



# **India Resources Limited**

ABN 77 121 339 704

## **NOTICE OF ANNUAL GENERAL MEETING**

### **EXPLANATORY MEMORANDUM**

### **PROXY FORM**

**Date and time of meeting**

15 December 2009 at 10.00 a.m.

**Place of meeting**

Celtic Club  
48 Ord Street  
West Perth, Western Australia

# INDIA RESOURCES LIMITED

ABN 77 121 339 704

## NOTICE OF ANNUAL GENERAL MEETING

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Notice is hereby given that the third annual general meeting of Shareholders of India Resources Limited (**Company**) will be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia on Tuesday, 15 December 2009 at 10.00 a.m.

*The Explanatory Memorandum and proxy form accompanying this Notice of Meeting are incorporated in and comprise part of this Notice of Meeting.*

### AGENDA

#### ORDINARY BUSINESS

##### **Financial statements and reports**

To receive and consider the annual financial report of the Company and the reports of the Directors and auditors for the financial year ended 30 June 2009.

To consider and if thought fit to pass, with or without amendment, the following resolution as an ordinary resolution.

##### **1. Re-election of Eoin Rothery as a director**

“That Mr Eoin Rothery, being a director of the Company, retires by rotation in accordance with Clause 14.4(a) of the Constitution and being eligible for re-election, is hereby re-elected as a director of the Company.”

To consider and if thought fit to pass, with or without amendment, the following resolution as a non-binding ordinary resolution.

##### **2. Remuneration report**

“That for the purposes of Section 250R(2) of the Corporations Act, the Company adopts the Remuneration Report as contained in the annual financial report of the Company for the year ended 30 June 2009.”

#### SPECIAL BUSINESS

The special business of the meeting is to consider and if thought fit to pass, with or without amendment, the following resolutions as ordinary resolutions.

##### **3. Approval of issue of securities to La Jolla Cove Investors Inc**

“That for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for the acquisition of a relevant interest in the Company by La Jolla Cove Investors Inc and its associates to the extent and on the terms set out in the Explanatory Memorandum.

*For the purposes of item 7 of section 611 of the Corporations Act, the Company will disregard any votes cast by any person proposing to make the acquisition and their associates and any person from whom the acquisition is to be made and their associates.*

**4. Ratification of issue of securities to La Jolla Cove Investors Inc**

“That for the purposes of ASX Listing Rule 7.4 and for all other purposes, approval is given for the ratification of the issue of La Jolla Notes and Shares to La Jolla Cove Investors Inc on the terms set out in the Explanatory Memorandum.”

*For the purposes of ASX Listing Rule 7.4, the Company will disregard any votes cast by La Jolla Cove Investors Inc.*

**5. Approval of issue of Shares to Alexandra Resources Pty Ltd**

“That for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for the acquisition of a relevant interest in the Company by Alexandra Resources Pty Ltd and its associates to the extent and on the terms set out in the Explanatory Memorandum.”

*For the purposes of item 7 of section 611 of the Corporations Act, the Company will disregard any votes cast by any person proposing to make the acquisition and their associates and any person from whom the acquisition is to be made and their associates.*

**6. Approval for issue of Shares to directors**

“That for the purposes of ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the allotment and issue of:

- (a) 6,127,773 Shares to Arvind Misra; and
- (b) 2,000,000 Shares to Eoin Rothery,

or their respective nominees, on the dates and on the terms set out in the Explanatory Memorandum.”

*For the purposes of ASX Listing Rule 10.13, the Company will disregard any votes cast on Resolutions 6(a) and 6(b) in each case by Arvind Misra and Eoin Rothery and any of their respective associates.*

**7. Approval for issue of Shares to consultants**

“That for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue of:

- (a) 1,000,000 Shares to Richard Twomey; and
- (b) 1,000,000 Shares to Barry Hodgkinson,

or their respective nominees, on the dates and on the terms set out in the Explanatory Memorandum.”

*For the purposes of ASX Listing Rule 7.3, the Company will disregard any votes cast on Resolutions 7(a) and 7(b) in each case by Richard Twomey and Barry Hodgkinson and a person who might obtain a benefit except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed.*

By order of the Board

**Frank Campagna**  
Company Secretary

Perth, Western Australia  
11 November 2009

**VOTING EXCLUSION NOTE**

Where a voting exclusion applies, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**PROXIES**

A member of the Company who is entitled to attend and vote at the meeting may appoint a proxy to attend and vote for the member at the meeting. A proxy need not be a member of the Company.

A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the proxy instructions on the form.

In accordance with Regulation 7.11.37 of the Corporations Regulations, the directors have determined that the identity of those entitled to attend and vote at the meeting is to be taken to be those persons who held Shares in the Company as at 10.00 a.m. on 13 December 2009.

**EXTENSION OF TIME**

The Company has applied to the ASIC for relief to extend the period for the Company to hold its AGM so that the Meeting can be held on 15 December 2009.

## INDIA RESOURCES LIMITED

ABN 77 121 339 704

### EXPLANATORY MEMORANDUM

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This Explanatory Memorandum has been prepared for the information of Shareholders of the Company in connection with the business to be considered at the forthcoming AGM of the Company and should be read in conjunction with the accompanying Notice of Meeting.

#### ANNUAL FINANCIAL REPORT

The financial report of the Company for the year ended 30 June 2009 (including the financial statements, directors' report and auditors' report) was included in the 2009 annual report of the Company. A copy of the annual report is available for download from the Company's web-site at [www.indiaresources.com.au](http://www.indiaresources.com.au).

There is no requirement for Shareholders to approve these reports. However, time will be allowed during the AGM for consideration by Shareholders of the financial statements and the associated directors' and auditors' reports.

#### RESOLUTION 1 - RE-ELECTION OF EOIN ROTHERY AS A DIRECTOR

The Constitution requires that one third of the Directors in office (other than any Managing Director) must retire by rotation at each AGM of the Company.

Mr Eoin Rothery therefore retires at the forthcoming AGM in accordance with the Constitution and being eligible, has offered himself for re-election at the meeting.

Mr Rothery has been an executive director of the Company since 2006 and a non-executive director since September 2009. Mr Rothery is a minerals explorationist with strong multi-commodity experience in copper, gold, manganese, chromite, iron ore, lead/zinc, uranium and silver. His experience includes three world class mines Jundee, Broken Hill and McArthur River together with vast international and diverse geological environments. He previously held the position of General Manager Exploration with Consolidated Minerals Limited.

#### RESOLUTION 2 - REMUNERATION REPORT

The Remuneration Report is contained in the Directors' Report section of the Company's 2009 annual report. The Remuneration Report describes the underlying policies and structure of the remuneration arrangements of the Company and sets out the remuneration arrangements in place for Directors and senior executives.

The Corporations Act requires that a resolution to adopt the Remuneration Report be put to the vote of Shareholders. However, Shareholders should note that the vote on Resolution 2 is not binding on the Company or its Directors.

#### RESOLUTION 3 - ISSUE OF SECURITIES TO LA JOLLA COVE INVESTORS INC

##### A Background

###### (a) Introduction

The approval of Shareholders is being sought pursuant to Resolution 3 in connection with the Company's capital raising initiatives as previously announced to the ASX.

The Resolution, if passed, will facilitate the issue of up to four convertible notes (**La Jolla Note**), each with a face value of US\$1,500,000, to raise up to US\$6,000,000 for the Company. The La Jolla Notes will be issued to La Jolla Cove Investors Inc. (**La Jolla**), a United States institutional investor, which has provided the unsecured convertible note facility to the Company.

The issue of the La Jolla Notes will provide working capital to allow:

- further enhancements to productivity levels at the Surda project;
- initial funding for the start-up of the development contract for the Bankura coal project;
- potential increased involvement with Pebble Creek Mining Limited and its Askot base metals project;
- advancement of planned exploration programmes on the Company's iron ore tenement applications in India; and
- for general working capital purposes.

Subject to the satisfaction of a number of conditions precedent, including Shareholder approval for La Jolla to acquire a relevant interest in the Company upon conversion of the La Jolla Notes, the Company will progressively issue the La Jolla Notes to La Jolla.

**(b) Key terms**

The key terms of the La Jolla convertible note facility are as follows:

- The La Jolla Notes can be drawn down in US\$250,000 instalments progressively on a month by month basis from on or about 6 November 2009.
- Four La Jolla Notes will be issued, each with a face value of US\$1,500,000.
- The La Jolla Notes bear interest at 4.75% per annum, payable monthly.
- The La Jolla Notes are unsecured.
- The La Jolla Notes must be repaid upon maturity (September 2011) unless converted in whole or part into Shares at the election of La Jolla at any time at the lesser of A\$0.25 or 80% of the 3 lowest volume weighted average price (VWAP) during the 21 trading days prior to the election to convert, subject to a floor price of A\$0.015 at which the Company can refuse conversion and may redeem the La Jolla Notes at 120% of the outstanding face value.

Further details on the terms and conditions of the La Jolla Notes are set out below.

**(c) The Company's capital structure and effect of converting the La Jolla Notes**

The Company currently has 221,976,980 Shares, 114,725,665 listed options (exercisable at \$0.20 each on or before 31 December 2009) and 47,000,000 unlisted options on issue. It is proposed that a further 10,127,773 Shares be issued pursuant to Resolutions 6 and 7 (and for the purposes of the Explanatory Memorandum are assumed to have been approved and issued).

As the number of Shares to be issued on conversion of a La Jolla Note is dependent upon the Australian-United States dollar exchange rate and the Company's prevailing Share price, the following table shows the potential dilutive effect if La Jolla was to convert all La Jolla Notes to Shares.

Conversion price	Number of Shares to be issued to La Jolla	Total number of Shares on issue <sup>1</sup>	% of voting power
<b>Assume A\$1 equals US\$1.05</b>			
A\$0.035	163,265,306	395,370,059	41.29%
A\$0.030	190,476,190	422,580,943	45.07%
A\$0.020	285,714,286	517,819,039	55.18%
A\$0.015	380,952,381	613,057,134	62.14%
<b>Assume A\$1 equals US\$1.00</b>			
A\$0.035	171,428,571	403,533,324	42.48%
A\$0.030	200,000,000	432,104,753	46.29%
A\$0.020	300,000,000	532,104,753	56.38%
A\$0.015	400,000,000	632,104,753	63.28%

Conversion price	Number of Shares to be issued to La Jolla	Total number of Shares on issue <sup>1</sup>	% of voting power
<b>Assume US\$1 equals A\$0.95</b>			
A\$0.035	180,451,127	412,555,880	43.74%
A\$0.030	210,526,316	442,631,069	47.56%
A\$0.020	315,789,474	547,894,227	57.64%
A\$0.015	421,052,632	653,157,385	64.46%
<b>Assume US\$1 equals A\$0.90</b>			
A\$0.035	190,476,190	422,580,943	45.07%
A\$0.030	222,222,222	454,326,975	48.91%
A\$0.020	333,333,333	565,438,086	58.95%
A\$0.015	444,444,444	676,549,197	65.69%
<b>Assume US\$1 equals A\$0.85</b>			
A\$0.035	201,680,672	433,785,425	46.49%
A\$0.030	235,294,118	467,398,871	50.34%
A\$0.020	352,941,176	585,045,929	60.33%
A\$0.015	470,588,235	702,692,988	67.00%

<sup>1</sup> This assumes that the Company does not issue any further Shares other than under Resolutions 6 and 7. Any further Share issues will reduce La Jolla's voting power.

