

20TH ANNUAL REPORT

2010-2011

GUJARAT NATURAL RESOURCES LIMITED

Regd. Office

8, Sigma Corporate, Nr. Mann Party Plot, S. G. Highway,
Ahmedabad – 380 059

GUJARAT NATURAL RESOURCES LIMITED

20th ANNUAL REPORT
2010 - 2011

BOARD OF DIRECTORS

| | |
|-----------------------|-------------------|
| ASHOK C. SHAH | CHAIRMAN |
| SHALIN A. SHAH | MANAGING DIRECTOR |
| HARIYANT C. SHELAT | DIRECTOR |
| MALAV A. MAHTA | DIRECTOR |
| ILESH SHAH | DIRECTOR |
| PRAVINBHAI V. TRIVEDI | DIRECTOR |

AUDITORS

M/s. PANKAJ K. SHAH ASSOCIATES
Chartered Accountants.

BANKERS

ICICI Bank Ltd., Ashram Road Branch, Ahmedabad
Union Bank of India, Ashram Road Branch, Ahmedabad
IDBI Bank, Lal Bungalow Branch, Ahmedabad.

REGD. OFFICE

8, Sigma Corporate, Nr. Mann Party Plot,
S. G. Highway, Ahmedabad – 59.

REGISTRAR & SHARE TRANSFER AGENTS

PURVA SHAREGISTRY (INDIA) PVT. LTD.
Shiv Shakti Industrial Estates, Unit No. 9
7-B, J. R. Boricha Marg,
Sitaram Mill Compound,
Mumbai 400 011.

NOTICE

Notice is hereby given that the 20th Annual General Meeting of the Members of GUJARAT NATURAL RESOURCES LIMITED will be held on September 30, 2011 at 10.00 A.M. at 8, Sigma Corporate, Nr. Mann Party Plot, S. G. Highway, Ahmedabad - 380 059 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet of the Company as at 31st March, 2011, Profit & Loss Account for the year ended on that date and Directors Report and the Auditors Report thereon.
2. To appoint a Director in place of Mr. Ashok C. Shah, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint auditors of the Company to hold office from the conclusion of this Annual General Meeting up to the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL RESOLUTION

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**.

"RESOLVED THAT in accordance with the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 ("Act") (including any amendment thereto or re-enactment thereof), and in accordance with the provisions of the Memorandum and Articles of Association of the Company and the Listing Agreement entered into with the Stock Exchanges where the Equity Shares of the Company are listed ("Stock Exchanges"), Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation, 2009 ("ICDR Regulations"), the Foreign Exchange management Act, 1999 (FEMA), Foreign Exchange Management (Transfer or issue of Security by a person resident outside India) Regulations, 2000 and Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 and the regulations / guidelines, if any, prescribed by the Securities and Exchange Board of India, Reserve Bank of India, the Stock Exchange, the Government of India or any other relevant authorities from time to time ("Government authorities"), to the extent applicable, and subject to such approvals, consents, permissions and sanctions as may be required from such Government Authorities, and subject to such conditions as may be prescribed by such Government Authorities while granting such approvals, consents, permissions and sanctions, which the Board of directors of the Company (hereinafter referred as to the "Board" which term shall be deemed to include any committee(s) constituted /-to be constituted by the Board to exercise its powers including the power conferred by this Resolution) is hereby authorized to accept on behalf of the Company; consent, authority and approval of the Company be and is hereby accorded to the Board to create, issue, offer and allot, (including the provisions for reservation on firm and / or competitive basis, of such part of issue and for such categories of persons as may be permitted), in the course of one or more public or private offerings in domestic and / or one or more international market(s) with or without green shoe option, Equity Shares including (including Qualified institutional Placements under ICDR Regulations)

and / or Equity Shares through Depository Receipts and / or convertible bonds and / or other securities convertible into Equity shares at the option of the company and / or the holder(s) of such securities linked to Equity Shares and / or securities including non - convertible debentures with warrants or other securities with or without warrants, which may either be detachable or linked, and which warrant has a right exercisable by the warrant holder to subscribe for the Equity Shares and / or warrants with an option exercisable by warrant holder to subscribe for the equity shares and / or any instrument or securities representing either Equity Shares and / or convertible securities linked to Equity Shares (including the issue and allotment of Equity Shares pursuant to Green Shoe Option, if any), (of all which are hereinafter collectively referred to as "Securities") to eligible investors under applicable laws, regulations and guidelines (whether residents and / or non - residents and / or institutions/banks and/or incorporated bodies, mutual funds, venture capital funds, and / or multi - lateral financial institutions and/or individuals and/or trustees and/or stabilizing agents or otherwise, and whether or not such investors are members of the Company), through prospectus and/or letter of offer or circular and/or public and/or private / preferential placement basis, to be made at such time/times, in one or more tranches, for cash, at such price or prices, in such manner and where necessary, in consultation with the Merchant Banker and/or other Advisors or otherwise, on such terms and conditions as the Board, may, in its absolute discretion, decide at the time of issue of Securities provided that the total amount raised through the issuance of securities shall not exceed Rs. 250 Crores or its equivalent in one or more currencies, including premium if any as may be decided by the Board; to all or any of the investors as mentioned above."

"RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid issue of the Securities may have all or any terms or conditions or combinations of terms in accordance with applicable regulations, prevalent market practices, etc."

"RESOLVED FURTHER THAT the Company and/or any agency or body of person authorized by the Board, may issue depository receipts representing, the underlying Equity Shares in the capital of the Company or such other Securities in negotiable, registered or bearer form (as may be permissible) with such features and attributes as may be required and to provide for the tradability and free transferability thereof as per market practices and regulations (including listing on one or more stock exchanges(s) in or outside India)."

"RESOLVED FURTHER THAT the relevant date for the determination of applicable price for the issue of the Depository Receipts and /or Securities issued pursuant to a QIP shall be the date on which the Board of the Company (including a Committee of the Board) decides to open the proposed issue, or the date on which the holder of the Securities which are convertible into or exchangeable with Equity Shares at a later date becomes entitled to apply for the said Equity Shares, as the case may be."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot such number of Securities as may be required to be issued and allotted, including issued and allotment of Equity Shares upon conversion of any Securities referred to above or as may be necessary in accordance with the terms of the offer, subject to the provisions of the Memorandum and Articles of Association of the Company and that all such Equity Shares shall rank pari passu inter-se and with the then existing Equity Shares of the company in all respects, including dividend, which shall be subject to relevant provisions in that behalf contained in the Articles of Association of the company."

"RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue or allotment of Equity Shares or Securities or instruments representing the same, as described above, the Board, where required in consultation with the Merchant Bankers and/ or other Advisors, be and is hereby authorized on behalf of the Company, to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose, including but not limited to the selection of QIBs to whom the securities are to be offered; issued and allotted, and matters related thereto, and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in regard to such issue(s) or allotment(s) as it may, in its absolute discretion, deem fit."

"RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid Securities may have such features and attributes or any terms or combinations of terms in accordance with international practices to provide for the tradability and free transferability thereof as per the prevailing practices and regulations in the capital markets including but not limited to the terms and conditions in relation to payment of interest, additional interest, premium on redemption, prepayment and any other debt service payments whatsoever including terms for issue of additional equity shares or variation of the conversion price of the Securities during the duration of the Securities and the Board be and is hereby authorized in its absolute discretion in such manner as it may deem fit, to dispose off such of the Securities that are not subscribed."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to appoint lead managers, underwriters, guarantors, depositories, custodians, registrars, trustees, bankers, lawyers; advisors and all such agencies as may be involved or concerned in such offerings of Securities and to remunerate them by way of commission, brokerage, fees or the like and also to enter into and execute all such arrangements, agreements, memorandum, documents, etc., with such agencies and also to seek the listing of such Securities on one or more national and international stock exchange(s) and the Equity Shares to be issued on conversion of the securities as set forth in the aforesaid resolution, if any, on any stock exchange(s), authorizing any director(s) or any officer(s) of the Company to sign for any on behalf of the Company, the offer document(s), agreement(s), arrangement(s), application(s), authority letter(s), or any other related paper(s) / document(s) and give any undertaking(s), affidavit(s), certificate(s), declaration(s) as the Board may in its absolute discretion deem fit including the authority to amend or modify the aforesaid document(s)."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to form a committee or delegate all or any of its power to any committee of directors to give effect to the aforesaid resolutions and is authorized to take such steps and to do all such acts, deeds, matters and things and accept any alterations or modification(s) as they may deem fit and proper and give such directions as may be necessary to settle any question or difficulty that may arise in regard to issue and allotment of Equity Shares including but not limited to:

- a) approving the offer document and filing the same with any authority or persons as may be required;
- b) taking decision to open the issue, decide bid opening and closing date.
- c) approving the issue price, the number of Securities to be allotted, the basis of allocation and allotment of Securities;

- d) arranging the delivery and execution of all contracts, agreements and all other documents, deeds and instruments as may be required or desirable in connection with the issue of Securities by the company;
 - e) opening separate special account(s) with bank(s) to receive monies in respect of the issue of the Securities;
 - f) making applications for listing of the Securities of the company on one or more stock exchange(s) and to execute and to deliver or arrange the delivery of the listing agreement(s) or equivalent documentation to the concerned stock exchange(s);
 - g) finalization of the allotment of the Securities on the basis of the bids received;
 - h) finalization of and arrangement for the submission of the placement document(s) and any amendments, supplements thereto, with any government and regulatory authorities, institutions or bodies as may be required;
 - i) approval of the preliminary and final placement document (including amending, varying or modifying the same, as may be considered desirable or expedient) as finalized in consultation with the lead managers / underwriters / advisors in accordance with applicable laws, rules, regulations and guidelines;
 - j) finalization of the basis of allotment in the event of over-subscription;
 - k) acceptance and appropriation of the proceeds of the issued of the Securities;
 - l) authorization of the maintenance of a register of holders of the securities;
 - m) authorization of any director or directors of the Company or other officer or officers of the Company, including by the grant of power of attorneys, to do such acts, deeds and things as authorized person in its absolute discretion may deem necessary or desirable in connection with the issue and allotment of the Securities;
 - n) seeking, if required, the consent of the Company's lenders, parties with whom the Company has entered into various commercial and other agreements, all concerned government and regulatory authorities in India, and any other consents that may be required in connection with the issue and allotment of the Securities;
 - o) seeking the listing of the Securities on any of the Stock Exchanges, submitting the listing applications to such Stock Exchanges and taking all actions that may be necessary in connection with obtaining such listing;
 - p) giving or authorizing the giving by concerned persons of such declarations, affidavits, certificates, consents and authorities as may be required from time to time; and
 - q) deciding the pricing and terms of the Securities, and all other related matters."
5. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**.

"**RESOLVED THAT** pursuant to the provisions of Section 61 and other applicable provisions of the Companies Act, 1956 and other applicable provisions of the Securities Contracts (Regulations) Act, 1956, and the rules/regulations/guidelines, framed there under including SEBI (Delisting of Equity Shares) Regulations 2009 (hereinafter referred to as 'Delisting Regulations'), (including statutory modification(s) or reenactments thereof for the time being in force), and all other applicable laws, rules, regulations and guidelines and subject to such approvals permissions and sanctions, as may be necessary and subject to such conditions and modification as may be prescribed or imposed by any authority while granting such approvals permissions and sanctions, which may be agreed to be the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall be deemed to include any committee thereof for the time being exercising the powers conferred on the Board by

the resolution), the consent of the Company be and is hereby accorded to the Board to delist the equity shares of the Company from Delhi Stock Exchange, Ahmedabad Stock Exchange Limited and Vadodara Stock Exchange Limited."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to settle all questions, difficulties or doubts that may arise in regard to the aforesaid voluntary Delisting of shares as it may in its absolute discretion deem fit without being required to seek any further approval of the members of otherwise to the end and intent that the members shall be deemed to have give their approval expressly by the authority of this resolution."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to take all necessary steps in this regard in order to comply with all the legal and procedural formalities and further to authorise any if its Committees or any of its Directors or any of the officers of the Company to do all such acts, deed or things to give effect to the aforesaid resolution."

By Order of the Board
For Gujarat Natural Resources Limited

Ashok C Shah
Chairman

Place : Ahmedabad
Date : 03.09.2011

Regd. Office:
8, Sigma Corporate, Nr. Mann Party plot,
S. g. Highway, Ahmedabad - 380 059

Annexure to the Notice of Annual General Meeting

**Details of Directors seeking Appointment/Reappointment In Annual General Meeting
(In pursuance of Clause 49(VI) A of the Listing Agreements)**

| | |
|---|---|
| Name of the Director | Ashok C. Shah |
| Age (Yrs.) | 67 |
| Qualifications | B.SC (India), B.S.Chem., Eng (USA), MIA (USA) |
| Designation | Director |
| Chairman/Member of the Committee of the Board of Directors of the Company | Member – Audit committee |
| No. of Shares held in the Company | 125100 |

Notes:

1. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business is annexed hereto.
2. A Member is eligible to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and a Proxy need not be a member. The instrument appointing a proxy shall be deposited at the Registered Office of the company not later than 48 hours before the time fixed for holding the meeting.
3. The Members are requested to notify change in their address to the company quoting their folio number at the earliest to avoid inconvenience at a later stage.
4. Members are requested to kindly bring their copy of the Annual Report with them at the Annual General Meeting, as no extra copy of Annual Report would be made available at the Annual General Meeting.
5. Shareholders seeking any information with regards to accounts are requested to write to the Company atleast 10 days before the date of Annual General Meeting so as to enable the management to keep the information ready.
6. Members/Proxies should bring the Attendance Slip attached herewith duly filled in for attending the meeting.
7. Register of Members shall remain closed from September 23, 2011 to September 30, 2011 (both days inclusive).
8. Member Companies/Organizations are requested to send a copy of the resolution of their Governing Body authorizing their representative to attend and vote at this Annual General Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956 IN RESPECT OF SPECIAL BUSINESS

ITEM No. 4

The Company has been exploring various avenues for arranging funds by way of issue of shares/ convertible securities in form of issues to Qualified Institutional Buyers and/or private placement and/or GDRs/ ADRs/ FCCBs issue, etc. The Company intends to infuse long term funds for various purposes, viz. for repayment of debt, to meet long terms working capital requirements, capital expenditure, and other general corporate purposes as per its growth and business related plans from

time to time. Accordingly, the management may consider to raise direct equity capital equivalent to amount not exceeding Rs. 250 crores (Rupees Two Hundred and Fifty crores only) in one or more tranches as may be advised by issue of equity shares and/or any other financial instruments convertible into equity through Qualified Institutions Placement (QIP) under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ["SEBI (ICDR) Regulations, 2009] and/or through issuance of securities in the international markets by way of GDRs in one or more tranches.

As per the provisions of regulation 85 of Chapter VIII of the SEBI (ICDR) Regulations, 2009, issue of specified securities shall be made at a price not less than the average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the two weeks preceding the relevant date. The relevant date for the purpose of Regulation 85 means the date of meeting in which the Board or any Committee of Directors duly authorised by the Board of the Company decides to open the proposed issue.

Further pursuant to the provisions of Chapter VIII of the SEBI (ICDR) Regulations, 2009, the aggregate of the proposed Qualified Institutions Placements and all previous Qualified Institutions Placements made by the Company in the same financial year shall not exceed 5 times the net worth of the Company as per the audited balance sheet of the previous financial year.

For making any further issue of shares to any person/s other than existing Equity Shareholders of the Company as also under the provisions of SEBI (ICDR) Regulations, 2009, approval of Shareholders is required to be obtained by way of passing a Special Resolution, in pursuance to the provisions of section 81 (1A) of the Companies Act, 1956 (the Act).

Therefore, the Board of your Company has recommended the Resolution contained in Item No. 4 to be passed by the shareholders, so as to enable it to issue further equity shares and/or other securities which will include issue on QIP basis.

None of the Directors of the Company is, in any way, concerned or interested in the proposed Resolution.

