

12 May 2015

UPDATE TO CREDITORS – VIA INTERNET SITES

Dear Sir/Madam

**Indochine Mining Limited
(Administrators Appointed) (the Company and IDC)
ACN 141 677 385**

**Second Supplement to Administrators' Report
Exploration Licence 1093 (EL1093)
Mineral Resources Authority (MRA)**

We refer to our report to creditors pursuant to section 439A of the Corporations Act dated 4 May 2015 (the Report) which explained and enclosed a DOCA proposal from Kandahar Holdings Pty Ltd (Kandahar).

Having conferred with the MRA in respect to the Report, in the following table, we take this opportunity to rectify/clarify a number of points in the Report.

#	439A Report Page No.	Update / Correction / Clarification
1	Page 3	The LIS is not "registered" with MRA. MRA has no regulatory involvement in these land identification processes. A correct explanation of the process is contained in the 3rd paragraph of the Chairman's Report in the IDC Annual Report 2014. As part of its assessment of the grant terms and conditions, especially on renewal of a tenement, MRA monitors compliance with each requirement, including completion of the LIS process.
2	Page 12	Same issue as above.
3	Page 12	EL 1093 is not a 'lease', it is a licence and different regulatory rules apply.
4	Page 12	The LIS is not a "requirement of PNG law" – it was a special condition required by the Minister for Mining to be included in the grant of the renewed licence EL 1093 in 2012. It was based on the proposals of the tenement holder intended to address the historic landowner issues at Mt Kare.
5	Page 12	The National Court injunctions were partially lifted recently to enable the MRA regulatory process to resume, in particular the re-scheduled warden hearing, which has now been conducted (6 May 2015). The various National Court proceedings were consolidated under WS No 748 of 2014 and the relevant Order entered 18 March 2015 states in paragraph 1: "All existing injunctions in OS 606 of 2014, OS 725 of 2014, OS 748 of 2014 and OS 779 of 2014 are discharged except the injunction restraining the registration of the Land Investigation Report (LIR) by the Lands Department."
6	Page 12	The warden hearing does not "decide if the Mt Kare lease" is renewed. The regulatory requirement is for a hearing to be held and a report provided to the Mining Advisory Council (MAC) for its consideration and subsequent recommendation on the tenement renewal application to the Minister for Mining for his determination. The key specific requirements for renewal of an exploration licence are technical and financial capacity supporting a work program which will advance exploration within the tenement and payment of compensation, as well as safety and environmental approval, if relevant. The warden hearing report is only one of several requirements which may be taken into consideration and weighted at the discretion of MAC.

#	439A Report Page No.	Update / Correction / Clarification
7	Para 5.8	There is a Parent Company Deed of Guarantee given by IDC in favour of MRA and dated 16 July 2013 as a condition of the 2012 EL 1093 tenement renewal, which is regarded by the Administrator as a 'contingent liability'. The MRA's claim, is as trustee of compensation funds to be paid by the tenement holder to MRA and held in accordance with relevant tenement conditions on behalf of landowners yet to be identified, and is currently K32,665.65 (based upon 3 years at K10,888.55 – so a total currently of less than AUD20,000) plus any amounts yet to be determined under the Mining Act 1992 (PNG) and any National Court ordered processes. From the limited funds held by the Administrators, we have undertaken to meet the K32,665.65 as part of the renewal process.
8	Par 5.10	The statement "Long and drawn out negotiations for the renewal of the Mt Kare tenement" in no way reflects upon the MRA's administration of the renewal process. On the contrary, from our conferral with IDC's management and executive and from our own dealings with the MRA, we are satisfied that the renewal has been handled efficiently by the MRA, with any delays having been the result of the interim injunctions issued by the National Court in December 2014, and otherwise with a view to resolving indigenous land ownership issues which has been complex and represent the culmination of 30 years of research, documentation and effort by the current and previous holders of the Mt Kare project.
9	Par 6.1	MRA as the regulatory authority responsible for the implementation of the Mining Act 1992 (PNG), is not in a position to "support" – a term which may give the misimpression of some degree of bias. Rather, the MRA, as the Authority responsible for mining regulation in PNG, remains neutral and will act in accordance with its statutory mandate and application of the relevant regulations based on information provided to it for that purpose by the tenement applicant.

Recommendation

We advise that the above comments are provided as a means to clarify the legal process in respect to the renewal of EL 1093 and also to make note of the claim by the MRA in the Company's administration.

The circumstances do not affect the recommendation and the estimated outcomes contained within the report to creditors dated 4 May 2015. That is, we recommend creditors approve the Kandahar DOCA proposal.

Should you have any questions regarding the administration or the enclosed report, please do not hesitate to contact Max Gould of this office on (08) 9214 1444.

Yours faithfully

Indochine Mining Limited



Martin Jones

Joint and Several Administrator