INDOCHINE MINING LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT) AND CONTROLLED ENTITIES

ACN 141 677 385

Annual Financial Report
30 JUNE 2016

Contents

Indochine Mining Limited (Subject to Deed of Company Arrangement) and Controlled Entities
ACN 141 677 385

Review of Operations

Indochine Mining Limited (**Indochine, IDC** or the **Company**) was placed into Voluntary Administration (**VA**) on 27 March 2015 by the Directors of the Company. The operations report below summarises the state of affairs in the past 12 months.

During the year, Mr Anthony Gates was appointed as Non-Executive Director (30 May 2016) and Mr Dermott McVeigh resigned as the Non-Executive Chairman on 03 November 2015.

On a more sombre note, the Company and the board of Directors (**Board**) deeply regrets the passing away of the Summit Development Limited (**SDL**) Country Manager, Mr. George Niumataiwalu on 24 November 2015. George had committed tremendous energy and brought a sense of responsibility to resolving the complex issues of the Mt Kare project.

The Company has been under external administration since 27 March 2015 and will remain so until the deed of company arrangement (**DOCA**) is effectuated and settled on, or prior to, 31 March 2018.

On 18 January 2016 the Papua New Guinea (**PNG**) Mineral Resource Authority (**MRA**) advised the Company that on 14 December 2015 the Minister for Mining (**Minister**) had refused SDL application for the renewal of Exploration License 1093 (**EL 1093**). In the intervening period between the decision being made and receipt of the notification, another company had registered an application on the newly created exploration license over Mt Kare on 18 December 2015.

On 1 March 2016, SDL filed an application with the PNG National Court seeking a judicial review of the Minister's decision on EL 1093. The first hearing to consider the judicial review was held on 7 April 2016. As a consequence of this hearing, SDL was granted leave to:

a) apply for a judicial review of the Minister's rejection of the renewal application lodged on 14 July 2014 for a term of two years;
b) file and serve a substantive Notice of Motion by 1 May 2016; and
c) a stay of proceedings.

In the intervening period until the date of this report, a number of legal submissions have been made and the substantive hearing for the judicial review was held on 5 September 2017. The judgement on the matter has been deferred until a date to be notified.

During the period, Aude Holdings Pty Ltd (the **Secured Creditor**) has continued to fund the costs associated with continuing operations of SDL including:

a) maintaining the Mt Kare Gold/Silver Project in good standing;
b) legal costs associated with the judicial review; and
c) any amounts payable to the administrator of the DOCA (the **Deed Administrator**).

A further variation to extend the facility and loan amount was effected on 24 July 2017.

Separately, due to legal proceedings by a former employee of Indochine Resources Pty Limited (**IRL**), a wholly owned subsidiary of Indochine, IRL was placed in liquidation on 25 February 2016 by the court appointed liquidator BRI Ferrier. As a result, IRL and its wholly owned subsidiary Indochine Resources (Cambodia) Limited have been deconsolidated from the accounts.

Mineral Resource and Ore Reserve Statement Summary

This statement represents the Mineral Resources and Ore Reserves (**MROR**) for Indochine as at 30 June 2016. This MROR statement has been compiled and reported in accordance with the guidelines of the 2004 Edition of the

Review of Operations (*continued*)

'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (**2004 JORC Code**) and also represents the first MROR statement for the Company.

This statement is to be reviewed and updated annually in accordance with the 2004 JORC Code. The nominated annual review date for this MROR statement is 30 June. During the period the Company's Mineral Resources remained unchanged at the Mt Kare Gold/Silver project in PNG until the tenement licence was not renewed by the PNG Minister on 14 December 2015. Per the opening commentary above, the Ministerial decision to refuse the licence is currently the subject of a Judicial Review by the PNG National Court. The tenement licence issued by the PNG Government was held until 13 December 2015 by SDL, a PNG entity, which is 100% owned by Indochine.

The Mt Kare mineral resource estimate was updated and reported in July 2013 in accordance with the guidelines of the 2004 JORC Code and has not been updated to comply with the 2004 JORC Code. The Company is not aware of any new information or data that materially affects the information included in the relevant market releases for this estimate. The Company confirms that all material assumptions and technical parameters underpinning the estimate in the relevant market releases continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's (**CP's**) findings are presented here have not been materially modified.

As at the Annual Review date of 30 June 2016, this MROR Statement has been approved by the named CP, Mr Anthony Gates.

<u>Mineral Resource</u>

As at 30 June 2016 the Company's Mineral Resources for the Mt Kare Gold/Silver project are:

Table 1. Mt Kare Gold/Silver project – 2004 JORC Code Resource[1] at 0.5 g/t gold cut-off

JORC Resource Category	Million Tonnes	Gold g/t	Silver g/t	Gold Moz	Silver Moz
Measured Resource	20.2	1.84	20.9	1.19	13.5
Indicated Resource	8.3	1.29	8.1	0.34	2.2
Measured and Indicated Resource *(Combined)*	28.4	1.68	17.2	1.53	15.7
Inferred Resource	14.1	1.27	6.0	0.58	2.7
Total Mineral Resource	**42.5**	**1.54**	**13.5**	**2.11**	**18.4**

The Mt Kare Gold/Silver Project Mineral Resource was first reported in July 2013 in accordance with the 2004 JORC Code (refer to Australian Stock Exchange (**ASX**) Releases dated 10 July 2013 for viewing at www.indochinemining.com.

Comparison with Prior Year Estimates

Mineral Resource: During the 2016 financial year, the Company has announced no new changes to the Mt Kare Project mineral resource inventory.

Ore Reserves: As at 30 June 2016, the Company had no reportable Ore Reserves in accordance with the 2004 JORC Code.

Note 1: *This information was prepared and first disclosed under the 2004 JORC. It has not been updated since to comply with the 2012 JORC Code on the basis that the information has not materially changed since it was last* *reported. The Company is not aware of any new information or data that materially affects the information included in the previous ASX announcements and that all of the previous assumptions and technical parameters underpinning the estimates in the previous ASX announcement have not materially changed.*

Governance Summary

All drilling, logging and sampling activities are supervised and executed by a large staff of geologists and core personnel on site in PNG in accordance with protocols, QA/QC controls and written procedures developed by Senior Geologists in consultation with the CP. All Indochine drilling uses diamond triple tube to obtain predominantly PQ core. The use of a new proprietary drilling mud since 2013 has ensured core recoveries above 90% across all zones. Electronic down hole survey equipment provides orientation and dip information at 30m intervals with collar co-ordinate surveys by Digital Global Positioning System (**DGPS**). Core is logged at site by Company Geologists using an electronic logging system with validation and loaded into a relation database by an external database Consultant. Assay QA/QC assay procedures and reports monitor crushing and pulverisation during sample preparation and subsequent analysis.

The Mineral Resource estimates listed in this report are subject to Indochine's governance arrangements and internal controls. The resource estimates are derived by the CP with the relevant experience in the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking. The CP carries out reviews of the quality, suitability and interpretation of the data underlying the Mineral Resource estimate, including a site visit. Geology, grade and classification models in all instances are generated and substantiated by an independent Resource Consultant in collaboration with the CP.

Competent Persons Statement

The information in this report that relates to the Mineral Resource Statement is based on the information compiled and reviewed by Mr Anthony Gates, who is a member of the Australian Institute of Mining and Metallurgy (**AusIMM**). Mr Gates is a Non-Executive Director of the Company and has sufficient experience relevant to the style of mineralisation and type of deposits under consideration and to the activity undertaken, being reported herein as Mineral Resource estimate, 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 (The JORC Code, 2004 Edition). Mr Gates has consented to the public reporting of these statements and results and in the form and context in which they appear.

Indochine Mining Limited (Subject to Deed of Company Arrangement) and Controlled Entities
ACN 141 677 385

Directors' Report

Your Directors present their report on the results of Indochine Mining Limited (Subject to DOCA) (**Group**, **Company**, **IDC** or **Indochine**) for the consolidated group for the year ended 30 June 2016. As indicated in the Review of Operations Report, the directors of Indochine resolved to place the Company into VA on 27 March 2015 at which time the powers of the Directors passed to the appointed Administrators, Ferrier Hodgson.

On 13 May 2015, a formal DOCA proposed by Kandahar Holdings Pty Limited (**Kandahar**) was supported by creditors and was executed on 4 June 2015 and lodged with Australian Securities and Investment Commission (**ASIC**). The Company has been in Voluntary Administration during the entire period covered by this report.

The key activities under the DOCA include the preparation of the financial statements for the year ended 30 June 2016 and half-year ended 31 December 2015. The Directors recommend that these financial statements be read in conjunction with the financial statements for the half-year ended 31 December 2015.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Dermott McVeigh	(Appointed 31 July 2014, resigned 3 November 2015)
Craig Dawson	(Appointed 18 February 2014)
Keith Murray	(Appointed 20 October 2014)
Anthony Gates	(Appointed 30 May 2016)

NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

Dermott McVeigh BA (Hons) Accounting, MBA

Non-executive director and Chairman

Dermott McVeigh is a Chartered Accountant in Australia and Ireland and is a commercial restructuring specialist with over 15 years of experience. Dermott began his career as an auditor in the UK and immigrated to Australia in 2002 where he specialised in corporate restructuring and financial modelling. In 2009, Dermott became one of the youngest partners in Deloitte Touche Tohmatsu in Australia and in 2012 he established Avior Consulting as a boutique financial services firm.

