


# Annual Report 2011

indochine
MINING LIMITED

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# Contents

# Chairman's Report



## A MAJOR TRANSFORMATION AND AN EXCITING OUTLOOK

As Chairman of Indochine Mining Limited (Indochine), I am pleased to present our shareholders with the Annual Report for the Financial Year to end June 2011.

Your Company has been through a major transformation from an unlisted public company, through a prospectus and Initial Public Offering (IPO) on the Australian Securities Exchange (ASX) on 9 December 2010, and an additional capital raising to support a major gold/silver project acquisition.

Indochine raised $20 million at $0.20 per share at IPO, after applications exceeded the minimum subscription of $12 million. The successful listing of Indochine has enabled the company to begin to realise the mineral potential in the Cambodian properties for current and pre-IPO investors and the Board thanks the original promoters for securing the Cambodian opportunity.

Indochine has been fortunate to build a competent technical team in Cambodia, led by new management in the corporate headquarters in Sydney. Exploration is being conducted on our large mineral lease holdings in Cambodia with the aim of making a significant discovery in gold or copper in the future.

A more advanced gold/silver project in PNG was added during the year at an attractive price. The project already hosts a substantial defined resource which allows for investors to more readily value the company and the project provides the potential for a shorter timeline to production. A private placement of $18 million was completed in April 2011 to fund the acquisition and the initial phase of the feasibility study.

An impressive spread of specialist resource funds became shareholders during the IPO and the later placement, together with many high net worth investors, mainly on the back of the scale and potential future growth of the projects in the Company's portfolio. The Board thanks them for their support and for the assistance provided by Empire Securities in capturing investor support.

With the more advanced portfolio of projects that the company had established, as well as the public listing of the company, steps were taken to restructure and strengthen the Board. Stephen Gemell agreed to join as a non-executive director in March 2011. He brings over 35 years of valuable experience to the Board mainly in mining engineering related to project evaluation and feasibility studies as well as operations in many parts of the globe.

As part of the restructure, the founding director, David Evans, stepped down from the Board, and the Company thanked him for his role in identifying the Cambodian opportunity, among others.

Management changes were made to reflect the change to a listed entity. The Company was pleased to secure Stephen Promnitz as its Chief Executive Officer. He brings over 25 years experience in the resources sector in exploration, development, acquisitions, equities and banking.

Since securing the PNG project, the equity markets have been extremely volatile and the share price has suffered a similar fate as other smaller-sized resource stocks on the ASX. Your Board is conscious of how disappointing this is for our shareholders, and is making every effort, within its power, to address this.

The Board thanks investors for their support and we anticipate exciting news coming from our projects in the new financial year which should bring increased investor interest in Indochine as an investment.

**Ian Ross**
Chairman

# Review of Operations – CEO's Report



## REVIEW OF OPERATIONS

Indochine Mining Limited (Indochine) went through a major transformation during the Financial Year to end June 2011, from conducting exploration in Cambodia to also include an advanced gold/silver project in Papua New Guinea (PNG) in a feasibility study, both owned on a 100% basis.

### Cambodia

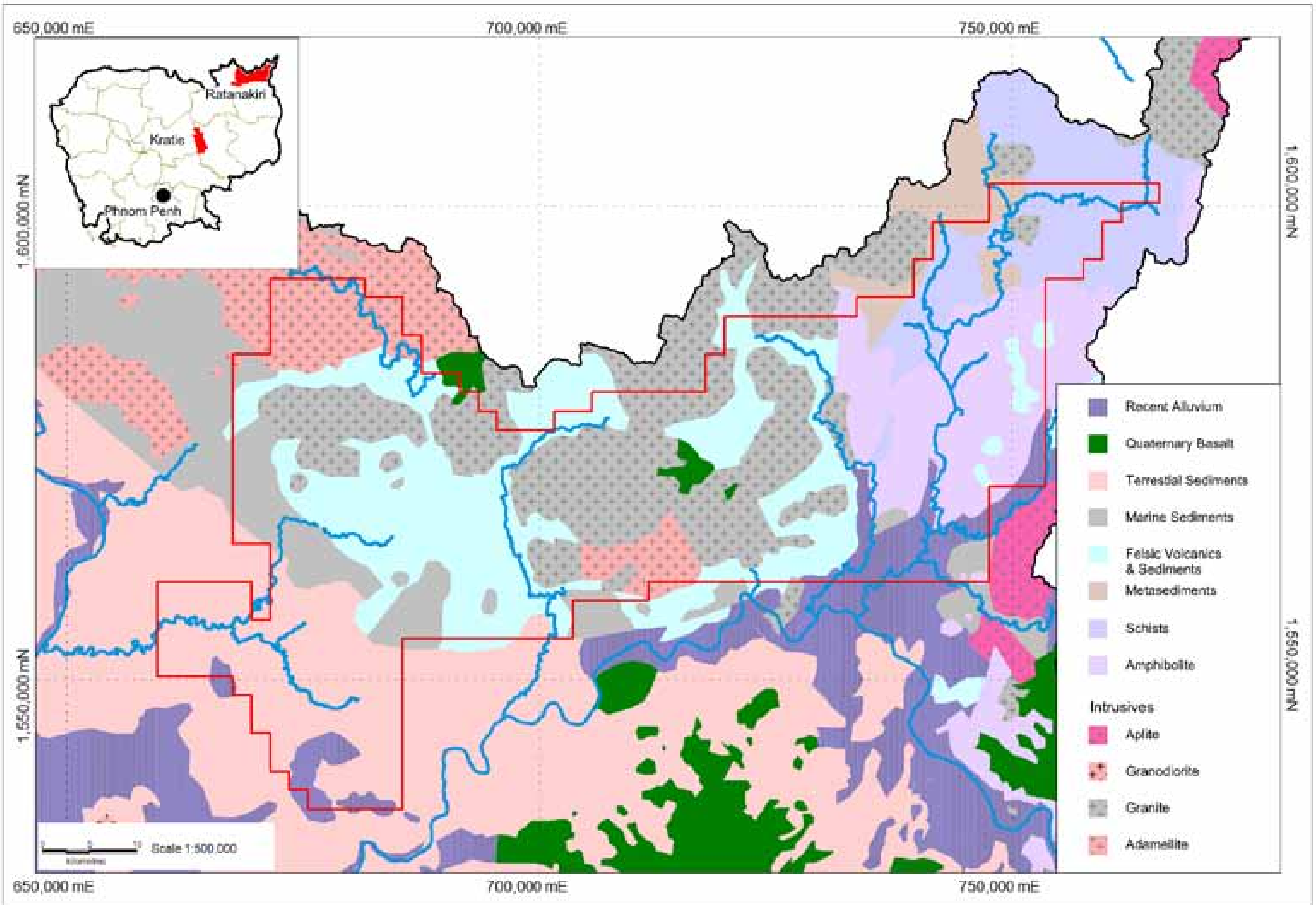
The Company's prospectus, submitted in June 2010, was based on large-scale early-stage exploration in Cambodia. The largest package of exploration leases in Cambodia, over 4300km², had been secured previously in a favourable geological setting for gold and copper mineralisation. These leases are located in a region known for world-class gold and copper deposits, yet Cambodia has not undergone modern systematic exploration.

Following the successful IPO of Indochine on 9 December 2010, Cambodia has received funding for a modern, focused exploration approach with a solid technical team aimed at making a major new discovery.

After a review of the projects, a 2200 metre diamond core drilling program was conducted over two targets in the Kratie North block of leases where a large area of surface gold had been identified early in 2011. Prospectors had identified outcropping gold-bearing quartz veins while a detailed ground-based geophysical program was carried out to refine the drill targets.

In the Ratanakiri block of leases, adjacent to the borders with Laos and Vietnam, a number of gold and copper targets had been identified in stream sediment sampling conducted pre-IPO and in

*Figure 1: Ratanakiri Tenement, Cambodia*



# Review of Operations – CEO's Report (continued)



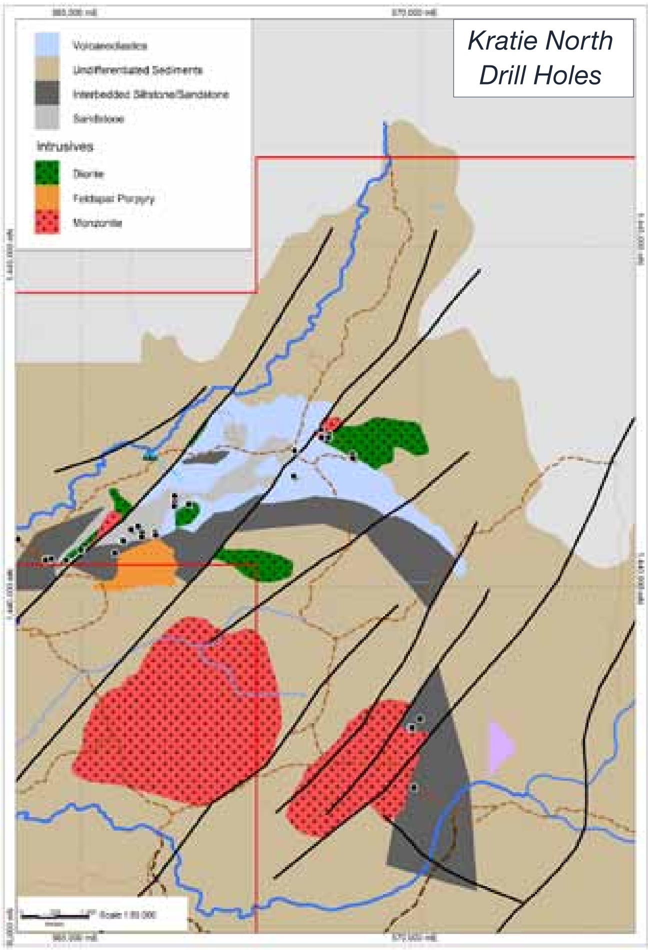



*Figure 2: Kratie North Tenement, Cambodia*

December 2010/January 2011. Results took some time to be received and the Company is reviewing ways to speed up this process. After the end of the financial year, these targets were being followed up by geological teams on the ground during the wet season in Cambodia.

The potential exists to make a major discovery in Cambodia given the prior lack of modern exploration conducted in the area, although success is not guaranteed.

## Papua New Guinea

The Indochine Board and management agreed that a more advanced project would better position the company for success, growth and production. The Mt Kare project in PNG has added a significant gold/silver resource to the Company's portfolio with potential for the resources to increase, given the project's location adjacent to the Porgera gold mine.

Porgera is a deposit with a large gold resource and has produced between 550,000 ounces and 1.5 million ounces of gold per year for over 20 years (Source: IDC ASX announcement 30 Dec 2010).

The PNG project is owned by a local company, Summit Development Limited, which was acquired mainly for Indochine shares (68 million), together with cash, for a total cost of approximately $27 million. The vendors are a PNG-based family who became long-term Indochine shareholders, agreeing to voluntarily escrow their Indochine shares for 1-2 years. The Company was fortunate to acquire the project at an attractive price in comparison with other similar-sized projects acquired in the market recently.

Prior owners of the project had completed 340 drill holes to define a foreign, non-JORC code compliant, Canadian NI 43-101 resource statement, prepared in August 2007, which established an indicated and inferred resource of 1.7 million ounces of gold in 24.5 million tonnes at 2.1 grams per tonne gold or 1.9 million ounces of gold equivalent, at a 1 gram/tonne gold equivalent (AuEq) cutoff grade (Source: IDC ASX announcement 4 March 2011). A JORC-code compliant resource statement is being prepared with completion expected early in the new financial year 2011-2012.

