

The logo for Indochine Resources Limited, featuring the word "indochine" in a blue, lowercase, sans-serif font. The letter "o" is replaced by a yellow circle containing a white starburst or sunburst design. The background of the top half of the cover is white, with a large, light blue, abstract geometric shape resembling a stylized mountain or a large letter 'I' on the left side.

indochine

INDOCHINE RESOURCES LIMITED

ACN 119 808 007

Annual Report 2008

The title "Annual Report 2008" is centered on the lower half of the cover. The background is a dark blue field with a complex, abstract pattern of overlapping, semi-transparent geometric shapes in various shades of blue, creating a sense of depth and movement.



Corporate Directory

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Jeremy D Snaith BSc M.AusIMM
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Annual Report 2008

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May 2009

CHAIRMAN'S LETTER

Dear Shareholder

On behalf of the Board of Directors, I have pleasure in presenting to you Indochine Resources Ltd's (the Company's) 2008 Annual Report.

I would like to thank my predecessor, Rob Coghill, for guiding the Company during its formative period. I am delighted Rob continues to provide his invaluable knowledge and support as an Executive Director.

In what has been a difficult year in the financial and investment markets significant achievements have been made on the ground in Cambodia throughout the year by the Company's executives based in Phnom Penh. The details of our success are outlined in the Managing Directors Report.

Your Board has focused on areas that are likely to provide early positive results, and thereby maximize value for the shareholders. The Company is capitalising on its early mover advantage in Cambodia where the Company, defining the many exciting prospects with a view to expeditiously announcing discoveries of world class gold and base metal deposits.

As a consequence of the accumulation of the Company's tenements in South East Asia covering some 4000 sq kms the Company has attracted a number of interested potential joint venture partners and cornerstone investors. The Company is pleased with the progress with these discussions, although the financial and investment climate has not been conducive to increasing maximum shareholder value. The Board is most conscious of the support of the Company's initial investors and is balancing the excellent upside potential from its tenements against the potential dilution of indiscriminate capital raisings.

The Company continues to work to ensure prudent cash management to determine the Company is in the best position to withstand what may be a difficult medium term financial outlook. At the same time your Board recognises the importance of ensuring the financial stability of the Company as a priority in these market conditions.

The Company continues to progress strategies to finance the future growth of Indochine Resources Ltd, and has been assessing capital raising opportunities via listed mining companies, existing shareholders and strategic cornerstone investors. A detailed Independent Technical Report and Analysis, showing a range of exciting targets, has been completed. The Company is greatly encouraged by the results of this report, which will greatly assist Indochine Resources Ltd's future financing strategies.

We are fortunate to have a group of skilled and experienced staff operating both in Australia and Cambodia, and I would like to acknowledge the dedication and enthusiasm shown by all those who will drive and administer the growth of your Company, to the benefit of all shareholders.

Thank you for continued support on behalf of the Board of Indochine Resources Ltd. The Board looks forward to shareholders joining us at our Annual General Meeting and providing an update to shareholders on our current activities and forward growth plans.

A handwritten signature in blue ink, appearing to read "Ian Ross", is written over a horizontal line.

Ian Ross
CHAIRMAN

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May 2009

Managing Director's Report

Introduction

During 2008 and continuing through this year, Indochine Resources Limited (“**Company**”) and its wholly owned subsidiary, Indochine Resources (Cambodia) Ltd confirmed the geological potential for high grade gold deposits and significant base-metal deposits in Cambodia. The ongoing exploration campaign will follow up the highest-priority targets and assess this potential through 2009 and beyond. The Company is opening up a very promising mineral province which will I hope will yield significant discoveries in the near future.

Exploration progress

The results of the exploration activities conducted by the Company have identified multiple potential drill targets at both Ratanakiri and Kratie. These target styles include primarily gold and silver vein deposits, copper-porphyry mineralisation and associated skarn deposits, uranium enrichment zones, various volcanogenic massive sulphide base metal related deposits and also possible lateritic iron and aluminium enrichment mineralisation.

Four first-priority targets have been identified, three at Ratanakiri and one at Kratie, with sixteen second- and third- priority targets.

At Ratanakiri, the Poug Peay target area is already on a follow-up phase.

The stream sediment sampling has shown significant anomalies in the gold values over a 3000 by 4000m area. Reconnaissance sampling in the west of Poug Peay during early 2008 found rock samples with significant assay results. Sample PP2 has an assay result of 2.05% Mo, 0.146 % Cu and 0.28g/t Au while PP4 returned assay values of 1.04% Cu and 8g/t Ag. These were float from the stream and work is in progress to establish the source of this material.

At Kratie the Kdei Project has an existing high grade gold mine operated underground and this extensive vein system has yielded sample results as high as 115 g/t Au. This Kdei area is a high priority drill target zone for the dry season. On-going exploration employing a variety of techniques including Mobile Metal Ion (MMI) geochemistry is expected to bring several additional prospects to the drilling stage in the near future. There are potentially up to 27 drill targets emerging from the data collected thus far during 2008.

All the Company's work in Cambodia to date has confirmed that it is in a high-potential mineralised province which should yield significant discoveries over time. This will require patience and sustained exploration efforts.

Management

I welcome Ian Ross as the Company's incoming non executive Chairman. Ian has had an outstanding career spanning 40 years in the finance and mining industry including over a decade with the Ivanhoe Group reporting directly to Canadian entrepreneur Robert Friedland.

I also welcome Gavan Farley to the Board as a non-executive director. Gavan brings 30 years' expertise in international business to the Company's benefit.

This takes the number of non-executives to three and adds a wealth of international business experience to the Board and is in line with good corporate practice. I and the remainder of the Company's

Board look forward to the Company profiting from Ian and Gavan's expertise as the Company moves towards its intended goal of being a publicly-listed company.

Environmental Matters

The Company is mindful of the environmental issues to be considered at every point in the exploration and development work. The Company takes its responsibilities towards the people of the Kingdom of Cambodia and its duty to protect and preserve their environment very seriously.

The Company also supports the charitable and cultural activities of Cambodia including the Australian-run Sunrise Orphanage as part of the Company's general approach to such activities.

Strategy

The Board is actively pursuing options to list on the Australian Stock Exchange and is in discussion with relevant parties to effect this aim.

A further raising of capital will be required during 2009 for an aggressive drilling campaign on the high priority targets and ongoing delineation of the 27 targets already defined.

The Company has consolidated its position as the largest exploration licence (EL) holder in Cambodia's new under-explored mining industry. The Company's early establishment and dominance in Cambodia has enabled it to expand its 100% owned (14 ELs) and 70% owned (1 EL & 2 MOU [Memoranda of Understanding]) project portfolio to a total of 15 granted ELs and 2 MOU covering 4010 sq km.

Such a large land holding has strategically positioned the Company for the highest chance of world-class deposit discovery and has attracted the attention of various possible major Joint Venture partners from India, Peoples Republic of China and Japan. These potential partners clearly see the benefits of linking with the Company- a well-established exploration company in an under-explored country close to the largest industrial markets in the world. As infrastructure develops in Cambodia over the next five years the ability to extract and transport minerals will be expected to significantly improve.

The Company's prospects in the region have been enhanced and will continue to benefit from the fact that most of the senior management live in Cambodia and have first mover advantage and a discerning view of opportunities before almost anyone else.

The Company's strategic Exploration Licence applications in the Lao People's Democratic Republic are pending final government approval, and we are carrying out ongoing lobbying for this approval.

Attached is a copy of the Company's Target Summary for ongoing exploration and future drilling campaigns in 2009.

Finally, I would like the opportunity to thank our team members for their dedication and hard work over the last 18 months. I would also like to thank our shareholders and the directors of Indochine for their support. I am confident we will all be well rewarded.



David Evans
Managing Director

May 2009



INDOCHINE RESOURCES LIMITED
A.C.N. 1198-8 007

OPERATIONS REPORT 2008 - 2009

CAMBODIA

Highlights

- 1st stage Auger drilling program completed, 2nd stage commenced Feb '09
- First trenching program commenced March '09
- First diamond drilling program completed at Bar Kham iron ore prospect.
- Cambodia's largest geophysical surveys completed on all tenements.
- All work program approvals in place from Cambodian Government Ministries.
- Joint Ventures with major mining industry groups being negotiated and due diligence underway.
- Acquired 70% of Asia Pacific Gold & Copper Company Limited which holds 3 tenements in Kratie.

Indochine has the largest prospective land position in the central and north eastern provinces of the Kingdom of Cambodia. During 2008, Indochine acquired 70% of Asia Pacific Gold & Copper Company Limited, bringing the total of granted licenses to 17 (includes 2 MOUs), covering 4010 sq km.

Indochine has continued to explore across its tenements, identifying multiple attractive gold and base metal targets on all the tenements where exploration has been conducted, providing encouragement for further work and highlighting the potential of this under explored region.

In a country with no history of large scale commercial gold and base metal mining, Indochine is in a strong position both with excellent tenements, and the expertise, to further explore the region. Other Australia miners exploring in this area of Cambodia include BHP Billiton, Oz Minerals and Southern Gold.

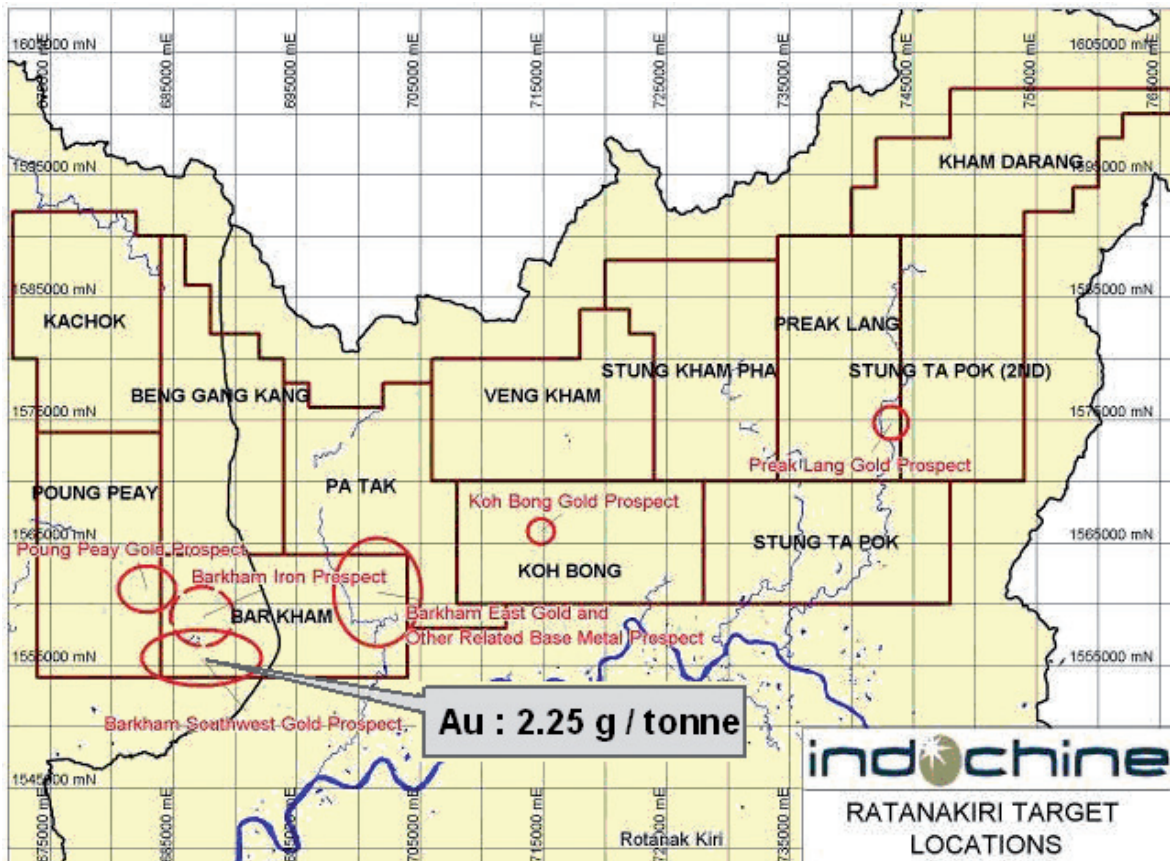
Indochine commenced an aggressive exploration programme for the 2008/2009 dry season, commencing in November 2008.

TABLE 1 ASSAY RESULTS

| SIGNIFICANT ASSAY RESULT SUMMARY | | |
|----------------------------------|--|--|
| MINERAL | | COMMENTS |
| IRON | From 55% to 69.8% | Magnetite and Hematite large continuous Fe laterite & pisolite grading |
| IRON | From 40% to 56.8% | |
| GOLD | From 0.28 g/t to 4 g/t Au | Depending on Mineralisation style |
| SILVER | From 4 g/t to 428 g/t Ag | Associated with other minerals |
| COPPER | From 0.2% to 45.6% Cu | Covers various mineralisation styles |
| MOLY | From 0.95% to 2.5% Mo. | Porphyry Related |
| LEAD | From 0.5% to 1.5% to 10.2% to 19.38%Pb | Stung Tapok South |
| ZINC | From 0.493% to 7.4% Zn | StungTapok North |
| ALUMINIUM | From 25.2% to 30% Al ₂ O ₃ | Bauxite development |
| URANIUM | From 882ppb to 1530ppb U308 | Phnom Chi prospect Kratie |
| THORIUM | From 3200ppb to 5700ppb Th | Phnom Chi prospect Kratie |
| REE'S | Rare Earth Elements | Rhyolite host, Ratanakiri |

PROJECTS

RATANAKIRI (Ratanakiri & Stung Trung Provinces)



Ratanakiri Anomaly Prospect Target Map

The Ratanakiri license areas cover over **2400 Km²** of various topographic features including a height differential from 80m at Veun Sai to over 1000m in the highlands as well as multiple access issues. As a result, it was critical that a comprehensive set of GIS data was acquired to facilitate the efficient targetting of 1st stage mapping and surveying.

