INDO MINES LIMITED
ABN 40 009 245 210

Interim Financial Report for the Half Year Ended 31 December 2017

CORPORATE DIRECTORY

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

Chief Executive Officer
Mr Arran Marshall

Company Secretary
Mr Richard Edwards

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National Australia Bank
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Westpac Banking Corporation
Cnr Pitt & Hunter Sts
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Auditor
PricewaterhouseCoopers
Brookfield Place
125 St Georges Terrace
Perth WA 6000

ASX Code
IDO – Fully paid ordinary shares

Indo Mines Ltd shares are listed on the Australian Securities Exchange.

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 entities it controlled at the end of, and during, the half year ended 31 December 2017 ("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 Darryl Harris
Mr Hendra Surya

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.

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 project contains a 2012 JORC compliant resource, as detailed in the Mineral Resources and Reserves Statement in the 2017 Annual Report.

Continued support from Rajawali as majority shareholder

Indo Mines has received the financial support of the Company's majority shareholder, PT Rajawali Corpora ('Rajawali'). To date this support has been by way of Loan Agreements totalling US$2,800,952 at the end of December 2017, secured against a first priority payment on the sale of an interest in Sapex Group Limited. In addition to the Loan Agreements, Rajawali has confirmed to the Directors of the Company of its ongoing financial assistance to Company as and when it is needed to enable the Company to continue its operations and fulfil its financial obligations for a minimum period of twelve months from the date signing of the half year report, including the Anglo Pacific convertible debenture.

Off-market takeover bid by Rajawali Group

On 10 November 2017, PT Surya Langgeng Utama ('PT Surya') announced an unsolicited off-market takeover bid for all of Company's shares. PT Surya is a wholly-owned subsidiary of Rajawali. As at the date of the Offer, Rajawali and its associates held 57.12% of the issued Company's shares.

PT Surya is offering $0.02 per Company's share where the offer price values the total equity of the Company at approximately $10.76 million. The offer was declared unconditional on 15 December 2017.

The Company appointed BDO Corporate Finance (WA) Pty Ltd ('BDO') as the Independent Expert to opine on whether the Offer is fair and reasonable. The Independent Expert valued the Company's shares at between nil and $0.01 per Company's share with a preferred valuation of $0.003 (on a net assets valuation). The independent expert has concluded that, in the absence of an alternate offer, the offer is fair and reasonable.

The Independent Directors of the Company unanimously recommended that shareholders accept the Offer in the absence of a superior proposal. The reasons for the Independent Directors' recommendation are set out below :

1. The independent expert has concluded that the Offer is fair and reasonable.

2. The all-cash Offer provides an opportunity for the shareholder to receive a certain cash amount for the Company's shares.

3. The Independent Directors are not aware of any superior proposal and consider it unlikely that a superior proposal will be forthcoming from the date of the Target's Statement until the end of the offer period given that Rajawali and its Associates already have a relevant interest in more than 50% of Company's shares.

4. PT Surya as bidder has indicated in their statement that it will seek to review the listing of the Company on the official list of the ASX if it acquires a relevant interest in less than 90% of the Company's shares after the close of the Offer.

5. If the Offer does not result in the compulsory acquisition of all Company's shares but Rajawali and its associates increase their shareholding in the Company under the Offer (and also acquire the Anglo Pacific Convertible Facility), Rajawali and its associates may have greater capacity to influence the manner in which Company' business is conducted.

6. The Company's share price may fall if the Offer does not proceed and no superior proposal emerges.

As of 14 March 2018, PT Surya had received acceptances of its Offer for 17.59% of Indo Mines Shares, taking Rajawali's voting power in Indo Mines as at that date to 74.71%. The closing date of the Offer has been extended until 29 March 2018.

Purchase Agreement of Anglo Pacific Convertible facility by Gladesburg

On 9 November 2017, Gladesburg Holding Ltd. (Gladesburg), a related body corporate of Rajawali, has also entered into a Debenture Purchase Agreement to purchase the Anglo Pacific Convertible Facility from Anglo Pacific. No changes in existing terms and condition of Convertible Facility.

