**INDO MINES LIMITED**
**ABN 40 009 245 210**

# Interim Financial Report for the Half Year Ended 31 December 2014

# CORPORATE DIRECTORY

**Directors**
Mr Peter Chambers - Non-Executive Chairman
Mr Darryl Harris – Non-Executive Director
Mr Darjoto Setyawan – Non-Executive Director
Mr Hendra Surya – Non-Executive Director

**Chief Executive Officer**
Mr Arran Marshall

**Company Secretary**
Mr Richard Edwards

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**Bankers**
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Level 1
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**Auditors**
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# DIRECTORS' REPORT

The Board of Directors present their report on the consolidated entity consisting of Indo Mines Limited ("Indo Mines" or "Company") and the entities it controlled at the end of, and during, the half year ended 31 December 2014 ("Consolidated Entity" or "Group") and the auditor's review report thereon.

## DIRECTORS

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

Mr Peter Chambers
Mr Christopher Catlow (resigned 30 September 2014)
Mr Darryl Harris
Mr Darjoto Setyawan
Mr Hendra Surya
Ms Stacey Apostolou (resigned 30 September 2014)

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

## OPERATING AND FINANCIAL REVIEW

### Operating Review

PT Jogja Magasa Iron ('PT JMI') is a joint venture between Indo Mines, which holds 70% of the issued capital and PT. Jogja Magasa Mining ('PT JMM') whom holds the remaining 30%. PT JMM is a consortium of individuals, including the Sultan of Yogyakarta. Indo Mines and PT JMI are currently going through a restructuring process, from a mining company to a development organisation.

*Figure 1: Yogyakarta, Indonesia*

PT JMI holds a Contract of Work ('CoW') concession in the Kulon Progo region, ~30 kilometres from the Javanese city of Yogyakarta. The CoW holds a production license to mine iron sands and produce pig iron within a 2,977 hectare area.  The area covered by the license is approximately a 22 kilometre long by 1.8 kilometre wide stretch of beach, between the Kulon Progo and Serang Rivers. The asset currently holds a defined 163.5Mt JORC compliant Probable Ore Reserve with an average grade of 13.7% Fe.

### Key milestones to date

The Kulon Progo iron sands project has faced many challenges in achieving its current progress status, including significant strategy deviations because of changes in management and regulations. Key milestones to date are as follows;

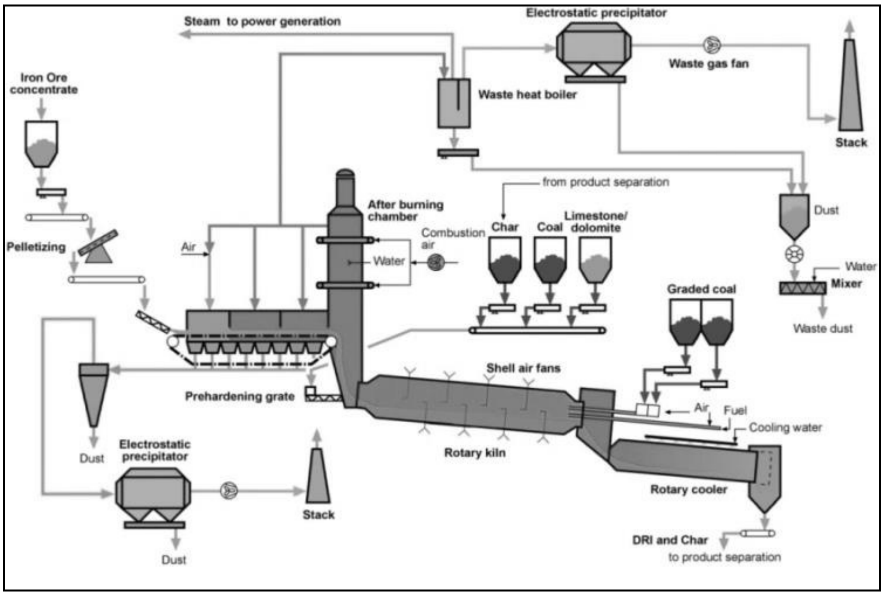
- Majority of licences required to mine iron sands, construction of pig iron processing plant and produce pig iron are in place including AMDAL (environmental).
- 166.06 hectares has been successfully acquired and classified as ‘clean and clear’.
- The source of coal reductant is secure, large and consistent. The coal has been successfully tested by HRL Technology Pty Ltd for charring (low ash, low sulphur and high ash fusion temperature) and volatiles (to feed co-generation unit). The deposit is in Sumatra and is a subsidiary of Rajawali Corp called PT Triaryani Coal.
- Logistics can be secured via rail to Cilacap Port – PT Kereta Api Indonesia has been consulted and quotes have been given on an 80% ‘take or pay arrangement’. Rail is approximately 6 kilometres from the proposed plant site. Rail is an appropriate logistics option for the first production module of pig iron.
- A port facility is a potential option – Royal Haskoning has been advising the company on potential costs and design that would accommodate up to 30,000 DWT vessels or 10,000 DWT barge.
- Landing craft transport (‘LCT’) can be utilised for heavy equipment delivery during construction.
- Iron sand has been successfully reduced to produce hot metal (Ausiron technology) – Outotec have done significant work in the past on the Kulon Progo iron sand resource. SL/RN Xtra technology test work is currently being completed to ensure metallisation of 78-80%. The scope of work has been expanded to smelting tests as well.
- Outotec have also successfully utilised PT Triaryani coal in reduction test work.
- Simulating the NZ Steel production model, co-generation will be utilised with additional capacity from a traditional coal fired boiler (no reliance on PLN).
- First line of operation is focused on exploiting current JORC resource, while additional lines will focus on higher grade iron sands.
- Geo-technical analysis shows no significant risk in building industrial structures.
- Pre-Feasibility Study completed by Hatch Pty Ltd (‘Hatch’) illustrates significant NPV at 1Mtpa production.
- Basic engineering design currently being completed by Ferrostaal Indonesia (‘Ferostaal’).

