



India Resources Limited

ABN 77 121 339 704

FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2016

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Arvind Misra Managing Director
David Humann Non-executive
 Director/Chairman

COMPANY SECRETARY

Frank Campagna

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AUDITORS

BDO Audit (WA) Pty Ltd

SOLICITORS

Allion Legal Pty Ltd

BANKERS

National Australia Bank Limited
Axis Bank - India

STOCK EXCHANGE

Shares in India Resources Limited are
Quoted on ASX Limited (ASX Code: IRL)

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INDIA RESOURCES LIMITED

DIRECTORS' REPORT

The Directors of India Resources Limited ("IRL" or "parent entity") present their report on the results and state of affairs of the consolidated entity ("Group" consisting of IRL and its controlled entities) for the half-year ended 31 December 2016.

DIRECTORS

The names of the Directors of IRL in office during the course of the financial period and at the date of this report are as follows:

| | |
|--------------|-------------------------------------|
| Arvind Misra | Managing Director |
| David Humann | Non-executive Director and Chairman |

Unless otherwise indicated, all Directors held their position as a director throughout the entire financial period and up to the date of this report.

Mr Andrew Simpson has resigned with effect from 7 October 2016.

RESULTS OF OPERATIONS

The net loss of the consolidated entity for the half year ended 31 December 2016 after provision for income tax was \$126K (half year ended 31 December 2015: loss of \$1.558M). Group EBITDA for the half year was a profit of \$414K (2015 loss of \$0.609M).

The Half Year result has improved substantially (by \$1.432M) compared to the previous year. The result is due to improved copper grades at the Surda mine and the Surda Expansion Project's solid performance in linear and shaft development.

The reported financial statements do not include outstanding and substantial claims that remain in progress against HCL (See Note 9 for details).

REVIEW OF OPERATIONS

India Resources Limited's (IRL) core businesses are the operation of the Surda Copper Mine and the Surda Expansion Project. IRL continues to seek other opportunities concentrating on developing minerals and mining projects in India.

IRL's major exploration project is the Aravalli lead-zinc project in Rajasthan, India. IRL has successfully maintained its right over the Aravalli project and is currently organising a licence application fee payment of AUD 200,000 to the Government of Rajasthan for its mining license (ML 87/08) that will contain the project. IRL is also seeking investors to demonstrate its financial capacity to carry out the project. IRL is also seeking to locate and take advantage of other opportunities in base metals, copper, coal, iron ore and diamonds.

SURDA COPPER PROJECT

The Surda Work Order comprises mining copper ore and the production of copper metal in concentrate.

Mining activities have gradually ramped up, opening the way to achieving target production of up to 38,000 to 40,000 ore tonnes mined per month to produce copper metal in concentrate of over 300 tonnes each month. The following programs were undertaken during the half year:

- Two new stopes going into production- Blocks 28 and 29 in Shaft 4.
- Exploration for remnant mining and new areas to mine at Surda.
- Successful installation of a slurry pump to dewater and pump accumulations of solids from sumps to use as backfill and clear the way for mine expansion.

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The quarterly copper production from Surda was as follows:

| Quarterly Production | 31-12-16 | 30-9-16 |
|--|-----------------|----------------|
| Ore Mined (Tonnes) | 80,644 | 82,667 |
| Ore Processed (Tonnes) | 82,882 | 82,734 |
| Mill feed Grade (Cu) | 0.93% | 0.81% |
| Concentrate Produced (Tonnes) | 2,653 | 2,348 |
| Concentrate Grade (Cu) | 26.62% | 26.21% |
| Recovery | 92.99% | 92.35% |
| Metal concentrate (Tonnes)- Equivalent Mined | 699 | 607 |
| Metal in Concentrate (Tonnes) | 724 | 608 |

SURDA EXPANSION PROJECT

The Surda Expansion Project is operated simultaneously with the Surda Operations work order. The Surda Expansion Project (IRL is the subcontractor on a back to back basis for Shriram EPC Limited (SEPC)) and is being executed by IRL's 100% owned subsidiary, IRL Copper Mining Private Limited (ICMPL).

In the six months to 31 December 2016 ICMPL has achieved 259.6metres of linear and raise development which compare favourably between 95 to 130 metres per quarter in past performances. Shaft sinking and lining of Shaft 5 is underway with 18.5 metres and 17.2 metres achieved respectively in the period. This is an impressive achievement under the circumstances which utilised handheld construction methods and is expected to increase significantly as commissioning of mechanised loading and drilling is nearing completion.

EXPLORATION ACTIVITIES

Base Metals – Rajasthan

The Aravalli lead-zinc project, received administrative approval from the Government of Rajasthan to be granted its mining license application, ML87/08, in December 2014. Crown Mining Private Limited, (CMPL), an IRL 100% owned subsidiary has progressed and protected its right to the Mining License that holds the previously reported publicly announced Exploration Target mineralisation, (please see the ASX announcement of 6 March 2015, 'Shareholder Update' for further details).