The purchase price is US$2,234,391 plus the amount of interest that accrues on US$4,234,391 (Principal amount including capitalized interest which outstanding at 9 November 2017) between 1 July 2017 and the business day before the Debenture Purchase Agreement completes, calculated at a rate of 8% per annum. The completion of the Debenture Purchase Agreement is due to occur within 10 business days after the end of the Offer Period. The purchase is not subject to any other conditions.

Submission of annual activities plan and budget to Ministry of Energy and Mineral Resources

During the December quarter the Company's 70% owned subsidiary, PT Jogja Magasa Iron ('PT JMI), submitted the annual activities plan and budget ('RKAB) to the Ministry of Energy and Mineral Resources ('ESDM') for 2018, as required by all Contract of Work license holders ('CoW'). The key assumption within this document is the project will stay in suspension throughout 2018. PT JMI is required by ESDM to review and evaluate the status of the suspension prior to its expiration (suspension) on 26 April 2018.

Update on Group's investment in Sapex

In September 2017, at a general meeting of shareholders, shareholders approved the sale of the Company's 51% stake in Sapex Oilfield Services Limited. The consideration received was a 30% stake in a listed entity on the National Stock Exchange ('NSX') of Australia, Sapex Group Limited ('Sapex Group'). The listing expands the capital base of Sapex and allows Sapex to operate major rental contracts in its pipeline and sales agreements.

At the listing price of $1.00 per share, the 30% interest of the Company in Sapex Group Limited is valued at $5,785,922.

The Company is able to sell a 10% interest immediately in Sapex Group Limited, with the Company's additional 20% interest able to be sold following a six month escrow period that commenced on 15 September 2017.

FINANCE REVIEW

At 31 December 2017, the Group held cash and cash equivalents of $116,330 (31 December 2016 - $426,481).

Operating activities consumed $1,593,150 (2016 - $1,836,527), which includes interest received of $137 (2016 - $7,325).

Investing activities consumed $538,774 (2016 – $1,276,478), of which $538,774 (2016 - $774,262) related to exploration and evaluation at the Kulon Progo Project in Jogjakarta, Indonesia.

Included in the financial statement is an independent auditor's report which includes an Emphasis of Matter paragraph in regard to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. For further information, refer to Note 2 to the financial statements, together with the auditor's report.

FINANCIAL RESULTS

The Group made a comprehensive loss for the period of $5,905,868 (2016 - $1,709,925).

SUBSEQUENT EVENTS

Subsequent to the end of the half year, the Company has borrowed additional loan amounts totalling US$697,470 ($893,963) under the revolving credit facility Loan Agreements ('Loan Agreements') with Rajawali signed in November 2017 under the same terms and conditions. This brings the total amount of loans from Rajawali to US$3,498,422 ($4,484,007).

In addition to the Loan Agreements, Rajawali has confirmed to the Directors of the Company of its ongoing financial assistance to Company as and when it is needed to enable the Company to continue its operations and fulfill all of its financial obligations for a minimum period of twelve months from the date of this financial report.

As of 14 March 2018, PT Surya had received acceptances of its Offer for 17.59% of Indo Mines Shares, taking Rajawali's voting power in Indo Mines as at that date to 74.71%. The closing date of the Offer has been extended until 29 March 2018.

Other than the matters outlined above, 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 as at 31 December 2017.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required by Section 307C of the *Corporations Act 2001* is set out on page 5 and forms part of the directors' report for the six months ended 31 December 2017.

