



India Resources Limited

ABN 77 121 339 704

FINANCIAL REPORT

30 JUNE 2010

CORPORATE DIRECTORY

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Frank Campagna

REGISTERED OFFICE

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AUDITORS

PricewaterhouseCoopers

SOLICITORS

Allion Legal Pty Ltd

BANKERS

National Australia Bank Limited
Axis Bank

STOCK EXCHANGE LISTING

Shares in India Resources Limited are quoted on
ASX Limited.
ASX code: IRL

This financial report covers the consolidated entity of India Resources Limited and its controlled entities (the Group).

The financial report is presented in Australian dollars.

India Resources Limited is a company limited by shares and is incorporated and domiciled in Australia.

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INDIA RESOURCES LIMITED

DIRECTORS' REPORT

The Directors of India Resources Limited (Company) present their report together with the financial report of the Group (consisting of the Company and its controlled entities, referred to hereafter as the Group) for the financial year ended 30 June 2010.

DIRECTORS

The names of the Directors of the Company in office during the course of the financial year and up to the date of this report are as follows:

Andrew Simpson	(Non Executive Chairman)
Arvind Misra	
Eoin Rothery	(resigned on 23 March 2010)
Craig Readhead	
David Humann	(resigned 10 July 2008 and reappointed 22 July 2010)

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

PRINCIPAL ACTIVITIES

The principal continuing activities of the Group during the financial year were copper mining and mineral exploration.

RESULTS OF OPERATIONS

The net loss of the Group after provision for income tax was \$3,278,000 (2009: \$7,199,000).

REVIEW OF OPERATIONS

During the year, the Group continued its copper mining and other exploration and development activities in India. Copper in concentrate production at the Surda mine for the year was 2,995 tonnes, being a 1% decrease on the previous year. During the year, production levels achieved were above the cash flow break-even level for the mine after capital requirements and the very good safety performance continued.

On the development front, the Company is positioning itself well to take advantage of the burgeoning Indian energy sector by achieving heads of agreement and appointment as preferred contractor status respectively for two separate long life underground coal mining projects.

Exploration activities during the year included further work on securing and exploring ground for base metals, iron ore and diamonds.

In August 2009, the Company raised \$401,000 in additional equity via a share purchase plan.

In September 2009, the Company entered into an unsecured convertible note facility with La Jolla Cove Investors Inc (La Jolla) to raise up to US\$6,000,000. As at the balance date, La Jolla had contributed \$1,922,000 cash and converted a total, net of derivative valuation adjustments, of \$1,255,000 worth of convertible notes and the total number of shares issued to La Jolla was 54,202,880. In September 2010, the Company entered into an agreement with La Jolla for the early settlement of the unutilised portion of the convertible note facility.

In November 2009, the Company entered into an unsecured convertible note facility with Alexandra Resources Pty Ltd (Alexandra) for the issue of 6 convertible notes each with a face value of \$125,000. As part of the transaction, Alexandra agreed to purchase Territory Resources (Territory) shareholding in the Company and to the assignment of the \$1.5 million debt owed by the Company to Territory. As at balance date, Alexandra had been issued with \$500,000 worth of convertible notes, converted a total of \$372,000 worth of notes and the total number of shares issued to Alexandra was 19,834,259. In September 2010, the Company announced that the final tranche of the agreement had occurred resulting in all of the debt owing to Territory being repaid. As a result of this transaction, Alexandra is now the major shareholder of the Company with a holding of just over 25.0%. This transaction was approved by shareholders in general meeting in December 2009.

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In July 2010, a judgement in the proceedings under section 9 of the Indian Arbitration and Conciliation Act 1996, seeking Interim relief, was handed down in relation to the reduction of Indian excise duty on the supply of copper concentrate to Hindustan Copper Limited under the Surda Supply Contract. The judgement held that the Company is at present not entitled to any Interim Order in view of the findings of the Arbitrator to the effect that the Company's price was inclusive of excise duty. A case under Section 34 of the Indian Arbitration and Conciliation Act 1996, has been filed challenging the Award of the Arbitrator, the hearing of which is being pursued. In addition, the Company has instructed its legal advisor to seek an order under Section 11 of the Act for full arbitration as to whether the Company is eligible for benefits flowing from Government reduction(s) in excise duty during the period of the Supply Contract.

In August 2010, the Company entered into an agreement to assign to a third party the balance of its loan receivable due from Swan Gold Mining Limited (Swan) (formerly Monarch Gold Mining Company Limited) for cash consideration of \$1,708,000. Half the consideration was received in September 2010 and the remaining balance is due by the end of October 2010.

On 24 September 2010, Noble Resources Australia Pty Ltd agreed to an amendment to the loan agreement with the Company to repay \$500,000 of the loan by 31 October 2010 and extend the loan repayment date on the remaining \$1,000,000 by 12 months from 3 September 2010 to 3 September 2011.

DIVIDENDS

The Directors do not recommend the payment of a dividend (2009: Nil).

LIKELY DEVELOPMENTS

During the course of the next financial year, the Group will continue its copper mining and mineral exploration and development activities in India and will investigate additional resources projects in which the Group may participate.

In the opinion of the Directors there is no additional information available as at the date of this report on any likely developments which may materially affect the operations of the Group and the expected results of those operations in subsequent years.

OPTIONS GRANTED OVER UNISSUED SHARES

At balance date, 16,600,000 (2009: 161,725,665) ordinary fully paid shares which are subject to options were unissued. The terms of these options are as follows:

Options granted over fully paid shares exercisable:

	Number
- at 40 cents each on or before 30 September 2010	2,000,000
- at 30 cents each on or before 30 June 2012	2,500,000
- at 0.25 cents each on or before 31 December 2017	6,000,000
- at 7 cents each on or before 30 June 2014	<u>6,100,000</u>
	<u><u>16,600,000</u></u>

Details of options issued and exercised during the financial year are contained in Note 16 to the financial report.

No person entitled to exercise the options has any right by virtue of the option to participate in any share issue of the Company or any other corporation.

SIGNIFICANT CHANGES

Significant changes in the state of affairs of the Group during the financial year were as follows:

- (a) In September 2009, the Company entered into an unsecured convertible note facility with La Jolla Cove Investors Inc (La Jolla) for the issue of up to four convertible notes with a face value of US\$1,500,000 each, to raise up to US\$6,000,000. During the year, the Company raised \$1,922,000 (US\$1,750,000) via this facility and issued 54,202,880 shares pursuant to partial conversion of convertible notes. Refer Notes 14(e) and 24(b).

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- (b) In November 2009, the Company entered into an unsecured convertible note facility with Alexandra Resources Pty Ltd (Alexandra) for the issue of six convertible notes each with a face value of \$125,000. Refer Note 14(f). As at balance date, Alexandra had converted a total of \$375,000 worth of convertible notes and the consequent number of shares issued to Alexandra was 19,834,259. Refer Notes 14(f) and 24.
- (c) In August 2009, the Company issued 20,030,000 ordinary shares at an issue price of 2 cents per share pursuant to a share purchase plan offer to all shareholders of the Company, raising working capital of \$401,000. Refer Note 16.

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Significant events which have occurred subsequent to the end of the financial year are contained in Note 24 to the financial report.

INFORMATION ON DIRECTORS

Director	Qualifications, experience and special responsibilities
Andrew V Simpson Non-Executive Chairman	<p>Grad. Dip. Bus. (Curtin) MAICD</p> <p>A Director since August 2006 and Chairman since February 2008. Mr Simpson is a senior corporate executive with extensive business development and global marketing experience in the resource and mining industry, including more than 30 years in international marketing and distribution of minerals and metals. He is a professional Company Director and also the Managing Director of Resource & Technology Marketing Services Pty Ltd, a company providing specialist marketing and business assessment advisory services to the mineral resources and technology industries, both in Australia and internationally. Mr Simpson is Chairman of the remuneration committee.</p> <p>Other current Directorships: Swick Mining Services Limited (since October 2006); Territory Resources Limited (since September 2007); Matilda Minerals Limited (since September 2007); and Vital Metals Limited (since February 2005).</p> <p>Former Directorships in the last 3 years: ABM Resources Ltd (May 2007 to November 2009); Windimurra Vanadium Limited (June 2007 to February 2008); and Consolidated Minerals Limited (2005 to 2007).</p>
Arvind Misra	<p>B.Tech.(Mining Engineering), B.Comp.Studies, MAusIMM, MAICD</p>
Managing Director	<p>A Director since February 2008 and Managing Director from April 2009. Mr Misra is a Mining Engineer with over 20 years experience in the resources industry with extensive skills in business improvement and project mine management. Mr Misra has worked in various companies covering all aspects of underground and open pit mining in various regions covering Australia, Africa and India. He previously established a contracting company, Aranak Pty Ltd and consulted on numerous high profile projects for BHP, Mitsubishi, Alliance, LionOre and Griffin Coal. Mr Misra is contracted to perform the duties of Managing Director through a consultancy agreement between Aranak Pty Ltd and the Company.</p> <p>Mr Misra has not held Directorships in any other listed companies in the last 3 years.</p>

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Craig L Readhead
Non-Executive Director

B.Juris., LLB.

A Director since February 2007. Mr Readhead is a lawyer with over 30 years legal and corporate advisory experience with specialisation in the resources sector, including the implementation of large scale mining projects both in Australia and overseas. Mr Readhead is a former president of the Australian Mining and Petroleum Law Association and is the managing partner of specialist mining and corporate law firm, Allion Legal Pty Ltd. Mr Readhead is a member of the audit committee and the remuneration committee.

Other current Directorships: Heron Resources Limited (since 2001), Mount Gibson Iron Limited (since 2001), Frankland River Olive Company Limited (since 1999) and Galaxy Resources Limited (since 2000).

Former Directorships in the last 3 years: Halcyon Group Limited (2000 to 2007).

David J Humann
Non-Executive Director

FCA FCPA FAICD

Mr Humann was previously a Director of the Company between April 2007 and July 2008. He was reappointed in July 2010. Mr Humann is a Fellow of the Institute of Chartered Accountants and a Fellow of the Institute of Certified Practising Accountants. He was Chairman and Senior Partner of Price Waterhouse (Hong Kong and China firm) from 1986 until 1994. He was also the Managing Partner of Price Waterhouse, Asia Pacific Region, and a member of the World Board of Price Waterhouse and of the global firms' World Executive Management Committee based in London, and New York. He was formerly a member of the Australian and New Zealand Firms Executive Policy Committee. Mr Humann is Chairman of the audit committee.

Other current Directorships:
Non-executive Chairman of Mincor Resources NL, Advanced Banking Technologies Ltd, Exxaro Australia Sands Pty Ltd and Logicamms Ltd.

Former Directorships in the last three years: India Resources Ltd (2007 – 2008); Monarch Gold Mining Company Limited (2005 - 2008); and Territory Resources Ltd (2008).

INFORMATION ON COMPANY SECRETARY

Frank Campagna

B.Bus (Acc) CPA

Company Secretary since August 2006. Mr Campagna is a Certified Practising Accountant with over 20 years experience as Company Secretary, Financial Controller and Commercial Manager for listed resources and industrial companies. He presently operates a corporate consultancy practice which provides corporate secretarial and advisory services to both listed and unlisted companies.