The Company's aim is to advance the PNG project through:

- a resource upgrade,
- metallurgical studies, processing options and environmental studies,
- a pre-feasibility study,
- a landowner ethnographic and social mapping study,
- leading to a full bankable feasibility study,
- including applications for mining leases.

Following a private placement in April to advance the PNG project into a feasibility study stage, shareholder approval was secured in June to acquire the project. The company then focused on establishing a presence on-site and assembling an experienced and focused technical team to deliver a feasibility study in a challenging environment. After the financial year end, the Company formally appointed

# Review of Operations – CEO's Report (continued)

Mr George Niumataiwalu to lead the PNG team. Mr Niumataiwalu had previously completed a successful feasibility study, landowner agreements and permitting of mining leases over a major gold/silver project in PNG. At the same time, the Company established a predominantly PNG national geological team who had completed similar feasibility studies on other PNG projects.

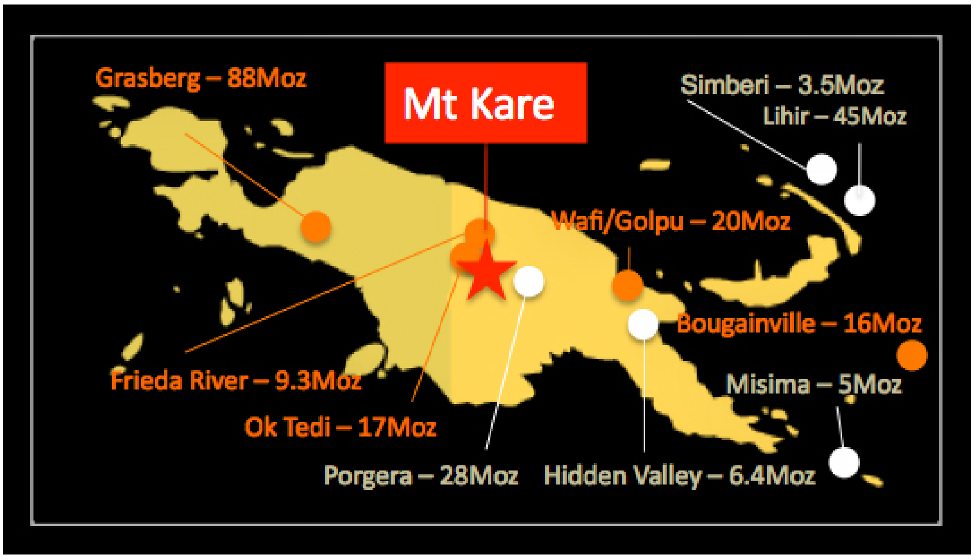



*Figure 3: Mt Kare, PNG location*

The Company would like to take the opportunity to thank the local landowner groups in PNG for their support in the process of securing the project and advancing the project on-the-ground.

*Figure 4: Helicopter for drill rig shifts over the deposit, Mt Kare, PNG*

As the Company looks forward into the new financial year, significant positive news flow is anticipated from both the PNG project and the exploration program in Cambodia.

The planned initial drill program of 10,000 metres of diamond core drilling will be focused on metallurgical sampling in the first stage to assess the options available for extracting gold and silver from the mineralised deposit. Some exciting results are anticipated, given that the drilling will be conducted through the currently identified resource, where prior drilling has exhibited many high grade gold and silver values. This will provide valuable information towards guiding the feasibility study.

Indochine is confident that with its experienced technical team, financial backing and broad based investor support, the new financial year to June 2012 will bring exciting news within the backdrop of strong gold and silver commodity prices.

## IDC ASX announcement 4 March 2011 (Excerpt):

A foreign, non-JORC code compliant resource statement was prepared in 2007 over the Mt Kare Gold Project within exploration license EL1093, 20 kilometres southwest of Barrick's multi-million ounce Porgera gold mine. This foreign resource statement is the most recent, relevant assessment of this significant deposit based on almost all drilling to date (340 drillholes), prepared by an internationally respected organization in the sector, and no further estimates have been prepared since the date of this report. A waiver was sought from the ASX listing rule 5.6 to release this foreign resource statement consistent with the Companies Update 11/07 and 05/04.

A Canadian NI 43-101 resource statement was prepared by Snowden in August 2007 with an indicated and inferred resource of 1.7 million ounces of gold in 24.5 million tonnes at 2.1 grams per tonne gold or 1.9 million ounces of gold equivalent, at a 1 gram/tonne gold equivalent (AuEq) cutoff grade. At a 3 gram/tonne AuEq cutoff grade, there is an Indicated Resource of 740,000ozs in 4.6 million tonnes at 5 grams/tonne gold.

***Competent Person Statement***

*David Meade a full time employee of the Indochine Group (Indochine Resources (Cambodia) Ltd) is a member of the Australian Institute of Geoscientists and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2004 Edition).*

*After review of the Foreign Resource Statement report titled; "Buffalo Gold Limited: Mt Kare, Technical Report Update, 2007" which was prepared as a National Instrument 43-101 (NI 43-101) Technical Report, and the included statements of qualified persons relating to the accuracy of the report, David Meade accepts responsibility for the accuracy of the information supplied herein.*

**Foreign Resource Statement - Mt Kare, PNG (Canadian NI43-101, *non-JORC*)**

**Snowden's 21 June 2007 Mineral Resources reported at various cut-off grades**

| Category | Cut-off Equivalent (AuEq g/t) | Tonnage (,000 t) | Gold Grade (g/t Au) | Silver Grade (g/t Ag) | Contained Gold (,000 oz) | *Contained Silver (,000 oz)* | *Contained Gold Equivalent (AuEq koz)* |
|---|---|---|---|---|---|---|---|
| **Indicated** | 1 | 18,830 | 2.31 | 17.31 | 1,396 | *10,479* | *1,588* |
| | 2 | 8,559 | 3.66 | 22.51 | 1,008 | | |
| | 3 | 4,587 | 5.04 | 25.37 | 743 | *3,741* | *812* |
| **Inferred** | 1 | 5,753 | 1.56 | 9.53 | 288 | *1,763* | *320* |
| | 2 | 1,331 | 2.77 | 11.77 | 119 | | |
| | 3 | 476 | 3.85 | 11.22 | 59 | *172* | |
| ***Total*** | ***1*** | ***24,583*** | ***2.13*** | ***15.49*** | ***1,684*** | ***12,242*** | ***1,908*** |

Mineral Resources, under National Instrument NI 43-101, were prepared by Mr Robert Sim of Longview Technical Group. Ms. Lynn Olssen MAUSIMM (CP), Senior Consultant and full time employee of Snowden approved the resource estimation, the resources estimation procedure and QAQC data. Lynn Olssen is a Qualified Person as defined by NI43-101.

The resources have been tabulated for a gold equivalent grade (AuEq) of 54.55 silver ounces per 1 gold ounce, based on a gold price of US$300/oz and a silver price of US$5.50/oz. Numbers not in italics have been previously reported; numbers in italics have been calculated.

Resource Statement is extracted from original report titled "Buffalo Gold Limited: Mt Kare Technical Report Update, August 2007 (NI43-101, Snowden)" available publicly on www.SEDAR.com.

# Directors' Report

Your directors submit their report for the period ended 30 June 2011.

## DIRECTORS

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

| | | |
|---|---|---|
| Ian W Ross | Appointed: | 27 January 2010 |
| Gavan H Farley | Appointed: | 27 January 2010 |
| Stephen G Gemell | Appointed: | 28 February 2011 |
| David A Evans | Appointed:<br>Resigned: | 27 January 2010<br>23 February 2011 |
| Ross M Hill<br>(Alternate to David A Evans) | Appointed:<br>Resigned: | 17 May 2010<br>24 February 2011 |

### Names, qualifications, experience and special responsibilities

**Ian W Ross**

*Dip Bus (London), A.I.B (U.K.)*

**Chairman and non-executive director**

Mr Ross has a wealth of experience from working in the finance and mining industry for over 45 years in London, New York and Sydney. Since moving to Sydney in 1979 he has been involved at a senior executive level in the development of countless major mining developments in the Asian Region. Mr Ross lived in China for 5 years during which time he incorporated his own mining company, which was taken over by the Canadian entrepreneur Robert Friedland in 1992. Upon returning to Sydney, Mr Ross continued to work directly for Robert Friedland in a range of senior executive roles in the Ivanhoe Group of Companies throughout the world until his retirement in 2005.

Mr Ross is a non-executive director of the ASX listed Union Resources Limited, and was non-executive Chairman of the ASX listed Intec Limited until his retirement on 31 December 2007.

**Gavan H Farley**

*Dipl Bus, Masters of Business Administration (Finance), MAICD*

**Non-executive director**

Mr Farley has a career spanning 30 years international management. Mr Farley is currently general manager of Empire Securities Group, executive director of Pilbara Minerals Ltd. (ASX: PLS) and director of FCMS Holdings Inc. of the USA. Previously, Mr Farley was managing director of Farley Laserlab USA Inc. and Farley Europe Ltd. Mr Farley's international management experience includes over 15 years in Europe, 13 years in the USA and 5 years in Africa and the Caribbean.

**Stephen G Gemell**

*BE (Mining) (Hons), FAusIMM(CP), MAIME, MMICA*

**Non-executive director**

Mr Gemell has 35 years of experience in the mining industry, involved with underground and open cut metalliferous mines and processing plants in project evaluation, feasibility study, and operating phases. Since 1984 he has been Principal of Gemell Mining Engineers and acts as an independent expert and technical auditor for mining companies and financial institutions on projects throughout Australasia, Oceania, Asia, Africa, Europe and the Americas.

Mr Gemell is a director of ASX listed Argent Minerals Limited, Eastern Iron Limited and UXA Resources Limited.

## COMPANY SECRETARY

Mr Gavan H Farley and Mr Robert Waring held the position of Joint Company Secretary at the end of the financial year. Mr Farley's qualifications and experience are reported above. Mr Waring is a CA and FCIS with 39 years experience in financial and corporate roles, including 20 years in company secretary roles for ASX-listed companies and 15 years as a Director of an ASX–listed company.

## PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was the exploration of mining tenements.

## OPERATING RESULTS

The consolidated loss of the consolidated group for the financial year after providing for income tax amounted to $4,877,287.

## DIVIDENDS

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

## FINANCIAL POSITION

The net assets of the consolidated group increased by $32,049,431 from $ 9,808,964 as at 30 June 2010 to $ 41,858,395 as at 30 June 2011.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The Company issued 68,000,000 million shares on 31 August 2011 to the shareholders of Summit Development Limited, the PNG company that owns the Mt Kare exploration licence EL 1093 as partial consideration in accordance with the shareholder approval of 1 June 2011. The Company additionally paid $4,600,000 to complete the acquisition of this asset.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

## ENVIRONMENTAL REGULATION AND PERFORMANCE

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

## REMUNERATION REPORT

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

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

Key management personnel based in Australia receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

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

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

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

### Employment Details of Members of Key Management Personnel and Other Executives

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

| | Position Held as at 30 June 2011 and any Change during the Year | Contract Details (Duration and Termination) | Proportions of Elements of Remuneration Related to Performance | | | Proportions of Elements of Remuneration Not Related to Performance | |
|---|---|---|---|---|---|---|---|
| | | | Non-salary Cash-based Incentives | Shares/ Units | Options/ Rights | Fixed Salary/ Fees | Total |
| | | | % | % | % | % | % |
| **Directors** | | | | | | | |
| Ian W Ross | Director | | - | - | - | 100 | - |
| Gavan H Farley | Director | | - | - | - | 100 | - |
| David A Evans ** | Director | | - | - | - | 100 | - |
| Stephen G Gemell | Director | | - | - | - | 100 | - |
| **Management** | | | | | | | |
| Stephen C Promnitz | CEO | 3 yrs, 6 months notice | - | - | - | 100 | - |
| Ashok Jairath | CFO | Renewable annually, 3 months notice | - | - | - | 100 | - |
| Ross H Hill | COO Cambodia | 3 yrs, 6 months notice | - | - | - | 100 | - |
| David Meade | Chief Geologist & Country Officer Cambodia | 3 yrs, 6 months notice | - | - | - | 100 | - |

** Resigned on 23 February 2011 as a Director.

The employment terms and conditions of key management personnel and group executives are formalised in contracts of employment.

