



INDOCHINE MINING LIMITED

(SUBJECT TO DEED OF COMPANY ARRANGEMENT) AND CONTROLLED ENTITIES

ACN 141 677 385

**Interim Financial Report for the half-year ended
31 December 2018**

INDOCHINE MINING LIMITED (Subject to Deed of Company Arrangement)

C/- Ferrier Hodgson, Level 28, 108 St Georges Terrace, Perth WA 6000
Tel. 08 9214 1444, Fax: 08 9214 1400

Contents

Directors' Report	3
Statement of Profit or Loss and Other Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Directors' Declaration	18
Auditor's Independence Declaration	19
Independent Auditor's Report	20

DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated group for the half-year ended 31 December 2018.

Following the non-renewal of Exploration Licence 1093 (**EL 1093**), covering mining tenements in the Mt Kare area of the Enga Province in Papua New Guinea (**PNG**), on 27 March 2015, the directors of Indochine Mining Limited (**Indochine, IDC** or the **Company**) resolved to place the Company into Voluntary Administration (**VA**) at which point the powers of Directors were passed to the appointed Administrators.

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

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

A term of the DOCA as proposed by Kandahar, amongst others, was the inclusion of a condition precedent requiring the Deed Administrator to call a meeting of shareholders to approve the recapitalisation proposal under the DOCA.

In order to comply with this condition precedent, the Company is required to prepare the accounts and financial reports for the half year ended 31 December 2018 and beyond.

Directors

The names of Directors who held office during or since the end of the interim period ended 31 December 2018 and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

Craig Dawson – Non-Executive Director

Keith Murray – Non-Executive Director

Anthony Gates – Non-Executive Director

Review of Operations

The Company has been under external administration since 27 March 2015 and will remain so until the DOCA is effectuated and settled on or prior to 30 March 2019.

The PNG Mineral Resources Authority (**MRA**) advised the Company on 18 January 2016 that the then Minister for Mining (**Minister**) refused the application of Summit Development Limited (**SDL**) to renew EL 1093 on 14 December 2015. On 18 December 2015 (in the intervening period between the decision being made and receipt of the notification), another company had registered an application on the newly created exploration licence over Mt Kare.

Review of Operations (*continued*)

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

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

The Judicial Review of the then Minister for Mining's decision to refuse SDL's application dated 28 July 2014 to renew exploration licence EL 1093 over the Mt Kare Au-Ag Project was held on 5 September 2017. On 27 April 2018, the PNG National Court, presided by Justice Nablu, delivered the judgement on the Judicial Review and upheld the Minister for Mining's decision.

SDL appealed against the PNG National Court's decision. An application for the appeal was lodged with the PNG Supreme Court on 10 July 2018. The appeal was heard on 26 February 2019 by a 3 judge bench comprising Justices Batari, Dingake and Maviri, with Justice Batari being the chairman of the bench. The court has reserved its decision until the next sitting of the Supreme Court in April 2019. SDL has also lodged an application for a stay order over the judgement of the PNG National Court. The matter was heard by Justice Hartshorn on 16 July 2018 and the stay order was granted until the decision on the appeal by the Supreme Court.

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

- care and maintenance of the Mt Kare Au-Ag Project assets ;
- legal costs associated with the judicial review; and
- other amounts payable to the Deed Administrator.

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

The Company was delisted from the Australian Securities Exchange (**ASX**) on 2 May 2018 and, as such, is currently an unlisted public company and is classified as public interest entity for which an audit is required.

Subsequent Events

There are no events subsequent to balance date which would have a material effect on the Company's financial statements at 31 December 2018.

Overview of Results and Accounting Basis

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

On a consolidated basis, the Company made a loss of \$2,868,193 for the period (2017: loss \$2,167,356).

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the auditors, Crowe Horwath, to provide the Directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 19 and forms part of this Directors' report for the half-year ended 31 December 2018.

