



**GUJARAT NRE MINERAL RESOURCES LIMITED**

**Annual Report — 2006-07**

---

## CONTENTS

|                              | Page No. |
|------------------------------|----------|
| About us                     | 2        |
| Notice to the Shareholders   | 6        |
| Directors' Report            | 8        |
| Auditors' Report             | 10       |
| Balance Sheet                | 12       |
| Profit & Loss Account        | 13       |
| Schedules to the Accounts    | 14       |
| Statement under Section 212  | 20       |
| Subsidiary Companies         |          |
| ● NRE Resources Pty Ltd      | 21       |
| □ Gujarat NRE Oil Pty Ltd    | 27       |
| □ Gujarat NRE Koyala Pty Ltd | 32       |

**GUJARAT NRE MINERAL RESOURCES LIMITED**  
**Annual Report — 2006-07**

**BOARD OF DIRECTORS** : Mr. Girdhari Lal Jagatramka *Chairman*  
Mr. Sananguly Murari *Managing Director*  
Mr. Arun Kumar Jagatramka *Director*  
Mrs. Mona Jagatramka *Director*  
Dr. Mahendra Kumar Loyalka *Director*  
Dr. Christopher Royce Harvey *Director*

**COMPANY SECRETARY** : Mr. R. K. Arora

**BANKER** : HDFC BANK LIMITED

**AUDITORS** : N. C. BANERJEE & CO.  
Chartered Accountants  
2, Ganesh Chandra Avenue,  
Room No. 9, 1st Floor,  
Kolkata – 700 013

**SOLICITOR & ADVOCATE** : L. P. TIWARI & CO.  
Emerald House,  
1B, Old Post Office Street,  
Kolkata - 700 001

**REGISTERED OFFICE** : 22, Camac Street,  
Block-C, 5th Floor,  
Kolkata - 700 016  
Phone: +91 33 2289 1471  
Fax: +91 33 2289 1470  
E-mail : [kolkata@gujaratnre.com](mailto:kolkata@gujaratnre.com)  
Website: [www.gujaratnre.com](http://www.gujaratnre.com)

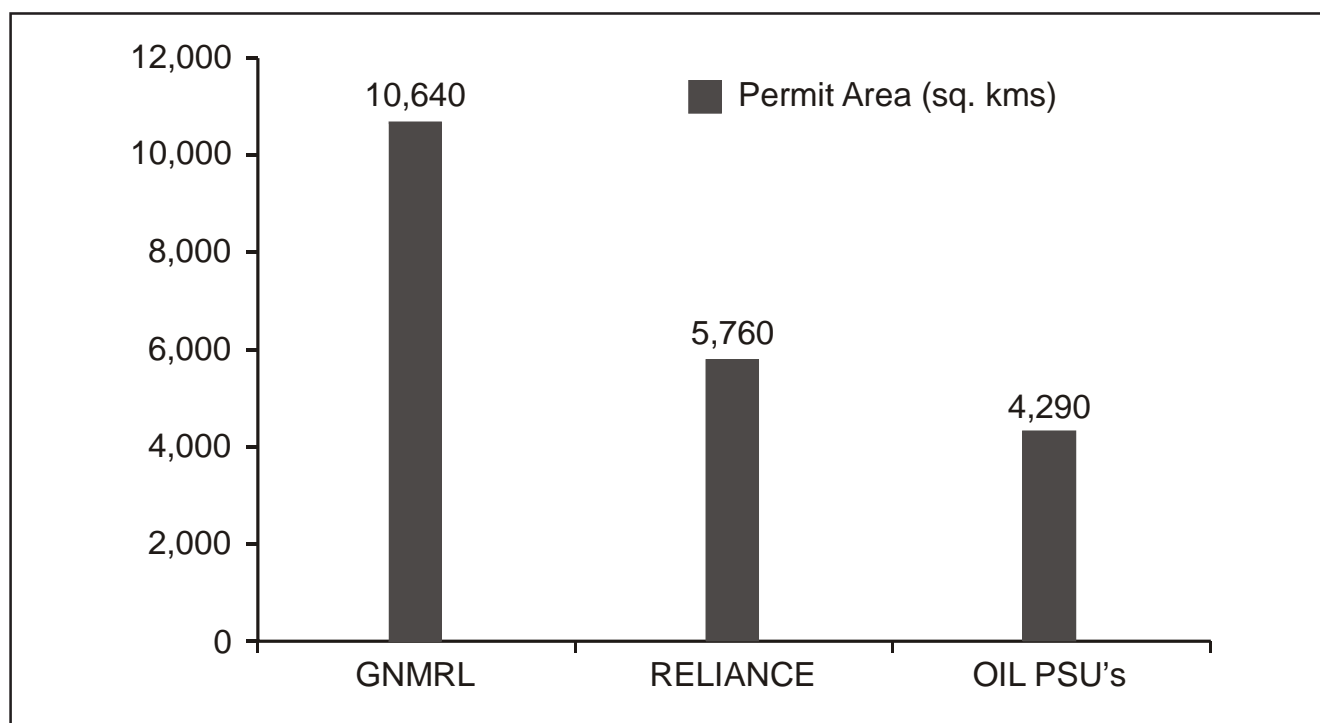
**REGISTRAR & SHARE TRANSFER AGENT** : NICHE TECHNOLOGIES PVT. LTD.  
D-511, Bagri Market, 5th Floor,  
71, B. R. B. Basu Road,  
Kolkata - 700 001  
Phone : +91 33 2235 7270/71  
Fax : +91 33 2215 6823

**WHO WE ARE:**

Gujarat NRE Mineral Resources Limited (GNMRL), an associate of Gujarat NRE Coke Limited (GNCL) is poised to make its presence felt in the Oil & Gas Sector with the acquisition, through its Australian subsidiary, Gujarat NRE Oil Pty. Ltd., of two onshore exploration blocks covering an area of 10,640 km<sup>2</sup> in the highly prospective Central Canning Basin, Western Australia (WA).

We are the largest Oil & Gas exploration block owner among the Indian companies venturing in Australia.

| Company  | Permit Area (km <sup>2</sup> ) | Permit Area   | Basin     | Type     |
|--|--------------------------------|---------------|-----------|----------|
| Gujarat NRE Mineral Resources Limited  | 10,640                         | L03-4 & L03-5 | Canning   | Onshore  |
| Reliance Industries Limited  | 5,760                          | W06-5         | Bonaparte | Offshore |
| Oil PSU's Consortium (GSPCL, HPCL, BPCL & GAIL with OILEX; Indo-Australian ) | 4,290                          | W05-11        | Carnarvon | Offshore |

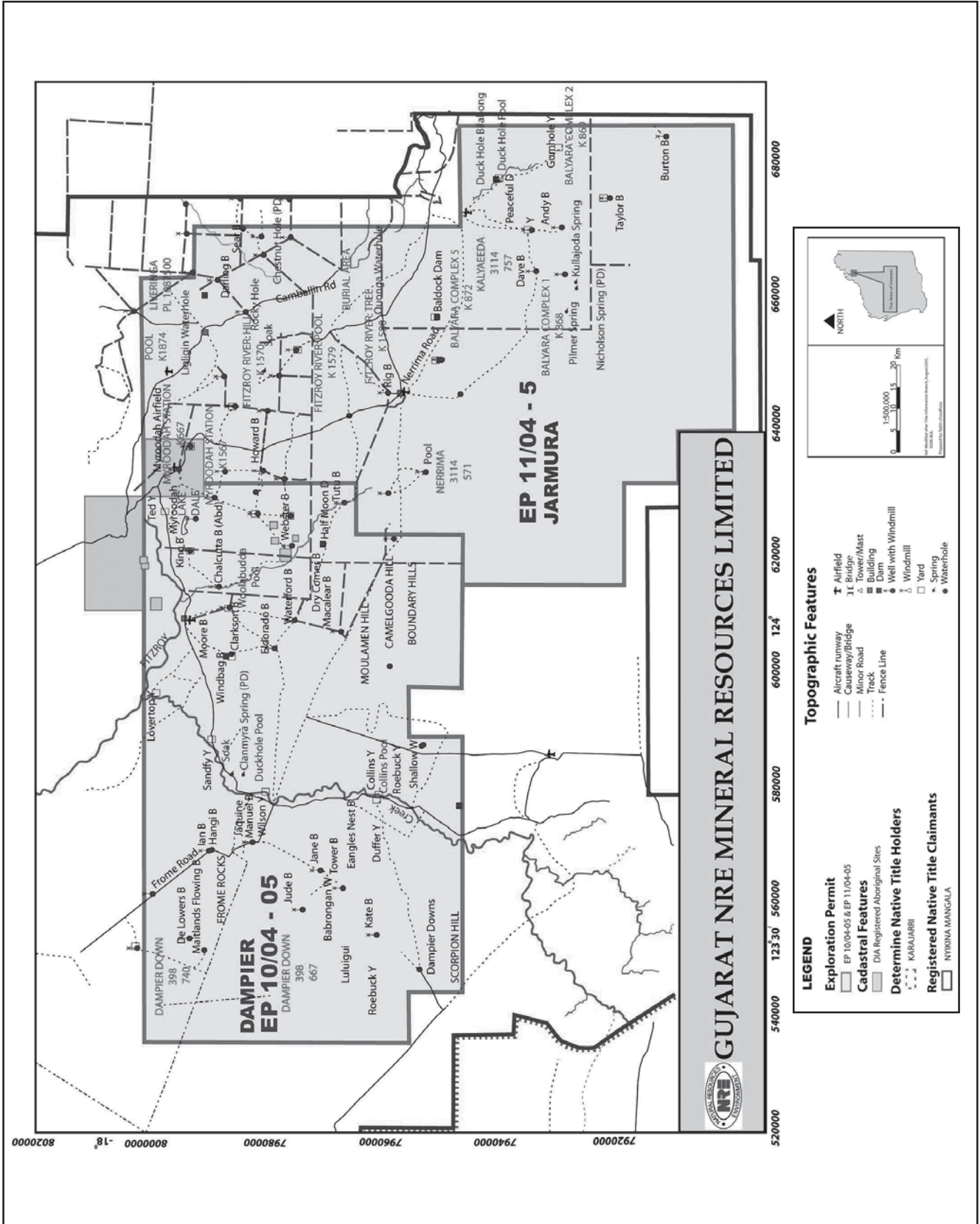


**WHY WE ARE IN WESTERN AUSTRALIA:**

As per Hon. John Bowler MLA, Minister for Resources and Assisting the Minister for State Development, “Western Australia continues to be recognized as an attractive destination for the international upstream petroleum industry, ranking among the best areas in the world for new ventures. Exploration success, growth in production and the favourable and low risk business environment here play a big part in such recognition.

In recent years, WA’s onshore oil production has grown from just over 66,000 barrels to more than 2 million barrels per year. 3D seismic technique has been instrumental in the success onshore.

Over A\$36 billion worth of potential petroleum resource projects are currently underway or planned for development in WA. The outlook for oil and gas developments is extremely positive, especially with sustained higher oil prices”.



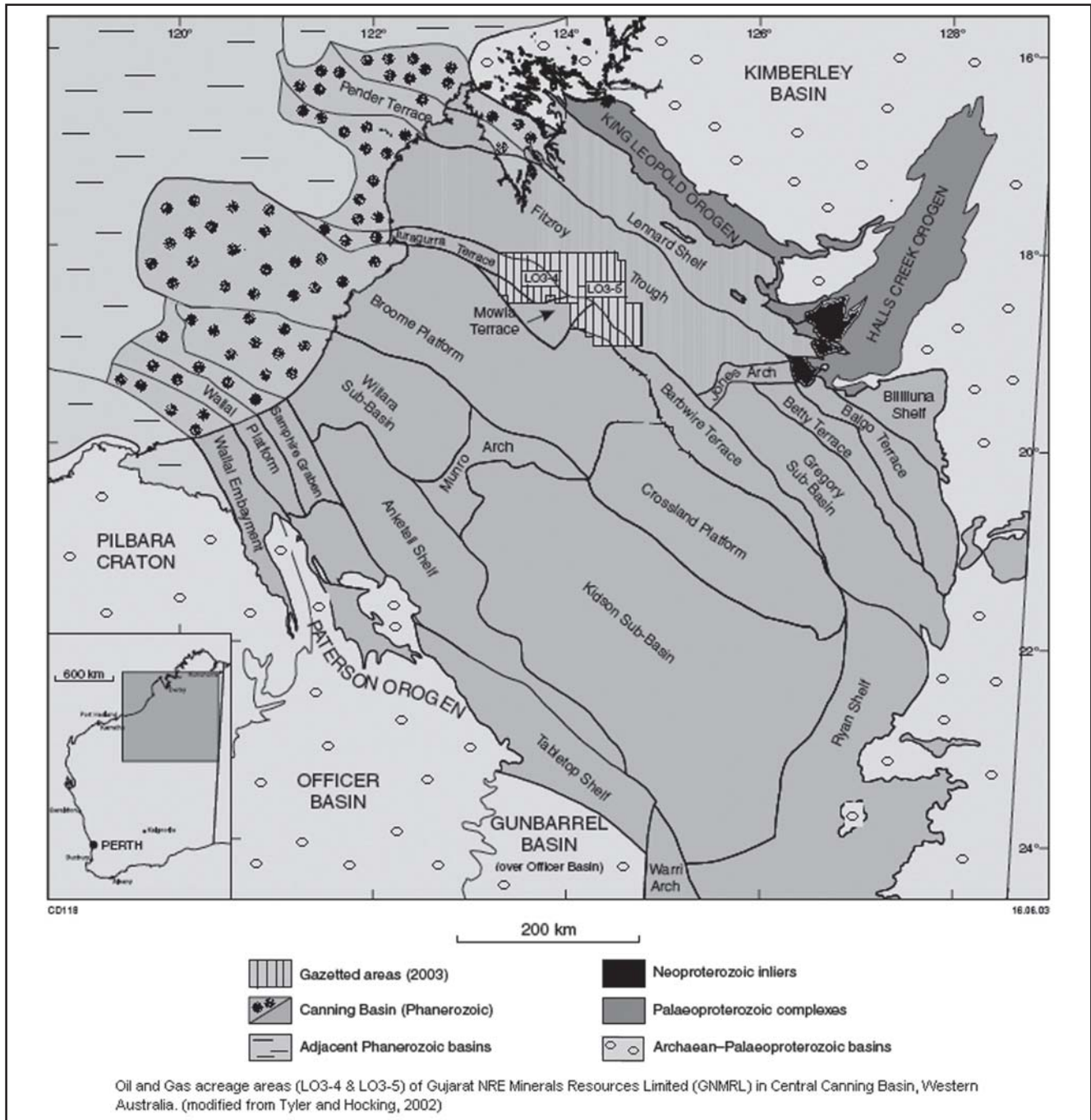
**GEOLOGY OF THE AREA:**

The areas L03-4 and L03-5 cover parts of the Barbwire, Juragurra and Mowla Terraces, Broome Platform and Fitzroy Trough and contain a sedimentary section extending from the Ordovician to Late Permian, with an extensive but thin Mesozoic cover. Six commercial oilfields have been discovered on the Lennard Shelf, one on the Mowla Terrace and one on Broome Platform in the close vicinity of the Areas L03-4 & L03-5.

Oil and gas shows, indicating good migration pathways and mature source rock, are widespread throughout the Lower Ordovician to Permian part of the stratigraphic column across the Barbwire, Juragurra and Mowla Terraces, Broome Platform and Fitzroy Trough.

Exploration to date demonstrates that the Canning Basin remains an under-explored basin that has all the necessary elements of a hydrocarbon province and we are here to take the privilege of revealing and extracting the treasures lying buried down under.

