

INDIANA RESOURCES LIMITED

ABN 67 009 129 560

ANNUAL REPORT

for the year ended 30 June 2016



Corporate Information

ABN 67 009 129 560

Directors

Dr Derek Fisher (Non-Executive Chairman)
Mr Bruce McFadzean (Non-Executive Director)
Mr Campbell Baird (Managing Director – appointed 15 June 2016)
Mr Philip Hoskins (former Managing Director – resigned 14 June 2016)
Mr Nicholas Corlis (former Executive Director – resigned 14 June 2016)

Company Secretary

Mr Stuart McKenzie

Registered Office

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Bankers

Commonwealth Bank of Australia
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Share Register

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Auditors

RSM Australia Partners
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PERTH WA 6000

Website Address

www.indianaresources.com.au

ASX Code

Shares are listed on the Australian Securities Exchange under stock code IDA.

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Chairman and Managing Director's Report

Dear Shareholders,

We are pleased to introduce Indiana Resources' 2016 Annual Report and to reflect on what has been a watershed year in which the Company has repositioned itself as a Tanzanian dedicated gold explorer, focused on its Kishugu and Naujombo Gold Prospects.

The 2016 year was a challenging environment for the resources industry, in particular small exploration and development companies such as Indiana. In difficult circumstances, significant progress was made with the Chilalo Graphite Project, where successful drilling programs, favourable metallurgical testwork results, a positive Pre-feasibility Study and the development of encouraging relationships with Chinese counterparties interested in offtake and finance saw Chilalo emerge as a world-class graphite asset and a near-term development opportunity.

Owing to consistent market feedback that the Company's multi-commodity asset portfolio, which included the Chilalo Project, the Ntaka Hill Nickel Project and the Kishugu and Naujombo Gold Prospects, was inhibiting the realisation of the true value of these assets, the Board committed to a restructure under which the Chilalo Project was sold to a new, dedicated graphite company – Graphex Mining Limited – and Indiana retained a controlling interest in the Kishugu and Naujombo Gold Prospects and the substantial Ntaka Hill Nickel Project.

The restructure was approved by shareholders in April 2016 and Indiana received total consideration of \$5.0 million for the sale of Chilalo, comprised of \$1.0 million in cash and A\$4.0 million in Graphex shares which were distributed in specie to Indiana shareholders.

We are pleased that the restructure has delivered significant value to the Company's shareholders, with the combined market capitalisation of Indiana (approximately \$4.8 million) and Graphex (approximately \$21.4 million) far exceeding the Company's market capitalisation prior to the restructure.

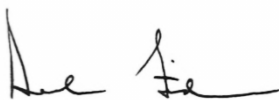
During the year, gold exploration consisted of geophysical work, extensional and in-fill soil sampling programs and test pitting, all of which provided valuable information for the recently completed Stage One rotary air blast drilling program. Both Kishugu and Naujombo are large, coherent gold-in-soil anomalies and while they represent highly attractive exploration prospects, the sheer scale of the anomalies presents some challenges.

It is for that reason that RAB drilling was considered the most cost effective means of advancing Kishugu and Naujombo. The Stage One RAB drilling program comprised approximately 3,600m – 1,200m at Kishugu and 2,400m at Naujombo – and has provided valuable information on the underlying geology and enabled a better understanding of the soil sampling and geophysical work previously conducted. While assay results are awaited, we expect to undertake a Stage Two program later in the year to build on the knowledge gained from the Stage One drilling.

The Company also retains a controlling interest in the Ntaka Hill Nickel Project. There is a large existing Mineral Resource at Ntaka Hill and previous analysis of development opportunities had been based on a larger scale, medium grade operation. During the year, our JV partner at Ntaka Hill reassessed the development options and concluded that an opportunity existed to develop a smaller scale operation, capable of producing between 9,000 and 10,500 tonnes of nickel per annum in concentrates for a period of 10 years, at run of mine grades in excess of 1% nickel.

In closing, we would like to thank former Managing Director Phil Hoskins, for his efforts over the past two years and wish him well as Managing Director with Graphex. We also thank Nick Corlis, former Executive-Director and wish him well as Technical Manager with Graphex. The Company welcomed Campbell Baird as Indiana's new Managing Director in June. Campbell has significant credentials in the gold industry and we are pleased with the recently completed exploration work at Kishugu and Naujombo and excited about what lies ahead with those prospects.

Having totally repositioned the Company with a commitment to gold exploration at Kishugu and Naujombo, consolidated the capital structure, undergone a name change and recently completed a share placement and oversubscribed share purchase plan, Indiana is well placed to deliver on our strategy as we move into 2017.



Derek Fisher
Chairman



Campbell Baird
Managing Director

Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the **Group**) comprising Indiana Resources Limited (**Indiana** or **Company**) and the entities it controlled at the end of, or during, the year ended 30 June 2016 and the auditor's report thereon. Indiana is a company limited by shares that is incorporated and domiciled in Australia.

DIRECTORS

The following persons were Directors of Indiana during the 2016 financial year and up to the date of this report:

D Fisher

B McFadzean

C Baird (appointed 15 June 2016)

P Hoskins (resigned 14 June 2016)

N Corlis (resigned 14 June 2016)

The names and particulars of the qualifications, experience and special responsibility of the Directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Dr Derek Fisher, BSc (Hons), PhD Geology, FAusIMM – Non-Executive Chairman		
Experience and expertise	Dr Fisher has more than 45 years' experience in the resources industry, spanning both corporate and operational roles, with a particular emphasis on base metals, gold and industrial minerals. He has played key roles in listing and managing resources companies on both the ASX and TSX as well as identifying, evaluating, developing and operating quality mine developments. Dr Fisher was co-founder and a Director of successful African copper miner Anvil Mining from 1995-2000 and co-founder and CEO/Managing Director of Moly Mines Limited from 2003 until 2012. He was awarded life membership of the Association of Mining and Exploration Companies (AMEC) for his contribution to the industry.	
Other current directorships	Nil	
Former directorships in the last 3 years	Nil	
Special responsibilities	Chairman of the Board	
Interests in shares and options	Ordinary shares	192,342
	Unlisted options	Nil

Bruce McFadzean, Dip Mining, FAusIMM – Non-Executive Director		
Experience and expertise	Mr McFadzean has over 30 years' experience in mining and minerals processing across a range of commodities including gold, copper and nickel. Mr McFadzean has had extensive exposure to all levels of operations, including five years with BHP Billiton, ten years with Rio Tinto and overseas roles where he has managed the construction and start-up of several new mining operations. More recently, Mr McFadzean was Managing Director and CEO of Mawson West Limited (TSX: MWE) from October 2012 to February 2015 and Catalpa Resources Limited, now Evolution Mining Limited (ASX: EVN) from June 2008 to January 2012.	
Other current directorships	Sheffield Resources Limited (ASX:SFX) (Managing Director) Venture Minerals Limited (ASX: VMS) Gryphon Mineral Limited (ASX: GRY)	
Former directorships in the last 3 years	Mawson West Limited (TSX: MWE)	
Special responsibilities	Nil	
Interests in shares and options	Ordinary shares	93,334
	Unlisted options	Nil

Directors' Report

Campbell Baird, B Eng (Mining) Masters Int Fin. – Managing Director		
Experience and expertise	Campbell Baird has been involved in the mining industry for over 25 years. In 2009, Mr Baird joined Focus Minerals Limited, a Western Australian gold producer. During his four years of tenure as CEO, annual gold production increased from 5,000 ounces to 175,000 ounces. This was achieved through organic development and strategic acquisitions. Prior to holding this position, Mr Baird had extensive international experience developing projects in Finland for Vulcan Resources and leading multiple feasibility studies across a range of commodities for SRK Consulting. Mr Baird has a Bachelor of Engineering (Mining) from UNSW and a Masters of International Finance from Curtin University, he is a Member of the AusIMM and AICD and he sits on the Executive Council of the Association of Mining and Exploration Council in Australia as Treasurer. Mr Baird is also Non-Executive Director of Artemis Resources Limited.	
Other current directorships	Artemis Resources Limited (ASX: ARV)	
Former directorships in the last 3 years	Focus Minerals Pty Ltd	
Special responsibilities	Nil	
Interests in shares and options	Ordinary shares	100,000
	Unlisted options	Nil

Philip Hoskins, B.Comm, CA, FINSIA – Former Managing Director		
Experience and expertise	Mr Hoskins commenced his career at a large international accounting firm and has since gained corporate experience with both Australian and international listed companies. He is a senior executive with 14 years of broad finance and commercial experience across resources exploration, project development and production as well as large-scale property developments requiring debt and equity financing. He was appointed as IMX's Managing Director in October 2015 after being Chief Executive Officer from September 2014, before which he spent almost three years as IMX's Chief Financial Officer.	
Other current directorships	Graphex Mining Limited (ASX: GPX) Managing Director	
Former directorships in the last 3 years	IMX Resources Limited	
Special responsibilities	Nil	
Interests in shares and options	Ordinary shares	222,814
	Unlisted options	Nil

Nicholas Corlis, B.Sc (Hons), MSc, MAIG, MAICD – Former Executive Director		
Experience and expertise	Mr Corlis is a geologist with over 20 years of domestic and international experience in the resources industry across a broad range of commodities including, gold, iron ore, base metals, graphite and coal. He has significant experience in mineral exploration and project management; from project generation / M&A, discovery and resource definition, through to feasibility and development. His previous role was General Manager Business Development for Flinders Mines Limited, where he oversaw the discovery and delineation of a significant iron ore project. Prior to that, he held senior management roles with Perilya Limited, Golder Associates and WMC Limited.	
Other current directorships	Graphex Mining Limited (ASX: GPX)	
Former directorships in the last 3 years	IMX Resources Limited	
Special responsibilities	Nil	
Interests in shares and options	Ordinary shares	119,987
	Unlisted options	Nil

Directors' Report

COMPANY SECRETARY

Stuart McKenzie, LLB, BEc (Hons.), CSA

Stuart McKenzie is a chartered secretary with over 25 years' experience in senior commercial roles. He was previously Company Secretary with Anvil Mining Limited for almost six years, prior to which he held senior positions with Ok Tedi Mining Limited, Ernst and Young and HSBC. Stuart holds a Bachelor of Laws, a Bachelor of Economics and a Graduate Diploma in Applied Corporate Governance. Stuart is also the Company Secretary of Graphex Mining Limited.

DIRECTORS' MEETINGS

The number of Directors' meetings held and the number of meetings attended by each of the Directors during the financial year is shown in the following table:

	Meetings of Directors	
	A	B
Number of meetings attended:		
D Fisher (Chairman)	14	14
C Baird	-	-
B McFadzean	14	14
Previous Directors		
P Hoskins	7	7
N Corlis	13	14

Notes

^A Denotes number of meetings attended

^B Denotes number of meetings held during the time the Director held office during the year

As at the date of this report, the Company did not have an Audit and Risk Management Committee or a Nomination and Remuneration Committee. The Board determined that given the size and composition of the Board and the scale of the Company's activities, the functions of an Audit and Risk Management Committee and a Nomination and Remuneration Committee ought to be performed by the Board.

PRINCIPAL ACTIVITIES

During the year, the principal continuing activities of the Group consisted of exploration for minerals.

OPERATING AND FINANCIAL REVIEW

Information on the operations and financial position of the Group and its business strategies and prospects is set out below.

Operating Results for the Year

A summary of results for the year is shown in the following table:

	2016 \$'000	2015 \$'000
Net loss before income tax	(23,641)	(5,696)
attributable to:		
Administrations costs	(3,492)	(3,734)
Exploration and evaluation expenditure	(2,790)	(3,851)
Impairment of assets	(17,073)	-
Other	(81)	(1,019)

Directors' Report

Review of Operations

The primary focus of activity during the year was on advancing the Chilalo Graphite Project, with a significant number of key milestones achieved. Notwithstanding the commitment to Chilalo, low-cost exploration continued at the Kishugu and Naujombo Gold Prospects which laid a platform for the recently completed Stage One drilling program.

Chilalo Graphite Project

Key achievements in advancing the Chilalo Graphite Project related to: favourable metallurgical testwork results, an upgraded Mineral Resource, a positive Pre-feasibility Study (**PFS**) and progress with offtake and financing.

The high quality of Chilalo graphite was confirmed by metallurgical optimisation for the PFS, which demonstrated that Chilalo ore can produce a graphite concentrate containing up to 68% large and jumbo flake graphite, while continuing to achieve saleable concentrate grades. Chilalo graphite also possesses exceptional expandable characteristics, making it ideally suited to the growing expandable graphite market.

Results of a diamond drilling program conducted in September 2015 enabled an upgrade of the Mineral Resource at Chilalo that saw a 24% increase in contained graphite from the previous Mineral Resource estimate and the conversion of 62% of the previous Inferred Mineral Resource to the Indicated category.

The upgraded Mineral Resource estimate and metallurgical optimisation were central to the PFS, the results of which were finalised in November 2015. The PFS revealed that Chilalo is technically sound with high margins, low capital intensity and attractive returns:

- Pre-tax internal rate of return (IRR) of 62%;
- Pre-tax NPV₁₀ of US\$200 million;
- Average annual EBITDA of US\$47 million over 10 year mine life; and
- Life of Mine average operating cost of US\$490 per tonne FOB.

An Memorandum of Understanding (**MOU**) was signed with China Gold Group Investment Co Ltd (**'China Gold Investment'**) and CN Docking Joint Investment and Development Co. Ltd (**'CN Docking'**), a subsidiary of China National Building Material Group Corporation. The MOU provided for the parties to undertake formal due diligence and negotiations for the development of Chilalo.

Notwithstanding the significant progress at Chilalo, the Company received considerable market feedback in 2015 that a simplified corporate strategy would provide a greater opportunity for the significant embedded value of Chilalo to be realised. In particular, the multi-commodity asset portfolio, which included the Chilalo Project, the Ntaka Hill Nickel Project and the Kishugu and Naujombo Gold Prospects, was seen as overcomplicated and considered by market participants to be sub-optimal.

As a result, the Company undertook a restructure that resulted in the creation of two distinct companies:

- Graphex Mining Limited (**Graphex**), a dedicated graphite company committed to fast tracking Chilalo towards production; and
- Indiana, base and precious metals company with a controlling interest in the Kishugu and Naujombo Gold Prospects and the substantial Ntaka Hill nickel project.

Pursuant to the restructure, Graphex acquired the Chilalo Graphite Project from Indiana for total consideration of \$5.0 million which comprised \$1.0 million in cash and A\$4.0 million in Graphex shares which were distributed in specie to Indiana shareholders.

Graphex lodged its revised Prospectus in May 2016, and successfully completed an oversubscribed initial public offering (**IPO**) in early June 2016 which raised \$7.0 million. Graphex was officially admitted to the Australian Stock Exchange on 9 June 2016 and trading of Graphex shares commenced on 14 June 2016.

The restructure has delivered significant value to the Company's shareholders, with the current combined market capitalisation of Indiana (approximately \$4.8 million) and Graphex (approximately \$21.4 million) far exceeding the Company's market capitalisation prior to completion of the restructure.

