



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 27 JANUARY 2010

ACQUISITION OF SIGNIFICANT COAL ASSETS IN INDONESIA AND STRENGTHENING OF INDO MINES BOARD

Highlights:

- **Acquisition of rights to an advanced coal project in well established South Kalimantan region of Indonesia.**
- **Production from trial mining activities at the BBPK Project is targeted to commence by April 2010 thereby taking advantage of the current high thermal coal price**
- **Bankable Feasibility Study completed on the project in 2008 by a major mining group**
- **Highly respected mining executives Dr Derek Fisher and Mr Paul Kopejtka to join the Indo Mines Board**

Indo Mines Limited (ASX: IDO) is pleased to announce that it has entered into a conditional agreement ("Agreement") to acquire Fireside Resources Ltd ("Fireside"), an unlisted Australian public company, which holds the rights to an advanced coal project, the BBPK Coal Project ("BBPK Project"), which is targeting to commence production by April 2010. Fireside also holds a number of other resource assets in the Republic of Indonesia.

A Bankable Feasibility Study was recently completed by a major mining group on the BBPK Project and Fireside has negotiated the acquisition of the study which will assist in the development and operation of the mine. Fireside is required to achieve a minimum monthly output of 25,000 tonnes of nominal 6,500 kcal (ADB) thermal coal by May 2010.

As part of the transaction, the Board of Indo Mines will be strengthened with the appointment of Dr Derek Fisher (Managing Director and CEO of Moly Mines Limited (ASX: MOL)) and Mr Paul Kopejtka (Executive Chairman of Murchison Metals Limited (ASX: MMX)), both of whom have demonstrated project development and large scale capital raising experience.

The proposed acquisition will create a diversified company with:

- *a significant presence in the well established coal region of Kalimantan, with the ability to take advantage of strengthening thermal coal prices by targeting near term production;*
- *a portfolio of quality coal, iron sands and nickel projects in Indonesia, diversifying the project development and resource risk;*
- *an enhanced and highly credentialed Board with proven capability to identify and fund substantial mining projects; and*
- *operational synergies including access to a larger pool of in-country technical, operational and administrative personnel.*

Fireside Project locations across Indonesia



Managing Director of Indo Mines, Mr Phil Welten, said “The proposed transaction will give Indo Mines the opportunity to develop strategic coal assets which are targeting production to take advantage of the current high thermal coal price that together with the Jogjakarta Pig Iron Project will help to grow the Company’s presence in Indonesia.

We are also pleased to have two very capable industry leaders joining the board to support the ongoing development of the Indonesian assets bringing additional technical expertise as well as a proven track record in funding large scale resource projects through the development phase”.

The commercial terms of the acquisition, which is subject to approval by Indo Mines shareholders, include the issue to Fireside shareholders of 20 million Indo Mines shares at settlement, with further ordinary shares to be issued upon achievement of milestones relating to both the coal assets and financing of the Jogjakarta Pig Iron Project (“the Project”) (see Commercial Terms section for further details).

Indo Mines intends to issue 12 million shares to fund the initial development costs of the BBPK Project to move into production and to provide working capital. StoneBridge Group will manage the placement to sophisticated investors.

