



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

**ACN 141 677 385**

**Annual Financial Report  
30 JUNE 2015**

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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** or the **Company**) was placed into Voluntary Administration on 27 March 2015 by the Directors of the Company. The operations report below summaries the state of affairs in the past 12 months.

During the year, the Company saw significant changes to the Board of Directors (the **Board**) with Mr Hugh Thomas and Mr Stephen Promnitz stepping down as Chairman and Chief Executive Officer (**CEO**), respectively, of the Company and Mr Dermott McVeigh being appointed as Non-Executive Chairman, who subsequently resigned on 3 November 2015.

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 (**PNG**) 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 1093 (**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.

On 27 March 2015, the directors of Indochine resolved to place the Company into Voluntary Administration at

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**Review of Operations (*continued*)**

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 CEO and a creditor of the Company Mr Stephen Promnitz commenced proceedings in the Federal Court of Australia seeking relief in the form of:

- a) 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
- b) 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 the 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 the conditions 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 year ended 30 June 2015.

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 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.

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.

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**Review of Operations (*continued*)**

**Mineral Resource and Ore Reserve Statement  
Summary**

This statement represents the Mineral Resources and Ore Reserves (**MROR**) for Indochine as at 30 June 2015. This MROR statement has been compiled and reported in accordance with the guidelines of the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (**2012 JORC Code**) and also represents the first MROR statement for the Company.

This statement is to be reviewed and updated annually in accordance with Section 15 of the 2012 JORC Code. The nominated annual review date for this MROR statement is 30 June. During the period the Company's Mineral Resources remained unchanged at the Mt Kare Gold/Silver project in PNG. The tenement licences issued by PNG Government are held by Summit Development Limited (**SDL** or **Summit**), a PNG entity, which is 100% owned by Indochine.

The Mt Kare mineral resource estimate was updated and reported in July 2013 in accordance with the guidelines of the 2004 Edition of the JORC Code and has not been updated to comply with the 2012 JORC Code. The Company is not aware of any new information or data that materially affects the information included in the relevant market releases for this estimate. The Company confirms that all material assumptions and technical parameters underpinning the estimate in the relevant market releases continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented here have not been materially modified.

As at the Annual Review date of 30 June 2015, this MROR Statement has been approved by the named competent person, Mr Anthony Burgess.

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**Review of Operations (continued)**

Mineral Resource

As at 30 June 2015 the Company's Mineral Resources for the Mt Kare Gold/Silver project are:

**Table 1. Mt Kare Gold/Silver project – JORC 2004 Resource<sup>1</sup> at 0.5 g/t gold cut-off**

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

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

**Comparison with Prior Year Estimates**

Mineral Resource: During the 2015 financial year, the Company has announced no new changes to the Mt Kare Project mineral resource inventory.

Ore Reserves: As at 30 June 2015, the Company had no reportable Ore Reserves in accordance with the 2012 JORC Code.

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

**Governance Summary**

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

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

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**Review of Operations (*continued*)**

**Competent Persons Statement**

The information in this report that relates to the Mineral Resource Statement is based on the information compiled and reviewed by Mr Anthony Burgess, who is a member of the Australian Institute of Mining and Metallurgy (**AusIMM**). Mr Burgess is a Consultant to the Company and has sufficient experience relevant to the style of mineralisation and type of deposits under consideration and to the activity undertaken, being reported herein as Mineral Resource estimate, to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2004 Edition). Mr Burgess has consented to the public reporting of these statements and results and in the form and context in which they appear.

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**Directors' Report**

Your Directors present their report on the results of Indochine Mining Limited (Subject to Deed of Company Arrangement) ("**Group**", "**Company**", or "**Indochine**") for the consolidated group for the year ended 30 June 2015. As indicated in the Review of Operations Report, the directors of Indochine resolved to place the Company into Voluntary Administration 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 Deed of Company Arrangement ("**DOCA**") proposed by Kandahar Holdings Pty Limited was supported by creditors and was executed on 4 June 2015 and lodged with Australian Securities and Investment Commission. This Directors' report covers the period prior to and after the Company entered into Voluntary Administration but also takes into account activities that have occurred up to date of this report.

The key activities under the DOCA include the preparation of the financial statements for the year ended 30 June 2015 and half-year ended 31 December 2014. The Directors recommend that these financial statements be read in conjunction with the financial statements for the half-year ended 31 December 2014.

**DIRECTORS**

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

|                 |  |
|-----------------|--|
| Dermott McVeigh | (Appointed 31 July 2014, resigned 3 November 2015) |
| Craig Dawson    | (Appointed 18 February 2014)                       |
| Keith Murray    | (Appointed 20 October 2014)                        |
| Gavan H Farley  | (Resigned 30 October 2014)                         |
| Hugh Thomas     | (Resigned 30 July 2014)                            |
| Robert Thomson  | (Resigned 30 July 2014)                            |

**NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES**

***Dermott McVeigh BA (Hons) Accounting, MBA***

*Non-executive director and Chairman*

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



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**Directors' Report (continued)**

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

*Non-executive director*

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

***Keith Murray B Accounting, CA***

*Non-executive director*

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

**COMPANY SECRETARY**

Mr Ashok Jairath held the position of Joint Company Secretary at the end of the financial year. Mr Jairath is a FCPA, with over 35 years of experience in financial and corporate roles in Australia and Europe and Company Secretary roles in other listed and unlisted public companies. Mr Jairath is also the Chief Financial Officer of the Company. Mr Kevin Hart was appointed Joint Company Secretary on 21 October 2014. Mr Hart has over 25 years' experience in accounting and the management and administration of public companies in the mining and the exploration industry. He is a Partner of Endeavour Corporate, an advisory firm that specialises in the provision of Company secretarial services. Mr Hart resigned on 30 March 2015.

**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 \$104,437,600 (2014 loss of \$10,864,203).

**DIVIDENDS**

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

**FINANCIAL POSITION**

The net assets of the consolidated group decreased by \$93,880,938 from \$82,043,816 as at 30 June 2014 to net liabilities of \$11,837,122 as at 30 June 2015.

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**Directors' Report (*continued*)**

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

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

**ENVIRONMENTAL REGULATION AND PERFORMANCE**

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

**REMUNERATION REPORT (Audited)**

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

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

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

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

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

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

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**Directors' Report (continued)**

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

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

|                                   | Position Held as at 30 June 2015 and any Change during the Year | Contract Details (Duration and Termination) | Proportions of Elements of Remuneration Related to Performance |                 |                   | Proportions of Elements of Remuneration Not Related to Performance |         |
|-----------------------------------|---|---|--|-----------------|-------------------|--|---------|
|                                   |   |   | Non-salary Cash-based Incentives %                             | Shares/ Units % | Options/ Rights % | Fixed Salary/ Fees %   | Total % |
| <b>Directors</b>                  |   |   |  |                 |                   |  |         |
| Dermott McVeigh <sup>(1)</sup>    | Director  |   | -  | -               | -                 | 100  | -       |
| Craig Dawson <sup>(2)</sup>       | Director  |   | -  | -               | -                 | 100  | -       |
| Keith Murray <sup>(3)</sup>       | Director  |   | -  | -               | -                 | 100  | -       |
| Hugh Thomas <sup>(4)</sup>        | Director  |   | -  | -               | -                 | 100  | -       |
| Gavan H Farley <sup>(5)</sup>     | Director  |   | -  | -               | -                 | 100  | -       |
| Robert Thomson <sup>(6)</sup>     | Director  |   | -  | -               | -                 | 100  | -       |
| <b>Management</b>                 |   |   |  |                 |                   |  |         |
| Stephen C Promnitz <sup>(7)</sup> | CEO   | 1 yr, 6 months notice                       | -  | -               | -                 | 100  | -       |
| Ashok Jairath                     | CFO   | Renewable annually, 3 months notice         | -  | -               | -                 | 100  | -       |
| George Niumataiwalu               | Project Director<br>Regional<br>Country Officer<br>PNG          | 1 yr, 3 months notice                       | -  | -               | -                 | 100  | -       |

**Remuneration Details for the Year Ended 30 June 2015**

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

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**Directors' Report (continued)**

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

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

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

(2) Appointed 18 February 2014

(3) Appointed 20 October 2014

(4) Resigned 30 July 2014

(5) Resigned 30 October 2014

(6) Resigned 30 July 2014

(7) Resigned 30 July 2014

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

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**Directors' Report (continued)**

**Table of Benefits and Payments for the Year Ended 30 June 2014**

|   | Short Term Benefits               |                      | Post Employment                            | Share-based                | Total   |
|---|-----------------------------------|----------------------|--|----------------------------|---------|
|   | Cash Salary,<br>Fees and<br>Other | Deferred<br>Salary** | Benefits<br>Superannuation<br>Contribution | Payments<br>Options/Shares |         |
|   | \$                                | \$                   | \$   | \$                         | \$      |
| <b>Directors:</b>   |                                   |                      |  |                            |         |
| Hugh Thomas <sup>(1)</sup>  | 8,175                             | 16,350               | -  | -                          | 24,525  |
| Ian W Ross <sup>(2)</sup>   | 18,750                            | 57,903               | 1,734                                      | -                          | 78,387  |
| Gavan H Farley  | 12,500                            | 51,894               | 1,156                                      | -                          | 65,550  |
| Michael Leggo <sup>(3)</sup>  | 12,500                            | 43,700               | 1,156                                      | -                          | 57,356  |
| Craig Dawson <sup>(4)</sup>   | -                                 | 24,581               | -  | -                          | 24,581  |
| Robert Thomson <sup>(5)</sup>   | -                                 | 8,194                | -  | -                          | 8,194   |
| <b>Management:</b>  |                                   |                      |  |                            |         |
| Stephen C Promnitz, CEO <sup>(6)</sup>                                    | 297,483                           | 325,000              | 27,517                                     | -                          | 650,000 |
| Ashok Jairath, CFO  | 116,280                           | 165,220              | -  | -                          | 281,500 |
| George Niumataiwalu<br>Country Officer PNG &<br>Regional Project Director | 372,997                           | 56,376               | 20,627                                     | -                          | 450,000 |

