

INDIANA RESOURCES LIMITED

and its controlled entities

ABN 67 009 129 560

INTERIM FINANCIAL REPORT
for the half-year ended 31 December 2019



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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Indiana Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

INDIANA RESOURCES LIMITED

Corporate Directory

Directors

Ms Bronwyn Barnes
Mr Robert Adam
Mr Steven Zaninovich

Company Secretary

Ms Aida Tabakovic (Appointed 5 September 2019)

Registered Office

The Park Business Centre, 45 Ventnor Avenue
WEST PERTH WA 6005
Tel + 61 8 9429 8829

Share Register

Computershare Limited
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PERTH WA 6000
Tel + 61 8 9323 2000
Fax + 61 8 9323 2033

Auditors

RSM Australia Partners
Level 32, Exchange Tower
2 The Esplanade
PERTH WA 6000

Website Address

www.indianaresources.com.au

Stock Exchange

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

INDIANA RESOURCES LIMITED

Directors' Report

The Directors present the consolidated financial report of Indiana Resources Limited (“Indiana” or the “Company”) and its controlled entities (the “Group”) for the six months ended 31 December 2019.

Amounts are expressed in Australian dollars unless otherwise noted.

Directors

The names of the Company’s Directors in office during the half-year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Non-Executive

Ms Bronwyn Barnes (Non-Executive Chair) (ceased role effective 7 February 2020)

Mr Bob Adam (Non - Executive Director)

Mr Steven Zaninovich (Non - Executive Director)

Executive

Ms Bronwyn Barnes (Executive Chair) (appointed to the role effective 7 February 2020)

Company Secretary

Ms Aida Tabakovic (Appointed 5 September 2019)

Mr James Moran (Resigned 29 November 2019)

PRINCIPLE ACTIVITIES

During the period, the principle continuing activities of the Group consisted of exploration for minerals.

REVIEW OF OPERATIONS

Corporate

Results for the Half-Year

The net loss after income tax of the Group for the half-year ended 31 December 2019 was \$4.72 million (2018: \$1.27 million). The result for the half-year is attributable to:

- (1) Corporate and administration costs of \$0.32 million (2018: \$0.67 million);
- (2) Share based payment of \$0.50 million (2018: \$0.02 million);
- (3) Exploration costs of \$0.67 million (2018: \$0.46 million); and
- (4) Impairment of exploration asset of \$3.17 million.

As at 31 December 2019, the Group had \$0.24 million in cash and cash equivalents and the Company has the following securities on issue:

- 183,494,693 fully paid ordinary shares;
- 2,000,000 unlisted options exercisable at \$0.125 on or before 23 November 2020;
- 1,272,022 unlisted options exercisable at \$0.12 on or before 22 July 2021;
- 500,000 unlisted options exercisable at \$0.20 on or before 4 July 2022;
- 5,000,000 unlisted options exercisable at \$0.03 on or before 25 October 2022;
- 1,340,124 unlisted options exercisable at \$0.0288 on or before 25 October 2022;
- 5,000,000 unlisted options exercisable at \$0.036 on or before 25 October 2022;
- 800,000 unlisted options exercisable at \$0.09 on or before 14 January 2023;
- 800,000 unlisted options exercisable at \$0.12 on or before 14 January 2023;
- 800,000 unlisted options exercisable at \$0.09 on or before 16 August 2023;
- 800,000 unlisted options exercisable at \$0.12 on or before 16 August 2023;
- 3,500,000 unlisted options exercisable at \$0.04 on or before 5 October 2023; and
- 5,000,000 unlisted options exercisable at \$0.07 on or before 5 October 2023.

INDIANA RESOURCES LIMITED

Directors' Report

Exploration

On behalf of the Board, I am pleased to present to Shareholders the 2019 Half Yearly Report.

During the last six months the Company continued to focus its efforts on exploring its substantial footprint in West Mali and working with the Tanzanian Government on confirming a suitable tenure arrangement for the Ntaka Hill Nickel Project.

Our exploration activities in Mali focused on key properties in the prolifically mineralised Kenieba Province in Mali – namely Saboussire and Kenieko Nord (Kenieko). Following the end of the rainy season in September 2019, the Company undertook a comprehensive soil sampling programme that has delivered a solid pipeline of exciting drill targets that remain to be tested. The work at Saboussire was our first opportunity to conduct work on the licence following the grant of the exploration permit in September 2019. The Company is continuing to assess other opportunities to acquire early stage exploration assets in the Kenieba Province that will grow the Company's footprint in this region that is host to multiple world-class gold deposits.

The Ntaka Hill Nickel Project in Tanzania remains a key asset of value for shareholders and the Board continued to engage with the Tanzanian Government to assess the impact of legislation passed in July 2017 and the Mining Regulations released in 2018. The Company had been given confidence through various meetings with Government in 2018 and 2019 that a suitable tenure arrangement would be able to be agreed with the Tanzanian Government that would support development of the Project. However in late December the Tanzanian Government advertised the Ntaka Hill Nickel Project as available for tender on its website.

Subsequent to the end of the quarter, a Letter of Notice was served to Tanzanian President, Attorney General and Ministry of Energy and Minerals in relation to the Ntaka Hill Nickel Project Retention Licence, advising that a dispute has arisen in relation to the Company's investment in the Project. The Company has retained legal advisers to provide advice on protecting shareholders' historic investments and rights and we remain open to discussions with the Government that would resolve the situation to the satisfaction of all parties. Further detailed information on the matter is contained in this report.

The Board and I sincerely thank shareholders for their continued support and encourage shareholders to please contact me or my fellow Directors if you would like any further information.

Mali – Exploration

During the latter half of 2019 the Company progressed several exploration activities across the West Mali Gold Project area (refer Figures 1 & 2) that included an expanded soil geochemistry data that identified significant zones of interest for possible future drill programmes, along with an additional soil sampling programme for immediate implementation.