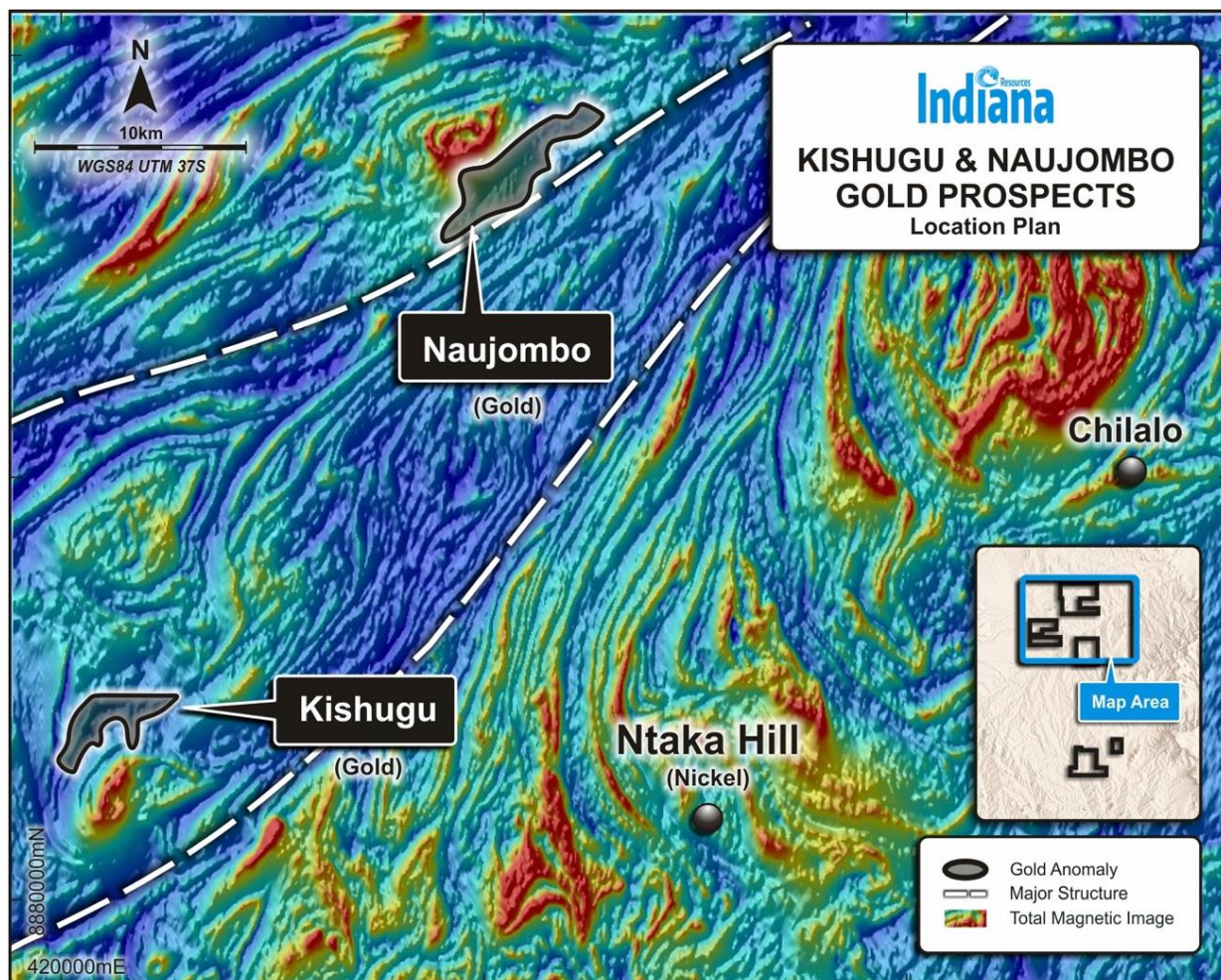
Kishugu and Naujombo Gold Prospects

While effort was dedicated primarily to Chilalo, low-cost exploration programs that involved test pitting, geophysical analysis and extensional soil sampling were carried out at both Kishugu and Naujombo. Such exploration work has enhanced the Company's understanding of the potential at Kishugu and Naujombo, provided valuable information to assist in determining rotary air blast (**RAB**) drilling as the most appropriate and cost-effective technique for Stage One drilling and enabled identification of drill ready targets.

Directors' Report

Both Kishugu and Naujombo are extensive coherent gold anomalies, Kishugu covering 6km by 600m, with up to 900ppb Au within the main trend and Naujombo measuring greater than 9.5km by 600m with maximum values of up to 811ppb Au. Both Kishugu and Naujombo are associated with the same structural corridor (see Figure 1) and supported by coherent multi-element anomalies including arsenic, silver and bismuth.

Figure 1. Location of Kishugu and Naujombo



Kishugu

The Kishugu Gold Prospect was identified as a large gold-in-soil anomaly following soil sampling and geophysics programs in 2014.

Owing to the depth of the cover (4- 5m) trenching was considered to be too expensive and logistically ineffective as an exploration tool, leaving test pitting as the logical option to assist in advancing the Company's knowledge of the underlying geology. Downhole channel samples were taken at 1m intervals in each pit and assay results show strong gold anomalies in all holes except the control pit (Pit 7). The results shown below in Table 1 confirm the strong anomalism indicated by the previous soil sampling program.

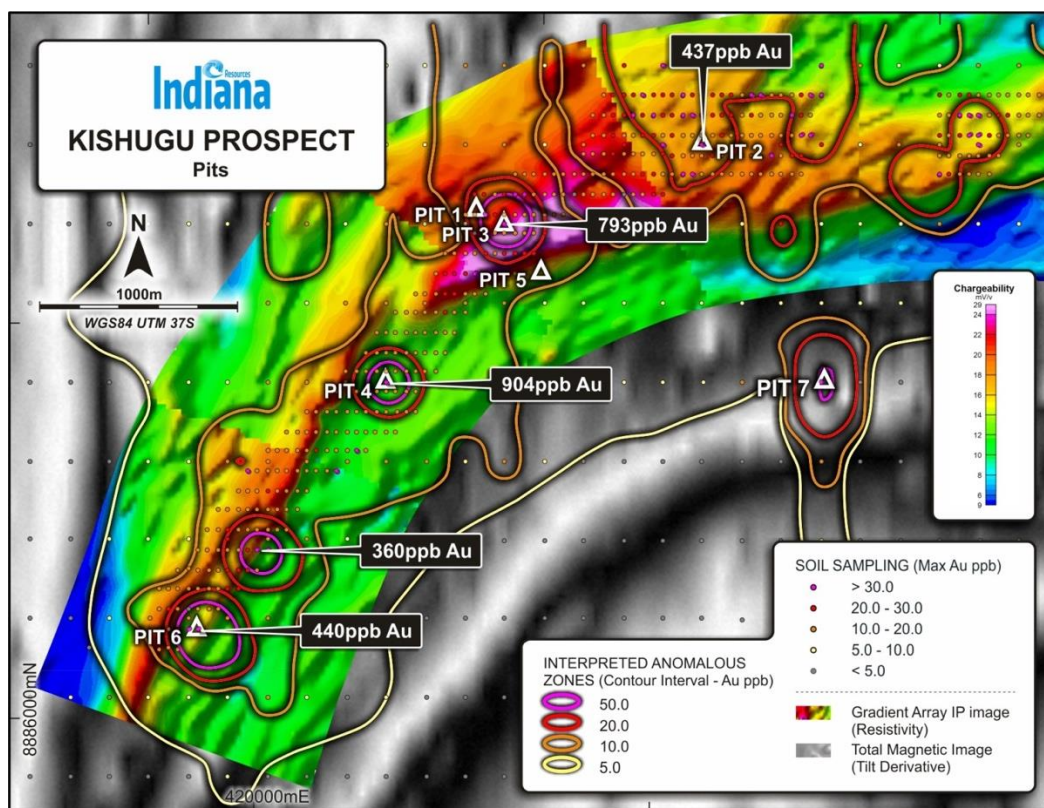
Directors' Report

Table 1: Gold (ppb) in channel samples from test pits

From (m)	To (m)	Pit 1	Pit 2	Pit 3	Pit 4	Pit 5	Pit 6	Pit 7
0	1	11	38	11	12	13	38	2
1	2	14	61	11	13	13	34	1
2	3	12	26	11	11	16	32	<1
3	4	11	27	9	11	13	32	<1
4	5	2	46	6	9	9	49	1
5	6	6	6	3	6	12	15	<1
6	7	2	9	3	3	1	10	<1
7	8	8	n/a	n/a	n/a	3	n/a	n/a
8	9	n/a	n/a	n/a	n/a	2	n/a	n/a

The test pitting program that comprised seven test pits, each dug to a depth of 7m to 9m, six of which were situated on different targets within the anomaly and a seventh control pit that was located outside the anomaly (see Figure 2).

Figure 2. Kishugu prospect showing IP conductivity, gold in surface soils and location of test pits



Naujombo

The results of in-fill soil sampling at Naujombo were positive and accretive to the Naujombo prospect. Each sample was assayed for gold, platinum and palladium, with results producing the highest recorded gold assay (811ppb) at Naujombo as well as an additional four samples of greater than 50ppb.

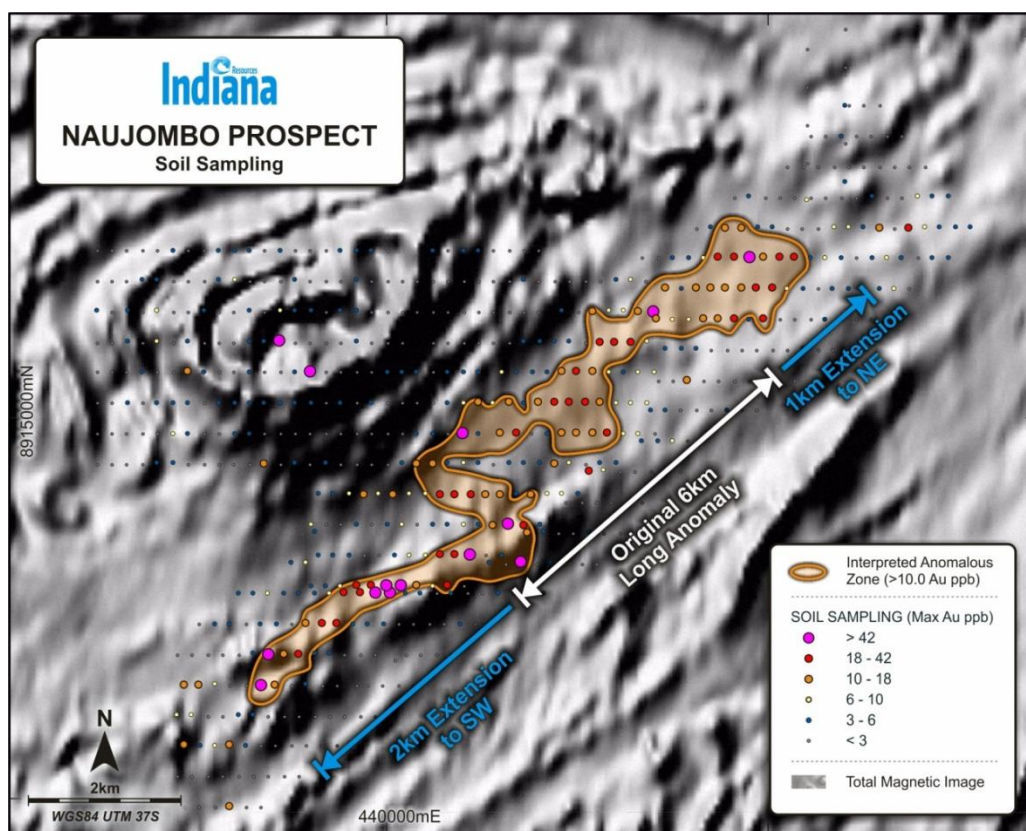
Directors' Report

Table 2. Distribution of gold results from the soil samples collected over Naujombo from all programs

Assay	Count	Percentile
>100 ppb	4	0.6 %
>50 ppb	11	1.7%
>25 ppb	30	4.6 %
>10 ppb	99	15.1 %
> 5 ppb	240	36.5 %
Total samples	658	100.0 %

The higher results were found to be distributed along the entire length of the anomalous trend, which is now interpreted to extend over 9.5km and greater than 600m wide (Figure 3).

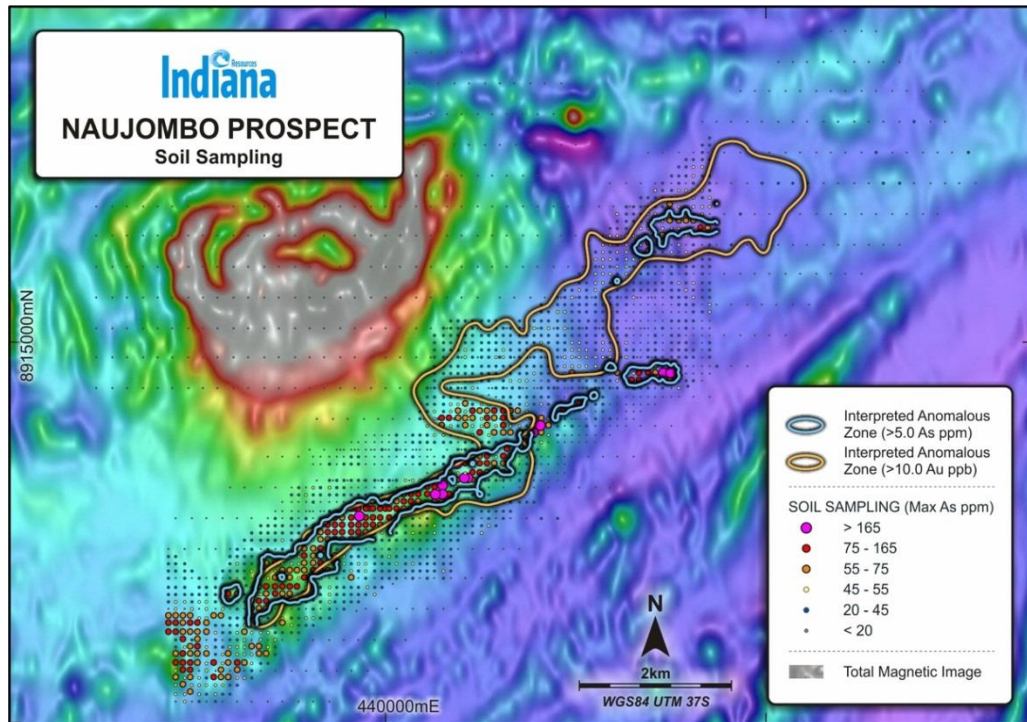
Figure 3. Expanded >10ppb gold contours based upon the updated 2016 soils results



In-field XRF multi-element analysis shows a strong coincident arsenic anomaly (Figure 4).

Directors' Report

Figure 4. Gold 10ppb contours of soil sampling at Naujombo and results of arsenic anomaly coincident with gold (50ppm)



Post year-end exploration

Stage One RAB drilling at the Naujombo and Kishugu Gold Prospects was completed on schedule in early September. Drilling commenced initially at Naujombo, where 1,200m of drilling was carried out, after which the rig moved to Kishugu where a planned 1,200m program was completed. The drill rig then returned to Naujombo to complete the final 1,200m of drilling.