Rounding Off of Amounts

The Company is a company of the kind referred to in ASIC Instrument 2016/191, relating to the rounding off of amounts and in accordance with that Instrument amounts in the Directors' Report and the Half-Yearly Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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



Keith Murray
Non-Executive Director
Date: 12 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Consolidated Entity	
	Half-year ended 31 December 2018 \$'000	Half-year ended 31 December 2017 \$'000
Expense		
Professional fees	(33)	(39)
Insurance	(8)	(8)
Travel	(7)	(19)
Consultants	(79)	(74)
Administrative	(703)	(548)
Finance costs	(2,038)	(1,479)
Loss before income tax	(2,868)	(2,167)
Income tax benefit	-	-
Loss for the period	(2,868)	(2,167)
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation reserve gains	140	297
Other comprehensive profit for the period	140	297
Total comprehensive loss for period	(2,728)	(1,870)

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

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2018

		Consolidated Entity	
		As at 31 December 2018 \$'000	As at 30 June 2018 \$'000
	Note		
ASSETS			
Cash and cash equivalents		197	331
TOTAL ASSETS		197	331
LIABILITIES			
Trade and other payables	3	24,834	22,240
Short-term provisions		120	120
TOTAL LIABILITIES		24,954	22,360
NET LIABILITIES		(24,757)	(22,029)
EQUITY			
Issued capital	4	133,032	133,032
Reserves	5	5,553	5,413
Accumulated losses	6	(163,342)	(160,474)
TOTAL EQUITY		(24,757)	(22,029)

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

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Issued Capital \$'000	Accumulated Losses \$'000	Reserves \$'000	Total Equity \$'000
At 1 July 2017	133,032	(156,047)	5,256	(17,759)
Loss attributable to members of the parent entity	-	(2,167)	-	(2,167)
Movements in foreign currency translation reserve	-	-	297	297
At 31 December 2017	133,032	(158,214)	5,553	(19,629)
At 1 July 2018	133,032	(160,474)	5,413	(22,029)
Loss attributable to members of the parent entity	-	(2,868)	-	(2,868)
Movements in foreign currency translation reserve	-	-	140	140
At 31 December 2018	133,032	(163,342)	5,553	(24,757)

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

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Consolidated Entity	
	Half-year ended 31 December 2018 \$'000	Half-year ended 31 December 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(611)	(497)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(611)	(497)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	476	517
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	476	517
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(135)	20
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	331	313
Foreign exchange translation difference	1	1
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	197	334

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with requirements of the *Corporations Act 2001* Australian Accounting Standard AASB 134: Interim Financial Reporting and other authoritative pronouncements of the Australian Accounting Standards Board as they apply to a non-going concern.

The financial report of Indochine for the half year ended 31 December 2018 was authorised for issue in accordance with a resolution of the directors on 12 March 2019. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 30 June 2018.

Indochine is a company limited by shares incorporated and domiciled in Australia, whose shares are not publicly traded on the Australian Securities Exchange (**ASX**). The Company was delisted from ASX on 2 May 2018 and is currently an unlisted public company and is classified as public interest entity for which an audit is required.

The Directors of Indochine recommend that these financial statements for the half-year ended 31 December 2018 be read in conjunction with the financial statements for the year ended 30 June 2018.

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

Accordingly the financial statements have not been prepared on a going concern basis; rather these accounts have been prepared on a non-going concern basis, as were the financial statements for the half year ended 31 December 2017 and year ended 30 June 2018.

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

b) Going concern

As outlined in the Directors' Report to these accounts, as a result of the Company being placed in Voluntary Administration (**VA**) and currently under a Deed of Company Arrangement (**DOCA**), as at the date of this report there is significant uncertainty as to the going concern of the Company.

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

These are outlined below:

Key Terms of DOCA

DOCA Proponent

- Kandahar Holdings Pty Ltd.

Deed Administrators

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

Proposal:

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

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; and
 - all shareholdings in other companies owned by the Company, but excluding the Company's shareholding in Summit Development Limited.

Participating Creditors

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

Application of Proceeds

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

New Directors

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Creditors' Committee

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

Administrators' / Deed Administrators' Lien

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

Members' rights exercisable by Deed Administrators

- Until the DOCA terminates, for the purpose of administering the DOCA or fulfilling the arrangement effected 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 current agreed date for the termination of the DOCA is 30 March 2019.
 - The Company's creditors pass a resolution terminating the DOCA at a meeting that was convened pursuant to section 445F of the Act.
- If the Deed Administrators have transferred the Available Property, then the Deed Administrators must, within 5 business days after distribution, lodge a written notice with the Australian Securities and Investments Commission in the prescribed form.
- On termination of the DOCA, the Deed Administrators must deliver to the Company all of the Company's books and records in the possession of the Deed Administrators other than those that were created after the Relevant Date.
- The termination of the DOCA will not affect:
 - the previous operation of the DOCA; or
 - the enforceability of any accrued obligations under the DOCA.