### Remuneration Details for the Year Ended 30 June 2011

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

## Table of Benefits and Payments for the Year Ended 30 June 2011:

| | Short Term Benefits | Post Employment Benefits | Share-based Payments | |
|---|---|---|---|---|
| | Cash Salary, Fees and Other | Superannuation Contribution | Options/Shares | Total |
| **Directors:** | $ | $ | $ | $ |
| Ian W Ross | 75,000 | 6,750 | - | 81,750 |
| Gavan H Farley | 60,000 | - | - | 60,000 |
| David A Evans (resigned on 23 February 2011 as a Director) | 120,654* | - | 300,000 | 420,654 |
| Stephen G Gemell | 20,000 | 1,800 | - | 21,800 |
| **Management:** | | | | |
| Stephen C Promnitz, CEO | 424,312 | 38,188 | 206,250** | 668,750 |
| Ashok Jairath, CFO | 188,950 | - | - | 188,950 |
| Ross M Hill, COO Cambodia | 267,505* | - | - | 267,505 |
| David Meade, Geologist | 317,088* | - | - | 317,088 |

*Includes expatriate benefits such as housing, motor vehicle allowance, children education allowance and club memberships.

** 825,000 shares granted as performance rights after shares achieve a 30 day VWAP of $0.30 per share in accordance with the employment contract. See also page 37.

## Cash Bonuses, Performance-related Bonuses and Share-based Payments

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

## MEETING OF DIRECTORS

During the financial year, 10 meetings of directors were held. Attendances by each director during the year were as follows:

| | Number eligible to attend | Number attended |
|---|---|---|
| Ian W Ross ( Chairman) | 10 | 9 |
| Gavan H Farley | 10 | 10 |
| David A Evans: Resigned as a Director on 23 February 2011 | 7 | 7 |
| Stephen G Gemell | 4 | 4 |

There were no meeting of the Audit Committee during the year. Members of the Audit committee are:

Stephen G Gemell (Chairman)

Ian W Ross

Gavan H Farley

# Directors' Report (continued)

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

## OPTIONS

At the date of this report, the unissued ordinary shares of Indochine Mining Limited under options are as follows:

| Grant Date | Date of Expiry | Exercise Price | Number under Option |
|---|---|---|---|
| 02/07/07 | 30/04/14 | 0.20 | 5,000,000 |
| 02/07/07 | 30/09/14 | 0.20 | 5,000,000 |
| 02/07/07 | 31/10/12 | 0.20 | 5,000 |
| 11/07/07 | 30/04/14 | 0.20 | 10,000,000 |
| 10/08/07 | 31/10/12 | 0.20 | 1,080,000 |
| 28/04/08 | 30/09/14 | 0.20 | 2,500,000 |
| 28/04/08 | 28/04/13 | 0.20 | 2,500,000 |
| 30/06/09 | 30/12/14 | 0.20 | 1,500,000 |
| 30/09/09 | 30/09/14 | 0.20 | 5,000,000 |
| 08/11/10 | 30/09/14 | 0.20 | 7,500,000 |
| 18/11/09 | 18/11/11 | USD 0.25 | 20,000,000 |
| 18/11/09 | 30/09/14 | 0.20 | 5,000,000 |
| 18/11/09 | 28/04/13 | 0.20 | 7,500,000 |
| 17/03/10 | 17/03/15 | USD 0.25 | 5,000,000 |
| 18/03/10 | 30/12/15 | 0.20 | 4,000,000 |
| 04/02/11 | 05/07/14 | 0.20 | 1,250,000 |
| 04/02/11 | 05/07/14 | 0.20 | 1,500,000 |
| 09/02/11 | 08/02/13 | 0.40 | 2,000,000 |
| 09/02/11 | 08/02/14 | 0.50 | 3,000,000 |
| 03/03/11 | 02/03/13 | 0.40 | 400,000 |
| 03/03/11 | 02/03/14 | 0.50 | 500,000 |
| | | | **95,230,000** |

## PROCEEDING ON BEHALF OF THE COMPANY

No person has applied for leave of any Court to bring proceedings on behalf of the company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

## NON-AUDIT SERVICES

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

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

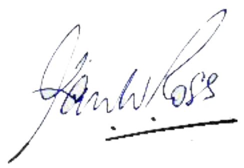
The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2011:

| | $ |
|---|---|
| Taxation services and other services | 106,770 |
| | 106,770 |

## AUDITOR INDEPENDENCE

The auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 15 of the Director's report.

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



**Ian Ross**
**Non-Executive Chairman**
**Date: 27th September 2011**

# Senior Management



## SENIOR MANAGEMENT PERSONNEL

**Stephen Promnitz**
*BSc (Hons)*
**Chief Executive Officer**

Mr Promnitz has 25 years experience in the resources sector and was the 2IC and Manager, Corporate Development of Kingsgate Conslidated (ASX: KCN), which owns and operates the Chatree gold mine in Thailand. Before joining Kingsgate, he worked for Citigroup and Westpac, and spent over 15 years with Western Mining Corporation, Rio Tinto and Placer Dome; his roles with Western Mining Corporation included manager, acquisitions and country manager in Argentina. Previously, he was involved in exploration for precious and base metals in Papua New Guinea, Indonesia and Australia.

**Ashok Jairath**
*BA (Accounting), BSc (Hons), FCPA*
**Chief Financial Officer**

Mr Jairath has over 35 years' experience in senior finance positions in multinational financial institutions in Australia and Europe, and in listed biotech and exploration companies in Australia. He is a Fellow of CPA Australia

**David Meade**
*BSc*
**Chief Geologist and Country Officer Cambodia**

Mr Meade is a geologist with over 15 years' experience in mineral exploration across a broad range of commodities and deposit styles. He has extensive experience in South East Asia where he has worked on advanced projects in Laos, exploration projects in Cambodia, Vietnam and Thailand and exploration throughout Indonesia. His experience covers a range of project stages from grass roots, near mine exploration and resource definition to feasibility stage.

**George Niumataiwalu**
*BE (Mining), MSc (Mineral Economics), MBA, MPA, MAusiMM*
**Country Manager - Papua New Guinea (PNG) and Project Director**

Mr Niumataiwalu's experience covers the entire spectrum of a mining executive. Mr Niumataiwalu is a mining engineer with significant on-the-ground experience across Australia and the Pacific Region in mine development, operation and regulation.

Prior to being appointed as Indochine Mining Limited's Country Manager in Papua New Guinea, Mr Niumataiwalu had been involved in mining development consultancies in Fiji, in particular for the Tuvatu and Newcrest's Namosi projects. His claim to fame is that in 2002-03, Mr Niumataiwalu took the then "unloved" Hidden Valley gold-silver project in PNG from a resource stage project, through a feasibility study stage, permitting, approval plus a landowner's agreement and then into financing and construction phase whilst Country Manager (PNG) of Abelle Limited. This still stands as an important benchmark for mine development in Papua New Guinea.

His key focus is to spearhead the advancement of the Mt Kare gold/silver project through the feasibility study and development. Mr Niumataiwalu was appointed after 30 June 2011.

# Auditor's Independence Declaration

RSM Bird Cameron Partners
Chartered Accountants

**RSM Bird Cameron Partners**
Level 12, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001
T +61 2 9233 8933 F +61 2 9233 8521

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Indochine Mining Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

**RSM BIRD CAMERON PARTNERS**
Chartered Accountants

**Gary N Sherwood**
Partner

Sydney, NSW
Dated: 27 September 2011

# Corporate Governance Statement



## CORPORATE GOVERNANCE

The Directors are responsible for protecting the rights and interests of the shareholders through the implementation of sound strategies and action plans, and the development of an integrated framework of controls over the Company's resources, functions and assets. To assist in its corporate governance responsibilities, the Board has adopted a Corporate Governance Charter. An extract of this Charter is available on the Company's website at www.indochinemining.com.

### General

The Company has formally constituted Committees of the Board of Directors. The Directors consider that the Company is of a size to justify the formation of special or separate Committees. The Board as a whole, together with the appointed Committees, is able to address the governance aspects of the Company's activities and ensure that it adheres to appropriate ethical standards. The composition of the Company's Committees is premised on there being three Directors. The current mix may be reviewed from time to time, if and when the composition of the Board increases in size and expertise. The information below outlines the main corporate governance policies that the Directors have adopted.

### Composition of the Board

The Board currently comprises three Directors. The names, qualifications and relevant experience of each Director are set out in the Directors' Report section of the Annual Report. There is no requirement for any Directors to hold shares in the Company. Board policy is that the Board will constantly review and monitor its performance. As the Company's activities increase in size, nature and scope, the size of the Board will be reviewed, and the Board may seek to appoint persons who, in the opinion of the Board, will provide specialist expertise required for the Board to adequately perform its role.

### Board Membership

The Remuneration and Nomination Committee periodically reviews Board performance. Members of the Board have been brought together to provide a blend of qualifications, skills and national and international experience required for managing a company operating within the mining industry.

### Appointment and Retirement of Directors

The Constitution provides that Directors are subject to retirement by rotation each three years, by order of length of appointment. Retiring Directors are eligible for re-election by shareholders at the Annual General Meeting of the Company.

### Duties of Directors

Directors are expected to accept all duties and responsibilities associated with the running of a public company, to act in the best interests of the Company, and to carry out their duties and responsibilities with due care and diligence. Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards and advise. Executive Directors wishing to accept appointment to other boards must first seek approval from the Board.

### Independent Professional Advice

The Board has determined that individual Directors may, in appropriate circumstances, engage outside advisers at the Company's expense. The engagement of an outside adviser is subject to the prior approval of the Board, which will not be unreasonably withheld.

### Compensation Arrangements, and Remuneration and Nomination Committee

The maximum aggregate amount payable to Non-Executive Directors as Directors' fees has been set at $350,000 per annum. The Company's Constitution provides that Director's fees can only be increased by resolution at a General Meeting. The Company has established a Remuneration and Nomination Committee comprising three Non-Executive Directors (Stephen G Gemell, Committee Chairman, Ian W Ross and Gavan H Farley) with the objective of maintaining and reviewing the Company's remuneration policies and practices, and reporting to the Board on such matters. An extract of the Remuneration and Nomination Committee Charter is available on the Company's website at www.indochinemining.com. The Board is responsible for reviewing and negotiating the compensation arrangements of senior executives and consultants.

### Audit Committee

The Board has an Audit Committee comprising two Non-Executive Directors (Stephen G Gemell, Committee Chairman, and Ian W Ross). The Company has adopted an Audit Committee Charter setting out the composition, purpose, powers and scope of the Audit Committee, as well as reporting requirements to the Board as a whole. This Charter is available at the Company's website at www.indochinemining.com.