At Saboussire, the soil sampling programme totalling 1,253 samples and was completed over 3 individual areas on a nominal 200m x 100m grid pattern. Results identified a large **+50 ppb** gold anomaly extending over 2 kilometres in a north-south direction and 1 kilometre in an east-west direction in the south west area of the licence. In the central portion of the licence, a **9610 ppb Au (9.6 g/t Au)** result was returned with this area now earmarked for immediate follow up. Two additional areas have been identified at Saboussire that require additional sampling to follow up on the anomalous trends and the high-grade result (see Figure 2). An additional programme has been designed that includes approximately 1,200 samples on a 200m x 100m grid to infill and cover the new areas identified.

Soil sampling completed at Kenieko Nord totalled 606 samples over areas not previously sampled and completed on a 400m x 100m grid pattern. The soil sample results returned have identified narrow spot highs and review of both the magnetics and interpreted geology have largely shown the underlying geology covers magnetic lows, commensurate with the interpreted sedimentary underlying geology. The Company is now reviewing existing data for this license and considering the potential to conduct some basic mapping in the areas of the highest values.

INDIANA RESOURCES LIMITED

Directors' Report

Mali – Additional Opportunities

The Company is progressing discussions with several other licence holders in this belt to expand its Malian footprint. The opportunity to consolidate a strategic group of tenements and undertake a coordinated exploration across the Main Transcurrent Zone (“MTZ”) is of great interest to the Company, and other licensees as the approach in the past has been piecemeal, with limited advanced exploration work having been done consistently across the region. Whilst no definitive agreements have been reached a number of Confidentiality Agreements have been signed and initial discussions have commenced. The Company will continue to assess the merits of additional project acquisition opportunities in this highly prolific region and will advise if and when successful negotiations are able to be concluded.

