

## Quarterly Activities Report - For Quarter Ended 31 December 2013

### HIGHLIGHTS AND ACHIEVEMENTS

Company Announcements Office  
 Australian Securities Exchange  
 31 January 2013

### Mt Kare Gold/Silver Project PNG

#### Key Achievement - Completed Landowner Investigation Study On-Site Development of High Grade Gold Zones Commenced



ASX:IDC POMSoX:IDC

#### Company Directors

**Ian W Ross**

*Non-Executive Chairman*

**Gavan H Farley**

*Non-Executive Director*

**Dr Michael Leggo**

*Non-Executive Director*

#### Management

**Stephen Promnitz**

*Chief Executive Officer*

**George Niumataiwalu**

*PNG Country Manager*

**Anthony W Burgess**

*Technical Geological Consultant*

**Ashok Jairath**

*Chief Financial Officer*

#### Major Shareholders

Baker Steel Capital	10.0%
Genesis Asset Mgmt	10.0%
MCA Nominees	8.3%
Capital Group	6.0%
BlackRock	4.9%

#### Corporate

Market Cap (30/01/14) ~\$65M  
 Shares Issued 965M

#### Corporate Address

Level 3, 275 George St  
 Sydney NSW 2000 Australia  
[info@indochinemining.com](mailto:info@indochinemining.com)  
[www.indochinemining.com](http://www.indochinemining.com)

#### Landowner Investigation Study Completed on site - Key Company Achievement

- Significant step forward for Mt Kare landowners and shareholders;
- Land boundaries approved and validated on-site by Landowner Clan Groups and Government; and
- Legal rights of landowners established as LIS is incorporated into the Landowner Investigation Report (LIR).

#### Development Commenced on High Grade Gold Zones

- Initial work underway on the underground adit and portal, for direct access to consistent wide high grade gold/silver zones;
- Portal/adit planned for rapid advance in Q1, 2014\*;
- Targeting an increase to +1 Million oz at 10 g/t Au in 6-9 months\* to expand current 2.1 Million ounce resource; and
- High margin, low cost production of approx. 200,000 oz per year gold is targeted in 18 - 24 months, with <\$100M capex targeted\*.

#### New High Grade Gold Targets Identified from Structural Study at Mt Kare

- A structural study by Dr Tony Norman identified a new high grade target over 500 metres and extensions within the resource.

#### Finance - Underground Drilling and Development

- A capital raising (Entitlement Offer) at \$0.07 per share was completed with strong support from major shareholders; and
- A range of funding sources for the Mt Kare project are being explored, including a range of potential debt funding options.

#### Cambodia - Capital Mining Agreement

- The Agreement advanced, subject to certain conditions, with Capital Mining (ASX:CMY) to acquire a majority stake of the Cambodian exploration assets, in return for equity in CMY.

\* Refer Page 2 : Summary and Development

## Summary

Indochine Mining Limited (ASX:IDC) is a gold development company with near-term production from a high grade gold project at Mt Kare in Papua New Guinea. The Company is aiming to develop a high margin, low cost gold mine with production of approximately 200,000 oz gold p.a. at 10 g/t in 18-24 months, plus approximately 800,000 oz p.a. of silver, based on assumptions on recoveries of the project and at the adjoining mine\*. A rapid payback is forecast of approximately 1 year on a capex currently estimated at approximately \$100 million\*. Cash costs are estimated to be among the lowest in the industry\*.

The Project has been de-risked through considerable technical work, with expert partners in underground mining and process plant design/build. Significant resource growth is anticipated as the project has a similar geological setting to the adjoining world-class 28 million ounce Porgera mine, which started from development of a similar high grade zone. Successful engagement with local communities via a "Melanesian Approach" has led to a completed landowner investigation study on-site and has won broad government support. Backing of supportive major investment funds has ensured the Company's success to date.

## Commenced Development of High Grade Gold Zones by Underground Adit

The Company has commenced the initial development of the high grade gold/silver zones, with the preparation of an adit portal underway for underground drilling, and future mining, at the Mt Kare Gold-Silver Project, PNG.