(1) Appointed 11 April 2014, resigned 30 July 2014

(2) Resigned 17 April 2014

(3) Resigned 13 May 2014

(4) Appointed 18 February 2014

(5) Appointed 13 May 2014, resigned 30 July 2014

(6) Resigned 30 July 2014

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

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**Directors' Report (continued)**

**MEETING OF DIRECTORS**

The number of meetings (including meetings of committees of directors) held during the financial year and meetings attended by directors (while they were directors or committee members) were as follows:

|                                | <b>Number eligible to attend</b> | <b>Number attended</b> |
|--------------------------------|----------------------------------|------------------------|
| Dermott McVeigh <sup>(1)</sup> | 6                                | 6                      |
| Craig Dawson                   | 9                                | 9                      |
| Keith Murray <sup>(2)</sup>    | 1                                | 1                      |
| Hugh Thomas <sup>(3)</sup>     | 3                                | 3                      |
| Gavan H Farley <sup>(4)</sup>  | 8                                | 8                      |
| Robert Thomson <sup>(5)</sup>  | 3                                | 3                      |

<sup>(1)</sup> Appointed 30 July 2014, resigned 3 November 2015

<sup>(2)</sup> Appointed 20 October 2014

<sup>(3)</sup> Appointed 11 April 2014, resigned 30 July 2014

<sup>(4)</sup> Resigned 30 October 2014

<sup>(5)</sup> Resigned 30 July 2014

The Audit Committee met twice during the year. Attendances by each of the members during the year were as follows:

|                | <b>Number eligible to attend</b> | <b>Number attended</b> |
|----------------|----------------------------------|------------------------|
| Hugh Thomas    | 1                                | 1                      |
| Gavan H Farley | 2                                | 2                      |
| Craig Dawson   | 1                                | 1                      |

The Remuneration and Nomination Committee met twice during the year. Attendances by each of the members during the year were as follows:

|                | <b>Number eligible to attend</b> | <b>Number attended</b> |
|----------------|----------------------------------|------------------------|
| Robert Thomson | 1                                | 1                      |
| Gavan H Farley | 1                                | 1                      |
| Craig Dawson   | 1                                | 1                      |

**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.

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**Directors' Report (continued)**

**OPTIONS**

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

| <b>Grant Date</b> | <b>Date of Expiry</b> | <b>Exercise Price</b> | <b>Number under Option</b> |
|-------------------|-----------------------|-----------------------|----------------------------|
| 18/03/10          | 30/12/15              | \$0.20                | 4,000,000                  |
| 17/06/13          | 16/01/18              | \$0.00                | 14,050,000                 |
| 31/03/14          | 31/03/19              | \$0.00                | 16,500,000                 |
| 03/09/14          | 03/09/16              | \$0.085               | 42,136,826                 |
| 28/11/14          | 03/09/16              | \$0.07                | 55,335,000                 |
|                   |                       |                       | <b>132,021,826</b>         |
| 30/06/15          | Options cancelled     |                       | <b>(132,021,826)</b>       |
|                   |                       | Options on Issue      | <b>Nil</b>                 |

Note: all options on issue have been cancelled under the DOCA

**SHARE BASED PAYMENTS**

Shares or options under the Employee Share and Option plan granted during the financial year are set out below:

|   | <b>Number</b>       | <b>Weighted Average exercise price</b> |
|---|---------------------|--|
| Options outstanding as at 30 June 2013        | 14,500,000          | 0                                      |
| Granted                                       | 16,500,000          | 0                                      |
| Forfeited                                     | -                   | -                                      |
| Exercised                                     | -                   | -                                      |
| Expired                                       | -                   | -                                      |
| <b>Options outstanding as at 30 June 2014</b> | <b>31,000,000</b>   | <b>0</b>                               |
| Options exercisable as at 30 June 2014        | 1,525,000           | 0                                      |
| Options outstanding as at 30 June 2014        | <b>31,000,000</b>   | <b>0</b>                               |
| Granted                                       | -                   | -                                      |
| Forfeited                                     | -                   | -                                      |
| Exercised                                     | <b>(450,000)</b>    | -                                      |
| Expired                                       | -                   | -                                      |
| Options to be Cancelled 30 June 2015          | <b>(31,650,000)</b> | -                                      |
| <b>Options outstanding as at 30 June 2015</b> | <b>-</b>            | <b>-</b>                               |

Note: all options on issue have been cancelled under the DOCA

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

**Directors' Report (*continued*)**

**PROCEEDINGS ON BEHALF OF THE COMPANY**

- A former employee of Indochine Resources Pty Limited (IRL) initiated legal proceedings against IRL, a wholly owned subsidiary of Indochine. 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 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.
- On 17 June 2015 former CEO, 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.

Notice was received on 6 September that Mr Promnitz had filed an appeal with the Court of Appeal which was subsequently dismissed.

**INSURANCE OF OFFICERS**

The Directors and Officers insurance policy that expired on 25 May 2015 was not renewed but rather the "Extended Reporting Period" of the policy in effect from 24 May 2014 to 25 May 2015 was invoked. In other words, the expired policy was not replaced but the "Discovery Period" clause of that policy was extended and an additional premium to invoke this clause was paid.

**CORPORATE GOVERNANCE STATEMENT**

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



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

**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 2015:

|  |        |
|--|--------|
|  | \$     |
| Taxation services and other services                 | 13,250 |
| (RSM Bird Cameron \$4,250 and Crowe Horwath \$9,000) |        |

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration for the year ended 30 June 2015 has been received and can be found on page 18 of the Director's report.

Signed in accordance with a resolution of the Board of 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 audit of Indochine Mining Ltd (subject to Deed of Company Arrangement) for the year ended 30 June 2015, 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, 10 December 2015

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

We were engaged to audit the accompanying financial report of Indochine Mining Ltd (subject to Deed of Company Arrangement), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' Responsibility for the Financial Report*

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

### *Auditor's Responsibility*

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

### *Independence*

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

### *Basis for Disclaimer of Opinion*

As a result of the matters outlined in Note 1 to the financial report the consolidated financial report of Indochine Mining Limited (subject to Deed of Company Arrangement) has been prepared on a non going concern basis. By preparing the financial report under the non going concern basis, the directors of Indochine Mining Limited (subject to Deed of Company Arrangement) have determined that they have no realistic alternative other than to liquidate the operations of the entity. Management have been unable to provide sufficiently complete information in respect to creditor claims (including employee entitlements) arising in a liquidation scenario. As a result, we have been unable to gain sufficient evidence over the completeness of the creditor claims and the associated disclosures in the financial report. In addition, and as required by Australian Accounting Standards, total liabilities of AUD \$12,122,969 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 Note 24 of the financial report.

### *Disclaimer of Opinion*

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

**REPORT ON THE REMUNERATION REPORT**

We have audited the Remuneration Report included in pages 10 to 13 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion, the Remuneration Report of Indochine Mining Ltd (subject to Deed of Company Arrangement) for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.



CROWE HORWATH PERTH



SEAN MCGURK  
Partner

Signed at Perth, 10 December 2015

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

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2015**

**CONSOLIDATED GROUP**

|   |      | 2015                 | 2014                |
|---|------|----------------------|---------------------|
|   | Note | \$                   | \$                  |
| Other income  | 2(a) | 982,359              | 45,014              |
| Professional fees                                       |      | (594,468)            | (181,311)           |
| Insurance expenses                                      |      | (61,872)             | (36,638)            |
| Employee benefits expense                               |      | (428,193)            | (935,881)           |
| Share-based payment                                     | 2(c) | (636,164)            | (119,776)           |
| Depreciation and amortisation expenses                  | 2(b) | (9,027)              | (191,409)           |
| Travel expenses   |      | (127,329)            | (117,486)           |
| Consultancy expenses                                    |      | (1,279,693)          | (753,594)           |
| Lease and occupancy expenses                            | 2(d) | (109,685)            | (164,604)           |
| Impairment of exploration costs                         | 1(c) | (99,409,533)         | (7,019,428)         |
| Impairment of receivables                               |      | (544,236)            | -                   |
| Impairment of fixed asset                               |      | (722,191)            | -                   |
| Public relations and marketing expenses                 |      | (27,310)             | (119,644)           |
| Administration expenses                                 |      | (358,534)            | (555,498)           |
| Interest on loan  |      | (796,485)            | (436,213)           |
| Administrators fees                                     |      | (259,209)            | -                   |
| Other expenses  |      | (56,030)             | (277,735)           |
| <b>Loss before income tax</b>                           |      | <b>(104,437,600)</b> | <b>(10,864,203)</b> |
| Income tax expense                                      | 3(a) | -                    | -                   |
| <b>Loss for the year</b>                                |      | <b>(104,437,600)</b> | <b>(10,864,203)</b> |
| <b>Other comprehensive income</b>                       |      |                      |                     |
| <i>Items that may be reclassified to profit or loss</i> |      |                      |                     |
| Foreign currency translation reserve gains              | 17   | 4,669,177            | (4,960,352)         |
| <b>Other comprehensive income for the year</b>          |      | <b>4,669,177</b>     | <b>(4,960,352)</b>  |
| <b>Total comprehensive (loss) for the year*</b>         |      | <b>(99,768,423)</b>  | <b>(15,824,555)</b> |
| <br>  |      |                      |                     |
| Basic loss per share (cents per share)                  | 6    | (8.28)               | (1.15)              |

\* 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 2015 financial statements have been prepared on a non-going concern basis and comparatives have not been adjusted. Refer to Note 1(a).