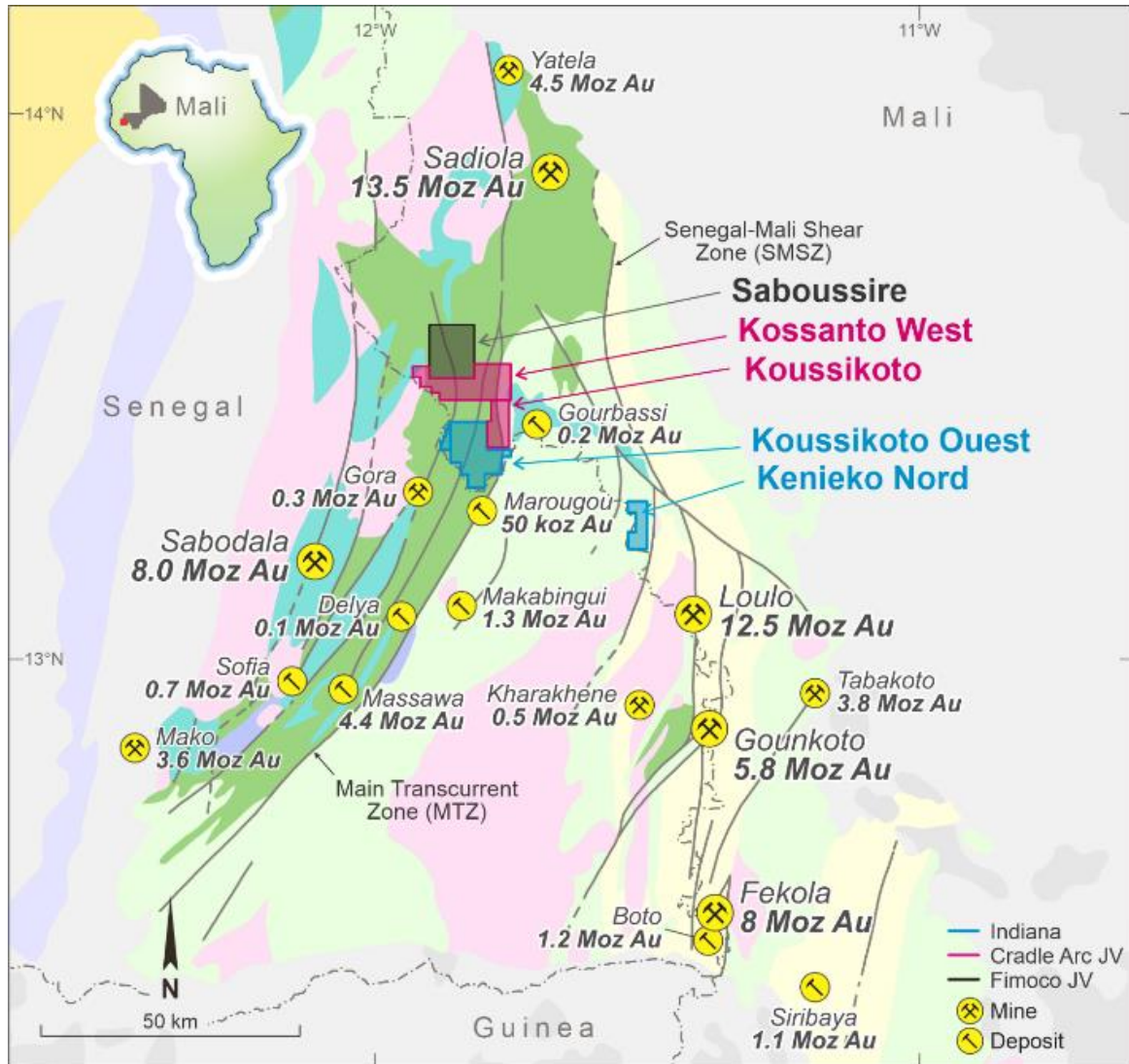


Figure 1 – Indiana - West Mali tenure

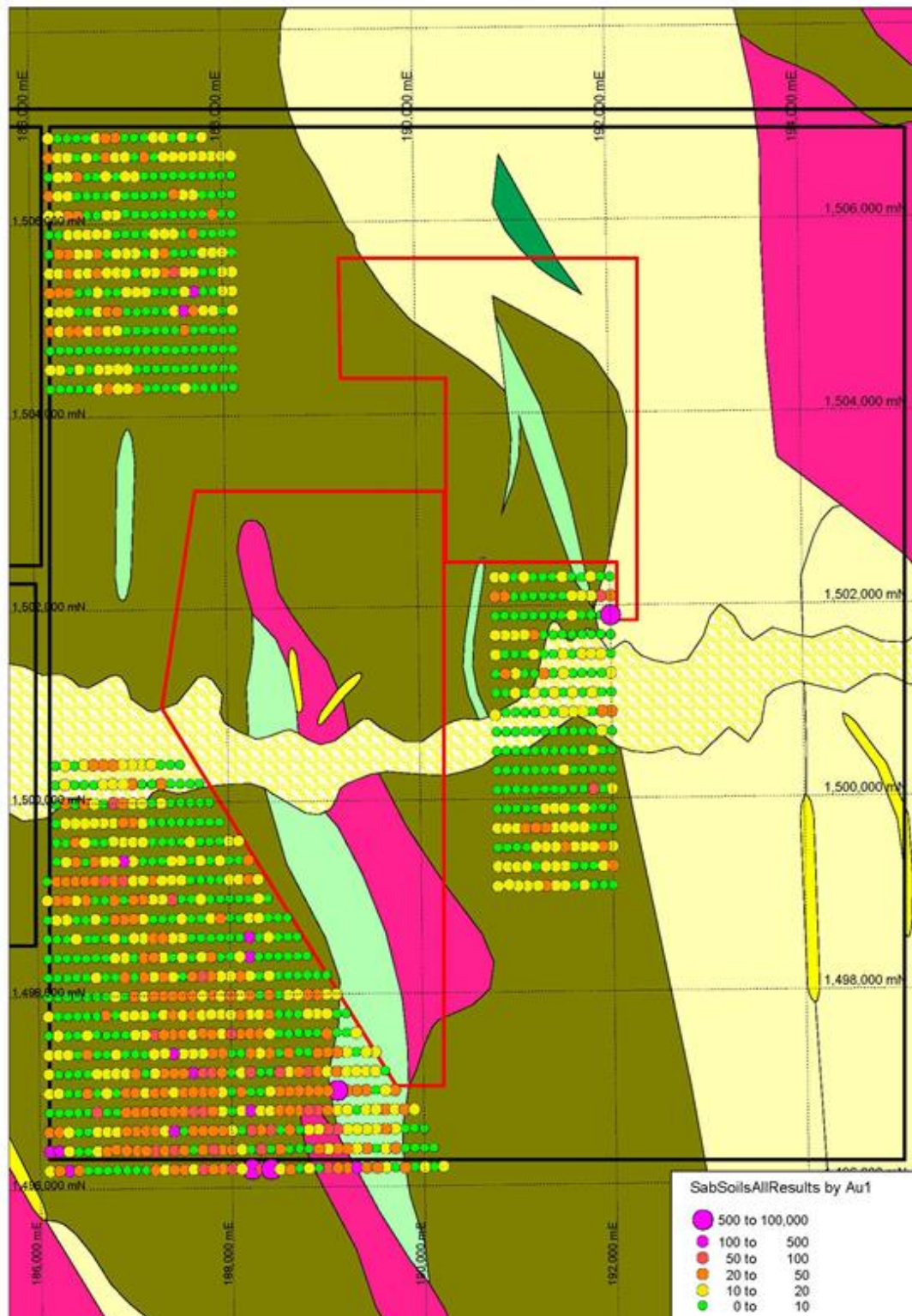


Figure 2 - Saboussire: Soil sample results on Interpreted Geology and areas recommended for further work

INDIANA RESOURCES LIMITED

Directors' Report

Tanzania - Ntaka Hill Nickel Project

During the Quarter consultation continued with the Government of Tanzania to resolve tenure for the Ntaka Hill Nickel Project and explore options for development and financing of the Ntaka Hill Project.

In October 2019 a Mining Exploration and Development Plan was lodged with the Tanzanian Ministry of Minerals that addressed regulatory, development and financing plans for the Ntaka Hill Project that would progress it to a decision to mine stage. These activities include additional drilling to infill the existing resource and upgrade the resource classification, commencement of a desktop feasibility study and initiation of environmental and social impact assessment studies ("ESIA"). The Plan included a four-year work programme and a high level of US\$8-11m budget to advance Ntaka Hill to development and the Company had received strong interest from existing shareholders and potential investment partners to support funding for development activities

At a meeting with the Minister for Energy and Minerals, the Mining Commission and other senior government officials on 9th December 2019 at which the Chairman was reassured that the Company's historic investment would be respected and the Government would shortly advise a process to agree an appropriate tenure for the Project.

On 19 December 2019, the Mining Commission of Tanzania announced a public invitation to tender for the joint development of areas covered previously by Retention Licences (the "**19 December Tender**"). This public invitation was not sent to the Company but was advertised on the website for the Ministry of Energy and Minerals.

On 20 December 2019, the Mining Commission of Tanzania announced a revised public invitation to tender (the "**20 December Tender**") with slightly amended conditions from the 19 December Tender.

Subsequent to the end of the quarter, a Letter of Notice was served to Tanzanian President, Attorney General and Ministry of Energy and Minerals in relation to the Ntaka Hill Nickel Project Retention Licence advising that a dispute has arisen in relation to NNHL's investment in the Ntaka Hill Nickel Project located in the Nachingwea Province in south-eastern Tanzania (the "**Project**").

The dispute arises out of certain acts and omissions of the United Republic of Tanzania in breach of the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the United Republic of Tanzania for the Promotion and Protection of Investments ("**BIT**") and international law in relation to the Project, and the Notice was delivered in accordance with Article 8(3) of the BIT.

An International specialist investment arbitration law firm has been appointed to represent the Company's interests and advise on actions necessary to ensure its rights to the Licence are protected.

Should an amicable resolution not be achieved within the six-month period, the Company can pursue its claims before ICSID. ICSID is housed within the World Bank and is the agreed forum for settlement of any dispute between NNHL and the Tanzanian Government. Through this forum NNHL can seek full compensation for the loss suffered through the revocation of the Retention Licence for the Project. The quantum of the claim may include, but will not be limited to:

- the value of historic investments in Tanzania,
- the value of the project at the time tenure was expropriated,
- and damages the Company has suffered as a result of Tanzania's acts and omissions.

