

GUJARAT NRE COKING COAL LTD

2010 Annual Report



powering up illawarra

2010 Highlights

Total sales and other income of \$170.20 million
Planning for 6 million tonnes production per annum
Major expansion of NRE 1 and Wongawilli mines
GNM outperforms All Ordinaries (ASX)
\$800 million of new investments
Strong focus on community engagement

There is more coal in your life than you know of

Production

25%

The Company's total production in 2010 was 1,133,006 tonnes of ROM coal, up from 849,021 tonnes in 2009.

Directors' report

In December 2009 the Company successfully raised \$50 million capital by placement of 77 million fully paid shares at \$0.65 per share to institutional and sophisticated investors in Australia and overseas.

Review of operations

In the month of March 2010 the Company's production, collectively from both mines, was around 0.20 million tonnes - the highest tonnes ever produced compared with the production in previous months.

Future developments

The strategic plan for continuous operations of the mine and the staged growth of production is progressing well, with the second long wall expected to be in operation by December 2011.

Corporate directory

Gujarat NRE Coking Coal Limited ACN 111 244 896

Board of directors

Mr. Arun Kumar Jagatramka, Chairman
Dr. Andrew E. Firek
Mr. Maurice Anghie
Mrs. Mona Jagatramka
Mr. Don Carroll
Mr. Sanjay Sharma, Company Secretary

Principal business & registered office

Lot 1 Princes Highway
Russell Vale NSW 2517
Ph: +61 (02) 4223 6836
Fax: +61 (02) 4283 7449
<http://www.gujaratnre.com.au>

Postal address

PO Box 281
Fairy Meadow NSW 2519

Auditors

BDO Audit (NSW-VIC) Pty Ltd
Level 19, 2 Market Street
Sydney NSW 2000

Banker

State Bank of India
Level 12, 234 George Street
Sydney NSW 2000

Share registry

Registries Limited
Level 7, 207 Kent Street
Sydney NSW 2000
Ph: +61 (02) 9290 9600
Fax: +61 (02) 9279 0664
<http://www.registries.com.au>

Annual General Meeting

Our AGM is to be held on
24 July 2010 at 11.30am (AEST) at
Ball Room, Novotel Hotel
2-14 Cliff Road
Wollongong NSW 2500

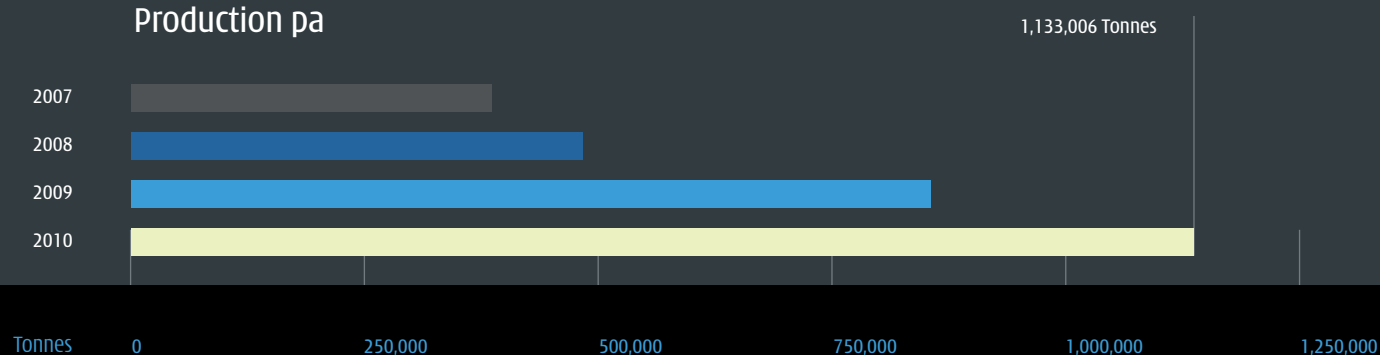
The Company owns and operates two premium quality hard coking coal mines in the Illawarra region of New South Wales. Total revenue and other income of the Group for the financial year ended 31 March 2010 was \$170.20 million.

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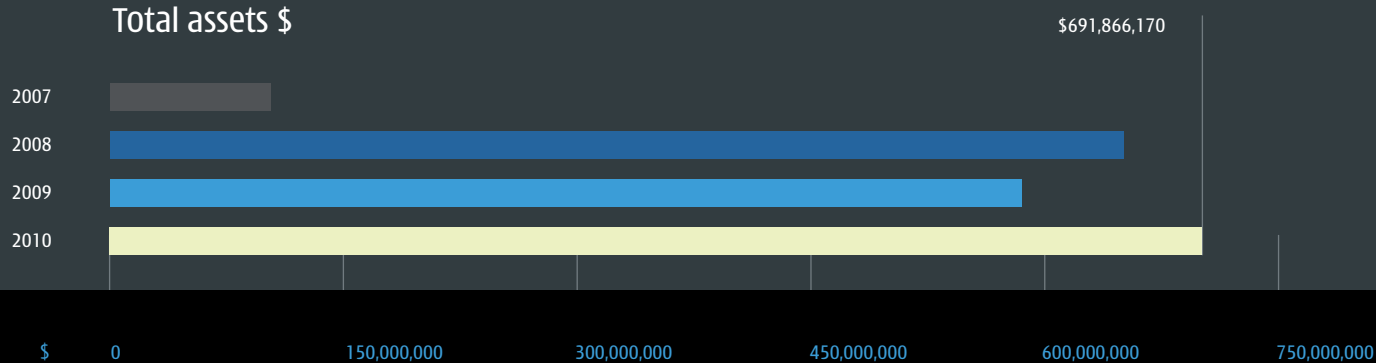
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2010 Highlights

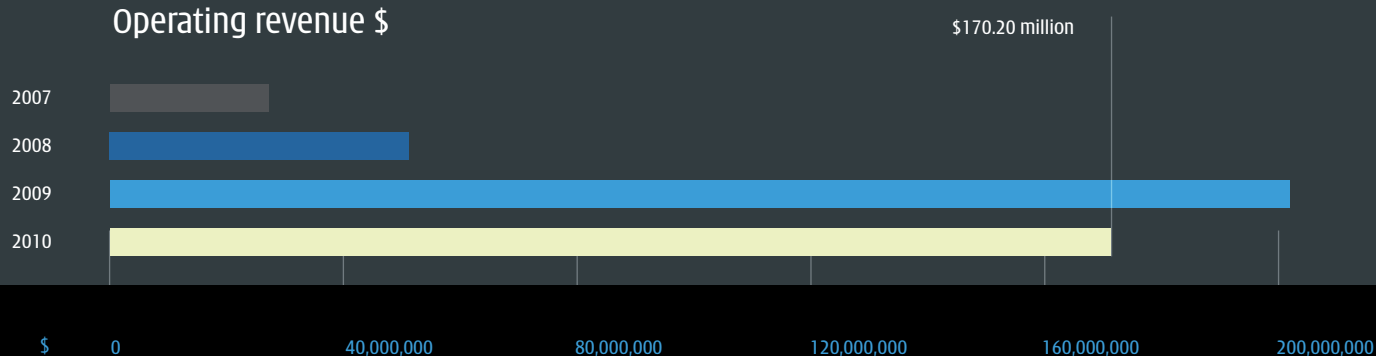
Production pa



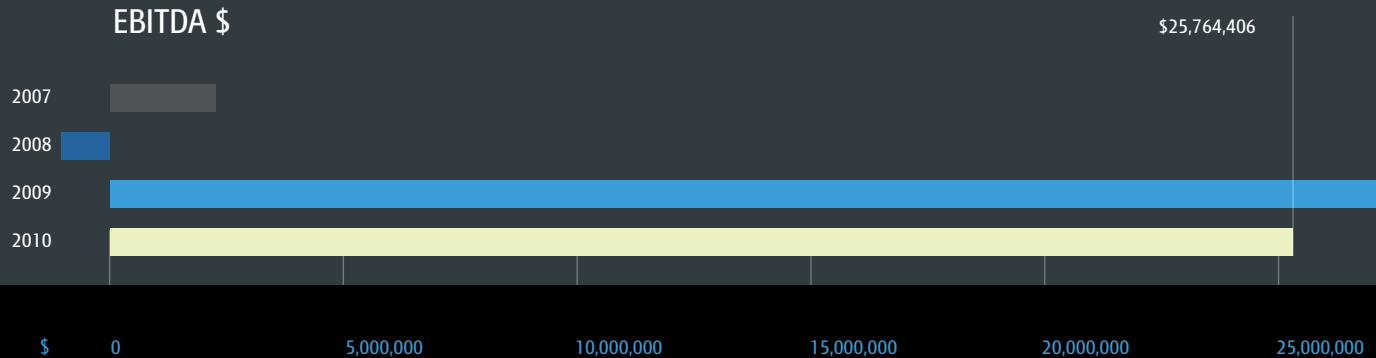
Total assets \$



Operating revenue \$



EBITDA \$





25%



Production

18%



Total assets

12%



Equity

497%



Coking coal reserves

Directors' report

FOR THE YEAR ENDED 31 MARCH 2010



In accordance with the Corporations Act 2001, the Directors of Gujarat NRE Coking Coal Limited (the “Company”) present their report on the consolidated entity (the “Group”), consisting of Gujarat NRE Coking Coal Limited and its controlled entities at the end of, and during, the financial year ended 31 March 2010.

1. Principal Activities

During the year, the principal activities of the Group were:

- Mining and producing coal
- Selling and exporting coal
- Expanding NRE No.1 and NRE Wongawilli collieries

2. Result

Total revenue and other income of the Group for the financial year ended 31 March 2010 was \$170.20 million and the Group reported a loss of \$11,684,382 compared to a loss of \$9,152,370 for the year ended 31 March 2009, which was mainly due to lower benchmark hard coking coal price fixed for JFY 2009-2010 (immediately after the Global Financial Crisis at US \$128 compared to US \$300 in previous year) & subsequent appreciation of Australian dollar during the year. Further the operating costs are high for board & pillar mining method being employed until the commissioning of longwall mining at NRE No 1 mine, which is expected in second half of 2011.

3. Financial Highlights

Total revenue and other income of the Group for the financial year ended 31 March 2010 was \$170.20 million compared to \$206.50 for the year ended 31 March 2009. Revenue includes export of ROM coal at cost and freight price value and other income includes exchange gains/(losses) on US dollars loans.

As stated above the decrease in revenue during the year was mainly due to the fall in the sale price of coking coal. However, the Group has utilized the low price period more extensively on the mine development projects to achieve better results in future mining and as it was expected the coal price has substantially increased in the current financial period. Overall it was quite a significant year for the Group from development and progress perspective.