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Details of Directors' interests in the securities of the Company as at the date of this report are as follows:

Director	Fully paid shares	Unlisted options
A Simpson	2,000,000	-
A Misra	7,162,773	8,500,000
C Readhead	650,000	-
D Humann	-	-

MEETINGS OF DIRECTORS

The number of meetings of the Board of Directors of the Company and of each Board committee held during the year and the number of meetings attended by each Director was as follows:

	Board meetings		Audit committee		Remuneration committee	
	Number held	Number attended	Number held	Number attended	Number held	Number held
A Simpson	10	9	2	2	1	1
A Misra	10	10	*	*	*	*
E Rothery (a)	10	9	*	*	*	*
C Readhead	10	10	2	2	1	1
D Humann (b)	-	-	-	-	-	-

* Not a member of this committee

(a) Mr Rothery resigned as Director on 23 March 2010.

(b) Mr Humann was appointed as Director on 22 July 2010.

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REMUNERATION REPORT

This report sets out the remuneration arrangements in place for Directors and key management personnel of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its regulations. For the purposes of this report key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company. The information provided in this remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

Directors' and executives' remuneration

Overall remuneration policies are determined by the Board of Directors and are adapted to reflect competitive market and business conditions. Within this framework, the remuneration committee considers remuneration policies and practices generally and determines specific remuneration packages and other terms of employment for executive Directors and senior management. Executives may be provided with longer-term incentives through participation in option schemes, which serve to align the interests of the executives with those of shareholders. Executive remuneration and other terms of employment are reviewed by the remuneration committee having regard to performance, relevant comparative information and expert advice.

The Company's remuneration policy for executive Directors and senior management is designed to promote superior performance and long term commitment to the Company. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations. Executive Directors receive a base remuneration which is market related, together with performance based remuneration linked to the achievement of pre-determined milestones and targets.

The Company's remuneration policies are designed to align executive's remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles of the policy include:

- reward reflects the competitive market in which the Company operates;
- individual reward should be linked to performance criteria; and
- executives should be rewarded for both financial and non-financial performance.

The structure of remuneration packages for executive Directors and other senior executives comprises:

- a fixed sum base salary payable monthly in cash;
- short term incentives, through eligibility to participate in performance bonus plans and cash bonuses;
- long term incentives through executive Directors being eligible to participate in the share option plan as approved by shareholders. Senior executives may also participate in the employee share option plan, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders; and
- other benefits, including participation in superannuation schemes.

The proportion of fixed and variable remuneration is established for each executive by the remuneration committee. The objective of any short term incentives is to link the achievement of the Company's operational targets with the remuneration received by executives charged with meeting those targets. The objective of long term incentives is to reward executives in a manner which aligns this element of their remuneration with the creation of shareholder wealth. The Company's activities comprise the exploration, evaluation and development of mineral tenements aimed at identifying economic mineral deposits capable of development. The Company's financial performance reflects the nature of these ongoing activities.

The payment of bonuses, share options and other incentive payments are reviewed by the Board as part of the review of executive remuneration and a recommendation is put to the Board for approval. The Board can exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria.

The annual performance objectives are the means by which the Company links Company performance and remuneration policy. Having regard to the current stage of the Company's development, the linking of remuneration policy to production performance milestones and progress rather than earnings is considered the most appropriate method of rewarding relevant senior executives. These principles are expected to continue to provide appropriate incentives for key management personnel.

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During the year, the Company commissioned an independent executive remuneration review report. The report ranked the Company's remuneration packaging against a group of 10 peer companies. It concluded that the Managing Director's total remuneration package was at the 50th percentile.

Non-executive Directors' remuneration

In accordance with current corporate governance practices, the structure for the remuneration of non-executive Directors and senior executives is separate and distinct. Shareholders approve the maximum fees payable to non-executive Directors, with the current approved limit being \$500,000. The Board determines the actual payments to Directors. The Board approves any consultancy arrangements for non-executive Directors who provide services outside of and in addition to their duties as non-executive Directors.

Non-executive Directors are entitled to statutory superannuation benefits. At this stage of the Company's development, non-executive Directors may be entitled to participate in equity based remuneration schemes. Shareholders must approve the framework for any equity based compensation schemes and if a recommendation is made for a director to participate in an equity scheme, that participation must be specifically approved by the shareholders. All Directors are entitled to have their indemnity insurance paid by the Company.

An independent executive remuneration review report commissioned by the Company ranked the Company's remuneration packaging against a group of 10 peer companies. It concluded that the non-executive Directors' remuneration packages were between the 10th and 18th percentile.

Details of remuneration

The following table discloses details of the nature and amount of each element of the remuneration of the Directors, the key management personnel, and the five highest paid executives of the Group.

2010 Name	Short term		Post-employment	Share based payments		Total \$	Performance Related %
	Cash salary and fees	Cash bonus	Super-annuation	Options	Shares		
	\$	\$	\$	\$	\$		
Directors							
<i>Executive Directors</i>							
A Misra (a)	487,500	41,666	-	65,022	245,111	839,299	34.2
E Rothery	43,992	-	1,747	-	80,000	125,739	-
<i>Non-executive Directors</i>							
A Simpson	75,000	-	6,750	-	-	81,750	-
C Readhead	50,000	-	-	-	-	50,000	-
D Humann (b)	-	-	-	-	-	-	-
Other executives							
B Hodgkinson (c)	300,000	-	-	-	40,000	340,000	11.8
A Kohler (d)	133,024	-	2,400	2,936	-	138,360	-
F Campagna (e)	74,470	-	-	2,936	-	77,406	-
M Churchward (f)	60,885	-	4,861	2,936	-	68,682	-
Total	1,224,871	41,666	15,758	73,830	365,111	1,721,236	18.9

- (a) Mr A Misra is contracted to provide services to the Company through a consulting agreement with Aranak Pty Ltd. The consulting agreement provides for bonus payments of up to \$100,000 per annum conditional upon the achievement of pre-defined performance targets.

The bonus shares value above represents the market price of the shares on grant date, being the date of shareholder approval of this grant of shares. This is the date required to be utilised for determining the value of this benefit for accounting purposes. The weighted average price of the shares over the service period to which the bonus relates, and which was approved by the board, was 1.93 cents. Using this price per share and applying this to the number of shares granted at the time of board approval of this bonus payment gives rise to a value of \$118,061 being the value of bonus determined by the board at the time of agreement for the issue of shares in lieu of a cash payment.

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- (b) Mr D Humann was re-appointed as a Director on 22 July 2010.
- (c) Mr B Hodgkinson is the General Manager New Projects and has been an employee for the full year. In the previous year, Mr Hodgkinson held the position of Mining Advisor at the Surda operation.
- (d) Mr A Kohler was appointed as Manager Geology on 24 August 2009.
- (e) The Company Secretary is deemed to be an executive by virtue of being an officer of the Company. The role performed by the Company Secretary does not meet the definition of key management personnel under AASB 124, hence this officer has been excluded from the key management personnel disclosures in the financial report.
- (f) Mr M Churchward was appointed as General Manager Commercial on 22 February 2010.
- (g) All of the Directors and executives, in the above and below tables, work for the Company.

2009 Name	Short term		Post-employment	Share based payments	Total	Performance Related
	Cash salary and fees	Cash bonus	Super-annuation	Options		
	\$	\$	\$	\$	\$	%
Directors						
<i>Executive Directors</i>						
A Misra (a)	495,500	-	-	211,343	706,843	-
E Rothery	150,055	-	85,445	-	235,500	-
<i>Non-executive Directors</i>						
A Simpson	81,250	-	7,313	-	88,563	-
C Readhead	40,625	-	-	-	40,625	-
D Humann (b)	1,631	-	-	-	1,631	-
Other executives						
F Campagna	72,965	-	-	-	72,965	-
Total	842,026	-	92,758	211,343	1,146,127	-

- (a) Mr Misra is contracted to provide services to the Company through a consultancy agreement with Aranak Pty Ltd.
- (b) Up until date of resignation as a Director on 10 July 2008.

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Compensation options: granted and vested during the year

	Granted		Terms and conditions for each grant					Vested	
	Number	Grant date	Fair value per option at grant date	Exercise price per option	Expiry date	First exercise date	Last exercise date	Number	%
			\$	\$					
2010									
Directors	-	-	-	-	-	-	-	-	-
Other Executives									
A Kohler	500,000	20.04.10	0.015	0.07	30.06.14	20.04.10	30.06.14	166,666	33.3
F Campagna	500,000	20.04.10	0.015	0.07	30.06.14	20.04.10	30.06.14	166,666	33.3
M Churchward	500,000	20.04.10	0.015	0.07	30.06.14	20.04.10	30.06.14	166,666	33.3
2009									
Directors									
A Misra	2,000,000	11.12.07	0.139	0.0025	31.12.17	01.05.08	31.12.17	2,000,000	33.3
Other Executives	-	-	-	-	-	-	-	-	-

No shares were issued during the year as a result of the exercise of options granted as part of remuneration. There were no alterations to the terms and conditions of options granted as remuneration since their grant date. There were no forfeitures during the year, however there were options, fully vested to Messrs Misra, Simpson, Readhead and Rothery which lapsed on 30 June 2010 (see below). On 20 April 2010, the Directors announced they had resolved to seek shareholder approval at the next general meeting of the Company for the issue of unlisted options to the Directors on the same terms as the options issued to employees.

Options granted as part of remuneration

	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Total	Remuneration for the year consisting of options
	\$	\$	\$	\$	%
2010					
Directors	-	-	-	-	-
A Simpson	-	-	(110,000)	(110,000)	-
A Misra	-	-	(51,000)	(51,000)	7.7
E Rothery	-	-	(440,000)	(440,000)	-
C Readhead	-	-	(110,000)	(110,000)	-
D Humann	-	-	(110,000)	(110,000)	-
Other Executives					
B Hodgkinson	-	-	(13,900)	(13,900)	-
A Kohler	7,373	-	-	7,373	2.2
F Campagna	7,373	-	(111,250)	(103,877)	3.7
M Churchward	7,373	-	-	7,373	4.3
2009					
Directors	-	-	-	-	-
Other Executives	-	-	-	-	-

Information on any benefits received by Directors of the Company by reason of a contract made by the Group with a Director or a Director-related entity is contained in Note 19 of the financial report.

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Service agreements

The terms of employment for executive Directors and key management personnel are formalised in service agreements. Major provisions of the agreements relating to duration and termination are set out below.

Arvind Misra – Managing Director

Term of agreement: No fixed term.

Remuneration: At the date of this report, the current consulting fee payable to Aranak Pty Ltd is \$500,000 (2009: \$450,000) per annum. Mr Misra is also entitled to a performance bonus of up to \$100,000 (2009: \$50,000) per annum upon achievement of pre-determined performance targets.

Termination provisions: The agreement can be terminated by the Company upon giving six months' notice and by Mr Misra giving three months' notice.

Barry Hodgkinson – General Manager New Projects

Term of agreement: No fixed term.

