



**INDOCHINE MINING LIMITED (SUBJECT TO DEED OF  
COMPANY ARRANGEMENT) AND CONTROLLED ENTITIES  
ACN 141 677 385**

**Interim Financial Report for the half-year ended  
31 December 2014**

**INDOCHINE MINING LIMITED (Subject to Deed of Company Arrangement)**

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**DIRECTORS' REPORT**

Your Directors submit the financial report of the consolidated group for the half-year ended 31 December 2014.

On 27 March 2015, the directors of Indochine Mining Limited (**Indochine** or the **Company**) resolved to place the Company into Voluntary Administration at which point the powers of Directors were passed to the appointed Administrators.

Mr Martin Jones, Mr Darren Weaver and Mr Benjamin Johnson, all partners of Ferrier Hodgson, were appointed on 27 March 2015 as joint and several administrators of the Company.

On 13 May 2015, at the second creditors meeting, a Deed of Company Arrangement (**DOCA**) proposed by Kandahar Holdings Pty Limited (**Kandahar**) pursuant to Part 5.3A of the Corporations Act 2001 was approved by the creditors. The DOCA was executed on 4 June 2015 and lodged with the Australian Securities and Investment Commission. Further details on the key terms of the DOCA can be found under Note 1 b)

On 17 June 2015, the former Chief Executive Officer (**CEO**) and a creditor of the Company Mr Stephen Promnitz commenced proceedings in the Federal Court of Australia seeking relief in the form of:

- an order setting aside the Kandahar DOCA executed on 4 June 2015 that was approved at the second creditors meeting of the Company held on 13 May 2015; and
- an order requiring that a further meeting of the Company's creditors be held at which meeting those creditors are to be afforded an opportunity to consider and vote upon the merits of a proposal for a DOCA propounded by Second Floor Gold Ltd.

On 17 August 2015, Justice Foster of Federal Court of Australia in New South Wales wholly dismissed the proceedings filed by Mr Promnitz and awarded the legal and incidental costs incurred by the Company against the plaintiff.

The key terms of the Kandahar DOCA, amongst others, include a condition precedent requiring the Deed Administrator to call a meeting of shareholders to approve the recapitalisation proposal under the DOCA.

In order to comply with this condition precedent, the Company is required to prepare the accounts and financial reports for the half year ended 31 December 2014 and for the year ended 30 June 2015.

**Directors**

The names of Directors who held office during or since the end of the interim period ending 31 December 2014 and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

**Dermott McVeigh** – Non-Executive Chairman (Appointed 31 July 2014, resigned 3 November 2015)

**Craig Dawson** – Non-Executive Director

**Keith Murray** – Non-Executive Director (Appointed 20 October 2014)

**Gavan H Farley** – Non-Executive Director (Resigned 30 October 2014)

**Hugh Thomas** – Non-Executive Director (Resigned 30 July 2014)

**Robert Thomson** – Non-Executive Director (Resigned 30 July 2014)

**Review of Operations**

Indochine, during the December half year, saw significant changes to the board with Mr Hugh Thomas, Mr Robert Thomson and Mr Stephen Promnitz stepping down as Chairman, Non-Executive Director and Chief Executive Officer, respectively, of the Company and Mr Dermott McVeigh being appointed as Non-Executive Chairman. During the period, the Company also appointed Sir Samuel Jonah, KBE, as adviser to assist with fund raising and continuing development of the Mt Kare Gold and Silver Project.

The head office of the Company was relocated from Sydney to Perth in order to be closer to key strategic partners and mining experts.

The Landowner Investigation Study (LIS) was completed and registered with the Papua New Guinea Mineral Resource Authority (MRA) and workshopped with the PNG national government, provincial governments of Enga and Hela and local governments in both the provinces.

The Landowner Investigation Report (LIR), required under the Lands Act 1996, was completed in September 2014. This LIR is derived from the LIS and is the framework that sets out the distribution of financial benefits to the customary clans and landowners identified in the LIS and is the precursor to the application for a Mining Lease.

Subsequent to the completion of the LIR and prior to the Warden's Hearing that was scheduled for 10 December 2014, the Company's wholly owned subsidiary was served with a number of injunctions. The proceedings substantively sought the same relief, namely the weightings of rights of landowning clans or subclans in some of the areas covered under the LIS and injunctive orders to restrain the Minister for Lands from registering the LIR and the Minister for Mining to renew the Exploration Licence (EL) 1093.