### Internal Management Controls

The Company's main assets are located in Papua New Guinea and in Cambodia. Control over the operations is exercised by the exploration and operation managers employed by the Company. The Board also monitors the performance of outside consultants engaged from time to time to complete specific projects and tasks in the manner described in their respective engagements.

### Identifying Significant Business Risks

The Board regularly monitors the operational and financial performance of the Company's activities. In conjunction with the Company's Audit Committee, it monitors and receives advice on areas of operational and financial risks, and considers strategies for appropriate risk management. All operational and financial strategies adopted are aimed at improving the value of the Company's shares. However, the Directors recognise that mineral exploration and evaluation is inherently risky.

### ASX Corporate Governance

To further enhance listed entities' disclosure of corporate governance issues, the ASX Corporate Governance Council (CGC) was established for the purpose of setting an agreed set of corporate governance standards of best practice for Australian listed entities. The ASX CGC released its Principles of Good Corporate Governance and Best Practice Recommendations 2nd Edition (ASX Guidelines) in August 2007, which applies to companies upon listing on the ASX. The ASX Guidelines set out eight core principles that the ASX CGC believes underlie good corporate governance. The information below outlines the main corporate governance policies of the Company that the Board has adopted, as well as addressing in some detail the ASX Guidelines. Before referring to the specific principles set out in the ASX Guidelines and the steps being taken by the Company to comply with those, the following factors should be noted:

- Each of the Directors dedicates considerable time and effort to the affairs of the Company. The Directors do so in conjunction with their other work and business commitments, and as a consequence, the principal focus of their endeavours (while operating within a sound base for corporate governance) must necessarily be to promote the Company's activities and to improve shareholder value.

- The Company is committed to adopting corporate governance policies commensurate with its business activities and, as detailed above, has adopted a formal Corporate Governance Charter, setting out the roles and responsibilities of the independent Committees described above. It is within the above context that the Directors established the appropriate processes ensuring that the Company complies with the ASX Guidelines. In the context of those Guidelines, the Directors made the following observations in relation to the Company's corporate governance status:

## ASX Guidelines and Indochine Mining Limited

### Principle One: Lay Solid Foundations for Management and Oversight

The Company currently has no Executive Directors. David Evans and Ross Hill (alternate to David Evans) resigned during the year.

### Principle Two: Structure Board to Add Value

The Company has three Independent Directors (Ian W Ross, Stephen G Gemell and Gavan H Farley) and they have extensive public company experience.

### Principle Three: Promote Ethical and Responsible Decision Making

The Company has adopted a:

- Code of Conduct for Directors and Company Officers;
- Securities Trading Policy; and
- Continuous Disclosure Policy and Procedures.

### Principle Four: Safeguard Integrity in Financial Reporting

The Company has established a separately-constituted Audit Committee. The Committee comprises Stephen G Gemell, Committee Chairman, and Ian W Ross.

### Principle Five: Make Timely and Balanced Disclosure

The Company has defined, under its Securities Trading Policy and its Continuous Disclosure Policy and Procedures, an internal protocol for the reporting of material information to shareholders and the ASX.

### Principle Six: Respect the Right of Shareholders

The Company is committed to all shareholders and stakeholders having equal and timely access to material information regarding the operations and results of the Company. The Company will make regular ASX announcements and will make these available on its website.

### Principle Seven: Recognise and Manage Risk

The Board of Directors has adopted formal policies on risk oversight and management of material business risks under its role reviewing and ratifying systems of risk management and internal compliance and control. Risk Factors are an agenda item for each Board meeting and the senior management will periodically report to the Board in writing on risk management and internal controls. The Company has an Occupational Health and Safety policy with which all of the Company's staff, contractors and consultants must comply.

### Principle Eight: Remunerate Fairly and Responsibly

A Remuneration and Nomination Committee has been charged with making recommendations as to all aspects of Executive and Non-Executive Director, Management and Committee remuneration packages. The Remuneration and Nomination Committee comprises Stephen G Gemell, Committee Chairman, Ian W Ross and Gavan H Farley.

# Consolidated Statement of Comprehensive Income

## For the year ended 30 June 2011



| | | CONSOLIDATED GROUP | |
|---|---|---|---|
| | | **2011** | **2010** |
| | **Notes** | **$** | **$** |
| Other income | 2(a) | **431,094** | 465,412 |
| Professional fees | | **(246,542)** | (232,324) |
| Insurance expenses | | **(76,493)** | (19,123) |
| Employee benefits expense | | **(690,583)** | (4,742,387) |
| Share-based payment | 2(c) | **(1,226,225)** | (5,016,536) |
| Depreciation and amortisation expenses | 2(b) | **(75,144)** | (75,313) |
| Travel expenses | | **(123,872)** | (64,203) |
| Consultancy expenses | | **(863,595)** | (308,926) |
| Lease and occupancy expenses | 2(d) | **(49,715)** | (65,669) |
| Public relations and marketing expenses | | **(115,799)** | - |
| Impairment write-downs | | **-** | (42,672) |
| Administration expenses | | **(335,000)** | (109,870) |
| Other expenses | | **(1,505,413)** | (192,328) |
| **Loss before income tax** | | **(4,877,287)** | **(10,403,939)** |
| Income tax expense | 3 | **-** | **-** |
| **Loss for the year** | | **(4,877,287)** | **(10,403,939)** |
| | | | |
| **Other comprehensive income/(expense)** | | | |
| Foreign currency translation reserve gains (losses) | | **(410,729)** | (338,773) |
| **Other comprehensive income/(expense) for the period** | | **(410,729)** | (338,773) |
| **Total comprehensive loss for the period** | | **(5,288,016)** | (10,065,166) |
| | | | |
| Basic earnings per share (cents per share) | 6 | **(1.48)** | (1.83) |
| Diluted earnings per share (cents per share) | 6 | **(1.15)** | (1.45) |

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

The accompanying notes form part of these financial statements.

# Statement of Financial Position



## As at 30 June 2011

| | | CONSOLIDATED GROUP | |
|---|---|---|---|
| | | **2011** | **2010** |
| | **Notes** | **$** | **$** |
| **ASSETS** | | | |
| ***CURRENT ASSETS*** | | | |
| Cash and cash equivalents | 7 | **22,398,197** | 709,089 |
| Trade and other receivables | 8 | **2,063,839** | 1,014,646 |
| **TOTAL CURRENT ASSETS** | | **24,462,036** | 1,723,735 |
| ***NON-CURRENT ASSETS*** | | | |
| Property, plant and equipment | 9 | **403,479** | 577,713 |
| Deferred mining evaluation and exploration costs | 10 | **17,981,416** | 9,225,587 |
| Other financial assets | 11 | **2,000** | 2,000 |
| **TOTAL NON-CURRENT ASSETS** | | **18,386,895** | 9,805,300 |
| **TOTAL ASSETS** | | **42,848,931** | 11,529,035 |
| ***CURRENT LIABILITIES*** | | | |
| Trade and other payables | 12 | **933,952** | 1,146,425 |
| Short-term provisions | 13 | **56,584** | 573,646 |
| **TOTAL CURRENT LIABILITIES** | | **990,536** | 1,720,071 |
| **TOTAL LIABILITIES** | | **990,536** | 1,720,071 |
| **NET ASSETS** | | **41,858,395** | 9,808,964 |
| ***EQUITY*** | | | |
| Issued capital | 14 | **55,879,645** | 20,376,489 |
| Accumulated losses | 15(b) | **(24,520,505)** | (19,643,218) |
| Reserves | 15(a) | **10,499,255** | 9,075,693 |
| **TOTAL EQUITY** | | **41,858,395** | 9,808,964 |

The accompanying notes form part of these financial statements.

# Consolidated Statement of Changes in Equity

## For the year ended 30 June 2011



| CONSOLIDATED GROUP | Issued Capital $ | Accumulated Losses $ | Foreign Currency Reserve $ | Share Option Expense $ | Total Equity $ |
|---|---|---|---|---|---|
| **Balance at 1 July 2009** | **13,565,836** | **(9,239,279)** | **315,779** | **-** | **4,642,336** |
| Loss for the period | - | (10,403,939) | - | - | (10,403,939) |
| Currency translation differences | - | - | (338,773) | - | (338,773) |
| Total comprehensive income for the period | - | (10,403,939) | (338,773) | - | (10,742,712) |
| Costs of share based payments | - | - | - | 9,098,687 | 9,098,687 |
| Shares issued during the period | 6,810,653 | - | - | - | 6,810,653 |
| **Balance at 30 June 2010** | **20,376,489** | **(19,643,218)** | **(22,994)** | **9,098,687** | **9,808,964** |
| | | | | | |
| **Balance at 1 July 2010** | **20,376,489** | **(19,643,218)** | **(22,994)** | **9,098,687** | **9,808,964** |
| Loss for the year | - | (4,877,287) | - | - | (4,877,287) |
| Currency translation differences | - | - | 257,357 | - | 257,357 |
| Total comprehensive income for the year | - | (4,877,287) | 257,357 | - | (4,619,930) |
| Costs of share based payments | - | - | - | 1,166,205 | 1,166,205 |
| Shares issued during the year | 39,289,485 | - | - | - | 39,289,485 |
| Transaction costs | (3,786,329) | - | - | - | (3,786,329) |
| **Balance at 30 June 2011** | **55,879,645** | **(24,520,505)** | **234,363** | **10,264,892** | **41,858,395** |

The accompanying notes form part of these financial statements.

# Statement of Cash Flows

## For the year ended 30 June 2011



| | Notes | CONSOLIDATED GROUP 2011 $ | 2010 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Payments to suppliers and employees | | **(5,448,338)** | (2,251,599) |
| Interest received | 2(a) | **431,094** | 9,263 |
| Net cash used in operating activities | 18 | **(5,017,244)** | (2,242,336) |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase or property, plant and equipment | | **(40,975)** | (58,559) |
| Acquisition of subsidiary net of cash acquired | 18 | **-** | - |
| Payments for mining interests & exploration costs | | **(8,801,320)** | (3,782,756) |
| Net cash used in investing activities | | **(8,842,295)** | (3,841,315) |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issues of ordinary share net of transaction costs | | **35,503,156** | 5,938,864 |
| Net cash provided by financing activities | | **35,503,156** | 5,938,864 |
| | | | |
| Net increase/(decrease) in cash held | | **21,643,617** | (144,787) |
| Cash at the beginning of the year | | **709,089** | 1,192,649 |
| Foreign exchange translation difference | | **45,491** | (338,773) |
| Cash at the end of the year | 7 | **22,398,197** | 709,089 |

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

## For the year ended 30 June 2011

### Note 1: Statement Of Significant Accounting Policies

These consolidated financial statements and notes represent those of Indochine Mining Limited and Controlled Entities (the "consolidated group" or "group").

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

The financial report of Indochine Mining Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 27th September 2011.

Indochine Mining Limited is a company limited by shares incorporated and domiciled in Australia.

**Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board1 and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Indochine Mining Limited at the end of the reporting period. A controlled entity is any entity over which Indochine Mining Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 21 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Business combinations**

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination, one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquirer.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending on the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as receivables. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

**Accounting Policies**

**a) Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

## Note 1: Statement Of Significant Accounting Policies (continued)

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

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

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

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

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

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

**b) Goods and Services Tax (GST)**

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

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

**c) Property, Plant and Equipment**

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

**Plant and equipment**

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts

## Note 1: Statement Of Significant Accounting Policies (continued)

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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 statement of comprehensive income during the financial period in which they are incurred.

