



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 29 JULY 2011

QUARTERLY REPORT TO THE AUSTRALIAN SECURITIES EXCHANGE FOR THE PERIOD ENDING 30 JUNE 2011

Highlights:

- Feasibility Study for the production of 2 million tonnes of iron concentrate from the Jogjakarta Iron Project on-track for completion in mid August 2011;
- Development of commercial trial plant continued with plant and equipment sourced and refurbished;
- Discussions with potential off-take partners for iron concentrate produced from the both the trial and full-scale operations continuing;
- Sample iron concentrate arrived in Outotec facility in Australia for trial smelting tests;
- Discussions continued with Japan's Mitsui exploring future pig iron development;
- MoU signed and initial exploration undertaken on additional iron sands area in Halmahera region of Indonesia;
- Completion of placement of 18.6 million shares to raise A\$10.2 million before costs; and
- Evaluation of potential project acquisition opportunities continued in line with the stated strategy to become the raw material supplier of choice to Indonesia's growing steel industry and the wider Asian steel industry.

Enquiries:

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Jogjakarta Iron Project

In line with the Company's strategy to become the supplier of choice to the growing Indonesian and Asian Steel and Metals Industry, the planned staged development of the Jogjakarta Iron Project continued to take shape during the quarter with the Company continuing to progress the Feasibility Study for the 2 million tonne per annum iron concentrate facility.

The Company is currently completing the process and engineering design required to finalise the Feasibility Study, which is anticipated for completion in mid August 2011.

The Company has also progressed the development of a commercial trial plant at the western end of the Contract of Works area. This plant will target production of 20,000 tonnes per month of iron concentrate. Plant and equipment has been sourced and is currently being refurbished in country. Significant enquiries for trial volumes have been received from international steel makers.

This activity 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 of the 2 million tonne facility.

Concurrently, the Company is continuing negotiations with a number of potential long-term customers to secure off-take arrangements for the full-scale production of iron concentrate.

As part of the separate Pig Iron Feasibility Study, sample iron concentrate from the Company's existing pilot plant facility at the Jogjakarta Project has arrived at the Outotec Ausmelt pilot smelting furnace in Dandenong, Victoria, to enable Outotec to complete a series of smelting trials using Direct Reduced Iron (DRI) produced from the iron concentrate to quantify the potential of producing 1 million tonnes of pig iron a year based on the Outotec Circosmelt® process. The results will enable the preparation of a conceptual plant design and capital estimates.

Discussions continued to progress with the leading Japanese Trading House Mitsui to explore the future development of the pig iron facility at the Iron Project.

Also during the quarter, the Company signed a Memorandum of Understanding ("MoU") with a privately owned Indonesian group, PT Berat Anugerah Tama Sejati ("PT BATS"), that has access to a number of iron sands holdings and other mineral projects in the east of Indonesia, particularly the Halmahera region.

Prior to signing the MoU, the Company completed an initial high level field evaluation programme of an area prospective for iron sands in Halmahera and based on this initial work will seek to complete a more detailed evaluation of the geology, environmental and socialisation aspects of the prospective area.

Subject to a commercial arrangement being finalised between the Company and PT BATS and the findings of a more detailed exploration programme covering the area of interest, Indo Mines will seek to develop this project in parallel with the Jogjakarta Iron Project to enable additional early cash flows from iron concentrate production.

Mangkok Coal Project

During the quarter the Company completed a comprehensive review of operational procedures and practices at the Mangkok Coal Project, located in the major coal producing region of South Kalimantan, resulting in increased productivity and a significant reduction in operating costs. Subsequent changes to the operational structure of the business have led to consistent production of 25,000 tonnes per month. This focus on increased production and emphasis on cost control has significantly improved the cash flow of the Project.

The quality of coal produced from the Mangkok Project is consistently in the range of 6,500kcal to 7,200kcal making it a desirable Indonesian coal. Further, a revised mine plan has been implemented which has changed the location of the ROM stockpile, crushing and weighing facilities. The revised mine plan will result in a targeted production level of 35,000 tonnes per month from August 2011.

To support the changes outlined above the Company has cancelled the forward sales arrangement entered into in May 2010 with Merrill Lynch. This agreement has enabled the Company to switch the focus to a simple mine gate sales model thus eliminating logistics uncertainties and complexities from the business model allowing the Company to take advantage of strengthening thermal coal prices.

As at 30 June 2011, the Company held 13,295 tonnes available for sale on stockpile.

Exploration has continued across other significant coal opportunities both in the region and other locations across Indonesia, with a focus on meeting the coal requirements for the Company's Jogjakarta Iron Project.

Corporate

On 6 June 2011 the Company announced the completion of a placement of 18.6 million ordinary shares at \$0.55 each to institutional and sophisticated investors to raise \$10.2 million before costs.

Funds raised will be used to expedite the development of the commercial trial iron sands concentrate plant. Additional funds will be dedicated to working capital and the assessment of new project opportunities including the Halmahera Iron Project.

Separate to the placement, Rockcheck Steel Co acquired a parcel of 16 million Indo Mines shares in an off-market arrangement consistent with the placement price of \$0.55 each, significantly increasing its shareholding in the Company to approximately 18%.