The Notice of Intent is necessary in order to preserve the Company's rights to initiate arbitration should a resolution with the Tanzanian government not be reached. Indiana confirms that it is taking all necessary actions to preserve its rights as a shareholder of NNHL.

INDIANA RESOURCES LIMITED

Directors' Report

Subsequent to the end of the quarter the Company has received numerous approaches from experienced and respected International litigation funding firms interested in working with the Company to ensure its rights are protected and pursued. Indiana is encouraged by the level of interest and the feedback received thus far from the different litigation funders. NNHL and its lawyers are now working to engage a firm interested in providing litigation funding services.

Tenements held and location

Tenement	Ownership	Project	Location
PL 7095/2011 - Nditi	100%*	Nachingwea	Tanzania
PL 7226/2011 - Ntaka South	100%***	Nachingwea	Tanzania
PL 10904/2016 - Namikango North	100%*	Nachingwea	Tanzania
PL 11022/2017 - Ntaka North West	100%*	Nachingwea	Tanzania
Claim Block 4242	50% **	St Stephen	New Brunswick, Canada
Claim Block 5787	50% **	St Stephen	New Brunswick, Canada
PR 13/647 Koussikoto Ouest	75%	Koussikoto	Mali
PR 15/736 Kenieko Nord	95%	Kenieko	Mali
PR 2015/3392 Kossanto West ****	65%	Koussikoto	Mali
PR 2014/2350 Kossanto West****	65%	Kobokoto	Mali

* Subject to farm-in joint venture with MMG

** Subject to 50/50 joint venture with ABE Resources

*** Subject to farm-in joint venture with MMG and joint venture transaction with Fig Tree. Pursuant to legislation introduced in July 2017, the Government of Tanzania purported to cancel retention licences and has subsequently advertised the Project as available for Tender. At this stage. The Company continues to note the uncertainty with regards to this title whilst pursuing its legal rights.

**** Subject to a farm in joint venture with Cradle Arc PLC. Cradle Arc PLC was placed into administration in 2019 and the Company continues to work with the Administrator in an effort to purchase the tenements.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 15 January 2020, the Company announced that it has through its majority shareholding position in Ntaka Nickel Holdings Ltd ("NNHL, incorporated in the United Kingdom) delivered a Notice to the President of Tanzania, H. E. The Hon John Magufuli, to the Tanzanian Solicitor General and to the Tanzanian Ministry of Energy and Minerals, that a dispute has arisen in relation to NNHL's investment in the Ntaka Hill Nickel Project located in the Nachingwea Property in south-eastern Tanzania (the "Project"). The dispute arises out of certain acts and omissions of the United Republic of Tanzania in breach of the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the United Republic of Tanzania for the Promotion and Protection of Investments ("BIT") and international law in relation to the Project, and the Notice was delivered in accordance with Article 8(3) of the BIT.

On 29 January 2020, the Company announced that through its majority shareholding position in Ntaka Nickel Holdings Ltd ("NNHL, incorporated in the United Kingdom), it has appointed a specialist investment arbitration law firm to represent its interests and advise on actions necessary to ensure its rights to the Licence are protected. The Company received numerous approaches from experienced and respected International litigation funding firms interested in working with the Company to ensure its rights are protected and pursued. NNHL and its lawyers are currently working to engage a firm interested in providing litigation funding services.

On 7 February 2020, the Company announced that Non-Executive Chair, Ms Bronwyn Barnes will transition to the role of an Executive Chair, in order to focus on leading activities to protect the rights of shareholders in the current dispute with the Tanzanian Government.

INDIANA RESOURCES LIMITED

Directors' Report

SIGNIFICANT EVENTS AFTER THE REPORTING DATE (contd.)

Furthermore, the Company also advised that following the Notice of Dispute delivered to the Government of Tanzania, a six-month period has now commenced where the parties can negotiate a mutually acceptable outcome. The Company is currently assessing its options with regards to progressing discussions with the Government of Tanzania and is hopeful a mutually acceptable outcome can be reached. If a mutually acceptable outcome cannot be reached in six months, a claim can be referred to the International Centre for the Settlement of Investment Disputes ("ICSID"), part of the World Bank.

In the opinion of Directors, there were no other significant changes in the state of affairs of the Company that occurred during the period subsequent to the period under review not otherwise disclosed in this report or in the financial report.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of Indiana Resources Limited with an Independence Declaration in relation to the half-year ended 31 December 2019. The Independence Declaration is attached to and forms part of this Directors' Report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.



Bronwyn Barnes
CHAIRMAN
PERTH, WA

15 March 2020

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Indiana Resources Limited for the half-year ended 31 December 2019, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 15 March 2020

INDIANA RESOURCES LIMITED
Consolidated Statement of Profit or Loss and Other Comprehensive
Income
For the half-year ended 31 December 2019

	Notes	31 DECEMBER 2019 \$'000	31 DECEMBER 2018 \$'000
Interest income		1	-
Other income	8	82	1
Business development costs		(88)	(51)
Corporate and administration expenses		(318)	(671)
Depreciation		(26)	(68)
Exploration and evaluation expenses		(672)	(464)
Share based payments		(505)	(15)
Impairment of exploration and evaluation asset		(3,170)	-
Other expenses		(20)	(6)
LOSS BEFORE INCOME TAX EXPENSE		(4,716)	(1,274)
Income tax benefit		-	-
LOSS AFTER INCOME TAX EXPENSE		(4,716)	(1,274)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss			
Foreign currency translation differences, net of tax		(193)	(150)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(4,909)	(1,424)
Net Loss is attributable to:			
Owners of Indiana Resources Limited		(4,909)	(1,274)
Non-controlling interest		-	-
		(4,909)	(1,274)
Total Comprehensive Loss is attributable to:			
Owners of Indiana Resources Limited		(4,909)	(1,424)
Non-controlling interest		-	-
		(4,909)	(1,424)
Loss per share attributable to owners of the Company:			
Basic loss per share (cents)		(0.03)	(1.5)
Diluted loss per share (cents)		(0.03)	(1.5)

The accompanying notes form part of these consolidated interim financial statements.