**(d) About La Jolla**

La Jolla is a private investment company based in the United States that provides financing to small-cap, publicly traded companies. La Jolla has advised that its approach is to add value by providing financial resources and industry knowledge as well as hands-on strategy and implementation services. La Jolla offers convertible debenture and equity financing together with stock loans and asset backed loans. It can also provide merger and acquisition assistance, business development, marketing strategies and assistance with business negotiations. See <http://www.ljcinvestors.com/> for more information.

**(e) Independent Expert**

In accordance with ASIC requirements, the Company has retained the Independent Expert to provide an opinion on whether the issue of Shares on conversion of the La Jolla Notes is fair and reasonable to the non-associated Shareholders of the Company. The Independent Expert has stated in its report that it is of the opinion that the transaction that is the subject of Resolution 3 is fair and reasonable to non-associated Shareholders. The Independent Expert's report is attached to this Explanatory Memorandum and Shareholders are urged to carefully consider the report.

**B Regulatory Requirements – Section 606 and Section 611 Corporations Act**

Resolution 3 is required in order to comply with specific requirements of the Corporations Act. Pursuant to section 606 of the Corporations Act, a person may not increase their voting power in a company in excess of 20% (which is the basic threshold beyond which increases are prohibited by the Corporations Act) unless a takeover is made for all shares or another exception applies. Shareholder approval for acquisitions of 20% or more is an exception to the prohibition.

A general explanation of what approvals are necessary, and why, is set out below.

**(a) Section 611 Corporations Act**

Section 606(1) of the Corporations Act provides that a person must not acquire a relevant interest in issued voting shares of a listed company if the person acquiring the interest does so through a transaction in relation to the securities entered into by or on behalf of the person and, because of the transaction, that person's or someone else's voting power in the listed company increases (i) from 20% or below to more than 20%; or (ii) from a starting point that is above 20% and below 90%.

Under section 608(1) of the Corporations Act, a person has a relevant interest in securities if they are the holder of the securities, have power to exercise, or control the exercise of, a right to vote attached to the securities or have power to dispose of, or control the exercise of a power to dispose of, the securities.

The voting power of a person in a company is determined by reference to section 610 of the Corporations Act. Under section 610 of the Corporations Act a person's voting power in a company is the total of the votes attaching to the shares in that company in which that person has a relevant interest, and that person's associates (within the meaning of the Corporations Act) have a relevant interest

Section 606(1A) of the Corporations Act provides that a person may acquire a relevant interest in shares of a listed company under one of the exceptions set out in section 611 of the Corporations Act without contravening section 606(1). Under item 7 of section 611 of the Corporations Act, an acquisition that was approved previously by a resolution of shareholders passed at a general meeting of the company is exempt from section 606(1).

If the Company issues the La Jolla Notes to La Jolla without Shareholder approval, La Jolla may not be issued with Shares on conversion equal to or more than 20% of the Company. Accordingly, for the purposes of item 7 of section 611 of the Corporations Act, Resolution 3 seeks approval from Shareholders for La Jolla to acquire a relevant interest in the Company upon the conversion of the LA Jolla Notes in excess of 20% with the percentage dependent upon the A\$ and US\$ exchange rates and the Company's Share price.

#### **C Item 7 Section 611 of the Corporations Act and ASIC Regulatory Guide 74**

In order for the Company to comply with the requirements of the Corporations Act, the Company provides the following information which ASIC Regulatory Guide 74 requires the Company to provide to Shareholders. In addition, an independent expert's report is annexed to this Explanatory Statement as a further requirement of ASIC Regulatory Guide 74.

**(a) *The identity of the allottee or purchaser and any person who will have a relevant interest in the shares to be allotted or purchased.***

Shares issued on conversion of the La Jolla Notes will be issued to La Jolla Cove Investors Inc, a private investment company based in the United States which provides financing to small-cap, publicly traded companies.

**(b) *Full particulars (including the number and the percentage) of the shares in the company to which the allottee or purchaser is or will be entitled immediately before and after the proposed acquisition.***

La Jolla currently holds no Shares in the Company.

If Resolution 3 is passed and La Jolla converts each La Jolla Note, the number of Shares to be issued to La Jolla will depend upon the Company's Share price (with a floor price of A\$0.015 at which the Company may choose that the La Jolla Notes are redeemed rather than converted) and exchange rate between the US and Australian dollars. Assuming a share price of A\$0.015, an exchange rate of A\$0.85 per US\$ and the Company issues no further Shares, the maximum number of Shares La Jolla may acquire is 470,588,235 or 67.00% (assuming Resolutions 6 and 7 are passed and no further Shares are issued). Further details of the voting power La Jolla may acquire based on alternative assumptions are set in the table above.

**(c) *The identity, associations (with the allottee, purchaser or vendor, and with any of their associates) and qualifications of any person who it is intended will become a director if shareholders agree to the allotment or purchase.***

It is not presently intended that any person be appointed as a Director as a consequence of the allotment or purchase of the La Jolla Notes.

- (d) *A statement of the allottee's or purchasers intentions regarding the future of the company if shareholders agree to the allotment or purchase, and in particular: (i) any intention to change the business of the company; (ii) any intention to inject further capital into the company, and if so how; (iii) the future employment of the present employees of the company; (iv) any proposal whereby any property will be transferred between the company and the allottee, vendor or purchaser or any person associated with any of them; and (v) any intention to otherwise redeploy the fixed assets of the company.*

On the basis of information currently known, La Jolla's intentions are:

- to be a strategic investor in the Company and to use its expertise to assist the future development of the Company's business;
- not to change the business of the Company;
- not to inject further capital into the Company other than as set out in this Explanatory Memorandum;
- to maintain the present employees of the Company;
- not to transfer to or acquire from the Company any property other than Shares; and
- not to redeploy fixed assets of the Company or change significantly the Company's existing policies in relation to financial matters or dividends.

Final decisions regarding these matters will only be made by the Company and La Jolla at a time after consideration of all relevant material and information at that time. Accordingly, the statements set out in this section are statements of current intention only, which may change as new information becomes available or as circumstances change.

- (e) *Particulars of the terms of the proposed allotment or purchase and any other contract or proposed contract between the allottee or purchaser and the company or vendor or any of their associates which is conditional upon, or directly or indirectly dependent on, shareholders' agreement to the allotment or purchase.*

The key terms of the La Jolla Notes are as follows.

<b>Term</b>	<b>Description</b>
<b>Purchase Price</b>	US\$6,000,000 (four consecutive La Jolla Notes of US\$1,500,000 each). The Purchase Price will be funded by La Jolla through minimum payments of US\$250,000 per month to the Company, commencing on or about 6 November 2006, subject to certain terms and conditions (including no event of default), until the entire principal balance is advanced in full to the Company.
<b>Interest Rate</b>	4.75% per annum, payable monthly on the outstanding funded and non-converted principal amount.
<b>Maturity Date</b>	September 2011, unless earlier converted pursuant to the Conversion section below.
<b>Conversion</b>	Subject to the Company's right of redemption if the VWAP of the Shares is below the Floor Price at the time of conversion, the La Jolla Notes may be converted at any time at La Jolla's option into Shares.  The number of Shares into which the La Jolla Notes may be converted is equal to the dollar amount of the La Jolla Note being converted divided by the Conversion Price. The Conversion Price is equal to the lesser of:  (a) A\$0.25; or  (b) 80% of the average of the three lowest VWAP prices during the 21 trading days prior to the election to convert.

<b>Term</b>	<b>Description</b>
<b>Floor Price</b>	The La Jolla Notes will include a floor price of A\$0.015, such that if the Shares are trading on the public market at or below such level at the time La Jolla seeks to convert all or a portion of the outstanding principal balance of the La Jolla Note, the Company may elect to refuse such conversion in exchange for the redemption of the portion of the La Jolla Note that La Jolla sought to convert plus any accrued and unpaid interest at 120% of the amount.
<b>Short Sales</b>	So long as the La Jolla Notes are outstanding, neither La Jolla nor its affiliates will at any time engage in any short sales with respect to the Shares, or sell put options or similar instruments with respect to the Shares.
<b>Conditions to closing</b>	Shareholders of the Company passing Resolution 3, and there not having occurred any event or development, and there being in existence no condition, having or which reasonably and foreseeably could have a material adverse effect.
<b>Expenses</b>	Each party will be responsible for its own expenses.
<b>Fees</b>	None
<b>Jurisdiction</b>	United States

**(f) *When the allotment is to be made or the purchase is to be completed.***

The La Jolla Notes will be issued in \$250,000 instalments progressively on a month by month basis for a 24 month period from on or about 6 November 2009. The La Jolla Notes are issued in this way to provide cash flow certainty for the Company.

The Shares will be allotted on conversion of part or all of a La Jolla Note. A La Jolla Note may be converted at the option of La Jolla into Shares at any time prior to the maturity date in September 2011.

**(g) *An explanation of the reasons for any proposed allotment***

The allotment of Shares will occur upon conversion of the La Jolla Notes. Funds raised from the issue of the La Jolla Notes will be used for the purposes set out above.

**(h) *The interests of the directors in the resolution.***

None of the Directors have any interest in relation to Resolution 3.

**(i) *The identity of the directors who approved or voted against the proposal to put the resolution to shareholders and the relevant explanatory memorandum.***

All Directors have approved Resolution 3 and the Explanatory Memorandum.

**(j) *The recommendation or otherwise of each director as to whether non-associated shareholders should agree to the acquisition, and the reasons for that recommendation or otherwise.***

All Directors recommend that Shareholders vote in favour of Resolution 3 to provide working capital to the Company for the Surda project production enhancement; start-up of the development contract for the Bankura coal project; potential increased involvement with Pebble Creek Mining Limited and its Askot base metals project; advancement of planned exploration programmes on the Company's iron ore tenement applications; and for general working capital purposes.

- (k) *Any intention of the acquirer to change significantly the financial or dividend policies of the company.*

There is no present intention by La Jolla to change the financial or dividend policies of the Company.

- (l) *An analysis of whether the proposal is fair and reasonable when considered in the context of the interests of, the shareholders other than those involved in the proposed allotment or purchase or those associated with such persons.*

The Directors have appointed Stantons International Pty Ltd as an Independent Expert and commissioned them to prepare an Independent Experts Report to provide an opinion as to whether or not the proposal in Resolution 3 is fair and reasonable to non-associated Shareholders. The report is set out as an appendix to this Explanatory Memorandum.

The Independent Expert has concluded that the proposal is fair and reasonable to the non-associated Shareholders of the Company.

#### **D ASX Listing Rule 7.1**

ASX Listing Rule 7.2 exception 16 provides an exemption from the 15% limit imposed by ASX Listing Rule 7.1 for an issue of securities either approved for the purposes of item 7 of section 611 of the Corporations Act.

#### **E Director recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 3 for the reasons set out above and as contained in the Independent Expert's report.

### **RESOLUTION 4 – RATIFICATION OF ISSUE OF SECURITIES TO LA JOLLA COVE INVESTORS INC**

As noted above, the Company may issue a La Jolla Note at any time after its placement facility is refreshed. At a general meeting held on 4 November 2009 Shareholders ratified prior issues of Shares pursuant to ASX Listing 7.4. The Company is therefore able to issue a La Jolla Note to La Jolla at any time.

Once issued, La Jolla Notes may be converted to Shares at any time. Any La Jolla Note or Shares issued prior to the Meeting will be included for the purposes of calculating the 15% limit imposed by ASX Listing Rule 7.1. Resolution 4 therefore seeks for the purposes of ASX Listing Rule 7.4 to ratify any La Jolla Note or Shares issued prior to the Meeting.