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

PETER CHAMBERS
NON-EXECUTIVE CHAIRMAN

16 March 2018

Auditor's Independence Declaration

As lead auditor for the review of Indo Mines Limited for the half-year ended 31 December 2017, 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 2018

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Note	Half Year Ended 31 December 2017 $	31 December 2016 $
Expenses			
General and administrative project expenditure		(530,591)	(769,560)
Depreciation		-	(45,908)
Corporate expenses		(840,075)	(457,073)
Results from operating activities		(1,370,666)	(1,272,541)
Interest income		137	67,456
FX gains/(losses)		19,229	(21,001)
Finance costs	7	(242,746)	(476,360)
Fair value of adjustment of convertible debenture option		-	38,342
Share of loss of equity accounted investee		(11,193)	-
Impairment expenses	4	(4,067,052)	-
Loss before income tax		**(5,672,291)**	**(1,664,104)**
Income tax expense		-	-
Loss for the period		**(5,672,291)**	**(1,664,104)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation for foreign operations		(233,577)	(45,821)
Other comprehensive loss for the period		(233,577)	(45,821)
Total comprehensive loss for the period		**(5,905,868)**	**(1,709,925)**
Loss attributable to:			
Non-controlling interest		**(1,357,016)**	**(239,000)**
Owners of the Company		**(4,315,275)**	**(1,425,104)**
		(5,672,291)	**(1,664,104)**
Total comprehensive loss attributable to:			
Non-controlling interest		**(707,101)**	**(286,793)**
Owners of the Company		**(5,198,767)**	**(1,423,132)**
		(5,905,868)	**(1,709,925)**
Loss per share			
Basic and diluted loss per share		(0.80 cents)	(0.26 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 2017

	Note	As at 31 December 2017 $	As at 30 June 2017 $
ASSETS			
Current Assets			
Cash and cash equivalents		116,330	50,629
Trade and other receivables		32,912	28,644
Assets classified as held for sale	5,6	362,472	1,907,239
Total Current Assets		**511,714**	**1,986,512**
Non-current Assets			
Restricted cash and cash equivalents		41,231	52,428
Inventory		18,264	18,912
Other receivables		224,304	219,681
Investment in equity accounted associate	6	713,751	-
Exploration and evaluation assets	4	5,532,139	9,385,773
Total Non-current Assets		**6,529,689**	**9,676,794**
TOTAL ASSETS		**7,041,403**	**11,663,306**
LIABILITIES			
Current Liabilities			
Trade and other payables	7	2,063,211	2,503,332
Liabilities associated with assets classified as held for sale	5	-	650,600
Employee benefits		27,252	71,188
Borrowings	8	9,241,165	6,805,469
Total Current Liabilities		**11,331,628**	**10,030,589**
Non-current Liabilities			
Trade and other payables		51,985	53,829
Employee benefits		429,568	444,798
Total Non-current Liabilities		**481,553**	**498,627**
TOTAL LIABILITIES		**11,813,181**	**10,529,216**
NET (LIABILITIES)/ASSETS		**(4,771,778)**	**1,134,090**
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	9	140,998,541	140,998,541
Reserves	10	(730,737)	152,755
Accumulated losses		(125,379,190)	(121,063,915)
Total equity attributable to equity holders of the Company		**14,888,614**	**20,087,381**
Non-controlling interest		(19,660,392)	(18,953,291)
TOTAL (DEFICIT)/EQUITY		**(4,771,778)**	**1,134,090**

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 2017

	Equity Attributable to Equity Holders of the Company						
	Share Capital $	Other Reserves $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $	Non-controlling Interest $	Total (Deficit)/ Equity $
Balance at 1 July 2017	**140,998,541**	**8,755**	**144,000**	**(121,063,915)**	**20,087,381**	**(18,953,291)**	**1,134,090**
Total comprehensive income for the period:							
Net loss for the period	-	-	-	(4,315,275)	(4,315,275)	(1,357,016)	(5,672,291)
Other comprehensive income:							
Exchange differences arising on translation of foreign operations	-	-	(883,492)	-	(883,492)	649,915	(233,577)
Total other comprehensive income	-	-	(883,492)	(4,315,275)	(5,198,767)	(707,101)	(5,905,868)
Transactions with owners, recorded directly in equity							
Balance at 31 December 2017	**140,998,541**	**8,755**	**(739,492)**	**(125,379,190)**	**14,888,614**	**(19,660,392)**	**(4,771,778)**

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 2017 (Continued)

