INDO MINES LIMITED
ABN 40 009 245 210

Interim Financial Report for the Half Year Ended 31 December 2010

indo mines ltd

CORPORATE DIRECTORY

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

Company Secretary
Mr Shane Cranswick

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West Perth WA 6005

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Perth WA 6000

Auditors
KPMG
235 St Georges Terrace
Perth WA 6000

CONTENTS

DIRECTORS' REPORT

The Board of Directors present their report on the consolidated entity consisting of Indo Mines Limited ("Indo Mines" or "Company") and the entity it controlled at the end of, and during, the half year ended 31 December 2010 ("Consolidated Entity" or "Group") and the auditor's review report there on.

DIRECTORS

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

Mr Christopher Catlow
Mr Martin Hacon (appointed 2 August 2010)
Dr Derek Fisher
Mr Paul Kopejtka
Mr Darryl Harris
Mr Keith Brooks (resigned 7 October 2010)

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

REVIEW OF OPERATIONS

During the half year ended 31 December 2010, the Company made significant progress on the development of the Jogjakarta Iron Project (the "Project").

The planned staged development of the Jogjakarta Iron Project ("Iron Project") continued to take shape with the Board approving the commencement of commercial trials of iron concentrate production in the first half of 2011. This decision will allow the Company to generate modest early cash flow from the Iron Project while also building its operating expertise ahead of full-scale production in mid-2012. A feasibility study assessing the potential to initially produce 2 million tonnes of iron concentrate per year from the Iron Project is scheduled for completion in June.

There is also further potential to produce 1 million tonnes of pig iron per year at a later date. A feasibility study for the pig iron development will be completed in the next 18 months.

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

Also subsequent to the half year end, the Company announced the appointment of world leading minerals and metals technology company Outotec to complete the process evaluation and design of the Iron Project. Outotec will complete a series of smelting trials using Direct Reduced Iron (DRI) produced from Jogjakarta iron concentrate to quantify the potential of producing 1 million tonnes of pig iron a year based on the Outotec Circosmelt® process. The test work will be conducted at the Outotec Ausmelt pilot smelting furnace in Dandenong, Victoria. The results will enable the preparation of a Conceptual plant design and capital estimates.

The Company also commenced production at the Mangkok Coal Project, an open-cut mining operation which is located in a major coal producing region 95 kilometres north of Banjarmasin, the capital of South Kalimantan, Indonesia. The Company incurred a loss from operations during the half year as a result of initial overburden removal, unforseen logistical complexities and weather constraints. The focus has been on the consolidation and application of operational procedures and standards and an increased emphasis on cost control which has improved the cash flow of the Project since 31 December 2010. The Project is currently producing approximately 20,000 tonnes per month of high quality thermal coal and is continuing with further exploration across other significant coal opportunities, with a focus on meeting the future coal requirements for iron making.

FINANCIAL RESULTS

Net operating loss (after tax) of the Consolidated Entity for the half year ended 31 December 2010 was $7,622,468 (2009: net operating loss $1,345,265). The loss for the half year arose substantially as a result of a non-cash share based payment expense of $1,844,033 and a loss on initial operations of the Mangkok Project of $1,970,182.

CORPORATE

The following material corporate events occurred during the half year ended 31 December 2010:

- The Company granted the following incentive options:
  - 8,666,667 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;
  - 8,666,667 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
  - 8,666,666 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.

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

- In December 2010 the Company completed a strategic placement of 20 million shares at an issue price of $0.27 a share to Rockcheck Steel Co. Ltd, one of the largest privately owned iron and steel producers in China. Rockcheck was one of the first steel companies in China to introduce direct reduction iron making technology and now operates the world's largest rotary hearth furnace, a process that can utilise up to 100% iron concentrate produced from iron sand.

SUBSEQUENT EVENTS

On 11 January 2011, the Company announced that the Bupati Kepala Daerah Kabupaten Kulon Progo ("Regional Government") had approved the Company's Environmental Impact Assessment scoping document (KA-ANDAL). The KA-ANDAL approval enables Indo Mines to complete the environmental and social base line measurements and engineering design required to finalise the Feasibility Study for the Jogjakarta Iron Project.

On 20 January 2011, the Company announced it had appointed world leading minerals and metals technology company Outotec to complete the process evaluation and design of the Jogjakarta Pig Iron Feasibility Study. Outotec will complete a series of smelting trials using Direct Reduced Iron (DRI) produced from Jogjakarta iron concentrate to quantify the potential of producing 1 million tonnes of pig iron a year based on the Outotec® Circosmelt process.

