

Quarterly Activities Report - For Quarter Ended 30 September 2013

HIGHLIGHTS AND ACHIEVEMENTS

Company Announcements Office
 Australian Securities Exchange
 31 October 2013

Mt Kare Gold/Silver Project PNG

Commenced Planning, Financing and Development of High Grade Gold Zones by Underground Adit



ASX:IDC POMSoX:IDC

Company Directors

Ian W Ross
Non-Executive Chairman
Gavan H Farley
Non-Executive Director
Dr Michael Leggo
Non-Executive Director

Management

Stephen Promnitz
Chief Executive Officer
George Niumataiwalu
PNG Country Manager
Anthony W Burgess
Technical Geological Consultant
Ashok Jairath
Chief Financial Officer

Major Shareholders

Baker Steel Capital	10.0%
Genesis Asset Mgmt	10.0%
MCA Nominees	8.5%
Capital Group	6.1%
BlackRock	5.3%

Corporate

Market Cap (30/10/13) ~\$60M
 Shares Issued 960M

Drilling Commences on Underground Adit into High Grade Gold Zones

- Drilling commenced on the underground adit and portal, on 31 October, for direct access to wide, high grade gold/silver zones;
- Adit will access two high grade gold zones: 466,000 oz at 10 g/t Au, 52g/t Ag in 1.4Mt in the WRZ North and BZ zones;
- Drilling: targeting a rapid increase to +1 Million oz at 10 g/t Au;
- Bulk sampling for bankable results will also be undertaken;
- High margin, low cost production of 150-200,000 oz per year is targeted in 2015, with <\$100M capex targeted.

Secondary Listing - Port Moresby Stock Exchange

- POMSoX listing, under IDC, demonstrates the Company's confidence in PNG's mining sector and investment community

Finance - Underground Drilling & Development

- Detailed planning of the drives and drilling required was completed after a reassessment of the high grade zones, with a capital raising required primarily to fund this rapid development;
- A 2 for 5 Accelerated non-renounceable Entitlement Offer and Placement to raise up to \$26.3 million at \$0.07 per share was launched on 3 October 2013.
- The institutional accelerated entitlement offer received strong support from major shareholders and raised \$5.6 million.
- From 4 November 2013, any shortfall in the Entitlement Offer will be available for firm bids in accordance with the Offer.

Cambodia - Capital Mining Agreement

- Heads of Agreement signed with Capital Mining (ASX:CMY) to acquire up to 85% of the Cambodian exploration assets, in return for 40% equity in CMY and sole funding \$10,000 on the projects over maximum term of 3 years. The agreement is subject to certain conditions, including due diligence and raising capital.

Commenced Planning and Development of High Grade Gold Zones by Underground Adit

The company intends to rapidly increase the high grade gold/silver zone resource, amenable to underground mining, targeting 1 Million ounces gold at 10g/t, at the Mt Kare Gold-Silver Project, PNG. This will be achieved via an underground drilling program from an exploration adit, by close spaced drilling to increase the grade, and to extend the zones down dip. Underground drilling is faster and more cost effective than drilling from surface, which will bring the project to a decision point for a mining lease more quickly, targeting mid-2014.

Drilling commenced on the underground adit and portal, on 31 October, for direct access to wide, high grade gold/silver zones. Work was initiated with horizontal drill holes for geotechnical reasons, together with a laydown area for the adit portal development. A site was selected south west of the main resource as the site was lower in altitude, providing level access to the highest grade mineralisation in the WRZ North high grade zone.

Initial development of the portal, and the first 25-50m of development drive, will be followed by a larger underground development and drilling campaign. The focus of this programme will be 775m of access drive and drill drive to the WRZ North high grade zone, with the access to the BZ area to be finalised later in the programme, for a total of up to 1550m of access and drill drives. Three cross cuts are also planned to provide bulk samples for bankable studies.

Detailed planning of the drives and drilling required was completed after a reassessment of the two high grade zones, which confirmed with 466,000 ounces of gold at 10.1 g/t, with 52g/t Ag, in 1.4Mt. This result used a top cap of 500g/t Au (instead of 30-50g/t) at a cut-off grade of 2.0 g/t Au (instead of 0.5 g/t Au).

Fan drilling of diamond drillholes from 20m spaced drill cuddies will quantify the high grade zones sufficient for detailed bulk underground mine planning and scheduling. Production drill rigs will be used with a twin boom jumbo and bogger planned for the development drives. This larger equipment will be brought in by skids behind a dozer as part of the initial access planning for a later road corridor to site.