	Equity Attributable to Equity Holders of the Company						
	Share Capital $	Other Reserves $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $	Non-controlling Interest $	Total Equity $
Balance at 1 July 2016	**140,998,541**	**8,755**	**901,223**	**(115,256,710)**	**26,651,809**	**(17,559,019)**	**9,092,790**
Total comprehensive income for the period:							
Net loss for the period	-	-	-	(1,425,104)	(1,425,104)	(239,000)	(1,664,104)
Other comprehensive income:							
Exchange differences arising on translation of foreign operations	-	-	1,972	-	1,972	(47,793)	(45,821)
Total other comprehensive income	-	-	1,972	-	1,972	(47,793)	(45,821)
Transactions with owners, recorded directly in equity							
Balance at 31 December 2016	**140,998,541**	**8,755**	**903,195**	**(116,681,814)**	**25,228,677**	**(17,845,812)**	**7,382,865**

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 2017

	Half Year Ended	
	31 December 2017 $	31 December 2016 $
Cash flows from operating activities		
Payments to suppliers and employees	(962,156)	(1,171,687)
Interest received	137	7,325
Interest expense paid	(3)	(107,207)
R&D tax shortfall repayment	(631,128)	(564,958)
Net cash used in operating activities	**(1,593,150)**	**(1,836,527)**
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(170,125)
Payments for capitalised exploration and evaluation assets	(538,774)	(774,262)
Loan to other entity	-	(332,091)
Net cash outflow from investing activities	**(538,774)**	**(1,276,478)**
Cash flows from financing activities		
Proceeds from related party borrowings	2,223,072	-
Net cash inflow from financing activities	**2,223,072**	**-**
Net increase/(decrease) in cash and cash equivalents	**91,148**	**(3,113,005)**
Cash and cash equivalents at beginning of the half year	50,629	3,598,563
Effects of foreign exchange rate changes on cash and cash equivalents	(25,447)	(59,077)
Cash and cash equivalents at end of half year	**116,330**	**426,481**

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

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1. REPORTING ENTITY

Indo Mines Limited (the "Company") is a for profit public company, limited by shares, incorporated and domiciled in Australia. Its shares are listed on the Australian Stock Exchange. The consolidated interim financial statement of the Company for the half year ended 31 December 2017 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 2017 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 consolidated interim financial statements for the half year reporting period ended 31 December 2017 prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

The consolidated interim financial statements do not include all the notes 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 30 June 2017 and any public announcements made by Indo Mines Limited and its controlled entities during the interim reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

The consolidated interim financial statements were approved by the Board of Directors on 16 March 2018.

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

Going Concern

The consolidated financial report has been prepared on a going concern basis, which contemplates the continuation of normal business activity and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group incurred a loss for the year of $5,672,291 (2016: $1,664,104), whilst it continued with studies for the development of the Kulon Progo iron sands project.

The Group recorded a loss attributable to equity holders of the Company of $4,315,275 (2016: $1,425,104) for the half year ended 31 December 2017. The Group had cash and cash equivalents of $116,330 at 31 December 2017 (30 June 2017: $50,629), and incurred a net cash outflow from operating activities of $1,593,150 (2016: $1,836,527) and a net cash outflow from investing activities of $538,774 (2016: $1,276,478) for the half year ended 31 December 2017. The Group has net current liabilities of $10,819,914 (30 June 2017: $8,044,077) and overall net liabilities of $4,771,778 (30 June 2017: net assets of $1,134,090).

In order to meet the short term working capital requirements, as set out in notes 7 and 8, the Company has, during the half-year ended 31 December 2017, signed revolving credit facility Loan Agreements ('Loan Agreements') with PT Rajawali Corpora ('Rajawali'), the Group's major shareholder, totalling US$2,800,952 ($3,590,044). Subsequent to the end of the half year, the Company has borrowed an additional US$697,470 ($893,963) under the Loan Agreements signed in November 2017 on the same terms and conditions. Therefore, as per issuance date of the half year report, the total loans from Rajawali amounts to US$3,498,422 ($4,484,007).

