India Resources Limited

ABN 77 121 339 704

FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Andrew Simpson	Non-executive Chairman
Arvind Misra	Managing Director
David Humann	Non-executive Director

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

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

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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 2015.

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:

Andrew Simpson	Non-executive Chairman
Arvind Misra	Managing Director
David Humann	Non-executive Director

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

RESULTS OF OPERATIONS

The net loss of the consolidated entity for the half year ended 31 December 2015 after provision for income tax was $1.558M (half year ended 31 December 2014: loss of $2.008M). Group EBITDA for the half year was a loss of $0.609M (2014 loss of $1.420M).

The Half Year result continued to be impacted by the closure of the Surda mine on the 8 September 2014 at the instruction of Hindustan Copper Limited (HCL) pursuant to a stop work order issued by the Jharkhand State Government, India. Despite recommencing mining and processing operations in June 2015, operations were still being ramped up back to normal production during the half year. Recommencement of the Surda Expansion Project did not begin until October 2015.

The reported financial statements do not include outstanding substantial claims that remain in progress against HCL (See Note 8b 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 next project in conjunction with its consortium partner, KOPEX_PBSz, is the Rakha Copper Mine reopening, operation and expansion project.

IRL's major exploration project is the Aravalli lead-zinc project in Rajasthan, India. Many of the requirements to be granted the mining license (ML 87/08) over the project have now been met, with the key remaining requirement being to demonstrate financial capacity for 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 comprised mining copper ore and producing copper metal in concentrate which recommenced in June 2015. Since then mining activities have gradually ramped up, overcoming bottle necks due to deteriorated equipment and a back log of civil works. Ongoing programs of renewal and revitalisation are also in the pipeline to take production up to 38,000 to 40,000 ore tonnes mined per month to produce copper metal in concentrate of over 300 tonnes per month. The following renewal programs were undertaken during the half year:

- The installation of two new loaders in Blocks 19 and 30.
- The installation of new pump at Level 10 shaft 4.
- The opening and development of two new stopes - Blocks 28 and 29 in Shaft 4.
- Exploration for remnant mining and new areas to mine at Surda.
- Feasibility and research to classify tailings to increase the backfilling amounts and improve the process and reviewing paste filling methods.
- Purchasing of slurry pump to dewater and pump accumulations of solids from sumps to use as backfill.

The quarterly copper production from Surda was as follows:

Quarterly Production	31-12-15	30-9-15
Ore Mined (Tonnes)	88,800	82,837
Ore Processed (Tonnes)	87,778	84,263
Mill feed Grade (Cu)	0.85%	0.93%
Concentrate Produced (Tonnes)	2,698	3,239
Concentrate Grade (Cu)	24.94%	25.91%
Recovery	92.87%	93.42%
Metal concentrate (Tonnes)- Equivalent Mined	673.02	712.11
Metal in Concentrate (Tonnes)	673.43	761.86

SURDA EXPANSION PROJECT

The Surda Expansion Project is operated simultaneously with the Surda Operations work order. Recommencement of the Surda Expansion Project occurred in October 2015 after it was closed at the same time as the Surda work order. The Surda Expansion Project (IRL subcontractor on a back to back basis for Shriram EPC Limited (SEPC)) is being executed by IRL's 100% owned subsidiary, IRL Copper Mining Private Limited (ICMPL).

The development work of the project has increased since recommencement. More development headings are being opened up and this will give more positions to increase advancement. For the three months from November 2015 to January 2016 a total of 103 metres of advancement was achieved, this compares favourably to the three quarters prior to Surda mine closure which had rates of advancement from between 95 to 130 metres per quarter. Installation of shaft sinking infrastructure and the installation of a formation of a strong team of experts to progress the advancement of Shaft 5 have taken place. Shaft sinking is expected to commence in March 2016

NEW PROJECTS
Rakha Copper Project

HCL awarded the Rakha Copper Project through a letter of intent in July 2013 to the IRL/KOPEX consortium to reopen, operate and expand the Rakha Copper Mine. Commencement of the project is waiting for HCL to obtain the necessary environmental approvals from the Government of India.

Work in the last six months has involved revitalising the financial models with fresh cost information, pre-planning and studies of the copper mineralisation. Rakha is located in close proximity to Surda on the same mineralised trend, so great synergies can be achieved for IRL by operating all its copper projects in the area simultaneously.