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to any La Jolla Note or Shares issued on exercise of a La Jolla Note between the date of this Notice of Meeting and the Meeting:

- (a) Four La Jolla Notes, each with a face value of US\$1,500,000 will be issued. Any Share issue will be upon conversion of a La Jolla Note, the terms of which are set out above. Specifically, the number of Shares and issue price that may be issued depends on the prevailing A\$:US\$ exchange rate and the Company's Share price. See the above table for details.
- (b) La Jolla Notes will be issued with a face value of US\$1,500,000. The deemed issue price of Shares issued on conversion of a La Jolla Note will be calculated on the basis set out above.
- (c) The terms of the La Jolla Notes are set out above. The Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.
- (d) La Jolla Notes or Shares will be issued to La Jolla.
- (e) The use of funds raised from the issue of La Jolla Notes is set out above. No funds will be raised from the issue of any Shares issued on conversion of a La Jolla Note. However, any La Jolla Note conversion will reduce the amount owed by the Company to La Jolla under a La Jolla Note.

If no La Jolla Notes or Shares are issued prior to the Meeting Resolution 4 will be withdrawn.

## RESOLUTION 5 – ACQUISITION OF SHARES BY ALEXANDRA RESOURCES PTY LTD

### A Background

#### (a) Introduction

As announced to ASX on 9 November 2009, the Company has entered into an agreement (**Investment Agreement**) with Alexandra Resources Pty Ltd (**Alexandra**) Territory Resources Limited (**Territory Resources**) and Noble Resources Limited under which Alexandra will, over a three month period after the Meeting, acquire:

- 19,019,000 Shares (which is equal to 8.57% of the Company from Territory as at the date of this Notice of Meeting) at a price of A\$456,456 or \$0.024 per share;
- a A\$1,500,000 debt owed by the Company to Territory (**Territory Debt**); and
- Shares with a total value of A\$500,000 on market.

Alexandra and the Company have further agreed that the Territory Debt will be repaid to Alexandra by the Company:

- issuing 28,615,032 Shares to Alexandra, each at an issue price of \$0.02621, in four instalments over an a period of approximately 3 months following Shareholder approval in full satisfaction of 50% of the Territory Debt; and
- issuing convertible notes to Alexandra to the value of \$750,000 (Alexandra Notes) on substantially the same terms and conditions as the La Jolla Notes, in full satisfaction of the remaining 50% of the Territory Debt.

The Investment Agreement (other than Alexandra's obligation to purchase Shares on market, which is unconditional) is conditional on approval by Shareholders. The purpose of Resolution 5 is to obtain that Shareholder approval.

#### (b) Alexandra Notes

The Alexandra Notes are on substantially the same terms as the La Jolla Notes, save that the Alexandra Notes each have a face value of A\$125,000.

#### (c) The Company's capital structure and effect of converting the Alexandra Notes

As noted above, the Company currently has 221,976,980 Shares, 114,725,665 listed options (exercisable at \$0.20 each on or before 31 December 2009) and 47,000,000 unlisted options on issue. It is proposed that a further 10,127,773 Shares be issued pursuant to Resolutions 6 and 7 (and for the purposes of the Explanatory Memorandum are assumed to have been approved and issued).

As the number of Shares to be issued on conversion of an Alexandra Notes is dependent upon the Company's prevailing Share price, the following table shows the potential dilutive effect once all Alexandra Notes are converted to Shares:

Conversion price	Number of Shares to be acquired from Territory and on market <sup>1</sup> and issued in partial satisfaction of the Territory Debt	Number of Shares to be issued to Alexandra upon conversion of the Alexandra Notes	Total Number of Shares held by Alexandra	% of voting power <sup>2</sup>
A\$0.035	62,339,914	21,428,571	83,768,485	29.69
A\$0.030	62,339,914	25,000,000	87,333,914	30.57
A\$0.020	62,339,914	37,500,000	99,839,914	33.48
A\$0.015	62,339,914	50,000,000	112,339,914	36.15

<sup>1</sup> This assumes that Alexandra acquires 14,705,882 Shares on market at an average price of \$0.034 per Share, being the closing Share price immediately prior to the Company announcing the Investment Agreement. The Directors consider this assumption reasonable on the basis that the Investment Agreement is likely to have a positive effect on the Share price.

<sup>2</sup> The Company currently has 221,976,980 Shares on issue and it is proposed that a further 10,127,773 Shares will be issued under Resolutions 6 and 7 (and for the purposes of this Explanatory Memorandum are assumed to have been approved and issued). It is assumed that the Company does not issue any further Shares. Any further Share issues will reduce Alexandra's voting power.

**(d) *About Alexandra***

Alexandra is an Australian based private equity company. Alexandra is controlled by Mr Ye Huang and has three shareholders who are Jenadam Pty Ltd, Pengyan Pty Ltd and Mr Ye Huang.

Alexandra's main area of interest is investment in the resources sector. Alexandra is supported by high net worth individuals with significant business interests in Asian countries.

**(e) *Independent Expert***

In accordance with ASIC requirements the Company has retained the Independent Expert to provide an opinion on whether the acquisition by Alexandra of a relevant interest in the Company under the terms of the Investment Agreement is fair and reasonable to the non-associated Shareholders of the Company. The Independent Expert has stated in its report that it is of the opinion that the transaction the subject of Resolution 5 is fair and reasonable. The Independent Expert's Report is annexed to this Explanatory Memorandum and Shareholders are urged to carefully consider the report.

**B Regulatory requirements**

The regulatory requirements outlined in this Explanatory Memorandum at paragraph 3(B) also apply to Resolution 5.

**C Item 7 of Section 611 of the Corporations Act and ASIC Regulatory Guide 74**

In order for the Company to comply with the requirements of the Corporations Act, the Company provides the following information which ASIC Regulatory Guide 74 requires the Company to provide to Shareholders when seeking approval in accordance with item 7 of section 611 of the Corporations Act. In addition, an independent expert's report is annexed to this Explanatory Memorandum as a further requirement of ASIC Regulatory Guide 74.

**(a) *The identity of the allottee or purchaser and any person who will have a relevant interest in the shares to be allotted or purchased.***

The Alexandra Notes will be issued to Alexandra, a private investment company. Alexandra is controlled by Mr Ye Huang and has three shareholders who are Jenadam Pty Ltd, Pengyan Pty Ltd and Mr Ye Huang.

**(b) *Full particulars (including the number and the percentage) of the Shares to which the allottee or purchaser is or will be entitled immediately before and after the proposed acquisition.***

Alexandra and its associates currently hold no Shares in the Company.

If Resolution 5 is passed Alexandra will acquire Shares from Territory and on market and Shares issued on conversion of Alexandra Notes. The total number of Shares that Alexandra will acquire depends on the price at which Alexandra acquires Shares on market and the Share price at the time of conversion of the Alexandra Notes (with a floor price of A\$0.015 at which the Company may choose that the Alexandra Notes are redeemed rather than converted).

Assuming a share price of A\$0.015, and the Company issues no further Shares, the maximum number of Shares Alexandra may acquire both from Territory and is 112,339,914 or 36.15% (assuming Resolutions 6 and 7 are passed and no further Shares are issued). Further details of the voting power Alexandra may acquire based on alternative assumptions are set in the table above. This assumes that no Shares are issued to La Jolla. Any such issue to La Jolla will dilute Alexandra's relevant interest.

- (c) ***The identity, associations (with the allottee, purchaser or vendor, and with any of their associates) and qualifications of any person who it is intended will become a director if shareholders agree to the allotment or purchase.***

It is not presently intended that any person be appointed as a Director as a consequence of the allotment or purchase of the Alexandra Notes.

- (d) ***A statement of the allottee's or purchasers intentions regarding the future of the company if shareholders agree to the allotment or purchase, and in particular: (i) any intention to change the business of the company; (ii) any intention to inject further capital into the company, and if so how; (iii) the future employment of the present employees of the company; (iv) any proposal whereby any property will be transferred between the company and the allottee, vendor or purchaser or any person associated with any of them; and (v) any intention to otherwise redeploy the fixed assets of the company.***

On the basis of information currently known, Alexandra's intentions are to:

- be a strategic investor in the Company and to use its expertise to assist the future development of the Company's business;
- not to change the business of the Company;
- not to inject further capital into the Company other than as set out in this Explanatory Memorandum;
- to maintain the present employees of the Company;
- not to transfer to or acquire from the Company any property other than Shares; and
- not to redeploy fixed assets of the Company or change significantly the Company's existing policies in relation to financial matters or dividends.

Final decisions regarding these matters will only be made by the Company and Alexandra at a time after consideration all relevant material and information at that time. Accordingly, the statements set out in this section are statements of current intention only, which may change as new information becomes available or as circumstances change.

- (e) ***Particulars of the terms of the proposed allotment or purchase and any other contract or proposed contract between the allottee or purchaser and the company or vendor or any of their associates which is conditional upon, or directly or indirectly dependent on, shareholders' agreement to the allotment or purchase.***

The terms of the Alexandra Notes are summarised above.

- (f) ***When the allotment is to be made or the purchase is to be completed.***

Alexandra Notes may be converted at the option of Alexandra into Shares at any time prior to the maturity date on 30 September 2011. Shares will be allotted on conversion of part or all of an Alexandra Note.

- (g) ***The explanation of the reasons for any proposed allotment.***

The allotment of Shares will occur upon conversion of the Alexandra Notes. The Alexandra Notes are being issued to Alexandra as part consideration for Alexandra repaying the Territory Debt. Therefore, no funds will be raised by issuing the Alexandra Notes, however, the issue of the Alexandra Notes will reduce the current liabilities of the Company.

**(h) *The interests of the directors in the resolution.***

Andrew Simpson is chairman of Territory, who will be paid A\$1,956,456 by Alexandra under the Investment Agreement.

**(i) *The identity of the directors who approved or voted against the proposal to put the resolution to shareholders and the relevant information memorandum.***

All Directors other than Mr Simpson, approved Resolution 5 and this Explanatory Memorandum. By reason of his chairmanship of Territory, Mr Simpson has excused himself from consideration on Resolution 5.

**(j) *The recommendation or otherwise of each director as to whether non-associated shareholders should agree to the acquisition, and the reasons for that recommendation or otherwise.***

All Directors recommend that Shareholders vote in favour of Resolution 5 as it:

- allows the Company to partially convert an existing debt facility into equity which will reduce current liabilities on the balance sheet;
- through the purchase of Shares on market by Alexandra, provides Shareholders who wish to sell an opportunity to do so.
- interest of approximately \$80,000 that the Company owes is forgiven.

**(k) *Intention of the acquirer to change significantly the financial or dividend policies of the company.***

There is no present intention by Alexandra to change the financial or dividend policies of the Company.

**(l) *An analysis of whether the proposal is fair and reasonable when considered in the context of the interests of, the shareholders other than those involved in the proposed allotment or purchase or those associated with such persons.***

The Directors have appointed Stantons International Pty Ltd as an Independent Expert and commissioned them to prepare an Independent Experts Report to provide an opinion as to whether or not the proposal in Resolution 5 is fair and reasonable to the Shareholders. The report is set out as an appendix to this Explanatory Memorandum.

The Independent Expert's Report has concluded that the proposal is fair and reasonable to the non-associated Shareholders of the Company.

**F ASX Listing Rules**

ASX Listing Rule exception 16 provides an exemption from the 15% limit imposed by ASX Listing Rule 7.1 for an issue of securities approved for the purposes of item 7 of section 611 of the Corporations Act.

**G Director recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 5 for the reasons set out above and as contained in the Independent Expert's report.

**RESOLUTION 6 - APPROVAL FOR ISSUE OF SHARES TO DIRECTORS**

**A General**

The Managing Director of the Company, Mr Arvind Misra, is contracted to perform the duties of Managing Director through a consultancy agreement dated 1 May 2007 between Aranak Pty Ltd and the Company. Pursuant to the terms of the consultancy agreement, Mr Misra is entitled to performance bonuses upon the achievement of mutually agreed key performance indicators.