The injunctive order restraining the renewal of the Mount Kare Gold/Silver Project EL 1093 by the MRA was discharged by the PNG National Court of Justice and the Mining Warden's Hearing was successfully completed on 6 May 2015.

The injunctive order restraining the Minister for Lands registering the LIR was dealt through mediation involving all parties to the injunction with the process mediated by the PNG National Court of Justice accredited mediators. The mediation was successfully conducted at Mt Kare between 18 July and 20 July 2015 in the presence of:

- Justice Kandakasi of the PNG National Court of Justice, Deputy Magistrate Mark Pupaka and the appointed mediator, Mr Craig Jones;
- Plaintiffs and their lawyers;
- Defendants and their lawyers; and
- all Landowner clans identified in the LIR.

Following the mediation at site, the parties then re-convened at Mt Kare on 17 August 2015 to complete the vetting of all clan members identified in the LIR. The Company is pleased to announce that the mediation was successfully completed with all clans signing the Agreement in the presence of the Mediators, which now enables the Company to complete the registration of the LIR with the Lands Department under the Lands Act.

With all legal and community challenges having been positively dealt with, the Company is now awaiting a final outcome of its application to renew EL 1093, which incorporates the Mt Kare Gold Project. However, it should be noted that under PNG Mining Act 1992, section 112, the current exploration licence that reached expiry on 28 August 2014 continues to be in full force until the renewal application has been determined.

In respect of Cambodian tenements, the Company was officially advised on 10 September 2014 that 12 tenements in the Ratanakiri Province (EL 749, 750-755, 757, 758, 760-762) that were under application for the third extension under ministerial discretion since 31 May 2014 were not renewed by the Minister for Mines and Energy in Cambodia.

During the period, the secured loan facility was renegotiated with the secured lender. As a result, the term was extended to 31 December 2014 and the loan was increased by \$1.15 million. As at 31 December, the secured loan facility available to the Company was \$3.25 million, of which \$2.86 million, including accrued interest, was drawn down. The term of the secured loan was further extended to 28 February 2015. On 30 January 2015, the Company entered into an agreement to extend the loan term to 30 April 2015 and to increase the loan facility amount to \$3.75 million. Under this agreement, the secured lender has also agreed to potential conversion of amounts owed under the secured loan to ordinary shares in the Company. The conversion is at the discretion of the secured lender at a price of \$0.0098 per share, which was set at 85% of the volume weighted average price for the 5 trading days preceding 30 January 2015. Subsequent to the Company being placed into Voluntary Administration, the loan facility of \$3.75 million extended until 30 April 2015 has been frozen and the secured creditor's rights preserved under the DOCA. A new facility of \$1.25 million has been

extended by the secured creditor to the Voluntary Administrator to fund the costs associated with maintaining the Mt Kare Gold/Silver Project EL 1093 in good standing, including the funding of the Warden's Hearing completed on 6 May 2015 and mediation which was conducted on site from 18 July to 20 July 2015 and then re-convened on 17 August 2015.

### **Subsequent Events**

Subsequent to 31 December 2014, the following significant event has occurred.

- At the second creditors meeting held on 17 May 2015, the creditors approved the DOCA proposed by Kandahar which was executed on 4 June 2014 and lodged with ASIC. The key terms of the DOCA are detailed in Note 1 to the Financial Statements.
- A former employee of IRL initiated legal proceedings against IRL, a wholly owned subsidiary of Indochine. Given the external administration of Indochine, the subsidiary did not defend the action and accordingly, the employee was awarded US\$2,648,112 and A\$10,081 plus interest and costs in respect to the June 2010 termination. Since obtaining judgement, the former employee has made various allegations against the IRL directors at the time of the termination and these allegations have been referred to the Company's insurer. It should be noted that the shares in IRL will be transferred to the Creditors' Trust once the DOCA has been fully effectuated and dealt with subsequently by the Trustees which may include being wound up in due course.
- Subsequent to the Company being placed into Voluntary Administration, the loan facility of \$3.75 million extended until 30 April 2015 has been frozen and the secured creditor's rights preserved under the DOCA. A new facility of \$1.25 million has been extended by the secured creditor to the Voluntary Administrator to fund the cost of associated with maintaining the Mt Kare Gold Project EL 1093 in good standing, including the funding of the Warden's Hearing completed on 6 May 2015 and mediation which was conducted on site from 18 July to 20 July 2015 and then re-convened on 17 August 2015. On 22 October 2015, the new facility of \$1.25 million extended by the secured creditor was varied through Deed of Variation to the original loan agreement to a total of \$2.0 million to provide funding to maintain the EL 1093 and the infrastructure at Mt Kare in good standing
- Other than the above there has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years