The data purchased or commissioned includes

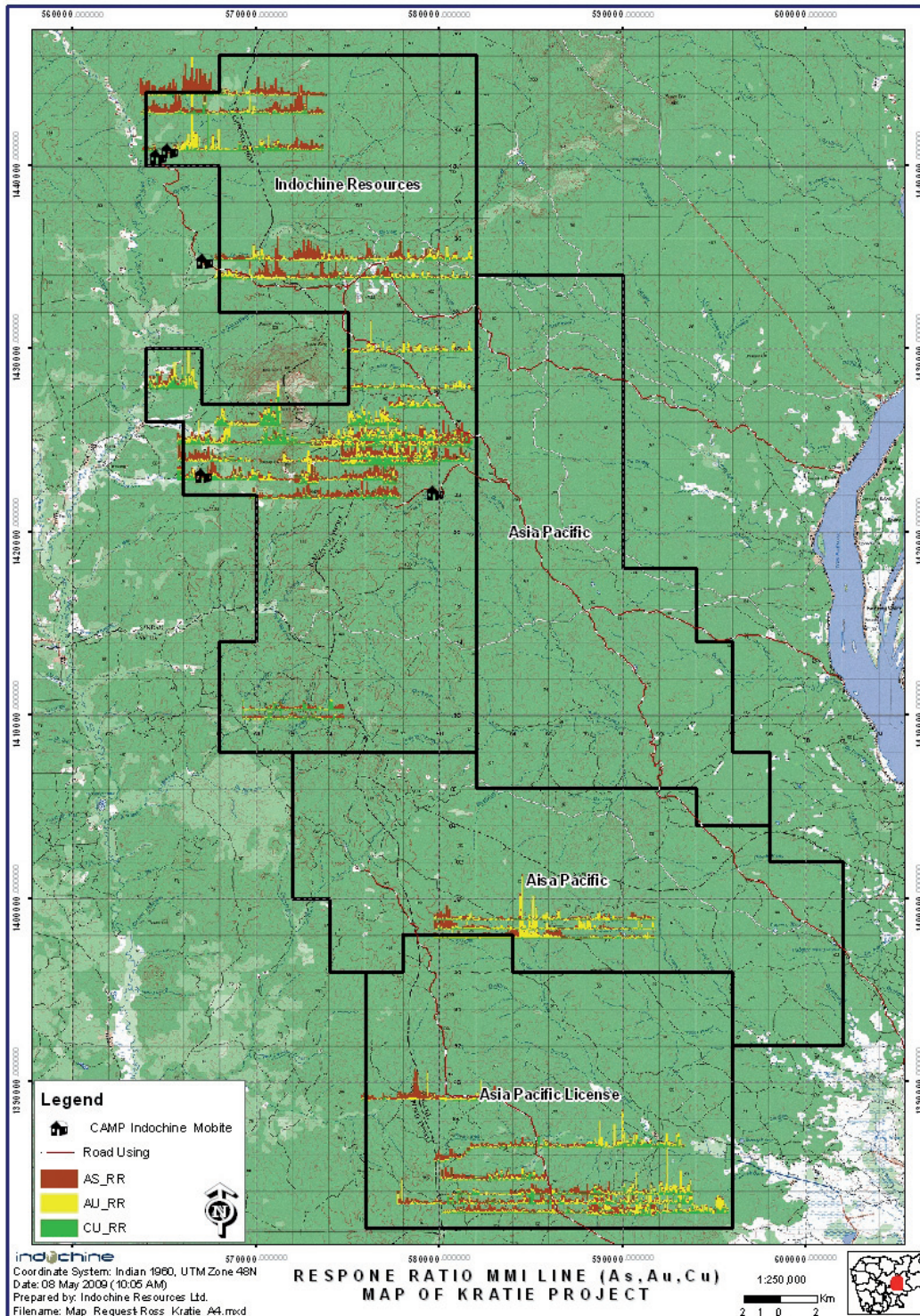
- Complete coverage using the IKONOS high resolution satellite for 1.0m resolution remote sensing data.
- Structurally and geologically interpreted remote sensing data including full coverage ASTER, Landsat and Spot-5 imaging.
- Digitised US Army aerial black and white photographs - essential for accurate stream sampling and stereographic mapping.
- A complete and fully interpreted set of detailed airborne magnetic, radiometric and digital terrain surveys over the entire project using a UTS fixed wing plane.

Upon receipt and analysis of the above data, geological and geophysical surveying/mapping is being conducted. Despite the scale and logistical difficulties, the data analysis enabled us to conduct the following targeted actions.

- Ongoing reconnaissance and exploration trips designed to explain the established geological theories.
- Geological ground testing programs, of identified structural and magnetic interpretations, has provided several gold and base metal targets.
- Ongoing, targeted, "regional" and "prospect" scale structural and geological mapping to identify drilling targets.

- MMI and auger-soil sampling was conducted to test magnetic highs and lows for mineralisation. The Bar Kham MMI-Soil program has defined potential gold targets.
- Stream sediment sampling, used as a 1st and 2nd pass method, defined numerous high priority gold targets.
- Auger soil sampling was conducted to test the interpreted magnetic highs for possible mineralisation.
- Exploration test pits at the Bar Kham iron/bauxite plateau assisted in defining the location for a logistical diamond drilling program across the iron /bauxite zone. This drilling identified a hard iron zone thickness of between 1.0m to 6.57m and resulted in grades up to 41% Fe and up to 30% Bauxite (Aluminium Oxide Al₂O₃). Anomalous gold values of up to 180ppb were also found within the soil laterite test pit material and are now being re assessed for bauxite, gold, silver and base metal potential.

KRATIE (Kratie & Kampong Thom Provinces)



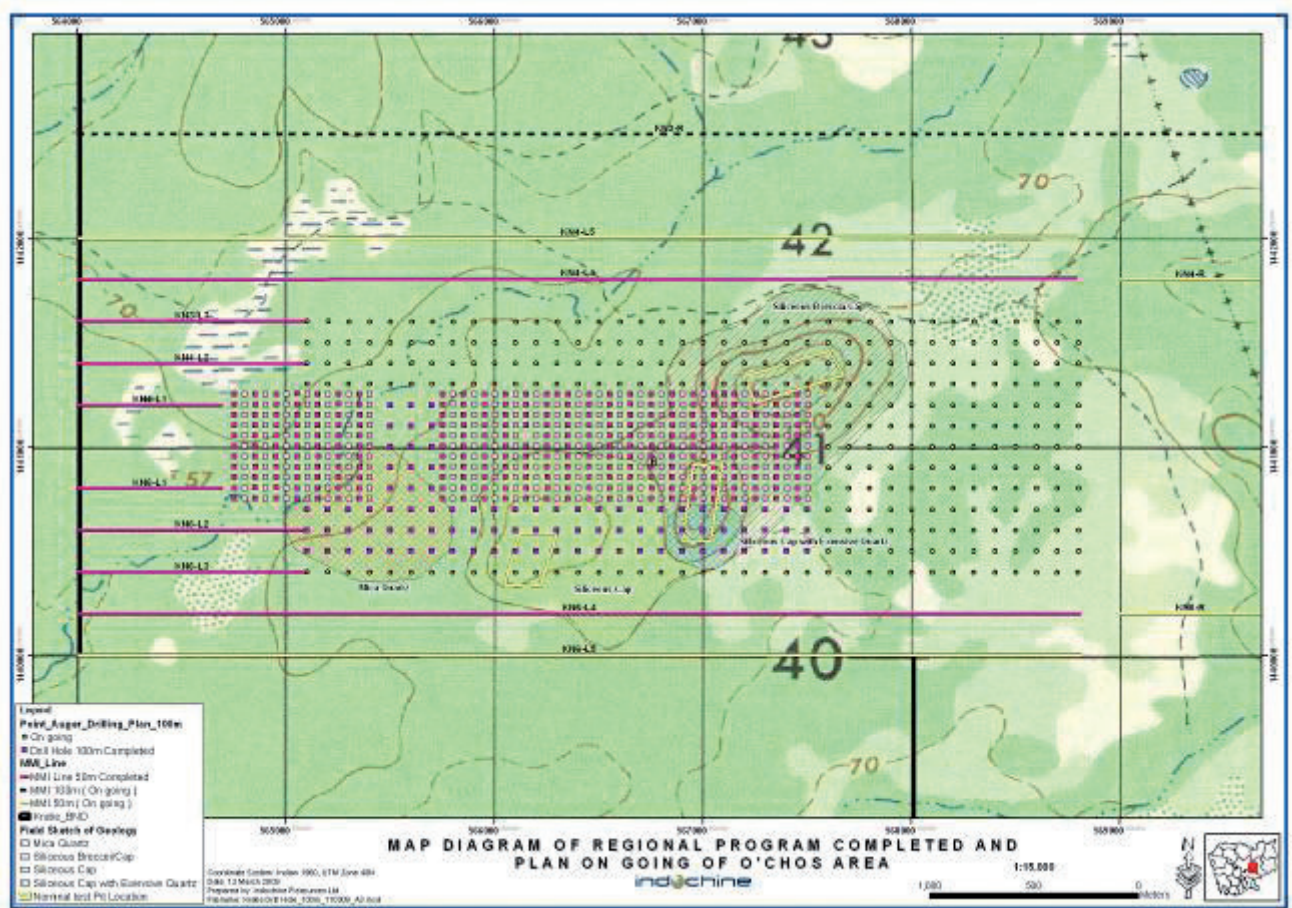
Map of Kratie Tenements and Target Areas with MMI Results.

- An extensive geochemical exploration program that was based on the interpreted remote sensing data and aerial magnetic survey was completed during the last quarter of 2008.
- MMI surveys showed strong gold anomalies associated with the Phnom Chi granites as well as anomalous silver and uranium.
- The uranium and thorium are being tested for enrichment in the surrounding sediments.
- Base metal anomalies were primarily encountered at Kratie South and included very strong cobalt signatures.
- A second round Infill MMI survey was completed late last year and closed up target zones.
- An auger drilling program was completed on the Kratie North target testing for gold and base metals. Results of the auger program give a very good correlation for Gold, Arsenic, Antimony, Molybdenum, Lead and Copper.
- The continued definition of targets has provided the basis for geophysical IP-Resistivity testing which is to commence in late march '09. This program will define targets for drilling.

Kratie North Project (O’Chos Area EL)

Over the past year, Indochine collected and analysed MMI samples from the Kratie North area. As Indochine’s exploration model is Intrusive Related Gold (IRG) and base metals, the MMI sampling focused on the large Phnom Chi intrusive bodies that are apparent from topography, satellite and aeromagnetic imagery.

The MMI sampling programmes, were successful in identifying coherent soil anomalies. The **O’Chos NW Anomaly** is a very strong and coherent gold-arsenic anomaly that is approximately 2.5 kms long



O’Chos Area Exploration Index Plan.

GEOCHEMISTRY RATANAKIRI PROJECT

Initial geochemical sampling was used to get best coverage and assess previously identified mineral occurrences. Results of the geochemical sampling have revealed some very encouraging results that need further study.

Stream Sediment

Extensive stream sediment sampling over a broad area was conducted at Ratanakiri looking for gold and base metals mineralisation. A total of one thousand thirty six (**1036**) stream sediment samples were collected from the field and tested for Au, Cu, Pb, Zn, Ag, Mo, As and Sb. Several samples from the stream sediment samples returned some very positive results for gold and other associated base metals.

Auger and MMI-soil

Auger and MMI-soil samples were collected in the Pong Peay and Barkham areas to test the magnetic highs and lows detected from the aeromagnetic survey. The collected auger samples were sent to McPhar Laboratory in the Philippines and were tested for the same elements as the stream sediment samples. The MMI-soils collected were sent to SGS-Australia and was tested for Au, Ce, Co, Cu, Ni, U, Pb, Zn, As, Pd, Mo, Th and Al. Results of the MMI-soil collected along Barkham South have a very good gold correlation with the results from the stream sediment sampling.

Test Pit

39 Test pits with an average depth of **2.85m** were conducted at Barkham in order to determine the thickness of the laterite cap and possibly map the underlying iron deposit. A total of one hundred seventy three (**173**) samples were collected from this area and were sent to McPhar Laboratory for testing. The samples were tested for Au, Ag, Cu, Pb, Zn, As, Mo, Ni, Co, Phosphorus, Fe, Silica, Alumina, Calcium, Sulphur Trioxide, Magnesium Oxide, Titanium Oxide, Potash, Manganese Oxide, Chromite, Vanadium Pentoxide and Chlorine.

Rock Chip

Rock chip samples were collected randomly within the Ratanakiri license areas. Sampling was done simultaneously during stream sediment and soil sampling. A total of **238** samples were collected from this area and were sent to Laboratory for testing. Quite a few samples collected by the minority people returned some encouraging results for gold, copper and iron.

GEOCHEMISTRY KRATIE PROJECT

Geochemical sampling, particularly MMI-soil, within the Kratie license area was conducted after reviewing satellite image files. Auger sampling was also conducted in this area to test the highly anomalous gold area delineated by the MMI-soil sampling. A total of **7635** samples were collected from the Kratie license area and sent to SGS laboratories for analysis.

MMI-Soil

MMI-soil sampling in Kratie was conducted to test the prominent structures and alterations delineated from review of the satellite image files. So far, there has been two phases of MMI-soil sampling conducted. The initial phase includes a broader scale 50-m spaced MMI-soil sampling. The second phase was a much tighter 25-m spaced MMI-soil sampling program. The second phase was a follow-up program from the initial phase where good results were found. A total of seven thousand one hundred eighty six (**7186**) samples were collected from this area and sent to SGS for laboratory testing. Several encouraging results for gold, base metals, uranium and other elements were delineated during the initial and second phase of the program.

Auger-Soil

Auger soil samples were taken in the targeted North Kratie area to verify the gold anomaly delineated by the MMI-results. The soil samples were collected along a 50m x 50m grid covering an approximate area of 1.2km². The samples were consistently collected along the C-horizon of the soil profile. A total of **449** auger samples were collected and sent to the laboratory. The results were very promising where gold was consistently being correlated with other associated minerals. Follow up auger sampling, to expand the 1st stage, is underway with initial results confirming earlier exploration rationale.

