



INDOCHINE MINING LIMITED (Subject to Deed of Company Arrangement)

ACN 141 677 385

NOTICE OF THE 2015 ANNUAL GENERAL MEETING

Notice is given that the 2015 Annual General Meeting (**AGM** or **Meeting**) of Shareholders of Indochine Mining Limited (**Indochine** or the **Company**) will be held as follows:

Time: 11 AM

Date: 30 May 2016

Place: Ferrier Hodgson, Level 28, 108 St Georges Terrace

This Notice of AGM should be read in conjunction with the attached Explanatory Statement and is accompanied by a Proxy Form for those Shareholders wishing to vote by proxy. Please follow the instructions at the end of the Proxy Form carefully.

ORDINARY BUSINESS

Financial Report

To receive and consider the Company's Financial Report for the financial year ended 30 June 2015, together with the related Directors' and Auditor's Reports.

Note: There is no requirement for Shareholders to approve these Reports.

Resolution 1 Adoption of Remuneration Report

To consider and, if thought fit, to pass the following as an ordinary resolution:

"That the Company's Remuneration Report for the financial year ended 30 June 2015 be adopted."

Note: The vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion

In accordance with the Corporations Act, the Company will disregard any votes cast by, or on behalf of, any person who is disclosed in the Remuneration Report as a member of the Key Management Personnel (**KMP**) including any Director, or a Closely-Related Party of any KMP, in relation to the Resolution 1.

However, the Company need not disregard a vote if:

- a) it is cast by a person as proxy for a person who is permitted to vote, in accordance with the directions on the Proxy Form; or
- b) it is cast by the Chairman of the Meeting as proxy for a person who is permitted to vote, where the Proxy Form does not specify the way the Chairman of the Meeting

is to vote and which expressly authorises the Chairman of the Meeting to vote even though the resolution is connected directly or indirectly with the remuneration of a KMP and even though the Chairman of the Meeting is a member of the KMP.

Resolution 2 Election of a Director – Mr Craig Dawson

To consider and, if thought fit, to pass the following as an ordinary resolution:

"That Mr Craig Dawson, retiring by rotation in accordance with clause 63 of the Company's Constitution and, being eligible for re-election, be re-elected as a Director of the Company."

Resolution 3 Election of a Director – Mr Anthony (Tony) Gates

To consider and, if thought fit, to pass the following as an ordinary resolution:

"That Mr Anthony (Tony) Gates, be elected as a Director of the Company in accordance with clause 61(b) of the Company's Constitution."

Resolution 4 Consolidation of Capital

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to Resolution 5 being passed, pursuant to section 254H of the Corporations Act, the Company's Constitution and for all other purposes, the issued capital of the Company be consolidated on the basis that every 400 (four hundred) Shares be consolidated into 1 (one) Share and any resulting fractions of a Share be rounded down to the nearest whole Share, to take effect on 3 June 2016 and on the terms and conditions set out in the Explanatory Statement."

Resolution 5 Issue of Shares and Options to Kandahar Holdings

To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:

"That, subject to Resolution 4 being passed, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 10 million Post Consolidated Shares and 10 million Options to Kandahar Holdings on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion

In respect of Resolution 5 and in accordance with ASX Listing Rule 7.3.8 and the voting restrictions of item 7 section 611 of the Corporations Act the Company will disregard any votes cast on this Resolution by:

- a) any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed; and
- b) any associates of those persons.

However, the Company need not disregard a vote if:

- a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- b) it is cast by the Chairman the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 6 Approval of 10% Placement Facility

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That pursuant to, and in accordance with, ASX Listing Rule 7.1A, and for all other purposes, Shareholders approve the issue of Equity Securities of up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (10% Placement Facility), and on the terms and conditions in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast on Resolution 6 by a person (or any associate of such a person) who may participate in the 10% Placement Facility and a person who might obtain a benefit from the Placement, except a benefit solely in the capacity of a holder of Shares, if Resolution 6 is passed.

However, the Company will not disregard a vote if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- b) it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

OTHER BUSINESS

To transact any other business that may be properly brought before the meeting.

Further information in relation to these Resolutions is set out in the attached Explanatory Statement.

Dated: 25 April 2016
By order of the Board

Ashok Jairath
Company Secretary

Entitlement to Vote

Pursuant to the Corporations Regulations 2001, the Company has determined that for the purpose of the Meeting, Shares will be taken to be held by persons who are registered holders at 11 AM (Perth time) on 28 May 2016. Accordingly, Share transfers registered after that time will be disregarded in determining a Shareholder's entitlement to attend and vote at the Meeting.

How to Vote

A member may vote by attending the Meeting in person, by proxy or by authorised representative.

Voting in Person

To vote in person, please attend the AGM at the time, date and place set out above. The AGM will commence at 11 AM (Perth time) on 30 May 2016.

Corporate Shareholders who wish to appoint a representative to attend the Meeting on their behalf must provide that person with a properly-executed Certificate of Appointment of Corporate Representative Form.

Voting by Proxy

To be effective, Proxy Forms must be received by the Company at its registered office at least 48 hours before the time for holding the AGM, i.e. at 11 AM (Perth time) on 28 May 2016.

A Shareholder entitled to attend and vote is entitled to appoint not more than two persons as his/her proxy to attend and vote instead of the Shareholder. A proxy need not be a Shareholder. If more than one proxy is appointed, the Shareholder may specify the proportion of the Shareholder's voting rights or the number of votes each proxy is appointed to exercise. If the appointment does not specify the proportion or number of the Shareholder's votes that each proxy may exercise, each proxy may exercise half of those votes on a poll.

Unless under Power of Attorney (which should have been noted previously by the Company), a Proxy Form by a corporation should be executed under its common seal or in accordance with the Corporations Act. If the proxy is executed under a Power of Attorney, the instrument appointing the attorney must accompany the Proxy Form. Any instrument of proxy in which the name of the appointee is not filled in shall be deemed to be given in favour of the Chairman of the Meeting.

If a Shareholder appoints the Chairman of the Meeting as proxy, the Shareholder can direct the Chairman of the Meeting how to vote by either marking the boxes on the Proxy Form (Step 2) for Resolutions 1 to 6 of business, or by marking the Chairman's voting authority box on the Proxy Form (Step 1), in which case this will be considered to be an express direction to the Chairman of the Meeting to vote in favour of the proposed resolution even though the Resolution is connected directly or indirectly with the remuneration of a member of KMP, and/or even if the Chairman of the Meeting has an interest in the outcome of these items of business. If the voting authority box is not completed in Step 1, then the Chairman of the Meeting will not cast any votes on a Shareholder's behalf on Resolutions 1 to 6.

Undirected Proxies

Subject to the paragraph above, the Chairman of the Meeting intends to vote undirected proxies in favour of all Resolutions.

Directed Proxies

The Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution. In summary:

- (a) a proxy need not vote on a show of hands but, if the proxy does vote, the proxy must vote as directed;
- (b) if a proxy is appointed by two or more Shareholders who specify different ways to vote on a resolution, the proxy must not vote on a show of hands;
- (c) if a proxy is the Chairman of the Meeting, the proxy must vote as directed on a poll;
- (d) if the proxy is not the Chairman of the Meeting, the proxy need not vote on a poll but, if the proxy does vote, the proxy must vote as directed; and
- (e) if the proxy is not the Chairman of the Meeting and does not attend the Meeting or does not vote on a resolution, but the proxy form specifies how to vote and a poll is demanded, then the Chairman of the Meeting is taken to have been appointed as a proxy and must vote as directed.

Return of Proxies by Mail:

Indochine Mining Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South, NSW 1235

Return of Proxies by Facsimile:

Link Market Services Limited
(02) 9287 0309

Return of Proxies by Hand Delivery:

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

EXPLANATORY STATEMENT

This Explanatory Statement sets out information in connection with the business to be considered at the 2015 Annual General Meeting of Indochine Mining Limited (subject to Deed of Company Arrangement).

The original deadline to hold the AGM was 30 November 2015. The Company was unable to meet this deadline due to it being in Administration and the delay in the finalisation of audited accounts. On 30 November 2015, the Company sought an extension for a period of three months from ASIC to hold the AGM. This extension was granted by ASIC on 22 December 2015, under which the Company was required to hold the AGM by 29 February 2016. The Company was unable to meet this deadline and sought a second extension on 29 February 2016 for a period of three months on the grounds that it was still in Administration, that its main asset was in dispute and the unwillingness of the proponent of the DOCA to fund more than one shareholder meeting. On 30 March 2016 a second extension was granted by ASIC, under which the Company is required to hold the AGM by 30 May 2016.

ORDINARY BUSINESS

The following items of ordinary business will be considered at the Meeting.

1. Resolution 1 Adoption of Remuneration Report

The Corporations Act requires that a resolution be put to the Shareholders to receive approve and adopt the Remuneration Report as disclosed in the Directors' Report section of the Annual Report. The Remuneration Report sets out the Company's remuneration information in relation to Non-executive Directors, the Chief Executive Officer and other specific executives, collectively termed Key Management Personnel (**KMP**).

The vote on this resolution is advisory only and non-binding on the Company. The Directors will however take the outcome of the vote into consideration when reviewing remuneration practices and policies.

Shareholders will have the opportunity to ask questions or make comments concerning the Remuneration Report during the Meeting. Under the Corporations Act, if 25% or more of the votes that are cast are voted against the adoption of the Remuneration Report at two consecutive AGMs, Shareholders will be required to vote at the second of these AGMs on a resolution (**Spill Resolution**) that another meeting be held within 90 days at which all of the Directors (other than the Managing Director and CEO) must go up for re-election.

At the Company's previous AGM the votes cast against the remuneration report considered at that AGM were less than 25%. Accordingly, the Spill Resolution is not relevant for this AGM.

Indochine encourages all Shareholders to cast their votes on Resolution 1. Shareholders not attending the AGM may use the enclosed Proxy Form to lodge their vote directly.

Any undirected proxies held by the KMP or any of their Closely Related Parties will not be voted for this Resolution. The KMP of Indochine are the Directors and those other person having authority and responsibility for planning, directing and controlling the

activities of Indochine, directly or indirectly. The Remuneration Report identifies Indochine's KMP for the financial year to 30 June 2015. Closely Related Parties of the KMP is defined in the Corporations Act and includes family members, dependents and companies controlled by members of the KMP.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on this Resolution by marking either "For", "Against" or "Abstain" on the Proxy Form.

2. Resolution 2 Election of Director - Mr Craig Dawson

Clause 63(a) of the Constitution provides that one third of the Directors and any other Director who would have held office for more than 3 years and more than 3 annual general meetings since their last election must retire from office. A Director retiring in accordance with clause 63(a) is eligible for re-election.

Mr Craig Dawson has equally held office the longest since his last election and has agreed to retire by rotation and seek re-election.

Mr Craig Dawson was appointed as a Non-Executive Director of Indochine on 18 February 2014. The qualifications and experience of Mr Craig Dawson are set out in the Directors' Report in the 2015 Annual Report.

3. Resolution 3 Election of Director – Mr Anthony (Tony) Gates

Clause 61(2) of the Constitution provides that the Company may at any time by resolution appoint any person to be a Director.

The Company wishes to put forward Mr Anthony (Tony) Gates to stand for election as a Director of the Company in accordance with the Company's Constitution.

Mr Gates is an exploration geologist with over 50 years experience in the mining industry, primarily focused in Australia and Papua New Guinea. He has experience at Chairman and Managing Director level in establishing, managing and promoting public companies. As a geologist his exploration success includes discovery of the high grade Emily Ann Nickel Deposit and Higginsville Gold Mine in Western Australia. His work in Papua New Guinea involved detailed mapping, sampling and exploration drilling and included due diligence on the Mt Kare Gold project. Mr Gates brings extensive exploration and PNG experience to the Company. Mr Gates is not currently serving as a Director of any other listed companies.

4. Resolution 4 Consolidation of Capital

4.1. Background

The Company was suspended from Official Quotation on 17 March 2015. The Company appointed voluntary Administrators on 27 March 2015 pursuant to section 436A of the Corporations Act following the withdrawal of an offer to fund the Mt Kare Project by an interested party.

The Administrators issued their report pursuant to section 439A of the Corporations Act on 4 May 2015 outlining their recommendations for the Company. The Administrators in

conjunction with Kandahar Holdings proposed that the Company enter into a Deed of Company Arrangement (**DOCA**) in order to provide a better return to creditors rather than an immediate winding up of the Company.

On 13 May 2015 pursuant to section 439A of the Corporations Act a second meeting of creditors was held, whereupon the creditors of the Company resolved that the Company should execute the DOCA.

The key components of the DOCA are as follows:

- a) Kandahar Holdings will provide the first loan of \$50,000 to the Company within 14 days of the execution of the DOCA;
- b) the Administrators will be at liberty to amend the dates for payment without seeking approval from the Company's creditors;
- c) Kandahar Holdings will provide the Second Loan of \$450,000 within 14 days of satisfaction or waiver of the condition precedents.
- d) the Administrators will cause a Meeting of the Company's Shareholders to be convened, as a condition precedent, for the purposes of considering and approving:
 - i. consolidation of existing Shares on issue at a ratio of 400:1;
 - ii. issue of 10 million ordinary Shares to Kandahar Holdings or its nominees; and
 - iii. issue 10 million Options over ordinary Shares to Kandahar Holdings or its nominees; and
 - iv. all options to acquire Shares in the Company existing at the Relevant Date will be cancelled.