The Group has made a loss of \$11.68 million after tax for the year ended 31 March 2010 (2009: Loss \$9.15 million). The said loss is after accounting for amortization depreciation and unwinding of restoration and borrowing cost of \$23.11 million (2009: \$29.17 million).

The Group's current liabilities of \$66.5 million includes \$14.97 million pre-shipment advances from the major shareholder, \$6.76 million to provisions for annual and sick leave and \$5.4 million Working Capital Loan from State Bank of India (facility that is secured by a fixed and floating charge over the assets of the Group and guaranteed by the Indian parent company).

4. Significant Changes in the State of Affairs

The following significant events occurred during the year:

Increase in contributed equity of the Company:

Particulars	Number of Ordinary Shares	Issue Price per Unit \$	Amount \$
Opening balance	802,773,349	–	437,818,160
Share issue expenses	–	–	(1,719,949)
Shares issued in exchange of Rey Resources shares acquired	6,189,850	–	4,023,398
Shares issued under private placement	77,000,000	0.65	50,050,000
Conversion of directors options	500,000	0.50	250,000
Conversion of employees options	8,000	0.65	5,200
Closing balance	886,471,199	–	490,426,809

US \$70 million facility

During May 2009 the Company with the help of its parent company Gujarat NRE Coke Limited (“GNCL”) as a guarantor successfully negotiated and secured a US \$50 million Long Term Loan Facility (the “Facility”). The Facility was sanctioned by a consortium of Indian Banks in Singapore, London, Hong Kong and Antwerp. The Facility had a green shoe option for additional US \$25 million, which was also exercised during the year with sanctions from Banks in Singapore and Sydney and the entire US \$75 million was withdrawn and utilized by the Company for the development of both its mines.

The Company owns and operates two premium quality hard coking coal mines in the Illawarra Region of New South Wales. Since the acquisition of these two shuttered mines, the Company had invested (including cost of acquisition) over \$300 million on the refurbishment and development of these mines and brought them back in production (around 1.13 million tonnes produced in this financial year) with plans to further invest over half a billion dollars to achieve production level of 6 million tonnes per annum collectively by 2014/15. The Company anticipates that required funds for the proposed developments of these mines will be generated by judicious mix of debt, equity and internal accruals.

Directors' report

FOR THE YEAR ENDED 31 MARCH 2010



\$50 million Capital Raising

In December 2009, the Company successfully raised \$50 million by placement of 77 million fully paid shares of the Company at \$0.65 per share to various Australian and international institutional and sophisticated retail investors. The Placement not only assisted with the infusion of the funds required for development of the mines but also created further liquidity in the Company's shares.

Takeover offer for Rey Resources Limited shares

The parent company, Gujarat NRE Limited, was one of the significant stakeholders of an ASX listed entity Rey Resources Limited ("Rey"), which is a mineral exploration company with coal, oil and gas permits in the Canning Basin, North-Western Australia, and base metals in South America. Based on Rey's ASX release on 1 April 2009, the maiden JORC resource estimate at the Duchess-Paradise project of 498 million tonnes was reported and later upgraded to 511 million tonnes on 1 June 2009. Rey's strategy is to develop a thermal quality coal resource to support an initial, export mining operation as a precursor to larger scale operations that will export and sell coal to power generation customers in South Asia.

Due to underperformance of Rey's management in their role of unlocking the value of Canning Basin Coal Projects and lack of any meaningful progress, the Company finally decided and announced, on 3 June 2009, its intention to make an off-market takeover offer to acquire entire issued shares in Rey. Subsequently the Original Bidder's Statement and the Replacement Bidder's Statement were lodged with ASIC on 20 July 2009 and 29 July 2009 respectively.

The board of directors is confident that combining the Group's operations and development assets together with the Rey's exploration assets will create a diversified and enlarged company with significant growth prospects and the expertise to develop those assets to their full potential. The combination of Group's coking coal assets and Rey's thermal coal assets with Group's exposure to the Indian coal market will be a dramatic value driver for the Group and Rey shareholders.

The all scrip offer ("Offer") is based on one (1) share of the Company for every five (5) Rey shares whereas the cash offer is based on 9 cents for every Rey share. The Offer was made unconditional on 21 August 2009 and minimum acceptance term was revised from 90% to 50.1% i.e. controlling stake. Since then the Offer has been extended periodically and as at the date of this report, it is valid till 11 June 2010 unless extended. At present the Company is holding around 12% stake in Rey.

Tasmanian tenements

Gujarat NRE Resources NL ("GNRNL"), wholly-owned subsidiary of the Company, has sold off four of its exploration licences in Tasmania - namely Nelson Bay River (EL 41/2004), Adamsfield (EL 11/2006), Catamaran (EL 32/2005) & Sulphide Creek (EL 43/2004) to Shree Minerals Limited (Shree).

As per the initial sales terms, GNRNL was to receive 10 million fully paid shares of Shree as a part consideration for the above tenements and balance consideration of \$3 million was payable upon successful achievement of the milestones set and agreed in the agreement including successful completion of a Bankable Feasibility Study and Financial Closure on Nelson Bay River project. However these terms were later revised in order for Shree to be admitted and listed on the ASX and to comply with Listing Rule 10.7, which requires an entity to be admitted and listed on the ASX to acquire a classified asset (e.g. mining exploration tenement) only in exchange of restricted securities as a consideration.

Pursuant to the revised terms & conditions of the agreement, Shree has issued 15,000,000 shares of it to the Company and made a payment of \$500,000; while a further 10,000,000 shares of Shree will be issued to the Company after successful completion of a Bankable Feasible Study and Final Closure on the Nelson Bay River project. Mr. Arun Kumar Jagatramka, Chairman of the Company has also been nominated and appointed to the Board of Shree as a non-executive Director. Shree was admitted and listed on the Australian Securities Exchange on 18 February 2010.

The sale of the Exploration Licences is envisaged to be in the best interest of the Company and its stakeholders as it allows the Company to focus on the growth & development of the mining operations at NRE No.1 and NRE Wongawilli collieries, i.e. core business and yet remain part of the growth and prospects of these tenements.

Change of the Company's name

The shareholders of the Company at the Special Purpose General Meeting on 23 February 2010 approved the change of the Company's name from Gujarat NRE Minerals Limited to Gujarat NRE Coking Coal Limited. As mentioned earlier, the Company is owner and operator of two premium quality hard coking coal mines and the new name reflects more accurately the nature of the business of the Company than its former name.

Appointment of an additional independent director

The board of directors has accepted and welcomed the appointment of Mr. Don Carroll as an additional independent director. Mr. Carroll has more than 30 years of experience in the mining sector and resource industries and is highly regarded in the international resource community. The board members believe that Mr. Carroll's depth of senior management experience, resource knowledge and experience in investor relations will be an invaluable asset to the Company.

"Quitters never win and winners never quit"

Directors' report

FOR THE YEAR ENDED 31 MARCH 2010



4. Significant changes in the state of affairs (continued)

Resource and Reserve (JORC Compliant)

The following tables show JORC compliant Resources and Reserves at NRE No.1 and NRE Wongawilli collieries.

NRE No.1 Colliery									
Resources & Reserves Tonnages (in millions)									
Seam	Resources				Reserves				As per mine plan**
	Measured	Indicated	Inferred	Total	Proven	Probable	Total	Potential Reserves*	
Bulli	12.0	31.2	13.3	56.5	3.2	26.2	29.4	6.4	35.8
Balgownie	–	34.1	41.5	75.6	–	–	–	–	–
Wongawilli	13.5	62.2	107.1	182.8	11.7	50.9	62.6	29.6	92.2
Total	25.5	127.5	161.9	314.9	14.9	77.1	92.0	36.0	128.0

NRE Wongawilli Colliery									
Resources & Reserves Tonnages (in millions)									
Seam	Resources				Reserves				As per mine plan**
	Measured	Indicated	Inferred	Total	Proven	Probable	Total	Potential Reserves*	
Bulli	–	8	25	33	–	–	–	–	–
Wongawilli	21	16	114	151	2.7	5.1	7.8	23.0	30.8
Tongarra	–	–	74	74	–	–	–	–	–
Total	21	24	213	258	2.7	5.1	7.8	23.0	30.8

* Potential Reserves is additional to JORC compliant Reserves and based on mine plans drawn-up from inferred resources. Hence it is not a part of JORC compliant reserves

** Total of JORC compliant Reserves and Potential Reserves (non-JORC compliant)

Statement of Competent Person/s

Information in above statement that relates to Coal Resources and Reserves is based on and accurately reflects reports prepared by the Competent Person. The estimation of Coal Resources in Gujarat NRE No.1 Colliery has been carried out by Competent Person Mr Barry Clark who is employed by Bureau Veritas International Trade Australia. The estimation of Coal Reserves has been carried out by Competent Person Mr Kris Markowski who is employed by Gujarat NRE Coking Coal Ltd.

The Resources and Reserves reported are as prescribed by the “**Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves**” (2004 edition, The JORC Code, Clauses 37 to 39) and also using the terminology and the guidelines put forth in the 2003 edition of “**Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves**”. Named Competent Persons consent to the inclusion of material in the form and context in which it appears.

Update on Significant Legal Proceedings by and against the Company

A. Settlement with Bellpac Pty Ltd (“Bellpac”)

During 2008, the Company had settled Bellpac’s claims in relation to the Remediation Obligation and the Royalty Obligation by way of a Deed dated 23 July, 2008 (“**Settlement**” or “**Deed**”), wherein inter alia Bellpac acknowledged that the Company’s obligations and Bellpac’s rights under the Remediation Deed have expired and has surrendered its rights to receive any payment of royalty under the Royalty Deed.

Pursuant to the terms of the Settlement the Company paid \$6 million in cash and issued 200 Convertible Bonds aggregating to \$10 million in Bellpac’s favor and Bellpac surrendered the bank guarantee for \$5 million issued in its favour in the matter.

The Company had acquired NRE No.1 Colliery (“**Colliery**”) from Bellpac in December 2004 and entered into various agreements with it and others.

1. In terms of the Remediation Licence Deed dated 3 December 2004 (“**Remediation Deed**”) the Company was liable to Bellpac to undertake remediation of the land associated with the Colliery and to provide a bank guarantee for \$5 million as security for the remediation work (together the Remediation Obligations).
2. In terms of a Royalty Deed dated 3 December 2004 (“**Royalty Deed**”) the Company was obliged to pay an annual royalty to Bellpac based on product tonnes of coal greater than 500,000 tonnes at a rate of \$0.50 per tonne and greater than 1,000,000 tonnes at a rate of \$1.00 per tonne (the Royalty Obligation).