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

**Consolidated Statement of Financial Position  
As at 30 June 2015**

**CONSOLIDATED GROUP**

|  |       | 2015                 | 2014              |
|--|-------|----------------------|-------------------|
|  | Note  | \$                   | \$                |
| <b>ASSETS</b>                                |       |                      |                   |
| Cash and cash equivalents                    | 7     | <b>285,847</b>       | 497,078           |
| Term deposits                                | 8     | -                    | 394,672           |
| Trade and other receivables                  | 9     | -                    | 786,563           |
| Property, plant and equipment                | 10    | -                    | 935,977           |
| Exploration and evaluation costs capitalised | 11    | -                    | 88,889,978        |
| Other financial assets                       | 12    | -                    | 2,000             |
| <b>TOTAL ASSETS</b>                          |       | <b>285,847</b>       | <b>91,506,268</b> |
| <b>LIABILITIES</b>                           |       |                      |                   |
| Trade and other payables                     | 13    | <b>11,938,907</b>    | 6,738,715         |
| Provisions                                   | 14    | <b>184,062</b>       | 762,114           |
| Borrowings                                   | 15    | -                    | 1,961,623         |
| <b>TOTAL LIABILITIES</b>                     |       | <b>12,122,969</b>    | <b>9,462,452</b>  |
| <b>NET ASSETS/(LIABILITIES)</b>              |       | <b>(11,837,122)</b>  | <b>82,043,816</b> |
| <b>EQUITY</b>                                |       |                      |                   |
| Issued capital                               | 16    | <b>133,031,922</b>   | 127,083,687       |
| Accumulated losses                           | 17(b) | <b>(143,562,782)</b> | (50,248,345)      |
| Reserves                                     | 17(a) | <b>(1,306,262)</b>   | 5,208,474         |
| <b>TOTAL EQUITY</b>                          |       | <b>(11,837,122)</b>  | <b>82,043,816</b> |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes. The 2015 financial statements have been prepared on a non-going concern basis. Comparatives have not been adjusted for the measurement basis applied in respect of 2015 balances. In light of the factors above, current / non-current 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 to Note 1(a).

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

**Consolidated Statement of Changes in Equity  
For the year ended 30 June 2015**

|  | <b>Issued<br/>Capital<br/>\$</b> | <b>Accumulated<br/>Losses<br/>\$</b> | <b>Reserves<br/>\$</b> | <b>Total Equity<br/>\$</b> |
|--|----------------------------------|--------------------------------------|------------------------|----------------------------|
| <b>CONSOLIDATED GROUP</b>                |                                  |                                      |                        |                            |
| <b>Balance at 1 July 2013</b>            | 112,178,701                      | (39,384,142)                         | 9,455,680              | 82,250,239                 |
| Loss for the year                        | -                                | (10,864,203)                         | -                      | (10,864,203)               |
| Currency translation differences         | -                                | -                                    | (4,960,352)            | (4,960,352)                |
| Total comprehensive income for the year  | -                                | (10,864,203)                         | (4,960,352)            | (15,824,555)               |
| Share based payment                      | -                                | -                                    | 713,146                | 713,146                    |
| Shares issued during the year            | 16,363,344                       | -                                    | -                      | 16,363,344                 |
| Transaction costs                        | (1,458,358)                      | -                                    | -                      | (1,458,358)                |
| <b>Balance at 30 June 2014</b>           | <b>127,083,687</b>               | <b>(50,248,345)</b>                  | <b>5,208,474</b>       | <b>82,043,816</b>          |
| <b>Balance at 1 July 2014</b>            | <b>127,083,687</b>               | <b>(50,248,345)</b>                  | <b>5,208,474</b>       | <b>82,043,816</b>          |
| Loss for the year                        | -                                | (104,437,600)                        | -                      | (104,437,600)              |
| Option reserve write-off, previous years | -                                | 11,123,163                           | (11,123,163)           | -                          |
| Option reserve write-off current year    | -                                | -                                    | (959,760)              | (959,760)                  |
| Currency translation differences         | -                                | -                                    | 4,669,177              | 4,669,177                  |
| Total comprehensive income for the year  | -                                | (93,314,437)                         | (7,413,746)            | (100,728,183)              |
| Share based payment                      | -                                | -                                    | 899,010                | 899,010                    |
| Shares issued during the year            | 6,011,393                        | -                                    | -                      | 6,011,393                  |
| Transaction costs                        | (63,158)                         | -                                    | -                      | (63,158)                   |
| <b>Balance at 30 June 2015</b>           | <b>133,031,922</b>               | <b>(143,562,782)</b>                 | <b>(1,306,262)</b>     | <b>(11,837,122)</b>        |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes. The 2015 financial statements have been prepared on a non-going concern basis and comparatives have not been adjusted. Refer to Note 1(a).



**Indochine Mining Limited (Subject to Deed of Company Arrangement) and Controlled Entities**  
**ACN 141 677 385**  
**Consolidated Statement of Cash Flows**  
**For the year ended 30 June 2015**

**CONSOLIDATED GROUP**

|   |      | 2015        | 2014         |
|---|------|-------------|--------------|
|   | Note | \$          | \$           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |      |             |              |
| Payments to suppliers and employees                             |      | (5,327,951) | (2,173,696)  |
| Interest received   |      | 9,027       | 44,530       |
| Net cash used in operating activities                           | 19   | (5,318,924) | (2,129,166)  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |      |             |              |
| Purchase of property, plant and equipment                       |      | -           | (105,726)    |
| Payments for mining interests and exploration costs             |      | -           | (15,103,347) |
| Net cash used in investing activities                           |      | -           | (15,209,073) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |      |             |              |
| Proceeds from issues of ordinary share net of transaction costs |      | 3,978,281   | 14,595,751   |
| Proceeds from borrowings  |      | 1,133,787   | 1,493,298    |
| Net cash provided by financing activities                       |      | 5,112,068   | 16,089,049   |
| Net decrease in cash held                                       |      | (206,856)   | (1,249,190)  |
| Cash at the beginning of the year                               |      | 497,078     | 1,756,951    |
| Foreign exchange translation difference                         |      | (4,375)     | (10,683)     |
| Cash at the end of the year                                     | 7    | 285,847     | 497,078      |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes. The 2015 financial statements have been prepared on a non-going concern basis and comparatives have not been adjusted. Refer to Note 1(a).



**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 2015**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

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

The separate financial statements of the parent entity, Indochine Mining Limited (the Company), 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 2015 was authorised for issue in accordance with a resolution of the directors on 10 December 2015.

Indochine 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.

**(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 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 on 27 March 2015 and is currently under the Deed of Company Arrangement (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. Comparative information remains on a going concern basis and has not been adjusted. Further information on DOCA and non-going concern is provided under section 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. Further, the disclosure of diluted earnings per share under AASB 133 is not considered relevant to users as cancellation of all options on issue will be confirmed on the full implementation of the DOCA.

The key activities under the DOCA include the preparation of outstanding accounts and financial reports. The financial statements for the year ended 30 June 2015 and the half-year ended 31 December 2014 have been prepared and approved concurrently. The Directors of Indochine recommend that these financial statements for the year ended 30 June 2015 be read in conjunction with the financial statements for the half-year ended 31 December 2014.

**(b) Going Concern**

As outlined in the Operations Report, and again in Note 24 to these accounts, a significant number of events occurred both prior and subsequent to the balance date, including, but not limited to :

- 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:

- the material curtailment of operations;

**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 2015**

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

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

**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 2015**

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

***Participating Creditors***

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

***Application of Proceeds***

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

***New Directors***

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

***Creditors' Committee***

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

***Administrators'/Deed Administrators' Lien***

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

**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 2015**

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

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

***Members' rights exercisable by Deed Administrators***

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

***Moratorium against the Company in relation to winding up***

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

***Termination of DOCA***

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

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

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

***Release of Claims***

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

***Abandonment by creditors who do not prove***

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

***Remuneration of the Deed Administrators***

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

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

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

**Costs and Outlays**

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

**Other Terms**

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

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

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

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

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

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

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

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors. These include the level of reserves and resources, future technological changes, which could impact the cost of development, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

\$99,409,533 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 30 June 2015. 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(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, development and production activities into the foreseeable future.

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

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

The carrying value of trade payables and provisions as at 30 June 2015 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 \$4,082,314 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) Statement of Compliance with International Financial Reporting Standards**

*2015 and 2014 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**

*2015 and 2014 policy*

New Australian Accounting Standards and interpretations that have been issued and amended but not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2015. In light of the non-going concern basis of preparation the Group has not determined the impact of standards issued yet not effective.