IRL-Crown's Aravalli Project has received strong support from both India and Australia, with the Government of Rajasthan consistently upholding the administrative approval despite a major local Indian competitor seeking revision partitions in order to stop the process. IRL-Crown are finalising the application fee submission requirements of the Government of Rajasthan after it confirms the details of the fee to deposit. The Company is continually updating its financial model for the Aravalli project and seeking investment in the project.

Geological Statements

The information in this report that relates to exploration targets or exploration results is based on information compiled by Andrew Kohler, a Competent Person, who is a member of the Australian Institute of Mining and Metallurgy, AUSIMM. Mr Kohler is a geological consultant to the Company. Mr Kohler has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Kohler consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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Auditor's Independence Declaration.

A copy of the auditor's independence declaration as required under section 307c of the *Corporations Act 2001* is set out on page 6.

Rounding of Amounts

The Company is a company of the kind referred to as ASIC class order 98/0100, dated 10 July 1998, and in accordance with that class order, amounts in the Director's Report and Half Year Financial Report are rounded off to the nearest thousand dollars, unless otherwise stated,

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'A Misra', with a horizontal line underneath.

A Misra
Managing Director

16 March 2017

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF INDIA RESOURCES LIMITED

As lead auditor for the review of India Resources Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of India Resources Limited and the entities it controlled during the period.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 16 March 2017

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

| | 2016 \$`000 | 2015 \$`000 |
|---|----------------|----------------|
| Revenue from continuing operations | 5,843 | 5,897 |
| Production costs | (5,568) | (6,374) |
| Employee and directors – remuneration expenses | (103) | (84) |
| Employee and directors – share based payment expenses | - | - |
| Corporate and administrative expenses | (31) | (48) |
| Depreciation and amortisation | (384) | (808) |
| Finance costs | (156) | (141) |
| Impairment of receivables | - | - |
| Debts recovered | 273 | - |
| | <hr/> | <hr/> |
| Loss before income tax expense | (126) | (1,558) |
| Income tax expense | - | - |
| Loss after income tax | <hr/> | <hr/> |
| | (126) | (1,558) |
| Other comprehensive expense | | |
| Items that will be re-classified to profit or loss: | | |
| Exchange differences on translation of foreign operations | (200) | 35 |
| Available for sale reserve | (169) | - |
| | <hr/> | <hr/> |
| Other comprehensive expense for the half-year, net of tax | (369) | 35 |
| | <hr/> | <hr/> |
| Total comprehensive expense for the half-year | (495) | (1,523) |
| | <hr/> | <hr/> |
| Loss is attributable to: | | |
| Shareholders of India Resources Limited | (126) | (1,558) |
| | <hr/> | <hr/> |
| Total comprehensive expense for the half-year is attributable to: | | |
| Shareholders of India Resources Limited | (495) | (1,523) |
| | <hr/> | <hr/> |
| Loss per share attributable to the ordinary equity holders of the company: | Cents | Cents |
| Basic and diluted loss per share | (0.01) | (0.16) |

*The above Consolidated Statement of Profit or Loss and Other Comprehensive Income
should be read in conjunction with the accompanying notes.*

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

| | Note | 31 Dec 2016 \$`000 | 30 Jun 2016 \$`000 |
|--|------|-----------------------|-----------------------|
| Current assets | | | |
| Cash and cash equivalents | 2 | 16 | 89 |
| Trade and other receivables | 3 | 2,267 | 2,805 |
| Inventories | 4 | 942 | 218 |
| Prepayments | | 258 | 401 |
| Total current assets | | 3,483 | 3,513 |
| Non-current assets | | | |
| Other financial assets | | 588 | 391 |
| Plant and equipment | 5 | 2,161 | 3,279 |
| Mine development | | - | - |
| Deferred exploration expenditure | | 3,417 | 3,345 |
| Total non-current assets | | 6,166 | 7,015 |
| Total assets | | 9,649 | 10,528 |
| Current liabilities | | | |
| Trade and other payables | 6 | 7,694 | 8,517 |
| Borrowings | | 2,090 | 2,025 |
| Total current liabilities | | 9,784 | 10,542 |
| Non-current liabilities | | | |
| Provisions | | 1,005 | 631 |
| Total non-current liabilities | | 1,005 | 631 |
| Total liabilities | | 10,789 | 11,172 |
| Net assets/(liabilities) | | (1,140) | (645) |
| Equity | | | |
| Contributed equity | | 40,447 | 40,447 |
| Accumulated losses | | (39,346) | (39,220) |
| Reserves | | (2,241) | (1,872) |
| Total equity/(deficiency in equity) | | (1,140) | (645) |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