### Technical strategy

Indo Mines has reviewed over 30 alternative technologies to process the low average grade Kulon Progo iron sands – the key aspects technically was a process that accommodated 100% titano-magnetite iron sands and was able to accept elevated titania and domestic low rank coal. The chosen process also had to be low risk, proven and warrantable (for financing purposes). Both Hismelt and Ausiron were assessed including pilot plant trials, but there were issues in trying to recover vanadium (a key revenue line) and sourcing appropriate coal in Indonesia. Hismelt in particular is a complicated process and deemed un-warrantable, with no vanadium recovery available. In addition due to restricted local coal sources appropriate as a reductant, there was no cost effective access to natural gas in the region.

# DIRECTORS' REPORT (CONTINUED)

*Figure 2: Outotec SL/RN process*




After completing another review of the technology with Hatch Consultants during the techno-economic assessment (2014), it became clear from both a technical and financial risk perspective the merit of replicating as close as possible to the New Zealand Steel iron making process. The 'bottle neck' in the process is the capacity of the rotary kilns – but the hot Direct Reduced Iron ('DRI') introduced to the submerged arc furnace allowed for consistent vanadium recovery and more importantly reliable operation with highly capricious slags.

The Hatch 'mass and energy balance model' for the rotary kiln and smelter has been utilised to assess the concentrate and other raw material consumptions, energy usage and product chemistry for 55% Fe at 105 micron, 58% Fe at 45 micron and 59% Fe at 38 micron feed. A premium pig iron product is produced from both 58%-59% Fe concentrate feed, unfortunately not with 55% Fe (this grade can only be utilised for blast furnace feed). The reason is very simple – the beneficiation process required to increase Fe content liberates significant gangue, in particular phosphorous and silica.

*Figure 3: Typical estimated pig iron product (Hatch pre-FS)*

| Component | Model Output (wt%) |
|---|---|
| Fe | 96.55 |
| C | 3.05 |
| Si | 0.05 |
| Mn | 0.05 |
| S | 0.04 |
| P | 0.07 |
| Ti | 0.03 |
| V | 0.09 |
| Cr | 0.07 |
| Cu | 0.00 |

The pre-FS focused on production associated with processing the current Kulon Progo reserves (first production module). The remaining two production modules would focus on a New Zealand Steel process where higher grade iron sands at 105 micron plus are introduced to the rotary kilns, removing the need for the agglomeration process.

### Opportunities for improvement

These opportunities for improvement are available to PT JMI and include but are not limited to;

- Significant vanadium recovery increase from current 60%
- Increased Cogeneration capability
- Reduced phosphorus content
- Beneficiation plant optimisation of yield recovery
- Increased pig iron production tonnage
- Refractory life optimisation