On 14 February 2011, following approval from Shareholders the Company completed the placement announced on 23 December 2010 of 10,000,000 shares to key existing institutional and strategic shareholders to raise $2.7 million

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

LEAD AUDITORS' INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the six months ended 31 December 2010.

DIRECTORS' REPORT
(Continued)

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

M. J. Hacon

MARTIN HACON
Managing Director & CEO

16 March 2011

KPMG

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

To: the directors of Indo Mines Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2010 there have been:

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

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

KPMG

KPMG

Brent Steedman
Partner

Perth

16 March 2011

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Half Year Ended 31 December 2010 $	Half Year Ended 31 December 2009 $
Continuing Operations		
Revenue	1,666,490	-
Cost of sales	(3,636,672)	-
Gross Profit/(Loss)	**(1,970,182)**	**-**
Exploration and evaluation expenditure	(2,151,917)	(532,537)
Business development expenses	(456,305)	(123,979)
Share based payments expense	(1,844,033)	-
Administration expenses	(1,289,420)	(748,142)
Results from operating activities	(7,711,857)	(1,404,658)
Gain on sale of equity investments	-	25,788
Net financial income	89,389	33,605
Loss before income tax	**(7,622,468)**	**(1,345,265)**
Income tax expense	-	-
Loss from continuing operations	**(7,622,468)**	**(1,345,265)**
Other comprehensive income		
Gain on available-for-sale financial assets	-	(150,000)
Net change in fair value of available-for-sale financial assets	43,200	60,750
Foreign currency translation for foreign operations	7,177	(19,771)
Other comprehensive income for the period	50,377	(109,021)
Total comprehensive loss for the period	**(7,572,091)**	**(1,454,286)**
Loss attributable to:		
Non-controlling interest	**(338,557)**	**(267,849)**
Owners of the Company	**(7,283,911)**	**(1,077,416)**
	(7,622,468)	**(1,345,265)**
Total comprehensive loss attributable to:		
Non-controlling interest	**(292,976)**	**(273,780)**
Owners of the Company	**(7,279,115)**	**(1,180,506)**
	(7,572,091)	**(1,454,286)**
Loss per share		
Basic loss per share	(4.2 cents)	(1.3 cents)
Diluted loss per share	(4.2 cents)	(1.3 cents)

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	As at 31 December 2010 $	As at 30 June 2010 $
ASSETS			
Current Assets			
Cash and cash equivalents		5,391,325	911,453
Restricted cash and cash equivalents		26,380	270,650
Trade and other receivables		438,516	161,026
Prepayments		-	2,181,245
Other financial assets		101,250	58,050
Total Current Assets		**5,957,471**	**3,582,424**
Non-current Assets			
Restricted cash and cash equivalents		229,327	140,974
Prepayments		2,259,934	-
Property, plant and equipment		480,554	610,025
Exploration and evaluation assets	6	25,783,296	25,783,296
Mining rights		6,410,896	6,718,988
Total Non-current Assets		**35,164,007**	**33,253,283**
TOTAL ASSETS		**41,121,478**	**36,835,707**
LIABILITIES			
Current Liabilities			
Trade and other payables		1,373,417	699,313
Deferred income		2,651,218	1,867,632
Provisions		37,928	3,907
Total Current Liabilities		**4,062,563**	**2,570,852**
Non-current Liabilities			
Borrowings	7	6,242,114	6,510,401
Total Non-current Liabilities		**6,242,114**	**6,510,401**
TOTAL LIABILITIES		**10,304,677**	**9,081,253**
NET ASSETS		**30,816,801**	**27,754,454**
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	8	70,601,654	66,611,252
Reserves	9	2,422,563	1,462,099
Accumulated losses		(41,233,056)	(39,637,513)
Total equity attributable to equity holders of the Company		31,791,161	28,435,838
Non-controlling interest		(974,360)	(681,384)
TOTAL EQUITY		**30,816,801**	**27,754,454**