### **Overview of Results and Accounting Basis**

As a result of the Company being placed in Voluntary Administration and currently under a DOCA, as at the date of this report there is significant uncertainty as to the going concern of the Company. The financial accounts have therefore been prepared on a non-going concern basis.

In reviewing capitalised exploration and expenditure carried forward and the appropriateness of continuing to carry forward costs, on a consolidated basis the Company has decided to fully impair the expenditure due to significant uncertainty as to the going concern and has accordingly made an impairment charge of \$97,592,000 in the current period, writing exploration and evaluation expenditure down to nil.

On a consolidated basis, the Company made a loss of \$101,302,000 for the period (2014: loss \$3,322,000).

### **Auditor's Independence Declaration**

Section 307C of the Corporations Act 2001 requires the auditors, Crowe Horwath, to provide the Directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 22 and forms part of this Directors' report for the half-year ended 31 December 2014.

**Rounding off of amounts**

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the Half-Yearly Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to S.306 (3) of the Corporations Act 2001.



**Keith Murray**  
**Non-Executive Director**  
**Date: 10<sup>th</sup> December 2015**

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Consolidated Entity	
	Half-year ended 31 December 2014 \$'000	Half-year ended 31 December 2013 \$'000
<b>Continuing operations</b>		
Interest revenue	8	15
Other income	635	20
<b>Total revenue</b>	<b>643</b>	<b>35</b>
<b>Expense</b>		
Professional fees	(456)	(81)
Insurance	(32)	(57)
Employee benefits expense	(453)	(681)
Share-based payment	(540)	(21)
Depreciation and amortisation	(9)	(34)
Travel	(92)	(68)
Consultants	(758)	(267)
Occupancy	(81)	(92)
Impairment of exploration costs	(97,592)	(1,631)
Impairment of receivables	(540)	-
Impairment of fixed assets	(722)	-
Public relations	(27)	(76)
Administrative	(228)	(315)
Finance costs	(374)	(8)
Other expenses	(41)	(26)
<b>Loss before income tax</b>	<b>(101,302)</b>	<b>(3,322)</b>
Income tax benefit	-	-
<b>Loss for the period</b>	<b>(101,302)</b>	<b>(3,322)</b>
<b>Other comprehensive income for the period</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Foreign currency translation reserve gains /(losses)	3,977	(4,651)
<b>Other comprehensive profit/(loss) for the period</b>	<b>3,977</b>	<b>(4,651)</b>
<b>Total comprehensive loss for period</b>	<b>(97,325)</b>	<b>(7,973)</b>
<b>Earnings per share</b>		
<b>From continuing operations</b>		
Basic earnings per share (cents)	(8.91)	(0.38)

The above statement of Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes. The 2014 financial statements have been prepared on a non-going concern basis. Comparatives for the statement of comprehensive Income at 31 December 2013 have not been adjusted. Refer Note 1 a).

## Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2014

	Notes	Consolidated Entity	
		As at 31 December 2014 \$'000	As at 30 June 2014 \$'000
<b>ASSETS</b>			
Cash and cash equivalents		413	498
Term deposits		399	394
Trade and other receivables		1	786
Plant and equipment		-	936
Exploration and evaluation costs capitalised	3	-	88,890
Other financial assets		-	2
<b>TOTAL ASSETS</b>		<b>813</b>	<b>91,506</b>
<b>LIABILITIES</b>			
Trade and other payables		10,002	6,739
Short-term provisions		356	762
Borrowings	4	-	1,961
<b>TOTAL LIABILITIES</b>		<b>10,358</b>	<b>9,462</b>
<b>NET ASSETS / (LIABILITIES)</b>		<b>(9,545)</b>	<b>82,044</b>
<b>EQUITY</b>			
Issued capital	5	132,245	127,084
Reserves		(1,363)	5,208
Accumulated losses		(140,427)	(50,248)
<b>TOTAL EQUITY</b>		<b>(9,545)</b>	<b>82,044</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes. The financial statements have been prepared on a non-going concern basis. Comparatives have not been adjusted in respect of measurement basis applied in respect of 31 June 2014. In light of the factors above, presentation of assets and liabilities in the Statement of Financial Position is not considered to provide useful information to users of the financial statements. As such, assets and liabilities have been presented in order of liquidity. Refer Note 1 a).

## Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Contribute d Equity \$'000	Accumulate d Losses \$'000	Reserves \$'000	Total Equity \$'000
<b>At 1 July 2013</b>	112,179	(39,384)	13,180	85,975
Loss attributable to members of the parent entity	-	(3,322)	-	(3,322)
Shares issued during the period	8,223	-	-	8,223
Movements in foreign currency translation reserves	-	-	(4,651)	(4,651)
<b>At 31 December 2013</b>	120,402	(42,706)	8,529	86,225
<b>At 1 July 2014</b>	127,084	(50,248)	5,208	82,044
Loss attributable to members of the parent entity	-	(101,302)	-	(101,302)
Write-off	-	11,123	(11,123)	-
Share based payment	-	-	575	575
Shares issued during the period	5,161	-	-	5,161
Movements in foreign currency translation reserves	-	-	3,977	3,977
<b>At 31 December 2014</b>	132,245	(140,427)	(1,363)	(9,545)

The above Consolidated Statement of Changes in Equity should be read in conjunction with accompanying notes. The 31 December 2014 financial statements have been prepared on a non-going concern basis and comparatives have not been adjusted. Refer to Note 1 a).

## Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Consolidated Entity	
	Half-year ended 31 December 2014 \$'000	Half-year ended 31 December 2013 \$'000
	-	-
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	-	20
Payments to suppliers and employees	(4,009)	(1,104)
Interest received	6	12
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>(4,003)</b>	<b>(1,072)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for exploration and evaluation	-	(8,345)
Acquisition of plant and equipment	-	(81)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>-</b>	<b>(8,426)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of ordinary shares	2,323	9,039
Proceeds from borrowings	1,651	-
Payment of borrowings costs	(51)	-
Payment of share issue costs	-	(816)
<b>NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>	<b>3,923</b>	<b>8,223</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(80)</b>	<b>(1,275)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		
	497	1,757
Foreign exchange translation difference	(4)	10
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>413</b>	<b>492</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with accompanying notes. The 31 December 2014 financial statements have been prepared on a non-going concern basis and comparatives have not been adjusted. Refer to Note 1 a).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the *Corporations Act 2001* Australian Accounting Standard AASB 134: Interim Financial Reporting and other authoritative pronouncements of the Australian Accounting Standards Board as they apply to a non-going concern.

The interim consolidated financial statements of Indochine Mining Limited and Controlled Entities (the "consolidated group" or "Group") for the six months ended 31 December 2014 were authorised for issue in accordance with the resolution of the directors on 10 December 2015.

Indochine Mining Limited is a Company limited by shares incorporated and domiciled in Australia, whose shares were publicly traded on the Australian Securities Exchange (ASX). As a result of the Company entering Voluntary Administration, the shares of Indochine are currently suspended.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2015.

The financial statements for the half-year ended 31 December 2014 and the year ended 30 June 2015 have been prepared and approved concurrently. The Directors of Indochine recommend that these financial statements for the half-year ended 31 December 2014 be read in conjunction with the financial statements for the year ended 30 June 2015.

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

Accordingly the financial statements have not been prepared on a going concern basis; rather these accounts have been prepared on a non-going concern basis and comparatives have not been adjusted.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

#### b) Going concern

As outlined in the Directors' Report to these accounts, a significant number of events occurred subsequent to the balance date, including:

- placement of the Company into Voluntary Administration on 27 March 2015; and
- execution of the DOCA on 4 June 2015.