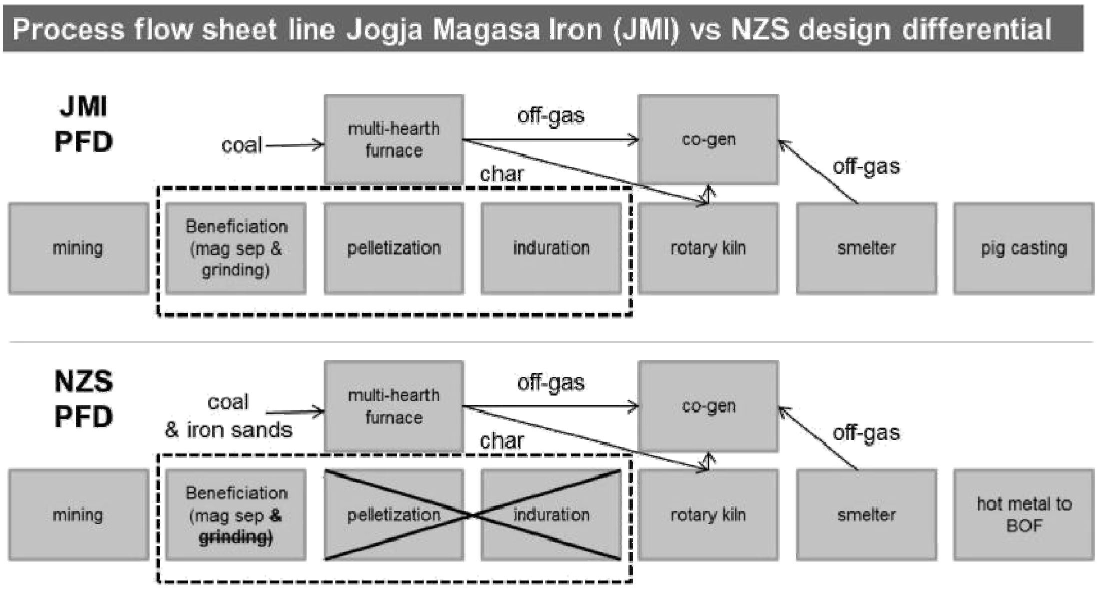



*Figure 4:*

### Power requirements

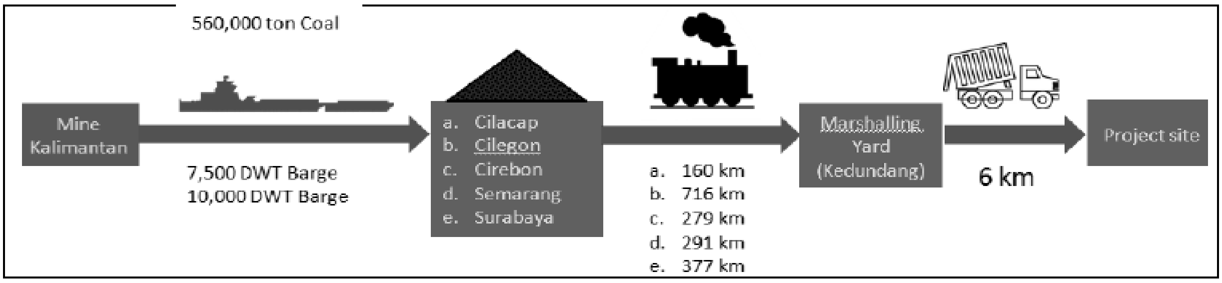
The Cogeneration plant will likely meet the power requirements of the Iron plant only (smelter and perhaps rotary kiln). The plant size was determined by accounting for the Iron plant power requirements, auxiliary loads, plant degradation, electrical losses and growth to account for future load increases as the process loads are finalised. The required net capacity of the power plant is 100 MW nominal which will be produced by a combination of 1 X 50 MW nominal coal-fired power plant unit and off-gas waste heat recovery boilers (WHRBs). The Cogeneration plant will operate as a captive plant, and therefore is required to have high reliability. An emergency diesel generator will be installed at the Cogeneration plant.

### Potential logistics options

During the pre-FS study, Royal Haskoning DHV was appointed to assess potential logistic options for the project including viability of road, rail and port development. Additional options were also assessed in moving heavy equipment to the site during construction phase – Royal Haskoning suggested Landing Craft Transport ('LCT') was the preferable method.

In addition PT JMI has also consulted with PT Kereta Api ('PT KAI'), the Indonesian national rail carrier, on a potential 'Public-Private Partnership' ('PPP') and 'take or pay' arrangements. A commercial rail line runs within 6 kilometres from the CoW and has proven to be a potential option for delivery of coal and iron sands from outside the region. Royal Haskoning study confirms that capacity is available on this line that could fulfil the Iron and Power plant throughput requirements (even for the additional lines). If the rail option was pursued then raw material would be barged to Cilacap then carried via train approximately 100 kilometres to Kedundang Station – from here raw material would be trucked the final 6 kilometres to site.

*Figure 5: Barge and rail logistics options (Royal Haskoning)*

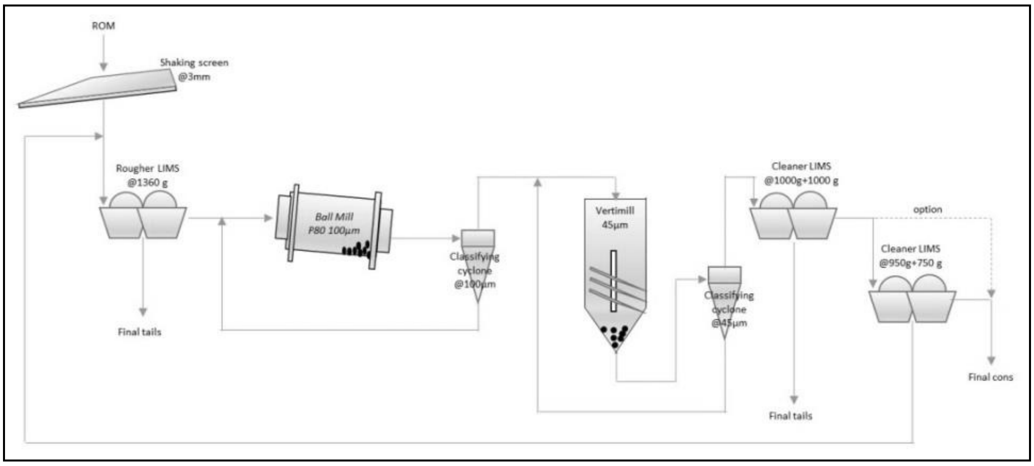



## Basic Engineering Design ('BED') for Beneficiation plant contract

In November 2014 the Ferrostaal BED contract for the iron sand Beneficiation plant was reactivated after being put on hold in May 2014 (Ferrostaal was appointed in 2013 by PT JMI). The suspension of the contract had occurred because of both Indonesia's mineral ore export ban and the fact that Beneficiation plant outputs would likely change, given the results of the pre-FS study on the Iron plant. Due to the higher iron content required than initially requested in the original BED scope of work, Figure 4 is the likely process flow design ('PFD') that will see a concentrate produced at approximately 58.5% - 59% Fe with low phosphorous content (at 45 micron).

