



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

ACN 141 677 385

**Annual Financial Report
30 JUNE 2018**

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

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**Indochine Mining Limited (Subject to Deed of Company Arrangement) and Controlled Entities
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Review of Operations

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

The Company has been under external administration since 27 March 2015 and will remain so until the deed of company arrangement (**DOCA**) is effectuated and settled on prior to 30 March 2019.

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

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

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

On 27 April 2018, the PNG National Court, presided by Justice Nablu, delivered the judgement on the Judicial Review and upheld the Minister for Mining's decision.

SDL is now appealing against the PNG National Court's decision. An application for the appeal was lodged with the PNG Supreme Court on 10 July 2018. A date for the determination of the appeal by three bench judges has been set down for 28 February 2019. SDL has also lodged an application for a stay order over the judgement of the National Court. The matter was heard by Justice Hartshorn on 16 July 2018 and the stay order was granted until the appeal is determined by the Supreme Court.

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

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

A further variation to extend the facility and loan amount was effected on 15 October 2018.

Other developments during the year were:

- a) The appointment of Mr Wayne Bramwell as Interim Chief Operating Officer on 1 December 2017. Mr Bramwell resigned on 18 June 2018 to take up a role in another ASX listed company.
- b) The delisting of the Company from the Australian Securities Exchange (**ASX**). The continued listing of the Company on the ASX was contingent upon SDL securing the Mt Kare Licence through the PNG Judicial Review process. As a consequence of the PNG National Court upholding the ministerial decision the Company was delisted on 2 May 2018.

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and Controlled Entities
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Directors' Report

Your Directors present their report on the results of Indochine Mining Limited (Subject to DOCA) (**Group, Company, IDC** or "**Indochine**") for the consolidated group for the year ended 30 June 2018. As indicated in the Review of Operations Report, the directors of Indochine resolved to place the Company into VA on 27 March 2015, at which time the powers of the Directors passed to the appointed Administrators, Ferrier Hodgson.

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

The key activities under the DOCA include the preparation of the financial statements for the year ended 30 June 2018 and half-year ended 31 December 2017. The Directors recommend that these financial statements be read in conjunction with the financial statements for the half-year ended 31 December 2017.

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.

Craig Dawson (Appointed 18 February 2014)

Keith Murray (Appointed 20 October 2014)

Anthony Gates (Appointed 30 May 2016)

NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

Craig Dawson AssocDipMMT(Mine Surveying), BAppSc (Mining Engineering), MBA, MAusIMM, GAICD, AWASM
Non-executive director

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

Keith Murray B Accounting, CA
Non-executive director

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

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Directors' Report (continued)

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

Non-executive director

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

As at the date of this report, the interest of the directors in the shares and options of Company are:

Director	Number of Shares held directly or indirectly through related entities	Options
Craig Dawson	7,546	-
Keith Murray	-	-
Tony Gates	-	-

CHIEF OPERATING OFFICER

Mr Wayne Bramwell was appointed as the Interim Chief Operating Officer on 1 December 2017. Mr Bramwell is a metallurgist and a mineral economist with over 25 years of international and Australian experience. Mr Bramwell resigned on 18 June 2018 to take up a role in another ASX listed company.

COMPANY SECRETARY

Mr Ashok Jairath held the position of Joint Company Secretary at the end of the financial year. Mr Jairath is a FCPA, with over 36 years of experience in financial and corporate roles in Australia and Europe and Company Secretary roles in other listed and unlisted public companies. Mr Jairath is also the Chief Financial Officer of the Company.

OPERATING AND FINANCIAL RESULTS

The Group's accounts have been prepared on a non-going concern basis and subsequent assets have been measured at their subsequent realisable value. Refer to Note 1 – Statement of Significant Accounting Policies.

The consolidated loss of the consolidated group for the financial year after providing for income tax amounted to \$4,426,983 (2017 loss of \$3,169,667).