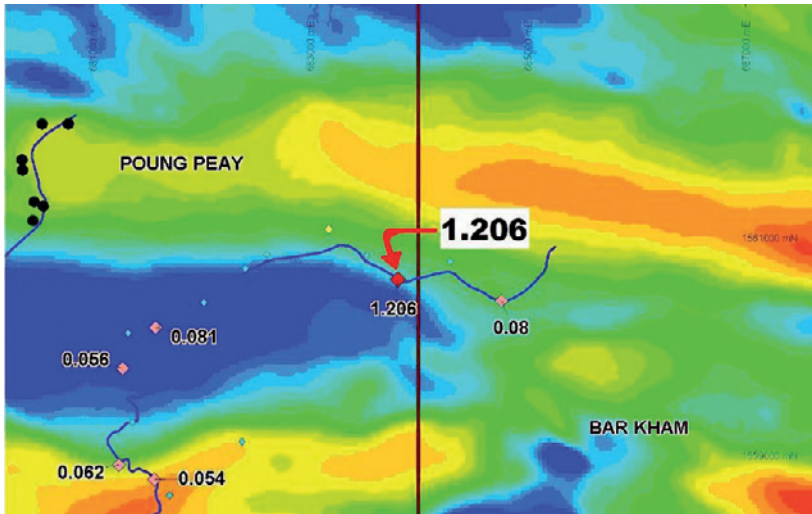
RATANAKIRI TARGETS

Targets within the Ratanakiri license areas are initially based on the results of stream sediment and MMI sampling. Results were then correlated with available aeromagnetics and structural data to refine the targets.

POUNG-PEAY PROJECT

Rock Chip

Rock samples returned good assay results along this area returning results of 2.05% Mo; 0.146 to 1.04% Cu; 0.28g/t Au and 8g/t Ag. The area where the samples were collected requires revisiting for confirmation and further geological mapping. This will be conducted in March - April '09.



Stream Sediment

Stream sediment samples collected along Ou Kampin stream, at Poug Peay, returned some significant assay values for gold that ranges from 54 ppm up to 1.206 ppm . These anomalous gold values were found in the upper tributary of Ou Kampin which coincides with the projected regional fault structure that runs across Barkham and Poug Peay generally trending Northwest in direction.

Soil Auger Samples

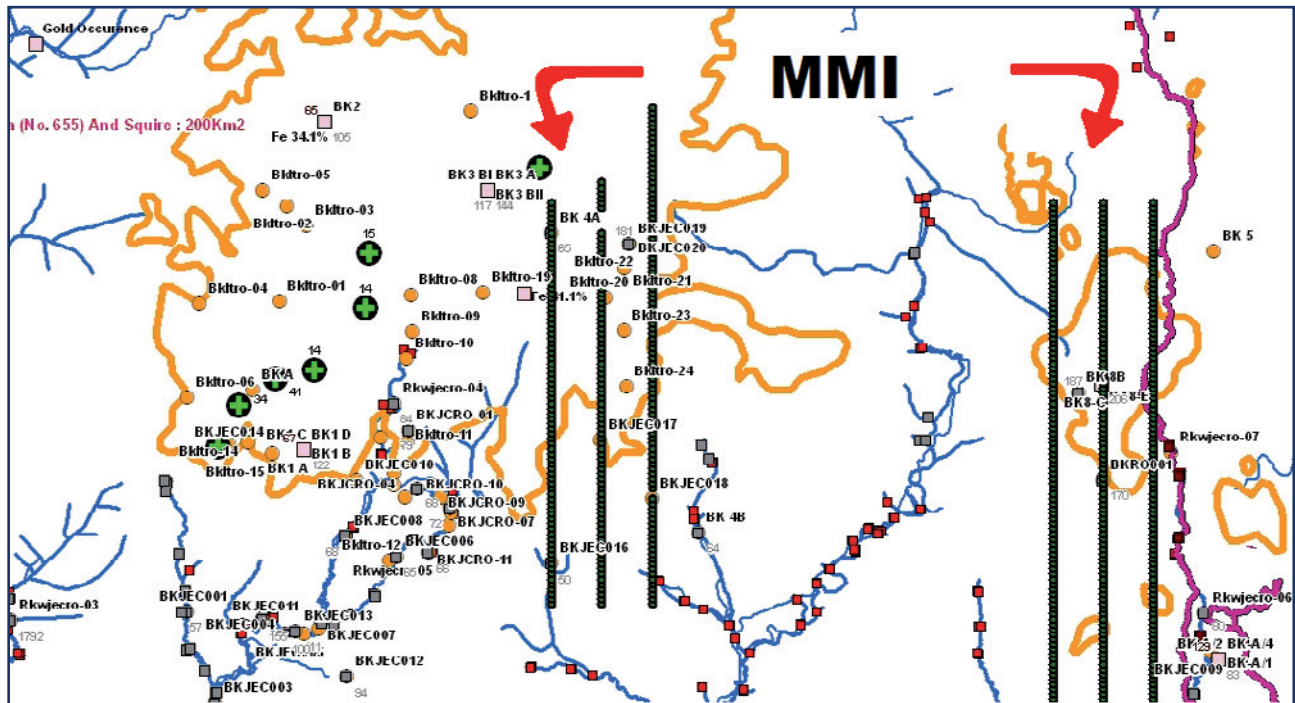
Auger-soil sampling along Poug Peay was conducted in order to test the series of low and magnetic highs defined during aeromagnetic survey. A total of **18** line kilometres and **363** samples were collected along this area. Samples were sent to McPhar (Philippines) and were analyzed for Cu, Au, Pb, Zn, As, Mo, Sb and Ag.

| SAMPLE TYPE | NO. OF SAMPLES | | | | | | | | | | | | TOTAL |
|-----------------|----------------|----------------|-----------|-------------|------------|------------|------------|-----------------|---------------|-------------|-----------|----------------|-------------|
| | Barkham | Beng Gang Kang | Kachok | Kham Darang | Koh Bong | Poug Peay | Preak Lang | Ratanakiri West | Stung Kham Pa | Stung Tapok | Veng Kham | Stung Ta Pok 2 | |
| Rock Chip | 92 | 27 | 11 | 5 | 29 | 30 | 12 | 3 | 1 | 12 | 31 | 7 | 260 |
| Stream Sediment | 515 | | | | 146 | 73 | 56 | | | 122 | 34 | 90 | 1036 |
| Test Pit | 173 | | | | | | | | | | | | 173 |
| Soil – Auger | | | | | | 363 | | | | | | | 363 |
| Soil – MMI | 559 | | | | | | | | | | | | 559 |
| TOTAL | 1339 | 27 | 11 | 5 | 175 | 466 | 68 | 3 | 1 | 134 | 65 | 97 | 2391 |

Table 3. Summary of samples collected along Ratanakiri.

BARKHAM PROJECT

This area can be divided into 3 prospect areas, namely: Barkham SW Gold Prospect; Barkham East Gold and Base Metal Prospect and; Barkham Iron Ore Prospect. These three prospects will be discussed separately.



Barkham SW Gold Prospect

Stream Sediment

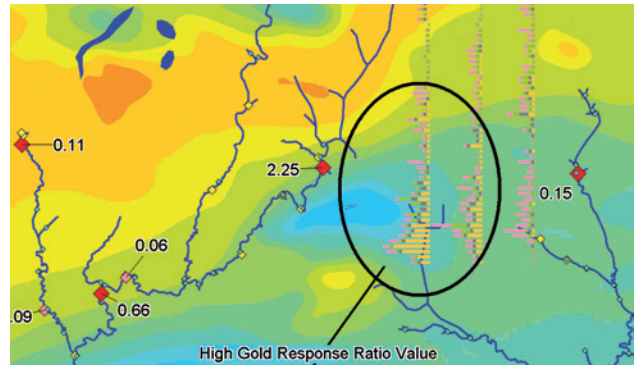
Stream sediment samples were collected within the area and gave some significant results. Stream sediment samples collected along Ou Ting Blak and Ou Tol have some anomalous value for gold and zinc. Samples collected from Ou Tol and Ou Ting Blak returned anomalous value for gold and zinc. The gold values ranges from 90ppb up to 0.69g/t while zinc ranges from 104 – 163ppm. Based on the topography of the area, these anomalous values are emanating from the upper tributaries of both streams.

Samples collected along Ou Kasin similarly returned some good results for gold and arsenic. Anomalous gold values collected along this stream range from 60ppb up to 2.25g/t. Arsenic, which is a good pathfinder element for gold, returned some anomalous value as well along this stream. Anomalous arsenic values ranges from 8 – 12ppm. These anomalous values for gold and arsenic are leading towards the upper tributary of Ou Kasin.

Stream sediment samples were also collected along Ou Kasiep and its tributaries. Two stream sediment samples returned anomalous values for gold along the tributary of Ou Kasiep. These tributaries are Ou Pring Pring and Ou Tingkil with gold values of 60ppb and 150ppb respectively. The anomalous values for gold and related base metal elements are also heading towards the upper stream which coincides with the low / high magnetic values.

MMI Soil

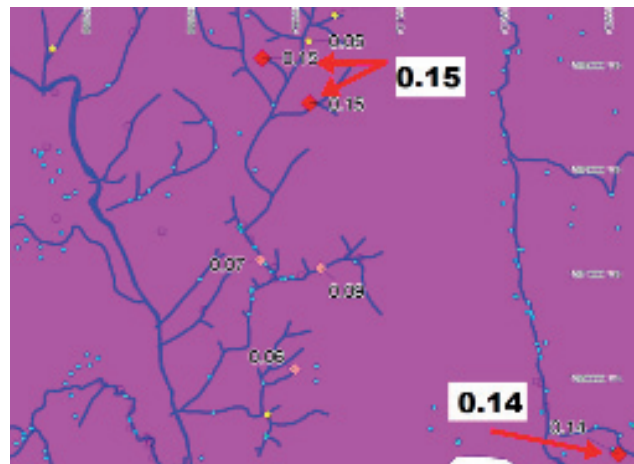
A total of 28.3 line-km were traversed and 559 Soil (MMI) samples were collected from the eastern side of Ou Kasin and Ou Kasiep respectively. Some MMI samples collected along the eastern side of Ou Kasin returned significantly high values. The high gold response ratio value is located along the upper tributary of Ou Pring Pring. This could possibly be the source of the 60ppb anomalous stream sediment gold value collected along the mouth of Ou Pring Pring. The anomalous MMI results for gold coincides with the magnetic low as shown on aeromagnetic results.



**BAR KHAM EAST
Gold and Base Metal Prospect**

Stream sediment samples were collected along Preak Lalay and its tributaries. Anomalous results for gold, lead and zinc were noted in the area.

Significant assay results for gold ranged from 60ppb–150ppb. Anomalous values for lead and zinc from this area range from 75 ppm – 166ppm and 100ppm – 285ppm respectively. These anomalous values for gold, lead and zinc are concentrated along the eastern and northern tributary of Preak Lalay.

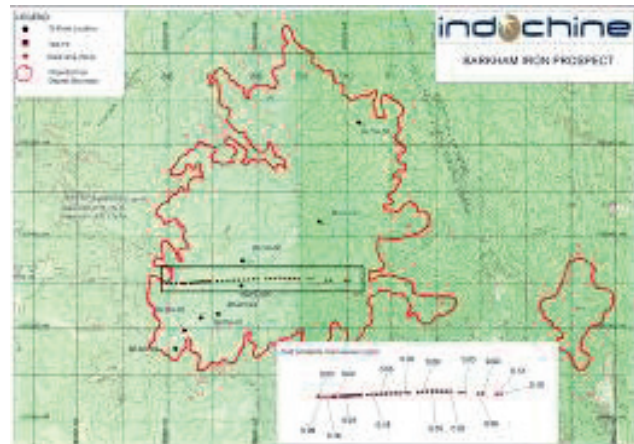


BARKHAM - Iron Prospect

This prospect is situated along the eastern side of Barkham license area. The iron deposit accumulated along the plateau at the 300m height-contour interval. Several activities were conducted in this area to determine the potential of the deposit and included test pit, rock chip and diamond drilling.

Rock Chip

Rock chip sampling of outcrops around the deposit edge gave data to help determine the potential grade of the deposit. Several rock chip samples gave positive assay results for iron ranging from 32.7% up to as high as 56.8%.



Test Pit

Test pits were conducted in the area to determine the possible thickness and grade of the soil laterite cap of the iron deposit. 39 test pits were dug in this area trending in an East West direction. The thinnest laterite soil cover encountered was 1.0m whilst the thickest was 6.7m. The average thickness of the soil laterite cap based on the test pits was 2.85m.



173 test pit samples were collected and sent for laboratory testing. The iron values for the soil laterite cap have an assay of up to 41.1% Fe while Al₂O₃ is as high as 15.77%. Traces of gold were also found in the laterite soil having a grade that ranges from 10ppb up to 180ppb.

Diamond Drilling

Diamond drilling was conducted within the Barkham license area to determine the thickness of the iron (hematite) deposit. Eight holes were drilled in the area for a total metreage of 160.17m. Only 4 out of the 8 holes intercepted the hematite deposit. A total of 16.87m of iron hematite were intercepted from those four holes with an average thickness of 4.2m. The thinnest iron hematite intercepted is 2.0m while the thickest is 6.57m. Based on the drill results, the iron hematite deposit occurs as lenses rather than as a massive deposit.

Result of the drilling also showed interesting outcomes on some of the intercepted sections. BKDH02 intercepted a one metre section of a vuggy quartz vein that contains some pyrite mineralisation. The drillholes intercepted the granodiorite intrusive which contains specks / disseminations of pyrite.



KHOBONG PROJECT

Stream sediment samples were collected along the tributaries of Ou Kray, Ou Pang and Ou Lulu. Out of the several stream sediment samples collected along this area, only one stream sediment sample had an anomalous value of gold. This sample was taken along Ou Pang with an assay value of 0.56g/t Au. No anomalous values were found among the other metals tested for analysis.



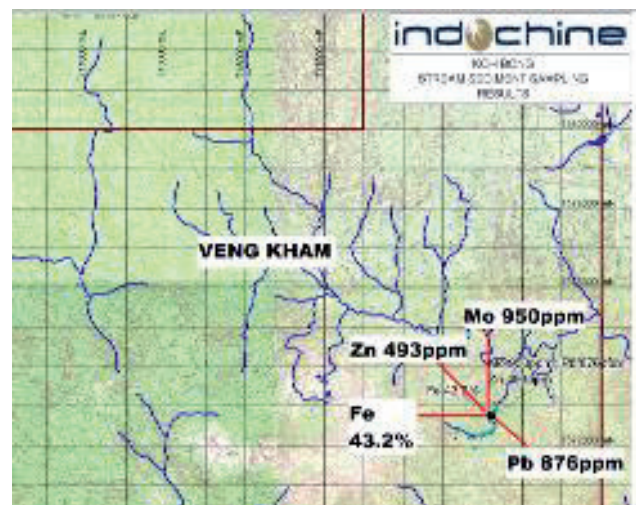
PREAK LANG PROJECT

Rock chip samples returned some significant assay values. Sample TAV3 has an assay value of 0.18%Cu while TAV4 received an assay value of 0.65%Cu and 17g/t Ag. The source of these two samples is near Stung Khampa. Sample PL2A gave an assay value of 69.3% Fe.

