940,171)**	**80,081,960**	**(6,968,216)**	**73,113,744**

Notes to and forming part of the Statements of Changes in Equity are set out on Pages 19 to 51.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

Attributable to the equity holders of the Parent

	Share Capital $	Performance Shares $	Share-Based Payments Reserve $	Investment Revaluation Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $	Non-controlling Interest $	Total Equity $
Balance at 1 July 2011	**77,910,779**	**5,250,000**	**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 year	-	-	-	-	-	(9,014,069)	(9,014,069)	(2,556,250)	(11,570,319)
Other comprehensive income									
Net change in fair value of available-for-sale financial assets	-	-	-	(69,525)	-	-	(69,525)	-	(69,525)
Exchange differences arising on translation of foreign operations	-	-	-	-	(259,916)	-	(259,916)	105,570	(154,346)
Total other comprehensive income	-	-	-	(69,525)	(259,916)	-	(329,441)	105,570	(223,871)
Total comprehensive income for the period	-	-	-	(69,525)	(259,916)	(9,014,069)	(9,343,510)	(2,450,680)	(11,794,190)
Transactions with owners, recorded directly in equity									
Issue of shares	13,182,978	-	-	-	-	-	13,182,978	-	13,182,978
Share issue costs	(22,796)	-	-	-	-	-	(22,796)	-	(22,796)
Expiry of performance shares	-	(2,250,000)	-	-	-	2,250,000	-	-	-
Expiry of Options	-	-	(2,213,934)	-	-	2,213,934	-	-	-
Payment on exercise of options	220,000	-	-	-	-	-	220,000	-	220,000
Other	(224,617)	-				224,617	-	-	-
Total transactions with owners	13,155,565	(2,250,000)	(2,213,934)	-	-	4,688,551	13,380,182	-	13,380,182
Balance at 30 June 2012	**91,066,344**	**3,000,000**	**363,000**	**-**	**(520,971)**	**(57,888,167)**	**36,020,206**	**(5,159,260)**	**30,860,946**

Notes to and forming part of the Statements of Changes in Equity are set out on Pages 19 to 51.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial report of the Company, Indo Mines and its consolidated entities ("Consolidated Entity" or "Group") for the year ended 30 June 2013 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 is domiciled in Australia and is a for-profit entity, limited by shares and these shares are publicly traded on the Australian Securities Exchange.

The financial report of the Group for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors on 26 September 2013.

(a) Financial Position

The Group incurred a loss for the year of $7,937,768 (2012: $11,570,319) and utilised cash of $998,193 (2012: $2,769,804) as the Group continued with evaluation and studies for the development of the Jogjakarta Iron Project. These cash outflows were funded by a combination of an equity raising 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.

(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) 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) 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 financial instruments at fair value through profit or loss are measured at fair value.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 10 Consolidated Financial Statements, AASB 12 Disclosure of Interests in Other Entities (2011)
AASB 10 introduces a single control model to determine whether an investee should be consolidated.

AASB 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. AASB 12 requires the disclosure of information about the nature, risks and financial effects of these interests.
These standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

AASB 13 Fair Value Measurement (2011)
AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

AASB 119 Employee Benefits (2011)
AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Preparation (continued)

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards, and has not assessed the full impact of these amendments at the date of this report.

Certain comparative amounts in the Financial Report have been reclassified to conform with the current year's presentation.

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Indo Mines as at 30 June 2013 and the results of all subsidiaries for the year then ended. Indo Mines 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.

Non-controlling interest

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

(d) 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.

(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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Exploration and evaluation (continued)

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income Tax (continued)

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 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).

(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 (maturities of twelve months or less) 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.

Restricted cash and cash equivalents represents deposits held with financial institutions that are held as security and are not readily convertible to cash.

(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) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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.

(n) 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.

(o) 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.

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.

(p) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Employee Benefits

(i) Short term 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.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(r) 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.

The fair value of the performance shares issued was recognised as exploration expenditure and mining rights at the date of their issue with a corresponding increase in equity.

(s) 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.

(t) 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.

(u) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) 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.

(w) 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.

(x) 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 and liabilities 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.

(y) Foreign Currency

Both the functional and presentation currency of Indo Mines at 30 June 2013 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

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Foreign Currency (continued)

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 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.

(z) 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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Impairment of financial assets (including receivables) (continued)

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.

(aa) 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. 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) Uses of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recongised in the financial statements is included in the following notes:

(i) Estimated impairment of deferred exploration, evaluation and development expenditure (refer Note 9)

Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the groups accounting policy (refer note 1(e)), requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. Critical to this assessment is estimates and assumptions as to reserves, timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under accounting policy 1(e), a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the income statement. The carrying amounts of exploration and evaluation assets are set out in Note 10.

(ii) Valuation of share-based payments (refer Note 20)

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.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Uses of estimates and judgements (continued)

(iii) Convertible Note (refer Note 14)

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 Balck 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.

	2013	2012
3. 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:		
Exploration, evaluation and development expenditure		
Impairment losses on exploration and evaluation assets	-	41,113
Exploration expenditure	5,122,744	9,134,537
R&D tax refund	(578,669)	-
	4,544,075	9,175,650
Employee benefits expense		
Salaries and wages and costs of employment	1,738,766	1,395,276
Other expenses		
Property expenses	349,967	326,061
Corporate expenses	930,954	504,896
Audit expenses	185,485	189,447
Other expenses	914,231	1,091,415
	2,380,637	2,111,819
Depreciation and amortisation		
Depreciation – plant and equipment	382,761	193,191
	382,761	193,191
(b) Financial income/(expenses)		
Interest revenue	1,131,776	238,783
Fair value adjustment of convertible debenture option [1]	715,456	2,550,268
Finance income	1,847,232	2,789,051
Interest expense	(318,812)	(318,988)
Bank charges	(10,834)	(17,766)
Foreign exchange loss	(409,115)	(99,863)
Finance cost	(738,761)	(436,617)
Net finance (expense)/income	1,108,471	2,352,434

[1] Gain relates to a fair value adjustment for the option component of the convertible note from Anglo Pacific Group. Refer Note 14 for further details.