The main focus of the RAB drilling was as reconnaissance programs designed to unlock the geology of the anomalies and explore the links between geophysical and soils programs and to confirm the presence of gold mineralization in bedrock. The information derived from these programs is expected to inform a Stage Two exploration program anticipated to take place later in the year.

Ntaka Hill Nickel Project

In addition to the Kishugu and Naujombo Gold Prospects, the Company holds a 60% controlling interest in the Ntaka Hill Nickel Project, which is currently the subject of a joint venture with Loricatus Resource Investments (Fig Tree).

There is a significant existing Mineral Resource at Ntaka Hill with over 356,000 tonnes of contained nickel as shown in Table 3. Please refer to page 18 for information on the Competent Person associated with the Ntaka Hill Mineral Resource estimate and on the Company's approach to Mineral Resource governance.

Directors' Report

Table 3. Annual Statement of Mineral Resources: Ntaka Hill Mineral Resource Estimate

Resource Classification	2016					2015				
	Tonnes (Mt)	% Ni	% Cu	Cont. Ni (Kt)	Cont. Cu (Kt)	Tonnes (Mt)	% Ni	% Cu	Cont. Ni (Kt)	Cont. Cu (Kt)
Measured	1.1	1.74	0.29	20	3	1.1	1.74	0.29	20	3
Indicated	19.2	0.51	0.12	98	23	19.2	0.51	0.12	98	23
Measured and Indicated	20.3	0.58	0.13	118	26	20.3	0.58	0.13	118	26
Inferred	35.9	0.66	0.14	238	50	35.9	0.66	0.14	238	50

Pursuant to the Company's joint venture with Fig Tree, Fig Tree carried out conceptual mine design and scheduling and on the basis of the previous resources defined by the Company, Fig Tree believes that Ntaka Hill is capable of producing between 9,000 and 10,500 tonnes of nickel per annum in concentrates for a period of 10 years, at run of mine grades in excess of 1% nickel. Details of Fig Tree's analysis were contained in an announcement lodged with ASX on 13 July 2015. Since making that announcement, the Company confirms that it is not aware of any new information or data that materially affects the information included in that announcement. The mine design and scheduling which underpins the above production target is based on the existing Measured and Indicated Mineral Resource at Ntaka Hill.

Fig Tree's work also confirmed that with its outstanding metallurgical characteristics, Ntaka Hill is capable of producing a high-grade concentrate, grading 18% nickel with low MgO, using conventional nickel flotation at high recoveries (>80%).

The Directors believe that in the right environment, Ntaka Hill has significant value, either as a development opportunity or as an asset that can be monetised.

Ntaka Hill is currently held under a retention licence that expires on 21 April 2020, providing the Company with the opportunity to await improvement in the nickel price, should an appropriate transaction not present itself.

DIVIDENDS

Up until the date of this report, no dividend has been declared or paid by the Company.

STRATEGY

The Group's strategy is to maximise shareholder value through conducting further exploration at the Kishugu and Naujombo Gold Prospects, completing a transaction on the Ntaka Hill Nickel Project at the appropriate time and identifying opportunities for low cost exploration on other tenements held by the Company in the region.

Kishugu and Naujombo Gold Prospects

Kishugu and Naujombo are both individually significant gold anomalies with impressive gold in soils assay results and outstanding geophysical characteristics that warrant further exploration.

Ntaka Hill Nickel Sulphide Project

Based on a remodelling of the existing nickel resource at Ntaka Hill, Fig Tree's analysis has demonstrated the potential for a smaller scale, high-grade operation.

Regional Exploration

The Company's focus is primarily on the exploration of Kishugu and Naujombo, however a large body of high quality datasets collected over many years provides an opportunity for targeted exploration at other tenements held by the Company in the region.

Fundamental to the Group delivering on its strategy is a culture of safety first and a commitment to a safe workplace. The Group places a heavy focus on continually improving underlying safety performance. Contractors and employees, irrespective of their position, are empowered to challenge any colleague if they believe safety is being compromised.

Directors' Report

Risks and issues that may impact on the Group achieving its strategy are set out below.

BUSINESS RISKS AND ISSUES THAT AFFECT ACHIEVEMENT OF STRATEGY

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board. The Board believes that it is crucial for all Directors to be a part of this process.

Certain of the Group's operations are speculative due to the nature of the Group's business, the locations in which it operates and the present stage of development of some of the Group's assets. The Group's most significant risks are considered to comprise the following.

Exploration and development of resources / reserves

It is important to note that the mineral tenements of the Group are at various stages of exploration and potential investors should understand that mineral exploration and development are high-risk undertakings. There can be no assurance that exploration of the tenements currently held by the Group, or any other tenements that may be acquired in the future by the Group, will result in the discovery of an economic mineral deposit. Furthermore, no assurances can be given that the Group will achieve commercial viability through the successful exploration and / or mining of its tenement interests.

There can be no assurance that exploration of these licences, or any other licences that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The future exploration activities of the Company may be affected by a wide range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, tribal and traditional ownership processes, changing government regulations and many other factors beyond the control of the Company.

The success of the Company will also depend on the Company having access to sufficient development capital to allow for progressing exploration opportunities towards mining operations, being able to maintain title to its licences and obtaining all required approvals for its activities. In the event that exploration programmes prove to be unsuccessful, this could lead to a diminution in the value of the licences, a reduction in the base reserves of the Company and possible relinquishment of the licences.

The exploration and development costs of the Company are based on certain assumptions with respect to method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially affect the Company's viability.

The Group's ability to grow and to maximise shareholder value for the long term is heavily dependent on its ability to convert its exploration prospects into the development of new mining operations. The focus of development in the short term is on the Chilalo Graphite Project and while the Group is confident in its ability to carry out the work required to allow for development of Chilalo, there remains a risk this will not be achieved, as is normal with these types of projects.

Operating risks

The operations of the Group may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in exploration and development, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

Political risk

The Company carries out exploration in Tanzania, which has national and regional political jurisdictions. No assurances can be given that exploration activities in Tanzania will continue to be supported by current or future governments.

Commodity price risk and exchange rate risk

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of product exposes the potential income of the Company to commodity prices and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand for minerals, technological advancements, forward selling activities and other macro-economic factors.

The prices of various services can be denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

Directors' Report

Liquidity risks and future financings

The further development and exploration of the various mineral licences in which the Group holds interests depend upon the Company's ability to obtain financing through debt financing, equity financing, joint ventures or other means. There is no assurance that the Group will be successful in obtaining required financing as and when needed.

Any additional equity financing may be dilutive to shareholders, may be undertaken at lower prices than the current market price or may involve restrictive covenants which limit the Company's operations and business strategy. Debt financing, if available, may involve restrictions on financing and operating activities.

Although the Directors believe that additional capital can be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and this could have a material adverse effect on the Company's activities and could affect the Company's ability to continue as a going concern.

The Company may undertake additional offerings of shares and of securities convertible into shares in the future. The increase in the number of shares issued and outstanding and the possibility of sales of such shares may have a depressive effect on the price of shares. In addition, as a result of such additional shares, the voting power of the Company's existing shareholders will be diluted.

Environmental risks

The current and proposed exploration and development activities of the Company are subject to Tanzanian laws and regulations concerning the environment. As with most exploration and development projects, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds.

Title risks

The Group's interest in tenements in Tanzania are governed by the country and state legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to, or its interest in, tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments as and when they arise.

Joint Venture Parties, Agents and Contractors

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party. Further, the Company is unable to predict the risk of insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity. The effects of such failures may have an adverse effect on the Company's operations.

Logistics and infrastructure

The Company's exploration and development projects in Tanzania are subject to logistical risk of a long supply line and lack of nearby engineering and other support facilities. They are located in remote areas of southern Tanzania which lack basic infrastructure, including sources of power, water, housing, food and transport.

Owing to a shortage of skilled local personnel, the Company engages expatriate workers to perform certain functions in Tanzania. In order to develop any of its exploration properties, the Company will need to establish the facilities and material necessary to support operations in the remote locations in which they are situated. The remoteness of the properties will also affect the potential viability of mining operations, as the Company will also need to establish more significant sources of power, water, physical plant and transport infrastructure in the area. The lack of availability of such sources may adversely affect mining feasibility and may, in any event, require the Company to arrange significant financing, locate adequate supplies and obtain necessary approvals from national regional governments, none of which can be assured.

Estimation of Mineral Resources and Ore Resources

There is a degree of uncertainty to the estimation of Mineral Resources and Ore Reserves and corresponding grades being mined or dedicated to future production. Until Mineral Resources or Ore Reserves are actually mined and processed, the quantity of Mineral Resources and Ore Reserves must be considered as estimates only. In addition, the grade of Mineral Resources and Ore Reserves may vary depending on, among other things, metal prices. Any material change in quantity and grades of Mineral Resources, Ore Reserves, or stripping ratio may affect the economic viability of the properties. In addition, there can be no assurance that metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Fluctuation in nickel and other base, industrial or precious metals prices, results of drilling, metallurgical testing and the evaluation of mine plans subsequent to the date of any estimate may require revision of such estimate. Any material reductions in estimates of Mineral Resources and / or Ore Reserves, could have a material adverse effect on the Company's financial condition.

Directors' Report

Termite Resources NL Liquidation

Refer to Note 17.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant or material changes to the Company's state of affairs not otherwise disclosed in this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to year end, the Company completed the placement of 7,843,303 shares to raise \$0.88 million after costs and the issue of 4,166,663 shares under a Share Purchase Plan to raise \$0.50 million after costs. On 8 September 2016, the Company also received \$0.41 million (after lodgement costs) from a Research and Development rebate.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the opinion of the Directors, there is nothing else to report, except as reported in the Directors' Report, which relates to likely developments in the operations of the Group and the expected results of those operations in financial years subsequent to 30 June 2016.

ENVIRONMENTAL REGULATION

The Group's exploration and development activities and those of its partners are subject to environmental regulations and guidelines applicable to the tenements on which such activities are carried out. Failure to meet environmental conditions attaching to the Group's exploration tenements could lead to forfeiture of those tenements. The Group is committed to achieving a high standard of environmental performance. No environmental breaches have occurred or have been notified by any Government agencies during the year ended 30 June 2016.

UNLISTED SECURITIES

	Performance rights	Share appreciation rights	Other unlisted options	Replacement options
Balance at 1 July 2015	16,218,654	29,654,100	12,795,847	320,000
Issued during the year	-	-	56,200,634	-
Cancelled or lapsed during the year	(1,633,689)	(29,654,100)	(38,685,516)	(320,000)
Reduction due to share capital consolidation	-	-	(19,959,580)	-
Exercised during the year	(14,584,965)	-	(9,991,385)	-
Balance at 30 June 2016	-	-	360,000	-
Issued subsequent to year-end	-	-	318,066	-
Expired subsequent to year-end	-	-	-	-
Total number on issue at the date of this report	-	-	678,066	-

On 21 June 2016, the Company completed a capital consolidation with shares and securities, including those outstanding in the table above as at that date, being consolidated on a ratio of 50:1. The consolidation was approved by the Company's shareholders at an Extraordinary General Meeting held on 20 April 2016. By reducing the number of the Company's securities on issue by a ratio of 50:1 it also has the effect of increasing the exercise price of outstanding options (see table below) increases. Exercise prices and number of options outlined below are post-consolidation exercise prices and number of options.

Directors' Report

The balances of Performance Rights, Options and Share Appreciation Rights on issue at the date of this report are comprised of the following:

Number	Grant Date	Exercise Price	Expiry Date
Unlisted Options			
100,000	29 December 2014	\$0.75	29 December 2016
30,000	11 March 2015	\$0.50	11 March 2017
120,000	17 September 2015	\$0.50	17 July 2017
100,000	17 September 2015	\$1.40	17 September 2018
318,066	22 July 2016	nil	22 July 2019
678,066			

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Article 74.1 of the Indiana Constitution allows the Company to indemnify each Director or Officer of the Company, to the extent permitted by law, against liability incurred in or arising out of the conduct of the business of the Company or the discharge of the duties of the Directors or Officers.

The Group has granted indemnities under Deeds of Indemnity with its current Directors and Officers. In conformity with Article 74.1, each Deed of Indemnity indemnifies the relevant Director or Officer to the full extent permitted by law. Where applicable, each Deed of Indemnity indemnifies the relevant Director, Officer or employee to the fullest extent permitted by law for liabilities incurred whilst acting as a Director, Officer or employee of Indiana, any of its related bodies corporate and any outside entity, where such an office is held at the request of the Company.

The Group has a policy that it will, as a general rule, support and hold harmless an employee who, while acting in good faith, incurs personal liability to others as a result of working for the Group.

No indemnity has been granted to an auditor of the Group in their capacity as auditors of the Group.

During the financial year, the Group paid insurance premiums (inclusive of fees and charges) in respect of Directors' and Officers' liability insurance in line with industry norms. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against Officers in their capacity as Officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the Officers or the improper use by the Officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company.

It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

PROCEEDINGS ON BEHALF OF THE GROUP

At the date of this report, there are no leave applications or proceedings brought on behalf of the Group under section 237 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 19 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Directors' Report

The directors are of the opinion that the services as disclosed in note 19 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

ROUNDING OF AMOUNTS

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/91, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

AUDITOR INDEPENDENCE

The Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2016 forms part of this financial report and is set out immediately after this directors' report.

COMPETENT PERSONS

Information relating to exploration results at the Kishugu and Naujombo Gold Prospects, located on the Company's tenement package in south-east Tanzania, is based on data collected under the supervision of Mr Nick Corlis, in his capacity as Executive Director–Exploration and General Manager–Technical. Mr Corlis, BSc (Hons) MSc, is a registered member of the Australian Institute of Geoscientists and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and the activity being undertaken to qualify as a Competent Person in terms of the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (**JORC 2012**). Mr. Corlis has verified the data underlying the information contained in this announcement and approves and consents to the inclusion of the data in the form and context in which it appears.

The Mineral Resource estimate for Ntaka Hill was prepared in accordance with JORC 2012 by Cube Consulting Pty Ltd of Perth, Western Australia under the supervision of Patrick Adams, B.Sc., Grad Cert. Geostats, CP (GEO), Principal Consulting Geologist and by Roscoe Postle Associates Inc. of Toronto (**Roscoe Postle**), under the supervision of Chester Moore, P. Eng., P. Geo., Principal Geologist. Mr Adams is a registered member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists and has sufficient relevant experience to qualify as a Competent Person under JORC 2012. Mr Adams has verified the data underlying the information contained in this report and reviewed the information prepared by Roscoe Postle and approves and consents to the inclusion of the data in the form and context in which it appears.

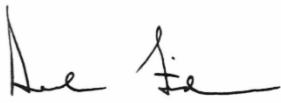
ORE RESERVES AND MINERAL RESOURCES GOVERNANCE

The Company reviews its Mineral Resources estimates on an annual basis. The Annual Statement of Mineral Resources (see Review of Operations) is based on and fairly represents, information and supporting documentation prepared by competent persons as explained above and is prepared in accordance with JORC 2012 and the ASX Listing Rules.