Selected surface drillholes are planned for further metallurgical testwork prior to the provision of bulk samples. Exploration drilling continued during the quarter but was completed in August, with a target called Mt Mara, to the west of Mt Kare, assessed with scout drillholes for stratigraphy and geological setting.

Local Community Studies

Preparations are soon to commence on the ground identification of claims to complete a final Landowner Investigation Report. These reports and related discussions are considered important for enabling the unlocking of the project's potential and securing long term support.

Cambodia

Heads of Agreement executed with Capital Mining Limited to acquire assets in Cambodia

Capital Mining Limited (ASX:CMY) announced the signing of a Heads of Agreement with Indochine on 7 October 2013 to acquire up to an 85% shareholding in Indochine Resources Pty Ltd, a wholly owned subsidiary of Indochine Mining Limited which owns assets (exploration leases) in Cambodia. CMY earn its interest by issuing IDC 480,773,765 in Shares of CMY and spending \$10,000,000 on the project over a maximum of three years.

Indochine has agreed to sell an initial interest in 55% of the issued capital of Indochine Resources Pty Ltd. subject to satisfaction of certain conditions, including satisfactory due diligence to be completed within 45 days of the execution of the agreement, a formal share sale agreement and completion of a capital raising by CMY to raise a minimum of \$3,000,000.

Further, Indochine has agreed to grant the CMY the right to earn up to a further 30% of the shares in the capital of Indochine Resources Pty Ltd if it spends additional \$7,000,000 or a total of \$10,000,000 within 3 years of settlement.

Consideration to acquire an initial 55% interest is:

- \$20,000 non-refundable deposit on the signing of the Agreement;
- Issue of CMY ordinary fully paid shares to Indochine Mining Limited (or its nominees) representing 40% of CMY's shares on issue immediately after settlement.

Subject to all necessary regulatory and shareholder approvals, Indochine intends to distribute the CMY shares issued, to its shareholders on a pro-rata basis either at settlement or following the expiry of any escrow period. However, the terms agreed on 7 October 2013 may change depending on the progress with renewal of the Ratanakiri tenements, which is solely at the discretion of Ministry of Industry, Mines and Energy (MIME)

The assets (exploration leases) have the potential for the discovery of large gold and copper deposits. Three large targets have been identified in the Ratanakiri area, in the north east of Cambodia. These targets, Kham Darang, Veal Thom and Barkham, indicate gold and copper mineralisation associated with altered porphyry intrusions in metasediments and lesser volcanics. The Kratie tenements were transferred to Kiri Resources Ltd (a Cambodian based company) with a claw back option if agreed expenditure on exploration is not spent over 3 years.

Corporate

Cash & Shares on Issue

The cash position was \$0.4 million at 30 September 2013 (Appendix 5B). Immediately after the end of the quarter, a further \$ 5.64 million was raised, before costs, in a recent capital raising. The issued capital of Indochine is 960,217,535 fully paid ordinary shares, as at 31 October 2013.

Entitlement Offer

Indochine launched a capital raising at \$0.07 per share, on 3 October 2013, to raise up to \$26.3 million through an Institutional Placement and an Accelerated 2 for 5 non-renounceable entitlements issue. The institutional accelerated entitlement offer was completed and the Company issued 80,572,089 new shares to raise approximately \$5.64 million before costs. (In early August, a \$3 million private placement was completed of 38 million shares at \$0.08 per share.)

The Institutional Offer experienced strong support from its existing large shareholders but some were limited by their internal 10% threshold and have indicated they would support the company in the balance of the issue. A number of quality institutions are in advanced discussions, considering an investment in the Company by way of additional support of the balance of the Entitlement Offer.

The Entitlement Offer is open to all eligible shareholders and the Offer booklet and entitlement and acceptance form was dispatched on Tuesday, 15 October 2013. A notification to ineligible shareholders was also dispatched. The Entitlement Offer is scheduled to close at 5 pm AEDT on Friday, 1 November 2013. The Company has 3 months to place any shortfall under the Offer.

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

Port Moresby Stock Exchange Listing

The POMSoX listing demonstrates the Company's confidence in PNG's mining sector and the local investment community as well as the support provided by local communities and the Government of PNG. The Company looks forward to expanding its shareholder base and welcomes participation in its securities by the landowner groups, institutional funds and the general public in PNG.

Annual Report & Annual General Meeting

The Annual Report for the Financial Year end June 2013 was released on 26 September 2013. The Annual General Meeting will be held at 11am on 19 November 2013. The Notice of Meeting was despatched on 18 October 2013. An updated corporate presentation was released on 3 October 2013.