4. DISCONTINUED OPERATIONS

During the year ended 30 June 2012, the Group sold its interest in the Mangkok Coal Project (Indonesian Coal segment). Pursuant to the agreements entered into:

- the Group received US$1.6 million cash;
- the purchaser assumed all liabilities, and commenced being responsible for all operating costs, relating to the coal project with effect from 1 September 2011;
- the purchaser will pay the Group a royalty for production in excess of 450,000 tonnes at the rate of US$6/tonne, to a maximum of 850,000 tonnes. No royalty had become payable at 30 June 2013.

	2012
	$
Results of discontinued operation	
Sales Revenue	3,892,967
Expenses	(2,337,594)
Results from operating activities	**1,555,373**
Income tax	(206,502)
Results from operating activities net of tax	**1,348,871**
Loss on sale of discontinued operations	(2,566,127)
Profit (loss) for the year	**(1,217,256)**
Basic earnings per share (cents per share)	(0.5)
Diluted earnings per share (cents per share)	(0.5)

The loss from discontinued operations during the year ended 30 June 2012 of $1,217,256 is attributable entirely to the owners of the Company.

	2012
	$
Cash flows from (used in) discontinued operation	
Net cash used in operating activities	(964,758)
Net cash from investing activities	1,549,101
Net cash from financing activities	-
Net cash flows for the year	584,343
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	472,852
Net assets and liabilities	(4,118,893)
Consideration received, satisfied in cash	1,552,766
Cash and cash equivalents disposed of	(3,665)
Net cash inflow	1,549,101

5. INCOME TAX

(a) Recognised in the income statement

	2013 $	2012 $
Current income tax:		
Current income tax expense/(benefit)	-	-
Deferred income tax:		
Adjustments in respect of deferred income tax of previous years	112,173	-
Origination and reversal of temporary Differences	(1,794,156)	(2,450,079)
Deferred tax assets not brought to account	1,681,983	2,450,079
Income tax expense reported in the income statement	-	-

(b) Recognised directly in equity

	2013 $	2012 $
Deferred income tax related to items charged or credited directly to equity		
Available-for-sale financial assets	-	20,858
Deferred tax assets used to offset deferred tax liabilities	-	-
Reversal of deferred tax asset previously recognised	-	(20,858)
Income tax expense/(benefit) reported in equity	-	-

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

	2013	2012
Profit/(loss) from continuing operations before income tax	(7,937,768)	(11,570,319)
Tax at the Australian tax rate of 30% (2012: 30%)	(2,381,331)	(3,471,096)
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:		
Entertainment	163	732
Non-deductible interest	95,604	95,548
Non-deductible overseas salary and wages	165,000	-
Sundry items	118,646	52,402
Gain on sale of shares	-	51,132
Provision for impairment of loans	-	(397,676)
Exploration expenditure not deductible	319,935	456,090
Loss on sale of Mangkok Coal Project	-	762,789
	(1,681,983)	(2,450,079)
Income tax benefit not recognised	1,681,983	2,450,079
Income tax expense	-	-

(d) Tax losses not brought to account

	2013	2012
Unused tax losses and temporary differences for which no deferred tax asset has been recognised	29,208,527	24,226,819
Potential tax benefit @ 30% (2012: 30%)	8,762,558	7,268,045

5. INCOME TAX (continued)

(e) Tax Consolidation

Indo Mines 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. The tax losses (at 30%) of $8,762,558 (2012:$7,268,045) do not expire in Australia under current legislation.

(f) Deferred income tax	**2013** **$**	**2012** **$**
Deferred income tax relates to the following:		
Deferred tax liabilities		
Borrowings at fair value through Profit and Loss	155,728	56,181
Deferred tax assets used to offset deferred tax liabilities	(155,728)	(56,181)
	-	-
Deferred tax assets		
Provisions	29,588	28,726
Accrued expenses	435,451	37,123
Borrowings		-
Mining Right		-
Tax losses available to offset against future taxable income	8,762,558	7,268,045
Deferred tax asset used to offset deferred tax loss	(155,728)	(56,181)
Deferred tax assets not brought to account	(9,071,870)	(7,277,713)
	-	-

<u>Note</u>
No deferred tax assets have been recognised in respect of these losses and temporary differences available because it is not probable that future taxable profit will be available against which the Group can utilise these benefits.

6. CURRENT ASSETS – Trade and other receivables

Prepayments	77,272	146,623
Sundry debtors	345,205	183,253
	422,477	329,876

7. NON-CURRENT ASSETS – Inventory

Inventory	1,598,349	124,943

The 30 June 2013 balance relates to iron concentrate and grinding balls.

8. NON-CURRENT ASSETS – Property, Plant and Equipment

	2013 $	2012 $
(a) Plant and equipment		
Cost	9,624,472	4,988,441
Accumulated depreciation	(925,517)	(424,311)
Net carrying amount	8,698,956	4,564,130
(b) Reconciliation		
Carrying amount at beginning of year, net of accumulated depreciation and impairment	4,564,130	811,432
Additions	4,527,790	4,004,757
Disposals	(8,693)	(2,039)
Impairment	(21,575)	(3,864)
Effect of movements in exchange rates	20,065	(52,965)
Depreciation charge for the year	(382,761)	(193,191)
Carrying amount at end of year, net of accumulated depreciation and impairment	8,698,956	4,564,130

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	27,278,008	27,090,953
	27,278,008	27,090,953
(b) Reconciliation		
Carrying amount at beginning of year	27,090,953	27,133,531
Deferred exploration, evaluation and development expenditure incurred	139,228	-
Foreign exchange movement	47,827	(42,578)
Carrying amount at end of year, at cost	27,278,008	27,090,953

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. CURRENT LIABILITIES – Trade and other payables

Trade creditors	1,512,168	462,780
Accrued expenses	1,569,519	276,488
Other payables	666,152	540,642
	3,747,839	1,279,910