Competent Persons named by the Company are members of the Australian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists, and qualify as Competent Persons as defined under JORC 2012.

The Company engages external consultants and Competent Persons to prepare and calculate estimates of its Mineral Resources. These estimates and underlying assumptions are reviewed by the Directors and management for reasonableness and accuracy. The results of the Mineral Resources estimates are then reported in accordance with JORC 2012 and the ASX Listing Rules. Where material changes occur during the period to a project, including the project's size, title, exploration results or other technical information, previous resource estimates and market disclosures are reviewed for completeness. The Company reviews its Mineral Resources as at 30 June each year and where a material change has occurred in the assumptions or data used in previously reported Mineral Resources, a revised estimate will be prepared as part of the annual review process.

Directors' Report

A handwritten signature in black ink, appearing to read 'Derek Fisher', with a stylized flourish at the end.

Derek Fisher
Chairman of the Board
PERTH
On the 29th day of September 2016

Remuneration Report

Glossary of key terms

Key terms and abbreviations used in the Directors' Report and Remuneration Report as they apply to the Group are set out below.

Term	Definition
AGM	Annual General Meeting of the Company's shareholders.
ARMC	Audit and Risk Management Committee of the Board.
Approvals Framework	A policy that defines the limits of authority designated to nominated positions of responsibility within the Group and establishes the type and maximum amount of obligations that may be approved.
Board	The Board of Directors of the Group.
Board Committee	A committee of the Board.
CEO	The Chief Executive Officer of the Group.
Corporations Act	An act of the Commonwealth of Australia to make provision in relation to corporations and financial products and services and other purposes.
Director	A Director of Indiana Resources Limited.
Executives	The current and former Managing Directors, and Group Executives are collectively referred to as Executives.
Indiana Shares	A fully paid ordinary share in the capital of the Company.
Key Management Personnel (KMP)	Persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.
KPI	Key Performance Indicator
Long-term Incentive (LTI)	A remuneration arrangement which grants benefits to participating employees that may vest if, and to the extent that, performance hurdles are met over a designated period of time.
NRC	Nomination and Remuneration Committee of the Board.
Performance Rights	Rights to acquire an Indiana Share with no payment by the recipient if relevant performance hurdles are met.
Share Appreciation Right	A right granted to an employee with an entitlement on vesting to reward of a payment equal to the difference between the Share Price at exercise and the Share Price at grant. The Company proposes to settle Share Appreciation Rights with the issue of Indiana Shares.
Short-term Incentive (STI)	A remuneration arrangement which grants benefits to participating employees that may vest if, and to the extent that, performance hurdles are met over a period of time not longer than 12 months.
Total Fixed Remuneration	Consists of base salary plus employer contributions to superannuation.

Remuneration Report

REMUNERATION REPORT (AUDITED)

The Directors of Indiana present the Remuneration Report for the Group for the financial year ended 30 June 2016. This Remuneration Report forms part of the Directors' Report and has been prepared in accordance with the disclosure requirements of the *Corporations Act 2001*.

At the commencement of the period, the Board determined that owing to its size and composition, and the scale of the Company's activities, it was not appropriate to have a Nomination and Remuneration Committee of the Board. As a result, the NRC was dissolved and responsibility for remuneration and performance of key management personnel (**KMP**) is now the responsibility of the Board.

1.0 Details of key management personnel

This Remuneration Report sets out information relating to the remuneration of the KMP of the Group during the 2016 financial year. KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company and Group, directly or indirectly. The KMPs include the persons who were the Non-Executive Directors, Managing Director and Executives of the Company during the 2016 financial year (or part of the 2016 financial year), as set out below.

Name	Position	Details if changed position during 2016 financial year
Campbell Baird	Managing Director	Appointed 15 June 2016
Philip Hoskins	Managing Director	Resigned 14 June 2016
Nicholas Corlis	Executive Director Exploration	Resigned 14 June 2016
Stuart McKenzie	Commercial Manager and Company Secretary	Resigned 9 June 2016

Mr Baird commenced as Managing Director on 15 June 2016, however between 1 March 2016 and 15 June 2016 he acted as a consultant to the Company. Details of his annual remuneration package is outlined in section 4.0 of this Remuneration Report.

As outlined in the Review of Operations the Group demerged its wholly owned subsidiary and its subsidiaries during the year as part of the sale of six graphite tenements including the Chilalo Graphite Project. As part of the demerger and spin-out arrangements all Executives including Mr Hoskins, Mr Corlis and Mr McKenzie resigned from the Group and were employed by Graphex. Graphex and the Group have entered into a Co-operation Agreement whereby Indiana shares the services of several staff including Mr Corlis and Mr McKenzie. The Co-operation Agreement remains in effect until June 2017, however may be extended or terminated with the agreement of both parties. Therefore, although Mr Corlis and Mr McKenzie have resigned from the Group, they remain as KMP at year end in a contract capacity.

Non-Executive Directors during 2016 financial year

Name	Position	Details if changed position during 2016 financial year
Derek Fisher	Chairman	N/A
Bruce McFadzean	Director	N/A

2.0 Overview of approach to remuneration

The Group's approach to remuneration is designed to attract and retain key executive talent, recognise the individual contributions of the Group's people, and motivate them to achieve strong performance aligned to our business strategy, whilst discouraging excessive risk taking.

In summary, the Group's approach to remuneration is to:

- Provide remuneration that is competitive and consistent with market standards;
- Align remuneration with the Company's overall strategy and shareholder interests;
- Reward superior performance within an objective and measurable incentive framework;
- Ensure that Executives understand the link between individual reward and Group and individual performance; and
- Apply sufficiently flexible remuneration practices that enable the Company to respond to changing circumstances.

Remuneration Report

All entitled KMP's remuneration is comprised of the following:

- Fixed:
 - contractual salary
 - legislated superannuation guarantee (9.5% of gross salary for 2016)
- At risk component:
 - STI's – described further in 3.1
 - LTI's – described further in 3.2

2.1 Nomination and Remuneration Committee

The NRC held its final meeting on 29 June 2015. All responsibilities formerly performed by the NRC were discharged by the Board during the year.

2.2 Use of remuneration consultants

In performing its role, the Board seeks advice from independent remuneration consultants where appropriate, to make recommendations as to the nature and amount of remuneration payable to KMPs. Remuneration consultants are engaged by, and report directly to, the Board. In 2016, the Board did not engage an independent remuneration consultant to review the Company's entire remuneration structure as a comprehensive review was performed in 2014. The Board is of the opinion that current remuneration levels remain relevant and within industry norms.

3.0 Performance based remuneration

The Company considers performance based remuneration to be a critical component of the overall remuneration framework, by providing a remuneration structure that rewards employees for achieving goals that are aligned to the Group's strategy and objectives.

3.1 Short-term performance

The STI scheme operates to link performance and reward with key measurable financial and non-financial performance indicators to provide employees with clear and understandable targets that are aligned with the Group's objectives.

During the 2016 financial year, the applicable performance indicators related to the following areas of the Group's activities, performance against which determines STI outcomes:

- Safety results at the Group's exploration projects;
- Growth through exploration success;
- Growth through project development;
- Capacity to finance the Group's strategy;
- Productivity, with a focus on maximising the efficiency of activities; and
- Governance, risk management and compliance.

The Board sets the objectives of the Managing Director and these are then cascaded down through the organisation to ensure alignment of objectives. The STI performance objectives are communicated to Executives and eligible employees at the beginning of the twelve month performance period, with performance evaluations conducted following the end of the respective twelve month performance period. For the 2016 financial year, performance evaluations were conducted in June 2016 and awards under the STI scheme were approved for issue prior to year end. All awards under the STI scheme are equity settled.

3.2 Long-term performance

The remuneration structure also seeks to drive executive performance through the award of equity based remuneration as long-term incentives in a manner which is aligned with shareholder interests. A structured LTI scheme based on equity based remuneration of KMPs and other senior employees is in place. Vesting criteria for LTI awards include various performance hurdles, such as share price targets, which ensures that vesting only occurs where shareholder returns have increased.

Remuneration Report

4.0 Managing Director and Executive remuneration and employment arrangements

4.1 Managing Director remuneration

Mr Baird was appointed as Managing Director on 15 June 2016. The terms of his contract were set by the Board and are set out in section 4.2.

Prior to being appointed as managing Director Mr Baird acted as a consultant of the Company. Under an associated contract arrangement, Mr Baird was paid \$35,250.

Details of Mr Baird's remuneration are shown in section 6.0.

Previous Managing Director

Mr Hoskins's resigned from the Board on 14 June 2016. The contract terms in his capacity as Managing Director are set out in section 4.2.

4.2 Executives and KMP during the period

The remuneration arrangements for Executives are formalised in employment contracts. These contracts provide for the payment of annual fixed remuneration and for the participation, at the Board's discretion, in the STI scheme and LTI scheme.

The key terms of employment contracts for current Executives for the 2016 financial year are set out below:

Name	Term of Contract	Notice period by either party	Maximum STI opportunity	Maximum LTI opportunity	Base salary including superannuation
Campbell Baird ⁽¹⁾	Permanent	Twelve (12) weeks	67%	100%	\$164,250
Phillip Hoskins	Permanent	Twelve (12) weeks	10%	55%	\$244,980
Nick Corlis	Permanent	Twelve (12) weeks	10%	55%	\$225,000
Stuart McKenzie	Permanent	Twelve (12) weeks	10%	55%	\$189,000

⁽¹⁾ Base salary quoted is current as of the date of this report.

Any termination entitlements do not deliver windfall payments on termination that are unrelated to performance. The STI and LTI Policy states that subject to the Board's discretion, employees are not entitled to an award under the scheme where they cease employment (other than upon redundancy or a Change of Control event) or have given notice prior to the date on which STI awards are paid.

5.0 Non-Executive Director remuneration

Non-Executive Directors are paid fees at market rates for comparable companies in recognition of their contribution as Non-Executive Directors. The Board annually reviews the remuneration Non-Executive Directors and Non-Executive Directors may seek independent external advice as required. The annual fee for Non-Executive Directors remained fixed in 2015 and 2016.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the AGM and is currently set at \$500,000 (as approved by shareholders on 29 October 2008).

Non-Executive Directors fees for the 2016 financial year were set by the Board as follows:

	Chairman (\$ per year)	Non-Executive Director (\$ per year)
Base fee rate	72,000	49,500

The Board has determined that should a Non-Executive Director incur or be asked to incur excessive time in assisting the Executive team on specific matters, the Non-Executive Director is entitled to charge the Company for this additional time. If a Non-Executive Director is requested to perform such duties they must be approved by the Chairman and Managing Director. The Board has also agreed that payments to Non-Executive Directors for the provision of such services shall be on reasonable commercial terms.

Remuneration Report

Voting and comments made at the company's 2015 Annual General Meeting ('AGM')

At the 2015 AGM, 95% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2015. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Additional information

The loss of the Group for the five years to 30 June 2016 are summarised below:

	2016	2015	2014	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	293	4,200	189	193,568	190,825
EBITDA	(23,417)	(5,361)	(11,593)	(4,862)	(12,302)
EBIT	(23,626)	(5,600)	(15,603)	(25,210)	(16,504)
Loss after income tax	(22,792)	(5,696)	(23,230)	(27,458)	(17,760)

The factors that are considered to affect total shareholders return are summarised below:

Share price at financial year end (\$) *	0.115	0.012	0.022	0.060	0.180
Total dividends declared (cents per share)	-	-	-	-	-
Basic loss per share (cents per share)	(1.81)	(0.93)	(5.00)	(7.00)	(8.00)

*The share price is based on post consolidation basis of 50:1

Remuneration Report

6.0 Total Rewards Table: 2016 financial year

	Short Term		Post-Employment	Bonus (one off payments)	Termination	Share Based Payments (SBP) ⁽⁶⁾	Total
	Salary & Fees	Non-Monetary	Super				
	\$	\$	\$	\$	\$	\$	\$
Directors							
D Fisher	72,000	-	-	-	-	56	72,056
B McFadzean	49,500	-	-	-	-	-	49,500
C Baird ^{(1) (5)}	6,250	-	594	-	-	-	6,844
N Corlis ^{(2) (4)}	188,551	-	17,699	-	-	(1,523)	204,727
P Hoskins ^{(2) (4)(7)}	206,866	-	17,699	-	-	(27,351)	197,214
Other key management personnel							
S McKenzie ^{(3) (4)}	147,565	-	25,000	-	-	(11,898)	160,667
Total	670,732	-	60,992	-	-	(40,716)	691,008

⁽¹⁾ Mr Baird was appointed on 15 June 2016

⁽²⁾ Mr Corlis resigned on 14 June 2016

⁽³⁾ Mr McKenzie resigned on 9 June 2016

⁽⁴⁾ The share based payments of the three executives comprise three components: grant of Performance Rights, Share appreciation rights and cashless options under the STI scheme that vest subject to performance against agreed KPIs.

⁽⁵⁾ Mr Baird's participation will be subject to shareholder approval at the next Annual General Meeting.

⁽⁶⁾ These equity-settled share based payments include negative amounts for options and rights forfeited during the year.

⁽⁷⁾ Mr Hoskins was appointed on 20 October 2015 and resigned on 14 June 2016

Remuneration Report

7.0 Total Rewards Table: 2015 financial year

	Short Term	Post-Employment	Bonus (one off payments)	Termination	Share Based Payments (SBP)	Total
	Salary & Fees	Non-Monetary	Super			
	\$	\$	\$	\$	\$	\$
Directors						
D Fisher	72,000	-	-	-	9,586	81,586
B McFadzean ⁽¹⁾	12,375	-	-	-	-	12,375
J Nitschke ⁽²⁾	15,125	-	-	-	-	15,125
K Benda ⁽³⁾	42,226	-	1,260	-	5,532	49,018
G Sutherland ⁽⁴⁾	131,074	1,176	6,250	-	-	138,500
R Sun ⁽⁵⁾	21,975	-	2,088	-	-	24,063
N Corlis ^{(6) (8)}	212,467	-	18,783	-	64,145	295,395
Other key management personnel						
P Hoskins ⁽⁸⁾	214,267	5,302	18,783	50,000	127,479	415,831
S McKenzie ⁽⁸⁾	119,178	5,328	11,322	-	175,094	310,922
S Watkins ⁽⁷⁾	103,403	762	3,131	120,000	45,933	273,229
Total	944,090	12,568	61,617	170,000	45,933	381,836
						1,616,044

⁽¹⁾ Mr McFadzean joined the Company on 30 March 2015.

⁽²⁾ Mr Nitschke resigned on 31 July 2014.

⁽³⁾ Ms Benda resigned on 30 March 2015.

⁽⁴⁾ Mr Sutherland resigned on 30 September 2014.

⁽⁵⁾ Mr Sun resigned on 15 December 2014.

⁽⁶⁾ Mr Corlis commenced employment on 22 April 2014.