In light of the above Resolution 4 is seeking shareholder approval, subject to Resolution 5 being passed, in accordance with section 254H of the Corporations Act to consolidate the share capital of the Company through the conversion of every four hundred (400) fully paid ordinary Shares into one (1) fully paid ordinary Share. Under section 254H of the Corporations Act a company may consolidate its shares if the consolidation is approved by an ordinary resolution of shareholders at a general meeting.

4.2. Timing

If the Share Consolidation is approved, the consolidation will take place on 3 June 2016, or such other date as notified by the Company to the ASX.

Key Event	Indicative Date
Annual General Meeting of the Company	30 May 2016
Notification to ASX that Share Consolidation is approved	30 May 2016
Share Consolidation takes effect and	3 June 2016

registration of securities on a post consolidation basis	
Despatch new holding statements	8 June 2016

4.3. Reasons for Consolidation

The consolidation of the Company's Shares is a condition precedent for Kandahar Holdings to provide the Second Loan payment to the Company pursuant to the terms of the DOCA.

4.4. Effect of Consolidation

If the proposed Share Consolidation is approved by Shareholders, the number of Shares on issue will be reduced from 1,363,855,013 (being the number of Shares on issue at the Relevant Date) to 3,409,637.

As the Share Consolidation applies equally to all the Company's Shareholders, individual shareholdings will be reduced in the same ratio as the total number of the Company's Shares (subject only to the rounding down of fractional entitlements).

It follows that the Share Consolidation will have no material effect on the percentage interest of individual Shareholders in the Company. Similarly, the aggregate value of each Shareholder's holding (and the Company's market capitalisation) should not materially change as a result of the Share Consolidation alone. However, the price per Share can be expected to increase to reflect the reduced number of Shares on issue. The Share Consolidation will not result in any change to the substantive rights and obligations of existing Shareholders.

4.5. Fractional entitlements

Not all Shareholders will hold that number of Shares which can be evenly divided by 400. Where a fractional entitlement occurs, the Company will round that fraction down to the nearest whole Share.

It is not expected that any taxation consequences will arise for Shareholders from the Share consolidation. However, Shareholders should seek their own taxation advice on the effect of the Share Consolidation and neither the Company nor its Directors or advisers accept any liability or responsibility for the individual taxation consequences arising from any consolidation.

4.6. Current Capital Structure

As at the date of this Explanatory Statement, the Shares on issue in the Company are as shown below

Class	Number
Fully Paid Shares	1,363,855,013

4.7. Revised Capital Structure after Resolution 4

Class	Number
Fully Paid Shares	3,409,637

4.8. Board Recommendation

The Board recommends Shareholders vote for the proposed Resolution in order for the Company to comply with the conditions precedent of the DOCA.

5. Resolution 5 Issue of Shares and Options to Kandahar Holdings

5.1. Background

Please refer to paragraph 4.1 of this Explanatory Statement for the background on the appointment of the voluntary Administrators and the execution of the DOCA.

Subject to Resolution 4 being passed, Resolution 5 is seeking approval of the Company's Shareholders to issue to Kandahar Holdings 10 million Post Consolidated Shares and 10 million Options.

ASX Listing Rule 7.1 provides that a company must not issue equity securities, or agree to issue equity securities (which includes shares and options) without the approval of shareholders if the number of equity securities to be issued in any 12 month period (including equity securities issued on the exercise of any convertible securities) exceeds 15% of the issued capital of the company preceding the issue.

As the issue of 10 million Post Consolidated Shares and 10 million Options to Kandahar Holdings will exceed 15% of the issued capital of the Company, the Company is seeking Shareholder approval.

The effect of Resolution 5 will be to permit the Company to issue 10 million Shares and 10 million Options to Kandahar Holdings.

5.2. Capital structure prior to issue of Shares and Options

Refer to paragraph 4.7 for the details of the Company's capital structure post Share Consolidation but prior to the issue of Post Consolidated Shares and Options to Kandahar Holdings.

5.3. Approval under the Corporations Act

(a) Relevant interests

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (i) from 20% or below to more than 20%; or

- (ii) from a starting point that is above 20% to below 90%.

(b) **Voting power**

The voting power of a person in a company is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's Associates have a relevant interest.

A person has a relevant interest in securities if they:

- (i) are the holder of the securities;
- (ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (iii) have the power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

(c) **Exception to the section 606 prohibition**

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition under section 606 of the Corporations Act. This exception provides that a person may acquire a relevant interest in a company's voting shares with shareholder approval.

In order for the exemption of item 7 of section 611 of the Corporations Act to apply, shareholders must be given all information known to the person making the acquisition and their Associates or the company, that was material to the decision on how to vote on the resolution, including:

- (i) the identity of the person proposing to make the acquisition and their Associates;
- (ii) the maximum extent of the increase in that person's voting power in the company that would result from the acquisition;
- (iii) the voting power that person would have as a result of the acquisition;
- (iv) the maximum extent of the increase in the voting power of each of that person's Associates that would result from the acquisition; and
- (v) the voting power that each of that person's Associates would have as a result of the acquisition.

For responses on these matters, see paragraph 5.5.

(d) Why Shareholder approval is required

As at the date of this Notice Kandahar Holdings does not hold any Shares in the Company.

If the Company issues the Shares to Kandahar Holdings then Kandahar Holdings will hold 10 million Shares comprising 74.57% of the issued capital of the Company (excluding the Options). The issue of the Shares to Kandahar Holdings will increase its voting power in the Company from 0% to 74.57%.

If all the Options issued to Kandahar Holdings are exercised then Kandahar Holdings will together hold 20 million Shares comprising 85.43% of the issued capital of the Company.

Situation	Total number of Shares on issue in the Company	% of issued capital of the Company held by Kandahar Holdings
Issue of 10 million Shares (no Options exercised)	13,409,637	74.57%
Upon exercise of all 10 million Options	23,409,637	85.43%

5.4. Information for Shareholders under item 7 of section 611 of the Corporations Act

The following information is provided to Shareholders for the purposes of the requirements under the Corporations Act in respect of obtaining Shareholder approval for item 7 of section 611 of the Corporations Act:

- (a) Kandahar Holdings is the person proposing to make the acquisition (that is, the person that will be issued with the Shares);
- (b) Kandahar Holdings' associates are:
 - (i) Edwin Pope, the sole director of Kandahar Holdings; and
 - (ii) Simon Esler, the sole shareholder of Kandahar Holdings.
- (c) Kandahar Holdings will hold 74.57% of the voting power in the Company upon the issue of Shares and Options and have a maximum voting power of 85.43% upon the exercise of all Options;
- (d) none of Kandahar Holdings' associates currently hold shares in the Company, therefore upon the issue of Shares and Options their voting power will also be 74.57% and they will also have a maximum voting power of 85.43% upon the exercise of all Options.

5.5. Information for Shareholders required by RG 74

Further information required by ASIC Regulatory Guide 74 (**RG 74**) is set out in the following paragraphs.

(a) **Identity of the allottee and any person who will have a relevant interest in the issued Shares**

Kandahar Holdings;

Edwin Pope, the sole director of Kandahar Holdings; and

Simon Esler, the sole shareholder of Kandahar Holdings.

(b) **Full particulars (including the number and the percentage) of the Shares to which Kandahar Holdings is or will be entitled immediately before and after the proposed allotment of the Shares and considered in relation to the entire issued capital of the Company**

Kandahar Holdings will not hold any Shares in the Company prior to the proposed allotment. After the proposed allotment Kandahar Holdings will be entitled to the Shares as set out in paragraph 5.3(d).

(c) **The identity, associations and qualifications of any person who it is intended will become a Director if Shareholders approve the issue of the Shares to Kandahar Holdings**

Kandahar Holdings has no present intention to elect a Director of the Company if the Shareholders approve the issue of the Shares and Options.

(d) **A statement regarding the intentions of Kandahar Holdings regarding the future of the Company if Shareholders agree to the issue of the Kandahar Holdings the Shares and Options, in particular:**

(i) **any intention to change the business of the Company**

Kandahar Holdings does not have any present intention to change the business of the Company.

(ii) **any intention to inject further capital into the Company, and if so how**

Kandahar Holdings does not have any present intention to inject further capital into the Company although it will make the Second Loan payment as required by the DOCA, as outlined in paragraph 4.1 above.

(iii) **the future employment of the present employees of the Company**

Kandahar Holdings does not have any present intention to make any changes to the employment arrangements of the present employees of the Company.

(iv) **any proposal whereby any property will be transferred between the Company and Kandahar Holdings, or any Associate of Kandahar Holdings**

Kandahar Holdings does not have any present intention to transfer any property between the Company, itself, or any person associated with Kandahar Holdings.

(v) **any intention to otherwise redeploy the fixed assets of the Company**

Kandahar Holdings does not have any present intention to redeploy the fixed assets of the Company.

(vi) **any intention to change significantly the financial or dividend policies of the Company**

Kandahar Holdings does not have any present intention to change significantly the financial or dividend policies of the Company.

(e) **Particulars of the terms of the proposed allotment and any other contract or proposed contract between the Company, Kandahar Holdings and any of its Associates, which is conditional upon, or directly or indirectly dependent on, Shareholders approving the allotment of the Shares to Kandahar**

The terms of the proposed allotment of the Shares and Options to Kandahar Holdings is contained in the DOCA, a summary of which is set out in paragraph 4.1. Annexure A sets out the terms of the Options.

There is no other contract or proposed contract between the Company, Kandahar Holdings or any of its Associates, which is conditional upon, or directly or indirectly dependent on Shareholders' approving the allotment of the Shares and Options to Kandahar Holdings.

(f) **When the allotment of the Shares and Options to Kandahar Holdings is to be completed**

The Shares and Options will be issued to Kandahar Holdings on Completion but in any case, no later than three months after that Shareholder approval is obtained in accordance with this Notice.

(g) **An explanation of reasons for the proposed allotment**

The Shares and Options to be issued to Kandahar Holdings is a condition precedent to the DOCA and for Kandahar Holdings to provide the Second Loan payment to the Company, a summary of the DOCA is set out at paragraph 4.1.

(h) **The interests of the Directors in Resolution 5**

[None of the Directors have an interest in the proposed issue of Shares and Options to Kandahar Holdings.

5.6. Independent Expert Report

In accordance with the requirements of RG 74, the Directors engaged the Independent Expert to prepare and provide the Independent Expert Report which contains an analysis of whether the proposed issue of the Shares and Options to Kandahar Holdings is fair and reasonable for non-associated Shareholders.

The Independent Expert Report compares the likely advantages and disadvantages for the non-associated Shareholders if the proposal is agreed to, with the advantages and disadvantages to those Shareholders if it is not.

The Independent Expert has concluded that the proposed issue of the Shares and Options to Kandahar Holdings is both fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert has given, and not before the date of the Notice withdrawn, its consent to the inclusion of the Independent Expert Report in Annexure B of this document and to the references to the Independent Expert Report in this Explanatory Statement, being made in the form and context in which each such reference is included.

5.7. ASX Listing Rule requirements

Pursuant to ASX Listing Rule 7.3, the following information is provided regarding ASX Listing Rule 7.1 approval:

(a) **ASX Listing Rule 7.3.1:** Maximum number of securities to be issued

10,000,000 fully paid ordinary Shares and 10,000,000 Options.

(b) **ASX Listing Rules 7.3.2 and 7.3.7:** Date by which securities will be issued

The Shares and Options will be issued to Kandahar Holdings on Completion but in any case, no later than three months after that Shareholder approval is obtained in accordance with this Notice.

(c) **ASX Listing Rule 7.3.3:** Issue price of securities

The Shares and Options will not be issued for cash consideration as they are being issued in consideration for the Second Loan payment pursuant to the DOCA.

(d) **ASX Listing Rule 7.3.4:** Names of persons to whom securities will be issued

The Shares and Options will be issued to Kandahar Holdings.

(e) **ASX Listing Rule 7.3.5:** Terms of securities

The Shares issued pursuant to Resolution 5 are fully paid ordinary Shares and will rank equally in all respects with the fully paid ordinary Shares on issue in the Company. The terms of the Options issued pursuant to Resolution 5 are set out in Annexure A.

(f) **ASX Listing Rule 7.3.6:** Intended use of the funds

No funds will be raised by the issue of the Shares or the Options.

(g) **ASX Listing Rule 7.3.8:** A voting exclusion statement

A voting exclusion statement is included in the Notice of Meeting.

5.8. Recommendation on Resolution 5

The Board recommends that Shareholders vote in favour of this Resolution.

Shareholders should note that Resolution 5 is conditional on the passing of Resolution 4.

6. Resolution 6 Approval of 10% Placement Facility

Listing rule 7.1A enables an eligible entity to issue Equity Securities up to 10% of its issued share capital through placement over 12 month period after the AGM (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement facility under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The effect of Resolution 6 will be to allow the Company to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue within the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under ASX Listing Rule 7.1.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer Section 6.1(c) below).

