

6 June 2016

ASX Market Announcements
ASX Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

POSSIBLE SUSPENSION OF OPERATIONS AT SURDA COPPER MINE

Since recommencing production at the Surda copper mine in June 2015 after a period in which the mine was closed for 9 months, India Resources Limited (IRL or the Company) has made substantial efforts to ramp up copper production to economically sustainable levels.

However and unfortunately and as has been reported to the market on a continuous basis over a number of years, IRL has constantly struggled to get Hindustan Copper Limited (HCL), the owner of the mine, to adhere to the terms of the contracting agreement and recognise a number of legitimate claims.

To add to this situation, in more recent times HCL has increasingly not been paying the invoices for the monthly supply of copper concentrate in a timely manner, with some payments being delayed by up to a month. This has created ongoing cash flow limitations at a time when significant capital expenditure was required as part of the production ramp up.

Despite repeated verbal and written requests over the past month by the Company, HCL has continued to delay these payments for copper concentrate deliveries and has commenced deducting amounts from the invoices to recover advances made during the mine closure, which is contrary to previous commitments made by HCL to IRL

A mediation meeting was arranged in early April 2016 between IRL and HCL by the Ministry of Mines, however no resolution of the disputes between the parties was reached. Subsequently, IRL referred its various disputes with HCL to formal arbitration. These disputes include cost reimbursements for the plant and mine closure, remaining amounts owed pursuant to a 2013 arbitration awarded in favour of IRL, compensation for the transport permit limit of 400,000 tonnes per annum and claims for power and explosives costs.

With no real resolution in sight, IRL then applied to the High Court of Kolkata in late May 2016 to seek remedies pursuant to Section 9 of the Arbitration and Conciliation Act, 1996, for an injunction to restrain HCL from making any deductions from the invoices for the monthly supply of copper concentrate and to pay invoices in accordance with the agreement.

HCL responded to this Court action by indicating an unwillingness to pay invoices for the monthly supply of copper concentrate. In turn this has had a dramatic impact on the Company's cash flow position and has subsequently impacted on the Company's ability to meet commitments to creditors and employees as well as the supply of materials to the mine. This is now directly affecting copper production.



A Court hearing issued an order on 26 May 2016 instructing HCL to pay invoices for the monthly supply of copper concentrate but allowed HCL to deduct an amount of 15% from each invoice. However, HCL has continued not to make any payments to IRL despite the direction from the Court.

Furthermore, HCL has also advised that it is not accepting copper concentrate produced from the Mosaboni concentrator forthwith, but without providing any reasonable explanation.

IRL has again formally requested that HCL comply with the terms of the Surda work order and the Court order by making payment of outstanding invoices and claims, and to also recommence accepting copper concentrate production. If HCL is unwilling to comply with these requests, IRL may be forced to suspend operations at the Surda mine and the Mosaboni concentrator by 9 June 2016. A meeting was held between HCL and IRL on Saturday, 4 June 2016 and HCL is considering these requests.

However unless HCL immediately complies with these requests, IRL will move to the Kolkata High Court to seek an order that HCL makes immediate payment of outstanding invoices and acceptance by HCL that it will commence receiving concentrate in accordance with the work order.

As an aside, the original principal contractor for the Surda work order was Swan Gold Mining Limited (Swan) with IRL sub-contracted to operate the Surda mine. Swan has recently changed its name to Eastern Goldfields Limited (EGS) which has been notified to HCL. HCL has advised it only recognises the name Swan, despite the change of name certifications having been provided to HCL. HCL is however continuing to query the name change in court. The court accepted that the name change has occurred and registered under relevant Indian laws.

Representations have also been made to the Indian Prime Minister's office and also the Ministry of Mines. However, at least to date, these representations have had little impact on the behavior of HCL.

IRL is currently assessing the operational and financial impact of these events and the potential consequence of any cessation operations at the Surda mine, and specifically the Company's financial position. Further updates will be provided as soon as available.

Yours faithfully

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