⁽⁷⁾ Mr Watkins ceased employment on 29 August 2014. The bonus amount related to a clause in Mr Watkins employment contract where it was agreed to defer the change of control bonus he was due when IMX Resources Limited acquired Continental Nickel in 2012 until the earlier of the completion of a Ntaka Hill feasibility study or 30 June 2015.

⁽⁸⁾ The share based payments of the three executives at year end comprise three components: (i) grant of Performance Rights under the STI scheme that vest subject to performance against agreed KPIs as described in Note 4 of the Remuneration Report; (ii) an adjustment in the cash / equity mix of Executive compensation whereby cash salaries were reduced by 10% and Performance Rights granted for an equivalent value; (iii) the grant of Performance Rights for a further reduction in cash salary as elected by Mr Hoskins and Mr McKenzie.

Remuneration Report

8.0 Equity based compensation and holdings

As part of the remuneration policy, the Company may, at the determination of the Board, grant equity based compensation to KMPs and Group employees. Securities and derivatives granted under the previous Performance Rights, Share Appreciation Rights and the current Option Plan carry no dividend or voting rights and when vested are converted into Indiana Shares in accordance with the terms and conditions of the applicable plan.

During the 2016 financial year, only Options were granted to Group employees as equity based compensation. There were no alterations to the terms and conditions of previously granted Performance Rights, Share Appreciation Rights and Options. Details of vesting profiles of the Performance Rights, SARs and Options granted as remuneration to each KMP are shown below.

Remuneration Report

2016		Balance at the start of the period		Vested			Forfeited			Balance at end of period	
Name and Grant dates	Type of security	Unvested	Granted as compensation	Number	%	Exercised	Number	%	Other changes	Vested	Unvested
D Fisher											
30-Sept-14	Performance rights	450,369	-	(450,369)	100	(450,369)	-	-	-	-	-
P Hoskins											
30-Sept-14	Performance rights	4,695,944	-	(4,139,942)	88	(4,139,942)	(556,002)	12	-	-	-
16-May-14	SAR	11,024,100	-	-	-	-	(11,024,100)	100	-	-	-
21-Apr-16	Cashless options	-	4,454,182	(2,316,793)	52	(2,316,793)	(2,137,389)	48	-	-	-
N Corlis											
30-Sept-14	Performance rights	3,096,287	-	(2,585,631)	84	(2,585,631)	(510,656)	16	-	-	-
26-Nov-14	SAR	10,125,000	-	-	-	-	(10,125,000)	100	-	-	-
02-Dec-15	Cashless options	-	4,090,910	(2,047,060)	50	(2,047,060)	(2,043,850)	50	-	-	-
02-Dec-15	Zero exercise price options	-	10,125,000	-	-	-	(10,125,000)	100	-	-	-
S McKenzie											
30-Sept-14	Performance rights	6,189,758	-	(5,760,807)	93	(5,760,807)	(428,951)	7	-	-	-
30-Sept-14	SAR	8,505,000	-	-	-	-	(8,505,000)	100	-	-	-
02-Dec-15	Cashless options	-	4,603,030	(2,863,571)	62	(2,863,571)	(1,739,459)	38	-	-	-
02-Dec-15	Zero exercise price options	-	8,505,000	-	-	-	(8,505,000)	100	-	-	-

As at year end and the date of this report there were no outstanding Performance Rights, Share Appreciation Rights (SAR) or Options to Directors and Key Management Personnel.

Remuneration Report

Fully Paid Shares						
	Balance 1 July 2015	Issued	Other Changes	Capital consolidation 50:1⁽¹⁾	Balance on appointment/ resignation	Balance 30 June 2016
Specified Directors:						
D Fisher	-	9,617,035	-	(9,424,694)	-	192,341
B McFadzean	-	-	4,666,667	(4,573,334)	-	93,333
C Baird	-	-	-	-	-	-
P Hoskins	3,611,019	6,456,735	1,072,886	- ⁽²⁾	(11,140,640)	-
N Corlis	-	4,632,691	1,366,617	(5,879,322)	-	119,986 ⁽³⁾
Total	3,611,019	20,706,461	7,106,170	(19,877,350)	(11,140,640)	405,660
Specified Executives:						
S McKenzie	155,000	8,624,400	-	(8,603,812)	-	175,588 ⁽³⁾
Total	155,000	8,624,400	-	(8,603,812)	-	175,588

⁽¹⁾ On 21 June 2016, the Company completed a consolidation of its share capital on a 50:1 ratio.

⁽²⁾ Resigned before share consolidation date.

⁽³⁾ Although Mr Corlis and Mr McKenzie have resigned from the Group, they remain as KMP at year end in a contract capacity under the Co-Operation Agreement.

Remuneration Report

9.0 Other transactions with key management personnel and their related parties

i) Receivable from and payable to key management personnel and their related parties are as follows:

The following balances are outstanding at the reporting date in relation to transactions with key management personnel and their related parties:

	30 June 2016
	\$
Director's fee payable to Campbell Baird	11,100
Director's fee payable to Bruce McFadzean	12,375
Director's fee payable to Trillium Consulting ^[1]	6,000
Total payable to during the year	29,475

^[1] Derek Fisher is a director of this company.

ii) Transactions with key management personnel and their related parties

Mr B McFadzean is the Managing Director for Sheffield Resources, a business that sublets one of the Company's offices. The total rental income received from Sheffield Resources in the financial year ended 2016 was \$136,756.

Prior to being appointed as Managing Director, Mr C Baird acted as a consultant of the Company. Under an associated contract arrangement, Mr C Baird was paid \$35,250.

iii) Loan with key management personnel and their related parties

There is no loan with key management personnel and their related parties noted during the year.

10.0 Analysis of bonuses included in remuneration

During the financial year, there was no payment of bonuses in cash or otherwise.

END OF AUDITED REMUNERATION REPORT

CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement, which sets out the Company's approach to corporate governance and the extent to which it has followed the ASX Corporate Governance Principles and Recommendations (3rd edition), is available on the Company's website at www.indianaresources.com.au.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

YEAR ENDED 30 JUNE 2016

Notes

2016
\$'0002015
\$'000**CONTINUING OPERATIONS**

Other income	2(a)	293	4,200
Business development		(289)	(1,053)
Corporate and administration expenses		(3,492)	(3,734)
Depreciation expense		(209)	(239)
Exploration expenses		(2,790)	(3,851)
Impairment of exploration and evaluation assets	7	(16,919)	-
Impairment of other assets		(154)	-
Other expenses	2(b)	(81)	(1,019)
LOSS BEFORE TAX		(23,641)	(5,696)
Income tax benefit	3(a)	849	-
NET LOSS FOR CONTINUING OPERATIONS		(22,792)	(5,696)

Other comprehensive income**Items that may be reclassified subsequently to profit or loss:**

Foreign exchange translation differences, net of tax		988	3,693
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		(21,804)	(2,003)

Net loss is attributable to:

Owners of Indiana Resources Limited		(22,792)	(5,696)
Non-controlling interest		-	-
		(22,792)	(5,696)

Total comprehensive loss is attributable to:

Owners of Indiana Resources Limited		(20,863)	(1,718)
Non-controlling interest	13	(941)	(285)
		(21,804)	(2,003)

Loss per share attributable to owners of the Company:

Basic loss per share (cents)	18	(1.81)	(0.93)
Diluted loss per share (cents)	18	(1.81)	(0.93)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Financial Position

AT 30 JUNE 2016

	Notes	2016 \$'000	2015 \$'000
CURRENT ASSETS			
Cash and cash equivalents	4	685	1,745
Trade and other receivables	6	1,458	1,020
TOTAL CURRENT ASSETS		2,143	2,765
NON-CURRENT ASSETS			
Exploration and evaluation expenditure assets	7	6,700	27,710
Property, plant and equipment	8	337	722
TOTAL NON-CURRENT ASSETS		7,037	28,432
TOTAL ASSETS		9,180	31,197
CURRENT LIABILITIES			
Trade and other payables	9	878	1,611
Provisions	10(a)	167	500
TOTAL CURRENT LIABILITIES		1,045	2,111
NON-CURRENT LIABILITIES			
Provisions	10(b)	-	303
TOTAL NON-CURRENT LIABILITIES		-	303
TOTAL LIABILITIES		1,045	2,414
NET ASSETS		8,135	28,783
EQUITY			
Contributed equity	11	7,484	126,399
Reserves	12(a)	4,767	5,201
Retained earnings	12(b)	(5,055)	(107,044)
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		7,196	24,556
Non-controlling interest	13	939	4,227
TOTAL EQUITY		8,135	28,783

The above Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2016

	Contributed Equity	Foreign Currency Translation Reserve	Share Based Equity Reserve	Other Equity Reserve	Retained Earnings	Non- Controlling Interests	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014	120,336	36	5,268	-	(101,348)	2	24,294
Total comprehensive income for the year							
- Loss for the year	-	-	-	-	(5,696)	-	(5,696)
- Foreign exchange translation differences	-	3,408	-	-	-	285	3,693
Total comprehensive income 30 June 2015	-	3,408	-	-	(5,696)	285	(2,003)
Transactions with owners in their capacity as owners:							
- Issue of shares net of transaction costs	6,063	-	-	-	-	-	6,063
- Employee share based payments	-	-	400	-	-	-	400
- Contractor share based payments	-	-	29	-	-	-	29
- Equity attributed to minority interest	-	-	-	(3,940)	-	3,940	-
Balance at 30 June 2015	126,399	3,444	5,697	(3,940)	(107,044)	4,227	28,783
Total comprehensive income for the year							
- Loss for the year	-	-	-	-	(22,792)	-	(22,792)
- Foreign exchange translation differences	-	1,275	-	-	-	(287)	988
Total comprehensive income 30 June 2016	-	1,275	-	-	(22,792)	(287)	(21,804)
Transactions with owners in their capacity as owners:							
- Issue of shares net of transaction costs	4,956	-	-	-	-	-	4,956
- Capital reduction	(119,981)	-	-	-	119,981	-	-
- In-specie distribution of shares to shareholders	(4,000)	-	-	-	-	-	(4,000)
- Liability extinguished via share issue	110	-	-	-	-	-	110
- Options reserve transferred to retained earnings	-	-	(4,800)	-	4,800	-	-
- Employee share based payments	-	-	35	-	-	-	35
- Contractor share based payments	-	-	55	-	-	-	55
- Equity attributed to minority interest	-	-	-	3,001	-	(3,001)	-
Balance at 30 June 2016	7,484	4,719	987	(939)	(5,055)	939	8,135

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2016

	Notes	2016 \$'000	2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(3,988)	(3,070)
Interest and other receipts		260	297
Receipt of research and development rebate		390	-
Payment of exploration expenditure		(3,648)	(6,426)
Net cash outflow from operating activities	14	(6,986)	(9,199)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant & equipment		(27)	(56)
Proceeds from sale of property, plant and equipment		-	50
Partial sale of interest in exploration asset		-	2,588
Proceeds from the sale of tenement		1,000	3,680
Net cash inflow from investing activities		973	6,262
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares in Indiana Resources		5,390	6,524
Direct costs of equity issues		(434)	(463)
Repayment of loan		-	(3,000)
Finance costs		-	(96)
Net cash inflow from financing activities		4,956	2,965
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(1,057)	28
Opening cash and cash equivalents		1,745	1,726
Effect of foreign exchange movement on cash		(3)	(9)
CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD	4	685	1,745

The above Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

30 JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements as at and for the year ended 30 June 2016 comprise Indiana Resources Limited (**Indiana** or the **Company**) and its subsidiaries (together referred to as the **Group** and individually as **Group entities**) and the Group's interest in associates and jointly controlled entities. Disclosures relating to the Company are included at Note 15 to these financial statements.

Indiana is a for-profit company domiciled in Australia, with its registered address at Suite 4, Level 1, 2 Richardson Street, West Perth, Australia. The Group is primarily involved in the exploration for minerals.

This financial report was authorised for issue in accordance with a resolution of the Directors on 29 September 2016.

(a) BASIS OF PREPARATION

(i) Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board.

(ii) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for share based payments (see Note 24).

(iii) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(iv) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are detailed at Note 1(b) below.

(v) Changes in accounting policies

All mandatory new Accounting Standards and Pronouncements effective for financial years commencing 1 July 2015 were adopted in full by the Group.

None of the standards that applied for the first time materially changed the accounting policies or disclosure of the Group.

(vii) Accounting policies available for early adoption not yet adopted

A number of new standards and interpretations are effective for annual periods beginning after 1 July 2015 and have not been applied in preparing this financial report. The Group does not plan to adopt these standards early and the extent of the impact has not been determined.

Notes to the Financial Statements

30 JUNE 2016

Reference	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9 Financial Instruments	AASB 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published.	1 January 2018	The application of the standard at the operative date is not expected to have a significant impact on the Group's accounting for financial assets and liabilities.	1 January 2018
AASB 15 Revenue from Contracts with Customers	The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.	1 January 2018	The application of the standard is not expected to have a significant impact on the Group as it does not currently generate revenue.	1 January 2018
AASB 16 Leases	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.	1 January 2019	At this stage, the Group is not able to estimate the effect of the new rules on the Group's financial statements. The Group will make a more detailed assessment of the impact over the next twelve months.	1 January 2019

(b) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant Notes to the financial statements.

Critical accounting estimates and assumptions

(i) Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent upon a number of factors.

Factors that could impact future recoverability include the level of reserves and resources future technological changes which could impact the cost of mining, future legal changes (including changes to environment restoration obligations) and changes to commodity prices and foreign exchange rates.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which the determination is made.

(ii) Income tax, deferred tax assets and liabilities

The Group is subject to income taxes of Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is not certain. The Group recognises provision for potential tax issues based on estimates of amounts that were initially recorded. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax position in the period in which the determination is made.

Notes to the Financial Statements

30 JUNE 2016

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits will be available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

Critical judgements in applying the Group's accounting policies

(i) Functional currency

An entity's functional currency is the currency of the primary economic environment in which the entity operates in accordance with accounting policy at Note 1(j). Determination of an entity's functional currency requires judgement when considering a number of factors including the currency that mainly influences sales prices, costs of production, and competitive forces and regulations. In addition, consideration must be given to the currency in which financing and operating activities are undertaken.

(c) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Indiana (the parent entity) as at 30 June 2016 and the results of all subsidiaries for the year ended. Indiana and its subsidiaries together are referred to in this financial report as the Group.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(ii) Investments in associates and jointly controlled entities (equity accounted investees)

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases.

(iii) Transactions eliminated on consolidation

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Financial Position respectively.

Investments in subsidiaries are accounted for at cost in the parent entity disclosures of Indiana Resources Limited, less impairment provisions.

(d) PROPERTY, PLANT AND EQUIPMENT

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and costs directly attributable to bringing the asset to a working condition for their intended use.

Notes to the Financial Statements

30 JUNE 2016

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation of plant and equipment is calculated on a straight line basis so as to write off the net costs of each asset over the expected useful life. The rates vary between 2% and 50% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(e) IMPAIRMENT

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

Costs arising from the acquisition of exploration and evaluation activities are carried forward where these activities have not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas of interest. Ongoing exploration activities are expensed as incurred.

The Directors believe that this policy results in the carrying value of exploration expenditure more appropriately reflecting the definition of an asset, being future benefits controlled by the Group.