The Directors of the Company believe that Resolution 6 is in the best interest of the Company and unanimously recommend that Shareholders vote in favour of Resolution 6.

6.1. Description of Listing Rule 7.1A

(a) **Shareholder Approval**

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an AGM. A special resolution requires approval of 75% of the votes cast by shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

(b) **Equity Securities**

Any Equity Securities under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities in the Company.

The Company, as at the date of the Notice, has one class of Equity Securities on issue, being Shares.

(c) **Formula for calculating 10% Placement Facility**

Listing Rule 7.1.A.2 provides that eligible entities which have obtained shareholder approval at an AGM may issue or agree to issue, during the 12 month period after the date of the AGM, a number of Equity Securities calculated in accordance with the following formula:

(AxD)-E

A is the number of shares on issue 12 months before the date of issue or agreement:

- > plus the number of fully paid shares issued in the 12 months under exception in Listing Rule 7.2;
- > plus the number of partly paid shares that became fully paid in the 12 months;
- > plus the number of fully paid shares issued in the 12 months with the approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without Shareholder approval; and
- > less the number of fully paid shares cancelled in the 12 months.

Note that A has the same meaning in ASX Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under ASX Listing Rule 7.1 or 7.4

(d) **Listing Rule 7.1 and Listing Rule 7.1A**

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to an entity's placement capacity under Listing Rule 7.1.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity

Securities in accordance with the formula prescribed in the Listing Rule 7.1A.2 (refer Section 6.1(c) above).

6.2. Specific Information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A (Notice requirements for approval under rule 7.1A) the information below is provided in relation to this Resolution 6:

(a) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(b) Date of Issue

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the AGM at which the approval is obtained and expires on the earlier to occur of:

- (i) the date which is 12 months after the date of the AGM at which the approval is obtained; or
- (ii) the date of the approval by the Shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX (**10% Placement Period**).

(c) Risk of Voting Dilution

If Resolution 6 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in case of Options, only if they are exercised). There is a risk that:

- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of this Notice; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or Equity Securities are issued as part of the consideration for the acquisition of new asset,

which may have an effect on the amount of funds raised by the issue of the new Equity Securities.

The table below shows dilution of existing Shareholders on the basis of the current number of ordinary Shares on the basis that the Shares have been consolidated in accordance with Resolution 4 at a 400:1 ratio for variable "A" and issue price of Shares being the current market price multiplied by 400, calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (i) two examples where variable "A" has increased, by 100% and by 10 million Shares in accordance with Resolution 5. Variable "A" is based on the number of ordinary securities the Company has on issue at the Date of this Notice. The number of ordinary securities on issue may increase as a result of issue of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under ASX Listing Rule 7.1; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50%, and increased by 50% as against the current market price. The issue price is the current market price multiplied by 400, being the ratio by which the Shares are to be consolidated.

Number of Shares on Issue (Variable 'A' in Listing Rule 7.1A.2)	Dilution			
	Issue Price (per Share)	\$1.20 50% decrease in Issue Price	\$2.40 Issue Price	\$4.80 100% increase in Issue Price
3,409,637 Shares (Current Variable "A")	10% voting Dilution	340,964	340,964	340,964
	Funds Raised	\$409,157	\$818,313	\$1,636,626
5,114,456 Shares (50% "A" being one and a half times the number of Shares)	10% voting Dilution	511,446	511,446	511,446
	Funds Raised	\$613,735	\$1,227,470	\$2,454,939
6,819,275 Shares (100% "A" being double the number of Shares)	10% voting Dilution	681,927	681,927	681,927
	Funds raised	\$818,312	\$1,636,626	\$3,273,252
13,409,638 Shares ("A" plus the issue of 10,000,000 Shares to Kandahar Holdings Resolution 6)	10% voting Dilution	1,340,964	1,340,964	1,340,963
	Funds raised	\$1,609,157	\$3,218,313	\$6,436,622

The table has been prepared on the following assumptions:

- (i) Consolidation of the Shares pursuant to Resolution 4 has occurred and there are currently 3,409,637 Shares on issue.
- (ii) The issue price is \$2.40, the issue price is arrived at by multiplying the closing price on 17 March 2015 by 400, being the ratio by which the Shares are to be consolidated.
- (iii) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (iv) No options (including any options issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities.
- (v) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (vi) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placement under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
- (vii) The table shows only the effect of the issue of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (viii) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes listed options, it is assumed that those listed options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.

(d) Date by which the Equity Securities may be issued

The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 6 for the issue of Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change in nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).

(e) Purpose of Issue under 10% Placement Capacity

The Company may seek an issue of the Equity Securities for the following purposes:

- (i) Non-cash consideration for the acquisition of the new resources assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
- (ii) Cash consideration. In such circumstances, the Company intends to use the funds raised towards general working capital.

(f) Allocation Policy

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issues in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottees under the 10% Placement Facility will be vendors of the new resources assets or investments.

(g) **Compliance with Listing Rule 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it will give to ASX:

- (i) a list of the allottees of the Equity Securities and the number of Equity Securities allotted to each (not for release to the market), in accordance with ASX Listing Rule 7.1A.4; and
- (ii) the information required by ASX Listing Rule 3.10.5A for release to the market.

(h) **Previous Approval under Listing Rule 7.1A**

The Company has previously received Shareholder approval for a 10% Placement facility as Resolution 10 at the Company's Annual General Meeting on 28 November 2014 (**Previous Approval**). The Company has not issued any Equity Securities pursuant to the Previous Approval.

During the 12 month period preceding the date of this AGM, being from and including 30 May 2015 to and including 30 May 2016 the Company has not issued any Equity Securities.

Annexure A Terms of Options

The Options are subject to the following terms and conditions:

- (a) Each Option entitles its holder to subscribe in cash for one fully paid ordinary Share in the Company.
- (b) Each Option is exercisable at an exercise price of \$0.05 per Option at any time prior to 5pm (AEST) on 31 December 2025 (**Expiry Date**) by completing an option exercise form and delivering it, together with payment for the number of Shares in respect of which the Option is exercised, to the registered office of the Company. Any Option that has not been exercised prior to the Expiry Date automatically lapses.
- (c) An Option automatically lapses without any claim against the Company on the occurrence of any of the following events:
 - (i) upon bankruptcy, liquidation or winding up of an Option holder or the happening of any other event which results in the Option holder being deprived of the legal or beneficial ownership of such Option; or
 - (ii) upon liquidation or winding up of the Company for any reasons other than by way of members' voluntary winding up.
- (d) The Options will be unlisted Options.
- (e) Subject to the Corporations Act, the Listing Rules, and the Constitution, each Option is freely transferable.
- (f) Shares issued upon the exercise of the Options will rank pari passu with the Company's existing fully paid ordinary Shares.
- (g) The Company will apply for official quotation by ASX of the Shares issued upon the exercise of Options, subject to any ASX ruling regarding Restricted Securities.
- (h) The Options will not give any right to participate in dividends unless and until Shares are issued upon exercise of the relevant Options.
- (i) There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the life of the Options. The Company will ensure that holders will be given at least seven business days' notice to allow for the exercise of Options prior to the record date in relation to any offers of securities made to Shareholders.
- (j) In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the Expiry Date, the number of Options or the rights attaching to the options or both will be reconstructed in accordance with the Listing Rules applying to reorganisation of capital at the time of the reconstruction.

- (k) In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the Expiry Date, the number of Options or the rights attaching to the Options or both will be reconstructed in accordance with the Listing Rules applying to a reorganisation of capital at the time of the reconstruction.
- (l) If there is any inconsistency between any of the preceding terms and conditions and the Listing Rules, then the Listing Rules prevail to the extent of that inconsistency.

For personal use only



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

Independent Expert's Report

18 April 2016



Financial Services Guide

18 April 2016

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Indochine Mining Limited (Subject to Deed of Company Arrangement) ACN 141677385 ('Indochine') to provide an independent expert's report on the proposal to reorganise Indochine's corporate structure. You will be provided with a copy of our report as a retail client because you are a shareholder of Indochine.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ♦ Who we are and how we can be contacted;
- ♦ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ♦ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ♦ Any relevant associations or relationships we have; and
- ♦ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$23,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Indochine for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out on page 1 of the accompanying report.

TABLE OF CONTENTS

1.	Introduction	1
2.	Summary and Opinion	1
3.	Scope of the Report	4
4.	Outline of the Proposed Transaction	6
5.	Profile of Indochine	7
6.	Profile of Kandahar Holdings Pty Ltd	17
7.	Economic analysis	18
8.	Industry analysis	19
9.	Valuation approach adopted	22
10.	Valuation of Indochine prior to the Proposed Transaction	23
11.	Valuation of Indochine post the Proposed Transaction	30
12.	Is the Proposed Transaction fair?	30
13.	Is the Proposed Transaction reasonable?	30
14.	Conclusion	32
15.	Valuation of the Options	33
16.	Sources of information	36
17.	Independence	36
18.	Qualifications	37
19.	Disclaimers and consents	37

Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

Commercial in Confidence

The Administrators
Indochine Mining Limited (Subject to Deed of Company Arrangement) ACN 141677385
c/o Ferrier Hodgson
Level 28, 108 St Georges Terrace
PERTH WA 6000

18 April 2016

Dear Sirs

INDEPENDENT EXPERT'S REPORT

1. Introduction

Indochine Mining Limited (Subject to Deed of Company Arrangement) ('Indochine' or the 'Company') is to consider a number of resolutions at its Annual General Meeting of the Company's shareholders to be held on 30 May 2016. The resolutions will address a reorganisation of the Company's corporate structure, as set out in the Deed of Company Arrangement dated 4 June 2015 between Indochine Mining Limited (Administrators Appointed) and the Administrators Jones, Weaver and Johnson of Ferrier Hodgson (the 'DOCA').

The resolutions for the Notice of Meeting included Resolution 5 to consider the issue of 10 million shares and 10 million options in Indochine to Kandahar Holdings Pty Ltd ('Kandahar Holdings'). If approved this will give Kandahar Holdings or its nominee an interest of 74.57% in the issued capital of the Company (or up to 85.43% if the options are exercised) ('the Proposed Transaction').

2. Summary and Opinion

2.1 Purpose of the report

The Administrators of Indochine have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Proposed Transaction is fair and reasonable to the non-associated shareholders of Indochine ('Shareholders').

Our Report is prepared pursuant to section 611 of the Corporations Act 2001 Cth ('Corporations Act' or 'the Act') and is to be included in the Explanatory Memorandum accompanying the Notice of Meeting for Indochine in order to assist the Shareholders in their decision whether or not to approve the Proposed Transaction.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 74 'Acquisitions Approved by Members' ('RG 74'), Regulatory Guide 76 'Related Party Transactions' ('RG 76'), Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Proposed Transaction as outlined in the body of this report. We have considered:

- How the value of an Indochine share prior to the Proposed Transaction on a controlling interest basis compares to the value of an Indochine share following the Proposed Transaction on a minority interest basis;
- The likelihood of a superior alternative offer being available to Indochine;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Proposed Transaction; and
- The position of Shareholders should the Proposed Transaction not proceed.

2.3 Opinion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that, in the absence of a superior offer, the Proposed Transaction is fair and reasonable to Shareholders.

2.4 Fairness

In section 12 we determined that the value of an Indochine share prior to the Proposed Transaction compares to the value of an Indochine share post the Proposed Transaction as detailed below.

	Ref	Low \$	Preferred \$	High \$
Value of an Indochine share prior to the Proposed Transaction	10.4	nil	nil	nil
Value of an Indochine share post the Proposed Transaction	11	nil	nil	nil

Source: BDO analysis

We note from the table above that the value of an Indochine share is \$nil prior to and post the Proposed Transaction. Since the value of an Indochine share is not lower following the Proposed Transaction, we consider that the Proposed Transaction is fair.

2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both

- advantages and disadvantages of the Proposed Transaction; and
- other considerations, including the position of Shareholders if the Proposed Transaction does not proceed and the consequences of not approving the Proposed Transaction.

In our opinion, the position of Shareholders if the Proposed Transaction is approved is more advantageous than the position if the Proposed Transaction is not approved. Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that the Proposed Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES

Section	Advantages	Section	Disadvantages
---------	------------	---------	---------------

13.4	The Proposed Transaction is fair	13.5	Dilution of existing shareholders' interests
------	----------------------------------	------	--

13.4	Funds to be received from Kandahar Holdings as part of the DOCA will allow Indochine to continue to pursue the reinstatement of the Exploration Licence (EL)
------	--

13.4	Complies with the conditions precedent of the DOCA, with a number of advantages resulting from the DOCA
------	---

Other key matters we have considered include:

Section	Description
---------	-------------

13.1	Alternative Proposal
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13.2	Practical level of control
------	----------------------------

13.3	Consequences of not approving the Proposed Transaction
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13.3	Post announcement pricing
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3. Scope of the Report

3.1 Purpose of the Report

Section 606 of the Corporations Act expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders. Kandahar Holdings will increase its interest in Indochine from nil to at least 74.57% (before the exercise of any of the 10 million options).