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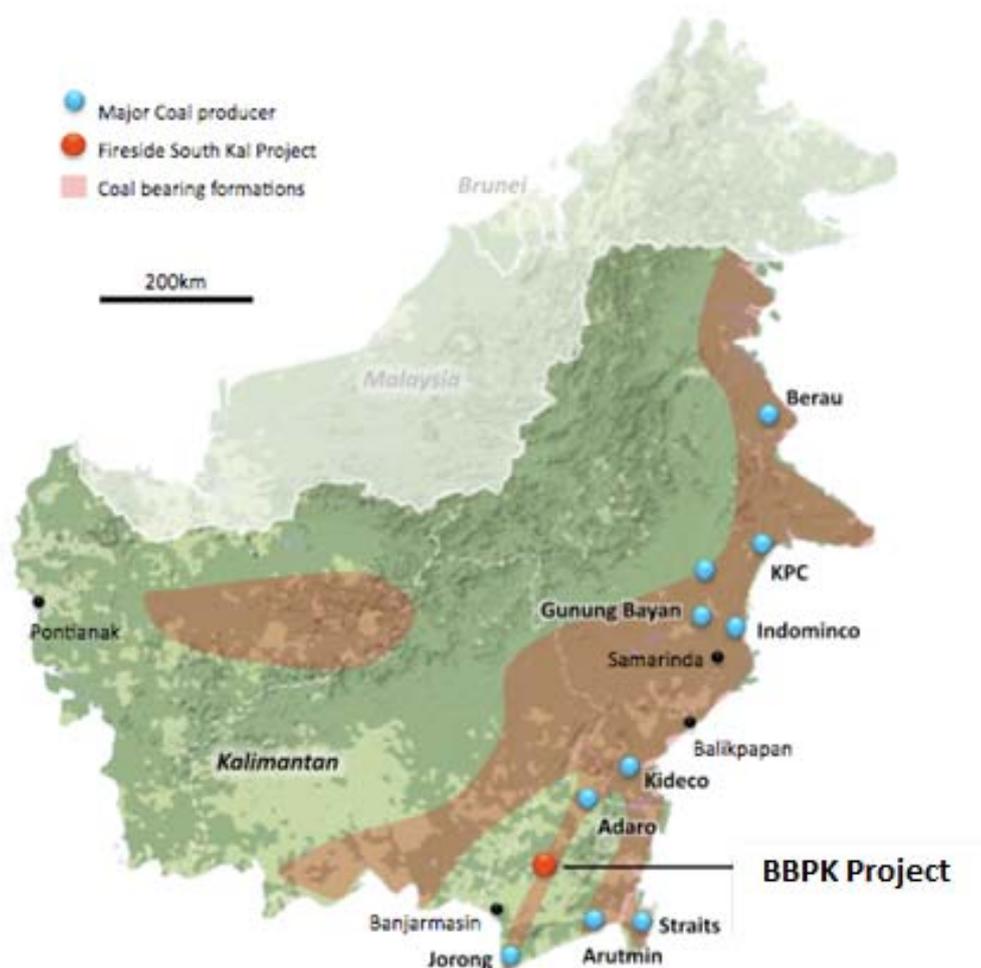
FIRESIDE COAL ASSETS

Fireside has the rights to the BBPK Project which is now ready to commence development and production within a relatively short time frame:

BBPK (PT Bangun Buana Persada Kalimantan) PROJECT

- Coal at surface and shallow
- BFS completed by major mining group
- Over 5,000 metres of the exploration drilling program completed to date
- Mining in adjacent blocks at over 25,000 tonne/month

South Kalimantan Major Coal Production Areas



Fireside also has a number of coal project targets in the surrounding area adjacent to the BBPK Project. The area is relatively flat terrain, with topographic highs pertaining to tilted sedimentary fault blocks of the Tanjung and Warukin Formations. They are located on the eastern margin of the Barito basin, and are in general covered by rubber plantations and secondary forestry regrowth, which are cut by mining haulage roads and a network of secondary gravel roads. The Neogene or Warukin Formation coal seams predominate in the western areas, whilst Eocene or Tanjung Formation coal seams are encountered in the eastern areas. Typical coal quality specifications of the coal formations for the Projects are listed below:

Area Name	Tanjung Formation	Warukin Formation
Caloric Value (adb)	6,300-7,000	5,200-5,500
Total Sulphur	0.5-0.9 %	0.1-0.9 %
Ash (adb)	10-15 %	2-7 %
H.G.I	40-45	45-50
Moisture (ar)	10-12 %	20-40 %
Volatile Matter	38-45 %	38-42 %
Fixed Carbon	38-46 %	38-40 %

South Kalimantan – Typical Coal Quality Specifications

BBPK (PT Bangun Buana Persada Kalimantan) PROJECT

The BBPK Project is located in a major coal production area 95 kilometres north of Banjarmasin, the capital of South Kalimantan. Access is via sealed road, contracting services locally available for all of the mining activities and infrastructure is in place for transportation and barging of coal.