Location of the Canning Basin, showing tectonic units, basin framework, and acreage release areas are shown below



## RESULTS OF OLD WELLS:

Hydrocarbon shows in the wells within the permit areas L03-4 and L03-5 are summarized in the table below:

| Well Name         | Year | Reservoir                  | Age of Reservoir | Tectonic Unit  | Trap              | Hydrocarbon Type | Comments                      |
|-------------------|------|----------------------------|------------------|----------------|-------------------|------------------|-------------------------------|
| Crystal Creek 1   | 1988 | Nita                       | Ordovician       | Mowla Terrace  | Faulted anticline | Oil              | Bitumen and oil stains        |
| Lovell's Pocket 1 | 1990 | Nita Willara               | Ordovician       | Mowla Terrace  | Faulted anticline | Oil + Gas        | Oil stains and fluorescence   |
| Mount Wynne 1     | 1923 | Grant                      | Permian          | Fitzroy Trough | Anticline         | Oil              | Asphalt and bitumen           |
| Mount Wynne 3     | 1925 | Grant                      | Permian          | Fitzroy Trough | Anticline         | Oil              | Globular oil and bitumen      |
| Nerrima 1 (AFO)   | 1955 | Grant                      | Permian          | Fitzroy Trough | Anticline         | Minor Oil        | Three Oil shores noted        |
| Petaluma 1        | 1987 | Liveringa Noonkanbah Poole | Permian          | Fitzroy Trough | Faulted anticline | Minor Oil        | Oil stains and background gas |

## WHAT WE HAVE DONE IN THE LAST 1 YEAR:

- Successful application for the Oil & Gas exploration permits.
- Executed Joint Venture agreement with Rey Resources Ltd. (REY), Australia, listed company in Australian Securities Exchange under which exploration of oil blocks will be undertaken by Gujarat NRE Oil Pty. Ltd. (GNOL), 100% step subsidiary of Gujarat NRE Mineral Resources Ltd.. The participation interest of GNOL and REY being 90% and 10% respectively.
- Negotiation and signing of meetings and agreements with the Kimberley Land Council (KLC) on a Native Title Issue.
- Clearance of the Environmental Issues.
- Successful completion of the Heritage Protection Agreement.
- Several field visits by the Geological & Geophysical team.
- Establishment of Data Bank which includes 700 line km of 2D seismic data & 18 well data.
- Inviting offers from service companies for the reprocessing and interpretation jobs.

## OUR FUTURE PLANS:

The proposed exploration program will be aimed at lessening the project risk by employing latest and advanced technologies such as 3D Seismic, Vertical Seismic Profiling, AVO technique, latest logging techniques etc.

| Year   | Proposed Work Program   |
|--------|---|
| Year 1 | ● Geological & Geophysical evaluation of the hydrocarbon occurrence and accumulation & procurement of seismic and well log data |
| Year 2 | ● Seismic data re-processing and interpretation, well log data interpretation & seismic to well tie                             |
| Year 3 | ● 2D seismic survey on the basis of data re-processing and interpretation   |
| Year 4 | ● 3D seismic survey of smaller area based on the results of 2D seismic survey   |
| Year 5 | ● Drilling of Exploratory Well/s based on 3D seismic studies and evaluation   |

**NOTICE**

Notice is hereby given that the 14th Annual General Meeting of the members of GUJARAT NRE MINERAL RESOURCES LIMITED will be held at Ghanshyam Das Birla Sabhaghar, 29 Ashutosh Choudhury Avenue, Kolkata 700019 on Friday, September 28, 2007 at 2: 30 p.m. to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2007 and the Profit & Loss Account for the financial year ended as on that date and the Reports of the Auditors' and Directors' thereon.
2. To appoint a Director in place of Mr. A. K. Jagatramka, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mrs. Mona Jagatramka, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint Auditors and to fix their remuneration and to pass the following resolution:  
"RESOLVED THAT M/s. N.C. Banerjee & Co., Chartered Accountants, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting, on such remuneration as may be determined by the Board of Directors in consultation with the Auditors."

**SPECIAL BUSINESS:**

To consider and if thought fit to pass, with or without modification(s), the following resolutions as Ordinary Resolution(s) :

5. "RESOLVED THAT Dr. Christopher Royce Harvey, who was appointed by the Board of Directors of the Company as an Additional Director with effect from October 18, 2006 and who holds office upto the date of the forthcoming Annual General Meeting in terms of Section 260 of the Companies Act, 1956 (the Act) and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement by rotation".
6. "RESOLVED THAT in pursuance of Section 293(1)(d) of the Companies Act, 1956 including any amendments or modifications thereto, and the Articles of Association of the Company, the consent of the Company be and is hereby accorded to 'the Board of Directors' (the Board) to borrow any sum or sums of money from time to time, both in Indian currency and/or in Foreign currency, at their discretion, for the purpose of business of the Company, subject to obtaining necessary approvals of the Reserve Bank of India and other statutory authorities as may be necessary, notwithstanding that the monies to be borrowed along with monies already borrowed by the Company, if any,

(apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) may, at any time, exceed the aggregate of the paid up capital and free reserves, if any, that is to say the reserves not set apart for any specific purpose, provided however that the total amount of monies to be borrowed by the Board together with monies already borrowed shall not exceed Rs.250 crores (Rupees Two Hundred Fifty crores) outstanding at any point of time".

By Order of the Board  
For Gujarat NRE Mineral Resources Ltd.



**R. K. Arora**  
Company Secretary

Place: Kolkata  
Date: 27th day of July, 2007.

**Notes**

1. A MEMBER OF THE COMPANY ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM, IN ORDER TO BE EFFECTIVE, MUST BE DULY COMPLETED, STAMPED AND LODGED WITH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A PROXY FORM IS ENCLOSED HERewith.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to Special Business is annexed. All documents referred to in the above notice and explanatory statement are open for inspection at the Registered Office of the Company between 2.00 P.M. and 4.00 P.M. on all working days from Monday to Friday.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Monday the 24th September, 2007 to Friday the 28th September, 2007 (both days inclusive).
4. Members, who are holding shares in identical order of names in more than one folio, are requested to write to the Company enclosing their Share Certificates to enable the Company to consolidate their holdings in one folio.
5. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company at least ten days in advance, so as to enable the Company to keep the information ready at the meeting.
6. Members are requested to bring at the meeting admission slips along with their copies of the Annual Report.
7. Any change in the address of the members may please be notified to the Registrars and Share Transfer Agents of the Company quoting their registered folio number.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NO. 5**

Dr. Christopher Royce Harvey was appointed as an Additional Director of the Company with effect from October 18, 2006 pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 129 of the Articles of Association of the Company and holds such office upto the date of ensuing Annual General Meeting. The Company has received a notice in writing along with the requisite deposit from a member of the Company proposing the candidature of Dr. Christopher Royce Harvey for the office of Director under the provisions of Section 257 of the Companies Act, 1956. Dr Harvey has a PhD in Mining Engineering from Wollongong University, along with other qualifications in Management & Environmental Studies. He is a member of Australasian Institute of Mining & Metallurgy; Institute of Engineers Australia and Australian Institute of Management & Society of Mining Metallurgy & Exploration (America).

The Directors recommend the resolution as set out under Item No. 5 of the accompanying notice for the approval of the members.

Dr. Harvey is concerned or interested in the resolution as it relates to his appointment. None of the other Directors are concerned or interested in this resolution.

**ITEM NO.6**

In terms of the provisions of Section 293(1)(d) of the Companies Act, 1956 the Board of Directors of the Company, cannot except with the consent of the Company in general meeting, borrow monies, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any particular purpose.

Keeping in view the Company's business requirements and its growth plans, it is considered desirable to increase the said borrowing limits.

The Directors accordingly recommend the resolution as set out under Item No. 6 of the accompanying notice for the approval of the members.

None of the Directors of the Company is in any way, concerned or interested in the said resolution.

By Order of the Board  
For Gujarat NRE Mineral Resources Ltd.



**R. K. Arora**  
Company Secretary

Place: Kolkata  
Date: 27th day of July, 2007.

**DIRECTORS' REPORT**

To  
The Members,

Your Directors are pleased to present the 14th Annual Report and the Audited Financial Results of the Company for the year ended 31st March, 2007.

**FINANCIAL RESULTS**

| <u>Particulars</u>                        | (Rs. In Lacs)  |                |
|---|----------------|----------------|
|   | <u>2006-07</u> | <u>2005-06</u> |
| Total Income                              | <b>16.17</b>   | 1552.41        |
| <b>Profit Before Tax (PBT)</b>            | <b>1.32</b>    | 28.40          |
| Less : Provision for Taxation             | <b>1.28</b>    | 0.96           |
| <b>Profit After Tax (PAT)</b>             | <b>0.04</b>    | 27.44          |
| Add : Balance brought forward             | <b>56.80</b>   | 54.36          |
| <b>Amount available for appropriation</b> | <b>56.84</b>   | 81.80          |
| Less : Transferred to General Reserve     | —              | 25.00          |
| <b>Balance carried to Balance Sheet</b>   | <b>56.84</b>   | 56.80          |

**REVIEW OF OPERATIONS**

During the year the Company was engaged primarily in the trading and processing of Coke. Coke market remained depressed throughout the year which affected your Company's operations too.

Your Company decided to enter into the field of oil and gas exploration during the year under review through strategic investment in overseas entities. Necessary funds required for the purpose were raised through rights issue of shares. Your Company through its foreign subsidiaries has entered into an agreement to acquire oil and gas exploration permits in the Canning Basin of Western Australia. The oil permit area is LO3-4 and LO3-5 situated in the central part of Canning Basin which covers an area of around 10,640 sq kms. Access to the area is generally good via numerous tracks and old seismic lines. Further, Derby and Broome ports are located north-west of these tenements making it easily accessible. A thorough data compilation exercise has been undertaken in this regard.

**INCREASE OF CAPITAL**

During the year, the Authorised Capital of the Company was increased from Rs. 40 Crore to Rs. 60 Crore by addition of further 20,00,00,000 equity shares of Re. 1/- each.

The Company had raised Rs. 7.21 Crores through its rights issue and allotted 1,30,56,410 equity shares of Re. 1/- each at a premium of Re. 0.95/- per share and 2,33,27,090 equity shares of Re 1/- each at a premium of Re. 1/- per share.

**DIVIDEND**

Your Directors do not recommend any dividend during the year under review keeping in mind the future plans of the Company for carrying out exploration activities.

**PUBLIC DEPOSIT**

The Company has not accepted or renewed any public deposits during the year.

**SUBSIDIARIES**

During the year under review a wholly owned subsidiary NRE Resources Pty Ltd (NRPL) was floated in Australia. NRPL manages your Company's oil & gas exploration and mineral exploration activities in Australia through two step down subsidiaries, namely, Gujarat NRE Oil Pty Ltd. and Gujarat NRE Koyala Pty Ltd.

As required under Section 212 of the Companies Act, 1956, the Annual Report and Accounts of all the three Australian subsidiaries are attached to the Accounts of the company.

**DIRECTORS**

During the year under review, Dr. Christopher Royce Harvey was appointed as an Additional Director on 18th October, 2006 and his term expires at the forthcoming Annual General Meeting. A notice has been received from a member of the Company along with the requisite fees proposing the appointment of Dr. Harvey as a Director of the Company.

Mr. Arun Kumar Jagatramka and Mrs. Mona Jagatramka, Directors retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby confirms that -

- a) all the applicable accounting standards have been followed in the preparation of Annual Accounts and there have been no material departures;
- b) accounting policies have been selected in consultation with the statutory auditors and have been applied consistently in making judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the same period;
- c) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 have been taken for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; and
- d) the annual accounts have been prepared on a *going concern* basis.

**AUDIT COMMITTEE**

The Audit Committee comprises of Mr. G.L. Jagatramka as Chairman, Mr. A.K. Jagatramka and Mrs. Mona Jagatramka, Directors as Members. It periodically discusses with the Statutory Auditors about the internal control system, the scope of audit and reviews the financial statements before submission thereof to the Board and ensure compliance of internal control system apart from considering any reference made to it by the Board of Directors.

**AUDITORS**

M/s. N C Banerjee & Co., Chartered Accountants, retire as auditors of the Company at the ensuing Annual General Meeting and are eligible for re-appointment. As required under section 224(1B) of the Companies Act, 1956, the Company has received a written certificate from them to the effect that their re-appointment, if made, would be in conformity with the limits prescribed in the said section.

**AUDITORS' REPORT**

The Report of the Auditors read with the notes on the accounts, as annexed is self-explanatory and need no elaboration.

**PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

There is no information to report relating to conservation of energy and technology absorption as required under section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of

Particulars in the Report of the Board of Directors) Rules, 1988 in view of the insignificant activity in these areas. There was no foreign exchange earnings and outgo.

**PARTICULARS OF EMPLOYEES**

There was no employee during the year under review who was in receipt of remuneration of more than Rs. 2,00,000/- per month or Rs.24,00,000/- per annum and therefore, the particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, as amended, is not given.

**ACKNOWLEDGEMENTS**

Your Directors place on record their gratitude to the customers, bankers, suppliers, media, Government and their agencies for their assistance, co-operation and encouragement they extended to the Company. Your Directors also wish to place on record their sincere thanks and appreciation for the continuing support and unstinted efforts of investors and employees during the year under review.

For and on behalf of the Board



**G. L. Jagatramka**  
Chairman

Place : Kolkata  
Date : the 27th day of July, 2007

**AUDITORS' REPORT**

To  
The members of  
GUJARAT NRE MINERAL RESOURCES LIMITED

1. We have audited the attached Balance Sheet of **Gujarat NRE Mineral Resources Limited** as at 31st March, 2007 and also the annexed Profit and Loss Account for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
4. Further to our comments in the Annexure referred to in Para 3 above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion, proper books of account, as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet and the Profit & Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - e) On the basis of written representations received from the Directors as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Notes thereon, as per Schedule No.13, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st March, 2007; and
  - ii) so far as it relates to Profit and Loss Account, of the profit of the Company for the year ended on that date.

For **N. C. BANERJEE & CO.**  
Chartered Accountants



**B. BASU**  
Partner

Place: Kolkata.  
Date: The 27th day of July, 2007.

Membership No. 12748

**Annexure referred to in paragraph 3 of our report of even date to the members of Gujarat NRE Mineral Resources Ltd. for the year ended 31st March, 2007.**

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) The fixed assets of the company have been physically verified by the management during the year in a phased manner which, in our opinion, is reasonable having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed off any fixed assets during the year under review.
2. (a) The inventory have been physically verified by the management at regular intervals during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed during the physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.
3. The Company has neither granted nor taken any loans, secured or unsecured to or from companies, firms or other parties covered in register maintained under Section 301 of the Companies Act, 1956. Accordingly, sub-clauses (a), (b), (c), (d), (e), (f) & (g) of clause (iii) of paragraph 4 of the Order are not applicable to the company.

4. In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the company and nature of its business with regard to purchases of inventory, fixed assets and with regard to sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control system.
5. (a) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rs.5 lacs in respect of each party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public within the meaning of section 58A and 58AA of the Companies act, 1956.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. According to information and explanations given to us, maintenance of cost records have not been prescribed by the Central Government under Section 209(1) (d) of the Companies Act, 1956 for the activities of the company.
9. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, in our opinion the company has been generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, Investor education and protection fund, employee's state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues to the extent applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, customs duty and excise duty were in arrears, as at 31st March, 2007 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, sales tax, wealth tax, service tax, customs duty and excise duty which have not been deposited on account of any dispute.
10. The Company has no accumulated losses as at 31st March, 2007 and the Company has not incurred any cash losses in the financial year covered by our audit report and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holder.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the company is not a chit fund or a nidhi/mutual benefit fund/society.
14. In our opinion and according to the information and explanations given to us, the company has not dealt with or traded in shares, securities, debentures and other investments. The shares, securities, debentures and others investments have been held by the company in its own name.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. According to the information and explanations given to us the company has not obtained any term loan.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. During the year covered by our audit report, the company has not issued any debentures.
20. During the year covered by our audit report, the company has not raised any money by public issues.
21. Based on the audit procedures and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For **N. C. BANERJEE & CO.**  
Chartered Accountants



**B. BASU**  
Partner

Place: Kolkata.  
Date: The 27th day of July, 2007.