In addition to the above, the current liabilities balance also includes US$4,409,005 ($5,651,122) in relation to the Anglo Pacific Group plc ('Anglo Pacific') Convertible Debenture Facility which was due and payable on the 31 December 2017. Anglo Pacific therefore have the right, at their discretion, to call on the repayment of this amount in either shares in the Company or cash.

On 9 November 2017, Gladesburg Holding Ltd. (Gladesburg), a related body corporate of Rajawali, entered into a Debenture Purchase Agreement to purchase the Anglo Pacific Convertible Debenture Facility from Anglo Pacific. The purchase price is US$2,234,391 plus the amount of interest that accrues on US$4,234,391 (Principal amount including capitalised interest which was outstanding at 9 November 2017) between 1 July 2017 and the business day before the Debenture Purchase Agreement completes, calculated at a rate of 8% per annum. The completion of the Debenture Purchase Agreement is due to occur within 10 business days of the end of the off-market takeover bid offer period (refer below) which at the date of this report has been extended to 29 March 2018. The Debenture Purchase Agreement is not subject to any other conditions.

Due to the unique nature of iron sand concentrate, Indo Mines is limited in whom it can partner with to develop a value add process. Indo Mines subsidiary, PT JMI and its local partner PT JMM have been in discussions with a potential strategic partner (both financial and technical). The first stage of the partnership would see development of a trial furnace facility to process Kulon Progo iron sands to pig iron or finished steel. The strategic partner would finance and develop the furnace facility utilising their technology to process the iron sand concentrate. To provide feedstock to this facility PT JMI would develop a beneficiation plant. Commercial discussions with the key stakeholders of the project are ongoing.

The major shareholder, Rajawali, has confirmed to the Directors of the Company of its ongoing financial assistance to Company as and when it is needed to enable the Company to continue its operations and fulfil all of its financial obligations for a minimum period of twelve months from the date of this financial report.

On 10 November 2017, PT Surya Langgeng Utama (‘PT Surya’), a wholly-owned subsidiary of Rajawali, announced an unsolicited off-market takeover bid for all of Company’s shares. Rajawali and its associates held 57.12% of the Company’s share capital at the time of the announcement. The independent directors of the Company unanimously recommended that shareholders accept the offer in the absence of a superior proposal. On 15 December 2017, PT Surya declared the offer free from all conditions and accordingly the offer is now unconditional. As of 14 March 2018, PT Surya had received acceptances of its offer for 17.59% of the Company’s shares, taking Rajawali’s voting power in Indo Mines as at that date to 74.71%. The closing date of the offer has been extended until 29 March 2018.

As a result of the matters outlined above, there is a material uncertainty related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern, and therefore whether it would realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the consolidated financial statements. The consolidated financial statements do not include adjustments relating to the recoverability or classification of the recorded asset amounts nor to the amount or classification of liabilities that might be necessary should the group not be able to continue as a going concern.

The directors have prepared cash flow projections that support the ability of the Group to continue as a going concern. These cash flow projections assume the Group obtains sufficient additional funding from Rajawali.

In the event that the Group does not obtain additional funding and reduce expenditure in line with available funding, it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements. However, the directors believe that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

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 2017.

New or revised accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments – (Effective date 1 January 2018)

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model.

Management has assessed the assets, liabilities and contracts and believe they currently do not constitute financial instruments. Therefore application of the standard at the operative date is not expected to have a significant impact on the group's accounting for financial assets and liabilities at the current time.

AASB 15 Revenue from Contracts with Customers – (Effective date 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management has assessed the impact of the new rules. At this stage, the application of the new rules on the Group's financial statements will not constitute a material change, as the Company is not generating revenue.

AASB 16 Leases – (Effective date 1 January 2019)

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

At this stage the group does not intend to adopt any of the above standards before their effective date. There are no other standards that are not yet effective and that are expected to have a material impact on the consolidated entity in the current or future reporting periods and on foreseeable future transactions.

3. SEGMENT REPORTING

Reportable Segments

Segment information is presented in respect of the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly non income earning assets and revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period in that geographic region.