During the period August 2008 to July 2009 specified performance targets have been achieved and Mr Misra has therefore become entitled to a performance bonus in accordance with the terms of the consultancy agreement. The parties have agreed that the performance bonus entitlement will be satisfied by the issue of 6,127,773 Shares to Mr Misra.

In September 2009, the Company and Mr Eoin Rothery entered into a consultancy agreement pursuant to which Mr Rothery provides geological services to the Company. Under the terms of the consultancy agreement, the Company has agreed to issue 2,000,000 Shares to Mr Rothery, subject to the prior approval of Shareholders.

## **B ASX Listing Rules Requirements**

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party unless an exception in ASX Listing Rule 10.12 applies.

In addition, the proposed issue of Shares to Messrs Misra and Rothery constitutes giving a financial benefit to a related party. The Directors (other than Messrs Misra and Rothery) have determined that the proposed issue of Shares falls within the exceptions set out in Sections 210 to 216 of the Corporations Act so that Chapter 2E of the Corporations Act does not apply to the issue.

Pursuant to the exception in ASX Listing Rule 7.1(14), approval under ASX Listing Rule 7.1 is not required in order to issue Shares to Messrs Misra and Rothery as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to Messrs Misra and Rothery under Resolutions 6(a) and 6(b) will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

## **C ASX Listing Rule 10.11**

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of Shares to Messrs Misra and Rothery:

- (a) The Shares the subject of Resolutions 6(a) and 6(b) are to be issued to Arvind Misra and Eoin Rothery respectively.
- (b) The maximum number of Shares to be issued to the Messrs Misra and Rothery (or their nominee) is:
  - 36,127,773 Shares to Mr Misra (or his nominee); and
  - 2,000,000 Shares to Mr Rothery (or his nominee).
- (c) The Shares will be issued to the related parties no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that the Shares will be issued on one date.
- (d) The Shares will be granted for nil cash consideration as they are being issued for the purpose set out in Section A and accordingly no funds will be raised.
- (e) The Shares are fully paid ordinary Shares and will rank equally with all existing Shares on issue.
- (f) The Shares to be issued to Mr Misra have a deemed issue price of 3 cents each.
- (g) The Shares to be issued to Mr Rothery have a deemed issue price of 3 cents each.
- (h) No funds will be raised from the issue of Shares to Messrs Misra and Rothery under Resolution 6(a) and 6(b).

## **D Director recommendation**

The Directors other than Messrs Misra and Rothery recommend that Shareholders vote in favour of Resolutions 6(a) and 6(b).

## **RESOLUTION 7 - APPROVAL FOR ISSUE OF SHARES TO CONSULTANTS**

ASX Listing Rule 7.1 prohibits a listed company from issuing shares representing more than 15% of its issued capital in any 12 month period without obtaining Shareholder approval (subject to certain exceptions). Approval is sought pursuant to Resolutions 7(a) and 7(b) for the issue of Shares to two consultants of the Company.

### ***Resolution 7(a) - Issue of Shares to Richard Twomey***

The Company proposes to issue 1,000,000 Shares to Richard Twomey, pursuant to the terms of a consultancy agreement, at a deemed issue price of 3 cents per Share.

The purpose of the issue is to provide non-cash remuneration to Mr Twomey in accordance with the terms of a consultancy agreement for Mr Twomey to provide geological consulting services to the Company.

The Board believes that the proposed issue is an effective form of remuneration for the Company and recommends shareholders vote in favour of Resolution 7(a).

### ***Resolution 7(b) - Issue of Shares to Barry Hodgkinson***

The Company proposes to issue 1,000,000 Shares to Barry Hodgkinson, who holds the position of General Manager - New Projects of the Company, at a deemed issue price of 3 cents per Share.

The purpose of the issue is to provide non-cash remuneration to Mr Hodgkinson in accordance the terms of his employment agreement as Manager - New Projects for the Company.

The Board believes that the proposed issue is an effective form of remuneration for the Company and recommends Shareholders vote in favour of Resolution 7(b).

The Shares will be allotted and issued to Messrs Twomey and Hodgkinson as soon as possible but, in any case, not later than 3 months after the date of Shareholder approval or such or such later date as approved by ASX.

The Shares to be issued will rank equally with all existing Shares on issue. The Company will apply to ASX for official quotation of the Shares.

The Directors recommend that Shareholders vote in favour of Resolutions 7(a) and 7(b).

## **GLOSSARY OF TERMS**

**“ASIC”** means the Australian Securities and Investments Commission;

**“ASX”** means ASX Limited;

**“ASX Listing Rules”** means the official listing rules of ASX;

**“Board”** means the board of directors of the Company;

**“Company”** or **“India Resources”** means India Resources Limited (ABN 77 121 339 704);

**“Constitution”** means the constitution of the Company as amended from time to time;

**“Corporations Act”** means the Corporations Act 2001 (Commonwealth);

**“Corporations Regulations”** means the Corporations Regulations 2001 (Commonwealth);

**“Director”** means a director of the Company;

**“Explanatory Memorandum”** means the explanatory memorandum to the notice of annual general meeting;

**“Independent Expert”** means Stantons International Pty Ltd;

**“Meeting”** or **“AGM”** means the annual general meeting convened by the Notice of Meeting;

**“Notice of Meeting”** or **“Notice”** means this notice of annual general meeting.

**“Remuneration Report”** means the remuneration report included in the directors’ report section of the annual financial statements of the Company for the year ended 30 June 2009;

**“Share”** means an ordinary fully paid share in the Company; and

**“Shareholder”** means the holder of a Share.

9 November 2009

The Directors  
India Resources Limited  
989 Wellington Street  
WEST PERTH WA 6005

Dear Sirs,

## INDEPENDENT EXPERT'S REPORT

**RE: INDIA RESOURCES LIMITED (ABN 77 121 339 704) - MEETING OF SHAREHOLDERS TO CONSIDER RESOLUTIONS UNDER SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT 2001 ("TCA") RELATING TO THE PROPOSAL TO ISSUE UP TO FOUR UNSECURED CONVERTIBLE NOTES TO LA JOLLA COVE INVESTORS INC AND ALLOWING THE UP TO FOUR CONVERTIBLE NOTES TO BE CONVERTED INTO ORDINARY SHARES IN INDIA RESOURCES LIMITED AND THE PROPOSALS TO ISSUE CONVERTIBLE NOTES TO THE VALUE OF \$750,00 AND ALLOW THE CONVERSION OF SUCH NOTES AND A DEBT OF \$750,000 TO ORDINARY SHARES IN INDIA RESOURCES LIMITED TO BE HELD BY ALEXANDRA RESOURCES PTY LTD**

### 1. INTRODUCTION

- 1.1 We have been requested by the Directors of India Resources Limited ("IRL" or "the Company") to prepare an Independent Expert's Report to determine the fairness and reasonableness of the transactions referred to in resolutions 3 and 5 as detailed in the Notice of Meeting to IRL shareholders ("the Notice") to be issued to shareholders in November 2009 for a meeting to be held in December 2009.
- 1.2 In September 2009, the Company entered into an agreement ("Agreement") with the US institutional investor La Jolla Cove Investors Inc ("La Jolla") whereby La Jolla may subscribe to the issue of up to four convertible notes ("Notes") each with a face value of US\$1,500,000 so India can raise up to US\$6,000,000 if all Notes are issued. Subject to the satisfaction of certain conditions including shareholder approval, IRL will immediately issue the first Convertible Note ("Tranche 1 Note") to La Jolla, with the issue of the second, third and fourth Tranches of Notes being, inter-alia subject to the shareholders approving the conversion of the Notes where if converted, La Jolla could obtain a shareholding in IRL of greater than 20% or from a starting point that is above 20% and below 90%.
- 1.3 The basic terms of the Notes are as follows:
  - Purchase Price: US\$6,000,000 (4 Notes of US\$1,500,000). The purchase price will be funded by La Jolla through minimum payments of US\$250,000 per month to IRL, commencing 2 business days after IRL has refreshed its placement capacity, subject to stated terms and conditions, until the entire principle balance is paid in full to IRL.

- Interest Rate:** 4.75% per annum, payable monthly on the outstanding funded and non-converted principal amount.
- Maturity Date:** September 2011, unless earlier converted to the “conversion” section noted below.
- Conversion:** The Notes may be converted at La Jolla’s option into IRL’s common stock (ordinary shares). The number of shares of IRL’s common stock into which the Notes may be converted is equal to the dollar amount of the Notes being converted divide by the conversion price. The conversion price shall be equal to the lesser of:
- (a) Australian 25 cents; or
  - (b) 80% of the 3 lowest volume weighted average price (“VWAP”) prices during the 21 days prior to the election to convert.
- Floor Price:** The Notes will include a floor price of 1.5 cents; such that if the common stock of IRL is trading on the public market at or below such level at such time as the La Jolla seeks to convert all or a portion of the outstanding principal balances of the Notes, IRL may elect to refuse such conversion in exchange for the redemption of the portion of the Notes that La Jolla sought to convert.
- Short Sales:** So long as the Notes are outstanding, neither La Jolla nor its affiliates shall at any stage engage in short selling with respect of IRL’s common stock, or sell put options or similar instruments with respect of IRL’s common stock.
- Conditions to Closing:** The Company obtaining shareholder approval under Section 611 (Item 7) of TCA.

The issue of up to four Notes and the right to convert up to four Notes into ordinary shares in IRL is the subject of resolution 3. Further details on the Notes and resolution 3 are outlined in the Notice and Explanatory Information to Shareholders attached to the Notice. The Notes will be unsecured. Resolution 4 also refers to the dealings with La Jolla.

- 1.4 As at 30 June 2009, IRL owed, inter-alia \$1,500,000 (“TTY Debt”) to Territory Resources Limited (“TTY”). In November 2009, TTY, Alexandra Resources Pty Ltd (“Alexandra”), IRL and Noble Resources Australia Pty Ltd (a financier of IRL) entered into an Investment Agreement for Alexandra to acquire the TTY Debt over a 3 month period. As Alexandra pays TTY, TTY will assign part of the TTY Debt to Alexandra based on the amount Alexandra pays TTY and as TTY Debt is assigned 50% will immediately be converted to equity (shares in IRL) and 50% become Convertible Notes each with a face value of \$125,000 (for the purposes of this report called Alexandra Notes). Once all of the \$750,000 is paid to TTY for 50% of the TTY Debt that will become Alexandra Notes, there will be six Alexandra Notes on issue. By the end of 3 months following shareholder approval, \$750,000 of the TTY Debt would be converted into share equity at an agreed conversion price of 2.621 cents per share and 28,615,032 shares will be issued to Alexandra. \$750,000 of the remaining TTY Debt would be held by Alexandra as Alexandra Notes. In addition, Alexandra is to acquire from Territory Copper Pty Ltd

(“TCPL”) a wholly owned subsidiary of TTY, 19,019,000 shares in IRL previously held by TCPL. The total purchase consideration payable by Alexandra will be \$1,956,456 represented as to \$456,456 for the 19,019,000 shares and \$1,500,000 for the TTY Debt. Pursuant to the Investment Agreement, Alexandra may convert the six Alexandra Notes to the value of \$750,000 (to be owned by Alexandra) to share equity on substantially the same terms and conditions as the Notes to be issued to La Jolla as referred to above in section 1.3 under the heading of Conversion, that is the lower of 25 cents or 80% of the 3 lowest VWAP during the 21 days prior to election to convert. The floor price is 1.5 cents per share similar to the Floor Price noted in section 1.3 above. Under the Investment Agreement Alexandra is also to acquire \$500,000 of IRL shares on market before 31 December 2009. Resolution 5 refers to the proposals with Alexandra.