Membership No. 12748

## BALANCE SHEET AS AT 31ST MARCH, 2007

(Rs. in ,000)

|  | Schedules | As at 31st<br>March, 2007 | As at 31st<br>March, 2006 |
|--|-----------|---------------------------|---------------------------|
| <b>SOURCES OF FUNDS :</b>                          |           |                           |                           |
| <b>SHAREHOLDER'S FUNDS</b>                         |           |                           |                           |
| Share Capital                                      | 1         | 436,229.50                | 399,846.00                |
| Reserves & Surplus                                 | 2         | 830,065.22                | 794,394.13                |
|  |           | 1,266,294.72              | 1,194,240.13              |
| Deferred Tax Liability                             |           | 639.16                    | 617.17                    |
| <b>TOTAL</b>                                       |           | <b>1,266,933.88</b>       | <b>1,194,857.30</b>       |
| <b>APPLICATION OF FUNDS :</b>                      |           |                           |                           |
| <b>FIXED ASSETS</b>                                |           |                           |                           |
| Gross Block  | 3         | 65,390.65                 | 65,390.65                 |
| Less : Depreciation                                |           | 1,651.50                  | 1,252.85                  |
| Net Block  |           | 63,739.15                 | 64,137.80                 |
| <b>INVESTMENTS</b>                                 |           |                           |                           |
|  | 4         | 590,470.48                | 583,871.88                |
| <b>CURRENT ASSETS, LOANS AND ADVANCES</b>          |           |                           |                           |
| Inventories  |           | 603,348.31                | 517,365.90                |
| Sundry Debtors                                     | 5         | —                         | 20,950.20                 |
| Cash and bank balances                             | 6         | 2,116.89                  | 1,797.41                  |
| Loans and advances                                 | 7         | 25,155.04                 | 6,321.98                  |
|  | (A)       | 630,620.24                | 546,435.49                |
| <b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b> |           |                           |                           |
| Current Liabilities                                | 8         | 21,450.58                 | 71.57                     |
| Provisions   |           | 46.46                     | 516.30                    |
|  | (B)       | 21,497.04                 | 587.87                    |
| <b>NET CURRENT ASSETS</b>                          | (A-B)     | 609,123.20                | 545,847.62                |
| <b>MISCELLANEOUS EXPENDITURE</b>                   |           |                           |                           |
| (To the extent not written off or adjusted)        | 9         | 3,601.05                  | 1,000.00                  |
| <b>TOTAL</b>                                       |           | <b>1,266,933.88</b>       | <b>1,194,857.30</b>       |
| <b>Notes on Accounts</b>                           |           |                           |                           |
| Balance Sheet Abstract and Business Profile        | 13        |                           |                           |
|  | 14        |                           |                           |

As per our report of even date attached

For **N. C. BANERJEE & CO.**

Chartered Accountants


**B. BASU**

Partner

Membership No. 12748

Place : Kolkata

Date : The 27th day of July, 2007


**A. K. JAGATRAMKA**

Director


**S. MURARI**

Managing Director


**R. K. ARORA**

Company Secretary

## PROFIT &amp; LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

(Rs. in , 000)

| Schedules                                   | For the year<br>ended 31st<br>March, 2007 | For the year<br>ended 31st<br>March, 2006 |
|---|---|---|
| <b>INCOME</b>                               |   |   |
| Sales / Processing Charges                  | 376.25                                    | 152,756.20                                |
| Dividends                                   | 1,240.63                                  | 2,484.38                                  |
| Increase / (Decrease) in Stocks             | 85,982.41                                 | 517,365.90                                |
| <b>TOTAL</b>                                | <b>87,599.29</b>                          | <b>672,606.48</b>                         |
| <b>EXPENDITURE</b>                          |   |   |
| Purchases                                   | 85,982.41                                 | 667,271.29                                |
| Processing and handling expenses            | 225.94                                    | 573.84                                    |
| Administrative and other expenses           | 924.63                                    | 1,588.37                                  |
| Depreciation                                | 334.46                                    | 333.24                                    |
| <b>TOTAL</b>                                | <b>87,467.44</b>                          | <b>669,766.74</b>                         |
| <b>Profit / (Loss) before Tax</b>           | <b>131.85</b>                             | <b>2,839.74</b>                           |
| <b>Provision for Taxation</b>               |   |   |
| Current Tax                                 | —   | 43.00                                     |
| Previous years Tax                          | 101.09                                    | —   |
| Deferred Tax                                | 21.99                                     | 42.06                                     |
| Fringe benefit Tax                          | 4.17                                      | 11.38                                     |
| <b>Profit / (Loss) after Tax</b>            | <b>4.60</b>                               | <b>2,743.30</b>                           |
| Balance brought forward                     | 5,679.65                                  | 5,436.35                                  |
| <b>Balance available for Appropriation</b>  | <b>5,684.25</b>                           | <b>8,179.65</b>                           |
| <b>Appropriations :</b>                     |   |   |
| Transfer to General Reserve                 | —   | 2,500.00                                  |
| <b>Balance carried to Balance Sheet</b>     | <b>5,684.25</b>                           | <b>5,679.65</b>                           |
| <b>Notes on Accounts</b>                    |   |   |
| Balance Sheet Abstract and Business Profile | 13  |   |
|   | 14  |   |

As per our report of even date attached

For **N. C. BANERJEE & CO.**  
Chartered Accountants**B. BASU**  
Partner  
Membership No. 12748  
Place : Kolkata  
Date : The 27th day of July, 2007**A. K. JAGATRAMKA**  
Director**S. MURARI**  
Managing Director**R. K. ARORA**  
Company Secretary

SCHEDULES TO THE ACCOUNTS

(Rs. in , 000)

| Description  | As at<br>31.03.2007 | As at<br>31.03.2006 |
|--|---------------------|---------------------|
| <b>SCHEDULE - 1 : SHARE CAPITAL</b>  |                     |                     |
| <b>AUTHORISED :</b>  |                     |                     |
| 60,00,00,000 (Previous year 40,00,00,000)<br>Equity Shares of Re. 1/- each               | 600,000.00          | 400,000.00          |
|  | <b>600,000.00</b>   | <b>400,000.00</b>   |
| <b>ISSUED, SUBSCRIBED AND PAID-UP :</b>  |                     |                     |
| 43,62,29,500 (Previous year 39,98,46,000)<br>Equity Shares of Re. 1/- each fully paid-up | 436,229.50          | 399,846.00          |
|  | <b>436,229.50</b>   | <b>399,846.00</b>   |
| <b>SCHEDULE - 2 : RESERVES &amp; SURPLUS</b>   |                     |                     |
| Securities Premium Account   | 765,130.68          | 729,400.00          |
| Revaluation Reserve  |                     |                     |
| As per last account  | 56,814.15           |                     |
| Less : Transfer to depreciation account  | <u>64.19</u>        |                     |
|  | 56,749.96           | 56,814.15           |
| General Reserve  | 2,500.33            | 2,500.33            |
| Profit & Loss Account  | 5,684.25            | 5,679.65            |
|  | <b>830,065.22</b>   | <b>794,394.13</b>   |

**SCHEDULE - 3 : FIXED ASSETS**

| Description<br>of Assets | GROSS BLOCK         |                           |                     | DEPRECIATION        |                 |                          | NET BLOCK           |                     |
|--------------------------|---------------------|---------------------------|---------------------|---------------------|-----------------|--------------------------|---------------------|---------------------|
|                          | As at<br>01.04.2006 | Additions<br>(Deductions) | As at<br>31.03.2007 | As at<br>01.04.2006 | For<br>the year | Total upto<br>31.03.2007 | As at<br>31.03.2007 | As at<br>31.03.2006 |
| Land                     | 57,097.00           | —                         | 57,097.00           | —                   | —               | —                        | 57,097.00           | 57,097.00           |
| Building                 | 4,454.21            | —                         | 4,454.21            | 257.21              | 148.77          | 405.98                   | 4,048.23            | 4,197.00            |
| Plant &<br>Machinery     | 1,756.68            | —                         | 1,756.68            | 369.36              | 92.75           | 462.11                   | 1,294.57            | 1,387.32            |
| Furniture &<br>Fixtures  | 191.45              | —                         | 191.45              | 46.48               | 12.12           | 58.60                    | 132.85              | 144.97              |
| Borewell                 | 205.06              | —                         | 205.06              | 36.48               | 10.83           | 47.31                    | 157.75              | 168.58              |
| Generator Set            | 337.59              | —                         | 337.59              | 58.82               | 16.03           | 74.85                    | 262.74              | 278.77              |
| Motor Cycle              | 84.65               | —                         | 84.65               | 43.66               | 8.04            | 51.70                    | 32.95               | 41.00               |
| Tractor                  | 376.26              | —                         | 376.26              | 170.80              | 42.56           | 213.36                   | 162.90              | 205.46              |
| Weigh Bridge             | 353.48              | —                         | 353.48              | 67.02               | 16.79           | 83.81                    | 269.67              | 286.46              |
| Pay Loader               | 534.27              | —                         | 534.27              | 203.02              | 50.76           | 253.78                   | 280.49              | 331.24              |
| <b>TOTAL</b>             | <b>65,390.65</b>    | <b>—</b>                  | <b>65,390.65</b>    | <b>1,252.85</b>     | <b>398.65</b>   | <b>1,651.50</b>          | <b>63,739.15</b>    | <b>64,137.80</b>    |
| Previous Year            | 7,827.45            | 57,563.20                 | 65,390.65           | 919.62              | 333.24          | 1,252.85                 | 64,137.80           |                     |

Note :

- Gross Block of land includes Rs. 54892.21 thousands, being the amount added on revaluation on 31.03.2006.
- Gross Block of building includes Rs. 1921.94 thousands, being the amount added on revaluation on 31.03.2006.

- Depreciation for the year

Less : Additional depreciation on revalued assets withdrawn from Revaluation reserve

| Current Year  | Previous Year |
|---------------|---------------|
| <b>398.65</b> | 333.24        |
| <b>64.19</b>  | —             |
| <b>334.46</b> | <u>333.24</u> |

## SCHEDULES TO THE ACCOUNTS (CONTD.)

(Rs. in , 000)

## SCHEDULE - 4 : LONG TERM INVESTMENTS (Valued at Cost)

| Description  | Face Value | No. of Shares | As at 31.03.2007         | As at 31.03.2006         |
|--|------------|---------------|--------------------------|--------------------------|
| <b>QUOTED (EQUITY SHARES)</b>  |            |               |                          |                          |
| FCGL Industries Ltd.<br>(Since merged with Gujarat NRE Coke Ltd.)                  | 10.00      | —             | —                        | 34.38                    |
| Gujarat NRE Coke Limited   | 10.00      | 4,962,500     | 545,534.38               | 545,500.00               |
|  |            |               | <u>545,534.38</u>        | <u>545,534.38</u>        |
| <b>UNQUOTED (EQUITY SHARES)</b>  |            |               |                          |                          |
| <u>In wholly owned Foreign Subsidiary</u>  |            |               |                          |                          |
| NRE Resources Pty Ltd.   | 1.00       | 100,000       | 3,448.60                 | —                        |
| <u>In Others</u>   |            |               |                          |                          |
| Arvind Commodities Ltd.  | 10.00      | 65,000        | 650.00                   | —                        |
| Bulli Coke Pvt Ltd.  | 1.00       | 1,000,000     | 5,000.00                 | 5,000.00                 |
| Bellambi Coke Pvt Ltd.   | 1.00       | 1,000,000     | 5,000.00                 | 5,000.00                 |
| Brinda Dealing Pvt Ltd.  | 1.00       | 12,500,000    | 12,500.00                | 10,000.00                |
| Marley Foods Pvt Ltd.  | 1.00       | 187,500       | 187.50                   | 187.50                   |
| Matangi Traders & Investors Pvt Ltd.   | 1.00       | 150,000       | 150.00                   | 150.00                   |
| Gaurav Vinimay Pvt Ltd.  | 1.00       | 90,000        | 9,000.00                 | 9,000.00                 |
| Newage Vinimay Pvt Ltd.  | 1.00       | 90,000        | 9,000.00                 | 9,000.00                 |
|  |            |               | <u>44,936.10</u>         | <u>38,337.50</u>         |
| <b>TOTAL</b>   |            |               | <b><u>590,470.48</u></b> | <b><u>583,871.88</u></b> |
| Aggregate Market value of Quoted Equity Shares                                     |            |               | <u>197,755.63</u>        | <u>243,725.31</u>        |
| <b>SCHEDULE - 5 : SUNDRY DEBTORS (Unsecured, considered good)</b>                  |            |               |                          |                          |
| Debts outstanding for a period exceeding six months                                |            |               | —                        | 20,950.20                |
|  |            |               | <u>—</u>                 | <b><u>20,950.20</u></b>  |
| <b>SCHEDULE - 6 : CASH &amp; BANK BALANCES</b>                                     |            |               |                          |                          |
| Cash in hand (As certified by management)  |            |               | 269.38                   | 84.74                    |
| Balances with Scheduled Banks :  |            |               |                          |                          |
| In Current Accounts  |            |               | 1,847.51                 | 1,712.67                 |
|  |            |               | <b><u>2,116.89</u></b>   | <b><u>1,797.41</u></b>   |
| <b>SCHEDULE - 7 : LOANS &amp; ADVANCES (Unsecured, considered good)</b>            |            |               |                          |                          |
| Advances recoverable in cash or in kind<br>or for value to be received or adjusted |            |               | 506.46                   | 5,271.36                 |
| VAT Receivable   |            |               | 24,133.93                | —                        |
| Security Deposits  |            |               | 463.09                   | 463.09                   |
| Advance Tax & Tax Deducted at Source   |            |               | 51.56                    | 587.53                   |
|  |            |               | <b><u>25,155.04</u></b>  | <b><u>6,321.98</u></b>   |

## SCHEDULES TO THE ACCOUNTS (CONTD.)

(Rs. in , 000)

| Description   | As at<br>31.03.2007                          | As at<br>31.03.2006                          |
|---|--|--|
| <b>SCHEDULE - 8 : CURRENT LIABILITIES &amp; PROVISIONS</b>                                      |  |  |
| <b>CURRENT LIABILITIES :</b>  |  |  |
| Sundry Creditors  | 21,402.66                                    | 50.69  |
| Other Liabilities   | 47.92  | 20.88  |
|   | <b>21,450.58</b>                             | <b>71.57</b>                                 |
| <b>PROVISIONS :</b>   |  |  |
| Provision for Income tax  | 43.00  | 507.95                                       |
| Provision for Fringe benefit tax  | 3.46   | 8.35   |
|   | <b>46.46</b>                                 | <b>516.30</b>                                |
| <b>SCHEDULE - 9 : MISCELLANEOUS EXPENDITURE<br/>(to the extent not written off or adjusted)</b> |  |  |
| Deferred Revenue Expenses   | 750.00                                       | 1,000.00                                     |
| Preoperative Expenses   | 2,851.05                                     | —  |
|   | <b>3,601.05</b>                              | <b>1,000.00</b>                              |
|   | <b>For the<br/>year ended<br/>31.03.2007</b> | <b>For the<br/>year ended<br/>31.03.2006</b> |
| <b>SCHEDULE - 10 : INCREASE / (DECREASE) IN STOCK</b>   |  |  |
| Closing Stock   | 603,348.31                                   | 517,365.90                                   |
| Opening Stock   | 517,365.90                                   | —  |
|   | <b>85,982.41</b>                             | <b>517,365.90</b>                            |
| <b>SCHEDULE - 11 : PROCESSING &amp; HANDLING EXPENSES</b>                                       |  |  |
| Wages   | 68.06  | 146.76                                       |
| Repairs & Maintenance   | 52.76  | 305.91                                       |
| Electricity Charges   | 105.12                                       | 121.17                                       |
|   | <b>225.94</b>                                | <b>573.84</b>                                |
| <b>SCHEDULE - 12 : ADMINISTRATIVE &amp; OTHER EXPENSES</b>                                      |  |  |
| Rates & Taxes   | 21.55  | 32.53  |
| Insurance Charges   | 389.73                                       | 362.72                                       |
| Salary & Bonus  | 85.87  | 100.37                                       |
| Staff Welfare   | 26.14  | 43.92  |
| Office Maintenance  | 113.49                                       | 466.78                                       |
| Telephone Expenses  | 10.70  | 117.37                                       |
| Printing & Stationery   | 2.78   | 108.41                                       |
| Professional Fees & Service Charges   | 4.08   | 48.59  |
| Miscellaneous Expenses  | 9.68   | 6.87   |
| Travelling & Conveyance   | 1.06   | 41.27  |
| Audit Fees  | 9.55   | 9.54   |
| Deferred revenue expenses w/off   | 250.00                                       | 250.00                                       |
|   | <b>924.63</b>                                | <b>1,588.37</b>                              |

**SCHEDULES TO THE ACCOUNTS (CONTD.)****SCHEDULE - 13: NOTES ON ACCOUNTS forming part of the Accounts for the year ended 31st March, 2007****A) SIGNIFICANT ACCOUNTING POLICIES:****i) Accounting Conventions:**

The financial statements are prepared under the historical cost conventions and as a going concern following the accrual basis of accounting and in accordance with the generally accepted accounting principles in India.