The BED for this PFD should be completed end of March 2015 utilising a Vertimill and a ball mill configuration. Cyclones are utilised to separate high grade Fe sand from low grade (this lowers grinding requirements), while low intensity magnetic separators ('LIMS') minimise gangue collected along with magnetic material.

*Figure 6: PT JMI concentrate plant basic PFD (closed circuit)*




## Land acquisition

Industrial land in Central Java, Indonesia, is notoriously difficult to acquire and there are many good examples of large international infrastructure developers having to put projects on hold because of the inability to acquire land or obtain permits. A good example of this is the 2,000MW Japanese led Batang power station development in Central Java. Landowners held out, refusing to sell their land unless investors pay considerably inflated prices. Aside from the land issues, the Batang plant has encountered legal uncertainties. The Batang administration is facing a lawsuit by villagers living near the planned site. The villagers oppose construction, claiming it will harm the surrounding environment. The Central Government has teamed up with local administrations to try to resolve the problem, but to no avail.

PT JMI is fortunate to have stakeholders whom understand managing industrial projects in Central Java. Both PT Rajawali Corp. and PT JMM have successful track records in land acquisition and know the importance of balancing project and local interests. Significant funding has taken place at PT JMI in its Community and Social Responsibility ('CSR') program and Corporasi activities (ground activities providing local employment and training). In conjunction with education and work programs, PT JMI has invested considerable time and money in understanding reclamation as the mining progresses down the beach. PT JMI has proven that crop yields will increase as the tailings are reclaimed, as many minerals that impact plant life from developing on the beach are removed in the beneficiation process.

The result has seen all permits and licenses issued that PT JMI has required to-date from local villages, local authorities and Central Government. More importantly it has also seen the successful acquisition of 166.06 hectares of land for the Iron plant site (within the CoW area) and continued support by the Sultan of Yogyakarta.

### Land acquisition and protection of boundary

Land acquired to date has been 'cleared', meaning farmers have been paid compensation for potential lost earnings – this gives PT JMI the right to use the land for industrial purposes.

Successful land acquisition is one challenge in maintaining acquired industrial land. The area acquired then must be protected from farmers and villagers settling back into the cleared area. PT JMI has taken the steps of building a fence around the boundary of the 'clean and clear' area. This serves several purposes including protection of acquired area, continued 'on-ground' activities and jobs for the local community. In addition to the fence boundary PT JMI have recruited a significant number of security personnel from the local community.

| Land Acquisition Activities | Area (Ha) |
|---|---|
| a. Land acquisition in 2011 | 5.40 |
| b. Land acquisition in 2013 | 101.42 |
| c. Land acquisition in 2014 | 59.24 |
| Total cleaned area acquired | 166.06 |
| Total pending area acquired | 13.12 |
| Total land area (clean and pending) | 179.18 |

### Definitive feasibility study

The completion of the pre-FS in late 2014 led Indo Mines to a clear strategy on how to execute a smelter project by exploiting the Kulon Progo iron sand resource, both financially and technically. The next logical step in the feasibility process is to decrease the margin of error from 20% +/- to a bankable 10-15% +/-, which from hereafter we will refer to as the Definitive Feasibility Study ('DFS'). This can only be achieved via a program of defining Capex and Opex further via engineering design work and further detailed test work on raw materials.

### Definitive Feasibility Study phase I

A significant proportion of the DFS in both cost and time is the basic engineering design for both Iron plant and Beneficiation plant. Therefore the completion of the BED on the Beneficiation plant has been included within the definition of DFS phase I. The primary reason is this USD$3.65M contract was already committed to before the pre-FS and is a significant contributor to defining DFS Opex and Capex to bankable standards.

PT JMI have also included additional smelter test work by Outotec, GAP analysis for Equator Principal standard studies and a new mine plan as part of DFS phase I (by Theiss). It is hoped the work to complete DFS phase I will be completed by the end of the March 2015 quarter.

### Definitive Feasibility Study phase II

Phase II of the DFS will take at least the remaining months of 2015 with the primary focus being;

- Feasibility of the pig iron plant with additional lines of production
- Captive power plant and co-generation preliminary design and capacity
- Equator Principle ('EP') standard social and environmental studies (1st tier funding requirement)
- Port preliminary design and bathymetric surveys
- Detailed logistics analysis for land based solution (rail)
- Upgrade JORC compliant resource to 2012 standards
- Geotechnical – detailed soil investigation where heavy equipment is located i.e. smelter site, multi hearth furnace units etc.
- Additional smelter test work on raw material (15 tons of DRI required)

The list of studies provided below includes advanced smelter test work on the DRI. Approximately 15 tonnes of DRI will be required for the submerged arc furnace pilot plant, which in turn will provide accurate power requirement data, pig iron yield/quality and slag partition ratios.