Conditions Precedent

- The approval of the Company's creditors of the DOCA at the Creditors' Meeting.
- The approval of the Company's shareholders of the recapitalisation proposal at the Shareholders' Meeting.
- The Proponent providing the Deed Administrators with a notice stating that Summit's interest in exploration licence number EL1093 in PNG 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- In consideration for the Proponent's First Loan and the Proponent's Second Loan, the Deed Administrators will cause a meeting of the Company's shareholders to be convened in accordance with the Company's constitution for the purpose of considering and approving:
 - a consolidation of the Company's existing shares on issue at a ratio of 400:1;
 - cancellation of all existing options to acquire shares in the Company;
 - the issue of 10 million ordinary shares to the Proponent or its nominees; and
 - the issue of 10 million options over ordinary shares to the Proponent or its nominees at an exercise price of \$0.05 with an expiry date of 31 December 2025.

Release of Claims

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

Abandonment by creditors who do not prove

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

Remuneration of the Deed Administrators

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

Costs and Outlays

- The costs and outlays connected with the negotiation, preparation and execution of the DOCA for the Company and the Deed Administrators are taken to be costs, charges and expenses incurred by the Deed Administrators in connection with or incidental to the Deed Administrators' administration of the DOCA.
- The Proponent's costs and outlays connected with the negotiation, preparation and execution of this Deed are his own.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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 in the preparation of the financial report.

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

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

Carrying value of capitalised exploration and evaluation expenditure

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

The exploration and evaluation costs carried forward in relation predominantly to the Mt Kare Gold/ Silver Project EL 1093 in PNG were fully impaired at 30 June 2015. At the time the company entered VA, it was not probable that such amounts would be able to be recouped through successful development or by sale as a result of the following events:

- the accounts being prepared on a non-going concern basis (refer Note 1 b);
- 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.

Carrying value of trade and other payables and provisions

The carrying value of trade payables and provisions as at 31 December 2018 has been recognised at their contractual amounts payable. The true value of these will only be ascertained when the Voluntary Administrator undertakes adjudication of the proofs of debt submitted.

The accounts have recorded an amount of \$17,563,482 in relation to secured loan and capitalised interest owing to Aude Holdings Pty Ltd. This liability has been reclassified to Trade and Other payables as this is now due and payable under the non-going concern basis.

d) Adoption of new and revised accounting standards

In the half year ended 31 December 2018, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2018. It has been determined by the Group that, there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to Group accounting policies, including:

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- *AASB 9: Financial Instruments*

AASB 9 Financial Instruments introduces new classification and measurement models for financial assets and is applicable to annual reporting periods beginning on or after 1 January 2018.

The Group does not consider there to be any material impact from the adoption of *AASB 9 Financial Instruments*. The Group doesn't have any financial asset or financial liability at fair value which would be affected by a treatment permitted under *AASB 9 Financial Instruments*.

- *AASB 15: Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018.

The Group does not currently have any contracts with customers in place.

The Group does not consider there to be any material impact from the adoption of *AASB 15 Revenue from Contracts with Customers*.

e) New standards and interpretations not yet adopted

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application date or future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

AASB 16 Leases

The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases, and requires, subject to certain exemptions, the recognition of a 'right-of-use asset' and a corresponding lease liability, and the subsequent depreciation of the 'right-of-use' asset. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Group is currently not party to any material operating or finance lease arrangements and as such its exposure to the requirements of *AASB 16 Leases* is limited.

This standard is applicable to annual reporting periods beginning on or after 1 January 2019 and as such the Group will adopt this standard from 1 July 2019. Whilst at this time the Group does not consider there to be any material impact from the adoption of *AASB 16 Leases*, it will make an assessment of potential effects over the next 12 month period.

NOTE 2: OPERATING SEGMENTS

Geographical segments

	Australia \$'000	PNG \$'000	Total \$'000
31 December 2018			
Segment revenue	-	-	-
Segment expenses	(2,269)	(599)	(2,868)
Segment loss	2,269	599	2,868
Segment assets	183	14	197
Segment liabilities	18,032	6,922	24,954

NOTE 2: OPERATING SEGMENTS (continued)

	Australia \$'000	PNG \$'000	Total \$'000
31 December 2017			
Segment revenue	-	-	-
Segment expenses	(1,692)	(475)	(2,167)
Segment loss	1,692	475	2,167
Segment assets	320	14	334
Segment liabilities	12,663	7,300	19,963

NOTE 3: TRADE AND OTHER PAYABLES

	31 December 2018 \$'000	30 June 2018 \$'000
Trade payables	6,449	6,354
Payroll liabilities	822	837
Other borrowings (Secured Loan Aude)	17,563	15,049
	24,834	22,240

Note: Trade payables will be dealt with under section 14 of the DOCA and, upon the establishment of Creditors' Trust Deed as class B creditors, other borrowings, comprising a secured loan, will preserve their rights under section 18.3.30 of the DOCA and employees' claims will be treated as Priority Creditor's Claim under section 16 of the DOCA.