**(ii) Fixed Assets:**

Fixed Assets are stated at cost less accumulated depreciation. In case of revaluation of fixed assets, the original cost as written up by the approved valuer is considered in the accounts and the differential amount is credited to revaluation reserve.

**(iii) Depreciation:**

Depreciation on fixed assets is provided under straight line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

**(iv) Investments:**

Investments that are intended to be held for more than a year, from the date of acquisition, are classified as long term investments and are carried at cost. Provision for diminution in value of long term investments is made only if such a decline is other than temporary in the opinion of the management. Unquoted investments are valued at cost.

Current investments are valued at lower of cost and market value.

**(v) Inventories:**

Inventories are valued at cost or net realizable value whichever is lower.

**(vi) Recognition of Income & Expenditure:**

Revenues/Income and Costs/Expenditure are generally accounted for on accrual basis except insurance claims and refunds and dues from Government, which are accounted for on cash basis. Dividend income is recognized on declaration of dividend by the company or on cash basis in case of interim dividend.

Purchases and Sales are shown at net of returns.

**(vii) Amortization:**

Preliminary and Deferred revenue expenses are amortized over the period of 5 years.

**(viii) Provision for Current and Deferred Tax:**

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred tax resulting from "timing difference" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable certainty that the asset will be realized in future.

**B) NOTES ON ACCOUNTS:**

1. Contingent liability not provided for in respect of partly paid up shares :Rs.NIL (Previous year Rs.25 Lakhs)
2. Provision has not been made for the gratuity as no employee has covered the qualifying period of service required for entitlement of this benefit.
3. Expenditure incurred in foreign currency Rs. Nil (Previous Year Rs. Nil).
4. Investments as on 31.03.2007 being permanent investments are valued at cost.
5. In accordance with Accounting Standard 22, "Accounting for Taxes on Income" the deferred tax liability on account of depreciation as at the date of balance sheet has been computed at Rs.6.39 Lacs (previous year Rs.6.17 Lacs) and the same has been accounted for in the books.

**SCHEDULES TO THE ACCOUNTS (CONTD.)**

6. No creditor has informed the company of their status of being a macro, small and medium enterprise.
7. Quantitative information in respect of goods traded (Coke):

|                           |               | <u>Current Year</u> | <u>Previous Year</u> |
|---------------------------|---------------|---------------------|----------------------|
| Opening Stock             | Qty. (MT)     | <b>43113.825</b>    | —                    |
|                           | Rs. (in Lacs) | <b>5173.66</b>      | —                    |
| Purchases (Net of Return) | Qty. (MT)     | <b>3238.350</b>     | 56547.220            |
|                           | Rs. (in Lacs) | <b>859.82</b>       | 6672.71              |
| Sales                     | Qty. (MT)     | —                   | 13433.395            |
|                           | Rs. (in Lacs) | —                   | 1527.56              |
| Closing Stock             | Qty. (MT)     | <b>46352.175</b>    | 43113.825            |
|                           | Rs. (in Lacs) | <b>6033.48</b>      | 5173.66              |

8. The management of the company has decided to consider certain expenditure relating to development and exploration of oil & gas blocks in the Canning Basin, Western Australia which has been acquired by the company through its wholly owned subsidiary NRE Resources Pty. Ltd. aggregating to Rs.28.51 lacs as preoperative expenses since the business was not started within 31st March, 2007
9. Previous year figures have been regrouped / rearranged wherever found necessary.

Signatories to Schedules 1 to 13

As per our report of even date attached

For **N. C. BANERJEE & CO.**  
Chartered Accountants



**B. BASU**  
Partner  
Membership No. 12748  
Place : Kolkata  
Date : The 27th day of July, 2007



**A. K. JAGATRAMKA**  
Director



**S. MURARI**  
Managing Director



**R. K. ARORA**  
Company Secretary

**SCHEDULES TO THE ACCOUNTS (CONTD.)****SCHEDULE - 14 : ADDITIONAL INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956****BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

(Rs. in , 000)

**I. Registration Details**

|                    |                       |
|--------------------|-----------------------|
| Registration No.   | U51109WB1993PLC060639 |
| State Code No.     | 21                    |
| Balance Sheet Date | 31.03.2007            |

**II. Capital raised during the year**

|                   |        |
|-------------------|--------|
| Public Issue      | NIL    |
| Rights Issue      | 36,384 |
| Bonus Issue       | NIL    |
| Private Placement | NIL    |

**III. Position of Mobilisation and Deployment of Funds**

|                   |           |
|-------------------|-----------|
| Total Liabilities | 1,266,934 |
| Total Assets      | 1,266,934 |

**Sources of Funds**

|                        |         |
|------------------------|---------|
| Paid-up Capital        | 436,230 |
| Reserve & Surplus      | 830,065 |
| Deferred Tax Liability | 639     |
| Secured Loans          | NIL     |
| Unsecured Loans        | NIL     |

**Application of Funds**

|                                |         |
|--------------------------------|---------|
| Net Fixed Assets               | 63,739  |
| Investments                    | 590,471 |
| Net Current Assets/Liabilities | 609,123 |
| Misc. Expenditure              | 3,601   |
| Accumulated Losses             | NIL     |

**IV. Performance of Company**

|                                   |        |
|-----------------------------------|--------|
| Turnover (Including other Income) | 87,599 |
| Total Expenditure                 | 87,467 |
| Profit/(Loss) before Tax          | 132    |
| Profit/(Loss) after Tax           | 5      |
| Earning Per Share in Rs.          | NIL    |
| Dividend rate %                   | NIL    |

**V. Generic Names of Three Principal Products/Services of Company**

Not Applicable

As per our report of even date attached

For **N. C. BANERJEE & CO.**

Chartered Accountants


**B. BASU**

Partner

Membership No. 12748

Place : Kolkata

Date : The 27th day of July, 2007


**A. K. JAGATRAMKA**

Director


**S. MURARI**

Managing Director


**R. K. ARORA**

Company Secretary

**Statement pursuant to section 212 of the Companies Act, 1956, relating to subsidiary companies**

| Particulars   | Name of the Subsidiary/Sub-subsidiary Company |  |   |
|---|---|--|---|
|   | NRE Resources Pty Ltd. (Subsidiary)           | Gujarat NRE Koyala Pty Ltd. (Sub-subsidiary) | Gujarat NRE Oil Pty Ltd. (Sub-subsidiary) |
| 1. Financial Year of the subsidiary ended on  | 31.03.2007                                    | 31.03.2007                                   | 31.03.2007                                |
| 2. Holding Company's Interest   |   |  |   |
| i) Equity Shares of AU\$ 1 each   |   |  |   |
| a) Number of Shares Fully paid  | 100,000                                       | 5,000  | 5,000                                     |
| b) % Share held by the company directly or through its subsidiaries   | 100%  | 100%   | 100%                                      |
| 3. Net aggregate amount of Profit/(Loss) of the Subsidiary, so far as they concern the members of the company         |   |  |   |
| i) For the Financial Year of subsidiary   |   |  |   |
| a) Dealt with in the accounts of the company  | —   | —  | —   |
| b) Not dealt with in the accounts of the Company  | (Rs.2.78 lacs)                                | (Rs. 0.82 lacs)                              | (Rs. 0.82 lacs)                           |
| ii) For the previous Financial Years of the subsidiary since it became the subsidiary                                 |   |  |   |
| a) Dealt with in the accounts of the company  | —   | —  | —   |
| b) Not dealt with in the accounts of the Company  | —   | —  | —   |
| 4. Changes in the interest of the Company between the end of the subsidiary's incorporation date and 31st March, 2007 | —   | —  | —   |
| 5. Material changes between the end of the subsidiary's incorporation date and 31st March, 2007                       | —   | —  | —   |

## DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of NRE Resources Pty Ltd and entities it controlled at the end of or during 7 month period ended 31 March, 2007.

### DIRECTORS

The names of Directors in office at any time during or since the end of the year are:

Arun Kumar Jagatramka  
Mona Jagatramka (appointed 15/02/2007)  
Sanjay Sharma

### OPERATING RESULTS

Net Loss attributable to the members of NRE Resources Pty Ltd for the period was \$12,742.09 after providing for nil income tax.

### PRINCIPAL ACTIVITY

The principal activity of the company during the financial period consisted of investment of funds.

No significant changes in the nature of this activity occurred during the period.

### DIVIDENDS

No dividend was paid during the period and none is recommended.

### OPTIONS

No options to shares in the company have been granted during the or since the end of the financial year and there were no options outstanding at the date of this report.

### SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

No significant event has taken place since balance sheet date.

### INDEMNIFICATION OF DIRECTORS AND OFFICERS

The indemnification of directors, secretaries and senior managers of the companies are covered under a contract taken on global basis by one of the related company of the ultimate holding company Gujarat NRE Mineral Resources Ltd. in India. No indemnities have been given, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Company.

### NO LEAVE OR PROCEEDINGS

No person has applied for leave of Court to bring proceedings on behalf of the Company, or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings.

### LIKELY DEVELOPMENTS

Information on likely developments in the consolidated entity's operations in future financial years and the expected results of those operations has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

### NON AUDIT SERVICES

During the period, the associate firm of the auditor Kantilal Ratanshi Gokani has performed certain other services in addition to the statutory duties of the auditor.

The Board has considered the non – audit services provided during the year by associated firm of the auditor and is satisfied that those non- audit services are compatible with, and did not compromise the auditor independence requirements of the *Corporation Act 2001* for the following reasons:

- All non audit services have been reviewed by the board to ensure these do not impact on the impartiality and objectivity of the auditor.
- The non- audit services provided do not undermine the general principles relating to auditor independence as set out in *Professional Statement F1 Professional Independence* as this did not involve reviewing or auditing the auditors own work, actions in a management or decision making capacity for the company, acting as an advocate for the company or jointly assessing risks and rewards.
- The ratio of non-audit fee to audit fees is at a level that would not impact the impartiality and objectivity of auditor.

### AUDITORS INDEPENDENCE DECLARATION

The auditors independence declaration as required by sec 307C of the Corporation act 2001 is set out on Page 4.

Signed in accordance with a resolution of the Board of Directors



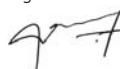
Director  
Dated this 12th July, 2007

## DIRECTORS' DECLARATION

In the directors opinion:

1. the financial statements and notes, as set out on pages 2 to 15 ,are in accordance with the *Corporations Act 2001* and
  - a. comply with Accounting Standards and the Corporations Regulations 2001 other mandatory professional reporting requirements in Australia and
  - b. give a true and fair view of the company's and consolidated entity's financial position as at 31 March, 2007 and of the performance, as represented by the results of their operations, changes in equity and their cash flows, for the 7 month period ended on that date;
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors



Director  
Dated this 12th July, 2007

## AUDITOR'S INDEPENDENCE DECLARATION

I Kantilal Ratanshi Gokani being auditor of NRE Resources Pty Ltd declare that to the best of my knowledge and belief, during the 7 month period ended 31 March, 2007 there have been :

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to audit
- ii. no contravention of any applicable code of professional conduct in relation to the audit.



Signed by **KANTILAL RATANSHI GOKANI**  
of 96 Cahors Road, PADSTOW NSW 2211  
Dated this 12th July, 2007

## INDEPENDENT AUDIT REPORT

### TO MEMBERS OF NRE RESOURCES PTY LTD

#### SCOPE

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of cash flows, statement of change in equity accompanying notes to the financial statements and the directors' declaration of NRE Resources Pty Ltd and consolidated entity's for the 7 month period ended 31 March, 2007.

The directors of the company are responsible for the preparation and true presentation of the financial report in accordance with the *Corporations Act 2001*, This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### AUDIT OPINION

In my opinion, the financial report of NRE Resources Pty Ltd is in accordance with:

- a) *the Corporation Act 2001*, including
  - i. giving a true and fair view, of the NRE Resources Pty Ltd and consolidated entity's financial position as at 31 March, 2007, and of its performance for the 7 month period ended on that date: and
  - ii. complying with Australian Accounting Standards and *the Corporation Regulations 2001*;
- b) other mandatory financial reporting requirements in Australia.

#### AUDIT APPROACH

I conducted an independent audit in order to express an opinion to members of

## NRE RESOURCES PTY LTD

the company. My audit was conducted in accordance with Australian Accounting Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

I performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the company's financial position, and of its performance as represented by the results of its operations, changes in equity and cash flows.

I formed my opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report: and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While I considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of my procedures, my audit was not designed to provide assurance on internal controls.

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

### INDEPENDENCE

In conducting my audit I followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to my audit of the financial report, my firm Gokani & Associates was engaged to undertake services disclosed in the financial statements. The provision of these services has not impaired my independence.



**KANTILAL RATANSHI GOKANI**  
96 Cahors Road, PADSTOW NSW 2211  
12th July, 2007

### STATEMENT OF CHANGES IN EQUITY FOR THE 7 MONTHS PERIOD ENDED 31ST MARCH 2007

|                         | Issued<br>Capital<br>\$ | Other<br>reserve<br>\$ | Accumulated<br>(Loss)<br>\$ | Total<br>equity<br>\$ |
|-------------------------|-------------------------|------------------------|-----------------------------|-----------------------|
| <b>CONSOLIDATED</b>     |                         |                        |                             |                       |
| At 1 July 2006          | —                       | —                      | —                           | —                     |
| Issue of share Capital  | 100,000.00              | —                      | —                           | 100,000.00            |
| (Loss) for the period   | —                       | —                      | (12,742.09)                 | (12,742.09)           |
| <b>At 31 March 2007</b> | <b>100,000.00</b>       | <b>—</b>               | <b>(12,742.09)</b>          | <b>87,257.91</b>      |
| <b>PARENT ENTITY</b>    |                         |                        |                             |                       |
| At 1 July 2006          | —                       | —                      | —                           | —                     |
| Issue of share Capital  | 100,000.00              | —                      | —                           | 100,000.00            |
| (Loss) for the period   | —                       | —                      | (7,990.99)                  | (7,990.99)            |
| <b>At 31 March 2007</b> | <b>100,000.00</b>       | <b>—</b>               | <b>(7,990.99)</b>           | <b>92,009.01</b>      |

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

### BALANCE SHEET AS AT 31 MARCH, 2007

|                                  | Note | Consolidated<br>2007<br>\$ | Parent entity<br>2007<br>\$ |
|----------------------------------|------|----------------------------|-----------------------------|
| <b>CURRENT ASSETS</b>            |      |                            |                             |
| Cash and cash equivalent         | 2    | 43,306.05                  | 36,002.10                   |
| Receivables                      | 3    | 1,331.63                   | 696.68                      |
| Other deposits                   | 4    | 50,000.00                  | 50,000.00                   |
| <b>TOTAL CURRENT ASSETS</b>      |      | <b>94,637.68</b>           | <b>86,698.78</b>            |
| <b>NON-CURRENT ASSETS</b>        |      |                            |                             |
| Investments                      | 5    | —                          | 10,000.00                   |
| Establishment cost               | 7    | 2,520.23                   | 810.23                      |
| <b>TOTAL NON-CURRENT ASSETS</b>  |      | <b>2,520.23</b>            | <b>10,810.23</b>            |
| <b>TOTAL ASSETS</b>              |      | <b>97,157.91</b>           | <b>97,509.01</b>            |
| <b>CURRENT LIABILITIES</b>       |      |                            |                             |
| Trade and other payables         | 8    | 9,900.00                   | 5,500.00                    |
| <b>TOTAL CURRENT LIABILITIES</b> |      | <b>9,900.00</b>            | <b>5,500.00</b>             |
| <b>TOTAL LIABILITIES</b>         |      | <b>9,900.00</b>            | <b>5,500.00</b>             |
| <b>NET ASSETS</b>                |      | <b>87,257.91</b>           | <b>92,009.01</b>            |
| <b>EQUITY</b>                    |      |                            |                             |
| Contributed capital              | 9    | 100,000.00                 | 100,000.00                  |
| Accumulated (loss)               |      | (12,742.09)                | (7,990.99)                  |
| <b>TOTAL EQUITY</b>              |      | <b>87,257.91</b>           | <b>92,009.01</b>            |