With over 5,000 metres of the exploration drilling program completed to date on the BBPK Project there is sufficient information to conclude that the geology of the BBPK Project is consistent with the mines that are along strike, and to commence trial mining. Mining in the adjacent blocks along strike of the project has been consistently recovering 6,300 – 7,000 Kcal/kg (adb) approx high quality thermal coal. Fireside will continue further exploration and in-fill drilling whilst in operation, both to identify new coal seams on the concession as well as extend the resource that will be mined.



*Mining on adjacent block exposing the BBPK Coal Seam
(Note Outcropping seam on top right corner of Photograph)*

The BBPK Project is suitable for an open-cut contract mining operation that will extend the pit along strike from the adjacent mined out block. Production from the adjacent block was in excess of 25,000 tonnes per month and Fireside is contracted to maintain a similar productivity (300,000 tpa), mining conditions are expected to be similar to that in the existing mining operations.

Crushing will take place onsite by use of a mobile crushing unit installed near to the BBPK operation. A suitable crushing unit has been sourced by Fireside and is expected to be operational by April 2010. Transportation of coal will be by road, approximately 50kms to the Sungei Putting port facility along the Barito River, where coal will be stockpiled and sold FOB Barge.



3m thick Sub-bituminous coal seam in the adjacent pit

FIRESIDE SAGEA NICKEL PROJECT (HALMAHERA ISLAND)

In August 2008 Fireside entered a joint venture agreement with a local Indonesian company (PT Harum) for ownership of 50% of the Sagea laterite nickel project. This project is located close to the world class Weda Bay laterite nickel project on the island of Halmahera, located north east of Sulawesi in Indonesia.

Fireside conducted an initial drilling programme in late 2008 which confirmed the project is prospective for nickel. This project will be further evaluated by Fireside in the coming months.

NEW BOARD MEMBERS

Upon settlement of the transaction the current Board of Indo Mines will be strengthened by two Fireside representatives:

- Dr Derek Fisher is a geologist by background with a doctorate in geology from the University of Toronto. He has been involved in the resources sector continuously since the late 1960's and is credited with the discovery and development of a number of major projects around the world. He is a former President of the Association of Australian Exploration Companies and has extensive experience in the North American equity and debt markets.

He is currently President and CEO of Moly Mines Ltd (ASX: MOL) and has been instrumental in identifying, developing and arranging the \$700 million capital funding of its key Australian molybdenum project, Spinifex Ridge.

- Mr Paul Kopejtka holds a Bachelor of Engineering (Chemical) degree from Curtin University, specialising in the mineral resources sector. He has over 20 years experience in the Australian and overseas mining industry as an engineer and consultant in the areas of green and brown fields project evaluation and feasibility study management, plant design and engineering and commissioning. Mr Kopejtka is a founding director and Chairman of Murchison Metals (ASX: MMX) where he has demonstrated his ability to develop both a world class resource and infrastructure project.

Indo Mines is pleased to have two very capable industry leaders joining the board to support the ongoing development of the Indonesian assets.