**Depreciation**

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

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|---|---|
| Computer Equipment | 10% - 33% |
| Furniture and Fittings: | 5% - 15% |
| Improvements | 5% - 10% |
| Equipment | 5% - 33% |
| Motor Vehicles | 6.67% - 15% |
| Boat | 7.5% |

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

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

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

### d) Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

## Note 1: Statement Of Significant Accounting Policies (continued)

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

**e) Financial Instruments**

*Recognition and Initial Measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expected to profit or loss immediately.

*Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

*Classification and Subsequent Measurement*

Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

*Amortised cost* is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

*Fair value* is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

## Note 1: Statement Of Significant Accounting Policies (continued)

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

## Note 1: Statement Of Significant Accounting Policies (continued)

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(v) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

**Impairment**

At the end of the reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

**Financial Guarantees**

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118 Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using the probability weighted discounted cash flow approach. The probability has been based on:

– the likelihood of the guaranteed party defaulting in a year's period;

– the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and

– the maximum loss exposed if the guaranteed party were to default.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**f) Impairment of Assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being

### Note 1: Statement Of Significant Accounting Policies (continued)

the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

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

**g) Foreign Currency Transactions and Balances**

**Functional and presentation currency**

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

**Transaction and balances**

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

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

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

**Group companies**

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

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

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

**h) Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

## Note 1: Statement Of Significant Accounting Policies (continued)

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

**i) Provisions**

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

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

**j) Cash and Cash Equivalents**

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

**k) Revenue and Other Income**

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

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

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

**l) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

**m) Trade and Other Payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

**n) Equity-settled compensation**

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

## Note 1: Statement Of Significant Accounting Policies (continued)

amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

**o) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**p) Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

*Key Estimates*

**Exploration and evaluation expenditure**

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

*Key Judgements*

(i) **Exploration and evaluation expenditure**

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the report period at $17,981,416**.**

(ii) **Abandoned Areas**

The licences acquired in respect of the Cambodian operations comprise several licences across a large geographic area. Management has applied their judgement and determined that all of these licences to be treated as one area for the purposes of considering "abandoned areas" as referred to in the note 1 (d) above. The fact that a particular llicence in a geographic area is not being explored at a particular point in time, does not mean it is abandoned as such, but rather that some licences are considered more prospective than others. It may well be that an area not currently being developed at present, may well be reconsidered for development at another time in the future.

(iii) **Expiry of Licences**

The Group has a significant portion of its mining licences in Cambodia that expire in the next financial year. Management has lodged application to extend all of these licences, however

## Note 1: Statement Of Significant Accounting Policies (continued)

it is not expected that all extension will be granted by the date that the licences expire. Management has exercised its judgement and assumed all licences will be renewed in the ordinary course of operations, and consequently, no impairment has been raised in respect of mining licences expiring in the next financial year.

**q) Going Concern**

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the company and consolidated entity incurred losses of $3,880,070 and $4,877,287 respectively and the consolidated entity had net cash outflows from operating activities of $5,017,244 for the year ended 30 June 2011. As at that date the consolidated entity had cash at bank of $22,398,197, net current assets of $23,471,500, and net assets of $41,858,395.

The Directors believe that it is reasonably foreseeable that the company and consolidated entity will continue as going concerns and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors.

- Management has reviewed the company and consolidated entity's cashflow requirements and has satisfied themselves that there are adequate resources in place to meet the planned operational and exploration activities for at least 12 months following the date of this report;
- In the event exploration and operating activities exceed the planned cashflow forecasts, or continue beyond 12 months following the date of this report, the company has the ability to raise additional funds, pursuant to the Corporations Act 2001;
- The ability of the company and consolidated entity to further scale back certain parts of their explorations activities if required; and
- The company and consolidated entity retain the ability, if required, to wholly or in part dispose of interests in mineral exploration and development assets.

**r) New Accounting Standards for Application in Future Periods**

| Reference | Title | Summary | Application date (financial years beginning) | Expected Impact |
|---|---|---|---|---|
| AASB 9 | *Financial Instruments* | Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39. | 1 January 2013 | Unlikely to have significant impact |

### Note 1: Statement Of Significant Accounting Policies (continued)

| Reference | Title | Summary | Application date (financial years beginning) | Expected Impact |
|---|---|---|---|---|
| 2010-7 | *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* | Amends AASB 132 to clarify the requirements for classification of rights, options and warrants. | 1 February 2010 | Unlikely to have significant impact |
| AASB 124 | *Related Party Disclosures* | Revised standard. The definition of a related party is simplified to clarify its intended meaning and eliminate inconsistencies from the application of the definition | 1 January 2011 | Disclosure only |
| 2009-11 | *Amendments to Australian Accounting Standards arising from AASB 9* | Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12 as a result of the issuance of AASB 9. | 1 January 2013 | Unlikely to have significant impact |
| 2009-12 | *Amendments to Australian Accounting Standards* | Amends AASB 8 Operating Segments as a result of the revised AASB 124. Amends AASB 5, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052 as a result of the annual improvement project. | 1 January 2011 | Unlikely to have significant impact |
| 2011-4 | *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* | This Standard makes amendments to Australian Accounting Standard AASB 124 Related Party Disclosures. | 1 July 2013 | Disclosure only |

## Note 2: Revenue and Expenses

| | | 2011 $ | 2010 $ |
|---|---|---|---|
| a) | Revenue and expenses from continuing operations | | |
| | Loans forgiven | - | 241,150 |
| | Sundry income | - | 215,000 |
| | Interest received | **431,094** | 9,262 |
| | | **431,094** | 465,412 |
| b) | Loss before income tax includes the following specific expenses | | |
| | Depreciation and amortisation expense | | |
| | Computer equipment | **749** | 5,653 |
| | Furniture and fittings | **4,205** | 4,495 |
| | Software licenses | **10,375** | 1,177 |
| | Improvements | **358** | 388 |
| | Vehicles | **31,622** | 35,019 |
| | Equipment | **27,757** | 28,495 |
| | Boat | **78** | 86 |
| | | **75,144** | 75,313 |
| c) | Share based payments | **1,226,225** | 5,016,536 |
| d) | Lease rentals | **49,715** | 65,669 |

| Note 3: Income Tax Benefit | 2011 $ | 2010 $ |
|---|---|---|
| a) A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate for the period ended 30 June 2011 and 30 June 2010 is as follows: | | |
| Accounting loss before tax from continuing operations | **4,877,287** | 10,403,939 |
| Accounting loss before income tax | **4,877,287** | 10,403,939 |
| At the statutory income tax rate of 30% (2010: 30%) | **(1,463,186)** | (3,121,182) |
| Permanent differences | **587,057** | 339,566 |
| Temporary differences not previously brought to account – other | **428,015** | (614,765) |
| Tax losses and timing differences not previously brought to account | **(528,219)** | (3,476,486) |
| Income tax expense | **-** | - |
| Effective income tax rate | **0%** | 0% |
| b) Tax balances not brought to account | | |
| Deferred tax liability comprises of: | | |
| Deferred mining exploration and evaluation costs | **-** | (1,740,143) |
| Provisions | **34,975** | 29,247 |
| Net deferred tax liability | **34,975** | (1,710,896) |
| Deferred tax assets comprise of: | | |
| Tax losses not brought to account | **9,642,421** | 7,881,694 |
| Potential income tax benefit | **2,892,726** | 2,364,508 |

## Note 4: Key Management Personnel Compensation

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

**Directors**

Ian W Ross

Gavan H Farley

David A Evans (resigned as a Director on 23 February 2011)

Ross Hill (resigned on 24 February 2011 as alternate director to David A Evans)

Stephen G Gemell (appointed on 28 February 2011)

**Management**

Stephen C Promnitz, CEO

Ashok Jairath, CFO

Ross Hill , COO Cambodia

David Meade, Chief Geologist and Country Officer Cambodia

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

| | 2011<br>$ | 2010<br>$ |
|---|---|---|
| Short-term employee benefits | **1,473,509** | 388,713 |
| Post-employment benefits | **46,738** | 8,637 |
| Share based payments | **506,250** | - |
| | **2,026,497** | 397,350 |

b) Share holdings

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

| Directors | Balance at 1 July 2010 | Received as Compensation | Net Change | Balance at 30 June 2011 |
|---|---|---|---|---|
| Ian W Ross | - | - | 500,000 | 500,000 |
| Gavan H Farley | 500,000 | - | 20,000 | 520,000 |
| David A Evans* | 10,027,181 | 1,500,000 | - | 11,527,181 |
| Stephen G Gemell | - | - | - | - |
| **Other key management personnel of the group:** | | | | |
| Stephen C Promnitz | - | 825,000 | 20,000 | 845,000 |
| Ashok Jairath | | - | 10,000 | 10,000 |
| Ross M Hill | 5,000,000 | - | - | 5,000,000 |
| David Meade | - | - | 50,000 | 50,000 |

* David A Evans resigned as a Director on 23 February 2011.

## Note 4: Key Management Personnel Compensation (continued)

c) Option holdings

Number of options held by key Management personnel.

| Directors: | Balance at 1 July 2010 | Received as Compensation | Net Change | Balance at 30 June 2011 |
|---|---|---|---|---|
| Ian W Ross | 4,000,000 | - | (500,000) | 3,500,000 |
| Gavan H Farley | 2,000,000 | - | - | 2,000,000 |
| David A Evans* | 7,500,000 | - | - | 7,500,000 |
| Stephen G Gemell | - | - | - | - |
| **Other key management personnel of the group:** | | | | |
| Stephen C Promnitz | - | - | - | - |
| Ashok Jairath | - | - | - | - |
| Ross M Hill | 5,000,000 | - | - | 5,000,000 |
| David Meade | - | - | - | - |

* David A Evans resigned as a Director on 23 February 2011.

## Note 5: Auditor's Remuneration

| | 2011 $ | 2010 $ |
|---|---|---|
| Remuneration of the auditor of the parent entity for: | | |
| - auditing or reviewing the financial statements | **75,000** | 59,500 |
| - other services | **106,770** | 98,500 |
| | **181,770** | 158,000 |

## Note 6: Earnings Per Share

| | 2011 | 2010 |
|---|---|---|
| a) Reconciliation of earnings to loss | **(4,877,287)** | (10,403,939) |
| Earnings used to calculate basic and diluted EPS | **(4,877,287)** | (10,403,939) |
| | **No.** | No. |
| b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | **330,545,413** | 220,476,166 |
| Weighted average number of options outstanding | **92,137,123** | 61,593,014 |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | **422,682,536** | 282,069,180 |
| c) Basic loss per share (cents per share) | **(1.48)** | (1.83) |
| Diluted loss per share (cents per share) | **(1.15)** | (1.45) |

## Note 7: Cash and Cash Equivalents

| | 2011 $ | 2010 $ |
|---|---|---|
| Cash at bank and on hand | **22,398,197** | 709,089 |
| | **22,398,197** | 709,089 |

## Note 8: Trade and Other Receivables

| | 2011 $ | 2010 $ |
|---|---|---|
| CURRENT | | |
| Loan receivable* | **1,515,860** | - |
| Prepayments | **87,281** | 557,699 |
| Sundry debtors | **5,662** | 1,456 |
| GST and VAT | **137,544** | 173,014 |
| Bank guarantees | **189,064** | 234,426 |
| Deposits paid | **128,428** | 48,051 |
| | **2,063,839** | 1,014,646 |

* The loan is unsecured, interest free and has been recovered subsequent to year end.