All costs carried forward are in respect of areas of interest in the exploration and evaluation phases and accordingly, production has not commenced.

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, in particular when exploration for and evaluation of mineral resource in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the company has decided to discontinue such activities in the specific area.

Where tenements or part of an area of interest are disposed of, the proceeds of this partial disposal will reduce the value of the asset by the fair value of those proceeds. This recognises that part of the future economic benefit of the asset has effectively been disposed.

(g) OPERATING LEASES

Operating leases are not recognised in the Group's Consolidated Statement of Financial Position.

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

A provision for onerous lease contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected new cost of continuing the lease (refer to Note 1(l)).

(h) INCOME TAX

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable of the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Notes to the Financial Statements

30 JUNE 2016

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The Company and its wholly owned Australian resident entities are not part of a tax consolidated group.

(i) OTHER TAXES

Revenues, expenses and assets are recognised net of the amount of goods and services tax (**GST**) or value added tax (**VAT**), unless the GST / VAT incurred is not recoverable from taxation authorities. In this case it is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated inclusive of the amount of GST / VAT receivable or payable. The net amount of GST / VAT recoverable from, or payable to, taxation authorities is included with other receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows inclusive of GST / VAT. The GST / VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to, taxation authorities are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST / VAT recoverable from, or payable to, taxation authorities. The net of GST / VAT payable and receivable is remitted to the appropriate tax body in accordance with legislative requirements.

(j) FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional and presentation currency.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective financial currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss. However, foreign currency differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges are recognised in other comprehensive income.

Notes to the Financial Statements

30 JUNE 2016

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportion of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(k) ACCOUNTS PAYABLE

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost when the Group becomes obliged to make payments resulting from the purchase of goods and services. The amounts are non-interest-bearing, unsecured and are usually paid within 30 days of recognition.

(l) PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(m) EMPLOYEE BENEFITS

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid, inclusive of on costs, when the liabilities are settled. The expense for non-accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.

Long-term employee benefits

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payment transactions

The fair value of options previously granted under the Indiana Resources Limited Option Plan and equity instruments previously granted under the Indiana Resources Limited Performance Rights and Share Appreciation Rights Plan are recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value of the options at grant date is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Similarly, share appreciation rights are valued by using the same parameters in a Monte Carlo simulation.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity.

The fair value of these equity instruments does not necessarily relate to the actual value that may be received in future by the recipients.

Notes to the Financial Statements

30 JUNE 2016

(n) REVENUE RECOGNITION

Interest revenue is recognised as it accrues in profit or loss, using the effective interest method.

Revenue from sale of goods and disposal of assets is recognised when persuasive evidence, usually in the form of an executed sales agreement, or an arrangement exists, indicating there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable and collectability is reasonably assured. This is generally when title passes.

(o) TRADE AND OTHER RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(p) EARNINGS PER SHARE (EPS)

Basic earnings per share

Basic EPS is calculated as the profit / (loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) CASH AND CASH EQUIVALENTS

For the presentation of the Consolidated Statement of Cash Flow, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Consolidated Statement of Financial Position.

(r) FINANCIAL INSTRUMENTS

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

30 JUNE 2016

The Group classifies its financial assets in the following categories:

- Loans and receivables;
- Available-for-sale financial assets; and
- Cash and cash equivalents.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and in the case of assets classified as held-to-maturity investments, re-evaluates this designation at each reporting date.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The Group's investment in equity securities, excluding financial assets at fair value through profit or loss and investments accounted for using the equity method, are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised as a separate component of equity, net of related tax. Impairment losses are recognised in the profit or loss.

When an investment is derecognised, the cumulative gain or loss in equity is transferred to the consolidated statement of comprehensive income. Fair value is determined by reference to the quoted price at the reporting date.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and at call deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group classified non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise loans from related parties and trade and other payables.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(s) COMPARATIVE FIGURES

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(t) INTERESTS IN JOINT VENTURES

The Group's interest in unincorporated joint ventures and jointly controlled assets are brought to account by being included in the respective classifications, the share of individual assets employed, and liabilities and expenses incurred.

Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation and the expenses that the Group incurs and its share of the income that it earns from the joint operations.

(u) SEGMENT REPORTING

Segment results that are reported to the Group's Managing Director (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

(v) PARENT ENTITY INFORMATION

The financial information for the parent entity, Indiana Resources Limited, disclosed in Note 25 has been prepared on the same basis as the consolidated financial statements.

Notes to the Financial Statements

30 JUNE 2016

(w) ROUNDING OF AMOUNTS

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/91, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Notes to the Financial Statements

30 JUNE 2016

Notes	2016	2015
	\$'000	\$'000

2. INCOME AND EXPENSE ITEMS

Net loss included the following items of revenue and expense:

(a) Other Income

Interest income	14	38
Fringe benefits tax	35	-
Revenue from the disposal of Mt Woods	-	3,680
Other *	244	482
	<u>293</u>	<u>4,200</u>

(b) Other Expenses

Loss on disposal of assets	62	323
Foreign exchange loss	4	-
Interest expense	15	96
Foreign exchange loss	-	7
	<u>81</u>	<u>426</u>

*Other income in the 2016 year is comprised solely of rental income from sublease arrangements.

(c) Employee benefits expense

Salaries	1,515	2,532
Share based payments	34	400
Superannuation	88	96
Changes in leave provision	(13)	(69)
Other	77	49
	<u>1,701</u>	<u>3,008</u>

The Group contributes to superannuation for employees in accordance with the Government Superannuation Guarantee Legislation. The Group has no obligation to meet any shortfall in a superannuation fund's obligations to provide benefits to employees on retirement.

Notes to the Financial Statements

30 JUNE 2016

3. INCOME TAX

2016	2015
\$'000	\$'000

(a) Numerical reconciliation between aggregate tax expenses recognised in the consolidated statement of comprehensive income and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting Loss Before Tax	(23,641)	(5,696)
At the parent entity's statutory income tax rate of 30% (2015: 30%)	(7,092)	(1,709)
Non-deductible expense - share based payments	26	129
Deferred tax assets not recognised	7,066	1,580
Research and development rebate	849	
Income tax benefit	849	-

No income tax is currently payable by the Group. The Directors have considered it prudent not to bring to account the deferred tax asset related to income tax losses and exploration deductions until it is probable that assessable income will be earned of a nature and amount to enable such benefit to be realised. Losses in relation to the remainder of the Group have not been brought to account. Unrecognised deferred tax assets in relation to Australia are \$16.7 million (2015: \$20.8 million), and Tanzania \$18.6 million (2015: \$17.7 million).

Deferred tax at 30 June 2016 relates to the following:

(b) Deferred tax assets

Accruals	36	-
Onerous lease	53	178
Make good (office premises)	-	11
Annual, long service leave & superannuation	3	46
Section 40-880 costs	67	43
Carried forward tax losses	35,342	38,528
Carried forward losses and other temporary differences not brought to account as a deferred tax asset	(35,501)	(38,806)
Gross deferred tax asset	-	-
Set-off against deferred tax liability	-	-
Net deferred tax asset	-	-

Notes to the Financial Statements

30 JUNE 2016

	2016	2015
	\$'000	\$'000

4. CASH AND CASH EQUIVALENTS

Cash at bank	592	1,745
Cash on deposit	93	-
	<u>685</u>	<u>1,745</u>

Refer to Note 23 for the Group's exposure to interest rate and credit risk.

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

Up until the date of this report, no dividend has been declared or paid by the Company.

6. TRADE AND OTHER RECEIVABLES

Accounts and other receivables	310	20
Research and development rebate	458	-
Accrued interest	1	5
Prepayments	13	48
Security bonds	196	348
Goods and services tax, value added tax and fuel tax credits receivable	480	599
	<u>1,458</u>	<u>1,020</u>

7. EXPLORATION & EVALUATION EXPENDITURE ASSETS

Exploration & evaluation expenditure assets	6,700	27,710
	<u>6,700</u>	<u>27,710</u>

Reconciliation of exploration and evaluation expenditure assets

Carrying amount at beginning of year	27,710	24,529
Additions	-	-
Disposals	(5,000)	-
Impairment	(16,919)	-
Net proceeds from Joint Venture with Fig Tree	-	(2,446)
Effect of movements in exchange rates	909	5,627
Carrying amount at the end of the year	<u>6,700</u>	<u>27,710</u>

In June 2016 the Company completed the spin-off of its wholly owned subsidiary Graphex Mining Limited ("Graphex"). As part of this transaction, the Company sold the Chilalo Graphite Project and five surrounding prospective graphite tenements to Graphex for \$5 million. \$1 million of which was received in cash and \$4 million in Graphex share capital that was subsequently distributed in-specie to Indiana's existing shareholders.

In December 2014, Indiana entered into a joint venture agreement over the Ntaka Hill Nickel Project with Fig Tree. Indiana received \$2.4 million for a 30% interest.

Notes to the Financial Statements

30 JUNE 2016

8. PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment \$'000	Furniture and Fittings \$'000	Motor vehicles \$'000	Total \$'000
Year ended 30 June 2016				
Carrying amount at beginning of year	570	114	37	721
Additions	23	4	-	27
Disposals	(164)	(62)	-	(226)
Depreciation expense	(178)	(31)	-	(209)
Foreign Currency movement	21	2	1	24
Carrying amount at end of year	272	27	38	337
Cost	1,045	127	169	1,341
Accumulated depreciation	(773)	(100)	(131)	(1,004)
Carrying amount	272	27	38	337
Year ended 30 June 2015				
Carrying amount at beginning of year	584	159	51	794
Additions	57	-	-	57
Depreciation expense	(164)	(56)	(19)	(239)
Foreign Currency movement	93	11	5	109
Carrying amount at end of year	570	114	37	721
Cost	1,515	565	189	2,269
Accumulated depreciation	(945)	(451)	(152)	(1,548)
Carrying amount	570	114	37	721

2016
\$'000

2015
\$'000

9. TRADE AND OTHER PAYABLES

Trade creditors	680	1,393
Accrued expenses	177	218
Other creditors	21	-
	878	1,611

Notes to the Financial Statements

30 JUNE 2016

2016
\$'000

2015
\$'000

10. PROVISIONS

(a) Current

Employee benefits	11	153
Onerous contract ⁽¹⁾	156	347
	<u>167</u>	<u>500</u>

(b) Non-Current

Mine site rehabilitation	-	37
Office restoration	-	245
Onerous contract ⁽¹⁾	-	21
Other non-current liabilities	-	-
	<u>-</u>	<u>303</u>

(1) The onerous contract relates to leased office space at 41 Colin St, West Perth. The premises at 41 Colin Street, West Perth was subsequently sub-let for \$128,280 pa. The head lease cost to the company is \$346,655. The differential is due to the significant increase in vacancy rates across West Perth and the corresponding fall in the market rates for leases of commercial property. An onerous lease liability has been recognised for the net present value of the difference between the contracted amounts to the expiry of the leases in May 2017. In the 2015 year the Company also leased an office in Adelaide which remained vacant until the lease expired during the 2016 year.

11. CONTRIBUTED EQUITY

(a) Issued and Paid up Capital

	2016 Number of shares	2016 \$'000	2015 Number of shares	2015 \$'000
Ordinary shares fully paid	31,337,216	7,484	827,826,028	126,399

(b) Movement in Fully Paid Ordinary Shares

	2016 Number of shares	2016 \$'000	2015 Number of shares	2015 \$'000
Beginning of the financial year	827,826,028	126,399	396,497,145	120,336
Share issued under the Employee share scheme ⁽²⁾	24,576,350	-	1,204,902	-
Issue of shares, net of cost ⁽¹⁾	705,262,592	4,956	430,123,981	6,063
Director invoice settled with shares ⁽³⁾	9,166,666	110	-	-
Capital reduction	-	(119,981)	-	-
Capital reduction for in-specie distribution ⁽⁴⁾	-	(4,000)	-	-
Capital consolidation on a 50:1 basis	(1,535,494,420)	-	-	-
End of the financial year	<u>31,337,216</u>	<u>7,484</u>	<u>827,826,028</u>	<u>126,399</u>

⁽¹⁾ Issue of 318,866,720 shares at a price of 1.2 cents per share under a share placement private placements and share purchase plan between 4 September 2015 and 15 September 2015.

Issue of 386,395,872 shares under an entitlement offer at a price of 0.4 cents per share between 8 February 2016 and 22 February 2016.

⁽²⁾ Vesting and exercise of 12,994,869 performance rights under the employee share scheme. The performance rights were granted as part of STI performance targets for the 2015 year with the exercise occurring subsequent to performance reviews for this period.

Vesting of 11,581,481 performance rights and cashless options under the employee share scheme. The performance rights were granted as part of STI performance targets for the 2016 year with the exercise occurring subsequent to performance reviews for this period.

⁽³⁾ Share issued to Director Dr Derek Fisher as settlement for an outstanding invoice relating to Director's fees and consulting services.

⁽⁴⁾ As part of the sale of Chilalo the Company received \$4 million in Graphex shares. These shares were subsequently distribute in-specie to Indiana shareholders

Notes to the Financial Statements

30 JUNE 2016

11. CONTRIBUTED EQUITY (Continued)

(c) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote. Upon a poll, each fully paid share shall have one vote and each partly paid share shall have such number of votes as bears the same proportion to the total of such shares as the amount of the issue price thereof paid up bears to the total issue price. There are no partly paid shares on issue.

(d) Capital Management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. During the year, the Company's primary focus was on developing the Chilalo Graphite project, however following the spin-out of its graphite assets to Graphex, activities were focused on exploration at the Kishugu and Naujombo Gold Prospects. While the Company aims to minimise shareholder dilution, the Company is currently reliant on raising capital from existing and new shareholders to implement its strategy.

The Company has welcomed equity holdings from all major stakeholders so that our goals are aligned and have a vested interest in the Company's success. Current stakeholders that are also equity holders include major suppliers for exploration, project management and feasibility studies advisors, Corporate advisors, Directors, Management and staff of the Company.

The Company monitors its total shares on issue, market capitalisation and enterprise value on a regular basis so as to find the critical balance of having its strategy fully funded and minimising existing shareholder dilution.

	2016	2015
	\$'000	\$'000

12. RESERVES AND ACCUMULATED LOSSES

(a) Reserves

Foreign currency translation reserve	4,719	3,444
Share based equity reserve	987	5,697
Other equity reserve	(939)	(3,940)
	<u>4,767</u>	<u>5,201</u>

Movements:

<i>Foreign currency translation reserve</i>		
Balance at beginning of year	3,444	36
Currency translation differences arising during the year, net of tax	1,275	3,408
Balance at end of year	<u>4,719</u>	<u>3,444</u>

Share based equity reserve

Balance at beginning of year	5,697	5,268
Employee share remuneration	-	-
Employee Performance Rights	35	337
Employee Share Appreciation Rights	-	63
Employee Options	55	-
Transfer reserves to retained earnings	(4,800)	-
Issued to consultants for services	-	29
Balance at end of year	<u>987</u>	<u>5,697</u>

Other Equity Reserve

Balance at beginning of year	(3,940)	-
NCI on exploration and evaluation asset	3,001	(3,940)
Balance at end of year	<u>(939)</u>	<u>(3,940)</u>

Notes to the Financial Statements

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12. RESERVES AND ACCUMULATED LOSSES (Continued)

	2016 \$'000	2015 \$'000
(b) Retained Earnings		
Balance at beginning of year	(107,044)	(101,348)
Net loss attributable to members of Indiana	(22,792)	(5,696)
Capital reduction	119,981	-
Option reserve transfer	4,800	-
Balance at end of year	(5,055)	(107,044)

(c) Nature and Purpose of Reserves

(i) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of the Company's net investment in a foreign subsidiary.