11. CURRENT LIABILITIES – Employee Benefits

Employee benefits	156,398	227,524

12. NON CURRENT LIABILITIES – Trade and other payables

Other payables	59,919	-

	2013 $	2012 $
13. NON-CURRENT LIABILITIES – Employee Benefits		
Employee benefits	316,885	338,888
14. NON-CURRENT LIABILITIES – Borrowings		
Convertible Note – Anglo Pacific Group plc	4,784,576	7,185,142
Unrealised foreign exchange (gain)/loss	383,635	149,702
	5,168,211	7,334,844
Fair value adjustment of option component through profit and loss	(715,456)	(2,550,268)
	4,452,755	4,784,576

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 used for ongoing studies, including environmental and social studies, metallurgical testing, infrastructure planning and marketing research in respect of the Jogjakarta Iron Project (“the 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 or iron sand concentrate 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 require the Company to satisfy the repayment of the principal sum of the Facility by converting 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;

vii. if the principal amount of the Facility has not been converted into shares or a royalty payment has not been made prior to 31 December 2017, then the conversion price will thereafter be equal to 90% of the market price of the Company’s shares, subject to a minimum conversion price of A$0.10 and a maximum conversion price of A$0.50.

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 year ended 30 June 2013:

	As at 30 June 2013	*As at 30 June 2012*
Exercise price	$0.50	$0.50
Share price on date of valuation	$0.057	$0.185
Volatility	90%	90%
Risk-free interest rate	3.11%	5.00%
Valuation date	30 June 2013	30 June 2012
Expiry date	31 Dec 2017	31 Dec 2017
Expected life of option (years)	4.51	5.51
Valuation per option	$0.016	$0.110

15. ISSUED CAPITAL

	2013 $	2012 $
(a) Issued and paid up capital:		
538,026,598 (2012: 238,026,598) fully paid ordinary shares	140,998,542	91,066,344
20,000,000 (2012: 20,000,000) performance shares	3,000,000	3,000,000
	143,998,542	94,066,344

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

Date	Details	Number of Shares	$
1 July 2011	**Opening Balance**	**229,809,304**	**77,910,779**
11 October 2011	Exercise of $0.20 Options	500,000	100,000
	Share issue expenses	-	(1,755)
11 October 2011	Exercise of $0.30 Options	200,000	60,000
	Share issue expenses	-	(750)
31 October 2011	Exercise of $0.30 Options	200,000	60,000
	Share issue expenses	-	(750)
6 February 2012	Share Placement	57,317,294	13,182,978
	Share issue expenses	-	(19,541)
30 June 2012	Transfer to retained earnings	-	(224,617)
30 June 2012	**Closing Balance**	**288,026,598**	**91,066,344**
26 November 2012	Share Placement	250,000,000	50,000,000
	Share issue expenses	-	(67,803)
30 June 2013	**Closing Balance**	**538,026,598**	**140,998,541**

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 19(b)).

(c) Movements in performance shares during the past two years were as follows:

Date	Details	Number	$
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)
30 June 2012	**Closing Balances**	**40,000,000**	**3,000,000**
1 July 2012	**Opening Balance**	**40,000,000**	**3,000,000**
31 December 2012	Expiry of Class D Performance Shares	(20,000,000)	-
30 June 2013	**Closing Balances**	**20,000,000**	**3,000,000**

The milestones for conversion of the performance shares are outlined in Note 20.

16. RESERVES

(a) Reserves:

Share-based payments reserve		
1,500,000 (2012: 1,500,000) $0.20 Vendor Options exercisable on or before 1 October 2014	363,000	363,000
	363,000	363,000
Foreign currency translation reserve	(339,410)	(520,971)
Total Reserves	23,590	(157,971)

16. RESERVES (continued)

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of share-based payments made by the Company, as described in Note 1(u).

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(y).

16. RESERVES (continued)

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

Date	Details	Number of $0.75 31 Dec 2010 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 $0.30 30 Nov 2011 Options	Number of $0.30 31 Dec 2011 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 June 2012 Options	Cumulative share-based payment reserve $
1 July 2011	**Opening Balance**	**-**	**-**	**2,000,000**	**1,000,000**	8,833,333	8,833,333	200,000	300,000	500,000	8,833,333	2,576,934
11 Oct 2011	Exercise of Options	-	-	(500,000)	-	-	-	-	-	-	-	(121,000)
11 Oct 2011	Exercise of Options	-	-	-	-	(200,000)	-	-	-	-	-	(11,600)
30 Oct 2011	Exercise of Options	-	-	-	-	(200,000)	-	-	-	-	-	(11,600)
30 Nov 2011	Expiry of Options	-	-	-	-	(8,433,333)	-	-	-	-	-	(512,467)
31 Dec 2011	Expiry of Options	-	-	-	-	-	(8,833,333)	-	-	-	-	(516,333)
31 Dec 2011	Expiry of Options	-	-	-	(1,000,000)	-	-	-	-	-	-	(156,000)
1 June 2012	Expiry of Options	-	-	-	-	-	-	(200,000)	-	-	-	(58,200)
2 June 2012	Expiry of Options	-	-	-	-	-	-	-	(300,000)	-	-	(84,900)
3 June 2012	Expiry of Options	-	-	-	-	-	-	-	-	(500,000)	-	(136,000)
30 June 2012	Expiry of Options	-	-	-	-	-	-	-	-	-	(8,833,333)	(605,834)
30 June 2012	Closing Balance	-	-	1,500,000	-	-	-	-	-	-	-	363,000
30 June 2013	Closing Balance	-	-	1,500,000	-	-	-	-	-	-	-	363,000

(c) Terms and conditions of Options
The options are granted based upon the key terms and conditions detailed in note 20.