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

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

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

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

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

**Key Terms of DOCA**

*DOCA Proponents*

- Kandahar Holdings Pty Ltd

*Deed Administrators*

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

*Proposal:*

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

*Secured Creditor*

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

*Available Property*

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

*Participating Creditors*

- Creditors of the Company who had claims whether present or future, certain or contingent, ascertained or sounding only in damages, the circumstances giving rise to which occurred on or before 27 March 2015. For the avoidance of any doubt, the Secured Creditor is not a "Participating Creditor" pursuant to the DOCA.
- "Priority Creditor" means a Participating Creditor with a debt payable by or claim against the Company as at the Relevant Date which, had the Company been wound up with the Relevant Date being the day on which the windup was to have begun, would have been a debt or claim which must be paid in priority to all other unsecured debts or claims in accordance with section 556 or section 560 of the Act.
- "Class A Creditor" means each Priority Creditor Claim against the Company.
- "Class B Creditor" means all creditors of the Company, excluding Class A Creditors and the Secured Creditor, for their claims against the Company as adjudicated on by the Company's Administrators.

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

*Application of Proceeds*

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

*New Directors*

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

*Creditors' Committee*

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

*Administrators' / Deed Administrators' Lien*

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

*Members' rights exercisable by Deed Administrators*

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

*Moratorium against the Company in relation to winding up*

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

*Termination of DOCA*

- The DOCA automatically terminates when any of the following conditions are met:
  - The Deed Administrators have transferred the Available Property to the Creditors' Trust.
  - The Court makes any order terminating the DOCA.
  - The Conditions Precedent are not satisfied or waived on or before 30 September 2015 or such other date as agreed in writing between the Deed Administrators and the Proponent.

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

- The Company's creditors pass a resolution terminating the DOCA at a meeting that was convened pursuant to section 445F of the Act.
- If the Deed Administrators have transferred the Available Property, then the Deed Administrators must, within 5 business days after distribution, lodge a written notice with the Australian Securities and Investments Commission in the prescribed form.
- On termination of the DOCA, the Deed Administrators must deliver to the Company all of the Company's books and records in the possession of the Deed Administrators other than those that were created after the Relevant Date.
- The termination of the DOCA will not affect:
  - the previous operation of the DOCA; or
  - the enforceability of any accrued obligations under the DOCA.

***Conditions Precedent***

- The approval of the Company's creditors of the DOCA at the Creditors' Meeting.
- The approval of the Company's shareholders of the recapitalisation proposal at the Shareholders' Meeting.
- The Proponent providing the Deed Administrators with a notice stating that Summit's interest in exploration licence number EL1093 in Papua New Guinea has been preserved on terms and conditions that are acceptable to the Proponent.
- Confirmation from the ASX that the Company will not be required to re-comply with ASX Chapters 1 and 2.
- In consideration for the Proponent's First Loan and the Proponent's Second Loan, the Deed Administrators will cause a meeting of the Company's shareholders to be convened in accordance with the Company's constitution for the purpose of considering and approving:
  - a consolidation of the Company's existing shares on issue at a ratio of 400:1
  - cancellation of all existing options to acquire shares in the Company
  - the issue of 10 million ordinary shares to the Proponent or its nominees; and
  - the issue of 10 million options over ordinary shares to the Proponent or its nominees at an exercise price of \$0.05 with an expiry date of 31 December 2025.

***Release of Claims***

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

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

*Abandonment by creditors who do not prove*

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

*Remuneration of the Deed Administrators*

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

*Costs and Outlays*

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

*Other Terms*

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

**c) Impact of adopting the non-going concern basis of preparation on measurement, classification of assets and liabilities, and disclosure**

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

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

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

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

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

**Carrying value of capitalised exploration and evaluation expenditure**

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

\$97,592,000 of exploration and evaluation costs carried forward in relation predominantly to the Mt Kare Gold/ Silver Project EL 1093 in Papua New Guinea has been impaired as at 31 December 2014. At the time the company entered Administration, it was not probable that such amounts would be able to be recouped through successful development or by sale as a result of the following events:

- the accounts being prepared on a non-going concern basis (refer Note 1 b));
- the material curtailment of operations;
- the uncertainty regarding the completion of the proposed DOCA; and the uncertainty around the ability to raise funds and the future recapitalisation of Indochine to ensure that Indochine has the necessary financial resources to appropriately continue with exploration, development and production activities into the foreseeable future

**Carrying value of trade and other payables and provisions**

The carrying value of trade payables and provisions as at 31 December 2014 has been recognised at their contractual amounts payable. The true value of these will only be ascertained when the Voluntary Administrator under takes adjudication of the proof of debt submitted.