The Settlement also provides for the Company through its wholly owned subsidiary, Southbulli Holdings Pty Ltd, to acquire a part of the total land presently occupied by the Company, considered essential by the Company for its future mining operations, (“**Mining Land**”) and to withdraw its operations from the remaining land (“**Remaining Land**”).

Since the Settlement, while the Company was in process of fulfilling its further obligations and agreed terms for the settlement of all other issues including finalizing the terms of sale and acquiring the Mining Land, Bellpac went into liquidation and Receivers were appointed (“**Bellpac Receiver**”). The Company had expressed its willingness to acquire the Mining Land at a fair market price from the Bellpac Receivers.

Directors' report

FOR THE YEAR ENDED 31 MARCH 2010



The Company in response to a Rectification Notice issued by Bellpac on 24 April 2009 filed a suit (Supreme Court Case 2009/298733) by Summons seeking that the Bellpac's rights pursuant to the Remediation Deed have expired and that Bellpac is not entitled to such Rectification; and sought an injunction permanently restraining Bellpac and claimed costs.

In August 2009, the company has been served with a statement of claim from LM Investment Management Limited ("LM") and Permanent Trustee Australia Limited ("PTAL") along with Bellpac Receivers (collectively "Plaintiffs") wherein the validity of the Settlement dated 23 July 2008 has been questioned. The Plaintiffs is a lender to Bellpac and holds a mortgage over the mining surface land at Russell Vale. The Plaintiffs have since filed suit (in response to the suit of Gujarat NRE Coking Coal Limited (Gujarat) (Supreme Court Case 2009/298733) first commenced by Summons, followed by Statement of Claim and then Commercial List Summons as amended. The Plaintiffs state in the amended pleadings filed 8 February, 2010 *inter alia* that:

- Pursuant to a Land and Asset Sale Agreement dated 21 October, 2004 and associated agreements (the "Agreements") Bellpac agreed to sell to Gujarat the Bellambi Colliery in consideration, amongst other things, the surrender of the Coal Lease over certain Colliery lands capable of being remediated for residential development and, by its own efforts or otherwise causing, remediation of that land.
- Gujarat has, in breach, not performed various obligations it was required to perform under the Agreements and Bellpac claims damages for such breach.
- Bellpac and Gujarat purported to compromise Bellpac's rights under the Agreements by entering into various settlement deeds (dated 12 September, 2007 and 23 July, 2008 – the "Deeds") without the consent of the charge holders (LM and PTAL).
- The Plaintiffs allege that *inter alia*:
 - Gujarat's obligations under the Agreements were not compromised by the Deeds and that Bellpac is entitled to damages by reason of Gujarat's failure to remediate the land;
 - Gujarat's right to access the land associated with the Colliery land have been determined and that Bellpac is entitled to possession thereof;
 - Gujarat's rights to releases pursuant to the Deeds are subject to the charges in favour of LM and PTAL;
 - The Deeds are void and of no effect;
 - Alternatively if the Deeds are not void, Gujarat is in breach of the Deeds; and
 - LM and PTAL are entitled to damages from Gujarat for inducing a breach of contract and being knowingly concerned in misleading and deceptive conduct by Bellpac.

The Company has filed appropriate defense to the original pleadings and cross claims and the Board of Directors are of the view that the case will not have any materially adverse effect on the working of the Company.

B. Gujarat NRE Coking Coal Limited & Gujarat NRE Coke Limited vs Gary Alexander Williams & Others – Supreme Court Case 2006/268464

In December 2004 Gujarat NRE Coking Coal ("GNM"), funded by Gujarat NRE Coke Limited ("GNCL"), with other parties bought the Bellambi Colliery and associated assets, effected by contracts including the Venture Agreement dated 15 October, 2004 ("Joint Venture") and the Land and Assets Sale Agreement dated 21 October, 2004 ("LASA").

Gujarat NRE Coking Coal Limited (GNM) and Gujarat NRE Coke Limited (GNCL) have on 28 April 2006 jointly filed a suit in Supreme Court of NSW against other parties to the Joint Venture, namely Gary Alexander Williams, Mark Ngataiawhio William Gray, Malcolm Anthony Carson, Continental Mining & Materials Handling Pty Limited, Billiva Pty Limited, Ambigo Pty Limited and Bounty Industries Australia Pty Limited (collectively "Defendants"). The cross-claimants countersued by cross-claim filed on 19 July 2006. The Plaintiffs have filed amended pleadings on 19 December 2009. GNM and GNCL have alleged that the Defendants (or some of them) were in breach of their contractual obligations, representations and warranties, on which GNM and GNCL expressly relied while entering into the acquisition of the mine. GNM and GNCL further allege that some of the Defendants (Williams, Gray and Carson) have breached their directors/officers' duties and common law duties of care and diligence. Accordingly GNM and GNCL are seeking damages for various claims including interest and cost; and relief from making further payment/s to some of the Defendants pursuant to the Venture Agreement.

5. Events Subsequent to Balance Date

Longwall order placement

In April 2009 the Company placed an order with Joy Manufacturing Company Pty Limited ("Joy") for the supply of Longwall systems with an initial face width of 145 metres in 2011 and an option for face extension of up to 390 metres longwall system in the next five years for NRE No.1 mine. The contract also includes purchase of a new 183 metres face longwall coal clearance system to upgrade the existing NRE Wongawilli mine Longwall system in 2013. The total value of the entire order including the option for the additional 245 metres face width extension is estimated around \$90 million.

Under the contract Joy will supply and upgrade the above-mentioned Longwall systems and also be responsible as a turnkey responsibility for NRE No1 mine and will be managing and coordinating for NRE Wongawilli upgrade.

The NRE No. 1 mine Longwall is scheduled for delivery and commissioning in Wongawilli seam for late 2011 which will facilitate production over 3 million tonnes per annum from NRE No.1 mine. The option to upgrade the face width from 145 metres to 390 metres will facilitate significant operational efficiencies and create opportunities for further production increases.

The upgrade of NRE Wongawilli mine Longwall system is scheduled for late 2013 which will facilitate to increase the production from a current level of 1.7 million tonnes per annum to over 3 million tonnes per annum.

At a capacity of 3,500 tonnes per hour and with ultimate face width of 390 metres, this proposed Longwall system will be amongst the most modern and largest Longwall systems supplied to any coal mine in Australia and globally.

Directors' report

FOR THE YEAR ENDED 31 MARCH 2010



6. Dividends

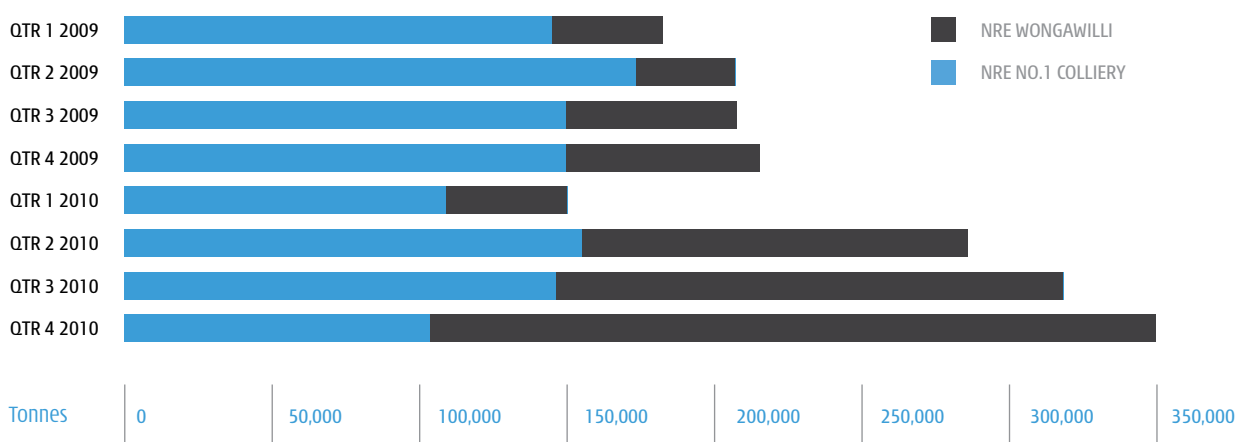
No dividends were declared or paid during the year and none are recommended.

7. Review of Operations

During the year, Company's total production from both the collieries was around 1,133,006 tonnes of ROM coal, which includes around 100,000 tonnes produced at Wonga Mains, which was considered not marketable earlier. However, due to recent increase in demand for coal, the Company managed to sell and export around 68,000 tonnes of coal produced at Wonga Mains. It was the first time the Company has sold and exported its ROM coal to a third party and in China.

In the month of March 2010, the Company's production, collectively from both the mines, was around 0.20 million tonnes, i.e. highest tonnes ever produced compared with the production in previous months.

The chart below shows quarterly production in tonnes achieved during the financial year and quarterly production achieved in the previous financial year from both the collieries.



Occupational Health and Safety

The Company has continued in its efforts to ensure the highest levels of safety and statutory compliance exist at all operations. During the year a number of milestones have been achieved in pursuit of this goal including the development and roll out of a business wide Safety Strategy targeting reduction in Lost Time Injuries, improved Statutory Compliance, improvement in the Safety Management Systems and upgrading the Company's Catastrophic Risk Management. Other initiatives include the new Chairman's Safety Award Scheme, introduction of safety management system (SHRECQ) to Wongawilli and the AAA Safety Campaign.

The results of these efforts are being realized with both mines achieving improved Lost Time Injury Frequency Rates ("LTIFR"). NRE No.1 and NRE Wongawilli collieries have LTIFR well below the regional and state average. With LTIFR's of 12.5 and 10.9 for NRE No.1 and NRE Wongawilli collieries respectively, both operations are below the District and State average of 16.6 and 18.5 respectively. In addition the Night, Afternoon and Weekend shifts at NRE Wongawilli collieries have all had no lost time injuries for more than 12 months. The same applies for Night shift at NRE No.1 Colliery and Day shift on the Wonga Mains Project has more than two years without a lost time injury.

NRE No.1 Colliery

The NRE No.1 Colliery, acquired by the Company in December 2004, is an underground coal mine located in the Southern Coalfields of New South Wales, approximately 10 km north of Wollongong. It is within coal lease CCL745 which covers an area of 64.2km².

The mine is one of the oldest operating coal mines in Australia and has historically produced up to approximately 3 million tonnes per annum of coking coal.

The mine contains three coal seams of potential economic extraction. These are the Bulli Seam, Balgownie Seam and Wongawilli Seam. Historically at the mine the Bulli Seam has been extensively mined over the last 120 years. Mining has also been undertaken within the Balgownie Seam in the vicinity of the escarpment. No significant mining has been undertaken in the Wongawilli Seam.

The current mine plan for NRE No. 1 Colliery is to develop the eastern area of the mine for longwall extraction from the Wongawilli seam, while continuing to mine the Bulli Seam through development mining under a bord and pillar operation.