17. ACCUMULATED LOSSES

	2013 $	2012 $
Balance at the beginning of year	(57,888,167)	(53,562,649)
Transfer from reserves	(1,003)	4,688,551
Net loss attributable to owners	(6,051,001)	(9,014,069)
Balance at end of year	(63,940,171)	(57,888,167)

18. NON-CONTROLLING INTERESTS IN CONTROLLED ENTITIES

Interest in:		
- Share capital	122,730	122,730
- Reserves	261,198	(67,803)
- Accumulated losses	(7,352,144)	(5,214,187)
	(6,968,216)	(5,159,260)

19. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Details of Key Management Personnel

Mr Peter Chambers	Non-Executive Chairman (appointed 26 November 2012)
Mr Martin Hacon	Managing Director and Chief Executive Officer
Mr Christopher Catlow	Non-Executive Director
Mr Darryl Harris	Non-Executive Director
Mr Darjoto Setyawan	Non- Executive Director (appointed 26 November 2012)
Mr Hendra Surya	Non-Executive Director
Dr Derek Fisher	Non-Executive Director (resigned 4 July 2012)
Mr Paul Kopejtka	Non-Executive Director (resigned 4 July 2012)
Mr Zhang Xiangqing	Non-Executive Director (resigned 26 November 2012)
Ms Stacey Apostolou	Company Secretary and Chief Financial Officer
Mr Michael O'Connell	President Director PT Jogja Magasa Iron (resigned 29 August 2012)
Mr Satya Graha	Operations Director PT Jogja Magasa Iron

There were no other Key Management Personnel of the Group.

(b) Key Management Personnel Compensation

Consolidated:	2013 $	2012
Short-term employee benefits	1,198,892	1,137,822
Termination benefits	100,000	-
Post-employment benefits	40,566	33,058
Total compensation	1,339,458	1,170,880

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 2013.

19. RELATED PARTY DISCLOSURES

(a) Option holdings and transactions of Key Management Personnel

	Held at 30 June 2011	Granted	Exercised	Expired	Held at 30 June 2012	Vested & exercisable at 30 June 2012	Granted	Exercised	Expired	Held at 30 June 2013	Vested & exercisable at 30 June 2013
Current KMP											
Peter Chambers	-	-	-	-	-	-	-	-	-	-	-
Martin Hacon	5,000,000	-	-	(1) (5,000,000)	-	-	-	-	-	-	-
Christopher Catlow	(1)(2)(3) 6,500,000	-	-	(1)(3) (6,000,000)	500,000	500,000	-	-	-	500,000(3)	500,000
Darryl Harris	-	-	-	-	-	-	-	-	-	-	-
Darjoto Setyawan	-	-	-	-	-	-	-	-	-	-	-
Hendra Surya	-	-	-	-	-	-	-	-	-	-	-
Stacey Apostolou	-	-	-	-	-	-	-	-	-	-	-
Satya Graha	-	-	-	-	-	-	-	-	-	-	-
Former KMP											
Shane Cranswick	1,000,000	-	-	(4) (1,000,000)	-	-	-	-	-	-	-
Derek Fisher	5,000,000	-	-	(1) (5,000,000)	-	-	-	-	-	-	-
Paul Kopejtka	5,000,000	-	-	(1) (5,000,000)	-	-	-	-	-	-	-
Michael O'Connell	-	-	-	-	-	-	-	-	-	-	-
Zhang Xiangqing	-	-	-	-	-	-	-	-	-	-	-

Note

(1) 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).

(2) 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 expired on 31 December 2011 after the Mangkok Coal project was sold

(3) 500,000 incentive options exercisable at $1.20 each on or before 30 November 2014.

(4) 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 333,333 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).

19. RELATED PARTY DISCLOSURES (continued)

(b) Ordinary share holdings and transactions of Key Management Personnel

	Held at 30 June 2011	Purchases/ (Sales)	Options Exercised	Performance Shares Converted	Held at 30 June 2012	(Sales)	Options Exercised	Performance Shares Converted	Held at 30 June 2013
Current KMP									
Peter Chambers	-	-	-	-	-	-	-	-	-
Martin Hacon	104,000	-	-	-	104,000	-	-	-	104,000
Christopher Catlow	5,702,861	-	-	-	5,702,861	-	-	-	5,702,861
Darryl Harris	210,000	-	-	-	210,000	-	-	-	210,000
Hendra Surya	-	-	-	-	-	-	-	-	-
Darjoto Setyawan	-	-	-	-	-	-	-	-	-
Stacey Apostolou	-	-	-	-	-	-	-	-	-
Satya Graha	-	-	-	-	-	-	-	-	-
Former KMP									
Shane Cranswick	-	-	-	-	-	-	-	-	-
Derek Fisher(1)	8,341,040	-	-	-	8,341,040	-	-	-	-
Paul Kopejtka(2)	241,648	-	-	-	241,648	-	-	-	-
Michael O'Connell(3)	-	-	-	-	-	-	-	-	-
Zhang Xiangqing	-	-	-	-	(4)41,083,548	-	-	-	-

Note
(1) Held at date of resignation – 4 July 2012
(2) Held at date of resignation – 4 July 2012
(3) Held at date of resignation – 29 August 2012
(4) Held as at date of appointment 23 January 2012 and date of resignation 26 November 2012

19. RELATED PARTY DISCLOSURES (continued)

(c) Performance share holdings and transactions of Key Management Personnel

	Held at 30 June 2011	Performance Shares expired	Held at 30 June 2012	Performance Shares Expired	Held at 30 June 2013
Current KMP					
Christopher Catlow	5,765,760[1]	[4](1,572,480)	4,193,280	[5](2,096,640)	2,096,640
Former KMP					
Derek Fisher	8,433,037[2]	[4](2,299,919)	[6]6,133,118	-	-
Paul Kopejtka	244,313[3]	[4](66,631)	[6]177,682	-	-

Note

(1) Consists of 1,572,480 Class C, 2,096,640 Class D and 2,096,640 Class E. Full terms of performance shares are included in Note 20.

(2) Consists of 2,299,919 Class C, 3,066,559 Class D and 3,066,559 Class E. Full terms of performance shares are included in Note 20.

(3) Consists of 66,631 Class C, 88,841 Class D and 88,841 Class E. Full terms of performance shares are included in Note 20.

(4) Expiry of Class C Performance Shares on 31 December 2011

(5) Expiry of Class D Performance Shares on 31 December 2012.