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

### INCOME STATEMENT FOR THE 7 MONTHS PERIOD ENDED 31 MARCH, 2007

|   | Note | Consolidated<br>2007<br>\$ | Parent entity<br>2007<br>\$ |
|---|------|----------------------------|-----------------------------|
| Interest income                           | 10   | 738.09                     | 738.09                      |
| <b>Less:</b>                              |      |                            |                             |
| Accounting & audit fee                    |      | (9,674.55)                 | (5,225.00)                  |
| Bank charges                              |      | (222.13)                   | (110.58)                    |
| Establishment cost written off            |      | (297.00)                   | (107.00)                    |
| Legal & professional cost                 |      | (3,286.50)                 | (3,286.50)                  |
| <b>Operating (loss) before income tax</b> |      | <b>(12,742.09)</b>         | <b>(7,990.99)</b>           |
| Income tax expense relating to -          | 11   | —                          | —                           |
| - ordinary activities                     |      | —                          | —                           |
| <b>Operating (loss) after income tax</b>  |      | <b>(12,742.09)</b>         | <b>(7,990.99)</b>           |

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

### STATEMENT OF CASH FLOWS FOR THE 7 MONTHS PERIOD ENDED 31 MARCH, 2007

|  | Note | Consolidated<br>2007<br>\$ | Parent entity<br>2007<br>\$ |
|--|------|----------------------------|-----------------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>           |      |                            |                             |
| Bank interest  |      | 541.41                     | 541.41                      |
| Payments to suppliers                                |      | (4,418.13)                 | (3,622.08)                  |
| <b>Net cash (out-flow) from operating Activities</b> | 12   | <b>(3,876.72)</b>          | <b>(3,080.67)</b>           |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>           |      |                            |                             |
| Purchase of Investment in:                           |      |                            |                             |
| - Gujarat NRE Oil Pty Ltd                            |      | —                          | (5,000.00)                  |
| - Gujarat NRE Koyala Pty Ltd                         |      | —                          | (5,000.00)                  |
| Deposit with Middleton lawyers trust                 |      | (50,000.00)                | (50,000.00)                 |
| Establishment cost                                   |      | (2,817.23)                 | (917.23)                    |
| <b>Net cash (out-flow) from investing Activities</b> |      | <b>(52,817.23)</b>         | <b>(60,917.23)</b>          |
| <b>CASH FLOW FROM FINANCING ACTIVITY</b>             |      |                            |                             |
| Issue of equity shares                               |      | 100,000.00                 | 100,000.00                  |
| <b>Net cash In-flow from financing Activities</b>    |      | <b>100,000.00</b>          | <b>100,000.00</b>           |
| <b>NET INCREASE</b>                                  |      | <b>43,306.05</b>           | <b>36,002.10</b>            |
| <b>CASH AT 31 MARCH 2007</b>                         |      | <b>43,306.05</b>           | <b>36,002.10</b>            |

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 7 MONTHS PERIOD ENDED 31 MARCH, 2007

### NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report includes separate financial statements for NRE Resources Pty Ltd ("Parent entity") as an individual entity and the consolidated entity consisting of NRE Resources Pty Ltd and its controlled entities (the "Group").

The principal accounting policies adopted by the company in the preparation of the financial report are set out below.

#### a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

##### Compliance with IFRS

Compliance with Australian equivalents to International Financial Reporting Standards (AIFRS) ensures that the financial report, comprising the financial statements and notes thereto, comply with International Financial Reporting Standards (IFRS), with the exception of the disclosure relating to AASB 132 *Financial Instruments: Presentation and Disclosure* for the parent entity, as allowed by that standard.

##### Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### b) Principles of consolidation

##### Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of NRE Resources Pty Ltd ("company" or "parent entity") as at 31 March 2007 and the results of all subsidiaries for the period then ended. NRE Resources Pty Ltd and its subsidiaries together are referred to in this Financial Report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of over one half of the voting rights. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Investments in subsidiaries are accounted for at cost in the individual financial statements of NRE Resources Pty Ltd.

#### c) Business Combinations

The purchase method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued, the value of the equity instruments is based upon the valuation methods which provide a reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are initially measured at their fair values at acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.

#### d) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation

purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

#### e) Cash and equivalents

For the purposes of cash flows, cash includes cash on hand and deposits held on call with banks or financial institutions.

#### f) Revenue

Revenue from sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to customers. There was no such revenue during the year.

Interest revenue is recognized on a proportional basis taking into account the interest rates applicable to the financial assets.

#### g) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

#### h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognized net of the amount of GST except where the GST is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognized as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Tax Office (ATO) is included as a current asset or liability in the balance sheet.

|  | Consolidated<br>2007<br>\$ | Parent entity<br>2007<br>\$ |
|--|----------------------------|-----------------------------|
| <b>NOTE 2 CASH AND CASH EQUIVALENT</b>                       |                            |                             |
| Bank balances  | 43,306.05                  | 36,002.10                   |
|  | <u>43,306.05</u>           | <u>36,002.10</u>            |
| <b>NOTE 3 RECEIVABLES</b>                                    |                            |                             |
| GST receivable   | 1,331.63                   | 500.00                      |
| Interest receivable  | 196.68                     | 196.68                      |
|  | <u>1,528.31</u>            | <u>696.68</u>               |
| <b>NOTE 4 OTHER DEPOSITS</b>                                 |                            |                             |
| Deposit with Middleton lawyers trust                         | 50,000.00                  | 50,000.00                   |
| <b>NOTE 5 INVESTMENTS</b>                                    |                            |                             |
| 5,000 ordinary shares in Gujarat NRE Koyala Pty Ltd (note 6) | —                          | 5,000.00                    |
| 5,000 ordinary shares in Gujarat NRE Oil Pty Ltd (note 6)    | —                          | 5,000.00                    |
|  | <u>—</u>                   | <u>10,000.00</u>            |
| <b>NOTE 6 SUBSIDIARIES</b>                                   |                            |                             |

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b)(i):

| Directly controlled by       | Book Value of<br>Immediate Parent<br>Entity Investment<br>\$ | Interest of Immediate<br>Parent Entity<br>(Ordinary Shares)<br>% |
|------------------------------|--|--|
| <b>NRE Resources Pty Ltd</b> |  |  |
| Gujarat NRE Koyala Pty Ltd   | 5,000.00   | 100  |
| Gujarat NRE Oil Pty Ltd      | 5,000.00   | 100  |

A consolidated Income statement and consolidated Balance sheet, comprising NRE Resources Pty Ltd and its subsidiaries Gujarat NRE Koyala Pty Ltd and Gujarat NRE Oil Pty Ltd, after eliminating all transactions between parties, at 31st March 2007, is set out below.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE 7 MONTHS PERIOD ENDED 31 MARCH, 2007**

**Note 6. Subsidiaries (Continued)**

**Statement of Movement and summary of movements in Accumulated loss of subsidiary**

|   |                   |
|---|-------------------|
|   | \$                |
| <b>Income Statement</b>                 |                   |
| Loss before income tax expense          | (4,751.10)        |
| Income tax thereon                      | —                 |
| Accumulated loss at beginning of period | —                 |
| <b>Loss for the period</b>              | <b>(4,751.10)</b> |
| <b>Balance Sheet</b>                    |                   |
| <b>Current Assets</b>                   |                   |
| Cash and cash equivalents               | 7,303.95          |
| Receivables                             | 634.95            |
| <b>Total Current Assets</b>             | <b>7,938.90</b>   |
| <b>Non Current Assets</b>               |                   |
| Establishment cost                      | 1,710.00          |
| <b>Total Non Current Assets</b>         | <b>1,710.00</b>   |
| <b>Total Assets</b>                     | <b>9,648.90</b>   |
| <b>Current liabilities</b>              |                   |
| Accrued expenses                        | 4,400.00          |
| <b>Total current liabilities</b>        | <b>4,400.00</b>   |
| <b>Total liabilities</b>                | <b>4,400.00</b>   |
| <b>Net Assets</b>                       | <b>5,248.90</b>   |
| <b>Equity</b>                           |                   |
| Contributed equity                      | 10,000.00         |
| Accumulated (Loss)                      | (4,751.10)        |
| <b>Total parent entity interest</b>     | <b>5,248.90</b>   |

**NOTE 7 ESTABLISHMENT COST**

|   |                     |                      |
|---|---------------------|----------------------|
|   | <b>Consolidated</b> | <b>Parent entity</b> |
|   | <b>2007</b>         | <b>2007</b>          |
|   | <b>\$</b>           | <b>\$</b>            |
| Expenses incurred on establishment        | 2,817.23            | 917.23               |
| Less establishment cost written off       | (297.00)            | (107.00)             |
| <b>Establishment cost carried forward</b> | <b>2,520.23</b>     | <b>810.23</b>        |

**NOTE 8 TRADE AND OTHER PAYABLES**

|                  |          |          |
|------------------|----------|----------|
| Accrued expenses | 9,900.00 | 5,500.00 |
|------------------|----------|----------|

**NOTE 9 CONTRIBUTED CAPITAL**

**Ordinary shares (100,000 shares @ \$1 each)**

|  |            |            |
|--|------------|------------|
| Issued and paid up capital during the year | 100,000.00 | 100,000.00 |
|--|------------|------------|

**Ordinary shares**

Ordinary shares participate in dividends and the proceeds on winding up of the company / group in proportion to the number of shares held.

At the shareholders meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**NOTE 10 REVENUE**

|                               |        |        |
|-------------------------------|--------|--------|
| Interest received and accrued | 738.09 | 738.09 |
|-------------------------------|--------|--------|

**NOTE 11 INCOME TAX**

|  |           |          |
|--|-----------|----------|
| Deferred tax asset not recognised in balance sheet |           |          |
| Loss for the period                                | 12,742.09 | 7,990.99 |
| Potential tax benefit @ 30%                        | 3,823.00  | 2,397.00 |

**NOTE 12 RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX**

|  |                   |                   |
|--|-------------------|-------------------|
| (Loss) from ordinary activities        | (12,742.09)       | (7,990.99)        |
| Non cash flow items:                   |                   |                   |
| Establishment cost written off         | 297.00            | 107.00            |
| <b>Change in asset and liabilities</b> |                   |                   |
| Increase in payable and accruals       | 9,900.00          | 5,500.00          |
| (Increase) in receivables              | (1,331.63)        | (696.68)          |
| <b>Cash (outflow) from operations</b>  | <b>(3,876.72)</b> | <b>(3,080.67)</b> |

**NOTE 13 REMUNERATION AND RETIREMENT BENEFITS**

No remuneration was paid or payable to directors of the company.

Names of directors who held during the period are:

- Arun Kumar Jagatramka
- Mona Jagatramka (appointed 15/02/2007)
- Sanjay Sharma

**NOTE 14 RELATED PARTY TRANSACTION**

**Directors**

Disclosure relating to directors is set out in Note 13

The only shareholder is Gujarat NRE Mineral Resources Ltd a company in India.

Gujarat NRE Koyala Pty Ltd and Gujarat NRE Oil Pty Ltd proprietary companies in Australia are subsidiaries of NRE Resources Pty Ltd.

**Transactions With Gujarat NRE Koyala Pty Ltd a related Party**

Acquired 5,000 ordinary shares for \$5,000 in Gujarat NRE Koyala Pty Ltd.

**Transactions With Gujarat NRE Oil Pty Ltd a related Party**

Acquired 5,000 ordinary shares for \$5,000 in Gujarat NRE Oil Pty Ltd.

|   |                     |                      |
|---|---------------------|----------------------|
|   | <b>Consolidated</b> | <b>Parent entity</b> |
|   | <b>2007</b>         | <b>2007</b>          |
|   | <b>\$</b>           | <b>\$</b>            |
| <b>NOTE 15 AUDITOR'S REMUNERATION</b>   |                     |                      |
| Amount due and receivable for the audit and review of the financial reports of the company                          | 9,900.00            | 5,500.00             |
| Amount received, or due and receivable, for the other services by Gokani & Associates in which auditor is a partner | 3,840.95            | 1,256.45             |
|   | <b>13,740.95</b>    | <b>6,756.45</b>      |

**AUDITOR'S CERTIFICATE**

To  
The Board of Directors  
Gujarat NRE Mineral Resources Ltd.

NRE Resources Pty. Ltd. (herein after referred to as "NRPL"), a subsidiary of Gujarat NRE Mineral Resources Ltd. (herein after referred to as "GNML") was incorporated with Australian Securities and Investment Commission on 23rd day of August, 2006 under the Corporations Act' 2001.

The attached audited accounts of the Company (NRPL) for the period ended on 31st March, 2007 drawn under Australian regulations comprising of financial statements together with Directors' Report, Independent Auditors' Report and Notes to accounts were audited by Mr. Kantilal Ratanshi Gokani of 96 Cahors Road, Padstow, NSW 2211. These accounts have been forwarded by NRPL for attaching with the audited accounts of holding company Gujarat NRE Mineral Resources Ltd.

In terms of the Section 212 of the Companies Act, 1956, the accounts of the subsidiary company, that has to be attached with the holding company's audited accounts, shall be drawn as per provisions of the Companies Act, 1956.

For the purpose of attaching the subsidiary's audited statement of accounts drawn in accordance with the provisions of the Companies Act, 1956, the holding company GNML has recasted the audited statements of accounts drawn under Australian Laws based on the information available with the holding company in India.

The recasted audited accounts of NRPL have been drawn in accordance with the Part-I & Part-II of the Schedule -VI of the Companies Act, 1956. For the purpose of these recasting, the Australian dollars have been converted in Indian rupee in accordance with the applicable exchange rate in accordance with AS-11.

For the purpose of checking this conversion and recasting, we have relied upon the independent audit report issued by Mr. Kantilal Ratanshi Gokani and as such we have not examined the accuracy and authenticity of any part of the said audited accounts.

On the basis of the said audited accounts and information and explanations given to us, we observe that the accounts of NRPL for the period ended 31st March, 2007 have been properly recasted in accordance with the Schedule-VI of the Companies Act, 1956.