Craig Dawson AssocDipMMT(Mine Surveying), BAppSc (Mining Engineering), MBA, MAusIMM, GAICD, AWASM

Non-executive director

Craig Dawson brings successful mine development experience and expertise over three decades in Australia and Africa. Mr Dawson has had multiple roles in companies such as Lion Ore/Norilsk Nickel Australia, Northern Mining Limited, Aditya Birla Minerals Limited and Sandfire Resources NL, and most recently as the CEO of Noble Mineral Resources. A key highlight in his career was his role as General Manager Operations with Sandfire Resources where he led the successful development of the DeGrussa Copper project in Western Australia, an open pit and underground mine and processing plant. Mr Dawson played a pivotal role in delivering the DeGrussa project on time and under budget.

Keith Murray B Accounting, CA

Non-executive director

Keith Murray has executive career spanning over 30 years with experience in audit and accounting, principally as a financial controller and company secretary in contract mining companies as well as in retail operations. He is currently General Manager Corporate and Company Secretary with Heytesbury Group.

Anthony Gates B.Sc, FAustIMM, FAIG, Chart.Prof(Geol), MMICA

Non-executive director

Anthony Gates is an exploration geologist with over 50 years of experience in the mining industry, primarily focused in Australia and PNG. His success includes the discovery of high grade Emily Ann Nickel Deposit and Higginsville colluvial /alluvial mine in Western Australia. His work in PNG involved detailed mapping, sampling and exploration drilling and included due diligence on the Mt Kare Gold project and the Malamunda Gold project.

COMPANY SECRETARY

Mr Ashok Jairath held the position of Joint Company Secretary at the end of the financial year. Mr Jairath is a FCPA, with over 35 years of experience in financial and corporate roles in Australia and Europe and Company Secretary roles in other listed and unlisted public companies. Mr Jairath is also the Chief Financial Officer (**CFO**) of the Company.

OPERATING AND FINANCIAL RESULTS

The Group's accounts have been prepared on a non-going concern basis and subsequent assets have been measured at their subsequent realisable value. Refer to Note 1 – Statement of Significant Accounting Policies.
The consolidated loss of the consolidated group for the financial year after providing for income tax amounted to $3,519,126 (2015 loss of $104,437,600).

DIVIDENDS

No dividends have been paid or declared during the financial year, nor do the directors recommend the declaration of a dividend.

FINANCIAL POSITION

The net liabilities of the consolidated group increased by $3,048,658 from $11,837,122 as at 30 June 2015 to $14,885,780 as at 30 June 2016.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Potential developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The economic entity's operations are subject to significant environmental regulation in respect to its exploration activities. There have been no reports of breaches of environmental regulations during the financial year or to the date of this report.

REMUNERATION REPORT (Audited)

This report details the nature and the amount of remuneration for each director of Indochine and for the executives receiving the highest remuneration.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the achievement of certain set targets. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

Key management personnel based in Australia receive a superannuation guarantee contribution required by the government, which is currently 9.50%, and do not receive any other retirement benefits.

Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement. Key management personnel are paid an agreed amount in the event of redundancy.

All remuneration paid to key management personnel is valued at the cost to the Company and capitalised and expensed according to the proportion of time spent on exploration.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and is currently set at $350,000 per annum. Additionally, the directors can be entitled to be paid $2,000 per day as consulting fees for work outside the scope of a director's normal duties.

Currently, no fees are paid to the directors as the Company is under Administration. This will be restored once the DOCA is effectuated.

Employment Details of Members of Key Management Personnel and Other Executives

The following table provides employment details of persons, who were, during the financial year, key management personnel of the consolidated group, and to the extent different, among the executives or company executives receiving the highest remuneration. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

	Position Held as at 30 June 2016 and any Change during the Year	Contract Details (Duration and Termination)	Proportions of Elements of Remuneration Related to Performance			Proportions of Elements of Remuneration Not Related to Performance	
			Non-salary Cash-based Incentives	Shares/ Units	Options/ Rights	Fixed Salary/ Fees	Total
			%	%	%	%	%
Directors							
Dermott McVeigh[1]	Director		-	-	-	100	-
Craig Dawson[2]	Director		-	-	-	100	-
Keith Murray[3]	Director		-	-	-	100	-
Anthony Gates [4]	Director		-	-	-	100	-
			-	-	-		-
Management							
Ashok Jairath	CFO	Renewable annually, 3 months notice	-	- -	-	100	-
George Niumataiwalu[5]	Project Director Regional Country Officer PNG	1 yr, 3 months notice	-	-	-	100	-
							-

Remuneration Details for the Year Ended 30 June 2016

The following table of benefits and payments details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the consolidated group and, to the extent different, the five Group executives and five company executives receiving the highest remuneration.

Indochine Mining Limited (Subject to Deed of Company Arrangement) and Controlled Entities
ACN 141 677 385

Directors' Report (*continued*)

Table of Benefits and Payments for the Year Ended 30 June 2016

	Short Term Benefits		Post Employment Benefits	Share-based Payments	
	Cash Salary, Fees and Other	Deferred Salary**	Superannuation Contribution	Options/Shares	Total
	$	$	$	$	$
Directors:					
Dermott McVeigh[(1)]	-	30,000	2,850	-	32,850
Craig Dawson[(2)]		20,000	1,900	-	21,900
Keith Murray[(3)]	-	20,000	1,900	-	21,900
Anthony Gates[(4)]	-	-	-	-	
Management:					
Ashok Jairath, CFO	122,761	-	-	-	122,761
George Niumataiwalu[(5)] Country Officer PNG & Regional Project Director	101,197	-	9,614	-	110,811

(1) Appointed 31 July 2014, resigned 3 November 2015

(2) Appointed 18 February 2014

(3) Appointed 20 October 2014

(4) Appointed 31 May 2016

(5) Deceased 24 November 2015

** Deferred salaries of Directors and Management are reflected in the accounts as accrued expenses and creditors and may become payable in the future under the DOCA.

Table of Benefits and Payments for the Year Ended 30 June 2015

	Short Term Benefits		Post Employment Benefits	Share-based Payments	
	Cash Salary, Fees and Other	Deferred Salary**	Superannuation Contribution	Options/Shares	Total
	$	$	$	$	$
Directors:					
Dermott McVeigh(1)	52,500	30,000	7,838	-	90,338
Craig Dawson(2)	25,000	35,000	5,700	-	65,700
Keith Murray(3)	-	41,613	3,953	-	45,566
Hugh Thomas(4)	-	8,175	-	-	8,175
Gavan H Farley(5)	25,000	-	2,375	-	27,375
Robert Thomson(6)	-	5,475	-	-	5,475
Management:					
Stephen C Promnitz, CEO(7)	-	49,467	4,700	-	54,167
Ashok Jairath, CFO	139,150	107,250	-	-	246,400
George Niumataiwalu Country Officer PNG & Regional Project Director	330,654	93,319	26,027	-	450,000

(1) Appointed 31 July 2014, resigned 3 November 2015

(2) Appointed 18 February 2014

(3) Appointed 20 October 2014

(4) Resigned 30 July 2014

(5) Resigned 30 October 2014

(6) Resigned 30 July 2014

(7) Resigned 30 July 2014

** Deferred salaries of Directors and Management are reflected in the accounts as accrued expenses and creditors and may become payable in the future under the DOCA.

MEETING OF DIRECTORS

There were no meetings of the directors held during the year as under the DOCA all decisions regarding the day to day operations of the Company rest with the Deed Administrators.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

No indemnities have been given or insurance premium paid during or since the end of the financial year for any person who is or has been an officer of the Company.

OPTIONS

At the date of this report, there were no unissued ordinary shares of Indochine Mining Limited as all options on issue were cancelled under the DOCA.

PROCEEDINGS ON BEHALF OF THE COMPANY

A former employee of Indochine Resources Pty Limited (**IRL**) initiated legal proceedings against IRL, a wholly owned subsidiary of Indochine. The proceedings have now concluded and IRL was placed in liquidation on 25 February 2016 by the court appointed liquidator BRI Ferrier.

On 18 January 2016, SDL was advised that on 14 December 2015 the PNG Minister had refused the SDL's application to renew EL 1093. As a consequence, SDL filed an application with the PNG National Court seeking judicial review of the Minister's decision. The substantive hearing for the judicial review was held on 5 September 2017. The judgement on the matter has been deferred until a date to be notified.

CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement and Appendix 4G have been released to ASX and can also be found on the Company's website http://www.indochinemining.com.

NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2016:

	$
Taxation services and other services	6,180

Indochine Mining Limited (Subject to Deed of Company Arrangement) and Controlled Entities
ACN 141 677 385

Directors' Report (*continued*)

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 14 following the Directors' report.

Signed in accordance with a resolution of the Board of Directors.