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of Indochine, by either:

- undertaking a detailed examination of the Proposed Transaction themselves, if they consider that they have sufficient expertise; or
- by commissioning an Independent Expert's Report.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Proposed Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to effect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Proposed Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Proposed Transaction as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities which are the subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between value of an Indochine share prior to the Proposed Transaction on a controlling interest basis and the value of an Indochine share following the Proposed Transaction on a minority interest basis (fairness - see Section 12 'Is the Proposed Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 13 'Is the Proposed Transaction Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Proposed Transaction

The Proposed Transaction is set out in the DOCA. On 13 May 2015 the creditors of Indochine resolved that the Company should execute the DOCA.

The key components of the DOCA are as follows:

- Kandahar Holdings will provide the first loan of \$50,000 to the Company within 14 days of the execution of the DOCA;
- the Administrators will be at liberty to amend the dates for payment without seeking approval from the Company's creditors;
- Kandahar Holdings will provide the Second Loan of \$450,000 within 14 days of satisfaction or waiver of the conditions precedent; and
- the Administrators will cause a meeting of the Company's Shareholders to be convened, as a condition precedent, for the purposes of considering and approving:
 - the consolidation of existing shares on issue at a ratio of 400:1; and
 - the issue of 10 million ordinary shares to Kandahar Holdings or its nominees; and
 - the issue of 10 million options over ordinary shares to Kandahar Holdings or its nominees ('the Options'); and
 - the cancellation of all existing options to acquire shares in the Company.

Following the consolidation of shares, the issue of 10 million ordinary shares to Kandahar Holdings will cause Kandahar's interest in the ordinary shares of Indochine to increase by more than 3% to above 20%.

Kandahar Holdings interest in Indochine following the issue of shares will be 74.57%.

	Number of Ordinary Shares	Percentage of Issued Shares (%)
Total ordinary shares on issue pre-consolidation	1,363,855,013	100.00%
Consolidation ratio 400:1		
Total ordinary shares on issue post consolidation	3,409,637	25.43%
Shares issued to Kandahar Holdings	10,000,000	74.57%
Total	13,409,637	100.00%

Kandahar Holdings interest in Indochine will be a maximum of 85.43% assuming the exercise of the Options.

	Number of Ordinary Shares	Percentage of Issued Shares (%)
Total ordinary shares on issue pre-consolidation	1,363,855,013	100.00%
Consolidation ratio 400:1		
Total ordinary shares on issue post consolidation	3,409,637	14.57%
Shares issued to Kandahar Holdings	10,000,000	42.72%
Shares issued to Kandahar Holdings on exercise of the Options	10,000,000	42.72%
Total ordinary shares on issue	23,409,637	100.00%

5. Profile of Indochine

5.1 History

Indochine was incorporated on 27 January 2010 and listed on the Australia Securities Exchange ('ASX') on 7 December 2010 and the Port Moresby Stock Exchange ('POMSox') on 5 September 2013. The Company's flagship project is its Mt Kare gold silver project ('Mt Kare Project') located in Papua New Guinea ('PNG').

On 27 March 2015, Mr Martin Jones, Mr Darren Weaver and Mr Benjamin Johnson, partners of Ferrier Hodgson, were appointed as joint and several administrators of the Company following the decision by the directors of Indochine to place the Company into Voluntary Administration.

5.2 Key Corporate Events

On 27 March 2015, Indochine was advised that the strategic funding partner had withdrawn the offer to fund the Mt Kare Project. As a result of this, Indochine was placed into voluntary administration.

Two Deed of Company Arrangement proposals were put forward by the administrators for consideration by Indochine's creditors. The proposals were put forward by Kandahar Holdings and by Second Floor Gold Pty Ltd ('SFG').

Indochine's administrators recommended, and creditors voted in favour of, the Deed of Company Arrangement put forward by Kandahar Holdings. This was approved by Indochine's creditors on 13 May 2015 and on 4 June 2015 the Voluntary Administrators became the Deed Administrators.

On 17 June 2015 Mr Stephen Promnitz (a former CEO of Indochine) applied to the Federal Court for orders that:

1. The DOCA resolution be set aside under section 600A(1) of the Corporations Act 2001 (Cth) on the basis the vote was determined by particular related creditors, and the passing of the resolution was contrary to the interests of Indochine's creditors as a whole; and
2. The DOCA be terminated under section 445D of the Corporations Act.

In findings against Mr Promnitz, Justice Foster held that while the vote to accept the DOCA had carried because of the related creditors, Justice Foster was not satisfied the resolution should be set aside because the continued support of Indochine's secured creditor was vital for any deed of company arrangement to succeed and there was still doubt about how the deed of company arrangement put forward by SFG would be funded to give the proposed return to unsecured creditors.

5.3 Mt Kare Project

Mt Kare is located in the Enga Province of PNG and comprises exploration licence EL1093, covering an area of 220km². The Mt Kare Project is located 15 kilometres southwest of the 28 million ounce Porgera gold mine, one of the world's top 10 gold mines, producing over 500,000 ounces of gold per year.

Summit Development Limited ('SDL'), Indochine's wholly owned PNG subsidiary, acquired Mt Kare following approval from shareholders at a general meeting on 1 June 2011. Prior to this acquisition, exploration work, which included 365 drill holes, amounting to roughly \$98.6 million in exploration expenditure, had been undertaken.

In December 2011, the Company announced a JORC Resource and in September 2012 the pre-feasibility study ('PFS') for the Mt Kare Project was completed. Completion of the PFS supported the commencement of a Bankable Feasibility Study ('BFS') in 2013.

Expiry of Exploration Licence

The Exploration Licence expired on 28 August 2014 and the Minister for Mines in PNG terminated the license on 14 December 2015. The National Court of PNG has granted Indochine a judicial review of the decision not to renew the Exploration License. Should the Judicial Review find in favour of Indochine and the Exploration License is re-instated then the work program proposed by Indochine is described in the paragraph below.

The work program proposed by Indochine in its Application for the reinstatement of EL1093 includes preparatory work for completion of a Definitive Feasibility Study ('DFS'). Deep drilling from the surface will be required to identify the main intrusive body with its associated ore body. Once identified, construction of an exploration adit (a passageway or opening driven horizontally into the side of a hill) is to commence to enable an extensive diamond drilling program to define the resource.

Completion of a Landowner Investigation Study ('LIS') was a condition for the 2012 - 2014 Licence renewal approved by the Minister for Mining in PNG. The primary objective of the LIS was to identify legitimate landowning clans by social mapping and customary criteria to ensure the benefits derived from the future development of Mt Kare are distributed fairly amongst the identified landowner clans. The LIS was the focus in 2013 with ground identification of claims conducted in the first half of the year. This led to the completion of a Landowner Investigation Report ('LIR').

The LIR was prepared under the PNG Land Act (1996) and Sections of the Mining Act (1992) regarding compensation for occupation and disruption of the land.

SDL was served with a summons in PNG by a number of plaintiffs seeking relief from the changes to the weight of rights of various landowner clans or sub clans in some areas covered by the LIS. The National Court discharged the injunction on 18 February 2015 and ordered the company to undergo a mediation involving all parties to the injunction. A Warden's Hearing was held on 6 May 2015 and a report provided to the Mining Advisory Council for its consideration and subsequent recommendation on the tenement renewal application to the Minister for Mining.

On 17 August 2015, Indochine completed the court-ordered mediation process at Mt Kare with all landowners identified in the LIR signing a Landowner Agreement.

On 14 December 2015, SDL's application to renew the licence EL1093 was refused by the Minister for Mining. This decision was based on the registering of an application for the exploration licence by another company during the intervening period between the decision being made and receipt of notification. Since then, an application has been filed with the National Court seeking a judicial review of the Minister's decision.

5.4 Project Funding

On 31 January 2014, Aude Holdings Pty Ltd ('Aude Holdings') and Indochine entered a Loan Agreement for \$1.5 million. The facility was to be provided in two tranches, the first being for \$500,000 and the second for \$1 million. The interest rate on the loan amount is 60% per annum (p.a.) calculated daily and expires 120 days from the date of the first advance.

On 31 March 2014, Indochine completed a capital raising of \$3.4 million through the placement of 38.3 million shares at \$0.09 per share. These funds were raised to assist in progressing Mt Kare towards a 'decision to mine' milestone.

On 6 June 2014, Indochine completed a capital raising of \$3.1 million through the placement of 73.4 million shares at \$0.042 per share. The funds were to provide working capital to allow Indochine to advance ongoing discussion with potential parties interested in investing in the Company and its flagship Mt Kare Project.

On 3 August 2014, Indochine announced the results of discussions with its' existing secured lender, Aude Holdings, which had agreed to provide immediate additional funding of \$1.15 million. The additional funding brought the total amount of debt to approximately \$3.05 million, including accrued interest, with the repayment date extended to 31 December 2014 and the interest rate reduced to 25% p.a.

On 12 September 2014, Indochine finalised a capital raising of \$3.5 million through the private placement of 110.7 million new shares at \$0.032 per share. The funds were to be used for development of the exploration adit at Mt Kare and general working capital.

On 5 February 2015, Indochine announced the completion of a capital raising of \$500,000 through the private placement of 50 million new shares at \$0.01 per share. The funds were to be used for working capital.

On 25 February 2015, Indochine announced it had extended its secured loan facilities by \$500,000 to \$3.75 million and the repayment date to 30 April 2015. The Company also reached an agreement with Aude Holdings for the potential conversion of amounts owed under the Loan Agreement to ordinary shares in Indochine. Aude Holdings, at its' discretion, may convert all or part of the amount owing at a share price of \$0.0098 per share. The conversion price was set at 85% of the volume weighted average price for the five trading days prior to 30 January 2015.

On 30 April 2015, a Term Sheet was executed whereby Aude Holdings could provide up to \$1.2 million to the Administrator of Indochine by way of a line of credit. The line of credit was to be made available for conducting the Warden's Hearing on 6 May 2015 in respect of EL 1093, the Mediation Hearing in respect of EL 1093 and any other financial commitments requested by the Administrator of Indochine.

On 22 October 2015, the Term Sheet accepted on 30 April 2015 was amended to increase the line of credit to \$2 million. The line of credit will be extended to provide funding to maintain EL 1093 and the infrastructure at Mt Kare in good standing pending completion of overall funding arrangements for Indochine currently underway.

5.5 Historical Balance Sheet

Statement of Financial Position	Audited as at 30-Jun-15 \$'000	Reviewed as at 31-Dec-14 \$'000	Audited as at 30-Jun-14 \$'000
CURRENT ASSETS			
Cash and cash equivalents	286	413	498
Term Deposits	-	399	394
Trade and other receivables	-	1	786
TOTAL CURRENT ASSETS	286	813	1,678
NON-CURRENT ASSETS			
Property, plant and equipment	-	-	936
Exploration and evaluation expenditure	-	-	88,890
Other financial assets	-	-	2
TOTAL NON-CURRENT ASSETS	-	-	89,828
TOTAL ASSETS	286	813	91,506
CURRENT LIABILITIES			
Trade and other payables	11,939	10,002	6,739
Borrowings	-	-	1,961
Provisions	184	356	762
TOTAL CURRENT LIABILITIES	12,123	10,358	9,462
TOTAL LIABILITIES	12,123	10,358	9,462
NET ASSETS	(11,837)	(9,545)	82,044
EQUITY			
Contributed equity	133,032	132,245	127,084
Reserves	(1,306)	(1,363)	5,208
Accumulated losses	(143,563)	(140,427)	(50,248)
TOTAL EQUITY	(11,837)	(9,545)	82,044

Source: Indochine Annual Report for the years ended 30 June 2015 and 30 June 2014, and the half-year ended 31 December 2014.

We note the following in relation to Indochine's Statement of Financial Position.

For the year to 30 June 2015 the directors of Indochine concluded that the going concern assumption was not appropriate for the preparation of the financial statements because of:

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

There currently exists no certainty about whether Indochine will be successful in having the Exploration Licence re-instated as a consequence of the judicial review.

As a result of this change in accounting basis assumption, 'evaluation and explorations costs capitalised' were reduced to a \$nil balance through the write-off of expenditure totalling \$99,409,533.

Other balances written off to a \$nil balance were:

- Plant and equipment; and
- Trade and other receivables.

Trade and other payables comprise trade payables, other borrowing (secured loan with Aude Holdings) and payroll related payables. The treatment of each under the DOCA is as follows:

- Trade payables will be dealt with as class B creditors under section 3.8 of the DOCA;
- Other borrowings will preserve their right under section 3.30 of the DOCA; and
- Employee claims will be treated as priority creditor claims under section 3.24 of the DOCA.

There has been no significant change in the balances since 30 June 2015 with the only activity related to the Administrators continuing with their procedures in accordance with the DOCA.