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2014:

- AASB 9 Financial Instruments (December 2010) (applicable to annual reporting periods commencing after 1 January 2018)

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and de-recognition requirements for financial instruments. The Company has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

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

The adoption of the above Standards and Interpretations are not deemed to have a material impact on the financial statements or performance of the Group. The Group considered all other changes to various accounting standards and have determined that there are no other material impacts.

**(f) Basis of Consolidation**

*2015 and 2014 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 result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

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

- ***Significant accounting judgements***

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

- ***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 used their best judgement in this regard, there remains a degree of estimation uncertainty surrounding the allocation of costs to the various assets.



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**Notes to the Financial Statements  
For the year ended 30 June 2015**

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

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.

*2015 policy*

However, given the current status of the Company, in determining the appropriateness of carrying forward capitalised exploration and the appropriateness of continuing to carry forward costs, on a consolidated basis the Company has decided to fully impair the expenditure due to significant uncertainty as to the going concern and has accordingly made an impairment charge of \$99,409,533 in the current period, writing exploration and evaluation expenditure down to nil.

• ***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 licences was lodged with Minerals Resource Authority of PNG on 28 July 2014. 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.

**(h) Income Tax**

*2015 and 2014 policy*

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

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

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

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

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

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

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**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (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 can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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

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

*2015 and 2014 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**

*2015 and 2014 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:

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

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

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

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

The non-going concern basis of preparation of accounts has been applied to 30 June 2015 financial statements, resulting in recognition of significant impairment of property, plant and equipment.

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

**(k) Exploration and Evaluation Expenditure**

*2015 policy*

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

*2014 policy*

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

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. Exploration expenditure in the Statement of Financial Position is shown net of asset write offs.

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

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

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

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

**(l) Impairment of Assets**

*2015 and 2014 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 30 June 2015 financial statements resulting in recognition of significant impairment of capitalised Exploration and Evaluation Expenditure.

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

**(m) Foreign Currency Transaction Balances**

*2015 and 2014 policy*

**(i) Functional and Presentation Currency**

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

**(ii) Transaction and Balances**

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

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

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

**(iii) Group companies**

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

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

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

The translation of foreign operations in the year under review resulted in a gain of \$4,669,177 mainly due to the weakening of the Australian Dollar against the Papua New Guinea Kina.

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

**(n) Employee Benefits**

*2015 and 2014 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.

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**Notes to the Financial Statements  
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**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)**

**(o) Provisions**

*2015 and 2014 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**

*2015 and 2014 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**

*2015 and 2014 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. Dividend revenue is recognised when the right to receive a dividend has been established.

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

**(r) Borrowing Costs**

*2015 policy*

The accounts have recorded the secured loan, including capitalised interest and service fees on default basis as Trade and Other Payables under Note 13.

*2014 policy*

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

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

**(s) Trade and Other Payables**

*2015 and 2014 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.

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**Notes to the Financial Statements  
For the year ended 30 June 2015**

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

**(t) Equity-Settled Compensation**

*2015 and 2014 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.

**(t) Comparative Figures**

*2015 and 2014 policy*

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. While the financial statements have been prepared on a non-going concern basis, comparative information remains on a going concern basis and has not been adjusted.

**(u) Fair Value of Assets and Liabilities**

*2015 and 2014 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 (ie 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.

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**NOTE 2: REVENUE AND EXPENSES**

|       |   | <b>CONSOLIDATED GROUP</b> |                |
|-------|---|---------------------------|----------------|
|       |   | <b>2015</b>               | <b>2014</b>    |
|       |   | <b>\$</b>                 | <b>\$</b>      |
| (a)   | Revenue and expenses from continuing operations                 |                           |                |
|       | Option reserve write-off  | <b>972,658</b>            | -              |
|       | Interest received   | <b>9,701</b>              | 44,530         |
|       | Exchange gain   | -                         | 484            |
|       |   | <b>982,359</b>            | <b>45,014</b>  |
| <hr/> |   |                           |                |
| (b)   | Loss before income tax includes the following specific expenses |                           |                |
|       | Depreciation and amortisation expense                           |                           |                |
|       | Computer equipment  | <b>6,022</b>              | 14,504         |
|       | Furniture and fittings  | <b>582</b>                | 11,826         |
|       | Software licences   | <b>333</b>                | 681            |
|       | Improvements  | <b>179,291</b>            | 345,500        |
|       | Vehicles  | -                         | 44,381         |
|       | Equipment   | <b>40,222</b>             | 184,609        |
|       |   | <b>226,450</b>            | 601,501        |
|       | Less amounts capitalised as exploration expenditure             | <b>(217,423)</b>          | (410,092)      |
|       |   | <b>9,027</b>              | <b>191,409</b> |
| <hr/> |   |                           |                |
| (c)   | Share-based payment   |                           |                |
|       | Employee share and option plan – option expense                 | <b>959,760</b>            | 713,146        |
|       | Expenses capitalised  | <b>(323,596)</b>          | (593,370)      |
|       | Net option expense  | <b>636,164</b>            | 119,776        |
| <hr/> |   |                           |                |
| (d)   | Lease rentals   | <b>109,685</b>            | 164,604        |

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**NOTE 3: INCOME TAX BENEFIT**

|   | 2015                | 2014          |
|---|---------------------|---------------|
|   | \$                  | \$            |
| (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 2015 and 30 June 2014 is as follows: |                     |               |
| Accounting loss before tax from continuing operations   | <b>104,437,600</b>  | 10,864,203    |
| Accounting loss before income tax   | <b>104,437,600</b>  | 10,864,203    |
| At the statutory income tax rate of 30% (2014: 30%)   | <b>(31,331,280)</b> | (3,259,261)   |
| Permanent differences   | <b>30,003,364</b>   | 2,223,279     |
| Movement in temporary differences not brought to account – other  | <b>(20,658)</b>     | 24,251        |
| Tax losses and timing differences not previously brought to account   | <b>1,348,574</b>    | 1,011,731     |
| Income tax expense  | <b>-</b>            | -             |
| Effective income tax rate   | <b>0%</b>           | 0%            |
| (b) Tax balances not brought to account   |                     |               |
| Deferred tax assets (timing difference) comprises of:   |                     |               |
| Blackhole expenditure   | <b>10,318</b>       | 18,047        |
| Provisions and others   | <b>19,218</b>       | 46,491        |
| Potential deferred tax asset (timing difference) not brought to account   | <b>29,536</b>       | 64,538        |
| Deferred tax assets (tax losses) comprise of:   |                     |               |
| Tax losses not brought to account   | <b>17,758,704</b>   | 14,419,961    |
| Potential deferred tax asset (tax losses) not brought to account  | <b>5,327,611</b>    | 4,325,988     |
| Deferred tax liability comprise of:   |                     |               |
| Unrealised gain or loss on disposal   | -                   | <b>42,269</b> |
| Others  | -                   | <b>1,123</b>  |
| Potential deferred tax liability (timing difference) not brought to account   | -                   | <b>43,392</b> |



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**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:  
 Dermott McVeigh<sup>(1)</sup>  
 Craig Dawson<sup>(2)</sup>  
 Keith Murray<sup>(3)</sup>  
 Hugh Thomas<sup>(4)</sup>  
 Gavan H Farley<sup>(5)</sup>  
 Robert Thomson<sup>(6)</sup>

Management:  
 Stephen C Promnitz, CEO<sup>(7)</sup>  
 George Niumataiwalu, Country Officer PNG, and Director of Regional Projects  
 Ashok Jairath, CFO

(1) Appointed 30 July 2014, resigned 3 November 2015

(2) Appointed 28 February 2014

(3) Appointed 20 October 2014

(4) Resigned 30 July 2014

(5) Resigned 30 October 2014

(6) Resigned 30 July 2014

(7) Resigned 30 July 2014

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

|  | 2015           | 2014      |
|--|----------------|-----------|
|  | \$             | \$        |
| Short-term employee benefits (Cash & Deferred) | <b>942,603</b> | 1,524,612 |
| Post-employment benefits                       | <b>50,593</b>  | 112,026   |
| Share based payments                           | -              | -         |
|  | <b>993,196</b> | 1,636,638 |

b) Share holdings

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

|                                | Balance at<br>1 July 2014 | Received as<br>Compensation | Net Change | Balance at<br>30 June 2015 |
|--------------------------------|---------------------------|-----------------------------|------------|----------------------------|
| <b>Directors:</b>              |                           |                             |            |                            |
| Dermott McVeigh <sup>(1)</sup> | -                         | 11,074,555                  | 11,074,555 | 11,074,555                 |
| Craig Dawson <sup>(2)</sup>    | -                         | 3,018,518                   | 3,018,518  | 3,018,518                  |
| Keith Murray <sup>(3)</sup>    | -                         | -                           | -          | -                          |
| Hugh Thomas <sup>(4)</sup>     | -                         | -                           | -          | -                          |

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and Controlled Entities**  
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**NOTE 4: KEY MANAGEMENT PERSONNEL COMPENSATION (continued)**

|   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
| Gavan H Farley <sup>(5)</sup>                       | 520,000   |           |           | N/A       |
| Robert Thomson <sup>(6)</sup>                       | -         | -         | -         | -         |
| <b>Other key management personnel of the group:</b> |           |           |           |           |
| Stephen C Promnitz <sup>(7)</sup>                   | 1,881,667 |           | -         | N/A       |
| George Niumataiwalu                                 | 36,666    | 4,673,083 | 4,673,083 | 4,709,749 |
| Ashok Jairath                                       | 176,667   | 7,244,445 | 7,244,445 | 7,244,445 |

c) Option holdings

Number of options held by key Management personnel.