Remuneration: At the date of this report, the salary payable is \$300,000 (2009: \$300,000) per annum. Mr Hodgkinson is entitled to a performance bonus of up to \$100,000 (2009: \$100,000) per annum upon achievement of pre-determined performance targets. Mr Hodgkinson is also entitled to receive shares in the Company as follows: 1,000,000 shares to be issued after the 2010 AGM; and 500,000 shares to be issued after the 2011 AGM.

Termination provisions: The agreement can be terminated by the Company upon giving four weeks' notice and by Mr Hodgkinson giving four weeks' notice.

Mark Churchward – General Manager Commercial

Term of agreement: No fixed term.

Remuneration: At the date of this report, the salary payable is \$190,750 per annum, inclusive of superannuation. Mr Churchward is entitled to a performance bonus of up to \$25,000 per annum upon achievement of pre-determined performance targets. Mr Churchward is also entitled to receive shares in the Company as follows: 500,000 shares to be issued on each employment anniversary date during the first three years' of employment.

Termination provisions: The agreement can be terminated by the Company upon giving three months' notice and by Mr Churchward giving three months' notice.

Andrew Kohler – Manager Geology

Term of agreement: No fixed term.

Remuneration: At the date of this report, the consulting fee payable is \$160,000 per annum. Mr Kohler is entitled to a performance bonus of up to \$25,000 per annum upon achievement of pre-determined performance targets. Mr Kohler is also entitled to receive shares in the Company as follows: 500,000 shares to be issued on the first anniversary date of employment.

Termination provisions: The agreement can be terminated by the Company upon giving four weeks' notice and by Mr Kohler giving four weeks' notice.

Frank Campagna – Company Secretary

Term of agreement: No fixed term.

Remuneration: Mr Campagna provides company secretarial consulting services on a competitive hourly rate basis.

Termination provisions: There are no termination provisions.

Share-based compensation

Directors, employees and consultants may be eligible to participate in equity based compensation schemes. An employee share option scheme has been adopted by the Board of the Company. The primary purposes of the scheme are to increase motivation, promote retention, align interests with those of the Company and its shareholders and to reward contribution to the growth of the Company.

Insurance of officers

During the financial year, the Company paid premiums of \$30,580 (2009: \$34,868) to insure the Directors and other officers of the Group. The liabilities insured are for costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, other than conduct involving a wilful breach of duty in relation to the Company.

The Company has entered into indemnity agreements with each of the Directors and officers of the Company. Under the agreements, the Company will indemnify those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities as officers of the Company or any related entities.

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NON-AUDIT SERVICES

During the year, the Company's external auditors, PricewaterhouseCoopers, provided other services in addition to its statutory audit function. Non-audit services provided by the external auditors comprise \$12,500 (2009: \$19,901) for taxation advisory services. Further details of remuneration of the auditors are set out in Note 20.

The Board has considered the non-audit services provided during the year and is satisfied that the provision of those services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and did not compromise the auditor independence requirements of the Corporations Act 2001, for the following reasons:

- all non-audit services were subject to the corporate governance guidelines adopted by the Company;
- all non-audit services have been reviewed by the Board to ensure that they do not impact the impartiality and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting and Professional and Ethical Standards Board.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is included immediately following the Directors' Report and forms part of the Directors' Report.

ENVIRONMENTAL REGULATIONS

The Group is subject to significant environmental regulation in respect to its mining and mineral exploration activities. These obligations are regulated under relevant government authorities within Australia and India. The Group is a party to exploration and mine development licences. Generally, these licences specify the environmental regulations applicable to exploration and mining operations in the respective jurisdictions. The Group aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates.

Compliance with environmental obligations is monitored by the Board of Directors. No environmental breaches have been notified to the Company by any government agency during the financial year ended 30 June 2010.

ROUNDING

The amounts contained in the Directors' Report and financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Board of Directors,



A Misra
Managing Director

Perth, Western Australia
24 September 2010

PricewaterhouseCoopers
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Auditor's Independence Declaration

As lead auditor for the audit of India Resources Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



Pierre Dreyer
Partner
PricewaterhouseCoopers

Perth
24 September 2010

INDIA RESOURCES LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	2010 \$'000	2009 \$'000
Revenue from operations	3(a)	10,845	12,078
Expenses			
Production costs		(8,986)	(12,050)
Employee and directors – remuneration expenses	3(b)	(1,052)	(946)
Employee and directors – share based payment expenses		(513)	(233)
Corporate and administrative expenses	3(d)	(760)	(1,046)
Depreciation and amortisation	3(c)	(1,513)	(2,825)
Finance costs	3(e)	(431)	(563)
Impairment of receivables	7(f)	(674)	-
Impairment of loans to key management personnel	7(e)	(139)	-
Change in fair value of investments	9	(1)	(1,116)
Change in fair value of convertible notes derivatives	15	77	-
Project evaluation costs		(131)	(498)
Loss before income tax expense		<u>(3,278)</u>	<u>(7,199)</u>
Income tax expense	4	-	-
Loss after income tax		<u>(3,278)</u>	<u>(7,199)</u>
Other comprehensive (expense) / income			
Exchange differences on translation of foreign operations	17	(199)	628
Other comprehensive (expense) / income for the year, net of tax		(199)	628
Total comprehensive expense for the year		<u>(3,477)</u>	<u>(6,571)</u>
Loss is attributable to:			
Shareholders of India Resources Limited		<u>(3,278)</u>	<u>(7,199)</u>
Total comprehensive expense for the year is attributable to:			
Shareholders of India Resources Limited		<u>(3,477)</u>	<u>(6,571)</u>
Basic and diluted loss per share (cents per share)	22	<u>(1.3)</u>	<u>(3.9)</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

INDIA RESOURCES LIMITED

**CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2010**

	Notes	2010 \$'000	2009 \$'000
Current assets			
Cash and cash equivalents	5,26	435	340
Restricted cash	6	-	2,194
Trade and other receivables	7	4,635	4,084
Inventory	8	1,487	1,811
Prepayments		34	52
Total Current Assets		6,591	8,481
Non-Current Assets			
Trade and other receivables	7	11	150
Other financial assets	9	481	481
Plant and equipment	10	6,909	7,291
Mine development	11	2,187	2,444
Deferred exploration expenditure	12	4,744	4,475
Total Non-Current Assets		14,332	14,841
TOTAL ASSETS		20,923	23,322
Current Liabilities			
Trade and other payables	13	4,308	3,752
Borrowings	14	5,257	6,944
Derivative financial instruments	15	14	-
Total Current Liabilities		9,579	10,696
Non-Current Liabilities			
Borrowings	14	690	1,535
Derivative financial instruments	15	40	-
Total Non-Current Liabilities		730	1,535
TOTAL LIABILITIES		10,309	12,231
NET ASSETS		10,614	11,091
Equity			
Contributed equity	16	34,841	31,949
Accumulated losses		(25,776)	(22,498)
Reserves	17	1,549	1,640
TOTAL EQUITY		10,614	11,091

The above balance sheet should be read in conjunction with the accompanying notes.

INDIA RESOURCES LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010**

	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
At 30 June 2008	31,206	779	(15,299)	16,686
Total comprehensive expense for the year	-	628	(7,199)	(6,571)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of share capital	708	-	-	708
Share issue expenses	(15)	-	-	(15)
Exercise of options	50	233	-	283
At 30 June 2009	<u>31,949</u>	<u>1,640</u>	<u>(22,498)</u>	<u>11,091</u>
Total comprehensive expense for the year	-	(199)	(3,278)	(3,477)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of share capital	2,528	-	-	2,528
Share issue expenses	(41)	-	-	(41)
Share-based payments	405	108	-	513
At 30 June 2010	<u>34,841</u>	<u>1,549</u>	<u>(25,776)</u>	<u>10,614</u>

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

INDIA RESOURCES LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	2010 \$'000	2009 \$'000
Cash flows from operating activities			
Receipts from customers		9,002	11,507
Payments to suppliers and employees		(9,937)	(13,648)
Interest received		15	20
Interest paid		<u>(539)</u>	<u>(348)</u>
Net cash outflow from operating activities	26	<u>(1,459)</u>	<u>(2,469)</u>
Cash flows from investing activities			
Payments for exploration and evaluation		(293)	(382)
Payments for mine development		(399)	(486)
Payments for purchase of plant and equipment		(662)	(3,124)
Payments for security deposits		(2)	(4)
Proceeds from security deposits		-	442
Loans repaid by Swan Gold Mining (Monarch)	19(a)	<u>603</u>	<u>-</u>
Net cash outflow from investing activities		<u>(753)</u>	<u>(3,554)</u>
Cash flows from financing activities			
Proceeds from issues of shares		401	558
Proceeds from issue of convertible notes		1,922	-
Share issue transaction costs		(41)	(15)
(Repayment) proceeds from borrowings	6	(2,194)	2,194
Restricted cash	6	2,194	(2,194)
Loans received from other parties	19(b)	<u>-</u>	<u>1,500</u>
Net cash inflow from financing activities		<u>2,282</u>	<u>2,043</u>
Net increase (decrease) in cash and cash equivalents		70	(3,980)
Cash and cash equivalents, including overdraft, at the beginning of the financial year		(2,659)	1,323
Effects of exchange rate changes on cash and cash equivalents		(73)	(2)
Cash and cash equivalents, including overdraft, at the end of the financial year	26	<u><u>(2,662)</u></u>	<u><u>(2,659)</u></u>

The above cash flow statement should be read in conjunction with the accompanying notes.

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

1. CORPORATE INFORMATION

The financial report of India Resources Limited (Company) for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on the date of signing of the Directors' Report.

India Resources Limited (Company) is a company limited by shares whose shares are publicly traded on the Australian Securities Exchange. The Company is incorporated and domiciled in Australia. The nature of the operations and principal activities of the Company are disclosed in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report covers the consolidated entity of India Resources Limited and its controlled entities (the Group). The separate financial statements of the parent entity have not been presented with this financial report as permitted by amendments made to the Corporations Act effective as at 30 June 2010.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Early adoption of standards

The Group has elected to apply the following pronouncements to the annual reporting period beginning 1 July 2009:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

There was no impact on the current or prior year financial statements arising from the early adoption of this standard.

Compliance with IFRS

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Financial statement presentation

The Group has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Historical cost convention

This financial report has been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Going concern

The Directors are of the opinion that, as at the date of these financial statements, the Group is a going concern and, as a result, the financial report for the year ended 30 June 2010 does not include any adjustments relating to the recoverability and classification of the recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

During the year ended 30 June 2010, the Group recorded a loss of \$3,278,000 (2009: \$7,199,000) and, as at balance date, the Group's current liabilities exceeded its current assets by \$2,988,000 (2009: \$2,215,000). The operating result for the year included the following items:

- impairment of trade receivables of \$674,000;
- depreciation and amortisation expenses of \$1,513,000; and
- non-cash share based payment expenses of \$513,000.

A number of loan facilities either mature or need to be serviced during the next financial year. The Directors expect to either repay or service these loans as follows:

- The Indian bank overdraft facility is expected to be serviced from operating cash flows from the Surda mine;
- The loan from Territory Resources Limited (\$500,000) has been paid in full, subsequent to balance date (refer Note 24(d));
- The terms of the loan from Noble Resources Australia Pty Ltd (\$1,500,000) have been revised subsequent to balance date to extend the loan repayment date by 12 months from 3 September 2010 to 3 September 2011 (refer Note 24 (f)).