The accounts have recorded an amount of \$2,910,000 in relation to secured loan and capitalised interest owing to Aude Holdings. This liability has been reclassified to Trade and Other payables as this is now due and payable under the non-going concern basis.

**d) New and revised accounting requirements applicable to the current half-year reporting period**

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**NOTE 2: OPERATING SEGMENTS**

**Geographical segments**

	Australia \$'000	Cambodia \$'000	PNG \$'000	Total \$'000
<b>31 December 2014</b>				
Segment revenue	643	-	-	643
Segment expenses	3,580	(38)	98,403	101,945
Segment loss	2,937	(38)	98,403	101,302
Segment assets	781	34	(2)	813
Segment liabilities	4,974	250	5,134	10,358

**Geographical segments**

	Australia \$'000	Cambodia \$'000	PNG \$'000	Total \$'000
<b>31 December 2013</b>				
Segment revenue	35	-	-	35
Segment expenses	1,449	1,907	1	3,357
Segment loss	1,414	1,907	1	3,322
Segment assets	1,252	4,919	85,261	91,432
Segment liabilities	1,390	235	3,582	5,207

**NOTE 3: EXPLORATION AND EVALUATION COSTS CAPITALISED**

	31 December 2014 \$'000	30 June 2014 \$'000
Opening balance	88,890	82,312
Current year expenditure	5,162	17,694
Expenditure written off during the period	(97,592)	(5,906)
Foreign exchange difference	3,540	(5,210)
Closing balance	-	88,890

In reviewing capitalised exploration and expenditure carried forward and the appropriateness of continuing to carry forward costs, on a consolidated basis the Company has decided to fully impair the expenditure due to significant uncertainty as to the going concern and has accordingly made an impairment charge of \$97,592,000 in the current period writing exploration and evaluation expenditure down to nil.

**NOTE 4: BORROWINGS**

	31 December 2014 \$'000	30 June 2014 \$'000
Unsecured liabilities: (reclassified to Trade and Other Payables)	10	45
	10	45

**NOTE 4: BORROWINGS (continued)**

Secured liabilities:

Aude Holdings Pty Ltd loan	2,910	1,916
Less: Aude Holding loan reclassified as a trade payable	(2,910)	-
Secured Liabilities	-	1916
Total Borrowings	-	1,961

The carrying amounts of assets pledged as security are:

Fixed and Floating charge over assets of the Company	813	91,506
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On 6 February 2014, the Company entered into a secured loan agreement with Aude Holdings Pty Ltd as trustee for Lastours Investment Trust to borrow \$1,500,000 secured against a fix and floating charge over the assets of the Company and at an interest rate of 60% calculated daily. In the event of default, the interest would increase to 80% per annum calculated daily. The loan was repayable in full by 31 May 2014. The Company was unable to repay the loan by 31 May 2014 and as at reporting date it was in default and being charged interest at the rate of 80% from the date of default. On 14 May and 3 June 2014, the Company was served default notices.

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

On 30 January 2015, a secured loan conversion agreement was signed between the Company and the secured lender Aude Holdings Pty Ltd as trustee for Lastours Investment Trust. Under the terms of the agreement, the aggregate limit of the loan was increased from \$3.25 million to \$3.75 million and the term of the loan extended to 30 April 2015.

Subsequent to the Company being placed into Voluntary Administration, the loan facility of \$3.75 million extended until 30 April 2015 was frozen and the secured creditor's rights preserved under the DOCA. A new facility of \$1.25 million has been extended by the secured creditor to the Voluntary Administrator to fund the cost of associated with maintaining the Mt Kare Gold Project EL 1093 in good standing, including the funding of the Warden's Hearing completed on 6 May 2015 and mediation which was conducted on site from 18 July to 20 July 2015 and then reconvened on 17 August 2015. On 22 October 2015, the new facility of \$1.25 million extended by the secured creditor was varied through Deed of Variation to the original loan Agreement to a total of \$2.0 million to provide funding to maintain the EL 1093 and the infrastructure at Mt Kare in good standing. Refer also to subsequent event Note 10.