| | Note | 2016 \$'000 | 2015 \$'000 |
|--|------|-----------------------|-----------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 5,978 | 5,216 |
| Payments to suppliers and employees | | (5,702) | (5,171) |
| Interest received | | - | 1 |
| Interest paid | | (156) | (141) |
| Net Bond receipts (payments) | | - | - |
| Net cash inflow (outflow) from operating activities | | <u>120</u> | <u>(95)</u> |
| Cash flows from investing activities | | | |
| Payments for purchase of plant and equipment | | | (119) |
| Payments for mine project development | | - | - |
| Payments for exploration and evaluation | | (60) | (72) |
| Net cash outflow from investing activities | | <u>(60)</u> | <u>(191)</u> |
| Cash flows from financing activities | | | |
| Finance leases | | - | - |
| Issue of shares | | | |
| Sale of EGS Shares | | 138 | - |
| Share issue transaction costs | | - | - |
| Net cash inflow (outflow) from financing activities | | <u>138</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | | <u>198</u> | <u>(286)</u> |
| Cash and cash equivalents at the beginning of the period | | (1,936) | (1,477) |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | (336) | (18) |
| Cash and cash equivalents at the end of the period | 2 | <u><u>(2,074)</u></u> | <u><u>(1,781)</u></u> |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

| | Contributed equity \$` 000 | Reserves \$` 000 | Accumulated losses \$` 000 | Total Equity \$` 000 |
|---|----------------------------------|---------------------|----------------------------------|----------------------------|
| Balance at 30 June 2015 | 40,447 | (2,107) | (35,769) | 2,571 |
| Total comprehensive expense for the half-year | - | 35 | (1,558) | (1,523) |
| Transactions with owners in their capacity as owners | | | | |
| Issue of share capital | | | | |
| Extinguishment of secured loan | | | | |
| Issue of share based payments | | | | |
| Cost of share issue | | | | |
| Deregistration of subsidiary | | | | |
| Transfer from reserves | - | (9) | 9 | - |
| Balance at 31 December 2015 | 40,447 | (2,081) | (37,318) | 1,048 |
| Balance at 30 June 2016 | 40,447 | (1,872) | (39,220) | (645) |
| Total comprehensive expense for the half-year | - | (369) | (126) | (495) |
| Transactions with owners in their capacity as owners | | | | |
| Transfer from reserves | - | - | - | - |
| Balance at 31 December 2016 | 40,447 | (2,241) | (39,346) | (1,140) |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

1a. BASIS OF PREPARATION OF HALF YEAR REPORT

This general purpose financial report for the interim half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by India Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

These financial statements have been prepared using the historical cost convention. All amounts are presented in Australian dollars unless otherwise stated.

The accounting policies adopted are consistent with those of the previous financial period and corresponding interim reporting period.

In the half-year ended 31 December 2016, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2016.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies, aside from additional presentation requirements.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2016. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

1b. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY ESTIMATES

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing the half-year report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2016 as follows:

i) *Contingent liability*

The Group has given guarantees in respect of its contractual obligations to HCL for 10 million INR, or AUD 203,334.

SEPC has applied for 33 months extension which should allow automatic extension of Surda operations contract.

Creation of Charge dated 9th December 2015 between IRL (first party) and SEPC (second party) to secure an amount of INR 69,700,000 was registered under the provisions of Chapter VI of the Companies Act 2013 (India).

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ii) Exploration and evaluation rights to tenure

The carrying value of the Group's exploration and evaluation asset relates to the Groups interest in the Aravalli base metals project. The Group is currently in the process of obtaining a mining license for the project.

On 23 December 2014 the Government of Rajasthan administratively approved the Company's Aravalli Lead-Zinc Project Mining Lease (ML) in favour of IRL's 100% owned subsidiary, Crown Mining Private Limited (CMPL). Since obtaining administrative approval, \$411,458 has been capitalized to exploration and evaluation costs and has been carried forward on the basis that the Group has rights to tenure to the project. The group continues to work with the Government of Rajasthan to obtain a letter of intent for the Mining Lease that would allow the Group to commence mining.

The Group is still awaiting clarification of any requirements for a deposit of mining application fee from the Government of Rajasthan (GOR). Hindustan Zinc Limited (HZL) obtained a stay order granted to it by the Revision Authority of the Ministry of Mines, India against the rejection of HZL's application by the Government of Rajasthan and the administrative approval granted to CMPL. At that time the group expressed its confidence that the stay order would be vacated. The Revision Authority conducted a hearing in early February 2017 in this relation. Government of Rajasthan has submitted its written reply to the tribunal court which appeared to be very positive. (Refer to ASX announcement dated 27th February 2017 for details).

A further hearing and conclusion of this matter is likely to be finalised within the next few months. The company is pleased with the consistent and apparently favourable position taken by the GOR in relation to HZL's overlapping claim.

iii) Carrying value of Surda Project assets

The carrying value of the Group's assets relating to the Surda contract copper mining project has been assessed on the basis that the Group has successfully recommenced operations under the Surda work order and expects normal operations to continue. Based on this, the Directors are confident that the assets are not impaired. Should the Group not be able to maintain normal mining operations to achieve positive cash flows there remains a risk that it may not be able to realise its assets relating to the Surda project at the amounts stated in the financial report.

iv) Provision for impairment of receivables

The Group tests annually whether receivables have suffered any impairment, in accordance with the accounting policy. The value of the provision for impairment of receivables is estimated by considering the ageing of receivables, communication with the debtors and prior history.

v) Provision for obsolescence of stores and spares inventory

The Group assesses each reporting date as to whether any provision is necessary to be made against inventory. Factors such as the age of inventory, its net realisable value and the ability of the Group to utilise the inventory on its Surda operations are all considered when determining whether a provision is necessary. Major spare parts and servicing equipment for the Group's plant and equipment are capitalised to property, plant and equipment and depreciated over their useful life.