|   | Balance at<br>1 July 2014 | Received as<br>Compensation | Net Change  | Balance at<br>30 June 2015 |
|---|---------------------------|-----------------------------|-------------|----------------------------|
| <b>Directors:</b>                                   |                           |                             |             |                            |
| Dermott McVeigh <sup>(1)</sup>                      | -                         | -                           | -           | -                          |
| Craig Dawson <sup>(2)</sup>                         | -                         | -                           | -           | -                          |
| Keith Murray <sup>(3)</sup>                         | -                         | -                           | -           | -                          |
| Hugh Thomas <sup>(4)</sup>                          | -                         | -                           | -           | -                          |
| Gavan H Farley <sup>(5)</sup>                       | 2,000,000                 | -                           | (2,000,000) | -                          |
| Robert Thomson <sup>(6)</sup>                       | -                         | -                           | -           | -                          |
| <b>Other key management personnel of the group:</b> |                           |                             |             |                            |
| Stephen C Promnitz <sup>(7)</sup>                   | 7,000,000                 | -                           | (7,000,000) | -                          |
| George Niumataiwalu                                 | 8,000,000                 | -                           | (8,000,000) | -                          |
| Ashok Jairath <sup>(8)</sup>                        | 4,500,000                 | -                           | (4,500,000) | -                          |

<sup>(1)</sup> Appointed 30 July 2014, resigned 3 November 2015

<sup>(2)</sup> Appointed 28 February 2014

<sup>(3)</sup> Appointed 20 October 2014

<sup>(4)</sup> Resigned 30 July 2014

<sup>(5)</sup> Resigned 30 October 2014

<sup>(6)</sup> Resigned 30 July 2014

<sup>(7)</sup> Resigned 30 July 2014

<sup>(8)</sup> Ashok Jairath exercised 300,000 options during the period.

Note: all options on issue have been cancelled under section 7.6.2 of the DOCA.

**NOTE 5: AUDITOR'S REMUNERATION**

|   | 2015          | 2014          |
|---|---------------|---------------|
|   | \$            | \$            |
| Remuneration of the auditor of the parent entity for: |               |               |
| - auditing or reviewing the financial statements      | 47,500        | 65,000        |
| - other services                                      | 13,250        | 22,526        |
|   | <u>60,750</u> | <u>87,526</u> |

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**NOTE 6: EARNINGS PER SHARE**

|   | 2015                 | 2014         |
|---|----------------------|--------------|
|   | \$                   | \$           |
| a) Reconciliation of earnings to loss   | <b>(104,437,600)</b> | (10,864,203) |
| Earnings used to calculate basic and diluted EPS  | <b>(104,437,600)</b> | (10,864,203) |
|   | <b>No.</b>           | <b>No.</b>   |
| b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | <b>1,261,973,291</b> | 943,953,727  |
|   | <b>1,261,973,291</b> | 943,953,727  |
| c) Basic loss per share (cents per share)   | <b>(8.28)</b>        | (1.15)       |

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

The disclosure of diluted earnings per share under AASB 133 is not considered relevant to users as all options on issue will be cancelled once the DOCA is fully implemented.

**NOTE 7: CASH AND CASH EQUIVALENTS**

|                          | 2015           | 2014    |
|--------------------------|----------------|---------|
|                          | \$             | \$      |
| Cash at bank and on hand | <b>285,847</b> | 497,078 |
|                          | <b>285,847</b> | 497,078 |

**NOTE 8: TERM DEPOSITS**

|              |   |         |
|--------------|---|---------|
| Term Deposit | - | 394,672 |
|              | - | 394,672 |

**NOTE 9: TRADE AND OTHER RECEIVABLES**

**CURRENT**

|                 |   |         |
|-----------------|---|---------|
| Prepayments     | - | 160,836 |
| GST and VAT     | - | 348,801 |
| Bank guarantees | - | 193,878 |
| Sundry Debtors  | - | 9,435   |
| Deposits paid   | - | 73,613  |
|                 | - | 786,563 |

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|   | 2015               | 2014      |
|---|--------------------|-----------|
|   | \$                 | \$        |
| <b>NOTE 10: PLANT AND EQUIPMENT</b>       |                    |           |
| <b>Computer equipment at cost</b>         | <b>37,415</b>      | 68,449    |
| Accumulated depreciation                  | <b>(37,415)</b>    | (53,483)  |
|   | -                  | 14,966    |
| <b>Furniture and fittings at cost</b>     | <b>11,530</b>      | 41,111    |
| Accumulated depreciation                  | <b>(11,530)</b>    | (27,649)  |
|   | -                  | 13,462    |
| <b>Software licences at cost</b>          | <b>1,475</b>       | 33,694    |
| Accumulated depreciation                  | <b>(1,475)</b>     | (32,314)  |
|   | -                  | 1,380     |
| <b>Buildings and improvements at cost</b> | <b>1,094,001</b>   | 1,505,784 |
| Accumulated depreciation                  | <b>(1,094,001)</b> | (903,569) |
|   | -                  | 602,215   |
| <b>Motor vehicles at cost</b>             | -                  | 44,309    |
| Accumulated depreciation                  | -                  | (44,309)  |
|   | -                  | -         |
| <b>Plant and equipment at cost</b>        | <b>206,586</b>     | 670,314   |
| Accumulated depreciation                  | <b>(206,586)</b>   | (366,360) |
|   | -                  | 303,954   |
| <b>Total</b>                              | -                  | 935,977   |

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**NOTE 10: PLANT AND EQUIPMENT (continued)**

**Movements in carrying amounts**

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

|   | 2015     | 2014     |
|---|----------|----------|
|   | \$       | \$       |
| <b>Computer equipment</b>               |          |          |
| Carrying value at beginning of the year | 14,966   | 29,470   |
| Additions                               | -        | -        |
| Disposals                               | (28,361) | -        |
| Write-off                               | (2,672)  | -        |
| Accumulated depreciation on disposals   | 22,089   | -        |
| Accumulated depreciation                | (6,022)  | (14,504) |
| Carrying value at the end of the year   | -        | 14,966   |
| <b>Furniture and fittings</b>           |          |          |
| Carrying value at beginning of the year | 13,462   | 25,336   |
| Additions                               | -        | -        |
| Disposals                               | (1,226)  | -        |
| Write-off                               | (12,079) | -        |
| Accumulated depreciation on disposals   | 425      | -        |
| Accumulated depreciation                | (582)    | (11,826) |
| Foreign exchange differences            | -        | (48)     |
| Carrying value at the end of the year   | -        | 13,462   |
| <b>Software licences</b>                |          |          |
| Carrying value at beginning of the year | 1,380    | 2,061    |
| Additions                               | -        | -        |
| Disposals                               | (271)    | -        |
| Write-off                               | (977)    | -        |
| Accumulated depreciation on disposals   | 201      | -        |
| Accumulated depreciation                | (333)    | (681)    |
| Carrying value at the end of the year   | -        | 1,380    |

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**NOTE 10: PLANT AND EQUIPMENT (continued)**

|   | 2015      | 2014      |
|---|-----------|-----------|
|   | \$        | \$        |
| <b>Building improvements</b>            |           |           |
| Carrying value at beginning of the year | 602,215   | 1,011,210 |
| Additions                               | -         | 47,596    |
| Disposals                               | -         | -         |
| Write-off                               | (341,528) | -         |
| Accumulated depreciation on disposals   | -         | -         |
| Accumulated depreciation                | (179,291) | (345,500) |
| Foreign exchange differences            | (81,396)  | (111,091) |
| Carrying value at the end of the year   | -         | 602,215   |
| <b>Motor vehicles</b>                   |           |           |
| Carrying value at beginning of the year | -         | 141,532   |
| Additions                               | -         | -         |
| Disposals                               | -         | (91,584)  |
| Accumulated depreciation                | -         | (44,382)  |
| Foreign exchange differences            | -         | (5,566)   |
| Carrying value at the end of the year   | -         | -         |
| <b>Plant and equipment</b>              |           |           |
| Carrying value at beginning of the year | 303,954   | 477,000   |
| Additions                               | -         | 58,130    |
| Disposals                               | -         | (12,415)  |
| Write-off                               | (204,280) | -         |
| Accumulated depreciation                | (40,222)  | (184,609) |
| Foreign exchange differences            | (59,452)  | (34,152)  |
| Carrying value at the end of the year   | -         | 303,954   |
| <b>Total</b>                            |           |           |
| Carrying value at beginning of the year | 935,977   | 1,686,609 |
| Additions                               | -         | 105,726   |
| Disposals                               | (29,858)  | (103,999) |

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**Notes to the Financial Statements**  
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**NOTE 10: PLANT AND EQUIPMENT (continued)**

|                                       | 2015      | 2014      |
|---------------------------------------|-----------|-----------|
|                                       | \$        | \$        |
| Write-off                             | (561,536) | -         |
| Accumulated depreciation on disposal  | 22,715    | -         |
| Accumulated depreciation              | (226,450) | (601,502) |
| Foreign exchange differences          | (140,848) | (150,857) |
| Carrying value at the end of the year | -         | 935,977   |

Note: As at 30 June 2015, all Plant and Equipment has been written down to nil.