Keith Murray
Non-Executive Director
Date: 19 October 2017

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Indochine Mining Ltd (subject to Deed of Company Arrangement) for the year ended 30 June 2016, 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 audit; and

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

Crowe Horwath Perth

CROWE HORWATH PERTH

SEAN MCGURK
Partner

Signed at Perth, 19 October 2017

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF INDOCHINE MINING LTD (SUBJECT TO DEED OF COMPANY ARRANGEMENT)

We were engaged to audit the accompanying financial report of Indochine Mining Ltd (subject to Deed of Company Arrangement), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards as they apply on a non going concern basis and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial report* that the financial report complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Independence

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

Basis for Disclaimer of Opinion

As a result of the matters outlined in Note 1 to the financial report the consolidated financial report of Indochine Mining Limited (subject to Deed of Company Arrangement) has been prepared on a non going concern basis. By preparing the financial report under the non going concern basis, the directors of Indochine Mining Limited (subject to Deed of Company Arrangement) have determined that they have no realistic alternative other than to liquidate the operations of the entity. Management have been unable to provide sufficiently complete information in respect to creditor claims (including employee entitlements) arising in a liquidation scenario. As a result, we have been unable to gain sufficient evidence over the completeness of the creditor claims and the associated disclosures in the financial report.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial report.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Indochine Mining Ltd (subject to Deed of Company Arrangement) for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001.*

Crowe Horwath Perth

CROWE HORWATH PERTH

SEAN MCGURK
Partner

Signed at Perth, 19 October 2017

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Indochine Mining Limited (Subject to Deed of Company Arrangement) and Controlled Entities
ACN 141 677 385

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2016

		CONSOLIDATED GROUP	
		2016	2015
	Note	**$**	$
Other income	2(a)	**110**	981,691
Professional fees		**(214,357)**	(595,535)
Insurance expenses		**(18,130)**	(61,872)
Employee benefits expense		**(128,133)**	(445,776)
Share-based payment	2(c)	**-**	(636,164)
Depreciation and amortisation expenses	2(b)	**-**	(6,779)
Travel expenses		**(1,353)**	(126,306)
Consultancy expenses		**(163,161)**	(1,279,693)
Lease and occupancy expenses	2(d)	**-**	(93,589)
Impairment of exploration costs	1(c)	**-**	(99,337,792)
Impairment of receivables		**46,150**	(512,381)
Impairment of fixed asset		**-**	(716,559)
Public relations and marketing expenses		**-**	(27,312)
Administration expenses		**(1,516,169)**	(273,817)
Interest on loan		**(1,506,318)**	(796,485)
Administrators fees		**(11,364)**	(259,209)
Other expenses		**(6,763)**	(56,030)
(Loss) before income tax from continuing operations		**(3,519,488)**	(104,243.606)
Income tax expense	3(a)	**-**	-
(Loss) for the year from continuing operations		**(3,519,488)**	(104,243,606)
Gain/(loss) after income tax from discontinued operations	4	**362**	(193,994)
(Loss) for the year		**(3,519,126)**	(104,437,600)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation reserve gains	15	**470,469**	4,669,177
Other comprehensive income for the year		**470,469**	4,669,177
Total comprehensive (loss) for the year*		**(3,048,657)**	(99,768,423)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2016 (*continued*)

		CONSOLIDATED GROUP	
		2016	2015
		$	$
Total Comprehensive for the year is attributable to:			
Continuing operations		**(3,049,019)**	(99,574,429)
Discontinued operations		**362**	(193,994)
		(3,048,657)	(99,768,423)
Basic loss per share (cents per share)			
Continuing operations	7(c)	(89)	(3,156)
Discontinued operations		-	(6)
		(89)	(3,162)

* There are no non-controlling interests or losses. All losses are attributable to the members of the parent.

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes. The 2016 and 2015 financial statements have been prepared on a non-going concern basis. Refer to Note 1(a).

Indochine Mining Limited (Subject to Deed of Company Arrangement) and Controlled Entities
ACN 141 677 385

Consolidated Statement of Financial Position
As at 30 June 2016

		CONSOLIDATED GROUP	
		2016	2015
	Note	**$**	$
ASSETS			
Cash and cash equivalents	8	**248,246**	285,847
Trade and other receivables	9	**2,659**	-
Property, plant and equipment	10	**-**	-
Exploration and evaluation costs capitalised	11	**-**	-
TOTAL ASSETS		**250,905**	285,847
LIABILITIES			
Trade and other payables	12	**15,016,685**	11,938,907
Provisions	13	**120,000**	184,062
TOTAL LIABILITIES		**15,136,685**	12,122,969
NET ASSETS/(LIABILITIES)		**(14,885,780)**	(11,837,122)
EQUITY			
Issued capital	14	**133,031,922**	133,031,922
Accumulated losses	15(b)	**(152,877,312)**	(143,562,782)
Reserves	15(a)	**4,959,610**	(1,306,262)
TOTAL EQUITY		**(14,885,780)**	(11,837,122)

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes. The 2016 and 2015 financial statements have been prepared on a non-going concern basis. Refer to Note 1(a).

Indochine Mining Limited (Subject to Deed of Company Arrangement) and Controlled Entities
ACN 141 677 385

Consolidated Statement of Changes in Equity
For the year ended 30 June 2016

	Issued Capital $	Accumulated Losses $	Reserves $	Total Equity $
CONSOLIDATED GROUP				
Balance at 1 July 2014	**127,083,687**	**(50,248,345)**	**5,208,474**	**82,043,816**
Loss for the year	-	(104,437,600)	-	(104,437,600)
Option reserve write-off, previous years	-	11,123,163	(11,123,163)	-
Option reserve write-off current year	-	-	(959,760)	(959,760)
Currency translation differences	-	-	4,669,177	4,669,177
Total comprehensive income for the year	-	(93,314,437)	(7,413,746)	(100,728,183)
Share based payment	-	-	899,010	899,010
Shares issued during the year	6,011,393	-	-	6,011,393
Transaction costs	(63,158)	-	-	(63,158)
Balance at 30 June 2015	**133,031,922**	**(143,562,782)**	**(1,306,262)**	**(11,837,122)**
Balance at 1 July 2015	**133,031,922**	**(143,562,782)**	**(1,306,262)**	**(11,837,122)**
Loss for the year	-	(3,519,126)	-	(3,519,126)
Currency translation differences	-	-	470,469	470,469
Transfer on deconsolidation of IRL	-	(5,795,403)	5,795,403	-
Total comprehensive income for the year	-	(3,519,126)	470,469	(3,048,657)
Balance at 30 June 2016	**133,031,922**	**(152,877,312)**	**4,959,610**	**(14,885,780)**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes. The 2016 and 2015 financial statements have been prepared on a non-going concern basis. Refer to Note 1(a).

Indochine Mining Limited (Subject to Deed of Company Arrangement) and Controlled Entities
ACN 141 677 385
Consolidated Statement of Cash Flows
For the year ended 30 June 2016

	Note	CONSOLIDATED GROUP 2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(2,176,153)**	(5,327,951)
Interest received		**110**	9,027
Net cash used in operating activities	17	**(2,176,043)**	(5,318,924)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**-**	-
Payments for mining interests and exploration costs		**-**	-
Net cash used in investing activities		**-**	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares net of transaction costs		**-**	3,978,281
Proceeds from borrowings		**2,137,262**	1,133,787
Net cash provided by financing activities		**2,137,262**	5,112,068
Net decrease in cash held		**(38,781)**	(206,856)
Cash at the beginning of the year		**285,847**	497,078
Foreign exchange translation difference		**1,180**	(4,375)
Cash at the end of the year	8	**248,246**	285,847

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes. The 2016 and 2015 financial statements have been prepared on a non-going concern basis. Refer to Note 1(a).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and notes represent those of Indochine and Controlled Entities (the “consolidated group” or “Group”).

The separate financial statements of the parent entity, Indochine, have not been presented within this financial report, as permitted by the *Corporations Act 2001*.

The financial report of Indochine for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 19 October 2017.

Indochine is a company limited by shares incorporated and domiciled in Australia, whose shares (currently under suspension) were publicly traded on the Australian Securities Exchange (**ASX**). As a result of the Company entering VA, the shares of Indochine are currently suspended.

(a) Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*, as they apply to a non–going concern basis.

Financial statements are normally prepared on a going concern basis where there is neither the intention nor the need to materially curtail the scale of the entity’s operation. If such intention or need exists, the financial statements cannot be prepared on a going concern basis.

The financial report is presented in Australian dollars and is rounded to the nearest whole dollar unless otherwise stated.

Given that Indochine was placed in VA on 27 March 2015 and is currently under a DOCA, the financial statements have not been prepared on a going concern basis due to significant uncertainty; rather these accounts have been prepared on a non-going concern basis. Further information on DOCA and non-going concern is provided under section 1(b) of this note.

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Indochine at the end of the reporting period and are consistent with AASB 10 Consolidated Financial Statements, but exclude IRL and Indochine Resources Cambodia Limited (**IRLC**). Both IRL and IRLC have been deconsolidated from Indochine as they were placed in liquidation on 25 February 2016 by BRI Ferrier.

The key activities under the DOCA include the preparation of outstanding accounts and financial reports. The financial statements for the year ended 30 June 2016 and the half-year ended 31 December 2015 have been prepared and approved concurrently. The Directors of Indochine recommend that these financial statements for the year ended 30 June 2016 be read in conjunction with the financial statements for the half-year ended 31 December 2015.

(b) Going Concern

As outlined in the Operations Report, a significant number of events occurred prior to the balance date, including, but not limited to :

- placement of the Company into VA on 27 March 2015; and
- execution of the DOCA on 04 June 2015.

Given the above circumstances, the Directors have concluded that the going concern assumption is not appropriate for the preparation of these accounts. This is largely due to the:

- material curtailment of operations;

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

- uncertainty regarding the completion of the DOCA;
- uncertainty around the ability to raise funds and the future recapitalisation of IDC to ensure that IDC has the necessary financial resources to appropriately continue with its exploration activities into the foreseeable future; and
- uncertainty on the level of creditors in absence of debt proofing by the VA pending the full effectuation of the DOCA.

Based on the above circumstances, the Directors have applied the requirements of paragraph 25 of AASB 101 Presentation of Financial Statements which state that "When the financial report is not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial report is prepared and the reason why the entity is not regarded as a going concern."