1c. GOING CONCERN

The Directors are of the opinion that, as at the date of these financial statements, the Group is a going concern and, as a result, the financial report for the half year ended 31 December 2016 does not include any adjustments relating to the recoverability and classification of the recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

During the half year ended 31 December 2016, the Group recorded a loss of \$126,000 (2015: \$1,558,000) and at balance date, the Group's current liabilities exceeded its current assets by \$6,301,000 (June 2016: \$7,029,000).

The Board of Directors is pleased to note the deficit in working capital has been reduced by AUD727,000 in the half year. It arises from a stabilising revenue stream following the reopening of the Surda mine, a reduction in overall costs and a reduction in provisions for impairment of certain

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assets where the provision has been eliminated due to collection of the receivables in cash post balance date. The trend of continuing improvements in working capital and general liquidity is forecast to continue in the immediate and medium term future.

The bankers to the company, AXIS Bank of India, are secured and fully conversant with the operations and financial position of the company and have confirmed the continuing support at the current loan limit of AUD 2,090,000. Axis Bank have indicated they may increase the loan limit by approximately AUD 600,000 in the short term.

It is noted that the operating loss for the year includes the following non-cash items:

- Depreciation and amortisation expenses of \$384,090.

Adding back the non-cash charges of depreciation and amortisation \$384,090 and subtracting the receipts of the sale of EGS shares of \$137,974 indicates a net cash flow from operations in the half year of December 2016 of \$119,801.

The Group's financial position is largely a result of production not yet returning to normality following more than nine months of mine closure in 2015 and during the first half of the year ended 2016.

The lower than capacity production of metal in concentrate (MIC) is caused by a variety of issues, many of which have been addressed, but the lack of funds is continuing to impact performance by affecting worker motivation and the efficient supply of materials. However there has been decrease in operating cost over the last six months and the shaft sinking and mine expansion project (SEPC) has started earning substantial revenue thereby reducing the loss to a great extent compared to the previous year.

The shutdown of Surda Mine was directly attributable to Hindustan Copper Limited being unable to renew its mining lease. Upon reopening of Surda in June 2015, HCL committed to resolve the significant and long outstanding claims by IRL against HCL. HCL has not substantially resolved these disputes despite repeated attempts by IRL to engage with HCL, at the Ministry of Mines and the Prime Minister's Office level in India.

IRL considers HCL entirely responsible for its losses during Surda shutdown, but HCL continue to only accept IRL's claims for direct dewatering and care and maintenance costs at the mine amounting to 34.5M INR (\$0.7M) out of IRL's claims exceeding 250M INR (\$5.1M).

Other disputes also remain unresolved, including the losses arising from the plant closure, disputes arising from the arbitration award (especially regarding materials price escalation), and losses from the environmental limit of 400,000 tonnes of production imposed on the mine prior to the commencement of the Surda operations.

The Group continues to pursue these claims against HCL with the view they are genuine and reasonable, and once resolved are expected to very substantially correct the net current asset deficit. However, these claims will take time to resolve, and prior to doing so operations will face pressures from employees and creditors that may threaten the company's ability to continue. During the visit to Perth in 2016 by HCL Chairman, he was requested to resolve the claims and to allow recapitalisation of the mine. The Ministry of Mines was approached by IRL on several occasions and on 25th May 2016 a formal letter was submitted. The Ministry and the Prime Minister Office have asked HCL to resolve the matter.

In addition to lengthy time frames needed in India for claims resolution, HCL started delaying the monthly Copper sales payments which created a cash flow problem.

IRL had to approach court for the timely payments of the invoices for copper produced. A court hearing issued an order on 26 May 2016 instructing HCL to pay IRL's monthly invoices but allowed HCL to deduct an amount of 15% from each invoice. However HCL continued not to make any payments despite the direction of the court. To add to the problem HCL did not accept any copper concentrate in the month of May 2016 on the pretext of name change of the Surda's Principal Contractor Swan Gold Mining Limited to Eastern Goldfields Limited. Despite all legal submissions and pursuant to the Court Order IRL was obliged to hold detailed discussions with HCL. A provisional agreement between parties was arrived at. As a result of this agreement IRL agreed to withdraw the

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immediate proposed legal action against HCL and since then HCL has been making regular payments.

Under the new agreement, IRL has made deductions of 5% of the total amount invoiced from April 2016 to September 2016, 10% in October 2016 and November 2016 and the balance of any outstanding amounts in three equal monthly instalments thereafter. These deductions are used to offset amounts paid by HCL on behalf of IRL, for example, electricity consumed.

It is crucial that the Surda operations produce copper in line with budgeted expectations to support the financial viability of operations.