Initially, Indochine is targeting increasing the high grade zones to 1 million ounces gold at 10 g/t \*, via an underground, close-spaced drilling programme from an exploration adit, to expand the current 2.1 million ounce gold resource (42.5Mt at 1.5g/t Au 13.5g/t Ag for 2.1Moz Au, 18Moz Ag). Drilling is planned to increase the grade, and to extend the zones down dip. Underground drilling is faster and more cost effective than drilling from surface. Bulk samples from the high grade zones will better define grade and recoveries for feasibility studies. The adit development, drilling and sampling is planned to bring the project to a decision point for mining and a mining lease application quickly, targeting mid-2014\*.

Drilling initially used horizontal drill holes for geotechnical reasons for the adit portal development. The adit portal site is at a lower altitude to the south west of the main resource, providing level access to the highest grade mineralisation in the WRZ North high grade zone. Initial development of the portal, and the first 25-50 metres of development drive, will be followed by a larger underground development and drilling campaign over 775 metres of access drive to the WRZ North high grade zone, with the access to the BZ area to be finalised later\*. Selected surface drillholes are planned for further metallurgical testwork prior to the provision of bulk samples.

Planned drilling and portal development was temporarily halted during the Christmas-New Year period, to allow for the completion of the Landowner Investigation Study (LIS) on-site, as all accommodation on-site was utilised as part of the LIS.

\* Targets and timelines on Page 1 and 2 are based on a series of assumptions including financing, permitting, approvals, grade, recoveries and related aspects of similar projects.

## Landowner Investigation Study Completed on site

### Key Company Achievement

The final stage of the Landowner Investigation Study (LIS) was completed on-site at the Mt Kare Gold Project - which is the marking of land boundaries by the identified primary landowners, validated by government officials and witnessed by relevant clans that have a beneficial interest in these land boundaries via kinship, blood ties and/or user rights. This will secure legal rightful entitlements for genuine traditional landowners as the LIS is included in the final submission of the Landowner Investigation Report (LIR). Rightful customary landowners and Indochine Mining can develop a socially responsible sharing of benefits with shareholders and Government.

The finalisation of the LIS is a result of the steady evolution of extensive cooperation and participation received from local landowners in the region and by partnering with skilled sociologists and key government officials. The collaborative partnership is attributed to the unique 'Melanesian Approach' implemented by the Company. Key to this approach is the use of the 'malu', the clan's oral history developed over 15 generations, together with an assessment of genealogy, kinship, bloodlines, land use and customary criteria. The claim boundaries were walked by the 'malu' walkers, together with government officials, and other witnessing clans, involving over 400 participants on site after more than two years of preparation. The community affairs team identified the legitimate landowning clans more than a year ago and since then has substantiated their claims, finalised by formally surveying the claimed boundaries and resolving any disputes on site, during this process.

This marked a significant step forward for traditional landowners at Mt Kare with land boundaries approved and validated on-site by landowner clan groups and Government officials. The closing ceremony held on-site with landowners was attended by the local Member of Parliament.

The CEO, Mr Promnitz, commented: "The completion of the LIS marks a major milestone for the local people, relevant government officials and our shareholders, and is arguably one of Indochine's most significant achievements to date. The Company has invested heavily into establishing a robust process aimed at generating long term sustainable outcomes and benefits for the rightful landowners and relevant stakeholders of Indochine."

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## New High Grade Gold Targets Identified from Structural Study at Mt Kare

Very encouraging outcomes were produced from an independent structural study by specialist consulting geologist Dr Anthony (Tony) Norman, at the request of Indochine's chief geological consultant Tony Burgess. Geological mapping undertaken by Dr Norman has identified key mineralised structures and a particular stratigraphic horizon associated with high grade gold mineralisation at Indochine's Mt Kare Gold-Silver Project, located in PNG. The study identified targets located within the 2013 resource together with potential extensions at deeper levels and revealed new additional targets in a previously undrilled area. The new target is over 500 metres long, south of the main north-east controlling fault through the currently identified resource, and has potential for further high grade gold bearing structures.