While these accounts have not been prepared on a going concern basis, one key role of a DOCA is to preserve the ability to restructure and recapitalise a company that has been through a process of Administration. As such it is important to understand its key terms. These are outlined below:

Key Terms of DOCA

DOCA Proponent

- Kandahar Holdings Pty Ltd

Deed Administrators

- Martin Jones, Darren Weaver and Ben Johnson jointly and severally of Ferrier Hodgson

Proposal:

- The Proponent will provide the First Loan in the amount of $50,000 to the Company within 14 days of the execution of the DOCA.
- The Deed Administrators will be at liberty to amend the dates for payment without seeking approval from the Company's creditors.
- In addition to the First Loan, the Proponent will pay a Second Loan in the amount of $450,000 within 14 days of satisfaction or waiver of the conditions precedent.
- In consideration for the Proponent's First Loan and Second Loan, the Deed Administrators will cause a meeting of the Company's shareholders to be convened for the purpose of considering and approving:
  - a consolidation of existing shares on issue at a ratio of 400:1;
  - cancellation of all existing options;
  - the issue of 10 million ordinary shares to the Proponent or its nominees; and
  - the issue of 10 million options over ordinary shares to the Proponent.

Secured Creditor

- The rights of the Secured Creditor will not be prejudiced by the DOCA – it will not be bound by any moratorium and will be entitled to exercise its rights as a Secured Creditor at any time prior to, during or after the term of the DOCA.

Available Property

- The assets of the Company (Available Property) will comprise:
  - The balance of cash at bank that was held by the Administrators immediately prior to the execution of the DOCA;
  - The proceeds from the Second Loan Amount;
  - All shareholdings in other companies owned by the Company, but excluding the Company's shareholdings in Summit Development Limited.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Participating Creditors

- Creditors of the Company who had claims whether present or future, certain or contingent, ascertained or sounding only in damages, the circumstances giving rise to which occurred on or before 27 March 2015. For the avoidance of any doubt, the Secured Creditor is not a "Participating Creditor" pursuant to the DOCA.
- "Priority Creditor" means:

  A Participating Creditor with a debt payable by or claim against the Company as at the Relevant Date which, had the Company been wound up with the Relevant Date being the day on which the windup up was to have begun, would have been a debt or claim which must be paid in priority to all other unsecured debts or claims in accordance with section 556 or section 560 of the Act.
- "Class A Creditor" means each Priority Creditor Claim against the Company.
- "Class B Creditor" means all creditors of the Company, excluding Class A Creditors and the Secured Creditor, for their claims against the Company as adjudicated on by the Company's Administrators.

Application of Proceeds

- Firstly, all remuneration and expenses of the Administrators, Deed Administrators and Trustees will be paid in full.
- Secondly, a distribution will be made to Class A Creditors.
- Lastly, the balance to the Class B Creditors who will be entitled to be paid in the same priority from the Creditors' Trust as would be afforded them in a winding up of the Company pursuant to section 556 of the Act.

New Directors

- The Deed Administrators will remove any directors from the Company's board of directors and appoint new directors to the Company's board of directors as instructed by the Proponent.

Creditors' Committee

- In order to advise and assist the Deed Administrators there may be a committee of inspection.
- For the purpose of determining whether there is to be a committee of inspection, and, if so, the conduct of proceedings of the committee of inspection, the following provisions apply of the DOCA:
  - Sections 548 to 551 inclusive of the Act; and
  - Regulations 5.6.12 to 5.6.36A inclusive of the Corporations Regulations.

Administrators'/Deed Administrators' Lien

- Subject to the rights of the Secured Creditor, the Deed Administrators and Administrators are entitled to be indemnified out of the Available Property and have a lien over the assets of the Company for their remuneration, costs, fees and expenses for work done in the performance of their duties as Administrators and Deed Administrators.
  The Deed Administrators and Administrators are not entitled to an indemnity out of the Available Property or any other property of the Company against any Claims arising out of, in connection with or incidental to any fraudulent or negligent act, omission or any act done outside the DOCA by the Deed Administrators, Administrators or their staff.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

- The Deed Administrators' and Administrators' right of indemnity have priority as a Priority Creditor's Claim and are entitled to exercise the right of indemnity whether or not the Claims have been paid or satisfied.

Members' rights exercisable by Deed Administrators

- Until the DOCA terminates, for the purpose of administering the DOCA or fulfilling the arrangement affected by the DOCA, the Deed Administrator has all the rights and powers of the Company's members in general meeting of the exclusion of the Company's members.

Moratorium against the Company in relation to winding up

- Creditors are not able to pursue claims against the Company absent leave of the Court. This restriction will not apply to the Secured Creditor.

Termination of DOCA

- The DOCA automatically terminates when any of the following conditions are met:
  - The Deed Administrators have transferred the Available Property to the Creditors' Trust.
  - The Court makes any order terminating the DOCA.
  - The Conditions Precedent are not satisfied or waived on or before 30 September 2015 or such other date as agreed in writing between the Deed Administrators and the Proponent. The current agreed date for the termination of the DOCA is 31 March 2018.
  - The Company's creditors pass a resolution terminating the DOCA at a meeting that was convened pursuant to section 445F of the Act.
- If the Deed Administrators have transferred the Available Property, then the Deed Administrators must, within 5 business days after distribution, lodge a written notice with the Australian Securities and Investments Commission in the prescribed form.
- On termination of the DOCA, the Deed Administrators must deliver to the Company all of the Company's books and records in the possession of the Deed Administrators other than those that were created after the Relevant Date.
- The termination of the DOCA will not affect:
  - the previous operation of the DOCA; or
  - the enforceability of any accrued obligations under the DOCA.

Conditions Precedent

- The approval of the Company's Creditors of the DOCA at the Creditors' Meeting.
- The approval of the Company's Shareholders of the recapitalisation proposal at the Shareholders' Meeting. The Proponent providing the Deed Administrators with a notice stating that Summit's interest in exploration licence number EL1093 in Papua New Guinea has been preserved on terms and conditions that are acceptable to the Proponent.
- Confirmation from the ASX that the Company will not be required to re-comply with ASX Chapters 1 and 2.
- In consideration for the Proponent's First Loan and the Proponent's Second Loan, the Deed Administrators will cause a meeting of the Company's shareholders to be convened in accordance with the Company's constitution for the purpose of considering and approving:
  - a consolidation of the Company's existing shares on issue at a ratio of 400:1;
  - cancellation of all existing options to acquire shares in the Company;
  - the issue of 10 million ordinary shares to the Proponent or its nominees; and

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

- the issue of 10 million options over ordinary shares to the Proponent or its nominees at an exercise price of $0.05 with an expiry date of 31 December 2025.

Release of Claims

- On termination of the DOCA, the Company is released from all Participating Creditors' Claims (which, as noted above, will not include the Secured Creditor) and it is agreed that there is no consideration payable in respect of the releases provided.
- The Company may plead the DOCA in bar to any action, proceeding or suit brought by a Participating Creditor in respect of that Participating Creditors' Claim.
- Where there have been mutual creditors, mutual debts or other mutual dealings between the Company and a Participating Creditor, then the sum due from one party is to be set off against any sum due from the other party with the balance released if in favour of the Participating Creditor or the balance payable to the Company if in favour of the Company.
- A Participating Creditor will not be entitled to claim the benefit of any set-off if, at the time of giving credit to the Company, or at the time of receiving credit from the Company, it had notice of the fact that the Company was insolvent and section 553C of the Act will apply to any inconsistencies.
- Each Participating Creditor accepts the Participating Creditor's entitlement under the DOCA in full satisfaction of the Participating Creditor's Claim.
- If the Deed Administrators request Participating Creditors to do so, each Participating Creditor must, within 7 days after the making of the request, execute and deliver to the Company a written release of the Participating Creditor's Claim in the form the Deed Administrators reasonably require to fulfil the arrangement effected by the DOCA, save to say that any such release will not take effect unless and until the DOCA terminates.
- Each Participating Creditor irrevocably appoints the Deed Administrators to be the attorney of the Participating Creditor with full power for and on behalf of and in the name of the Participating Creditor to do all acts and things and sign and execute all deeds, documents and notices as may be necessary or convenient for the purpose of the execution and delivery to the Company of the written release of the Participating Creditor's Claim.

Abandonment by Creditors who do not prove

- A Creditor, other than the Secured Creditor, is taken to have abandoned the Creditor's Claim if, before the declaration of a final dividend to Participating Creditors in accordance with the DOCA, the Creditor:
  - fails to submit a formal proof of debt or claim in respect of the Creditor's Claim; or
  - having submitted a formal proof of debt or claim in respect of the Creditor's Claim which is rejected, fails to appeal to the Court against the rejection, within the time allowed for such appeal under the Act and the Corporations Regulations.

Remuneration of the Deed Administrators

- The Deed Administrators' remuneration for the Deed Administrators' services as administrators of this Deed is fixed at the amount calculated at time x firm rates and is not to exceed $200,000 or such greater amount as is approved from time to time under section 449E of the Act.
- The Deed Administrators may draw the Deed Administrators' remuneration from the Available Property, or, if the Available Property is insufficient, from any other property of the Company.
- The Deed Administrators are entitled to be reimbursed from the Available Property for the whole of the costs, charges and expenses incurred by the Deed Administrators in connection with or incidental to the Deed Administrators' administration of the DOCA.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

- The Deed Administrators may draw the Deed Administrators' remuneration and reimbursement at the end of each month.

Costs and Outlays

- The costs and outlays connected with the negotiation, preparation and execution of the DOCA for the Company and the Deed Administrators are taken to be costs, charges and expenses incurred by the Deed Administrators in connection with or incidental to the Deed Administrators' administration of the DOCA.
- The Proponent's costs and outlays connected with the negotiation, preparation and execution of this Deed are his own.
- The Company must pay all duty and other government imposts payable in connection with the DOCA and all other documents and matters referred to in the DOCA when due or earlier if requested in writing by the Deed Administrators.