The Directors are of the opinion that there is a reasonable expectation that the Group will be able to continue as a going concern on the basis that:

- The Company expects to continue to receive the support of its major shareholders.
- The Group will be able to continue to operate under the Surda works order granted by Hindustan Copper Limited as disclosed in Note 27(d).
- The Surda mine has generated positive operating cash flows for the majority of the year, and the Directors expect these operations will continue to generate positive cash flows from operations in the next financial year.
- In August 2010, the Company entered into an agreement to assign to a third party the balance of its loan receivable due from Swan Gold Mining Limited (formerly Monarch Gold Mining Company Limited) for a cash consideration of \$1,708,000. Half the consideration was received in September 2010 and the remaining balance is due by 31 October 2010 (refer Note 24 (e)).

Though the Company's position has improved over the course of the financial year, the Directors are continuing to seek new or additional sources of funding. The Directors acknowledge that until such time as these matters are satisfactorily resolved, there remains material uncertainty as to whether the Group will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards and interpretations (continued)

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share based Payment Transactions [AASB 2]
(effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a Group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the Group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the Group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. The Group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the Group's financial statements.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]
(effective from 1 February 2010)

In October 2009, the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The Group will apply the amended standard from 1 July 2010. As the Group has not made any such rights issues, the amendment will not have any effect on the Group's financial statements.

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9
(effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact and the Group has not yet decided when to adopt AASB 9.

AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19
(effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Group will apply the interpretation from 1 July 2010. It is expected that it will have an impact on the Group's financial statements next year to account for a debt for equity restructure entered into by the Group (refer Notes 19(b) and 24(d)).

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation

The consolidated financial statements are those of the group comprising India Resources Limited (India Resources or Company) and all entities (including special purpose vehicles) that India Resources controlled during the year and at the reporting date (the Group).

Information from the financial statements of subsidiaries is included from the date the parent entity obtains control until such time as control ceases. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent entity had control. Subsidiary acquisitions are accounted for using the acquisition method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from intra Group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Change in accounting policy

A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the Group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will be no longer any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax. The changes have not had any effect on the current year as there have been no transactions involving changes in ownership interests in subsidiaries during the year.

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Significant accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has made the following significant accounting judgements and estimates in the preparation of these financial statements.

Exploration and evaluation

Exploration and evaluation expenditure has been carried forward in accordance with policy 2(g) on the basis that exploration and evaluation activities have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing. In the event that significant operations cease and/or economically recoverable resources are not assessed as being present, this expenditure will be expensed to profit and loss.

Share based payment transactions

The Company measures the cost of equity settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date which they are granted. The fair value is determined by external valuation using a trinomial method using assumptions disclosed in Note 16.

Income tax expense

The income tax expense for Indian subsidiaries has been estimated and calculated based on management's best knowledge of Indian Income Tax legislation. There may be differences with the treatment of individual jurisdiction provisions but these are not expected to have any material impact on the amounts as reported.

Embedded derivatives, convertible notes and attached options

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The fair values of convertible notes are determined by the Group with reference to an external valuation report using scenario based Monte Carlo simulations and cross checking against binominal options pricing models. Key assumptions used are:

Exercise price of convertible notes:	80% of share price
Share price volatility:	100%
Risk –free rate:	4%
Foreign exchange volatility	15%

Carrying value of Surda Project assets

The carrying value of the Group's assets relating to the Surda contract copper mining project has been assessed on the basis that the Group will be able to successfully negotiate for a re- assignment of the Surda works order. Based on this, the Directors are confident that the assets are not impaired and no liability has been recognised for any remediation costs which may be incurred in the event that the works order is terminated as discussed further in Note 27 (d).

(d) Parent entity financial information

The financial information for the parent entity India Resources Limited, disclosed in Note 28, has been prepared on the same basis as the consolidated financial statements, except for investments in subsidiaries, associates and joint venture entities which are accounted for at cost in the financial statements of India Resources Limited. Such investments include both investments in shares issued by the subsidiary and other parent entity interest that in substance form part of the parent entity's investment in the subsidiary. These include investments in the form of interest free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long term capital.

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of the Company is Australian dollars (\$). The functional currency of the Indian registered subsidiary companies is Indian rupee (INR). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that currency.

(ii) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the balance sheet date.

All exchange differences relating to transactions and balances denominated in foreign currency in the consolidated financial report are taken to profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

(iii) Translation of financial reports of foreign operations

The assets and liabilities of subsidiary companies are translated to the Group presentation currency at rates of exchange ruling at the balance sheet date. Income and expense items are translated at average exchange rates for the year. Any exchange differences are taken directly to the foreign currency translation reserve. On disposal of a foreign entity, cumulative deferred exchange differences are recognised in profit and loss as part of the profit or loss on sale.

(f) Trade and other receivables

Trade receivables, which generally have 30 to 90 day terms, are recognised and carried at original invoice amount less any provision for impairment. An estimate of the provision for impairment is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(g) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration expenditure for each area of interest is written off as incurred, except that it may be carried forward provided that one of the following conditions is met:

- Such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- Exploration activities in the area of interest have not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration expenditure which no longer satisfies the above policy is written off. In addition, an impairment allowance is raised against any exploration expenditure where the Directors are of the opinion that the carried forward net cost may not be recoverable under the above policy. The increase in the impairment allowance is charged against profit and loss for the year.

When an area of interest is abandoned, any expenditure carried forward in respect of that area of interest is written off in the year in which the decision to abandon is made.

Expenditure is not carried forward in respect of any area of interest unless the Group's right of tenure to that area of interest is current. Amortisation is not charged on areas under development, pending commencement of production.

(h) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and long service leave and any other benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liabilities, are used.

(i) Share based payment transactions

The Company provides benefits to employees (including Directors) in the form of share-based payments transactions, whereby employees render services in exchange for shares or rights over shares ("share based payments" or "equity settled transactions"). There is currently an Employee Incentive Option Scheme and an Employee Share Scheme in place to provide these benefits to employees.

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date they are granted. The value is determined by an external valuer using a trinomial model details of which are given in Note 16. In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions").

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Directors, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The profit and loss charge or credit for the period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification as measured at the date of modification.

Where an equity-settled award is cancelled (other than cancellation when a vesting condition is not satisfied), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of the outstanding options is reflected as additional share dilution in the computation of earnings or loss per share (see Note 22).

(j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The following specific recognition criteria must also be met before revenue is recognised.

Interest

Revenue is recognised as the interest accrues using the effective interest rate method (which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Copper revenue

Revenue from the sale of copper concentrate produced at the Surda project is recognised at the fixed contract price with the client, Hindustan Copper Limited. Revenue from the sale of copper concentrate is recognised when the product is suitable for delivery and has been despatched to the customer and is no longer under the physical control of the Company.

(k) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment loss. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

Depreciation is provided on a straight line basis on all plant and equipment. Major depreciation periods are:

Plant and equipment	2-10 years
Motor vehicles	5-10 years

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(l) Impairment of non-financial assets

Where an indicator of asset impairment exists, the entity makes a formal estimate of recoverable amount of the asset. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Groups of assets (cash-generating units). The estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash generating unit.

(m) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Change in accounting policy

The Group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in any change in the number of reportable segments presented. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

(n) Taxation

(i) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax, however is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the timing of the reversal of the temporary differences, and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(ii) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(o) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(p) Earnings per share

Basic earnings per share is determined by dividing net profit or loss after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share 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 additional shares assumed to have been issued for no consideration in relation to potential ordinary shares.

(q) Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise of cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the cash flow statement, cash includes cash on hand and in banks, as defined above (and money market investments readily convertible to cash on hand), net of outstanding bank overdrafts.

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Contributed equity

Issued share capital is recognised as equity at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised, net of tax, directly in equity as a reduction of the share proceeds received.

(s) Mine development costs

Mine development expenditure represents the costs incurred in preparing mines for recommissioning and production, and also includes other directly attributable costs incurred before production commences. These costs are capitalised to the extent they are expected to be recouped through successful exploitation of the related mining leases for which tenure is current. Once production commences, these costs are amortised over the remaining lease term. For the Surda Project the costs are amortised on a straight line basis over the remaining term, of the current contract, being to June 2014. Development costs are written off if the mine property is abandoned. Development costs incurred to maintain production are expensed as incurred against the related production.

(t) Inventories

Inventory comprises of stores and spares, copper concentrate on hand and copper in circuit. Inventory is stated at the lower of cost and net realisable value. Costs comprise direct materials, direct labour and a proportion of indirect overhead expenditure allocated on the basis of relevant operating capacity. Costs are assigned to individual items of inventory on the basis of the first in first out allocation method. Costs of purchased inventory are determined after deducting applicable rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and to make the sale.

(u) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in short-term and long-term payables.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in profit and loss on a straight-line basis over the lease term.

(v) Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. Borrowings are subsequently measured at amortised cost. Interest calculated using the effective interest rate method is accrued over the period it becomes due and increases the carrying amount of the liability.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

(w) Borrowing costs

Borrowing costs incurred in relation to the provision of finance facilities are expensed in the period to which they were incurred.

(x) Other financial assets - investments

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss and loans and receivables. Management determines the classification of its investments at initial recognition. Investments comprising principally marketable equity securities are non-derivatives that are either designated in this category or not classified in any of the other categories.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit and loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method. Financial assets at fair value through profit and loss are subsequently carried at fair value.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(y) Derivatives

Derivatives are initially recognised at fair value on the date of the transaction and are subsequently remeasured to their fair value at conversion, extinguishment and balance dates. All movements in derivatives are taken to profit and loss.

