indo mines ltd

ANNUAL REPORT

30 JUNE 2016

ABN 40 009 245 210

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CORPORATE DIRECTORY

Directors

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

Chief Executive Officer

Mr Arran Marshall

Company Secretary

Mr Richard Edwards

Registered and Principal Office

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Sydney, NSW, 2000
Australia

Telephone: +61 2 9300 3377
Facsimile: +61 2 9221 6333

Share Register

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Level 4
60 Carrington Street
Sydney NSW 2000

Telephone: 1300 787 272
International: +61 3 9415 4000
Facsimile: +61 3 9473 2500

Stock Exchange Listing

Australian Securities Exchange Limited
Home Branch – Perth
2 The Esplanade
Perth WA 6000

ASX Code

IDO – Fully paid ordinary shares

Solicitors

Herbert Smith Freehills
QV.1 Building
250 St Georges Terrace
Perth WA 6845

Hadiputranto, Hadinoto & Partners
The Jakarta Stock Exchange Building
Tower II, 21st Floor
Sudirman Central Business District
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190

Auditor

PricewaterhouseCoopers
Brookfield Place
125 St Georges Terrace
Perth WA 6000

Bankers

National Australia Bank
Westpac Banking Corporation

CEO's Report

The 2016 financial year has been one of extremes;

In terms of raw material pricing we have seen 62%Fe fines below $40 per ton – a price not even experienced in the wake of the 2008 GFC. From mid December 2015 to April 2016 an impressive rally pushed the price over $70 a ton, an 84% increase. Since then the price has ranged comfortably between $50-$60 per ton, invigorated from rising steel prices, Chinese Government stimulus, the Samaraco tailings disaster and lower than anticipated new supply.

Finished product has also seen a solid and maintained price increase since December 2015, with all major Chinese steel producers posting increases in sales prices and volume. Even Indonesian steel operators have seen a return to profitability, with Krakatau steel booking a $99M gross profit for the first half of 2016 – an unprecedented result that came from both cost-cutting initiatives, lower raw material costs and steel price increases.

Indo Mines focus has been completion of the Definitive Feasibility Study of the Kulon Progo project, in particular refining the smelter process and completion of basic engineering design of the beneficiation plant. In anticipation of a potential shift of the complete ore ban from 2017 to perhaps 2020-22, Indo Mines has focused on developing an export grade quality concentrate, while maintaining its commitment to the Indonesian Government to develop a value add process.

Indo Mines strategy to contribute in successfully raising finance for the iron and steel plant is via an application to the Central Chinese Government to come under the "One Belt, One Road" initiative, with a potential strategic partner as its sponsor. This initiative not only encourages Chinese infrastructure investment along the 'old silk road' and South East Asia, but also assists Chinese Steel companies in their commitment to outsource excess steel tonnage to these regions. Indo Mines hopes to formalise this arrangement over the coming months.

A recent trip to China to meet potential off-takers and developers of the iron and vanadium slag plant was encouraging, experiencing no lack of interest in either. The challenge in the current volatile economic environment, will be obtaining finance at competitive rates for a project of this nature. Over the last two years vanadium production has been significantly affected, leaving a supply gap and seeing the price of vanadium slag having a significant lift. This gap would only partially be filled from any supply from the Kulon Progo project, making it an interesting investment proposition for those wanting to secure long term supply.

In addition to the smelter feasibility process Indo Mines is very confident in its engineering work to date for the beneficiation plant. The plant design incorporates the need for volume production for export grade while also taking into consideration concentrate grade required for the smelter. This flexibility allows for a quick transition when a smelter is developed at some point in the future, while providing volumes for export that provide appropriate returns for a greenfield project of its nature.

To diversify Indo Mines' business, an investment was made into Sapex Oilfield Services Ltd ('Sapex') in January 2016. Sapex's product, sold on licences, has a proven track record in the oil and gas services sector and company management felt it was an appropriate investment in terms of bringing not only cash flow but also investing in an industry at the bottom of the cycle. The licenses Sapex holds is for distribution of mat based products that serves both the mining and oil & gas industries in South East Asia. Sapex is currently expanding the mat business from Indonesia to both Myanmar and the Philippines, with outstanding opportunities available in both countries.

Management hopes the difficult market conditions experienced in the iron and steel industry are behind us – regardless of this Indo Mines continues to execute a development strategy that is based on lower quartile pricing for both iron ore and steel. With a strong strategic partner and positive changes to Indonesian mining laws, management is confident it can execute this strategy and successfully develop a beneficiation plant.

Arran Marshall
Chief Executive Officer

DIRECTORS' REPORT
30 JUNE 2016

The Directors of Indo Mines Limited present their report on the Consolidated Entity consisting of Indo Mines Limited ("the Company" or "Indo Mines" or "Parent Entity") and the entities it controlled at the end of, or during, the year ended 30 June 2016 ("Consolidated Entity" or "Group").

DIRECTORS

The names of Directors in office at any time during the financial year or since the end of the financial year are:

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

Directors held their office from 1 July 2015 until the date of this report.

CURRENT DIRECTORS AND OFFICERS

Peter Chambers – Non-Executive Chairman
Qualifications – B Bus.

Mr Peter Chambers most recently held the position of Managing Director - Strategy and Governance with the Rajawali Group which he retired from at the end of June 2014. He served as a member of the Board of Directors of PT. Rajawali Corpora from 2005 until his retirement from the Rajawali board. Mr Chambers is a member of the Board of Commissioners and Chairman of the Audit Committee of Excelcomindo, Indonesia's third largest mobile telephone operator. He was one of the key persons when Rajawali established Excelcomindo in the late 1990s.

He has more than 20 years' experience in the finance and telecommunications industries having been the Head of the South East Asia Communication Practice of Coopers and Lybrand (Hong Kong based). Mr Chambers has also held executive roles with various international companies over the years.

Mr Chambers graduated from the Royal Melbourne Institute of Technology in Melbourne, Australia, with a degree in Finance and Accounting.

Mr Chambers was appointed a Director of Indo Mines on 26 November 2012 and has not held a directorship in any other listed company in the past three years.

Darryl Harris – Non-Executive Director
Qualifications - B.Sc. MAusIMM

Mr Harris is an engineering metallurgist with over 35 years' experience in the design and commissioning of mineral processing plants, across a range of different commodities. Mr Harris has had a long association with engineering companies including Nedpac, Signet Engineering, Lurgi and Outotec. He was involved in the development of various projects, including project coordinator for the An Feng-Kingstream Steel Project and other Australian ferrous projects as well a several projects in Indonesia.

Mr Harris was appointed a Director of Indo Mines on 16 June 1987 and during the three year period to the end of the financial year, Mr Harris also held a directorship in Consolidated Tin Mines Limited (October 2010 – June 2016).

DIRECTORS' REPORT
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CURRENT DIRECTORS AND OFFICERS (continued)

Darjoto Setyawan – Non-Executive Director
Qualifications – BSc, Masters of Management

Mr Darojoto Setyawan has been employed with the Rajawali Group since 1996 and has held the role of Managing Director - Mining & Resources since 2005. He was the President Director of the Bentoel Group, a subsidiary of Rajawali, from 1996 to 2006 and continued from 2006 - 2009 as the President Commissioner. Under his leadership, the Bentoel Group successfully negotiated with a syndicate of international banks as well as two leading State-Owned banks and restructured its loans. During the same period Bentoel underwent some structural changes including organization restructuring. The loan and organizational restructuring have paved the way for Bentoel to regain its position as one of the biggest cigarette manufacturers in Indonesia.

In addition to being in charge of mining and resources, Mr Setyawan handles all matters related to external relations including those related to Government officials and agencies. He has also served as a member of the board on a number of companies where the Rajawali Group has an interest, including PT. Nusantara Infrastructure and the Semen Gresik Group.

Mr Setyawan was appointed a Director of Indo Mines on 26 November 2012 and has not held a directorship in any other listed company in the past three years.

Hendra Surya – Non-Executive Director
Qualifications – BSc, Masters of International Management

Mr Surya joined the Rajawali Group in 2005 and is currently the Deputy Managing Director - Mining and Resources. Since he joined with the Rajawali Group, Mr Surya has played a significant role in the on-going success of Rajawali's business in Mining and Resources. His main contributions and deliverables include M&A, Corporate Finance, Project Development and Operation of Rajawali's mining assets. He currently holds executive management positions in the several subsidiaries and affiliates of Rajawali Group and is President Director of PT Jogja Magasa Iron.

Prior to his role with the Rajawali Group, Mr Surya spent eight years with PricewaterhouseCoopers where he was involved with a number of government related projects and a wide number of privatisations and major project financings. He holds a Masters Degree in International Business from the American Graduate School of International Management in Arizona.

Mr Surya was appointed a Director of Indo Mines on 6 February 2012 and has not held a directorship in any other listed company in the past three years.

Chief Executive Officer
Arran Marshall – *BA, MBA*

Mr Marshall most recently held the role of Country Head for AWR Lloyd in Indonesia. AWR Lloyd is a specialist mining and energy advisor in South East Asia. He holds an MBA from the Auckland University of Technology and his core competencies are in the areas of business development, project management/development, financial analysis, strategy, investor relations and capital markets.

Mr Marshall was appointed Chief Executive Officer of Indo Mines on 25 February 2014.

Company Secretary
Richard Edwards – *B Comm., CPA, SA Fin, FGIA*

Richard graduated with a Bachelor of Commerce degree from the University of New South Wales and is a Fellow of the Governance Institute of Australia and a member of CPA Australia and FINSIA. Following eight years as an owner/manager of his own business, Mr Edwards has worked for over ten years providing financial reporting and company secretarial services to a range of publicly listed companies in Australia with a focus on the mining sector, including as Company Secretary and Chief Financial Officer for Sumatra Copper & Gold plc and Callabonna Uranium Limited. He is also Company Secretary of ASX listed Augur Resources Ltd and unlisted public companies Nickel Mines Limited and Prospech Limited.

Mr Edwards was appointed Company Secretary of Indo Mines on 31 October 2014.

DIRECTORS' REPORT
30 JUNE 2016

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2016, and the number of meetings attended by each Director.

	Board Meetings Number eligible to attend	Board Meetings Number Attended	Audit Committee Meetings Number eligible to attend	Audit Committee Meetings Number Attended
Peter Chambers	9	9	2	2
Darryl Harris	9	8	-	-
Darjoto Setyawan	9	6	-	-
Hendra Surya	9	8	2	2

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year consisted of mineral exploration and development activities and following the acquisition of a 51% interest in Sapex Oilfield Services Ltd during the year, a supplier of composite mats and down hole tools to the energy industry.

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2016 (2015: nil).

EARNINGS PER SHARE

	2016 Cents	2015 Cents
Basic earnings/(loss) per share	(0.70)	(0.36)
Diluted earnings/(loss) per share	(0.70)	(0.36)

CORPORATE STRUCTURE

Indo Mines is a company limited by shares that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report including the entities it incorporated and controlled during the financial year.

CONSOLIDATED RESULTS

	2016 $	2015 $
Loss of the Consolidated Entity before income tax expense	(4,682,159)	(3,142,244)
Income tax expense	-	-
Net loss	(4,682,159)	(3,142,244)
Net loss attributable to minority interest	(911,280)	(1,182,371)
Net loss attributable to members of Indo Mines Limited	(3,770,879)	(1,959,873)

DIRECTORS' REPORT
30 JUNE 2016

OPERATING AND FINANCIAL REVIEW

Operating Review

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

Figure 1 Project location map

PT JMI holds a Contract of Work ('CoW') concession in the Kulon Progo region, ~30 kilometres from the Javanese city of Yogyakarta. The CoW holds a production license to mine iron sands and produce pig iron within a 2,977 hectare area. The area covered by the license is approximately a 22 kilometre long by 1.8 kilometre wide stretch of beach, between the Kulon Progo and Serang Rivers. On 30 September 2015 the Company announced a 2012 JORC compliant resource update, as detailed within the review of operations.

Definitive Feasibility Study phase II

The second phase to the DFS has been critical in in refining both the process and managing potential issues highlighted during the Hatch pre-feasibility study of the iron plant. The study includes the following areas of focus;

- Iron and vanadium recovery plant
- Beneficiation plant
- Power plant and co-generation
- Soil investigation
- Topography and bathymetry
- Logistics

With the completion of the pre-feasibility study, Ferrostaal were able to be re-engaged to complete the beneficiation plant basic engineering design. This plant design differs from the original specification given to Ferrostaal in a number of ways, most notably the ability to upgrade the ore from 13.6% Fe to 58.5% Fe. This grade of concentrate allows for production of an economic and suitable grade pig iron – anything below 57.5% Fe fed to the smelter will have to go through a process that removes additional phosphorous, which brings significant cost increases.

The design of the plant also allows for a capacity change between producing smelter grade product at 58.5% Fe (0.7 million tons PA) and 56.5% Fe (1.6 million tons PA). This is an important feature as there is a significant cost difference between both grades, because of the additional grind.