## Note 9: Plant and Equipment

| | 2011 $ | 2010 $ |
|---|---|---|
| **Computer equipment at cost** | **36,820** | 27,634 |
| Accumulated depreciation | **(12,403)** | (11,654) |
| | **24,417** | 15,980 |
| **Furniture and fittings at cost** | **44,716** | 50,083 |
| Accumulated depreciation | **(16,498)** | (12,293) |
| | **28,218** | 37,790 |
| **Software licenses at cost** | **30,971** | 30,972 |
| Accumulated depreciation | **(11,552)** | (1,177) |
| | **19,419** | 29,795 |
| **Buildings and improvements at cost** | **5,888** | 6,488 |
| Accumulated depreciation | **(1,282)** | (923) |
| | **4,606** | 5,565 |

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2011

### Note 9: Plant and Equipment (continued)

| | 2011 $ | 2010 $ |
|---|---|---|
| **Motor vehicles at cost** | **291,149** | 388,092 |
| Accumulated depreciation | **(112,584)** | (80,965) |
| | **178,565** | 307,127 |
| **Plant and Equipment at cost** | **237,213** | 242,580 |
| Accumulated depreciation | **(88,959)** | (61,124) |
| | **148,254** | 181,456 |
| **Total** | **403,479** | 577,713 |

**Movements in carrying amounts**

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

| | 2011 $ | 2010 $ |
|---|---|---|
| **Computer equipment** | | |
| Carrying value at beginning of the year | **15,980** | 24,421 |
| Additions | **9,186** | 7,353 |
| Disposals | **-** | - |
| Depreciation | **(749)** | (5,653) |
| Foreign exchange differences | **-** | (10,141) |
| Carrying value at the end of the year | **24,417** | 15,980 |
| **Furniture and fittings** | | |
| Carrying value at beginning of the year | **37,790** | 43,833 |
| Additions | **645** | 948 |
| Disposals | **(1,183)** | - |
| Depreciation | **(4,205)** | (4,683) |
| Foreign exchange differences | **(4,829)** | (2,308) |
| Carrying value at the end of the year | **28,218** | 37,790 |
| **Software licenses** | | |
| Carrying value at beginning of the year | **29,795** | - |
| Additions | **-** | 38,972 |
| Disposals | **-** | (8,000) |
| Depreciation | **(10,375)** | (1,177) |
| Foreign exchange differences | **-** | - |
| Carrying value at the end of the year | **19,419** | 29,795 |

| Note 9: Plant and Equipment (continued) | 2011 $ | 2010 $ |
|---|---|---|
| **Building improvements** | | |
| Carrying value at beginning of the year | **5,565** | 6,441 |
| Additions | **421** | - |
| Disposals | **-** | - |
| Depreciation | **(358)** | (88) |
| Foreign exchange differences | **(1,021)** | (788) |
| Carrying value at the end of the year | **4,606** | 5,565 |
| **Motor vehicles** | | |
| Carrying value at beginning of the year | **307,127** | 310,660 |
| Additions | **1,866** | 55,262 |
| Disposals | **(43,392)** | - |
| Depreciation | **(31,622)** | (34,826) |
| Foreign exchange differences | **(55,414)** | (23,969) |
| Carrying value at the end of the year | **178,565** | 307,127 |
| **Equipment** | | |
| Carrying value at beginning of the year | **181,456** | 209,112 |
| Additions | **28,860** | 17,252 |
| Disposals | **(2,204)** | - |
| Depreciation | **(27,835)** | (28,889) |
| Foreign exchange differences | **(32,023)** | (16,019) |
| Carrying value at the end of the year | **148,254** | 181,456 |
| **Total** | | |
| Carrying value at beginning of the year | **577,713** | 594,467 |
| Additions | **40,978** | 119,787 |
| Disposals | **(46,779)** | (8,000) |
| Depreciation | **(75,144)** | (75,313) |
| Foreign exchange differences | **(93,287)** | (53,228) |
| Carrying value at the end of the year | **403,479** | 577,713 |

| | 2011 | 2010 |
|---|---|---|
| | $ | $ |

## Note 10: Evaluation & Exploration Costs Capitalised

| | 2011 | 2010 |
|---|---|---|
| Opening balance | **9,225,587** | 3,692,316 |
| Current year expenditure | **8,755,829** | 5,533,271 |
| Closing balance | **17,981,416** | 9,225,587 |

The ultimate recoupment of costs carried forward for exploration and evaluation expenditure is dependent on the successful development and commercial exploitation or sale of the respective areas.

## Note 11: Other Financial Assets

| | 2011 | 2010 |
|---|---|---|
| *Available for sale financial asset* | | |
| Investment in Tiaro Coal Limited | **2,000** | 2,000 |
| | **2,000** | 2,000 |

## Note 12: Trade and Other Payables

| | 2011 | 2010 |
|---|---|---|
| CURRENT | | |
| Trade payables | **909,539** | 399,385 |
| Payroll related payables | **10,163** | 654,479 |
| Other payables | **14,250** | 92,561 |
| | **933,952** | 1,146,425 |

## Note 13: Provisions

| | 2011 | 2010 |
|---|---|---|
| CURRENT | | |
| Annual leave | **56,584** | 85,491 |
| Other employee benefits | **-** | 488,155 |
| | **56,584** | 573,646 |
| | | |
| Opening balance | **573,646** | 137,329 |
| Raised during the year | **56,584** | 488,155 |
| Used during the year | **(573,646)** | (51,838) |
| | **56,584** | 573,646 |

## Note 14: Issued Capital

| | 2011 $ | 2010 $ |
|---|---|---|
| *Ordinary shares* | | |
| 423,333,324 (2010: 256,739,196) fully paid ordinary shares | **55,879,645** | 20,376,489 |

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

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

| | **Movements in ordinary shares on issue** | **No. of Shares** | **$** |
|---|---|---|---|
| 01/07/09 | Opening balance | 202,934,294 | 13,565,836 |
| | Shares issued during the year | 53,804,902 | 7,349,981 |
| | Less transaction costs on share issue | - | (539,328) |
| 30/06/10 | **Balance at 30 June 2010** | **256,739,196** | **20,376,489** |
| | Balance at 1 July 2010 | 256,739,196 | 20,376,489 |
| 29/09/10 | Options exercised | 1,500,000 | 150,000 |
| 27/10/10 | Options exercised | 500,000 | 50,999 |
| 27/11/10 | IPO | 100,765,000 | 20,153,000 |
| 08/12/10 | Issue of shares to David Evans | 1,500,000 | 300,000 |
| 18/02/11 | Issue of shares to Christopher Snaith | 400,000 | 98,000 |
| 13/04/11 | Placement | 53,750,629 | 16,125,188 |
| 18/05/11 | Issue of shares to Stephen Promnitz | 825,000 | 206,250 |
| 18/05/11 | Share Purchase Plan | 300,003 | 90,000 |
| 10/06/11 | Placement | 7,053,496 | 2,116,048 |
| | Less transaction costs on share issue | - | (3,786,329) |
| | **Balance at 30 June 2011** | **423,333,324** | **55,879,645** |

| | **Movements in options** | **No. of Options** |
|---|---|---|
| 01/07/10 | Opening balance | 108,580,000 |
| 29/09/10 | Options exercised | (1,500,000) |
| 26/10/10 | Options exercised | (500,000) |
| 04/02/11 | Issue of options | 2,750,000 |
| 09/02/11 | Issue of options* | 5,000,000 |
| 09/02/11 | Cancellation of options* | (17,000,000) |
| 03/03/11 | Issue of options** | 900,000 |
| 03/03/11 | Cancellation of options** | (3,000,000) |
| | **Balance as at 30 June 2011** | **95,230,000** |

## Note 14: Issued Capital (continued)

On 4 February 2011, 1,250,000 options were issued to HSBC Custody Nominees having an exercise price of $0.20 each and expiring on 5 July 2014.

On 4 February 2011, 1,500,000 options were issued to Jabre Capital Partner S.A. having an exercise price of $0.20 each and expiring on 5 July 2014.

On 9 February 2011, 2,000,000* options were issued to Empire Securities Group ATF Empire Trust having an exercise price of $0.40 each and expiring on 8 February 2013.

On 9 February 2011, 3,000,000* options were issued to Empire Securities Group ATF Empire Trust having an exercise price of $0.50 each and expiring on 8 February 2014.

On 9 February 2011, 17,000,000* broker and advisor options previously issued were cancelled and replaced by 5,000,000* new options to reflect renegotiated contractual arrangements

On 3 March 2011, 400,000** options were issued to Novus Capital Ltd having an exercise price of $0.40 each and expiring on 2 March 2013.

On 3 March 2011, 500,000** options were issued to Novus Capital Ltd having an exercise price of $0.50 each and expiring on 2 March 2014

On 3 March 2011, 3,000,000** broker and advisor options previously issued were cancelled and replaced by 900,000** new options to reflect renegotiated contractual arrangements

Each option on issue entitles the holder to purchase one share. The names of all persons who currently hold share options, granted at any time, are entered in the register kept by the Company, pursuant to Section 168 of the Corporations Act 2001, which may be inspected free of charge. Persons entitled to exercise these options have no right, by virtue of the options, to participate in any share issue by the parent entity or any other body corporate.

**Capital Management**

Management controls the capital of the Group in order to maintain stable cash reserves, reduce capital raising requirements, and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and current and financial liabilities. There is no non-current external debt. There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's cashflow and capital requirements and responds to those needs. These responses include management of capital projects, acquisition of mineral licences and reduction of expenditure.

| | 2011 | 2010 |
|---|---|---|
| | $ | $ |

## Note 15: Reserves Reserves And Accumulated Losses

a) **Reserves**

| | | |
|---|---|---|
| Share option reserve | **10,264,892** | 9,098,687 |
| Foreign currency translation reserve | **234,363** | (22,994) |
| Total Reserves | **10,499,255** | 9,075,693 |
| | | |
| **Movements**: | | |
| Foreign currency translation reserve | | |
| At the beginning of the year | **(22,994)** | 315,779 |
| Currency translation differences arising during the year | **257,357** | (338,773) |
| Balance at the end of the financial year | **234,363** | (22,994) |
| Share option reserve | | |
| At the beginning of the year | **9,098,687** | - |
| Share options arising during the year | **1,166,205** | 9,908,687 |
| Balance at the end of the financial year | **10,264,892** | 9,098,687 |

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

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

b) **Accumulated Losses**
Movements in accumulated losses were as follows:

| | | |
|---|---|---|
| Accumulated losses at the beginning of the year | **(19,643,218)** | (9,239,279) |
| Net loss attributable to members of Indochine Mining Limited | **(4,877,287)** | (10,403,939) |
| Accumulated losses at the end of the financial year | **(24,520,505)** | (19,643,218) |

## Note 16: Parent Entity Disclosures

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

| | PARENT ENTITY | |
|---|---|---|
| | **2011** | **2010** |
| **a) Financial information** | **$** | **$** |
| Loss for the year | **3,880,070** | 9,401,512 |
| Total comprehensive income | **3,880,070** | 9,401,512 |
| | | |
| Current Assets | **54,915,346** | 420,573 |
| Non-current Assets | **11,210** | - |
| Total Assets | **54,926,556** | 420,573 |
| | | |
| Current Liabilities | **2,063,600** | 545,934 |
| Total Liabilities | **2,063,600** | 1,839,316 |
| | | |
| Shareholder's Equity | | |
| Issued Capital | **55,879,645** | 20,376,487 |
| Reserves | **10,264,892** | 9,098,587 |
| Accumulated Losses | **(13,281,582)** | (9,401,512) |

## Note 17: Financial Instruments

| | **2011** | **2010** |
|---|---|---|
| **Financial assets** | **$** | **$** |
| Cash and cash equivalents | **22,398,197** | 709,089 |
| Available-for-sale financial assets: | | |
| - At fair value | | |
| - Unlisted investments | **2,000** | 2,000 |
| Total financial assets | **22,400,197** | 711,089 |
| | | |
| **Financial liabilities** | | |
| Financial liabilities at amortised cost | | |
| Trade and other payables | **933,952** | 1,146,425 |
| Total financial liabilities | **933,952** | 1,136,574 |

**Financial Risk Management Policies**

The directors' overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the capital project management and future cash flow requirements.