**NOTE 11: EVALUATION AND EXPLORATION COSTS CAPITALISED**

|   |              |             |
|---|--------------|-------------|
| Opening balance                         | 88,889,978   | 82,311,680  |
| Current year expenditure                | 6,852,999    | 17,693,582  |
| Expenditure written off during the year | (99,409,533) | (5,905,995) |
| Foreign exchange differences            | 3,666,556    | (5,209,289) |
| Closing balance                         | -            | 88,889,978  |

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

**NOTE 12: OTHER FINANCIAL ASSETS**

|                                    |   |       |
|------------------------------------|---|-------|
| Available for sale financial asset |   |       |
| Listed investment                  | - | 2,000 |
|                                    | - | 2,000 |

**NOTE 13: TRADE AND OTHER PAYABLES**

|  |            |           |
|--|------------|-----------|
| Trade payables   | 6,830,756  | 6,381,194 |
| *Other Borrowings (Secured loan Aude Holdings Pty Ltd) | 4,082,314  | -         |
| Payroll related payables                               | 1,025,837  | 345,041   |
| Other payables   | -          | 12,480    |
|  | 11,938,907 | 6,738,715 |

Note: Under section 3.8 trade payables will be dealt with as class B creditors, other borrowings, comprising a secured loan, will preserve their rights under section 3.30 of the DOCA and employees' claims will be treated as Priority Creditor's Claim under section 3.24 of the DOCA.

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|                            | <b>2015</b>      | <b>2014</b> |
|----------------------------|------------------|-------------|
|                            | <b>\$</b>        | <b>\$</b>   |
| <b>NOTE 14: PROVISIONS</b> |                  |             |
| <b>CURRENT</b>             |                  |             |
| Annual leave               | <b>64,062</b>    | 222,114     |
| Other provision            | <b>120,000</b>   | 540,000     |
|                            | <b>184,062</b>   | 762,114     |
| Opening balance            | <b>762,114</b>   | 160,990     |
| Raised during the year     | <b>604,062</b>   | 962,114     |
| Used during the year       | <b>(762,114)</b> | (160,990)   |
| Unused amount reversed     | <b>(420,000)</b> | (200,000)   |
| Closing balance            | <b>184,062</b>   | 762,114     |

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

**NOTE 15: BORROWINGS**

**CURRENT**

Unsecured liabilities:

|                 |   |        |
|-----------------|---|--------|
| Other creditors | - | 44,831 |
|                 | - | 44,831 |

Secure liabilities:

|   |   |           |
|---|---|-----------|
| Third party loan – Aude Holdings Pty Ltd* | - | 1,916,792 |
|   | - | 1,916,792 |
| <b>Total Borrowings</b>                   | - | 1,961,623 |

The carrying amounts of assets pledged as security are:

|  |                |            |
|--|----------------|------------|
| Fixed and Floating charge over assets of the Company | <b>285,847</b> | 91,506,268 |
|--|----------------|------------|

\* 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 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 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 trustees for Lastours Investment Trust. 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



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**NOTE 15: BORROWINGS (continued)**

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 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.

| 2015 | 2014 |
|------|------|
| \$   | \$   |

**NOTE 16: ISSUED CAPITAL**

Ordinary shares

|  |             |             |
|--|-------------|-------------|
| 1,363,855,013 (2014: 1,095,830,301) fully paid ordinary shares | 133,031,922 | 127,083,687 |
|--|-------------|-------------|

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.

| <b>Movements in ordinary shares on issue</b> |   | <b>No. of Shares</b> | <b>\$</b>          |
|--|---|----------------------|--------------------|
| <b>Balance at 1 July 2013</b>                |   | <b>841,522,946</b>   | <b>112,178,701</b> |
| 19/08/13                                     | Placement @ \$0.08                                | 38,122,500           | 3,049,800          |
| 12/11/13                                     | Placement @ \$0.07                                | 85,555,025           | 5,988,852          |
| 31/03/14                                     | Placement @ \$0.09                                | 38,296,655           | 3,446,699          |
| 06/06/14                                     | Placement @ \$0.042                               | 92,333,175           | 3,877,993          |
| Less transaction costs on share issues       |   | -                    | (1,458,358)        |
| <b>Balance at 30 June 2014</b>               |   | <b>1,095,830,301</b> | <b>127,083,687</b> |
| <b>Balance at 1 July 2014</b>                |   | <b>1,095,830,301</b> | <b>127,083,687</b> |
| 12/09/14                                     | Placement @ \$0.032                               | 110,670,000          | 3,541,440          |
| 12/09/14                                     | Staff performance share options @ \$0.135         | 450,000              | 60,750             |
| 28/11/14                                     | In lieu of cash consideration @ 0.018             | 61,719,707           | 1,110,955          |
| 28/11/14                                     | In lieu of Director and consulting fees @ \$0.027 | 18,788,814           | 507,298            |
| 05/02/15                                     | Placement @ \$0.01                                | 50,000,000           | 500,000            |
| 05/02/15                                     | In lieu of cash consideration @ \$0.01            | 12,901,839           | 129,018            |
| 05/02/15                                     | In lieu of cash consideration @ \$ 0.012          | 13,494,352           | 161,932            |
| Less transaction costs on share issues       |   | -                    | (63,158)           |
| <b>Balance at 30 June 2015</b>               |   | <b>1,363,855,013</b> | <b>133,031,922</b> |

Under the DOCA existing shares on issue will be consolidated at a ratio of 400:1, when the DOCA is fully implemented.

**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 2015**

**NOTE 16: ISSUED CAPITAL (continued)**

|            | <b>Movements in options</b>        | <b>No. of Options</b> |
|------------|------------------------------------|-----------------------|
|            | Balance at 1 July 2013             | 71,250,000            |
| 08/02/14   | Options expired                    | (3,000,000)           |
| 02/03/14   | Options expired                    | (500,000)             |
| 31/03/14   | Options granted                    | 16,500,000            |
| 30/04/14   | Options expired                    | (5,000,000)           |
| 30/04/14   | Options expired                    | (10,000,000)          |
|            | <b>Balance as at 30 June 2014</b>  | <b>69,250,000</b>     |
|            | Balance at 1 July 2014             | 69,250,000            |
| 05/07/15   | Options expired                    | (1,250,000)           |
| 05/07/15   | Options expired                    | (1,500,000)           |
| 03/09/14   | Options issued                     | 42,136,826            |
| 12/09/14   | Options exercised                  | (450,000)             |
| 30/09/14   | Options expired                    | (5,000,000)           |
| 30/09/14   | Options expired                    | (2,500,000)           |
| 30/09/14   | Options expired                    | (5,000,000)           |
| 30/09/14   | Options expired                    | (7,500,000)           |
| 30/09/14   | Options expired                    | (5,000,000)           |
| 28/11/14   | Options issued                     | 55,335,000            |
| 30/12/14   | Options expired                    | (1,500,000)           |
| 17/03/15   | Options expired                    | (5,000,000)           |
| 30/06/2015 | Options to be cancelled under DOCA | (132,021,826)         |
|            | <b>Balance as at 30 June 2015</b>  | <b>-</b>              |

- On 5 July 2014, 1,250,000 options granted to HSBC Custody Nominees: Maple Leaf at \$0.20 expired.
- On 5 July 2014, 1,500,000 options granted to Jabre Capital Partner S.A. at \$0.20 expired.
- On 3 September 2014, 42,136,836 options were granted to various investors who participated in a placement at \$0.07.
- On 12 September 2014, 450,000 options were exercised under the Employee Share and Option Plan.
- On 30 September 2014, 5,000,000 options granted to Felix Bay Capital Pty Ltd – transferred to David Evans at \$0.20 expired.
- On 30 September 2014, 2,500,000 options granted to Felix Bay Capital Pty Ltd- transferred to David Evans at \$0.20 expired.
- On 30 September 2014, 5,000,000 options granted to Ross Hill Associates Pty Ltd at \$0.20 expired.
- On 30 September 2014, 7,500,000 options granted to Comdox No.2008 Pty Ltd at \$0.20 expired.
- On 30 September 2014, 5,000,000 options granted to Comdox No.2008 Pty Ltd at \$0.20 expired.

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**Notes to the Financial Statements**  
**For the year ended 30 June 2015**

**NOTE 16: ISSUED CAPITAL (continued)**

- On 28 November 2014, 55,335,000 options were granted to various investors, who participated in a placement at \$0.07.
- On 30 December 2014, 1,500,000 options granted to Ian Ross at \$0.20 expired.
- On 17 March 2015, 5,000,000 options granted to Tiger moth Investments at \$0.25 expired
- On 30 June 2015, 132,021,826 options on issue were derecognised. Under the terms of the DOCA section 7.6.2 all options on issue to acquire shares in the Company as at 27 March 2015 are to be cancelled.