EXPLORATION ACTIVITIES
<u>Base Metals – Rajasthan</u>

The Aravalli lead-zinc project, since receiving administrative approval from the Government of Rajasthan to be granted its mining license application, ML87/08, in December 2014 has progressed to signing a MOU with the Rajasthan Government. Crown Mining Private Limited, (CMPL), an IRL 100% owned subsidiary, proposed further drilling to meet the license requirements that was accepted by the government of Rajasthan. As previously reported Crown's finalised ML boundary holds all of its 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, including 'Invest India', Australian trade commission, the Project Monitoring Group and the previously reported investment from Resource Capital Funds (RCF).

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.

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 Misra
Managing Director

14 March 2016

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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 2015, 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, 14 March 2016

INDIA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	2015 $`000	2014 $`000
Revenue from continuing operations	5,897	3,431
Production costs	(6,374)	(3,757)
Employee and directors – remuneration expenses	(84)	(159)
Employee and directors – share based payment expenses	-	(298)
Corporate and administrative expenses	(48)	(51)
Depreciation and amortisation	(808)	(452)
Finance costs	(141)	(136)
Exploration and evaluation costs written off	-	(586)
Loss before income tax expense	(1,558)	(2,008)
Income tax expense	-	-
Loss after income tax	(1,558)	(2,008)
Other comprehensive expense		
Items that will be re-classified to profit or loss:		
Exchange differences on translation of foreign operations	35	153
Other comprehensive expense for the half-year, net of tax	35	153
Total comprehensive expense for the half-year	(1,523)	(1,855)
Loss is attributable to:		
Shareholders of India Resources Limited	(1,558)	(2,008)
Total comprehensive expense for the half-year is attributable to:		
Shareholders of India Resources Limited	(1,523)	(1,855)
Loss per share attributable to the ordinary equity holders of the company:	Cents	Cents
Basic and diluted loss per share	(0.16)	(0.25)

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

INDIA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	31 Dec 2015 $`000	30 Jun 2015 $`000
Current assets			
Cash and cash equivalents	2	290	410
Trade and other receivables	3	3,150	2,047
Inventories	4	1,036	1,251
Prepayments		368	491
Total current assets		**4,844**	**4,199**
Non-current assets			
Other financial assets		207	146
Plant and equipment		3,079	3,715
Mine development		-	5
Deferred exploration expenditure		3,280	3,203
Total non-current assets		**6,566**	**7,069**
Total assets		**11,410**	**11,268**
Current liabilities			
Trade and other payables		7,603	6,291
Borrowings		2,071	1,887
Total current liabilities		**9,674**	**8,178**
Non–current liabilities			
Provisions		688	519
Total non-current liabilities		**688**	**519**
Total liabilities		**10,362**	**8,697**
Net assets		**1,048**	**2,571**
Equity			
Contributed equity		40,447	40,447
Accumulated losses		(37,318)	(35,769)
Reserves		(2,081)	(2,107)
Total equity		**1,048**	**2,571**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	2015 $`000	2014 $`000
Cash flows from operating activities			
Receipts from customers		5,216	3,575
Payments to suppliers and employees		(5,171)	(4,181)
Interest received		1	1
Interest paid		(141)	(135)
Net Bond receipts (payments)		-	-
Net cash inflow (outflow) from operating activities		(95)	(740)
Cash flows from investing activities			
Payments for purchase of plant and equipment		(119)	(61)
Payments for mine project development		-	(5)
Payments for exploration and evaluation		(72)	-
Net cash outflow from investing activities		(191)	(66)
Cash flows from financing activities			
Finance leases		-	4
Issue of shares		-	1,600
Share issue transaction costs		-	(52)
Net cash inflow (outflow) from financing activities		-	1,552
Net increase (decrease) in cash and cash equivalents		(286)	746
Cash and cash equivalents at the beginning of the period		(1,477)	(1,536)
Effects of exchange rate changes on the balance of cash held in foreign currencies		(18)	(210)
Cash and cash equivalents at the end of the period	2	(1,781)	(1,000)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Contributed equity $`000	Reserves $`000	Accumulated losses $`000	Total Equity $`000
Balance at 30 June 2014	**38,079**	**(2,149)**	**(31,896)**	**4,034**
Total comprehensive expense for the half-year	-	153	(2,008)	(1,855)
Transactions with owners in their capacity as owners				
Issue of share capital	1,600	-	-	1,600
Extinguishment of secured loan	523	-	-	523
Issue of share based payments	298	-	-	298
Cost of share issue	(52)	-	-	(52)
Deregistration of subsidiary	-	-	79	79
Balance at 31 December 2014	**40,448**	**(1,996)**	**(33,825)**	**4,627**
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				
Transfer from reserves	-	(9)	9	-
Balance at 31 December 2015	**40,447**	**(2081)**	**(37,318)**	**1,048**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