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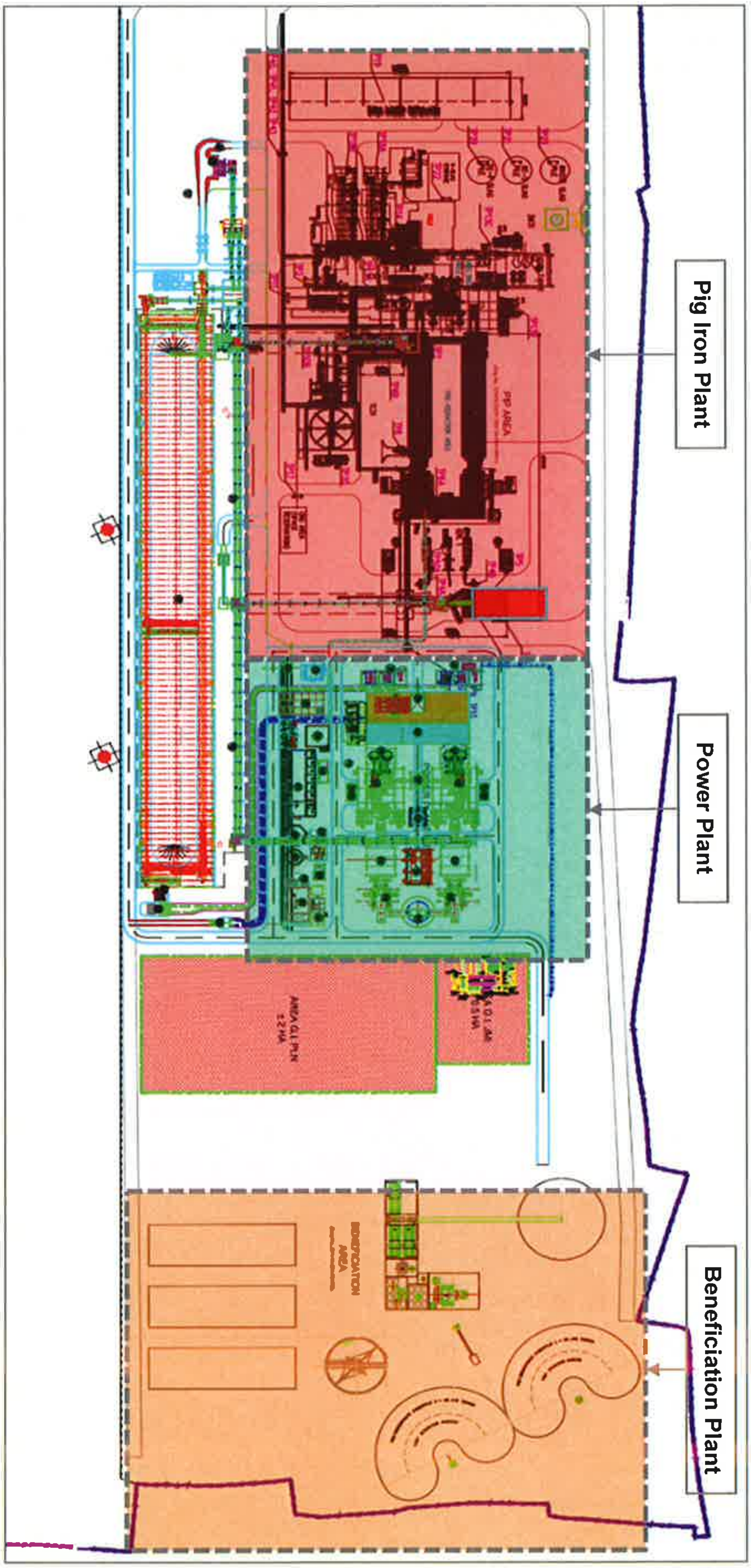
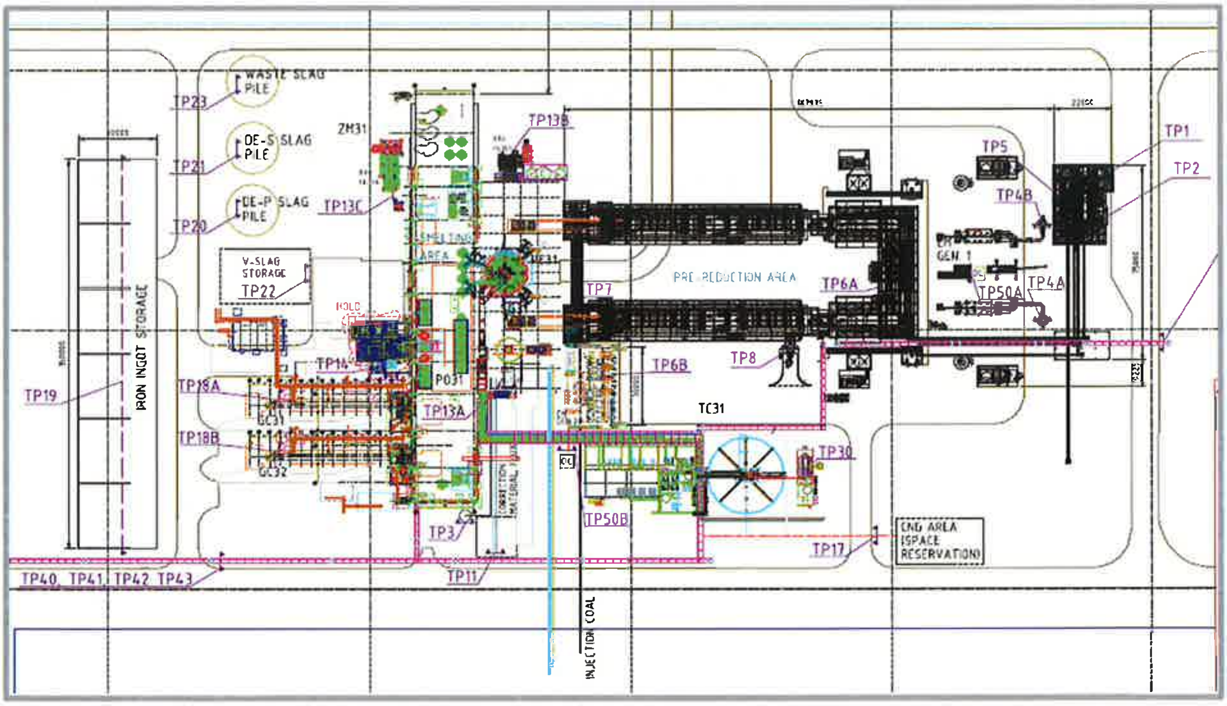


Plant layout

Pig Iron Plant

Pelletisation and bench scale smelting tests were conducted in Germany and Finland by Outotec successfully. Fine particles with high iron content can be pelletized and reduced to obtain metallization of 80%. Bench scale smelting tests were also successful; the smelting behaviour was very stable and no foaming was observed. 100% recoveries were also achieved of iron and vanadium at bench scale testing.

Based on these test results Outotec has prepared a layout of the pig iron plant based on SL/RN Xtra and their circular submerged arc furnace technology. This includes an equipment list, process flow diagram and charring methodology. As stated previously, vanadium recovery is viable using existing extraction technology.



Iron plant layout

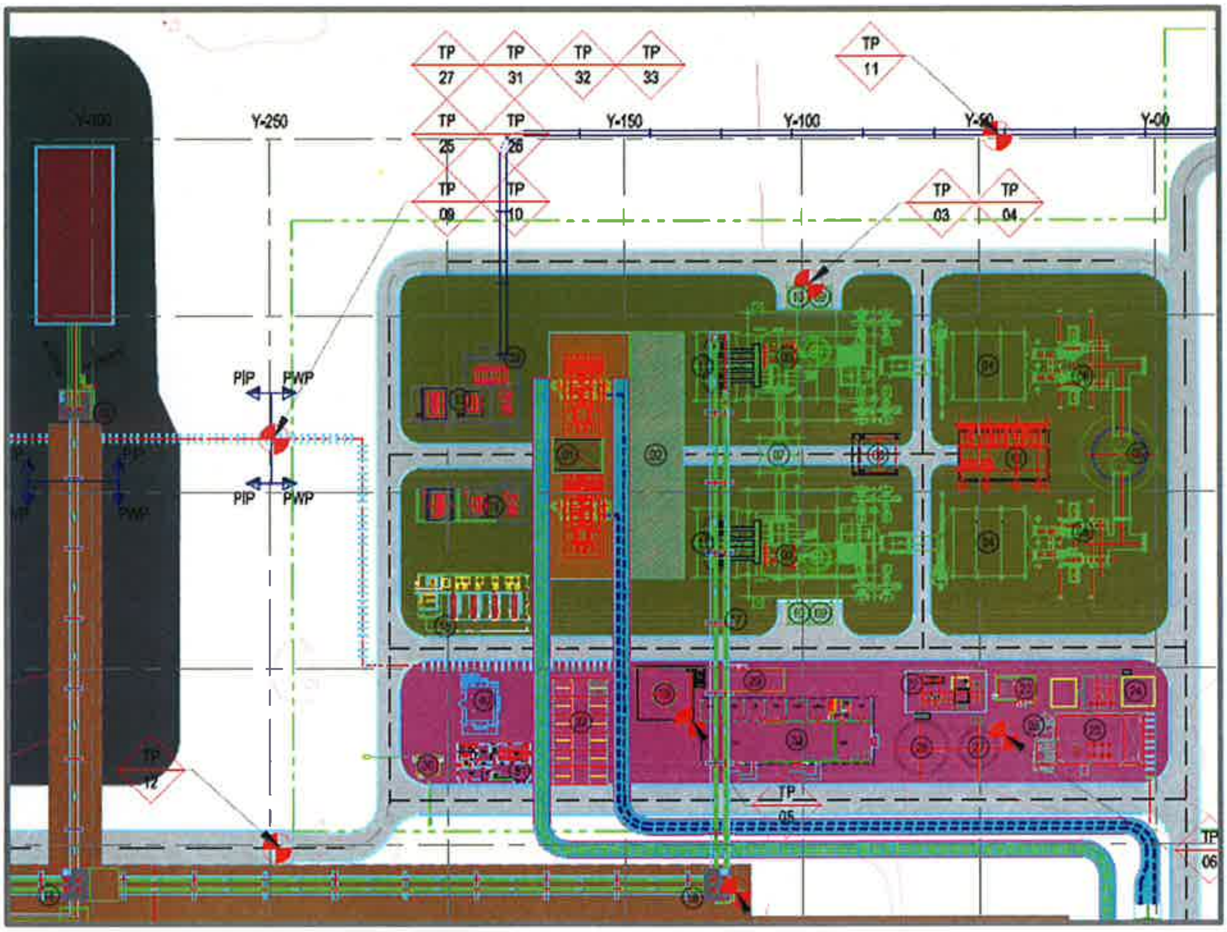
Power Plant

Total power requirements across both the iron plant and beneficiation plant require captive power of approximately 100MW net, to produce a continual and reliable electricity source. Poyry Switzerland was engaged to prepare the conceptual design of the power plant including cost estimation for Capex and Opex. The estimates of primary equipment were based on budget quotations from several suppliers.

During the study Poyry worked closely with Outotec to understand the operation behaviour of the proposed power plant. Various plant options were evaluated and Poyry recommended to have two separate 'trains' (2 x 50 MWe), that utilized two CFB boilers and two condensing steam turbines.

Fuel quality information for the Triaryani coal source had been reviewed and the performance coal composition has been defined, as well as the best and worst coal for sizing different power plant systems. Capex was estimated to be USD$180 million, based on turn-key EPC approach, with Opex USD$27 million annually. This relates to a production cost of 33.4/MWh

DIRECTORS' REPORT
30 JUNE 2016



Power plant layout

Soil Investigation, Topography, Bathymetry and Logistics

PT Soilens was engaged to provide a soil analysis on the 'foot-print' of the plant as a whole, so the internal engineering team could get a solid understanding of requirements for piling and foundations. Geotechnical work indicated that the area is culpable to liquefaction during earthquakes which will require specific ground preparation work, pilings and raft foundation design. Further detailed studies will be required to explore the upper 15 metres of the 'foot-print' which will be the founding stratum for piled foundations.

Topography and bathymetric surveys were completed to ensure the benchmarks within the plant align with the Indonesian Central Coordinates system and the plant/equipment within the 'foot-print' are aligned. The bathymetric survey was performed to map the sea level directly in front of the plant site (1 kilometre from the shoreline).

PT-LAPI was engaged to assess costs associated with utilisation of road, railway and port facilities in the region, to both receive raw material and deliver finished product to the market. Both road and rail and viable options for delivery of goods, although very costly but is typical of freight costs within Indonesia. Options to construct a permanent jetty within the plant boundary are being assessed and are a preferred option in exporting concentrate to China.