(ii) Share based equity reserve

The share based remuneration reserve is used to recognise the fair value of Options, Share Appreciation Rights and Performance Rights issued. This reserve also includes the fair value of listed options issued. As at 2016 year end, for all options which had expired, the reserve balance was transferred to retained earnings.

(iii) Other equity reserve

The other equity reserve is used to recognise the value of the non-controlling interest share of the Group's Exploration asset.

	2016 \$'000	2015 \$'000
13. NON-CONTROLLING INTERESTS		
Interests in:		
Share capital	-	-
Retained earnings	-	-
Dilution effect of shares issued to non-controlling interests		
Exploration and evaluation assets	939	4,227
	939	4,227

The closing balance for the 2016 financial year is due to a joint venture agreement with MMG which holds an effective economic interest in the Company's Tanzanian tenements of 14.02% through its 16.89% shareholding in Nachingwea UK Limited.

Notes to the Financial Statements

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2016	2015
\$'000	\$'000

14. STATEMENT OF CASH FLOWS

Reconciliation of Net Loss after Tax to Net Cash used in Operating Activities

Loss after income tax	(22,792)	(5,696)
Add / (deduct) non-cash items:		
Depreciation	209	239
Interest Expense	-	96
Impairment of exploration and evaluation asset	16,919	-
Impairment of other asset	154	-
Liability extinguished via shares	110	-
Share based payments	89	429
Gain on sale of Mount Woods	-	(3,680)
Onerous lease provision	-	593
Loss on sale of assets	227	323
Net exchange differences	(95)	7
Changes in assets and liabilities:		
Change in receivables	(438)	85
Change in inventory	-	-
Change in current payables	(754)	597
Change in current provisions	(615)	(2,192)
Net cash flows used in operating activities	<u>(6,986)</u>	<u>(9,199)</u>

Non cash investing and financing activities

During the year 9,166,666 share were issued to Director Dr Derek Fisher with a value of \$110,000. The shares were issue in settlement of an outstanding invoice for \$34,500 in consulting fees and \$75,500 in unpaid Directors fees.

Notes to the Financial Statements

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15. INTERESTS IN CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(c):

Name	Country of incorporation	Class of shares	Equity Holding ⁽¹⁾	
			2016 %	2015 %
Backyard Exploration Pty Ltd	Australia	Ordinary	100	100
Frugal Mining Pty Ltd	Australia	Ordinary	100	100
Pan African Resources Pty Ltd	Australia	Ordinary	100	100
Tausi Mining Pty Ltd	Australia	Ordinary	100	100
Outback Iron Pty Ltd	Australia	Ordinary	51	51
Zanzibar Gold Pty Ltd	Australia	Ordinary	92	92
Duma Minerals (Tanzania) Limited	Tanzania	Ordinary	92	92
Nyati Mining (Tanzania) Limited	Tanzania	Ordinary	100	100
Pan African Resources (Tanzania) Limited	Tanzania	Ordinary	100	100
Warthog Resources Limited	Tanzania	Ordinary	100	100
Kudu limited	Tanzania	Ordinary	100	100
Nachingwea Nickel Limited	Tanzania	Ordinary	70	-
Goldstream Mozambique Limitada	Mozambique	Ordinary	100	100
Noble Mineral Resources Pte Ltd	India	Ordinary	100	100
Continental Nickel Limited	Canada	Ordinary	100	100
Anga Resources Limited	Tanzania	Ordinary	86	86
Ngwena Limited	Tanzania	Ordinary	86	86
Indiana Resources UK Limited	United Kingdom	Ordinary	100	100
Nachingwea UK Limited	United Kingdom	Ordinary	83	83
Ntaka Nickel Holdings Limited	United Kingdom	Ordinary	70	-

Nachingwea Nickel Limited (**NNL**) and Ntaka Nickel Holdings Limited (**NNH**) were formed and controlled by the Group to facilitate the joint venture with Loricatus Resource Investments (**Fig Tree**). As at year end, neither NNH nor NNL had any transactions. Indiana controls the Ntaka Hill Nickel Project through NNH and NNL.

Notes to the Financial Statements

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2016
\$'000

2015
\$'000

16. EXPENDITURE COMMITMENTS

(a) Exploration Commitments

The Company is required to meet certain minimum expenditure commitments on the mineral exploration assets in which it has an interest. Outstanding exploration commitments are as follows:

- not later than one year	1,853	5,562
- later than one year and not later than five years	-	6,877
	<u>1,853</u>	<u>12,439</u>

(b) Lease and Operating Contract Expenditure Commitments

Operating leases (non-cancellable):

Minimum lease payments

- not later than one year	311	528
- later than one year and not later than five years	-	513
	<u>311</u>	<u>1,041</u>

Aggregate lease expenditure contracted for at reporting date

The Group leases two office premises with fixed term leases. Lease payments are increased each year at either a fixed rate or to reflect market rentals under the terms of the lease. One of the offices is leased under a sub-lease arrangement which is explained in Note 10(b).

Exploration Lease Rentals:

Expected lease payments

- not later than one year	266	571
- later than one year and not later than five years	65	665
	<u>331</u>	<u>1,236</u>

Aggregate lease expenditure contracted for at reporting date

17. CONTINGENCIES

In September 2015, a letter of demand was received from the liquidators of Termite which provided notice of a potential claim against former Directors and Officers of Termite including the Company itself. In April 2016, the Liquidators commenced formal proceedings against certain previous directors and officers of Termite, with documents having been filed with the Federal Court. No proceedings have commenced against the Company.

The quantum of the claim is put in the alternative as the amount of the unsatisfied liabilities to unsecured creditors at the date of administration (mostly made up of damages claims from long term logistics creditors for early termination of their contracts on appointment of the administrators) said to be estimated at \$75 million, alternatively about \$46 million plus interest, being the amount repaid by Termite to Outback. The Company's current belief is that such a claim has little merit.

Termite was wholly owned by an incorporated joint venture entity, itself a 51% owned subsidiary of Indiana. Termite undertook the operation of the Cairn Hill iron ore mine in South Australia. As a result of the sudden and steep downturn in iron ore prices in the second quarter of 2014, Indiana announced on 19 June 2014 that the directors of Termite had appointed voluntary administrators to Termite. Subsequently, on 15 September 2014, creditors of Termite voted to place that company into liquidation.

In January 2016, the Company entered into a Standstill Deed with the Liquidators, under which Termite, at the request of the Company and the Individual Defendants, is agreeable to deferring the institution of proceedings against Indiana in order to further consider the position as between Indiana and Termite.

Set out below are the potential impacts on the Company of any potential claim against the Company and against the Directors and Officers of Termite:

Notes to the Financial Statements

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17. CONTINGENCIES (Continued)

Claim against the Directors and Officers of Termite

The insurer of the Company has confirmed that legal costs for defence of the claim against the Directors and Officers are covered by the applicable Directors and Officers Liability Policy (**D&O Policy**). The Company is also confident that any liability against the Directors and Officers arising from the claim also falls within the D&O Policy. As a result, it is unlikely that the Company would incur any economic loss as a result of a claim against the Directors and Officers of Termite.

In the event that the Directors and Officers Policy does not cover some or all of any liability or legal costs, the individual Directors and Officers are indemnified by the Company, which would result in an economic loss to the extent that the D&O Policy did not respond to cover those costs. It is the Company's belief however that this situation is unlikely due to the claim having little merit and the fact that the D&O Policy has covered all legal costs incurred up to year end by the Directors and Officers in connection with the claim.

Potential claim against the Company

The Company is not covered by the D&O Policy. As such, any legal costs or liability incurred as a result of the potential claim against the Company will result in an economic loss to the Company. Indiana's opinion however is that the claim against Indiana is weak and unlikely to result in an economic outflow except for payment of legal costs which are expected to be immaterial and capable of being absorbed by cash reserves. As noted, the claim currently lodged with the Federal Court has also excluded Indiana as a defendant.

The Company is of the opinion that no liability exists at 30 June 2016 on the basis that the claim will be vigorously defended, and legal advice supports the Directors' view that if a claim was to proceed, it would most likely fail.

In the event that the Directors and Officers Policy does not cover some or all of any liability or legal costs, the individual Directors and Officers are indemnified by the Company, which would result in an economic loss to the extent that the D&O Policy did not respond to cover those costs. It is the Company's belief however that this situation is unlikely due to the claim having little merit and the fact that the D&O Policy has covered all legal costs incurred up to year end by the Directors and Officers in connection with the claim.

Other

The consolidated entity has given bank guarantees as of 30 June 2016 of \$137,000 (2015: \$137,000) to various landlords.

18. LOSS PER SHARE

	2016	2015
	\$	\$
Loss per share		
Basic (cents)	(1.81)	(0.93)
Diluted (cents)	(1.81)	(0.93)
	\$'000	\$'000
Reconciliation of Loss to Profit or Loss		
Net Loss attributable to shareholders of the Company	(22,792)	(5,696)
Loss used in calculating basic loss per share	<u>(22,792)</u>	<u>(5,696)</u>

Notes to the Financial Statements

30 JUNE 2016

18. LOSS PER SHARE (Continued)

Weighted average number of ordinary shares used to calculate basic and diluted loss per share

	2016 Basic & Diluted	2015 Basic & Diluted
Weighted average number of ordinary shares	1,256,858,806	603,070,771

19. AUDITORS' REMUNERATION

	2016 \$	2015 \$
Audit services		
KPMG Australia: Audit and Review of financial statements	29,785	65,000
KPMG Tanzania: Audit and Review of financial statements	2,262	38,483
Other services		
KPMG Australia : Investigating accountants report	20,500	-
KPMG Tanzania : Tanzanian taxation services	6,089	8,890
	<u>58,636</u>	<u>112,373</u>
Audit services		
RSM Australia: Audit of financial statements	20,000	-
RSM Tanzania: Audit of financial statements	30,599	-
	<u>50,599</u>	<u>-</u>

No other services were provided by RSM Australia during the period. During the year, the Company changed its auditors with KPMG completing the review of the Company's Interim Financial Statements for the half-year ended 31 December 2015 and RSM Australia completing the audit of the Financial Statements for the year ended 30 June 2016.

20. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

The following persons were Directors of the Company during the financial year:

Derek Fisher	Non-Executive Chairman
Bruce McFadzean	Non-Executive Director
Campbell Baird	Managing Directors (appointed 15 June 2016)
Nicholas Corlis	Executive Director – Exploration (resigned 14 June 2016)
Philip Hoskins	Managing Director (resigned 14 June 2016)

(ii) Senior Executives

Stuart McKenzie	General Manager Commercial and Company Secretary (resigned as a General Manager Commercial on 9 June 2016)
-----------------	--

Mr Baird commenced as Managing Director on 15 June 2016, however between 1 March 2016 and 15 June 2016 he acted as a consultant to the Company. Details of his remuneration prior to being appointed as a Director are outlined in the Remuneration Report.

Mr Corlis and Mr McKenzie resigned as employees of the Company on 9 June 2016. Under a Co-operation agreement with former wholly owned subsidiary Graphex Mining Limited. Both Mr Corlis and Mr McKenzie remain as KMP under a contract arrangement.

Notes to the Financial Statements

30 JUNE 2016

20. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

(b) Remuneration of Key Management Personnel (KMP)

Details of the remuneration policy of KMP, including the Directors, are included in the audited Remuneration Report.

(c) Directors and Executives Remuneration

Remuneration of individual Directors and Key Management Personnel is disclosed in the Remuneration Report section of the Director's Report.

The total remuneration paid to Key Management Personnel during the year is as follows:

	2016	2015
	\$	\$
Short-term employee benefits	670,732	1,126,658
Post-employment benefits	60,992	61,617
Termination benefits	-	45,933
Share based payments	(40,716)	381,836
	<u>691,008</u>	<u>1,616,044</u>

Detailed remuneration disclosures are provided in the remuneration report in the director's report.

21. RELATED PARTY DISCLOSURES

(a) Parent Entity

Indiana Resources Limited is the ultimate Australian parent entity of the Group. Indiana Resources Limited is a company limited by shares that is incorporated and domiciled in Australia.

(b) Wholly-Owned Group Transactions

Controlled entities made payments and received funds on behalf of Indiana and other controlled entities by way of inter-company loan accounts with each controlled entity. These loans are unsecured, bear no interest and are repayable on demand; however demand for repayment is not expected in the next twelve months.

(c) Key Management Personnel

Disclosures relating to Key Management Personnel are set out in note 20 and Detailed remuneration disclosures are provided in the remuneration report in the director's report.

Other transactions with key management personnel and their related parties

i) Receivable from and payable to key management personnel and their related parties are as follows:

The following balances are outstanding at the reporting date in relation to transactions with key management personnel and their related parties:

	2016	2015
	\$	\$
Director's fee payable to Campbell Baird	11,100	-
Director's fee payable to Bruce McFadzean	12,375	-
Director's fee payable to Trillium Consulting ^[1]	6,000	75,500
Consulting fee payable to Trillium Consulting ^[1]	-	34,500
Total payable to during the year	<u>29,475</u>	<u>110,000</u>

^[1] Derek Fisher is a director of this company.

Notes to the Financial Statements

30 JUNE 2016

21. RELATED PARTY DISCLOSURES (Continued)

ii) Transactions with key management personnel and their related parties

Mr B McFadzean is the Managing Director for Sheffield Resources, a business that sublets one of the Company's offices. The total rental income received from Sheffield Resources in the financial year ended 2016 was \$136,756.

Prior to being appointed as Managing Director, Mr C Baird acted as a consultant of the Company. Under an associated contract arrangement, Mr C Baird was paid \$35,250.

During the year 9,166,666 share were issued to Director Dr Derek Fisher with a total value of \$110,000. The shares were issue in settlement of an outstanding invoice for \$34,500 in consulting fees and \$75,500 in unpaid Directors fees.

iii) Loan with key management personnel and their related parties

There is no loan with key management personnel and their related parties noted during the year.

(d) Joint venture partner

Indiana is in a joint venture over the Company's tenement package in Tanzania. Under this joint venture, Indiana's joint venture partner MMG Exploration Holdings Limited (**MMG**) spent US\$10 million in exploration expenditure on such tenements to earn a 15% interest, representing the completion of stage one of the joint venture. MMG elected not to proceed to stage two of the joint venture and has not contributed further funding to the joint venture since this election was made. As a result, pursuant to the operation of the joint venture agreement with MMG, MMG's interest in the joint venture has further diluted and at 30 June 2016 stood at 14.02%.