ITEM No. 5

Presently, the securities i.e. equity shares of the Company are listed at four stock exchanges at Bombay Stock Exchange Limited, Delhi Stock Exchange, Ahmedabad Stock Exchange Limited and Vadodara Stock Exchange Limited, Consequent to technological developments, Shares of the company are traded all over India through on line terminals provided by the Bombay Stock Exchange Limited (BSE), Looking at the record of the past couple of years, it has been found that the Company's shares have never been traded on any of the stock exchanges.

In view of this, as per the applicable provisions of the Delisting Guidelines, the Company wishes to get the Equity Shares of the Company delisted from Delhi Stock Exchange, Ahmedabad Stock Exchange Limited and Vadodara Stock Exchange Limited. No inconvenience will be caused to any of the shareholders residing in the respective regions, since BSE at these regions provide on-line terminals for trading. Further, listing of the Company's shares in many stock exchanges, apart from not adding any value to the shareholders, results in unavoidable cost, administrative work delay and inconvenience. As the first step towards this process, the approval of the members of the Company is being sought by way of special resolution as per Delisting Regulations.

The Directors therefore recommend this Special Resolution for the approval of the members.

No Director is concerned or interested in the said resolution:

By Order of the Board
For Gujarat Natural Resources Limited

Place : Ahmedabad
Date : 03.09.2011

Ashok C Shah
Chairman

Regd. Office:
8, Sigma Corporate, Nr. Mann Party plot,
S. G. Highway, Ahmedabad -- 380 059

DIRECTORS REPORT

Dear Members,

Your Directors are pleased to present the 20th Annual Report of the Company and Audited Accounts for the financial year ended 31st March, 2011.

Financial Results

The financial highlights of the Company for the fiscal year 2010 as compared to the previous fiscal year on Consolidated and Standalone basis are as below:

| Particulars | (Rs. In Lacs) | |
|---------------------------------------|---------------|-----------|
| | 2009-2010 | 2010-2011 |
| Sales & Other Income | 598.21 | 204.70 |
| Profit before Depreciation & Taxation | 4.25 | 3.88 |
| Depreciation | 3.55 | 3.27 |
| Taxation | 1.55 | 0.20 |
| Net Profit after tax for the year | (0.85) | 0.41 |

Status of the Project.

The Company is engaged in the business of Oil & Gas exploration and production, and currently the company is carrying on these activities through its 100% owned subsidiaries. The Company currently holds 30% participating interest (through its 100% owned subsidiary) in six producing Oil & Gas fields in the Cambay Basin. It is an operation in majority of these fields (with remainder held by Government of India and operator as GSPCL – Gujarat State Petroleum Corporation Limited).

Future outlook

The Company plans to acquire new units producing small & medium sized Oil & Gas fields in India & abroad to push production levels to 2500 BOPD mark. The company is planning strategic entry into proven basins across the globe and own marquee assets – presently evaluating on shore producing assets in South East Asian region.

Finance

During the year the company has raised finance by issuing Equity share, Share Warrants and OFCD under preferential issue guideline of the SEBI to finance the projects of the Company.

Share Capital

The paid up equity share capital of your company increased to Rs. 387,516,450 due to Conversion of 5,714,285 OFCD into 5,714,285 Equity Shares of Rs. 10/- each as on 15.02.2011 and 8,571,000 Share Warrants into 8,571,000 Equity Shares of Rs. 10/- each as on 15.02.2011.

Subsidiary Company

With a view to market the Company across the globe, your company has 4 International subsidiaries. Apart from International subsidiaries, there are 2 Indian subsidiaries.

Statement under Section 212 of the Companies Act, 1956 relating to subsidiaries is enclosed herewith. Further as required under Accounting Standard 21, consolidated account of parent and subsidiary companies are also enclosed with the accounts.

Particulars of Employees

There are no employees drawing remuneration exceeding the limit stipulated under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

Statutory Information

Particulars of conservation of energy etc. u/s 217(1)(e) are not applicable as the Commercial Production has not yet commenced. There are no plans to import any kind of technology for the project and hence information regarding its absorption is not applicable. There is no foreign exchange income or outgo.

Directors

Mr. Ashok C. Shah retire from the Board by rotation at the ensuing Annual General Meeting and being eligible offer himself for reappointment.

Brief resume of the Directors seeking appointment / reappointment together with the nature of their expertise in specific functional areas, name of companies in which they hold directorships and the membership of Committees of the Board and Shareholding of non-executive directors as stipulated under clause 49 of the Listing Agreement are given in the Corporate Governance Report and Annexure to AGM Notice.

Public Deposits

Your company has not accepted any fixed deposit under Section 58A of the Companies Act, 1956 and hence no amount of principal or interest was outstanding as at the Balance Sheet date.

Auditors

The Statutory Auditors of the Company M/s. Pankaj K. Shah, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of Statutory Auditors, if reappointed.

The Audit Committee and the Board of Directors recommended reappointment of M/s. Pankaj K. Shah, Chartered Accountants, as Statutory Auditors of the Company for the financial year 2011-2012 for shareholder's approval.

Directors responsibility Statement

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, it is hereby confirmed:

1. That in the preparation of the Accounts for the Financial Year ended 31st March, 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 ended on 31st March, 2011 and of the profit and loss of the Company for the year under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the accounts for the financial year ended 31st March, 2011 on 'going concern' basis.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement, a report on Corporate Governance is given in Annexure – II.

Management Discussion & Analysis

Management Discussion & Analysis is given separately and forms part of this annual report.

Acknowledgment

The Board greatly appreciates the commitment and dedication of employees at all levels who have contributed to the growth and success of the Company. We would also thank all our clients, vendors, investors, bankers and other business associates for their continued support and encouragement during the year.

We also thank the Government of India, Government of Gujarat, Ministry of Commerce and Industry, Ministry of Finance, Customs and Excise Departments, Income Tax Department, and all other Government Agencies for their support during the year and look forward to their continued support in the future.

By Order of the Board
For Gujarat Natural Resources Limited

Place : Ahmedabad
Date : 03.09.2011

Ashok C. Shah
Chairman

CORPORATE GOVERNANCE REPORT

Company Philosophy:

Gujarat Natural Resources Limited involves transparency, full disclosure, independent monitoring of the state of affairs and being fair to all stakeholders. The Company's philosophy envisages the attainment of the highest standards of Corporate Governance by timely disclosures, transparent accounting policies, responsibility and fairness. Its endeavor is to maximize the long term value of the Shareholders of the Company.

Board of Directors

The Board of Directors comprises of 6 Directors as on 31st March, 2011

Composition, Category and Designation of Directors

| Name of Director | Category | Designation |
|---------------------------|-------------------------------------|-------------------|
| Mr. Ashok C. Shah | Promoter, Non Executive Director | Chairman |
| Mr. Shalin A. Shah | Promoter, Executive Director | Managing Director |
| Mr. Hariyant C. Shelat | Independent, Non Executive Director | Director |
| Mr. Ilesh Shah | Promoter, Non Executive Director | Director |
| Mr. Malav Mehta | Promoter, Non Executive Director | Director |
| Mr. Pravinbhai V. Trivedi | Independent, Non Executive Director | Director |

| Name of Director | Attendance Particulars | | No. of other Directorships and Committee Memberships / Chairmanships | | |
|---------------------------|------------------------|----------|--|-----------------------|-------------------------|
| | Board Meetings | Last AGM | Other Public Directorships | Committee Memberships | Committee Chairmanships |
| Mr. Ashok C. Shah | 6 | Yes | 1 | 1 | — |
| Mr. Shalin A. Shah | 6 | Yes | 1 | 1 | — |
| Mr. Hariyant C. Shelat | 6 | Yes | — | 1 | 1 |
| Mr. Ilesh Shah | 6 | Yes | — | — | — |
| Mr. Malav Mehta | 6 | Yes | — | — | — |
| Mr. Pravinbhai V. Trivedi | 6 | Yes | — | 1 | 1 |

Number & Dates of Board Meetings

During the year under review Six Meetings of Board of Directors were held on 10.04.2010, 15.05.2010, 14.08.2010, 04.09.2010, 15.11.2010 and 15.02.2011.

Audit Committee

The Board of Directors have constituted the Audit Committee to assist the Board in discharging its responsibilities effectively. The constitution of the Audit Committee also meets with the requirements of Section 292A of the Companies Act, 1956.

Composition and Terms of Reference

The Board has constituted Audit Committee comprising three Directors namely Mr. Ashok C. Shah, Mr. Pravinbhai V. Trivedi and Mr. Hariyant C. Shelat. Mr. Hariyant C. Shelat is the Chairman of the Audit Committee. Except Mr. Ashok C. Shah all other members are Independent. The composition of the Audit Committee meets the requirements of Section 292A of the Companies Act, 1956. The Committee deals with accounting matters, financial reporting and internal controls. Terms of reference of Audit Committee specified by the Board are as contained in section 292A of the Companies Act, 1956 and clause 49 of the Listing Agreement with Stock Exchanges.

Meetings and attendance during the year

During the year under review Five Meetings of Audit Committee were held on 15.05.2010, 14.08.2010, 04.09.2010, 15.11.2010 and 15.02.2011.

Remuneration Committee

The Company has not set up a Remuneration Committee. The remuneration of Executive Directors were fixed by the Board and approved by the Shareholders at the Annual General Meeting.

Details of Remuneration paid to Directors during the year.**A. Executive Directors**

The remuneration paid to Directors during the financial year ended 31st March, 2011 are as follows:

| Executive Director | Salary (Rs.) |
|--------------------|--------------|
| Mr. Shalin A. Shah | Rs. 600000/- |

B. Non Executive Directors

No sitting fees have been paid to Non -- Executive Directors for attending any meetings during the financial year ended 31st March, 2011.

Shareholders'/Investors' Grievance Committee

As a measure of good Corporate Governance and focusing on strengthening the relation with the stakeholders, the Board has formed Shareholders/ Investors' Grievance Committee.

Constitution and Composition

The Committee was constituted comprising of the following directors as members: Mr. Hariyant C. Shelat and Mr. Shalin A. Shah are the members and Mr. Pravinbhai Trivedi is the Chairman of the Committee.

The Committee was constituted to look into the Investors' complaints and to redress the same expediently. The committee, inter alia, approves, issue of duplicate certificates and overseas and reviews all matters connected with the transfer of securities. The Committee also looks into shareholders' complaints like transfer of shares, non receipts balance sheet, etc. The Committee oversees the performance of the Registrar and Transfer Agents, and recommends measures for overall improvement in the quality of investor services.

During the year, 22 complaints were received from the Shareholders and all 22 complaints were resolved. The Company has no transfer pending at the close of the financial year.

General Body Meetings

Date, Time, Venue and any Special Resolution passed at last three Annual General Meeting:

| Year | Date/Time | Venue |
|-----------|-----------------------------------|---|
| 2009-2010 | 30th September, 2010 / 10.00 A.M. | 8, Sigma Corporate, Nr. Mann Party Plot, S. G. Highway, Ahmedabad - 380 059 |
| 2008-2009 | 30th September, 2009 / 10.00 A.M. | 7th Floor, Ashoka Chambers, Nr. Lions Hall, Mithakhali Six Roads, Ahmedabad - 380 006 |
| 2007-2008 | 29th September, 2008 / 10.00 A.M. | 7th Floor, Ashoka Chambers, Nr. Lions Hall, Mithakhali Six Roads, Ahmedabad - 380 006 |

DISCLOSURES**Disclosures on materially significant related party transactions that may have potential conflict with the interests of company at large**

During the year, there were no materially significant transaction with related parties except disclosed in notes on accounts as per accounting standard 18 viz. its promoters, the Directors or the Management, their subsidiaries or relatives, etc., that may have potential conflict with the interest of the Company at large.

Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

Nil.

Details of compliance with mandatory requirements and adoption of the non- mandatory requirements of this clause.

All the mandatory requirements has been adopted by the Company and the Company has not adopted the Non-Mandatory requirements.

Disclosures of Accounting Treatment

In the preparation of the financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India. The significant accounting policies which are consistently applied are set out in the Notes of the Accounts.

Means of Communication

Financial Year Calendar for 2011-2012 (tentative)

Results for the quarter ended 30th June, 2011 :
Results for the quarter ended 30th September, 2011 :
Results for the last quarter Ended 31st December, 2011 :
Results for the quarter ended 31st March, 2012 :
Annual General Meeting for the year ending 31st March, 2012 :

Second Week of August 2011
Second Week of November 2011
Second Week of February 2012
Second Week of May 2012

September 2012

General Information for Shareholders

Date, Time and Venue of Annual General Meeting:

30th September, 2011 at 10.00 A.M. at
8, Sigma Corporate, Nr. Mann Party
Plot, S. G. Highway,
Ahmedabad - 380 059

Financial Year of the Company:

31st March every year.

Book Closure dates:

From 23rd September, 2011 to 30th
September, 2011 (both days inclusive)
for the purpose of the Annual General
Meeting.

Dividend Payment Date

Not Applicable

Listing on Stock Exchanges:

The Bombay Stock Exchange Limited

Stock Code:

a. Scrip code Bombay Stock Exchange :
Scrip ID Bombay Stock Exchange :
b. Demat ISIN Number in NSDL & CDSL:

513536
GNRL
INE207H01018

Monthly High / low Closing Stock Quotation at BSE

| Month | Share Prices | |
|------------|--------------|--------|
| | High | Low |
| April 2010 | 134.45 | 106.05 |
| May 2010 | 135.00 | 83.00 |
| June 2010 | 115.00 | 88.00 |
| July 2010 | 132.40 | 95.00 |

| | | |
|----------------|--------|--------|
| August 2010 | 140.00 | 123.60 |
| September 2010 | 136.75 | 110.00 |
| October 2010 | 128.80 | 96.00 |
| November 2010 | 115.00 | 74.25 |
| December 2010 | 101.30 | 68.05 |
| January 2011 | 84.90 | 71.50 |
| February 2011 | 81.90 | 71.00 |
| March 2011 | 87.80 | 72.00 |

Registrar and Share Transfer Agents
PURVA SHAREGISTRY (INDIA) PVT. LTD.
Shiv Shakti Industrial Estates, Unit No. 9
7-B, J. R. Boricha Marg,
Sitaram Mill Compound, Mumbai – 400 011

Share Transfer System

The Company had appointed M/s Purva Sharegistry (India) Pvt. Ltd. As the Registrar and Transfer Agents. Valid Share Transfers in physical form and complete in all respects were approved and registered within the stipulated period.

Distribution of Shareholding as on 31st March, 2011

| No. of Equity Shares | No. of Shareholders | % of total Shareholders | No. of Shares | % to total Capital |
|----------------------|---------------------|-------------------------|-----------------|--------------------|
| Upto – 5000 | 6040 | 84.11 | 1263142 | 3.26 |
| 5001 – 10000 | 548 | 7.63 | 464165 | 1.20 |
| 10001 – 20000 | 213 | 2.97 | 330202 | 0.85 |
| 20001 – 30000 | 67 | 0.93 | 168557 | 0.43 |
| 30001 – 40000 | 54 | 0.75 | 190924 | 0.49 |
| 40001 – 50000 | 44 | 0.61 | 204217 | 0.53 |
| 50001 – 100000 | 68 | 0.95 | 483044 | 1.25 |
| 100001 – above | 147 | 2.05 | 35647394 | 91.99 |
| Total | 7181 | 100.00 | 38751645 | 100.00 |

Dematerialization of shares and liquidity

The shares of the company are permitted for demat on NSDL and CDSL

| | | |
|---|---|-------------------|
| Issued, Subscribed and Paid up Capital | : | 38,751,645 |
| A. Electronic Holding in NSDL | : | 7,696,400 |
| B. Electronic Holding in CDSL | : | 13,035,652 |
| C. Physical Holding | : | 18,019,593 |

Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity
NIL.