DIVIDENDS

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

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and Controlled Entities
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Directors' Report (*continued*)

FINANCIAL POSITION

The net liabilities of the consolidated group increased by \$4,269,732 from \$17,759,065 as at 30 June 2017 to \$22,028,797 as at 30 June 2018.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

MEETING OF DIRECTORS

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

OPTIONS

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

PROCEEDINGS ON BEHALF OF THE COMPANY

On 27 March 2018, the PNG National Court, presided by Justice Nablu, upheld the Minister for Mining's decision of 14 December 2015 not to renew SDL's license over Mt Kare. SDL has now filed an application for appeal in the Supreme Court against the PNG National Court's decision on 10 July 2018. The date for the determination of the appeal has been set down for 28 February 2019.

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and Controlled Entities
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Directors' Report (*continued*)

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 2018:

	\$
Taxation services and other services	29,754

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 8 following the Directors' report.

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

A handwritten signature in blue ink, appearing to read "Keith Murray".

Keith Murray
Non-Executive Director
Date: 25 October 2018

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Indochine Mining Ltd (subject to Deed of Company Arrangement) for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

**CROWE HORWATH PERTH****SEAN MCGURK**

Partner

Signed at Perth, 25 October 2018

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

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Disclaimer of Opinion

We were engaged to audit the accompanying financial report of Indochine Mining Ltd (subject to Deed of Company Arrangement) (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the Company.

We do not express an opinion on the accompanying consolidated financial report of the Group. Because of the significance of the matters described in the *Basis of Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on the financial report

Basis for Disclaimer of Opinion

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

Directors' Responsibilities 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, discussing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our responsibility is to conduct an audit of the Group's financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

**CROWE HORWATH PERTH****SEAN MCGURK**

Partner

Signed at Perth, 25 October 2018



**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
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**Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2018**

CONSOLIDATED GROUP			
2018			
2017			
	Note	\$	\$
Other income	2(a)	75	26
Professional fees		(77,365)	(14,277)
Insurance expenses		(12,759)	-
Employee benefits expense		(136,875)	-
Travel expenses		(50,780)	-
Consultancy expenses		(159,611)	(98,265)
Administration expenses		(803,079)	(763,283)
Interest on loan		(3,186,589)	(2,293,868)
Loss before income tax from continuing operations		(4,426,983)	(3,169,667)
Income tax expense	3(a)	-	-
Loss for the year from continuing operations		(4,426,983)	(3,169,667)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation reserve gains	11	157,251	296,383
Other comprehensive income for the year		157,251	296,383
Total comprehensive loss for the year*		(4,269,732)	(2,873,284)
Basic Loss per share (cents per share)	6	125	84

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

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes. The 2018 and 2017 financial statements have been prepared on a non-going concern basis. Refer to Note 1(a).



**Indochine Mining Limited (Subject to Deed of Company
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**Consolidated Statement of Financial Position
As at 30 June 2018**

		CONSOLIDATED GROUP	
		2018	2017
		\$	\$
ASSETS	Note		
Cash and cash equivalents	7	331,521	312,815
TOTAL ASSETS		331,521	312,815
LIABILITIES			
Trade and other payables	8	22,240,318	17,951,880
Provisions	9	120,000	120,000
TOTAL LIABILITIES		22,360,318	18,071,880
NET LIABILITIES		(22,028,797)	(17,759,065)
EQUITY			
Issued capital	10	133,031,922	133,031,922
Accumulated losses	11(b)	(160,473,963)	(156,046,979)
Reserves	11(a)	5,413,244	5,255,993
TOTAL EQUITY		(22,028,797)	(17,759,065)

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes. The 2018 and 2017 financial statements have been prepared on a non-going concern basis. Refer to Note 1(a).