Wonga Mains Development

The Wonga Mains Project commenced in January 2008 as a preparation for longwall extraction. The construction of a new set of underground roadways in the Wongawilli coal seam is seen as a major development initiative at the NRE No.1 Colliery. When installed and fully operational these roadways will provide a new conveyor roadway and a new transport roadway along with direct access to Wongawilli coal resources. In total three new roadways have been created – Track Road, Rubber Tyre Road and Conveyor Road. The roadways would also replace a number of old access roadways in the Bulli and Balgownie coal seams that are old and require continual maintenance and support to remain operational.

Directors' report

FOR THE YEAR ENDED 31 MARCH 2010



At the end of the reporting period approximately 5000m of drivage has been completed within the Wongawilli Seam. Gate roads for the first three longwall blocks have been turned away.

During the reporting period the second Sandvik MB670 miner commenced production. Installation of the 4000 tph Wonga Mains 1 conveyor was completed and subsequently commissioned in April 2010.

All installed infrastructure (roof support, pump system, services etc) is of a modern day standard that will ensure the long-term efficient and safe operation of the mine.

Exemplary safety records have been achieved during this time with all shifts achieving in excess of 12 months lost time injury free.

“V” Mains & “X” Mains

A subsidence management Plan (SMP) was finalized, submitted and necessary approval was obtained in support of pillar extraction in that part of the NRE No.1 Mine known as “V” Mains. This area of coal was the subject of a strategic lease exchange with BHP Billiton, who holds the neighboring coal leases. Also related to the proposed “V” Mains extraction was the start of work in the “X” Mains panel to provide direct access into the “V” Mains area. This development will provide access to the “V” Mains pillar extraction panel, and provide long term access to the Western Bulli Seam resources.

Completion of “311” and “O” Panel

This year saw the successful establishment completion of mining operations within those parts of the mine known as “311” and “O” Panel. The “311” panel work involved the extraction of coal pillars using mobile powered supports and over 400,000 tonnes of prime Bulli seam coal was mined. The extraction in “O” panel represented the recovery of approximately half a million tonnes of prime quality Bulli seam coking coal, utilizing first workings or basic bord and pillar mining methods over a three year period.

New Continuous Miners

During the year NRE No.1 Mine took delivery of two new Sandvik MB670 continuous Miners at an approximate total cost of \$10 million. These machines are in service in the Wonga Mains development. The new continuous miners represent the aim of the company to procure ‘state of the art’ current day mining equipment with a number of added safety and operational improvements, all designed to provide safe and productive mining conditions.

R Panel Drifts

Work has commenced on the construction of a drift within the R Mains Section of the mine to access the Wongawilli seam. The construction of this drift will allow the Wonga Mains drivage to be developed from both ends, Russell Vale in the east and R Mains in the west, thereby assisting the timely completion of these underground roadways. When completed the mine will have new access roadways (conveyor and transport roads) as well as a direct link to utilize existing ventilation and mine infrastructure.

NRE Wongawilli Colliery

The NRE Wongawilli Colliery and NRE Avondale Colliery are underground coal mines located approximately 14km southwest of Wollongong, New South Wales. The NRE Wongawilli (CCL768) and NRE Avondale coal lease (CCL766) cover 110.74km² and 31.77 km² respectively of coal bearing land in the Illawarra Region. The NRE Wongawilli Colliery was acquired in December 2007 and the NRE Avondale was acquired in June 2005. The two mines are located on bordering leases and been consolidated as one.

Longwall 12

The extraction of Longwall 12 at NRE Wongawilli Colliery was successfully completed on time and on schedule. Operations were sequenced to complete longwall 12 as the development work for longwall 11 was finalised. Approximately 280,000 tonnes of coal was safely recovered and this was valuable training for the workforce which flowed onto longwall 11.

Longwall 11

Longwall 11 commenced operation in February 2010. This longwall block contains approximately 1.6 million tonnes of which will be mined during 2010. This longwall panel has brought about a significant improvement in productivity with up to 10,000 tonnes per day and 43,478 tonnes per week being conveyed to the stockpile.

New Portals for Western Drivage

Approval has been granted from the department for the construction of two new portals located in the Bulli seam to support the planned Western Drivage. The Bulli seam is the target seam to enable the roadways to by-pass old workings in the Wongawilli seam and some known intrusions. These roadways will then drift back down into the Wongawilli seam where conditions are appropriate. Consequently initial earth works and construction of the portals has commenced and the development of these new access roadways are planned to support long term growth and development into known Wongawilli seam resources to the west and south.

New Screening and Sizing Facility

An important aspect of the coal handling and shipping operations is the need to supply coal at a specific size range and free of contaminants such as steel and timber. Initially all coal at NRE Wongawilli Colliery was screened separately to ensure correct size and no contaminants prior to shipping through the Port Kembla Coal terminal. The commissioning of a new screening and sizing facility at the mine will reduce the need for double handling by allowing the coal to be stored in the train loading bins after passing through the screening and sizing plant.

“Commitment and reliability are two basic tenets of building a business empire”

Directors' report

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8. Business Strategies, Future Developments and Expected Results

Future operations at NRE No.1 Colliery

The strategic plan for continuous operations of the mine and the staged growth of production is progressing well, with the long wall expected to be in operation by December 2011. There are two applications being prepared concurrently, as is required under Part 3A of the NSW Environment Planning and Assessment Act (EP&A Act). The first is for the continuation of operations of up to 1 million tonnes per annum (mtpa) and the second is for the expansion of operations up to 3 mtpa. Both submissions will also assess the implementation of major infrastructure to accommodate the Company's expansion proposals. These proposals are expected to be submitted and approval gained during the coming period.

The long term focus is to utilize the modern engineering standards and best practice, to provide the most efficient ways of performing mining operations that maximizes the proposed production levels, while also minimizing potential adverse environmental impacts.

Future operations at NRE Wongawilli Colliery

The longer term future of NRE Wongawilli mine has been allowed for by the joining of two lease areas being, the Avondale and Wongawilli leases. This ultimately provides access to resources located to the west and south of the current mining areas. There is an application being prepared currently, as required under Part 3A of the NSW Environment Planning and Assessment Act (EP & A Act), for the continuation of operations up to 2 million tonnes per annum (mtpa). The proposal is expected to be submitted and approval gained during the coming period.

Similar to NRE's No. 1 Colliery at Russell Vale, the long term focus is to utilize the modern engineering standards and best practice, to provide the most efficient ways of performing mining operations that maximizes the proposed production levels, while also minimizing potential adverse environmental impacts. Therefore, to increase production levels up to 3 mtpa, an additional approval under Part 3A of the NSW Environment Planning and Assessment Act (EP&A Act), will be required.

9. Board of Directors

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

Mr. Arun Kumar Jagatramka	Chairman of the Board
Dr. Andrew Edwin Firek	Director and Audit Committee Member
Mr. Maurice Anghie	Director and Audit Committee Chairman
Mrs. Mona Jagatramka	Director
Mr. Don Carroll (appointed 11/09/2009)	Director

10. Profiles of Directors and the Company Secretary

Mr. Arun Kumar Jagatramka B.Com (Hons), FCA, AIMM
Chairman of the Board and Member of Management Committee

Mr. Arun Kumar Jagatramka is a qualified Chartered Accountant with an all India 1st rank and gold medal. He has an industrial experience of more than 11 years in the production of coal and coke, besides a prior experience of more than 15 years in management consultancy and merchant banking. Widely regarded for his foresight and knowledge, he is an acknowledged expert in matter of coal and coke and has presented papers on the subject at number of International Conferences.

Mr. Arun Kumar Jagatramka is the Chairman and Managing Director of Gujarat NRE Coke Limited. Under his able guidance, Gujarat NRE Coke, established in 1994, has become the largest independent non captive producer of Met Coke in India – the only Indian entity to have integrated backward into coal mine ownership in Australia and forward into steel making, coupled with wind energy and upcoming waste heat power generation.

Mr. Arun Kumar Jagatramka is a member of a number of boards, including Pike River Coal Limited in New Zealand where Gujarat NRE group holds cornerstone stakes. He has been appointed as an honorary NSW 'Sydney Ambassador' to India by the Premier of New South Wales. He is associated with the Confederation of Indian Industry (Western Region), an apex representative of Indian Industry, by way of heading sub-committees on 'Integrity India', 'International Affairs' besides being a member of "Energy Panel", and 'Environment and Conservation' Sub-Committee. He has also been awarded the prestigious title 'Person of the Year 2009' by Illawarra Mercury, a leading newspaper of the region and was nominated for 'The Australian of the Year 2010' award.

Dr. Andrew Edwin Firek M.Sc, Ph D, FAusIMM, FAIE
Non-Executive Director and Member of Audit Committee

Dr Firek has been involved in mining and mineral processing for over 25 years. His experience includes managing of process development, construction, commissioning and operations of coal, base and precious metals plants in Europe, Africa and Australia. He worked in Europe and Africa as a United Nations expert in fossil fuels exploration, mineral processing and energy generation. Dr Firek is also familiar with downstream processing of oil and gas that helps in evaluating feasibility of fuel resources. Dr. Firek was a Group Leader at the CSIRO, Division of Fossil Fuels in Sydney and was engaged in developing technologies to produce liquid fuels from coal. He was Project Director at Memtec Ltd, following which he joined Pancontinental Mining Ltd where he was Research and Development Manager involved in substantial mineral resources projects including base and precious metals, uranium and the development and commissioning of a \$220 million magnesia production facility near Rockhampton in Queensland. He worked on site during construction and commissioning for 12 months. Dr Firek was a director of mineral residue processing group Hydromet Technologies Ltd. He was also a founding Executive Director of the listed company; Allegiance Mining NL that later discovered Tasmania's largest nickel sulphide deposit.

Directors' report

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Mr. Maurice Anghie B. Bus, FCA, FCPA, MAICD

Non-Executive Director & Chairman of Audit Committee

Mr Anghie is an experienced and financially qualified professional possessing a range of commercial and financial skills. Having worked extensively in the listed corporate environment, he possess legal, regulatory and governance expertise.

He has been an Audit & Corporate Finance Partner in many chartered accounting firms for over many years. He is currently an Independent Corporate Consultant and a non-executive director of Aditya Birla Minerals Limited.

Mrs. Mona Jagatramka

Non-Executive Director

Mrs. Mona Jagatramka is a Director of Gujarat NRE Coke Ltd. She has more than 11 years of experience in management & administration affairs. She is a Graduate in Home Science. She is actively associated in the Management of the businesses and looks after the Human Resources and support managerial services of Gujarat NRE Group.