Address for Correspondence

For Shares held in Physical & Demat form
PURVA SHAREGISTRY (INDIA) PVT. LTD.
(Unit : Gujarat Natural Resources Limited)
Shiv Shakti Industrial Estates, Unit No. 9
7-B, J. R. Boricha Marg,
Sitaram Mill Compound, Mumbai – 400 011

Any Query on Annual Report
Gujarat Natural Resources Limited
Secretarial Department
8, Sigma Corporate,
Nr. Mann Party Plot,
S. G. Highway,
Ahmedabad – 380 059

For any other queries: email : info@gnd.in

DECLARATION ON COMPLIANCE WITH CODE OF CONDUCT

As provided under clause 49 of the Listing Agreement with the Stock Exchange, all Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for the year ended March 31, 2011.

For Gujarat Natural Resources Limited

Place : Ahmedabad
Date : 03.09.2011

Shalin A. Shah
Managing Director

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Gujarat Natural Resources Limited

We have examined the compliance of the conditions of Corporate Governance by Gujarat Natural Resources Limited for the year ended March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, representations made by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended March 31, 2011, no investor grievances are pending against the Company for a period exceeding one month as per the records maintained by the Company and presented to the investors / shareholders Grievances Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

FOR PANKAJ K. SHAH ASSOCIATES
Firm Registration No. 107352W
CHARTERED ACCOUNTANTS

Place : Ahmedabad
Date : 03.09.2011

(Pankaj K. Shah)
PROPRIETOR
M. NO. 34603

AUDITORS' REPORT

To,
The Members of
GUJARAT NATURAL RESOURCES LIMITED
Ahmedabad

1. We have audited the attached Balance Sheet of **GUJARAT NATURAL RESOURCES LIMITED** Ahmedabad as at 31st March, 2011 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. 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 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 from any 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 presentation of financial statement. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) Order, 2003, as amended by the companies (Auditor's Report) (amendment) order, 2004 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 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 purposes 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 such books;
 - (c) The Balance Sheet and Profit & Loss Account and Cash Flow Statement dealt with, by this report are in agreement with the books of accounts.
 - (d) In our opinion, Balance Sheet and Profit and Loss account and Cash flow statement dealt with by this report comply with the Accounting Standard referred to in sub Section (3C) of section 211 of the Companies Act, 1956 to the extent applicable.
 - (e) On the basis of the written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors of the company are prima facie disqualified as at 31st March 2011 from being appointed as Directors of the company in terms of Clause (g) of Section 274(1) of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanation given to us, the attached accounts **subject to the following qualifying notes** give the information required by the Companies Act, 1956 in the manner so required.
 - a) Note No. 3 at Schedule - 13 regarding non-provision of doubtful debts amounting to Rs. 260.46 lacs, as a result thereof the debit balance of profit & loss A/c gets understated by the said sum and correspondingly Sunary debtors, doubtful of recovery not provided for is understated by the said sum.
 - b) The company has in past granted/ renewed loans and advances to certain parties which has been identified as non-performing asset. Accordingly company has not recognized any income from the same. In the opinion of the directors, the process of recovery is going on and the same is not fully doubtful of recovery. However in our opinion company needs to make provision for such long outstanding non-performing assets amounting to Rs. 136.65 lacs. Due to non-provision in this regard, the debit balance of profit & loss account is under stated and the balance of loans and advances is over stated by the said sum.

Subject to the above qualifying notes, the attached accounts give the information referred by the Companies Act, 1956 in the manner so required and it gives a true and fair view.

- (i) In the case of the Balance Sheet, of the state of the affairs of the Company as at 31st March, 2011, and
- (ii) In the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date.
- (iii) In the case of Cash Flow Statement, of the cash flows of the company for the year ended on that date :

**FOR PANKAJ K. SHAH ASSOCIATES
Firm Registration No. 107352W
CHARTERED ACCOUNTANTS**

Place : Ahmedabad

Date : 03.09.2011

**(PANKAJ K. SHAH)
PROPRIETOR
M. No. 34603**

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 3 of the Auditor's report to the members of **GUJARAT NATURAL RESOURCES LIMITED**, on the accounts for the year ended on 31st March, 2011.

1. a. According to the information and explanation given to us, the fixed assets records showing full particulars including quantitative details and situation of fixed assets are under compilation.
- b. As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such physical verification.
- c. In our opinion, the company has not disposed of substantial part of its fixed assets during the year and the Going Concern status of the Company is not effected.
2. a. The Inventories lying with the company have been physically verified by the management to the extent practicable at reasonable interval during the year or at the year end.
- b. In our opinion the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c. In our opinion the company is maintaining proper records of inventories and according to the records of the company the discrepancies noticed on physical verification of stocks as compared to book records were not material.
3. (a) According to the information and explanations given to us, the Company has taken/granted unsecured loans from/to companies covered in the Register maintained under Section 301 of the Companies Act, 1956:
 - (i) (a) The company has taken loan from its wholly owned subsidiary company covered in the Register maintained u/s 301 of the Companies Act, 1956. The amount involved (i.e. the maximum amount outstanding during the year was Rs. 64.00 lacs). Rs. Nil was payable to this party as at the close of the accounting year.
 - (b) The Company has taken interest free loans from Four party covered in the aforesaid Register. The amount involved (i.e. the maximum amount outstanding during the year was Rs. 1001.19 lacs). Rs. 458.87 lacs were payable to these parties as at the close of the accounting year.
 - (ii) (a) The company has granted loan to its wholly owned subsidiary company covered in the Register maintained u/s 301 of the Companies Act, 1956. The amount involved (i.e. the maximum amount outstanding during the year was Rs. 3154.50 lacs). Rs. 3154.50 lacs was receivable from this party as at the close of the accounting year.
 - (b) The company has granted loan to Seven parties in the Register maintained u/s 301 of the Companies Act, 1956. The amount involved (i.e. the maximum amount outstanding during the year was Rs. 1729.58 lacs). Rs. 469.54 lacs was receivable from these parties as at the close of the accounting year.
- (b) According to the information and explanation given to us, the terms and conditions in respect of unsecured loans taken by the Company are not prima-facie prejudicial to the interest of the Company.
- (c) In our opinion and according to the information and explanations given to us, the payment of principal amount are on demand.
- (d) In our opinion and according to the information and explanation given to us, there are no overdue amounts in respect of the transactions listed in clause (a) above.
4. In our opinion and on the basis of test checks carried out by us, it appears that there are adequate internal control procedures commensurate with the size of the company and the nature of its business, with regard to purchase of inventory, fixed assets and for the sale of goods. During the course of audit, we have neither come across nor have been informed of

any instance of major weakness in aforesaid internal control procedure, which would require corrective action.

5. a. In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered in the Register maintained under Section 301 of the Companies Act, 1956.
- b. As there are no transactions that need to be entered into the register maintained under section 301 of the Companies Act, paragraph 4(v)(b) of the order is not applicable.
6. The Company has not accepted deposits from public.
7. The company did not have any formal internal audit system during the year under review. In the opinion of the management, the existing internal control procedures are adequate and hence separate internal audit is not called for.
8. According to the information given to us by the Management the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for the activities of the Company.
9. (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income-tax, VAT, wealth tax, custom duty, Service tax, excise duty, cess and any other statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, VAT, wealth tax, custom duty, service tax, excise duty, cess were in arrears, as at 31st March, 2011 for a period of more than six months from the date they became payable.
10. The company has no accumulated losses and has not incurred any cash losses during the current financial year and in the immediately preceding financial year.
11. According to the records of the company, and the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or bank during the financial year.
12. In our opinion, the company has not granted any loans and advances on the basis of security by way of pledge of shares and other securities.
13. In our opinion, the provisions of any special statute applicable to chit fund or nidhi mutual fund or mutual benefit fund/ societies are not applicable to the company.
14. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
15. As per the information and explanations given to us, the company during the years has not given guarantees for loans taken by others from bank.
16. The company has not availed any term loan facility during the year.
17. According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the company for the year under audit, prima facie no funds raised on short-term basis have been used for long term investment.
18. During the year the company has not made any preferential allotment of shares to persons covered in the register maintained u/s 301 of the Act except 14285285 equity shares have been issued to promoters / non-promoters on conversion of warrants and OFCD under SEBI Guidelines on Preferential Issue.
19. The Company has not issued any debenture during the year.
20. The company has not raised any money by way of public issues during year.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have neither come across any

instance of fraud on or by the company or have we been informed of such case by the management.

Place : Ahmedabad

Date : 03.09.2011

FOR PANKAJ K. SHAH ASSOCIATES
Firm Registration No. 107352W
CHARTERED ACCOUNTANTS

(PANKAJ K. SHAH)
PROPRIETOR
M. No. 34603

GUJARAT NATURAL RESOURCES LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2011

| Particulars | Schedule | Current Year (Rs.) | Previous Year (Rs.) |
|--|----------|--|------------------------|
| SHAREHOLDERS' FUND | | | |
| Share Capital | 1 | 387,516,450.00 | 327,105,225.00 |
| Reserve & Surplus | 2 | 434,568,266.96 | 77,521,286.58 |
| LOAN FUND: | | | |
| Secured Loan | | - | - |
| Unsecured Loan | 3 | 45,887,613.00 | 230,999,975.00 |
| TOTAL RS... | | 867,972,329.96 | 635,626,486.58 |
| APPLICATION OF FUNDS: | | | |
| FIXED ASSETS: | | | |
| Gross Block | 4 | 16,946,353.00 | 16,946,353.00 |
| Less : Depreciation | | 2,082,859.98 | 1,727,731.00 |
| Net Block | | 14,863,493.02 | 15,218,622.00 |
| INVESTMENTS | 5 | 166,850,000.00 | 187,550,000.00 |
| CURRENT ASSETS & LOANS & ADVANCES: | | | |
| Inventories (As taken, valued and certified by the management) | | - | 1,595,086.00 |
| Sundry Debtors | 6 | 100,540,381.49 | 51,970,650.00 |
| Cash & Bank Balance | 7 | 3,470,500.77 | 1,582,705.58 |
| Loan & Advances | 8 | 559,049,723.00 | 371,576,301.00 |
| | | 663,060,605.26 | 426,724,742.58 |
| Less : CURRENT LIABILITIES & PROVISIONS | 9 | | |
| - Sundry Creditors | | 1,161,725.00 | 2,177,868.00 |
| - Provisions | | 410,210.32 | 16,391,003.00 |
| | | 1,571,935.32 | 18,568,871.00 |
| NET CURRENT ASSETS | | 661,488,669.94 | 408,155,871.58 |
| MISCELLANEOUS EXPENDITURE | | | |
| (To the extent not written off) | 10 | 24,770,167.00 | 24,701,993.00 |
| TOTAL RS... | | 867,972,329.96 | 635,626,486.58 |
| NOTES ON ACCOUNT | | | |
| As per our report of even date annexed. | | | |
| FOR PANKAJ K. SHAH ASSOCIATES | | FOR GUJARAT NATURAL RESOURCES LIMITED | |
| Firm Registration No. 107352W | | | |
| CHARTERED ACCOUNTANTS | | | |
| (PANKAJ K. SHAH) | DIRECTOR | DIRECTOR | |
| PROPRIETOR | | | |
| M. No. 34603 | | | |
| PLACE : Ahmedabad | | PLACE : Ahmedabad | |
| DATE : 03.09.2011 | | DATE : 03.09.2011 | |

GUJARAT NATURAL RESOURCES LIMITED
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

| Particulars | Schedule | Current Year (Rs.) | Previous Year (Rs.) |
|---|----------|--|------------------------|
| INCOME : | | | |
| Sales | - | 575,709,028.25 | - |
| Other Income | 11 | 24,093,381.00 | 18,874,593.00 |
| Increase / (Decrease) In Stock | | (1,595,086.00) | 1,595,086.00 |
| TOTAL RS... | | 598,207,323.25 | 20,469,679.00 |
| EXPENDITURE : | | | |
| Purchase | | 574,107,738.78 | 1,595,086.00 |
| Administrative & Other Exps. | 12 | 1,987,942.11 | 1,853,487.25 |
| Director's Remuneration | | 600,000.00 | - |
| Financial Charges - OFCD Int. | | 21,021,030.00 | 16,263,013.00 |
| Depreciation Exp. | | 355,128.98 | 326,938.00 |
| TOTAL RS... | | 598,071,839.87 | 20,038,524.25 |
| PROFIT/(LOSS) BEFORE TAX | | 135,483.38 | 431,154.75 |
| Less : Prior Period Exp. | | - | 310,052.00 |
| | | 135,483.38 | 121,102.75 |
| Less : Short Provision of Income Tax | | 65,258.00 | 59,990.00 |
| | | 70,225.38 | 61,112.75 |
| LESS : PROVISION FOR TAXATION -- Current Tax | | 155,370.00 | 20,000.00 |
| | | 155,370.00 | 20,000.00 |
| PROFIT/(LOSS) AFTER TAX | | (85,144.62) | 41,112.75 |
| PROFIT/(LOSS) B/F | | 791,283.83 | 750,171.08 |
| PROFIT/(LOSS) C/F TO BALANCE SHEET | | 706,139.21 | 791,283.83 |
| EARNING PER SHARE | | (0.00) | 0.00 |
| NOTES ON ACCOUNT | 13 | | |
| As per our report of even date annexed. | | | |
| FOR PANKAJ K. SHAH ASSOCIATES Firm Registration No. 107352W CHARTERED ACCOUNTANTS | | FOR GUJARAT NATURAL RESOURCES LIMITED | |
| (PANKAJ K. SHAH) PROPRIETOR M. No. 34603 | DIRECTOR | DIRECTOR | |
| PLACE : Ahmedabad DATE : 03.09.2011 | | PLACE : Ahmedabad DATE : 03.09.2011 | |

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

| | Rs. | Rs. |
|---|-------------------------|-------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| NET PROFIT AS PER PROFIT AND LOSS A/C | 70,225.38 | 61,112.75 |
| ADJUSTMENT FOR- | | |
| DEPRECIATION | 355,129.98 | 326,938.00 |
| DIVIDEND | - | (6,760.00) |
| (PROFIT)/LOSS ON SALE OF VEHICLE | - | - |
| (PROFIT)/LOSS ON SALE OF INVESTMENT | - | (60,879.00) |
| Operating Profit/(Loss) before working capital changes | 425,355.36 | 320,411.75 |
| (INCREASE) DECREASE IN DEBTORS | (48,569,731.49) | (25,924,850.00) |
| (INCREASE) DECREASE IN LOANS & ADVANCES | (203,391,172.00) | (283,101,675.00) |
| (INCREASE) DECREASE IN INVENTORIES | 1,595,086.00 | (1,595,086.00) |
| INCREASE (DECREASE) IN CREDITORS | (1,366,143.00) | (1,822,178.55) |
| Increase in Provisions | (16,136,162.68) | 16,337,678.00 |
| Cash generated from operations | (267,868,123.17) | (296,106,111.55) |
| TAX PAID | - | (100,777.00) |
| [A] Net cash flow from operating activities | (267,442,767.81) | (295,886,476.80) |
| Cash Flow from Investing activity | | |
| PURCHASE OF FIXED ASSETS | - | (60,023,950.00) |
| SALE OF FIXED ASSETS | 15,917,749.00 | 85,436,270.00 |
| SALE OF VEHICLE | - | - |
| SALE OF FIXED INVESTMENT | 33,200,000.00 | 25,124,850.00 |
| Purchase of investment | (12,500,000.00) | (156,850,000.00) |
| DIVIDEND RECEIVED | - | 6,760.00 |
| [B] Net Cash from Investing activity | 36,617,749.00 | (106,306,070.00) |
| Cash Flow from Finance activity | | |
| INCREASE IN SHARE CAPITAL | 60,411,225.00 | 263,969,545.00 |
| INCREASE IN UNSECURED LOAN | - | 227,040,975.00 |
| DECREASE IN UNSECURED LOAN | (184,762,362.00) | (1,502,902.00) |
| DECREASE IN REVALUATION RESERVE | 357,132,125.00 | (80,153,554.25) |
| INCREASE IN PRE-OPERATIVE EXPENDITURE | (68,174.00) | (5,967,064.00) |
| [C] Net Cash used in financing activity | 232,712,814.00 | 403,386,999.75 |
| NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS | 1,887,795.19 | 1,194,452.95 |
| OPENING CASH AND BANK BALANCE | 1,582,705.58 | 358,252.83 |
| CLOSING CASH AND BANK BALANCE | 3,470,500.77 | 1,582,705.58 |