**NOTE 5: ISSUED CAPITAL**

	31 December 2014 No.	30 June 2014 No.
<i>Ordinary shares</i>		
Issued and fully paid	1,287,458,822	1,095,830,301
	No.	\$'000
Issued Capital 1 July 2014	1,095,830,301	127,084
<i>Movements in ordinary shares on issue</i>		
During 1 July 2014 to 31 December 2014	191,628,522	5,161
At 31 December 2014	1,287,458,823	132,245

**NOTE 6: SHARE OPTIONS AND RESERVES**

	No.	\$'000
At 1 July 2014	69,250,000	5,208
Movements in options on issue and foreign exchange reserve	68,221,826	(6,571)
	137,471,826	(1,363)
	<b>31 December 2014</b>	<b>30 June 2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Movements:</b>		
Foreign currency translation reserve		
At the beginning of the year	(5,975)	(1,015)
Currency translation differences arising during the period	4,612	(4,960)
Balance at the end of the financial year	(1,363)	(5,975)
Share option reserve		
At the beginning of the year	11,183	10,470
Share options arising during the period	575	713
Share options write-off	(11,758)	-
	-	11,183

Note: All options on issue have been cancelled and as a consequence of this, the option reserve has been written down to zero.

**NOTE 7: ACCUMULATED LOSSES**

Movements in accumulated losses were as follows:

Accumulated losses at the beginning of the year	(50,248)	(39,384)
Net loss attributable to members of Indochine Mining Limited	(101,302)	(10,864)
Sub-total	(151,550)	(50,248)
Options Reserve reclassification to Accumulated losses	11,123	-
Accumulated Losses	(140,427)	(50,248)

**NOTE 8: DIVIDENDS**

The Directors of the Company have not declared an interim dividend.

**NOTE 9: CONTINGENT LIABILITIES**

- A former employee of Indochine Resources Pty Limited has initiated legal proceedings against Indochine Resources Pty Limited, a wholly owned subsidiary of Indochine. Given the external administration of Indochine, the subsidiary did not defend the action and accordingly, the employee was awarded US\$2,648,112 and A\$10,081 plus interest and costs. It should be noted that the shares of the subsidiary will be transferred to the Creditors' Trust once the DOCA has been fully effectuated and dealt with subsequently by the Trustees which may include being wound up in due course.
- On 17 June 2015 former chief executive officer, Stephen Promnitz, filed an application to the Federal Court of Australia seeking orders that (a) the DOCA executed on 4 June 2015 be set aside and (b) the second meeting of creditors held on 13 May 2015 be adjourned and reconvened on a date to be set by the Court. The application was heard by the Court on 23 July 2015 and the judgement (delivered on 17 August 2015) was that the proceedings were wholly dismissed and costs were awarded against Mr Promnitz.

**NOTE 9: CONTINGENT LIABILITIES (continued)**

Notice was received on 6 September that Mr Promnitz had filed an appeal with the Court of Appeal. Subsequently, the Company entered into negotiations with Mr Promnitz with a view to settling the matter prior to the hearing date of 19 October 2015.