Stream sediment samples were collected within this tenement area along the tributaries of Preak Lang and Stung Khampa. Only one sample yielded an anomalous value among the few samples collected. The sample, collected along the tributary of Preak Lang, returned anomalous value for gold of 73 ppb.

VENG KHAM PROJECT

Rock chip and stream sediment samples were collected along this tenement area. No anomalous values were found with stream sediment sampling in this area. Rock chip samples collected in this area, returned significant values for Fe, Pb, Zn and Mo. Samples, identified as magnetite, have assay values for iron of up to 43.6% while others have assay values for Mo, Pb and Zn of 950ppm, 876ppm and 493ppm respectively.

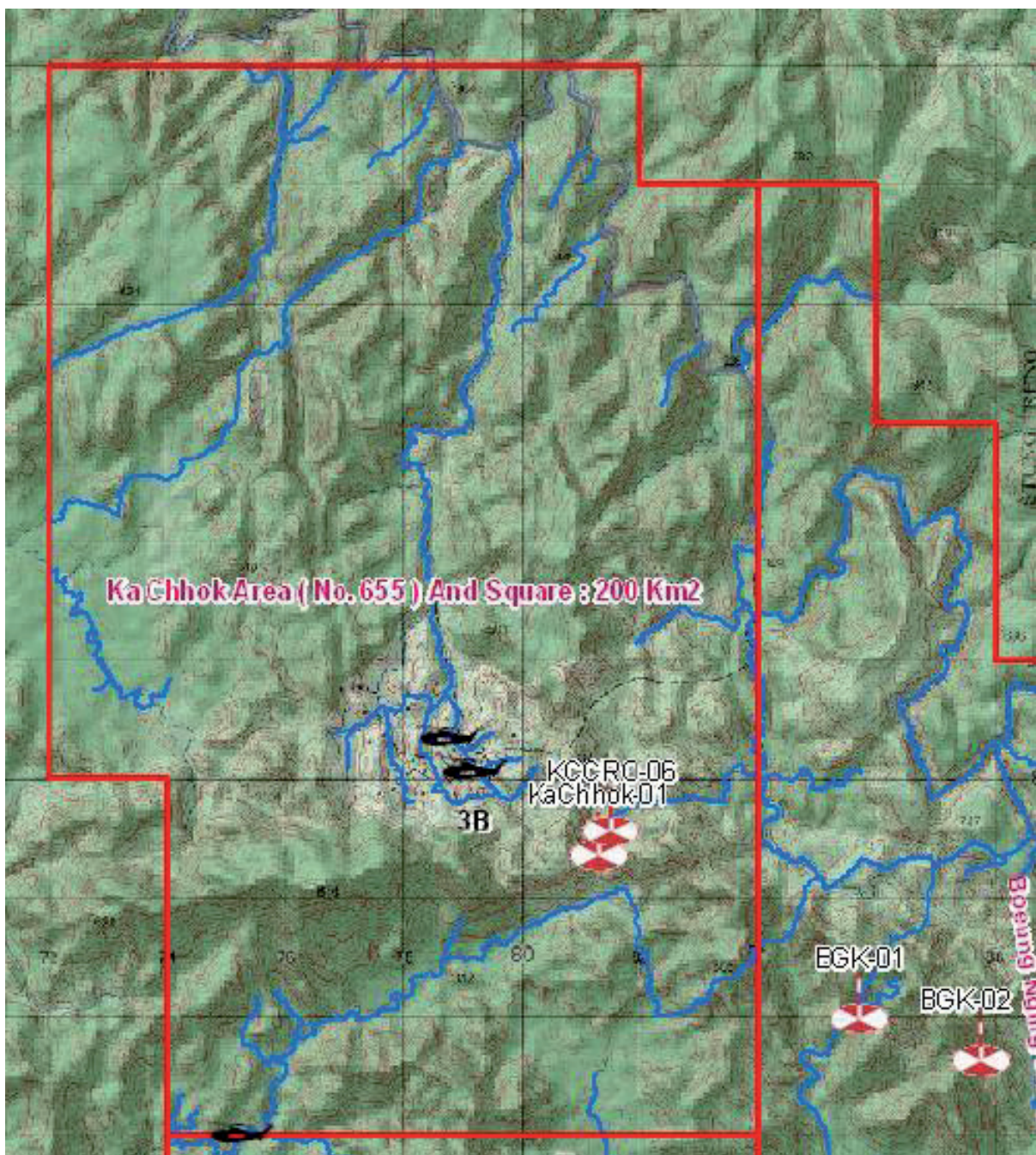


STUNG TA POK 2 PROJECT

Rock chip sample (PL3B), collected along the upper tributary of Ou Lapeur, assayed with a grade of 45.6% Cu and 290 g/t Ag. The source was the upper tributary of Ou Lapeur. Stream sediment sampling was conducted along Stung Ta Pok and its tributaries including Ou Lapeur. Results of the stream sediment show no anomalous values for Au, Cu, Ag and other base metals.

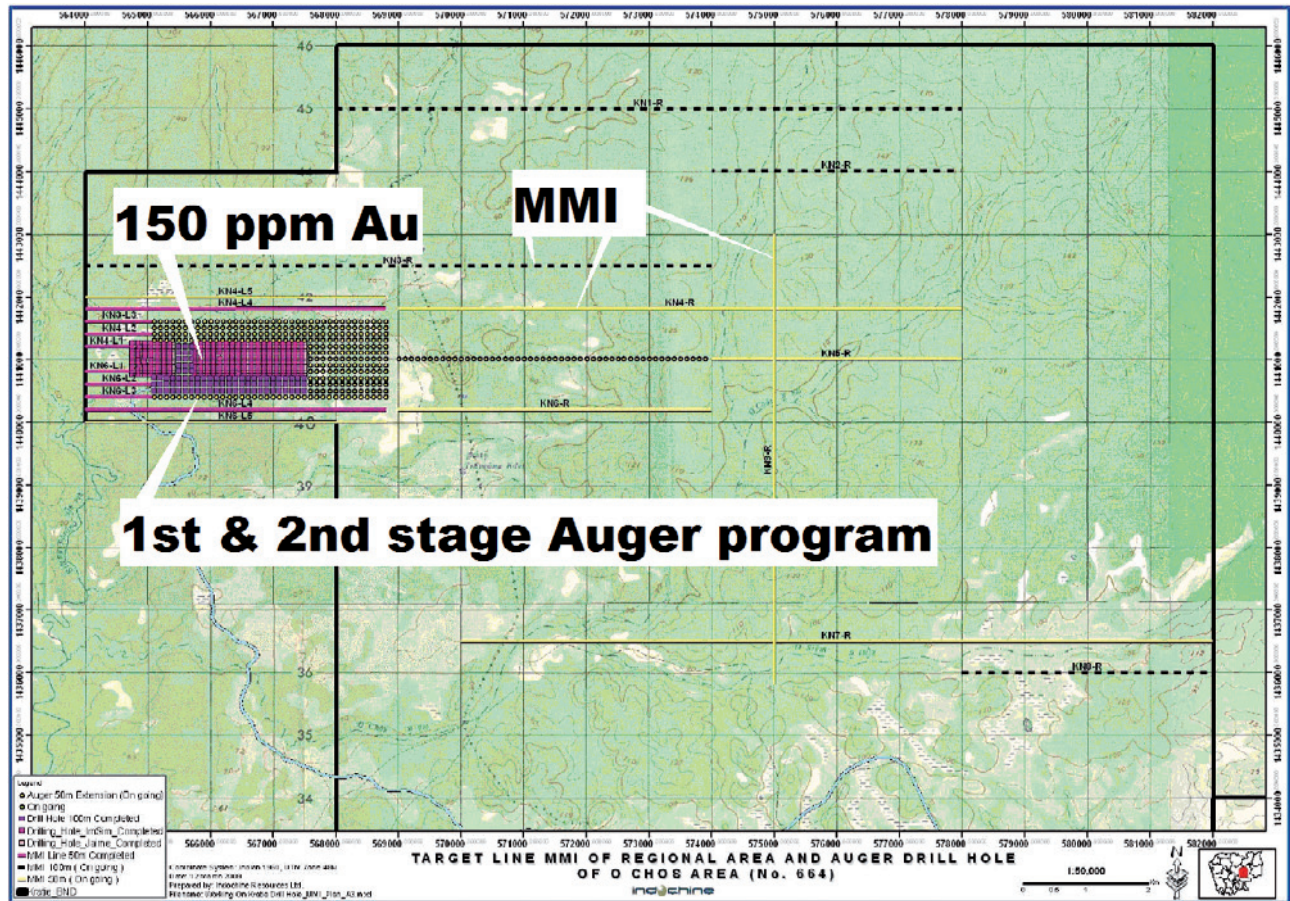
KA CHOK PROJECT

In late 2009, a mapping exercise was undertaken at a target identified from aeromagnetics in the Ka Chok area. Rock chip samples were taken which showed interesting mineralisation requiring follow-up surveying. After further magnetic and geographical feature interpretation, a group of men was sent back to collect more samples and conduct further mapping in February '09. The samples returned appear to be high quality magnetite in the form of float and outcrop. We are awaiting the results of the assaying of these samples.



KRATIE TARGETS

Potential targets are being identified in the area based on the initial results of MMI-soil and auger-soil samples. There are six areas with high response-ratio numbers for gold, copper and other base-metal related elements located within the Northern, Central and Southern Kratie tenement boundaries.



There is a high uranium response ratio surrounding the Phnom Chi area which could be attributed to the large granitic intrusion surrounding the area. These target zones are undergoing further detailed testing to establish the specific location and presence of such minerals.

A follow-up auger program was conducted within the anomalous gold response area to the North of Phnom Chi. Auger sampling was laid out along this area initially, covering an area of approximately 1.2 sq km. Very promising results were obtained with gold correlating well with Arsenic, Molybdenum, Antimony and Lead. Two gold zones of approximately 200m x 200m were identified along this area which probably relate to each other.

MMI Soil

The Kratie MMI program is extensive and includes two phases of sampling. The initial phase is a 50m-spaced soil sampling program that targets some areas of interest along Kratie Central, North and South. The second phase is a follow-up program (at 25m spacing) giving more details over zones of the significant results. The total scope of phase 1 was 342 line-km and the second phase **153.4** line-km. The initial phase of the program ran from March 10, 2008 to June 25, 2008. The second phase ran from August 11, 2008 to September 30, 2008. Both phases of the program had a total of **10,053** samples.

Auger Soil

Auger-soil sampling was conducted along Kratie North to test the anomalous gold response ratio values of MMI-soil results. The program was designed at 50m-spaced grid over an area of approximately 1.2km². A total of **450** samples were collected. The elements tested are Au, Ag, Cu, Pb, Zn, Mo, As and Sb. Results of the program defined broad anomalous gold values which is evenly correlated with several base metal patterns.

MMI Results

Kratie North - Area 1 (Gold and Base Metal Prospect)

This is an area of mapped volcanic and weathered remnant volcanic structures. It has a strong magnetic anomaly and is adjacent to other licenses with known gold deposits ie Oxiana (OZ Minerals). In this area three MMI lines, of approximately 10km each, were sampled at 25m and 50m intervals for a total of approximately 3000 samples.

Results of note were a moderate to strong gold peak (30 to 150ppb) and moderate copper responses (10 to 30) noted over the length of a number of the MMI lines.

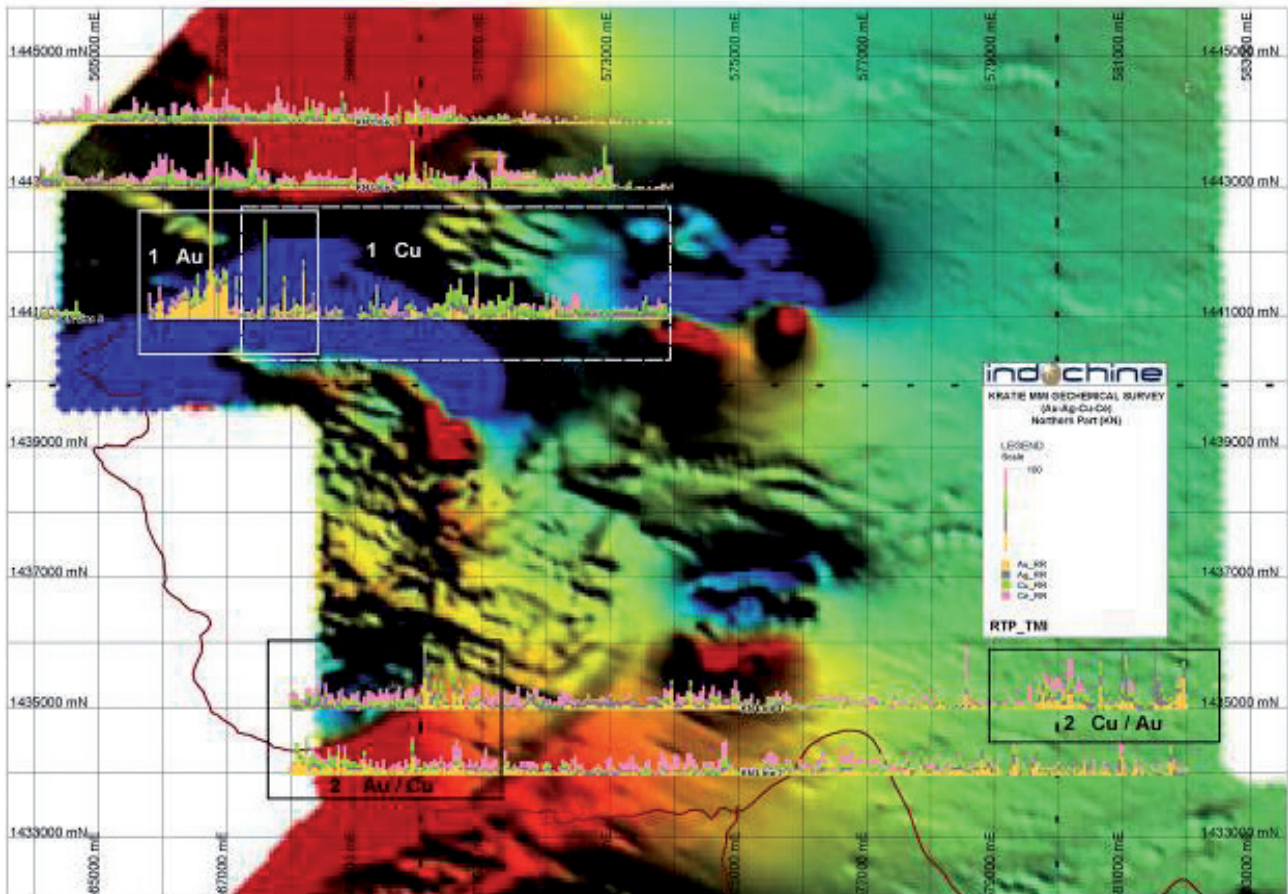


Figure 41. Map showing MMI results (Au-Ag-Cu-Ce) in Kratie north.
It also shows the location of targets area 1 & 2

