



July 28, 2009  
Manager Announcements  
ASX Limited  
Level 4  
20 Bridge Street,  
SYDNEY NSW 2000

## UPDATE ON EXCISE ARBITRATION AND KENDADIH PROJECT

Dear Sir/Madam

### Arbitration proceedings with HCL on excise

India Resources Limited (IRL) advises that the arbitration proceedings in the matter of Indian excise tax applicable on the supply of copper in concentrate have been concluded and the award has been granted in favour of Hindustan Copper Limited (HCL). IRL is currently evaluating the arbitration decision and its options and will advise the market about its strategy going forward.

The arbitration proceedings relate to approximately 16.64% deductions made by HCL from monthly copper sales invoices for Indian sales excise tax. IRL believed that it had sufficient grounds to prove that during the contract negotiations process in early 2007, the documents submitted pointed to the fact that the payment of excise tax was the responsibility of HCL and not IRL.

IRL is now awaiting an analysis report from its legal team in Kolkata, India to decide its next course of action whether or not there are grounds for appeal against the arbitrator's decision and we expect to be in a position soon to make a decision and will then advise the market accordingly. Simultaneously IRL has taken the following initiatives to maximize profitability at the Surda copper mine.

1. Cost reduction at Surda.
  - a. In order to introduce international class work systems, IRL had retained the services of several expatriate staff to support the Surda operations. That work now has been done. Most of these expatriate staff has slowly been phased out after establishing their respective departments. The remaining expatriate staff will now be either assigned alternative tasks or made redundant. This will reduce operating cost in the range of 4 to 7%.
  - b. Capital programs at the Surda site will be scaled down significantly.
  
2. Negotiations with HCL



- a. The Government of India has gradually reduced excise tax to the current level of 8.24% since the re-commencement of the Surda project in 2007. IRL is now negotiating with HCL to pass this excise reduction to IRL.
- b. If the above position is accepted by HCL then net reduction in revenue, as a result of this award to IRL will be in the order of 5-6% after offsetting the input credit from IRL's purchases. Currently net reduction in revenue to IRL is approximately 13-14%.

The combination of reduction in excise, if agreed by HCL to pass on to IRL, and reduction in cost at Surda will result in minimum effect caused by arbitration award.

### **Opening of a new Mine near Surda**

HCL has invited bids to develop the Kendadih deposit, which is adjacent to IRL's Surda project. The tender calls for a 15 month construction period with production commencing at an annual rate of around 70,000 tonnes per annum, building to a final capacity of around 260,000 tonnes by the 6<sup>th</sup> year. The project includes ore concentration to deliver a minimum of 3,300 tonnes of copper in concentrate per annum at final capacity. The contract is for duration of 15 years with an option to extend for another 10 years.

Earlier in the year HCL had invited for expression of interest to recommence operations at Kendadih. Kendadih operation, if awarded to IRL, will be a natural fit for IRL providing synergy in the area of operations management.

The full tender can be viewed at HCL's website at  
<http://www.hindustancopper.com/OpenTender.asp?gate=9&intsheet=2&glink=&plink=&Id=OT&lnk=5>

Yours faithfully

**Arvind Misra,  
Managing Director**

**For more information contact: Andrew Simpson, or Arvind Misra, Managing Director**  
**Telephone: +618 9450 8822 Telephone: +618 9327 7400**  
**Mobile: +618 (0)419 955 878 Mobile: +618 (0) 417 934 998**

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*The geological and assay statements and commentary in the above report are based on information compiled by Eoin Rothery who is a member of the Australian Institute of Geoscientists. Mr. Rothery has reviewed the information and has satisfied himself that the values quoted and the parameters used in the report are reasonable and accurately reflect the operations involved. Mr. Rothery is a full-time employee of India Resources Limited and holds the position of Executive Director. Mr. Rothery is a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Rothery consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*