Stephen Promnitz
Chief Executive Officer, Indochine Mining Limited

Company:

Indochine Mining Limited

Stephen Promnitz, CEO

+ 61 2 8246 7007

info@indochinemining.com

Media:

Six Degrees Investor Relations

Ben Jarvis

+61 2 9230 0661 / +61 (0) 413 150 448

ben.jarvis@sdir.com.au

Competent Person Statement

Anthony W. Burgess, a qualified consultant for Indochine Mining Ltd, is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken, being reported herein as Exploration Results, to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2004 Edition). Anthony W. Burgess has consented to the public reporting of these statements and results and the form and context in which they appear.

High Grade Zone Location



View looking south east over Mt Kare ¹

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

Mt Kare High Grade Zones– Underground Adit indochine ASX:IDC

2 High Grade Zones: 466,000oz Au at 10.1g/t, 2.2Moz Ag at 52g/t
 Target: +1,000,000oz Au at 10g/t. Total Current Resource: 2.1 Moz Au; 18 Moz Ag

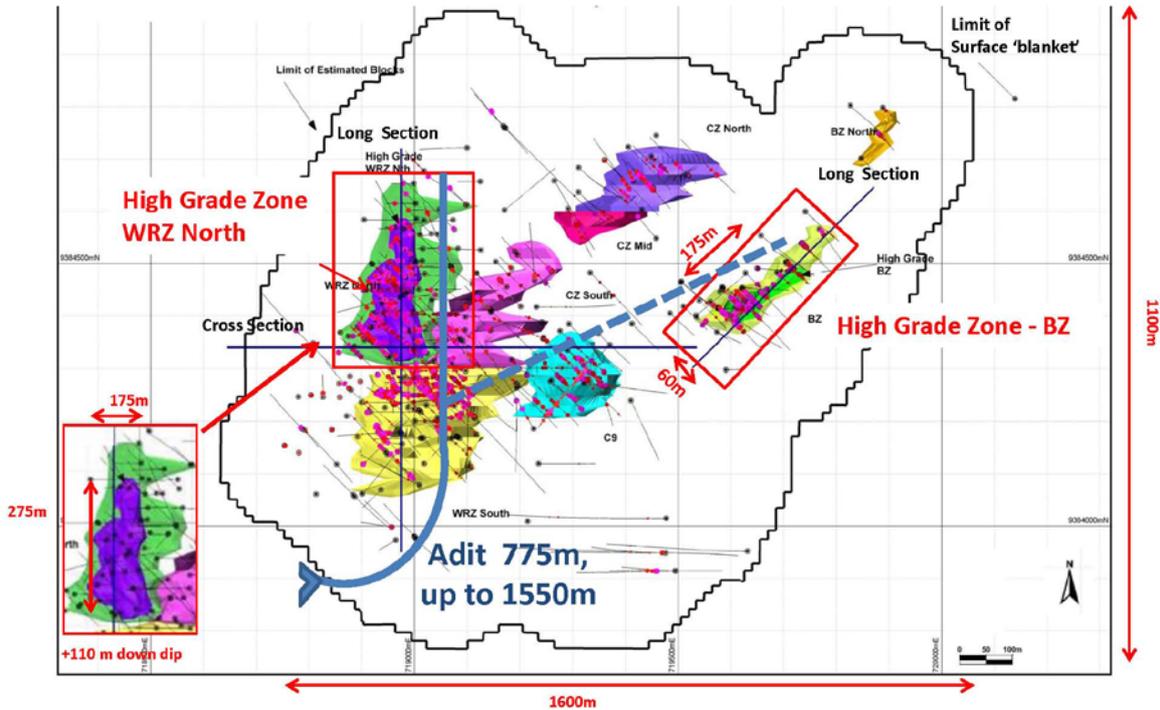


Figure 2: Plan view of Mt Kare with high grade gold zones (WRZ North and BZ) with adit location.