INDIANA RESOURCES LIMITED
Consolidated Statement of Financial Position
As at 31 December 2019

	Notes	31 DECEMBER 2019 \$'000	30 JUNE 2019 \$'000
CURRENT ASSETS			
Cash and cash equivalents		241	380
Trade and other receivables		351	115
TOTAL CURRENT ASSETS		592	495
NON-CURRENT ASSETS			
Exploration and evaluation expenditure assets	5	978	4,148
Plant and equipment		98	106
TOTAL NON-CURRENT ASSETS		1,076	4,254
TOTAL ASSETS		1,668	4,749
CURRENT LIABILITIES			
Trade and other payables		1,134	1,290
Loans and borrowings	6	-	315
TOTAL CURRENT LIABILITIES		1,134	1,605
NON-CURRENT LIABILITIES			
Deferred Tax Liability		-	5
TOTAL NON CURRENT LIABILITIES		-	5
TOTAL LIABILITIES		1,134	1,610
NET ASSETS		534	3,139
EQUITY			
Contributed equity	7	15,001	13,026
Reserves		6,353	6,217
Accumulated losses		(20,820)	(16,104)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		534	3,139
Non-controlling interest		-	-
TOTAL EQUITY		534	3,139

The accompanying notes form part of these consolidated interim financial statements.

INDIANA RESOURCES LIMITED
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2019

	31 DECEMBER 2019 \$'000	31 DECEMBER 2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other receipts	1	1
Payments to suppliers and employees	(894)	(549)
Payment of exploration expenditure	(672)	(790)
Net cash outflow from operating activities	(1,565)	(1,338)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,491	674
Direct costs of equity issued	(64)	(137)
Proceeds from borrowings	-	300
Net cash inflow from financing activities	1,427	837
NET DECREASE IN CASH AND CASH EQUIVALENTS	(138)	(501)
Opening cash and cash equivalents brought forward	380	784
Effects of exchange rate movements on opening cash	(1)	(7)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	241	276

The accompanying notes form part of these consolidated interim financial statements.

INDIANA RESOURCES LIMITED
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2019

	Contributed Equity	Foreign Currency Translation Reserve	Share Based Equity Reserve	Other Equity Reserve	Accumulated Losses	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018	11,645	4,694	1,153	(922)	(9,829)	7,663
Total Other Comprehensive Income for half-year						
Loss for the half-year	-	-	-	-	(1,274)	(1,274)
Foreign exchange translation differences	-	(150)	-	-	-	(150)
	-	(150)	-	-	(1,274)	(1,424)
Transactions with owners in their capacity as owners:						
Equity attributed to minority	-	-	-	-	-	-
Issue of shares net of transaction costs	532	-	-	-	-	532
Acquisition via share issue	410	-	-	-	-	410
Employee and director share based payments	-	-	16	-	-	16
Advisor share based payments	-	-	9	-	-	9
Balance at 31 December 2018	12,587	4,544	1,178	(922)	(11,103)	7,206
Balance at 1 July 2019	13,026	4,981	1,236	(922)	(16,104)	3,139
Total Other Comprehensive Income for half-year						
Loss for the half-year	-	-	-	-	(4,716)	(4,716)
Foreign exchange translation differences	-	(193)	-	-	-	(193)
	-	(193)	-	-	(4,716)	(4,909)
Transactions with owners in their capacity as owners:						
Equity attributed to minority	-	-	-	-	-	-
Issue of shares net of transaction costs	1,427	-	-	-	-	1,427
Conversion of convertible note	318	-	-	-	-	318
Employee and director share based payments	176	-	214	-	-	390
Other share based payments	54	-	115	-	-	169
Balance at 31 December 2019	15,001	4,788	1,565	(922)	(20,820)	534

The accompanying notes form part of these consolidated interim financial statements.

INDIANA RESOURCES LIMITED

Notes to the Consolidated Financial Statements

1. Corporate information

Indiana Resources Limited (“**Indiana**” or the “**Company**”) is a company incorporated in Australia and limited by shares. Indiana shares are publicly traded on the Australian Securities Exchange under the stock code IDA. The consolidated interim financial statements of the Company as at, and for the half-year ended, 31 December 2019 comprise the Company and its subsidiaries (together the “**Group**”).

The principal activities of the Company are exploration for base and precious metals.

The consolidated financial statements of the Group as at and for the year ended 30 June 2019 are available online at www.indianaresources.com.au or upon request from the Company’s registered office located at The Park Business Centre, 45 Ventnor Avenue, West Perth 6005, Australia.

This financial report was authorised for issue in accordance with a resolution of the Directors on 15 March 2020.

2. Basis of preparation and accounting policies

This general purpose interim financial report for the half-year ended 31 December 2019 has been prepared in accordance with IAS 34 *Interim Financial Reporting* and the *Corporations Act 2001*. The financial report does not include all notes of the type normally included within the annual financial report. However selected explanatory notes are included to explain events and transactions that are important to an understanding of changes in the Group’s financial position and performance since the last annual consolidated financial statements, as of, and for the year ended 30 June 2019.

It is recommended that this interim financial report be read in conjunction with the annual report for the year ended 30 June 2019 and considered together with any public announcements made by Indiana during the half-year ended 31 December 2019 in accordance with the Company’s continuous disclosure obligations.

2(a) Going concern

The Group incurred a net loss after income tax expense for the half year ended 31 December 2019 of \$4.72 million and net cash outflows from operating activities of \$1.56 million. As at 31 December 2019, the Group had cash and cash equivalents of \$0.24 million. As at that date, the Group had net current liabilities of \$0.54 million.

The Group will require additional funding in the next 12 months to enable the Group to continue its normal business activities and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due, including progression of its exploration activities.

As a result of the above, there is a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors are satisfied that there are reasonable grounds to believe that the Group will be able to continue to meet its debts as and when they fall due and that it is appropriate for the financial statements to be prepared on a going concern basis. The Directors have based this on the following:

- The Group has the capacity, if necessary, to reduce its operating cost structure in order to reduce its working capital requirements;
- The Group has the ability to draw on an unused loan facility as disclosed in Note 6;
- The Group has entered into various confidentiality arrangements on potential new projects, which if successful will include additional funding opportunities; and
- The Directors believe that future funding will be available to meet the Group’s objectives and debts as and when they fall due, including through engaging with parties interested in joint venture arrangements and/or raising additional capital through equity placements to existing or new investors. The Group has a demonstrated history of success in this regard with the Directors being confident in the ability to continue to raise additional funds on a timely basis, as and when required.