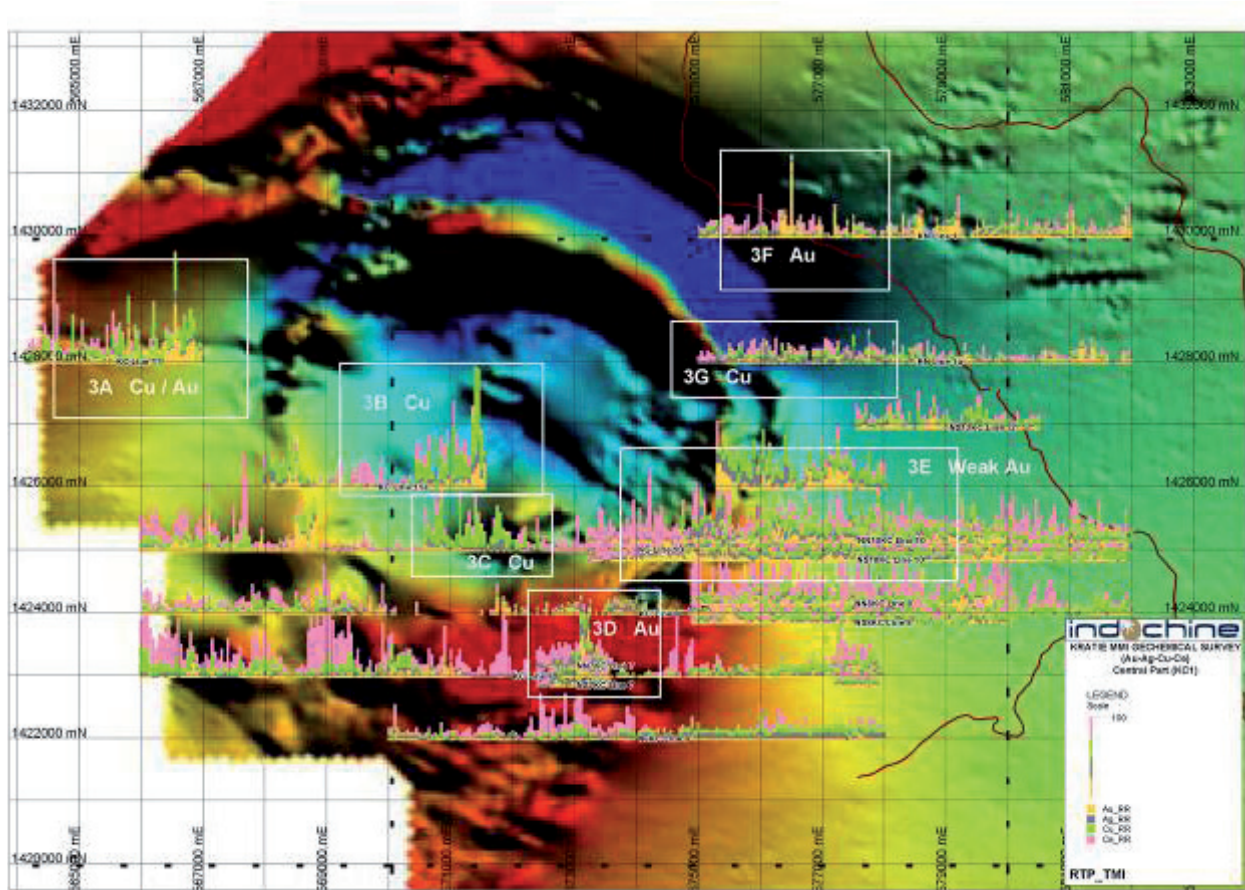
Area 1's responses are significant when viewed together with the disturbances in the magnetic field data and the known presence of gold in the vicinity. These suggest the strong possibility of a viable target that requires follow up.

A hand and mechanical auger program has further investigated these targets with the results currently being analysed. Subject to a review of these results, a ground Resistivity IP survey is planned for late March early April '09 to further define the structures for target exploration drilling.

Kratie North - Area 2 (Gold-Copper Prospect)

Target area 2 has a subdued but significant MMI response in Copper and Gold (Figure 41). The MMI peaks range from 5 to 25. There are geological features of interest but no significant targets that require follow up at this stage.

Kratie Central - Area 3 Phnom Chi (Gold-Copper-Uranium Prospect)



Map showing MMI results (Au-Ag-Cu-Ce) in Kratie Central. It also shows the location of target area 3.

Area 3 has a series of strong to moderate MMI anomalies of Copper, Gold and Uranium with some responses of cobalt. The Gold MMI peaks are between 5 and 120, with some wider bands of significance. The Copper Peaks, form a zone in the central part of Phnom Chi that is several kilometres long with response ratios of over 100. The Uranium Peaks are more diffuse but cover an area over several kilometres.

These targets are in the process of being mapped with further MMI, auger and rockchip sampling programs to assess logistics and geology. Once this is complete Indochine will program further work.

Kratie South - Area 4 (Copper Prospect)

The area has a series of weak to moderate Copper peaks that, at this point, don't offer a strong target for further investigation. There is a geophysical (magnetic) feature showing at the western end of the lines and this has been programmed for a short follow up to collect some rock chip and stream sediment samples.

Kratie Central South - Area 5 (Gold Prospect)

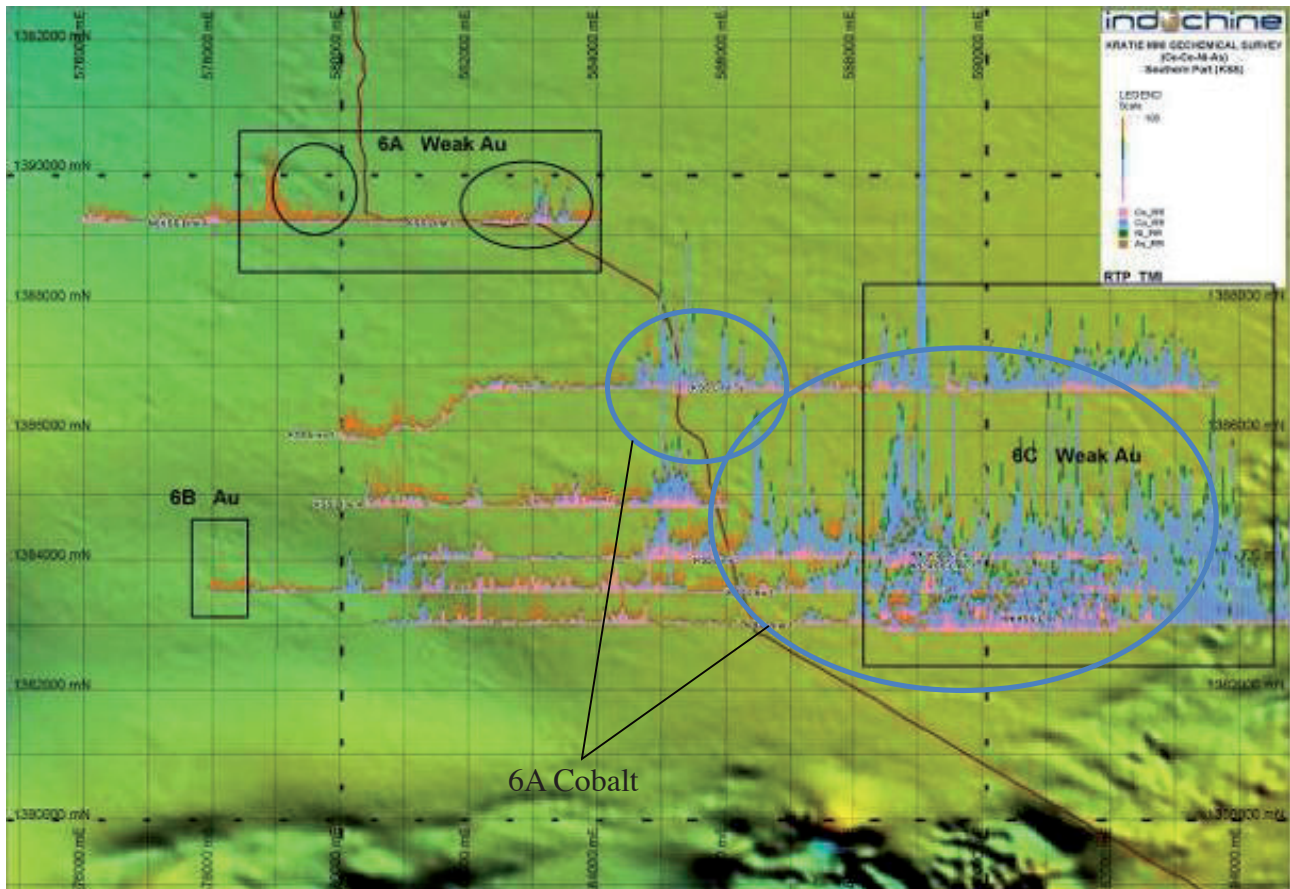
Area 5 has a strong MMI gold response ratio peak (30 to 120) over a 1500m by 1500m zone within a confluence of stream catchments draining from a higher plateau. It coincides with a geophysical lineament trending SE to NW This target is programmed for ground mapping follow up in March – April 09.

Kratie South - Area 6 Far South (Gold-Copper-Cobalt Prospect)

This zone has approximately 5 line-km of MMI data sampled at 50m intervals. There are weak to moderate gold and copper response over the entire area with six higher gold peak response ratios of over 100. The copper peaks are lower in amplitude at 20 to 30 but cover broader zones.

This area is divided into target areas 6A, 6B, and 6C (Figure 45). 6A has sharp gold and a moderate copper anomaly. Target 6B has a sharp gold anomaly. Target 6C is a larger area but has a series of elevated copper anomalies but with a lower level of gold.

The MMI data does show targets of significance but the targets are not sustained over broad zones. However, there are features of interest that mean follow up is appropriate. This will involve running reconnaissance geological mapping over each high Gold and Copper zone to determine if there are surface features of interest. This mapping and follow up is currently programmed to commence in mid April.



Map showing MMI results (Au-Ag-Cu-Ce) in Kratie South.

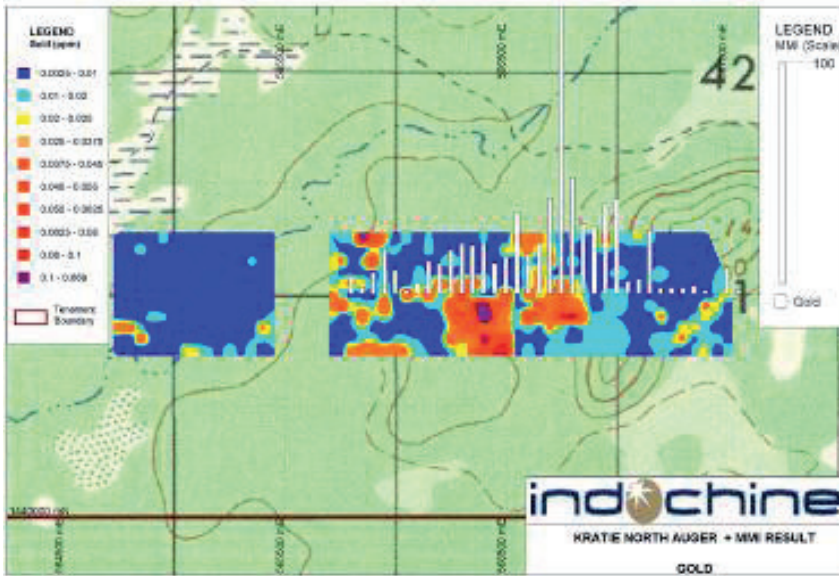
It also shows the location of target area 6 where cobalt Response Ratio values are very high.

Auger Results

Kratie North - Area 1 (Gold and Base Metal Prospect)

This is a multi-element gold and base metal soil anomaly in the Northern part of the Kratie license. Currently, the company has the results of testing of soil auger samples over this area. This target is significant and the favourable results represent a very big step forward in terms of target development.

There are significant soil anomalies in the gold (100 to 500ppb) over a 900m by 300m wide zone. It's anticipated that it will extend further subject to the results of the current follow up auger sampling and MMI. There are also significant soil anomalies in Arsenic, Antimony, Molybdenum, Lead and Zn. These results either overlay or form zoning parallel to the gold mineralisation. The hand auger logs clearly shows alteration including pyrite, clay alteration, and discoloration of the original rock.



Map showing the gold result of the auger soil sampling located at northern Phnom Chi. The map clearly shows the highly anomalous gold values along the auger soil lines which coincides with the result of the MMI-soil sampling

The spread of anomalous elements and the alteration seen in the auger material suggest the upper parts of the target are shallow and this is not detrital material. Furthermore, the location of the anomaly is on the upper slopes of the low hills (part of the volcanic ring). This confirms that this is an in-situ material.

Figure 46 shows the layout of the gold anomaly. The total dimensions of the feature for gold above 10ppb are 1600m by 500m. The higher concentration zone (above 25ppb) of the target is about 50% of this size. The interpretation of the auger sampling shows that this is almost certainly not the full extent of the target. It appears to trend SE and East. Once further auger sampling is complete (in progress) (**NOTE: FURTHER MMI IS PREFERABLE-AM**) this will outline the full extent of this anomaly. It appears likely this target will increase in size once this is complete.