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## **New High Grade Gold Targets Identified from Structural Study at Mt Kare**

Figure 3 shows the structure linkage between Mt Kare and Porgera along a north-east trending transfer structure, with the dilational “jogs” in opposing directions. This setting has aided the interpretation at a deposit scale in Mt Kare and helped in locating new targets.

Dr Norman commented "This increases the confidence of finding more high-grade zones at Mt Kare. It locks in the similarity of structural setting and high grade zones to the adjoining Porgera deposit and improves the major growth potential of Mt Kare, as both deposits share the same age and style of mineralisation within the same structural corridor."

Dr Norman has over 35 years of experience in assessing mineral projects across the globe, principally in North and South America, China, PNG and Australia. He produced a structural and stratigraphic framework for the adjoining world-class 28 million oz Porgera gold deposit which supported the discovery of additional multi-million ounces of gold. Indochine is incorporating Dr Norman's findings into the project 3D geological model. Further geological mapping will be undertaken by company geologists under the supervision of Tony Burgess, to expand on the work undertaken by Dr Norman.

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## **Cambodia: Agreement advanced with Capital Mining Limited to acquire assets in Cambodia**

The Heads of Agreement has advanced with Capital Mining (ASX:CMY) to acquire a majority stake of the Company's Cambodian exploration assets, in return for equity in CMY. The agreement is subject to the satisfaction of certain conditions, including satisfactory due diligence and a formal sale agreement.

Although Indochine has agreed to sell a majority interest in the exploration assets in Cambodia, and due diligence has progressed significantly, the transaction has taken longer to complete than originally envisaged.

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## **Corporate**

### **Cash & Shares on Issue**

The cash position was \$0.5 million at 31 December 2013 (refer to Appendix 5B). The issued capital of Indochine is 965,200,471 fully paid ordinary shares, as at 31 December 2013.

### **Entitlement Offer**

Indochine launched a capital raising at \$0.07 per share, on 3 October 2013, through an Accelerated 2 for 5 non-renounceable entitlements issue and a Placement. The Institutional Offer experienced strong support from the existing large shareholders although some were limited by the fund's internal mandated thresholds. The Entitlement Offer closed on Friday, 1 November 2013. A total of approximately \$6 million, including the accelerated component of \$5.6 million, has been raised from existing eligible shareholders. The Company had three months to place any Shortfall under the Offer at the same price.

## Corporate

The Annual General Meeting was held on 19 November 2013 where shareholders approved a previous issue of shares and the refreshment of placement capacity to enable the Company to raise funds for ongoing exploration, project development and working capital. Indochine continues to explore a range of funding options for its Mt Kare project, which includes reviewing a range of potential short and long term debt funding options.

The proceeds will be used primarily to rapidly advance the development of an adit and underground drilling to increase the high grade zones, targeting 1Moz at 10 g/t gold and to provide bulk sampling and metallurgical test work for feasibility studies. Additionally, funds will be used to progress the feasibility and environmental study, together with finalising the Landowner Investigation Report, as well as to provide working capital.

### Stephen Promnitz

Chief Executive Officer, Indochine Mining Limited

**Company:**

*Indochine Mining Limited*

*Stephen Promnitz, CEO*

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**Competent Person Statement**

Anthony W. Burgess, a qualified consultant for Indochine Mining Ltd, is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken, being reported herein as Exploration Results, 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). Anthony W. Burgess has consented to the public reporting of these statements and results and the form and context in which they appear.





Figure 1: Mt Kare with high grade gold zones (WRZ North and BZ) with adit portal location.