FOR PANKAJ K. SHAH ASSOCIATES
FIRM REGISTRATION NO. 107352W
CHARTERED ACCOUNTANTS

FOR GUJARAT NATURAL RESOURCES LIMITED

(PANKAJ K. SHAH)
PROPRIETOR
M. No. 34603

DIRECTOR

DIRECTOR

Place : Ahmedabad
Date : 03.09.2011

Place : Ahmedabad
Date : 03.09.2011

| SCHEDULES FORMING PART OF ACCOUNTS AS ON 31ST MARCH, 2011 : | | | | |
|--|--|-----------------------|------------------------|------------------------|
| SCHEDULE - 1 SHARE CAPITAL | | | | |
| Particulars | | Current Year (Rs.) | Previous Year (Rs.) | |
| AUTHORISED CAPITAL | | | | |
| 4,00,00,000 Equity Shares of Rs. 10/- each | | 400,000,000.00 | 400,000,000.00 | |
| | | 400,000,000.00 | 400,000,000.00 | |
| ISSUED, SUBSCRIBED & PAID-UP CAPITAL | | | | |
| 3,87,51,645 Equity Shares of Rs. 10/- each (2,44,66,360 Equity Shares of Rs. 10/- each fully paid during Previous Year) | | 387,516,450.00 | 244,663,600.00 | |
| PREFERENTIAL SHARE WARRANTS | | | | |
| NIL Warrants (Previous year 8571000 Warrants of Rs. 35/- each, Paid up Rs. 8.75) | | — | 82,441,625.00 | |
| | | 387,516,450.00 | 327,105,225.00 | |
| SCHEDULE - 2 RESERVE & SURPLUS | | | | |
| Sr. No. | Particulars | Current Year (Rs.) | Previous Year (Rs.) | |
| 1 | Revaluation Reserve | 528,682.75 | 528,682.75 | |
| 2 | Share Premium | 433,333,445.00 | 76,201,320.00 | |
| 3 | Profit & Loss A/c | 706,139.21 | 791,283.83 | |
| | | 434,568,266.96 | 77,521,286.58 | |
| SCHEDULE - 3 UNSECURED LOAN (FROM DIRECTOR & COMPANY) | | | | |
| Sr. No. | Particulars | Current Year (Rs.) | Previous Year (Rs.) | |
| 1 | Malav A. Mehta | 1,600,000.00 | 1,000,000.00 | |
| 2 | Ilesh Shah | — | 30,000,000.00 | |
| 3 | Heramec Ltd | 44,287,613.00 | — | |
| 4 | Optionly Fully Convertible Debenture | — | 199,999,975.00 | |
| | | 45,887,613.00 | 230,999,975.00 | |
| SCHEDULE - 5 INVESTMENTS (AT COST) | | | | |
| Sr. No. | Particulars | No. of Shares | Current Year (Rs.) | Previous Year (Rs.) |
| LONG TERM INVESTMENTS | | | | |
| A) Equity Shares - Unquoted | | | | |
| 1 | Bagrecha Marketing Pvt. Ltd. | | — | 6,200,000.00 |
| 2 | Bhumidev Credit Corporation Ltd | | — | 11,000,000.00 |
| 3 | Jai Adhyashakti Marketing Pvt. Ltd. | | — | 7,000,000.00 |
| 4 | Jai Durga Tradelink Pvt. Ltd. | | — | 9,000,000.00 |
| B) INVESTMENTS IN SUBSIDIARY COMPANY | | | | |
| 1 | Sigma Oil & Gas Pvt. Ltd. (Shares of Rs. 10/- each) | 10,290,000 | 154,350,000.00 | 154,350,000.00 |
| C) SHARE APPLICATION MONEY | | | | |
| | | | 12,500,000.00 | — |
| | | | 166,850,000.00 | 187,550,000.00 |

SCHEDULE - 4 FIXED ASSETS

| NO. | NAME OF THE ASSET | GROSS BLOCK | | | DEPRECIATION | | | NET BLOCK | | |
|-----|---------------------|----------------------|--------------------------|----------------------|---------------------|-------------|------------------------------------|---------------------|----------------------|----------------------|
| | | AS ON 01.04.2010 | ADDITION/ (DEDUCTION) | AS ON 31.03.2011 | AS ON 01.04.2010 | DEDUCTION | DEPRECIATION DURING THE YEAR | UP TO 31.03.2011 | AS ON 31.3.2010 | AS ON 31.3.2011 |
| 1 | Plant & Machinery | 658,064.00 | - | 658,064.00 | - | - | 31,258.51 | 31,258.51 | 658,064.00 | 626,805.49 |
| 2 | Office Premises | 14,207,936.00 | 0.00 | 14,207,936.00 | 416,256.00 | - | 231,589.34 | 647,845.34 | 13,791,680.00 | 13,560,090.66 |
| 3 | Furniture & Fixture | 1,244,503.00 | - | 1,244,503.00 | 1,197,109.00 | - | 47,393.00 | 1,244,502.00 | 47,394.00 | 1.00 |
| 4 | Office Equipment | 787,900.00 | - | 787,900.00 | 106,765.00 | - | 37,425.31 | 144,190.31 | 681,135.00 | 643,709.69 |
| 5 | Computer | 45,250.00 | 0.00 | 45,250.00 | 7,601.00 | - | 7,334.76 | 14,935.76 | 37,649.00 | 30,314.24 |
| 6 | Cycle | 2,700.00 | 0.00 | 2,700.00 | - | - | 128.06 | 128.06 | 2,700.00 | 2,571.94 |
| | | 16,946,353.00 | 0.00 | 16,946,353.00 | 1,727,731.00 | 0.00 | 355,128.98 | 2,082,859.98 | 15,218,622.00 | 14,863,493.02 |

| SCHEDULE - 6 SUNDRY DEBTORS (UNSECURED, CONSIDERED GOOD) | | | |
|--|---|-----------------------|------------------------|
| Sr. No. | Particulars | Current Year (Rs.) | Previous Year (Rs.) |
| A) | More than Six months | 51,970,650.00 | 26,045,800.00 |
| B) | Others | 48,569,731.49 | 25,924,850.00 |
| | | <u>100,540,381.49</u> | <u>51,970,650.00</u> |
| SCHEDULE - 7 CASH & BANK BALANCE | | | |
| Sr. No. | Particulars | Current Year (Rs.) | Previous Year (Rs.) |
| 1 | Cash on Hand | 3,242,537.00 | 1,554,066.00 |
| 2 | <u>Balance with Schedule Bank in Current A/c:</u> | | |
| | a) ICICI Bank | 217,900.91 | 26,591.72 |
| | b) IDBI Bank | 10,000.00 | - |
| | c) Union Bank of India | 62.86 | 2,047.86 |
| | | <u>3,470,500.77</u> | <u>1,582,705.58</u> |
| SCHEDULE - 8 LOANS & ADVANCES | | | |
| Sr. No. | Particulars | Current Year (Rs.) | Previous Year (Rs.) |
| 1 | Deposits | 5,797,152.00 | 5,797,152.00 |
| 2 | Advances recoverable in cash or in kind or for value to be received | 552,377,571.00 | 364,904,149.00 |
| 3 | Advance on Capital Account | 875,000.00 | 875,000.00 |
| | | <u>559,049,723.00</u> | <u>371,576,301.00</u> |
| SCHEDULE - 9 CURRENT LIABILITIES & PROVISIONS | | | |
| Sr. No. | Particulars | Current Year (Rs.) | Previous Year (Rs.) |
| A) | <u>SUNDRY CREDITORS</u> | 1,161,725.00 | 2,177,868.00 |
| | | <u>1,161,725.00</u> | <u>2,177,868.00</u> |
| B) | <u>PROVISIONS</u> | | |
| 1 | Unpaid Audit Fees | 142,875.00 | 5,000.00 |
| 2 | Unpaid Legal Fees | 25,000.00 | - |
| 3 | Provision for Income Tax | 155,370.00 | 20,000.00 |
| 4 | Unpaid Salary | 37,000.00 | 36,000.00 |
| 5 | Unpaid Telephone Exp. | 4,803.32 | 5,184.00 |
| 6 | Interest Payable | - | 14,636,712.00 |
| 7 | TDS Payable | 45,162.00 | 1,688,107.00 |
| | | <u>410,210.32</u> | <u>16,391,003.00</u> |
| SCHEDULE - 10 MISCELLANEOUS EXPENDITURE | | | |
| Sr. No. | Particulars | Current Year (Rs.) | Previous Year (Rs.) |
| 1 | Preliminary Exp. | 1,870,000.00 | 1,870,000.00 |
| 2 | Public Issue Exp. | 880,765.00 | 880,765.00 |
| 3 | Pre-operative Exp. | 19,242,910.00 | 19,242,910.00 |
| 4 | De-merger Exp. | 2,776,492.00 | 2,708,318.00 |
| | | <u>24,770,167.00</u> | <u>24,701,993.00</u> |

| SCHEDULE - 11 OTHER INCOME | | | |
|---|--|----------------------|----------------------|
| Sr. No. | Particulars | Current Year (Rs.) | Previous Year (Rs.) |
| 1 | Interest Income (TDS of Rs. 24093667/-, P.Y. Rs. 17526630/-) | 24,093,671.00 | 17,526,630.00 |
| 2 | Rent Income (TDS P.Y. Rs. 51562/-) | -- | 280,324.00 |
| 3 | Interest on IT Refund | 6,710.00 | -- |
| 4 | Consultancy Income | -- | 1,000,000.00 |
| 5 | Dividend Income | -- | 6,760.00 |
| 6 | Profit on Sale of Investment | -- | 60,879.00 |
| | | 24,093,381.00 | 18,874,593.00 |
| SCHEDULE - 12 ADMINISTRATIVE & OTHER EXPENSES | | | |
| Sr. No. | Particulars | Current Year (Rs.) | Previous Year (Rs.) |
| 1 | Advertisement exp. | 54,732.80 | 148,269.00 |
| 2 | Audit Fees | 137,875.00 | 7,000.00 |
| 3 | Bank Charges | 5,101.01 | 8,177.00 |
| 4 | Books & Periodical Exp. | -- | 768.00 |
| 5 | Conveyance Exp. | 22,908.00 | 16,601.00 |
| 6 | Electricity Exp. | -- | 165,614.00 |
| 7 | FBT Exp. | 414.00 | -- |
| 8 | Foreign Travelling Exp. | 80,000.00 | -- |
| 9 | Insurance Exp. | -- | 11,321.00 |
| 10 | Interest on TDS | 86,162.00 | 1,376.00 |
| 11 | Internet Charges | 3,145.00 | 43,870.00 |
| 12 | Legal Exp. | 146,671.00 | 7,405.00 |
| 13 | Membership Fees | -- | 63,996.00 |
| 14 | Office Exp. | 41,468.00 | 55,504.45 |
| 15 | Postage, Courier, Xerox Exp. | 43,840.00 | 21,096.00 |
| 16 | Professional Fees | 319,227.00 | 280,717.00 |
| 17 | Repair & Maintenance (Building) | -- | 24,300.00 |
| 18 | Repair & Maintenance (others) | 23,845.00 | 18,129.00 |
| 19 | ROC Exp. | 29,667.00 | 18,100.00 |
| 20 | Salary & Bonus Exp. | 413,760.00 | 506,352.00 |
| 21 | Service Tax | 16,275.88 | -- |
| 22 | Share Listing Fees | 121,499.60 | 172,134.00 |
| 23 | Share Transfer Exp. | 120,394.00 | 39,975.00 |
| 24 | Staff Welfare Exp. | -- | 22,323.00 |
| 25 | Stamp Duty | 6,711.85 | -- |
| 26 | Stamping Exp. | 570.00 | 400.00 |
| 27 | Stationery & Printing Exp. | 150,032.00 | 86,736.00 |
| 28 | Telephone Exp. | 63,613.32 | 87,231.80 |
| 29 | Transaction Charges | 16,779.65 | -- |
| 30 | Transportation Exp. | 6,500.00 | -- |
| 31 | Traveling Exp. | 55,585.00 | 25,509.00 |
| 32 | Vehicle Petrol & Repairing Exp. | 1,050.00 | 20,583.00 |
| 33 | Website Designing Exp. | 20,115.00 | -- |
| | | 1,987,942.11 | 1,853,487.25 |

Schedules forming Part of the Accounts for the year ended 31st March 2011
SCHEDULE - 13

NOTES TO THE ACCOUNTS:

1. Significant Accounting Policies:

A) Basis of Preparation:

The financial statements of Gujarat Natural Resources Limited ("the Company") have been prepared under the historical cost convention on accrual basis of accounting in accordance with the Indian Generally Accepted Accounting Principles (GAAP) and mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006, to the extent applicable and presentation requirements of the Companies Act, 1956.

B) Fixed Assets:

(i) Fixed Assets:

Fixed Assets are stated at cost of acquisition less accumulated depreciation. All costs, including financing cost till commencement of commercial production are capitalised/ to be capitalised.

(ii) Depreciation:

Depreciation on fixed assets is charged on the Straight Line Method at the rates prescribed in Schedule XIV to the Companies Act, 1956.

C) Borrowing Costs:

Borrowing cost attributable to acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset, till the asset is ready for use. Other borrowing costs are recognized as an expense in the period in which these are incurred.

D) Investments :

Investments are valued at cost.

E) Inventories:

Stock in trade are valued at lower of the cost and net realizable value.

F) Revenue Recognition:

All income and expenditure items having material bearing on the financial statements are recognised on accrual basis.

Sales are recorded net of trade discount, rebates and VAT. In case of derivative transactions on MCX, the sales are shown net off of charges such as stamp duty, transaction charges etc.

Interest income is recognised on the time proportion method.

G) Employee Benefits (AS -15):

As informed to us and explained to us there are no employees who are eligible for such benefits and hence not applicable

H) Foreign Exchange Transactions (AS-11):

This accounting standard is not applicable

I) Amortization of Miscellaneous Expenditure:

Preliminary expenses and Pre-operative expenses has not been amortized.

J) Deferred tax

Deferred Tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted by the Balance Sheet date as per the Accounting Standard - 22.

In view of negligible difference in taxable profit and book profit, the impact of deferred tax assets/ liability is not considered.

K) Impairment of assets:

An assets is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which assets is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been change in the estimate of recoverable amount.

L) Prior Period Adjustment :

Expenses and income pertaining to earlier/previous years are accounted as prior period items.

M) Earning Per Share:

Disclosure is made in the Profit and Loss Account as per the requirements of the standard.

N) Consolidated financial statements

Consolidated financial statements of the Company and its subsidiaries are enclosed.

O) Provisions, Contingent Liabilities and Contingent Assis:

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of that obligation. Contingent Liabilities which are considered significant and material by the company are disclosed in the Notes to Accounts. Contingent Assets are neither recognized nor disclosed.

2. Estimated amount of contracts remaining to be executed on capital account and not provided for in the Accounts (net of advances) NIL

3. **Sundry debtors over six months included Rs. 260.46 lacs non-performing in nature.** In the opinion of the Directors, they are good and recoverable. The Directors are hopeful of getting recoveries in the next year as the market conditions are not favourable. **However in the opinion of the Auditors, it shall be prudent to identify the same as doubtful of recovery requiring adequate provision.** It has been explained that the management of the company is pursuing recoveries and actual losses, if any, shall be adjusted as and when arises.

4. In opinion of the management of the company, all loans, advances and deposits are recoverable in nature for which no provision is required. **However in the opinion of the Auditors, it shall be prudent to make sufficient provision for such non performing assets amounting to Rs. 136.65 lacs which are outstanding since long.**

5. Particulars of Managerial Remuneration :

As fixed monthly remuneration has been paid to the Directors' as per Schedule XIII of the Companies Act, 1956, the company has not computed net profit for the purpose of Managerial remuneration under section 349 of the Companies Act, 1956.