The Company is in a joint venture over its Ntaka Hill Nickel Project with joint venture partner Loricatus Resource Investments (**Fig Tree**). During the year, Fig Tree declared a positive outcome to its geotechnical studies, however was not in a position to effect the payment of US\$4.0 million Deferred Consideration required under the Joint Venture Agreement. As a result Fig Tree reverted to a 30% interest in the joint venture, with Indiana holding 70% and retaining management and control of Ntaka Hill.

22. OPERATING SEGMENTS

Segment products, locations and geography

Management has determined the operating segments based on the reports reviewed by the chief operating decision makers, being the Board and Executives.

The Group operates in the resources industry. The Group's only operating segment is exploration in Tanzania, which represents all the Group's exploration assets. The Groups reportable segments in accordance with AASB 8 *Operating Segments* are as follows:

- Exploration – Group's exploration carried out in Tanzania; and
- Unallocated – to manage the corporate affairs of the Group.

Notes to the Financial Statements

30 JUNE 2016

22. OPERATING SEGMENTS (Continued)

	Exploration		Unallocated		Total	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other revenue	-	-	293	38	293	38
Reportable segment loss before tax	(18,084)	(863)	(2,632)	-	(20,716)	(863)
Depreciation	(209)	(239)	-	-	(209)	(239)
Impairment	(17,073)	-	-	-	(17,073)	-
Segment assets	8,859	31,197	321	-	9,180	31,197
Segment liabilities	(830)	650	(215)	1,764	(1,045)	2,414

Reconciliation of loss before tax for the operating segments to the Group loss before tax is as follows:

	2016	2015
	\$'000	\$'000
Loss before tax for Operating Segments (see table above)	(20,716)	(863)
Corporate and administration costs	(2,556)	(3,972)
Other expenses	(369)	(861)
Loss before tax for the Group including discontinued operations	(23,641)	(5,696)

23. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company and Group's activities expose it to a variety of financial risks, including market, credit and liquidity risk. For the Group, market risk includes interest rate risk, foreign currency risk and equity securities price risk.

Financial risk management is carried out by the Group's Chief Financial Officer and Chief Executive Officer, in close co-operation with the Board. The Group obtains independent external advice as required to assist it in understanding and managing its exposures and risks. The Group held the following financial instruments at reporting date:

Consolidated	Note	2016 '000	2015 '000
<i>Financial Assets</i>			
Cash and cash equivalents	4	685	1,745
Trade and other receivables – current	6	1,458	1,020
Total Financial Assets		2,143	2,765
<i>Financial Liabilities</i>			
Trade and other payables	9	878	1,611
Total Financial Liabilities		878	1,611

Notes to the Financial Statements

30 JUNE 2016

23. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market Rate Risk

(i) Interest Rate Risk

The Group and the Company are exposed to interest rate volatility on deposits and short term borrowings. Deposits at variable rates expose the Group and the Company to cash flow interest rate risk. Deposits at fixed rates expose the Group to fair value interest rate risk. The Group and the Company's fixed rate borrowings are carried at amortised cost and are not subject to interest rate risk.

The exposure to interest rates at the reporting date, is as follows:

	Effective Average Interest Rate (%)	Variable Interest Rate \$'000	Fixed Interest Rate \$'000	Non-Interest Bearing \$'000	Total \$'000
2016 (Consolidated)					
<i>Financial Assets</i>					
Cash and cash equivalents	0.16%	93	-	592	685
Security bonds and deposits	2.10%	-	177	19	196
		93	177	611	881
2015 (Consolidated)					
<i>Financial Assets</i>					
Cash and cash equivalents	0%	-	-	1,745	1,745
Security bonds and deposits	2.79%	-	310	38	348
		-	310	1,783	2,093

All fixed deposits are held for periods of less than 3 months.

(ii) Foreign Exchange Risk

The Group is exposed to fluctuations in foreign currencies arising from exploration commitments in currencies other than Australian dollars, the Group's presentation currency.

The Group operates internationally and is primarily exposed to foreign exchange risk arising from currency exposures to the United States dollar, the Canadian dollar, and to Tanzanian shillings.

The Group has not formalised a foreign currency risk management policy and it holds only limited amounts of cash in foreign currencies at any point in time. The Group monitors foreign currency expenditure in light of exchange rate movements.

The summary of quantitative data about the Group's exposure to currency risk as reported to the management of the Group based on its risk management policy was as follows:

	2016			2015		
	USD ('000)	CAD ('000)	TZS ('000)	USD ('000)	CAD ('000)	TZS ('000)
Cash at bank	48	6	6,830	290	15	41,452
Trade receivables	-	-	-	-	-	-
Trade Payables	(135)	(3)	(20)	(489)	(21)	(11,766)
Net Statement of Financial Position exposure	(87)	3	6,810	(199)	(6)	29,686

Notes to the Financial Statements

30 JUNE 2016

23. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit Risk Exposures

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2016 \$'000	2015 \$'000
Cash and cash equivalents ⁽¹⁾	685	1,745
Trade and other receivables ⁽²⁾	1,458	1,020
	<u>2,143</u>	<u>2,765</u>

⁽¹⁾ The Group's cash and cash equivalents are predominantly held with Australian banks with an S&P long term rating of AA- credit ratings.

⁽²⁾ Trade and other receivables do not have an external credit rating.

The Group's maximum exposure to credit risk for loans and receivables at the reporting date by type of counterparty was:

Government authorities	939	651
Other	519	369
	<u>1,458</u>	<u>1,020</u>

The Group monitors its receivables and provides for doubtful debts to the extent it considers the Group to be exposed to any credit risk. The Group does not have a formal credit risk management policy however the credit risk of the Group's major customers has been assessed by the Board and Management at the time the contract was agreed and has been regularly assessed since that date.

(c) Liquidity Risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet the Group's financial commitments in a timely and cost effective manner.

The Group's treasury function continually reviews the Group's liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

Contractual maturities of financial liabilities

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Total contractual cash flows \$'000	Carrying amount \$'000
At 30 June 2016				
Trade and other payables	1,045	-	1,045	1,045
Total	<u>1,045</u>	<u>-</u>	<u>1,045</u>	<u>1,045</u>

	Less than 1 year	Between 1 and 2 years	Total contractual cash flows	Carrying amount
At 30 June 2015				
Trade and other payables	1,611	-	1,611	1,611
Total	<u>1,611</u>	<u>-</u>	<u>1,611</u>	<u>1,611</u>

Notes to the Financial Statements

30 JUNE 2016

23. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Group does not recognise any financial assets under levels 1, 2 or 3 and the carrying value of those shown in Note 23 are considered to approximate fair value.

2016	2015
\$'000	\$'000

24. SHARE BASED PAYMENTS

(a) Recognised share based payment expenses

Options

Vested	32	29
Not vested	-	-
Shares Appreciation Rights		
Not vested	-	63

Performance Rights

Vested	57	-
Not vested	-	337
	<u>89</u>	<u>429</u>

(b) Summary of Unlisted securities under the Plan

	Performance rights	Share appreciation rights	Other unlisted options	Replacement options
Balance at 1 July 2015	16,218,654	29,654,100	12,795,847	320,000
Issued during the year	-	-	56,200,634	-
Cancelled or lapsed during the year	(1,633,689)	(29,654,100)	(38,685,516)	(320,000)
Exercised during the year	(14,584,965)	-	(19,959,580)	-
Reduction due to share capital consolidation	-	-	(9,991,385)	-
Balance at 30 June 2016	-	-	360,000	-

Notes to the Financial Statements

30 JUNE 2016

24. SHARE BASED PAYMENTS (Continued)

Unlisted Options

Unlisted Options on Issue *

Year issued	2015	2015	2016	2016
Grant Date	29 Dec 14	11 Mar 15	17 Sept 15	17 Sept 15
Number of options	100,000	30,000	120,000	100,000
Fair value at grant date (\$)	\$0.005	\$0.006	\$0.005	\$0.005
Share price at grant date (\$)	\$0.011	\$0.011	\$0.011	\$0.011
Adjusted Exercise price (\$)	\$0.75	\$0.50	\$0.50	\$1.40
Expected volatility	100%	100%	100%	100%
Option life	2 years	2 years	1.82 years	3 years
Expected dividends	-	-	-	-
Risk free interest rate	1.18%	1.18%	1.87%	1.18%

* On 21 June 2016, the Company completed a capital consolidation with shares and securities, including those outstanding in the table above as at that date, being consolidated on a ratio of 50:1. The consolidation was approved by the Company's shareholders at an Extraordinary General Meeting held on 20 April 2016. By reducing the number of the Company's securities on issue by a ratio of 50:1 it also has the effect of increasing the exercise price of outstanding options (see table below) increases. Exercise prices and number of options outlined above are post-consolidation exercise prices and number of options.

(c) Weighted average remaining contractual life

The weighted average remaining contractual life of the unlisted share options outstanding as at 30 June 2016 is 1.19 years (2015: 1.21 years).

(d) Range of exercise prices

The range of exercise prices for the unlisted options outstanding at the end of the year is \$0.50 cents to \$1.40 cents.

(e) Valuation of Performance Rights, Options and Share Appreciation Rights

Options are valued using the inputs from Note 24(b) above, using a Black and Scholes model. Share appreciation rights are valued using the inputs from Note 24(b) above using a Monte Carlo simulation.

Notes to the Financial Statements

30 JUNE 2016

25. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2016 the parent company of the Group was Indiana Resources Limited.

Results of the parent entity

	2016	2015
	\$'000	\$'000
Loss for the year (after tax)	(20,892)	(9,854)
Other comprehensive income	-	-
Total comprehensive loss for the year	(20,892)	(9,854)

Financial position of the parent entity at year end

Current assets	1,537	1,536
Total assets	1,564	22,096
Current liabilities	(958)	1,451
Total liabilities	(958)	1,754
Net Assets	606	20,342

Total equity of the parent entity comprising of:

Share capital	7,484	126,399
Reserves	1,229	5,939
Retained earnings	(8,107)	(111,996)
Total Equity	606	20,342

Guarantees

The parent signed a letter of support for its subsidiary Ngwena Limited to support its continued operations and enable it to meet its obligations.

Commitments

Of the commitments in Note 16, all operating leases of \$311,000 (30 June 2015: \$1,037,000) related to lease commitments held by the parent Indiana Resources Limited.

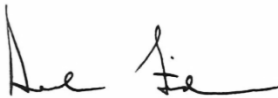
26. SUBSEQUENT EVENTS

Subsequent to year end, the Company completed the placement of 7,843,303 shares to raise \$0.88 million after costs and the issue of 4,166,663 shares under a Share Purchase Plan to raise \$0.50 million after costs. On 8 September 2016, the Company also received a Research and Development rebate of \$0.41 million after lodgement costs.

Directors' Declaration

- (1) In the opinion of the Directors:
- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
 - (c) The financial report also complies with International Financial Reporting Standards as stated in Note 1(a)(i).
- (2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2016.

On behalf of the Board



Derek Fisher

Chairman

PERTH

On this 29th day of September 2016

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
INDIANA RESOURCES LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Indiana Resources Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a)(i), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 Indiana Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Indiana Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a)(i).

Report on the Remuneration Report

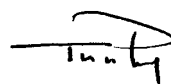
We have audited the Remuneration Report for the year ended 30 June 2016 as set out on pages 20 to 29. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Indiana Resources Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 29 September 2016

RSM Australia Partners

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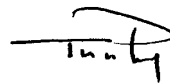
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Indiana Resources Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 29 September 2016

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 22 September 2016.

(a) DISTRIBUTION OF EQUITY SECURITIES

Ordinary Shares

			Number of holders	Number of shares
1	-	1,000	2,426	545,805
1,001	-	5,000	575	1,449,405
5,001	-	10,000	178	1,345,205
10,001	-	100,000	331	11,420,094
100,001		and over	70	28,577,673
			4,060	43,338,182
Number of holders holding less than a marketable parcel of shares			2,957	1,782,257

Unlisted Options

			Number of holders	Number of Unlisted Options
1	-	10,000	2	40,000
10,001	-	100,000	2	200,000
100,001		and over	4	1,038,066
			25	1,278,066

ASX Additional Information

(b) TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of quoted shares are:

Rank	Name	Units	% of Units
1.	BPM COMMODITIES LIMITED	3,000,000	6.92
2.	J P MORGAN NOMINEES AUSTRALIA	2,840,865	6.56
3.	ONE MANAGED INVESTMENT FUNDS	2,663,539	6.15
4.	DR CHRISTOPHER KONG LENG SHUN + MRS SOOK LENG CHOY	1,784,519	4.12
5.	MR TIMOTHY MURRAY	1,680,364	3.88
6.	SICHUAN TAIFENG GROUP CO LIMITED	1,035,420	2.39
7.	MR JOHN WHITFORD HENSON TRUSCOTT	859,005	1.98
8.	MR PAUL JAMES MADDEN	833,333	1.92
9.	CAPITAL DRILLING (MAURITIUS) LTD	695,893	1.61
10.	MR JOHN FRANCIS PAGE SCHMIDT	641,075	1.48
11.	MR ERIC CATUNCAN	624,005	1.44
12.	CLARKSON'S BOATHOUSE PTY LTD <CLARKSON SUPER FUND A/C>	524,333	1.21
13.	ASHABIA PTY LTD <ASHABIA SUPER FUND A/C>	500,000	1.15
14.	CITICORP NOMINEES PTY LIMITED	476,185	1.10
15.	CALAMA HOLDINGS PTY LTD <MAMBAT SUPER FUND A/C>	468,333	1.08
16.	REV SIMON FREDERIC SHOULER	462,020	1.07
17.	MR DAVID GEORGE APPELBEE	400,000	0.92
18.	MR PETER DAVID KOLLER	394,005	0.91
19.	MR GEOFFREY LEVY	375,000	0.87
20.	JOHNBILL PTY LTD <BILL & JOHN SUPER FUND A/C>	370,672	0.86
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		20,628,566	47.60
Total Remaining Holders Balance		22,709,616	52.40

(c) SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

BPM COMMODITIES LIMITED	6.39%
ONE MANAGED INVESTMENT FUNDS	6.15%

(d) VOTING RIGHTS

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote a show of hands. Options have no voting rights until such time as they are exercised and shares have been issued.

ASX Additional Information

(e) TENEMENT SCHEDULE

Tenement Number	Tenement name	Locality	Group Ownership
PL 5977/2009	Naujombo	Tanzania	86%
PL 6397/2010	Kiperere West	Tanzania	86%
PL 6634/2010	Mihumo	Tanzania	86%
PL 6635/2010	Nachingwea NW	Tanzania	86%
PL 7095/2011	Nditi	Tanzania	86%
PL 7226/2011	Ntaka South	Tanzania	58%
PL 9757/2014	Mihumo West	Tanzania	86%
PL 9759/2014	Mjembe	Tanzania	86%
PL 9939/2014	Mjembe East	Tanzania	86%
PL 9942/2014	Naujombo North	Tanzania	86%
PL 9944/2014	Namarongo North	Tanzania	86%
PL 10099/2014	Nanyindwa	Tanzania	86%
PL 10302/2014	Namatutwa	Tanzania	86%
RL 0017/2015	Ntaka Hill	Tanzania	58%