INDIANA RESOURCES LIMITED

Notes to the Consolidated Financial Statements

2. Basis of preparation and accounting policies

2(a) Going concern (contd.)

The financial report does not include adjustments relating to the recoverability or classification of the recorded assets nor to the amounts or classification of liabilities that may be necessary should the Group not be able to continue as a going concern.

3. New or amended Accounting Standards and interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current and prior reporting periods.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

AASB 16 Leases

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Payments on these leases are expensed to profit or loss as incurred.

4. Use of judgements and estimates

The preparation of interim financial statements 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. Actual results may differ from these estimates.

In preparing these interim consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2019.

5. Exploration and Evaluation Expenditure Assets

	31 December 2019 \$'000	30 June 2019 \$'000
Exploration & evaluation expenditure assets	<u>978</u>	<u>4,148</u>
<i>Reconciliation of exploration & evaluation expenditure assets</i>		
Carrying amount at the beginning of the period	4,148	6,700
Additions via acquisition of subsidiary	-	948
Impairment	(3,170)	(3,500)
Carrying amount at the end of period	<u>978</u>	<u>4,148</u>

Impairment Assessment - Ntaka Hill Nickel Project

The Written Laws (Miscellaneous Amendments) Act and the Mining (Mineral Rights) Regulations 2018 (**Regulations**), as they relate to mining rights, included a provision that all retention licences issued prior to the date of publication of the Regulations are cancelled and cease to have legal effect. The Group's interest in the Ntaka Hill Project has been held in the form of a retention licence (**Ntaka Hill Retention Licence**).

INDIANA RESOURCES LIMITED

Notes to the Consolidated Financial Statements

5. Exploration and Evaluation Expenditure Assets (contd.)

Owing to provisions contained in the regulations, some uncertainty exists as to the Group's tenure at Ntaka Hill. In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources an indication of impairment may exist if the right to explore in the specific area has expired during the period and is not expected to be renewed. The Group has been engaged in discussions with the Tanzanian Government and has made a submission on the history of Ntaka Hill, the benefits of the tenure, previous investment and recommendations on how to proceed on a basis that is in the interests of all parties, including the conversion of the Retention License to an alternative form of license.

At a meeting with the Minister for Energy and Minerals, the Mining Commission and other senior government officials on 9th December 2019, the Chairman was reassured that the Company's historic investment would be respected and the Government would shortly advise a process to agree an appropriate tenure for the Project. On 19 December 2019, the Mining Commission of Tanzania announced a public invitation to tender for the joint development of areas covered previously by Retention Licences (the "**19 December Tender**"). This public invitation was not sent to the Company but was advertised on the website for the Ministry of Energy and Minerals. On 20 December 2019, the Mining Commission of Tanzania announced a revised public invitation to tender (the "**20 December Tender**") with slightly amended conditions from the 19 December Tender.

Subsequent to the end of the period, a Letter of Notice was served to Tanzanian President, Attorney General and Ministry of Energy and Minerals in relation to the Ntaka Hill Nickel Project Retention Licence advising that a dispute has arisen in relation to NNHL's investment in the Ntaka Hill Nickel Project located in the Nachingwea Property in south-eastern Tanzania (the "**Project**"). The dispute arises out of certain acts and omissions of the United Republic of Tanzania in breach of the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the United Republic of Tanzania for the Promotion and Protection of Investments ("**BIT**") and international law in relation to the Project, and the Notice was delivered in accordance with Article 8(3) of the BIT. An International specialist investment arbitration law firm has been appointed to represent the Company's interests and advise on actions necessary to ensure its rights to the Licence are protected. Should an amicable resolution not be achieved within the six-month period, the Company can pursue its claims before ICSID.

As at 30 June 2019, the Group impaired \$3.5 million bringing the carrying value to \$3.17 million. As at 31 December 2019, the Group fully impaired the carrying value of \$3.17 million relating to the Ntaka Hill Nickel Project .

Koussikoto Ouest Project

The Group continues to work on resolving issues arising from the previously advised (31 January 2019) Notice of Claim relating to the Koussikoto Ouest Project. The exploration licence is held by Olive Mining SARL, a Malian company owned 75% by Mukuyu with the remaining 25% held by a private Malian citizen ('Minority Shareholder'). The Group had received a Notice of Claim from the Minority Shareholder alleging certain breaches of the shareholders' agreement between the Group and the Minority Shareholder, challenging the Group's 75% ownership and disputing responsibility for the Minority Shareholder's percentage of expenditure. The Group received written legal advice that the claims of the Minority Shareholder were without foundation and continues to work with the Malian court system and the Minority Shareholder to resolve the matters included in the Statement of Claim.

The exploration and evaluation expenditure capitalised in relation to this project capitalised as at 31 December 2019 amounted to \$948,000.

INDIANA RESOURCES LIMITED

Notes to the Consolidated Financial Statements

6. Loans and borrowings

	31 December 2019 \$'000	30 June 2019 \$'000
Convertible note	-	315
Carrying amount at the end of the period	-	315

During 31 December 2018 period, the Company entered into an unsecured loan agreement for up to \$1,000,000 with Michael George Fotios and associated entities (“**Loan Agreement**”), the Company’s major shareholder. The Company has completed drawdowns totalling \$0.3 million under the Loan Agreement, with a balance of \$0.7 million undrawn. On 8 August 2019 at a General Meeting, the Shareholders approved for the drawdown face value amount and interest accrued on the face value totalling \$0.31 million to be repaid via issuance of fully paid shares in Indiana. On 16 August 2019, Indiana issued \$0.3 million worth of fully paid shares at a conversion price of \$0.06 per share and \$0.01 million worth of fully paid ordinary shares at a conversion price of \$0.024 per share.