Mr. Don Carroll BE(Mining), MAusIMM, MAICD

Non-Executive Director

Mr. Carroll has extensive experience in the international resources business primarily in the marketing and development of minerals. In a career spanning 29 years with BHP Billiton, and prior to that Rio Tinto, he has held a number of senior positions including President BHP Billiton Japan, President BHP Billiton India and Group General Manager Marketing Asia based in Hong Kong. He has been active in the development of coal, bauxite and iron ore resources as well as the marketing of most mineral and energy products. He has experience in the merger and acquisitions sector including the merger of BHP with Billiton. Prior to joining Terrain Capital Mr. Carroll was Vice President Investor Relations for BHP Billiton in Australia. He holds a degree in mining engineering from Sydney University, is a long-standing member of the Australian Institute of Mining and Metallurgy and is a member of the Australian Institute of Company Directors.

Mr. Sanjay Sharma B.Com (Hons), MBA, AIMM

Company Secretary

Mr. Sanjay Sharma is a Management Graduate from the University of Canberra with over 10 years of experience in business management. He held various senior positions in two other companies before joining Gujarat NRE Coking Coal Limited as a Company Secretary in 2004. He is also Company Secretary in other group of companies in Australia including Gujarat NRE Limited and Gujarat NRE FCGL Pty Ltd.

11. Directors' Meetings

The number of Directors' meetings and the number of meetings attended by each Director during the financial year are:

Directors	Directors' Meetings	
	Total Meeting Held	Meeting Attended
Mr. Arun Kumar Jagatramka	7	7
Dr. Andrew Firek	7	7
Mr. Maurice Anghie	7	7
Mrs. Mona Jagatramka	7	7
Mr. Don Carroll (<i>appointed 11/09/2009</i>)	3	3

The number of Audit Committee meeting/s and the number of meeting/s attended by each Member during the financial year are:

Members	Audit Committee Meetings	
	Total Meeting Held	Meeting Attended
Mr. Maurice Anghie	3	3
Dr. Andrew Firek	3	3
Mr. Sanjay Loyalka (<i>appointed 06/11/2009</i>)	2	1

12. Information on directorships of Directors in other listed entities

Directors	Listed Entity	Country
Mr. Arun Kumar Jagatramka	Gujarat NRE Coke Limited	India
	Pike River Coal Limited	New Zealand
	Shree Minerals Limited	Australia
Dr. Andrew Firek	Coalworks Limited	Australia
Mrs. Mona Jagatramka	Gujarat NRE Coke Limited	India
Mr. Maurice Anghie	Aditya Birla Minerals Limited	Australia
Mr. Don Carroll	—	—

Directors' report

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13. Directors' interests in Shares and Options of Gujarat NRE Coking Coal Limited as at the date of this report

Directors	Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr. Arun Kumar Jagatramka	485,847	373,696,193 ^a	1,000,000 ^g	500,000 ^k
	–	208,610,770 ^b	1,000,000 ^h	500,000 ^l
	–	86,092,966 ^c	–	–
	–	6,063,415 ^d	–	–
Total	485,847	674,463,344	2,000,000	1,000,000
Dr. Andrew Firek	548,523	19,000 ^e	500,000 ⁱ	–
	–	15,000 ^f	500,000 ^g	–
	–	208,610,770 ^b	500,000 ^h	–
Total	548,523	208,644,770	1,500,000	–
Mr. Maurice Anghie	500,000	208,610,770 ^b	500,000 ^g	–
	–	–	500,000 ^h	–
Total	500,000	208,610,770	1,000,000	–
Mrs. Mona Jagatramka	232,500	373,696,193 ^a	500,000 ^g	1,000,000 ^m
	–	208,610,770 ^b	500,000 ^h	1,000,000 ⁿ
	–	86,092,966 ^c	–	–
	–	6,316,762 ^d	–	–
Total	232,500	674,716,691	1,000,000	2,000,000
Mr. Don Carroll	–	–	500,000 ^j	–
Total	–	–	500,000	–

Notes:

- Shares held by Wonga Coal Pty Ltd in which Mr. Arun Kumar Jagatramka & Mrs. Mona Jagatramka are Directors.
- Shares held by Gujarat NRE Limited, in which Mr. Arun Kumar Jagatramka, Mrs. Mona Jagatramka, Dr. Andrew Firek & Mr. Maurice Anghie are Directors.
- Shares held by Gujarat NRE Coke Limited, in which Mr. Arun Kumar Jagatramka & Mrs. Mona Jagatramka are Directors.
- Shares held by Jagatramka family members including Mr. or Mrs. Jagatramka.
- Shares held by Mrs. M Firek.
- Shares held by Florims Pty Limited, in which Dr. Firek is a Director.
- Directors Options with an exercise price of \$1.60 per share and exercisable between 4 September 2008 and 31 December 2016.
- Directors Options with an exercise price of \$0.60 per share and exercisable between 25 September 2009 and 31 December 2015.
- Directors Options with an exercise price of \$0.50 per share and exercisable between 10 July 2007 and 31 December 2010.
- Directors Options with an exercise price of \$0.65 per share and exercisable between 23 February 2010 and 31 December 2015.
- Directors Options held by Mrs. Jagatramka. Options are with an exercise price of \$1.60 per share and exercisable between 4 September 2008 and 31 December 2016.
- Directors Options held by Mrs. Jagatramka. Options are with an exercise price of \$0.60 per share and exercisable between 25 September 2009 and 31 December 2015.
- Directors Options held by Mr. Jagatramka. Options are with an exercise price of \$1.60 per share and exercisable between 4 September 2008 and 31 December 2016.
- Directors Options held by Mr. Jagatramka. Options are with an exercise price of \$0.60 per share and exercisable between 25 September 2009 and 31 December 2015.

14. Options

Options to Directors

During the financial year the Company issued additional 3,000,000 options (tabled below) to its Directors, approved by the shareholders at the AGM held on 29 Aug 2009, and at its Special Purpose General Meeting held on 23 February 2010. Each option when exercised will be converted into one fully paid ordinary share of the Company. The other terms and conditions of the options are similar to existing Directors' Options.

Names	No. of Options Granted	Exercise Price	Vesting Date	Expiry Date
Mr. Arun Kumar Jagatramka	1,000,000	\$ 0.60	29 Aug 2009	31 Dec 2015
Dr. Andrew Firek	500,000	\$ 0.60	29 Aug 2009	31 Dec 2015
Mr. Maurice Anghie	500,000	\$ 0.60	29 Aug 2009	31 Dec 2015
Mrs. Mona Jagatramka	500,000	\$ 0.60	29 Aug 2009	31 Dec 2015
Mr. Don Carroll	500,000	\$ 0.65	23 Feb 2010	31 Dec 2015

Directors' report

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Options to Employees

During the financial year the Company issued 13,610,000 employees' options in total. Each employees' option exercised will be converted into one fully paid ordinary share of the Company and employee needs to remain in continuous employment with the Company (up to vesting dates) for these options to be vested. The terms and conditions of the options are similar to existing Employees' Options and have been approved by the members of the committee at the Annual General Meeting held on 29 August 2009. The details of the employees' options issued are as follows:

A. 545,000 options in total with \$0.00 exercise price exercisable between 1 October 2011 and 15 Oct 2011 to following Key Management Personnel (KMPs) and 34 other employees:

Name	Number of Options*
Steven Bow	20,000
Naveen Kumar Nanda	20,000
Sanjay Sharma	10,000
Darrell Eason	20,000
Steven Coffee	15,000
Phil Wakeford	20,000
Paul Coxhead	20,000
Rhys Brett	20,000
Paul Bryan	20,000

B. 5,265,000 options in total to all 351 permanent employees, including KMPs.

No. of Options	Exercise Price	Vesting Date	Expiry Date
3,000	\$0.65	1 Apr 2011	30 Apr 2011
3,000	\$0.65	1 Apr 2012	30 Apr 2012
3,000	\$0.65	1 Apr 2013	30 Apr 2013
3,000	\$0.65	1 Apr 2014	30 Apr 2014
3,000	\$0.65	1 Apr 2015	30 Apr 2015

C. 7,800,000 options in total to following KMPs and 16 other employees:

Name	Number of Options*	Exercise Price
Phil Wakeford	1,000,000	\$0.65
Rhys Brett	1,000,000	\$0.65
Paul Bryan	1,000,000	\$0.65

*Options are exercisable in a tranche of 200,000 options per year by above three KMPs and in a trench of 60,000 options per year by other employees. Exercise period for these options are between 1 October and 31 December in the years 2016, 2017, 2018, 2019 and 2020 respectively.

“Difficulties mastered are opportunities won”



Directors' report

FOR THE YEAR ENDED 31 MARCH 2010

14. Options (continued)

Number of Options on Issue

Each option mentioned below when exercised will be converted into one fully paid ordinary share. At the date of this report, the total numbers of options on issue are:

No. of Options	Vesting Date	Expiry Date	Exercise Price
648,000	30 Sep 2010	30 Oct 2010	\$0.75
500,000	10 Jul 2007	31 Dec 2010	\$0.50
800,000	30 Sep 2015	31 Dec 2015	\$0.50
800,000	30 Sep 2017	31 Dec 2017	\$0.50
800,000	30 Sep 2018	31 Dec 2018	\$0.50
800,000	30 Sep 2019	31 Dec 2019	\$0.50
800,000	30 Sep 2020	31 Dec 2020	\$0.50
660,000	1 Apr 2011	30 Apr 2011	\$1.80
660,000	1 Apr 2012	30 Apr 2012	\$2.00
660,000	1 Apr 2013	30 Apr 2013	\$2.25
2,500,000	4 Sep 2010	31 Dec 2016	\$1.60
780,000	30 Jun 2010	30 Sep 2010	\$0.20
2,000,000	30 Sep 2016	31 Dec 2016	\$0.50
2,000,000	30 Sep 2017	31 Dec 2017	\$0.50
2,000,000	30 Sep 2018	31 Dec 2018	\$0.50
2,000,000	30 Sep 2019	31 Dec 2019	\$0.50
2,000,000	30 Sep 2020	31 Dec 2020	\$0.50
2,500,000	25 Sep 2009	31 Dec 2015	\$0.60
560,000	1 Oct 2011	15 Oct 2011	NIL
1,050,000	1 Apr 2011	30 Apr 2011	\$0.65
1,050,000	1 Apr 2012	30 Apr 2012	\$0.65
1,050,000	1 Apr 2013	30 Apr 2013	\$0.65
1,050,000	1 Apr 2014	30 Apr 2014	\$0.65
1,050,000	1 Apr 2015	30 Apr 2015	\$0.65
1,560,000	1 Oct 2016	31 Dec 2016	\$0.65
1,560,000	1 Oct 2017	31 Dec 2017	\$0.65
1,560,000	1 Oct 2018	31 Dec 2018	\$0.65
1,560,000	1 Oct 2019	31 Dec 2019	\$0.65
1,560,000	1 Oct 2020	31 Dec 2020	\$0.65
500,000	23 Feb 2010	31 Dec 2015	\$0.65
37,018,000	Total Options		

Total number of options exercised during the year and at the date of this report are:

Type	No. of Options	No. of Ordinary Shares issued	Exercise Price
Employee Options	8,000	8,000	\$0.65
Employee Options	780,000	780,000	\$0.00
Director Options	500,000	500,000	\$0.50
Other Options	2,400,000	2,400,000	\$0.50

15. Audited Remuneration Report

1. Principles used to determine the nature and amount of remuneration

Non-Executive Directors – The Board collectively reviews the appropriate criteria for Board membership. The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The level of remuneration for non-executive directors is also considered with regard to practices of other public companies to ensure that fees and payments to non-executive directors are appropriate and in-line with the market. At present the fees payable to directors are fixed and not performance based i.e. not based on company's revenue or profit etc. The fees and payments to non-executive directors are to be reviewed annually.