- 1.5 Under Section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons’ or someone else’s voting power in the company increases:
- (a) from 20% or below to more than 20%; or
  - (b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on the fairness and reasonableness of the transactions noted pursuant to a Section 611 (Item 7) meeting.

- 1.6 In the event that some or all of the Notes were converted into ordinary shares in IRL, La Jolla may obtain a shareholding of greater than 20% and may also increase the percentage after obtaining at least a 20% shareholding on conversion of the Notes and thus shareholders approval is required that allows La Jolla to convert all or part of the Notes into ordinary shares in IRL. Under certain circumstances, Alexandra may obtain a shareholding interest of greater than 20% and thus shareholders approval is required that allows Alexandra to acquire shares in IRL pursuant to the investment agreement (that includes allowing \$750,000 of Alexandra Notes to be converted into ordinary shares in IRL).
- 1.7 Under ASIC Regulatory Guideline 111 “Contents of Expert Reports”, an Independent Expert’s Report is required to report on the fairness and reasonableness of the transactions pursuant to resolutions 3 and 5. The Directors have requested Stantons International Securities to prepare an Independent Expert’s Report to assist the shareholders in determining how to vote on resolutions 3 and 5 as outlined in the Notice and Explanatory Statement to Shareholders.
- 1.8 Apart from this introduction, the report considers the following:
- Summary of opinion
  - Implications of the proposals
  - Future directions of IRL
  - Basis of valuation of shares in IRL
  - Premium for control
  - Fairness and Reasonableness of the Proposals pursuant to resolutions 3 and 5

- Conclusion as to Fairness and Reasonableness on the proposals pursuant to resolutions 3 and 5
- Sources of information
- Appendix A and our Financial Services Guide

## 2. SUMMARY OF OPINION

- 2.1 In determining the fairness and reasonableness of the transactions pursuant to resolutions 3 and 5 we have had regard for the definitions set out by the Australian Securities and Investments Commission (“ASIC”) in its Regulatory Guideline 111. Regulatory Guideline 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of “fairness” is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the “target” and irrespective of whether the consideration is scrip or cash. An offer is “reasonable” if it is fair. An offer may also be reasonable, if despite not being “fair”, where there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. Regulatory Guideline 111 also states that in all cases, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of TCA, a report by an independent expert stating whether or not the proposals pursuant to resolutions 3 and 5 are fair and reasonable, having regard to the interests of shareholders other than the proposed allottee (in this case, La Jolla and Alexandra), and whether a premium for potential control and increased control is being paid by the allottees, will be required. Regulatory Guideline 111 also provides that such an allotment should involve a comparison of the advantages and disadvantages likely to accrue to non-associated shareholders if the transaction proceeds compared with if it does not.

Accordingly, our report relating to resolution 3 and 5 is concerned firstly with the fairness and reasonableness of the proposals from the point of view of the existing non associated shareholders of IRL, and secondly whether the price payable for the potential to obtain a significant shareholding interest (by La Jolla and Alexandra) includes a premium for control or increased control.

### 2.2 In our opinion:

**The proposals as outlined in resolution 3 are, in view of the current financial state of the Company and the difficulty in the markets to raise capital, are on balance considered to be fair and reasonable to the non-associated shareholders of IRL.**

**The proposals as outlined in resolution 5 are, in view of the current financial state of the Company and the difficulty in the markets to raise capital, are on balance considered to be fair and reasonable to the non-associated shareholders of IRL.**

The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report.

### 3. IMPLICATIONS OF THE PROPOSALS

3.1 As at 8 November 2009, there were 221,976,980 fully paid ordinary shares on issue in IRL. The significant fully paid IRL shareholders as at 2 November 2009 are disclosed as:

<b>Name of Shareholder</b>	<b>No. of Shares</b>	<b>% Interest</b>
Territory Copper Pty Ltd	19,019,000	8.57
Stephen Paul Swallow	12,750,000	5.74
Sydney Equities Pty Ltd	11,450,000	5.16
Bruce Alexander Davies	4,431,358	2.00
India Minerals PLC	2,350,000	1.06
	<hr/>	
	49,934,000	22.53

3.2 The top twenty fully paid shareholders as at 2 November 2009 owned approximately 31.75% of the current issued capital of IRL.

3.3 As at 8 November 2009, the share options currently on issue are 114,725,665 listed share options exercisable at 20 cents each on or before 31 December 2009 (unlikely to be exercised as they are materially out of the money). In addition there are the following unlisted share options:

- 12,500,000 share options exercisable at 30 cents each on or before 31 December 2009;
- 5,000,000 share options exercisable at 60 cents each on or before 31 December 2009;
- 19,000,000 share options exercisable at 30 cents each on or before 30 June 2010;
- 2,000,000 share options exercisable at 40 cents each on or before 30 September 2010;
- 2,500,000 share options exercisable at 30 cents each on or before 30 June 2012 but only vest upon the attainment of production of the first 1,000 tonnes of copper in concentrate from the Surda Copper Mine; and
- 6,000,000 share options exercisable at 0.25 cents each of which 4,000,000 have vested and 2,000,000 vest on 1 May 2010. The options expire 31 December 2017.

3.4 In the event that the proposals noted in resolution 3 are passed and consummated, the potential issued capital in IRL may substantially increase if all or some of the Notes to be held by La Jolla are converted into ordinary shares in IRL. The actual maximum number of shares that may be issued cannot be reliably estimated but it is noted that the floor price is 1.5 cents per share, however the Notes are in US dollars and the Australian/ USA dollar rate is a moving target. Also the number of shares that may be issued on conversion (at La Jolla's option) is dependent on the number of Notes issued and converted. If we assumed all four Notes were issued at the same time (say 20 December 2009) and were all converted to ordinary shares in IRL at maturity date in September 2011 but there was no interest capitalised (interest is payable on a monthly basis) and the exchange rate was AUS\$1 equals US\$0.70, a total of approximately 571,428,568 shares would be issued on full conversion. If only the Tranche 1 Notes were converted into ordinary shares, the approximate maximum number of shares that may be issued on conversion using the same FX conversion rate would be 142,875,142. If we used an exchange rate of AUS\$1 equals US\$0.85, the maximum number of shares that would be issued on conversion of US\$6,000,000 of Notes would approximate 470,588,235. We set out below a table of potential shares and percentages that may be issued on conversion of

the Notes assuming no further share issues to other parties (including Alexandra, directors and consultants as envisaged under resolutions 5 to 7).

**Conversion of US\$1,500,000 Tranche 1 Note using various AUS/US FX dollar rates and assuming a minimum conversion rate of 1.5 cents per share.**

	<b>60 cents</b>	<b>70 cents</b>	<b>80 cents</b>	<b>90 cents</b>
<b>No of shares</b>	166,666,667	142,857,142	125,000,000	111,111,113
<b>Percentage held</b>	42.88%	39.19%	36.03%	33.58%

**If all four Tranches of Notes were converted**

	<b>60 cents</b>	<b>70 cents</b>	<b>80 cents</b>	<b>90 cents</b>
<b>No of shares</b>	666,666,668	571,428,568	500,000,000	444,444,452
<b>Percentage held</b>	75.02%	72.02%	69.47%	66.69%

**Conversion of US\$1,500,000 Tranche 1 Note using various AUS/US FX dollar rates and assuming a minimum conversion rate of 2.5 cents per share.**

	<b>60 cents</b>	<b>70 cents</b>	<b>80 cents</b>	<b>90 cents</b>
<b>No of shares</b>	100,000,000	85,714,286	75,000,000	66,666,667
<b>Percentage held</b>	31.06%	27.86%	25.25%	23.09%

**If all four Tranches of Notes were converted**

	<b>60 cents</b>	<b>70 cents</b>	<b>80 cents</b>	<b>90 cents</b>
<b>No of shares</b>	400,000,000	342,857,144	300,000,000	266,666,667
<b>Percentage held</b>	64.31%	60.07%	57.47%	54.57%

**Conversion of US\$1,500,000 Tranche 1 Note using various AUS/US FX dollar rates and assuming a minimum conversion rate of 3.5 cents per share.**

	<b>60 cents</b>	<b>70 cents</b>	<b>80 cents</b>	<b>90 cents</b>
<b>No of shares</b>	71,428,571	61,224,490	53,571,429	47,619,048
<b>Percentage held</b>	24.34%	21.62%	19.44%	17.66%

**If all four Tranches of Notes were converted**

	<b>60 cents</b>	<b>70 cents</b>	<b>80 cents</b>	<b>90 cents</b>
<b>No of shares</b>	285,714,284	244,897,960	214,285,716	190,476,192
<b>Percentage held</b>	56.28%	52.45%	49.11%	46.18%

**Conversion of US\$1,500,000 Tranche 1 Note using various AUS/US FX dollar rates and assuming a minimum conversion rate of 5 cents per share.**

	<b>60 cents</b>	<b>70 cents</b>	<b>80 cents</b>	<b>90 cents</b>
<b>No of shares</b>	50,000,000	42,857,143	37,500,000	33,333,333
<b>Percentage held</b>	18.38%	16.18%	14.45%	13.06%

**If all four Tranches of Notes were converted**

	<b>60 cents</b>	<b>70 cents</b>	<b>80 cents</b>	<b>90 cents</b>
<b>No of shares</b>	200,000,000	171,428,572	150,000,000	133,333,332
<b>Percentage held</b>	47.40%	43.57%	40.33%	37.53%

**Conversion of US\$1,500,000 Tranche 1 Note using various AUS/US FX dollar rates and assuming a minimum conversion rate of 10 cents per share.**

	<b>60 cents</b>	<b>70 cents</b>	<b>80 cents</b>	<b>90 cents</b>
<b>No of shares</b>	25,000,000	21,428,571	18,750,000	16,666,667
<b>Percentage held</b>	10.12%	8.80%	7.79%	6.98%

**If all four Tranches of Notes were converted**

	<b>60 cents</b>	<b>70 cents</b>	<b>80 cents</b>	<b>90 cents</b>
<b>No of shares</b>	100,000,000	85,714,284	75,000,000	66,666,667
<b>Percentage held</b>	31.06%	27.85%	25.25%	23.09%

**Conversion of US\$1,500,000 Tranche 1 Note using various AUS/US FX dollar rates and assuming a minimum conversion rate of 15 cents per share.**

	<b>60 cents</b>	<b>70 cents</b>	<b>80 cents</b>	<b>90 cents</b>
<b>No of shares</b>	16,666,666	14,285,714	12,500,000	11,111,111
<b>Percentage held</b>	6.98%	6.04%	5.33%	4.77%

**If all four Tranches of Notes were converted**

	<b>60 cents</b>	<b>70 cents</b>	<b>80 cents</b>	<b>90 cents</b>
<b>No of shares</b>	66,666,667	57,142,857	50,000,000	44,444,444
<b>Percentage held</b>	23.10%	20.47%	18.38%	16.68%

**Conversion of US\$1,500,000 Tranche 1 Note using various AUS/US FX dollar rates and assuming a minimum conversion rate of 20 cents per share.**

	<b>60 cents</b>	<b>70 cents</b>	<b>80 cents</b>	<b>90 cents</b>
<b>No of shares</b>	12,500,000	10,714,286	9,375,000	8,333,333
<b>Percentage held</b>	5.33%	4.60%	4.05%	3.62%

**If all four Tranches of Notes were converted**

	<b>60 cents</b>	<b>70 cents</b>	<b>80 cents</b>	<b>90 cents</b>
<b>No of shares</b>	50,000,000	42,857,142	37,500,000	33,333,333
<b>Percentage held</b>	18.38%	16.18%	14.45%	13.06%