1a. BASIS OF PREPARATION OF HALF YEAR REPORT

This general purpose financial report for the interim half-year reporting period ended 31 December 2015 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 2015 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.

A number of new or amended standards became applicable for the current reporting period, however the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards. There may be some changes to the disclosures in the 30 June 2015 annual report as a consequence of these amendments.

There were no new standards issued since 30 June 2015 that have been applied to the Company. The 30 June 2015 annual report disclosed that the Company anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issues but not yet applied as that date, and this remains the assessment as at 31 December 2015.

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 2015 as follows:

i) Contingent liability – Corporate taxes on Surda Project

The Indian Income Tax Department (ITO) has assessed Swan Gold Mining Limited (Swan) as owing outstanding corporate taxes amounting to 441M INR ($9.0M) for the 2010/11 and 345M INR ($7.0M) for the 2011/12 financial years. They have now released a draft assessment order for 2012-13 against Swan. These liabilities fall on IRL as it agreed to indemnify Swan for all liabilities arising out of the contractual arrangement with HCL.

As disclosed in Note 8, the Directors have not recognised a provision in the financial report on the basis that Swan has now successfully appealed against 2011/12 and the ITO did not appeal against this decision. Swan has also appealed successfully for 2010/11 but is still waiting the ITO's decision whether to appeal this decision. Swan is in the process of appealing against the draft assessment order for the 12/13 FY. The Directors are satisfied that IRL will not be liable for any amounts claimed by the ITO.

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.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY ESTIMATES (continued)

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, $259,000 has been capitalised 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.

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 expect 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, it's 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

During the half year ended 31 December 2015, the Group recorded a loss of $1,558,000 (2014: $2,008,000) and at balance date, the Group's current liabilities exceeded its current assets by $4,830,000 (June 2015: $3,979,000). These issues raise question marks as to whether the Group can continue to operate as a going concern.

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

- depreciation and amortisation expenses of $808,000.

These non-cash items leave a $750K loss that is cash based.

The Group's losses are a result of production ramping up during the period following more than nine months of closure of the Surda operations. Production has been affected by a variety of issues, many of which have been addressed, but a shortage of funds is continuing to impact performance by affecting worker motivation and the efficient supply of materials. The Surda Expansion Project was also recommenced in October, and since that time substantial costs have been incurred to prepare the shaft sinking site with revenue flows expected to commence from April 2016.

Issues regarding Forecasted Cash Flows

The net current liability position is critically high, having been dangerously high due to the closure and then growing worse due to the ramping up of production. To avoid this situation IRL agreed to re-open the mine based on HCL's commitment to address its claims, which it is proving unwilling to do. The goodwill of creditors is therefore now critical for the Surda operations to successfully continue. It is also critical that production normalises and becomes profitable, or alternative sources of funds will need to be located so that creditors can be reduced to more manageable levels.

Production is still ramping up so further pressures on cash flow are expected. It is anticipated that the Axis Bank, which has already provided an additional 10M INR ($0.21M) overdraft and has expressed willingness to provide additional funds for the Surda Expansion Project, will continue to support the Group. Through this support and the continuing improvement in operations, creditors are expected to stabilize and then begin to reduce.

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 being made against Swan for the 2010/11 and 2011/12 financial years, however following successful appeals for both of these years this threat has largely been addressed. 2011/12 is resolved, but 2010/11 may yet be appealed and a draft tax assessment has now been made against Swan for 2012/13. Nonetheless as the facts remain largely the same this is expected to be overcome as per the successful appeals.

