

Mixed emotions reign as domestic resource houses tackle India

By Mark Fraser

An unlisted Australian junior with aspirations to join London's Alternative Investment Market as a gold producer has warned the Indian government it must lift its regulatory game if its minerals sector is to attract serious direct foreign investment.

INDO GOLD LTD'S Mike Higgins said while the rhetoric from India's central bureaucracy was generally positive, the business environment in the country was still not very welcoming for foreigners wishing to develop a mining venture.

Describing his company's predicament as akin to being "out on a limb", Higgins believes the recommendations of the so-called Hoda Committee – which was put in place under the chairmanship of Anwarul Hoda (a member of the Planning Commission of India) to look for improvements and encourage FDI in the sub-continent nation – will be watered down.

Furthermore, he questioned whether India's mooted National Mineral Policy of 2007 would be introduced this year.

Indo Gold started working in the country three-and-a-half years ago, focusing its efforts on the state of Rajasthan in the nation's north west, where the junior has been developing its 70%-owned Jagpura project.

So far the company has put together an inferred mineral resource of 1.74 million gold ounces and was preparing to list on AIM at the end of last year when the Rajasthan government did an "about face" and rejected its prospecting licence on what the wannabe precious metals producer believes is spurious grounds.

In short, the Rajasthan administration announced it was reserving 158 square kilometres for its own exploration purposes in an area covering part



While there may be elephants under Indian soil, getting to them is proving to be a bumpy ride for some mineral proponents (picture courtesy of Steve Makse).

of Indo Gold's Bhukia prospect, on which the company had already invested some \$5 million.

"What we are seeing in effect ... is the expropriation of our ground," Higgins explained during the recent Prospectors and Developers Association of Canada's International Convention in Toronto.

"Even in recent months, in the last six months, the Mineral Exploration Company of India – which is a central government owned company – has come in and started drilling in the Bhukia area (in) basically the same area as we've been drilling.

"They were forced to withdraw, farcically, because they weren't able to get forestry approvals, which we had obtained.

"As I said, we're at risk here – and at serious risk.



Mike Higgins – not very happy about the state of play in India.

"And we're a junior company ... we've got some very significant North American, European and Australian shareholders and we're using their money, so we are disturbed that we might be at risk with our tenements.

"So we've got to fight it – and we are intending to do so."

Alternative viewpoint

It was a different story, however, for another Australian junior outfit with a recently-established modest mining presence in India.

During his PDAC presentation, colourful boss of the ASX-listed India Resources Ltd – Michael Kiernan – said his company's experience in the sub-continent nation had been quite different to that of Indo Gold's, having adopted a strategy which involved

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forming partnerships with local Indian entrepreneurs with granted tenure rather than trying to set up majority-owned JVs.

The resources house has a number of irons in the fire, including the producing Surda copper mine near the country's north eastern coast, where the current output is 4,500 tonnes of red metal concentrate per year.

India Resources' partner in the undertaking is Hindustan Copper Ltd, which had closed down the operation in 2003. The mine was eventually reopened in November last year on the back of a strong price for the base metal and is now expected to run until at least 2014.

"India needs foreign investment, particularly expertise in exploration and mining," Kiernan explained.

"It's not rocket science – Australians always chase the ore body (and) where the ore zone is going, we mine ... and we drill along the ore body, which is different from the Indian way of doing things in the past.

"Our job is simply digging and delivering – we work on that basis.

"As I said earlier, we don't need to own tenements in India ... we are happy to dig and deliver and provide services to the Indian community in partnership."

Kiernan described the work of the Hoda Committee as "a genuine attempt to streamline the whole process" and believed the Indian administration was well aware of how frustrating delays could be.

"They are cognisant of the fact that they need overseas expertise in exploration, in mining and in capital," he explained.

"From here on, I am a firm believer that the Indian permitting system will be in fact streamlined."

Pessimistic outlook

Higgins, however, did not seem as optimistic, saying the Indian government's current approach to the situation could in fact affect the country's long term mining prospects.

And while the rhetoric was indicating that FDI and foreign expertise was needed, "unfortunately the reality is somewhat different".

"Unfortunately the (Indian) government is a market participant and it's also the regulator, so it's a different situation," he noted.

"But India really, more than that, needs a success story – it needs to be able to demonstrate that a foreign company can come in and do something and build a project .

"But if that doesn't happen they are not going to get FDI – maybe (they will) in JVs, but not in 100% projects."

Either way, it is still obvious that India has yet to become an attractive destination for foreign explores.

During his PDAC presentation, veteran Indian-born explorer Sandeep Lakhwara from Deccan Gold Mines Ltd said over the past decade only a handful of private companies had managed to progress their mineral projects.

There were, he explained, a number of problems with the country's 1993 update of its National Minerals Policy which had yet to be resolved.

For a start, Lakhwara noted, there was no security of tenure from the reconnaissance permit to the prospecting licence stage.



Michael Kiernan – has made significant progress in the sub-continent nation since the end of last year.



Sandeep Lakhwara – outlined some of the pitfalls facing explorers looking to tap into Indian mineral wealth.

Secondly (and this point was made forcefully by Higgins), the size of the PL was too small, being just 25 square kilometres per state.

Furthermore, the time limits for the granting of various stages of licences – although provided for in the legislative framework – were never adhered to, with the time taken between the application and granting phases sometimes taking between six months and three years.

The initial 1993 policy, he said, had also failed to create a level playing field between the public and private sectors as public outfits were often given priority by the bureaucracy.

Finally, current Indian government policy offered no tax incentives on exploration expenditures – nor did it encourage public listings to raise funds for field activities.

Tax write offs for exploration expenditures were generally available only four years preceding production, Lakhwara added.