**Conversion of US\$1,500,000 Tranche 1 Note using various AUS/US FX dollar rates and assuming a minimum conversion rate of 25 cents per share.**

	<b>60 cents</b>	<b>70 cents</b>	<b>80 cents</b>	<b>90 cents</b>
<b>No of shares</b>	10,000,000	8,571,429	7,500,000	6,666,667

<b>Percentage held</b>	4.31%	3.72%	3.27%	2.92%
<b>If all four Tranches of Notes were converted</b>				
	<b>60 cents</b>	<b>70 cents</b>	<b>80 cents</b>	<b>90 cents</b>
<b>No of shares</b>	40,000,000	34,285,716	30,000,000	26,666,668
<b>Percentage held</b>	15.27%	13.38%	11.91%	10.72%

Based on the above numbers, the potential shareholding of La Jolla would be between approximately 2.92% and 42.88% if only the Tranche 1 Notes were converted to ordinary shares in IRL and between 11.79% and 75.02% if all Tranches (4 in total) were converted to ordinary shares in IRL and in both cases assumes no other shares are issued (it is expected that 2,000,000 shares will be issued to Eoin Rothery, 6,127,773 shares to Avrind Mirsa and 1,000,000 shares to each of Richard Twomey and Barry Hodgkinson (Resolutions 6 and 7 refer to such share issues). Further tables are noted in the Explanatory Statement attached to the Notice. **The above percentages also ignore the potential 28,615,032 shares that may be issued to Alexandra once Alexandra converts the TTY Debt to the extent of \$750,000 and if Alexandra converts \$750,000 of Alexandra Notes. If shares are issued to Alexandra the percentage interest of La Jolla would reduce.**

- 3.5 In relation to the Board of Directors control, the current directors are Andrew Simpson, Arvind Misra, Craig Readhead and Eoin Rothery. After completion of the transactions with La Jolla and Alexandra it is not proposed in the short term to change the composition of the Board, although it may alter later as the need arises.
- 3.6 The Company could receive up to US\$6,000,000 if all Tranches of Notes are issued and the monies are drawn down. The initial Tranche 1 Note is for US\$1,500,000 and IRL can draw down on the Tranche 1 Note at a minimum monthly amount of US\$250,000. For the purposes of this report, we assume the whole US\$1,500,000 will be drawn down by 20 December 2009. The interest payable on the Notes is at 4.75% per annum on a monthly basis and assuming the First Tranche Note matured in September 2011, the interest payable on the Tranche 1 Note may fall between approximately AUS\$139,000 and AUS\$208,000 depending on the FX rate used. In US dollar terms the interest cost would be approximately US\$124,688. If we assumed all the Tranches (1 to 4) of Notes are drawn down in full from 20 December 2009 and are due to be repaid at September 2011, the interest payable in US dollars would approximate US\$498,750 (in the range of approximately AUS\$554,000 to AUS\$831,000. It is not planned to draw down on the Notes all at one time and they will be drawn down on a monthly basis and thus the interest payable should be less.
- 3.7 If \$750,000 of the TTY Debt is converted to shares by Alexandra at 2.621 cents (as noted in section 1.4 of this report) Alexandra could own an additional 28,615,032 shares in IRL representing approximately 11.42% of the expanded issued capital of IRL in the absence of any other share issues (including no share issues to La Jolla, directors and consultants). As it has agreed to acquire the 19,019,000 IRL shares previously held by TCPL, Alexandra's shareholding interest could be approximately 19.00%. If the \$750,000 of Alexandra Notes were also converted at the Floor Price of 1.5 cents each, Alexandra's shareholding interest could be as high as 97,634,032 shares representing an approximate 38.96% shareholding interest in IRL. It is noted that Alexandra is committed to acquiring \$500,000 worth of IRL shares on market before 31 December 2009. Based on the closing share price of an IRL share of 3.4 cent share price on 3 November 2009, Alexandra would acquire a further approximately 14,705,882 shares. Thus potentially, Alexandra could own 112,339,884 shares in IRL representing an approximate 37.37% shareholding interest

in IRL (before any other share issues including La Jolla). Before any Alexandra Notes conversion, Alexandra may hold a total of 62,339,914 shares made up of 28,615,032 shares on TTY Debt conversion, 19,019,000 shares on acquisition of IRL shares from TTY and 14,705,882 shares if Alexandra acquired \$500,000 of shares at 3.4 cents per share on market. This could represent an approximate 24.88% shareholding interest in IRL in the absence of any other share issues. The actual shareholding of Alexandra post conversion of \$750,000 of TTY Debt and \$750,000 of Alexandra Notes cannot be reliably estimated as the shareholding numbers and percentage depends inter-alia on the price that Alexandra will pay for \$500,000 of shares in IRL, the conversion prices of the Alexandra Notes and whether shares are issued to La Jolla on Note conversions and shares issued to Directors, consultants and others.

If we assumed Alexandra Notes of \$750,000 are converted at 1.5 cents per share, 2.5 cents per share, 3.0 cents per share, 3.5 cents per share, 5.0 cents, 7.5 cents and 10.0 cents per share, Alexandra acquires \$500,000 of shares at the say 3.4 cents per share (14,705,882 shares), \$750,000 of TTY Debt (acquired from TTY by Alexandra) is converted at 2.621 cents (28,615,032 shares) and taking into account the 19,019,000 shares acquired from TCPL, the potential shareholdings of Alexandra **prior to** any other share issues, including any shares to directors, consultants and La Jolla (on Note conversions) would be as follows:

<b>Alexandra Notes Conversion Prices</b>	<b>Alexandra No of shares</b>	<b>Alexandra Percentage in IRL</b>
At 1.5 cents	112,339,914	37.37%
At 2.5 cents	92,339,914	32.91%
At 3.0 cents	97,127,340	30.44%
At 3.5 cents	87,339,914	31.69%
At 5.0 cents	77,339,914	29.12%
At 7.5 cents	72,339,914	27.76%
At 10.0 cents	69,839,914	27.06%

#### **4. FUTURE DIRECTIONS OF IRL**

4.1 We have been advised by a senior member of management of IRL that:

- The composition of the Board of Directors of IRL is not expected to change in the near future but may change as needs arise;
- The Company proposes to expend funds from the draw down of the Notes to provide sufficient working capital for the Surda Copper Project production enhancement, start up the Bankura Coal Project, potential increased involvement with the 15% equity interest in the TSX listed Pebble Creek Mining and advancement of the Company's iron ore exploration programme;

- There is no immediate plan to acquire assets or businesses from or sell assets or businesses to La Jolla (other than the proposals noted above). Alexandra will assist the Company in its funding for further growth and Alexandra plans to introduce new business opportunities to the Company;
- The Company plans to allow Alexandra to convert at Alexandra's option the Alexandra Notes that would eliminate a debt of \$750,000 and Alexandra will convert \$750,000 of the TTY Debt to share equity in IRL;
- No dividend policy has been set and is not proposed to be set until such time as the Company is profitable and has a positive cash flow; and
- The Company may seek to raise further funds by way of share equity issues subject to market conditions.

## **5. BASIS OF TECHNICAL VALUATION OF IRL**

### **5.1 Shares in IRL**

5.1.1 In considering the proposals as outlined in resolutions 3 and 5 we have sought to determine if the conversion prices of the Notes and Alexandra Notes are in excess of the current fair value of the shares in IRL on issue and then conclude whether the proposals are fair and reasonable to the existing non-associated shareholders of IRL.

5.1.2 The proposals pursuant to resolutions 3 and 5 would be fair to the existing non associated shareholders if the conversion prices of the Notes and Alexandra Notes shares are greater than or equal to the implicit value of the shares in IRL currently on issue. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on IRL shares for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining the current technical value of a share are:

- Capitalised maintainable earnings/discounted cash flow,
- Takeover bid - the price which an alternative acquirer might be willing to offer,
- Adjusted net asset backing and windup value, and
- The market value price of IRL Shares.

### **5.2 Capitalised Maintainable Earnings / Discounted Cash Flows**

5.2.1 IRL currently does not have a reliable cash flow or profit history from its current business undertaking, notwithstanding that the Surda Copper Mine has been operating on a cash flow positive basis since November 2008 (although some months were in negative cash flow) and therefore this methodology to value the Company as a whole is not appropriate. It is noted that the loss for the year ended 30 June 2009 totalled over \$7,000,000 and the prior year over \$12,600,000. Currently, IRL does not have sufficient funds and thus any perceived technical value of the Surda Copper Mine and the remaining existing business/mineral assets is theoretical as without funds they will not be developed to their full potential or start commencement of new mining operations.

### 5.3 Takeover Bid

5.3.1 We have been advised by the Directors of IRL that they do not believe that there would be any person with an interest in taking over the Company by way of a formal takeover bid at the current time. To our knowledge, there are no current bids in the market place and the Directors of IRL have formed the view that there is unlikely to be any takeover bids made for IRL in the immediate future. However, La Jolla technically may obtain over 20% of the Company on exercise of the Notes or part thereof (and technically Alexandra may own in excess of 20% of the issued capital of IRL in the absence of any other share issues).

### 5.4 Net Asset Backing and Wind-Up Value

5.4.1 As there is no intention to wind up the Company, we have not considered wind up values for the purposes of this report although we do note the precarious financial position of IRL. A summary of the unaudited consolidated balance sheet as at 30 June 2009 of IRL is summarised below after allowing for estimated losses of approximately \$700,000 to 31 October 2009, the raising of \$400,600 by way of the issue of 20,230,000 shares at 2 cents each and the repayment of a borrowing of \$2,194,000 out of the proceeds of the restricted cash that was on hand as at 30 June 2009.

	<b>Unaudited As Adjusted 30 June 2009 \$000's</b>
<b>Current assets</b>	
Cash and cash equivalents	740
Restricted cash	-
Receivables	4,084
Inventory	1,811
Prepayments	52
	<u>6,687</u>
<b>Non current assets</b>	
Receivables	150
Other financial assets	481
Plant and equipment	7,291
Mine development	2,444
Deferred exploration expenditure	4,475
	<u>14,841</u>
Total assets	<u>21,528</u>
<b>Current liabilities</b>	
Trade and other payables	4,423
Employee entitlements	29
Borrowings	4,750
	<u>9,202</u>
<b>Non Current Liabilities</b>	
Borrowings	1,535
	<u>1,535</u>
Total Liabilities	<u>10,737</u>
Net Assets	<u><u>10,791</u></u>

	<b>Unaudited As Adjusted 30 June 2009 \$000's</b>
<b>Equity</b>	
Issued capital	32,349
Reserves	1,640
Accumulated losses	(23,198)
<b>Net Equity</b>	<u><u><b>10,791</b></u></u>

5.4.2 Based on the adjusted book values at 30 June 2009 this equates to a value per share (221,976,980 shares) of approximately 4.86 cents (ignoring the value, if any, of non-booked tax benefits).

5.5 Market Price of IRL Shares

5.5.1 We set out below a summary of the fully paid share prices of IRL since 1 April 2009 to the date immediately prior to the announcement of the details of the Agreement with La Jolla.

2009	Low Cents	High Cents	Last Sale Cents	Volume Trade (000's)
April	1.5	4.2	3.1	14,755
May	2.4	3.1	2.5	6,100
June	2.0	2.7	2.0	18,626
July	1.8	2.2	1.9	56,462
August	1.9	2.5	2.0	12607
September (to 25 <sup>th</sup> )	1.9	3.0	2.9	19,571

On 14 July 2009, the Company announced the signing of a coal mining agreement with Bankura DRI and on that date 27,066,512 shares were traded on ASX. In late July 2009, the Company announced an update on the arbitration/dispute on excise duty in favour of Hindustan Copper Limited ('HCL') and an updated JORC resource at Surda. Approximately 9,419,634 shares traded on ASX in two days.