Managerial Remuneration paid to Managing Director is Rs. 6,00,000 /- included in salaries & wages.

6. Amount Paid / Payable to Auditors :

| Sl | Particulars | 2010-2011 |
|----|-----------------|-----------------|
| a) | Audit Fees | 75,000 |
| b) | Tax Audit Fees | 25,000 |
| c) | For other works | 50,000 |
| | Total | 1,50,000 |

7. Disclosure made in terms of Clause 32 of the Listing Agreement with Stock Exchanges:

| Particulars | Name of the Company | (Rs. In lacs) | | |
|--|---|-------------------------------------|--|-------------------------------------|
| | | Amount outstanding as on 31.03.2011 | Maximum amount due at any one time during the year | Amount outstanding as on 31.03.2010 |
| a) Loans and advances | | | | |
| i) Loans and advances in the nature of loan made to subsidiary company | Sigma Oil & Gas Pvt. Ltd. | 3154.50 | 3154.50 | -- |
| ii) Loans and advances in the nature of loans made to associate company | -- | -- | -- | -- |
| iii) Loans and advances in the nature of loans where there is | -- | -- | -- | -- |
| 1) no repayment schedule or repayment beyond seven year (or) | -- | -- | -- | -- |
| 2) no interest or interest below Section 372A of the Companies Act, 1956 | -- | -- | -- | -- |
| iv) Loans and advances in the nature of loans made to firms/ companies in which directors of the Company are interested | Lesha Industries Limited SRPL Developers Pvt. Ltd. | 0.65 440.82 | 421.25 600.00 | 225.00 600.00 |
| b) Investments by the Company | | | | |
| i) In subsidiary companies | Sigma Oil & Gas Pvt. Ltd. (10:290000 equity shares of Rs. 10/- each fully paid up) | 1543.50 | | |
| ii) In associate company | -- | -- | -- | -- |
| iii) In holding company | -- | -- | -- | -- |
| c) Investments by the loanee in the shares of the parent Company and subsidiary company when the Company has made a loan or advance in the nature of loan - NL | | | | |

8. In the opinion of the Directors, the current assets, loans and advances are approximately of the value stated, if realized in the ordinary course of business and provision for all known and determined liabilities (except wherever otherwise stated) are adequate and not in excess of the amount reasonably necessary.

9. Balances under Sundry Debtors, Sundry Creditors, Loans & Advances are subject to confirmation and reconciliation with the respective parties/ concerns. Necessary adjustment if any, thereon having an importance of revenue nature, will be made in the year of such confirmation / reconciliation.

10. Loans & Advances includes:

| | (Rs. In lacs) | |
|------------------------------------|---------------|--------------|
| | F.Y. 2010-11 | F.Y. 2009-10 |
| Amount due from Subsidiary Company | 3154.50 | -- |

11. Segment Reporting:

The Company predominantly operates in a single segment namely "Oil & Gas" and is primary basis for segment information which as per Accounting Standards 17 is considered as the only reportable business segment.

12 **Earning per share (EPS) :**

| Sr. No. | Particulars | 2010-2011 | 2009-2010 |
|---------|--|-------------|-------------|
| a) | Net Profit / (Loss) after Tax available for Equity Shareholders (Rupees) | (85,144.62) | 41,112.75 |
| b) | Weighted average number of Shares at beginning | 31609002 | 2,44,66,360 |
| c) | Basic and Diluted Earning per Share (Rupees) | 0.00 | 0.00 |

13. **Related parties disclosure :**

Related parties disclosure in accordance with Accounting Standard 18 issued by institute of Chartered Accountants of India :

| | |
|----------------------------|---|
| Directors of the Company : | Associates Companies, Firms: |
| 1. Ashok C. Shah | 1. Leshia Industries Ltd. |
| 2. Shalin A. Shah | 2. Shree Ghantakarna Rolling Mills P. Ltd |
| 3. Hariyant C. Shelat | 3. SRPL Developers Pvt. Ltd. |
| 4. Ilesh Shah | |
| 5. Malav Mehta | Relative of Directors: |
| 6. Pravinbhai Trivedi | 1. Leena A. Shah |

| |
|--|
| Subsidiary Company : |
| 1. Sigma Oil & Gas Pvt. Ltd. |
| 2. Gorlas Corporate Holding Ltd |
| 3. Heramec Ltd |
| 4. Heramec Oil & Gas (Singapore) Pte Ltd |
| 5. Alkor Petro Overseas Ltd |

b) Transactions that have taken place during the period April 1, 2010 to March 31, 2011 with related parties by the company.

| Name of the related parties whom transactions have been made | Description of relationship with the party | Nature of Transactions | Amount 2010-2011 (Rs. in Lacs) |
|--|--|------------------------|--------------------------------|
| Shalin A. Shah | Managing Director | Remuneration | 6.00 |
| Malav A. Mehta | Director | Loan Granted | 27.57 |
| Leshia Industries Ltd | Associate Concern | Loan Taken | 16.00 |
| Leena A. Shah | Relative of Director | Loan Granted | 0.65 |
| SRPL Developers Pvt. Ltd. | Associate Company | Loan Granted | 0.50 |
| Heramec Ltd | Subsidiary Company | Loan Granted | 440.82 |
| Sigma Oil & Gas P. Ltd. | Subsidiary Company | Loan Taken | 442.88 |
| | | Loan Granted | 3154.50 |
| | | Interest Income | 240.00 |

Related party relationship is as identified by the management and relied upon by the auditors.

14. Additional Information pursuant to the paragraphs 3, 4C and 4D of Part- II of Schedule VI of the Companies Act, 1956. Since the company deals in Commodity traded through MCX, such details cannot be given.
15. Expenditure in Foreign Exchange : Rs. 80,000/- for Foreign Travelling
16. Earning in Foreign Exchange : NIL
17. The Company has not received any information from 'Suppliers' regarding their status under the Micro, Small and Medium Enterprise Development Act, 2006 and hence disclosure requirements in this regard as per Schedule VI of the Companies Act, 1956 could not be provided.
18. Previous year's figures have been regrouped/reclassified and/or rearranged wherever considered necessary.
19. Particulars as required in part IV to schedule VI is annexed herewith.

Signature to Schedule 1 to 13

As per our report of even date.

**FOR PANKAJ K. SHAH ASSOCIATES
Firm Registration No. 107352W
CHARTERED ACCOUNTANTS**

For and on Behalf of the Board of Directors

**Pankaj K. Shah
Proprietor
M. No. 34603**

Place : Ahmedabad
Date : 03.09.2011

DIRECTOR

DIRECTOR

Place : Ahmedabad
Date : 03.09.2011

Information to Part IV of Schedule VI of the Companies Act, 1956

BALANCESHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE.

I. Registration Details

Registration No. : 16158 State Code : 04
Balance Sheet Date : 31.03.2011

II. Capital raised during the year

Public Issue : -- Right Issue : --
Bonus Issue : -- Private Placement : Rs. 604.11 lacs

III. Position of Mobilisation and Deployment of Funds (Rs. in '000)

Total Liabilities : 867972.33 Total Assets : 867972.33

Sources of Funds

Paid up Capital : 387516.45
Share App. Money : --
Reserves & Surplus : 434568.27
Secured Loans : --
Unsecured Loans : 45887.61

Application of Funds

Net Fixed Assets : 14863.49
Investments : 166850.00
Net Current Assets : 661488.67
Misc Expenditure : 24770.17
Accumulated Loss : --

IV Performance of Company

Turnover Total : 593207.32 Expenditure : 598071.84
Profit/(Loss) before Tax : 135.48 Profit/(Loss) after Tax : (85.14)
Earning per Share is Rs. : 0.00 Dividend Rate % : --

V. Generic Name of Three Principal Products/Services of Company (as per monetary terms)
Product Description

i) Oil & Gas Sector

Signatures to Schedules 1 to 13

FOR PANKAJ K. SHAH ASSOCIATES
Firm Registration No. 107352W
CHARTERED ACCOUNTANTS

For and on Behalf of the Board of Directors

Pankaj K. Shah
Proprietor
M. No. 34603

DIRECTOR

DIRECTOR

Place : Ahmedabad
Date : 03.09.2011

Place : Ahmedabad
Date : 03.09.2011

Statement under section 212 of the Companies Act, 1956 relating to subsidiaries

| Name of Subsidiary | Sigma Oil & Gas Pvt. Ltd | Gorlas Corporate Holdings Ltd | Herarnee Ltd | Herarnee Oil & Gas (Singapore) Pte Ltd | Alkor Petro Overseas Ltd | Gorlas Global Energy PLC | |
|---------------------|---|---|--|--|--|-------------------------------|---|
| Name of Holding Co. | Gujarat Natural Resources Ltd | Sigma Oil & Gas Pvt. Ltd | Sigma Oil & Gas Pvt. Ltd | Sigma Oil & Gas Pvt. Ltd | Sigma Oil & Gas Pvt. Ltd | Gorlas Corporate Holdings Ltd | |
| 1 | Financial year of the subsidiaries ended on | 31-03-11 | 31-03-11 | 31-03-11 | 31-03-11 | 31-03-11 | 31-03-11 |
| 2 | Shares of the subsidiaries held by the company on 31.03.2011 | 100% | 100% | 100% | 100% | 100% | 100% |
| (a) | Number and face value-equity | 10290000 equity shares of Rs. 10 each fully paid. | 10,000 equity shares of \$1 each fully paid. | 50 equity shares of \$1 each fully paid. | 4082000 equity shares of \$1 each fully paid | — | 9100 equity shares of \$1 each fully paid |
| (b) | Extent of holding | 100% | 100% | 100% | 100% | 100% | 100% |
| 3 | Net aggregate amount of profit/ losses of the subsidiaries not dealt with in the company's account so far as it concerns the members of the holding company | | | | | | |
| (a) | For the financial year of the subsidiaries | Rs.(193652) | \$(4709.00) | Rs.9419471 | \$(6931.66) | — | \$(3940.00) |
| (b) | For the previous financial years since they became subsidiaries | Rs.(2006624) | \$(61675.89) | Rs.13051334 | \$(21202.97) | — | \$(11039.39) |
| 4 | Net aggregate amount of profit/ losses of the subsidiaries dealt with in the company's account so far as it concerns the members of the holding company | | | | | | |
| (a) | For the financial year of the subsidiary | — | — | — | — | — | — |
| (b) | For the previous financial years since they became subsidiaries | — | — | — | — | — | — |
| 5 | Change of interest of the company in the subsidiaries between the end of the financial year of the subsidiary and the financial year of the company. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| 6 | Material changes between the end of the financial year of the subsidiary and the end of financial year of the company in respect of subsidiaries. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| i) | Fixed assets | | | | | | |
| ii) | Investments | | | | | | |
| iii) | Money lent | | | | | | |
| iv) | Borrowings other than for meeting current liabilities | | | | | | |

Auditor's Report

Auditors' report on Consolidated Financial Statements of Gujarat Natural Resources Limited for the year ended 31st March, 2011:

To
The Board of Directors,
Gujarat Natural Resources Limited

We have audited the attached consolidated Balance Sheet of M/s. Gujarat Natural Resources Limited, Ahmedabad, and its subsidiaries as at 31st March, 2011, the related consolidated Profit and Loss Account and the consolidated cash flow statement for the year ended on that date, annexed hereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In respect of the financial statement of the subsidiary, we did not carry out the audit. These financial statements have been audited by other auditor whose report have been furnished to us and in our opinion, in so far as it relates to the amount included in respect of this subsidiary is based solely on the report of the other auditors. The details of assets and revenue in respect of this subsidiary whose financial statements reflect total assets of Rs. 13905.10 lacs as at 31st March, 2011, the total revenue of Rs. 578.09 lacs, net loss of Rs. 96.14 lacs and net cash inflow amounting to Rs. 192.78 lacs for the year ended on that date.

We further report that in respect of the foreign subsidiaries, we did not carry out the audit. These financial statements have been certified by the management and have been furnished to us and in our opinion, in so far as it relates to the amount included in respect of these subsidiaries is based solely on these certified financial statements. Since financial statement for the year ended 31st March, 2011 which was compiled by management of that company were not audited by us, any adjustment to their balances could have consequential effects on the attached consolidated financial statement.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21, "Consolidated Financial Statements", notified under sub-section 3C of Section 211 of the Companies Act, 1956.

On the basis of information and explanations given to us and on consideration of separate audit reports on individual audited financial statements of M/s. Gujarat Natural Resources Ltd. and its subsidiaries, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- a) In the case of Consolidated Balance Sheet of the consolidated state of affairs of Gujarat Natural Resources Limited and its subsidiaries as at 31st March, 2011.
- b) In the case of Consolidated Profit & Loss Account, of the consolidated results of operations of Gujarat Natural Resources Limited and its subsidiaries for the year ended on that date;
- c) In the case of Consolidated Cash Flow Statement, of the cash flow of Gujarat Natural Resources Limited and its subsidiaries for the year ended on that date;

FOR PANKAJ K. SHAH ASSOCIATES
Firm Registration No. 107352W
CHARTERED ACCOUNTANTS

Place : Ahmedabad

Date : 03.09.2011

(PANKAJ K. SHAH)
PROPRIETOR
M. No. 34603

CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2011

| Particulars | Schedule | Current Year (Rs.) | Prevlous Year (Rs.) |
|--|----------|---------------------------------------|------------------------|
| SHAREHOLDERS' FUND. | | | |
| Share Capital | 1 | 327,516,450.00 | 327,105,225.00 |
| Reserve & Surplus | 2 | 537,780,194.70 | 178,837,653.75 |
| LOAN FUND: | | | |
| Secured Loan | 3 | 57,082.00 | 4,977,915.00 |
| Unsecured Loan | 4 | 303,300,802.74 | 468,629,006.70 |
| Deferred Tax Liabilities | | 34,098,573.00 | 15,579,808.00 |
| TOTAL RS... | | 1,262,753,102.44 | 995,129,608.45 |
| APPLICATION OF FUNDS: | | | |
| FIXED ASSETS: | 5 | | |
| Gross Block | | 280,674,535.00 | 492,155,654.00 |
| Less : Depreciation | | 59,590,027.98 | 46,366,832.00 |
| | | 221,084,507.02 | 445,788,822.00 |
| Add : Work In Progress | | 324,490,669.00 | 335,133,427.00 |
| Net Block | | 545,575,176.02 | 780,922,249.00 |
| INVESTMENTS | 6 | 166,850,000.00 | 187,550,000.00 |
| CURRENT ASSETS & LOANS & ADVANCES: | | | |
| Inventories (As taken, valued and certified by the management) | 7 | 279,775.00 | 1,813,856.00 |
| Sundry Debtors | 8 | 127,074,105.49 | 71,865,915.00 |
| Cash & Bank Balance | 9 | 29,618,612.58 | 10,340,500.40 |
| Loan & Advances | | 621,635,388.55 | 186,306,878.00 |
| | | 778,607,881.62 | 270,327,149.40 |
| Less : CURRENT LIABILITIES & PROVISIONS | 10 | | |
| - Sundry Creditors | | 334,233,203.33 | 290,518,486.00 |
| - Provisions | | 15,600,886.32 | 38,603,681.50 |
| | | 349,834,089.65 | 329,122,167.50 |
| NET CURRENT ASSETS | | 428,773,791.97 | (58,795,018.10) |
| MISCELLANEOUS EXPENDITURE | 11 | | |
| (To the extent not written off) | | 24,770,167.00 | 24,701,993.00 |
| Profit & Loss Account | | 96,783,967.45 | 60,750,384.55 |
| TOTAL RS... | | 1,262,753,102.44 | 995,129,608.45 |
| NOTES ON ACCOUNT | 14 | | |
| As per our report of even date annexed. | | | |
| FOR PANKAJ K. SHAH ASSOCIATES | | FOR GUJARAT NATURAL RESOURCES LIMITED | |
| Firm Registration No. 107352W | | | |
| CHARTERED ACCOUNTANTS | | | |
| (PANKAJ K. SHAH) | | DIRECTOR | DIRECTOR |
| PROPRIETOR | | | |
| M. No. 34603 | | | |
| PLACE : Ahmedabad | | PLACE : Ahmedabad | |
| DATE : 03.09.2011 | | DATE : 03.09.2011 | |