Swan Tax Issue

Under the Deed of Appointment with Swan, IRL agreed to indemnify Swan from all liabilities relating to the Surda Work Order. IRL therefore faced serious going concern problems due to the tax assessments made against Swan for the 2010/11, 2011/12 and 2012/13 financial years. However following successful appeals for all of these years this threat has been eliminated. The three tax years have been resolved and the company is pursuing the Tax Deducted at Source (TDS) refunds. In fact, IRL has successfully received the refund amounting AUD 328K relating to IRL TDS and SWAN TDS. The company is working to recover remaining TDS for IRL and SWAN within the next six months.

Aravalli

Aravalli, a world class lead-zinc project, is the company's primary asset. The company continues to receive positive interest for funding the Aravalli Project and this has been further assisted by the successful appeals regarding the EGL tax matter. Therefore it is assumed that the company will ultimately find the financing for the Aravalli Project required to be granted the letter of intent and progress the Bankable Feasibility Study (BFS).

As noted below Trading Halt of IRL securities effected by the ASX is an impediment to the Group's fund raising ability.

Trading Halt

On 18th August 2016 a market release by ASX to the effect that the securities of India Resources Limited (the Company) would be placed in Trading Halt Session State at the request of the company, pending the release of an announcement.

The Company received a query from ASIC asking if the Company is trading while insolvent and subsequently, Chartered Accountants, Pitcher partners were appointed by the company to give a report about the solvency of the Company.

As noted in Pitcher Partners report, dated 1 September 2016, the Company was deemed to have the capability to continue as going concern provided IRL group is recapitalized and payment plans are agreed with creditors. The option for voluntary administration was not recommended. However it was recommended that the Company closely monitors its position over the next two months (following the report) and in the event that operations are hindered and the company's creditors are unwilling to agree to further extended payment terms and the company fails to raise necessary funding, the company will need to consider its options.

Therefore the following issues are considered important to support the Group's ability to continue as a going concern:

- i) Production from operations being in line with budget expectations to generate positive cash flows from the Surda Mine.
- ii) Receipt of all tax deducted at source (TDS) refunds held by the Indian Taxation Office (ITO).
- iii) Obtaining funds to execute the Aravalli Project and the Letter Of Intent (LOI) to issue the Mining Lease.
- iv) Continuous support provided by the Group's financiers and creditors.
- v) Revenue from the Surda Expansion Project (SEPC).
- vi) Successful settlement of claims by IRL against HCL.
- vii) Release of the Trading Halt.

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- viii) Ability to raise additional funds.
- ix) The extension of the Surda contract beyond 31 March 2017.

These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Clearly the Group faces considerable issues but considers them manageable; indicating a reasonable basis to expect that the Group will continue to operate as a going concern. But this may not be possible without the extension of the Surda contract beyond 31st March 2017. In the absence of prior termination of agreement or as a result of a default, the Contract and Work Order will expire on the later of March 2017 or upon the completion of the SEPC contract. It is reasonable to assume that there are sound arguments that the contract and Work order should be extended, by agreement with HCL, for a further period of approximately 10 months due to the non-renewal of the mining lease affecting Surda (Force Majeure). A further period of 56 months to offset claims which IRL has made against HCL has been requested by the Company.

The directors acknowledge that to enable the Group to continue as a going concern, it requires continued support to be provided by the Group's financiers and creditors, further refund of TDS from the Tax Department in India, the Surda Mine achieving production in line with budgeted expectations resulting in positive operating cash flow, the successful settlement of claims with HCL on favourable terms to the Group and the ability to raise additional finance. Should the Group not be able to continue as going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and reclassification of recorded assets amounts or liabilities that might be necessary should the entity not continue as a going concern.

| | 31 Dec 2016 \$'000 | 31 Dec 2015 \$'000 |
|---|-------------------------------|--------------------------------|
| 2. CASH AND CASH EQUIVALENTS | | |
| For the purposes of the cash flow statement, cash and cash equivalents are: | | |
| Cash at bank and on hand | 16 | 290 |
| Bank drawdown facility | (2,090) | (2071) |
| Net cash balance | <u>(2,074)</u> | <u>(1,781)</u> |
| 3. RECEIVABLES | 31 Dec 2016 \$'000 | 30 June 2016 \$'000 |
| Trade receivables | 2,212 | 3,005 |
| Provision for impairment of trade receivables | (919) | (901) |
| Net amount of trade receivables | <u>1,293</u> | <u>2,104</u> |
| Other receivables | 701 | 987 |
| Provision for impairment of other receivables | - | (286) |
| Debts recovered | <u>273</u> | <u>-</u> |
| Net amount of other receivables | <u>974</u> | <u>701</u> |
| Total trade and other receivables | <u>2,267</u> | <u>2,805</u> |
| 4. INVENTORY | 31 Dec 2016 \$'000 | 30 June 2016 \$'000 |
| Work in progress | 201 | 193 |
| Stores and Spares – at cost | <u>741</u> | <u>25</u> |
| | <u>942</u> | <u>218</u> |