The fees and payments to the non-executive directors are determined by the Board within an aggregated directors' fees pool limit, which is approved by the shareholders. The current aggregated amount for fees and payments to non-executive directors is \$500,000, which was approved by the shareholders at the Annual General Meeting on 30 August 2008.

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The fees payable to board members were reviewed and revised on 11 September 2009 and it was decided to offer, effective from 1 October 2009, a total fee of \$100,000 (previously \$45,000) plus 9% superannuation per annum to Mr. Arun Kumar Jagatramka being the Chairman, and \$50,000 (previously \$30,000) plus 9% superannuation per annum to each non-executive director (i.e. Dr. Andrew Firek, Mr. Maurice Anghie, Mrs. Mona Jagatramka and Mr. Don Carroll) of the Company.

Key Management Personnel (KMP) – pay to KMPs mainly consists of base salary and superannuation. Pays to KMPs are, at present, not based on performance but factors such as experience, time and responsibilities. Independent external advice is sought as and when required in order to ensure that the pays to KMPs are appropriate and in line with the market standards. There is no guaranteed pay increase in any KMPs' contract. However, pay to KMPs is reviewed annually to ensure that it remains competitive with the market.

Some KMPs receive car allowances as part of their total remuneration.

In order to motivate, retain, reward and promote long term association and interest in the growth of the Company, the Board sought and obtained shareholders' approval for the Company's "Employee Share and Option Plan" and granted Options to its Directors and KMPs. The details of these Options granted to Directors and KMPs are given below under a heading "Options and Rights granted as compensation".

All remuneration paid to directors and KMPs is valued at the cost to the Company and expensed appropriately.

2. Details of remuneration

The following persons were the non-executive directors and key management personnel who had authorities and responsibilities for planning, directing and controlling the activities of the Group during the financial year:

Name	Position Held in 2009/2010	Position Held in 2008/2009
Mr. Arun Kumar Jagatramka	Chairman of the Board Member of Management Committee Chairman of Gujarat NRE FCGL Pty Ltd	Chairman of the Board Member of Management Committee Chairman of Gujarat NRE FCGL Pty Ltd
Dr. Andrew Firek	Director of the Company Member of the Audit Committee Director of Gujarat NRE FCGL Pty Ltd	Director of the Company Member of the Audit Committee Director of Gujarat NRE FCGL Pty Ltd
Mrs. Mona Jagatramka	Director of the Company Director of Gujarat NRE FCGL Pty Ltd	Director of the Company Director of Gujarat NRE FCGL Pty Ltd
Mr. Maurice Anghie	Director of the Company Chairman of the Audit Committee	Director of the Company Chairman of the Audit Committee
Mr. Don Carroll	Director (11 Sep 2009)	–
Ms. Tanvee Jagatramka	Director of Gujarat NRE FCGL Pty Ltd	Director of Gujarat NRE FCGL Pty Ltd
Mr. S Murari	Member of Management Committee Director of Gujarat NRE FCGL Pty Ltd	Member of Management Committee Director of Gujarat NRE FCGL Pty Ltd
Mr. P R Kannan	Member of Management Committee	Member of Management Committee
Mr. Sanjay Loyalka	Member of Management Committee (Aug 2009) Member of Audit Committee (6 Nov 2009)	–
Mr. Steven Bow	Head of Operations	Head of Operations
Mr. Naveen Kumar Nanda	Chief Financial Officer (4 Jan 2010)	Manager – Finance and Commercial
Mr. Sanjay Sharma	Company Secretary	Company Secretary
Dr. Christopher Harvey	Head of Technical Services	Head of Technical Services
Mr. Phil Wakeford	Operations Manager – NRE Wongawilli	Operations Manager – NRE Wongawilli (1 Dec 2008)
Mr. Steve Coffee	Group Engineering Manager	Group Engineering Manager (1 Sep 2008)
Mr. Paul Coxhead	Manager of Mining Engineering	Manager of Mining Engineering
Mr. Darrell Eason	Undermanager In-Charge	Undermanager In-Charge
Mr. Rhys Brett	Operations Manager – NRE No.1 (15 Apr 2009)	–
Mr. Paul Bryan	Production Manager (8 Jun 2009)	–
Mr. Grant Case	–	Mine Manager – NRE No.1 (resigned 23 Feb 2009)

Directors' report

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15. Audited Remuneration Report (continued)

Details of Compensation to Directors and Key Management Personnel of the Group is set out below for the year ended 31 March 2010:

	Short-Term Employee Benefits			Post-Employment Benefits			Long-Term benefits	Share-based payments	Total	Proportion of remuneration that is performance based %	% of values of remuneration that consists of options %
	Cash Salary & Fees \$	Cash Bonus \$	Non Monetary benefits \$	Superannuation ^F \$	Retirement benefits \$	Termination Benefits \$	Long Service Leave \$	Options \$			
Group 2010											
Non-Executive Directors and Management Committee Members											
Mr. Arun Kumar Jagatramka	97,500	–	–	8,775	–	–	–	382,082	488,357	0%	78.24%
Dr. Andrew Firek	55,000	–	–	4,950	–	–	–	191,041	250,991	0%	76.11%
Mrs. Mona Jagatramka	55,000	–	–	4,950	–	–	–	191,041	250,991	0%	76.11%
Mr. Maurice Anghie	40,000	–	–	3,600	–	–	–	191,041	234,641	0%	81.42%
Mr. Don Carroll	25,000	–	–	2,250	–	–	–	180,000	207,250	0%	86.85%
Ms. Tanvee Jagatramka ^A	15,000	–	–	1,350	–	–	–	–	16,350	0%	–
Mr. S. Murari ^A	15,000	–	–	1,350	–	–	–	–	16,350	0%	–
Mr. P. R. Kannan	–	–	–	–	–	–	–	–	–	0%	–
Mr. Sanjay Loyalka ^B	150,000	–	–	–	–	–	–	–	150,000	0%	–
Total for Non-Executive Directors	452,500	–	–	27,225	–	–	–	1,135,205	1,614,930		
Key Management Personnel											
Mr. Steven Bow ^{C D}	278,901	–	11,778	44,830	–	–	7,530	26,171	369,210	0%	7.09%
Mr. Naveen Kumar Nanda	146,252	–	–	13,163	–	–	3,949	26,171	189,535	0%	13.81%
Mr. Sanjay Sharma	116,475	–	–	10,483	–	–	3,145	37,884	167,987	0%	22.55%
Dr. Chris Harvey ^{C D}	184,650	–	7,187	61,178	–	–	4,986	25,032	283,033	0%	8.84%
Mr. Darrell Eason ^{C D}	196,818	–	3,965	17,714	–	–	5,314	38,234	262,045	0%	14.59%
Mr. Steven Coffee ^{C D}	212,513	–	–	37,497	–	–	5,738	23,047	278,795	0%	8.27%
Mr. Phil Wakeford ^C	192,656	–	4,314	36,959	–	–	5,202	16,454	255,585	0%	6.44%
Mr. Paul Coxhead	188,163	–	–	32,545	–	–	5,080	26,612	252,400	0%	10.54%
Mr. Rhys Brett ^D	162,492	–	–	14,624	–	–	4,387	12,674	194,177	0%	6.53%
Mr. Paul Bryan	141,346	–	7,518	12,721	–	–	3,816	12,674	178,075	0%	7.12%
Total for KMPs	1,820,266	–	34,762	281,714	–	–	49,147	244,953	2,430,842	–	–
Grand Total	2,272,766	–	34,762	308,939	–	–	49,147	1,380,158	4,045,772	–	–

Notes:

A. Director of Gujarat NRE FCGL Pty. Ltd.

B. Paid consultancy fees for his services.

C. Five executives of the Group who received the highest compensation.

D. Five executives of the Company who received the highest compensation.

E. Figures may include salary sacrifice.

“He said: The proper man understands equity, the small man profits”

Directors' report

FOR THE YEAR ENDED 31 MARCH 2010



Details of Compensation to Directors and Key Management Personnel of the Group is set out below for the year ended 31 March 2009:

	Short-Term Employee Benefits			Post-Employment Benefits			Long-Term benefits	Share-based payments	Total	Proportion of remuneration that is performance based %	% of Values of remuneration that consists of options %
	Cash Salary & Fees \$	Cash Bonus \$	Non Monetary benefits \$	Superannuation ^E \$	Retirement benefits \$	Termination Benefits \$	Long Service Leave \$	Options \$			
Group 2009											
Non-Executive Directors and/or Management Committee Members											
Mr. Arun Kumar Jagatramka ^A	52,500	–	–	4,725	–	–	–	633,400	690,625	0%	91.71%
Dr. Andrew Firek	41,250	–	–	3,713	–	–	–	316,700	361,663	0%	87.57%
Mrs. Mona Jagatramka ^A	33,750	–	–	3,038	–	–	–	316,700	353,488	0%	89.59%
Mr. Maurice Anghie	22,500	–	–	10,200	–	–	–	316,700	349,400	0%	90.64%
Mr. S. Murari ^B	11,250	–	–	1,013	–	–	–	–	12,263	0%	0.00%
Total for Non-Executive Directors	161,250	–	–	22,689	–	–	–	1,583,500	1,767,439	–	–
Key Management Personnel											
Mr. Steven Bow ^C	248,520	–	5,939	54,275	–	–	6,710	7,271	322,715	–	2.25%
Dr. Chris Harvey ^C	141,160	–	6,160	90,593	–	–	3,811	8,073	249,797	–	3.23%
Mr. Naveen Kumar Nanda	127,173	–	–	11,465	–	–	3,434	7,271	149,343	–	4.87%
Mr. Sanjay Sharma	106,883	–	–	9,639	–	–	2,886	35,193	154,601	–	22.76%
Mr. Phil Wakeford	47,485	–	430	22,804	–	–	1,282	559	72,560	–	0.77%
Mr. Steve Coffee	118,736	–	–	13,956	–	–	3,206	3,174	139,072	–	2.28%
Mr. Paul Coxhead ^C	177,071	–	–	32,315	–	–	4,781	8,073	222,240	–	3.63%
Mr. Darrell Eason ^C	177,875	–	2,121	16,028	–	–	4,803	34,391	235,218	–	14.62%
Mr. Grant Case ^C (resigned)	187,103	–	3,508	27,899	–	98,028	5,052	3,818	325,408	–	1.17%
Total for KMPs	1,332,006	–	18,158	278,974	–	98,028	35,965	107,823	1,870,954	–	–
Grand Total	1,493,256	–	18,158	301,663	–	98,028	35,965	1,691,323	3,638,393	–	–

Notes:

- A. Directors' Fees commenced from July 2008 to be paid on quarterly basis.
 B. Director of Gujarat NRE FCGL Pty Ltd.
 C. Also one of the five executives who received the highest compensation for the year.
 D. Figures may include salary sacrifice.