High Grade Zones – WRZ North

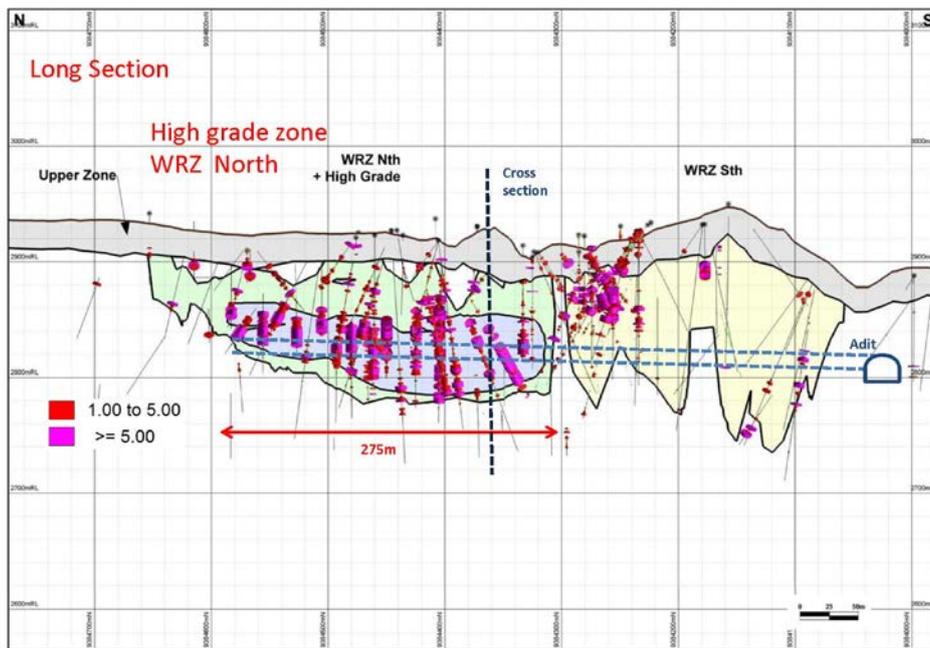


Figure 3: Long section of high grade gold zone (WRZ North) with adit location.

High Grade Zones – WRZ North

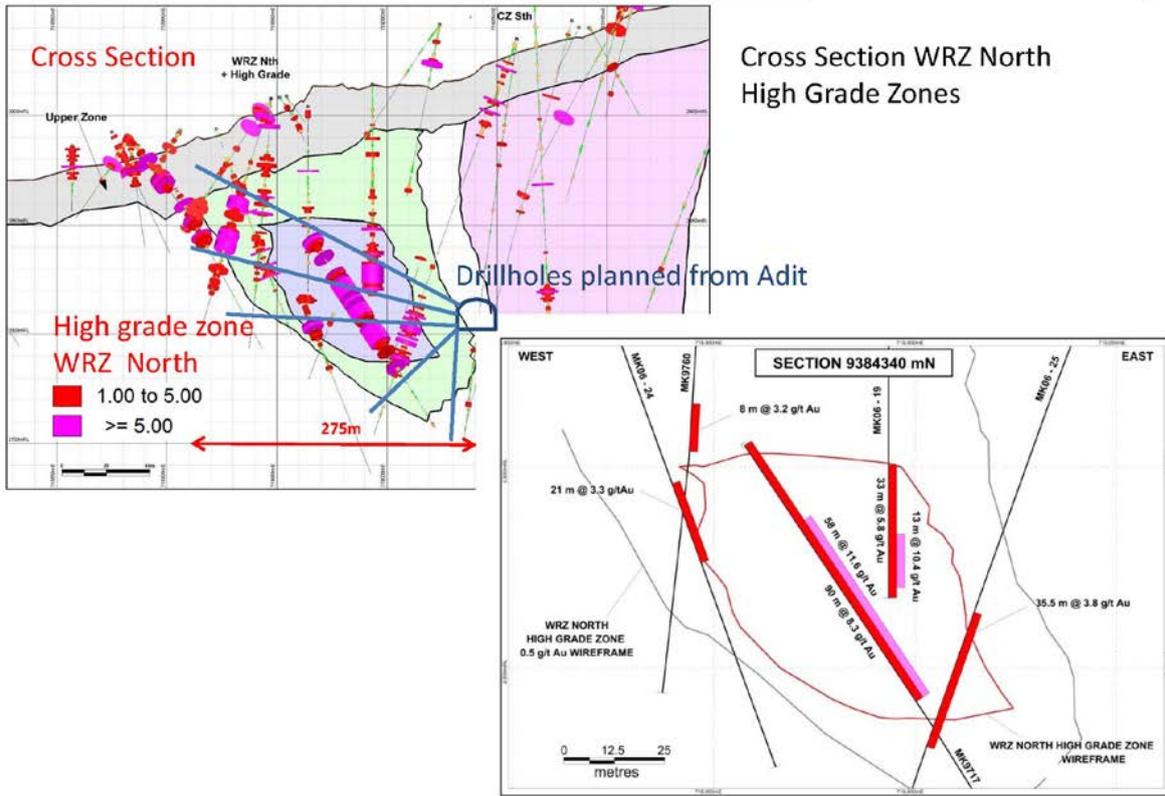


Figure 4: Cross section of high grade gold zone (WRZ North) with adit location and drillholes.