Outside the battery limits of the Beneficiation and Iron plant, the studies are not as detailed in either analysis or engineering design work. This is because it is likely power, water treatment and port facilities will be outsourced to third parties. The level of detail provided in these studies though, will allow PT JMI to negotiate with potential interested parties and have a Capex/Opex margin of error of approximately 20% (preliminary design and pre-FS level).

One of the most important studies to be undertaken by PT JMI during the DFS is upgrading the current AMDAL report (Indonesian environmental study) to EP standard environmental and social analysis. Currently PT JMI is completing a GAP analysis on the current studies it has already completed to date – this has been insightful for the DFS Project Management team, as there is a significant body of work already in existence that will provide valuable data towards upgrading the AMDAL report.

Currently PT JMI has appointed CRL labs in New Zealand to assist MBE in beneficiation test work of the iron sand for the BED contract. Microscopic analysis is being undertaken which in turn has identified the need to utilise a low intensity magnetic rougher to separate low grade magnetite from the high grade. This is because low grade iron sand will not liberate iron, even under the most intense grinding – for efficiency purposes it is best to screen this material out immediately, thus increasing both yield and plant performance.

| Item | General objectives |
|---|---|
| **Definitive Feasibility Study** | Feasibility study for the iron plant based on additional lines of production and SL/RN & SAF technology |
| **Environmental, social and port environmental studies** | Completion of studies and documentation to comply with Equator Principle standards |
| **Port basic design** | To determine the possibility of developing a private port & basic engineering for tendering |
| **Logistics (land)** | To calculate Opex and Capex for hauling raw material via truck and/or train |
| **JORC resource upgrade 2012** | Update JORC resource compliant reserves and resources from 2004 standard to 2012 |
| **Geotechnical drilling and analysis** | Soil investigation for foundation and structure design |

# DIRECTORS' REPORT (CONTINUED)

### Statement of Compliance

Information regarding Mineral Resources was prepared and first disclosed under the 2004 Edition of the 'Australasian Code for Reporting of 'Exploration Results, Mineral Resources and Ore Reserves'. It was previously reported to the ASX on 29 August 2011 and is available to view on the Company's website at www.indomines.com.au. It has not been updated since to comply with the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' on the basis that the Company is not aware of any new information or data that materially affects the information and, in the case of the resource estimate, all material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed.

### Finance Review

At 31 December 2014, the Group held cash and cash equivalents, term deposits and financial assets of $15,623,552. This includes US$10,021,757 ($12,284,576) of US listed fixed interest securities which are readily convertible to cash.

Operating activities consumed $694,702 which is net of interest received of $163,485.

Investing activities consumed $6,498,362, of which $111,202 related to payments for property, plant and equipment and $6,387,160 related to exploration and evaluation at the Jogjakarta Iron Project (the Project) in Jogjakarta, Indonesia

### FINANCIAL RESULTS

The Group made a loss for the period of $28,712 (31 December 2013: $3,890,933). The result for the period also includes a net foreign exchange gain of $1,094,869, arising largely due to the decline in the A$ against the US$, the currency in which the Group holds its fixed interest securities. (31 December 2013: $912,462).

### SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the reporting period, which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### LEAD AUDITORS' INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required by Section 307C of the *Corporations Act 2001* is set out on page 9 and forms part of the directors' report for the six months ended 31 December 2014.

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

**PETER CHAMBERS**
**NON-EXECUTIVE CHAIRMAN**

16 March 2015

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## Auditor's Independence Declaration

As lead auditor for the review of Indo Mines Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

This declaration is in respect of Indo Mines Limited and the entities it controlled during the period.

Ben Gargett
Partner
PricewaterhouseCoopers

Perth
16 March 2015

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE HALF YEAR ENDED 31 DECEMBER 2014