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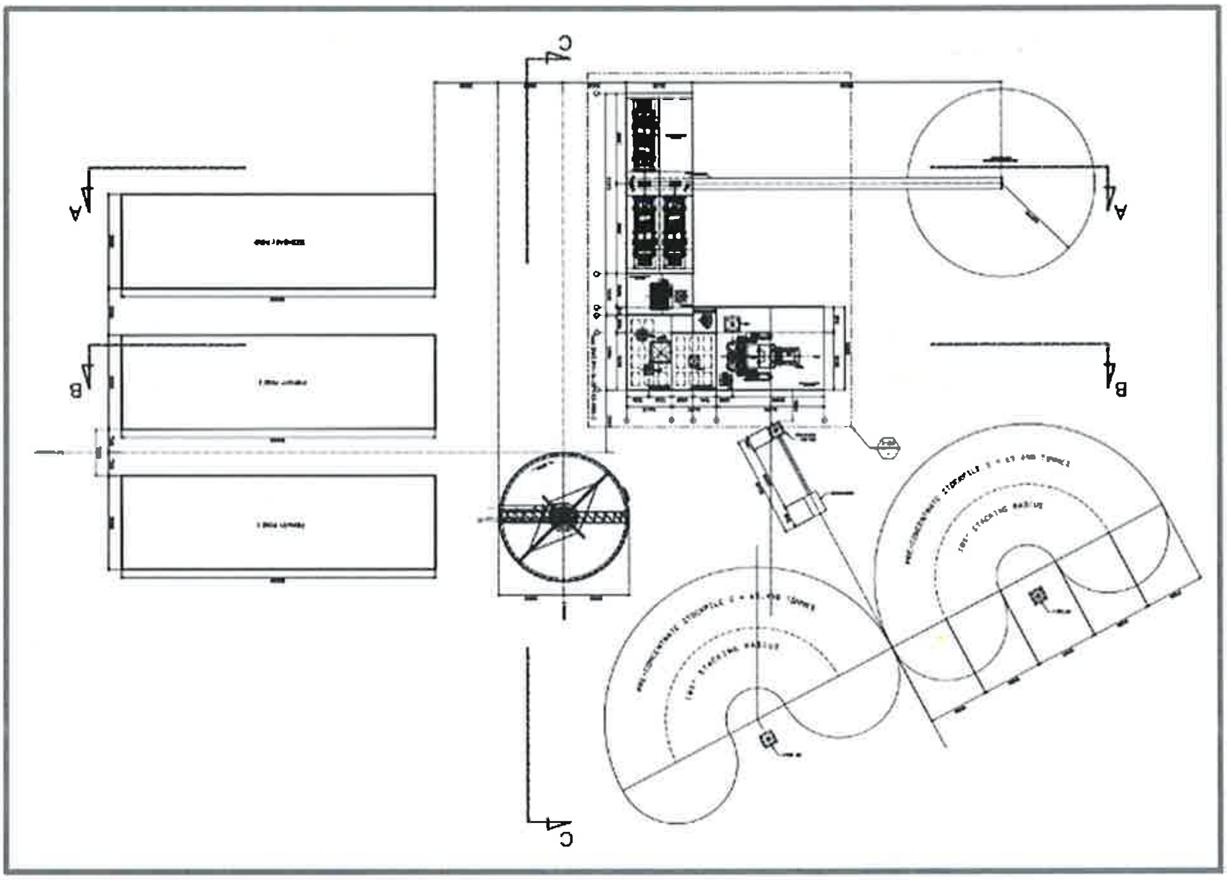
30 JUNE 2016



Beneficiation plant layout

Updated Resource Estimate

During the year Indo Mines announced the completion of a Mineral Resource estimate, reported in accordance with the requirements of the JORC Code (2012 edition) for the Kulon Progo project.

A summary of the Resource estimate is as follows.

Block	Stratigraphy	Category	Volume	Dry Tonnes	Fe	TiO2	V2O5
			(,000 m3)	(,000 t)	(%)	(%)	(%)
Resource Block	Surface Sand	Measured	29,044	55,370	12.56	1.65	0.06
		Indicated	77,800	150,600	14.17	1.87	0.07
		Total	**106,844**	**205,970**	**13.74**	**1.81**	**0.07**
Mining Boundary	Surface Sand	Measured	22,015	42,079	12.37	1.62	0.06
		Indicated	67,900	131,600	14.15	1.87	0.07
		Total	**89,915**	**173,679**	**13.72**	**1.81**	**0.07**

Note: The Resource Block is defined as all areas of the Resource defined within the concession by the exploration drilling at a 9% Total Fe cut-off. The Mining Boundary is defined as the Resource Block, minus a 200-metre buffer zone (required by Indonesian regulations) between the high tide mark and the allowed mining area boundary at a 9% Total Fe cut-off.

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In addition, there are Resources within the concession hosted within the Gravel underlying the Surface Sand. This gravel layers also contains lower grades of Total Fe. The Resource estimate for the Gravel horizon is set out in the following table.

Block	Stratigraphy	Category	Volume	Dry Tonnes	Fe	TiO2	V2O5
			(,000 m3)	(,000 t)	(%)	(%)	(%)
Resource Block	Gravel	Indicated	188,500	327,600	7.22	0.90	0.03
Mining Boundary	Gravel	Indicated	150,300	261,900	7.23	0.90	0.03

Note: The Resource Block is defined as all areas of the Resource defined within the concession by the exploration drilling at a 5% Total Fe cut-off. The Mining Boundary is defined as the Resource Block, minus a 200-metre buffer zone (required by Indonesian regulations) between the high tide mark and the allowed mining area boundary at a 5% Total Fe cut-off.

Acquisition of Sapex Oilfield Services Limited

In January 2016 Indo Mines announced the acquisition of a 51% stake in Sapex Oilfield Services Limited ('Sapex'). Sapex is an established regional provider of the world's leading composite mat system, which is designed for use in remote and challenging terrain-access locations. Sapex holds the license to distribute the world's leading composite mat system within Indonesia, Myanmar and the Philippines.

Sapex also has a technical services agreement with PT Sapex Servis Indonesia ('PT Sapex') PT Sapex designs, supplies and installs specialised downhole drilling, completion and workover equipment across Southeast Asia to support the regional energy industry.

Nominees of Indo Mines sit on the board of Sapex, but Indo Mines' intention is that the existing board and management will continue to run the business. Sapex's strategy moving forward is to expand and diversify its existing capabilities, including targeting opportunities in the mining, construction, plantation, telecommunication and national security sectors across Southeast Asia.

The total purchase price for the acquisition was US$1,000,000 ($1,425,600).This was funded via US$500,000 ($712,800) cash from Indo Mines' cash reserves paid upon completion of the acquisition of 51% of Sapex in January 2016. A deferred consideration amount of US$500,000 ($712,800) will become payable by the Company upon satisfaction of certain conditions linked to the performance of Sapex.

Completion of the sale of Vertimill

During the year Indo Mines completed the conditions precedent for the sale of a Vertimill to A.M. King Industries Inc. and received payment of US$750,000 ($1,050,188). At 30 June 2015 the carrying value of the Vertimill had been fully impaired and as such a gain on sale was recorded.

Finance Review

At 30 June 2016, the Consolidated Entity held cash and cash equivalents and term deposits of $3,598,563 (2015 - $12,227,558).

Operating activities consumed $3,770,848 (2015 - $3,110,287), including interest received of $49,412 (2015 - $342,293) and a R&D Tax Incentive Rebate of $1,226,554 (2015 - $1,266,608) for eligible expenditure in the 2015 financial year spent on advancing the Kulon Progo project. As detailed in the subsequent event note, following a review of the eligibility of expenditures claimed under the R&D Tax Incentive Rebate, the Company has made a voluntary amendment to its claims under the program for the 2014 and 2015 financial years. Based on the amended claims, the Company's rebate amount for the two years is $320,593, leaving a shortfall amount payable to the Australian Taxation Office ('ATO') of $2,171,726, which the Company has taken up at balance date as a liability along with potential interest charges estimated at $118,907.

Investing activities consumed $200,086 (2015 - $396,311), which included expenditure on capitalised exploration and evaluation of $3,068,652 (2015 - $4,523,357) and property, plant and equipment assets of $2,752,421 (2015 - $3,832,085).

DIRECTORS' REPORT
30 JUNE 2016

CORPORATE GOVERNANCE STATEMENT

The Board is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2016 Corporate Governance Statement is dated as at 30 September 2016 and reflects the corporate governance practices throughout the 2016 financial year. The 2016 Corporate Governance Statement was approved by the Board on 30 September 2016. A description of the Company's current corporate governance practices is set out in the Company's Corporate Governance Statement which can be viewed at www.indomines.com.au.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors, significant changes in the state of affairs of the Group that occurred during the year ended 30 June 2016 were as follows:

- In July 2017 the Company announced the completion of a JORC Code (2012 edition) compliant Mineral Resource estimate for the Kulon Progo project
- In January 2016 the Company acquired a 51% interest in Sapex Oilfield Services Ltd, a supplier of composite mats and down hole tools to the energy industry
- Completion of stage 2 of Definitive Feasibility Study phase 11

SIGNIFICANT POST BALANCE DATE EVENTS

In August 2016 the Company announced that it had engaged a tax agent to undertake a review and analysis of the R&D claims made by the Company for the 2014 and 2015 financial years and that as a consequence of this analysis the Indo Mines Board has now determined that the Company should voluntarily amend some of the R&D claims made during the 2014 and 2015 financial years. Based on the amended claims, the Company's rebate amount for the two years is $320,593, leaving a shortfall amount payable to the Australian Taxation Office ('ATO') of $2,171,726, which the Company has taken up at balance date as a liability along with potential interest charges estimated at $118,907. The Company is seeking to enter into a repayment arrangement with the ATO that acknowledges that the Company has made a voluntary disclosure and relied on the advice of a tax agent when making the original claims. The Company is also seeking to reach a settlement with its original tax agent.

On 25 August 2016 the Company executed a Loan Agreement with PT Sapex PT Sapex has a technical services agreement with Sapex to as the local agent to Sapex. Under the Loan Agreement the Company has provided PT Sapex a revolving credit loan facility for the amount of US$250,000. Interest is to be charged at a rate of 5% per month on the outstanding loan balance. At 30 September 2016 the facility had been fully drawn down.

Outside of the matters outlined 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 significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

Instances of environmental non-compliance by an operation are identified either by external compliance audits or inspections by relevant government authorities.

During the year the Company's subsidiary PT JMI submitted to the Ministry of Energy and Minerals an Annual Work Plan for Technical and Environment ('RKTTL'), quarterly reports regarding execution of the Annual Work Plan and bi-yearly reports regarding environmental management and monitoring to Ministry of Energy and Minerals.

There have been no significant known breaches by the Consolidated Entity during the financial year.

DIRECTORS' REPORT
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LIKELY DEVELOPMENTS AND EXPECTED RESULTS

During the coming year, the Company will complete the Definitive Feasibility Study Phase I for its pig iron before proceeding with a bankable feasibility study for an iron making facility for the production of pig iron and vanadium by product.

SHARE OPTIONS

During the financial year ended 30 June 2016 there were no options over unissued ordinary shares on issue and no options have been granted since the end of the year.

The following table sets out each Director's relevant interest in shares in the Company as at the date of this report:

Directors	Ordinary Shares
Peter Chambers	-
Darryl Harris	210,000
Darjoto Setyawan	-
Hendra Surya	-

REMUNERATION REPORT (AUDITED)

The remuneration policy for the Group's Key Management Personnel (including the Chief Executive Officer) has been developed by the Board taking into account:

- the size of the Group;
- the size of the management team for the Group;
- the nature of the Group's current operations; and
- market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

In considering the above general factors, the Board has also placed emphasis on the following specific issues:

- risks associated with resource companies whilst exploring and developing projects; and
- other than income which may be generated from asset sales (if any), the Group does not expect to be undertaking significant profitable operations until sometime after the successful commercialisation, production and sales of commodities from its Kulon Progo iron sands project, or the acquisition of a large scale profitable mining operation.

Remuneration Policy for Executives

The Group's remuneration policy is to provide a fixed remuneration component and a performance based component (incentive options, see below). The Board believes that this remuneration policy is appropriate given the stage of development of the Group and the activities which it undertakes and is appropriate in aligning Key Management Personnel objectives with shareholder and business objectives.

Performance Based Remuneration – Incentive Options

The Board has, in prior years, chosen to issue incentive options to Key Management Personnel as a key component of the incentive portion of their remuneration, in order to attract and retain the services of the Key Management Personnel and to provide an incentive linked to the performance of the Group. The Board considers that each Key Management Personnel's experience in the resources industry will greatly assist the Group in progressing its projects to the next stage of development and the identification of new projects. As such, the Board believes that the number of incentive options granted to Key Management Personnel is commensurate to their value to the Group.

Whilst no incentive options were granted during the current financial year, the Board's policy has been to grant options to Key Management Personnel with exercise prices at and/or above market share price (at time of agreement). As such, incentive options granted to Key Management Personnel will generally only be of benefit if the Key Management Personnel perform to the level whereby the value of the Group increases sufficiently to warrant exercising the incentive options granted.

Other than market-based vesting conditions, there have been no additional performance criteria on the incentive options granted to Key Management Personnel historically, as given the speculative nature of the Group's activities and the small management team responsible for its running, it is considered the performance of the Key Management Personnel and the performance and value of the Group are closely related.

REMUNERATION REPORT (AUDITED) (continued)

Key Management Personnel are prohibited at all times from entering into margin lending or similar arrangements in respect to securities in the Company they hold or in which they have a relevant interest.

