

Extension and variation of existing funding arrangement

3 August 2014

Company Announcements Office

Dear Shareholder

Immediate funding

Following the Board and management changes previously announced to the market, the Company entered into discussions with the Company's existing secured lender (**Financier**) to discuss the basis upon which the Financier may be prepared to continue to provide financial support to the Company. Those discussions included a request by the Company for the Financier to provide immediate additional funding, by way of extension and variation of the existing facility, to allow the Company to continue to operate.

The Company is pleased to announce that as a result of the discussions referred to above, its Financier has agreed to provide immediate additional funding of \$1.15million to the Company. The terms of that funding facility from the Financier, which represent an extension and variation of the existing facility which has been documented (Varied Facility), are as follows:

1. after receipt of this funding package, the Company's total secured debt under the Varied Facility will be approximately \$3.05million.
2. the repayment date for the Varied Facility (both in relation to previously drawn down amounts and the new funding to be provided) has been extended to 31 December 2014 subject to monthly reviews by the Financier;
3. the existing security that was granted by the Company in favour of the Financier will apply to the Varied Facility (both in relation to previously drawn down amounts and the new funding to be provided);
4. the annual interest rate to be applied to the Varied Facility (both in relation to previously drawn down amounts and the new funding to be provided), going forward, has been reduced to 25% per annum; and
5. the Company executed additional security documents in favour of the Financier that support the Varied Facility (both in relation to previously drawn down amounts and the new funding to be provided). The Company had already agreed to provide this additional security pursuant to the original secured debt agreement. The security that the Financier will hold in respect of the Varied Facility are as follows:
 - a. a first ranking general security agreement over all of the Company's assets;
 - b. a first ranking fixed and floating charge over all assets owned by the Company's subsidiary, Summit Development Limited (**Summit**); and
 - c. a first ranking mortgage over Summit's tenement lease in Papua New Guinea (**PNG**).

Future funding

With the immediate funding package in place, discussions are progressing with the Company's existing shareholders and potential investors to seek new equity funding that will allow the Company to continue to develop the Mt Kare project in PNG. The Company is encouraged by these discussions and will continue to engage with potential equity providers over the coming days to progress the Company's equity raising efforts.

Resource estimate

Following my appointment, I considered that it was necessary for the Company to review its previous announcements in relation to its resource estimates.

The Company has reviewed its JORC compliant resource estimates that have previously been announced to the market and has not identified any reason to question their validity.

The Company will look to ensure that, where appropriate, previous and future resource statements reflect the requirements of the JORC 2012 Code.

Strategic plan

It is the Company's intention to commence development of an exploration adit as soon as funding is available from the prospective capital raising. The development adit will allow for underground drilling of higher grade zones in order to accelerate the feasibility study of these areas.

The Company's Board of Directors is also considering whether to relocate the Company's Head Office from Sydney to Perth. This is in light of the fact that the Company's major contracting service providers are based in Western Australia and the Company's future fund raising efforts may be assisted by building its profile in the mining industry of Western Australia.

The Company will provide the market with further updates as appropriate.

Dermott McVeigh, Chairman, Indochine Mining Limited

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