| | Half Year Ended | |
|---|---|---|
| | 31 December 2014 $ | 31 December 2013 $ |
| **Expenses** | | |
| Exploration and evaluation expenditure | - | (3,857,010) |
| Depreciation | (85,970) | (118,456) |
| Administration expenses | (628,182) | (458,097) |
| Results from operating activities | (714,152) | (4,433,563) |
| Interest income | 210,939 | 391,945 |
| Other finance income | 1,757,508 | 912,462 |
| Finance costs | (905,913) | (818,604) |
| Loss on disposal of subsidiary | (364,298) | - |
| Impairment of inventory | (84,318) | - |
| Fair value of adjustment of convertible debenture option | 71,522 | 56,827 |
| **Loss before income tax** | **(28,712)** | **(3,890,933)** |
| Income tax expense | - | - |
| **Loss for the period** | **(28,712)** | **(3,890,933)** |
| | | |
| **Other comprehensive income** | | |
| Items that may be reclassified to profit or loss | | |
| Exchange differences on disposed entity | 348,199 | - |
| Foreign currency translation for foreign operations | 382,838 | (275,109) |
| Other comprehensive income/(loss) for the period | 731,037 | (275,109) |
| **Total comprehensive income/(loss) for the period** | **702,325** | **(4,166,042)** |
| | | |
| **Loss attributable to:** | | |
| Non-controlling interest | **(86,775)** | **(1,271,833)** |
| Owners of the Company | **58,063** | **(2,619,100)** |
| | **(28,712)** | **(3,890,933)** |
| | | |
| **Total comprehensive income/(loss) attributable to:** | | |
| Non-controlling interest | **183,960** | **(1,606,993)** |
| Owners of the Company | **518,365** | **(2,559,049)** |
| | **702,325** | **(4,166,042)** |
| | | |
| **Loss per share** | | |
| Basic and diluted loss per share | (0.01 cents) | (0.5 cents) |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2014

| | Note | As at 31 December 2014 $ | As at 30 June 2014 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | | 3,278,976 | 10,160,428 |
| Term deposits | | 60,000 | 60,000 |
| Trade and other receivables | | 340,651 | 181,400 |
| Financial assets at fair value through profit or loss | | 12,284,576 | 10,792,805 |
| **Total Current Assets** | | **15,964,203** | **21,194,633** |
| **Non-current Assets** | | | |
| Inventory | | 1,344,473 | 1,318,673 |
| Restricted cash and cash equivalents | | 58,209 | 51,952 |
| Property, plant and equipment | 4 | 465,026 | 439,795 |
| Exploration and evaluation assets | 5 | 7,485,761 | - |
| **Total Non-current Assets** | | **9,353,469** | **1,810,420** |
| **TOTAL ASSETS** | | **25,317,672** | **23,005,053** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | | 3,073,494 | 2,126,845 |
| Employee benefits | | - | 31,639 |
| **Total Current Liabilities** | | **3,073,494** | **2,158,484** |
| **Non-current Liabilities** | | | |
| Employee benefits | | 431,805 | 317,923 |
| Borrowings | 6 | 4,893,357 | 4,240,433 |
| Derivative financial instruments | | 9,806 | 81,328 |
| **Total Non-current Liabilities** | | **5,334,968** | **4,639,684** |
| **TOTAL LIABILITIES** | | **8,408,462** | **6,798,168** |
| **NET ASSETS** | | **16,909,210** | **16,206,885** |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | 7 | 140,998,541 | 143,998,541 |
| Reserves | 8 | 141,732 | 44,430 |
| Accumulated losses | | (109,467,895) | (112,888,958) |
| **Total equity attributable to equity holders of the Company** | | 31,672,378 | 31,154,013 |
| Non-controlling interest | | (14,763,168) | (14,947,128) |
| **TOTAL EQUITY** | | **16,909,210** | **16,206,885** |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE HALF YEAR ENDED 31 DECEMBER 2014

| | Equity Attributable to Equity Holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share Capital<br>$ | Performance Shares Reserve<br>$ | Share Based Payments Reserve<br>$ | Other Reserves<br>$ | Foreign Currency Translation Reserve<br>$ | Accumulated Losses<br>$ | Total<br>$ | Non-controlling Interest<br>$ | Total Equity<br>$ |
| **Balance at 1 July 2014** | **140,998,541** | **3,000,000** | **363,000** | **(34,621)** | **(283,949)** | **(112,888,958)** | **31,154,013** | **(14,947,128)** | **16,206,885** |
| **Total comprehensive income for the period:** | | | | | | | | | |
| Net loss for the period | - | - | - | - | - | 58,063 | 58,063 | (86,775) | (28,712) |
| **Other comprehensive income:** | | | | | | | | | |
| Exchange differences on disposed entity | - | - | - | - | 348,199 | - | 348,199 | - | 348,199 |
| Exchange differences arising on translation of foreign operations | - | - | - | - | 112,103 | - | 112,103 | 270,735 | 382,838 |
| Total other comprehensive income | - | - | - | - | 460,302 | - | 460,302 | 270,735 | 731,037 |
| **Transactions with owners, recorded directly in equity** | | | | | | | | | |
| Expiry of performance shares | - | (3,000,000) | - | - | - | 3,000,000 | - | - | - |
| Expiry of options | - | - | (363,000) | - | - | 363,000 | - | - | - |
| **Balance at 31 December 2014** | **140,998,541** | **-** | **-** | **(34,621)** | **176,353** | **(109,467,895)** | **31,672,378** | **(14,763,168)** | **16,909,210** |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2014 (Continued)