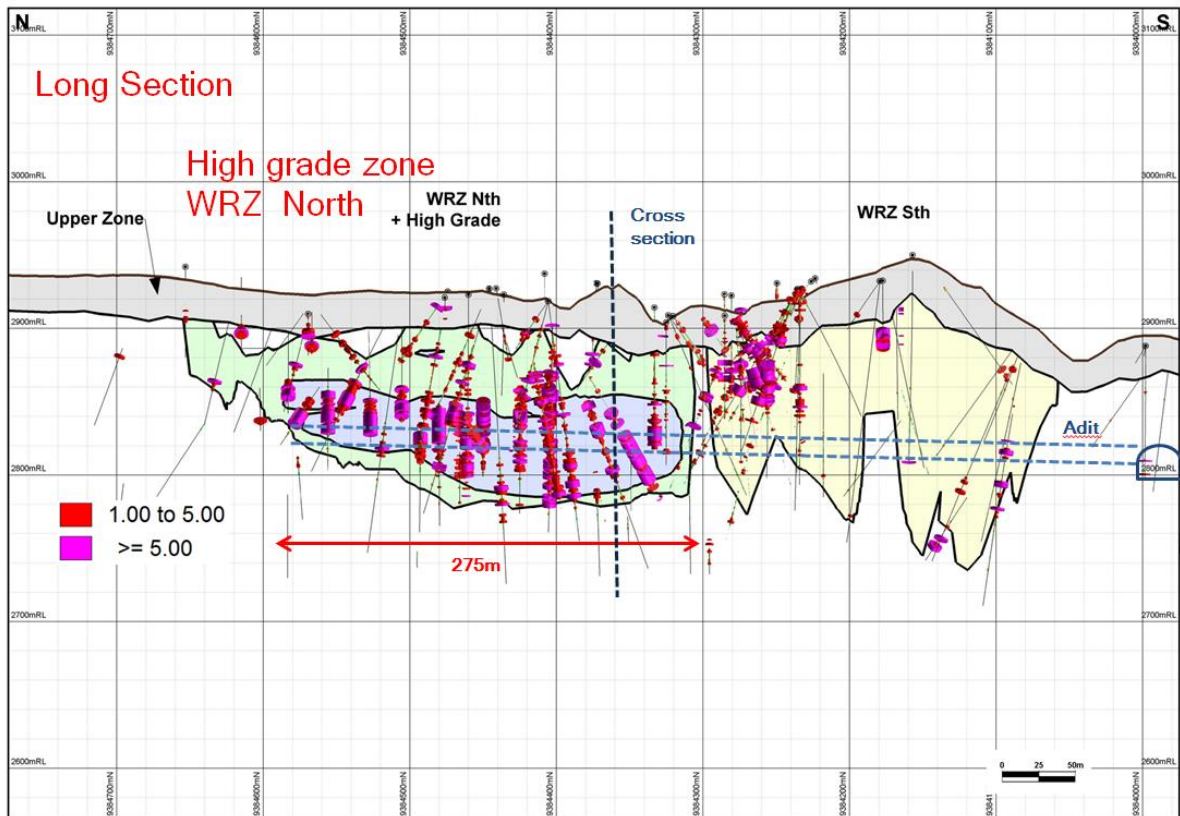


Figure 2: Long section of high grade gold zone (WRZ North) with adit location.