Key Management Personnel are prohibited at all times from dealing in financial products issued or created over or in respect of the Company's Securities.

Impact of Shareholder Wealth on Key Management Personnel Remuneration

The Board does not directly base remuneration levels on the Group's share price or movement in the share price over the financial year. The Company does not expect to be undertaking significant profitable operations until sometime after the successful commercialisation, production and sales of commodities from its Kulon Progo iron sands project, or the acquisition of a large scale profitable mining operation. Accordingly the Board does not consider current or prior year earnings or share price movements when assessing remuneration of Key Management Personnel. The compensation structures take into account the capability and experience of the key management personnel and their ability to assist Company performance.

As a result of the Group's exploration and development activities, the Board anticipates that it will retain future earnings (if any) and other cash resources for the operation and development of its business. Accordingly the Group does not currently have a policy with respect to the payment of dividends, and as a result the remuneration policy does not take into account the level of dividends or other distributions to shareholders (e.g. return of capital).

Impact of Earnings on Key Management Personnel Remuneration

The Company does not expect to be undertaking significant profitable operations until sometime after the successful commercialisation, production and sales of commodities from its Kulon Progo iron sands project, or the acquisition of a large scale profitable mining operation. Accordingly the Board does not consider current or prior year earnings or share price movements when assessing remuneration of Key Management Personnel. The compensation structures take into account the capability and experience of the key management personnel and their ability to assist Company performance.

Fixed Compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are generally reviewed annually by the Board through a process that considers individual, segment and overall performance of the Group. In addition, where necessary, external consultants provide analysis and advice to ensure the Directors' and senior executives' compensation is competitive in the market place. A senior executive's compensation is also reviewed on promotion. No external consultants were engaged during the year ended 30 June 2016.

Remuneration Policy for Non-Executive Directors

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. Given the current size, nature and risks of the Group, incentive options have previously been used to attract and retain Non-Executive Directors. The Board 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. No external consultants were engaged during the year ended 30 June 2016.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Group.

General
Where required, Key Management Personnel receive superannuation contributions, which for the year ended 30 June 2016 was equal to 9.5% of salary. Key Management Personnel do not receive any other retirement benefit. From time to time, individuals have chosen to sacrifice part of their salary to increase payments towards superannuation.

DIRECTORS' REPORT
30 JUNE 2016

REMUNERATION REPORT (AUDITED) (continued)

All remuneration paid to Key Management Personnel is valued at cost to the Company and expensed. Incentive options are valued using an appropriate option valuation methodology depending upon the terms of the options. The value of these incentive options is expensed over the vesting period.

Employment Contracts with Key Management Personnel

Mr Arran Marshall, Chief Executive Officer, entered into an executive services agreement with the Company with effect from 25 February 2014. Pursuant to that agreement, Mr Marshall was paid a base salary of A$275,000 per annum, a housing allowance of US$3,000 per month and a motor vehicle allowance of IDR12.5 million per month. Performance based milestones, which may have resulted in Mr Marshall receiving a bonus A$370,000 had not been achieved by 31 December 2015 and consequently have not been paid. In March 2016 Mr Marshall and the Company agreed, as part of the costs savings measured being enacted by the Company, that Mr Marshall's base salary would be amended to A$14,667 per month, plus a travel allowance equivalent to A$1,260 per month. In addition the Company paid Mr Marshall's apartment lease for a period of twelve months at a total cost of A$60,577. The Company may terminate Mr Marshall's employment at any time upon three months' notice, where that termination is effected within twelve months of his commencement, and upon 6 months' notice, where the termination is effected following the expiration of twelve months from commencement. In lieu of notice, the Company may pay Mr Marshall an amount calculated in proportion to his base salary for any period of short notice. Mr Marshall can resign by providing three months' written notice. The Company can terminate the agreement without notice for serious misconduct.

Non-Executive directors

Total compensation for all Non-Executive Directors, last voted upon by shareholders at the 2011 AGM, is not to exceed $500,000 per annum and is set with reference to fees paid to other non-executive directors of comparable companies. With effect from 10 April 2016, fees payable for the independent Non-Executive Directors are $45,872 per annum inclusive of superannuation contributions. Directors appointed by the Rajawali Group do not receive any Directors' fees. Mr Surya was paid $18,197 (2015: $17,324) during the year as remuneration for his role as CEO of PT JMI. Mr Chambers receives a fee in his capacity as Chairman of $77,000 per annum inclusive of superannuation contributions.

Non-Executive Directors did not receive any performance related compensation in 2016 (2015: Nil). Directors' fees cover all main board activities and committee memberships.

External consultants were not engaged in the preparation of the remuneration report.

DIRECTORS' REPORT
30 JUNE 2016

REMUNERATION REPORT (AUDITED) (continued)

Key Management Personnel Remuneration (Company and Consolidated)

Details of the nature and amount of each element of the remuneration of each Director of the Group and each of the Group's executives for the financial year are as follows:

		Short-Term				Post Employment			Share-based payments	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
Directors		Salary & Fees $	STI cash bonus $	Non monetary benefits $	Total $	Super-annuation $	Other long term $	Termination Benefits $	Options and rights $	$	%	%
Peter Chambers	2016	**77,000**	-	-	**77,000**	-	-	-	-	**77,000**	-	-
Non-Executive Chairman	2015	78,800	-	-	78,800	-	-	-	-	78,800	-	-
Christopher Catlow (2)	2016	-	-	-	-	-	-	-	-	-	-	-
Non-Executive Director	2015	11,415	-	-	11,415	1,084	-	-	-	12,499	-	-
Darryl Harris	2016	**45,872**	-	-	**45,872**	**4,243**	-	-	-	**50,115**	-	-
Non-Executive Director	2015	45,820	-	-	45,820	5,325	-	-	-	51,145	-	-
Darjoto Setyawan (1)	2016	-	-	-	-	-	-	-	-	-	-	-
Non-Executive Director	2015	-	-	-	-	-	-	-	-	-	-	-
Hendra Surya (1)	2016	**18,197**	-	-	**18,197**	-	-	-	-	**18,197**		
Non-Executive Director	2015	17,324	-	-	17,324	-	-	-	-	17,324	-	-
Stacey Apostolou (3)	2016	-	-	-	-	-	-	-	-	-	-	-
Exec Director & Co. Sec.	2015	95,425	-	-	95,425	5,490	-	-	-	100,915	-	-
Executives												
Arran Marshall	2016	**295,424**	-	-	**295,424**	-	-	-	-	**295,424**	-	-
Chief Executive Officer	2015	326,449	-	-	326,449	-	-	-	-	326,449	-	-
Total	**2016**	**436,493**	-	-	**436,493**	**4,243**	-	-	-	**440,736**		
	2015	**575,233**	-	-	**575,233**	**11,899**	-	-	-	**587,132**	-	-

DIRECTORS' REPORT
30 JUNE 2016

REMUNERATION REPORT (AUDITED) (continued)

Notes

(1) No Directors Fees were payable to Messrs Setyawan and Surya for the year ended 30 June 2016. Remuneration paid for Mr Surya for his role as CEO of PT JMI during the year totalled $18,197 (2015 $17,324).

(2) Mr Catlow resigned as a Director on 30 September 2014

(3) Ms Apostolou resigned as a Director on 30 September 2014 and as Company Secretary on 31 October 2014.

Options Granted to Key Management Personnel

No options were granted, exercised or lapsed during the year.

End of Remuneration Report

INSURANCE OF OFFICERS AND AUDITORS

Under the Constitution the Company is obliged, to the extent permitted by law, to indemnify an officer (including Directors) of the Company against liabilities incurred by the officer in that capacity, against costs and expenses incurred by the officer in successfully defending civil or criminal proceedings, and against any liability which arises out of conduct not involving a lack of good faith.

The Company has in respect of any person who is or has been an officer of the Company or a related body corporate paid or agreed to pay a premium of $14,246 (2015: $18,901) in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

The Company has indemnified officers of the Company against a liability incurred as an officer including costs and expenses in successfully defending legal proceedings.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify an auditor of the Company or of any related body corporate against a liability incurred as such an auditor.

NON-AUDIT SERVICES

There were no non-audit services provided by the auditor (or by another person or firm on the auditor's behalf) during the financial year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration, which forms part of this Directors' Report, for the year ended 30 June 2016 is on page 19.

This report is made in accordance with a resolution of the Directors made pursuant to section 298(2) of the Corporations Act 2001.

For and on behalf of the Directors

PETER CHAMBERS
Non-Executive Chairman

Dated this 30th day of September 2016

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Indo Mines Limited 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.

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

Ben Gargett
Partner
PricewaterhouseCoopers

Perth
30 September 2016

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $	2015 $
Other (loss)/ income	3(b)	(1,064,112)	3,778,043
Gain on disposal of fixed asset	7	1,050,188	-
General and administrative project expenditure	3(a)	(2,785,831)	(2,761,881)
Depreciation	3(a)	(70,857)	(77,423)
Employee benefits expenses	3(a)	(414,149)	(574,250)
Other expenses	3(a)	(956,433)	(1,021,314)
Loss on disposal of subsidiary		-	(361,872)
Financial income	3(b)	64,989	170,146
Financial expense	3(b)	(204,691)	(1,202,007)
Write-down of inventory to net realisable value	3(c)	(301,263)	(1,091,686)
Loss before income tax		**(4,682,159)**	**(3,142,244)**
Income tax expense	4	-	-
Loss for the year		**(4,682,159)**	**(3,142,244)**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Re-measurement of defined benefit obligations		75,347	(31,971)
Exchange differences on disposed entity		-	348,199
Foreign currency translation differences for foreign operations		(123,397)	442,130
Other comprehensive income/(loss) for the year		(48,050)	758,358
Total comprehensive loss for the year		**(4,730,209)**	**(2,383,886)**
Loss attributable to:			
Non-controlling interests		(911,280)	(1,182,371)
Owners of the Company		(3,770,879)	(1,959,873)
		(4,682,159)	**(3,142,244)**
Total comprehensive loss attributable to:			
Non-controlling interests		(1,626,934)	(984,957)
Owners of the Company		(3,103,275)	(1,398,929)
		(4,730,209)	**(2,383,886)**
Loss per share:			
Basic loss and diluted loss per share (cents)	25	(0.70)	(0.36)

Notes to and forming part of the Statement of Profit or Loss and Other Comprehensive Income are set out on Pages 25 to 52.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	2016	2015
		$	$
ASSETS			
Current Assets			
Cash and cash equivalents	25(b)	3,598,563	6,943,958
Term deposits	25(b)	-	5,283,600
Trade and other receivables	5	67,255	58,465
Total Current Assets		3,665,818	12,286,023
Non-Current Assets			
Restricted cash and cash equivalents	25(b)	43,559	42,926
Other receivables	5	179,141	137,108
Inventory	6	19,797	312,173
Investment in equity accounted investee	9	1,425,600	-
Property, plant and equipment	7	6,000,101	3,448,878
Exploration and evaluation assets	8	7,649,641	4,692,253
Total Non-Current Assets		15,317,840	8,633,338
TOTAL ASSETS		18,983,657	20,919,361
LIABILITIES			
Current Liabilities			
Trade and other payables	10	3,888,751	1,402,543
Employee benefits	11	55,631	-
Total Current Liabilities		3,944,382	1,402,543
Non-Current Liabilities			
Trade and other payables	12	56,347	53,912
Employee benefits	13	465,608	394,361
Borrowings	14a	5,375,080	5,223,600
Derivative financial instruments	14b	49,450	21,946
Total Non-Current Liabilities		5,946,485	5,693,819
TOTAL LIABILITIES		9,890,867	7,096,362
NET ASSETS		**9,092,790**	**13,822,999**
EQUITY			
Issued capital	15	140,998,541	140,998,541
Reserves	16	909,978	242,374
Accumulated losses	17	(115,256,710)	(111,485,831)
Total equity attributable to equity holders of the Company		26,651,809	29,755,084
Non-controlling interest		(17,559,019)	(15,932,085)
TOTAL EQUITY		**9,092,790**	**13,822,999**

Notes to and forming part of the Statement of Financial Position are set out on Pages 25 to 52.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Research and development refund		1,226,554	1,266,608
Payments to suppliers and employees (inclusive of GST)		(4,611,750)	(4,426,936)
Interest received		49,412	342,293
Interest paid		(435,064)	(292,252)
Net cash outflows from operating activities	25(a)	**(3,770,848)**	**(3,110,287)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,752,421)	(3,832,085)
Payments for exploration and evaluation		(3,068,652)	(4,523,357)
Proceeds from sale of property, plant and equipment		1,050,188	-
Receipts/(payments) for term deposits		5,283,600	(5,223,600)
Receipts for fixed income securities		-	13,182,731
Acquisition of equity accounted investee		(712,800)	-
Net cash outflows from investing activities		**(200,086)**	**(396,311)**
Net decrease in cash and cash equivalents		**(3,970,934)**	**(3,506,598)**
Cash and cash equivalents at the beginning of the financial year		6,943,958	10,160,428
Effects of exchange rate changes		625,539	290,128
Cash and cash equivalents at the end of the financial year	25(b)	**3,598,563**	**6,943,958**