Since May 2015 HCL have been amending their treatment of the tax they are deducting at source, and have done so retrospectively for the 2013/14 and 2014/15 financial years. This means that Swan's tax circumstances are substantially improved from the 2010/11 to 2012/13 financial years.

Because the Swan matter is not yet fully resolved, this and administrative hurdles will further delay the receipt of several years of tax deducted at source (TDS). Administrative hurdles will delay other payments due to IRL. IRL is therefore no longer assuming it will get any of these payments earlier than November 2016. By November it is forecasted that $0.35M for two years TDS will be received.

Aravalli Project

The Aravalli Project remains critical for Group value purposes, and to retain the support of various critical stakeholders. The company continues to receive positive interest to fund the Aravalli Project, and this has been further assisted by the successful appeals regarding the Swan 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).

If financial support is obtained for Aravalli then this may lead to an alleviation of financial pressures on other parts of the business.

At the date of this report, the Directors believe they have reasonable grounds to expect they can raise additional capital in the time frames required in order for the Group to meet its commitments as and when they fall due.

The Group's ability to continue as a going concern is dependent on the following key matters:

i. Production from operations in line with budget expectations to generate positive cash flows.
ii. Resolution of the Swan tax issue and receipt of TDS refunds held by the ITO.
iii. Obtaining funds to execute the Aravalli Project and the Letter of Intent to issue the Mining Lease.
iv. Continuous support provided by the Group's financiers and creditors.
v. Successful settlement of claims with HCL.

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. However, should the Group not achieve the above matters there is material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business and at the amounts stated in the financial report.

2. CASH AND CASH EQUIVALENTS

	31 Dec 2015 $'000	31 Dec 2014 $'000
For the purposes of the cash flow statement, cash and cash equivalents are comprised of the following:		
Cash at bank and on hand	290	857
Bank drawdown facility	(2,071)	(1,857)
Net cash balance	(1,781)	(1,000)

3. RECEIVABLES

	31 Dec 2015 $'000	30 June 2015 $'000
Trade receivables	3,094	1,243
Provision for impairment of trade receivables	(932)	(924)
Net amount of trade receivables	2,162	319
Other receivables	988	1,728
Total trade and other receivables	3,150	2,047

4. INVENTORY

	31 Dec 2015 $'000	30 June 2015 $'000
Work in progress	238	363
Stores and Spares – at cost	798	888
	1,036	1,251

5. EQUITY SECURITIES ISSUED

	31 Dec 2015 Shares	31 Dec 2014 Shares	31 Dec 2015 $'000	31 Dec 2014 $'000
Movements in ordinary shares on issue during the half year:				
Issue of share capital	-	200,000,000	-	1,600
Issue of shares to extinguish loan	-	90,000,000	-	523
Share based payments	-	55,000,000	-	298
Share issue costs	-	-	-	(52)
	-	345,000,000	-	2,369

6. FAIR VALUE MEASUREMENT

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

At 31 December 2015 and 30 June 2015, the carrying amounts of trade receivables, trade payables and current borrowings are assumed to approximate their fair values due to their short-term nature.

7. 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 2015	**Project Office**	**Expansion Project**	**Exploration**	**Corporate**	**Group**
Total segment revenue and other income	5,761	135	-	1	5,897
Loss before income tax expense	(1,080)	(348)	-	(130)	(1,558)
EBITDA (loss)	(133)	(348)	-	(128)	(609)
Depreciation and amortisation	808	-	-	-	808
Total segment assets	7,258	538	3,280	334	11,410
Total segment liabilities	8,392	839	-	1,131	10,362

Comparatives	**Project Office**	**Expansion Project**	**Exploration**	**Corporate**	**Group**
For the 6 months ending 31 December 2014					
Total segment revenue and other income	3,118	109	-	204	3,431
Loss before income tax expense	(1,294)	(114)	(586)	(242)	(2,008)
EBITDA	(714)	(114)	(586)	(234)	(1,420)
Depreciation and amortisation	462	-	-	-	452
As at 30 June 2015					
Total segment assets	7,333	335	3,203	397	11,268
Total segment liabilities	7,369	362	-	966	8,697

7. 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 2015 $'000	**31 December 2014 $'000**
EBITDA	(609)	(1,420)
Finance Costs	(141)	(136)
Depreciation and Amortisation	(808)	(452)
Loss before income tax expense	**(1,558)**	**(2,008)**

8. CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities

a) Swan Tax Issue

The Indian Income Tax Department (ITO) assessed Swan Gold Mining Limited (Swan) as having a 441M INR ($9M AUD) for the 2010/11 financial year, and formed a similar opinion for 2011/12 financial year, and has now released a draft assessment order along the same lines for 2012/13. The ITO is yet to scrutinise the accounts for the following years, and may review its acceptance of previous lodgements.