## Note 17: Financial Instruments (continued)

**Specific Financial Risk Exposures and Management**

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk.

**a) Market risk and interest rate risk**

i) Foreign exchange risk

The Group and the parent entity operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Company's functional currency is Australian dollars. The Group's Cambodia subsidiary has a functional currency of US dollars.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

| | **2011** | **2010** |
|---|---|---|
| | **$** | **$** |
| Cash and cash equivalent | **3,824,732** | 576,494 |
| Payable | **124,345** | 13,305 |
| Net exposure | **3,700,387** | 563,189 |

Foreign currency sensitivity analysis

The Group is exposed to movements in US dollars. The following table details the Group's sensitivity to a 10% increase and a 10% decrease in the Australian dollar against the relevant currencies

| | **2011** | **2010** |
|---|---|---|
| | **$** | **$** |
| AUD increase against USD | | |
| Profit or loss post tax | **(235,479)** | (35,839) |
| AUD decrease against USD | | |
| Profit or loss post tax | **287,807** | 43,804 |

ii) Interest rate risk

The Group's main interest rate risk arises from cash and cash equivalents. The Group does not have any borrowings from external counterparties.

*Group sensitivity*

At 30 June 2011, the Group's exposure to interest rates is not deemed to be material to its primary activities and the interest is generally fixed.

## Note 17: Financial Instruments (continued)

**b) Credit risk**

Given the group does not hold trade debtors they are not exposed to credit risk. All cash reserves are invested with one of Australia's Big 4 banks

**c) Liquidity risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- obtaining funding from shareholders;
- maintaining a reputable credit profile;

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed

| | Within 1 Year | | Total | |
|---|---|---|---|---|
| **CONSOLIDATED GROUP** | **2011** | **2010** | **2011** | **2010** |
| | **$** | **$** | **$** | **$** |
| **Financial liabilities due for payment** | | | | |
| Trade and other payables (excluding est. annual leave) | **933,952** | 1,136,753 | **933,952** | 1,136,753 |
| Total expected outflows | **933,952** | 1,136,753 | **933,952** | 1,136,753 |
| **Financial assets — cash flows realisable** | | | | |
| Trade and other receivables | **1,653,404** | 173,014 | **1,653,404** | 173,014 |
| Cash and cash equivalents | **22,398,197** | 709,089 | **22,398,197** | 709,089 |
| Total expected inflows | **24,051,601** | 882,103 | **24,051,601** | 882,103 |
| Net (outflow)/inflow on financial instruments | **23,117,649** | (254,650) | **23,117,649** | (254,650) |

## Note 18: Cash Flow Information

| | 2011 $ | 2010 $ |
|---|---|---|
| **Reconciliation of cash flow from operations with loss after income tax** | | |
| Loss after income tax | **(4,877,287)** | (10,403,939) |
| Non-cash flows in profit | | |
| Depreciation | **75,144** | 75,313 |
| Net loss on disposal of plant and equipment | **46,779** | - |
| Impairment write downs | **-** | 42,672 |
| Foreign exchange | **350,640** | - |
| Share option expense | **1,166,205** | 9,098,687 |
| Changes in assets and liabilities | | |
| (Increase)/decrease in trade and other receivables | **(1,049,194)** | (909,827) |
| (Decrease)/increase in trade and other creditors | **(212,469)** | (536,719) |
| (Decrease)/increase in provisions | **(517,062)** | 391,477 |
| Net cash flow used in operating activities | **(5,017,244)** | (2,242,336) |
| **Reconciliation of acquisition in subsidiary** | | |
| Cash and cash equivalents | **-** | (211) |
| Tenement assets | **-** | 1,750,515 |
| Trade and other payables | **-** | (878,726) |
| Total assets at acquisition | **-** | 871,578 |
| Total identifiable assets at acquisition | **-** | 871,578 |
| Total identifiable assets at acquisition attributable to majority shareholders | **-** | 871,578 |
| Cash paid | **-** | 211 |
| Shares issued | **-** | (871,789) |
| Net cash outflow | **-** | - |

## Note 19: Related Party Transactions

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

i) Entities exercising control over the Group:

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

ii) Key management personnel:

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

iii. Entities subject to significant influence by the Group:

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

iv. Other related parties:

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

**b) Transactions with related parties:**

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

The following transactions occurred with related parties:

| | **2011**<br>**$** | **2010**<br>**$** |
|---|---|---|
| i) Key management personnel: | | |
| Consultancy fees | | |
| Ian Ross | **125,000** | - |
| Gavan Farley | **100,108** | - |

Sydney based directors were engaged on a daily basis throughout the year over and above their non- executive roles

**c) Amounts outstanding from related parties:**

| | 2011 | 2010 |
|---|---|---|
| i) Loans to ultimate parent entity: | | |
| Beginning of the year | **1,293,382** | - |
| Loans advanced | **-** | 1,293,382 |
| Loan repayment received | **(105,300)** | - |
| End of the year | **1,188,082** | 1,293,382 |
| ii) Loans to subsidiaries: | | |
| Beginning of the year | **7,367,444** | 4,318,313 |
| Loans advanced | **8,694,205** | 3,049,131 |
| End of the year | **16,061,649** | 7,367,444 |
| iii) Beginning of the year | **3,828,397** | - |
| Doubtful debt expense | **-** | 3,828,397 |
| End of year | **3,828,397** | 3,828,397 |

## Note 19: Related Party Transactions (continued)

| | | 2011 | 2010 |
|---|---|---|---|
| **d) Amounts payable to related parties:** | | **$** | **$** |
| i. | Loans from the parent entity: | | |
| | Beginning of the year | **-** | - |
| | Loans advanced | **9,867,718** | - |
| | Loan repayment received | **(1,073)** | - |
| | End of the year | **9,866,645** | - |
| ii. | Loans from subsidiaries : | | |
| | Beginning of the year | **8,660,826** | 3,448,732 |
| | Loans advanced | **17,273** | 5,212,094 |
| | Loan repayment received | **(1,295,013)** | - |
| | End of year | **7,383,086** | 8,660,826 |

## Note 20: Segment Reporting

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

| | Australia | Cambodia | Papua New Guinea | Total |
|---|---|---|---|---|
| **2011** | **$** | **$** | **$** | **$** |
| **Revenue** | | | | |
| Interest income | 430,964 | 130 | - | 431,094 |
| **Total segment revenue** | 430,964 | 130 | - | 431,094 |
| **Results** | | | | |
| Operating loss before income tax | 4,349,242 | 528,045 | - | 4,877,287 |
| Income tax expense | - | - | - | - |
| Net loss | 4,349,242 | 528,045 | - | 4,877,287 |
| Included within segment results | 4,349,242 | 528,045 | - | 4,877,287 |
| Depreciation and amortization of segment assets | 12,633 | 62,511 | - | 75,144 |
| Segment assets | 22,563,201 | 12,197,348 | 8,088,382 | 42,848,931 |
| Segment liabilities | 875,143 | 115,393 | - | 990,536 |

### Note 20: Segment Reporting (continued)

| 2010 | Australia | Cambodia | PNG | Total |
|---|---|---|---|---|
| **Revenue** | **$** | **$** | **$** | **$** |
| Interest income | 188,673 | 276,739 | - | 465,412 |
| **Total segment revenue** | 188,673 | 276,739 | - | 465,412 |
| **Results** | | | | |
| Operating loss before income tax | 9,401,512 | 1,002,427 | - | 10,403,939 |
| Income tax expense | - | - | - | - |
| Net loss | 9,401,512 | 1,002,427 | - | 10,403,939 |
| Included within segment results | 9,401,512 | 1,002,427 | - | 10,403,939 |
| Depreciation and amortization of segment assets | 8,163 | 67,151 | - | 75,313 |
| Segment assets | 2,303,448 | 9,225,587 | - | 11,529,035 |
| Segment liabilities | 1,707,056 | 13,015 | - | 1,720,071 |

### Note 21: Controlled Entities

| | Country of Incorporation | Percentage Owned | |
|---|---|---|---|
| **Subsidiaries of Indochine Mining Limited:** | | **2011** | 2010 |
| Indochine Resources Limited | Australia | **100%** | 100% |
| Indochine Resources (Cambodia) Limited | Cambodia | **100%** | 100% |
| Asia Pacific Gold & Copper Company Limited | Australia | **100%** | 100% |
| Asia Pacific Gold & Copper (Cambodia) Limited | Cambodia | **100%** | 100% |
| Aries Mining Limited | Australia | **100%** | 100% |
| Summit Development Ltd | Papua New Guinea | **99%** | - |

### Note 22: Commitments And Contingencies

| | 2011 | 2010 |
|---|---|---|
| | **$** | **$** |
| **Operating lease commitments** | | |
| - not later than 12 months | **129,490** | - |
| - between 12 months and five years | **571,870** | - |
| | **701,360** | - |

As at 30 June 2011, the company had a contingent liability in respect of the final payment for the acquisition of Mt Kare. Please see details in Note 23 below.

### Note 23: Subsequent Events

The Company issued 68,000,000 million shares on 31 August 2011 to the previous shareholders of Summit Development Limited, the PNG company that owns the Mt Kare exploration licence EL 1093 as partial consideration in accordance with the shareholder approval of 1 June 2011. The Company paid an additional $4,600,000 to complete the acquisition of this asset.

## Note 24: Share-Based Payment

a) Employee Share and Option Plan

The Indochine Mining Limited Employee Share and Option Plan is designed to provide long term incentives for executives (including Executive Directors) and senior employees to deliver long term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

No shares or options under the plan were granted during the financial year.

Share-based payments employee related

On 8 December 2010 1,500,000 shares were granted to David Evans, for no consideration, as a part of his employment contract. The share price at the grant date was $0.20.

On 18 February 2011, 400,000 shares were granted to Christopher Snaith, for no consideration as a part of his termination settlement. The share price at the grant date was $0.25

On 18 May 2011 825,000 shares were granted to Stephen Promnitz for no consideration, as a part of his employment contract. The share price at the grant date was $0.25.

b) Share-based payments non-employee related

A total of 8,650,000 options were issued during the year to non-related parties. Details in Note 15.

Options were granted for no consideration and carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. The exercise price of options is based on market value.

The fair value of options granted is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at the grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

c) Expenses arising from sharebased payment transactions

| | **2011** | 2010 |
|---|---|---|
| Share–based payment transaction | **1,226,225** | 9,098,687 |

## Note 25: Company Details

a) The registered office and principal place of business of the company is

Indochine Mining Limited
Suite 1, Level 3
275 George Street
Sydney NSW 2000
Australia

# Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 19 to 53, are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards and the Corporations Regulations 2001; and

    b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the company.

This declaration has been made after receiving the declaration required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2011

On behalf of the Directors

**Ian W Ross**
**Non-Executive Chairman**
**Date: 27th September 2011**

RSM Bird Cameron Partners
Chartered Accountants

**RSM Bird Cameron Partners**
Level 12, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001
T +61 2 9233 8933 F +61 2 9233 8521

**INDEPENDENT AUDITOR'S REPORT**

**TO THE MEMBERS OF**

**INDOCHINE MINING LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of Indochine Mining Limited, which comprises the consolidated statement of financial position as at *30 June 2011*, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 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 opinions.