Directors' report

FOR THE YEAR ENDED 31 MARCH 2010



15. Audited Remuneration Report (continued)

The Relative proportions of remuneration that are linked to performance and those that are fixed

Name	Fixed Remuneration		At risk – short term		At risk – long term	
	2010	2009	2010	2009	2010	2009
Non-Executive Directors & Key Management Personnel						
Mr. Arun Kumar Jagatramka	100%	100%	–	–	–	–
Dr. Andrew Firek	100%	100%	–	–	–	–
Mrs. Mona Jagatramka	100%	100%	–	–	–	–
Mr. Maurice Anghie	100%	100%	–	–	–	–
Mr. Don Carroll	100%	100%	–	–	–	–
Ms. Tanvee Jagatramka	100%	100%	–	–	–	–
Mr. S. Murari	100%	100%	–	–	–	–
Mr. P. R. Kannan	100%	100%	–	–	–	–
Mr. Sanjay Loyalka	100%	100%	–	–	–	–
Mr. Steven Bow	100%	100%	–	–	–	–
Mr. Naveen Kumar Nanda	100%	100%	–	–	–	–
Mr. Sanjay Sharma	100%	100%	–	–	–	–
Dr. Chris Harvey	100%	100%	–	–	–	–
Mr. Darrell Eason	100%	100%	–	–	–	–
Mr. Steven Coffee	100%	100%	–	–	–	–
Mr. Phil Wakeford	100%	100%	–	–	–	–
Mr. Paul Coxhead	100%	100%	–	–	–	–
Mr. Rhys Brett	100%	100%	–	–	–	–
Mr. Paul Bryan	100%	100%	–	–	–	–

3. Service agreements

All key management personnel are permanent employees of the Company employed on standard employment terms. Either party may terminate their contract by giving minimum four weeks' notice in writing.

4. Share-based compensation issued during the financial year:

2010	Notes	No. of options/rights granted	No. of options/rights vested	Fair value per option/right at grant date	Exercise price	Amount paid or payable	Date exercisable	Expiry date
Arun Kumar Jagatramka	A	1,000,000	1,000,000	\$0.3821	\$ 0.60	–	25/09/2009	31/12/2015
Andrew Firek	A	500,000	500,000	\$0.3821	\$ 0.60	–	25/09/2009	31/12/2015
Mona Jagatramka	A	500,000	500,000	\$0.3821	\$ 0.60	–	25/09/2009	31/12/2015
Maurice Angie	A	500,000	500,000	\$0.3821	\$ 0.60	–	25/09/2009	31/12/2015
Don Carroll	A	500,000	500,000	\$0.3600	\$ 0.65	–	23/02/2010	31/12/2015
Tanvee Jagatramka	–	–	–	–	–	–	–	–
S. Murari	–	–	–	–	–	–	–	–
P. R. Kannan	–	–	–	–	–	–	–	–
Sanjay Loyalka	–	–	–	–	–	–	–	–
Steven Bow	C	–	4,000	\$0.3970	\$ 1.50	–	01/04/2009	30/04/2009
	D	20,000	–	\$0.6900	\$ –	–	01/10/2011	15/10/2011
	E	3,000	–	\$0.3000	\$ 0.65	–	01/04/2011	30/04/2011
	E	3,000	–	\$0.3500	\$ 0.65	–	01/04/2012	30/04/2012
	E	3,000	–	\$0.3800	\$ 0.65	–	01/04/2013	30/04/2013
	E	3,000	–	\$0.4000	\$ 0.65	–	01/04/2014	30/04/2014
	E	3,000	–	\$0.4100	\$ 0.65	–	01/04/2015	30/04/2015

Directors' report

FOR THE YEAR ENDED 31 MARCH 2010



2010	Notes	No. of options/rights granted	No. of options/rights vested	Fair value per option/right at grant date	Exercise price	Amount paid or payable	Date exercisable	Expiry date
Naveen Kumar Nanda	C	–	4,000	\$0.3970	\$ 1.50	–	01/04/2009	30/04/2009
	D	20,000	–	\$0.6900	\$ –	–	01/10/2011	15/10/2011
	E	3,000	–	\$0.3000	\$ 0.65	–	01/04/2011	30/04/2011
	E	3,000	–	\$0.3500	\$ 0.65	–	01/04/2012	30/04/2012
	E	3,000	–	\$0.3800	\$ 0.65	–	01/04/2013	30/04/2013
	E	3,000	–	\$0.4000	\$ 0.65	–	01/04/2014	30/04/2014
	E	3,000	–	\$0.4100	\$ 0.65	–	01/04/2015	30/04/2015
Sanjay Sharma	B	–	2,000	\$0.1723	\$ 0.65	–	30/09/2009	30/10/2009
	B	–	6,000	\$0.1018	\$ 0.65	–	30/09/2009	30/10/2009
	C	–	4,000	\$0.3970	\$ 1.50	–	01/04/2009	30/04/2009
	D	10,000	–	\$0.6900	\$ –	–	01/10/2011	15/10/2011
	E	3,000	–	\$0.3000	\$ 0.65	–	01/04/2011	30/04/2011
	E	3,000	–	\$0.3500	\$ 0.65	–	01/04/2012	30/04/2012
	E	3,000	–	\$0.3800	\$ 0.65	–	01/04/2013	30/04/2013
	E	3,000	–	\$0.4000	\$ 0.65	–	01/04/2014	30/04/2014
Chris Harvey	B	–	2,000	\$0.1723	\$ 0.65	–	30/09/2009	30/10/2009
	B	–	6,000	\$0.1018	\$ 0.65	–	30/09/2009	30/10/2009
	C	–	4,000	\$0.3970	\$ 1.50	–	01/04/2009	30/04/2009
	E	3,000	–	\$0.3000	\$ 0.65	–	01/04/2011	30/04/2011
	E	3,000	–	\$0.3500	\$ 0.65	–	01/04/2012	30/04/2012
	E	3,000	–	\$0.3800	\$ 0.65	–	01/04/2013	30/04/2013
	E	3,000	–	\$0.4000	\$ 0.65	–	01/04/2014	30/04/2014
	E	3,000	–	\$0.4100	\$ 0.65	–	01/04/2015	30/04/2015
Darrell Eason	C	–	4,000	\$0.3970	\$ 1.50	–	01/04/2009	30/04/2009
	D	20,000	–	\$0.6900	\$ –	–	01/10/2011	15/10/2011
	E	3,000	–	\$0.3000	\$ 0.65	–	01/04/2011	30/04/2011
	E	3,000	–	\$0.3500	\$ 0.65	–	01/04/2012	30/04/2012
	E	3,000	–	\$0.3800	\$ 0.65	–	01/04/2013	30/04/2013
	E	3,000	–	\$0.4000	\$ 0.65	–	01/04/2014	30/04/2014
	E	3,000	–	\$0.4100	\$ 0.65	–	01/04/2015	30/04/2015
Steven Coffee	D	15,000	–	\$0.6900	\$ –	–	01/10/2011	15/10/2011
	E	3,000	–	\$0.3000	\$ 0.65	–	01/04/2011	30/04/2011
	E	3,000	–	\$0.3500	\$ 0.65	–	01/04/2012	30/04/2012
	E	3,000	–	\$0.3800	\$ 0.65	–	01/04/2013	30/04/2013
	E	3,000	–	\$0.4000	\$ 0.65	–	01/04/2014	30/04/2014
	E	3,000	–	\$0.4100	\$ 0.65	–	01/04/2015	30/04/2015
Phil Wakeford	D	20,000	–	\$0.6900	\$ –	–	01/10/2011	15/10/2011
	E	3,000	–	\$0.3000	\$ 0.65	–	01/04/2011	30/04/2011
	E	3,000	–	\$0.3500	\$ 0.65	–	01/04/2012	30/04/2012
	E	3,000	–	\$0.3800	\$ 0.65	–	01/04/2013	30/04/2013
	E	3,000	–	\$0.4000	\$ 0.65	–	01/04/2014	30/04/2014
	E	3,000	–	\$0.4100	\$ 0.65	–	01/04/2015	30/04/2015
	F	200,000	–	\$0.4400	\$ 0.65	–	01/10/2016	31/12/2016
	F	200,000	–	\$0.5300	\$ 0.65	–	01/10/2017	31/12/2017
	F	200,000	–	\$0.4600	\$ 0.65	–	01/10/2018	31/12/2018
	F	200,000	–	\$0.4800	\$ 0.65	–	01/10/2019	31/12/2019
F	200,000	–	\$0.5000	\$ 0.65	–	01/10/2020	31/12/2020	