Notes to and forming part of the Statement of Cash Flows are set out on Pages 25 to 52.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Attributable to the equity holders of the Parent						
	Share Capital $	Other Reserves $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $	Non-controlling Interest $	Total Equity $
Balance at 1 July 2015	**140,998,541**	**(66,592)**	**308,966**	**(111,485,831)**	**29,755,084**	**(15,932,085)**	**13,822,999**
Net loss for the year	-	-	-	(3,770,879)	(3,770,879)	(911,280)	(4,682,159)
Other comprehensive income							
Re-measurement of defined benefit obligation	-	75,347	-	-	75,347	-	75,347
Exchange differences arising on translation of foreign operations	-	-	592,257	-	592,257	(715,654)	(123,397)
Total other comprehensive income	-	75,347	592,257	(3,770,879)	(3,103,275)	(1,626,934)	(4,730,209)
Transactions with owners, recorded directly in equity							
Balance at 30 June 2016	**140,998,541**	**8,755**	**901,223**	**(115,256,710)**	**26,651,809**	**(17,559,019)**	**9,092,790**

Notes to and forming part of the Statements of Changes in Equity are set out on Pages 25 to 52.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)
FOR THE YEAR ENDED 30 JUNE 2016

	Attributable to the equity holders of the Parent								
	Share Capital $	Performance Shares $	Share-Based Payments Reserve $	Other Reserves $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $	Non-controlling Interest $	Total Equity $
Balance at 1 July 2014	**140,998,541**	**3,000,000**	**363,000**	**(34,621)**	**(283,949)**	**(112,888,958)**	**31,154,013**	**(14,947,128)**	**16,206,885**
Net loss for the year	-	-	-	-	-	(1,959,873)	(1,959,873)	(1,182,371)	(3,142,244)
Other comprehensive income									
Re-measurement of defined benefit obligation	-	-	-	(31,971)	-	-	(31,971)	-	(31,971)
Exchange difference on disposed entity	-	-	-	-	348,199	-	348,199	-	348,199
Exchange differences arising on translation of foreign operations	-	-	-	-	244,716	-	244,716	197,414	442,130
Total other comprehensive income	-	-	-	(31,971)	592,915	(1,959,873)	(1,398,929)	(984,957)	(2,383,886)
Transactions with owners, recorded directly in equity									
Expiry of performance shares	-	(3,000,000)	-	-	-	3,000,000	-	-	-
Expiry of options	-	-	(363,000)	-	-	363,000	-	-	-
Balance at 30 June 2015	**140,998,541**	**-**	**-**	**(66,592)**	**308,966**	**(111,485,831)**	**29,755,084**	**(15,932,085)**	**13,822,999**

Notes to and forming part of the Statements of Changes in Equity are set out on Pages 25 to 52.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial report of the Company, Indo Mines Limited and its consolidated entities ("Consolidated Entity" or "Group") for the year ended 30 June 2016 are stated to assist in a general understanding of the financial report. These policies have been consistently applied to all the years presented, except as described below.

Indo Mines is domiciled in Australia and is a for-profit entity, limited by shares and these shares are publicly traded on the Australian Securities Exchange.

The financial report of the Group for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 30 September 2016.

(a) Going Concern

The financial report has been prepared on a going concern basis which contemplates the continuation of business activity and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the year of $4,682,159 (2015: $3,142,244) whilst it continued with studies for the development of the Kulon Progo iron sands project.

The Group recorded a loss attributable to equity holders of the Company of $3,770,879 (2015: $3,142,244) for the year ended 30 June 2016 whilst it continued with studies for the development of the Kulon Progo iron sands project. The Group has cash and cash equivalents of $3,598,563 at 30 June 2016 and used $3,770,848 of cash in operations for the year ended 30 June 2016. The Group has total liabilities of $9,178,067, including short term liabilities of $3,231,582, which includes an estimated tax shortfall amount of $2,290,666 payable to the Australian Taxation Office ('ATO') over the next eighteen months for which the Company is seeking to enter into a payment arrangement with the ATO. The directors expect, in addition to the dividends anticipated from Sapex, that additional funding will be required to meet the Group's projected cash outflows for a period of 12 months from the date of the directors' declaration.

These conditions give rise to a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern. The ongoing operation of the Group is dependent upon the Group raising additional funding from shareholders or other parties and the Group reducing expenditure in-line with available funding.

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

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

(b) Basis of Preparation

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

New or revised accounting standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2016. The Group assesses that these recently issued or revised standards and interpretations will not have a significant impact on the group's financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Indo Mines Limited as at 30 June 2016 and the results of all subsidiaries for the year then ended. Indo Mines and its subsidiaries together are referred to as the Group or the Consolidated Entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and potential effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group controls an entity when it is exposed to, or has rights to, variable returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions and balances, and unrealised gains on transactions between Group companies, are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the subsidiary.

Jointly controlled entities

In the consolidated financial statements, investments in jointly controlled entities, including partnerships, are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

The Company's share of the jointly controlled entity's net profit or loss is recognised in the consolidated statement of comprehensive income from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly in the consolidated reserves.

(d) Exploration and evaluation expenditure

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Exploration and evaluation expenditure incurred by the Group is accumulated for each area of interest and recorded as an asset if:

(i) the rights to tenure of the area of interest are current; and
(ii) at least one of the following conditions is also met:
  (1) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and/or
  (2) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost on recognition.

Capitalised exploration costs are reviewed each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any).

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue Recognition

Interest income

Interest income is recognised in the Statement of Profit or Loss as it accrues, using the effective interest method.

(f) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Indo Mines and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred taxes, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the Company. The current tax liability of each group entity is then subsequently assumed by the Company. The group notified the Australian Tax Office that it had formed an income tax consolidated group from 1 July 2008.

(g) Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(h) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments that are readily convertible to known amounts of cash (maturities of three months or less) and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Restricted cash and cash equivalents represents deposits held with financial institutions that are held as security and are not readily convertible to cash.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less an allowance for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition. An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of bringing the inventory into a saleable state and selling expenses.

(k) Property, Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Plant and equipment are depreciated or amortised on a straight line basis at rates based upon their expected useful lives as follows:

	Life (years)
Buildings	4-10
Machinery	8-16
Office equipment	4

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(l) Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investments and Other Financial Assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Financial assets at fair value through profit or loss are acquired for the purpose of selling in the short term with the intention of making a profit. Fair value movements are recognised in profit or loss.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(n) Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. The amounts are unsecured and are usually paid within 30 days. Payables to related parties are carried at the principal amount.

(o) Employee Benefits

(i) Short term benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Employee benefits payable later than one year are measured at the present value of the estimated future cash flows to be made for those benefits.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(iii) Defined benefit obligation

The Indonesian subsidiary is required to provide minimum benefits as stipulated in government labour law regulations. Since the regulations establish the formula for determining the minimum amount of benefits, in substance the pension obligation under the regulations represent a defined benefit obligation. In determining the estimated employee benefit obligations, the subsidiary determines the present value of the defined benefit obligation, current service costs and past service cost using the 'Project Unit Credit' actuarial valuation method, with actuarial gains or losses recognised in other comprehensive income.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Issued Capital

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(q) Dividends

Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at balance date.

(r) Earnings per Share

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings/loss per share to take into account the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(t) Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Chief operating decision maker is the CEO of the Group.

Segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(u) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets and liabilities at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Finance income and finance costs (continued)

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(v) Foreign Currency

Both the functional and presentation currency of Indo Mines Limited at 30 June 2016 was Australian Dollars. The following table sets out the functional currency of the subsidiaries (unless dormant) of the Group:

Company Name	Functional Currency
PT Jogja Magasa Iron	Indonesian Rupiah
PT Indomines Mineral Perkasa	Indonesian Rupiah

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to the income statement with the exception of differences in foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and tax credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Where the functional currency of a subsidiary of Indo Mines is not Australian Dollars the assets and liabilities of the subsidiary at reporting date are translated into the presentation currency of Indo Mines at the rate of exchange ruling at the balance sheet date and the income statements are translated by applying the average exchange rate for the year.

Any exchange differences arising on this retranslation are taken directly to a separate component of equity.
On disposal of a foreign entity, the deferred cumulative amount recognised in equity and relating to that particular foreign operation is recognised in the Statement of Profit or Loss.

(w) Impairment of financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Impairment of financial assets (including receivables) (continued)

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(aa) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The conversion component is recognised at fair value as a liability.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The conversion component is measured at fair value through profit and loss.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised against equity, net of any tax benefit.

(ab) Research and development rebates

Where a rebate is received relating to research and development costs that have been expensed, the rebate is recognised as other income when the rebate becomes receivable and the Company complies with all attached conditions. If the research and development costs have been capitalised, the rebate is deducted from the carrying value of the underlying asset, unless that asset has been fully impaired in a prior period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Uses of estimates and judgements

The preparation of the consolidated financial statements in conformity with AASs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recongised in the financial statements is included in the following notes:

(i) Estimated impairment of deferred exploration, evaluation and development expenditure (refer Note 8)

Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the groups accounting policy (refer note 1(d)), requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. Critical to this assessment is estimates and assumptions as to reserves, timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under accounting policy 1(d), a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the income statement. The carrying amounts of exploration and evaluation assets are set out in Note 8.

(ii) Income tax benefit (refer Note 4)

Judgement is required in assessing whether deferred tax assets and liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised.

(iii) Property, plant and equipment (refer Note 7)

Management review the carrying value and the estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to expected future usage and utility of the assets.

(iv) Inventory Net Realisable Value (refer Note 6)

In the absence of market based prices being readily available, judgement is required in assessing the net realisable value of inventory and when applying an apporpriate risk discount.

(v) Non-Current Assets (refer Note 8)

Judgement is required in determining the appropriate level of project related costs that should be capitalised as deferred exploration and evaluation expenditure and what percentage of this expenditure should be expensed. Management has estimated the percentage of each departments activities can be directly related to project activities and capitalised the corresponding percentage of expenditure relating to that department.

(vi) Investment in Equity Accounted Investee (refer Note 9)

Judgement is required in assessing whether to ascribe any fair value to the deferred acquisition consideration of the equity accounted investee, based on the likelihood of either of the deferred acquisition consideration milestones being achieved..

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2016	2015
3. LOSS FROM OPERATIONS	**$**	**$**

(a) Loss before tax

Loss before income tax has been arrived at after charging the following expenses attributable to operations:

	2016 $	2015 $
General and administrative expense		
General and administrative project expenditure	2,785,831	2,761,881
	2,785,831	2,761,881

Note 8 details the Company's policy as to the apportionment of project expenditure as either general and administrative project expenditure or deferred exploration and evaluation expenditure.

	2016 $	2015 $
Depreciation		
Depreciation – plant and equipment	70,857	77,423
	70,857	77,423
Employee benefits expense		
Salaries and wages and costs of employment	414,149	574,250
Other expenses		
Property expenses	73,332	6,380
Corporate expenses	723,016	603,198
Audit expenses	145,609	104,980
Other expenses	14,477	306,756
	956,433	1,021,314
(b) Financial income/(expenses)		
Interest revenue	49,412	110,764
Sundry income	43,081	-
Changes in fair value adjustment of convertible debenture option (1)	(27,504)	59,382
Finance income	64,989	170,146

(1) Relates to a fair value adjustment for the option component of the convertible note from Anglo Pacific Group. Refer Note 14b for further details.

	2016 $	2015 $
Research and development (repayment)/refund	(1,064,112) (3)	1,266,608(2)
Changes in fair value of financial assets	-	2,511,435
Other (loss)/income	(1,064,112)	3,778,043

(2)As the research and development refund received related to prior period expenditure on the development of the Kulon Progo project that had previously been capitalised and then fully impaired at 30 June 2014, the refund was recognised as income rather than being deducted from the carrying value of the underlying asset.

(3) As set out in the significant events post balance date note in the director's report, a review of the R&D claims made by the Company for the 2014 and 2015 financial years concluded that the expenditures originally seen as eligible for rebate under the R&D Tax Incentive program were not eligible. Eligible claims for the two years totalled $320,593 leaving a shortfall amount payable to the Australian Taxation Office ('ATO') of $2,171,726, which the Company has taken up at balance date as a liability along with potential interest charges estimated at $118,907. Amounts taken up in the prior year as other income that were no longer seen as eligible have been reversed against other income, along with the potential interest charges..