**RSM** Bird Cameron Partners
Chartered Accountants

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Indochine Mining Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*Opinion*

In our opinion:

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

(i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 9 to 11 of the directors' report for the year ended 30 June 2011. 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.

*Opinion*

In our opinion the Remuneration Report of Indochine Mining Limited for the year ended 30 June 2011 complies with section 300A of the Corporations Act 2001.

RSM Bird Cameron Partners

**RSM BIRD CAMERON PARTNERS**
Chartered Accountants

**G N SHERWOOD**
Partner
Sydney, NSW
Dated: 28 September 2011

## Shareholder Information As At 21 September 2011

**Ordinary Share Capital**

As at 21 September 2011, the issued capital comprised of 409,356,848 ordinary fully paid shares (quoted) and 81,976,476 ordinary fully paid shares (not quoted) held by 1006 holders.

**Distribution of equity securities**

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

| | Ordinary shares | | Options | |
|---|---|---|---|---|
| Holding | Number of Holders | Number of Shares | Number of Holders | Number of Options |
| 1 to 1,000 | 64 | 1,350 | - | |
| 1,001 to 5,000 | 105 | 353,575 | - | |
| 5,001 to 10,000 | 198 | 1,822,121 | - | |
| 10,001 to 100,000 | 410 | 16,954,879 | 1 | 900,000 |
| 100,000 and over | 229 | 472,201,399 | 14 | 94,330,000 |
| | **1,006** | **491,333,324** | **15** | **95,230,000** |

There were 117 holders of less than a marketable parcel of ordinary shares.

**Twenty largest holders of quoted equity securities**

| | Ordinary Shares | |
|---|---|---|
| Shareholder | Number Held | Percentage of issued shares |
| National Nominees Limited | 100,993,684 | 24.67 |
| Mr Siew Hong Koh | 34,680,000 | 8.47 |
| HSBC Custody Nominees (Australia) Limited | 27,812,122 | 6.79 |
| Mr Hin Hong Koh | 26,520,000 | 6.48 |
| Citicorp Nominees Pty Limited | 25,566,076 | 6.25 |
| BKVS Enterprises Pte Ltd | 17,500,000 | 4.27 |
| Agcentral Pty Limited | 10,666,666 | 2.61 |
| JP Morgan Nominees Australia Limited | 10,288,053 | 2.51 |
| Kingsgate Consolidated Limited | 10,000,000 | 2.44 |
| Keng Chuen Tham | 8,036,667 | 1.96 |
| Mr Boon Hong Khor | 6,800,000 | 1.66 |
| Snaith Investments Pty Ltd | 5,760,205 | 1.41 |
| Maple Leaf Macro Volatility Master Fund | 5,000,000 | 1.22 |
| Empire Securities Group Pty Ltd | 4,925,000 | 1.20 |
| HSBC Custody Nominees (Australia) Limited – A/C 2 | 4,485,965 | 1.10 |
| Mr Cher Tze Hang Matthias | 4,314,525 | 1.05 |
| Mr Kok Bin Wee | 4,166,667 | 1.02 |
| Yarandi Investments Pty Ltd | 4,165,173 | 1.02 |
| Adco GMBH | 3,200,000 | 0.78 |
| Twynam Agricultural Group Pty Ltd | 2,965,600 | 0.72 |
| **Total** | **317,846,403** | **77.65** |

* Excludes 81,976,476 escrowed shares held by 27 share holders

# Shareholder information (continued)

## Substantial holders

Substantial holders in the company are set out below:

| Name of substantial shareholder | Ordinary Shares Number Held | Ordinary Shares Percentage of issued shares |
|---|---|---|
| Och-Ziff Holding Corporation | 50,517,908 | 10.28 |
| Baker Steel Capital Managers | 41,200,000 | 8.38 |
| Mr Siew Hong Koh | 34,880,000 | 7.09 |
| Mr Hin Hong Koh | 26,520,000 | 5.39 |
| Citicorp Nominees Pty Limited | 25,566,076 | 6.25 |

## Voting rights

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

a) Ordinary shares

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

b) Options

No voting rights.

## Interest in Mining Tenements

Current interest in tenements held by Indochine Mining Limited and its subsidiaries as at 15 September 2011 are listed below

| Country / Project | Tenement | Interest |
|---|---|---|
| Cambodia / Kratie | 1085 | 100% |
| Cambodia / Kratie | 1081 | 100% |
| Cambodia / Kratie | 130 | 100% |
| Cambodia / Kratie | MOU1 | 100% |
| Cambodia / Kratie | MOU2 | 100% |
| Cambodia / Ratanakiri | 525* | 90% |
| Cambodia / Ratanakiri | 526* | 90% |
| Cambodia / Ratanakiri | 1075 | 100% |
| Cambodia / Ratanakiri | 1076 | 100% |
| Cambodia / Ratanakiri | 1077 | 100% |
| Cambodia / Ratanakiri | 1078 | 100% |
| Cambodia / Ratanakiri | 1079 | 100% |
| Cambodia / Ratanakiri | 1080 | 100% |
| Cambodia / Ratanakiri | 1082 | 100% |
| Cambodia / Ratanakiri | 1083 | 100% |
| Cambodia / Ratanakiri | 1084 | 100% |
| Cambodia / Ratanakiri | 1086 | 100% |
| Cambodia / Ratanakiri | 1087 | 100% |
| Cambodia / Ratanakiri | 1088 | 100% |
| Papua New Guinea / Mt Kare | EL1093 | 100% |
| Laos** | Attapeu | 100% |
| Laos** | Sepon | 100% |
| Laos** | Virabouly | 100% |
| Laos** | Savannahket | 100% |
| Laos** | Oudomxai | 100% |
| Laos** | Houaphan Nth | 100% |
| Laos** | Houaphan Sth | 100% |

* The Company has a joint venture agreement with Ratanakiri Consultancy Company where their 10% interest is free carried until a decision to mine, at which time it can elect to contribute on pro-rata basis. The Option Agreement detailed in the Prospectus was renegotiated into a Joint Venture Agreement on similar terms.

**Tenement Applications

## Companies In The Economic Entity

| | |
|---|---|
| Indochine Mining Limited | ACN 141 677 385 |
| Indochine Resources Limited | ACN 119 808 007 |
| Indochine Resources (Cambodia) Limited | Cambodian Business number Co.4835E/2008 |
| Asia Pacific Gold and Copper Company Limited | ACN 127 948 958 |
| Asia Pacific Gold and Copper (Cambodia) Limited | Cambodian Business number Co.4835E/2008 |
| Aries Mining Limited | ACN 112 236 114 |
| Summit Development Limited | PNG company number 1-73895 |

### Stock Exchange

| | |
|---|---|
| Australian Stock Exchange (Sydney) | ASX code: IDC |

# Corporate Directory

| | |
|---|---|
| Directors: | Ian W Ross<br>Gavan H Farley<br>Stephen G Gemell |
| Company Secretary: | Gavan H Farley<br>Robert Waring |
| Registered Office: | Suite 1, Level 3<br>275 George Street<br>Sydney, NSW 2000<br>Tel 02 8246 7007<br>Fax 02 8246 7005 |
| Auditors: | RSM Bird Cameron Partners<br>Level 12, 60 Castlereagh Street<br>Sydney NSW 2000<br>Tel 02 9233 8933<br>Fax 02 9233 8521 |
| Share Registry: | Link Market Services Limited<br>Level 12, 680 George Street<br>Sydney, NSW 200<br>Tel 02 8280 7111<br>Fax 02 8280 0303 |
| Internet: | www.indochinemining.com |
| Email: | info@indochinemining.com |

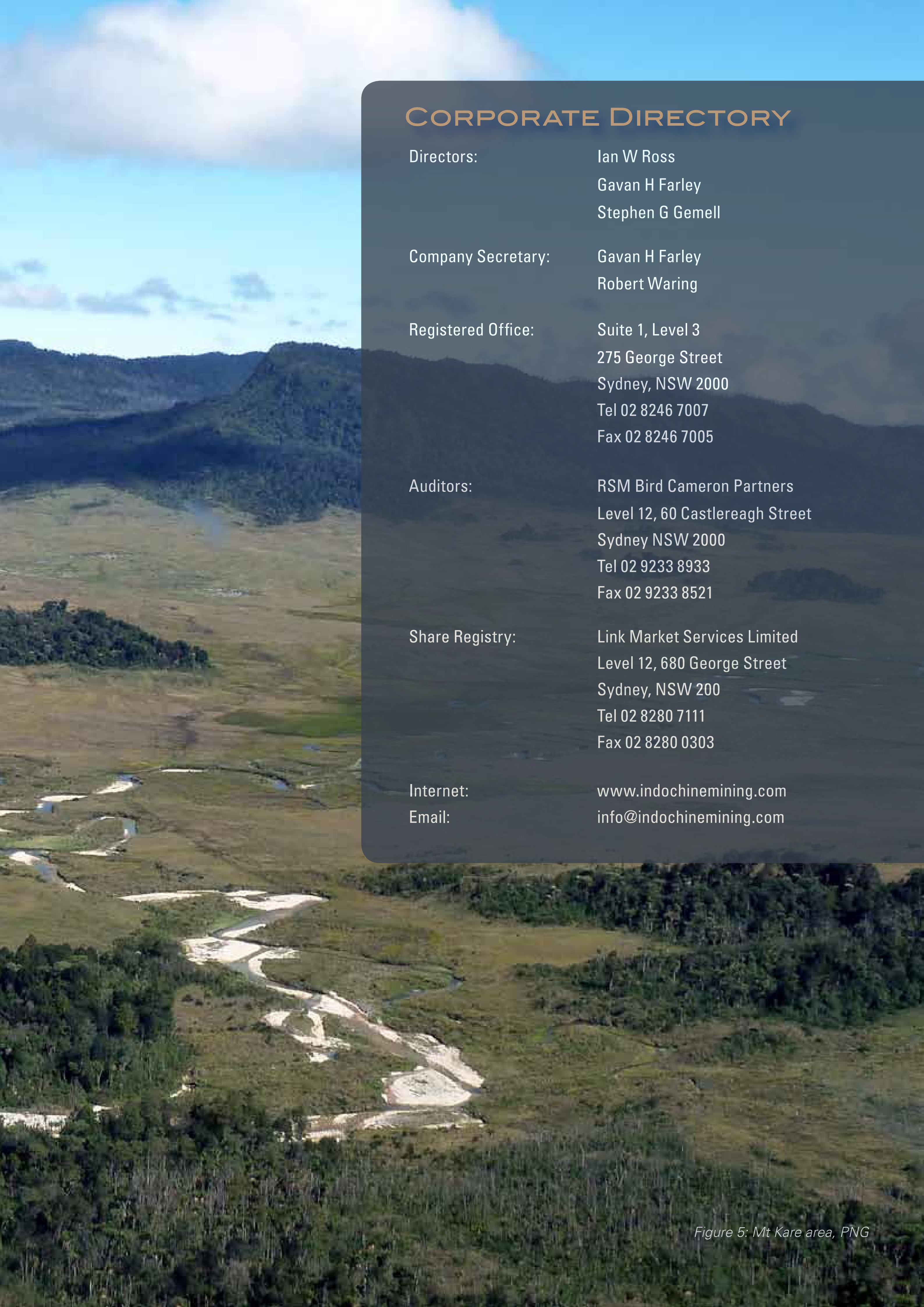


*Figure 5: Mt Kare area, PNG*

indochine
MINING LIMITED

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ASX: IDC
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