For the period ended 31 December 2017, the Group had one operating segment, being iron sands development in Indonesia.

Geographical Segment	Indonesia Iron Sands		Unallocated		Consolidated Entity	
	6 months to 31 Dec 2017 $	6 months to 31 Dec 2016 $	6 months to 31 Dec 2017 $	6 months to 31 Dec 2016 $	6 months to 31 Dec 2017 $	6 months to 31 Dec 2016 $
Revenue	-	-	-	-	-	-
Total segment revenue					-	-
Results						
Segment result	(4,628,488)	(880,086)	(1,043,803)	(784,018)	(5,672,291)	(1,664,104)
Loss before income tax expense					(5,672,291)	(1,664,104)
Income tax expense					-	-
Net loss					(5,672,291)	(1,664,104)

Geographical Segment	Indonesia Iron Sands		Unallocated		Consolidated Entity	
	31 December 2017 $	30 June 2017 $	31 December 2017 $	30 June 2017 $	31 December 2017 $	30 June 2017 $
Assets						
Segment assets	5,984,640	9,732,573	1,056,763	1,930,733	7,041,403	11,663,306
Total assets					7,041,403	11,663,306
Liabilities						
Segment liabilities	1,562,786	1,638,699	10,250,395	8,890,517	11,813,181	10,529,216
Total liabilities					11,813,181	10,529,216

4. EXPLORATION AND EVALUATION ASSETS

Movement in Exploration and Evaluation Assets

	$
Carrying amount at 1 July 2017	**9,385,773**
Expenditure capitalised during the period	508,844
Exchange movements	(295,426)
Impairment charge	**(4,067,052)**
Carrying amount at 31 December 2017	**5,532,139**

Expenditure on exploration and evaluation assets all related to the Jogjakarta Iron Project. During the half year ended 31 December 2017 the Company engaged BDO Corporate Finance (WA) Pty Ltd ('BDO'), to provide an independent expert's report on the takeover offer from PT Surya Langgeng Utama for the issued shares of the Company not already held by Rajawali. As part of the independent expert's report BDO provided a range of valuations of the Company's Exploration and Evaluation Assets. The Director's and management of the Company have determined that BDO's 'Preferred' valuation of the Exploration and Evaluation Assets of $5,532,139 was an appropriate estimation of the recoverable amount of Exploration and Evaluation Assets and an impairment charge of $4,067,052 was recorded at 31 December 2017.

5. ASSETS CLASSIFIED AS HELD FOR SALE

	Consolidated 31 December 2017 $	Consolidated 30 June 2017 $
Opening balance	1,907,239	-
Acquisition of 51% interest in Sapex Oilfield Services Ltd.	-	1,425,600
Loan to other entity - Sapex Oilfield Services Ltd.	-	481,639
Sale of 51% interest in Sapex Oilfield Services Ltd.	(1,907,239)	-
Reclassification of 10% interest in Sapex Group as asset classified as held for sale	362,472	
Assets classified as held for sale	**362,472**	**1,907,239**
Liabilities associated with assets held for sale		
Opening balance	650,600	-
Transfer from trade and other payable	-	712,800
Effect of movements in exchange rates	-	(62,200)
Sale of liabilities	(650,600)	-
Liabilities associated with assets held for sale	**-**	**650,600**

ASSETS CLASSIFIED AS HELD FOR SALE (continued)

In September 2017, at a general meeting of shareholders, the Company's shareholders approved the sale of the Company's 51% stake in Sapex Oilfield Services Limited. The consideration received was a 30% stake in a listed entity on the National Stock Exchange ('NSX') of Australia, Sapex Group Limited ('Sapex Group'). The listing expands the capital base of Sapex and allows Sapex to operate major rental contracts in its pipeline and sales agreements.

At the listing price of $1.00 per share, the 30% interest of the Company in Sapex Group Limited is valued at $5,785,922. The Company is able to sell a 10% interest immediately in Sapex Group Limited, with the Company's additional 20% interest able to be sold following a six-month escrow period that commenced on 15 September 2017. As the Company has been actively engaged in negotiations to sell the 10% stake in Sapex Group not subject to the six month escrow period, this 10% stake has been classified as an asset held for sale, as the sale is highly probable within the next twelve months.