Other Terms

- Except where expressly included in this Deed the Prescribed Provisions are excluded from the DOCA.
- Each party must promptly at its own cost do all things (including executing and if necessary delivering all documents) necessary or desirable to give full effect to the DOCA.
- The law of Western Australia will govern the DOCA.
- The parties submit to the exclusive jurisdiction of the Court and agree that any lawsuit must be heard, if at all, in the Court.

(c) Impact of Adopting the Non-Going Concern Basis of Preparation on Measurement, Classification of Assets and Liabilities, and Disclosure

Under the non-going concern basis of preparation, assets have been measured at their subsequent realisable value. The subsequent realisable value is their value based on the proceeds subsequently received on sale, disposal or realisation. Liabilities have generally been measured at their contractual amounts payable including in default circumstances where relevant.

The recognition and de-recognition requirements of Australian Accounting Standards have continued to be applied on the preparation of the financial report.

Any gains or losses resulting from measuring assets and liabilities under the non-going concern basis are recognised in profit and loss.

The material impacts of adopting the non-going concern basis of preparation and measuring assets and liabilities on that basis are summarised below.

Carrying Value of Capitalised Exploration and Evaluation Expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors. These include the level of reserves and resources, future technological changes, which could impact the cost of development, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices. Consequently, exploration and evaluation costs incurred carried forward in relation to Mt Kare Gold/ Silver Project (formerly EL 1093) in PNG were impaired as at 30 June 2015 and any subsequent costs incurred on these activities have been expensed. The rationale for writing off these expenses is that at the time the company entered VA, it was not probable that such amounts would be able to be recouped through successful development or by sale as a result of the following events:

- the accounts being prepared on a non-going concern basis (refer Note 1(a);
- the material curtailment of operations; and
- the uncertainty regarding the completion of the proposed DOCA; and the uncertainty around the ability to raise funds and the future recapitalisation of Indochine to ensure that

Indochine has the necessary financial resources to appropriately continue with exploration.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Carrying Value of Trade and Other Payables and Provisions

The carrying value of trade payables and provisions as at 30 June 2016 has been recognised at their contractual amounts payable. The true value of these will only be ascertained when the VA under takes adjudication of the proof of debt submitted.

The accounts have recorded an amount of $7,725,893 in relation to secured loan and capitalised interest owing to Aude Holdings Pty Ltd. This liability has been reclassified to Trade and Other payables as this is now due and payable under the non-going concern basis.

(d) Statement of Compliance with International Financial Reporting Standards

2016 and 2015 policy

This general purpose financial report complies with Australian Accounting Standards as applied under the non-going concern basis of preparation. Compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

(e) Adoption of New Accounting Standards

Changes in accounting policies on initial application of Accounting Standards

All of the new and revised Australian Accounting Standards and interpretations that have been issued and are relevant to the Company's operations have been reviewed by the Directors for the year ended 30 June 2016. In light of the non-going concern basis of preparation of the financial statements, the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the business and therefore, no change is necessary to the Group's accounting policies.

(f) Basis of Consolidation

2016 and 2015 policy

The consolidated financial statements comprise the financial statements of Indochine Mining Limited and its subsidiaries (**"the Group**").

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. During the year IRL and its wholly owned subsidiary IRLC were placed in liquidation by BRI Ferrier on 25 February 2016 and as a consequence IRL and IRLC have been deconsolidated from the 30 June 2016 accounts.

(g) Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements for the reporting year requires the directors to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Directors continually evaluate their judgement and estimates in relation to assets, liabilities, contingent liabilities, revenue and expense. The directors base their judgement and estimates on historical experience and on other various factors they believe to be

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

The directors have identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results of the financial position reported in future periods.

- ***Non-going Concern Basis of Preparation***

  Judgement involved in assessing measurement adjustments in applying the non-going concern basis of preparation are disclosed in Note 1(c).

- ***Exploration and Evaluation Expenditure***

  Judgement is applied by management in determining when a project has reached a stage at which economically recoverable reserves exist and that development may be sanctioned. Management is required to make certain estimates and assumptions similar to those described above for capitalised exploration and evaluation expenditure. Judgement is also applied by management in determining which costs are directly attributable to the exploration assets. Critical estimates are made in respect of the percentage of time that management and other employees spend in the development of the various assets. While management uses their best judgement in this regard, there remains a degree of estimation uncertainty surrounding the allocation of costs to the various assets.

  The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. There is significant judgement required on the part of the Management and the Board in determining whether exploration assets are impaired. To this extent they have considered the exploration activities, the current market conditions, the political climate in the jurisdiction in which the assets exists, as well as numerous other factors when determining asset impairments.

- ***Carrying Value of Capitalised Exploration and Evaluation Expenditure***

  The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors. These include the level of reserves and resources, future technological changes, which could impact the costs of development, future legal changes and changes in gold prices.

  2016 policy

  However, given the current status of the Company, in determining the appropriateness of carrying forward capitalised exploration and the appropriateness of continuing to carry forward costs, on a consolidated basis the Company has decided to expense any costs incurred on these activities due to significant uncertainty as to the going concern.

- ***Expiry of Licences***

  The licence for the Mt Kare Gold Project (EL 1093) expired on 28 August 2014 and the application for renewal of the licence was lodged with Minerals Resource Authority (**MRA**) of PNG on 28 July 2014. However, on 18 January 2016, SDL was advised that on 14 December 2015 the Minister had refused SDL's application to renew EL 1093. As a consequence, SDL filed an application with the PNG National Court seeking a judicial review of the Minister's decision. The substantive hearing for the judicial review was held on 5 September 2017. The judgement on the matter has been deferred until a date to be notified. Further, with a view to preserving SDL's interest, a new application for the grant of an exploration license over Mt Kare was also filed.

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(h) Income Tax

2016 and 2015 policy

The income tax expense (revenue) for the current and prior periods comprises current income tax expense or income and deferred tax expense or income.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities and assets are therefore measured at the amounts expected to be paid to or recovered from the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense or income is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference cannot be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of offset exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled. However, it should be noted that these may be affected by the provisions of the DOCA.

(i) Goods and Services Tax (GST)

2016 and 2015 policy

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(j) Property, Plant and Equipment

2016 and 2015 policy

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Computer Equipment	10% - 33%
Furniture and Fittings	5% - 15%
Improvements	5% - 10%
Equipment	5% - 33%
Motor Vehicles	6.67% - 15%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

The non-going concern basis of preparation of accounts was applied to the 30 June 2015 financial statements, resulting in recognition of significant impairment of property, plant and equipment in that financial year. Accordingly, there are no longer any depreciating assets in the books of the Company.

(k) Exploration and Evaluation Expenditure

2016 and 2015 policy

Refer to Notes 1(c) and 1(g).

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(l) Impairment of Assets

2016 and 2015 policy

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

The non-going concern basis of preparation of accounts has been applied to the 30 June 2016 financial statements resulting in the expensing of Exploration and Evaluation Expenditure.

(m) Foreign Currency Transaction Balances

2016 and 2015 policy

(i) *Functional and Presentation Currency*

The functional currency of each group entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

(ii) *Transaction and Balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of comprehensive income.

(iii) *Group companies*

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained earnings are translated at the exchange rate prevailing at the date of the transaction.

The translation of foreign operations in the year under review resulted in a gain of $470,469 mainly due to the weakening of the Australian Dollar against the Papua New Guinea Kina.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period. However, where a subsidiary is deconsolidated, the differences are transferred to the retained earnings.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(n) Employee Benefits

2016 and 2015 policy

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

The unpaid Employees Benefits up to 27 March 2015, including wages, salaries, annual leave and long service leave will be dealt under the conditions set out in the DOCA.

(o) Provisions

2016 and 2015 policy

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(p) Cash and Cash Equivalents

2016 and 2015 policy

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(q) Revenue and Other Income

2016 and 2015 policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

(r) Borrowing Costs

2016 and 2015 policy

The accounts have recorded the secured loan, including capitalised interest and service fees on default basis as Trade and Other Payables under Note 12.

(s) Trade and Other Payables

2016 and 2015 policy

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(s) **Trade and Other Payables (*continued*)**

services received by the Group during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition. Note 1(b) also describes the terms and conditions for payment to creditors in accordance with the DOCA.

(t) Equity-Settled Compensation

2016 and 2015 policy

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(u) Comparative Figures

2016 and 2015 policy

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. The financial statements and comparative information have been prepared on a non-going concern basis.