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
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**Consolidated Statement of Changes in Equity
For the year ended 30 June 2018**

	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total Equity \$
CONSOLIDATED GROUP				
Balance at 1 July 2016	133,031,922	(152,877,312)	4,959,610	(14,885,780)
Loss for the year	-	(3,169,667)	-	(3,169,667)
Currency translation differences	-	-	296,383	296,383
Total comprehensive income for the year	-	(3,169,667)	296,383	(2,873,284)
Balance at 30 June 2017	133,031,922	(156,046,979)	5,255,993	(17,759,065)
Balance at 1 July 2017	133,031,922	(152,046,979)	5,255,993	(17,759,065)
Loss for the year	-	(4,426,983)	-	(4,426,983)
Currency translation differences	-	-	157,251	157,251
Total comprehensive income for the year	-	(4,426,983)	157,251	(4,269,732)
Balance at 30 June 2018	133,031,922	(160,473,962)	5,413,244	(22,028,797)

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes. The 2018 and 2017 financial statements have been prepared on a non-going concern basis. Refer to Note 1(a).



**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
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Consolidated Statement of Cash Flows

For the year ended 30 June 2018

		CONSOLIDATED GROUP	
		2018	2017
Note		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
	Payments to suppliers and employees	(1,005,428)	(754,696)
	Interest received	75	26
13	Net cash used in operating activities	(1,005,353)	(754,670)
CASH FLOWS FROM INVESTING ACTIVITIES			
	Purchase of property, plant and equipment	-	-
	Payments for mining interests and exploration costs	-	-
	Net cash used in investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
	Proceeds from issue of ordinary shares net of transaction costs	-	-
	Proceeds from borrowings	1,024,166	818,692
	Net cash provided by financing activities	1,024,166	818,692
	Net increase in cash held	18,813	64,022
	Cash at the beginning of the year	312,815	248,246
	Foreign exchange translation difference	(107)	547
7	Cash at the end of the year	331,521	312,815

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes. The 2018 and 2017 financial statements have been prepared on a non-going concern basis. Refer to Note 1(a).

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
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Notes to the Financial Statements
For the year ended 30 June 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial report of Indochine for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 25 October 2018.

Indochine is a company limited by shares incorporated and domiciled in Australia, whose shares are not publicly traded.

(a) Basis of Preparation

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

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

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

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

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Indochine at the end of the reporting period and are consistent with AASB 10 Consolidated Financial Statements.

The key activities under the DOCA include the preparation of outstanding accounts and financial reports. The financial statements for the year ended 30 June 2018 and the half-year ended 31 December 2017 have been prepared and approved concurrently. The Directors of Indochine recommend that these financial statements for the year ended 30 June 2018 be read in conjunction with the financial statements for the half-year ended 31 December 2017.

(b) Going Concern

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

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

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
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Notes to the Financial Statements
For the year ended 30 June 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Going Concern (continued)

Given the above circumstances, the Directors have concluded that the going concern basis 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 absence of debt proofing by the VA pending the full effectuation of the DOCA.

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

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

Key Terms of DOCA

DOCA Proponent

- Kandahar Holdings Pty Ltd

Deed Administrators

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

Proposal:

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

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
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Notes to the Financial Statements
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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Going Concern (continued)

Key Terms of DOCA (continued)

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.

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.

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
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Notes to the Financial Statements
For the year ended 30 June 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Going Concern (continued)

Key Terms of DOCA (continued)

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.

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
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Notes to the Financial Statements
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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Going Concern (continued)

Key Terms of DOCA (continued)

Termination of DOCA

- The DOCA automatically terminates when any of the following conditions are met:
 - The Deed Administrators have transferred the Available Property to the Creditors' Trust.
 - The Court makes any order terminating the DOCA.
 - The Conditions Precedent are not satisfied or waived on or before 30 September 2015 or such other date as agreed in writing between the Deed Administrators and the Proponent. The current agreed date for the termination of the DOCA is 30 March January 2019. 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.

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
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Notes to the Financial Statements
For the year ended 30 June 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Going Concern (continued)

Key Terms of DOCA (continued)

Release of Claims

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

Abandonment by Creditors who do not prove

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

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
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ACN 141 677 385
Notes to the Financial Statements
For the year ended 30 June 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Going Concern (continued)

Key Terms of DOCA (continued)

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.

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
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ACN 141 677 385
Notes to the Financial Statements
For the year ended 30 June 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Carrying Value of Capitalised Exploration and Evaluation Expenditure

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

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

Carrying Value of Trade and Other Payables and Provisions

The carrying value of trade payables and provisions as at 30 June 2018 has been recognised at their contractual amounts payable. The true value of these will only be ascertained when the VA undertakes adjudication of the proof of debt submitted.