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Equity Attributable to Equity Holders of the Parent							
	Share Capital	Share-based Payments Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total	Non-controlling Interest	Total Equity
	$	$	$	$	$	$	$	$
Balance at 1 July 2009	**34,000,429**	**4,509,483**	**175,650**	**1,987**	**(16,004,914)**	**22,682,635**	**(11,587)**	**22,671,048**
Total comprehensive income for the period:								
Net loss for the period	-	-	-	-	(1,077,416)	(1,077,416)	(267,849)	(1,345,265)
Other comprehensive income:								
Net change in the fair value of available-for-sale financial assets	-	-	60,750	-	-	60,750	-	60,750
Cumulative gain on available-for-sale financial assets transferred to income statement	-	-	(150,000)	-	-	(150,000)	-	(150,000)
Exchange differences arising on translation of foreign operations	-	-	-	(13,840)	-	(13,840)	(5,931)	(19,771)
Adjustment to accumulated losses for expired options	-	(2,158,618)	-	-	2,158,618	-	-	-
Total other comprehensive income	-	(2,158,618)	(89,250)	(13,840)	2,158,618	(103,090)	(5,931)	(109,021)
Total comprehensive loss for the period	-	(2,158,618)	(89,250)	(13,840)	1,081,202	(1,180,506)	(273,780)	(1,454,286)
Recognition of additional non-controlling interest in property, plant and equipment transferred to the controlled entity	-	-	-	-	-	-	50,155	50,155
Issue of Convertible Note	271,626	-	-	-	-	271,626	-	271,626
Issue of shares	50,000	-	-	-	-	50,000	-	50,000
Share issue costs	(1,650)	-	-	-	-	(1,650)	-	(1,650)
Exercise of options	20,750	(20,750)	-	-	-	-	-	-
Balance at 31 December 2009	**34,341,155**	**2,330,115**	**86,400**	**(11,853)**	**14,923,712**	**21,822,106**	**(235,212)**	**21,586,894**

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2010 (Continued)

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

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Half Year Ended	
	31 December 2010 $	31 December 2009 $
Cash flows from operating activities		
Payments to suppliers and employees	(6,297,005)	(1,579,128)
Cash receipts from customers	2,180,501	-
Interest received	16,937	54,449
Interest expense	(519)	(41,565)
Income tax paid	(2,314)	(480,708)
Net cash used in operating activities	**(4,102,400)**	**(2,046,952)**
Cash flows from investing activities		
Proceeds from sale of equity investments	-	1,435,788
Proceeds from sale of property, plant and equipment	19,112	-
Payments for exploration, evaluation and development expenditure	-	(561,535)
Purchase of property, plant and equipment	(27,940)	(6,488)
Net cash from/(used in) investing activities	**(8,828)**	**(867,765)**
Cash flows from financing activities		
Security deposits	(88,353)	(111,299)
Share issue costs	(221,038)	(2,970)
Proceeds from issue of shares	8,900,000	50,000
Net cash from/(used in) financing activities	**8,590,609**	**(64,269)**
Net decrease in cash and cash equivalents	**4,479,381**	**(1,243,456)**
Cash and cash equivalents at 1 July	911,453	3,597,562
Effects of foreign exchange rate changes	491	(6,554)
Cash and cash equivalents at 31 December	**5,391,325**	**2,347,552**

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

1. REPORTING ENTITY

Indo Mines Limited (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the half year ended 31 December 2010 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity").

The annual financial report of the Company for the year ended 30 June 2010 is available upon request from the Company's registered office.

2. STATEMENT OF COMPLIANCE

This general purpose financial report for half year reporting period ended 31 December 2010 has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Indo Mines Limited for the year ended June 30, 2010 and any public announcements made by Indo Mines Limited and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The consolidated interim financial report was approved by the Board of Directors on 11 March 2011.

The accounting policies adopted are consistent with those of the previous financial year.

3. SIGNIFICANT ACCOUNTING POLICIES

Going Concern

The Group incurred a loss for the period of $7,622,468 (2009: $1,345,265) principally due to ongoing exploration and evaluation expenditure of $2,151,917 and cash outflows from operations of $4,102,400 as the Group continued the development of the Jogjakarta Iron Project and commenced operations at the Mangkok Coal Project. The Group continues to incur cash outflows from operations in an effort to progress the Iron Project to commercialisation.

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. The directors believe this to be appropriate based on forecasted financial commitments and fund raising of $2.7 million (before costs) completed in February 2011 which will be used to fund development activities and working capital requirements.

Additionally, the Company also continues to seek opportunities for additional funding, through the issue of new equity, and anticipates success in this regard over the next 12 months. However, no firm plans or commitments exist at this time.

For the reasons discussed above the directors are confident that the Group will be able to continue its operations into the foreseeable future.

4. ESTIMATES

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

In preparing this consolidated interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial report as at and for the year ended 30 June 2010.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010 (Continued)

5. SEGMENT REPORTING

Primary Reporting – Geographical Segments

The Group has 3 reportable segments as described below, which are 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 either different geographical areas or different businesses. For each of the strategic business units, the Directors review internal management reports at least half yearly.