(v) Fair Value of Assets and Liabilities

2016 and 2015 policy

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

NOTE 2: REVENUE AND EXPENSES

		CONSOLIDATED GROUP	
		2016	2015
		$	$
(a)	Revenue and expenses from continuing operations		
	Option reserve write-off	**-**	972,658
	Interest received	**110**	9,701
		110	982,359
(b)	Loss before income tax includes the following specific expenses		
	Depreciation and amortisation expense		
	Computer equipment	**-**	6,022
	Furniture and fittings	**-**	582
	Software licences	**-**	333
	Improvements	**-**	179,291
	Equipment	**-**	40,222
		-	226,450
	Less discontinued operations	**-**	(2,248)
	Less amounts capitalised as exploration expenditure	**-**	(217,423)
		-	6,779
(c)	Share-based payment		
	Employee share and option plan – option expense	**-**	959,760
	Expenses capitalised	**-**	(323,596)
	Net option expense	**-**	636,164
(d)	Lease rentals	**-**	109,685
	Less discontinued operations	**-**	(16,096)
		-	93,589

NOTE 3: INCOME TAX BENEFIT

		2016	2015
		$	$
(a)	A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate for the periods ended 30 June 2016 and 30 June 2015 is as follows:		
	Accounting loss before tax from continuing operations	**3,519,126**	104,437,600
	Accounting loss before income tax	**3,519,126**	104,437,600
	At the statutory income tax rate of 30% (2015: 30%)	**(1,055,738)**	(31,331,280)
	Permanent differences	**336,887**	30,003,364
	Movement in temporary differences not brought to account – other	**(52,605)**	(20,658)
	Tax losses and timing differences not previously brought to account	**771,456**	1,348,574
	Income tax expense	**-**	-
	Effective income tax rate	**0%**	0%
(b)	Tax balances not brought to account		
	Deferred tax assets (timing difference) comprises of:		
	Blackhole expenditure	**4,564**	10,318
	Provisions and others	**-**	19,218
	Potential deferred tax asset (timing difference) not brought to account	**4,564**	29,536
	Deferred tax assets (tax losses) comprise of:		
	Tax losses not brought to account	**20,677,113**	17,758,704
	Potential deferred tax asset (tax losses) not brought to account	**6,203,140**	5,327,611

NOTE 4: DISCONTINUED OPERATIONS

On 25 February 2016 IRL, a wholly owned subsidiary of Indochine, was placed in liquidation by the court appointed liquidator BRI Ferrier. Consequently IRL and its wholly owned subsidiary IRLC were deconsolidated from the consolidated entity from that date. The financial performance information in relation to IRL and IRLC is as follows:

	2016	2015
	$	$
Revenue	**183**	688
Professional fees	**-**	1,067
Employee benefit expense	**-**	17,584
Depreciation and amortisation expense	**-**	(2,248)
Travel expense	**-**	(1,023)
Lease and occupancy expense	**-**	(16,096)
Impairment of exploration expense	**-**	(71,741)
Impairment receivables	**-**	(31,855)
Impairment fixed assets	**-**	(5,633)
Administrative expenses	**179**	(84,718)
Profit/(Loss) before Income Tax	**362**	(193,994)
Income tax	**-**	-
Profit /(loss) on deconsolidation	**362**	(193,994)

Carrying amounts of assets and liabilities for the deconsolidated entities		
Assets		
Cash and other cash equivalent	**-**	(21)
Other assets	**-**	9,237,731
Total Assets	**-**	9,237,710
Liabilities		
Trade and other payables	**-**	14,385,843
Provisions	**-**	3,828,398
Total Liabilities	**-**	18,214,241
Net Assets	**-**	(8,976,531)

NOTE 4: DISCONTINUED OPERATIONS (*continued)*

	2016 $	2015 $
Equity		
Issued capital	**2**	1,334
Accumulated losses	**(2)**	(8,977,865)
Total Equity	**-**	(8,976,531)

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

a) Name and position held of key management personnel in office at any time during or since the end of the financial year are:

Directors:
Dermott McVeigh[1]
Craig Dawson[2]
Keith Murray[3]
Anthony Gates[4]

Management:
George Niumataiwalu, Country Officer PNG, and Director of Regional Projects[5]
Ashok Jairath, CFO

(1) Appointed 30 July 2014, resigned 3 November 2015
(2) Appointed 28 February 2014
(3) Appointed 20 October 2014
(4) Appointed 30 May 2016
(5) Appointed 30 July 2014, deceased 24 November 2015

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

	2016 $	2015 $
Short-term employee benefits (cash & deferred)	**293,958**	942,603
Post-employment benefits	**16,264**	50,593
	310,222	993,196

b) Share holdings

The number of shares in the Company held during the financial year by each key management person of Indochine, including their related parties, are set out below.

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (*continued*)

	Balance at 1 July 2015	Received as Compensation	Net Change	Balance at 30 June 2016
Directors:				
Dermott McVeigh[1]	27,686	-	-	27,686
Craig Dawson[2]	7,546	-	-	7,546
Keith Murray[3]	-	-	-	-
Anthony Gates [4]	-	-	-	-
Other key management personnel of the group:				
George Niumataiwalu[5]	11,774	-	(11,774)	-
Ashok Jairath	18,552	-	-	18,552

(1) Appointed 30 July 2014, resigned 3 November 2015
(2) Appointed 28 February 2014
(3) Appointed 20 October 2014
(4) Appointed 31 May 2016
(5) Deceased 24 November 2015

c) Option holdings

No options were held during the financial year by any key management person of Indochine, including their related parties.

NOTE 6: AUDITOR'S REMUNERATION	**2016** **$**	2015 $
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial statements	**25,000**	47,500
- other services	**6,180**	13,250
	31,180	60,750

NOTE 7: EARNINGS PER SHARE

a) Reconciliation of earnings to loss	**(3,048,657)**	(99,768,423)
Earnings used to calculate basic and diluted EPS	**(3,048,657)**	(99,768,423)

NOTE 7: EARNINGS PER SHARE (*continued*)

		2016 $	2015 $
		No.	No.
b)	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**3,409,014**	3,154,933*
		3,409,014	3,514,933
c)	Basic loss per share (cents per share)	**(89)**	(3,156)

* adjusted for 400:1 post consolidation basis

Basic earnings per share amounts are calculated by dividing net profit or loss for the year attributable to ordinary equity holders of the parent by weighted average number of ordinary shares outstanding during the year.

NOTE 8: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	**248,246**	285,847

NOTE 9: TRADE AND OTHER RECEIVABLES

CURRENT		
Prepayments	**2,659**	-

NOTE 10: PLANT AND EQUIPMENT

Computer equipment at cost	**-**	37,415
Accumulated depreciation	**-**	(37,415)
	-	-
Furniture and fittings at cost	**-**	11,530
Accumulated depreciation	**-**	(11,530)
	-	-

NOTE 10: PLANT AND EQUIPMENT (*continued*)

Movements in carrying amounts

Movements in carrying amounts for each class of property, plant and equipment

	2016 $	2015 $
Software licences at cost	-	1,475
Accumulated depreciation	-	(1,475)
	-	-
Buildings and improvements at cost	-	1,094,001
Accumulated depreciation	-	(1,094,001)
	-	-
Plant and equipment at cost	-	206,586
Accumulated depreciation	-	(206,586)
	-	-
Total	-	-

Computer equipment		
Carrying value at beginning of the year	-	14,966
Disposals	-	(28,361)
Write-off	-	(2,672)
Accumulated depreciation on disposals	-	22,089
Accumulated depreciation	-	(6,022)
Carrying value at the end of the year	-	-

Furniture and fittings		
Carrying value at beginning of the year	-	13,462
Disposals	-	(1,226)
Write-off	-	(12,079)
Accumulated depreciation on disposals	-	425
Accumulated depreciation	-	(582)

NOTE 10: PLANT AND EQUIPMENT (*continued*)

	2016 **$**	2015 $
Carrying value at the end of the year	-	-
Software licences		
Carrying value at beginning of the year	-	1,380
Disposals	-	(271)
Write-off	-	(977)
Accumulated depreciation on disposals	-	201
Accumulated depreciation	-	(333)
Carrying value at the end of the year	-	-
Building improvements		
Carrying value at beginning of the year	-	602,215
Write-off	-	(341,528)
Accumulated depreciation	-	(179,291)
Foreign exchange differences	-	(81,396)
Carrying value at the end of the year	-	-
Plant and equipment		
Carrying value at beginning of the year	-	303,954
Write-off	-	(204,280)
Accumulated depreciation	-	(40,222)
Foreign exchange differences	-	(59,452)
Carrying value at the end of the year	-	-
Total		
Carrying value at beginning of the year	-	935,977
Additions	-	105,726
Disposals	-	(103,999)
Write-off	-	(561,536)
Accumulated depreciation on disposal	-	22,715
Accumulated depreciation	-	(226,450)
Foreign exchange differences	-	(140,848)
Carrying value at the end of the year	-	-

NOTE 11: EXPLORATION AND EVALUATION COST CAPITALISED

	2016	2015
	$	$
Opening balance	-	88,889,978
Current year expenditure	-	6,852,999
Expenditure written off during the year	-	(99,409,533)
Foreign exchange differences	-	3,666,556
Closing balance	-	-

See Note 1(c) for explanation in respect of the circumstances leading to the impairment.

NOTE 12: TRADE AND OTHER PAYABLES

	2016	2015
Trade payables	**6,459,638**	10,130,070
*Other borrowings (Secured loan Aude Holdings Pty Ltd)	**7,725,893**	4,082,314
Payroll related payables	**831,154**	1,025,837
	15,016,685	11,938,907

*Note: Trade payables will be dealt with under section 14 of the DOCA and, upon the establishment of a Creditors' Trust Deed, other borrowings, comprising of a secured loan, will preserve their rights under section 18 of the DOCA and employees' claims will be treated under section 16 of the DOCA. In relation to the secured loan, it should be noted that the following fixed and floating charge over the carrying amount of assets of the Company have been pledged.

The carrying amounts of assets pledged as security are:

	2016	2015
Fixed and Floating charge over assets of the Company	**248,246**	285,847

Further, the following should be noted in relation to the secured loan:

On 6 February 2014, the Company entered into a secured loan agreement with the Secured Creditor as trustee for Lastours Investment Trust (**Lastours**) to borrow $1,500,000 secured against a fixed and floating charge over the assets of the Company and at an interest rate of 60% calculated daily. In the event of default, the interest would increase to 80% per annum calculated daily. The loan was repayable in full by 31 May 2014. The Company was unable to repay the loan by 31 May 2014 and as at the due date it was in default and being charged interest at the rate of 80% from the date of default. On 14 May and 3 June 2014, the Company was served default notices.