5.5.2 Generally, the market is a fair indicator of what a share is worth, however the theoretical technical value based on the underlying value of assets and liabilities may be lower or higher. In the case of IRL, current liquidity is not strong and the Company will eventually need to undertake a capital raising of some significance. As at 30 June 2009, the IRL Group had a deficiency in working capital of approximately \$2,215,000. Current assets include loans owing by Monarch Gold Mining Company Limited ("Monarch") totalling approximately \$4,020,000 and a provision for doubtful debts was raised as at 30 June 2008 of \$2,554,000. Monarch is currently in the process of recapitalisation and IRL is expected to receive repayment of the Loans over an approximate 12 month period commencing in late 2009. Approximately \$2,400,000 will be paid in cash over 12 months and approximately 30.5 million shares in Monarch are proposed to be sold by the Deed Administrator on behalf of IRL at an estimated 5 cents per share (although the actual amount that may be received per share could be more or less). In the meantime, the cash position of the IRL Group is tight and there is little money for expansion and working capital. The proposed Note Issues to La Jolla is part of the recapitalisation plan of IRL and will initially raise US\$1,500,000 and up to US\$6,000,000.

5.5.3 No independent valuations have been prepared on the mineral assets and prospects of IRL and we do not consider it necessary to obtain an independent valuation of the mineral assets and prospects for the purposes of this report. We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between IRL and other parties. We also note it is not the present intention of the Directors of IRL to liquidate the Company and therefore any theoretical value based upon wind up value or even net book values (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in IRL based on the market perceptions of what the market considers a IRL share to be worth. It is noted that over the past few years many mineral exploration and producer companies listed on the ASX were arguably trading at premiums to appraised technical values (this is a turn around from the early 2000's when a discount may have applied) although in recent times the premium has been reduced. The market capitalisation of IRL as at 30 June 2009 was approximately \$4,039,000 that is less than the 30 June 2009 net equity position of around \$11,091,000. This is some indication that the market is recognising the poor liquidity of the IRL Group. On 25 September 2009 immediately before the La Jolla announcement, the shares had risen to 2.9 cents and the market capitalisation had risen to approximately \$6,445,000 that was still below the net asset position of 30 June 2009. The shares in the 10 days leading up to 25 September 2009 had risen from the low 2's (cents) to trade in the high 2's (cents) possibly on the expectation of a recapitalisation proposal. The ASX queried the share price and volume rise on 18 September 2009. The Company's financial position prior to the recapitalisation was very poor and without the recapitalisation may not have been able to continue exploration and evaluation of its exploration portfolio (including expansion of the Surda Copper Mine in India) and pay corporate costs without a significant inflow of funds via a capital raising or loan funds.

The capital markets over recent times have been in turmoil and the ability to raise capital particularly by way of an IPO has been restricted. In Perth WA there has been only several new IPO's in 2009. Even arranging share placements has been difficult and where they have occurred they have been undertaken in the main at significant discounts to market values and technical values. There have been a number of failures of companies in 2008 and earlier in 2009 and this has reduced the appetite of brokers and investors to take up shareholding positions in junior and mid cap companies in Australia in recent months, although there has been some interest in the last several months. The Company's financial position is arguably not in strong position and may not be sufficient to meet existing current liabilities in full and pay new administration and corporate costs without a significant inflow of funds via a capital raising or loan funds. The Note Issue(s) should relieve the short/medium term financial position of the Company although in the longer term new share equity may be required. The Directors when initially negotiating with La Jolla for the Notes issue considered a fair market value of an IRL Share to be around 2.0 cents as the share price on ASX was around 2 cents. The ability of the Company to continue trading was in doubt and it was noted that the auditors' report of 30 September 2009 contained a comment on going concern and significant uncertainty on the Indian Operating Licence (relating to the Surda Copper Mine).

5.6 Preferred value of IRL fully paid Shares to arrive at fairness conclusion

5.6.1 Notwithstanding the good prospectivity of the Surda Copper Mine (and IRL's undeveloped mineral prospects) without cash the Company cannot expand the Surda Copper Mine and recommence exploration and evaluation of the other mineral prospects. The closing share price as at 25 September 2009 (and as at 6 November 2009) does not necessarily reflect fair value of the Company's shares. If future exploration and evaluation proves successful and developments of the Company's mineral assets proceed

(along with expansion at the Surda Copper Mine), then arguably the fair value of an IRL share would be in excess of the minimum 1.5 cent conversion price of the Notes. It is noted that the exercise price of the Notes is the lower of 25 cents and 80% of the average of the VWAP prices during the 21 trading days prior to the election to convert (but with a floor price of 1.5 cents). The share price in the future is unknown but it may be fair to say that if the Surda Copper Mine is expanded and development of the Company's other mineral assets do proceed to production (more evaluation work is still required before a decision to commence mining is contemplated in regard to the non Surda Copper Mine assets), then it is likely that the share price would be higher than the share price as at 25 September 2009 and at the date of signing this report.

5.6.2 It is noted that over the past 6 to 9 months there have been many capital raisings by small cap companies at discounts of up to 50% and we note that ASX Listing Rule 7.3.3 allows the issue of shares at a discount of up to 20% of the market value (weighted average over five days) where the issue price is not predetermined then it is accepted that the ability of issuing shares to investors is in the range of 1.45 cents to 2.3 cents, being 50% to 80% of say 2.9 cents (share price as at 25 September 2009 immediately before the announcement of the La Jolla proposals). Realistically, any placement would be less than 2 cents per share as for most of the 2 month period leading up to 25 September 2009 the shares in IRL traded between 1.8 cents and 2.2 cents and thus an issue price of around 1.5 cents would not be an unrealistic expectation. It is noted that in recent times many companies are making share placements at significant discounts to share trading prices and some discounts have been up to 50%. It is not unreasonable to assume that for IRL to raise funds in the current economic circumstances a significant discount would need to be offered to investors.

5.6.3 The future ultimate value of an IRL share will depend upon, inter alia:

- the future prospects of its mineral assets;
- the state of the copper, coal, diamond and base metal markets (and prices) in Australia and overseas;
- the state of Australian and overseas stock markets;
- the treatment of the Notes;
- the strength of the Board and Management and/or who makes up the Board and Management;
- general economic conditions;
- the liquidity of shares in IRL; and
- possible ventures and acquisitions entered into by IRL.

It is our view, that the fair value of an IRL share for the purpose of assessing the fairness and reasonableness of the proposals under resolution 3 is in the range of 1.8 cents to 2.8 cents notwithstanding that the net book asset backing per share is more than this range and possibly around 4.86 cents per share. This range of values is also considered a fair range in considering the proposals outlined in resolution 5.

## **6. PREMIUM FOR CONTROL**

6.1 Premium for control for the purposes of this report, has been defined as the difference between the price per share, which a buyer would be prepared to pay to obtain or improve a controlling interest in the Company and the price per share which the same person would be required to pay per share, which does not carry with it control or the ability to improve control of the Company.

- 6.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders control more than 20% of the issued capital. In this case, La Jolla on conversion of all or some of the Notes to ordinary fully paid shares in IRL may increase its shareholding from nil% to over 20%. As noted in paragraph 3.4 the actual percentage cannot be reliably estimated as it will depend on, inter-alia, the US/AUS foreign exchange rates, the number of Notes converted to ordinary shares in IRL, the share price of an IRL share at date(s) of conversion(s) and other potential share issues. However, it is possible that the 20% threshold may be achieved and accordingly, we have addressed whether a premium for control will be paid. The same principal applies to Alexandra, as in the absence of any other share issues (including share issues to La Jolla on Note conversions and shares to directors and consultants) Alexandra's shareholding interest may exceed 20%.
- 6.3 Arguably the market value of an IRL Share approximates 1.8 cents to 2.8 cents with the net book asset backing disclosing approximately 4.86 cents. The conversion price of the Notes is a minimum of 1.5 cents per share but may be the lower of 25 cents and 80% of the 3 lowest VWAP prices during the 21 days prior to the election to convert. Thus technically, La Jolla may not pay a premium for control as the share price would be lower than the share price at date(s) of conversion(s). This may also apply to Alexandra. However, it is noted that at the time of negotiations with La Jolla, IRL was in financial difficulties, the share price was around 2 cents, there was uncertainty on the Surda Copper Mine licence, IRL had a deficiency in working capital and any share placement of the magnitude of up to US\$6,000,000 would need to have been undertaken at a significant discount to market value and probably well below 2 cents per share.
- 6.4 We note that currently La Jolla has no Board representatives. On completion of the Note Issue there is no immediate plan for La Jolla to seek the election of a La Jolla representative. This may change if La Jolla converts some or all of the Notes.

## **7. FAIRNESS AND REASONABLENESS OF THE PROPOSALS**

We set out below, some of the advantages, disadvantages and other factors pertaining to the proposed issues, pursuant to resolutions 3 and 5.

### **Advantages**

- 7.1 If shareholders do not approve resolution 3 then there is the possibility that the Company cannot continue in its present form and the Company may be forced to divest itself of some or all of its assets and may not be able to continue to survive as a listed ASX company. If forced to undertake a capital raising (shares), then the discount to market may be substantial.
- 7.2 La Jolla can potentially strengthen its ties with IRL that in the medium term can lead to advantages to IRL shareholders. La Jolla by subscribing for Notes in IRL (with the right to convert to ordinary shares as outlined above) are placing faith in IRL and as noted above should assist IRL in continuing in business. If this is achieved all shareholders may benefit and realise additional liquidity to their shares. Additionally, in having Alexandra become a potential significant shareholder should assist the Company in financial support and in identifying new business opportunities.
- 7.3 Given the poor financial results to date on the existing businesses, it may be difficult to raise capital through the medium of a rights issue. It may also prove difficult to place shares at greater than 1.5 cents to 2 cents each to new investors without positive news.

The issue of Notes to La Jolla is considered beneficial to the Company as the Company can raise a minimum of US\$1,500,000 and up to US\$6,000,000 over the next 6 months.

- 7.4 The Company is raising a minimum of US\$1,500,000 and up to US\$6,000,000 without paying a commission that in today's market would be between 5% and 8%. This saves the Company between US\$75,000 and US\$120,000 per Note and between US\$300,000 and US\$480,000 if all Notes were issued although there is a cost of approximately up to \$50,000 in regard to the issue of the Notice and accompanying documents as shareholder approval is required pursuant to TCA. However interest is payable on the Note(s) (refer below). If we assumed a US/AUS exchange rate of say AUS\$1 equals US\$0.80 the total interest cost may be as high as approximately AUS\$624,000 (US\$498,750 – refer paragraph 7.6 below) and US\$6,000,000 would be equivalent to AUS\$7,500,000. The “cost” of a \$7,500,000 capital raising would be approximately 9.08% (the actual cost would be lower as the Notes are expected to be drawn down over a period of time and the interest payable to Maturity would be lower).
- 7.5 50% of the original TTY Debt of \$1,500,000 is proposed to be converted to share equity within 3 to 4 months of shareholder approval and thus a \$750,000 debt plus interest (liability) is eliminated from the balance sheet of the IRL Group. Under the agreement noted in section 1.4 of this report and further noted in the Explanatory Statement to Shareholders, Alexandra will be issued \$750,000 of Alexandra Notes to replace \$750,000 of TTY Debt. If the Alexandra Notes are converted to equity, a further up to \$750,000 debt liability would be eliminated from the balance sheet of the IRL Group. Under the investment agreement with Alexandra, \$750,000 of TTY Debt will no longer incur interest and thus there is a savings in interest cost to IRL and the interest accrued to date will be forgiven. In addition, the Alexandra Notes will bear interest at a lower cost than \$750,000 of the existing TTY Debt and this further savings in interest costs will occur.