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

| Particulars | Schedule | Current Year (Rs.) | Previous Year (Rs.) |
|---|-------------------|---------------------------------------|------------------------|
| INCOME: | | | |
| Sales | | 625,985,534.25 | 61,812,380.00 |
| Other Income | 12 | 7,564,788.00 | 4,661,343.00 |
| Increase / (Decrease) in Stock | | (1,534,082.00) | 1,641,907.00 |
| TOTAL RS... | | 632,016,240.25 | 68,115,630.00 |
| EXPENDITURE: | | | |
| Purchase | | 588,253,600.78 | 14,634,226.00 |
| Administrative & Other Exps. | 13 | 21,788,290.39 | 31,724,641.34 |
| Finance Charges | | 23,325,749.00 | 19,269,846.00 |
| Profit Petroleum to Government | | 572,081.00 | 711,000.00 |
| PSC Overheads | | 262,771.00 | 717,685.00 |
| Depreciation Exp. | | 13,223,195.98 | 17,720,523.00 |
| TOTAL RS... | | 647,425,688.15 | 84,777,921.34 |
| PROFIT/(LOSS) BEFORE TAX | | (15,409,447.90) | (16,662,291.34) |
| Less : Prior Period Exp. | | 18,134,868.00 | 310,052.00 |
| | | (33,544,315.90) | (16,972,343.34) |
| LESS : PROVISION FOR TAXATION | | | |
| -- Current Tax | | 2,105,370.00 | 729,443.00 |
| -- Deferred Tax Liability | | 383,897.00 | (1,669,505.00) |
| | | 2,489,267.00 | (940,062.00) |
| PROFIT/(LOSS) AFTER TAX | | (36,033,582.90) | (16,032,281.34) |
| PROFIT/(LOSS) B/F | | (60,750,384.55) | (44,718,103.21) |
| PROFIT/(LOSS) C/F TO BALANCE SHEET | | (96,783,967.45) | (60,750,384.55) |
| EARNING PER SHARE | | (1.14) | (0.66) |
| NOTES ON ACCOUNT | 14 | | |
| As per our report of even date annexed. | | | |
| FOR PANKAJ K. SHAH ASSOCIATES | | FOR GUJARAT NATURAL RESOURCES LIMITED | |
| Firm Registration No. 107352W | | | |
| CHARTERED ACCOUNTANTS | | | |
| (PANKAJ K. SHAH) | DIRECTOR | | DIRECTOR |
| PROPRIETOR | | | |
| M. No. 34603 | | | |
| PLACE : Ahmedabad | PLACE : Ahmedabad | | |
| DATE : 03.09.2011 | DATE : 03.09.2011 | | |

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

| | Current Year Rs. | Previous Year Rs. |
|--|-------------------------|----------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| NET PROFIT AS PER PROFIT AND LOSS A/C | (15,409,447.90) | - |
| ADJUSTMENT FOR- | | |
| DEPRECIATION | 13,223,195.98 | - |
| Exchange Gain \ Foreign Currency Item Translation difference Account | (717,994.00) | - |
| Adjustments due to consolidation | 220,787,911.95 | - |
| (PROFIT)/LOSS ON SALE OF INVESTMENT | - | - |
| Operating Profit/(Loss) before working capital changes | 217,883,666.03 | - |
| (INCREASE) DECREASE IN DEBTORS | (55,208,190.49) | - |
| (INCREASE) DECREASE IN LOANS & ADVANCES | (435,328,510.55) | - |
| (INCREASE) DECREASE IN INVENTORIES | 1,534,081.00 | - |
| INCREASE (DECREASE) IN CREDITORS | 43,714,717.33 | - |
| Increase in Provisions | (24,390,171.18) | - |
| Cash generated from operations | (469,678,073.89) | - |
| TAX PAID | - | - |
| [A] Net cash flow from operating activities | (251,794,407.86) | - |
| Cash Flow from Investing activity | | |
| PURCHASE OF FIXED ASSETS | (7,496,377.00) | - |
| Decrease in WIP | 10,642,758.00 | - |
| SALE OF VEHICLE | - | - |
| SALE OF INVESTMENT | 20,700,000.00 | - |
| Purchase of investment | - | - |
| DIVIDEND RECEIVED | - | - |
| [B] Net Cash from Investing activity | 23,846,381.00 | - |
| Cash Flow from Finance activity | | |
| INCREASE IN SHARE CAPITAL | 60,411,225.00 | - |
| INCREASE IN SHARE PREMIUM | 357,132,125.00 | - |
| INCREASE IN UNSECURED LOAN | (4,920,833.00) | - |
| DECREASE IN UNSECURED LOAN | (165,328,203.96) | - |
| INCREASE IN PRE-OPERATIVE EXPENDITURE | (68,174.00) | - |
| [C] Net Cash used in financing activity | 247,226,139.04 | - |
| NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS | 19,278,112.18 | - |
| OPENING CASH AND BANK BALANCE | 10,340,500.40 | - |
| CLOSING CASH AND BANK BALANCE | 29,618,612.58 | - |

FOR PANKAJ K. SHAH ASSOCIATES
FIRM REGISTRATION NO. 107352W
CHARTERED ACCOUNTANTS

FOR GUJARAT NATURAL RESOURCES LIMITED

(PANKAJ K. SHAH)
PROPRIETOR
M. No. 34603

DIRECTOR

DIRECTOR

Place : Ahmedabad
Date : 03.09.2011

Place : Ahmedabad
Date : 03.09.2011

SCHEDULES FORMING PART OF ACCOUNTS AS ON 31ST MARCH, 2011 :

SCHEDULE - 1 SHARE CAPITAL

| Particulars | Current Year (Rs.) | Previous Year (Rs.) |
|--|-----------------------|------------------------|
| <u>AUTHORISED CAPITAL</u> | | |
| 4,00,00,000 Equity Shares of Rs. 10/- each | 400,000,000.00 | 400,000,000.00 |
| | 400,000,000.00 | 400,000,000.00 |
| <u>ISSUED, SUBSCRIBED & PAID-UP CAPITAL</u> | | |
| 3,87,51,645 Equity Shares of Rs. 10/- each (2,44,66,360 Equity Shares of Rs. 10/- each fully paid during Previous Year) | 387,516,450.00 | 244,663,600.00 |
| <u>PREFERENTIAL SHARE WARRANTS</u> | — | 82,441,625.00 |
| NIL Warrants (Previous year 8571000 Warrants of Rs. 35/- each, Paid up Rs. 8.75) | | |
| | 387,516,450.00 | 327,105,225.00 |

SCHEDULE - 2 RESERVE & SURPLUS

| Sr. No. | Particulars | Current Year (Rs.) | Previous Year (Rs.) |
|---------|--------------------------|-----------------------|------------------------|
| 1 | Revaluation Reserve | 528,682.75 | 528,682.75 |
| 2 | Share Premium | 515,331,551.00 | 158,199,426.00 |
| 3 | Capital Reserve | 20,109,545.00 | 20,109,545.00 |
| 4 | Reserve on Consolidation | 1,810,415.95 | — |
| | | 537,780,194.70 | 178,837,653.75 |

SCHEDULE - 3 SECURED LOAN

| Sr. No. | Particulars | Current Year (Rs.) | Previous Year (Rs.) |
|---------|--------------------------|-----------------------|------------------------|
| 1 | UTI Bank Cash Credit A/c | 57,082.00 | 4,977,915.00 |
| | | 57,082.00 | 4,977,915.00 |

SCHEDULE - 4 UNSECURED LOAN (FROM DIRECTOR, SHAREHOLDER AND RELATIVES)

| Sr. No. | Particulars | Current Year (Rs.) | Previous Year (Rs.) |
|---------|---|-----------------------|------------------------|
| | DIRECTOR, SHAREHOLDERS AND RELATIVES | 303,300,802.74 | 268,629,031.70 |
| | Optionly Fully Convertible Debenture | — | 199,999,975.00 |
| | | 303,300,802.74 | 468,629,006.70 |

SCHEDULE - 5 FIXED ASSETS

| NO. | NAME OF THE ASSET | GROSS BLOCK | | | DEPRECIATION | | | NET BLOCK | | |
|-----|-----------------------|---------------------|--------------------------|---------------------|---------------------|-----------|------------------------------------|---------------------|--------------------|--------------------|
| | | AS ON 01.04.2010 | ADDITION/ (DEDUCTION) | AS ON 31.03.2011 | AS ON 01.04.2010 | DEDUCTION | DEPRECIATION DURING THE YEAR | UP TO 31.03.2011 | AS ON 31.3.2010 | AS ON 31.3.2011 |
| 1 | Plant & Machinery | 13,419,836.00 | 175,110.00 | 13,594,946.00 | 4,219,710.00 | - | 1,219,524.51 | 5,439,234.51 | 9,200,126.00 | 8,155,711.49 |
| 2 | Office Premises | 14,207,936.00 | - | 14,207,936.00 | 416,256.00 | - | 231,589.34 | 647,845.34 | 13,791,680.00 | 13,560,090.66 |
| 3 | Building | 874,784.00 | - | 874,784.00 | 363,317.00 | - | 44,276.00 | 407,593.00 | 511,467.00 | 467,191.00 |
| 4 | Production Properties | 239,515,255.00 | 7,093,215.00 | 246,608,470.00 | 38,481,208.00 | - | 11,280,054.00 | 49,761,262.00 | 201,034,047.00 | 196,847,208.00 |
| 5 | Cell Phone Instru. | 114,354.00 | - | 114,354.00 | 16,999.00 | - | 17,621.00 | 34,620.00 | 97,355.00 | 79,734.00 |
| 6 | Furniture & Fixture | 1,832,726.00 | 8,000.00 | 1,840,726.00 | 1,475,991.00 | - | 103,384.00 | 1,579,375.00 | 356,735.00 | 261,351.00 |
| 7 | Office Equipment | 994,627.00 | 123,879.00 | 1,118,506.00 | 238,778.00 | - | 66,188.31 | 304,966.31 | 755,849.00 | 813,539.69 |
| 8 | Computer | 428,632.00 | 96,173.00 | 524,805.00 | 182,870.00 | - | 49,270.76 | 232,140.76 | 245,762.00 | 292,644.24 |
| 9 | Vehicles | 1,790,008.00 | - | 1,790,008.00 | 971,703.00 | - | 211,288.06 | 1,182,991.06 | 818,305.00 | 607,016.94 |
| 10 | Goodwill** | 218,977,496.00 | (218,977,496.00) | 0.00 | - | - | - | - | 218,977,496.00 | 0.00 |
| | | 492,155,654.00 | (211,481,119.00) | 280,674,535.00 | 46,366,832.00 | 0.00 | 13,223,195.98 | 59,590,027.98 | 445,788,822.00 | 221,084,507.02 |

Note: (*)
Difference of Liability over assets is considered as Goodwill

| SCHEDULE - 6 INVESTMENTS (AT COST) | | | |
|---|---|---------------------------|----------------------------|
| Sr. No. | Particulars | Current Year (Rs.) | Previous Year (Rs.) |
| LONG TERM INVESTMENTS | | | |
| A) | Equity Shares - Unquoted | | |
| 1 | Bagrecha Marketing Pvt. Ltd. | — | 6,200,000.00 |
| 2 | Bhumidev Credit Corporation Ltd | — | 11,000,000.00 |
| 3 | Jai Adhyashakti Marketing Pvt. Ltd. | — | 7,000,000.00 |
| 4 | Jai Durga Tradelink Pvt. Ltd. | — | 9,000,000.00 |
| B) | INVESTMENTS IN SUBSIDIARY COMPANY | | |
| 1 | Sigma Oil & Gas Pvf. Ltd. (Shares of Rs. 10/- each) | 10,290,000 | 154,350,000.00 |
| C) | SHARE APPLICATION MONEY | 12,500,000.00 | — |
| | | 166,850,000.00 | 187,550,000.00 |
| SCHEDULE - 7 SUNDRY DEBTORS (UNSECURED, CONSIDERED GOOD) | | | |
| Sr. No. | Particulars | Current Year (Rs.) | Previous Year (Rs.) |
| A) | More than Six months | 51,970,650.00 | 40,775,310.00 |
| B) | Others | 75,103,455.49 | 31,090,605.00 |
| | | 127,074,105.49 | 71,865,915.00 |
| SCHEDULE - 8 CASH & BANK BALANCE | | | |
| Sr. No. | Particulars | Current Year (Rs.) | Previous Year (Rs.) |
| 1 | Cash on Hand | 4,885,442.44 | 2,632,664.00 |
| 2 | Balance with Schedule | | |
| | In Current Account | 20,880,563.14 | 3,636,189.75 |
| | In Fixed Deposits | 3,852,607.00 | 4,071,647.00 |
| | | 29,618,612.58 | 10,340,500.75 |
| SCHEDULE - 9 LOANS & ADVANCES | | | |
| Sr. No. | Particulars | Current Year (Rs.) | Previous Year (Rs.) |
| 1 | Deposits | 6,068,951.00 | 5,901,677.00 |
| 2 | Advances recoverable in cash or in kind or for value to be received | 512,754,885.55 | 113,024,518.00 |
| 3 | Advance on Capital Account | 875,000.00 | 875,000.00 |
| 4 | Advance to Suppliers | 94,248,702.00 | 59,934,955.00 |
| 5 | Advance to Others | 7,687,850.00 | 6,570,728.00 |
| | | 621,635,388.55 | 186,306,878.00 |

| SCHEDULE - 10 CURRENT LIABILITIES & PROVISIONS | | | |
|--|------------------------------|-----------------------|-----------------------|
| Sr. No. | Particulars | Current Year (Rs.) | Previous Year (Rs.) |
| A) | SUNDRY CREDITORS | 334,233,203.33 | 290,518,486.00 |
| | | 334,233,203.33 | 290,518,486.00 |
| B) | PROVISIONS | | |
| 1 | Provisions | 7,081,350.32 | 33,927,493.50 |
| 2 | Provision for Income Tax | 2,775,938.00 | 1,388,562.00 |
| 3 | TDS Payable | 5,743,598.00 | 3,287,626.00 |
| | | 15,600,886.32 | 38,603,681.50 |
| SCHEDULE - 11 MISCELLANEOUS EXPENDITURE | | | |
| Sr. No. | Particulars | Current Year (Rs.) | Previous Year (Rs.) |
| 1 | Preliminary Exp. | 1,870,000.00 | 1,870,000.00 |
| 2 | Public Issue Exp. | 880,765.00 | 880,765.00 |
| 3 | Pre-operative Exp. | 19,242,910.00 | 19,242,910.00 |
| 4 | De-merger Exp. | 2,776,492.00 | 2,708,318.00 |
| | | 24,770,167.00 | 24,701,993.00 |
| SCHEDULE - 12 OTHER INCOME | | | |
| Sr. No. | Particulars | Current Year (Rs.) | Previous Year (Rs.) |
| 1 | Interest Income | 423,673.00 | 881,444.00 |
| 2 | Rent Income | — | 280,324.00 |
| 3 | Consultancy Income | 1,393,501.00 | 1,000,000.00 |
| 4 | Dividend Income | — | 6,760.00 |
| 5 | Profit on Sale of Investment | — | 60,879.00 |
| 6 | Other Income - Subsidiaries | 5,747,614.00 | 2,431,936.00 |
| | | 7,564,788.00 | 4,661,343.00 |