On 1 August 2014, the Company entered into a Deed of Acknowledgement and Variation with the Secured Creditor as trustee for Lastours under which the Secured Creditor waived the breaches that gave rise to default notices on 14 May and 3 June 2014, reset the interest to 25% per annum, extended the expiry date to 31 December 2014 and provided an additional facility of $1.15 million. On 26 November 2014, the Company extended the term of the facility to 28 February 2015.

On 30 January 2015, a secured loan conversion agreement was signed between the Company and the Secured Creditor as trustee for Lastours. Under the terms of the agreement, the aggregate limit of the loan was increased from $3.25 million to $3.75million and the term of the loan extended to 30 April 2015.

NOTE 12: TRADE AND OTHER PAYABLES (*continued*)

Subsequent to the Company being placed into VA, the loan facility of $3.75 million extended until 30 April 2015 was frozen and the Secured Creditor's rights preserved under the DOCA. A new facility of $1.25 million was extended by the Secured Creditor to the Voluntary Administrator to fund the costs associated with maintaining the Mt Kare Gold Project in good standing, including the funding of the Warden's Hearing completed on 6 May 2015 and mediation which was conducted on site from 18 July to 20 July 2015 and then re-convened on 17 August 2015. On 22 October 2015, the new facility of $1.25 million extended by the Secured Creditor was varied through a Deed of Variation to the original loan Agreement to a total of $2.0 million to provide funding to maintain the infrastructure at Mt Kare in good standing.

On 24 July, a new facility of $4.5 million extended by the Secured Creditor was further varied through Deed of Variation to the original loan Agreement to a total of $6 million to provide further funding for continuation of SDL and legal costs incurred in course of the administration of IDC. Refer also to subsequent event Note 22.

	2016	2015
	$	$
NOTE 13: PROVISIONS		
CURRENT		
Annual leave	**-**	64,062
Other provision	**120,000**	120,000
	120,000	184,062
Opening balance	**184,062**	762,114
Raised during the year	**-**	604,062
Used during the year	**-**	(762,114)
Unused amount reversed	**(64,062)**	(420,000)
Closing balance	**120,000**	184,062

Note: Under section 3.24 of the DOCA employees' claims will be dealt treated as Priority Creditor's Claim

NOTE 14: ISSUED CAPITAL

	2016	2015
Ordinary shares		
3,409,014 (2015: 1,363,855,013) fully paid ordinary shares	**3,409,014**	133,031,922

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTE 14: ISSUED CAPITAL (*continued*)

	Movements in ordinary shares on issue	No. of Shares	$
	Balance at 1 July 2014	**1,095,830,301**	**127,083,687**
12/09/14	**Placement @ $0.032**	**110,670,000**	**3,541,440**
12/09/14	**Staff performance share options @ $0.135**	**450,000**	**60,750**
28/11/14	**In lieu of cash consideration @ $0.018**	**61,719,707**	**1,110,955**
28/11/14	**In lieu of Director and consulting fees @ $0.027**	**18,788,814**	**507,298**
05/02/15	**Placement @ $0.01**	**50,000,000**	**500,000**
05/02/15	**In lieu of cash consideration @ $0.01**	**12,901,839**	**129,018**
05/02/15	**In lieu of cash consideration @ $ 0.012**	**13,494,352**	**161,932**
	Less transaction costs on share issues	**-**	**(63,158)**
	Balance at 30 June 2015	**1,363,855,013**	**133,031,922**
	400:1 Consolidation 31 May 2016	**3,409,638**	**133,031,922**
	Less rounding down of fractional shares	**(624)**	**133,031,922**
	Balance at 30 June 2016	**3,409,014**	**133,031,922**

Capital Management

Under the DOCA, all decisions regarding the capital of the Group in order to maintain stable cash reserves are under the management of the Deed Administrator.

The Group's debt and capital includes ordinary share capital and current and financial liabilities, including the secured loan from the Secured Creditor as trustee for Lastours Investment Trust.

Once the DOCA is fully effectuated, the Management will effectively manage the Group's capital by assessing the Group's cash flow and capital requirements and respond to those needs. These responses include management of capital projects, acquisition of mineral licences and reduction of expenditure.

	2016	2015
	$	$
NOTE 15: RESERVES AND ACCUMULATED LOSSES		
a) Reserves		
Foreign currency translation reserve	**4,959,610**	(1,306,262)
Total reserves	**4,959,610**	(1,306,262)

NOTE 15: RESERVES AND ACCUMULATED LOSSES (*continued*)

Movements:

	2016	2015
	$	$
Foreign currency translation reserve		
At the beginning of the year	**(1,306,262)**	(5,975,439)
Currency translation differences arising during the year	**470,469**	4,669,177
Transfer on deconsolidation of IRL	**5,795,403**	
Balance at the end of the financial year	**4,959,610**	(1,306,262)
Share option reserve		
At the beginning of the year	**-**	11,183,913
Share options arising during the year	**-**	899,010
Write-off option reserve	**-**	(12,082,923)
Balance at the end of the financial year	**-**	-

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

Shared option reserve

The share option reserve is used to recognise the fair value of options issued but not exercised.

b) Accumulated Losses

Movements in accumulated losses were as follows:

Accumulated losses at the beginning of the year	**(143,562,782)**	(50,248,345)
Net loss attributable to members of Indochine Mining Limited	**(3,519,126)**	(104,437,600)
Sub-total	**(147,081,909)**	(154,685,945)
Option reserve reclassified to Accumulated Losses	**-**	11,123,163
Transfer on deconsolidation of IRL	**(5,795,403)**	-
Accumulated losses at the end of the financial year	**(152,877,312)**	(143,562,782)

NOTE 16: PARENT ENTITY DISCLOSURES

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the accounting standards.

PARENT ENTITY	**2016** **$**	2015 $
a) Financial information		
Loss for the year	**2,430,308**	102,295,090
Total comprehensive loss	**2,430,308**	3,006,343
Assets		
Cash and cash equivalent	**233,572**	261,872
Trade and other receivables	**2,659**	1,278,000
Total Assets	**236,230**	1,539,872
Liabilities		
Trade and other payables	**3,160,973**	4,369,254
Provisions	**120,000**	184,062
Borrowing	**7,725,893**	4,082,314
Total Liabilities	**11,006,866**	8,635,629
Net assets	**(10,770,635)**	(7,095,757)
Equity		
Issued capital	**133,031,922**	133,031,922
Accumulated losses	**(143,802,557)**	(140,127,679)
Total Equity	**(10,770,635)**	(7,095,757)

NOTE 17: CASH FLOW INFORMATION

	2016 $	2015 $
Reconciliation of cash flow from operations with loss after income tax		
Loss after income tax	**(3,519,126)**	(104,437,600)
Non-cash flows in profit		
Depreciation	**-**	9,027
Net loss on disposal of plant and equipment	**-**	7,143
Impairment of non-current assets	**-**	95,135,946
Foreign exchange	**469,289**	614,571
Share option expense	**-**	(606,167)
Share issued for services rendered	**-**	1,450,191
Accrued interest	**1,506,318**	786,903
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	**(2,659)**	1,181,236
(Decrease)/increase in trade and other creditors	**(565,802)**	1,117,878
Decrease in provisions	**(64,062)**	(578,052)
Net cash flow used in operating activities	**(2,176,043)**	(5,318,924)

NOTE 18: RELATED PARTY TRANSACTIONS

a) The Group's main related parties are as follows:

i. Entities exercising control over the Group:

The ultimate parent entity, which exercises control over the Group, is Indochine Mining Limited, which is incorporated in Australia.

ii. Key management personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 5: Key Management Personnel Compensation.

iii. Entities subject to significant influence by the Group:

An entity which has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

For details of interests held in associated companies, refer to Note 20: Controlled Entities.

iv. Other related parties:

NOTE 18: RELATED PARTY TRANSACTIONS (*continued*)

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel exercise significant influence.

b) Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

Key management personnel:

	2016	2015
	$	$
Consultancy fees		
Dermott McVeigh	**-**	129,734
Craig Dawson	**-**	37,000
Gavan Farley	**-**	37,672

Directors were engaged for consulting on a daily rate basis over and above their non - executive roles.

c) Amounts outstanding from related parties:

i.	Loans to ultimate parent entity:		
	Beginning of the year	**-**	1,187,882
	Loan repayment received	**-**	29,882
	Loans written off	**-**	(1,217,764)
	End of the year	**-**	-
ii.	Loans to subsidiaries:		
	Beginning of the year	**-**	80,285,915
	Loans advanced	**-**	8,162,985
	Loans written-off	**-**	(88,448,900)
	End of the year	**-**	-
iii	Doubtful debts		
	Beginning of the year	**-**	3,828,397
	Doubtful debt expense	**-**	(3,828,397)
	End of year	**-**	-

NOTE 18: RELATED PARTY TRANSACTIONS (*continued*)

			2016	2015
			$	$
d)	**Amounts payable to related parties:**			
	i.	Loans from the parent entity:		
		Beginning of the year	**-**	73,332,018
		Loans advanced	**-**	6,805,724
		Loans written off	**-**	(80,137,742)
		End of the year	**-**	**-**
	ii.	Loans from subsidiaries :		
		Beginning of the year	**-**	8,141,779
		Loans advanced	**-**	1,387,143
		Loans written-off	**-**	(9,528,922)
		End of the year	**-**	-

NOTE 19: SEGMENT REPORTING

During the year the Group operated predominantly in one business segment, being gold and silver mining exploration. Geographically the Group operates exclusively in one geographical segment, being Asia Pacific, with an office maintained in Australia. Segment results are classified in accordance with their use within geographic segments.