These liabilities will fall on IRL because it has agreed to indemnify Swan for all liabilities arising out of contractual arrangement with HCL (see Note 11).

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. As IRL has not made a profit no tax needed to be deducted at source and the ITO cannot treat it as non-deductible expense.

Through the Circular, Swan has now successfully appealed against 2011/12 through the Commissioner of Income Tax Appeals which found that there was no taxable income. The ITO did not appeal this.

Swan has now successfully appealed to the Tax Tribunal against 2010/11 on the same basis. The decision from the ITO as to whether it will appeal is awaited.

Swan is in the process of appealing against the ITO's draft assessment order for the 2012/13 financial year where the ITO added back income without considering the matching expenses.

b) Guarantees

The Group has given guarantees in respect of its contracted obligations to Hindustan Copper Limited for 10 million INR, or $206,000 (30 June 2015: $204,000) and to third parties as securities for lease of business premises for $11,470 (30 June 2015: $11,470).

The Group has agreed to provide a Corporate Guarantee to Shriram EPC Limited (SEPC) in respect of its work as sub-contractor at the Surda Expansion Project of up to 139.42 million INR crores ($2.9M), however in accordance with the Memorandum of Understanding (MOU) signed with SEPC in October this is to be replaced with a third ranking charge over the fixed assets at Surda. A condition precedent for the MOU remains outstanding.

The Group had given guarantees in respect of its intent to undertake the Rakha Copper Project on behalf of Hindustan Copper Limited for 5 million INR, or $96,000.

Contingent assets

IRL is pursuing more than 700M INR ($14M AUD) for claims at the balance date in relation to outstanding amounts it considers payable in relation to the Arbitration Award dated 31 August 2013, fixed costs relating to the closure of the plant during 2012 and 2013, losses arising from the mine and plant closure since 8 September 2014, and various other losses. This excludes 63M INR ($1.2M) recognised in writing by a HCL claims committee that is considered resolved has been recognised in these accounts.

9. EXPENDITURE COMMITMENTS

Operating leases (non cancellable)	**Consolidated**	
	31 December 2015	**31 December 2014**
Minimum lease payments	**$'000**	**$'000**
- not later than one year	50	44
- later than one year but not later than five years	1	41
	51	**85**

10. EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to the end of the half year, Swan Gold Mining Limited (Swan) successfully appealed to the Tax Tribunal against the Indian Tax Office's (ITO) assessment of a 441M INR ($9M) tax liability for the 2010/11 financial year. The Tax Tribunal held that there was no taxable income on the basis of the Circular released by the Central Board of Direct Taxes (see Note 8 and 11 for further details).

11. SURDA WORK ORDER NOTE AND UPDATE

On 26 March 2007, Hindustan Copper Limited (HCL) granted a works order to Monarch Gold Mining Company Limited (subsequently renamed as Swan Gold Mining Limited (Swan) and subsequently India Resources Limited as a Special Purpose Vehicle to:

(a) recommission and bring into operations the Surda Mine; and
(b) bring into operation, at the Group's cost, the Concentrator Plant at Mosaboni, and to mine and beneficiate the ore to produce copper concentrate.

By a deed of appointment effective from 2 January 2007, Swan appointed IRL as a Special Purpose Vehicle (SPV) in India. Under the deed of appointment IRL is required to implement the contractual obligations entered into by Swan and is entitled to all the benefits flowing from that performance and agreed to indemnify Swan for all liabilities arising out of contractual arrangement with HCL.

Work Order Uncertainty

IRL has been in communication and discussion with HCL since April 2008 with a view towards achieving an assignment of the works order by the most appropriate means. The Directors were not satisfied with the current arrangement with Swan as the holder of the license and India Resources Limited operating as the SPV. For several years IRL has been aware that there has been an uncertainty regarding the continuity of the arrangement under the work order as a result of the appointment of administrators by Swan, however this does not appear to have any remaining relevance as Swan came out of administration in 2010, HCL never exercised, proceeded to or indicated their intention to do so, and HCL has subsequently offered an extension of the existing contract to Swan.