(6) Held at date of resignation 4 July 2012

(d) Other related party transactions

Mr Lutfi Heyder who was President Commissioner of PT Jogja Magasa Iron (resigned on 19 December 2012) and a shareholder of PT Jogja Magasa Mining (the 30% shareholder of PT Jogja Magasa Iron) provides consultancy services to Indo Mines. Total payments made during the year ended 30 June 2013 to Mr Heyder and his associated companies totalled $331,039 (2012: $308,334).

Medical Insurance was paid for the Commissioners of PT Jogja Magasa Mining during the year ended 30 June 2013 totalling $7,140 (2012: $6,136). The Commissioners were: Mr Lutfi Heyder $3,746, Gusti Seno $2,360, and Gusti Pembayun $1,034.

20. 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:

	2013 No.	2013 WAEP	2012 No.	2012 WAEP
Outstanding at beginning of year	1,500,000	$0.20	30,500,000	$0.32
Granted during the year	-	-	-	-
Expired during the year	-	-	(28,100,000)	$0.33
Exercised during the year	-	-	(900,000)	$0.24
Outstanding at end of year	1,500,000	$0.20	1,500,000	$0.20

The outstanding balance as at 30 June 2013 is represented by:

- 1,500,000 (2011: 2,000,000) vendor options with an exercise price of $0.20 each that expire on 1 October 2014.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2013 is 1.25 years (2012: 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.

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.

No options were granted by the Company during the year ended 30 June 2013.

20. SHARE-BASED PAYMENTS (continued)

Performance Shares

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

	2013 No.	2012 No.
Outstanding at beginning of year	40,000,000	55,000,000
Granted during the year	-	-
Expired during the year [(1)]	(20,000,000)	(15,000,000)
Converted during the year	-	-
Outstanding at end of year	20,000,000	40,000,000

The Performance Shares convert to ordinary shares on a 1 for 1 basis. The milestones for conversion of the performance shares outstanding as at 30 June 2013 are as follows:

Class E Performance Shares

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.

These shares expire on 31 December 2014.

(1) The Class D Performance Shares expired during the year.

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 fair value of the performance shares issued was recognised as exploration expenditure and mining rights at the date of their issue with a corresponding increase in equity.

The following table lists the inputs to the model used for the performance shares:

	Class E Performance Shares
Share price on date of valuation	$0.30
Valuation date	21 May 2010
Expiry date	31 Dec 2014
Probability factor	25%
Fair value at grant date	$0.15

21. 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)] 2013	2012
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
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
PT Kanlubang Bara Utama	Indonesia	100	100
Indo Holdings Pte Ltd	Singapore	100	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 (2012: nil).

22. PARENT ENTITY DISCLOSURES

	2013 $	2012 $
Assets		
Current Assets	43,898,441	5,261,579
Non-Current Assets	60,212,344	48,420,274
Total Assets	104,110,785	53,681,853
Liabilities		
Current Liabilities	2,842,581	390,800
Non-Current Liabilities	4,452,751	4,784,575
Total Liabilities	7,295,336	5,175,375
Equity		
Issued Capital	143,998,542	94,066,343
Share based payments reserve	363,000	363,000
Accumulated losses	(47,546,093)	(45,922,865)
Total Equity	96,815,449	48,506,478

(b) Financial Performance

	2013	2012
Loss for the year	(1,623,228)	(6,488,140)
Other comprehensive income	-	-
Total comprehensive loss	(1,623,228)	(6,488,140)

22. PARENT ENTITY DISCLOSURES (continued)

(c) Financial Support of Controlled Entities

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

23. REMUNERATION OF AUDITORS

	2013 $	2012 $
Audit services		
KPMG (Australia & Indonesia)	147,460	166,687
Other Auditors	38,025	22,760
Total Auditors' Remuneration	185,485	189,447

24. 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 CEO reviews internal management reports at least half yearly.

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

- Indonesia – Iron Sands
- Australia – Corporate
- Indonesia – Coal (this segment was sold with effect from 1 September 2011)

24. SEGMENT INFORMATION (continued)

Geographical Segment	Indonesia Iron Sands		Indonesia Coal - discontinued		Australia *		Consolidated Entity	
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Revenue								
Other revenues	-	-	-	3,892,967	-	-		3,892,967
Unallocated revenue								-
Total revenue								3,892,967
Results								
Segment result	(6,680,664)	(9,027,636)	-	(1,217,256)	(1,257,104)	(1,325,427)	(7,937,768)	(11,570,319)
Loss before income tax expense							(7,937,768)	(11,570,319)
Income tax expense							-	-
Net loss							(7,937,768)	(11,570,319)
Assets								
Segment assets	33,842,161	32,094,462	-	-	48,005,377	5,397,382	81,847,539	37,491,844
Unallocated assets							-	-
Total assets							81,847,539	37,491,844
Liabilities								
Segment liabilities	1,438,454	1,446,147	-	-	7,295,340	5,184,752	8,733,795	6,630,898
Unallocated liabilities							-	-
Total liabilities							8,733,795	6,630,898
Other								
Acquisition of property, plant and equipment	428,715	3,983,650	-	-	4,099,075	21,107	4,527,790	4,004,757
Acquisition of other assets	-	-	-	-	-	-	-	-
Depreciation of segment assets	367,772	157,279	-	-	14,989	35,912	382,761	193,191
Exploration, evaluation and development expenditure	3,641,320	9,134,537	-	-	43,068	41,113	3,684,388	9,175,650

* The Australia segment represents a reconciliation of the reportable segments revenues, profits, assets and liabilities to the consolidated figure.