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5. PLANT AND EQUIPMENT

| | 31 Dec 2016 \$'000 | 30 June 2016 \$'000 |
|-------------------------------|-----------------------|------------------------|
| Cost | 11,686 | 12,079 |
| Less accumulated depreciation | <u>(9,525)</u> | <u>(8,799)</u> |
| Net book amount | <u>2,161</u> | <u>3,279</u> |

Reconciliation

| | | |
|------------------------------|--------------|----------------|
| Opening net book amount | 3,279 | 3,715 |
| Additions | 347 | 231 |
| Transfers | (983) | 667 |
| Foreign exchange differences | (98) | (41) |
| Depreciation charge | <u>(384)</u> | <u>(1,293)</u> |
| Closing net book amount | <u>2,161</u> | <u>3,279</u> |

Significant estimate – key assumptions used in the value in use calculations

The following key assumptions were used to determine the recoverable value of the Surda plant and equipment:

- Production cash flows: Based on expected production at Surda with improved gross margins on the assumption that contract terms will be more profitable for IRL and assuming board approved numbers will be achieved.
- Residual value cash flow: Based on expected payment from HCL for fixed assets at the end of the contract period.
- Pre-tax discount rate: 12%.

Contract extension beyond 31st March 2017 to 31st March 2018.

6. TRADE AND OTHER PAYABLES

| | 31 Dec 2016 \$'000 | 30 June 2016 \$'000 |
|------------------------------|-----------------------|------------------------|
| CURRENT | | |
| Trade creditors and accruals | 3,196 | 3,952 |
| Employee benefits | 741 | 985 |
| Other payables and accruals | <u>3,757</u> | <u>3,580</u> |
| | <u>7,694</u> | <u>8,517</u> |

Trade creditors and other payables are non-interest bearing and normally settled on 30 day terms.

NON-CURRENT

| | | |
|-------------------|--------------|------------|
| Employee benefits | <u>1,005</u> | <u>631</u> |
| | <u>1,005</u> | <u>631</u> |

7. FAIR VALUE MEASUREMENT

Financial Assets and Financial Liabilities that are not measured at Fair Value on a Recurring Basis

At 31 December 2016 and 30 June 2016, the carrying amounts of trade receivables, trade payables and current borrowings are assumed to approximate their fair values due to their short-term nature.

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8. SEGMENT INFORMATION

Description of segments

Management has determined that the operating segments are based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board of Directors considers the business from both a project and a geographical perspective, and has identified three reportable segments being:

1. Project Office, which primarily consists of the operations at the Surda mine.
2. Expansion Project, which consists of shaft sinking and development work at the Surda mine through the sub-contract with Shriram EPC Limited (SEPC).
3. Exploration, which includes the pursuit of all exploration projects in India.

(a) Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments are as follows:

(b)

| 31 December 2016 | Project Office | Expansion Project | Exploration | Corporate | Group |
|--|-----------------------|--------------------------|--------------------|------------------|--------------|
| Total segment revenue and other income | 5,164 | 541 | - | 138 | 5,843 |
| Loss before income tax expense | 78 | 70 | - | (274) | (126) |
| EBITDA (loss) | 618 | 70 | - | (274) | 414 |
| Depreciation and amortisation | (384) | - | - | - | (384) |
| Total segment assets | 4,945 | 892 | 3,417 | 395 | 9,649 |
| Total segment liabilities | (8,306) | (927) | - | (1,557) | (10,790) |

| Comparatives | Project Office | Expansion Project | Exploration | Corporate | Group |
|---|-----------------------|--------------------------|--------------------|------------------|--------------|
| <i>For the 6 months ending 31 December 2015</i> | | | | | |
| Total segment revenue and other income | 5,761 | 135 | - | 1 | 5,897 |
| Loss before income tax expense | (1,080) | (348) | - | (130) | (1,558) |
| EBITDA | (133) | (348) | | (128) | (609) |
| Depreciation and amortisation | (808) | - | | - | (808) |
| <i>As at 30 June 2016</i> | | | | | |
| Total segment assets | 7,258 | 538 | 3,280 | 334 | 11,410 |
| Total segment liabilities | (8,392) | (839) | - | (1,131) | (10,362) |

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8. SEGMENT INFORMATION (Continued)

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, plant and equipment and exploration and mine development expenditure. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings.

Intersegment Transfers

Segment revenues, expenses and results exclude transfers between segments that are for Group resources accessed at cost.

EBITDA

The Board of Directors assesses the performance of the operating segments based on a measure of EBITDA. This measurement basis may exclude the effects of non-recurring expenditure or impairments when these are not considered to reflect the performance of the segment, such as those due to an isolated, non-recurring event or unrealised gains/ (losses) on financial instruments.

The reconciliation of EBITDA to operating profit before income tax is provided as follows:

| | Consolidated | |
|---------------------------------------|---------------------|--------------------|
| | 31 December | 31 December |
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| EBITDA | 414 | (609) |
| Finance Costs | (156) | (141) |
| Depreciation and Amortisation | (384) | (808) |
| Loss before income tax expense | (126) | (1,558) |

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9. CONTINGENT ASSETS AND LIABILITIES

Contingent Liabilities

The Group has given guarantees in respect of its contracted obligations to HCL for 10 million INR, or AUD 203,334 (30 June 2016: AUD 199,243).

