



INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED

AUDITORS' REPORT

To the members of

INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED

We have audited the Balance Sheet of INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED as at 31st MARCH, 2007 and the annexed Profit and Loss Account for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1 As the Company does not coming under the purview of the Companies (Auditor's Report) Order, 2003 issued by the Central Government under section 227 (4A) of the Companies Act,1956, we have not reported our finding on the matters stated therein.
- 2 Further to our comments in the Annexure referred to in paragraph (1) above:
 - a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
 - b. In our opinion, proper books of account as required by the law have been kept by the Company so far as it appears from our examination of those books;
 - c. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with those Books of account;
 - d. In our opinion, the Profit and Loss Account and the Balance sheet dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act,1956;
 - e. On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director of the Company are disqualified from being appointed as a director in terms of Section 274 (1) (g) of the Companies Act, 1956, ;
 - f. In our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act,1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2007; and
 - ii. In the case of the Profit and Loss Account, of the loss of the company for the year ended on that date.

For **RAO & VENKATESULU**
Chartered Accountants

Place : Bangalore
Date : 28th August 2007

K.Y. Ningoji Rao
Partner
Membership No.18278



INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	As at 31.03.2007 (Rs. in '000)	As at 31.03.2006 (Rs. in '000)
A. SOURCES OF FUNDS:			
SHAREHOLDERS FUNDS:			
Share Capital	A	100.00	100.00
LOAN FUNDS:			
Secured Loans		-	-
Unsecured Loans		-	-
Total Sources of Funds		100.00	100.00
B. APPLICATION OF FUNDS:			
FIXED ASSETS:			
Capital Works In Progress		-	-
DEFERRED TAX ASSETS		79.79	79.77
NET CURRENT ASSETS:			
CURRENT ASSETS:			
Inventories	B	361.78	-
Trade Debtors		439.57	2,131.52
Cash & Bank Balances		31.53	296.77
Loans & Advances		263.82	267.90
Total Current Assets		1,096.70	2,696.19
Less: CURRENT LIABILITIES:			
Current Liabilities	C	1,248.68	2,847.91
NET CURRENT ASSETS:		(151.98)	(151.71)
Misc. Expenses (ASSET)			
Preliminary Expenses (To the extent not written off)		-	3.72
Profit & Loss Account		172.19	168.23
Total Application of Funds		100.00	100.00

Significant Accounting Policies &
Notes to the Accounts

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As per our report attached
For **RAO & VENKATESULU**
Chartered Accountants

For and on behalf of the Board

K.Y. Ningoji Rao
Partner
Membership No.18278

M. Ramakrishan
Director

K. Karunakaran
Director

Bangalore
28th August 2007



INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	For the Year ended 31.03.2007 (Rs. in '000)	For the Year ended 31.03.2006 (Rs. in '000)
INCOME:			
Exploration charges Recovered		1,096.25	5,281.42
Total Income		1,096.25	5,281.42
EXPENDITURE:			
Exploration Expenses	D	1,413.17	5,422.95
Administrative & Other Expenses	E	46.39	32.97
Total Expenditure		1,459.56	5,455.92
NET PROFIT(+)/LOSS(-) BEFORE TAXES		(1.53)	(174.51)
Less/Add (-): Prior Period Adjustments		(2.46)	--
Add: Deferred Tax Assets Created		0.02	56.92
NET PROFIT(+)/LOSS(-) AFTER TAXES		(3.97)	(117.59)
Add: Balance Loss Brought Forward		(168.23)	(50.64)
BALANCE LOSS CARRIED FORWARD		(172.19)	(168.23)

Significant Accounting Policies &
Notes to the Accounts

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As per our report attached
For **RAO & VENKATESULU**
Chartered Accountants

For and on behalf of the Board

K.Y. Ningoji Rao
Partner
Membership No.18278

M. Ramakrishan
Director

K. Karunakaran
Director

Bangalore
28th August 2007



INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED

SCHEDULES FORMING PART OF ACCOUNTS

	As at 31.03.2007 (Rs. in '000)	As at 31.03.2006 (Rs. in '000)
SCHEDULE 'A'		
SHARE CAPITAL		
AUTHORISED CAPITAL: 50000 (P.Y. 50000) Equity shares of Rs.10/- Each	500.00	500.00
ISSUED, SUBSCRIBED AND PAID UP: 10000 (P.Y.10000) Equity shares of Rs.10/- Each Fully Paid up	100.00	100.00
TOTAL	100.00	100.00
SCHEDULE 'B'		
CURRENT ASSETS		
Inventories :		
Work in Progress	361.78	-
Trade Debtors	439.57	2,131.52
Cash at Bank:		
In Current Accounts	29.55	293.37
Cash on Hand	1.98	3.40
Loans & Advances:		
Deposits	109.93	109.93
Advances Recoverable in Cash or kind	153.89	157.97
Geologist Advance	-	-
TOTAL	1,096.70	2,696.19
SCHEDULE 'C'		
CURRENT LIABILITIES		
Creditors for Trade	1,193.46	2,801.75
Creditors for Expenses	55.22	46.16
TOTAL	1,248.68	2,847.91
	Current Year (Rs. in '000)	Previous Year (Rs. in '000)
SCHEDULE 'D'		
EXPLORATION EXPENSES		
Analysis charges	560.97	3,515.94
Boarding & Lodging charges	53.28	7.95
Camp Expenses	26.71	873.93
Diesel & Fuel Expenses	47.21	-
Duplicating charges	2.06	1.06
Field Supplies & Consumables	18.30	0.28
Field Vehicle Maintenance	22.24	-
RP/PL/ML Processing Expenses	50.29	54.10
Labour charges	-	4.01
Land Compensation	123.18	317.68
Field Travel Expenses	15.70	-
Professional & Consultancy fee	465.00	648.00
Trenching & Pitting Charges	20.90	-
Other Camp Expenses : Telephone	7.33	-
TOTAL	1,413.17	5,422.95


INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED

	Current Year (Rs. in '000)	Previous Year (Rs. in '000)
SCHEDULE 'E'		
ADMINISTRATIVE & OTHER EXPENSES:		
Advertisement Expenses	10.00	-
Application fee	-	1.05
Bank Charges	1.38	1.51
Interest Paid	1.46	-
Filing Fee	10.88	1.20
Food & Water expenses	-	3.85
Miscellaneous Expenses	-	0.29
Postage & Telegrams	0.94	0.10
Printing & Stationery	2.99	1.20
Field Travel Allowance	-	1.45
Telephone charges (Camp)	-	1.53
Preliminary Expenses Amortised	3.72	3.72
Auditors Remuneration:		
For Audit	11.22	11.12
For Tax Audit	-	3.34
For Other Services	3.80	2.61
TOTAL	46.39	32.97
SCHEDULE 'F'		
INCREASE OR DECREASE IN STOCKS		
OPENING STOCK :		
Work in progress	-	-
TOTAL	-	-
CLOSING STOCK		
Work in progress	361.78	-
TOTAL	361.78	-
Increase (-) or Decrease (+) in Inventory	(361.78)	-

SCHEDULE 'G'**NOTES FORMING PART OF ANNUAL ACCOUNTS****1 Trade Debtors include:**

	Particulars	As At 31.03.2007 (Rs. in '000)	As At 31.03.2006 (Rs. in '000)
a.	Debts considered good but not secured for which the Company do not hold any security other than the personal security of debtors	439.57	2,131.52
b.	Debts considered doubtful for which no provision is made	Nil	Nil
c.	Debts due from concerns in which the relatives of Directors of the company are interested	Nil	Nil
d.	Debts due from firms and companies in which the Directors of the company are interested as partners and Directors	Nil	Nil
e.	Debts due for period:		
	(i) More than Six Months	Nil	Nil
	(ii) Others	439.57	2,131.52



INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED

2 . The particulars of the Deferred Tax Asset created is as under: (Rs.'000)

Particulars	As On 31.03.2007	As On 31.03.2006	Difference
Depreciation:			
Written Down value:			
As per IT Rules	Nil	Nil	Nil
As per Books	Nil	Nil	Nil
Difference	Nil	Nil	Nil
Deferred Tax Liability	Nil	Nil	Nil
Particulars	As On 31.03.2007	As On 31.03.2006	Total
Unabsorbed Items Under IT:			
Unabsorbed Business Loss	237.04	236.97	0.07
Unabsorbed Depreciation	Nil	Nil	Nil
Total	237.04	236.97	0.07
Deferred Tax Asset	79.79	79.76	0.03
Net Deferred Tax Asset:	79.79	79.76	0.03

SIGNIFICANT ACCOUNTING POLICIES:**A. REVENUE RECOGNITION:**

1. Sales revenues are accounted on accrual basis.
2. All incomes, to the extent they are ascertained, are accounted on accrual basis.

B. EXPENDITURE RECOGNITION:

1. All expenditure relating to the purchase of goods are accounted on accrual basis.
2. All expenditure to the extent they are ascertained, are accounted on accrual basis.

C. VALUATION OF INVENTORY:

Inventories of goods traded are valued at cost or net realisable value which ever is lower.

D. FIXED ASSETS:

Depreciation on fixed assets are provided on Written Down Value Method at the rates prescribed under the Income Tax Rules, 1962.

E. ACCOUNTING OF TAXES ON INCOME:

- a. Current taxes on Income is provided as per the liability computed under the Income Tax Act, 1961.
- b. The Deferred Tax Assets and Liabilities are created as per AS-22 prescribed by the Institute of Chartered Accountants of India.

F. ACCOUNTING OF INTANGIBLE ASSETS:

- a. All intangible assets acquired at cost are recognized as assets.
- b. All intangible assets are amortized as per the norms stipulated in AS-22 issued by the ICAI.



INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:
I. Registration Details:

State Code	08
Registration No.	22819
Balance Sheet Date	31st March, 2007

BALANCE SHEET AS AT 31ST MARCH, 2007:**(Rs in '000)****II. Capital raised during the year :**

Public Issue	Nil
Right Issue	Nil
Bonus Issue	Nil
Private Placement	Nil

III. Position of mobilisation and deployment of funds:

Total Liabilities	100
Total Assets	100

Sources of Funds:

Paid Up Capital	100
Reserves & Surplus	Nil
Secured Loans	Nil
Unsecured Loans	Nil

Application of Funds:

Net Fixed Assets	Nil
Investments	Nil
Deferred Tax Asset	80
Net Current Assets	(152)
Miscellaneous Expenditure	Nil
Accumulated Losses	172

IV. Performance of the Company:

Turnover	1,096
Total Expenditure	1,098
Profit Before Tax	(2)
Profit After Tax	(4)
Earning Per Share [Annualised]	
After reckoning Deferred Tax Asset (in Rs.)	(40)
Dividend	Nil

V. Generic names of three principal products of Company (as per monetary terms):

Product Description	Item Code (ITC Code)
a. Mining Exploration	980100.45

SIGNATURES TO SCHEDULES 'A' AND 'G'

As per our report attached
For **RAO & VENKATESULU**
Chartered Accountants

For and on behalf of the Board

K.Y. Ningoji Rao
Partner
Membership No.18278

M. Ramakrishan
Director

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