The Company continues to assess opportunities to add value for shareholders by expanding the range of commodities it can supply to the Indonesian and wider Asian steel industry.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

INDO MINES LIMITED

ABN

40 009 245 210

Quarter ended ("current quarter")

30 JUNE 2011

Consolidated statement of cash flows

| | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|----------------------------|--|
| Cash flows related to operating activities | | |
| 1.1 Receipts from product sales and related debtors | 6,710 | 11,711 |
| 1.2 Payments for (a) exploration & evaluation | (3,067) | (6,342) |
| (b) development | - | - |
| (c) production | (6,896) | (14,349) |
| (d) administration | (472) | (1,774) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 24 | 98 |
| 1.5 Interest and other costs of finance paid | (153) | (235) |
| 1.6 Income taxes paid | - | (2) |
| 1.7 Other (provide details if material) | - | 8 |
| | (2,803) | (2,803) |
| Net Operating Cash Flows | (6,657) | (13,688) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: | | |
| (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | (6) | (207) |
| 1.9 Proceeds from sale of: | | |
| (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | - | 19 |
| 1.10 Loans to other entities | - | - |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Other (provide details if material) | - | - |
| | (6) | (188) |
| Net investing cash flows | (6) | (188) |
| 1.13 Total operating and investing cash flows (carried forward) | (6,663) | (13,876) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|------|--|--------------|---------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (6,663) | (13,876) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 10,265 | 21,865 |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | - | - |
| 1.17 | Repayment of borrowings | - | - |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other (provide details if material) - share issue costs | (370) | (604) |
| | Net financing cash flows | 9,895 | 21,261 |
| | Net increase (decrease) in cash held | 3,232 | 7,385 |
| 1.20 | Cash at beginning of quarter/year to date | 5,157 | 1,004 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 8,389 | 8,389 |

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 112 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

Payments include executive remuneration and director's fees.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not applicable

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not applicable.

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities | - | - |
| 3.2 Credit standby arrangements | - | - |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|--------------|
| 4.1 Exploration and evaluation | 2,000 |
| 4.2 Development | - |
| 4.3 Production | 1,200 |
| 4.4 Administration | 300 |
| Total | 3,500 |

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

| | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 4,839 | 1,441 |
| 5.2 Deposits at call | 3,550 | 3,716 |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 8,389 | 5,157 |

Changes in interests in mining tenements

| | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|-----|---|----------------------------------|--|----------------------------------|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | | | |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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|-----|---|--|--|--|
| 6.2 | Interests in mining tenements acquired or increased | | | |
|-----|---|--|--|--|

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|-----|--|-----------------------|---|--|
| 7.1 | Preference securities <i>(description)</i> Converting performance shares | | | |
| | -Class C | 15,000,000 | Nil | Nil |
| | -Class D | 20,000,000 | Nil | Nil |
| | -Class E | 20,000,000 | Nil | Nil |
| 7.2 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | |
| 7.3 | +Ordinary securities | 229,809,304 | 229,809,304 | |
| 7.4 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | 18,608,509 100,000 | 18,608,509 100,000 | \$0.55 \$0.30 Not applicable Not applicable |
| 7.5 | +Convertible debt securities <i>(description)</i> - Senior Secured Convertible Debenture with Anglo pacific Group plc | US\$4,000,000 | | |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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|------|---|-----------|---|-----------------------|--------------------|
| 7.6 | Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 | Options <i>(description and conversion factor)</i> | | | <i>Exercise price</i> | <i>Expiry date</i> |
| | -Vendor Options | 2,000,000 | - | \$0.20 | 1 October 2014 |
| | -Vendor Options | 1,000,000 | - | \$1.20 | 1 March 2014 |
| | -Incentive Options | 8,833,333 | - | \$0.30 | 30 November 2011 |
| | -Incentive Options | 8,833,334 | - | \$0.30 | 31 December 2011 |
| | -Incentive Options | 8,833,333 | - | \$0.30 | 30 June 2012 |
| | -Incentive Options | 200,000 | - | \$0.50 | 1 June 2012 |
| | -Incentive Options | 300,000 | - | \$0.50 | 2 June 2012 |
| | -Incentive Options | 500,000 | - | \$0.50 | 3 June 2012 |
| | -Incentive Options | | | | |
| | -Incentive Options | | | | |
| | -Incentive Options | | | | |
| 7.8 | Issued during quarter | | | | |
| | -Incentive Options | 200,000 | - | \$0.50 | 1 June 2012 |
| | -Incentive Options | 300,000 | - | \$0.50 | 2 June 2012 |
| | -Incentive Options | 500,000 | - | \$0.50 | 3 June 2012 |
| | -Incentive Options | | | | |
| 7.9 | Exercised during quarter | | | | |
| | -Incentive Options | 33,334 | - | \$0.30 | 30 November 2011 |
| | -Incentive Options | 33,333 | - | \$0.30 | 31 December 2011 |
| | -Incentive Options | 33,333 | - | \$0.30 | 30 June 2012 |
| | -Incentive Options | | | | |
| 7.10 | Expired during quarter | | | | |
| 7.11 | Debentures <i>(totals only)</i> | | | | |
| 7.12 | Unsecured notes <i>(totals only)</i> | | | | |

Compliance statement

+ See chapter 19 for defined terms.

Appendix 5B Mining exploration entity quarterly report

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:Date: 29 July 2011
(~~Director~~/Company secretary)

Print name: Shane Cranswick

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.