Assets classified as held for sale are carried at the lower of cost or net realisable value. Net realisable value was assessed at $0.7875 per share, given the market price of Sapex Group's shares of $1.05 per share and using the methodology of the the independent valuation made by BDO and applying a marketability discount of 25% of the observable market price. Consequently the 1,928,641 shares classified as held for sale have been carried at cost.

6. INVESTMENT IN EQUITY ACCOUNTED ASSOCIATE

As detailed in note 5, 10% of the Company's 30% stake in Sapex Group has been classified as an asset held for sale. The remaining 20% has been accounted for as an investment in an equity accounted associate.

Movements in the half year ended 31 December 2017 are as follows:

Non-current	$
Balance as at 1 July 2017	-
Acquisition of 30% interest in Sapex Group	1,087,416
Reclassification of 10% interest in Sapex Group as an asset held for sale	(362,472)
20% share of loss of Sapex Group	(11,193)
Carrying value of investment in equity accounted associate at 31 December 2017	**713,751**

During the half year ended at 31 December 2017, the Company has recognised a 20% interest portion of the loss of Sapex Group for $55,967 since the listing date on 15 September 2017 until 31 December 2017 amounting to $11,193 (i.e. 20% of $55,967).

7. CURRENT LIABILITIES – Trade and other payables

	Consolidated 31 December 2017 $	Consolidated 30 June 2017 $
Trade creditors	436,334	289,647
Accrued expenses	837,249	447,954
R&D tax rebate payable[1]	437,784	1,293,588
Other tax liabilities payable	351,844	472,143
	2,063,211	**2,503,332**

[1] During the half-year the Company engaged Economos Pty Ltd ('Economos') to request the Australian Taxation Office ('ATO') to remit interest charges applied on the repayment of R&D tax incentive amounts that were incorrectly claimed by the Company during 2014 and 2015 financial years.

The basis of such request was that the R&D tax incentive claims were made on the basis of incorrect advice. The Company took reasonable steps by engaging Economos to undertake a detailed independent review of such claims. On receipt of their advice that there were no eligible basis for such claims, the Company submitted a voluntary tax amendment with the ATO. The ATO reviewed the case and ruled to remit the entire interest charges. During the half year ended December 2017, interest charges remitted by the ATO amounted to $234,859 and this amount was credited against interest expenses.

8. BORROWINGS

	Consolidated 31 December 2017 $	Consolidated 30 June 2017 $
Current		
Convertible Note – Anglo Pacific Group plc	5,651,122	5,509,790
Loan facilities – PT Rajawali Corpora	3,590,043	1,295,679
	9,241,165	**6,805,469**

Movement in Convertible Note – Anglo Pacific Group plc.

Current	$
Balance as at 1 July 2017	5,509,790
Interest charges	223,361
Unrealised foreign exchange movement	(82,029)
Carrying value of liability at 31 December 2017	**5,651,122**

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

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 in cash 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 valued using the Black Scholes option valuation methodology.

During the year ended 30 June 2017, a Deed of Variation was entered into between the Company, Anglo Pacific and PT JMI, the key terms of which were:

i. US$56,000 of the total interest payable on each of the three interest payment dates between 1 October 2016 and 30 June 2017 of US$80,000 will be capitalised and added to the principal amount of the Facility, rather than repaid;

ii. the interest rate for the Capitalised Interest Amount will be 12% p.a., compounding on a daily basis;

iii. the Company has the option to, with one month's notice, revert back to the original interest payment structure.

As the Anglo Pacific debenture was due and payable on the 31 December 2017. Anglo Pacific therefore have the right, at their discretion, to call on the repayment of this amount in either shares in the Company or cash.

On 9 November 2017, Gladesburg Holding Ltd. (Gladesburg), a related body corporate of PT Rajawali Corpora, which is known as Rajawali Group (Rajawali) has entered into a Debenture Purchase Agreement to purchase the Anglo Pacific Convertible Facility from Anglo Pacific.