	Australia	Cambodia	Papua New Guinea	Total
2016	**$**	**$**	**$**	**$**
Revenue				
Revenue	293	-	-	293
Total segment revenue				
Results				
Operating loss before income tax	2,430,308	-	1,088,818	3,519,126
Income tax expense	-	-	-	-
Net loss	2,430,308	-	1,088,818	3,519,126
Included within segment results	2,430,308	-	1,088,818	3,519,126
Depreciation and amortisation of segment assets	-	-	-	-
Segment assets	236,342	-	14,563	250,905
Segment liabilities	11,005,867	-	4,129,818	15,136,685
2015	$	$	$	$
Revenue				
Revenue	982,359	-	-	982,359
Total segment revenue				
Results				
Operating loss / (profit) before income tax	4,258,875	(34,838)	100,213,563	104,437,600
Income tax expense	-	-	-	-
Net loss	4,258,875	(34,838)	100,213,563	104,437,600
Included within segment results	4,258,875	(34,388)	100,213,563	104,437,600
Depreciation and amortisation of segment assets	9,027	-	-	9,027
Segment assets	285,847	-	-	285,847
Segment liabilities	6,290,842	262,922	5,569,205	12,122,969

NOTE 20: CONTROLLED ENTITIES

Subsidiaries of Indochine Mining Limited:	Country of Incorporation	Percentage Owned	
		2016	2015
Indochine Resources Pty Limited (in liquidation)	Australia	**Deconsolidated**	100%
Asia Pacific Gold and Copper Company Pty Ltd	Australia	**100%**	100%
Aries Mining Limited Pty Ltd	Australia	**100%**	100%
Summit Development Ltd	Papua New Guinea	**100%**	100%
Positive Developments Limited	Papua New Guinea	**100%**	100%

NOTE 21: COMMITMENTS AND CONTINGENCIES

Legal Proceedings

- A former employee of IRL initiated legal proceedings against IRL, a wholly owned subsidiary of Indochine. The proceedings have now concluded with IRL being placed in liquidation by the court appointed liquidator BRI Ferrier.

- On 18 January 2016, SDL was advised that on 14 December 2015 the PNG Minister for Mining had refused the SDL's application to renew EL 1093. As a consequence, SDL filed an application with the PNG National Court seeking judicial review of the Minister's decision. The substantive hearing for the judicial review was held on 5 September 2017. The judgement on the matter has been deferred until a date to be notified.

NOTE 22: SUBSEQUENT EVENTS

- On 24 July 2017, a new facility of $4.5 million extended by the Secured Creditor was further varied through a Deed of Variation to the original loan Agreement to a total of $6.5 million to provide further funding for continuation of SDL and legal costs incurred in course of the administration of IDC.

- On 26 July 2017, the termination date for the DOCA was extended to 31 March 2018.

Other than the above there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

NOTE 23: SHARE-BASED PAYMENT

a) Employee Share and Option Plan

All options that were previously issued were forfeited and cancelled during the financial year ended 30 June 2015. Currently, Indochine does not have an Employee Share and Option Plan. The situation will be reviewed once the Company is out of VA and is re-instated on the ASX.

b) Expenses arising from share-based payment transactions:

	2016	2015
	$	$
Employee share and option plan	**-**	899,010
Expenses capitalised	**-**	(262,846)
Net option expense	**-**	636,164

NOTE 24: COMPANY DETAILS

The registered office and principal place of business of the Company is:

Indochine Mining Limited
C/- Ferrier Hodgson
Level 28, 107 St Georges Terrace
Perth, WA 6008

Directors' Declaration

The Directors of the Company declare that:

a) The financial statements and notes, as set out on pages 17 to 53 are in accordance with the *Corporations Act 2001,* including**:**

   i. complying with Accounting Standards, International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**) as they apply on a non-going concern basis, the Corporation Regulations 2001 and other mandatory professional reporting requirements; and

   ii giving a true and fair view of the Group's financial position as at 30 June 2016 and its performance, changes in equity and cash flow for the financial year ended on that date to the extent circumstances outlined in Note 1(b) are taken into account.

b) i. The ongoing solvency of the Group is dependent on successful completion and implementation of the Deed of Company of Company Arrangement (**DOCA**) as detailed in Note 1(b).

   ii There are reasonable grounds to believe that the Group will be able to successfully complete the proposed DOCA with creditors and will therefore be able to pay its debts:

   - in accordance with the DOCA arrangements detailed in Note 1(b); and
   - as and when they become payable.

   iii The audited remuneration disclosure set out on pages 8 to 11 of Director's Report complies with accounting standard AASB 124 Related Party Disclosures and Corporations Regulations 2001.

This declaration has been made after receiving the declaration required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

Without qualifying the above conclusion the Directors draw attention to the basis of preparation of the financial reports set out in Note 1(a) Basis of Preparation.

On behalf of the Directors

Keith Murray
Non-Executive Director
Date: 19 October 2017

Shareholder information as at 18 October 2017

Ordinary Share Capital

As at 18 October 2017, the issued capital comprised of 3,409,014 ordinary fully paid shares held by 2,680 holders.

Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Ordinary shares		Options	
Holding	Number of Holders	Number of Shares	Number of Holders	Number of Options
1 to1,000	2,251	485,929	-	-
1,001 to 5000	350	751,478	-	-
5,001 to 10,000	39	281,440	-	-
10,001 to 100,000	36	927,564	-	-
100,000 and over	4	962,603	-	-
	2,680	3,409,014	-	-

There were no holders of less than a marketable parcel of ordinary shares.

Twenty largest holders of quoted equity securities

Shareholder	Ordinary shares Number held	Percentage of issued shares
1) HSBC Custody Nominees (Australia) Limited	435,350	12.77%
2) MCA Nominees	219,255	6.43%
3) Macquarie Securities(Australia) Limited	182,998	5.37%
4) Jon Edwards Super Pty Ltd	125,000	3.67%
5) Redland Plains (Brian Rodan Super Fund A/C)	81,910	2.40%
6) Twynam Agricultural Group (Australia) Limited	76,364	2.24%
7) Quest Exploration Drilling (PNG) Limited	69,444	2.04%
8) BNP Paribas Noms Pty Ltd	50,630	1.49%
9) Comdox No 28 Pty Limited	40,342	1.18%
10) JP Morgan Nominees Australia	33,590	0.99%
11) BKVS Enterprise Pte Ltd	32,500	0.95%
12) Mr Keng ChuenTham	31,878	0.94%
13) Sunfones Pty Ltd	30,567	0.90%
14) Brispot Nominees Pty Ltd	29,222	0.86%
15) Monex Boom Securities (HK) Ltd	28,750	0.84%
16) Avior Consulting Pty Ltd	27,686	0.81%
17) Agcentral Prt Ltd	26,666	0.78%
18) Mr Nick Adamidis	26,153	0.77%
19) Redland Plains Pty Ltd<Majestic Investment Fund A/C)	25,750	0.76%
20) Kingsgate Consolidated Limited	25,000	0.73%
Total	**1,599,055**	**46.91%**

Substantial holders

Substantial holders in the company are set out below:

Name of substantial shareholder	Number of shares held	Percentage of issued shares
Mr Brian Rodan	347,227	10.19%
Ruffer LLP	201,556	5.91%
Macquarie Bank Limited	182,998	5.37%
Genesis Investment Management	163,840	4.81%
Jon Edwards Super Pty Ltd	135,525	3.98%
Baker Steel Capital Managers	108,169	3.17%

Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

No voting rights.

Interest in Mining Tenements

Current interest in tenements held by Indochine Mining Limited and its subsidiaries as at 18 October 2017 are listed below:

Country / Project	Tenement	Interest
Papua New Guinea (expired 28 August 2014)*	EL 1093	100%

** Application for renewal was refused on 14 December 2015 and is currently under Judicial Review. The judge's decision on the matter has been deferred until a date to be notified.*

Corporate Directory

Directors	Craig Dawson Keith Murray Anthony Gates
Company Secretary:	Ashok Jairath
Registered Office:	C/-Ferrier Hodgson Level 28, 108 St Georges Terrace Perth, WA 6000 Tel +61 8 9214 1444 Fax +61 8 9214 1400
Auditors:	Crowe Horwath Level 5, 45 St Georges Terrace Perth WA 6000 Tel +61 8 9481 1448 Fax +61 8 9481 0152
Share Registry:	Link Market Services Limited Level 12, 680 George Street Sydney, NSW 2000 Tel +61 2 8280 7100 Fax +61 8 9485 1977
Administrators	Level 28, 108 St Georges Terrace Perth, WA 6000 Tel +61 8 9214 1444 Fax +61 8 9214 1400
Internet:	www.indochinemining.com

COMPANIES IN THE ECONOMIC ENTITY

Indochine Mining Limited	ACN 141 677 385
Asia Pacific Gold and Copper Company Pty Limited	ACN 127 948 958
Aries Mining Pty Limited	ACN 112 236 114
Summit Development Limited	PNG company number 1-73895
Positive Development Limited	PNG company number 1-74916

STOCK EXCHANGE

Australian Stock Exchange (Sydney) (shares suspended)
ASX code: IDC
Port Moresby Stock Exchange (Papua New Guinea) (shares suspended)
POMSoX: IDC