7. Contributed Equity

	31 December 2019		30 June 2019	
	Number of shares	\$'000	Number of shares	\$'000
(a) Issued and Paid up Capital				
Ordinary shares fully paid	183,494,693	15,001	105,994,876	13,026
(b) Movement in fully paid Ordinary Shares				
	Number of shares	\$'000	Number of shares	\$'000
Balance at the beginning of the period	105,994,876	13,026	79,053,677	11,645
Issue of shares, net of costs	62,117,516	1,427	20,133,230	971
Shares issued as conversion of convertible note	5,771,978	318	-	-
Shares issued under the Employee Share Scheme	-	-	307,969	-
Share based payments to settle creditors	2,255,000	54	-	-
Employee and directors’ Share Based Payment	7,355,323	176	-	-
Shares issued as consideration for Mukuyu	-	-	6,500,000	410
Balance at the end of the period	183,494,693	15,001	105,994,876	13,026

Dividends: There were no dividends paid, recommended or declared during the current half or previous financial year.

INDIANA RESOURCES LIMITED

Notes to the Consolidated Financial Statements

7. Contributed Equity (contd.)

(c) Outstanding Share Options

As at 31 December 2019, the Company has the following share options outstanding:

Expiry Date and Price	Type	Number
OPTIONS EXP 23/11/20 @ \$0.125	Unlisted Option	2,000,000
OPTIONS EXP 22/07/21 @ \$0.12	Unlisted Option	1,272,022
OPTIONS EXP 04/07/22 @ \$0.20	Unlisted Option	500,000
OPTIONS EXP 25/10/22 @ \$0.03	Unlisted Option	5,000,000
OPTIONS EXP 25/10/22 @ \$0.0288	Unlisted Option	1,340,124
OPTIONS EXP 25/10/22 @ \$0.036	Unlisted Option	5,000,000
OPTIONS EXP 14/01/23 @ \$0.09	Unlisted Option	800,000
OPTIONS EXP 14/01/23 @ \$0.12	Unlisted Option	800,000
OPTIONS EXP 16/08/23 @ \$0.09	Unlisted Option	800,000
OPTIONS EXP 16/08/23 @ \$0.12	Unlisted Option	800,000
OPTIONS EXP 05/10/23 @ \$0.04	Unlisted Option	3,500,000
OPTIONS EXP 05/10/23 @ \$0.07	Unlisted Option	5,000,000
		268,121,146

8. Other Income

Included in other income for the six months ended 31 December 2019 is \$81,778 which is the corresponding reimbursement cost to date settled by the insurance policy to Clayton Utz, the legal counsel for the former Directors and Officers of the Company's former subsidiary Termite Resources NL ("**Termite**"). The costs are in relation to the claim outlined in the contingent liabilities note in the financial statements for the year ended 30 June 2019. The Directors and Officers insurance policy has covered all legal costs incurred by the Directors and Officers in connection with the claim up to the half-year ended 31 December 2019.

9. Contingent Assets and Liabilities

Ntaka Hill Nickel Project

On 15 January 2020, the Company announced that it has through its majority shareholding position in Ntaka Nickel Holdings Ltd ("NNHL, incorporated in the United Kingdom) delivered a Notice to the President of Tanzania, H. E. The Hon John Magufuli, to the Tanzanian Solicitor General and to the Tanzanian Ministry of Energy and Minerals, that a dispute has arisen in relation to NNHL's investment in the Ntaka Hill Nickel Project located in the Nachingwea Property in south-eastern Tanzania (the "Project"). The dispute arises out of certain acts and omissions of the United Republic of Tanzania in breach of the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the United Republic of Tanzania for the Promotion and Protection of Investments ("BIT") and international law in relation to the Project, and the Notice was delivered in accordance with Article 8(3) of the BIT.

Furthermore, the Company also advised that following the Notice of Dispute delivered to the Government of Tanzania, a six-month period has now commenced where the parties can negotiate a mutually acceptable outcome. The Company is currently assessing its options with regards to progressing discussions with the Government of Tanzania and is hopeful a mutually acceptable outcome can be reached. If a mutually acceptable outcome cannot be reached in six months, a claim can be referred to the International Centre for the Settlement of Investment Disputes ("ICSID"), part of the World Bank. ICSID is housed within the World Bank and is the agreed forum for settlement of any dispute between NNHL and the Tanzanian Government. Through this forum NNHL can seek full compensation for the loss suffered through the revocation of the Retention Licence for the Project. The quantum of the claim may include, but will not be limited to:

INDIANA RESOURCES LIMITED

Notes to the Consolidated Financial Statements

9. Contingent Assets and Liabilities (contd.)

- the value of historic investments in Tanzania,
- the value of the project at the time tenure was expropriated,
- and damages the Company has suffered as a result of Tanzania's acts and omissions.

The Notice of Intent is necessary in order to preserve the Company's rights to initiate arbitration should a resolution with the Tanzanian government not be reached. Indiana confirms that it is taking all necessary actions to preserve its rights as a shareholder of NNHL.

Koussikoto Ouest Project

The Group continues to work on resolving issues arising from the previously advised (31 January 2019) Notice of Claim relating to the Koussikoto Ouest Project. The exploration licence is held by Olive Mining SARL, a Malian company owned 75% by Mukuyu with the remaining 25% held by a private Malian citizen ('Minority Shareholder'). The Group had received a Notice of Claim from the Minority Shareholder alleging certain breaches of the shareholders' agreement between the Group and the Minority Shareholder, challenging the Group's 75% ownership and disputing responsibility for the Minority Shareholder's percentage of expenditure. The Group received written legal advice that the claims of the Minority Shareholder were without foundation and continues to work with the Malian court system and the Minority Shareholder to resolve the matters included in the Statement of Claim.

Other than the matters disclosed above there have been no change to the contingent assets and liabilities disclosed in the 30 June 2019 Annual Report.

10. Commitments

There has been no change to the commitments disclosed in the 30 June 2019 Annual Report.