The purchase price is US$2,234,391 plus the amount of interest that accrues on US$4,234,391 (Principal amount including capitalised interest which outstanding at 9 November 2017) between 1 July 2017 and the business day before the Debenture Purchase Agreement completes, calculated at a rate of 8% per annum. The completion of the Debenture Purchase Agreement is due to occur within 10 business days after the end of the off-market takeover bid offer period (refer to Operating and Financial Review section in Directors' Report).

BORROWINGS (continued)

Movement in Loan Facilities – PT Rajawali Corpora

Current	$
Opening Balance as at 1 July 2017	1,295,679
Additional borrowings	2,224,259
Interest charges	89,500
Unrealised foreign exchange movement	(19,395)
Carrying value of liability at 31 December 2017	**3,590,043**

During the half year ended 31 December 2017, the Company signed further revolving credit facility loan Agreements ('Loan Agreements') with Rajawali, the Company major shareholder. Key terms of the Loan Agreements are as follow :

i) amounts totalling US$2,720,387 ($3,500,543) at 31 December 2017;

ii) secured against a first priority payment on the sale of an interest in Sapex; and

iii) interest of 7.5% per annum, to be paid on repayment of the loan.

The Company has signed Deeds of Variation with Rajawali to extend the repayment tenor of loan including the interest payable for a period of six months from signing of the deeds. As such, no loan and interest repayment are currently overdue and there is no set date for repayment.

9. CONTRIBUTED EQUITY

	Consolidated 31 December 2017 $	Consolidated 30 June 2017 $
a. Issued Capital		
538,026,598 (30 June 2017: 538,026,598) fully paid ordinary shares	140,998,541	140,998,541
	140,998,541	140,998,541

b. There is no movement in Ordinary Share Capital during the half year ended 31 December 2017.

10. RESERVES

	Consolidated 31 December 2017 $	Consolidated 30 June 2017 $
a. Foreign Currency Translation Reserve		
Translation of controlled foreign entity	(739,492)	144,000
b. Other Reserves		
Gain on defined benefit obligations	8,755	8,755
Total Reserves	**(730,737)**	**152,755**

11. NON-CASH FINANCING AND INVESTING ACTIVITIES

There were no non-cash financing or investing activities during the half year ended 31 December 2017.

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

Subsequent to the end of the half year, the Company has borrowed additional loan amounts totalling US$697,470 ($893,963) under the revolving credit facility Loan Agreements ('Loan Agreements') with PT Rajawali Corpora ('Rajawali') signed in November 2017 under the same terms and conditions. This brings the total amount of loans from Rajawali to US$3,498,422 ($4,484,007).

In addition to the Loan Agreements, Rajawali has confirmed to the Directors of the Company of its ongoing financial assistance to Company as and when it is needed to enable the Company to continue its operations and fulfil all of its financial obligations for a minimum period of twelve months from the date of this financial report.

As of 14 March 2018, PT Surya had received acceptances of its Offer for 17.59% of Indo Mines Shares, taking Rajawali's voting power in Indo Mines as at that date to 74.71%. The closing date of the Offer has been extended until 29 March 2018.

Other than the matter outlined above, 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.

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 6 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 2017 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 2018

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 2017, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Indo Mines Limited Group (the Group). The Group 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 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 half-year 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 2017 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*.

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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:

1. giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;

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

Material uncertainty related to going concern

We draw attention to note 2 in the financial report which indicates that the Group incurred a loss attributable to the equity holders of the Company of $4,315,275 for the half year and had net current liabilities of $10,819,914 as at 31 December 2017. Current liabilities included a convertible note from Anglo Pacific Group plc which was due on 31 December 2017 and liabilities due to the Australian Taxation Office. As a result, the Group is dependent on receiving the continued financial support of its majority shareholder. These conditions along with the other matters set forth in note 2 indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers

PricewaterhouseCoopers

Ben Gargett
Partner

Perth
16 March 2018