In the 30 June 2014 financial statements the Directors stated their belief that IRL has a continuing positive relationship with HCL and that HCL had no issue with the Group's ongoing commitment to the contract. Circumstances changed shortly afterwards and the issues surrounding the nine month mine closure continue to severely strain the relationship. Nonetheless the work order has continued.

It is also noted that HCL appear to be increasingly recognizing IRL as Swan's SPV and by communicating with IRL directly. Since May 2015 HCL has also begun deducting tax at source and placing it in IRL's account rather than Swan's, and did so retrospectively in both the 2014 and 2015 financial years.

Without the assignment of the work order to IRL, there remains uncertainty about whether HCL have the right to terminate the contract and therefore whether assets relating to Surda mine are recoverable at the amounts stated.

Swan Tax Issue

The relationship between HCL, Swan and IRL caused sufficient complication for the Indian Income Tax Office (ITO) to form a different view on the nature of this relationship to IRL. In short, IRL sees itself as Swan's SPV as named in the original contract. Swan's does no actual work in India, it has employed no people, has no office, and it makes no margin or gain of any kind from the Surda Work Order because this has all been assigned to IRL through the Deed of Appointment. IRL states that the Deed means Swan's only role is to act as IRL's Agent. Finally, there is only one invoice as the Swan invoice directs HCL to pay directly to IRL's account.

However, the ITO noted documents stating that IRL is a sub-contractor, and Swan is the contractor. It has also noted that invoices from Swan to HCL exist, and that the formal contract remains with Swan, and that Swan has stated notional revenue and expenses in its tax returns. It also noted that HCL deducts tax and puts it into Swan's account, not IRL's. It therefore concluded that there should be two transactions, with Swan invoicing HCL and IRL invoicing Swan. The ITO argue that both parties should be deducting tax at source, and since Swan has not deducted any funds from IRL it is not entitled to claim any of IRL's expenses as being deductible. In this fashion, IRL's entire revenue for every year is taxable to Swan but Swan cannot claim the same as the taxable expense of having IRL do the work. This results in 42% tax on IRL's gross revenue. Accordingly it has determined that Swan owes 441M INR ($8.8M AUD) for the 2010/11 financial year, formed a similar opinion for 2011/12 financial year and released a draft assessment order along the same lines for 2012/13. The ITO is yet to scrutinise the accounts for the following years, and may review its acceptance of previous lodgements.

11. SURDA WORK ORDER NOTE AND UPDATE (Continued)

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 made a profit, so no tax needed to 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 were this matter, and in fact HCL have already won a case for the Swan/IRL Work Order for essentially the same problem.

Through the Circular Swan has now successfully appealed against 2011/12 through the Commissioner of Income Tax Appeals which found that there was no taxable income. The ITO did not appeal this.

Swan then successfully appealed to the Tax Tribunal against 2010/11 on the same basis. The decision from the ITO as to whether it will appeal is awaited.

Swan must now appeal against the ITO's draft assessment order against Swan for the 2012/13 financial year where it added back income without considering the matching expenses.

Future Years

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 substantially strengthens Swan's position against that in 2010/11 to 2012/13. During the 2015/16 financial year IRL remained in a loss position, so the Circular remains effective, but IRL is working with Swan to identify and remove any remaining issues so that IRL can make a taxable profit without again encountering this problem.

DIRECTORS' DECLARATION

In the opinion of the directors of India Resources Limited:

1. the financial statements and notes set out on pages 7 to 20 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 2015 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, 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

14 March 2016

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of India Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of India Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2015, 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 our review. We conducted 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*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of India Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of India Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1c in the half-year financial report which describes the principle conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Emphasis of matter

We draw attention to Note 11 in the half-year financial report, which discusses the uncertainty around the consolidated entity's licence to operate the Surda mine in India. Our conclusion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to Note 1b(*i*) in the half-year financial report which describes the uncertainty relating to a contingent liability in respect of corporate taxes in relation to the Indian mining operations. Our conclusion is not modified in respect of this matter.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 14 March 2016