For **N.C.Banerjee & Co.**  
Chartered Accountants



**B. Basu**  
Partner

Place : Kolkata  
Date the 27th day of July, 2007

Membership.No.12748

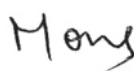
**BALANCE SHEET AS AT 31ST MARCH, 2007**

|   | Schedule | (Rs. In, 000)   |
|---|----------|-----------------|
| <b>SOURCES OF FUNDS:</b>  |          |                 |
| <b>SHAREHOLDER'S FUNDS</b>  |          |                 |
| Share Capital   | 1        | 3,545.00        |
| TOTAL   |          | <u>3,545.00</u> |
| <b>APPLICATION OF FUNDS:</b>  |          |                 |
| <b>INVESTMENTS</b>  |          |                 |
|   | 2        | 347.50          |
| <b>CURRENT ASSETS, LOANS AND ADVANCES</b>                                       |          |                 |
| Cash & Bank Balances  | 3        | 1,251.07        |
| Other current asset   | 4        | 1,761.71        |
|   |          | <u>3,012.78</u> |
| <b>Less: CURRENT LIABILITIES</b>  | 5        | 194.98          |
| <b>NET CURRENT ASSETS</b>   |          | <u>2,817.80</u> |
| <b>MISCELLANEOUS EXPENDITURE</b><br>(To the extent not written off or adjusted) | 6        | 28.16           |
| <b>PROFIT &amp; LOSS ACCOUNT</b><br>(As per accounts annexed)                   |          | 277.61          |
| <b>FOREIGN CURRENCY TRANSLATION RESERVE</b>                                     |          | 73.93           |
| TOTAL   |          | <u>3,545.00</u> |
| Notes on Accounts   | 8        |                 |

As per our attached certificate of even date to the Board of Directors

For **N.C. BANERJEE & CO.**  
Chartered Accountants

For NRE Resources Pty Ltd

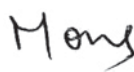
**B. BASU**  
PartnerMembership No. 12748  
Kolkata, Date the 27th day of July, 2007**A.K. JAGATRAMKA**  
Director**MONA JAGATRAMKA**  
Director**PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2007**

|   | Schedules | (Rs. In, 000)   |
|---|-----------|-----------------|
| <b>INCOME</b>                           |           |                 |
| Interest                                |           | 25.64           |
|   |           | <u>25.64</u>    |
| <b>EXPENDITURE</b>                      |           |                 |
| Administrative & Other expenses         | 7         | 303.25          |
|   |           | <u>303.25</u>   |
| <b>Profit/(Loss) before Tax</b>         |           | <u>(277.61)</u> |
| Provision For Taxation                  |           | —               |
| <b>Profit/(Loss) after Tax</b>          |           | <u>(277.61)</u> |
| Balance Brought forward                 |           | —               |
| <b>Balance carried To Balance Sheet</b> |           | <u>(277.61)</u> |
| Notes on Accounts                       | 8         |                 |

As per our attached certificate of even data to the Board of Directors

For **N.C. BANERJEE & CO.**  
Chartered Accountants

For NRE Resources Pty Ltd

**B. BASU**  
PartnerMembership No. 12748  
Kolkata, Date the 27th day of July, 2007**A.K. JAGATRAMKA**  
Director**MONA JAGATRAMKA**  
Director**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED ON THAT DATE**

(Rs. in ,000)

**SCHEDULE – 1 : SHARE CAPITAL****AUTHORISED:**

|                        |                 |
|------------------------|-----------------|
| 100000 Ordinary Shares | 3,545.00        |
|                        | <u>3,545.00</u> |

**ISSUED, SUBSCRIBED AND PAID – UP:**

|                        |                 |
|------------------------|-----------------|
| 100000 Ordinary Shares | 3,545.00        |
|                        | <u>3,545.00</u> |

**SCHEDULE – 2 : INVESTMENTS****UNQUOTED:****In wholly owned subsidiary**

|   |               |
|---|---------------|
| 5000 Ordinary shares in Gujarat NRE Koyala Pty Ltd. | 173.75        |
| 5000 Ordinary shares in Gujarat NRE Oil Pty Ltd.    | 173.75        |
|   | <u>347.50</u> |

**SCHEDULE – 3 : CASH & BANK BALANCES**

|                    |                 |
|--------------------|-----------------|
| Balance with banks |                 |
| In Current Account | 1,251.07        |
|                    | <u>1,251.07</u> |

**SCHEDULE – 4 : OTHER CURRENT ASSETS**

|                     |                 |
|---------------------|-----------------|
| Deposits            | 1,737.50        |
| GST Receivable      | 17.38           |
| Interest Receivable | 6.83            |
|                     | <u>1,761.71</u> |

**SCHEDULE 5 : CURRENT LIABILITIES**

|              |               |
|--------------|---------------|
| For Expenses | 194.98        |
|              | <u>194.98</u> |

**SCHEDULE – 6 : MISCELLANEOUS EXPENDITURE**

|                      |              |
|----------------------|--------------|
| Preliminary Expenses | 28.16        |
|                      | <u>28.16</u> |

**SCHEDULE – 7 : ADMINISTRATIVE & OTHER EXP.**

|                                  |               |
|----------------------------------|---------------|
| Auditors Remuneration            | 181.52        |
| Bank Charges                     | 3.84          |
| Professional & Legal Fees        | 114.17        |
| Preliminary Expenses written off | 3.72          |
|                                  | <u>303.25</u> |

**SCHEDULE-8**

**(Notes forming part of the Accounts for the period ended 31st March, 2007)**

**1. SIGNIFICANT ACCOUNTING POLICIES:**

**a) Basis of preparation**

The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

The Balance Sheet and Profit & Loss Account has been recasted as per Part-I & II of the Schedule VI of *the Companies Act 1956* and the foreign currency has been converted as per Accounting Standard-11.

**Reporting Basis and Conventions**

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

**b) Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

**c) Revenue**

Revenue from sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to customers. There was no such revenue during the year.

Interest revenue is recognized on a proportional basis taking into account the interest rates applicable to the financial assets.

**d) Investment**

Investments in subsidiaries are carried at cost.

**e) Impairment of Assets**

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

**f) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognized net of the amount of GST except where the GST is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognized as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Tax Office (ATO) is included as a current asset or liability in the balance sheet

**g) Amortisation**

Preliminary expenses are amortised over the period of ten years.

**2. NOTES TO THE ACCOUNTS:**

**i) Remuneration and Retirement benefits**

No remuneration was paid or payable to directors of the company. Names of directors who held during the period are:

Arun Kumar Jagatramka  
Mona Jagatramka  
Sanjay Sharma

**ii) Related Party transactions**

The only shareholder is Gujarat NRE Mineral Resources Ltd a company in India. Gujarat NRE Koyala Pty Ltd and Gujarat NRE Oil Pty Ltd proprietary companies in Australia are subsidiaries of NRE Resources Pty Ltd.

**Transactions with Gujarat NRE Koyala Pty Ltd a related Party**

Acquired 5,000 ordinary shares for \$5,000 in Gujarat NRE Koyala Pty Ltd.

**Transactions with Gujarat NRE Oil Pty Ltd a related Party**

Acquired 5,000 ordinary shares for \$5,000 in Gujarat NRE Oil Pty Ltd.

**iii) The company was incorporated on 23 rd August, 2006 and this being the accounts for the first financial period of the company, there is no figure appearing as previous year figure.**

For **N.C. BANERJEE & CO.**  
Chartered Accountants

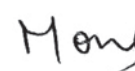
For NRE Resources Pty Ltd



**B. BASU**  
Partner  
Membership No. 12748  
Kolkata, Date the 27th day of July, 2007



**A.K. JAGATRAMKA**  
Director



**MONA JAGATRAMKA**  
Director

**DIRECTORS' REPORT**

Your directors present their report on the company for the 6 month period ended 31 March, 2007.

**DIRECTORS**

The names of Directors in office at any time during or since the end of the year are:

Arun Kumar Jagatramka

Mona Jagatramka (appointed on 15th February 2007)

Sanjay Sharma

**OPERATING RESULTS**

The Company made a Loss of \$2,376.55 after providing for income tax of \$Nil.

**PRINCIPAL ACTIVITY**

The Company is engaged in Oil Exploration activity.

No significant changes in the nature of this activity occurred during the year.

**DIVIDENDS**

No dividend was paid during the year and none is recommended.

**OPTIONS**

No options to shares in the company have been granted during the or since the end of the financial year and there were no options outstanding at the date of this report.

**SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE**

No significant event has occurred since balance sheet date

**INDEMNIFICATION OF DIRECTORS AND OFFICERS**

The indemnification of directors, secretaries and senior managers of the companies are covered under a contract taken on global basis by one of the related company of the ultimate holding company Gujarat NRE Mineral Resources Ltd. in India. No indemnities have been given, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Company.

**NO LEAVE OR PROCEEDINGS**

No person has applied for leave of Court to bring proceedings on behalf of the Company, or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceeding.

**LIKELY DEVELOPMENTS**

Information on likely developments in the entity's operations in future financial years and the expected results of those operations has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated.

**NON AUDIT SERVICES**

During the year, the associate firm of the auditor Kantilal Ratanshi Gokani has performed certain other services in addition to the statutory duties of the auditor.

The Board has considered the non – audit services provided during the year by associated firm of the auditor and is satisfied that those non- audit services are compatible with, and did not compromise the auditor independence requirements of the *Corporation Act 2001* for the following reasons:

- All non audit services have been reviewed by the board to ensure these do not impact on the impartiality and objectivity of the auditor.
- The non- audit services provided do not undermine the general principles relating to auditor independence as set out in *Professional Statement F1 Professional Independence* as this did not involve reviewing or auditing the auditors own work, actions in a management or decision making capacity for the company, acting as an advocate for the company or jointly assessing risks and rewards.
- The ratio of non-audit fee to audit fees is at a level that would not impact the impartiality and objectivity of auditor.

**AUDITORS INDEPENDENCE DECLARATION**

The auditors independence declaration as required by sec 307C of the Corporation Act 2001 is set out herein after.

Signed in accordance with a resolution of the Board of Directors



Director

Dated this 12th July, 2007

**DIRECTORS' DECLARATION**

In the directors opinion:

1. the financial statements and notes, set out on pages herein are in accordance with the *Corporations Act 2001* and
  - a. comply with Accounting Standards and the *Corporations Regulations 2001* other mandatory professional reporting requirements in Australia and
  - b. give a true and fair view of the company's financial position as at 31 March, 2007, its performance, changes in equity and cash flows for the 6 month period ended on that date;
- 2 there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors



Director

Dated this 12th July, 2007

**AUDITOR'S INDEPENDENCE DECLARATION**

I Kantilal Ratanshi Gokani being auditor of GUJARAT NRE OIL PTY LTD declare that to the best of my knowledge and belief, during the 6 months period ended 31 March, 2007 there have been :

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to audit
- ii. no contravention of any applicable code of professional conduct in relation to the audit.



Signed by KANTILAL RATANSHI GOKANI  
of 96 Cahors Road, PADSTOW NSW 2211  
Dated this 12th July, 2007

**INDEPENDENT AUDIT REPORT****TO MEMBERS OF GUJARAT NRE OIL PTY LTD****SCOPE****The financial report and directors' responsibility**

The financial report comprises the Balance Sheet, Income Statement, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements and the directors' declaration for the 6 month period ended 31 March, 2007.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*, This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

**AUDIT APPROACH**

I conducted an independent audit in order to express an opinion to members of the company. My audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

I performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the company's financial position, and of its performance as represented by the results of its operations, changes in equity and cash flows.

I formed my opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report: and

## GUJARAT NRE OIL PTY LTD

- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While I considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of my procedures, my audit was not designed to provide assurance on internal controls.

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

### INDEPENDENCE

In conducting my audit I followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to my audit of the financial report, my firm Gokani & Associates was engaged to undertake services disclosed in the financial statements. The provision of these services has not impaired my independence.

### AUDIT OPINION

In my opinion, the financial report of GUJARAT NRE OIL PTY LTD is in accordance with:

- the *Corporation Act 2001*, including
  - giving a true and fair view, of the company's financial position as at 31 March, 2007, and of its performance for the 6 month period ended on that date: and
  - complying with Australian Accounting Standards and the *Corporation Regulations 2001*;
- other mandatory financial reporting requirements in Australia.



KANTILAL RATANSHI GOKANI  
96 Cahors Road, PADSTOW NSW 2211  
12th July, 2007

### STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS PERIOD ENDED 31ST MARCH, 2007

|                         | Issued capital<br>\$ | Accumulated<br>(Loss)<br>\$ | Total<br>equity<br>\$ |
|-------------------------|----------------------|-----------------------------|-----------------------|
| At 1 July 2006          | —                    | —                           | —                     |
| Issue of share capital  | 5,000.00             | —                           | 5,000.00              |
| Loss for the period     | —                    | (2,376.55)                  | (2,376.55)            |
| <b>At 31 March 2007</b> | <b>5,000.00</b>      | <b>(2,376.55)</b>           | <b>2,623.45</b>       |

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

### BALANCE SHEET AS AT 31 MARCH, 2007

|                                  | Note | 2007<br>\$      |
|----------------------------------|------|-----------------|
| <b>CURRENT ASSETS</b>            |      |                 |
| Cash and cash equivalent         |      | 3,650.95        |
| Receivables                      |      | 317.50          |
| <b>TOTAL CURRENT ASSETS</b>      |      | <b>3,968.45</b> |
| <b>NON-CURRENT ASSETS</b>        |      |                 |
| Establishment cost               | 3    | 855.00          |
| <b>TOTAL NON-CURRENT ASSETS</b>  |      | <b>855.00</b>   |
| <b>TOTAL ASSETS</b>              |      | <b>4,823.45</b> |
| <b>CURRENT LIABILITIES</b>       |      |                 |
| Accrued expenses                 |      | 2,200.00        |
| <b>TOTAL CURRENT LIABILITIES</b> |      | <b>2,200.00</b> |
| <b>TOTAL LIABILITIES</b>         |      | <b>2,200.00</b> |
| <b>NET ASSETS</b>                |      | <b>2,623.45</b> |
| <b>EQUITY</b>                    |      |                 |
| Contributed capital              | 4    | 5,000.00        |
| Accumulated (loss)               |      | (2,376.55)      |
| <b>TOTAL EQUITY</b>              |      | <b>2,623.45</b> |

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

### INCOME STATEMENT FOR THE 6 MONTH PERIOD ENDED 31 MARCH, 2007

|                                  | Note | 2007<br>\$        |
|----------------------------------|------|-------------------|
| Revenue                          |      |                   |
| <b>Less:</b>                     |      |                   |
| Expenses                         | 5    | (2,376.55)        |
| <b>(Loss) before income tax</b>  |      | <b>(2,376.55)</b> |
| Income tax expense               | 10   | —                 |
| <b>(Loss) after income tax</b>   |      | <b>(2,376.55)</b> |
| <b>Accumulated (loss) at end</b> |      | <b>(2,376.55)</b> |

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

### STATEMENT OF CASH FLOWS FOR THE 6 MONTH PERIOD ENDED 31 MARCH, 2007

|   | Note | 2007<br>\$      |
|---|------|-----------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>          |      |                 |
| Payments to suppliers                               |      | (399.05)        |
| <b>Net cash (outflow) from operating activities</b> | 7    | <b>(399.05)</b> |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>          |      |                 |
| Establishment cost                                  |      | (950.00)        |
| <b>Net cash (outflow) from investing activities</b> |      | <b>(950.00)</b> |
| <b>CASH FLOW FROM FINANCING ACTIVITY</b>            |      |                 |
| Issue of equity shares                              |      | 5,000.00        |
| <b>Net cash inflow from financing activities</b>    |      | <b>5,000.00</b> |
| <b>NET INCREASE in cash and cash equivalents</b>    |      | <b>3,650.95</b> |
| <b>CASH AT BEGINNING</b>                            |      | <b>—</b>        |
| <b>CASH AT 31 MARCH 2007</b>                        |      | <b>3,650.95</b> |

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

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS PERIOD ENDED 31 MARCH, 2007

#### NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), Urgent Issues Group Interpretation and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report has been prepared on accruals basis and is based on historical costs and does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The principal accounting policies adopted by the company in the preparation of the financial report are set out below.

#### a. Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax asset for unused tax loss is recognized only if it is probable that future taxable amount is recoverable to utilise the loss.

**b. Cash and equivalents**

For the purposes of cash flows, cash includes cash on hand and deposits held on call with banks or financial institutions.

**c. Revenue**

Revenue from sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to customers. There was no such revenue during the year.

Interest revenue is recognized on a proportional basis taking into account the interest rates applicable to the financial assets.

**d. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognized net of the amount of GST except where the GST is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognized as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Tax Office (ATO) is included as a current asset or liability in the balance sheet.

**31st March 2007**  
\$

**NOTE 3 ESTABLISHMENT COST**

|                                     |                      |
|-------------------------------------|----------------------|
| Establishment cost                  | 950.00               |
| Less establishment cost written off | (95.00)              |
| Establishment cost carried forward  | <u><u>855.00</u></u> |

**NOTE 4 CONTRIBUTED CAPITAL**

|  |                        |
|--|------------------------|
| Ordinary shares<br>(5,000 shares)          |                        |
| Issued and paid up capital during the year | <u><u>5,000.00</u></u> |

**NOTE 5 EXPENSES**

|                                |                        |
|--------------------------------|------------------------|
| Administrative and finance     | 281.55                 |
| Audit fee                      | 2,000.00               |
| Establishment cost written off | 95.00                  |
|                                | <u><u>2,376.55</u></u> |

**NOTE 6 REMUNERATION AND RETIREMENT BENEFITS**

No remuneration was paid or payable to directors of the company.

Names of directors who held office during the period are:

- Arun Kumar Jagatramka
- Mona Jagatramka (appointed on 15/02/2007)
- Sanjay Sharma

**NOTE 7 RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX**

|  |                        |
|--|------------------------|
| (Loss) from ordinary activities        | (2,376.55)             |
| Non cash flow items:                   |                        |
| Establishment expenses written off     | 95.00                  |
| <b>Change in asset and liabilities</b> |                        |
| Increase in accrued expenses           | 2,200.00               |
| (Increase) in receivable               | (317.50)               |
| <b>Cash outflow from operations</b>    | <u><u>(399.05)</u></u> |

**NOTE 8 RELATED PARTY TRANSACTION**

**Directors**

Disclosure relating to directors is set out in Note 6

The only shareholder is NRE Resources Pty Ltd a proprietary company in Australia which is a 100% subsidiary of Gujarat NRE Mineral Resources Limited a company limited by shares in India.