The accounts have recorded an amount of \$15,049,209 in relation to the secured loan and capitalised interest owing to Aude Holdings Pty Ltd. This liability has been reclassified to Trade and Other payables as this is now due and payable under the non-going concern basis.

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
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Notes to the Financial Statements
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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Statement of Compliance with International Financial Reporting Standards

2018 and 2017 policy

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

(e) Adoption of New Accounting Standards

Changes in accounting policies on initial application of Accounting Standards

All of the new and revised Australian Accounting Standards and interpretations that have been issued and are relevant to the Company's operations have been reviewed by the Directors for the year ended 30 June 2018. In light of the non-going concern basis of preparation of the financial statements, the Directors have determined that there is no impact, material or otherwise of the new and revised Standards and Interpretations on the business and therefore no change is necessary to the Group's accounting policies.

(f) Basis of Consolidation

2018 and 2017 policy

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

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

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

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(g) Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements for the reporting year requires the directors to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Directors continually evaluate their judgement and estimates in relation to assets, liabilities, contingent liabilities, revenue and expense. The directors base their judgement and estimates on historical experience and on other various factors they believe to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
Controlled Entities
ACN 141 677 385
Notes to the Financial Statements
For the year ended 30 June 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Significant Accounting Judgements, Estimates and Assumptions (continued)

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

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

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

- **Exploration and Evaluation Expenditure**

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

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

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

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

2018 and 2017 policy

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

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
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ACN 141 677 385
Notes to the Financial Statements
For the year ended 30 June 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Significant Accounting Judgements, Estimates and Assumptions (continued)

- **Expiry of Licences**

The licence for the Mt Kare Gold Project (EL 1093) expired on 28 August 2014 and the application for renewal of the licence was lodged with Minerals Resource Authority (**MRA**) of PNG on 28 July 2014. However, on 18 January 2016, SDL was advised that on 14 December 2015 the Minister had refused SDL's application to renew EL 1093. As a consequence, SDL filed an application with the PNG National Court seeking a judicial review of the Minister's decision. The substantive hearing of the judicial review was held on 5 September 2017. The judgement on the matter was delivered by Justice Nablu of the PNG National Court on 27 April 2018 and the Court upheld the Minister's decision. On 10 July 2018 an application to appeal the judgement of PNG National Court was lodged with the PNG Supreme Court. The date for the determination has been set down for 28 February 2019. Further, with a view to preserving SDL's interest, a new application for the grant of an exploration license over Mt Kare has also been filed.

(h) Income Tax

2018 and 2017 policy

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

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

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

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

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

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

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
Controlled Entities
ACN 141 677 385
Notes to the Financial Statements
For the year ended 30 June 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income Tax (continued)

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

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

(i) Goods and Services Tax (GST)

2018 and 2017 policy

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

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

(j) Property, Plant and Equipment

2018 and 2017 policy

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

Depreciation

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

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

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

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

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
Controlled Entities
ACN 141 677 385
Notes to the Financial Statements
For the year ended 30 June 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Property, Plant and Equipment (continued)

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

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

(k) Exploration and Evaluation Expenditure

2018 and 2017 policy

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

(l) Impairment of Assets

2018 and 2017 policy

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

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

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

The non-going concern basis of preparation of accounts has been applied to the 30 June 2018 financial statements resulting in the expensing of Exploration and Evaluation Expenditure.

(m) Foreign Currency Transaction Balances

2018 and 2017 policy

(i) Functional and Presentation Currency

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

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
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Notes to the Financial Statements
For the year ended 30 June 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Foreign Currency Transaction Balances (continued)

(ii) *Transaction and Balances*

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

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

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

(iii) *Group companies*

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

Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.

- Income and expenses are translated at average exchange rates for the period.
- Retained earnings are translated at the exchange rate prevailing at the date of the transaction.

The translation of foreign operations in the year under review resulted in a gain of \$157,251 mainly due to the weakening of the Papua New Guinea Kina against the Australian Dollar.