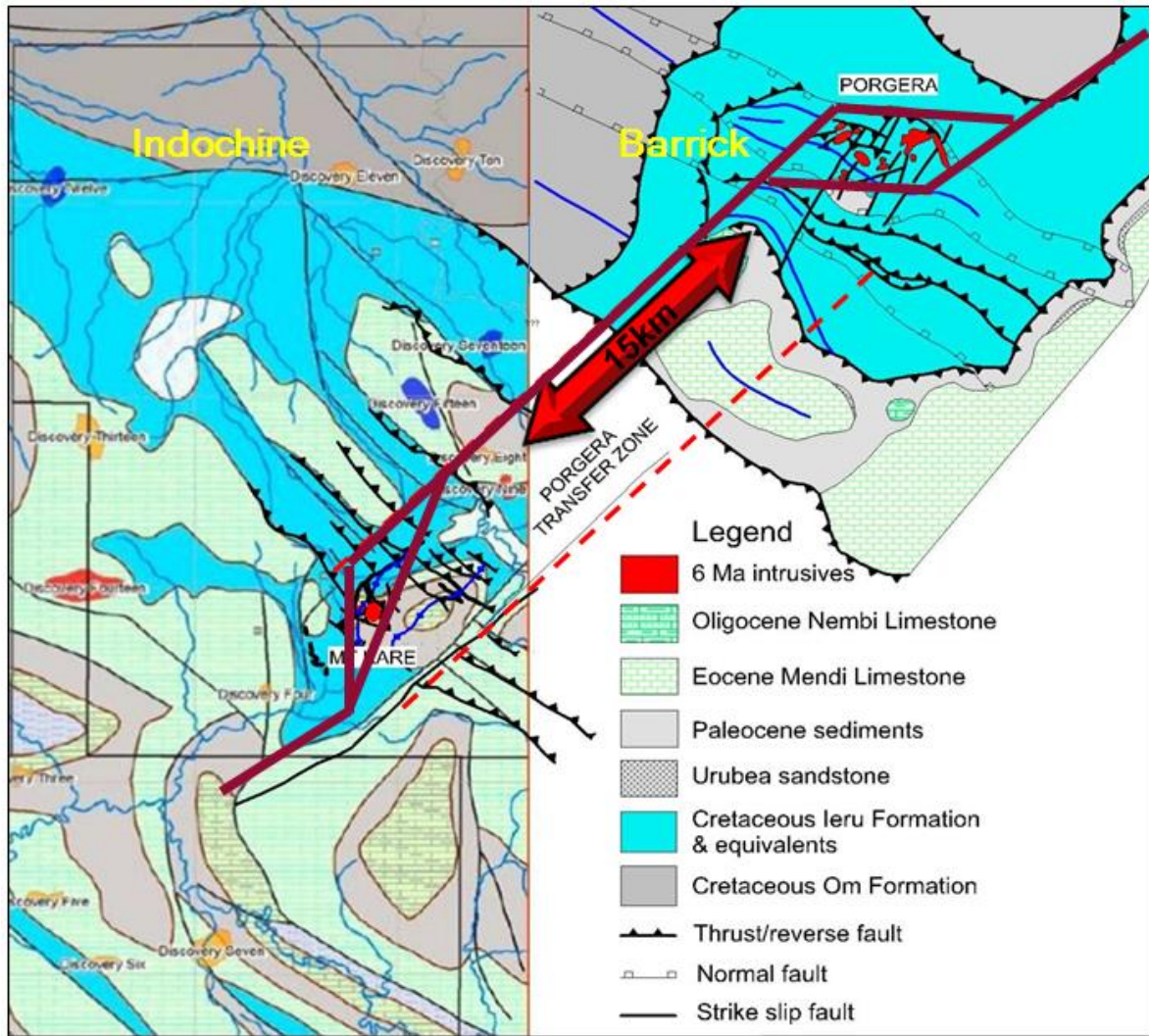


Figure 3: North-East Transfer Structure - Linking Mt Kare and Porgera.



Figure 4: LIS Closing Ceremony with Local MP at Mt Kare and LIS Boundary Walkers.