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

**Capital Management**

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

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

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

|  | 2015                | 2014        |
|--|---------------------|-------------|
|  | \$                  | \$          |
| <b>NOTE 17: RESERVES AND ACCUMULATED LOSSES</b>          |                     |             |
| <b>a) Reserves</b>                                       |                     |             |
| Share option reserve                                     | -                   | 11,183,913  |
| Foreign currency translation reserve                     | <b>(1,306,262)</b>  | (5,975,439) |
| Total Reserves   | <b>(1,306,262)</b>  | 5,208,474   |
| <b>Movements:</b>  |                     |             |
| Foreign currency translation reserve                     |                     |             |
| At the beginning of the year                             | <b>(5,975,439)</b>  | (1,015,087) |
| Currency translation differences arising during the year | <b>4,669,177</b>    | (4,960,352) |
| Balance at the end of the financial year                 | <b>(1,306,262)</b>  | (5,975,439) |
| Share option reserve                                     |                     |             |
| At the beginning of the year                             | <b>11,183,913</b>   | 10,470,767  |
| Share options arising during the year                    | <b>899,010</b>      | 713,146     |
| Write-off option reserve                                 | <b>(12,082,923)</b> | -           |
| Balance at the end of the financial year                 | -                   | 11,183,913  |

**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 2015**

**NOTE 17: RESERVES AND ACCUMULATED LOSSES (continued)**

**Foreign currency translation reserve**

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

**Shared option reserve**

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

|  | 2015          | 2014         |
|--|---------------|--------------|
|  | \$            | \$           |
| <b>b) Accumulated Losses</b>                                 |               |              |
| Movements in accumulated losses were as follows:             |               |              |
| Accumulated losses at the beginning of the year              | (50,248,345)  | (39,384,142) |
| Net loss attributable to members of Indochine Mining Limited | (104,437,600) | (10,864,203) |
| Sub-total  | (154,685,945) | (50,248,345) |
| Option reserve reclassified to Accumulated Losses            | 11,123,163    | -            |
| Accumulated losses at the end of the financial year          | (143,562,782) | (50,248,345) |

**NOTE 18: 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.

|                                 | 2015        | 2014       |
|---------------------------------|-------------|------------|
|                                 | \$          | \$         |
| <b>PARENT ENTITY</b>            |             |            |
| <b>a) Financial information</b> |             |            |
| Loss for the year               | 102,295,090 | 16,947,022 |
| Total comprehensive loss        | 102,295,090 | 16,947,022 |
| <b>Assets</b>                   |             |            |
| Cash and cash equivalent        | 261,872     | 360,507    |
| Term deposits                   | -           | 421,589    |
| Trade and other receivables     | -           | 69,683,310 |
| Property, Plant and Equipment   | -           | 68,054     |
| Investment subsidiaries         | -           | 24,039,373 |
| <b>Total Assets</b>             | 261,872     | 94,572,833 |
| <b>Liabilities</b>              |             |            |
| Trade and other payables        | 8,451,567   | 3,927,224  |
| Provisions                      | 184,062     | 694,969    |
| Borrowing                       | -           | 1,916,792  |
|                                 | -           | 1,916,792  |

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and Controlled Entities**  
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**Notes to the Financial Statements**  
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**NOTE 18: PARENT ENTITY DISCLOSURES (continued)**

|                          |                      |              |
|--------------------------|----------------------|--------------|
| <b>Total Liabilities</b> | <b>8,635,629</b>     | 6,538,985    |
| <b>Net assets</b>        | <b>(8,373,757)</b>   | 88,033,848   |
|                          | <b>2015</b>          | 2014         |
| <b>Equity</b>            | <b>\$</b>            | \$           |
| Issued capital           | <b>133,031,922</b>   | 127,083,687  |
| Reserves                 | -                    | 11,183,913   |
| Accumulated losses       | <b>(141,405,679)</b> | (50,233,752) |
| <b>Total equity</b>      | <b>(8,373,757)</b>   | 88,033,848   |

The 2015 financial statements have been prepared on a non-going concern basis and comparatives have not been adjusted. In light of the factors above, current (non-current presentation of assets and liabilities in the balance sheet 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 to Note 1(a).

|   | <b>2015</b>          | 2014         |
|---|----------------------|--------------|
|   | <b>\$</b>            | \$           |
| <b>NOTE 19: CASH FLOW INFORMATION</b>   |                      |              |
| <b>Reconciliation of cash flow from operations with loss after income tax</b> |                      |              |
| Loss after income tax   | <b>(104,437,600)</b> | (10,864,203) |
| Non-cash flows in profit  |                      |              |
| Depreciation  | <b>9,027</b>         | 191,409      |
| Net loss on disposal of plant and equipment                                   | <b>7,143</b>         | 63,625       |
| Impairment of non-current assets  | <b>95,135,946</b>    | 5,905,995    |
| Foreign exchange  | <b>614,571</b>       | (2,329,291)  |
| Share option expense  | <b>(606,167)</b>     | 713,146      |
| Share issued for services rendered  | <b>1,450,191</b>     | 309,235      |
| Accrued interest  | <b>786,903</b>       | 416,793      |
| Changes in assets and liabilities   |                      |              |
| (Increase)/decrease in trade and other receivables                            | <b>1,181,236</b>     | (40,687)     |
| Decrease in trade and other creditors   | <b>1,117,878</b>     | 2,903,688    |
| (Decrease)/increase in provisions   | <b>(578,052)</b>     | 601,124      |
| <b>Net cash flow used in operating activities</b>                             | <b>(5,318,924)</b>   | (2,129,166)  |

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and Controlled Entities**  
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**Notes to the Financial Statements**  
**For the year ended 30 June 2015**

**NOTE 20: 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 22: 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:**

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

The following transactions occurred with related parties:

|                              |                |             |
|------------------------------|----------------|-------------|
| i. Key management personnel: | <b>2015</b>    | <b>2014</b> |
|                              | <b>\$</b>      | <b>\$</b>   |
| <b>Consultancy fees</b>      |                |             |
| Dermott McVeigh              | <b>129,734</b> | -           |
| Craig Dawson                 | <b>37,000</b>  |             |
| Gavan Farley                 | <b>37,672</b>  | -           |

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

**Indochine Mining Limited (Subject to Deed of Company Arrangement) and Controlled Entities**  
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**Notes to the Financial Statements**  
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**NOTE 20: RELATED PARTY TRANSACTIONS (continued)**

|   |                                  | 2015         | 2014       |
|---|----------------------------------|--------------|------------|
|   |                                  | \$           | \$         |
| <b>c) Amounts outstanding from related parties:</b> |                                  |              |            |
| i.  | Loans to ultimate parent entity: |              |            |
|   | Beginning of the year            | 1,187,882    | 1,190,036  |
|   | Loan repayment received          | 29,882       | (2,153)    |
|   | Loans written off                | (1,217,764)  | -          |
|   | End of the year                  | -            | 1,187,883  |
| ii.   | Loans to subsidiaries:           |              |            |
|   | Beginning of the year            | 80,285,915   | 64,872,202 |
|   | Loans advanced                   | 8,162,985    | 15,413,712 |
|   | Loans written-off                | (88,448,900) | -          |
|   | End of the year                  | -            | 80,285,914 |
| iii.  | Doubtful debts                   |              |            |
|   | Beginning of the year            | 3,828,397    | 3,828,397  |
|   | Doubtful debt expense            | (3,828,397)  | -          |
|   | End of year                      | -            | 3,828,397  |
| <b>d) Amounts payable to related parties:</b>       |                                  |              |            |
| i.  | Loans from the parent entity:    |              |            |
|   | Beginning of the year            | 73,332,018   | 57,754,875 |
|   | Loans advanced                   | 6,805,724    | 15,577,143 |
|   | Loans written off                | (80,137,742) | -          |
|   | End of the year                  | -            | 73,332,018 |
| ii.   | Loans from subsidiaries :        |              |            |
|   | Beginning of the year            | 8,141,779    | 8,307,363  |
|   | Loans advanced                   | 1,387,143    | (165,584)  |
|   | Loans written-off                | (9,528,922)  | -          |
|   | End of the year                  | -            | 8,141,779  |

**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 2015**

**NOTE 21: SEGMENT REPORTING**

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

|   | Australia | Cambodia  | Papua New<br>Guinea | Total       |
|---|-----------|-----------|---------------------|-------------|
| <b>2015</b>                                     | <b>\$</b> | <b>\$</b> | <b>\$</b>           | <b>\$</b>   |
| <b>Revenue</b>                                  |           |           |                     |             |
| Revenue   | 982,359   | -         | -                   | 982,359     |
| <b>Total segment revenue</b>                    |           |           |                     |             |
| <b>Results</b>                                  |           |           |                     |             |
| Operating loss before income tax                | 4,258,875 | (34,838)  | 100,213,563         | 104,437,600 |
| Income tax expense                              | -         | -         | -                   | -           |
| Net loss  | 4,258,875 | (34,838)  | 100,213,563         | 104,437,600 |
| Included within segment results                 | 4,258,875 | (34,388)  | 100,213,563         | 104,437,600 |
| Depreciation and amortisation of segment assets | 9,027     | -         | -                   | 9,027       |
| Segment assets                                  | 285,847   | -         | -                   | 285,847     |
| Segment liabilities                             | 6,290,842 | 262,922   | 5,569,205           | 12,122,969  |
| <b>2014</b>                                     | <b>\$</b> | <b>\$</b> | <b>\$</b>           | <b>\$</b>   |
| <b>Revenue</b>                                  |           |           |                     |             |
| Interest income                                 | 45,014    | -         | -                   | 45,014      |
| <b>Total segment revenue</b>                    | 45,014    | -         | -                   | 45,014      |
| <b>Results</b>                                  |           |           |                     |             |
| Operating loss before income tax                | 3,207,519 | 7,656,684 | -                   | 10,864,203  |
| Income tax expense                              | -         | -         | -                   | -           |
| Net loss  | 3,207,519 | 7,656,684 | -                   | 10,864,203  |
| Included within segment results                 | 3,207,519 | 7,656,684 | -                   | 10,864,203  |
| Depreciation and amortisation of segment assets | 22,612    | 168,797   | -                   | 191,409     |
| Segment assets                                  | 1,425,986 | 142,643   | 89,937,639          | 91,506,268  |
| Segment liabilities                             | 4,157,868 | 1,388,945 | 3,915,639           | 9,462,452   |