| | Equity Attributable to Equity Holders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share Capital | Performance Shares Reserve | Share Based Payments Reserve | Foreign Currency Translation Reserve | Accumulated Losses | Total | Non-controlling Interest | Total Equity |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **Balance at 1 July 2013** | **140,998,541** | **3,000,000** | **363,000** | **(339,410)** | **(63,940,171)** | **80,081,960** | **(6,968,216)** | **73,113,744** |
| **Total comprehensive income for the period:** | | | | | | | | |
| Net loss for the period | - | - | - | - | (2,619,100) | (2,619,100) | (1,271,833) | (3,890,933) |
| **Other comprehensive income:** | | | | | | | | |
| Exchange differences arising on translation of foreign operations | - | - | - | 60,051 | - | 60,051 | (335,160) | (275,109) |
| Total other comprehensive income | - | - | - | 60,051 | - | 60,051 | (335,160) | (275,109) |
| Total comprehensive profit/(loss) for the period | - | - | - | 60,051 | (2,619,100) | (2,559,049) | (1,606,993) | (4,166,042) |
| **Balance at 31 December 2013** | **140,998,541** | **3,000,000** | **363,000** | **(279,359)** | **(66,559,271)** | **77,522,911** | **(8,575,209)** | **68,947,702** |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE HALF YEAR ENDED 31 DECEMBER 2014

| | Half Year Ended | |
|---|---|---|
| | 31 December 2014 $ | 31 December 2013 $ |
| **Cash flows from operating activities** | | |
| Payments to suppliers and employees | (770,241) | (5,010,545) |
| Interest received | 163,485 | 593,069 |
| Interest expense paid | (87,946) | (176,441) |
| **Net cash used in operating activities** | **(694,702)** | **(4,593,917)** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | (111,202) | (1,761,838) |
| Payments for capitalised exploration and evaluation assets | (6,387,160) | - |
| Acquisition of rights to land | - | (7,560,186) |
| Purchase of interest in tenement | - | (49,791) |
| Proceeds from redemption of term deposits | - | 39,300,000 |
| **Net cash (used in)/from investing activities** | **(6,498,362)** | **29,928,185** |
| **Net (decrease)/increase in cash and cash equivalents** | **(7,193,064)** | **25,334,268** |
| Cash and cash equivalents at beginning of the period | 10,160,428 | 4,416,151 |
| Effects of foreign exchange rate changes | 311,612 | 1,454,290 |
| **Cash and cash equivalents at 31 December** | **3,278,976** | **31,204,709** |

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

## 1. REPORTING ENTITY

Indo Mines Limited (the "Company") is a for profit public company domiciled in Australia. The condensed consolidated interim financial statement of the Company for the half year ended 31 December 2014 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity").

The consolidated annual financial statements of the Consolidated Entity as at and for the year ended 30 June 2014 are available upon request from the Company's registered office or can be downloaded from the Company's website.

## 2. BASIS OF PREPARATION OF HALF YEAR REPORT

***Statement of Compliance***

The condensed consolidated interim financial statements for the half year reporting period ended 31 December 2014 are general purpose financial statements prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

The condensed consolidated interim financial statements do not include all the notes normally included in an annual financial statement. Accordingly, this report is to be read in conjunction with the annual report of Indo Mines Limited for the year ended 30 June 2014 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 condensed consolidated interim financial statements were approved by the Board of Directors on 16 March 2015.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

***Changes in Accounting Policies***

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial report as at and for the year ended 30 June 2014.

***New and Amended Standards adopted by the Group***

None of the new standards and amendments to standards that are mandatory for the first time for the period beginning 1 July 2014 has had a significant impact on the measurement of the Group's assets and liabilities.

## 3. SEGMENT REPORTING

**Reportable Segments**

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

The following summary describes the operations of each of the reportable segments:
- Indonesia – Iron Sands
- Australia – Corporate

| | Indonesia Iron Sands | | Australia | | Consolidated Entity | |
|---|---|---|---|---|---|---|
| | 6 months to 31 Dec 2014 $ | 6 months to 31 Dec 2013 $ | 6 months to 31 Dec 2014 $ | 6 months to 31 Dec 2013 $ | 6 months to 31 Dec 2014 $ | 6 months to 31 Dec 2013 $ |
| Revenue | - | - | - | - | - | - |
| **Total segment revenue** | | | | | - | - |
| **Results** | | | | | | |
| Segment result | (493,952) | (4,239,442) | 465,240 | 348,509 | (28,712) | (3,890,933) |
| (Loss)/income before income tax expense | | | | | (28,712) | (3,890,933) |
| Income tax expense | | | | | - | - |
| **Net loss** | | | | | (28,712) | (3,890,933) |

| | Indonesia Iron Sands | | Australia | | Consolidated Entity | |
|---|---|---|---|---|---|---|
| | 31 December 2014 $ | 30 June 2014 $ | 31 December 2014 $ | 30 June 2014 $ | 31 December 2014 $ | 30 June 2014 $ |
| **Assets** | | | | | | |
| Segment assets | 11,210,500 | 3,758,951 | 14,107,172 | 19,246,102 | 25,317,672 | 23,005,053 |
| **Total assets** | | | | | 25,317,672 | 23,005,053 |
| **Liabilities** | | | | | | |
| Segment liabilities | 3,127,279 | 1,835,885 | 5,281,183 | 4,962,283 | 8,408,462 | 6,798,168 |
| **Total liabilities** | | | | | 8,408,462 | 6,798,168 |

## 4. PROPERTY, PLANT AND EQUIPMENT

During the half year ended 31 December 2014 the consolidated entity made payments for assets of $111,202 (31 December 2013 $1,761,838), primarily for infrastructure for the Jogjakarta Iron Project.