5.6 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Audited for the year ended 30-Jun-15 \$'000	Audited for the year ended 30-Jun-14 \$'000	Audited for the year ended 30-Jun-13 \$'000
Revenue			
Other income	982	45	109
Expenses			
Share based payments expense	(636)	(120)	(71)
Impairment of exploration costs	(99,411)	(7,019)	(10,985)
Impairment of receivables	(544)	-	-
Impairment of fixed asset	(722)	-	-
Interest on loan	(796)	(436)	-
Other expenses	(3,311)	(3,334)	(2,934)
Loss from continuing operations before income tax	(104,438)	(10,864)	(13,881)
Income tax expense	-	-	-
Loss from continuing operations after income tax	(104,438)	(10,864)	(13,881)
Foreign currency translation differences	4,669	(4,960)	(1,698)
Total comprehensive loss for the year	(99,769)	(15,824)	(15,579)

Source: Indochine Annual Report for the years ended 30 June 2015 and 30 June 2014, and the half-year ended 31 December 2014.

We note the following in relation to Indochine's Statement of Comprehensive Income:

- Other income for the year ended 30 June 2015 comprises interest received and an option reserve write off. The increase from \$45,014 for the year ended 30 June 2014 to \$982,359 for the year ended 30 June 2015 is attributable to an option reserve write-off of \$972,658.
- Under the non-going concern basis, assets have been measured at their subsequent realisable value and any gains or losses recognised in profit and loss. As a result, exploration cost, receivables and fixed assets were impaired to nil as at 30 June 2015 and recognised as a loss.
- Impairment of exploration costs of \$99.41 million for the year ended 30 June 2015 are predominantly in relation to the Mt Kare Project.
- Interest on loans has increased to \$796,485 due to an increase in the borrowed amount from the Company's secured creditor, despite the interest being reduced from 60% p.a. to 25% p.a. on 3 August 2014.
- Other expenses for the year ended 30 June 2015 are largely attributable to consultancy expenses (\$1,279,693), professional fees (\$599,468), employee benefits expenses (\$428,193) and administrators' fees (\$259,209).
- Foreign currency translation records the differences arising on translation of its foreign controlled subsidiary, SDL. The movement from a loss for the years ended 30 June 2013 and 2014 to a gain for the year ended 30 June 2015 is a result of the depreciation of the Australian dollar against the PNG Kina.

5.7 Financial information as presented in the DOCA - Liquidation Scenario

In addition to the Annual Financial Report as at 30 June 2015 and other standard financial information disclosed to the market, we present in the following subsections the various scenarios addressed in the DOCA. The administrators considered two bases for estimating the return to creditors (section 10 of the DOCA):

- Liquidation basis; and
- Under the DOCA.

Return to creditors - Liquidation Scenario

The table below summarises the findings of the Administrators as set out in the DOCA.

Estimated return to Creditors - Liquidation	Low \$	High \$
Assets subject to Circulating Charges		
Cash at bank	243,452	257,831
Less: Cost of the Administration		
Administrators fees and disbursements	(110,202)	(110,202)
Estimated Administrator fees and disbursements	(45,000)	(45,000)
Liquidators fees and disbursements	(150,000)	(150,000)
Costs of the Administration*	(190,000)	(190,000)
Amounts Available to Priority Creditors		
Priority creditors employee entitlements	(767,159)	(767,159)
Surplus/(Deficit) of Circulating Assets		
Less: Secured Creditor Claim	(3,229,960)	(3,229,960)
Funds available to unsecured creditors	(4,248,869)	(4,234,490)
Total Voidable Transaction and Other Recoveries	-	1,083,405
Less: Costs of recoveries	-	(250,000)
Total estimated assets to be applied to priority creditor claims	-	833,405
Total assets available to unsecured creditors	(4,248,869)	(3,401,085)
Unsecured claims	(1,997,474)	(1,997,474)
Estimated surplus/(Deficiency)	(6,246,343)	(5,398,559)
Estimated Dividend Rate	Nil	Nil

Source: Indochine Mining Limited Report by Administrators, Ferrier Hodgson, Dated 4 May 2015.

* The costs of administration do not include a provision for repayment of the Secured Creditor's funding for the Warden's Hearing which would need to be repaid from available assets in the event the Company is wound up.

The Administrators note that the values are an estimate only and subject to change due to:

- The final amount realised from the Mt Kare tenement;
- Final proving of creditor claims; and

- The costs of litigation to recover any preference and other claims that may come to light.

The Administrators note that the funds received from the sale of the Company's assets will be applied to the secured debt due to the security arrangement held by Aude Holdings Pty Ltd. From the table above, these proceeds will be insufficient to discharge the debt and there will be no available funds to priority creditors and unsecured creditors in a liquidation scenario.

Return to creditors - Proposed DOCA

The table below summarises the findings of the Administrators as set out in the DOCA.

Estimated return to Creditors - Proposed DOCA	Low \$	High \$
DOCA Fund	500,000	500,000
Cash at bank	175,000	190,746
Claim against directors	Unascertained	Unascertained
Less: Costs of the Administration		
Administrators fees and disbursements	(110,202)	(110,202)
Estimated Administrators fees and disbursements	(45,000)	(45,000)
Estimated Deed Administrators fees and disbursements	(150,000)	(150,000)
Estimated Trustees' fees and disbursements	(75,000)	(75,000)
Cost of the Administration	(190,000)	(190,000)
Amount Available to Class A Creditors	104,798	120,544
Priority creditors employee entitlements	(767,159)	(767,159)
Surplus/(Deficit) to Class B Creditors	(662,361)	(646,615)
Estimated Class B Creditors	(1,997,474)	(1,997,474)
Estimated Surplus/(Deficiency)	(2,659,835)	(2,644,089)

Source: Indochine Mining Limited Report by Administrators, Ferrier Hodgson, Dated 4 May 2015.

The Administrators note that the values are an estimate only and subject to change due to:

- Changes in the quantum of costs of the DOCA for unforeseen issues;
- Final proving of credit claims; and
- Compliance with all provisions of the DOCA.

We note that under both of the scenarios considered by the Administrators there are no funds left to fully satisfy creditors identified and consequently no funds available for shareholders.

5.8 Capital Structure

We note that the share structure of Indochine is to be revised by Resolution 4 included in the Notice of Meeting for the Annual General Meeting of Indochine due to take place on 30 May 2016. Resolution 4 is for the consolidation of capital on the basis of every 400 existing Indochine shares being consolidated into one new consolidated share with any resulting fractions of a new consolidated share being rounded down to the nearest whole share.

The Proposed Transaction (as set out in Resolution 5 of the Notice of Meeting for the Annual General Meeting) is conditional on the passing of Resolution 4 which means that, prior to consideration of the Proposed Transaction; the share structure will already have been consolidated.

Share Structure prior to Annual General Meeting

The share structure of Indochine as at 12 April 2016, prior to the Annual General Meeting, is outlined below:

	Number
Total ordinary shares on issue	1,363,855,013
Top 20 shareholders	629,918,578
Top 20 shareholders - % of shares on issue	46.19%

Source: Indochine Annual Report 2015

The range of shares held in Indochine as at 12 April 2016 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	98	3,380	0.00%
1,001 - 5,000	102	379,420	0.03%
5,001 - 10,000	270	2,352,599	0.17%
10,001 - 100,000	1,261	57,996,918	4.25%
100,001 - and over	1,042	1,303,122,696	95.55%
TOTAL	2,773	1,363,855,013	100.00%

Source: Indochine Annual Report 2015

The ordinary shares held by the most significant shareholders as at 12 April 2016 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Mr Brian Rodan	138,891,417	10.18%
Ruffer LLP	123,890,474	9.08%
Genesis Investment Management	108,171,833	7.93%
Capital Research Global Investors	73,199,466	5.37%
Jon Edwards Super Pty Ltd	50,000,000	3.67%
Subtotal	494,153,190	36.23%
Others	869,701,823	63.77%
Total ordinary shares on Issue	1,363,855,013	100.00%

Source: Indochine Annual Report 2015

As 30 June 2015, the Company had no options outstanding.

Share Structure following approval of Resolution 4 relating to share consolidation on a 400:1 basis

The share structure of Indochine following approval of Resolution 4 is as set out below.

	Number
Total ordinary shares on issue*	3,409,637
Options	Nil
Performance Options	Nil

* Note that this table has not been adjusted for rounding down of all existing shareholdings to a whole number of shares.

Source: Notice of Meeting

6. Profile of Kandahar Holdings Pty Ltd

6.1 History

Kandahar Holdings Pty Ltd was incorporated on 20 April 2015 as the Proponent for the DOCA. Financial statements have not been prepared for Kandahar Holdings as at 30 June 2015.

The financial activity of Kandahar Holdings has been limited to:

- Parties associated with the Secured Creditor of Indochine receiving a loan of \$50,000 from the Secured Creditor, on or about 9 September 2015; and
- the above funds were subsequently loaned to Indochine as per Clause 9 of the DOCA.

The sole director and secretary of Kandahar Holdings is Mr Edwin Pope.

7. Economic analysis

Indochine is a mineral exploration company with its flagship gold project located in Enga Province, Papua New Guinea. The Company is listed on both the Australian and Port Moresby stock exchanges. As gold is both a commodity and an international store of monetary value we have considered the PNG, Australian and global economy in our overview.

7.1 Papua New Guinea

PNG faced numerous issues in 2015 such as low export commodity prices, temporary closures of two major mines and faced adverse effects on its agricultural sector from El Nino. Economic growth was therefore lower in 2015 compared to 2014. Although there were significant increases in liquefied natural gas ('LNG') exports and production, this was offset by the temporary closures of the Ok Tedi and Porgera mines, as well as the Napa Napa Oil refinery, and other aspects such as low production and exports of some agriculture commodities. Government revenue has fallen as a result, which led to lower than budgeted Government expenditure and the announcement of additional revenue measures. Commodity prices saw a rebound of 2.3% in February 2016 which represents the first increase in nine months.

Gross Domestic Product ('GDP') growth is forecast to increase over the next year, primarily driven by activity in the non-mineral sectors of PNG. Further, recommencement of production at Ok Tedi mine, increased production at Ramu Nickel and Cobalt mine and an increase in activity in some rural areas of PNG due to infrastructure development are likely to assist in this GDP growth. However, low export receipts and low commodity prices are expected to continue into 2016.

Exchange Rate

The average kina exchange rate depreciated against the US dollar ('USD') by 2.9% to US\$0.3296 over the month to 26 February 2016, and 6.1% against the Australian dollar ('AUD') to AU\$0.4632. This depreciation can be attributed to a cross currency movement as the AUD appreciated against the USD due to the rebound in commodity prices such as oil, iron ore and copper. High import demand and lower foreign exchange inflows from LNG and other export commodities in PNG are also reasons why the kina has depreciated over the past year. Interventions from the Central Bank were necessary to help in meeting the excessive demands from the foreign exchange market.

Source: www.bankpng.gov.pg Monetary Policy Statement by the Governor of the Bank of Papua New Guinea, Mr. Loi M. Bakani - 31 March 2016 & Monthly Economic Review Vol.2 No.2 - Month Ended February 2016

7.2 Australia

Overall, the economy has continued to grow over the past year, but at a rate somewhat below its longer-term average. Although several economies have seen increased growth over the past year, conditions for a number of emerging market economies have become more difficult.

Recent information suggests that Australia's economy is continuing to rebalance following the mining investment boom. GDP growth increased over 2015 despite the contraction in mining investment, which is consistent with the labour market developments. Inflation remains quite low and is close to the RBA's target, consistent with very slow growth in labour costs.

At its most recent meeting, the RBA decided to leave the cash rate unchanged at 2.0%.

Impact of currency movements

Recently, the AUD has appreciated slightly. This appreciation partly reflects the recent increase in commodity prices, however global monetary developments have also contributed. Since 2009, changes in the Australian dollar have reflected fluctuations in global sentiment and the decline in commodity prices alongside increased uncertainty about the outlook for China and the timing of the first rate increase by the US Federal Reserve.

Source: www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision 5th April 2016

7.3 Global

Overall, there is moderate growth in the global economy. Although several advanced economies have seen improved growth over the past year, a number of market economies have endured difficult conditions. Key commodity prices have significantly declined over the past few years as a result of increased supply and weaker demand.

In China, economic activity has eased and the growth rate has continued to moderate following the Government's stimulus plan, which will see China shift away from an economy dependent on manufacturing, to one driven by consumer demand. China's demand for commodities such as crude oil, steel, coal and other raw materials have decreased, therefore affecting the global economy.

Global financial markets have seen improved sentiment, following a period of increased volatility. However, uncertainty regarding the global economic outlook and policy settings for major jurisdictions continues. Globally, monetary policy remains accommodative.