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

(n) Employee Benefits

2018 and 2017 policy

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

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

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
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Notes to the Financial Statements
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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(o) Provisions

2018 and 2017 policy

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(p) Cash and Cash Equivalents

2018 and 2017 policy

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

(q) Revenue and Other Income

2018 and 2017 policy

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

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

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

(r) Borrowing Costs

2018 and 2017 policy

The accounts have recorded the secured loan, including capitalised interest and service fees on default basis as Trade and Other Payables under Note 10.

(s) Trade and Other Payables

2018 and 2017 policy

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. Note 1(b) also describes the terms and conditions for payment to creditors in accordance with the DOCA.

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
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Notes to the Financial Statements
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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(t) Equity-Settled Compensation

2018 and 2017 policy

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

(u) Comparative Figures

2018 and 2017 policy

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

(v) Fair Value of Assets and Liabilities

2018 and 2017 policy

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

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

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

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

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

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

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
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ACN 141 677 385
Notes to the Financial Statements
For the year ended 30 June 2018**

NOTE 2: REVENUE AND EXPENSES	2018	2017
	\$	\$
(a) Revenue and expenses from continuing operations		
Interest received	75	26
	<hr/>	<hr/>
NOTE 3: INCOME TAX BENEFIT		
(a) A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate for the periods ended 30 June 2018 and 30 June 2017 is as follows:		
Accounting loss before tax from continuing operations	4,426,983	3,169,667
Accounting loss before income tax	4,426,983	3,169,667
At the statutory income tax rate of 30% (2017: 30%)	(1,328,095)	(950,900)
Permanent differences	209,395	249,750
Movement in temporary differences not brought to account – other	20,376	22,478
Tax losses and timing differences not brought to account	1,098,324	678,672
Income tax expense	<hr/> -	<hr/> -
Effective income tax rate	0%	0%
(b) Tax balances not brought to account		
Deferred tax assets (tax losses) comprise of:		
Tax losses not brought to account	26,685,829	22,939,372
Potential deferred tax asset (tax losses) not brought to account	8,005,748	6,881,812

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
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Notes to the Financial Statements
For the year ended 30 June 2018**

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:

Craig Dawson⁽¹⁾
Keith Murray⁽²⁾
Anthony Gates⁽³⁾

Management:

Wayne Bramwell, COO⁽⁴⁾
Ashok Jairath, CFO

⁽¹⁾ Appointed 28 February 2014

⁽²⁾ Appointed 20 October 2014

⁽³⁾ Appointed 30 May 2016

⁽⁴⁾ Appointed 1 December 2017, resigned 18 June 2018

	2018	2017
	\$	\$
Short-term employee benefits (cash & deferred)	294,560	96,225

b) Shareholdings

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

	Balance at 1 July 2017	Received as Compensation	Net Change	Balance at 30 June 2018
Directors:				
Craig Dawson ⁽¹⁾	7,546	-	-	7,546
Keith Murray ⁽²⁾	-	-	-	-
Anthony Gates ⁽³⁾	-	-	-	-
Other key management personnel of the group:				
Wayne Bramwell ⁽⁴⁾	-	-	-	-
Ashok Jairath	18,552	-		18,552

⁽¹⁾ Appointed 28 February 2014

⁽²⁾ Appointed 20 October 2014

⁽³⁾ Appointed 31 May 2016

⁽⁴⁾ Appointed 1 December 2017, resigned 18 June 2018

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
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Notes to the Financial Statements
For the year ended 30 June 2018**

NOTE 4: KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

c) Option holdings

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

NOTE 5: AUDITOR'S REMUNERATION

	2018	2017
	\$	\$
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial statements	40,000	20,000
- other services	29,754	10,500
	69,754	30,500
	69,754	30,500

NOTE 6: EARNINGS PER SHARE

a) Reconciliation of earnings to loss

Earnings used to calculate basic and diluted EPS	(4,269,732)	(2,873,284)
	No.	No.