SCHEDULE - 13 ADMINISTRATIVE & OTHER EXPENSES

| Sr. No. | Particulars | Current Year (Rs.) | Previous Year (Rs.) |
|---------|--|-----------------------|------------------------|
| 1 | Advertisement exp. | 54,732.80 | 148,269.00 |
| 2 | Audit Fees | 137,875.00 | 7,000.00 |
| 3 | Bank Charges | 5,101.01 | 8,177.00 |
| 4 | Books & Periodical Exp. | — | 768.00 |
| 5 | Conveyance Exp. | 22,908.00 | 16,601.00 |
| 6 | Electricity Exp. | — | 165,614.00 |
| 7 | FBT Exp. | 414.00 | — |
| 8 | Foreign Travelling Exp. | 80,000.00* | — |
| 9 | Insurance Exp. | — | 11,321.00 |
| 10 | Income Tax Exp. | 65,258.00 | 59,990.00 |
| 11 | Interest on TDS | 86,162.00 | 1,376.00 |
| 12 | Internet Charges | 3,145.00 | 43,870.00 |
| 13 | Legal Exp. | 146,671.00 | 7,405.00 |
| 14 | Membership Fees | — | 63,996.00 |
| 15 | Office Exp. | 41,468.00 | 55,504.45 |
| 16 | Postage, Courier, Xerox Exp. | 43,840.00 | 21,096.00 |
| 17 | Professional Fees | 319,227.00 | 280,717.00 |
| 18 | Repair & Maintenance (Building) | — | 24,300.00 |
| 19 | Repair & Maintenance (others) | 23,845.00 | 18,129.00 |
| 20 | ROC Exp. | 29,667.00 | 18,100.00 |
| 21 | Salary & Bonus Exp. | 1,013,760.00 | 506,352.00 |
| 22 | Service Tax | 16,275.83 | — |
| 23 | Share Listing Fees | 121,499.60 | 172,134.00 |
| 24 | Share Transfer Exp. | 120,394.00 | 39,975.00 |
| 25 | Staff Welfare Exp. | — | 22,323.00 |
| 26 | Stamp Duty | 6,711.85 | — |
| 27 | Stamping Exp. | 570.00 | 400.00 |
| 28 | Stationery & Printing Exp. | 150,032.00 | 86,736.00 |
| 29 | Telephone Exp. | 63,613.32 | 87,231.80 |
| 30 | Transaction Charges | 16,779.65 | — |
| 31 | Transportation Exp. | 6,500.00 | — |
| 32 | Traveling Exp. | 55,585.00 | 25,509.00 |
| 33 | Vehicle Petrol & Repairing Exp. | 1,050.00 | 20,583.00 |
| 34 | Website Designing Exp. | 20,115.00 | — |
| 35 | Administrative & Other Exp. - Subsidiaries | 19,135,090.28 | 29,811,164.09 |
| | | 21,788,290.39 | 31,724,641.34 |

SCHEDULE: 14

Significant Accounting Policies and Notes forming part of Financial Statements

A. Significant Accounting Policies

1. Basis of Preparation of Financial Statements:

This financial statements have been prepared under the historical cost convention on accrual basis of accounting in accordance with the Indian Generally Accepted Accounting Principles (GAAP) and mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006, to the extent applicable and presentation requirements of the Companies Act, 1956.

2. Principles of consolidation

The consolidated accounts have been prepared based on line-by-line consolidation by adding together the book values of like items of assets, liabilities, income and expenses as per the accounts of the parent company and its subsidiaries duly certified by the auditors of the respective companies.

Intra-group balances, intra-group transactions have been eliminated.

The Consolidated accounts have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the parent company's individual accounts.

The excess of cost of parent company's investments over parent company's portion of equity in subsidiaries is treated as goodwill and in case where the parent company's share in subsidiaries' equity is more than the cost of investment in subsidiaries, the excess is treated as capital reserve.

3. Fixed Assets

Fixed Assets are stated at cost of acquisition less accumulated depreciation. All costs, including financing cost till commencement of commercial production are capitalised/ to be capitalised.

4. Depreciation & Depletion

Depreciation on fixed assets of holding company is charged on the Straight Line Method and on subsidiary companies' assets is provided on written down value method at the rates and in the manner prescribed in Schedule -XIV to the Companies Act, 1956.

No depreciation/depletion has been provided in the accounts of the Joint Ventures. However the depreciation/depletion has been provided for by the Company in respect of its participating interest.

The depletion on producing properties has been calculated and provided, using the unit of production method as described in the Guidance Note on Accounting for Oil and Gas Producing Activities issued by ICAI, in proportion of oil and gas production achieved vis a vis the proved and probable reserves considering the estimated future expenditure (reviewed & revised) and other costs to be incurred on developing the reserves. Para 50 of the guidance note on Accounting for Oil and Gas producing activities under full cost method states that "Proved Oil and Gas" reserves for calculating depletion comprise developed and undeveloped oil and gas reserves estimated at the end of the period as increased by the production during the period.

As Guidance Note is for "Producing Activities", the company, keeping in mind the prudent industry practice, considers the assets for depletion only once the commercial production is commenced with the approval of the Management Committee as per the provisions of the Production Sharing Contract (PSC). Till that time, neither the reserves are taken for depletion nor are the assets with respect to the said PSC are capitalized.

5. **Inventories**

Inventory of crude oil in Joint Ventures are valued as per Crude Off take and Sale Agreement (COSA).

6. **Revenue Recognition:**

All income and expenditure items having material bearing on the financial statements are recognised on accrual basis.

Sales are recorded net of trade discount, rebates and VAT. In case of derivative transactions on MCX, the sales are shown net off of charges such as stamp duty, transaction charges etc.

Company's share of Revenue from Joint Ventures is considered on the basis of Accounts submitted by Joint Ventures.

Sale of crude oil and gas produced from exploratory wells in progress is adjusted against expenditure incurred on such wells.

Profit Petroleum paid to MoPNG is subject to the approval of Director General of Hydrocarbon (DGH) and difference, if any, is accounted for in the period of settlement of such differences.

7. **Accounting for Oil and Gas Joint Ventures**

The company Follows Full Cost Method for accounting for its oil and gas activity and all costs incurred in prospecting, acquisition, exploration and development of blocks are accumulated considering the country as a cost center. However as a matter of policy, the company is writing off the balance of entire cost of the block which is permanently abandoned, in the year of abandonment. All Oil and Gas Joint Ventures are in the nature of Jointly Controlled Assets. Accordingly the financial statements of the Company reflect its share of assets, liabilities, income and expenditure of the Joint Venture operations which are accounted on the basis of available information on line by line basis with similar items in the Company's accounts to the extent of the participating interest of the Company and also as per the various joint venture agreements except in cases of abandonment, impairment, depletion and depreciation which are accounted as per the accounting policies of the Company. The financial statements of the unincorporated joint ventures are prepared by the respective Operators in accordance with the requirements prescribed by the respective Production Sharing Contracts of the unincorporated joint ventures. Hence, certain adjustments/disclosures required under the mandatory Accounting Standards and the Companies Act, 1956 have been made in the financial statements of the Company only to the extent of information available with the Company. Such information may pertain to foreign exchange differences and details relating to fixed assets of respective unincorporated Joint Ventures, information relating to micro, small and medium enterprises, particulars of expenditure in foreign currency, particulars of earnings in foreign currency, particulars of CIF value of imports, transactions with related parties, details of leases, details of commitments and contingencies and information relating to consumption of stores and spares, capital stock and drilling tangibles.

8. **Income Tax and Deferred Tax**

Tax Expense comprises of Current Tax and Deferred Tax. Provision for Current Tax is made on the basis of the assessable income at the tax rate applicable to the relevant assessment years after consideration of the applicable provisions of the Income Tax Act, 1961 including benefits, allowances and deductions admissible under the said Act.

Deferred tax is recognized subject to consideration of prudence in respect of deferred tax assets, on timing differences being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods and is measured using tax rates and laws that have been enacted or subsequently enacted up to balance sheet date. Deferred tax assets are reviewed at each balance sheet date to assets realization.

The Deferred Tax Asset is recognized and carried forward only to the extent that there is a virtual certainty of its realization supported by convincing evidence.

9. Foreign Currency Transactions

In translating the financial statements of foreign entities for incorporation in the consolidated financial statements, the assets and liabilities are translated at the exchange rates prevailing at the date of Balance Sheet of the respective subsidiaries.

10. Impairment

An assets is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which assets is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been change in the estimate of recoverable amount.

11. Earnings per share

Basic earnings per share is calculated by dividing the net profit after tax for the year attributable to equity share holders of the company by the weighted average number of equity shares issued during the year. Diluted earnings per share is calculated by dividing net profit attributable to equity share holders (after adjustment for diluted earnings) by weighted average no. of equity shares outstanding during the year.

12. Provisions, Contingent Liabilities and Contingent Assets

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of that obligation. Contingent Liabilities which are considered significant and material by the company are disclosed in the Notes to Accounts. Contingent Assets are neither recognized nor disclosed.

13. Cash flow statements

The Cash Flow statement is prepared by the "indirect method" set out in Accounting Standard 3 on "cash Flow Statements" and presents the cash flow by operating, investing and financial activities of the company.

Cash and cash equivalents presented in the cash flow statements consist of cash on hand and demand deposit with banks.

14. Investments :

Investments are valued at cost. However in case of subsidiary Company, the company has capitalized interest on funds borrowed for the acquisition of Long Term investment in Heramec Oil & Gas Singapore Pte Limited to the extent of Rs. 2,45,45,138 in contravention of Accounting standard 16 on "Borrowing Costs".

15. Employee Benefits (AS -15):

The company has made Provision for leave encashment and Gratuity. However, the same are not certified by the report of an actuary as stated in Accounting Standard 15 on Employee Benefits. In absence of actuarial valuation report the effect of provision of the employee benefits cannot be quantified as per Accounting Standard 15 and to that extent loss/Profit for the year and balance of liabilities has been understated / overstated.

16. Amortization of Miscellaneous Expenditure:

Preliminary expenses and Pre-operative expenses has not been amortized.

17. Prior Period Adjustment :

Expenses and income pertaining to earlier/previous years are accounted as prior period items.

18. Segment Reporting:

The Company predominantly operates in a single segment namely "Oil & Gas" i.e. providing services to companies in oil and gas exploration and extraction in one geographical location and is primary basis for segment information which as per Accounting Standards 17 is considered as the only reportable business segment.

B. Notes forming part of Consolidated Financial Statements

1. Description of the Business

Heramec Limited (the "Company") has a Indian Project Office Heramec Limited -IPO and the IPO is registered at Hyderabad, India. The IPO has Exploration and production interest in Oil and Gas business and has entered into unincorporated joint ventures for development and production of hydrocarbons in India.

2. Interest in Joint Ventures

The Indian Project office's current producing and active Exploration & Development activities relate to the following Fields:

| AS AN OPERATOR(4 FIELDS) | AS A NON OPERATOR (4 FIELDS) |
|--------------------------|------------------------------|
| ❖ Allora Field | ❖ Unawa Field |
| ❖ Dholasan Field | ❖ North Baloi Field |
| ❖ Kanawara Field | ❖ CB-ONN-2004/1 |
| ❖ North Kathana Field | ❖ CB-ONN-2004/4 |

The unincorporated joint ventures relating to the above mentioned Fields were set up under the respective Production Sharing Contracts (PSCs) entered into with the Government of India. The details of the participating interest as on March 31, 2011 are set out below.

| Sl. No | Field-Location Status | Joint Ventures Partners | Participating Interest (%) |
|--------|---|---|----------------------------|
| 1 | Dholasan Field Onshore Development | 1. Gujarat State Petroleum Corporation Ltd. | 70.00 |
| | | 2. Heramec Limited (Operator) | 30.00 |
| | | | 100.00 |
| 2 | Kanawara Field Onshore Development | 1. Gujarat State Petroleum Corporation Ltd. | 70.00 |
| | | 2. Heramec Limited (Operator) | 30.00 |
| | | | 100.00 |
| 3 | North Kathana Field Onshore Development | 1. Gujarat State Petroleum Corporation Ltd. | 70.00 |
| | | 2. Heramec Limited (Operator) | 30.00 |
| | | | 100.00 |
| 4 | Allora Field Onshore Development | 1. Gujarat State Petroleum Corporation Ltd. | 70.00 |
| | | 2. Heramec Limited (Operator) | 30.00 |
| | | | 100.00 |
| 5 | Unawa Field Onshore Development | 1. Gujarat State Petroleum Corporation Ltd. (Operator) | 70.00 |
| | | 2. Heramec Limited | 30.00 |
| | | | 100.00 |
| 6 | North Baloi Field Onshore Development | 1. Gujarat State Petroleum Corporation Ltd. | 45.00 |
| | | 2. Heramec Limited | 30.00 |
| | | 3. Hindustan Oil Exploration Company Limited (Operator) | 25.00 |
| | | | |
| | | | 100.00 |
| 7 | CB-ONN-2004/1 Field Onshore Development | 1. Oil and Natural Gas Corporation Ltd.(Operator) | 50.00 |
| | | 2. Gujarat State Petroleum Corporation Ltd. | 40.00 |
| | | 3. Heramec Limited | 10.00 |
| | | | 100.00 |
| 8 | CB-ONN-2004/4 Field Onshore Development | 1. Oil and Natural Gas Corporation (Operator) | 50.00 |
| | | 2. Gujarat State Petroleum Corporation Ltd. | 40.00 |
| | | 3. Heramec Limited | 10.00 |
| | | | 100.00 |

In taking up its share of balances of assets, liabilities, income and expenditure from the unincorporated joint ventures as at March 31, 2011 Heramec Limited has applied its participating interest in the respective PSCs.

2.1 JV accounts of CB ONN 2004/01 and CB ONN 2004/04

The company has not received the Joint Venture accounts of CB ONN 2004/01 and CB ONN 2004/4 from the JV Partner, ONGC. In the absence of the same, the financial results of these JV accounts could not be considered for accounting purposes at the Company level.

- 2.2 Of the above, 6 fields/blocks are in production, namely Unawa, North Balol, Dholasan, North Kathana, Kanawara and Allora. Net quantity of Company's interest (on gross basis) in proved developed reserves is as follows:

| Particulars | Proved Developed Reserves (Oil) (Million MT) | Proved Developed Reserves (Gas) (Million Cubic Meter) |
|--|--|---|
| Beginning of the Period | 7.72 | 409.46 |
| Recoverable Reserves | 1.54 | 116.72 |
| Additions | - | - |
| Deletions | - | - |
| Production | 0.01 | 21.42 |
| Closing Balance for the year ended on 31.03.2011 | 1.53 | 95.30 |

The Company's share of reserve as on 30th June, 2008 has been considered on the basis of the "Reserve" certification provided by M/s. Gaffney, Cline & Associates.