Figure 5: LIS Boundary Walkers and 3D Model of Project Area - Mt Kare



**Forward Looking Statements, Risks and Disclaimer:**

This release contains certain forward-looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Indochine, and its officers, employees, agents and associates, that may cause actual results to differ materially from those expressed or implied in such statements. Actual results, performance or outcomes may differ materially from any projections and forward-looking statements and the assumptions on which those assumptions are based. The reader should not place undue reliance on forward-looking statements and neither Indochine nor any of its directors, employees, servants, advisers or agents assume any obligation to update such information. Except for any liability that cannot be excluded by law, Indochine, and each of their Affiliates, disclaim and accept no responsibility or liability (including liability for negligence) for any expenses, losses, damages or costs incurred as a result of the information in this document being inaccurate or due to information being omitted from this document. The growth in high grade resources and the related mining rate and gold production rates are indicative only. They are based on assumptions considered reasonable by Indochine and its external consultants, which may not all be ultimately achieved. The Company expects that the drilling to be undertaken will aid in the future increase in contained ounces of gold within and around the high grade zones of a reasonable proportion to allow for an underground mining which may not be ultimately achieved. There is no assurance that the mineral resource estimates published by Indochine Mining can be profitably mined or that the planned exploration and project studies by Indochine Mining will result in the delimitation of an economically viable mineral deposit or that the exploration tonnage estimates and conceptual project developments can be achieved. Further, there is no assurance the any planned feasibility studies carried out by the Company will confirm the technical and commercial viability of the Company's Mt Kare Project. Indochine Mining's Projects are located in Papua New Guinea. There can be no assurance that the legal or regulatory regime in that country will remain in the present state, and where adverse changes occur, this may impact on the ability of the Company to viably develop its projects or retain appropriate title to its projects in order for it to do so. Indochine's operations, and the operations of the industries in which its contractors operate, are subject to laws, regulatory restrictions and certain government directives, recommendations and guidelines relating to, amongst other things, occupational safety, the use and handling of hazardous materials, prevention of illness and injury and environmental protection. Future legislation may impose further regulation, which could impact adversely on the assets, operations and, ultimately, the operating and financial performance of Indochine. Delays or failures in obtaining regulatory approval may have an adverse effect on the operational and financial performance of Indochine. Licenses and permits to operate, and adjustments to those licences and permits, are subject to approvals by regulatory bodies and may not be provided in a timely manner. Any adverse material changes may have significant effects on the viability of development. The price of commodities, particularly gold, will vary over time and consequently, adverse movements in commodity prices in the future may affect the viability of prospects. In accordance with relevant regulations governing the disclosure of mineral projects, readers are cautioned that scheduled development and production based on planned increases to resource material is considered speculative.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

**INDOCHINE MINING LIMITED**

ABN

16 141 677 385

Quarter ended ("current quarter")

31 December 2013

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	20	20
1.2 Payments for (a) exploration & evaluation	(4,615)	(8,345)
(b) development	-	-
(c) production	-	-
(d) administration	(615)	(1,105)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	10	12
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(5,200)</b>	<b>(9,418)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(81)	(81)
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(81)</b>	<b>(81)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(5,281)</b>	<b>(9,499)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	<b>(5,281)</b>	<b>(9,499)</b>
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	5,989	9,039
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (capital raising costs)	(593)	(816)
	<b>Net financing cash flows</b>	<b>5,396</b>	<b>8,223</b>
	<b>Net increase (decrease) in cash held</b>	<b>115</b>	<b>(1,276)</b>
1.20	Cash at beginning of quarter/year to date	357	1,757
1.21	Exchange rate adjustments to item 1.20	20	11
1.22	<b>Cash at end of quarter(*Note below)</b>	<b>492</b>	<b>492</b>

\*Note: The Board of Directors anticipate making a placement in February 2014 to fund the next stage of Mt Kare exploration and project development.

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	21
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.



### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	6,000
4.2 Development	
4.3 Production	
4.4 Administration	600
<b>Total</b>	<b>6,600</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	104	348
5.2 Deposits at call	298	9
5.3 Bank overdraft		-
5.4 Other		-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>492</b>	<b>357</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference <sup>+</sup>securities</b> <i>(description)</i>			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b><sup>+</sup>Ordinary securities</b>	965,200,471	965,200,471	n/a
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	85,555,025	85,555,025	\$ 0.07
7.5	<b><sup>+</sup>Convertible debt securities</b> <i>(description)</i>			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted			

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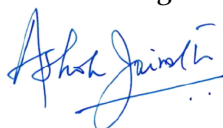
+ See chapter 19 for defined terms.

7.7	<b>Options</b> (description and conversion factor)		<i>Exercise price</i>	<i>Expiry date</i>
		3,000,000	\$0.50	08/02/14
		500,000	\$0.50	02/03/14
		15,000,000	\$0.20	30/04/14
		2,750,000	\$0.20	05/07/14
		25,000,000	\$0.20	30/09/14
		1,500,000	\$0.20	30/12/14
		5,000,000	US\$0.25	17/03/15
		4,000,000	\$0.20	30/12/15
7.8	Issued during quarter			
7.9	Exercised during quarter			
7.10	Expired during quarter			
7.11	<b>Debentures</b> (totals only)			
7.12	<b>Unsecured notes</b> (totals only)			

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 31 January 2014

(Company Secretary)

Print name: Ashok Jairath

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

+ See chapter 19 for defined terms.



## Appendix 5B

### Mining exploration entity quarterly report

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- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.