## 5. EXPLORATION AND EVALUATION ASSETS

**Movement in Exploration and Evaluation Assets**

| | $ |
|---|---|
| **Carrying amount at 1 July 2014** | **-** |
| Expenditure capitalised during the period | 7,485,761 |
| **Carrying amount at 31 December 2014** | **7,485,761** |

Expenditure on exploration and evaluation assets all related to the Jogjakarta Iron Project.

## 6. BORROWINGS

| | Consolidated 31 December 2014 $ | Consolidated 30 June 2014 $ |
|---|---|---|
| **Non-current** | | |
| Convertible debenture | 4,893,357 | 4,240,433 |

**Movement in Borrowings**

| | $ |
|---|---|
| **Convertible debenture** | |
| Balance as at 1 July 2014 | 4,240,433 |
| Unrealised foreign exchange movement – disclosed as finance costs | 724,446 |
| Fair value adjustment of option component through profit and loss | (71,522) |
| **Carrying value of liability at 31 December 2014** | **4,893,357** |

On 28 October 2009, the Company entered into a US$4 million convertible debenture facility (the Facility) with Anglo Pacific Group plc. The funds from this Facility were used for ongoing studies in respect of the Project.

## 6. BORROWINGS (CONTINUED)

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 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.

## 7. CONTRIBUTED EQUITY

| | Consolidated 31 December 2014 $ | Consolidated 30 June 2014 $ |
|---|---|---|
| **(a) Issued Capital** | | |
| 538,026,598 (30 June 2014: 538,026,598) fully paid ordinary shares | 140,998,541 | 140,998,541 |
| Nil (30 June 2014: 20,000,000) performance shares (i) | - | 3,000,000 |
| | 140,998,541 | 143,998,541 |

Note

(i) At 31 December 2014 20,000,000 Performance Shares issued at $0.15 expired as performance conditions were not met.

## 7. CONTRIBUTED EQUITY (CONTINUED)

**(b) Movements in Ordinary Share Capital during the half year ended 31 December 2014 were as follows:**

| Date | Details | Number of Shares | $ |
|---|---|---|---|
| **1 July 2014** | **Opening Balance** | **538,026,598** | **140,998,541** |
| **31 December 2014** | **Closing Balance** | **538,026,598** | **140,998,541** |

| Date | Details | Number of Shares | $ |
|---|---|---|---|
| **1 July 2013** | **Opening Balance** | **538,026,598** | **140,998,541** |
| **31 December 2013** | **Closing Balance** | **538,026,598** | **140,998,541** |

**(c) Movements in Other Share Capital (Performance Shares) during the half year ended 31 December 2014 were as follows:**

| Date | Details | Number of Shares | $ |
|---|---|---|---|
| **1 July 2014** | **Opening Balance** | **20,000,000** | **3,000,000** |
| 31 December 2014 | Expiry of Performance Shares | (20,000,000) | (3,000,000) |
| **31 December 2014** | **Closing Balance** | **-** | **-** |

| Date | Details | Number of Shares | $ |
|---|---|---|---|
| **1 July 2013** | **Opening Balance** | **20,000,000** | **3,000,000** |
| **31 December 2013** | **Closing Balance** | **20,000,000** | **3,000,000** |

## 8. RESERVES

| | Consolidated 31 December 2014 $ | Consolidated 30 June 2014 $ |
|---|---|---|
| **(a) Share-based Payments Reserve** | | |
| Nil (30 June 2014: 1,500,000) $0.20 Vendor Options expired 1 October 2014 | - | 363,000 |

There were no options granted or lapsed during the period.

| | Consolidated 31 December 2014 $ | Consolidated 30 June 2014 $ |
|---|---|---|
| **(b) Foreign Currency Translation Reserve** | | |
| Translation of controlled foreign entity | 176,353 | (283,949) |
| **(c) Other Reserves** | | |
| Expenses on gain/losses on defined benefit obligations | (34,621) | (34,621) |
| **Total Reserves** | **141,732** | **44,430** |

## 9. NON-CASH FINANCING AND INVESTING ACTIVITIES

There were no non-cash financing or investing activities during the half year ended 31 December 2014.

## 10. CONTINGENT LIABILITIES

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

## 11. DIVIDENDS PAID OR PROVIDED FOR

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

# 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 10 to 20, are in accordance with the *Corporations Act 2001*, including:

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

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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

**PETER CHAMBERS**
**Non-Executive Chairman**

16 March 2015

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

## *Report on the Half-Year Financial Report*

We have reviewed the accompanying half-year financial report of Indo Mines Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Indo Mines Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

### *Directors' responsibility for the half-year financial report*

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

### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Indo Mines Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### *Independence*

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

***PricewaterhouseCoopers, ABN 52 780 433 757***
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# Independent auditor's review report to the members of Indo Mines Limited (cont'd)

*Conclusion*

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Ben Gargett
Partner

Perth
16 March 2015