25. EARNINGS PER SHARE

	2013 Cents per Share	2012 Cents per Share
Basic profit/(loss) per share:		
From continuing operations	(1.4)	(3.1)
From discontinued operations	-	(0.5)
Total basic profit/(loss) per share	(1.4)	(3.6)
Diluted profit/(loss) per share:		
From continuing operations	(1.4)	(3.1)
From discontinued operations	-	(0.5)
Total diluted profit/(loss) per share	(1.4)	(3.6)

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

	2013 $	2012 $
Net profit/(loss) used in calculating basic and diluted earnings per share	(6,051,001)	(9,014,069)

	Number of Shares 2013	Number of Shares 2012
Weighted average number of ordinary shares used in calculating basic earnings per share	436,656,735	252,524,873
Effect of dilutive securities*	-	-
Adjusted weighted average number of ordinary shares and potential ordinary shares used in calculating basic and diluted earnings per share	436,656,735	252,524,873

***Dilutive securities**
At 30 June 2013, options were not included in the calculation of diluted EPS as they were not considered dilutive. Accordingly, for the year ended 30 June 2013, diluted loss per share is the same as the basic loss per share.

Conversions, calls, subscriptions or issues after 30 June 2013

No shares have been issued as a result of the exercise of options since 30 June 2013 and no options have been issued or expired.

26. NOTES TO THE CASH FLOW STATEMENTS

	2013 $	2012 $
Profit/(loss) for the year	(7,937,768)	(11,570,319)
Adjustment for non-cash income and expense items		
Depreciation and amortisation	382,761	193,191
Impairment of fixed assets	21,575	3,864
Fair value adjustments on financial liability	(715,456)	(2,550,268)
Sale of coal assets	-	3,591,072
Repayment of previously consolidated loan	-	(1,325,587)
Loss/(gain) on sale of other financial assets	-	(170,439)
Unrealised foreign exchange loss/(gain)	409,116	(178,200)
Changes in assets and liabilities		
Decrease/(Increase) in trade and other receivables	(92,600)	404,896
Decrease/(Increase) in Inventory	(1,473,406)	1,490,960
Increase/(Decrease) in trade and other payables	2,527,846	(3,376,082)
Fixed asset acquisitions accrued	(2,459,445)	-
Transfer from reserves	(1,003)	-
Increase/(Decrease) in provisions	(93,130)	(644,753)
Net cash outflows from operating activities	(9,431,509)	(14,131,666)

(b) Reconciliation of Cash and Cash Equivalents

	2013 $	2012 $
Cash at bank and on hand	1,416,151	251,106
Short term deposits	3,000,000	5,000,000
	4,416,151	5,251,106

(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 2013
There were no non-cash Financing and Investing Activities during the year.

30 June 2012
There were no non-cash Financing and Investing Activities during the year.

(e) Term Deposits and Cash Equivalents

	2013 $	2012 $
Term Deposits with >90 day term	39,300,000	-
Security deposits (current)	60,000	60,000
Security deposits (non current)	73,598	70,836
	39,433,598	130,836

27. 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, cash and short-term deposits. The main risks arising from the

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Overview (continued)

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 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 Managing Director 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 Board will review this policy periodically going forward.

(b) Credit risk

Credit risk is the risk of financial loss to the 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 presented below:

	2013 $	2012 $
Cash and cash equivalents	4,416,151	5,251,106
Restricted cash and cash equivalents	39,433,598	130,836
Trade and other receivables	422,477	329,876
	44,272,226	5,711,818

Trade and other receivables comprise GST and other tax refunds due and accrued interest revenue.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.

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.

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 National Australia Bank which is an Australian bank with an AA credit rating (Standard & Poor's).

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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.

2013 Group	**≤ 6 months $**	**6-12 months $**	**1-5 Years $**	**≥ 5 Years $**	**Total $**
Financial Liabilities					
Trade and other payables	3,747,839	-	59,919	-	3,807,758
Borrowings	-	-		4,452,755	4,452,755
	3,747,839	-	59,919	4,452,755	8,260,513

2012 Group	**≤ 6 Months $**	**6-12 months $**	**1-5 Years $**	**≥ 5 Years $**	**Total $**
Financial Liabilities					
Trade and other payables	1,279,910	-	-	-	1,279,910
Borrowings	-	-	859,543	3,925,033	4,784,576
	1,279,910		859,543	3,925,033	6,064,486

(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.

Interest bearing cash holdings are disclosed below:

	2013 $	**2012 $**
Variable rate instruments		
Financial assets	43,734,989	5,367,940
	43,734,989	5,367,940
Fixed rate instruments		
Financial liabilities	(4,452,755)	(4,784,576)
	(4,452,755)	(4,784,576)

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 4.11% (2012 : 4.38%).

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

Interest rate sensitivity

A sensitivity of 20 per cent 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.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Interest rate risk (continued)

	Profit or loss	
	20% Increase	20% Decrease
2013		
Group		
Cash and cash equivalents	359,204	(359,204)

	Profit or loss	
	20% Increase	20% Decrease
2012		
Group		
Cash and cash equivalents	45,987	(45,987)

The financial liabilties 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 Dollar	
	2013	2012	2013	2012
Cash and cash equivalents	77,263	172,501	485	1,362
Restricted cash and equivalents	41,164	41,552	32,434	29,861
Trade and other receivables	180,900	85,770		-
Prepayments	5,447	113,229		-
Trade and other payables	(903,015)	(876,113)	(97,164)	(63,248)
Borrowings	-	-	(4,452,755)	(4,784,576)
	(598,241)	**(463,061)**	**(4,517,000)**	**(4,816,601)**

The following significant exchange rates applied during the year:

	Average Rate		As at 30 June	
AUD	2013	2012	2013	2012
IDR	9,910	9,284	9,184	9,524
USD	1.0271	1.0319	0.9275	1.0191

Sensitivity analysis for currency risk

A strengthening of the AUD, as indicated below, against the IDR 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 2012.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Foreign currency risk (continued)

2013	Equity	Profit or (loss)
USD (10% strengthening)	451,700	451,700
IDR (10% strengthening)	59,824	59,824
2012		
USD (10% strengthening)	481,660	481,660
IDR (10% strengthening)	46,306	46,306

(f) 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.

(g) 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.

(h) 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.

28. 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 Jogjakarta Iron Project.

A controlled entity holds a number of tenements in Peru. There is no minimum exploration expenditure commitment for these tenements, however there are ongoing annual rental fees.