SEPC has applied for 33 months extension which will allow automatic extension of Surda operations contract.

In March 2015, SEPC purported to terminate the sub-contract agreement and made allegations of losses against ICMPL for loss of profit, interest paid, and potential liquidated damages. In September 2015 a Memorandum of Understanding was signed with SEPC in which SEPC agreed to withdraw the termination and replace its requirement for a Corporate Guarantee with a third ranking interest in IRL's Surda assets. ICMPL resumed work since October 2015. Creation of charge dated 9th December 2015 between India Resources Limited (first party) and SEPC (second party) to secure an amount of INR 69,700,000 (AUD 1,394,000) was registered under the provisions of Chapter VI of the Companies Act 2013 (India).

Contingent assets

IRL has approached the Mining secretary through a letter dated 25 May 2016 to settle claims with HCL without prejudice. It was proposed that out of the total claim of 765 M INR (Approximately AUD 15M) calculated by IRL as of the date of the letter, IRL proposed to settle for 272 M INR (AUD 5M). HCL had already accepted 134 M (AUD 2.7M). So an immediate payment of 138M INR (AUD 2.7M) will close the issue. 138M (AUD 2.7M) INR represents arbitrated, agreed and admitted amount. For the remaining 493 M INR (AUD 10M), IRL has offered the following solutions:

a) An equivalent extended contract duration in accordance with the work order clause 4.10.1 and HCL, IRL formal Minute of Meeting dated 1st April 2013. OR

b) Resolution through fast track Arbitration in accordance with the contract.

The matter has been referred to the Independent External Monitor. This report has not been received by the Company to this date.

Negotiations with the secretary of Mines of India and with HCL continue and IRL is pressing for a cash settlement to be completed by 31st March 2017.

10. EXPENDITURE COMMITMENTS

Operating leases (non-cancellable)

Minimum lease payments
 - not later than one year
 - later than one year but not later than five years

| Consolidated | |
|--------------|-------------|
| 31 December | 31 December |
| 2016 | 2015 |
| \$'000 | \$'000 |
| 38 | 50 |
| - | 1 |
| 38 | 51 |

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11. EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to the end of the half year, the tax refund for IRL for the FY 13-14 amounting INR 9M (A\$ 186K) was received in January 2017. Soon after, in February 2017 the tax refund for Swan Gold Mining Limited (now Eastern Goldfields Limited, (EGS)) for the FY 12-13 amounting INR 7M (A\$140K) was also received.

After the successful appeal by EGS with the Indian Tax Office for the 2010/11, 2011/12 and 2012/13 financial years, IRL has been working to recover nearly 20M INR (A\$.4M). The remaining amount should be received by IRL over the next few months.

The Revision Authority in the Ministry of Mines, Government of India conducted a hearing in early February 2017 in relation to the Revision filed by Hindustan Zinc Limited (HZL) against the Government of Rajasthan (GOR). The company is pleased with the consistent position taken by GOR not recognizing HZL's overlapping claim. For details please refer to the ASX announcement dated 27th February 2017.

12. SURDA WORK ORDER NOTE AND UPDATE

After the 2010/11 assessment the Indian Central Board of Direct Taxes released a Circular that makes it clear that tax can only be deducted at source on the profit portion. It is clearly known that IRL has not generated accumulated profits, so no tax can be deducted at source and the ITO cannot treat it as non-deductible expense. Furthermore, this Circular arose because this was how the Indian Courts treated this matter, and in fact HCL have already won a case for the Swan/IRL Work Order for essentially the same problem.

Swan has now successfully appealed against the Income Tax Office (ITO) in India for the financial years 2010/11, 2011/2012 and 2012/2013 which found that there was no taxable income.

The company is now in a position to recover tax deducted at source for IRL and SWAN held by ITO. The company is working to recover nearly 20M INR (0.4M) of which AUD 328K has been received in January 2017 and February 2017.

HCL have now amended their treatment of the tax they are deducting at source. Previously they were placing these taxes against Swan's account based on IRL's tax exemption certificate. However, in May 2015 they retrospectively moved these taxes against IRL's account for the 2013/14 and 2014/15 financial years.

This means that Swan is no longer involved in the tax matter because tax has been deducted at source as per IRL's exemption certificate.

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At March 2016 IRL remained in a loss position, and so the Circular is effective. For the 2014, 2015 and 2016 financial years Swan and IRL are protected by the Circular and the fact that HCL is placing TDS in IRL's account. Therefore this is not expected to be an ongoing issue. At March 2016 IRL remained in a loss position, and so the Circular is effective. For the 2014, 2015 and 2016 financial years Swan and IRL are protected by the Circular and the fact that HCL is placing TDS in IRL's account. Therefore this is not expected to be an ongoing issue.