**NOTE 10: EVENTS AFTER THE END OF THE INTERIM PERIOD**

- On 25 February 2015 the Company announced that it had entered into an agreement to extend the loan term to 30 April 2015 and to increase the loan facility amount to \$3.75 million. Under this agreement, the Secured Lender has also agreed to potential conversion of amounts owed under the Secured Loan to ordinary shares in the Company. The conversion is at the discretion of the Secured Lender at a price of \$0.0098 per share, which was set at 85% of the volume weighted average price for the 5 trading days preceding 30 January 2015.
- On 5 February 2015, the consolidated entity completed a capital raising for 50,000,000 new shares at \$0.01 per share. The consolidated entity also issued a total of 26,396,191 shares in lieu of cash consideration to creditors.
- On 27 March 2015, the Company was placed into Voluntary Administration.
- On 13 May 2015, at the second creditors meeting a Deed of Company Arrangement (DOCA) proposed by Kandahar Holdings Pty Limited (Kandahar) pursuant to Part 5.3A of the Corporations Act 2001 was approved by the creditors. The DOCA was executed on 4 June 2015 and lodged with the Australian Securities and Investment Commission.
- Subsequent to the Company being placed into Voluntary Administration, the loan facility of \$3.75 million extended until 30 April 2015 has been frozen and the secured creditor's rights preserved under the DOCA. A new facility of \$1.25 million has been extended by the secured creditor to the Voluntary Administrator to fund the cost of associated with maintaining the Mt Kare Gold Project EL 1093 in good standing, including the funding of the Warden's Hearing completed on 6 May 2015 and mediation which was conducted on site from 18 July to 20 July 2015 and then re-convened on 17 August 2015. On 22 October 2015, the new facility of \$1.25 million extended by the secured creditor was varied through Deed of Variation to the original loan Agreement to a total of \$2.0 million to provide funding to maintain the EL 1093 and the infrastructure at Mt Kare in good standing.
- A former employee of IRL initiated legal proceedings against IRL, a wholly owned subsidiary of Indochine. Given the external administration of Indochine, the subsidiary did not defend the action and accordingly, the employee was awarded US\$2,648,112 and A\$10,081 plus interest and costs in respect to the June 2010 termination. Since obtaining judgement, the former employee has made various allegations against the IRL directors at the time of the termination and these allegations have been referred to the Company's insurer. It should be noted that the shares in IRL will be transferred to the Creditors' Trust once the DOCA has been fully effectuated and dealt with subsequently by the Trustees which may include being wound up in due course.

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

**Directors' Declaration**

The Directors of the Company declare that, in the opinion of the directors:

- (a) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
- (b) (i) The ongoing solvency of the Group is dependent on the proposed Deed of Company Arrangement as detailed in Note 1 b) of the financial statements being successfully completed; and
  - (ii) There are reasonable grounds to believe that the Group will be able to successfully complete the proposed Deed of Company Arrangement with creditors, and therefore will be able to pay its debts; and
    - A. In accordance with the DOCA arrangements as detailed in Note 1 b); and
    - B. as and when they become payable

Signed in accordance with a resolution of the Directors made pursuant to S303(5) of the *Corporations Act 2001*.

On behalf of the Directors



**Keith Murray**  
Non-Executive Director  
Date: 10<sup>th</sup> December 2015

#### AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Indochine Mining Ltd (subject to Deed of Company Arrangement) for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



CROWE HORWATH PERTH



SEAN MCGURK  
Partner

Signed at Perth, 10 December 2015

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF INDOCHINE MINING LTD (SUBJECT TO DEED OF COMPANY  
ARRANGEMENT)**

**Report on the Half-Year Financial Report**

We were engaged to review the accompanying half-year financial report of Indochine Mining Ltd (subject to Deed of Company Arrangement) which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, 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 during the half year ended 31 December 2014

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the consolidated entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards as they apply on a non going concern basis and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Because of the matters described in the Basis for Disclaimer of Conclusion paragraph, however, we were not able to obtain sufficient appropriate evidence to provide a basis for a review conclusion.

*Independence*

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

*Basis for Disclaimer of Review Conclusion*

As a result of the matters outlined in Note 1 to the financial report the consolidated financial report of Indochine Mining Limited (subject to Deed of Company Arrangement) has been prepared on a non going concern basis. By preparing the financial report under the non going concern basis, the directors of Indochine Mining Limited (subject to Deed of Company Arrangement) have determined that they have no realistic alternative other than to liquidate the operations of the entity. Management have been unable to provide sufficiently complete information in respect to creditor claims (including employee entitlements) arising in a liquidation scenario. As a result, we have been unable to gain comfort over the completeness of the creditor claims and the associated disclosures in the financial report. In addition, and as required by Australian Accounting Standards, total liabilities of AUD \$10,002,000 as disclosed in the financial report does not include amounts owing of USD \$3,162,563 and AUD \$8,921 in relation to the matter detailed in Note10 of the interim financial report.

*Disclaimer of Review Conclusion*

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



CROWE HORWATH PERTH



SEAN MCGURK  
Partner

Signed at Perth, 10 December 2015