### **Disadvantages**

- 7.6 An influential shareholding of the Company may be being given to La Jolla if all or some of the Notes were converted into share equity (ordinary shares in IRL), however this could be an advantage as La Jolla would wish to ensure its shareholding in IRL improves in value and if a share price rise eventuates, all shareholders gain. At the same time the potential for La Jolla to obtain a potential significant shareholding interest in IRL may be a disincentive for other parties to make a takeover bid for the Company. The non associated shareholders will initially reduce their collective shareholding in IRL if all of the Principal Sums of the Notes are converted to shares in IRL on or before the Repayment Date. The same disadvantage (influential shareholding) applies to Alexandra.
- 7.7 There is an interest cost in entering into the Note Facility, although the interest rate of 4.75% is lower than other Notes issued to other mineral exploration companies in recent times. We have noted other issues where the interest rate is 9% to 12%. If the Notes mature to the Repayment Date of September 2011, the Company could end up paying interest of approximately US\$544,800 (may be between AUS\$605,000 to AUS\$908,000) if we assumed all Notes were drawn down at the same time say as at 30 November 2009. It is likely that the Notes will be successively be drawn down over a period of up 6 months and therefore the interest cost (interest is payable on a monthly basis) over the time to maturity would be lower. The total amount payable on the Repayment Date may approximate up to US \$6,000,000 and the Company may not be in a financial position to repay the Notes (if the Notes are not converted to ordinary shares in IRL) unless in the meantime the Company has had commercial success and is cash flow positive.

- 7.8 The conversion price (actual conversion prices cannot be calculated at the time of preparation of this report) (if the Notes are converted to share equity) on or before September 2011 may be less than the share price of an IRL share at conversion date. This also applies to the Alexandra Notes.

### **Other Factors**

- 7.9 La Jolla is taking a risk in investing funds in IRL as the business assets to date have not been profitable and further losses may occur (although the Surda Copper Mine since November 2008 is reported to be operating cash flow positive). There is a huge incentive for La Jolla to make IRL a successful cash flow positive company and if this eventuates the share price rise should rise considerably from current levels. All shareholders would benefit from a rise in the share price. There is also an incentive to Alexandra to ensure IRL is a viable going concern business.
- 7.10 The opportunities to raise a total of up to US\$6,000,000 are considered limited in the current bearish (but improving) market associated with junior companies and the stock market generally. It would be expected that a discount to market would apply and it may be as high as 50%.
- 7.11 The \$750,000 of TTY Debt is being converted at 2.621 cents per share as agreed between IRL and Alexandra (refer section 1.4 of this report). It is noted that the share price as at 6 November 2009 was around 3.3 cents and thus the conversion price is below the current share price but in the range of 1.8 cents and 2.8 cents noted elsewhere in this report.

## **8. CONCLUSION AS TO FAIRNESS AND REASONABLENESS**

- 8.1 After taking into account the factors referred to in Section 7 above and elsewhere in this report, we are of the opinion that the proposal as outlined in resolution 3 to issue up to US\$6,000,000 in Notes to La Jolla is, in view of the current financial state of the Company and the capital markets, considered to be fair and reasonable to the non associated shareholders of IRL.**
- 8.2 After taking into account the factors referred to in Section 7 above and elsewhere in this report, we are of the opinion that the proposals with Alexandra as outlined in resolution 5 is, in view of the current financial state of the Company and the capital markets, considered to be fair and reasonable to the non associated shareholders of IRL.**

## **9. SOURCES OF INFORMATION**

- 9.1 In making our assessment as to whether the proposals pursuant to resolutions 3 and 5 are fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company that is relevant to the current circumstances. In addition, we have held discussions with the management of IRL about the present and future operations of IRL. Statements and opinions contained in this report are given in good faith, but in the preparation of this report, we have relied in part on information provided by the Directors and management of IRL.

9.2 Information we have received, includes, but is not limited to:

- October and November 2009 Notice of General Meeting of Shareholders and Explanatory Memorandum of IRL;
- Discussions with management of IRL;
- Top 20 shareholding list as at 2 November 2009;
- Shareholding details of IRL as at 30 September 2009 and 8 November 2009;
- Share issue prices relating to IRL Shares from 1 January 2009 to 6 November 2009;
- Annual report of IRL for the year ended 30 June 2009;
- Announcements made by IRL to its shareholders from 1 July 2008 to 6 November 2009;
- The Agreements (including the Securities Purchase Agreement and Convertible Note Agreement) between IRL and La Jolla of September 2009;
- The Investment Agreement of November 2009 between IRL, TTY, TCPL and Noble Resources Limited and correspondence between IRL and Alexandra agreeing to the conversion price of \$750,000 of TTY Debt to be acquired by Alexandra from TTY;
- Correspondence with IRL management; and
- The budget and cash flow forecasts to June 2010.

9.3 Our report includes Appendix A and our Financial Services Guide attached to this report.

Yours faithfully

**STANTONS INTERNATIONAL SECURITIES**



**J P Van Dieren - FCA**  
**Director**

## APPENDIX A

### AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities dated 9 November 2009, relating to the proposals contained in resolutions 3 and 5 only outlined in the Notice of Meeting of Shareholders of IRL.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposals. There are no relationships with IRL other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated not to exceed \$20,000. The fee is payable regardless of the outcome. With the exception of that fee, neither Stantons International Securities nor John P Van Dieren have received, nor will or may they receive any pecuniary or other benefits, whether directly or indirectly for or in connection with the making of this report.

Stantons International Securities (a trading division of Stantons International Pty Ltd) or Stantons International Services Pty Ltd an associated entity or any directors of Stantons International Pty Ltd and Stantons International Services Pty Ltd do not hold any securities in IRL. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

### QUALIFICATIONS

We advise Stantons International Pty Ltd is the holder of an Investment Advisers Licence (No 319600) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions involving securities. A number of the directors of Stantons International Pty Ltd are the Directors of Stantons International Services Pty Ltd a related entity. Stantons International Pty Ltd and Stantons International Services Pty Ltd have extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

## **DECLARATION**

This report has been prepared at the request of the Directors of IRL in order to assist the shareholders of IRL (not associated with La Jolla and Alexandra) to assess the merits of the proposals (resolutions 3 and 5) to which this report relates. This report has been prepared for the benefit of IRL and those persons only who are entitled to receive a copy for the purposes of Section 611 (Item 7) of the Corporations Act and does not provide a general expression of Stantons International Securities opinion as to the longer term value of IRL and its individual assets. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of IRL or its subsidiaries, businesses or other assets. Neither the whole, nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

## **DISCLAIMER**

This report has been prepared by Stantons International Securities with care and diligence. However, except for those responsibilities which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities and Stantons International Services Pty Ltd, its partners, directors, employees or consultants for the preparation of this report.

## **DECLARATION AND INDEMNITY**

Recognising that Stantons International Securities may rely on information provided by IRL and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), IRL has agreed:

- (a) to make no claim by it or its officers against Stantons International Securities to recover any loss or damage which IRL may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by IRL; and
- (b) to indemnify Stantons International against any claim arising (wholly or in part) from IRL or any of its officers providing Stantons International Securities any false or misleading information or in the failure of IRL or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to IRL Directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

**FINANCIAL SERVICES GUIDE  
FOR STANTONS INTERNATIONAL SECURITIES  
DATED 9 NOVEMBER 2009**

1. Stantons International Pty Ltd (Trading as Stantons International Securities) ACN 103 088 697 (“SIS” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.
2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 319600;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and debt instruments)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should

also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product. Where you do not understand the matters contained in the Independent Expert's Report you should seek advice from a registered financial adviser.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

SIS is a division of Stantons International Pty Ltd a professional advisory and accounting practice. An affiliated company is Stantons International Services Pty Ltd that provides taxation and accounting services.

From time to time, SIS and Stantons International Services Pty Ltd and/or their related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer  
Stantons International Securities  
Level 1  
1 Havelock Street  
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOSL”). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited  
PO Box 3  
MELBOURNE VIC 3001

Toll Free: 1300 78 08 08  
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out at section 9.1 of this FSG or by phoning 08 9481 3188 or faxing 08 9321 1204.

# INDIA RESOURCES LIMITED

ABN 77 121 339 704

## PROXY FORM

Company Secretary  
India Resources Limited  
989 Wellington Street  
West Perth Western Australia 6005

FACSIMILE: (08) 9327 7499

I/We \_\_\_\_\_  
being a member of India Resources Limited,

hereby appoint \_\_\_\_\_

or failing him/her, the Chairman of the meeting as my/our proxy to vote on my/our behalf at the annual general meeting of the Company to be held on 15 December 2009 at the Celtic Club, 48 Ord Street, West Perth, Western Australia, and at any adjournment thereof. If no voting directions are given, the Chairman will vote in favour of each resolution.

### Instructions on voting

		FOR	AGAINST	ABSTAIN
Resolution 1	Re-election of Eoin Rothery as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of securities to La Jolla	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Ratification of prior issue of securities to La Jolla	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Issue of Shares to Alexandra	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6(a)	Share issue to Arvind Misra	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6(b)	Share issue to Eoin Rothery	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7(a)	Share issue to Richard Twomey	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7(b)	Share issue to Barry Hodgkinson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### OR

If the Chairman of the meeting is appointed as your proxy, or may be appointed by default and you do **not** wish to direct your proxy how to vote in respect of the resolutions, please place a mark in this box.

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he/she has an interest in the outcome of the resolution and votes cast by him/her other than as proxy holder will be disregarded because of that interest.

**YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY FORM WILL BE DISREGARDED.**

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2009

**Individuals and joint holders to sign:**

**Companies to sign (affix common seal if applicable):**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Director, or sole director and sole secretary  
(delete as applicable)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Director or Company Secretary

## VOTING BY PROXY

1. A member of the Company entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (who need not be a member) to attend and vote on his/her behalf.
2. If the member is entitled to cast two or more votes at the meeting, they may appoint two proxies. If the member appoints two proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, then each proxy may exercise half of the votes.
3. The proxy form must be received at the Company's registered office at 989 Wellington Street, West Perth, Western Australia, 6005, or by facsimile on (08) 9327 7499 and in both cases, not less than 48 hours before the time of holding of the meeting.
4. In the case of joint holders of shares, the vote of the senior who tenders a vote, whether in person or by proxy, attorney or representative, must be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority is determined by the order in which the names stand in the register.
5. An instrument appointing a proxy must be in writing under the hand of the appointor or of the appointor's attorney, duly authorised in writing or, if the appointor is a corporation, under seal. A copy of the power of attorney must be lodged for any proxy appointed under a power of attorney.
6. A proxy for a corporation must be appointed under the common seal of the corporation or signed in accordance with the requirements of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
  - 2 directors of the company; or
  - a director and a company secretary of the company; or
  - for a proprietary company that has a sole director who is also the sole company secretary, that director.
7. For the Company to rely on the assumptions set out in Sections 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.
8. If no voting instructions are marked on the proxy form then the proxy may vote as he/she thinks fit or may abstain from voting.
9. If a proxy is instructed to abstain from voting on an item of business, that person is directed not to vote on the shareholder's behalf on a poll and the shares the subject of the proxy appointment will not be counted in calculating the required majority.
10. Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned and the nominated proxy does not attend the meeting, the chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the chairman of the meeting which do not contain a direction how to vote will be used to support each of the resolutions proposed in the notice of meeting.