COMMERCIAL TERMS

The commercial terms of the acquisition, which is subject to due diligence and approval by Indo Mines shareholders, includes the issue to Fireside shareholders of 20 million Indo Mines shares at settlement, with further ordinary shares to be issued upon achievement of independent milestones as follows:

1. 20 million Indo Mines shares upon a decision to mine a coal project and procuring the funds required for the development, construction and operation;
2. 15 million Indo Mines shares upon the production and sale of 300,000 tonnes of coal;
3. 20 million Indo Mines shares upon the production and sale of 1,000,000 tonnes of coal;
4. 20 million Indo Mines shares if Fireside enters into a coal forward sales agreement within 28 days of this Agreement to receive a cash amount of US\$5,000,000. If the cash amount to be received by the Company pursuant to a coal forward sales agreement) is less than US\$5,000,000, then a pro-rata amount of the additional Indo Shares based on the cash amount to be received by the Company.
5. 20 million Indo Mines shares upon the Company obtaining sufficient funding to complete the Bankable Feasibility Study (BFS) to develop the Pig Iron Project; and
6. 20 million Indo Mines shares upon the decision to mine the Pig Iron Project and the introduction of a strategic partner and Indo Mines entering into an unconditional strategic alliance to substantially assist in development and financing of the Project.

There are normal commercial warranties associated with the sale of mining assets, shares in companies and the issuing of consideration shares. The agreement must settle on or before 30 June 2010, however this date may be extended if agreed by the parties.

Prior to settlement, Indo Mines will provide initial interim funding of up to \$1.5 million to be funded progressively to Fireside to provide working capital to continue to progress the coal projects. The funding prior to settlement will be secured by a convertible note should the parties not proceed with the transaction.

Indo Mines has sent out offers to all shareholders of Fireside, at the time of this release, 56.44% of acceptances has been received.

Incentive Securities

The Company also intends to grant, subject to the required approvals, up to 15,000,000 incentive options exercisable at \$0.30 each, vesting in equal tranches upon the share price of the Company reaching \$0.40, \$0.50 and \$0.60 (based on a 5 day VWAP) to the proposed new non-executive directors of the Company.

A further 1,500,000 incentive options will also be granted to current Managing Director, Phil Welten, as follows:

- 500,000 incentive options exercisable at \$0.30;
- 500,000 incentive options exercisable at \$0.40; and
- 500,000 incentive options exercisable at \$0.50.

DUE DILIGENCE REQUIREMENTS AND SETTLEMENT

Shareholders and potential investors should note that prior to the Company executing the conditional agreement with Fireside and its vendors, it conducted a high level review and assessment of the information provided in respect of the coal and nickel projects.

Indo Mines will now be undertaking a more comprehensive due diligence process (including title, environmental and other risks) with respect to the acquisition of Fireside, however it should be noted that the usual risks associated with start up companies undertaking exploration and development activities in the resources sector in Indonesia will remain at completion of this due diligence process. The company also advises that there is no guarantee that Fireside will meet its contracted obligations for the production of coal.

Shareholders and investors should also be aware that the agreement to acquire Fireside is conditional upon the following:

- satisfactory completion of due diligence by Indo Mines;
- agreement to sell being received from the non-director security holders of Fireside;
- approval being received from shareholders of Indo Mines; and
- other commercial conditions customary for a transaction of this nature.

Accordingly, there is a risk that the transaction contemplated by this announcement may be changed or not be completed before the 30 June 2010 end date. Should the transaction not complete, the interim funding, although secured by a convertible note, may not be refunded.

Shareholders of Indo Mines will be asked to approve the transaction at a meeting which is expected to be held in March 2010. Full particulars of the transaction terms will be provided to security holders through a Notice of General Meeting which is expected to be mailed to security holders in the coming weeks.

CAPITAL RAISING

Indo Mines intends to issue 12 million shares to fund the initial development costs of the BBPK Project to move into production and to provide working capital. StoneBridge Group will manage the capital raising process.

GEOLOGICAL INFORMATION

The information in this report that relates to Exploration Results and Mineral Resources of the Fireside Projects is based on information compiled by Mr Hamish Campbell, who is a Member of the Australian Institute of Mining and Metallurgy. Mr Campbell is a full time employee of Pt Jasa Prima Raya of Jakarta. Mr Campbell has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Campbell consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.