**Transactions With NRE Resources Pty Ltd a related Party**

Received \$ 5,000.00 against issue of 5,000 ordinary shares

**NOTE 9 AUDITOR'S REMUNERATION**

|   |                         |
|---|-------------------------|
|   | <b>31st March, 2007</b> |
|   | <b>\$</b>               |
| Amount due and receivable for the audit and review of the financial reports of the company                          | 2,200.00                |
| Amount received, or due and receivable, for the other services by Gokani & Associates in which auditor is a partner | 1,292.50                |
|   | <u><u>3,492.50</u></u>  |

**NOTE 10 INCOME TAX**

No income tax is payable during the period because of losses. Income tax benefit of \$113 on unrecouped tax loss of \$ 376.55 has not been brought into account but will be utilized to reduce tax on future profits.

**AUDITOR'S CERTIFICATE**

To  
The Board of Directors  
Gujarat NRE Mineral Resources Ltd.

Gujarat NRE Oil Pty. Ltd. (herein after referred to as "GNOL"), a sub-subsidiary of Gujarat NRE Mineral Resources Ltd.(herein after referred to as "GNML") was incorporated with Australian Securities and Investment Commission on 19th day of October, 2006 under the Corporations Act '2001 .

The attached audited accounts of the Company (GNOL) for the period ended on 31st March, 2007 drawn under Australian regulations comprising of financial statements together with Directors' Report, Independent Auditors' Report and Notes to accounts were audited by Mr. Kantilal Ratanshi Gokani of 96 Cahors Road, Padstow, NSW 2211. These accounts have been forwarded by GNOL for attaching with the audited accounts of holding company Gujarat NRE Mineral Resources Ltd.

In terms of the Section 212 of the Companies Act, 1956, the accounts of the subsidiary company, that has to be attached with the holding company's audited accounts, shall be drawn as per provisions of the Companies Act, 1956.

For the purpose of attaching the subsidiary's audited statement of accounts drawn in accordance with the provisions of the Companies Act, 1956, the holding company GNML has recasted the audited statements of accounts drawn under Australian Laws based on the information available with the holding company in India.

The recasted audited accounts of GNOL have been drawn in accordance with the Part-I & Part-II of the Schedule -VI of the Companies Act, 1956. For the purpose of these recasting, the Australian dollars have been converted in Indian rupee in accordance with the applicable exchange rate in accordance with AS-11.

For the purpose of checking this conversion and recasting, we have relied upon the independent audit report issued by Mr. Kantilal Ratanshi Gokani and as such we have not examined the accuracy and authenticity of any part of the said audited accounts.

On the basis of the said audited accounts and information and explanations given to us, we observe that the accounts of GNOL for the period ended 31st March, 2007 have been properly recasted in accordance with the Schedule-VI of the Companies Act, 1956.

For **N.C.Banerjee & Co.**  
Chartered Accountants



**B. Basu**  
Partner

Place : Kolkata  
Date the 27th day of July, 2007

Membership No. 12748

# GUJARAT NRE OIL PTY LTD

## BALANCE SHEET AS AT 31ST MARCH, 2007

|   | Schedules | (Rs. In, 000) |
|---|-----------|---------------|
| <b>SOURCES OF FUNDS:</b>  |           |               |
| <b>SHAREHOLDER'S FUNDS</b>  |           |               |
| Share Capital   | 1         | 177.25        |
| <b>TOTAL</b>  |           | <b>177.25</b> |
| <b>APPLICATION OF FUNDS:</b>  |           |               |
| <b>CURRENT ASSETS</b>   |           |               |
| Cash & Bank Balances  | 2         | 126.87        |
| Sundry Debtors  | 3         | 11.03         |
|   |           | <b>137.90</b> |
| <b>Less: CURRENT LIABILITIES</b>  |           |               |
| Liabilities   | 4         | 77.99         |
| <b>NET CURRENT ASSETS</b>   |           | <b>59.91</b>  |
| <b>MISCELLANEOUS EXPENDITURE</b><br>(To the extent not written off or adjusted) | 5         | 29.71         |
| <b>PROFIT &amp; LOSS ACCOUNT</b><br>(As per accounts annexed)                   |           | 82.47         |
| <b>FOREIGN CURRENCY TRANSLATION RESERVE</b>                                     |           | 5.16          |
| <b>TOTAL</b>  |           | <b>177.25</b> |
| Notes on Accounts   | 7         |               |

As per our attached certificate of even date to the Board of Directors

For **N.C.BANERJEE & CO.**  
Chartered Accountants

For Gujarat NRE Oil Pty Ltd



**B.BASU**  
Partner  
Membership No. 12748  
Kolkata, Dated the 27th day of July, 2007




**A.K.JAGATRAMKA**      **MONA JAGATRAMKA**  
Director                      Director

## PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2007

|                                  | Schedules | (Rs. In, 000)  |
|----------------------------------|-----------|----------------|
| <b>INCOME</b>                    |           |                |
| <b>EXPENDITURE</b>               |           |                |
| Administrative & Other expenses  | 6         | 82.47          |
| <b>Profit/(Loss) before Tax</b>  |           | <b>(82.47)</b> |
| Provision For Taxation           |           | —              |
| <b>Profit/(Loss) after Tax</b>   |           | <b>(82.47)</b> |
| Balance Brought forward          |           | —              |
| Balance Carried to Balance Sheet |           | <b>(82.47)</b> |
| Notes on Accounts                | 7         |                |

As per our attached certificate of even date to the Board of Directors

For **N.C.BANERJEE & CO.**  
Chartered Accountants

For Gujarat NRE Oil Pty Ltd



**B.BASU**  
Partner  
Membership No. 12748  
Kolkata, Dated the 27th day of July, 2007




**A.K.JAGATRAMKA**      **MONA JAGATRAMKA**  
Director                      Director

## SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED ON THAT DATE

|  | (Rs. in, 000) |
|--|---------------|
| <b>SCHEDULE – 1 : SHARE CAPITAL</b>                                  |               |
| <b>AUTHORISED:</b>   |               |
| 5000 Ordinary Shares   | 177.25        |
|  | <b>177.25</b> |
| <b>ISSUED, SUBSCRIBED AND PAID – UP:</b>                             |               |
| 5000 Ordinary Shares   | 177.25        |
|  | <b>177.25</b> |
| <b>SCHEDULE – 2 : CASH &amp; BANK BALANCES</b>                       |               |
| Cash in hand (As Certified by Management)                            | 126.87        |
| Balance with banks   | —             |
| In Current Account   | —             |
|  | <b>126.87</b> |
| <b>SCHEDULE – 3 : SUNDRY DEBTORS</b><br>(Unsecured, Considered Good) |               |
| Other Debts  | 11.03         |
|  | <b>11.03</b>  |
| <b>SCHEDULE – 4 : CURRENT LIABILITIES</b>                            |               |
| For Expenses   | 77.99         |
|  | <b>77.99</b>  |
| <b>SCHEDULE – 5 : MISCELLANEOUS EXPENDITURE</b>                      |               |
| Preliminary Expenses   | 29.71         |
|  | <b>29.71</b>  |
| <b>SCHEDULE – 6 : ADMINISTRATIVE &amp; OTHER EXP.</b>                |               |
| Auditors' Remuneration   | 69.41         |
| General Expenses   | 9.77          |
| Preliminary Expenses written off                                     | 3.30          |
|  | <b>82.47</b>  |

## SCHEDULE - 7 (Notes forming part of the Accounts for the period ended 31st March, 2007)

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretation and the Corporations Act 2001.

The Balance Sheet and Profit & Loss Account has been recasted as per Part-I & II of the Schedule VI of the *Companies Act 1956* and the foreign currency has been converted as per Accounting Standard-11.

#### Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

#### b) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

**SCHEDULE - 7 (Contd.)**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets for unused tax losses is recognised only if it is probable that future taxable amounts is recoverable to utilise the loss.

**c) Revenue**

Revenue from sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to customers. There was no such revenue during the year.

Interest revenue is recognized on a proportional basis taking into account the interest rates applicable to the financial assets.

**d) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognized net of the amount of GST except where the GST is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognized as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Tax Office (ATO) is included as a current asset or liability in the balance sheet

**e) Amortisation**

Preliminary expenses is amortised over the period of ten years.

**2. NOTES TO THE ACCOUNTS:****i) Remuneration and retirement benefits**

No remuneration was paid or payable to directors of the company. Names of directors who held during the period are:

Arun Kumar Jagatramka  
Mona Jagatramka  
Sanjay Sharma

**ii) Related Party transactions**

The only shareholder is NRE Resources Pty Ltd a proprietary company in Australia which is a 100% subsidiary of Gujarat NRE Mineral Resources Ltd. a company limited by shares in India.

Transactions with NRE Resources Pty Ltd a related Party

Received \$5,000 against issue of 5,000 ordinary shares.

**iii) The company was incorporated on 19th October, 2006 and this being the accounts for the first financial period of the company, there is no figure appearing as previous year figure.**

For **N.C.BANERJEE & CO.**

Chartered Accountants



**B.BASU**

Partner

Membership No. 12748

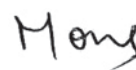
Kolkata, Dated the 27th day of July, 2007

For Gujarat NRE Oil Pty Ltd



**A.K.JAGATRAMKA**

Director



**MONA JAGATRAMKA**

Director

**DIRECTORS' REPORT**

Your directors present their report on the company for the 3 months period ended 31 March, 2007.

**DIRECTORS**

The names of Directors in office at any time during or since the end of the year are:

- Arun Kumar Jagatramka
- Mona Jagatramka (appointed on 15th February 2007)
- Sanjay Sharma

**OPERATING RESULTS**

The Company made a Loss of \$2,374.55 after providing for income tax of \$ Nil.

**PRINCIPAL ACTIVITIES**

The Company is engaged in Minerals Exploration activity.  
No significant changes in the nature of this activity occurred during the year.

**DIVIDENDS**

No dividend was paid during the year and none is recommended.

**OPTIONS**

No options to shares in the company have been granted during the or since the end of the financial year and there were no options outstanding at the date of this report.

**SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE**

No significant event has occurred since balance sheet date

**INDEMNIFICATION OF DIRECTORS AND OFFICERS**

The indemnification of directors, secretaries and senior managers of the companies are covered under a contract taken on global basis by one of the related company of the ultimate holding company Gujarat NRE Mineral Resources Ltd. in India. No indemnities have been given, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Company.

**NO LEAVE OR PROCEEDINGS**

No person has applied for leave of Court to bring proceedings on behalf of the Company, or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceeding.

**LIKELY DEVELOPMENTS**

Information on likely developments in the entity's operations in future financial years and the expected results of those operations has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated.

**NON AUDIT SERVICES**

During the year, the associate firm of the auditor Kantilal Ratanshi Gokani has performed certain other services in addition to the statutory duties of the auditor.

The Board has considered the non – audit services provided during the year by associated firm of the auditor and is satisfied that those non- audit services are compatible with, and did not compromise the auditor independence requirements of the *Corporation Act 2001* for the following reasons:

- All non audit services have been reviewed by the board to ensure these do not impact on the impartiality and objectivity of the auditor.
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in *Professional Statement F1 Professional Independence* as this did not involve reviewing or auditing the auditors own work, actions in a management or decision making capacity for the company, acting as an advocate for the company or jointly assessing risks and rewards.
- The ratio of non-audit fee to audit fees is at a level that would not impact the impartiality and objectivity of auditor.

**AUDITORS INDEPENDENCE DECLARATION**

The auditors independence declaration as required by sec 307C of the Corporation Act 2001 is set out herein after.

Signed in accordance with a resolution of the Board of Directors



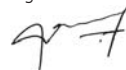
Director  
Dated this 12th July, 2007

**DIRECTORS' DECLARATION**

In the directors opinion:

1. the financial statements and notes, set out on pages herein are in accordance with the *Corporations Act 2001* and
  - a. comply with Accounting Standards and the *Corporations Regulations 2001* other mandatory professional reporting requirements in Australia and
  - b. give a true and fair view of the company's financial position as at 31 March, 2007, its performance, changes in equity and cash flows for the 3 months period ended on that date;
- 2 there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors



Director  
Dated this 12th July, 2007

**AUDITOR'S INDEPENDENCE DECLARATION**

I Kantilal Ratanshi Gokani being auditor of Gujarat NRE KOYALA Pty Ltd declare that to the best of my knowledge and belief, during the 3 months period ended 31 March, 2007 there have been :

- i no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to audit
- ii no contravention of any applicable code of professional conduct in relation to the audit.



Signed by KANTILAL RATANSHI GOKANI  
of 96 Cahors Road, PADSTOW NSW 2211  
Dated this 12th July, 2007

**INDEPENDENT AUDIT REPORT**

**TO MEMBERS OF GUJARAT NRE KOYALA PTY LTD**

**SCOPE**

**The financial report and directors' responsibility**

The financial report comprises the Balance Sheet, Income Statement, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements and the directors' declaration for the 3 months period ended 31 March, 2007.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

**AUDIT APPROACH**

I conducted an independent audit in order to express an opinion to members of the company. My audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

I performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the company's financial position, and of its performance as represented by the results of its operations, changes in equity and cash flows.

I formed my opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and

- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While I considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of my procedures, my audit was not designed to provide assurance on internal controls.

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

#### INDEPENDENCE

In conducting my audit I followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to my audit of the financial report, my firm Gokani & Associates was engaged to undertake services disclosed in the financial statements. The provision of these services has not impaired my independence.

#### AUDIT OPINION

In my opinion, the financial report of Gujarat NRE Koyala Pty Ltd is in accordance with:

- the *Corporation Act 2001*, including
  - giving a true and fair view, of the company's financial position as at 31 March, 2007, and of its performance for the 3 months period ended on that date; and
  - complying with Australian Accounting Standards and the *Corporation Regulations 2001*;
- other mandatory financial reporting requirements in Australia.



KANTILAL RATANSHI GOKANI  
96 Cahors Road, PADSTOW NSW 2211  
12th July, 2007

#### STATEMENT OF CHANGES IN EQUITY FOR THE 3 MONTHS PERIOD ENDED 31ST MARCH, 2007

|                         | Issued capital<br>\$ | Accumulated<br>(Loss)<br>\$ | Total<br>equity<br>\$ |
|-------------------------|----------------------|-----------------------------|-----------------------|
| At 1 July 2006          | —                    | —                           | —                     |
| Issue of share capital  | 5,000.00             | —                           | 5,000.00              |
| (Loss) for the period   | —                    | (2,374.55)                  | (2,374.55)            |
| <b>At 31 March 2007</b> | <b>5,000.00</b>      | <b>(2,374.55)</b>           | <b>2,625.45</b>       |

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

#### BALANCE SHEET AS AT 31 MARCH, 2007

|                                  | Note | 2007<br>\$      |
|----------------------------------|------|-----------------|
| <b>CURRENT ASSETS</b>            |      |                 |
| Cash and cash equivalent         |      | 3,653.00        |
| Receivables                      |      | 317.45          |
| <b>TOTAL CURRENT ASSETS</b>      |      | <b>3,970.45</b> |
| <b>NON-CURRENT ASSETS</b>        |      |                 |
| Establishment cost               | 3    | 855.00          |
| <b>TOTAL NON-CURRENT ASSETS</b>  |      | <b>855.55</b>   |
| <b>TOTAL ASSETS</b>              |      | <b>4,825.45</b> |
| <b>CURRENT LIABILITIES</b>       |      |                 |
| Accrued expenses                 |      | 2,200.00        |
| <b>TOTAL CURRENT LIABILITIES</b> |      | <b>2,200.00</b> |
| <b>TOTAL LIABILITIES</b>         |      | <b>2,200.00</b> |
| <b>NET ASSETS</b>                |      | <b>2,625.45</b> |
| <b>EQUITY</b>                    |      |                 |
| Contributed capital              | 4    | 5,000.00        |
| Accumulated (loss)               |      | (2,374.55)      |
| <b>TOTAL EQUITY</b>              |      | <b>2,625.45</b> |

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

#### INCOME STATEMENT FOR THE 3 MONTHS PERIOD ENDED 31 MARCH, 2007

|                                  | Note | 2007<br>\$        |
|----------------------------------|------|-------------------|
| Revenue                          |      | —                 |
| <b>Less:</b>                     |      |                   |
| Expenses                         | 5    | (2,374.55)        |
| <b>(Loss) before income tax</b>  |      | <b>(2,374.55)</b> |
| Income tax expense               | 10   | —                 |
| <b>(Loss) after income tax</b>   |      | <b>(2,374.55)</b> |
| <b>Accumulated (loss) at end</b> |      | <b>(2,374.55)</b> |

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

#### STATEMENT OF CASH FLOWS FOR THE 3 MONTHS PERIOD ENDED 31 MARCH, 2007

|   | Note | 2007<br>\$      |
|---|------|-----------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>          |      |                 |
| Payments to suppliers                               |      | (397.00)        |
| <b>Net cash (outflow) from operating activities</b> | 7    | <b>(397.00)</b> |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>          |      |                 |
| Establishment cost                                  |      | (950.00)        |
| <b>Net cash (outflow) from investing activities</b> |      | <b>(950.00)</b> |
| <b>CASH FLOW FROM FINANCING ACTIVITY</b>            |      |                 |
| Issue of equity shares                              |      | 5,000.00        |
| <b>Net cash inflow from financing activities</b>    |      | <b>5,000.00</b> |
| <b>NET INCREASE in cash and cash equivalents</b>    |      | <b>3,653.00</b> |
| <b>CASH AT BEGINNING</b>                            |      | <b>—</b>        |
| <b>CASH AT 31 MARCH 2007</b>                        |      | <b>3,653.00</b> |

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

#### NOTES TO THE FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD ENDED 31 MARCH, 2007

##### NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), Urgent Issues Group Interpretation and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report has been prepared on accruals basis and is based on historical costs and does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The principal accounting policies adopted by the company in the preparation of the financial report are set out below.