- 2.3 The financial statements of the Company reflect its share of Assets, Liabilities, Income and Expenditure of the Joint Venture operations which are accounted on a line to line basis with similar items in the Company's accounts to the extent of participating interest of the company as per the various joint venture agreements, in compliance of AS-27. The income and expenditure from Joint Ventures are disclosed separately in the Profit and Loss Account. The summary of the Company's share in Assets & Liabilities of Joint Ventures are as follow:

| PARTICULARS | (Rs. Lakhs) | |
|---------------------|------------------|------------------|
| | AS AT 31-03-2011 | AS AT 31-03-2010 |
| Fixed Assets | 5,296.31 | 4,856.08 |
| Current Assets | 425.36 | 232.76 |
| Current Liabilities | 2809.39 | 241.72 |

- 2.4 The Profit and Loss Account of the Company includes its share in Profit or Loss pertaining to the respective Joint Ventures. The summary of Profit and Loss Account for the year ended 31st March 2011 and 31st March 2010 is given as under:

| | 2010-11 | | 2009-10 | |
|------------------------------|----------------------|-----------------|----------------------|-----------------|
| | Aggregate of all JVs | Heramec's Share | Aggregate of all JVs | Heramec's Share |
| INCOME | | | | |
| Sale of Crude Oil | 762.00 | 228.60 | 526.80 | 158.04 |
| Sale of Gas | 913.90 | 274.17 | 1,230.13 | 369.04 |
| Sludge Sales | - | - | 303.50 | 91.05 |
| Increase/(Decrease) in Stock | 2.03 | 0.61 | 1.57 | 0.47 |

| | 2010-11 | | 2009-10 | |
|--|----------------------|-----------------|----------------------|-----------------|
| | Aggregate of all JVs | Heramec's Share | Aggregate of all JVs | Heramec's Share |
| Other Income | 3.86 | 1.16 | 0.13 | 0.04 |
| Total | 1,681.79 | 504.54 | 2,062.13 | 618.64 |
| EXPENDITURE | | | | |
| Production Expenses | 471.53 | 141.46 | 434.63 | 130.39 |
| Administrative exp. | 855.80 | 256.74 | 541.03 | 162.31 |
| Total Expenditure before Depreciation | 1,327.33 | 398.20 | 975.66 | 292.70 |
| PROFIT BEFORE DEPRECIATION | 354.46 | 106.34 | 1086.47 | 325.94 |

3. Deferred Tax

(Rs.in Lakhs)

| Particulars | As on 31-March-2010 | For the year 2010-11 | As on 31-March-2011 |
|--|---------------------|----------------------|---------------------|
| Deferred Tax Liability | | | |
| (a) On excess of WDV as per Books over WDV as per I.T. | 155.80 | 3.84 | 158.64 |
| (B) Prior Period Expenses | - | 181.35 | 181.35 |
| Total (A) | 155.80 | 184.19 | 340.99 |
| Deferred Tax Asset | | | |
| (a) On excess of WDV as per I.T. over WDV as per Book Value. | - | - | - |
| (b) Others | - | - | - |
| Total (B) | - | - | - |
| Net Deferred Tax Liability (A-B) | 155.80 | 184.19 | 340.99 |

4. Related Party Transactions:

a. Names of related parties and description of relationship:

| | | |
|-------|---|---|
| (i) | Holding Company | Gujarat Natural Resources Ltd |
| (ii) | Subsidiaries | Sigma Oil & Gas Private Ltd |
| (ii) | Associates | 1. Hermac Limited 2. Alkor Technologies Ltd 3. Gorlas Infrastructure Pvt Ltd 4. Gorlas Technospace Ltd 5. Gorlas Construction Pvt Ltd 6. Leshia Industries Ltd 7. Shree Ghantakarna Rolling Mills Pvt. Ltd. 8. SRPL Developers Pvt. Ltd. |
| (iii) | Enterprises where key managerial Personnel exercise significant influence | NIL |
| (iv) | Key Management Personnel / Directors | 1. Ashok C. Shah 2. Shalin A. Shah 3. Malav Mehta 4. Ilesh Shah 5. Pravinbhai Trivedi 6. Hariyant C. Shelat |

b. Transaction for the year ended March 31, 2011.

| Particulars | FY 2010-11 Rs. | FY 2009-10 Rs. |
|---|-------------------|-------------------|
| Purchases/Services | 15,37,032* | 53,98,855* |
| 1. Holding Company | - | - |
| 2. Associates | - | - |
| 3. Key Management Personnel | - | - |
| 4. Enterprises where Key Managerial Personnel exercise significant influence. | - | - |
| SALES | - | - |
| 1. Holding Company | - | - |
| 2. Subsidiary | - | - |
| 3. Associates | - | - |
| 4. Key Management Personnel | - | - |
| Advances taken: | - | - |
| 1. Holding Company | - | - |
| 2. Subsidiary | 2,96,59,550 | 22,17,51,818 |
| 3. Associates | - | - |
| 4. Enterprises where Key Managerial Personnel exercise significant influence. | - | - |
| Other income: | - | - |
| 1. Subsidiary | - | - |
| 2. Enterprises where Key Managerial Personnel exercise significant influence. | - | - |
| Advances given/ (Repaid) | - | - |
| 1. Holding Company | 6,09,610 | 8,56,51,439 |
| 2. Associates | - | - |
| 3. Key Management Personnel | - | - |
| 4. Enterprises where key managerial personnel exercise significant influence. | - | - |
| Remuneration: | 55,59,333 | 69,67,100 |
| 1. Key Management Personnel | - | - |
| Expenditure (Rent) : | - | - |
| 1. Subsidiary | - | - |
| 2. Enterprises where Key Managerial Personnel exercise significant influence. | - | - |
| 3. Key Managerial personnel. | - | - |
| Outstanding balance as at the Year end | - | - |
| 1. Amounts Payable | - | - |
| a) Subsidiaries | 26,22,72,294 | 23,30,13,779 |
| b) Associates | - | - |
| c) Enterprises Where Key Managerial Personnel exercise significant influence. | 16,00,000 | 3,10,00,000 |
| 2. Amounts Receivable | - | - |
| a) Holding Company | - | - |
| b) subsidiary | 4,50,65,761 | 8,32,10,051 |
| c) Associates | - | - |
| d) Key Management Personnel exercise significant influence | 27,56,588 | 27,20,000 |

*Including Services Tax

5. Information pursuant to paragraph 3,4-B, C, D of part II of Schedule VI to the Companies Act, 1956 is given as under.

Rs In Lakhs

| PARTICULARS | 2010-11 | 2009-10 |
|--------------------------------------|---------|---------|
| (A) Payment to Auditors | | |
| i) Audit Fees | 2.65 | 1.70 |
| ii) Other services | 0.50 | - |
| (B) Managerial Remuneration | 55.59 | 61.50 |
| (C) Expenditure in Foreign Currency: | | |
| i) Interest | - | - |

| PARTICULARS | 2010-11 | 2009-10 |
|--------------|---------|---------|
| ii) Services | - | 4.17 |
| iii) Others | - | - |
| v) Totals | - | 4.17 |

6. The Company is not a manufacturing company but is a partner in various consortiums engaged in the prospecting, exploring and producing of oil and gas. The information given below as required under Items 4-C and 4-D of part II of Schedule VI to the Companies Act, 1956 represents the Company's share in the joint ventures. Figures in bracket relates to previous year.

1.1. Sales Turnover

| Description | Unit | Quantity | Value (Rs.) (In Lakhs) |
|-------------|-------|---------------------|------------------------|
| Crude Oil | MBBLs | 6.848 (6.066) | 228.60 (160.59) |
| Natural Gas | MM3 | 4,426.03 (5485.858) | 274.17 (366.49) |
| Sludge Oil | MM3 | Nil (0.646) | Nil (91.05) |

*Figures in brackets relate to previous year.

1.2. Opening and Closing Stock of Goods Produced & Traded

| Description | Unit | Quantity | Value (Rs.) (In Lakhs) |
|---------------|-------|-------------|------------------------|
| Opening Stock | | | |
| Crude Oil | MBBLs | 0.41 (0.48) | 2.19 (1.72) |
| Natural Gas | MM3 | - | - |
| Sludge Oil | MM3 | - | - |
| Closing Stock | | | |
| Crude Oil | MBBLs | 0.38 (0.41) | 2.80 (2.19) |
| Natural Gas | MM3 | - | - |
| Sludge Oil | MM3 | - | - |

*Figures in brackets relate to previous year.

1.3. Licensed Capacity, Installed Capacity and Actual Production

| Description | Unit | Licensed Capacity Per Annum | Installed Capacity Per Annum | Actual Production for the Year * |
|-------------|-------|-----------------------------|------------------------------|----------------------------------|
| Crude Oil | MBBLs | N.A. | N.A. | 8,3831 (7.00) |
| Natural Gas | MM3 | N.A. | N.A. | 4,426.30 (5485.00) |
| Sludge Oil | MM3 | N.A. | N.A. | - |

*Excludes internal consumption & normal loss.

*Figures in brackets relate to previous year.

1.4. Purchases

| Description | Unit | Quantity | Value (Rs.) (In Lakhs) |
|-------------|------|----------|------------------------|
| Crude Oil | MBBL | - (-) | -/(-) |
| Natural Oil | MM3 | - (-) | -/(-) |
| Sludge Oil | MM3 | - (-) | -/(-) |

*Figures in brackets relate to previous year.

7. **Contingent Liabilities:**

- a. Bank Guarantees given in favour of Director General of Hydrocarbon, (DGH) New Delhi, India by the company and outstanding as on March 31, 2011 amounting to USD 8,05,009 equivalent to Rs. 3,60,00,000/- (Previous year: US Dollars 7,91,205 equivalent to Rs. 3,57,15,000/-). These guarantees represent the share of Heramec Ltd in respect of the total estimated annual expenditure as per Approved Work Program in the contract area during the development phase of the existing discoveries.
- b. The company's Indian Project Office has given a corporate guarantee to a local Bank (Axis Bank Ltd) for INR Rs. 360 Lakhs equivalent to USD 8,05,009 (Previous year : Rs. 400 Lakhs equivalent to USD 8,86,132) towards Facilities for Bank Guarantees and Cash Credit sanctioned to the Company.

| Sr.No: | Particulars of Disclosure | Amount of Contingent Liability | |
|--------|---------------------------------|--------------------------------|-------------------|
| | | In USD | In INR (In Lakhs) |
| 1 | Balance as at April 1, 2010 | 8,86,132 | 400 |
| 2 | Additions during the year | - | - |
| 3 | Less: Reduction during the year | 81,123 | - |
| | Balance as at March 31, 2011 | 8,05,009 | 360 |

8. In case of balances of Joint Venture parties, for cash call and other transactions and also in case of balances of other parties i.e. Debtors, Creditors, Loans and Advances, the company is in the process of reconciling with the parties. Adjustments, if any, will be accounted on reconciliation/settlement of the same.
9. Estimated amount of contracts remaining to be executed on capital account and not provided for in the Accounts (net of advances) NIL
10. **Sundry debtors over six months included Rs. 260.46 lacs non-performing in nature.** In the opinion of the Directors, they are good and recoverable. The Directors are hopeful of getting recoveries in the next year as the market conditions are not favourable. **However in the opinion of the Auditors, it shall be prudent to identify the same as doubtful of recovery requiring adequate provision.** It has been explained that the management of the company is pursuing recoveries and actual losses, if any, shall be adjusted as and when arises.
11. In opinion of the management of the company, all loans, advances and deposits are recoverable in nature for which no provision is required. **However in the opinion of the Auditors, it shall be prudent to make sufficient provision for such non performing assets amounting to Rs. 136.65 lacs which are outstanding since long.**
12. In the opinion of the Directors, the current assets, loans and advances are approximately of the value stated, if realized in the ordinary course of business and provision for all known and determined liabilities (except wherever otherwise stated) are adequate and not in excess of the amount reasonably necessary.
13. Balances under Sundry Debtors, Sundry Creditors, Loans & Advances are subject to confirmation and reconciliation with the respective parties/ concerns. Necessary adjustment if any, thereon having an importance of revenue nature, will be made in the year of such confirmation / reconciliation.
14. The company has not received any Memorandum (as required to be filed by the suppliers with the notified authority under the Micro, Small and Medium Enterprise Development Act, 2006) claiming their status as micro, small and medium enterprise as on the Balance Sheet date. Consequently, the amount payable to micro, small and medium enterprises during the year Rs. Nil (Previous year Nil).
15. Previous year's figures have been re-grouped/reclassified or rearranged wherever necessary to make them comparable with those of current year.

16. Prior Period Expenses:

The details of Prior Period items, Income / Expenses (net) included in profit and loss account is as under:

(Amount in Rs.)

| Particulars | Year ended 31 st March, 2011 | Year ended 31 st March, 2010 |
|------------------------|--|--|
| Deferred Tax Liability | 18,134,868 | - |
| Total | 18,134,868 | - |

17 Earning per share (EPS) :

| Sr. No. | Particulars | 2010-2011 | 2009-2010 |
|---------|--|---------------|---------------|
| a) | Net Profit / (Loss) after Tax available for Equity Shareholders (Rupees) | (36033533) | (16032281) |
| b) | Weighted average number of Shares at beginning | 31609032 | 24466360 |
| c) | Basic and Diluted Earning per Share (Rupees) | (1.14) | (0.66) |

Signature to Schedule 1 to 14

As per our report of even date.

FOR PANKAJ K. SHAH ASSOCIATES
Firm Registration No. 107352W
CHARTERED ACCOUNTANTS

For and on Behalf of the Board of Directors

Pankaj K. Shah
Proprietor
M. No. 34603

DIRECTOR

DIRECTOR

Place : Ahmedabad
Date : 03.09.2011

Place : Ahmedabad
Date : 03.09.2011

Information to Part IV of Schedule VI of the Companies Act, 1956

BALANCESHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE.

I. Registration Details

Registration No. : 16158 State Code : 04
Balance Sheet Date : 31.03.2011

II. Capital raised during the year

Public Issue : - Right Issue : -
Bonus Issue : - Private Placement : Rs. 604.11 lacs

III. Position of Mobilisation and Deployment of Funds (Rs. in '000)

Total Liabilities : 1262753.10 Total Assets : 1262753.10

Sources of Funds

Paid up Capital : 387516.45
Share App. Money : -
Reserves & Surplus : 537780.20
Secured Loans : 57.08
Unsecured Loans : 303300.80
Deferred Tax Liabilities : 34098.57

Application of Funds

Net Fixed Assets : 545575.17
Investments : 166850.00
Net Current Assets : 428773.79
Misc Expenditure : 24770.17
Accumulated Loss : 96783.97

IV

Performance of Company

Turnover Total : 632016.24 Expenditure : 647425.69
Profit/(Loss) before Tax : (15409.45) Profit/(Loss) after Tax : (36033.58)
Earning per Share is Rs. : (1.14) Dividend Rate % : -

V. Generic Name of Three Principal Products/Services of Company (as per monetary terms)
Product Description

i) Oil & Gas Sector

Signature to Schedule 1 to 14

As per our report of even date.

FOR PANKAJ K. SHAH ASSOCIATES
Firm Registration No. 107352W
CHARTERED ACCOUNTANTS

For and on Behalf of the Board of Directors

Pankaj K. Shah
Proprietor
M. No. 34603

Place : Ahmedabad
Date : 03.09.2011

DIRECTOR

DIRECTOR

Place : Ahmedabad
Date : 03.09.2011

GUJARAT NATURAL RESOURCES LIMITED
Regd. Office: 8, Sigma Corporate, Nr. Mann Party Party Plot, S. G. Highway,
Ahmedabad - 300 059.

ATTENDANCE SLIP

Name of the attending Member/Proxy : _____

Member's Folio No./Client ID : _____

No. of Shares held : _____

I/We hereby record my/our presence at the 20th Annual General Meeting held on 30th September 2011 at 8, Sigma Corporate, Nr. Mann Party Party Plot, S. G. Highway, Ahmedabad - 300 059, at 10.00 a.m.

Signature of the Attending Member/Proxy

- Notes : 1. Share holder/Proxy holder wishing to attend the meeting must bring the attendance slip to the Meeting and hand it over at the entrance duly signed.
2. Share holder/Proxy holder desiring to attend the meeting should bring his/her copy of the Annual Report for reference at the meeting

----- Tear Here -----

GUJARAT NATURAL RESOURCES LIMITED
Regd. Office: 8, Sigma Corporate, Nr. Mann Party Party Plot, S. G. Highway,
Ahmedabad - 300 059.

PROXY FORM,

I/We _____ of _____ in the district of _____ being a member/members of the Company, hereby appoint _____ of _____ in failing him/her _____ of _____ as my/our Proxy to attend and vote for me/us on my/our behalf at the ANNUAL GENERAL MEETING of the Company to be held on 30th September, 2011 at 10.00 a.m. or any adjournment thereof.

Signed this ____ day of ____ 2011.

Reference Folio No. _____

Affix Signature
Revenue Stamp

This form is to be used in favour of/against* the resolution. Unless otherwise introduced, the Proxy will act as he thinks fit.

* Strike out whichever is not desired.

BOOK - POST

To,

If undelivered please return to :

GUJARAT NATURAL RESOURCES LIMITED

8, Sigma Corporate. Nr. Mann Party Plot, S. G. Highway,
Ahmedabad 380 059.