The following summary describes the operations of each of the reportable segments:
- Indonesia – exploration and development activities in Indonesia
- Australia – corporate

	Indonesia Iron Sands		Indonesia Coal		Australia		Consolidated Entity	
	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $
Revenue								
Other Revenues	-	-	1,666,490	-	-	-	1,666,490	-
Unallocated revenue							89,389	-
Total segment revenue							**1,755,879**	**-**
Results								
Segment result	(2,275,339)	(1,038,508)	(2,043,326)	-	(1,459,769)	(306,757)	(5,778,434)	(1,345,265)
Unallocated expenses							(1,844,034)	-
Loss before income tax expense							(7,622,468)	(1,345,265)
Income tax expense							-	-
Net loss							**(7,622,468)**	**(1,345,265)**
Assets								
Segment assets	26,358,415	25,211,397	9,131,761	-	5,631,302	2,744,321	41,121,478	27,955,718
Unallocated assets							-	-
Total assets							**41,121,478**	**27,955,718**

6. EXPLORATION AND EVALUATION ASSETS

Movements in Exploration and Evaluation Assets

	$
Carrying amount at 1 July 2009	**23,507,512**
Expenditure during the period	1,363,265
Transfer of additional parent entity share of previously recognised exploration, evaluation and development expenditure to property, plant and equipment on consolidation of controlled entity	(50,155)
Carrying amount at 31 December 2009	**24,820,622**
Carrying amount at 1 July 2010	**25,783,296**
Expenditure capitalised during the period	-
Carrying amount at 31 December 2010	**25,783,296**

7. BORROWINGS

	Consolidated 31 December 2010 $	Consolidated 30 June 2010 $
Non-current		
Convertible debenture	6,242,114	6,510,401

Movement in Borrowings

	$
Convertible debenture	
Balance as at 1 July 2010	6,510,401
Unrealised foreign exchange movement	(733,430)
	5,776,971
Fair value adjustment of option component through profit and loss	465,143
Carrying value of liability at 31 December 2010	**6,242,114**

7. BORROWINGS (Continued)

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

The material terms of the debenture are as follows:

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

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

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

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

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

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

8. CONTRIBUTED EQUITY

	Consolidated 31 December 2010 $	Consolidated 30 June 2010 $
(a) Issued Capital		
201,100,795 (30 June 2010: 163,196,646) fully paid ordinary shares	65,351,653	56,561,253
55,000,000 (30 June 2010: 75,000,000) performance shares	5,250,000	10,050,000
	70,601,654	66,611,253

(b) Movements in Other Share Capital (Performance Shares) During the Past Six Months Were as Follows:

Date	Details	Number of Shares	Issue Price $	$
1 Jul 2010	**Opening Balance**	**75,000,000**	**-**	**10,050,000**
31 December	Expiry of Class A Performance Shares	(20,000,000)	-	(4,800,000)
31 Dec 2010	Closing Balance	55,000,000	-	5,250,000

There were no movements in other share capital (performance shares) during the half year ended 31 December 2009.

8. CONTRIBUTED EQUITY (Continued)

(c) Movements in Ordinary Share Capital During the Past Six Months Were as Follows:

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

Date	Details	Number of Shares	Issue Price $	$
1 Jul 2009	**Opening Balance**	**80,881,745**	**-**	**34,000,429**
3 Aug 2009	Exercise of options	250,000	0.20	50,000
	Transfer from share-based payments reserve			20,750
	Share issue expenses			(1,650)
31 Dec 2009	**Closing Balance**	**81,131,745**	**-**	**34,069,529**

9. RESERVES

	Consolidated 31 December 2010 $	Consolidated 30 June 2010 $
(a) Share-based Payments Reserve		
8,666,667 (30 June 2010: Nil) $0.30 Class A Incentive Options exp 30 November 2011	566,433	-
8,666,667 (30 June 2010: Nil) $0.30 Class B Incentive Options exp 31 December 2011	576,967	-
8,666,666 (30 June 2010: Nil) $0.30 Class C Incentive Options exp 30 June 2012	700,633	-
2,000,000 (30 June 2010: 2,000,000) $0.20 Vendor Options exp 1 October 2014	484,000	484,000
1,000,000 (30 June 2010: 1,000,000) $1.00 Vendor Options exp 1 March 2014	156,000	156,000
Nil (30 June 2010: 1,500,000) $0.75 Unlisted Options exp 31 December 2010	-	54,618
Nil (30 June 2010: 1,550,000) $1.20 Unlisted Options exp 30 November 2010	-	833,747
	2,484,033	**1,528,365**