Revised Minimum wage

A recent notification of Minimum Wages by Ministry of Labour and Employment, Government of India, stated the wages of Unskilled, Semi-Skilled, Skilled and High Skilled category of workers have been revised and wages have been increased by approximately 40% in each category from its existing wage with effect from 19 January 2017. Accordingly, the Company has to bear an additional burden of INR 9M (AUD 185K) per month. Such increase makes the project financially not feasible. IRL is in negotiation with HCL with a view to obtaining full reimbursement of this cost.

Surda Contract Extension

IRL has also presented its case for extension of the contract before the HCL Board on 13th December 2016. As mentioned in the presentation, IRL contract has no fixed completion date as per opinion of the legal experts in Australia and India. According to the Works Contract, IRL should obtain a formal notification of an extension of time for at least Surda shut down and other stoppages. SEPC has applied for 33 months extension till the end of 2019 citing force majeure delays.

It was confirmed by the HCL in writing, in their amendment letter, that the project finishes when the Surda expansion contract finishes. Moreover, HCL has made super profit from Surda MIC due to IRL's competitive price. In view of the above the HCL board will hopefully consider and confirm the extension.

Trading Halt

On 18th August 2016 there was a market release by ASX that the securities of India Resources Limited (the Company) will be placed in Trading Halt Session State at the request of the company, pending the release of an announcement.

The Company received a query from ASIC asking if the Company is trading insolvent and subsequently, Pitcher partners were appointed by the company to give a report about the solvency of the Company.

As per their report the Company has the capability to continue as going concern provided it is recapitalized and payment plans are agreed with creditors. The option for voluntary administration was not recommended. However it was recommended that the company closely monitors its position over the next two months and in the event that operations are hindered, the company's creditors are unwilling to agree to further extended payment terms and the company fails to raise necessary funding, the company will need to consider its options.

The company is still under the trading halt. The Board is in regular contact with its advisors and is closely monitoring the ongoing financial condition of the company. The Board and its advisors are confident that it will be able to resolve its financial claims and acceptable terms to support continuation of the Surda projects in cooperation with HCL.

INDIA RESOURCES LIMITED

DIRECTORS' DECLARATION

In the opinion of the directors of India Resources Limited:

1. the financial statements and notes set out on pages 7 to 21 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
2. at the date of this declaration and as set out in Note 1 and elsewhere in this report, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made in accordance with a resolution of the directors.



A Misra
Managing Director

16 March 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of India Resources Limited

Report on the Half-Year Financial Report

We were engaged to review the accompanying half-year financial report of India Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on conducting our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Because of the matters described in the Basis for Disclaimer Conclusion paragraph, however, we were not able to obtain sufficient appropriate evidence to provide a basis for expressing a conclusion on the half-year financial report.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of India Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Basis for Disclaimer Conclusion

Recoverability of Plant and Equipment

Included in the consolidated statement of financial position as at 31 December 2016 is plant and equipment of \$2,161,000. The recoverability of the plant and equipment is subject to an impairment assessment, which has been undertaken in accordance with AASB 136 Impairment of Assets. The details of the key assumptions used in this assessment are included in Note 5. This assessment relies on the forecast of future cash flows, the extension of the Surda contract and the residual value of the plant and equipment, of which we have been unable to satisfy ourselves as to the appropriateness and reliability of these assumptions used in the consolidated entity's impairment model.

Therefore, we were unable to obtain sufficient appropriate evidence to provide a basis for expressing a conclusion on the carrying value of the plant and equipment at 31 December 2016.

Going concern

The consolidated entity has reported a loss of \$126,000 for the half year ended 31 December 2016 and as at the reporting date has a working capital deficiency of \$6,301,000. The financial report has been prepared on a going concern basis, however the directors have stated in note 1(c) that the ability of the consolidated entity to continue as a going concern is dependent on:

- Production from operations being in line with budget expectations to generate positive cash flows from the Surda Mine;
- Receipt of tax deducted at source (TDS) refunds held by the Indian Taxation Office (ITO);
- Obtaining funds to execute the Aravalli Project and the Letter of Intent (LOI) to issue the Mining Lease;
- Continuous support provided by the Group's financiers and creditors;
- Revenue from the Surda Expansion Project;
- Successful settlement of claims by IRL against HCL;
- Release of the Trading Halt;
- Ability to raise additional funds; and
- The extension of the Surda contract beyond 31 March 2017.

At the date of this report, we have been unable to obtain sufficient appropriate evidence to support the achievement of the assertions as stated above, as to whether the consolidated entity may be able to continue as a going concern and hence remove significant doubt of its ability to continue as a going concern for a period of 12 months from the date of this review report.

As a result of the matters stated above, we were unable to determine whether any adjustments might have been found necessary in respect of the elements making up the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and disclosures thereto.

Disclaimer of Conclusion

Due to the significance of the matters described in the Basis for Disclaimer Conclusion paragraph, we were unable to obtain sufficient appropriate evidence to form a conclusion on the accompanying half-year financial report. Accordingly, we do not express a conclusion on this half-year financial report.

BDO Audit (WA) Pty Ltd



Dean Just
Director

Perth, 16 March 2017