Source: www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision 5th April 2016

8. Industry analysis

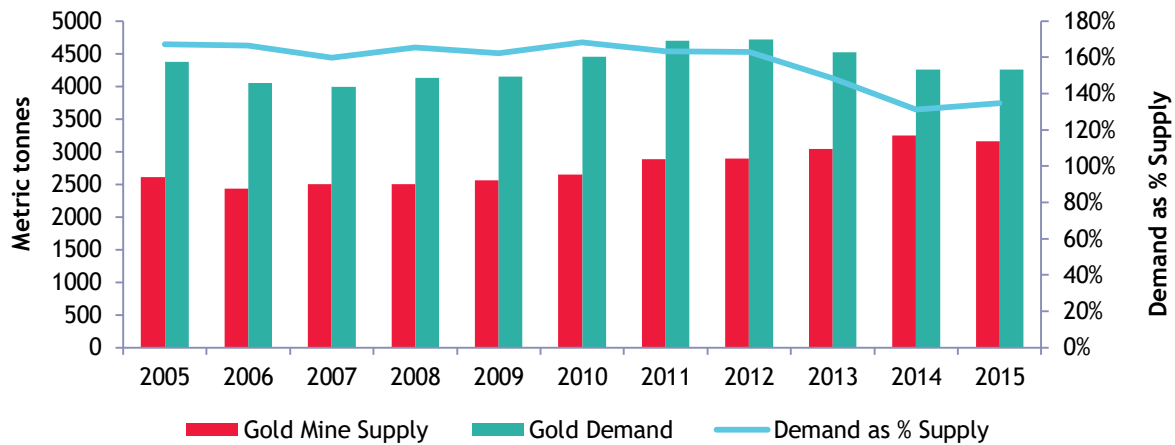
Indochine's key project is the Mt Kare Project and we have therefore addressed the gold mining industry in the following paragraphs.

8.1 Gold Industry Overview

Gold is both a commodity and an international store of monetary value. Once mined, gold continues to exist indefinitely, often melted down and recycled to produce alternative or replacement products. This characteristic means that gold demand is supported by mine production, gold recycling and central bank selling.

As illustrated in the chart below, gold mine production was approximately 3,155t in 2015 and gold consumption was 4,252t. Demand for gold has consistently exceeded supply over the last 10 years, and the escalated level of economic and financial uncertainty during recent years has caused investors to move capital from risky assets to gold assets, which are perceived to be a good store of monetary value. As a result, total gold demand as a percentage of total gold supply has reached a high of 168% in 2010.

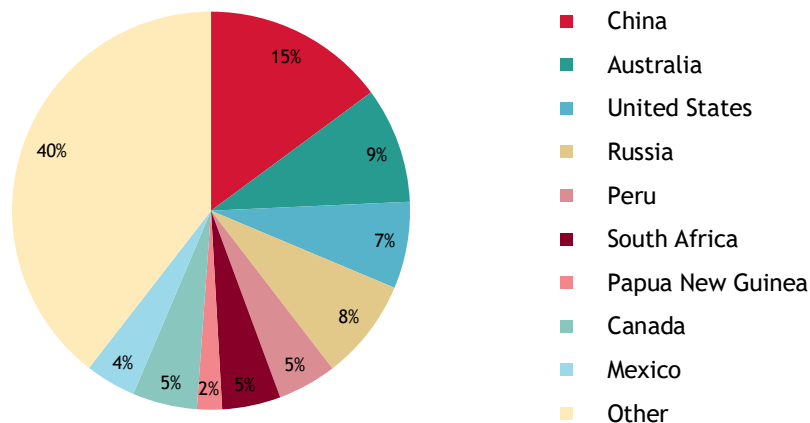
Gold Supply and Demand



Source: Bloomberg and BDO analysis

Until the late 1980's, South Africa produced approximately half of the total gold produced. More recently however, gold production has become geographically segmented with production dominated by Russia, China and Australia.

Global Gold Production - 2015

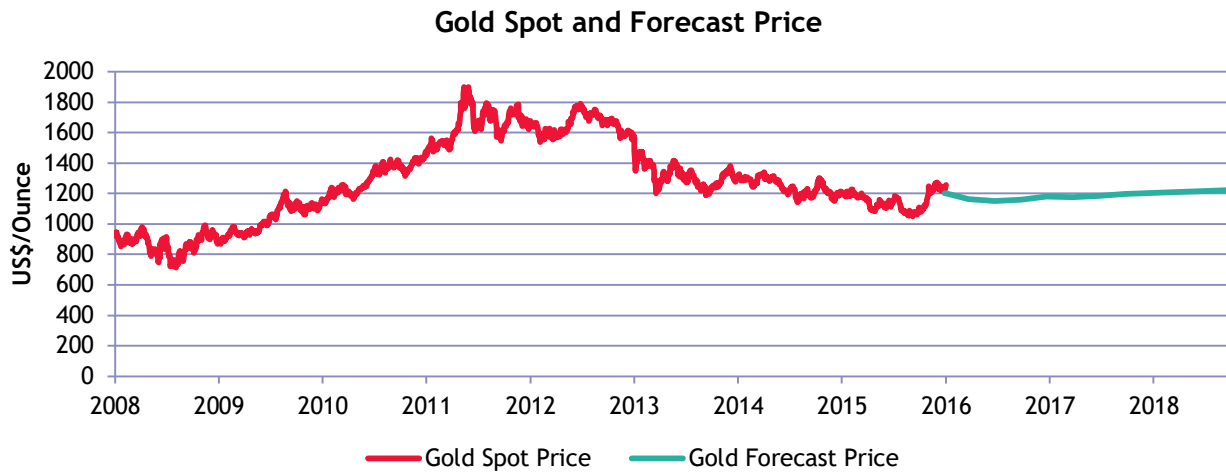


8.2 Gold Prices

The price of gold fluctuates on a daily basis depending on global demand and supply factors. The softening of gold prices over the last two years is reflective of the recovery of global economic conditions. The value of gold peaked at US\$1,900 per ounce on September 2011. This peak was largely caused by the debt market crisis in Europe, but it was also driven by the Standard and Poor's downgrade of the US credit rating. This sent global stock markets tumbling and a flood of investors towards safer havens such as gold.

Prices contracted in December 2011 reaching a low of US\$1,545 per ounce followed by a recovery in 2012, reaching US\$1,790 per ounce on 4 October 2012 before declining to US\$1,675 per ounce on 31 December

2012. Gold prices have modestly declined over 2013 and 2014. More recently, gold prices from January 2015 through to November 2015 have averaged US\$1,168 per ounce, ranging from a low of US\$1,085 per ounce on 5 August 2015 to a high of US\$1,302 per ounce on 22 January 2015. Since then, the gold price has continued to decline with the most recent price as at 7 April 2016 of US\$1,240 per ounce.



Source: Bloomberg, Consensus Economics and BDO analysis

According to Consensus Economics, gold prices are forecast to stabilise in the short to medium term, followed by a moderate increase with a long term nominal price forecast of approximately US\$1,308 per ounce by 2020.

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment such as a Resource Multiple.

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of Indochine shares we have chosen to address the following methodologies:

- Net asset value
- Quoted market price.

We have chosen these methodologies for the following reasons:

- There is no history of profitable trading for Indochine which would allow the earnings based valuation methods to be used.
- The Net Asset Value is the most appropriate methodology for the Company as it addresses the assets and liabilities based on the Company not being a trading entity nor having the immediate prospect of net earnings in the future.
- The quoted market price is considered because Indochine has been publicly listed although with the suspension from listing having been in place since March 2015 there is no currency to such information.

10. Valuation of Indochine prior to the Proposed Transaction

10.1 Net Asset Valuation of Indochine

We have considered the value of Indochine based on the latest available financial information for the Company as set out in section 5. The value of net assets on a going concern basis is reflected in our valuation below:

Statement of Financial Position	Audited as at 30-Jun-15 \$000s	Adjustment	Preferred value \$000s
CURRENT ASSETS			
Cash and cash equivalents	286	-	286
Term Deposits	-	-	-
Trade and other receivables	-	-	-
TOTAL CURRENT ASSETS	286	-	286
NON-CURRENT ASSETS			
Property, plant and equipment	-	-	-
Exploration and evaluation expenditure	-	-	-
Other financial assets	-	-	-
TOTAL NON-CURRENT ASSETS	-	-	-
TOTAL ASSETS	286	-	286
CURRENT LIABILITIES			
Trade and other payables	11,939	2,803	14,742
Borrowings	-	-	-
Provisions	184	-	184
TOTAL CURRENT LIABILITIES	12,123	2,803	14,926
TOTAL LIABILITIES	12,123	2,803	14,926
NET (LIABILITIES)/ ASSETS	(11,837)	(2,803)	(14,640)
Number of shares outstanding (after consolidation)	3,409,637		3,409,637
Value per Share (\$)			\$nil

Source: BDO analysis

We have been advised that there has not been a significant change in the net assets of Indochine since 30 June 2015 apart from those discussed below.

The table above indicates the net asset value of an Indochine share is \$nil.

We note that we are unable to ascribe any value to the exploration interests including the Mt Kare Project because the exploration licence has expired and there is no certainty at this stage that the licence will be regained.

An extensive summary of the position with regard to the renewal of the exploration licence 1093 is provided in the DOCA and second supplement to the Administrators' Report dated 12 May 2015.

We have increased trade and other payables by \$2.8 million as a result of accrued interest on the loan with Aude Holdings, expenditure for various court mandated hearings, legal fees and ongoing maintenance and security of the camp.

10.2 Quoted Market Prices for Indochine Securities

To provide a comparison to the valuation of Indochine in Section 10.1, we have also assessed the quoted market price for an Indochine share prior to the Company placing itself in voluntary administration.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

Whilst Kandahar Holdings will not be obtaining 100% of Indochine, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

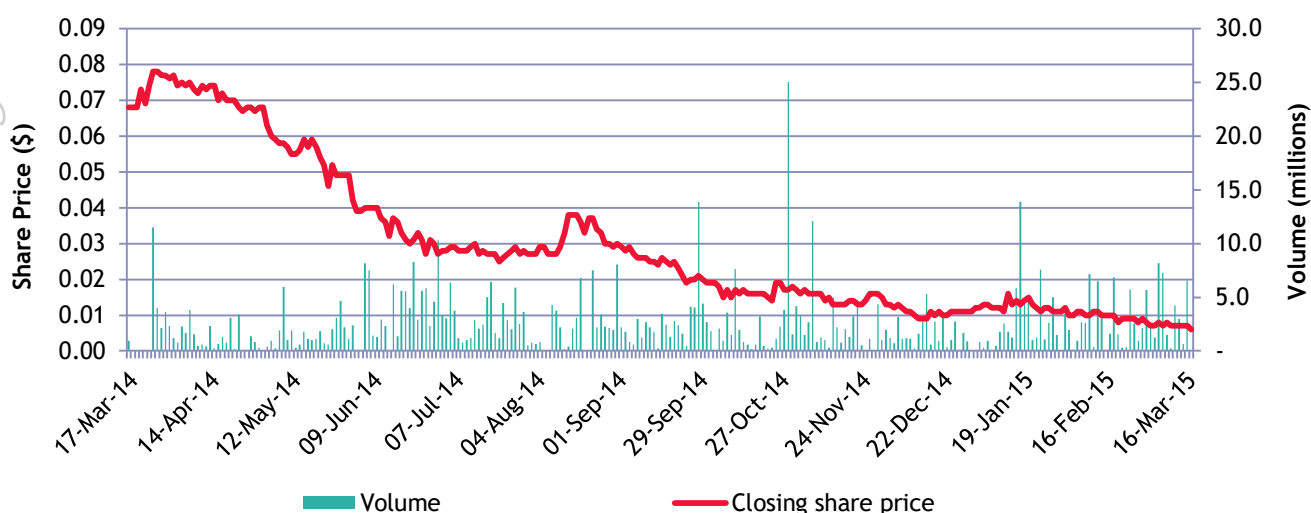
Therefore, our calculation of the quoted market price of an Indochine share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of an Indochine share is based on the market pricing of Indochine shares prior to the Company being placed in voluntary administration in March 2015.

Indochine announced the decision to place the Company in voluntary administration on 27 March 2015. Therefore, the following chart provides a summary of the share price movement over the 12 months to 16 March 2015, which was the last trading day prior to the announcement due to the Company being suspended from Official Quotation following failure to lodge its half year accounts for the period ended 31 December 2014 on 17 March 2015.