(z) Rounding

The amounts contained in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

	2010	2009
	\$'000	\$'000
3. REVENUE AND EXPENSES		
(a) Revenue		
- Sale of copper concentrate	10,830	12,046
- Interest received	15	32
	<u>10,845</u>	<u>12,078</u>
(b) Employee and Directors' benefits expenses		
- Salaries and wages	781	705
- Superannuation	52	37
- Directors' and consultants' fees	219	204
	<u>1,052</u>	<u>946</u>
(c) Depreciation and amortisation		
- Depreciation of plant and equipment	966	1,429
- Amortisation of mining development costs	547	1,396
	<u>1,513</u>	<u>2,825</u>
(d) Fees and other expenses		
- Audit fees	123	134
- Consulting fees	89	213
- Legal fees	142	142
- Foreign exchange gains	(33)	(14)
- Travel and accommodation	73	95
- Other	366	476
	<u>760</u>	<u>1,046</u>
(e) Finance costs		
- Interest on borrowings	431	552
- Interest on other	-	11
	<u>431</u>	<u>563</u>

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

4. INCOME TAX

2010
\$'000

2009
\$'000

(a) The major components of income tax are:

Current income tax	-	-
Deferred income tax	-	-
	-	-

(b) Reconciliation of income tax expense to prima facie tax payable

Loss before income tax	(3,278)	(7,199)
Tax at the Australian income tax rate of 30% (2009: 30%)	(984)	(2,160)
Tax effect of amounts which are deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	695	2,028
Differences in overseas tax rates	(70)	(204)
Future income tax benefit not brought to account	359	336
Income tax expense	-	-

Deferred Tax Assets

The balance comprises temporary differences attributable to:

Capitalised mine development costs	765	596
Tax losses available	1,815	1,868
<i>Total deferred tax assets</i>	2,580	2,464

Set off of deferred tax liabilities pursuant to set off provisions	(358)	(277)
Net unrecognised deferred tax assets	(2,222)	(2,187)

Deferred Tax Liabilities

The balance comprises temporary differences attributable to:

Property, plant and equipment	358	277
<i>Total deferred tax liabilities</i>	358	277

Set off of deferred tax liabilities pursuant to set off provisions	(358)	(277)
Net deferred tax liabilities	-	-

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

5. CASH AND CASH EQUIVALENTS	2010 \$'000	2009 \$'000
Cash at bank	378	288
Cash on deposit	55	50
Cash on hand	2	2
	435	340

6. RESTRICTED CASH

Restricted cash	-	2,194
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Restricted cash comprised term loan proceeds of \$2,194,000 (deposited into the Indian bank account on 29 June 2009). Under the terms of the loan agreement the disbursement of the funds was restricted until a successful ruling in the excise duty arbitration case was achieved. When an unsuccessful ruling was given, the loan was repaid.

7. TRADE AND OTHER RECEIVABLES

CURRENT

Unsecured loans – other parties (a)	3,417	4,020
Provision for impairment of unsecured loans (f)	(2,554)	(2,554)
Net amount of unsecured loans	863	1,466
Trade receivables (b)	4,298	2,503
Provision for impairment of trade receivables (f)	(674)	-
Net amount of trade receivables	3,624	2,503
Other receivables (c)	148	115
	4,635	4,084

NON-CURRENT

Loans to key management personnel (d)	100	100
Loans to employees (d)	50	50
Provision for impairment of loans to key management personnel and employees (e)	(139)	-
	11	150

- (a) Loans to Swan Gold Mining Limited (Swan) (formerly Monarch Gold Mining Company Limited), a former related party, were unsecured, with interest charged at the prevailing overdraft rate for amounts equal to each principal advance plus a margin of 1.5% calculated daily up to 10 July 2008 when Swan was placed in Voluntary Administration. Refer to Notes 19(a) and 24 (e).
- (b) Trade receivables represent amounts due from the customer in relation to the Surda copper project.
- (c) Other receivables arise from transactions outside the usual operating activities of the Group. Collateral is not normally obtained.
- (d) Loans to key management personnel and employees are as per the Company's Share Purchase Plan of May 2007.
- (e) As per the terms of agreement, the loans to key management personnel and employees are repayable at an amount equal to the value of the shares at the time of repayment. At balance date, an impairment charge has been raised to recognise the prevailing market value of the shares used as collateral.

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

7. TRADE AND OTHER RECEIVABLES (continued)

(f) Impaired loans and trade receivables

The unsecured loan relates to amounts receivable from Swan which entered into Voluntary administration on 10 July 2008. On 2 March 2010, the Voluntary Administrator of Swan Voluntary announced that settlement of a Recapitalisation Deed had occurred on 26 February 2010 and that control and management of Swan had passed back to the Board of Directors. Refer to Notes 19(a) and 24 (e).

The trade receivables relate to amounts due from the customer Hindustan Copper Limited (HCL). A provision for doubtful debts of \$674,000 has been recorded against the receivable (2009: Nil) as a result of a ruling issued by the Indian High Court in relation to Indian excise duty on the supply of copper concentrate to HCL. Refer Note 24(a).

(g) Past due but not impaired

As at 30 June 2010, trade receivables of \$998,000 (2009: \$1,148,000) were past due but not impaired. This relates to one major customer who is expected to fully settle these amounts. The Group does not hold any collateral in relation to these receivables.

	2010	2009
	\$'000	\$'000
Up to one month	2,626	1,355
Over one month (past due)	998	1,148
	3,624	2,503

8. INVENTORY

Copper concentrate on hand – at cost	64	120
Copper in circuit – at cost	161	176
Stores and spares – at cost	1,262	1,515
	1,487	1,811

9. OTHER FINANCIAL ASSETS

Security deposits and prepaid rental for Surda mine	52	51
Shares in listed entities – at fair value through profit & loss (25(d))	429	430
	481	481

10. PLANT AND EQUIPMENT

Cost or fair value	9,745	9,185
Less accumulated depreciation	(2,836)	(1,894)
Net book amount	6,909	7,291

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

10. PLANT & EQUIPMENT (continued)

	2010	2009
	\$'000	\$'000
Reconciliation		
Opening net book amount	7,291	4,412
Additions	662	3,124
Transfers from mine development	-	798
Foreign exchange differences	(78)	386
Depreciation charge	(966)	(1,429)
Closing net book amount	<u>6,909</u>	<u>7,291</u>

No plant and equipment was acquired by means of finance leases during the year (2009: Nil). All the plant and equipment has been pledged as security by the Company. Refer to Note 14 for details.

11. MINE DEVELOPMENT

Cost	4,736	4,429
Less accumulated amortisation	(2,549)	(1,985)
Net book amount	<u>2,187</u>	<u>2,444</u>

Reconciliation		
Opening net book amount	2,444	3,940
Additions	399	486
Transfers to plant and equipment	-	(798)
Foreign exchange differences	(109)	212
Amortisation charge	(547)	(1,396)
Closing net book amount	<u>2,187</u>	<u>2,444</u>

This represents costs associated with recommissioning and bringing into operation the Surda mine and developing future mining programmes. Mine development costs are amortised over the licence period.

12. DEFERRED EXPLORATION AND EVALUATION

Opening balance	4,475	4,010
Exploration expenditure incurred in current year	293	432
Foreign exchange differences	(24)	33
Closing balance	<u>4,744</u>	<u>4,475</u>

The ultimate recoupment of costs carried forward for exploration expenditure is dependent upon the successful development and commercial exploitation, or sale, of the respective areas of interest.

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

13. TRADE AND OTHER PAYABLES

CURRENT

Trade creditors and accruals	4,153	2,979
Employee benefits	23	29
Other payables and accruals	132	744
	4,308	3,752

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

(b) Employee benefits consist of annual leave entitlements of employees within the Group and are non-interest bearing. The entire obligation is presented as current, since the Group does not have a right to defer settlement. Based on past experience the Group expects employees to take the full amount of accrued leave within the next 12 months.

14. BORROWINGS

		2010 \$'000	2009 \$'000
CURRENT	Maturity		
Secured			
Bank overdraft (a)	2011	3,097	2,999
Bank term loan (b)	2009	-	2,194
Finance leases (c)	2010	32	14
Loans from other parties - principal (d)	2010	500	1,500
Loans from other parties - interest payable (d)	2010	118	50
Loans from other parties - principal (g)	2010	1,500	-
Loans from other parties - interest payable (g)	2010	10	187
Total current borrowings		5,257	6,944
NON-CURRENT			
Secured			
Finance leases (c)	2011	-	35
Loans from other parties - principal (g)	2011	-	1,500
Unsecured			
Convertible notes (e)	2011	580	-
Convertible notes (f)	2011	110	-
Total non-current borrowings		690	1,535

(a) The bank overdraft is for working capital and is secured over mine inventory and receivables. The size of the overdraft facility is limited to 75% of the value of inventory and receivables up to a maximum of 135,000,000 Indian rupees or \$3,402,000 (2009: \$3,380,000). As at 30 June 2010, the drawdown limit was \$3,402,000 (2009: \$3,250,000) with the unused facility balance of \$305,000 (2009: \$251,000).

(b) The bank term loan was for proposed capital expenditure and was secured over mine fixed assets. Under the terms of the loan agreement the disbursement of the funds was restricted to paying down the bank overdraft until a successful ruling in the excise duty arbitration case, between the Company and its major customer Hindustan Copper Limited, was achieved. The funds were applied against the bank overdraft from 1 July until 24 July 2009, when the arbitration court ruled against the Company and the term loan was repaid.

(c) Finance leases are secured over the assets leased.

(d) Secured loans from other parties are from Territory Resources Ltd and are secured by an Australian charge over the assets of the Company, with interest charges at published three month swap rates plus 2.5%. The secured loan incurred interest at an average rate of 11.1% (2009: 11.8%) per annum during the year. Further information on the loan is set out at Note 19 (b). Refer also subsequent events at Note 24(d).

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

14. BORROWINGS (continued)

- (e) In September 2009, the Company entered into an unsecured convertible note facility with La Jolla Cove Investors Inc (La Jolla) for the issue of up to four convertible notes each with a face value of US\$1,500,000 to raise up to US\$6,000,000. Advances under each convertible note are available in monthly instalments of US\$250,000 with each advance able to be converted to ordinary shares in the Company at the election of the holder or if not so converted are redeemable in September 2011. The interest rate on the advances is 4.75% per annum.

The conversion price under the convertible note facility is the lesser of A\$ 0.25 or 80% of the average of the three lowest volume weighted average prices during the 21 trading days prior to the noteholder's election to convert, provided that if the noteholder elects to convert the convertible note in whole or in part and, on the day that the election is made, the volume weighted average price per share is below the floor price of A\$0.015, the Company shall have the right to prepay that portion of the convertible note that the noteholder elected to convert, plus any accrued and unpaid interest, at 120% of such amount. As at the balance date, La Jolla has converted a total, net of derivative valuation adjustments, of \$1,255,000 worth of convertible notes and the total number of shares issued to La Jolla was 54,202,880. Refer also subsequent events at Note 24(b).

- (f) In November 2009, the Company entered into an unsecured convertible note facility with Alexandra Resources Pty Ltd (Alexandra) for the issue of six convertible notes each with a face value of \$125,000. Refer Note 19 (b). The terms of the convertible notes are the same as those issued to La Jolla, except that the notes are denominated in Australian dollars instead of US dollars. As at balance date, Alexandra had converted a total of \$372,000 worth of convertible notes and the subsequent number of shares issued to Alexandra was 19,834,259. Refer also subsequent events at Note 24(c).

- (g) Loans from other parties are from Noble Resources Australia Pty Ltd and are subject to a negative pledge that the Company will not incur any financial indebtedness or grant any security interest over its assets without the consent of the lender as well as a deed of floating charge over the assets of the Company. Interest is charged at prevailing overdraft rate for amounts equal to each principal advance plus a margin of 2.5% (2009: 2.5%) calculated daily. The loan repayment date is 3 September 2010. The loan incurred interest at an average of 6.7% (2009:11.7%) per annum during the year. Further information on loans from other parties is set out at Note 19 (b). Subsequent to year end, the loan repayment date was extended to 3 September 2011 (refer Note 24 (f)).

15. LIABILITIES –DERIVATIVE FINANCIAL INSTRUMENTS

	2010 \$'000	2009 \$'000
CURRENT		
Balance at start of year	-	-
Issue of convertible notes	77	-
Conversion of convertible notes to shares	(59)	-
Fair value movement	(4)	-
Balance at end of year	14	-

The current liability convertible notes derivatives are in relation to the Alexandra Resources Pty Ltd convertible notes (refer Note 14 (f)) which have a maturity date of September 2011.