It should be noted that there is a strong MMI anomaly that overlays and is coincident with the hand auger Gold anomaly. Further to the East, there is another MMI located gold target as well as MMI located Copper anomalies. Hence it is almost certain that this area contains multiple zones similar to this identified feature.

The anomaly to the East, shows Copper values up to 120ppm, the antimony to 15ppm, lead to 200ppm, arsenic to 94ppm, molybdenum to 17ppm.

The proposed budget below is constructed from the considered minimum expenditure requirements for ongoing exploration to effectively test the targets generated by Indochine’s work during 2008-09 as summarised above.

| Function | Units | Year 1 \$000s | Units | Year 2 \$000s | Units | Total \$000s |
|---|--------|---------------|---------|---------------|---------|--------------|
| Additional Landsat Image interpretation | | 30 | | 30 | | 60 |
| Additional Magnetic survey interpretation | | 40 | | 30 | | 70 |
| Field Mapping | 200km | 100 | 200km | 100 | 400km | 200 |
| Infill and extension soil geo-chemistry | 17,000 | 650 | 17,000 | 500 | 34,000 | 1,150 |
| Data compilation | | 70 | | 100 | | 150 |
| Drilling | 5,000m | 1,000 | 12,500m | 2,500 | 17,500m | 3,500 |
| Administration | | 370 | | 500 | | 870 |
| Totals | | 2,260 | | 3,760 | | 6,000 |

Proposed Budget for Indochine’s Two Year Exploration Program.



INDOCHINE RESOURCES LIMITED

ACN 119 808 007

Financial Report

for the year ended 30 June 2008

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Directors' Report

Your directors submit their report for the period ended 30 June 2008.

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.

| | |
|--------------------|-------------------------------|
| Robert E Coghill | (Appointed: 18 April 2007) |
| Christopher E Eddy | (Appointed: 4 July 2007) |
| David A Evans | (Appointed: 22 May 2006) |
| Jeremy D Snaith | (Appointed: 22 May 2006) |
| Ross M Hill | (Appointed: 24 August 2007) |
| Gavan H Farley | (Appointed: 15 December 2008) |
| Ian W Ross | (Appointed: 25 February 2009) |

Names, qualifications, experience and special responsibilities

David A Evans BSc

Since beginning work in 1994 as a geologist, David has worked with various Australian mining projects including Great Central Minies NL's Bronzewing Gold Mine, Anaconda Nickel NL's Murrin Murrin Nickel Cobalt Project and Ashton Mining Ltd's Merlin Diamond Project in the Northern Territory. David has also worked in the stock broking industry as both analyst and dealer as well as in the area of corporate financier and investment banking.

David is also a director of Jupiter Mines Limited.

Jeremy D Snaith Bsc (Geol) MAusIMM

Jeremy has worked on a number of mineral discoveries and for a wide variety of companies and projects including PNC (Japan) in Arnhem Land for Uranium (NT), Golden Shamrock Mines at Cobar Copper Mine for Copper (NSW), The Discovery 2000 Program (NSW Government) for various minerals in Northern NSW, North Pacific (USA) at Girilambone copper mine base for base metals (NSW), Mt Edon Gold Mines at the Tarmoola Gold Mine (WA). He is also director of Jupiter Mines Limited.

He has also worked in a stock broking firm as a mining analyst and was involved in corporate advice and capital raisings. Most recently, he was a key member in the acquisition of the world class Guanaco Gold Mine and Punitaqui Gold Mine, both in Chile.

Christopher E Eddy Bsc (Mathematics), F.Fin

Chris is a Dubai based investment banker with over 25 years experience in global capital markets, exploration (gold, platinum, metalliferous, diamonds, coal, oil and gas), mining equipment fleet finance, resource acquisition and resource disposal. He has also served as an Executive Director of ASX listed exploration companies Challenger Mining, Bullion Minerals and Golden Deeps - companies that explored Botswana, South Africa, Western Australia, Northern Territory and New South Wales.

Robert E Coghill B. Bus (Acctng), M. Com, CPA, FCIS, FTIA

Robert is a Certified Practising Accountant with 30 years experience in fund raising and corporate advice to both listed and unlisted companies. He has a Master of Commerce from New South Wales University and is Fellow of the Chartered Secretaries Australia and a Fellow of Taxation Institute of Australia. Robert was a Director of the Equitilink group of companies and was a seed shareholder of the group. He had key responsibility for capital raising for Austalian and international equity fund, fixed interest and superannuation funds. Robert was a director and fund raiser for Western Reefs Limited and played a key role in fundraising for Golden Deeps Ltd. Both these ASX listed companies were exploring for gold in the Kalgoorlie region. Robert was Executive Chairman of Champion Resources Limited (now Augur Resources Limited), a New South Wales gold and base metals exploration company which listed on the ASX in October 2007.

Ross M. Hill B.Leg S (Law)

Admitted to practice in 1996 Ross is a respected civil and criminal litigation expert administering one of NSW's largest and most successful criminal law practices for over a decade. Through several extended legal operations in South East Asia Ross has created and maintained an extensive network of influential persons in key positions of power and authority in the region.

Ross has experience in International Law, Contracts, Environmental Law & Practice, Media Relations & Crisis Management. Ross is a renowned negotiator, mediator and facilitator of all business dealings and instruments.

Gavan H Farley Dip Bus (F.I.T), Masters of Business Administration (Finance)

Gavan has a career spanning 30 years international management. Gavan is currently General Manager of Empire Securities Group and director of FCMS Holdings Inc of the USA. Previously, Gavan was Managing Director of Farley Laserlab USA Inc and Farley Europe Ltd. Gavan has held management positions in Hotels and Resorts.

Ian W Ross

Ian has worked in the finance and mining industry for over 40 years. After initial banking experience in London and New York he returned to London as a resource banker. Moving back to New York he ran the worldwide mining business for one of the largest US banks. He then moved to Sydney where he was instrumental in many ground breaking mining financings and developed innovative financial solutions to financing some of the world's largest mining projects during the 1980's.

Directors' Report

Names, qualifications, experience and special responsibilities (continued)

In 1988 Ian moved into the mining industry as a principal, and subsequently set up a private mining company in China, which had just opened up to the West. In 1994 this company was taken over by Ivanhoe Capital Corporation, the family Company of the Canadian entrepreneur Robert Friedland. Reporting directly to Robert Friedland, Ian then held a number of senior executive roles in the Ivanhoe controlled public and private companies throughout Asia and Australia, focussing on financial issues, until his retirement in 2005. His wealth of experience in the mining industry in South East Asia included 5 years living in China.

Ian is a non-executive director of the ASX listed Union Capital Limited, and was Chairman of ASX listed Intec Limited until retiring on 31st December 2007

As at the date of this report, the interests of the directors in the shares and options of Indochine Resources Ltd were:

| | Number of Ordinary Shares | Number of Options over Ordinary Shares |
|--------------------|------------------------------|--|
| Robert E Coghill | 5,000,000 | - |
| Christopher E Eddy | 5,000,000 | - |
| David A Evans | 16,353,300 | 10,000,000 |
| Jeremy D Snaith | 10,000,000 | 10,000,000 |
| Ross M Hill | 5,000,000 | - |
| Gavan H Farley | - | - |
| Ian W Ross | - | - |

DIVIDENDS

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

CORPORATE INFORMATION

Indochine Resources Ltd is a company limited by shares that is incorporated and domiciled in Australia.

The registered office of the company is, Level 5, 2 Bligh Street, Sydney, NSW 2000.

The company has 145 employees as at 30 June 2008 (2007: Nil).

PRINCIPAL ACTIVITIES

The principal activities of the company during the year was the development of mining tenements.

OPERATING AND FINANCIAL REVIEW

During the 2008 financial year the company continued with the process of exploring its mining tenements.

OPERATING RESULTS FOR THE YEAR

The net loss after tax of the consolidated entity for the year ended 30 June 2008 was \$4,662,697 (2007: Loss after tax of \$913,398).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year the company raised \$12,464,336 after costs via the issue of ordinary shares to existing and new shareholders through private placements. These funds were used to finance day to day working capital along with the further exploration of its existing mining tenements.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There have been no subsequent events that have arisen since the end of the financial year to the date of this financial report that require disclosure.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the company 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.

Directors' Report

SHARE OPTIONS

The following options over ordinary shares in the company has been granted to each of the directors. No shares have been issued during the financial year or since the end thereof by virtue of the exercise of any options.

| <u>Directors</u> | <u>Number of Options over Ordinary Shares</u> |
|--------------------|---|
| Robert E Coghill | - |
| Christopher E Eddy | - |
| David A Evans | 10,000,000 |
| Jeremy D Snaith | 10,000,000 |
| Ross M Hill | - |
| Gavan H Farley | - |
| Ian W Ross | - |

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.

DIRECTORS' MEETINGS

| <u>Number of meetings held:</u> | <u>Directors' meetings</u> |
|---------------------------------|--------------------------------|
| | 47 |

All directors attended the 47 meetings, except for Christopher Eddy who attended 46 meetings. Ian Ross and Gavan Farley did not attend any meetings of directors as they were appointed after balance date and the meeting dates.

AUDITOR INDEPENDENCE

The directors received an independence declaration from the auditor, Gould Ralph Assurance. A copy has been included on page 25 of the report.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Gould Ralph Assurance received or are due to receive the following amounts for the provision of non-audit services:

| | |
|---|--------------|
| | \$ |
| Technical assistance with the preparation of the financial statements | <u>5,000</u> |

Signed in accordance with a resolution of the directors.

Robert E Coghill
Director

Sydney
Dated this 8th day of April 2009

Income Statement

For the year ended 30 June 2008

| | Notes | CONSOLIDATED | | THE COMPANY | |
|--|-------|--------------------|------------------|--------------------|------------------|
| | | 2008 | 2007 | 2008 | 2007 |
| | | \$ | \$ | \$ | \$ |
| Continuing operations | | | | | |
| Revenues | 3(a) | 295,964 | 2,760 | 290,418 | 2,760 |
| Professional fees | | (497,178) | (31,304) | (340,052) | (31,304) |
| Insurance expenses | | (75,326) | - | (43,409) | - |
| Employee benefits expense | | (206,136) | (135,388) | (15,257) | (135,388) |
| Depreciation and amortisation expense | 3(b) | (24,329) | (287) | (4,102) | (287) |
| Travel expenses | | (311,854) | (106,472) | (89,836) | (106,472) |
| Consultancy fees | | (2,823,592) | (269,528) | (2,596,742) | (269,528) |
| Lease and occupancy expenses | | (411,950) | - | (251,064) | - |
| Public relations and marketing expenses | | (49,054) | - | (47,192) | - |
| Impairment write-downs | | (196,881) | (204,434) | (1,409,100) | (204,434) |
| Other expenses | | (362,361) | (168,441) | (83,514) | (168,441) |
| Finance costs | 3(c) | - | (304) | - | (304) |
| Loss before income tax | | (4,662,697) | (913,398) | (4,589,850) | (913,398) |
| Income tax (expense)/benefit | 4 | - | - | - | - |
| Loss after tax from continuing operations | | (4,662,697) | (913,398) | (4,589,850) | (913,398) |
| Net loss for the year | | (4,662,697) | (913,398) | (4,589,850) | (913,398) |
| Loss attributable to members | | (4,662,697) | (913,398) | (4,589,850) | (913,398) |

The Income Statement should be read in conjunction with the accompanying notes.

Balance Sheet

As at 30 June 2008

| | Notes | CONSOLIDATED | | THE COMPANY | |
|--|-------|------------------|----------------|------------------|----------------|
| | | 2008 | 2007 | 2008 | 2007 |
| | | \$ | \$ | \$ | \$ |
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | 5 | 6,121,742 | 51,454 | 5,664,462 | 51,454 |
| Trade and other receivables | 6 | 420,181 | 37,887 | 1,385,637 | 37,887 |
| Other assets | 7 | 54,330 | - | 13,909 | - |
| Total Current Assets | | 6,596,253 | 89,341 | 7,064,008 | 89,341 |
| Non Current Assets | | | | | |
| Property, plant & equipment | 8 | 441,675 | 2,079 | 37,369 | 2,079 |
| Deferred mining evaluation and exploration costs | 9 | 1,068,088 | 191,000 | 998,448 | 191,000 |
| Other financial assets | 10 | 2,000 | - | 3,020 | - |
| Total Non Current Assets | | 1,511,763 | 193,079 | 1,038,837 | 193,079 |
| TOTAL ASSETS | | 8,108,016 | 282,420 | 8,102,845 | 282,420 |
| LIABILITIES | | | | | |
| Current Liabilities | | | | | |
| Trade and other payables | 11 | 86,938 | 140,999 | 86,938 | 140,999 |
| Total Current Liabilities | | 86,938 | 140,999 | 86,938 | 140,999 |
| TOTAL LIABILITIES | | 86,938 | 140,999 | 86,938 | 140,999 |
| NET ASSETS | | 8,021,078 | 141,421 | 8,015,907 | 141,421 |
| EQUITY | | | | | |
| Equity attributable to equity holders of the parent | | | | | |
| Issued capital | 12 | 13,564,836 | 1,100,500 | 13,564,836 | 1,100,500 |
| Accumulated losses | | (5,621,776) | (959,079) | (5,548,929) | (959,079) |
| Reserves | 13 | 78,018 | - | - | - |
| TOTAL EQUITY | | 8,021,078 | 141,421 | 8,015,907 | 141,421 |

The Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2008

| | <i>Attributable to equity holders of the company</i> | | <i>Total equity</i> | |
|------------------------------|--|---------------------------|---------------------------------|------------------|
| | <i>Issued capital</i> | <i>Accumulated losses</i> | <i>Foreign currency reserve</i> | |
| | \$ | \$ | \$ | \$ |
| CONSOLIDATED | | | | |
| At 30 June 2006 | 36,000 | (45,681) | - | (9,681) |
| Loss for the year | - | (913,398) | - | (913,398) |
| Issue of share capital | 1,064,500 | - | - | 1,064,500 |
| At 30 June 2007 | 1,100,500 | (959,079) | - | 141,421 |
| Loss for the year | - | (4,662,697) | - | (4,662,697) |
| Currency translation reserve | - | - | 78,018 | 78,018 |
| Issue of share capital | 12,464,336 | - | - | 12,464,336 |
| At 30 June 2008 | 13,564,836 | (5,621,776) | 78,018 | 8,021,078 |
| THE COMPANY | | | | |
| At 30 June 2006 | 36,000 | (45,681) | - | (9,681) |
| Loss for the year | - | (913,398) | - | (913,398) |
| Issue of share capital | 1,064,500 | - | - | 1,064,500 |
| At 30 June 2007 | 1,100,500 | (959,079) | - | 141,421 |
| Loss for the year | - | (4,589,850) | - | (4,589,850) |
| Issue of share capital | 12,464,336 | - | - | 12,464,336 |
| At 30 June 2008 | 13,564,836 | (5,548,929) | - | 8,015,907 |

The Statement of Change in Equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

For the year ended 30 June 2008

| | <i>Notes</i> | <i>CONSOLIDATED</i> | | <i>THE COMPANY</i> | |
|---|--------------|---------------------|------------------|--------------------|------------------|
| | | <i>2008</i> | <i>2007</i> | <i>2008</i> | <i>2007</i> |
| | | \$ | \$ | \$ | \$ |
| Cash flows from operating activities | | | | | |
| Payments to suppliers and employees | | (5,150,119) | (833,463) | (6,291,887) | (833,463) |
| Interest received | | 295,964 | 2,760 | 290,418 | 2,760 |
| Interest paid | | - | (304) | - | (304) |
| Net cash flows from/(used in) operating activities | 5 | (4,854,155) | (831,007) | (6,001,469) | (831,007) |
| Cash flows from investing activities | | | | | |
| Purchase of property, plant and equipment | | (463,925) | (2,366) | (39,392) | (2,366) |
| Purchase of mining interests | | (877,087) | (191,000) | (807,447) | (191,000) |
| Purchase of other financial assets | | (2,000) | - | (3,020) | - |
| Net cash flows from/(used in) investing activities | | (1,343,012) | (193,366) | (849,859) | (193,366) |
| Cash flows from financing activities | | | | | |
| Proceeds from issues of ordinary shares | | 12,464,336 | 1,064,500 | 12,464,336 | 1,064,500 |
| Loans to related parties | | (196,881) | - | - | - |
| Net cash flows from/(used in) financing activities | | 12,267,455 | 1,064,500 | 12,464,336 | 1,064,500 |
| Net increase/(decrease) in cash and cash equivalents | | 6,070,288 | 40,127 | 5,613,008 | 40,127 |
| Cash and cash equivalents at beginning of year | | 51,454 | 11,327 | 51,454 | 11,327 |
| Cash and cash equivalents at end of year | 5 | 6,121,742 | 51,454 | 5,664,462 | 51,454 |

The Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2008

1 CORPORATE INFORMATION

The financial report of Indochine Resources Ltd for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 8 April 2009.

Indochine Resources Ltd is a company limited by shares incorporated and domiciled in Australia.

The nature of the operations and principal activities of the company are described in the directors' report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar.

(b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Indochine Resources Limited and its subsidiary as at 30 June 2008 ('the Group').

The financial statements of the subsidiary is prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(e) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(f) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the company will not be able to collect the debts. Bad debts are written off when identified.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(j) Exploration and development expenditure

Exploration and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped 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 in the income statement in the period in which the decision to abandon the area is made.

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.

(k) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

| | |
|---------------------------|-------------|
| - Computer equipment: | 10% - 33% |
| - Furniture and fittings: | 5% - 10% |
| - Improvements: | 5% - 10% |
| - Equipment: | 5% - 33% |
| - Motor vehicles: | 12.5% - 15% |
| - Boat | 10% - 33% |
| - Helicopters | 10% - 33% |

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement.

(k) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services.

(l) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(m) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

| | CONSOLIDATED | | THE COMPANY | |
|--|--------------|-----------|-------------|-----------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| 3 REVENUE AND EXPENSES | | | | |
| <i>Revenue and Expenses from Continuing Operations</i> | | | | |
| (a) Revenue | | | | |
| <i>Components of finance revenue</i> | | | | |
| Bank interest received/receivable | 275,418 | 2,760 | 275,418 | 2,760 |
| Interest on loan receivables | 20,546 | - | 15,000 | - |
| Total finance income | 295,964 | 2,760 | 290,418 | 2,760 |
| (b) Depreciation and amortisation expense | | | | |
| Depreciation of non-current assets | | | | |
| Computer equipment | 4,102 | - | 2,683 | - |
| Furniture and fittings | 135 | 287 | 1,419 | 287 |
| Improvements | 184 | - | - | - |
| Equipment | 3,869 | - | - | - |
| Motor vehicles | 15,932 | - | - | - |
| Boat | 36 | - | - | - |
| Helicopters | 71 | - | - | - |
| Total depreciation of non-current assets | 24,329 | 287 | 4,102 | 287 |
| (c) Finance costs | | | | |
| Finance charges payable under finance leases and hire purchase contracts | - | 304 | - | 304 |
| Total finance costs | - | 304 | - | 304 |
| 4 INCOME TAX | | | | |
| 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 period ended 30 June 2008 and 30 June 2007 is as follows: | | | | |
| Accounting loss before tax from continuing operations | (4,662,697) | (913,398) | (4,589,850) | (913,398) |
| Accounting loss before income tax | (4,662,697) | (913,398) | (4,589,850) | (913,398) |
| At the statutory income tax rate of 30% (2007: 30%) | (1,398,809) | (274,019) | (1,376,955) | (274,019) |
| Permanent differences - impairment write-downs | 59,064 | - | 422,730 | - |
| Transaction costs on issue of shares | (46,623) | - | (46,623) | - |
| Temporary differences not previously brought to account - mining costs | (263,126) | - | (242,234) | - |
| Tax losses and timing differences not brought to account | 1,649,494 | 274,019 | 1,243,082 | 274,019 |
| Income tax expense | 0 | - | 0 | - |
| Effective income tax rate | 0% | 0% | 0% | 0% |

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

| | CONSOLIDATED | | THE COMPANY | |
|--|--------------------|------------------|--------------------|------------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| 5 CASH AND CASH EQUIVALENTS | | | | |
| Cash at bank and in hand | 3,169,667 | 51,454 | 2,712,387 | 51,454 |
| Short-term deposits | 2,952,075 | - | 2,952,075 | - |
| | <u>6,121,742</u> | <u>51,454</u> | <u>5,664,462</u> | <u>51,454</u> |
| Cash at bank earns interest at floating rates based on daily bank deposit rates. | | | | |
| Reconciliation of cash | | | | |
| For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following: | | | | |
| Cash at bank and in hand | 3,169,667 | 51,454 | 2,712,387 | 51,454 |
| Short-term deposits | 2,952,075 | - | 2,952,075 | - |
| | <u>6,121,742</u> | <u>51,454</u> | <u>5,664,462</u> | <u>51,454</u> |
| Reconciliation from the net loss after tax to the net cash flows from operations | | | | |
| Net profit/(loss) | (4,662,697) | (913,398) | (4,589,850) | (913,398) |
| <i>Adjustments for:</i> | | | | |
| Depreciation | 24,329 | 287 | 4,102 | 287 |
| Impairment write-downs | 196,881 | - | 1,409,100 | - |
| Net foreign currency (gains)/losses | 78,018 | - | - | - |
| <i>Changes in assets and liabilities</i> | | | | |
| (Increase)/decrease in trade and other receivables | (382,294) | (37,556) | (2,759,871) | (37,556) |
| Increase in other assets | (52,330) | - | (13,909) | - |
| (Decrease)/increase in trade and other creditors | (56,062) | 119,660 | (51,041) | 119,660 |
| Net cash flow (used in) operating activities | <u>(4,854,155)</u> | <u>(831,007)</u> | <u>(6,001,469)</u> | <u>(831,007)</u> |
| 6 TRADE AND OTHER RECEIVABLES | | | | |
| Sundry debtors | 41,204 | 13,499 | 36,033 | 13,499 |
| Deposits paid | 78,977 | 24,388 | 32,538 | 24,388 |
| <i>Related party receivables - refer to Note 14 (a) - d)</i> | | | | |
| Loan to wholly owned subsidiary | - | - | 2,426,165 | - |
| Less: provision for impairment | - | - | (1,409,100) | - |
| | <u>-</u> | <u>-</u> | <u>1,017,065</u> | <u>-</u> |
| Receivable from Aries Mining Limited | 204,434 | 204,434 | 204,434 | 204,434 |
| Less: provision for impairment | (204,434) | (204,434) | (204,434) | (204,434) |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Loan to Jakapat Mining Limited | 300,000 | - | 300,000 | - |
| Loan to Asia Pacific Gold and Copper Company Limited | 196,881 | - | - | - |
| Less: provision for impairment | (196,881) | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>420,181</u> | <u>37,887</u> | <u>1,385,637</u> | <u>37,887</u> |
| 7 OTHER ASSETS | | | | |
| Prepayments | 54,330 | - | 13,909 | - |

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

| | CONSOLIDATED | | THE COMPANY | |
|---|----------------|--------------|---------------|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| 8 PROPERTY, PLANT AND EQUIPMENT | | | | |
| a) Carrying values | | | | |
| Computer equipment - at cost | 28,723 | - | 28,723 | - |
| Less: accumulated depreciation | (4,389) | - | (2,970) | - |
| | <u>24,334</u> | <u>-</u> | <u>25,753</u> | <u>-</u> |
| Furniture and fittings - at cost | 18,502 | 2,366 | 13,036 | 2,366 |
| Less: accumulated depreciation | (126) | (287) | (1,419) | (287) |
| | <u>18,376</u> | <u>2,079</u> | <u>11,617</u> | <u>2,079</u> |
| Improvements - at cost | 5,992 | - | - | - |
| Less: accumulated depreciation | (171) | - | - | - |
| | <u>5,821</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Equipment - at cost | 88,000 | - | - | - |
| Less: accumulated depreciation | (3,607) | - | - | - |
| | <u>84,393</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Motor vehicles - at cost | 317,703 | - | - | - |
| Less: accumulated depreciation | (14,854) | - | - | - |
| | <u>302,849</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Boat - cost | 1,071 | - | - | - |
| Less: accumulated depreciation | (33) | - | - | - |
| | <u>1,038</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Helicopter - at cost | 4,932 | - | - | - |
| Less: accumulated depreciation | (68) | - | - | - |
| | <u>4,864</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>441,675</u> | <u>2,079</u> | <u>37,369</u> | <u>2,079</u> |
| b) Movements in carrying values | | | | |
| <i>Computer equipment</i> | | | | |
| Carrying value at the beginning of the year | - | - | - | - |
| Additions | 28,723 | - | 28,723 | - |
| Disposals | - | - | - | - |
| Depreciation | (4,102) | - | (2,970) | - |
| Foreign exchange adjustments | (287) | - | - | - |
| Carrying value at the end of the year | <u>24,334</u> | <u>-</u> | <u>25,753</u> | <u>-</u> |
| <i>Furniture and fittings</i> | | | | |
| Carrying value at the beginning of the year | 2,079 | - | 2,079 | - |
| Additions | 16,135 | 2,366 | 10,669 | 2,366 |
| Depreciation | (135) | (287) | (1,132) | (287) |
| Foreign exchange adjustments | 297 | - | - | - |
| Carrying value at the end of the year | <u>18,377</u> | <u>2,079</u> | <u>11,617</u> | <u>2,079</u> |
| <i>Improvements</i> | | | | |
| Carrying value at the beginning of the year | - | - | - | - |
| Additions | 5,992 | - | - | - |
| Depreciation | (184) | - | - | - |
| Foreign exchange adjustments | 13 | - | - | - |
| Carrying value at the end of the year | <u>5,821</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

| | CONSOLIDATED | | THE COMPANY | |
|---|--------------|-------|-------------|-------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| <i>Equipment</i> | | | | |
| Carrying value at the beginning of the year | - | - | - | - |
| Additions | 88,000 | - | - | - |
| Disposals | - | - | - | - |
| Depreciation | (3,869) | - | - | - |
| Foreign exchange adjustments | 262 | - | - | - |
| Carrying value at the end of the year | 84,393 | - | - | - |
| <i>Motor vehicles</i> | | | | |
| Carrying value at the beginning of the year | - | - | - | - |
| Additions | 317,703 | - | - | - |
| Disposals | - | - | - | - |
| Depreciation | (15,932) | - | - | - |
| Foreign exchange adjustments | 1,078 | - | - | - |
| Carrying value at the end of the year | 302,849 | - | - | - |
| <i>Boat</i> | | | | |
| Carrying value at the beginning of the year | - | - | - | - |
| Additions | 1,071 | - | - | - |
| Disposals | - | - | - | - |
| Depreciation | (36) | - | - | - |
| Foreign exchange adjustments | 3 | - | - | - |
| Carrying value at the end of the year | 1,038 | - | - | - |
| <i>Helicopter</i> | | | | |
| Carrying value at the beginning of the year | - | - | - | - |
| Additions | 4,932 | - | - | - |
| Disposals | - | - | - | - |
| Depreciation | (71) | - | - | - |
| Foreign exchange adjustments | 5 | - | - | - |
| Carrying value at the end of the year | 4,866 | - | - | - |
| <i>Total</i> | | | | |
| Carrying value at the beginning of the year | 2,079 | - | 2,079 | - |
| Additions | 462,556 | 2,366 | 39,392 | 2,366 |
| Disposals | - | - | - | - |
| Depreciation | (24,329) | (287) | (4,102) | (287) |
| Foreign exchange adjustments | 1,370 | - | - | - |
| Carrying value at the end of the year | 441,675 | 2,079 | 37,369 | 2,079 |

9 DEFERRED MINING EVALUATION AND EXPLORATION COSTS

| | | | | |
|---|-----------|---------|---------|---------|
| Costs carried forward in respect of areas of interest (i) : | 1,068,088 | 191,000 | 998,448 | 191,000 |
|---|-----------|---------|---------|---------|

(i) The ultimate recoupment of costs carried forward for exploration and evaluation expenditure is dependent on the successful development and commercial exploitation or sale of the respective areas.