IDC share price and trading volume history



Source: Bloomberg

The daily price of Indochine shares from 19 March 2014 to 16 March 2015 has ranged from a low of \$0.005 on 16 March 2015 to a high of \$0.078 on 25 March 2014. The highest single day of trading was on 23 October 2014 where 24,994,280 Indochine shares were traded.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement \$ (movement)			Closing Share Price Three Days After Announcement \$ (movement)		
25/02/2015	Secured Loan Facilities	0.008	▼	11.1%	0.007	▼	12.5%
23/02/2015	Market Update	0.009	►	0.0%	0.009	►	0.0%
30/01/2015	December 2014 Activities Report, App5B and Tenement Info	0.012	▲	9.1%	0.011	▼	8.3%
12/01/2015	Response to ASX Price and Volume Query	0.016	▲	45.5%	0.013	▼	18.8%
24/11/2014	Appointment of Sir Samuel Jonah KBE as Adviser	0.014	▲	7.7%	0.016	▲	14.3%
21/11/2014	Trading Halt	0.013	►	0.0%	0.016	▲	23.1%
31/10/2014	September 2014 Activities Report, App 5B and Tenement Info	0.016	▼	5.9%	0.016	►	0.0%
30/10/2014	Indochine Market Update	0.017	▼	5.6%	0.016	▼	5.9%
24/09/2014	Indochine Market Update	0.020	▲	5.3%	0.020	►	0.0%
18/08/2014	Indochine Market Update	0.036	▼	5.3%	0.037	▲	2.8%
14/08/2014	Trading Halt	0.038	►	0.0%	0.033	▼	13.2%
11/08/2014	Indochine Market Update	0.029	▲	7%	0.038	▲	31%
04/08/2014	Extension and variation of existing funding arrangement	0.029	▲	7%	0.027	▼	7%
31/07/2014	June 2014 Activities Report, App 5B and Tenement Information	0.027	►	0%	0.029	▲	7%
31/07/2014	Trading Halt	0.027	►	0%	0.029	▲	7%

Date	Announcement	Closing Share Price Following Announcement \$ (movement)			Closing Share Price Three Days After Announcement \$ (movement)		
06/06/2014	Indochine Mining Completes Capital Raising	0.040	►	0%	0.036	▼	10%
30/05/2014	Capital Raising to Advance Discussions	0.042	▼	14%	0.040	▼	5%
28/05/2014	Trading Halt	0.049	►	0%	0.039	▼	20%
30/04/2014	Quarterly Activities Report, Appendix 5B and Tenement Info	0.068	►	0%	0.059	▼	13%
31/03/2014	Completion Capital Raising and Cornerstone Investors	0.077	▲	1%	0.074	▼	4%
19/03/2014	Reinstatement to Official Quotation	0.073	▲	7%	0.078	▲	7%
19/03/2014	Equity Raising Up to \$20 Million	0.073	▲	7%	0.078	▲	7%

On 19 March 2014, the Company announced an equity raising of up to \$20 million via a placement of 241 million shares at \$0.09 per share. On the day of the announcement, the Company's share price increased by 7% to 0.073, and in the subsequent three days increased by a further 7% to \$0.078.

On 30 April 2014, the Company released its Quarterly Activities Report, stating that a \$3.4 million capital raising was completed at \$0.09 per share. On the day of the announcement, the Company's share price remained unchanged; however in the subsequent three days decreased by 13% to \$0.059.

On 06 June 2014, the Company announced the completion of a \$3.1 million capital raising via placement of 73.4 million shares at \$0.042 per share. On the day of the announcement, the Company's share price remained unchanged; however in the subsequent three days decreased by 10% to \$0.036.

On 11 August 2014, the Company released a market update announcing the appointing of Pareto Securities as lead manager for a capital raising for the Mt Kare asset, the appointment of PCF Capital Group as corporate advisers, and the planned commencement of a diamond drilling and sampling program following the completion of the fund raising. On the day of the announcement, the Company's share price increased by 7% to 0.029, and in the subsequent three days increased by a further 31% to \$0.038.

On 24 November 2014, the Company announced the appointment of Sir Sam Jonah, KBE, as an adviser to assist with the Mt Kare Project. On the day of the announcement, the Company's share price increased by 7.7% to \$0.014, and in the subsequent three days increased by a further 14.3% to \$0.016.

On 12 January 2015, the Company responded to a price and volume query raised by ASX. Indochine confirmed they were not aware of any information not released to the market that could explain the recent trading of its' securities. On the day of the announcement, the Company's share price increased by 45.5% to \$0.016; however in the subsequent three days decreased by 18.8% to \$0.013.

On 25 February 2015, the Company announced it had successfully increased the secured loan facilities with Aude Holdings to \$3.75 million and extended the repayment date to 30 April 2015. On the day of the announcement, the Company's share price decreased by 11.1% to \$0.008, and in the subsequent three days decreased by a further 12.5% to \$0.007.

To provide further analysis of the market prices for an Indochine share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 16 March 2015.

Share Price per unit	16-Mar-15	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.006				
Volume weighted average price (VWAP)		\$0.007	\$0.008	\$0.010	\$0.011

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the Company being placed in voluntary administration.

An analysis of the volume of trading in Indochine shares for the twelve months to 16 March 2015 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.005	\$0.007	15,103,105	1.11%
10 Days	\$0.005	\$0.008	35,404,519	2.60%
30 Days	\$0.005	\$0.012	101,624,625	7.45%
60 Days	\$0.005	\$0.016	172,438,775	12.64%
90 Days	\$0.005	\$0.017	223,896,886	16.42%
180 Days	\$0.005	\$0.041	474,544,398	34.79%
1 Year	\$0.005	\$0.088	670,849,921	49.19%

Source: Bloomberg, BDO analysis

This table indicates that Indochine's shares displayed a moderate level of liquidity, with 49.19% of the Company's current issued capital being traded in the twelve month period prior to the trading in its shares being suspended. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Indochine, we do not consider there to be a deep market for Indochine's shares given the repeat occurrence of a trading halt for Indochine's securities over the twelve month period.

Our assessment is that a range of values for Indochine's shares based on market pricing, after disregarding post announcement pricing, is between \$0.006 and \$0.010.

Control Premium

We have reviewed the control premiums paid by acquirers of companies listed on the ASX. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2015	7	398.55	55.81
2014	18	117.32	43.81
2013	21	42.99	64.64
2012	31	112.96	52.29
2011	22	536.74	48.88
2010	33	623.28	46.75
2009	36	88.86	49.28
2008	11	452.48	38.87
	Median	257.94	49.08
	Mean	296.65	50.04

Source: Bloomberg, BDO analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The table above indicates the long term average control premiums paid by acquirers of all mining companies on the ASX is approximately 50%.

As mentioned in section 5 of our Report, the directors of Indochine believe the going concern basis is no longer appropriate given there is currently no certainty regarding the reinstatement of EL 1093 and ability to raise funds. Further, given the declining commodity prices and the uncertainty surrounding equity markets, an acquirer may not be willing to pay a control premium in line with historical averages.

In the case of Indochine, based on our research and considerations set out above, we believe that an appropriate control premium to apply to our valuation of Indochine's shares is between 20% and 30%.

Quoted market price including control premium

Applying a control premium to Indochine's quoted market share price results in the following quoted market price value including a premium for control:

	Low \$	Midpoint \$	High \$
Quoted market price value	\$0.006	\$0.008	\$0.010
Post consolidation 400:1	\$2.40	\$3.20	\$4.00
Control premium	20%	25%	30%
Quoted market price valuation on a post consolidation basis including a premium for control	\$2.88	\$4.00	\$5.20

Source: BDO analysis

Therefore, our valuation of an Indochine share based on the quoted market price method and including a premium for control is between \$2.88 and \$5.20, with a midpoint value of \$4.00 on a post consolidation basis.

We note that this valuation is stale being based on market information only up to 16 March 2015. There are no shares traded subsequent to this date so there has been no opportunity.

10.3 Value implied by report of the administrators

As set out in Section 5.7 the DOCA considered the overall position of Indochine from the point of view of creditors under two scenarios:

- Liquidation basis; and
- Under the DOCA.

While the administrators present information for the purpose of addressing the return to creditors, the DOCA nevertheless provides an overview of the surplus/ deficiency for shareholders from a liquidation of assets. The liquidation basis is effectively an estimate of the best available proceeds from liquidating assets if the Company is unable to continue to operate. This represents a possible scenario if the Proposed Transaction is not approved.

The administrators set out an estimated deficiency on the liquidation basis in the range from \$5.399 million to \$6.246 million. The value attributable to shareholders is therefore estimated to be \$nil.

10.4 Assessment of Indochine Value

The results of the valuations performed are summarised in the table below:

	Low	Preferred	High
	\$	\$	\$
Net assets value (Section 10.1)	Nil	Nil	Nil
ASX market prices (Section 10.2)	\$2.88	\$4.00	\$5.20
Value implied by Administrator (Section 10.3)	Nil	Nil	Nil

Source: BDO analysis

The difference between the NAV and QMP approaches can be explained by the following:

- Under RG111.69(d), the QMP methodology is considered appropriate when a liquid and active market exists for the services. As Indochine has been suspended from trading since 17 March 2015, we have not relied on the QMP value in assessing the value of an Indochine share prior to the Proposed Transaction.
- There has been no trading in Indochine shares for over 8 months so the quoted market prices are completely out of date and the most recent trading price bears little relation to the current situation of Indochine.

- In particular the following matters are not reflected in the trading price for the period up to 17 March 2015:
 - Current commodity prices;
 - Current general share market price falls;
 - The impact of the Company being placed in Voluntary Administration;
 - The effect of the DOCA;
 - The current landscape for fundraising; and
 - SDL's application to renew the license EL1093 was refused by the Minister for Mining on 14 December 2015.

We conclude that the value obtained under the NAV approach is the most appropriate methodology and consider the value of an Indochine share prior to the Proposed Transaction to be nil.

11. Valuation of Indochine post the Proposed Transaction

We do not consider that there is any change in the value of Indochine following the Proposed Transaction.

Completion of the Proposed Transaction and the stated intentions of Kandahar Holdings following the Proposed Transaction merely enables the continuation of the process of applying for the reinstatement of the Exploration Licence. There currently exists no certainty about whether Indochine will be successful in having the Exploration License reinstated.

12. Is the Proposed Transaction fair?

The value of an Indochine share pre and post the Proposed Transaction is compared below:

	Ref	Low \$	Preferred \$	High \$
Value of an Indochine share prior to the Proposed Transaction	10.4	nil	nil	nil
Value of an Indochine share post the Proposed Transaction	11	nil	nil	nil

We note from the table above that the value of an Indochine share is \$nil prior to and following the Proposed Transaction. Since the value of an Indochine share is not lower following the Proposed Transaction, we consider that the Proposed Transaction is fair.

13. Is the Proposed Transaction reasonable?

13.1 Alternative Proposal

We understand that at the time of the adoption of the DOCA there was an alternative deed of company arrangement proposal submitted by SFG but that alternative proposal was considered not a valid alternative proposal by the Administrators and therefore was not preferred to the DOCA.

13.2 Practical Level of Control

If the Proposed Transaction is approved then Kandahar Holdings will hold an interest of approximately 74.57% in Indochine. This percentage interest will increase up to a maximum of 85.43% on exercise of the 10 million options to be issued as part of the Proposed Transaction.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. If the Proposed Transaction is approved then Kandahar Holdings will be able to pass general resolutions and upon exercise of sufficient options will also be able to pass special resolutions.

Kandahar Holdings' control of Indochine following the Proposed Transaction will be significant when compared to all other shareholders. In our opinion, Kandahar Holdings will be able to significantly influence the activities of Indochine, and will be able to exercise a similar level of control as if it held 100% of Indochine. As such, Kandahar should be expected to pay a similar premium for control as if it were acquiring 100% of Indochine.

13.3 Consequences of not Approving the Proposed Transaction

Consequences

If the Proposed Transaction is not approved then the condition precedent for Kandahar Holdings to provide the second loan of \$450,000 to Indochine will not have been satisfied. Kandahar Holdings would not then provide the second loan of \$450,000 to Indochine which is a key component of the DOCA.

Indochine would then be in the position of having to amend or replace the DOCA with significant implications for the continued operation of the Company. Creditors may then seek to force the Company into a liquidation of assets with no prospect of any return to shareholders from the process.

Post announcement pricing

We consider that there is no identifiable impact on the listed share price since Indochine continues to be suspended from listing as it has been since March 2015.

13.4 Advantages of Approving the Proposed Transaction

We have considered the following advantages when assessing whether the Proposed Transaction is reasonable.

Advantage	Description
The Proposed Transaction is fair	As set out in Section 12, we consider that the Proposed Transaction is fair.
Funds to be received from Kandahar Holdings as part of the DOCA will allow Indochine to continue to pursue the reinstatement of the Exploration Licence (EL)	Without funding to allow Indochine to attempt to reinstate Exploration Licence 1093 (EL1093) it is certain that EL1093 will be lost. Without EL1093 which is its main exploration asset in PNG the Company has no value.

Advantage	Description
	While the funds in no way guarantee that EL1093 will be reinstated, because securing the reinstatement is a complex process over a long period, the funds at least give Indochine the chance of achieving the reinstatement and consequently there is a further possibility that the Company and its shares may have some value in the future.
Complies with the conditions precedent of the DOCA, with a number of advantages resulting from the DOCA	<p>As per section 10.1.2 of the DOCA, the passing of resolutions at the Annual General Meeting to be held on 30 May 2016 is a condition precedent to the DOCA. Advantages of the DOCA include:</p> <ul style="list-style-type: none"> • The DOCA is likely to provide to provide a better return to shareholders than an immediate winding up of the Company; • The DOCA provides for funds totalling \$500,000; • The DOCA provides potential future economic benefit should the Company continue to trade; and • Under the DOCA, the Secured Creditor, at its discretion, is able to continue funding the operations in PNG with a view to a successful reinstatement of EL 1093.

13.5 Disadvantages of Approving the Proposed Transaction

If the Proposed Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Dilution of existing shareholders' interests	<p>The issue of new shares as part of the Transaction will dilute existing shareholders' interests.</p> <p>As set out in section 4, the issue of 10 million shares and 10 million options at an exercise price of \$0.05 will give Kandahar Holdings an interest of 74.57% in the issued capital of the Company (or up to 85.43% if the options are exercised). This will dilute existing shareholders interest to minimum of 25.43%, and maximum of 14.57% on the exercise of all options.</p> <p>Kandahar Holdings will be able to significantly influence the activities of Indochine, and will be able to exercise a similar level of control as if it held 100% of Indochine.</p>

14. Conclusion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that the Proposed Transaction is fair and reasonable to the Shareholders of Indochine.