High Grade Zones - BZ

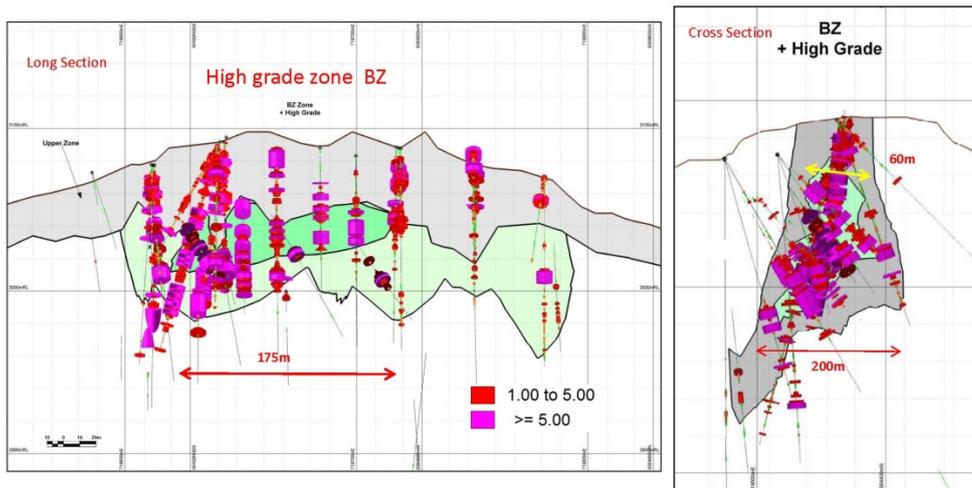


Figure 5: Long section of high grade gold zone (BZ).

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

INDOCHINE MINING LIMITED

ABN

16 141 677 385

Quarter ended ("current quarter")

30 September 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation	(3,730)	(3,730)
(b) development	-	-
(c) production	-	-
(d) administration	(490)	(490)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(4,218)	(4,218)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(4,218)	(4,218)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(4,218)	(4,218)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	3,050	3,050
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (capital raising costs)	(223)	(223)
	Net financing cash flows	2,827	2,827
	Net increase (decrease) in cash held	(1,391)	(1,391)
1.20	Cash at beginning of quarter/year to date	1,757	1,757
1.21	Exchange rate adjustments to item 1.20	(9)	(9)
1.22	Cash at end of quarter	357	357

NB: The Company has raised \$ 5.6 million on 16 October 2013 from the institutional component of the Entitlement Offer (2:5 shares). Further funds are expected from the remaining component.

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	45
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

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

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

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	4,000
4.2 Development	
4.3 Production	
4.4 Administration	600
Total	4,600

Reconciliation of cash

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

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	348	616
5.2 Deposits at call	9	1,141
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	357	1,757

+ See chapter 19 for defined terms.

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Kratie (Cambodia)	100%	0%
		Kratie Tenements transferred to Kiri Resources Ltd (Cambodian based company) with a claw back option if agreed expenditure on exploration is not spent over 3 years.		
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	879,645,446	879,645,446	n/a	n/a
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	38,122,500	38,122,500	\$ 0.08	\$ 0.08
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			Exercise price	Expiry date
	3,000,000		\$0.50	08/02/14
	500,000		\$0.50	02/03/14
	15,000,000		\$0.20	30/04/14
	2,750,000		\$0.20	05/07/14
	25,000,000		\$0.20	30/09/14
	1,500,000		\$0.20	30/12/14
	5,000,000		US\$0.25	17/03/15
	4,000,000		\$0.20	30/12/15
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

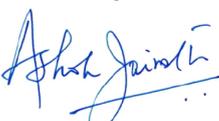
NB: The Company is currently conducting an entitlement offer of 2 shares for every 5 shares held on 10 October 2013. The settlement date of the offer is 12 November 2013. If all the entitlements under the offer are subscribed, an additional 351,858,178 new shares will be issued.

+ See chapter 19 for defined terms.

Compliance statement

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

Sign here:


(Company Secretary)

Date: 31 October 2013

Print name: Ashok Jairath

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.