The carrying amounts of assets pledged as security are:

Fixed and floating charge over assets of the Company	197	331
------------------------------------------------------	-----	-----

On 6 February 2014, the Company entered into a secured loan agreement with Aude Holdings Pty Ltd (**Secured Creditor**) as trustee for Lastours Investment Trust (**Lastours**) to borrow \$1,500,000 secured against a fix and floating charge over the assets of the Company and at an interest rate of 60% calculated daily. In the event of default, the interest would increase to 80% per annum calculated daily.

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

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

Subsequent to the Company being placed into VA, the loan facility of \$3.75 million extended until 30 April 2015 was frozen and the secured creditor's rights preserved under the DOCA. A new facility of \$1.25 million was extended by the Secured Creditor to the Voluntary Administrator to fund the costs associated with maintaining the Mt Kare Gold/Silver Project EL 1093 in good standing, including the funding of the Warden's Hearing completed on 06 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 a Deed of Variation to the original loan Agreement to a total of \$2.0 million to provide funding for site security and to keep the camp and project infrastructure at Mt Kare on a care and maintenance basis.

On 24 July 2017 a new facility of \$4.5 million extended by the Secured Creditor was further varied through Deed of Variation to the original loan Agreement to a total of \$6.5 million to provide further funding for continuation of SDL and legal costs incurred in course of the administration of IDC. The facility was further extended on 15 October 2018 by \$3.5 million, bringing the total to \$10 million.

NOTE 4: ISSUED CAPITAL

	31 December 2018 No.	30 June 2018 No.
<i>Ordinary shares</i>		
Issued and fully paid	<u>3,409,014</u>	<u>3,409,014</u>
	No.	\$'000
Issued Capital 1 July 2018	3,409,014	133,032
<i>Movements in ordinary shares on issue</i>		
During 1 July 2018 to 31 December 2018	-	-
At 31 December 2018	<u>3,409,014</u>	<u>133,032</u>

NOTE 5: FOREIGN CURRENCY TRANSLATION RESERVE

	31 December 2018 \$'000	30 June 2018 \$'000
Movements:		
Foreign currency translation reserve		
At the beginning of the year	5,413	5,256
Currency translation differences arising during the period	140	157
Balance at the end of the financial year	<u>5,553</u>	<u>5,413</u>

NOTE 6: ACCUMULATED LOSSES

	31 December 2018 \$'000	30 June 2018 \$'000
Movements in accumulated losses were as follows:		
Accumulated losses at the beginning of the period	(160,474)	(156,047)
Net loss attributable to members of Indochine Mining Limited	(2,868)	(4,427)
Accumulated losses	<u>(163,342)</u>	<u>(160,474)</u>

NOTE 7: DIVIDENDS

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

NOTE 8: CONTINGENT LIABILITIES

None.

NOTE 9: EVENTS AFTER THE END OF THE INTERIM PERIOD

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

Directors' Declaration

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

- (a) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting*.
- (b) (i) The ongoing solvency of the Group is dependent on the proposed DOCA as detailed in Note 1 b) of the financial statements being successfully completed; and
 - (ii) there are reasonable grounds to believe that the Group will be able to successfully complete the proposed DOCA with creditors, and therefore will be able to pay its debts;
 - A. in accordance with the DOCA arrangements as detailed in Note 1 b); and
 - B. as and when they become payable.

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

On behalf of the Directors



Keith Murray
Non-Executive Director
Date: 12 March 2019

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Indochine Mining Ltd (subject to Deed of Company Arrangement) for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

**CROWE HORWATH PERTH**

SEAN MCGURK
Partner

Signed at Perth, 12 March 2019

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

Report on the Half-Year Financial Report

We were engaged to review the accompanying half-year financial report of Indochine Mining Ltd (subject to Deed of Company Arrangement) which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled during the half year ended 31 December 2018.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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

Independence

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

Basis for Disclaimer of Review Conclusion

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

Disclaimer of Review Conclusion

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



CROWE HORWATH PERTH



SEAN MCGURK

Partner

Signed at Perth, 12 March 2019