The fair value movement represents the movement in the fair value of the net liability arising from the ability of the noteholder to convert its notes to shares and the ability of the note issuer to elect to repay the notes early.

NON - CURRENT

Balance at start of year	-	-
Issue of convertible notes	382	-
Conversion of convertible notes to shares	(269)	-
Fair value movement	(73)	-
Balance at end of year	40	-

The non-current liability convertible notes derivatives are in relation to the La Jolla convertible notes (refer Note 14 (e)) which originally had a maturity date of September 2011 and subsequent to balance date, the maturity date was extended to December 2014 (refer Note 24 (b)).

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30 June 2010

	2010 \$'000	2009 \$'000
16. CONTRIBUTED EQUITY		
(a) Ordinary shares		
325,218,580 (2009: 201,946,980) ordinary fully paid shares	34,841	31,949

	Shares	Issue price	\$'000
(b) Movements in ordinary share capital			
Balance at 30 June 2008	175,646,966		31,206
Share placement plan allocation from June 2007	-	\$0.200	150
Share placement (January 2009)	12,000,000	\$0.025	300
Share placement (May 2009)	12,300,000	\$0.021	258
Exercise of listed options (December 2008)	11	\$0.200	-
Issued in consideration of cancellation of royalty entitlement (February 2009)	2,000,000	\$0.025	50
Exercise of listed options (May 2009)	3	\$0.200	-
Share issue costs	-		(15)
Balance at 30 June 2009	201,946,980		31,949
Issued pursuant to share purchase plan (August 2009)	20,030,000	\$0.020	401
Issued to key management personnel (December 2009)	10,127,773	\$0.027	405
Issued pursuant to exercise of convertible notes (La Jolla Cove Investors – November 2009 to June 2010)	54,202,880	\$0.023	1,255
Issued pursuant to exercise of convertible notes (Alexandra Resources Pty Ltd - April 2010 to June 2010)	19,834,259	\$0.019	372
Issued in consideration of partial cancellation of loan payable (April to June 2010)	19,076,688	\$0.026	500
Share issue costs	-		(41)
Balance at 30 June 2010	325,218,580		34,841

Ordinary shares entitle the holder to participate in dividends 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, and upon a poll each share is entitled to one vote.

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30 June 2010

16. CONTRIBUTED EQUITY (continued)

(c) Movements in share options (listed and unlisted)

	Weighted average exercise price	Options	\$'000
Balance at 30 June 2008		161,725,679	2,063
Exercise of listed options (December 2008)	\$0.20	(11)	-
Exercise of listed options (May 2009)	\$0.20	(3)	-
Balance at 30 June 2009		<u>161,725,665</u>	<u>2,063</u>
Expiry of listed options (December 2009)		(132,225,665)	-
Issued pursuant to employee option plan		6,100,000	-
Expiry of listed options (June 2010)		<u>(19,000,000)</u>	<u>-</u>
Balance at 30 June 2010		<u>16,600,000</u>	<u>2,063</u>

As at year end, the following options over ordinary fully paid shares were outstanding:

- exercisable at 40 cents each on or before 30 September 2010	2,000,000
- exercisable at 30 cents each on or before 30 June 2012	2,500,000
- exercisable at 7 cents each on or before 30 June 2014	6,100,000
- exercisable at 0.25 cents each on or before 31 December 2017	<u>6,000,000</u>
	<u>16,600,000</u>

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is 4.5 years (2009: 0.9 years). The weighted average fair value of options granted during the year ended 30 June 2010 was 1.5 cents. The value attached to the options above relates only to the options that had vested as balance date. The fair value of equity-settled share options granted is estimated as at the date of grant or service provided using a trinomial model taking into account the terms and conditions upon which the options were granted.

The inputs to the financial model used for valuing options, granted during the year ended 30 June 2010, were:

Issue date	20 April 2010
Dividend yield	0%
Expected volatility	100%
Risk-free interest rate	5.30%
Expected life of options	4.2 years
Option exercise price	7.0 cents

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

(d) Capital risk management

When managing capital, management's objective is to safeguard the entity's ability to continue as a going concern as well as to maintain optimum returns to shareholders and benefits to other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Management has no current plans to reduce the capital structure through a share buy-back.

	2010 \$'000	2009 \$'000
17. RESERVES		
Option and share-based payments reserve (a)		
Opening balance	2,296	2,063
Share based payments charge incurred in current year	<u>108</u>	<u>233</u>
Closing balance	<u>2,404</u>	<u>2,296</u>
Foreign exchange translation reserve (b)		
Opening balance	(656)	(1,284)
Exchange differences in current year	<u>(199)</u>	<u>628</u>
Closing balance	<u>(855)</u>	<u>(656)</u>
	<u>1,549</u>	<u>1,640</u>

Nature and purpose of reserves

- (a) The option and share-based payment reserve represents the value of equity benefits provided to Directors and employees as part of their remuneration and the value of services provided to the Group paid for by the issue of equity.
- (b) The foreign exchange translation reserve represents the exchange difference arising on translation of foreign controlled entities.

18. KEY MANAGEMENT PERSONNEL

(a) Details of key management personnel

Name	Position
Arvind Misra	Managing Director
Andrew Simpson	Chairman (Non Executive)
Craig Readhead	Director (Non Executive)
Eoin Rothery	Director (Non Executive) (resigned on 23 March 2010)
David Humann	Director (Non Executive) (resigned 10 July 2008 and reappointed 22 July 2010)
Barry Hodgkinson	General Manager New Projects
Andrew Kohler	Manager Geology (appointed on 24 August 2009)
Mark Churchward	General Manager Commercial (appointed on 22 February 2010)

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

18. KEY MANAGEMENT PERSONNEL (continued)

(b) Compensation of key management personnel

Remuneration by category	2010 \$	2009 \$
<i>Key management personnel</i>		
Short-term	1,192,067	769,061
Post-employment	15,758	92,758
Share-based payment	436,005	211,343
	1,643,830	1,073,162

(c) Option holdings of key management personnel

Options in India Resources Limited (number)

2010	Balance at 1 July 2009 or at date of appointment	Granted as remuneration	Options exercised	Other changes	Balance at 30 June 2010 or at date of resignation	Balance vested and exercisable at 30 June 2010
A Simpson	1,375,000	-	-	(1,375,000)	-	-
A Misra	9,600,000	-	-	(1,100,000)	8,500,000	8,500,000
E Rothery	5,500,000	-	-	(5,500,000)	-	-
C Readhead	1,262,500	-	-	(1,262,500)	-	-
D Humann	1,250,000	-	-	(1,250,000)	-	-
B Hodgkinson	-	-	-	-	-	-
A Kohler	-	500,000	-	-	500,000	166,666
M Churchward	-	500,000	-	-	500,000	166,666
Total	18,987,500	1,000,000		(10,487,500)	9,500,000	8,833,332

- (i) All of the Directors' options expired on 30 June 2010, except for 8,500,000 options held by Mr A Misra.
- (ii) Option holdings for Mr E Rothery are to his date of resignation on 23 March 2010.
- (iii) On 20 April 2010, the Directors announced they had resolved to seek shareholder approval at the next general meeting of the Company for the issue of unlisted options to the Directors.
- (iv) Refer to the Remuneration Report contained within the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel.

2009	Balance at 1 July 2008	Granted as remuneration	Options exercised	Other changes	Balance at 30 June 2009	Balance vested and exercisable at 30 June 2009
Directors						
A Simpson	1,375,000	-	-	-	1,375,000	1,375,000
A Misra	9,600,000	-	-	-	9,600,000	5,600,000
E Rothery	5,500,000	-	-	-	5,500,000	5,500,000
C Readhead	1,262,500	-	-	-	1,262,500	1,262,500
D Humann (i)	1,250,000	-	-	-	1,250,000	1,250,000
Total	18,987,500	-	-	-	18,987,500	14,987,500

- (i) Option holdings for Mr D Humann are to his date of resignation on 10 July 2008.

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

18. KEY MANAGEMENT PERSONNEL (continued)

(d) Shareholdings of key management personnel

Shares in India Resources Limited (number)

2010	Balance at 1 July 2009 or at date of appointment	Granted during the year as remuneration	Share Purchase Plan	On market purchases	Balance at 30 June 2010 or at date of resignation
A Simpson	600,000	-	750,000	650,000	2,000,000
A Misra	100,000	6,127,773	500,000	435,000	7,162,773
E Rothery	1,510,801	2,000,000	250,000	-	3,760,801
C Readhead	50,000	-	250,000	350,000	650,000
D Humann	-	-	-	-	-
B Hodgkinson	-	1,000,000	-	-	1,000,000
A Kohler	-	-	-	-	-
M Churchward	-	-	-	-	-
Total	2,260,801	9,127,773	1,750,000	1,435,000	14,573,574

- (i) The shares granted as remuneration during the year were approved by shareholders at the Annual General Meeting on 15 December 2009.

2009	Balance at 1 July 2008	Granted during the year as remuneration	On the exercise of options	On market purchases	Balance at 30 June 2009 or at date of resignation
Directors					
A Simpson	200,000	-	-	400,000	600,000
A Misra	100,000	-	-	-	100,000
E Rothery	1,277,283	-	-	233,518	1,510,801
C Readhead	50,000	-	-	-	50,000
D Humann (iii)	-	-	-	-	-
Total	1,627,283	-	-	633,518	2,260,801

- (ii) Shareholdings for Mr D Humann are to his date of resignation on 10 July 2008.

Except for equity issued as part of remuneration, all equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

(e) Loans to key management personnel

The aggregate amount of loans to a former Director of the Company outstanding at the end of the year at fair value, is \$7,500 (2009: \$100,000). The loan is secured by a mortgage over shares in the Company and is repayable in June 2012. Interest is accrued at the rate of 5% per annum.

(f) Other transactions with Directors

Transactions during the year between the Group and Directors or their director-related entities are set out in Note 19(a).

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

18. KEY MANAGEMENT PERSONNEL (continued)

Compensation options: granted and vested during the year

During the financial year, the following options were granted as equity compensation benefits.

	Vested Number	Granted Number	Grant date	Terms and conditions for each grant				Last exercise date
				Fair value per option at grant date \$	Exercise price per option \$	Expiry date	First exercise date	
2010								
A. Kohler	166,666	500,000	20.04.10	0.015	0.0700	30.06.14	20.04.10	30.06.14
M. Churchward	166,666	500,000	20.04.10	0.015	0.0700	30.06.14	20.04.10	30.06.14
2009								
Directors								
A Misra	2,000,000	-	11.12.07	0.139	0.0025	31.12.17	01.05.08	31.12.17

Shares issued on exercise of compensation options

No compensation options were exercised during the financial year ended 30 June 2010 (2009: Nil). The following compensation options expired during the financial year ended 30 June 2010 (2009: Nil):

	Number	Exercise price per option (\$)	Expiry date
Directors			
A Simpson	1,375,000	0.30	30 June 2010
A Misra	1,100,000	0.30	30 June 2010
C Readhead	1,262,500	0.30	30 June 2010
D Humann	1,250,000	0.30	30 June 2010

Employee option plan and share purchase plan

The establishment of the Company Employee Share Option Plan and Share Purchase Plan was approved by shareholders on 17 May 2007. The plans are designed to provide long term incentives to senior management and employees to deliver long term shareholder returns.