b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	3,409,014	3,409,014
--	-----------	-----------

c) Basic loss per share (cents per share)

	125	84
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Basic earnings per share amounts are calculated by dividing the net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

NOTE 7: CASH AND CASH EQUIVALENTS

	2018	2017
	\$	\$
Cash at bank and on hand	331,521	312,815
	331,521	312,815

NOTE 8: TRADE AND OTHER PAYABLES

Trade payables	6,353,758	6,312,417
*Other borrowings (Secured loan to Aude Holdings Pty Ltd)	15,049,209	10,838,454
Payroll related payables	837,351	801,009
	22,240,318	17,951,880
	22,240,318	17,951,880

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

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	2018	2017
NOTE 8: TRADE AND OTHER PAYABLES (continued)	\$	\$
The carrying amounts of assets pledged as security are:		
Fixed and Floating charge over assets of the Company	331,521	312,815

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

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

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

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

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

On 24 July 2017 a new facility of \$4.5 million extended by the Secured Creditor was further varied through Deed of Variation to the original loan Agreement to a total of \$6 million to provide further funding for continuation of SDL and legal costs incurred in course of the administration of IDC. The facility was further extended on 15 October 2018 by \$3.5 million, bringing the total to \$10 million. Refer also to subsequent event Note 18.

	2018	2017
	\$	\$
NOTE 9: PROVISIONS		
CURRENT		
Other provision	120,000	120,000

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

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	2018	2017
NOTE 10: ISSUED CAPITAL	\$	\$
Ordinary shares		
3,409,014 (2017: 3,409,014) fully paid ordinary shares	3,409,014	3,409,014

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.

	No. of Shares	\$
Movements in ordinary shares on issue		
400:1 Consolidation 31 May 2016	3,409,638	133,031,922
Less rounding down of fractional shares	(624)	
Balance at 30 June 2018	3,409,014	133,031,922

Capital Management

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

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

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

	2018	2017
NOTE 11: RESERVES AND ACCUMULATED LOSSES		
a) Reserves	\$	\$
Foreign currency translation reserve	5,413,244	5,255,993
Total Reserves	5,413,244	5,255,993
Foreign currency translation reserve		
Movements		
At the beginning of the year	5,255,993	4,959,610
Currency translation differences arising during the year	157,251	296,383
Balance at the end of the financial year	5,413,244	5,255,993

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

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Notes to the Financial Statements For the year ended 30 June 2018

NOTE 11: RESERVES AND ACCUMULATED LOSSES <i>(continued)</i>	2018	2017
	\$	\$
b) Accumulated Losses		
Movements in accumulated losses were as follows:		
Accumulated losses at the beginning of the year	(156,046,979)	(152,877,312)
Net loss attributable to members of Indochine Mining Limited	(4,426,983)	(3,169,667)
Accumulated losses at the end of the financial year	(160,473,962)	(156,046,979)
NOTE 12: 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		
a) Financial information		
Loss for the year	3,760,720	2,504,573
Total comprehensive loss	3,760,720	2,504,573
Assets		
Cash and cash equivalents	317,476	298,573
Total Assets	317,476	298,573
Liabilities		
Trade and other payables	3,209,004	3,174,318
Provisions	120,000	120,000
Borrowing	15,049,209	10,838,454
Total Liabilities	18,378,213	14,132,772
Net liabilities	(18,060,737)	(13,834,199)
Equity		
Issued capital	133,031,922	133,031,922
Accumulated losses	(151,092,659)	(146,866,121)
Total Equity	(18,060,737)	(13,834,199)

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NOTE 13: CASH FLOW INFORMATION

Reconciliation of cash flow from operations with loss after income tax	2018	2017
	\$	\$
Loss after income tax	(4,426,983)	(3,169,667)
Non-cash flows in profit		
Foreign exchange	157,358	295,835
Accrued interest	3,186,589	2,293,868
Changes in assets and liabilities		
Decrease in trade and other receivables	-	2,659
Decrease/(increase)in trade and other creditors	77,683	(177,365)
Net cash flow used in operating activities	(1,005,353)	(754,670)

NOTE 14: RELATED PARTY TRANSACTIONS

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

i. Entities exercising control over the Group:

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

ii. Key management personnel:

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

For details of disclosures relating to key management personnel, refer to Note 4: Key Management Personnel Compensation.

iii. Entities subject to significant influence by the Group:

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

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

iv. Other related parties:

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:

There were no transactions with the related parties during the period.