(b) Operating lease commitments

	2013 $	2012 $
Non-cancellable operating lease contracted for but not capitalised in the financial statements		
Minimum lease payments payable:		
- not later than one year	42,098	165,907
- later than one year but not later than 5 years	-	4,620
- later than 5 years	-	-
	42,098	170,527

28. COMMITMENTS (continued)

(c) Minera Andes del Norte SAC

Terrace Gold Pty Ltd ("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. At financial year end, there was no intention to seek a Stock Exchange listing for Terrace.

29. SUBSEQUENT EVENTS

PT Jogja Magasa Iron (JMI) successfully concluded negotiations to acquire land at the western end of the Contract of Work (COW) area. The land is located within Paku Alam Ground (PAG). JMI has reached agreement with Pakualaman to have access to 140ha of PAG and pay compensation to local farmers working on the land to secure rights for its use. At this stage, agreements have been reached with farmers operating approximately 100ha of the PAG. JMI has agreed to pay each farmer Rp750 million per ha (or approximately US$65,000 per ha, at the exchange rate of US$1 = Rp11,500). It is expected that arrangements for the remaining 40ha will be concluded on the same basis, resulting in total payments of approximately US$9.2 million to be paid over the course of the next three months to secure rights over the entire 140ha area.

Other than as outlined above, there are no matters or circumstances, which have arisen since 30 June 2013 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2013, of the Company or Group;

(b) the results of those operations, in financials years subsequent to 30 June 2013, of the Company or Group; or

(c) the state of affairs, in financial years subsequent to 30 June 2013, 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 8 to 12 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 2013 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 2013.

On behalf of the Board.

PETER CHAMBERS
Non-Executive Chairman

Dated this 27th day of September 2013

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

Report on the financial report

We have audited the accompanying financial report of Indo Mines (the company), which comprises the consolidated statement of financial position as at 30 June 2013, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 29 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.

Independence

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

KPMG

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 2013 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 pages 8 to 12 of the directors' report for the year ended 30 June 2013. 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 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Brent Steedman
Partner

Perth

27 September 2013

CORPORATE GOVERNANCE STATEMENT

Indo Mines is committed to developing and unlocking the potential of iron sand mineral assets to establish itself as a low cost domestic pig iron manufacturer and supplier of choice to the growing Indonesian and Asian Steel and Metals Industry. It will seek to achieve this through strong relationships with our project partners, employees, customers, shareholders, local communities and other stakeholders, which are based on honesty, transparency and mutual value creation. These principles underpin our corporate governance policies and procedures.

The Board recognises that high standards of corporate governance are essential to achieving our objectives. The Company continues to review its corporate governance practices as the business develops. This statement summaries the Corporate Governance policies and practices adopted by the Company and its controlled entities (collectively the "Group") during the financial year.

1. Board of Directors

1.1 Role of the Board and Management

The Board is responsible to shareholders for developing and operating a successful business and maximising shareholder value.

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.

1.2 Composition of the Board and New Appointments

The Company had the following Board members at the end of the financial year:

Mr Peter Chambers	Non-Executive Chairman
Mr Martin Hacon	Managing Director and Chief Executive Officer
Mr Christopher Catlow	Independent Non-Executive Director
Mr Darryl Harris	Independent Non-Executive Director
Mr Darjoto Setyawan	Non-Executive Director
Mr Hendra Surya	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 shareholding qualification.

The Board has assessed the independence status of the directors and determined that there were two independent directors, being Messrs Catlow and Harris, at the end of the financial year. In addition, there are three Board members that represent the Company's largest shareholder, the Rajawali Group and the Managing Director, Mr Hacon who are not considered independent.

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 five percent) 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.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of additional independent Non-Executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues.

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

Audit Committee

The Board has established an Audit Committee which operates under a Charter approved by the Board. A copy of the Audit Committee Charter is available on the Company's website at www.indomines.com.au.

The role of the Audit Committee is to assist the Board to meet its oversight responsibilities in relation to Group's financial reporting, legal and regulatory requirements, internal control and risk management systems and internal and external audit functions.

The Audit Committee comprises Mr Christopher Catlow as chairman and Mr Peter Chambers and Mr Hendra Surya as members.

Remuneration and Nomination Committee

The Company has established a Remuneration and Nomination Committee, which operates under a Charter approved by the Board. A copy of the Remuneration and Nomination Committee Charter is available on the Company's website at www.indomines.com.au.

The role of the Remuneration and Nomination Committee is to assist the Board in respect of remuneration and nomination matters which include:

- remuneration policy;
- recruitment, retention and termination policies and procedures;
- employee incentive plans;

- skills and competencies required on the Board; and
- reviewing Board performance.

The Remuneration and Nomination Committee comprises Mr Darjoto Setyawan as chairman and Mr Peter Chambers and Mr Darryl Harris as members.

1.4 Evaluation of the Board, Committees and Senior Management

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committees 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;
- an 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.

1.5 Conflicts of Interest

In accordance with the Corporations Act 2001 (Corporations Act) 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.

1.6 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. Promoting Ethical and Responsible Decision Making

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 Dealings in Company Securities

The Group's securities 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.

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 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.

2.4 Diversity Policy

The ASX Corporate Governance Principles and Recommendations provide that a company should establish a policy concerning diversity and disclose that policy or a summary of it. Such a policy is to include requirements for the board to establish measurable objectives to achieve gender diversity and to assess annually in respect of both the objectives and progress in achieving them.

The Board is committed to engaging directors, management and employees with the highest qualifications, skills and experience to develop a cohesive team that is best placed to achieve business success regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background. The Board has not yet adopted a formal diversity policy as it believes its current processes and policies for recruitment and appointment are appropriate and adequately take into account diversity amongst a number of factors considered by the Company in ensuring its Directors and workforce have an appropriate mix of qualifications, experience and expertise. The Board does, however, recognise that diversity makes an important contribution to corporate success and the Company considers diversity as one of a number of factors when seeking to appoint Directors, filling senior management roles and positions and reviewing recruitment, retention and management practices, notwithstanding the absence of a formal diversity policy.