##### a. Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax asset for unused tax loss is recognized only if it is probable that future taxable amount is recoverable to utilise the loss.

## GUJARAT NRE KOYALA PTY LTD

### b. Cash and equivalents

For the purposes of cash flows, cash includes cash on hand and deposits held on call with banks or financial institutions.

### c. Revenue

Revenue from sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to customers. There was no such revenue during the year.

Interest revenue is recognized on a proportional basis taking into account the interest rates applicable to the financial assets.

### d. Goods and Services Tax (GST)

Revenues, expenses and assets are recognized net of the amount of GST except where the GST is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognized as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Tax Office (ATO) is included as a current asset or liability in the balance sheet.

31st March 2007

\$

### NOTE 3 ESTABLISHMENT COST

|                                       |               |
|---------------------------------------|---------------|
| Establishment cost                    | 950.00        |
| Less : Establishment cost written off | (95.00)       |
| Establishment cost carried forward    | <u>855.00</u> |

### NOTE 4 CONTRIBUTED CAPITAL

#### Ordinary shares (5,000 share)

|  |                 |
|--|-----------------|
| Issued and paid up capital during the year | <u>5,000.00</u> |
|--|-----------------|

### NOTE 5 EXPENSES

|                                |                 |
|--------------------------------|-----------------|
| Administrative and finance     | 279.55          |
| Audit fee                      | 2,000.00        |
| Establishment cost written off | 95.00           |
|                                | <u>2,374.55</u> |

### NOTE 6 REMUNERATION AND RETIREMENT BENEFITS

No remuneration was paid or payable to directors of the company.

Names of directors who held office during the period are:

Arun Kumar Jagatramka  
Mona Jagatramka (appointed on 15/02/2007)  
Sanjay Sharma

### NOTE 7 RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX

|  |                 |
|--|-----------------|
| (Loss) from ordinary activities        | (2,374.55)      |
| Non cash flow items:                   |                 |
| Establishment expenses written off     | 95.00           |
| <b>Change in asset and liabilities</b> |                 |
| Increase in accrued expenses           | 2,200.00        |
| (Increase) in receivables              | (317.45)        |
| <b>Cash outflow from operations</b>    | <u>(397.00)</u> |

### NOTE 8 RELATED PARTY TRANSACTION

#### Directors

Disclosure relating to directors is set out in Note 6

The only shareholder is NRE Resources Pty Ltd a proprietary company in Australia which is a 100% subsidiary of Gujarat NRE Mineral Resources Limited a company limited by shares in India.

#### Transactions With NRE Resources Pty Ltd a related Party

Received \$ 5,000.00 against issue of 5,000 ordinary shares

### NOTE 9 AUDITOR'S REMUNERATION

|   | 31st March, 2007 |
|---|------------------|
|   | \$               |
| Amount due and receivable for the audit and review of the financial reports of the company                          | 2,200.00         |
| Amount received, or due and receivable, for the other services by Gokani & Associates in which auditor is a partner | 1,292.00         |
|   | <u>3,493.00</u>  |

### NOTE 10 INCOME TAX

No income tax is payable during the period because of losses. Income tax benefit of \$113 on unrecouped tax loss of \$ 376 has not been brought into account but will be utilized to reduce tax on future profits.

### AUDITOR'S CERTIFICATE

To  
The Board of Directors  
Gujarat NRE Mineral Resources Ltd.

Gujarat NRE Koyala Pty.Ltd. (herein after referred to as "GNKL"), a sub-subsidiary of Gujarat NRE Mineral Resources Ltd.(herein after referred to as "GNML") was incorporated with Australian Securities and Investment Commission on 17th day of January, 2007 under the Corporations Act' 2001.

The attached audited accounts of the Company (GNKL) for the period ended on 31st March, 2007 drawn under Australian regulations comprising of financial statements together with Directors' Report, Independent Auditors' Report and Notes to accounts were audited by Mr. Kantilal Ratanshi Gokani of 96 Cahors Road, Padstow, NSW 2211. These accounts have been forwarded by GNKL for attaching with the audited accounts of holding company Gujarat NRE Mineral Resources Ltd.

In terms of the Section 212 of the Companies Act, 1956, the accounts of the subsidiary company, that has to be attached with the holding company's audited accounts, shall be drawn as per provisions of the Companies Act, 1956.

For the purpose of attaching the subsidiary's audited statement of accounts drawn in accordance with the provisions of the Companies Act, 1956, the holding company GNML has recasted the audited statements of accounts drawn under Australian Laws based on the information available with the holding company in India.

The recasted audited accounts of GNKL have been drawn in accordance with the Part-I & Part-II of the Schedule -VI of the Companies Act, 1956. For the purpose of these recasting, the Australian dollars have been converted in Indian rupee in accordance with the applicable exchange rate in accordance with AS-11.

For the purpose of checking this conversion and recasting, we have relied upon the independent audit report issued by Mr. Kantilal Ratanshi Gokani and as such we have not examined the accuracy and authenticity of any part of the said audited accounts.

On the basis of the said audited accounts and information and explanations given to us, we observe that the accounts of GNKL for the period ended 31st March, 2007 have been properly recasted in accordance with the Schedule-VI of the Companies Act, 1956.

For **N.C.Banerjee & Co.**  
Chartered Accountants



**B. Basu**  
Partner

Place : Kolkata  
Date the 27th day of July, 2007

Membership No.12748

## BALANCE SHEET AS AT 31ST MARCH, 2007

|   | Schedules (Rs. In, 000) |               |
|---|-------------------------|---------------|
| <b>SOURCES OF FUNDS:</b>  |                         |               |
| <b>SHAREHOLDER'S FUNDS</b>  |                         |               |
| Share Capital   | 1                       | 177.25        |
| <b>TOTAL</b>  |                         | <b>177.25</b> |
| <b>APPLICATION OF FUNDS:</b>  |                         |               |
| <b>CURRENT ASSETS</b>   |                         |               |
| Cash & Bank Balances  | 2                       | 126.94        |
| Sundry Debtors  | 3                       | 11.03         |
| <b>LESS: CURRENT LIABILITIES</b>  |                         | <b>137.97</b> |
| Liabilities   | 4                       | 77.99         |
| <b>NET CURRENT ASSETS</b>   |                         | <b>59.98</b>  |
| <b>MISCELLANEOUS EXPENDITURE</b><br>(To the extent not written off or adjusted) | 5                       | 29.71         |
| <b>PROFIT &amp; LOSS ACCOUNT</b><br>(As per accounts annexed)                   |                         | 82.40         |
| <b>FOREIGN CURRENCY TRANSLATION RESERVE</b>                                     |                         | 5.16          |
| <b>TOTAL</b>  |                         | <b>177.25</b> |
| Notes on Accounts   | 7                       |               |

As per our attached certificate of even date to the Board of Directors

For **N.C.BANERJEE & CO.**  
Chartered Accountants

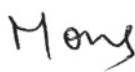
For Gujarat NRE Koyala Pty Ltd



**B. BASU**  
Partner  
Membership No. 12748  
Kolkata, Dated the 27th day of July, 2007



**A.K. JAGATRAMKA**  
Director



**MONA JAGATRAMKA**  
Director

## PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2007

|                                  | Schedules (Rs. In, 000) |                |
|----------------------------------|-------------------------|----------------|
| <b>INCOME</b>                    |                         | —              |
| <b>EXPENDITURE</b>               |                         |                |
| Administrative & Other expenses  | 6                       | 82.40          |
| <b>Profit/(Loss) before Tax</b>  |                         | <b>(82.40)</b> |
| Provision For Taxation           |                         | —              |
| <b>Profit/(Loss) after Tax</b>   |                         | <b>(82.40)</b> |
| Balance Brought forward          |                         | —              |
| Balance carried To Balance Sheet |                         | <b>(82.40)</b> |
| Notes on Accounts                | 7                       |                |

As per our attached certificate of even date to the Board of Directors

For **N.C.BANERJEE & CO.**  
Chartered Accountants

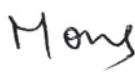
For Gujarat NRE Koyala Pty Ltd



**B. BASU**  
Partner  
Membership No. 12748  
Kolkata, Dated the 27th day of July, 2007



**A.K. JAGATRAMKA**  
Director



**MONA JAGATRAMKA**  
Director

## SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2007 AND PROFIT &amp; LOSS ACCOUNT FOR THE PERIOD ENDED ON THAT DATE

|  | (Rs. in, 000) |
|--|---------------|
| <b>SCHEDULE – 1 : SHARE CAPITAL</b>                                  |               |
| <b>AUTHORISED:</b>   |               |
| 5000 Ordinary Shares   | 177.25        |
|  | <b>177.25</b> |
| <b>ISSUED, SUBSCRIBED AND PAID – UP:</b>                             |               |
| 5000 Ordinary Shares   | 177.25        |
|  | <b>177.25</b> |
| <b>SCHEDULE – 2 : CASH &amp; BANK BALANCES</b>                       |               |
| Cash in hand (As Certified by Management)                            | 126.94        |
| Balance with banks   | —             |
| In Current Account   | —             |
|  | <b>126.94</b> |
| <b>SCHEDULE – 3 : SUNDRY DEBTORS</b><br>(Unsecured, Considered Good) |               |
| Other Debts  | 11.03         |
|  | <b>11.03</b>  |
| <b>SCHEDULE – 4 : CURRENT LIABILITIES</b>                            |               |
| For Expenses   | 77.99         |
|  | <b>77.99</b>  |
| <b>SCHEDULE – 5 : MISCELLANEOUS EXPENDITURE</b>                      |               |
| Preliminary Expenses   | 29.71         |
|  | <b>29.71</b>  |
| <b>SCHEDULE – 6 : ADMINISTRATIVE &amp; OTHER EXP.</b>                |               |
| Auditors' Remuneration   | 69.41         |
| General Expenses   | 9.70          |
| Preliminary Expenses written off                                     | 3.30          |
|  | <b>82.40</b>  |

## SCHEDULE - 7

(Notes forming part of the Accounts for the period ended 31st March, 2007)

## 1. SIGNIFICANT ACCOUNTING POLICIES

## a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretation and the Corporations Act 2001.

The Balance Sheet and Profit & Loss Account has been recasted as per Part-I & II of the Schedule VI of the *Companies Act 1956* and the foreign currency has been converted as per Accounting Standard-11.

**Reporting Basis and Conventions**

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

## b) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

**SCHEDULE - 7 (Contd.)**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets for unused tax losses is recognised only if it is probable that future taxable amounts is recoverable to utilise the loss.

**c) Revenue**

Revenue from sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to customers. There was no such revenue during the year.

Interest revenue is recognized on a proportional basis taking into account the interest rates applicable to the financial assets.

**d) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognized net of the amount of GST except where the GST is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognized as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Tax Office (ATO) is included as a current asset or liability in the balance sheet

**e) Amortisation**

Preliminary expenses is amortised over the period of ten years.

**2. NOTES TO THE ACCOUNTS:**

**i) Remuneration and retirement benefits**

No remuneration was paid or payable to directors of the company. Names of directors who held during the period are:

Arun Kumar Jagatramka  
Mona Jagatramka  
Sanjay Sharma

**ii) Related Party transactions**

The only shareholder is NRE Resources Pty Ltd a proprietary company in Australia which is a 100% subsidiary of Gujarat NRE Minerals Ltd a company limited by shares in India.

Transactions with NRE Resources Pty Ltd a related Party

Received \$5,000 against issue of 5,000 ordinary shares.

**iii) The company was incorporated on 17th January, 2007 and this being the accounts for the first financial period of the company, there is no figure appearing as previous year figure.**

For **N.C.BANERJEE & CO.**  
Chartered Accountants

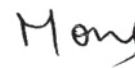
For Gujarat NRE Koyala Pty Ltd



**B. BASU**  
Partner  
Membership No. 12748  
Kolkata, Dated the 27th day of July, 2007



**A.K. JAGATRAMKA**  
Director



**MONA JAGATRAMKA**  
Director



## GUJARAT NRE MINERAL RESOURCES LIMITED

Registered Office : 22, Camac Street, Block – C,  
5th Floor, Kolkata – 700 016

### ATTENDANCE SLIP

| Member's Folio Number<br>DP ID and Client ID | Name of the attending Member<br>(IN BLOCK LETTERS) | No. of Shares<br>Held |
|--|--|-----------------------|
|  |  |                       |

Email :

(Please complete this Attendance Slip and hand it over at the entrance of the Meeting Hall)

I hereby record my presence at the 14th Annual General Meeting of the Company to be held at Ghanshyam Das Birla Sabhaghar, 29, Ashutosh Choudhury Avenue, Kolkata – 700 019 on Friday, the September 28, 2007 at 2.30 PM.

Name of the Proxy\* .....  
(IN BLOCK LETTERS)

(\*To be filled in case the Proxy attends instead of the Member)

\_\_\_\_\_  
Signature of the Shareholder/Proxy

(To be signed at the time of handing over this slip)

Note : Please bring the copy of the Annual Report 2006-07 to the Meeting Hall



## GUJARAT NRE MINERAL RESOURCES LIMITED

Registered Office : 22, Camac Street, Block – C,  
5th Floor, Kolkata – 700 016

### PROXY FORM

I/We ..... of ..... In the District of ..... being a member(s) of GUJARAT NRE MINERAL RESOURCES LIMITED, hereby appoint ..... of ..... in the district of ..... failing him/her ..... of ..... in the district of ..... as my/our proxy to vote for me/us and on my/our behalf at the 14th Annual General Meeting of the Company to be held at Ghanshyam Das Birla Sabhaghar, 29, Ashutosh Choudhury Avenue, Kolkata – 700 019 on Friday, the September 28, 2007 at 2.30 PM and at any adjournment thereof.

As witness my/our hand(s) this ..... day of ..... 2007

Folio No./DP ID & Client ID No .....

No. of Shares Held .....

Affix Rupee  
one  
Revenue  
Stamp

\_\_\_\_\_  
Signature

Note : The proxy form (duly filled up and signed) must be deposited at the Registered Office of the Company, not less than 48 hours before the time for holding of the aforesaid meeting.



---

## BOOK POST

***If undelivered please return to :***  
Niche Technologies (P) Ltd.  
D-511, Bagri Market, 5th Floor,  
71, B.R.B. Basu Road,  
Kolkata – 700 001

---