	2016 $	2015 $
Interest expense	(439,960)	(394,858)
Bank charges	(8,552)	(9,780)
Foreign exchange loss	243,821	(783,040)
Other	-	(14,329)
Finance costs	(204,691)	(1,202,007)

(c) Impairment expenses

	2016 $	2015 $
Write-down of inventory to net realisable value	301,263	1,091,686
	301,263	1,091,686

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. INCOME TAX BENEFIT

	2016 $	2015 $
(a) Recognised in the profit and loss		
Current income tax:		
Current income tax expense/(benefit)	-	-
Deferred income tax:		
Adjustments in respect of deferred income tax of previous years	-	-
Origination and reversal of temporary differences	(958,536)	(977,320)
Deferred tax assets not brought to account	958,536	977,320
Income tax expense reported in the income statement	-	-
(b) Reconciliation of income tax expense to prima facie tax payable		
Loss from operations before income tax	(4,682,159)	(3,142,245)
Tax at the Australian tax rate of 30% (2015: 30%)	(1,404,648)	(942,673)
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible overseas salary and wages	66,628	83,970
Sundry Items	(155,572)	30,584
Non-deductible benefits in kind	230,609	166,931
R&D tax incentive liability/(refund)	319,234	(379,982)
Exploration expenditure not deductible	23,648	91,673
Difference in overseas tax rates	(38,435)	(27,823)
	(958,536)	(977,320)
Income tax benefit not recognised	958,536	977,320
Income tax expense	-	-
(c) Tax losses not brought to account		
Unused tax losses for which no deferred tax asset has been recognised	90,377,603	86,703,003
Potential tax benefit @ 30% (2015: 30%)	27,113,281	26,010,900

4. INCOME TAX BENEFIT (continued)

(d) Tax Consolidation

During the year, Indo Mines deregistered its wholly-owned Australian subsidiaries and is no longer under the tax consolidation regime. The deductible temporary difference and tax losses held previously by the tax consolidated group do not expire under the current tax legislation and is immediately assumed by Indo Mines.

	2016 $	2015 $
(e) Deferred income tax		
Deferred income tax relates to the following:		
Deferred tax liabilities		
Borrowings	-	-
Other assets	-	78,644
Deferred tax assets used to offset deferred tax liabilities	-	(78,644)
	-	-
Deferred tax assets		
Inventory	-	308,092
Borrowings	135,805	82,110
Accrued expenses	44,250	12,342
Tax losses available to offset against future taxable income	27,432,515	26,010,900
Deferred tax asset used to offset deferred tax loss	-	(78,644)
Deferred tax assets not brought to account	(30,034,283)	(26,334,800)
	-	-

No deferred tax assets have been recognised in respect of these losses and temporary differences available because it is not probable that future taxable profit will be available against which the Group can utilise these benefits.

5. CURRENT ASSETS – Trade and other receivables

Prepayments	57,474	43,475
Sundry debtors	9,781	14,990
	67,255	58,465

NON-CURRENT ASSETS – Other receivables

Sundry debtors	179,141	137,108

6. NON-CURRENT ASSETS – Inventory

Inventory	19,797	312,173

The balance relates to iron concentrate and grinding balls. During the financial year ended 30 June 2016 impairment testing on the value of inventory was undertaken and a net realisable value write-down of $301,263 was recorded.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

7. NON-CURRENT ASSETS – Property, Plant and Equipment

	2016 $	2015 $
(a) Plant and equipment		
Cost	12,208,166	13,660,443
Accumulated depreciation and impairment	(6,208,065)	(10,211,565)
Net carrying amount	6,000,101	3,448,878
(b) Reconciliation		
Carrying amount at beginning of year, net of accumulated depreciation and impairment	3,448,878	439,795
Additions	2,509,948	3,027,854
Disposals*	-	-
Effect of movements in exchange rates	192,437	104,574
Depreciation charge for the year	(151,162)	(123,345)
Carrying amount at end of year, net of accumulated depreciation and impairment	6,000,101	3,448,878

Property, plant and equipment assets are comprised of the following amounts:

	2016 $	2015 $
Construction in Progress	5,736,520	3,094,490
Building	177,642	199,425
Office Equipment	62,526	103,094
Field Equipment	8,555	25,315
Vehicles	2,853	3,875
Furniture and Fittings	12,005	22,679
	6,000,101	3,448,878

* During the year ended 30 June 2016 the Company sold the Vertimill for US$750,000 ($1,050,188) to an independent third party. The asset had previously been fully impaired and as such a gain on sale was recorded.

	Construction in progress $	Building $	Office equipment $	Field equipment $	Vehicles $	Furniture and fittings $	Total $
Balance at 1 July 2015, net	3,094,490	199,425	103,094	25,315	3,875	22,679	3,448,878
Additions	2,502,440	-	7,327	181	-	-	2,509,948
Depreciation expense	(38,062)	(30,327)	(52,309)	(17,814)	(1,179)	(11,471)	(151,162)
Exchange movements	177,652	8,544	4,414	873	157	797	192,437
Balance at 30 June 2016, net	**5,736,520**	**177,642**	**62,526**	**8,555**	**2,853**	**12,005**	**6,000,101**

	Construction in progress $	Building $	Office equipment $	Field equipment $	Vehicles $	Furniture and fittings $	Total $
Balance at 1 July 2015, net	38,919	193,521	141,301	35,958	4,585	25,510	439,795
Additions	2,997,891	16,517	2,006	6,327	-	5,114	3,027,854
Depreciation expense	-	(28,779)	(59,003)	(20,137)	(1,125)	(14,299)	(123,345)
Exchange movements	57,680	18,166	18,790	3,168	415	6,354	104,574
Balance at 30 June 2016, net	3,094,490	199,425	103,094	25,315	3,875	22,679	3,448,878

8. NON-CURRENT ASSETS – Exploration and evaluation assets

The Company has mineral exploration and evaluation costs carried forward in respect of the following areas of interest:

	2016 $	2015 $
(a) Areas of interest:		
Indonesia		
Kulon Progo Iron Sands Mining Right	7,649,641	4,692,253
	7,649,641	4,692,253
(b) Reconciliation		
Carrying amount at beginning of year	4,692,253	-
Exploration and evaluation expenditure incurred	2,957,388	4,692,253
Carrying amount at end of year, at cost	7,649,641	4,692,253

(c) Composition

Exploration and evaluation costs carried forward are comprised of the following amounts:

	2016 $	2015 $
Contractor costs	1,133,460	687,330
Capitalised exploration and evaluation expenditure[(i)]	6,516,181	4,004,923
	7,649,641	4,692,253

The ultimate recoupment of the above deferred exploration and evaluation expenditure is dependent upon the successful development and commercial exploitation or, alternatively, sale of the respective areas of interest.

(i) Operations Department expenditures directly related to project activities are 100% capitalised, high involvement support departments (Board, Legal, Finance and Procurement) expenditures are 40% capitalised and low involvement support departments (Corporate Service, Compliance, Regulation and Permitting, Information Technology, HRD, Community Relations, Community Development, External Relations and Security) expenditures are 20% capitalised.

9. INVESTMENT IN EQUITY ACCOUNTED INVESTEE

	2016 $	2015 $
Sapex Oilfield Services Ltd – 51%	1,425,600	-
	1,425,600	-

In January 2016 the Company acquired a 51% interest in Sapex Oilfield Services Ltd ('Sapex'). Under the Shareholders Agreement executed in February 2016 all matters requiring resolution require unanimous approval of Sapex shareholders. As a result of this the Company has accounted for Sapex as a joint operation using the equity accounting method. The Company's initial investment was US$500,000 ($712,800). As outlined in the Sale and Purchase Agreement a further US$500,000 ($712,800) is payable by the Company upon the first to occur of:

(i) the successful award to Sapex of the a Chevron 5 year durabase mate lease contract; or
(ii) the sale by Sapex of a minimum of 4,000 durabase mats.

The Company has determined that the deferred consideration of US$500,000 ($712,800) has a fair value of US$500,000 ($712,800) at acquisition date. This is due to the fact that there is no time frame in which to achieve the conditions outlined in the contract and thus it is likely that the required sales levels will be met at a future point and this is factored into business planning and cash flow forecasts.

The Company's share of profit or loss in equity account investees for the year period since acquisition was nil (2015 – nil). During the year ended 30 June 2016 the Company did not receive dividends from its equity accounted investee.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

10. CURRENT LIABILITIES – Trade and other payables	2016 $	2015 $
Trade creditors	296,613	541,113
Accrued expenses	211,839	324,642
R&D tax incentive rebate repayable	2,290,666(1)	-
Deferred consideration payable	712,800(2)	-
Other tax liabilities payable	376,833	536,788
	3,175,951	1,402,543

(1) Subsequent to the end of the year a review of the R&D claims made by the Company for the 2014 and 2015 financial years concluded that the eligible claims for the two years totalled $320,593, leaving a shortfall amount payable to the Australian Taxation Office ('ATO') of $2,171,726, which the Company has taken up at balance date as a liability along with potential interest charges estimated at $118,907.

(2) As detailed in Note 9, the Company determined that the deferred consideration of US$500,000 ($712,800) for the acquisition of a 51% interest in Sapex Oilfield Services Ltd has a fair value of US$500,000 ($712,800) at acquisition date. Consequently the Company has also recognised a deferred consideration payable equal to that amount.

11. CURRENT LIABILITIES – Employee Benefits

Employee benefits	55,631	-

12. NON CURRENT LIABILITIES – Trade and other payables

Other payables	56,347	53,912

13. NON-CURRENT LIABILITIES – Employee Benefits

Employee benefits	465,608	394,361

14a. NON-CURRENT LIABILITIES – Borrowings

Convertible Note – Anglo Pacific Group plc	5,375,080	5,223,600

14b. NON-CURRENT LIABILITIES – Derivative Financial Instruments

Valuation at beginning of the year	21,946	81,328
Fair value adjustment	27,504	(59,382)
Valuation at end of the year	49,450	21,946

During the financial year ended 30 June 2009, the Company entered into a US$4 million convertible debenture facility ("the Facility") with Anglo Pacific Group plc ("Anglo Pacific"). The funds from this Facility have been used for ongoing studies, including environmental and social studies, metallurgical testing, infrastructure planning and marketing research in respect of the Kulon Progo iron sands project ("the Project").

The material terms of the Facility are as follows:

i. the Company has agreed to grant a 2% net smelter royalty over its attributable portion of the liquid iron or iron sand concentrate sales produced through the Kulon Progo iron plant until the Facility has been repaid, following which the royalty will reduce to 1% in perpetuity, as set out in Note 28(c);

ii. repayment of the Facility is only through payment of the royalty with the principal amount of the Facility to be reduced by the amount of royalty payments (unless Anglo Pacific choose to convert the outstanding principal amount into common shares);

iii. a coupon rate of 8.0% p.a. is payable on the reducing outstanding principal each year;

iv. Anglo Pacific is entitled, at its option and at any time to require the Company to satisfy the repayment of the principal sum of the Facility by converting any outstanding principal to shares at a conversion price of A$0.50 per share;

14b. NON-CURRENT LIABILITIES – Derivative Financial Instruments (continued)

v. if the principal amount of the Facility is converted to shares, rather than repaid, the royalty arrangement ceases;

vi. the Company under the Facility is required to provide security over the Project and the entities holding the Project;

vii. if the principal amount of the Facility has not been converted into shares or a royalty payment has not been made prior to 31 December 2017, then the conversion price will thereafter be equal to 90% of the market price of the Company's shares, subject to a minimum conversion price of A$0.10 and a maximum conversion price of A$0.50.

The option component of the Convertible Note is classified as a financial liability and is measured at fair value through profit and loss. This has been independently valued using the Black Scholes option valuation methodology. The following table lists the inputs to the model used for the year ended 30 June 2016 and 30 June 2015:

	As at 30 June 2016	*As at 30 June 2015*
Exercise price	$0.50	$0.50
Share price on date of valuation	$0.01	$0.016
Volatility	245%	125%
Risk-free interest rate	1.75%	2.45%
Valuation date	30 June 2016	30 June 2015
Expiry date	31 Dec 2017	31 Dec 2017
Expected life of option (years)	1.51	2.51
Valuation per option	$0.0046	$0.002

15. ISSUED CAPITAL	2016 $	2015 $
(a) Issued and paid up capital:		
538,026,598 (2015: 538,026,598) fully paid ordinary shares	140,998,541	140,998,541
	140,998,541	143,998,541

(b) Movements in ordinary share capital during the past two years were as follows:

Date	Details	Number of Shares	$
1 July 2014	**Opening Balance**	**538,026,598**	**140,998,541**
30 June 2015	**Closing Balance**	**538,026,598**	**140,998,541**
30 June 2016	**Closing Balance**	**538,026,598**	**140,998,541**

Holders of ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held and the amount paid up. Shareholders are entitled to one vote per share held either in person or by proxy at a meeting of the Company.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

15. ISSUED CAPITAL (continued)

(c) Movements in performance shares during the past two years were as follows:

Date	Details	Number	$
1 July 2014	**Opening Balance**	**20,000,000**	**3,000,000**
31 December 2014	Expiry of Class D Performance Shares	(20,000,000)	(3,000,000)
30 June 2015	**Closing Balances**	-	-
30 June 2016	**Closing Balances**	-	-

The milestones for conversion of the performance shares were not achieved prior to expiry.

16. RESERVES **(a) Reserves:**	**2016** **$**	**2015** **$**
Other reserves	8,755	(66,592)
Foreign currency translation reserve	901,223	308,966
Total Reserves	909,978	242,374

Other reserves

The other reserves is used to recognise expenses relating to actuarial gains and losses on defined benefit obligations.