As the Board has not yet adopted a diversity policy, it has not set measurable objectives under such a policy. While the Company considers diversity is important, the priority for the Company when recruiting is ensuring an appropriate mix of qualifications, experience and expertise regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background. The Company does, however, make it clear when seeking to appoint additional Directors, senior management and employees that women are encouraged to apply for roles and that the Company is an equal opportunity employer.

The Group workforce gender profile is set out in the following table:

	Number of Employees	**Number of Women**	**Percentage**
Employees	153	4	3%
Managers/Supervisors	44	6	14%
Senior Management	8	2	25%
Total	**205**	**12**	**6%**
Board	6	0	0%

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.

Shareholders are encouraged to attend and participate in the Annual General Meeting of the Company. Shareholders may raise questions at shareholder meetings and the external auditor is in attendance at the Annual General Meeting to address any questions in relation to the conduct of the audit.

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 Managing Director and Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risk.

ASX Best Practice Recommendations

The table below contains a list of each of the ASX Best Practice Recommendations and whether the Group was in compliance with the recommendations at the end of the year. Where the Group considers that it is divergent from these recommendations, or that it is not practical to comply, there is an explanation of the Group's reasons set out below the table.

	Principle/Recommendation	Complied	Note
1	**Lay solid foundations for management and oversight**		
1.1	Establish and disclose the functions reserved to the Board and those delegated to management.	√	
1.2	Disclose the process for evaluating the performance of senior executives.	√	
2	**Structure the Board to add value**		
2.1	A majority of the Board should be independent directors.	×	1
2.2	The chair should be an independent director.	×	1
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	√	
2.4	The Board should establish a nomination committee.	√	
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	√	
3	**Promote ethical and responsible decision making**		
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	√	
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	×	2
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	×	2
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	√	
4	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an Audit Committee.	√	
4.2	The Audit Committee should be structured so that it: • consists of only non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the Board;	×	3

	Principle/Recommendation	Complied	Note
	• has at least three members.		
4.3	The audit committee should have a formal charter.	√	
5	**Make timely and balanced disclosure**		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	√	
6	**Respect the rights of shareholders**		
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	√	
7	**Recognise and manage risk**		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	√	
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	√	
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided 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 all material respects in relation to financial reporting risks.	√	
8	**Remunerate fairly and responsibly**		
8.1	The Board should establish a remuneration committee	√	
8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent director • has at least three members.	**x**	4
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	√	

Notes:

1. Messrs Chambers, Setyawan and Surya represent the Company's major shareholder, the Rajawali Group. Pursuant to a subscription agreement entered into between the parties at the time the Rajawali Group subscribed for $50 million worth of shares in the Company, they have the right to appoint the Chairman of the Board.
2. Discussed at section 2.4 of the Corporate Governance Statement.
3. The Audit Committee is comprised of three members and is chaired by Mr Catlow an independent Director. The other two members, Messrs Chambers and Surya are considered to have the relevant qualifications and experience to act as members of the Committee, notwithstanding that they are not considered independent.
4. As disclosed in section 1.3, the Remuneration and Nomination Committee is not chaired by an independent Director nor are a majority of the members independent. However, given the current size and complexity of the Company's operation, the Board believes that the structure of the committee adequately deals with the matters it is required to consider.

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 30 September 2013.

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
Yogya Metals and Mining Limited	150,000,000	27.88%
Java Metals and Mining Limited	100,000,000	18.59%
Rajawali Group International Limited	57,317,294	10.65%
Rockcheck Trading Limited	36,000,000	6.69%
JP Morgan Nominees Australia Limited <Cash Income A/c>	35,933,321	6.68%
Pershing Australia Nominees Pty Ltd <Argonaut Account>	33,925,627	6.31%
HSBC Custody Nominees (Australia) Limited	17,903,231	3.33%
CS Fourth Nominees Pty Ltd	11,924,719	2.22%
UOB Kay Hian Private Limited <Clients A/c>	9,005,582	1.67%
Crown Valley Resources Limited	7,000,000	1.30%
Arredo Pty Ltd	6,000,000	1.12%
Broadscope Pty Ltd <Catlow Family A/c>	5,702,861	1.06%
Mr Eddie Sugar	5,068,500	0.94%
National Nominees Limited	5,040,713	0.94%
Mitra-Indo Resources Pte Ltd	4,433,339	0.82%
Trillium Investments Pty Ltd	4,375,043	0.81%
Citicorp Nominees Pty Ltd	3,657,051	0.68%
JP Morgan Nominees Australia Limited	2,000,000	0.37%
HSBC Custody Nominees (Australia) Limited – A/c3	1,835,440	0.34%
Regans Ford Estate Pty Ltd	1,666,530	0.31%
Total Top 20	**498,789,251**	**92.71%**
Others	39,237,347	7.29%
Total Ordinary Shares on Issue	**538,026,598**	**100.00%**

2. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of shareholders by size of holding:

Distribution	Ordinary Shares	
	Number of Shareholders	Number of Shares
1 – 1,000	478	268,426
1,001 – 5,000	457	1,193,365
5,001 – 10,000	131	1,047,336
10,001 – 100,000	257	9,190,652
More than 100,000	88	526,326,819
Totals	**1,411**	**538,026,598**

There were 1,017 holders of less than a marketable parcel of ordinary shares.

3. VOTING RIGHTS

See Note 18(b) of the Notes to the Financial Statements.

4. SUBSTANTIAL SHAREHOLDERS

As at 30 September 2013, Substantial Shareholder notices have been received from the following:

Substantial Shareholder	Number of Shares
Rajawali Group International Limited	307,317,294
Rockcheck Trading Limited	43,313,813
Anglo Pacific Group Plc	30,336,835

5. UNQUOTED SECURITIES

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

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

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

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 2013, 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	100%
	01-00039-01	100%
	01-00553-01	100%
	01-00554-01	100%
	01-00555-01	100%
	01-00556-01	100%
	01-01177-02	100%