**Indochine Mining Limited (Subject to Deed of Company Arrangement) and Controlled Entities**  
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**Notes to the Financial Statements**  
**For the year ended 30 June 2015**

**NOTE 22: CONTROLLED ENTITIES**

|  | Country of Incorporation | Percentage Owned |      |
|--|--------------------------|------------------|------|
|  |                          | 2015             | 2014 |
| <b>Subsidiaries of Indochine Mining Limited:</b> |                          |                  |      |
| Indochine Resources Pty Limited                  | Australia                | 100%             | 100% |
| Asia Pacific Gold and Copper Company Pty Ltd     | Australia                | 100%             | 100% |
| Aries Mining Limited Pty Ltd                     | Australia                | 100%             | 100% |
| Summit Development Ltd                           | Papua New Guinea         | 100%             | 100% |
| Positive Developments Limited                    | Papua New Guinea         | 100%             | 100% |

**NOTE 23: COMMITMENTS AND CONTINGENCIES**

|                                    | 2015 | 2014    |
|------------------------------------|------|---------|
|                                    | \$   | \$      |
| <b>Operating lease commitments</b> |      |         |
| - not later than 12 months         | -    | 145,659 |
| - between 12 months and five years | -    | 151,485 |
|                                    | -    | 297,144 |

**Legal Proceedings**

- On 17 June 2015 former CEO, 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.

Notice was received on 6 September that Mr Promnitz had filed an appeal with the Court of Appeal which was subsequently dismissed.

**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 2015**

**NOTE 24: SUBSEQUENT EVENTS**

- 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.

**NOTE 25: SHARE-BASED PAYMENT**

**a) Employee Share and Option Plan**

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

On 31 March 2014, 16,500,000 staff performance options were issued through the Option Share Trust (OST), at zero exercise price, exercisable upon reaching certain performance targets on or before 31 March 2019. Participation in the OST is by way of unit holding in a trust (share units). One share unit represents one share option. The Share units in the OST are issued for a consideration equal to the value if the options allocated for the benefit of the employee. The options are issued for consideration equivalent to their valuation.

Shares or options under the plan granted during the financial year is as follows:

|  | Number     | Weighted<br>Average<br>exercise<br>price |
|--|------------|--|
| Options outstanding as at 30 June 2013 | 14,500,000 | 0  |
| Granted                                | 16,500,000 | 0  |
| Forfeited                              | -          | -  |

**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 2015**

**NOTE 25: SHARE-BASED PAYMENT (continued)**

|   |                     |          |
|---|---------------------|----------|
| Exercised                                     | -                   | -        |
| Expired                                       | -                   | -        |
| <b>Options outstanding as at 30 June 2014</b> | <b>31,000,000</b>   | <b>0</b> |
| Options exercisable as at 30 June 2014        | <b>1,525,000</b>    | <b>0</b> |
| <br>  |                     |          |
| Options outstanding as at 30 June 2014        | <b>31,000,000</b>   | <b>0</b> |
| Granted                                       | -                   | -        |
| Forfeited                                     | -                   | -        |
| Exercised                                     | <b>(450,000)</b>    | <b>0</b> |
| Expired                                       | -                   | -        |
| To be cancelled                               | <b>(30,550,000)</b> | -        |
| <b>Options outstanding as at 30 June 2015</b> | <b>-</b>            | <b>0</b> |
| Options exercisable as at 30 June 2015        | -                   | <b>0</b> |

**b) Expenses arising from share-based payment transactions:**

|                                | 2015             | 2014      |
|--------------------------------|------------------|-----------|
|                                | \$               | \$        |
| Employee share and option plan | <b>899,010</b>   | 713,146   |
| Expenses capitalised           | <b>(262,846)</b> | (593,370) |
| Net option expense             | <b>636,164</b>   | 119,776   |

**NOTE 26: 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 21 to 59 are in accordance with the *Corporations Act 2001*, including:
- i. Complying with Accounting Standards, International Financial Reporting Standards as issued by the International Accounting Standards Board 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 2015 and its performance, changes in equity and their 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 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 therefore will be able to pay its debts:
- in accordance with the DOCA arrangements detailed in Note 1(b)
  - as and when they become payable
- iii the audited remuneration disclosure set out on pages 10 to 13 of Director's Report comply with accounting standard AASB 124 Related Party Disclosures and Corporations Regulations 2001

This declaration has been made after receiving the declaration required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2015.

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

On behalf of the Directors



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

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

**Shareholder information as at 10 December 2015**

**Ordinary Share Capital**

As at 10 December 2015, the issued capital comprised of 1,363,855,013 ordinary fully paid shares held by 2,773 holders.

**Distribution of equity securities**

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

| Holding           | Ordinary shares   |                      | Options           |                   |
|-------------------|-------------------|----------------------|-------------------|-------------------|
|                   | Number of Holders | Number of Shares     | Number of Holders | Number of Options |
| 1 to 1,000        | 98                | 3,380                |                   |                   |
| 1,001 to 5000     | 102               | 379,420              |                   |                   |
| 5,001 to 10,000   | 270               | 2,352,599            |                   |                   |
| 10,001 to 100,000 | 1,261             | 57,996,918           | -                 | -                 |
| 100,000 and over  | 1,042             | 1,303,122,696        | -                 | -                 |
|                   | <b>2,773</b>      | <b>1,363,855,013</b> | -                 | -                 |

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

**Twenty largest holders of quoted equity securities**

| Shareholder  | Ordinary shares    |                             |
|--|--------------------|-----------------------------|
|  | Number held        | Percentage of issued shares |
| HSBC Custody Nominees (Australia) Limited            | 166,590,871        | 12.21%                      |
| MCA Nominees   | 87,702,132         | 6.43%                       |
| National Nominees                                    | 81,012,477         | 5.94%                       |
| Jon Edwards Super Pty Ltd                            | 50,000,000         | 3.67%                       |
| Twynam Agricultural Group (Australia) Limited        | 30,545,727         | 2.24%                       |
| Quest Exploration Drilling (PNG) Limited             | 27,777,778         | 2.04%                       |
| BNP Paribas Noms Pty Ltd                             | 20,252,362         | 1.48%                       |
| Australian Contract Mining Pty Ltd                   | 17,214,285         | 1.26%                       |
| Comdox No 28 Pty Limited                             | 16,137,092         | 1.18%                       |
| Redland Plains Pty Ltd                               | 15,550,000         | 1.14%                       |
| JP Morgan Nominees Australia                         | 13,466,064         | 0.99%                       |
| BKVS Enterprise Pte Ltd                              | 13,000,000         | 0.95%                       |
| Mr Keng ChuenTham                                    | 12,751,333         | 0.93%                       |
| Sunfones Pty Ltd                                     | 12,226,969         | 0.90%                       |
| Brispot Nominees Pty Ltd                             | 11,688,805         | 0.86%                       |
| Monex Boom Securities (HK) Ltd                       | 11,500,000         | 0.84%                       |
| Avior Consulting Pty Ltd                             | 11,074,555         | 0.81%                       |
| Agcentral Prt Ltd                                    | 10,666,666         | 0.78%                       |
| Mr Nick Adamidis                                     | 10,461,462         | 0.77%                       |
| Redland Plains Pty Ltd<Majestic Investment Fund A/C) | 10,300,000         | 0.76%                       |
| <b>Total</b>   | <b>629,918,578</b> | <b>46.19%</b>               |

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

**Substantial holders**

Substantial holders in the company are set out below:

| <b>Name of substantial shareholder</b> | <b>Number of shares held</b> | <b>Percentage of issued shares</b> |
|--|------------------------------|------------------------------------|
| Mr Brian Rodan                         | 138,891,417                  | 10.18%                             |
| Ruffer LLP                             | 123,890,474                  | 10.26%                             |
| Genesis Investment Management          | 108,171,833                  | 8.96%                              |
| Capital Research Global Investors      | 73,199,466                   | 6.06%                              |
| Jon Edwards Super Pty Ltd              | 50,000,000                   | 3.67%                              |

**Voting rights**

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

(a) Ordinary shares

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

(b) Options

No voting rights.

**Interest in Mining Tenements**

Current interest in tenements held by Indochine Mining Limited and its subsidiaries as at xx October 2015 are listed below:

| <b>Country / Project</b> | <b>Tenement</b> | <b>Interest</b> |
|--------------------------|-----------------|-----------------|
| Papua New Guinea*        | EL 1093         | 100%            |

*\* Under application for renewal*

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

**Corporate Directory**

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

**COMPANIES IN THE ECONOMIC ENTITY**

|  |                            |
|--|----------------------------|
| Indochine Mining Limited                         | ACN 141 677 385            |
| Indochine Resources Pty Limited                  | ACN 119 808 007            |
| Asia Pacific Gold and Copper Company Pty Limited | ACN 127 948 958            |
| Aries Mining Pty Limited                         | ACN 112 236 114            |
| Summit Development Limited                       | PNG company number 1-73895 |
| Positive Development Limited                     | PNG company number 1-74916 |

**STOCK EXCHANGE**

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