The following options were granted during the period:

- 8,666,667 Class A Incentive Options with an exercise price of $0.30 each that expire on 30 November 2011, vesting upon a five day volume weighted average share price of $0.40;
- 8,666,667 Class B Incentive Options with an exercise price of $0.30 each that expire on 31 December 2011, vesting upon a five day volume weighted average share price of $0.50;
- 8,666,666 Class C Incentive Options with an exercise price of $0.30 each that expire on 30 June 2012, vesting upon a five day volume weighted average share price of $0.60;

During the period, 3,050,000 options lapsed unexercised.

(b) Fair Value Reserve		
Shares – listed	89,775	46,575
	89,775	**46,575**

(c) Foreign Currency Translation Reserve		
Translation of controlled foreign entity	(151,245)	(112,841)
	(151,245)	**(112,841)**

10. 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 half-year:

	31 December 2010 No.	31 December 2010 WAEP	31 December 2009 No.	31 December 2009 WAEP
Outstanding at beginning of period	6,050,000	0.72	15,050,000	0.35
Granted during the period	26,000,000	0.30	2,500,000	0.87
Expired during the period	(3,050,000)	0.73	-	-
Outstanding at end of the period[(i)]	**29,000,000**	**0.32**	**17,550,000**	**0.43**

Note

(i) The outstanding balance as at 31 December 2010 is represented by:

- 2,000,000 Vendor Options with an exercise price of $0.20 each that expire on 1 October 2014, vesting upon delivery of 500,000 tonnes of coal to the ship.
- 1,000,000 Class B Vendor Options with an exercise price of $1.00 each that expire on 1 March 2014;
- 8,666,667 Class A Incentive Options with an exercise price of $0.30 each that expire on 30 November 2011, vesting upon a five day volume weighted average share price of $0.40;
- 8,666,667 Class B Incentive Options with an exercise price of $0.30 each that expire on 31 December 2011, vesting upon a five day volume weighted average share price of $0.50;
- 8,666,666 Class C Incentive Options with an exercise price of $0.30 each that expire on 30 June 2012, vesting upon a five day volume weighted average share price of $0.60;

The weighted average remaining contractual life for the share options outstanding as at 31 December 2010 is 1.4 years. The weighted average exercise price for options outstanding at the end of the half year was $0.32.

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

Where applicable, the fair value is calculated at grant date and recognised immediately, or in the case of incentive options, over the period during which the incentive option holder becomes unconditionally entitled to the incentive options in accordance with AASB 2 – Share-based Payment. As at 31 December 2010 an amount of $1,844,033 was included as a share based payment expense in relation to the 26,000,000 incentive options issued during the period.

11. NON-CASH FINANCING AND INVESTMENT ACTIVITIES

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

There were no non-cash financing or investment activities during the half year ended 31 December 2009.

12. CONTINGENT LIABILITIES

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

13. DIVIDENDS PAID OR PROVIDED FOR

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

14. SUBSEQUENT EVENTS

On 11 January 2011, the Company announced that the Bupati Kepala Daerah Kabupaten Kulon Progo (“Regional Government”) had approved the Company’s Environmental Impact Assessment scoping document (KA-ANDAL). The KA-ANDAL approval enables Indo Mines to complete the environmental and social base line measurements and engineering design required to finalise the Feasibility Study for the Jogjakarta Iron Project.

On 20 January 2011, the Company announced it had appointed world leading minerals and metals technology company Outotec to complete the process evaluation and design of the Jogjakarta Pig Iron Feasibility Study. Outotec will complete a series of smelting trials using Direct Reduced Iron (DRI) produced from Jogjakarta iron concentrate to quantify the potential of producing 1 million tonnes of pig iron a year based on the Outotec® Circosmelt process.

On 14 February 2011, following approval from Shareholders the Company completed the placement announced on 23 December 2010 of 10,000,000 shares to key existing institutional and strategic shareholders to raise $2.7 million

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

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

(a) the financial statements and notes, as set out on pages 5 to 17, are in accordance with the Corporations Act 2001, including:

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

   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half year ended on that date.

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

On behalf of the Board

MARTIN HACON
Managing Director & CEO

16 March 2011

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

We have reviewed the accompanying interim financial report of Indo Mines Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2010, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Indo Mines Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

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

KPMG

Brent Steedman
Partner

Perth

16 March 2011