15. Valuation of the Options

As set out in Resolution 5 of the Notice of Meeting, Indochine will issue 10 million options to Kandahar Holdings. To ensure that Shareholders are provided with sufficient information, RG 76 states that meeting materials must adequately value the financial benefit, preferably in dollar terms where the financial benefit is the issue of shares, options or convertible notes or interests in a registered scheme.

RG 76 states that an adequate valuation requires the basis of the valuation, and the principal assumptions behind the valuation, to be disclosed. In some circumstances, it may also be necessary to provide a valuation by an independent expert where the Directors have a conflict of interest in relation to the transaction.

An independent expert's report is not specifically required in relation to the valuation of the Options. However, for reasons of good corporate governance, the Directors of Indochine have requested us to include an independent valuation of the Options in our Report.

Set out below is our assessment of the 10 million options in Indochine to be issued to Kandahar Holdings.

15.1 Assessment of the Options

The terms of the 10 million options in Indochine to be issued to Kandahar Holdings are set out below.

Item	
Number of Options	10,000,000
Exercise price	\$0.05
Issue date	30 May 2016
Valuation Date	30 May 2016
Expiry date	31 December 2025
Time to expiry	9.59 years
Exercise Conditions	No

Valuation Methodology

We have used the Black Scholes option pricing model to calculate the values of the Options.

Under option valuation theory, no discount is made to the fundamental value derived from the option valuation model for unlisted options over listed shares. Option pricing models assume that the exercise of an option does not affect the value of the underlying asset.

In valuing the Options, we made the following assumptions regarding the inputs required for our option pricing model.

Value of the Underlying Shares

Our assessment of the value of an Indochine share is set out in section 11, we have used a nil price per share as the underlying share price.

Exercise Price of the Options

The exercise price is the price at which the underlying ordinary shares will be issued. The exercise price of the Options is \$0.05.

Valuation Date

The Options are to be issued upon approval at the Annual General Meeting to be held on 30 May 2016, which we have adopted as our valuation date.

Life of the Options

We have estimated the life of the Options for the purpose of our valuation. The minimum life of an option is the length of any vesting period. The maximum life is based on the expiry date, which is the remaining term of an option from the valuation date of the options to the expiry date. The term of the Options is approximately 9.59 years.

There are many factors that determine the rationale for exercising options and therefore, the effective life of those options. Some of these factors include:

There is a limited track record of unlisted options being exercised early. Generally, early exercise occurs:

- If the options are deep in the money as it is profitable for the holder of the option to exercise the options
- If the stock pays a dividend as the opportunity cost of holding the option is high
- If the volatility of the underlying share price is low as the probability of the options becoming deeper in the money is low relative to a highly volatile stock
- When the options are held by junior level employees. Senior employees are more likely to continue their employment with the company and therefore there is no incentive to exercise their options.

For the purpose of this valuation, we have estimated an exercise date as the expiry date giving the effective life for the Options of 9.59 years, which we have input into the Black Scholes option pricing model.

Expected Volatility of the Share Price

Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period. The measure of volatility used in option pricing models is the annualised standard deviation of the continuously compounded rates of return on the share over a period of time.

Many techniques can be applied in determining volatility, with a summary of the methods we use below:

- The square root of the mean of the squared deviations of closing prices from a sample. This can be calculated using a combination of the opening, high, low, and closing share prices each day the underlying security trades for all days in the sample time period chosen
- The exponential weighted moving average model adopts the closing share price of the Company in a given time period. The model estimates a smoothing constant using the maximum likelihood method, which estimates volatility assuming that volatility is not a constant measure and is predicted to change in the future

- The generalised autoregressive conditional heteroscedasticity model. This model takes into account periods of time where volatility may be higher than normal and/or lower than normal, as well as the tendency for the volatility to run at its long run average level after such periods of abnormality. The model will calculate the rate at which this is likely to occur from the sample of prices thereby enabling estimates of future volatility by time to be made.

As outlined in section 10.2, Indochine has been suspended from official quotation on the ASX since 17 March 2015. We have therefore completed a comparable companies' volatility analysis to provide more clarity to the expected future volatility of the Company. Based on our comparable companies' volatility analysis, we have determined the future volatility of 110% for Indochine in our option pricing model.

Risk-Free Rate of Interest

We have used the Australian Government ten-year bond rate of 2.46% as at the valuation date as inputs to our option pricing model.

Dividends Expected on the Shares

Indochine is not expected to pay a dividend during the life of the Options.

Conclusion

We set out below our conclusion as to the value of the Options.

Valuation of the Options	
Underlying security spot price	\$0.00
Exercise price	\$0.05
Issue date	30 May 2016
Valuation Date	30 May 2016
Expiration date	31 December 2025
Time to expiry	9.59 years
Volatility	110%
Risk free rate	2.46%
Number of options	10,000,000
Valuation per option	\$nil

Source: BDO Analysis

The value of the 10 million options in Indochine to be issued to Kandahar Holdings is nil.

16. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Indochine for the years ended 30 June 2015 and 30 June 2014;
- Management accounts for Indochine from 1 July 2015 to 31 March 2016;
- Financial statements for Kandahar Holdings;
- Deed of Company Arrangement dated 4 June 2015;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Indochine.

17. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$23,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this Report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Indochine in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Indochine, including the non-provision of material information, in relation to the preparation of this Report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Indochine and Kandahar Holdings and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Indochine and Kandahar Holdings and their respective associates.

Neither the two signatories to this Report nor BDO Corporate Finance (WA) Pty Ltd have had, within the past two years, any professional relationship with Indochine, Kandahar Holdings or their associates, other than in connection with the preparation of this Report.

A draft of this Report was provided to Indochine and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this Report as a result of this review.

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18. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of Chartered Accountants Australia and New Zealand. He has over twenty five years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These expert's reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Chartered Accountants Australia and New Zealand. Adam's career spans 18 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert's reports and valuations in general for companies in a wide range of industry sectors.

19. Disclaimers and consents

This report has been prepared at the request of Indochine for inclusion in the Explanatory Memorandum which will be sent to all Indochine Shareholders. Indochine engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the Proposed Transaction to issue 10 million ordinary shares in Indochine and 10 million options to Kandahar Holdings.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this Report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this Report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this Report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Proposed Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this Report does not constitute legal or taxation advice to the Shareholders of Indochine, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

A handwritten signature in black ink, appearing to read 'Sherif Andrawes'.

Sherif Andrawes

Director

A handwritten signature in blue ink, appearing to read 'Adam Myers'.

Adam Myers

Director

Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 Cth
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
Aude Holdings	Aude Holdings Pty Ltd
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
BFS	Bankable Feasibility Study
The Company	Indochine Mining Limited (Subject to Deed of Company Arrangement)
Corporations Act	The Corporations Act 2001 Cth
DCF	Discounted Future Cash Flows
DFS	Definitive Feasibility Study
DOCA	Deed of Company Arrangement dated 4 June 2015 between Indochine Mining Limited (Administrators Appointed) and the administrators Jones Weaver and Hodgson of Ferrier Hodgson
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
Indochine	Indochine Mining Limited (Subject to Deed of Company Arrangement)
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
Kandahar Holdings	Kandahar Holdings Pty Ltd
LIR	Landowner Investigation Report
LIS	Landowner Investigation Study

Reference	Definition
Mt Kare Project	Mt Kare Gold Silver Project located in PNG
NAV	Net Asset Value
Options	Proposed issue of 10 million options in Indochine to Kandahar Holdings under Resolution 5 of the Notice of Meeting
Our Report	This Independent Expert's Report prepared by BDO
PNG	Papua New Guinea
POMSox	Port Moresby Stock Exchange
Proposed Transaction	Proposed issue of 10 million shares and 10 million options to Kandahar Holdings under Resolution 5 of the Notice of Meeting for Indochine
QMP	Quoted market price
RBA	Reserve Bank of Australia
Regulations	Corporations Act Regulations 2001 (Cth)
RG 74	ASIC Regulation Guide 74 'Acquisitions Approved by Members'
RG 111	ASIC Regulation Guide 111 'Content of expert reports' (March 2011)
RG 112	ASIC Regulation Guide 112 'Independence of experts' (March 2011)
SDL	Summit Development Limited
Section 611	Section 611 of the Corporations Act
SFG	Second Floor Gold Pty Ltd
Shareholders	Shareholders of Indochine not associated with Kandahar Holdings
Valmin Code	The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price

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For permission requests, write to BDO Corporate Finance (WA) Pty Ltd, at the address below:

The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

6 Option Valuations

Options without market based vesting conditions can be exercised at any time following vesting up to expiry date, and as such are more suitably valued using a binomial option pricing model. Under option valuation theory, no discount is made to the fundamental value derived from the option valuation model for unlisted options over listed shares. Option pricing models assume that the exercise of an option does not affect the value of the underlying asset.

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Glossary

10% Placement Facility	means the facility under Listing Rule 7.1A to allow the Company to issue Equity Securities up to 10% of its issued share capital through placement over 12 month period after the AGM.
Administrators	means Martin Bruce Jones, Darren Gordon Weaver and Ben Michael Johnson jointly and severally.
Annual General Meeting or Meeting or AGM	means the general meeting of the Company to be held on 30 May 2016 pursuant to the Notice of Annual General Meeting.
Annual Report	means the annual report for the Company for the financial year ended 30 June 2015.
ASIC	means the Australian Securities and Investments Commission.
Associate	has the meaning given to that term in Part 1.2, Division 2 of the Corporations Act.
ASX	means ASX Limited ACN 008 624 691 or the securities exchange market operated by the ASX, as the context requires.
Board or Board of Directors	means the board of Directors of the Company
Chairman	means the chairman of the Company.
Closely Related Party	<p>of a member of the Key Management Personnel means:</p> <ul style="list-style-type: none"> (a) a spouse or child of the member; (b) a child of the member's spouse; (c) a dependent of the member or the member's spouse; (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity; (e) a company the member controls; or <p>a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.</p>

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Company or Indochine	means Indochine Mining Limited, ACN 141 677 385.
Completion	means that date as soon as reasonable practicable after the Administrators' receipt of the Second Loan Payment.
Constitution	means the constitution of the Company, as amended from time to time.
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
DOCA	means the Deed of Company Arrangement dated 4 June 2015 between the Administrators, the Company and the Proponent.
Directors	means the directors of the Company.
Equity Securities	has the same meaning in the Listing Rules.
Explanatory Statement	means this Explanatory Statement that accompanied and forms part of the Notice.
Independent Experts Report	means the report at Annexure B.
Kandahar Holdings or the Proponent	Kandahar Holdings Pty Ltd ACN 605 383 828.
Key Management Personnel	has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.
Listing Rules	means the official listing rules issued and enforced by the ASX, as amended from time to time.
Notice of Annual General Meeting or Notice	means the notice of annual general meeting to which this Explanatory Statement is attached.
Official Quotation	means officially quoted on the ASX.
Option	means an option in the issued capital of the Company which when exercised converts into one Share on the terms set out in Annexure A and Options means any

	two or more of them.
Post Consolidated Shares	means Shares issued after the consolidation of capital of the Company pursuant to the passing of Resolution 4.
Proxy Form	means the proxy form attached to or accompanying the Notice.
Relevant Date	means 27 March 2015.
Remuneration Report	means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2015.
Resolution	means a resolution to be passed by the requisite majority of Shareholders of the Company on a show of hands or by the requisite majority of votes given on a poll.
Restricted Securities	means securities of the Company that: <ul style="list-style-type: none">(a) are subject to escrow restrictions as determined in accordance with Appendix 9B of the ASX Listing Rules; or(b) in the opinion of the ASX, should be treated as restricted securities.
Second Loan	means the second loan payment of \$450,000 to be paid to the Company by the Proponent within 14 days of satisfaction or waiver of the conditions precedent under the DOCA.
Share	means a fully paid ordinary share in the issued capital of the Company and Shares means any two or more of them.
Share Consolidation	means the consolidation of the Company's Shares at a ratio of 400:1.
Shareholder	means a holder of a Share.
Trading Day	has the same meaning under the Listing Rules.
VWAP	means Volume Weighted Average Price.

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

Indochine Mining Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000



ALL ENQUIRIES TO

Telephone: +61 1300 554 474



X99999999999

PROXY FORM

I/We being a member(s) of Indochine Mining Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY



the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy



or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **11:00am on Monday, 30 May 2016 at Ferrier Hodgson, Level 28, 108 St Georges Terrace, Perth WA 6000 (the Meeting)** and at any postponement or adjournment of the Meeting.

Important for Resolution 1: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 1, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Issue of Shares and Options to Kandahar Holdings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Election of a Director – Mr Craig Dawson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Election of a Director – Mr Anthony (Tony) Gates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4 Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)



Joint Shareholder 2 (Individual)



Joint Shareholder 3 (Individual)



Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am on Saturday, 28 May 2016**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

Indochine Mining Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

or

Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**