10 OTHER FINANCIAL ASSETS

Available for sale financial assets:

| | | | | |
|--|-------|---|-------|---|
| Investment in Tiarro Coal Limited | 2,000 | - | 2,000 | - |
| <i>Investment in subsidiaries:</i> | | | | |
| Investment in Indochine Resources Cambodia Limited (i) | - | - | 1,020 | - |
| | 2,000 | - | 3,020 | - |

(i) On 2 September 2007, Indochine Resources Limited acquired 100% of the ordinary share capital of Indochine Resources Cambodia Limited. At acquisition Indochine Resources Cambodia Limited was newly incorporated in Cambodia.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

| | CONSOLIDATED | | THE COMPANY | |
|--|--------------|---------|-------------|---------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| 11 TRADE AND OTHER PAYABLES (CURRENT) | | | | |
| Trade and other payables | 86,938 | 140,999 | 86,938 | 140,999 |

Trade payables are non-interest bearing and are normally settled on 60-day terms.

12 CONTRIBUTED EQUITY

(i) Ordinary shares

| | | | | |
|-----------------------|------------|-----------|------------|-----------|
| Issued and fully paid | 13,564,836 | 1,100,500 | 13,564,836 | 1,100,500 |
|-----------------------|------------|-----------|------------|-----------|

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

| | <i>No. of shares</i> | \$ |
|--|----------------------|------------|
| Movement in ordinary shares on issue | | |
| At 30 June 2007 | 72,383,333 | 1,100,500 |
| Shares issued during the year | 124,550,961 | 13,241,393 |
| less: Transaction costs on share issue | - | (777,057) |
| At 30 June 2008 | 196,934,294 | 13,564,836 |

(b) Terms and conditions of contributed equity

(i) Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

(c) Capital Management

Management controls the capital of the company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The company's capital includes ordinary share capital supported by financial assets. The company's financial liabilities consist of trade creditors.

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of distributions to shareholders and share issues.

13 RESERVES

| | | | | |
|--------------------------------------|--------|---|---|---|
| Foreign currency translation reserve | 78,018 | - | - | - |
|--------------------------------------|--------|---|---|---|

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

14 FINANCIAL INSTRUMENTS

Policies

The company's principal financial instruments, comprise of cash at bank, short term deposits and trade creditors.

The company manages its risk exposure of its financial instruments in accordance with the guidance from the board of Directors. The main risks arising from the company's financial instruments are interest rate risk and liquidity risks. The company uses different methods to manage and minimise its exposure to risks. These include monitoring levels of interest rates fluctuations to maximise the return of bank balances and liquidity risk is monitored through the development of future rolling cash flow forecasts.

The final approval and monitoring of any of the theses policies is carried out by the Board which review and agree on the policies for managing each of the risks as summarised below;

The primary responsibility to monitor the financial risks lies with the Managing Director under the authority of the Board. The Board agrees and approved policies for managing each of the risks indentified below, including the setting approval limits for purchases and monitoring projections of future cash flow.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Risk Exposures

(a) Interest rate risk and maturity analysis

The group has exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

| Consolidated group | Within 6 months | | Within 6 months | |
|-----------------------------|------------------|-------------------------|-----------------|-------------------------|
| | 2008 | Effective interest rate | 2007 | Effective interest rate |
| | \$ | % | \$ | % |
| Financial Assets | | | | |
| Cash and cash equivalents | 6,121,742 | 6.35% | 51,454 | 6.35% |
| Trade and other receivables | 420,181 | 0% | 37,887 | 0% |
| Financial Liabilities | | | | |
| Trade and other payables | (86,938) | N/A | (140,999) | N/A |
| Net Exposure | <u>6,454,985</u> | | <u>(51,658)</u> | |
| Parent | | | | |
| | Within 6 months | Effective interest rate | Within 6 months | Effective interest rate |
| | 2008 | | 2007 | |
| | \$ | % | \$ | % |
| Financial Assets | | | | |
| Cash and cash equivalents | 5,664,462 | 5.35% | 51,454 | 5.35% |
| Trade and other receivables | 1,385,637 | 0% | 37,887 | 0% |
| Financial Liabilities | | | | |
| Trade and other payables | (86,938) | N/A | (140,999) | N/A |
| Net Exposure | <u>6,963,161</u> | | <u>(51,658)</u> | |

The company does not have interest rate swap contracts. At maturity the fixed term deposit is renewed less any cash required to operate for the amount of time of the renewal. The company normally invests its funds in at least one fixed term deposit to maximise the available interest rates. The company always analyses its interest rate exposure when considering renewals of existing positions including alternative financing.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

The following sensitivity analysis is based on the interest rate risk exposures in existence at balance sheet date.

At 30 June 2008, if the interest rates had moved, as illustrated in the table below, with all other variables held constant, the post tax loss and equity would have been affected as follows:

| | 2008 Consolidated | 2007 Consolidated | 2008 Parent | 2007 Parent |
|---------------------------------------|--------------------------|--------------------------|--------------------|--------------------|
| | Post Tax Loss | Post Tax Loss | Post Tax Loss | Post Tax Loss |
| | (Higher)/Lower | (Higher)/Lower | (Higher)/Lower | (Higher)/Lower |
| | for the year | for the year | for the year | for the year |
| + 4 basis points higher interest rate | 44,045 | 489 | 20,380 | 489 |
| - 4% basis points lower interest rate | (347,953) | (3,498) | (208,256) | (3,498) |

The above effects on profit/loss for the year also equate to the effects on equity.

The movements in the loss after tax are due to higher/lower interest earned from variable movement in the interest rates on cash balances.

Interest rate risk table:

Consolidated

| Financial instruments for the period ended 30 June 2008 | Floating interest rate | Non-interest bearing | Total carrying amount as per the balance sheet | Weighted average effective interest rate |
|--|------------------------|----------------------|--|--|
| <i>(i) Financial assets</i> | | | | |
| Cash | 6,121,742 | | 6,121,742 | 6.35% |
| Trade and other receivables | | 120,182 | 120,182 | N/A |
| Loans to third parties | 300,000 | | 300,000 | 14% |
| Other assets | | 54,330 | 54,330 | N/A |
| Other financial assets | | 2,000 | 2,000 | N/A |
| Total financial assets | 6,421,742 | 176,512 | 6,598,254 | |
| <i>(ii) Financial liabilities</i> | | | | |
| Payables and accruals | | 86,938 | 86,938 | N/A |
| Total financial liabilities | | 86,938 | 86,938 | |

| Financial instruments for the period ended 30 June 2007 | Floating interest rate | Non-interest bearing | Total carrying amount as per the balance sheet | Weighted average effective interest rate |
|--|------------------------|----------------------|--|--|
| <i>(i) Financial assets</i> | | | | |
| Cash | 51,454 | | 51,454 | 6.35% |
| Trade and other receivables | | 37,887 | 37,887 | N/A |
| Total financial assets | 51,454 | 37,887 | 89,342 | |
| <i>(ii) Financial liabilities</i> | | | | |
| Payables and accruals | | 140,999 | 140,999 | N/A |
| Total financial liabilities | | 140,999 | 140,999 | |

Parent - The 2007 parent entity disclosure is the same as the 2007 consolidated disclosure as no subsidiaries existed during the year ended 30 June 2007.

(b) Liquidity risk

The company's objective is to maximise its cash availability by adhering to the exploration program and evaluating current charges of various suppliers. Before the exploration program is completed the company will seek additional funds from existing investors or new investors or a combination of both.

The Group also has transactional currency exposures. Such exposures arise from sales or purchases by an operating unit in currencies other than the unit's functional currency.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

(c) Credit risk

The company has the following outstanding trade and other receivable as at year end with the following credit ratings:

Consolidated entity

| | Credit Rating | 2008 \$ | 2007 \$ |
|----------------------------|------------------|----------------|---------------|
| Employee loans | Not rated | 13,000 | 13,000 |
| Loan to Jakapat Mining Ltd | Not rated | 300,000 | - |
| Deposits paid | AAA | 78,977 | 24,388 |
| Other | Not rated | 28,204 | - |
| TOTAL | | 420,181 | 37,388 |

Parent Entity

| | Credit Rating | 2008 \$ | 2007 \$ |
|----------------------------|------------------|------------------|---------------|
| Employee loans | Not rated | 13,000 | - |
| Loan to subsidiary | Not rated | 1,017,065 | - |
| Loan to Jakapat Mining Ltd | Not rated | 300,000 | - |
| Deposits paid | AAA | 32,538 | 24,388 |
| Other | Not rated | 23,034 | 13,499 |
| TOTAL | | 1,385,637 | 37,887 |

d) Foreign Currency Risk

As a result of significant operations in Cambodia and expenses being paid denominated in United States Dollars, the group's balance sheet can be affected significantly by movements in the US\$/A\$ exchange rates. The group seeks to mitigate the effect of its foreign currency exposure by holding US dollar bank accounts in its wholly owned subsidiary. The group has no transactional currency sales exposures as the entity is still in the exploration and evaluation phase.

The group has no foreign currency forward contracts in place nor does it have any foreign currency cash flow hedges.

At 30 June 2008, the group had the following exposure to US\$ foreign currency that is not designated in cash flow hedges:

| | Consolidated | | Parent | |
|------------------------------|----------------|------------|------------|------------|
| | 2008 \$ | 2007 \$ | 2008 \$ | 2007 \$ |
| Financial assets | | | | |
| Cash and cash equivalents | 457,280 | - | - | - |
| Trade and other receivables | 86,859 | - | - | - |
| | 544,139 | - | - | - |
| Financial liabilities | | | | |
| Trade and other payables | - | - | - | - |
| Net exposure | 544,139 | - | - | - |

At 30 June 2008, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been effected as follows:

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

d) Foreign currency risk

(cont)

| | Post tax loss Higher/(Lower) | | Equity | |
|---------------------|------------------------------|------|-----------|------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| Consolidated | | | | |
| AUD/USD + 10bp | (115,684) | - | 115,684 | - |
| AUD/US - 20 bp | 331,027 | - | (331,027) | - |
| Parent | | | | |
| AUD/USD + 10bp | - | - | - | - |
| AUD/US - 20 bp | - | - | - | - |

(e) Net fair values

All financial assets and liabilities have been recognised at the balance date at their net fair values.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Cash, cash equivalents and short term deposits: The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables and trade creditors: The carrying amount approximates fair value.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

15 RELATED PARTY DISCLOSURES

Transactions with wholly owned entities

a) During the year ended 30 June 2008, the company lent \$2,426,165 to its wholly owned subsidiary on normal commercial terms and conditions. The directors have considered the recoverability of this loan and have recognised \$1,409,100 impairment provision against the carrying value. The loan bears interest at 14% per annum and has a term of 20 years.

Transactions with director related entities

b) During the year ended 30 June 2008 the company lent \$300,000 to Jakapat Mining Limited, being a director related entity on normal commercial terms and conditions. The loan bears interest at 14% and has a term of 2 years.

c) During the year ended 30 June 2008 the company lent \$196,881 to Asia Pacific Gold and Copper Company Limited, being a director related entity on normal commercial terms and conditions. The loan bears interest at 14% and has a term of 5 years.

d) During the year ended 30 June 2007, the company paid certain expenses on behalf of Aries Mining Limited, amounting to \$204,434. This balance has been recognised as a loan receivable, however the directors believe that this loan is impaired and it has therefore been fully provided for.

Terms and conditions of transactions with related parties

Transactions with related parties are made on normal commercial terms and conditions.

16 EVENTS AFTER BALANCE SHEET DATE

There have been no subsequent events that have arisen since the end of the financial year to the date of this financial report that require disclosure.

17 AUDITORS' REMUNERATION

The auditor of Indochine Resources Ltd is Gould Ralph Assurance.

| | <i>CONSOLIDATED</i> | | <i>THE COMPANY</i> | |
|---|---------------------|---------------|--------------------|---------------|
| | <i>2008</i> | <i>2007</i> | <i>2008</i> | <i>2007</i> |
| | \$ | \$ | \$ | \$ |
| <i>Amounts received or due and receivable by Gould Ralph Assurance for:</i> | | | | |
| entity | 20,000 | 10,000 | 20,000 | 10,000 |
| • other services | 5,000 | - | 5,000 | - |
| | <u>25,000</u> | <u>10,000</u> | <u>25,000</u> | <u>10,000</u> |

18 SEGMENT INFORMATION

The company operates predominantly in one industry - mining exploration and development. The company operates predominantly in one geographic region, being Cambodia and Laos.

19 DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Compensation of Key Management Personnel

| | <i>CONSOLIDATED</i> | | <i>THE COMPANY</i> | |
|------------------------------|---------------------|----------------|--------------------|----------------|
| | <i>2008</i> | <i>2007</i> | <i>2008</i> | <i>2007</i> |
| | \$ | \$ | \$ | \$ |
| Short-term employee benefits | 540,166 | 135,000 | 540,166 | 135,000 |
| | <u>540,166</u> | <u>135,000</u> | <u>540,166</u> | <u>135,000</u> |

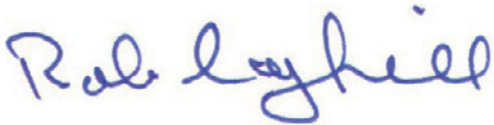
Directors' Declaration

In accordance with a resolution of the directors of Indochine Resources Ltd, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company and the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company and the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Robert E Coghill
Director

Sydney,

Dated this 8th day of April 2009.

8 April 2009

The Board of Directors
Indochine Resources Limited
Level 5, 2 Bligh Street
SYDNEY NSW 2000

Dear Directors

**AUDITORS INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

We declare that, to the best of our knowledge and belief, during the period ended 30 June 2008 there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- No contraventions of any applicable Code of Professional Conduct in relation to the audit.

Yours faithfully
GOULD RALPH ASSURANCE



GREGORY C RALPH M.Com., F.C.A.
Partner

Chartered Accountants

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF INDOCHINE RESOURCES LTD

Report on the Financial Report

We have audited the accompanying financial report of Indochine Resources Ltd (the company), and the consolidated entity, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration. The consolidated entity comprises both the company and the entities it controlled during the year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditors' 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report we were engaged to undertake non audit services being technical assistance with the preparation of the financial report as disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditors' opinion

In our opinion:

1. the financial report of Indochine Resources Ltd is in accordance with:
 - (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2008 and of their performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

GOULD RALPH ASSURANCE
Chartered Accountants



GREGORY C RALPH, M.COM, FCA
Partner

Dated this 8th day of April 2009
Sydney

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