Foreign currency translation reserve
Exchange differences arising on translation of a foreign controlled entity are taken to the foreign currency translation reserve, as described in Note 1(v).

(b) Movements in options during the past two years were as follows:

There were no movements in the exercise or expiry of options in the past two years.

17. ACCUMULATED LOSSES	**2016** **$**	**2015** **$**
Balance at the beginning of year	(111,485,831)	(112,888,958)
Transfer from issued capital	-	3,000,000
Transfer from reserves	-	363,000
Net loss attributable to owners	(3,770,879)	(1,959,873)
Balance at end of year	(115,256,710)	(111,485,831)

18. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Details of Key Management Personnel

Mr Peter Chambers	Non-Executive Chairman
Mr Darryl Harris	Non-Executive Director
Mr Darjoto Setyawan	Non- Executive Director
Mr Hendra Surya	Non-Executive Director
Mr Arran Marshall	Chief Executive Officer

There were no other Key Management Personnel of the Group.

(b) Key Management Personnel Compensation

Consolidated:	2016 $	2015 $
Short-term employee benefits	436,493	575,233
Post-employment benefits	4,243	11,899
Total compensation	440,736	587,132

Loans to Key Management Personnel and their related parties

There were no loans made to Key Management Personnel or their related parties during the reporting period.

Other Key Management Personnel transactions

There were no other transactions with Key Management Personnel during the year ended 30 June 2016.

(c) Other related party transactions

Mr Lutfi Heyder who is a shareholder of PT Jogja Magasa Mining (the 30% shareholder of PT Jogja Magasa Iron) provides consultancy services to Indo Mines. Total payments made during the year ended 30 June 2016 to Mr Heyder and his associated companies totalled $432,645 (2015: $287,253). Medical insurance paid for Mr Heyder during the year totalled $4,270 (2015: $2,878).

During the year ended 30 June 2016 funds totalling $137,108 were advanced by PT Jogja Magasa Iron to PT Jogja Magasa Mining. At balance date the balance outstanding was $137,108 (2015: $137,108).

Directors of PT Jogja Magasa Iron, who are also shareholders of PT Jogja Magasa Mining were during the year ended 30 June 2016 paid amounts totalling $115,025 (2015: $108,298). The Directors were: Gusti Seno $70,298 (2015: $66,413) and Gusti Pembayun $44,727 (2015: $41,885). Medical insurance paid for Mr Seno during the year totalled $2,634 (2015: $2,878) and for Mr Pembayun totalled $799 (2015: $731).

Rajawali Group, the Company's largest shareholder provided the services of Non-Executive Directors Hendra Surya and Darjoto Setyawan to the Company for nil consideration.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

19. SHARE-BASED PAYMENTS

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2016 Number	2016 WAEP	2015 Number	2015 WAEP
Outstanding at beginning of year	-	-	1,500,000	$0.20
Granted during the year	-	-	-	-
Expired during the year	-	-	(1,500,000)	$0.20
Exercised during the year	-	-	-	-
Outstanding at end of year	-	-	-	-

No options were granted by the Company during the years ended 30 June 2016 and 30 June 2015.

Performance Shares

The following table illustrates the number of, and movements in, performance shares during the year:

	2016 Number	2015 Number
Outstanding at beginning of year	-	20,000,000
Granted during the year	-	-
Expired during the year	-	(20,000,000)
Converted during the year	-	-
Outstanding at end of year	-	-

The milestones for conversion of the performance shares were not achieved prior to expiry on 31 December 2014.

The fair value of the performance shares was based on an independent valuation on the maximum number of performance shares issued multiplied by the prevailing share price as at the date of issue of the performance shares multiplied by the probability that the performance milestones (as outlined above) are achieved. The fair value of the performance shares issued was recognised as exploration expenditure and mining rights at the date of their issue with a corresponding increase in equity.

The following table lists the inputs to the model used for the performance shares:

	Class E Performance Shares
Share price on date of valuation	$0.30
Valuation date	21 May 2010
Expiry date	31 Dec 2014
Probability factor	25%
Fair value at grant date	$0.15

20. CONTROLLED ENTITIES

All controlled entities are included in the consolidated financial statements. The financial year-end of the controlled entities is the same as that of the Parent Entity, excluding the Indonesian subsidiaries which have a 31 December year end.

Name of controlled entity	Place of incorporation	% of Shares held[(i)] 2016	% of Shares held[(i)] 2015
PT Jogja Magasa Iron	Indonesia	70	70
PT Indomines Mineral Perkasa	Indonesia	99.67	99.67

Notes
(i) The percentage of voting power is its proportion to ownership.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

21. PARENT ENTITY DISCLOSURES

	2016 $	2015 $
Assets		
Current Assets	3,303,206	9,865,784
Non-Current Assets	14,563,660	9,572,990
Total Assets	17,866,866	19,438,774
Liabilities		
Current Liabilities	3,349,547	370,229
Non-Current Liabilities	5,424,530	5,245,546
Total Liabilities	8,774,077	5,615,775
Equity		
Issued Capital	140,998,542	140,998,542
Accumulated losses	(131,905,752)	(127,175,543)
Total Equity	9,092,788	13,822,999

(b) Financial Performance

Loss for the year	(4,730,209)	(792,352)
Other comprehensive income	-	-
Total comprehensive loss	(4,730,209)	(792,352)

(c) Financial Support of Controlled Entities

The Parent Entity has committed to provide financial support to its controlled entities.

22. REMUNERATION OF AUDITORS

	2016 $	2015 $
Audit services		
PricewaterhouseCoopers (Indonesia)	66,000	40,700
PricewaterhouseCoopers (Australia)	51,200	64,280
Total Auditors' Remuneration	117,200	104,980

23. SEGMENT INFORMATION

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

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

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

For the year ended 30 June 2016, the Group had one operating segment, being iron sands development in Indonesia.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

23. SEGMENT INFORMATION (continued)

Geographical Segment	Indonesia (Iron Sands)		Unallocated		Consolidated Entity	
	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $
Revenue						
Other revenues	-	-	-	-	-	-
Unallocated revenue					-	-
Total revenue					-	-
Results						
Segment result	(3,196,696)	(4,285,712)	(1,485,463)	1,143,468	(4,682,159)	(3,142,244)
Loss before income tax expense					(4,682,159)	(3,142,244)
Income tax expense					-	-
Net loss					(4,682,159)	(3,142,244)
Assets						
Segment assets	14,254,119	11,250,768	4,729,539	9,668,593	18,983,657	20,919,361
Unallocated assets					-	-
Total assets					18,983,657	20,919,361
Liabilities						
Segment liabilities	1,034,809	1,550,500	8,856,057	5,545,862	9,890,867	7,096,362
Unallocated liabilities					-	-
Total liabilities					9,890,867	7,096,362
Other						
Acquisition of property, plant and equipment	2,509,948	3,043,119	-	1,650	2,509,948	3,044,769
Depreciation of segment assets	70,247	76,615	609	808	70,857	77,423
Exploration and evaluation expenditure	2,957,388	2,631,831	-	-	2,957,388	2,631,831
Impairment expense	301,263	1,091,686	-	-	301,263	1,091,686

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

24. EARNINGS PER SHARE

	2016 Cents per Share	2015 Cents per Share
Basic loss per share:		
Total basic loss per share	0.70	0.36
Diluted loss per share:		
Total diluted loss per share	0.70	0.36

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2016 $	2015 $
Net loss used in calculating basic and diluted earnings per share	(3,770,879)	(1,959,873)

	Number of Shares 2016	Number of Shares 2015
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share	538,026,598	538,026,598

Dilutive securities
At 30 June 2016 and 30 June 2015 there were no options on issue.

Conversions, calls, subscriptions or issues after 30 June 2016

No shares have been issued as a result of the exercise of options during the financial years ending 30 June 2016 and 30 June 2015 and no options have been issued or expired.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

25. NOTES TO THE CASH FLOW STATEMENTS

	2016 $	2015 $
Loss for the year	(4,682,159)	(3,142,244)
Adjustment for non-cash income and expense items		
Depreciation and amortisation	70,857	77,423
Write-down of inventory to net realisable value	301,263	1,091,686
Fair value adjustments on financial liability	27,504	(59,382)
Fair value adjustments on financial asset	-	(2,437,366)
Net unrealised foreign exchange loss	381,717	783,040
Loss on disposal of subsidiary	-	361,872
Changes in assets and liabilities		
Decrease/(Increase) in trade and other receivables	(8,790)	(14,173)
Increase/(Decrease) in trade and other payables	11,882	184,058
Increase/(Decrease) in provisions	126,878	44,799
Net cash outflows from operating activities	(3,770,848)	(3,110,287)

(b) Reconciliation of Cash and Cash Equivalents

	2016 $	2015 $
Cash at bank and on hand	3,598,563	3,384,788
Short term deposits with < 90 day term	-	3,559,170
Cash and cash equivalents for purposes of the cash flow statement	3,598,563	6,943,958
Term deposits with >90 day term	-	5,223,600
Security deposits (current)	-	60,000
Security deposits (non-current)	43,559	42,926
Total cash and cash equivalents and term deposits	43,559	12,270,484

(c) Non-cash Financing and Investing Activities

30 June 2016
There were no non-cash Financing and Investing Activities during the year.

30 June 2015
There were no non-cash Financing and Investing Activities during the year.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Overview

The Company's and Group's principal financial instruments comprise trade and other receivables, trade and other payables, convertible note, derivative financial instrument, cash and short-term deposits. The main risks arising from the Company's and Group's financial instruments are interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk.

This note presents information about the Company's and Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Board has overall responsibility for the establishment and oversight of the risk management framework. Given the nature and size of the business, no formal risk management committees have been established, however responsibility for control and risk management is delegated to the appropriate level of management with the Chief Executive Officer and Chief Financial Officer (or their equivalent) having ultimate responsibility to the Board for the risk management and control framework.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Arrangements put in place by the Board to monitor risk management include quarterly reporting to the Board in respect of the operations and financial position of the Company. The Board also reviews risks that relate to operations and financial instruments as required, but at least every six months.

Given the uncertainty as to the timing and amount of cash inflows and outflows, the Company has not implemented any additional strategies to mitigate the financial risks and no hedging has been put in place. As the Company's operations change, the Board will review this policy periodically going forward.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables.

The carrying amount of the Company's and Group's financial assets represents the maximum credit risk exposure, as presented below:

	2016 $	2015 $
Cash and cash equivalents	3,598,563	6,943,958
Term deposits	-	5,283,600
Trade and other receivables	246,396	195,573
Restricted cash and cash equivalents	43,559	42,926
	3,888,518	12,466,057

Trade and other receivables comprise GST and other tax refunds due and accrued interest revenue. Where possible the Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

Significant concentration of credit risk exists within cash and cash equivalents and other financial assets. Cash and cash equivalents are invested at a counterparty bank with a good credit rating.

With respect to credit risk arising from cash, cash equivalents and term deposits, the Company's and Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Cash and cash equivalents are held with the National Australia Bank and the Westpac Banking Corporation, which are Australian banks with AA- credit ratings (Standard & Poor's), with the exception of cash and cash equivalents of $309,938, which are held with Indonesian banks that have credit ratings between AAA and A- (Pefindo).

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due.

The contractual maturities of financial liabilities, including estimated interest payments, are provided below. There are no netting arrangements in respect of financial liabilities.

2016 Group	≤ 6 months $	6-12 months $	1-5 Years $	≥ 5 Years $	Total Contractual Cashflows $	Carrying Amount Liabilities $
Financial Liabilities						
Trade and other payables	3,888,751	-	56,347	-	3,945,098	3,945,098
Borrowings	215,003	215,003	215,003	5,375,080	6,020,090	5,375,080
Derivative financial instruments	-	-	-	49,450	49,450	49,450
	3,390,954	215,003	271,350	5,424,530	10,014,638	9,369,628

* For further detail on the repayment terms of the derivative financial instrument see Note 14(b).

2015 Group	≤ 6 Months $	6-12 months $	1-5 Years $	≥ 5 Years $	Total Contractual Cashflows $	Carrying Amount Liabilities $
Financial Liabilities						
Trade and other payables	1,402,543	-	53,912	-	1,456,455	1,456,455
Borrowings	208,944	208,944	626,832	5,223,600	6,268,320	5,223,600*
Derivative financial instruments	-	-	-	21,946	21,946	21,946
	1,611,487	208,944	680,744	5,245,546	7,746,721	6,702,001

* For further detail on the repayment terms of the derivative financial instrument see Note 14(b).

(d) Interest rate risk

The Company's and Group's exposure to the risk of changes in market interest rates relates primarily to the cash and short-term deposits with a floating interest rate

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 1.45% (2015: 1.06%).

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

Interest rate sensitivity

A sensitivity of 10 per cent has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 10% movement in interest rates at the reporting date would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is prepared based on cash balances as at year end and due to significant movements in the cash balance throughout the year is not considered representative of the risk during the year.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Interest rate risk (continued)

	Profit or loss	
2016	**10%**	**10%**
Group	**Increase**	**Decrease**
Cash and cash equivalents	2,313	(2,313)

	Profit or loss	
2015	**10%**	**10%**
Group	**Increase**	**Decrease**
Cash and cash equivalents	26,111	(26,111)

The financial liabilties are at fixed interest rates therefore not subject to interest rate risk.