Any option issues are made in accordance with thresholds set in plans approved by shareholders. Options are granted under the plan for no consideration and carry no dividend or voting rights.

19. SIGNIFICANT TRANSACTIONS WITH VARIOUS PARTIES

(a) Transactions with related parties

During the year, the Company paid a total of \$88,662 (2009: \$73,002) to Allion Legal Pty Ltd, a legal practice associated with Mr C Readhead, a non-executive Director, for the provision of legal services on normal commercial terms.

During the 2008 financial year, the Company advanced funds to Swan Gold Mining Limited (Swan - formerly Monarch Gold Mining Company Limited), a previously related party, in which former Company Directors Messrs M Kiernan, D Humann and A Quadrio were Directors. On 11 July 2008, Swan entered into voluntary administration. During the year ended 30 June 2010, the Administrators of Swan made a first distribution to

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

19. SIGNIFICANT TRANSACTIONS WITH VARIOUS PARTIES (continued)

its creditors. The amount received by the Company was \$602,996 leaving a balance owing on the loan receivable of \$3,416,807. Subsequent to the year end, the Company assigned its interest in this receivable to a third party. Refer to subsequent events Note 24 (e).

(b) Transactions with other parties

The Company was advanced \$1,500,000 by Territory Resources Limited (Territory) in 2008, a company in which Messrs A Simpson and D Humann are or were Directors. This amount was provided unsecured with commercial interest payable. Interest on the loan for the year was \$165,206 (2009: \$175,915). On 9 November 2009, the Company entered into a conditional agreement with Alexandra Resources Pty Ltd (Alexandra) under which Alexandra agreed to the transfer to Alexandra of the loan provided to the Company by Territory as well as agreeing to the purchase of Territory's shareholding in the Company. Under the agreement, the loan is convertible equally to shares and convertible notes in the Company. On 1 April 2010, the Company issued 14,307,516 shares to Alexandra at an issue price of 2.62 cents per share as part repayment of the debt (totalling \$375,000). Between April and June 2010, there were \$625,000 worth of convertible notes issued leaving a balance owing on the loan, at 30 June 2010, of \$500,000. Pursuant to this agreement, 38,910,947 shares had been issued to Alexandra by balance date. Refer to subsequent events at Note 24 (d).

On 5 September 2008, the Company secured a working capital debt facility of \$1,500,000 from Noble Resources Australia Pty Ltd, a related party of Territory. The facility is repayable by 3 September 2010 and is secured by a fixed and floating charge over the Company. As at 30 June 2010, the balance drawn on this facility was \$1,500,000 with interest of \$123,434 (2009: \$74,667) charged for the year, of which \$8,172 (2009: \$49,680) was accrued at year end. Refer to subsequent events at Note 24 (f).

	2010	2009
	\$	\$
20. REMUNERATION OF AUDITORS		
Amounts paid or due and payable to the auditors for:		
Audit and review of financial reports:		
- PricewaterhouseCoopers Australia	94,957	112,904
- PricewaterhouseCoopers India	20,000	15,720
- other audit firms	8,293	5,223
Taxation advisory services:		
- PricewaterhouseCoopers Australia	10,000	15,971
- PricewaterhouseCoopers India	2,500	3,930
	<u>135,750</u>	<u>153,748</u>

21. SEGMENT INFORMATION

The Group operates predominantly in one business and geographical segment, being mineral exploration and development in India and all of the assets of the Group are deployed for these purposes.

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

	2010 \$'000	2009 \$'000
22. LOSS PER SHARE		
Basic and diluted loss per share (cents per share)	<u>(1.3)</u>	<u>(3.9)</u>
Loss used in calculating basic and diluted loss per share	<u>3,278</u>	<u>7,199</u>
Weighted average number of ordinary shares used in the calculation of basic loss per share	<u>249,900,284</u>	<u>183,330,763</u>

Effect of dilutive securities:

There is no impact of dilutive shares as the Group made a loss for the year, hence any dilution would reduce the loss per share. Diluted earnings per share is therefore the same as basic loss per share.

23. CONTINGENCIES

Contingent liabilities

The Group has given guarantees in respect of its contracted obligations to Hindustan Copper Limited for \$252,000 (2009: \$260,000) and to a third party as security for lease of business premises for \$40,000 (2009: \$40,000).

24. SUBSEQUENT EVENTS

- (a) On 8 July 2010, the High Court appeal arbitration proceedings in relation to Indian excise duty on the supply of copper concentrate under the Surda works order was concluded in favour of Hindustan Copper Limited. The proceedings related to whether or not excise duty is assessable on the product (copper metal in concentrate) the Company sells to Hindustan Copper Limited. The Group is evaluating the arbitration decision and options for a resolution of the excise duty determination.
- (b) On 12 July 2010 and 19 August 2010, La Jolla Cove Investors Inc (La Jolla) converted a total of \$145,000 (US\$127,000) worth of convertible notes. In accordance with the terms of the convertible notes, a total of 14,611,943 ordinary fully paid shares were issued to La Jolla at an average price of 0.99 cents per share. Following these partial conversions, the balance outstanding under the convertible note was \$524,000 (US\$470,000)

On 7 September 2010, the Company entered into an agreement with La Jolla for the early settlement of the convertible note facility. The key terms of the termination agreement were as follows:

- Settlement consideration comprised:
 - US\$150,000 (\$165,000) cash paid within 10 business days of execution of the agreement;
 - The principal amount outstanding under the note facility be increased by US\$250,000 (\$275,000) from US\$470,000 to US\$720,000 (\$790,000);
 - one option issuable for every five shares which are converted, up to US\$547,000. The options will be exercisable at 2.5 cents each on or before 31 December 2014;
- Maturity date of the remaining convertible notes be extended to 31 December 2014;
- Upon the date that the principal balance owing on the remaining convertible notes falls below US \$250,000 (\$275,000), the interest payable on the remaining notes reduces from 4.75% to Nil; and
- La Jolla is restricted in the amount of India Resources shares it can trade or sell on a daily basis.

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

24. SUBSEQUENT EVENTS (continued)

- (c) On 16 July 2010 and 6 September 2010, Alexandra Resources Pty Ltd converted a total of \$250,000 worth of convertible notes. In accordance with the terms of the convertible notes, a total of 25,205,657 shares were issued to Alexandra at a price of 0.99 cents per share.
- (d) On 24 August 2010 and 22 September 2010, settlement of the third and fourth tranches respectively of the agreement with Alexandra and Territory was completed. Alexandra acquired a further \$500,000 of the loan due by the Company to Territory, reducing the debt owed to Territory from \$500,000 to \$Nil. Alexandra was issued with a further 9,592,344 shares at a price of 2.62 cents per share (total consideration of \$250,000) and two additional convertible notes with a face value of \$250,000.
- (e) On 31 August 2010, the Company entered into an agreement to assign to a third party the balance of its loan receivable due from Swan for cash consideration of \$1,708,000. Half the consideration was received on 2 September 2010 and the remaining balance is due by 31 October 2010.
- (f) On 24 September 2010, Noble Resources Australia Pty Ltd agreed to an amendment to the loan agreement with the Company to repay \$500,000 of the loan by 31 October 2010 and extend the loan repayment date on the remaining \$1,000,000 by 12 months from 3 September 2010 to 3 September 2011.

25. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's principal financial instruments comprise cash, receivables, payables, investments and loans. The Group manages its exposure to key financial risks in accordance with the Group's financial management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign exchange risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. Primary responsibility for identification and control of financial risks is borne between the board members and executive management.

Risk exposures and responses

(a) Interest rate risk

The Group's exposure to market risk for change in interest rates relates primarily to their interest bearing liabilities. The level of debt is disclosed in Note 14.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated in cash flow hedges:

	2010 \$'000	2009 \$'000
Financial Assets		
Cash and cash equivalents	435	2,534
Financial Liabilities		
Borrowings	(5,947)	(8,479)
Net exposure	<u>(5,512)</u>	<u>(5,945)</u>

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

25. FINANCIAL INSTRUMENTS (continued)

The Group monitors interest rate exposure and should interest change rise significantly, the Group will make appropriate decisions in accordance with its financial risk management policies.

The following sensitivity analysis is based on the interest rate exposures in existence at the balance sheet date.

At 30 June 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

Judgements of reasonably possible movements	Post tax result higher / (lower)		Equity higher / (lower)	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
+ 1% (100 basis points)	(55)	(59)	-	-
- 1% (100 basis points)	55	59	-	-

(b) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of the instruments.

The Company aims to minimise concentration of credit risk in relation to trade receivables by undertaking transactions with government corporations and in relation to loans to other parties by regular monthly monitoring of accounts by executive management. The main trade receivable is Hindustan Copper Limited (HCL), a Government of India corporation. The main loan receivable, at balance date, is Swan (refer Note 2(a) for further information).

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counter-party default rates.

The quality of the trade receivable with HCL is assessed as LAA based on ratings from Moodys Investor Service. LAA is described as a high-credit-quality rating and the rated instrument carries low credit risk.

The quality of the loan receivable, with Swan, is not rated. The quality, however, is assessed by Company management as poor. Refer further information on Swan being in Voluntary Administration at Notes 7 (a) and 24 (e).

Credit risk in trade receivables is managed in the following ways:

- payment terms are 30 days for receivables other than loans;
- a regular risk review takes place on all receivables and loan balances; and
- a thorough continuing assessment process takes place with all loan receivables.

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and other available credit lines. The Group manages liquidity risk by monitoring forecast cash flows. The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial liabilities as of 30 June 2010. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2010.

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NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

25. FINANCIAL INSTRUMENTS (continued)

Maturity analysis of financial liabilities based on management's expectations

Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Company has established risk reporting covering its business that reflects expectations of management of expected settlement of financial assets and liabilities.

2010	< 6 months	6 - 12 months	1 - 5 years	>5 years	Total contractual cash flows	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities						
Trade and other payables	(4,308)	-	-	-	(4,308)	(4,308)
Borrowings	(3,108)	(2,521)	(874)	-	(6,503)	(5,947)
Derivative financial instruments	-	(14)	(40)	-	(54)	(54)
	<u>(7,416)</u>	<u>(2,535)</u>	<u>(914)</u>	<u>-</u>	<u>(10,865)</u>	<u>(10,309)</u>

2009

Financial liabilities

Trade and other payables	(3,752)	-	-	-	(3,752)	(3,752)
Borrowings	(2,769)	(4,802)	(1,538)	-	(9,109)	(8,479)
	<u>(6,521)</u>	<u>(4,802)</u>	<u>(1,538)</u>	<u>-</u>	<u>(12,861)</u>	<u>(12,231)</u>

d) Price risk

The Group's exposure to commodity risk is minimal. Price risk of the copper commodity is of no effect as the pricing for the Surda contract is fixed with only production target uplifts to pricing. It is not affected by the ongoing commodity pricing of copper.