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
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For the year ended 30 June 2018**

NOTE 15: 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	Papua New Guinea	Total
2018	\$	\$	\$
Revenue			
Revenue	75	-	75
Total segment revenue			
Results			
Operating loss before income tax	3,760,720	697,383	4,458,103
Income tax expense	-	-	-
Net loss	3,760,720	697,383	4,426,983
Included within segment results	3,760,720	697,383	4,426,983
Depreciation of segment assets	-	-	-
Segment assets	317,476	14,045	331,521
Segment liabilities	15,140,298	7,220,019	22,360,318
2017			
	\$	\$	\$
Revenue			
Revenue	26	-	26
Total segment revenue			
Results			
Operating loss before income tax	2,504,574	665,093	3,169,667
Income tax expense	-	-	-
Net loss	2,504,574	665,093	3,169,667
Included within segment results	2,504,574	665,093	3,169,667
Depreciation of segment assets	-	-	-
Segment assets	298,857	13,958	312,815
Segment liabilities	10,428,756	7,643,123	18,071,880

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and
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Notes to the Financial Statements
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NOTE 16: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned	
		2018	2017
Subsidiaries of Indochine Mining Limited:			
Asia Pacific Gold and Copper Company Pty Ltd	Australia	100%	100%
Aries Mining Limited Pty Ltd	Australia	100%	100%
Summit Development Ltd	Papua New Guinea	100%	100%
Positive Developments Limited	Papua New Guinea	100%	100%

NOTE 17: COMMITMENTS AND CONTINGENCIES

Legal Proceedings

On 27 April 2018, the PNG National Court, presided by Justice Nablu, delivered the judgement on the Judicial Review and upheld the Minister for Mining's decision. An application to appeal this decision was lodged with Supreme Court on 10 July 2018. The date for the determination of the appeal has been set down for 28 February 2019. Further, Summit Development Limited also lodged an application for a stay order over the National Court's decision. The matter was heard by Justice Hartshorn on 16 July 2018 and the stay order was granted until the decision on the appeal is made by the Supreme Court.

NOTE 18: SUBSEQUENT EVENTS

On 15 October 2018, a new facility of \$3.5 million extended by the Secured Creditor was further varied through a Deed of Variation to the original Loan Agreement to a total of \$10 million to provide further funding for continuation of SDL and legal costs incurred in course of the administration of IDC.

On 18 October 2018, the agreed date for the termination of the Deed of Company Administration (DOCA) was extended to 30 March 2019.

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

NOTE 19: COMPANY DETAILS

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

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

Directors' Declaration

The Directors of the Company declare that:

- a) The financial statements and notes, as set out on pages 16 to 39 are in accordance with the *Corporations Act 2001*, including:
- i. complying with Accounting Standards, International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**) as they apply on a non-going concern basis, the Corporation Regulations 2001 and other mandatory professional reporting requirements; and
 - ii giving a true and fair view of the Group's financial position as at 30 June 2018 and its performance, changes in equity and cash flow, for the financial year ended on that date to the extent circumstances outlined in Note 1(b) are taken into account.
- b)
- i. The ongoing solvency of the Group is dependent on successful completion and implementation of the Deed of Company of Company Arrangement (DOCA) as detailed in Note 1(b)
 - ii There are reasonable grounds to believe that the Group will be able to successfully complete the proposed DOCA with creditors and will therefore be able to pay its debts:
 - in accordance with the DOCA arrangements detailed in Note 1(b); and
 - as and when they become payable

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 2018.

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

On behalf of the Directors

A handwritten signature in blue ink, appearing to read "Keith Murray".

Keith Murray
Non-Executive Director
Date: 25 October 2018



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

Corporate Directory

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

Companies in the Economic Entity

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