(e) Foreign currency risk

As a result of activities overseas, the Company's and Group's balance sheet can be affected by movements in exchange rates.

The Group also has transactional currency exposures. Such exposure arises from transactions denominated in currencies other than the functional currency of the entity.

The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

The Group's exposure to foreign currency risk was as follows, based on notional amounts in AUD:

	Indonesian Rupiah		United States Dollar		Euros	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Cash and cash equivalents	165,872	1,243,154	586,829	4,317,889	1,520,062	-
Term Deposits	-	-	-	5,223,600	-	-
Restricted cash and equivalents	3,072	1,960	40,487	40,966	-	-
Trade and other receivables	183,675	1,954	1,350	2,612	-	-
Prepayments	46,790	34,728	-	-	-	-
Trade and other payables	(265,929)	(1,236,294)	(999,866)	(485,273)	-	-
Borrowings	-	-	(5,375,080)	(5,223,600)	-	-
Derivative financial instruments	-	-	(49,450)	(21,946)	-	-
	133,480	**45,502**	**(5,795,730)**	**3,854,248**	**1,520,062**	**-**

The following significant exchange rates applied during the year:

	Average Rate		As at 30 June	
AUD	**2016**	**2015**	**2016**	**2015**
IDR	9,916	10,391	9,766	10,207
USD	0.7286	0.8328	0.7442	0.7658

Sensitivity analysis for currency risk

A strengthening of the AUD, as indicated below, against the IDR and USD at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2015.

	2016		2015	
	Equity	**Profit or (loss)**	**Equity**	**Profit or (loss)**
USD (10% strengthening)	579,573	579,573	(385,425)	(385,425)
IDR (10% strengthening)	(13,348)	(13,348)	(4,550)	(4,550)
EUR (10% strengthening)	(152,006)	(152,006)	-	-

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Foreign currency risk (continued)

	2016		2015	
	Equity	Profit or (loss)	Equity	Profit or (loss)
USD (5% weakening)	(289,787)	(289,787)	192,713	192,713
IDR (5% weakening)	6,674	6,674	2,275	2,275
EUR (5% weakening)	76,003	76,003	-	-

(f) Capital management

The Board's policy is to maintain a suitable capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

(g) Fair Value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities measured or disclosed at fair value using a three level hierarchy based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

	Level 1	Level 2	Level 3	Total
Consolidated 2016	$	$	$	$
Assets				
Financial assets at fair value through profit or loss	-	-	-	-
	-	-	-	-
Liabilities				
Derivative financial instruments	-	-	49,450	49,450
	-	-	49,450	49,450
Consolidated 2015				
Assets				
Financial assets at fair value through profit or loss	-	-	-	-
	-	-	-	-
Liabilities				
Derivative financial instruments	-	-	21,946	21,946
	-	-	21,946	21,946

The $27,504 increase in level 3 liabilities during the year is represented by a re-measurement of the option component of the derivative financial instrument with Anglo Pacific Group plc (see Note 14(b)).

The carrying amount of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short term nature.

The carrying amount of the convertible note is assumed to approximate its fair value as it incurs a market rate of interest.

27. CONTINGENCIES AND COMMITMENTS

Estimated commitments for which no provisions were included in the financial statements are as follows:

(a) Exploration expenditure commitments

The Company has no obligations to incur minimum exploration expenditure on the Kulon Progo iron sands Project.

(b) Operating lease commitments

	2016 $	2015 $
Non-cancellable operating lease contracted for but not capitalised in the financial statements		
Minimum lease payments payable:		
- not later than one year	17,268	77,935
- later than one year but not later than 5 years	-	-
- later than 5 years	-	-
	17,268	77,935

(c) Net smelter royalty

As noted in Note 14(b), under the terms of the US$4 million convertible debenture facility with Anglo Pacific Group plc, the Company has agreed to grant a 2% net smelter royalty over its attributable portion of the liquid iron or iron sand concentrate sales produced through the Kulon Progo liquid iron plant until the Facility has been repaid, following which the royalty will reduce to 1% in perpetuity.

28. SUBSEQUENT EVENTS

In August 2016 the Company announced that it had engaged a tax agent to undertake a review and analysis of the R&D claims made by the Company for the 2014 and 2015 financial years and that as a consequence of this analysis the Indo Mines Board has now determined that the Company should voluntarily amend some of the R&D claims made during the 2014 and 2015 financial years. Based on the amended claims, the Company's rebate amount for the two years is $320,593, leaving a shortfall amount payable to the Australian Taxation Office ('ATO') of $2,171,726, which the Company has taken up at balance date as a liability along with potential interest charges estimated at $118,907. The Company is seeking to enter into a repayment arrangement with the ATO that acknowledges that the Company has made a voluntary disclosure and relied on the advice of a tax agent when making the original claims. The Company is also seeking to reach a settlement with its original tax agent.

On 25 August 2016 the Company executed a Loan Agreement with PT Sapex. PT Sapex has a technical services agreement with Sapex to as the local agent to Sapex. Under the Loan Agreement the Company has provided PT Sapex a revolving credit loan facility for the amount of US$250,000. Interest is to be charged at a rate of 5% per month on the outstanding loan balance. At 30 September 2016 the facility had been fully drawn down.

Outside of the matters outlined 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 significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

DIRECTORS' DECLARATION

In the directors 'opinion:

(a) the financial statements and notes set out on pages 20 to 52 are in accordance with the *Corporations Act 2001* including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

Note 1(b) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

PETER CHAMBERS
Non-Executive Chairman
Jakarta, Indonesia

Dated this 30th day of September 2016

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

Report on the financial report

We have audited the accompanying financial report of Indo Mines Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Indo Mines Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at 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 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 Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

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Auditor's opinion

In our opinion:

(a) the financial report of Indo Mines Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to the basis of preparation in Note 1(a) in the financial report, which indicates the need for the consolidated entity to raise additional funding to meet ongoing expenditure and existing commitments. This condition, along with other matters set out in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 14 to 18 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 Indo Mines Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Ben Gargett
Partner

Perth
30 September 2016

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 31 August 2016.

1. TWENTY LARGEST HOLDERS OF LISTED SECURITIES

The names of the twenty largest holders of each class of listed securities are listed below:

Ordinary Shares

Name	No of Ordinary Shares Held	Percentage of Issued Shares
Yogya Metals and Mining Limited	150,000,000	27.88%
Java Metals and Mining Limited	100,000,000	18.59%
Rajawali Group International Limited	57,317,294	10.65%
Rockcheck Trading Limited	36,000,000	6.69%
JP Morgan Nominees Australia Limited	34,700,402	6.45%
Pershing Australia Nominees Pty Ltd <Argonaut Account>	34,186,326	6.35%
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	19,496,406	3.62%
Pershing Australia Nominees Pty Ltd <Phillip Securities (HK) A/C>	12,011,209	2.23%
Citicorp Nominees Pty Limited	11,673,411	2.17%
Mr Keith Charles Brooks	7,000,000	1.30%
Arredo Pty Ltd	6,000,000	1.12%
BNP Paribas Noms Pty Ltd <DRP>	5,296,541	0.98%
BNP Paribas Noms Pty Ltd <UOB Kay Hian Priv Ltd Drp>	5,231,162	0.97%
Broadscope Pty Ltd <Catlow Family A/c>	4,950,000	0.92%
Mitra-Indo Resources Pte Ltd	4,433,339	0.82%
Trillium Investments Pty Ltd	4,375,043	0.81%
HSBC Custody Nominees (Australia) Limited	3,957,072	0.74%
HSBC Custody Nominees (Australia) Limited <Euroclear Bank SA NV A/C>	2,443,185	0.45%
HSBC Custody Nominees (Australia) Limited – A/C 3	1,818,182	0.34%
Regans Ford Estate Pty Ltd	1,666,530	0.31%
Total Top 20	**502,556,102**	**93.41%**
Others	35,470,496	6.59%
Total Ordinary Shares on Issue	**538,026,598**	**100.00%**

2. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of shareholders by size of holding:

Distribution	Ordinary Shares	
	Number of Shareholders	Number of Shares
1 – 1,000	474	265,202
1,001 – 5,000	424	1,098,823
5,001 – 10,000	106	862,467
10,001 – 100,000	215	8,018,690
More than 100,000	87	527,781,416
Totals	**1,306**	**538,026,598**

There were 1,164 holders of less than a marketable parcel of ordinary shares.

3. VOTING RIGHTS

See Note 15(b) of the Notes to the Financial Statements.

4. SUBSTANTIAL SHAREHOLDERS

As at 31 August 2016, Substantial Shareholder notices have been received from the following:

Substantial Shareholder	Number of Shares
Rajawali Group International Limited	307,317,294
Rockcheck Trading Limited	43,313,813
Anglo Pacific Group Plc	30,336,835

5. UNQUOTED SECURITIES

At 30 September 2016 there are no unquoted securities in the Company on issue.

6. ON-MARKET BUY-BACK

There is currently no on-market buy-back program for any of Indo Mines Limited's listed securities.

7. MINERAL RESOURCES AND RESERVES STATEMENT

Indo Mines holds through its subsidiary PT Jogja Magasa Iron ('JMI') a 70% interest in the Kulon Progo iron sands project, close to the Javanese city of Jogjakarta. Under a Contract of Work, a production licence to mine iron sands and produce pig iron is held.

On 29 September 2015 the Company announced an updated resource report. A summary of the Resource estimate is set out in the following table.

Block	Stratigraphy	Category	Volume	Dry Tonnes	Fe	TiO_2	V_2O_5
			(,000 m^3)	(,000 t)	(%)	(%)	(%)
Resource Block	Surface Sand	Measured	29,044	55,370	12.56	1.65	0.06
		Indicated	77,800	150,600	14.17	1.87	0.07
		Total	**106,844**	**205,970**	**13.74**	**1.81**	**0.07**
Mining Boundary	Surface Sand	Measured	22,015	42,079	12.37	1.62	0.06
		Indicated	67,900	131,600	14.15	1.87	0.07
		Total	**89,915**	**173,679**	**13.72**	**1.81**	**0.07**

Note: The Resource Block is defined as all areas of the Resource defined within the concession by the exploration drilling at a 9% Total Fe cut-off. The Mining Boundary is defined as the Resource Block, minus a 200-metre buffer zone (required by Indonesian regulations) between the high tide mark and the allowed mining area boundary at a 9% Total Fe cut-off.

In addition, there are Resources within the concession hosted within the Gravel underlying the Surface Sand. This gravel layers also contains lower grades of Total Fe. The Resource estimate for the Gravel horizon is set out in the following table.

Block	Stratigraphy	Category	Volume	Dry Tonnes	Fe	TiO_2	V_2O_5
			(,000 m^3)	(,000 t)	(%)	(%)	(%)
Resource Block	Gravel	Indicated	188,500	327,600	7.22	0.90	0.03
Mining Boundary	Gravel	Indicated	150,300	261,900	7.23	0.90	0.03

Note: The Resource Block is defined as all areas of the Resource defined within the concession by the exploration drilling at a 5% Total Fe cut-off. The Mining Boundary is defined as the Resource Block, minus a 200-metre buffer zone (required by Indonesian regulations) between the high tide mark and the allowed mining area boundary at a 5% Total Fe cut-off.

Mineral Resource Comparison 30 September 2016 to 30 September 2015

The annual review of Mineral Resources concluded that, no adjustment to the resource estimates was necessary at this time.

Corporate Governance – Reserves and Resources Calculations

Due to the nature, stage and size of Indo Mine's existing operation, Indo Mines believes there would be no efficiencies gained by establishing a separate mineral reserves committee responsible for reviewing and monitoring the processes for calculating mineral reserves and resources and for ensuring that the appropriate internal controls are applied to such calculations.

Mineral Resources are estimated by suitably qualified consultants to Indo Mines in accordance with the requirements of the JORC Code, using industry standard techniques and consultant's internal guidelines for the estimation and reporting of Mineral Resources.

Competent Persons Statement

The information in this report that relates to Exploration Results and Mineral Resources of the Kulon Progo Iron Sands Project is based on information compiled and reviewed by Mr. Brett Gunter, who is a Member of the Australian Institute of Mining and Metallurgy and works full time for PT GMT Indonesia. The information has been forwarded to him by Indo Mines Limited as being representative of the work completed on the concession.

Mr Gunter, signing on behalf of PT GMT Indonesia, is a qualified Geologist who has more than 25 years of relevant mining and geological experience in coal, bulk commodities and metals, working for major mining companies and for consultants. During this time he has either managed or contributed significantly to a number of exploration and mining studies related to the estimation, assessment, evaluation and economic extraction of mineral resources in Indonesia.

He has sufficient experience which is relevant to the style and type of deposit under consideration and to the activity he is undertaking to qualify him as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Information relating to the Mineral Resources Statement is based on, and fairly represents, information and supporting documentation prepared by Indo Mines staff and consultants and approved by Mr Brett Gunter. The Mineral Resource Statement as a whole has been approved by Brett Gunter and he has consented to the form and context in which it appears in this report.