Equity securities price risk arises from investments in equity securities. The Group has exposure to only one equity security, being Pebble Creek Mining Ltd. (PEB). The Group owns 5,000,000 shares and 5,000,000 warrants in PEB. Changes in the value of the shares and warrants are brought to account in profit and loss. The following sensitivity is based on the price risk exposures in existence at balance date.

Judgements of reasonably possible movements	Post tax result higher / (lower)		Equity higher / (lower)	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
+ 10% in share price of PEB	43	43	-	-
- 10% in share price of PEB	(43)	(43)	-	-

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

25. FINANCIAL INSTRUMENTS (continued)

(e) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the Group entity's functional currency.

The Group is exposed to foreign exchange risk on translation of its investment in listed entities which is denominated in Canadian dollars and its convertible note facility which is denominated in United States dollars.

The objective of the Group's foreign exchange risk management policy is to ensure its financial viability despite potential periods of unfavourable exchange rates. Regular sensitivity analysis is conducted to evaluate the potential impact of unfavourable exchange rates on the Group's future financial position. The results of this evaluation are used to determine the most appropriate risk mitigation tool to be used. No foreign currency hedging transactions were entered into during the financial year or prior financial year.

The Group's exposure to foreign exchange risk at 30 June 2010 was as follows:

	2010 USD AUD '000	2010 CAD AUD '000	2009 USD AUD '000	2009 CAD AUD '000
Cash and cash equivalents	-	-	-	-
Restricted cash	-	-	-	-
Trade and other receivables	-	-	-	-
Other financial assets	-	429	-	430
Trade and other payables	-	-	-	-
Borrowings	(580)	-	-	-
Derivative financial instruments	(40)	-	-	-

For the year ended and as at 30 June 2010, if the US dollar/ Canadian dollar currency set out in the table below, strengthened or weakened against the Australian dollar by the percentage shown, with all other variables held constant, post tax loss and equity would have been affected as follows:

Judgements of reasonably possible movements	Post tax result higher / (lower)		Other Equity higher / (lower)	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
+ 10% change currency	(19)	43	-	-
- 10% change in currency	19	(43)	-	-

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

25. FINANCIAL INSTRUMENTS (continued)

f) Fair value measurements

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

As of 1 July 2009, the Group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following tables present the Group's assets and liabilities measured and recognised at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Shares in listed entities at fair value through profit and loss (Pebble Creek Mining Limited)	429	-	-	429
Loans receivable – other entities (Swan)	-	3,417	-	3,417
Total Assets	429	3,417	-	3,846
Liabilities				
Derivative financial instruments	-	-	54	54
Total Liabilities	-	-	54	54

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. These instruments are included in level 2 and comprise debt investments and derivative financial instruments. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

26. CASH FLOW STATEMENT

	2010 \$'000	2009 \$'000
a) Reconciliation of cash		
Cash balances comprise:		
Cash at bank and on hand (Note 5)	435	340
Bank overdrafts (Note 14)	<u>(3,097)</u>	<u>(2,999)</u>
Balance per statement of cash flow	<u>(2,662)</u>	<u>(2,659)</u>
b) Reconciliation of net cash outflow from operating activities to loss after income tax		
Loss after income tax	(3,278)	(7,199)
Impairment of investment	1	1,116
Share based payments	489	233
Depreciation	966	1,429
Amortisation	547	1,396
Impairment of trade receivables	674	-
Impairment of loans receivable	139	-
Fair value movements of convertible note derivatives	(77)	-
Changes in operating assets and liabilities:		
Increase in trade and other receivables	(1,828)	(1,370)
Decrease in prepayments	18	6
Increase in trade and other payables	566	3,207
Increase / (decrease) in inventory	<u>324</u>	<u>(1,287)</u>
Net cash outflow from operating activities	<u>(1,459)</u>	<u>(2,469)</u>
Non cash investing and financing activities		
Share based payment for termination of royalty entitlement	-	(50)
Share based payment for refinance of loan payable	(875)	-
Share based payment for conversion of convertible notes	<u>(1,627)</u>	<u>-</u>

27. EXPENDITURE COMMITMENTS

(a) Operating leases (non-cancellable)

Minimum lease payments		
- not later than one year	9	9
- later than one year but not later than five years	<u>4</u>	<u>13</u>
	<u>13</u>	<u>22</u>

(b) Finance leases

The Group has entered into finance leases for various items of plant and machinery. These leases have terms of renewal but no purchase terms or escalation clauses. Renewals are at the option of the entity that holds the lease. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

27. EXPENDITURE COMMITMENTS (continued)

	2010		2009	
	Minimum lease payments	Present value of lease payments	Minimum lease payments	Present value of lease payments
	\$'000	\$'000	\$'000	\$'000
Within one year	19	19	20	19
After one year but not more than five years	15	13	35	30
Total minimum lease payments	34	32	55	49
Less amounts representing future finance charges	(2)	-	(6)	-
Present value of minimum lease payments	32	32	49	49

The weighted average interest rate impact in the lease contracts for the Group is 9.1% (2009: 9.1%).

(c) Tenement expenditure proposed

Under the terms of mineral tenement applications, minimum annual expenditure expectations of \$575,000 (2009: USD\$1.75 million) have been proposed. This expenditure may be incurred by the Group or its joint venture partners and may be subject to variation from time to time in accordance with The Mineral Concession Rules 1960 of India and Mineral Conservation and Development Rules 1988 of India.

(d) Surda Mine and Mosaboni Concentrator plant

On 26 March 2007, Hindustan Copper Limited (HCL) granted a works order to Swan who subsequently contracted India Resources Limited as a Special Purpose Vehicle to:

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

By a deed of appointment effective from 2 January 2007, Swan appointed the Company as a Special Purpose Vehicle in India. Under the deed of appointment the Company is required to implement the contractual obligations entered into by Swan and is entitled to all the benefits flowing from that performance and agreed to indemnify Swan for all liabilities arising out of contractual arrangement with HCL. HCL has acknowledged the appointment of the Company as Swan's special purpose vehicle and the Company, therefore, considers that Swan has observed the terms of the works order. The Company issued 375,000 shares to Swan as consideration under the Deed of Appointment.

Negotiations are continuing with HCL for an assignment of the works order. The Directors of the Company are also aware of an uncertainty regarding the continuity of the arrangement under the works order as a result of the appointment of administrators by Swan, as the terms of the initial agreement between HCL and Swan gives HCL the right to terminate the licence in this event. HCL have not exercised their right to terminate nor have they proceeded to or indicated their intention to do so. On 2 March 2010, the Administrator of Swan announced that settlement of a Recapitalisation Deed had occurred on 26 February 2010 and that control and management of Swan had passed back to the Board of Directors. On 8 April 2010, Swan executed a Deed with the Company on Surda Working Arrangements, wherein they assigned their benefits, rights and interests under the Surda contract and work order to the Company.

The Directors believe the Group has a continuing positive relationship with HCL and the Group has continued to successfully operate the contract, and receive payments from HCL. The Directors also believe that HCL has been satisfied with the Company's ongoing performance.

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

27. EXPENDITURE COMMITMENTS (continued)

The Company is working with HCL, its solicitors and advisers to achieve a transfer of the works order to the Company. Until such time as the transfer of the works order is executed the ultimate outcome of the discussions with HCL cannot be determined, and no provision for impairment of assets relating to the Indian operations or any provision for any liability that may result has been made in the financial report. The Directors are confident that a suitable resolution will ultimately be achieved and the works order will be held directly by the Company.

28. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary Financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2010 \$'000	2009 \$'000
Balance sheet		
Current assets	1,274	1,706
Total assets	14,481	14,617
Current liabilities	2,516	2,184
Total liabilities	3,246	3,684
Shareholders' equity		
Issued capital	34,841	31,949
Reserves		
Share based payments	2,405	2,296
Accumulated losses	(26,011)	(23,312)
Net assets	11,235	10,933
Loss for the year	<u>2,699</u>	<u>6,396</u>
Total comprehensive loss for the year	<u>2,699</u>	<u>6,396</u>

(b) Guarantees entered into by the parent entity

The parent entity has provided a guarantee for \$40,000 as security for the lease of business premises.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2010 or 30 June 2009.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2010, the parent entity had no contractual commitments for the acquisition of property, plant or equipment (30 June 2009 – Nil).

INDIA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

28. PARENT ENTITY FINANCIAL INFORMATION (continued)

(e) Investments in controlled entities:

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2010	2009
			%	%
India Resources (Holdings) Pty Ltd	Australia	Ordinary	100	100
IRL Copper Mining Pvt Ltd	India	Ordinary	100	100
IRL Exploration India Pvt Ltd	India	Ordinary	100	100
Crown Mining Pvt Ltd	India	Ordinary	100	100
India Resources Mining Pvt Ltd	India	Ordinary	100	100
IRL Coal India Pvt Ltd	India	Ordinary	100	100
Surda Project Office (Refer Note 27(d))	India	n/a	100	100
Kohinoor Mining International Limited	Mauritius	Ordinary	100	100
AMIL Mining India Pvt Ltd	India	Ordinary	100	100

The issued shares of these entities are held in trust for the Company and the Company is the sole beneficial owner of these entities. The Surda Project Office is a separate non-incorporated legal entity registered in India as the special purpose vehicle for the Surda project. It is project specific and can only operate the Surda project. A Project Office of a foreign company in India is considered a tax resident of India. It holds required registrations and approval with Indian banking and taxation authorities.

INDIA RESOURCES LIMITED

DIRECTORS' DECLARATION

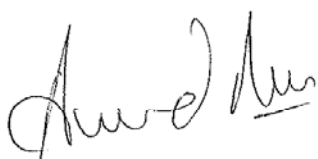
In the Directors' opinion:

- (a) the financial statements and notes set out on pages 14 to 53 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Note 2 (a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



A Misra
Managing Director

Perth, Western Australia
24 September 2010

Independent auditor's report to the members of India Resources Limited

Report on the financial report

We have audited the accompanying financial report of India Resources Limited (the company), which comprises the balance sheet as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the India Resources Group. The consolidated entity comprises 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), 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 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

**Independent auditor's report to the members of
India Resources Limited (continued)**

Auditor's opinion

In our opinion:

- (a) the financial report of India 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 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Material Uncertainty Regarding the Indian Operating Licence

Without qualifying our opinion, we draw attention to Note 27(d) in the financial report which discusses the material uncertainty around the company's licence to operate the Surda mine in India. Until that uncertainty is resolved, no provision for impairment of assets relating to the company's Indian operations or any provision for any liability that may result has been made in the financial report.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2(a) in the financial report, which indicates that the consolidated entity has negative net current assets as at 30 June 2010 and sets out the directors' plans for the ongoing financing of the consolidated entity. These conditions and other matters set out in Note 2(a) indicate the existence of a material uncertainty about whether the consolidated entity will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 12 of the directors' report for the year ended 30 June 2010. 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.

Auditor's opinion

In our opinion, the remuneration report of India Resources Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.



PricewaterhouseCoopers



Pierre Dreyer
Partner

Perth
24 September 2010