11. Operating Segments

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

INDIANA RESOURCES LIMITED

Notes to the Consolidated Financial Statements

11. Operating Segments (contd.)

Segment Revenue and Results

Period Ended 31 December 2019	Tanzania \$'000	Mali \$'000	Corporate \$'000	Total \$'000
Segment Revenue	-	-	83	83
Segment Results	(122)	(365)	(4,229)	(4,716)

Period Ended 31 December 2018	Tanzania \$'000	Mali \$'000	Corporate \$'000	Total \$'000
Segment Revenue	-	-	1	1
Segment Results	-	(464)	(810)	(1,274)

Segment Assets and Liabilities

Period Ended 31 December 2019	Tanzania \$'000	Mali \$'000	Corporate \$'000	Total \$'000
Total Assets	125	1,044	499	1,668
Total Liabilities	31	627	476	1,134

Period Ended 30 June 2019	Tanzania \$'000	Mali \$'000	Corporate \$'000	Total \$'000
Total Assets	3,200	948	601	4,749
Total Liabilities	-	591	1,019	1,610

12. Subsequent Events

On 15 January 2020, the Company announced that it has through its majority shareholding position in Ntaka Nickel Holdings Ltd ("NNHL, incorporated in the United Kingdom) delivered a Notice to the President of Tanzania, H. E. The Hon John Magufuli, to the Tanzanian Solicitor General and to the Tanzanian Ministry of Energy and Minerals, that a dispute has arisen in relation to NNHL's investment in the Ntaka Hill Nickel Project located in the Nachingwea Property in south-eastern Tanzania (the "Project"). The dispute arises out of certain acts and omissions of the United Republic of Tanzania in breach of the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the United Republic of Tanzania for the Promotion and Protection of Investments ("BIT") and international law in relation to the Project, and the Notice was delivered in accordance with Article 8(3) of the BIT.

On 29 January 2020, the Company announced that through its majority shareholding position in Ntaka Nickel Holdings Ltd ("NNHL, incorporated in the United Kingdom), it has appointed a specialist investment arbitration law firm to represent its interests and advise on actions necessary to ensure its rights to the Licence are protected. The Company received numerous approaches from experienced and respected International litigation funding firms interested in working with the Company to ensure its rights are protected and pursued. NNHL and its lawyers are currently working to engage a firm interested in providing litigation funding services.

INDIANA RESOURCES LIMITED

Notes to the Consolidated Financial Statements

12. Subsequent Events (contd.)

On 7 February 2020, the Company announced that Non-Executive Chair, Ms Bronwyn Barnes will transition to the role of an Executive Chair, in order to focus on leading activities to protect the rights of shareholders in the current dispute with the Tanzanian Government.

Furthermore, the Company also advised that following the Notice of Dispute delivered to the Government of Tanzania, a six-month period has now commenced where the parties can negotiate a mutually acceptable outcome. The Company is currently assessing its options with regards to progressing discussions with the Government of Tanzania and is hopeful a mutually acceptable outcome can be reached. If a mutually acceptable outcome cannot be reached in six months, a claim can be referred to the International Centre for the Settlement of Investment Disputes (“ICSID”), part of the World Bank.

In the opinion of Directors, there were no other significant changes in the state of affairs of the Company that occurred during the period subsequent to the period under review not otherwise disclosed in this report or in the financial report.

INDIANA RESOURCES LIMITED

Notes to the Consolidated Financial Statements

13. Interest in Controlled Entities

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

Name	Country of incorporation	Class of shares	Equity Holding	
			31 December 2019	30 June 2019
			%	%
Frugal Mining Pty Ltd	Australia	Ordinary	100	100
Outback Iron Pty Ltd	Australia	Ordinary	51	51
Pan African Resources Pty Ltd	Australia	Ordinary	100	100
Zanzibar Gold Pty Ltd	Australia	Ordinary	92	92
Continental Nickel Limited	Canada	Ordinary	100	100
Noble Mineral Resources Pte Ltd	India	Ordinary	100	100
Goldstream Mozambique Limitada	Mozambique	Ordinary	100	100
Anga Resources Limited	Tanzania	Ordinary	86	86
Duma Minerals (Tanzania) Limited	Tanzania	Ordinary	92	92
Kudu limited	Tanzania	Ordinary	100	100
Mukuyu Resources Limited	Cyprus	Ordinary	100	100
Olive Mining SARL	Mali	Ordinary	75	75
Lucky Miners SARL	Mali	Ordinary	95	95
Chi So Mining Company Limited	Mali	Ordinary	100	100
Nachingwea Nickel Limited	Tanzania	Ordinary	58	58
Ngwena Limited	Tanzania	Ordinary	86	86
Nyati Mining (Tanzania) Limited	Tanzania	Ordinary	100	100
Pan African Resources (Tanzania) Limited	Tanzania	Ordinary	100	100
Warthog Resources 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	58	58

INDIANA RESOURCES LIMITED

Directors Declaration

In accordance with a resolution of the Directors of Indiana Resources Limited (the "Directors"), in the opinion of the Directors:

- (a) The financial statements and notes of the Group are in accordance with the *Corporations Act 2001* and:
 - (i) give a true and fair view of the financial position as at 31 December 2019 and the performance for the half-year ended on that date of the Group; and
 - (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
- (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.

Signed in accordance with a resolution of the Directors made pursuant to Section 303(5) of the *Corporations Act 2001*.

On behalf of the Board



Bronwyn Barnes
CHAIRMAN
PERTH, WA

15 March 2020



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Indiana Resources Limited which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Indiana Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

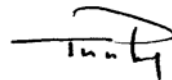
We draw attention to Note 2(a), which indicates that the consolidated entity incurred a loss of \$4,716,000 and had net cash outflows from operating activities of \$1,565,000 for the half-year ended 31 December 2019. As of that date, the consolidated entity had net current liabilities of \$542,000. As stated in Note 2(a), these events or conditions, along with other matters as set forth in Note 2(a), indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Emphasis of Matter - Capitalised Exploration and Evaluation Expenditure Assets

We draw attention to Note 5, which describes the possible effect of the Notice of Claim received by the consolidated entity in relation to the Koussikoto Ouest Project. Our conclusion is not modified in respect of this matter.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 15 March 2020