Directors' report

FOR THE YEAR ENDED 31 MARCH 2010



15. Audited Remuneration Report (continued)

2010	Notes	No. of options/rights granted	No. of options/rights vested	Fair value per option/right at grant date	Exercise price	Amount paid or payable	Date exercisable	Expiry date	
Paul Coxhead	B	–	2,000	\$0.1723	\$ 0.65	–	30/09/2009	30/10/2009	
	B	–	6,000	\$0.1018	\$ 0.65	–	30/09/2009	30/10/2009	
	C	–	4,000	\$0.3970	\$ 1.50	–	01/04/2009	30/04/2009	
	D	20,000	–	\$0.6900	\$ –	–	01/10/2011	15/10/2011	
	E	3,000	–	\$0.3000	\$ 0.65	–	01/04/2011	30/04/2011	
	E	3,000	–	\$0.3500	\$ 0.65	–	01/04/2012	30/04/2012	
	E	3,000	–	\$0.3800	\$ 0.65	–	01/04/2013	30/04/2013	
	E	3,000	–	\$0.4000	\$ 0.65	–	01/04/2014	30/04/2014	
	E	3,000	–	\$0.4100	\$ 0.65	–	01/04/2015	30/04/2015	
Rhys Brett	D	20,000	–	\$0.6900	\$ –	–	01/10/2011	15/10/2011	
	E	3,000	–	\$0.3000	\$ 0.65	–	01/04/2011	30/04/2011	
	E	3,000	–	\$0.3500	\$ 0.65	–	01/04/2012	30/04/2012	
	E	3,000	–	\$0.3800	\$ 0.65	–	01/04/2013	30/04/2013	
	E	3,000	–	\$0.4000	\$ 0.65	–	01/04/2014	30/04/2014	
	E	3,000	–	\$0.4100	\$ 0.65	–	01/04/2015	30/04/2015	
	F	200,000	–	\$0.4400	\$ 0.65	–	01/10/2016	31/12/2016	
	F	200,000	–	\$0.5300	\$ 0.65	–	01/10/2017	31/12/2017	
	F	200,000	–	\$0.4600	\$ 0.65	–	01/10/2018	31/12/2018	
	F	200,000	–	\$0.4800	\$ 0.65	–	01/10/2019	31/12/2019	
	F	200,000	–	\$0.5000	\$ 0.65	–	01/10/2020	31/12/2020	
Paul Bryan	D	20,000	–	\$0.6900	\$ –	–	01/10/2011	15/10/2011	
	E	3,000	–	\$0.3000	\$ 0.65	–	01/04/2011	30/04/2011	
	E	3,000	–	\$0.3500	\$ 0.65	–	01/04/2012	30/04/2012	
	E	3,000	–	\$0.3800	\$ 0.65	–	01/04/2013	30/04/2013	
	E	3,000	–	\$0.4000	\$ 0.65	–	01/04/2014	30/04/2014	
	E	3,000	–	\$0.4100	\$ 0.65	–	01/04/2015	30/04/2015	
	F	200,000	–	\$0.4400	\$ 0.65	–	01/10/2016	31/12/2016	
	F	200,000	–	\$0.5300	\$ 0.65	–	01/10/2017	31/12/2017	
	F	200,000	–	\$0.4600	\$ 0.65	–	01/10/2018	31/12/2018	
	F	200,000	–	\$0.4800	\$ 0.65	–	01/10/2019	31/12/2019	
		F	200,000	–	\$0.5000	\$ 0.65	–	01/10/2020	31/12/2020

Notes:

- A. These options are not performance based and issued only to the non-executive directors of the Company. These options will forfeit if not exercised within 15 days from the date person ceases to be a Director of the Company.
- B. These options are not performance based and issued to all permanent employees of the Company on various dates. These options will vest to the holders only when they remain in continuous employment with the Company until the options become exercisable. If the person leaves the employment for any reason whatsoever, he will forfeit all options granted but not vested. The vested options will forfeit if not exercised within 15 days from the date of termination of the employment.
- C. These options are not performance based and issued to all permanent employees of the Company on a certain date. These options will vest to the holders only when they remain in continuous employment with the Company until the options become exercisable. If the person leaves the employment for any reason whatsoever, he will forfeit all options granted but not vested. The vested options will forfeit if not exercised within 15 days from the date of termination of the employment.
- D. These options are not performance based and issued to thirty four employees in total (including some of the KMPs) in order to retain them with the Company for longer term. The options will vest to the holders only when they remain in continuous employment with the Company until the options become exercisable. If the person leaves the employment for any reason whatsoever, he will forfeit all options granted but not vested. The vested options will forfeit if not exercised within 15 days from the date of termination of the employment.
- E. These options are not performance based and issued to 350 employees in total (including the ten KMPs mentioned above) in order to retain them with the company for longer term. The options will vest to the holders only when they remain in continuous employment with the Company until the options become exercisable. If the person leaves the employment for any reason whatsoever, he will forfeit all options granted but not vested. The vested options will forfeit if not exercised within 15 days from the date of termination of the employment.
- F. These options are not performance based and issued to 19 employees in total (including the three KMPs mentioned above) in order to retain them with the Company for longer term. The options will vest to the holders only when they remain in continuous employment with the Company until the options become exercisable. If the person leaves the employment for any reason whatsoever, he will forfeit all options granted but not vested. The vested options will forfeit if not exercised within 15 days from the date of termination of the employment.

Directors' report

FOR THE YEAR ENDED 31 MARCH 2010



Equity instruments issued on exercise of remuneration options

2010	Number of shares issued on exercise of options	Number of options exercised	Amount paid per share	Amount unpaid per shares
Mr. Arun Kumar Jagatramka	-	-	-	-
Dr. Andrew Firek	-	-	-	-
Mrs. Mona Jagatramka	-	-	-	-
Mr. Maurice Anghie	500,000	500,000	\$0.50	-
Mr. Donald Carroll	-	-	-	-
Mr. Tanvee Jagatramka	-	-	-	-
Mr. S. Murari	-	-	-	-
Mr. P. R. Kannan	-	-	-	-
Mr. Sanjay Loyalka	-	-	-	-
Mr. Steven Bow	-	-	-	-
Mr. Naveen Kumar Nanda	-	-	-	-
Mr. Sanjay Sharma	-	-	-	-
Dr. Chris Harvey	-	-	-	-
Mr. Darrell Eason	-	-	-	-
Mr. Steven Coffee	-	-	-	-
Mr. Phil Wakeford	-	-	-	-
Mr. Paul Coxhead	-	-	-	-
Mr. Rhys Brett	-	-	-	-
Mr. Paul Bryan	-	-	-	-

Value of Options to Directors and Key Management Personnel granted, exercised and lapsed during the year ended 31 March 2010

Name	Total no. of Options granted	Value of Options granted	Value of Options Exercised (exercise price)	Market Value of Options Exercised	Value of Options Exercised (C-B)	Value of Options Expired
		A	B	C	D	E
Arun Kumar Jagatramka	1,000,000	\$ 382,082	-	-	-	-
Andrew Firek	500,000	\$ 191,041	-	-	-	-
Mona Jagatramka	500,000	\$ 191,041	-	-	-	-
Maurice Anghie	500,000	\$ 191,041	\$ 250,000	\$ 310,000	\$ 60,000	-
Donald Carroll	500,000	\$ 180,000	-	-	-	-
Tanvee Jagatramka	-	-	-	-	-	-
S. Murari	-	-	-	-	-	-
P. R. Kannan	-	-	-	-	-	-
Sanjay Loyalka	-	-	-	-	-	-
Steven Bow	35,000	\$ 19,320	-	-	-	1,588
Naveen Kumar Nanda	35,000	\$ 19,320	-	-	-	1,588
Sanjay Sharma	25,000	\$ 12,420	-	-	-	2,543
Chris Harvey	15,000	\$ 5,520	-	-	-	2,543
Darrell Eason	35,000	\$ 19,320	-	-	-	1,588
Steven Coffee	30,000	\$ 15,870	-	-	-	-
Phil Wakeford	1,035,000	\$ 501,320	-	-	-	-
Paul Coxhead	35,000	\$ 19,320	-	-	-	2,543
Rhys Brett	1,035,000	\$ 501,320	-	-	-	-
Paul Bryan	1,035,000	\$ 501,320	-	-	-	-

Directors' report

FOR THE YEAR ENDED 31 MARCH 2010



16. Environmental Regulation and Performance

The Company's operations are controlled and managed by significant environmental regulation under Commonwealth, State and Local legislation. There have not been any non-compliances or breaches of significance during the period. As a matter of interest, during the September 2009 red dust storms, which blanketed a large area along the NSW south coast, NRE experienced elevated levels of insoluble solids in the Dust Deposition Gauges (DDG's) on site at both NRE Wongawilli and NRE No. 1 Collieries.

To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislations applicable and is not aware of any breach of those requirements during the financial year and up to the date of the Directors' report.

The Company, pursuant to the National Greenhouse and Energy Reporting Act (NGER) has fulfilled its obligation to register and has also completed the first of many reports as an ongoing commitment under this Act. This Act introduced a national framework for the reporting and dissemination of information about the greenhouse gas emissions, energy use and production of corporations. Other reporting requirements include National Pollutant Inventory (NPI), Annual Returns, Quarterly reports and Annual Environmental Management Reports (AMER). All of the above mentioned reports have been completed and submitted on time and in compliance with the requirements.

Community Consultation

Since the last report on three occasions (March 2009, February and May 2010) the local community in the vicinity of the NRE No. 1 Colliery at Russell Vale was invited to attend an information day at a local venue. The purpose of the information days was to allow members of the local community to be kept informed of the current and proposed longer term activities of the mine, more specifically the submissions under Part 3A of the EP&A Act.

Since the last report (May, September, December 2009 and April 2010) the local community in the vicinity of the NRE Wongawilli Colliery was invited to attend an information day at a local venue. The purpose of the information days was to allow members of the local community to be kept informed of the current and proposed longer term activities of the mine, more specifically the submissions under Part 3A of the EP&A Act.

17. Indemnities and Insurance for Directors and Officers

The ultimate parent company, Gujarat NRE Coke Limited, in India, pays a premium each year in respect of a contract insuring all Directors and Officers of all the Companies in the Group including the Company. The policy maintained by Gujarat NRE Coke Limited is a Global Management Liability Policy providing protection and coverage for all Directors and Officers both in India and Australia against all liabilities/loss resulting from any claim first made against the insured (natural person who was, is or shall become a director or officer of any company in the Group) during the policy period for any wrongful act in the insured's capacity as a director, officer or employee of the Group. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium paid.

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

18. Auditor Independence

	Consolidated		Parent	
	2010	2009	2010	2009
Audit services	\$	\$	\$	\$
Amount due and payable for the audit and review of the financial reports of the Group by BDO	169,110	194,768	159,610	114,717
Other Services				
Amount due and payable for the Group by BDO				
–Taxation and other consultancy	68,830	16,690	66,630	16,690

Non Audit Services

The Board has perused non-audit services performed by the associated firm of the auditor and is satisfied that those non-audit services are compatible with, and did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Board to ensure that these services do not impact on the impartiality and objectivity of the auditor.
- The non-audit services provided do not undermine the general principles relating to auditor independence as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.
- The ratio of non-audit fee to audit fee is at a level that would not impact the impartiality and objectivity of the auditor.
- There were no known conflict of interest situations or any circumstances arising out of a relationship between the Group (including its Directors and Officers) and the auditor which may impact on auditor independence.

There is no former partner or director of BDO Audit (NSW-VIC) Pty. Ltd., the Group's auditors, who is or was at any time during the year ended 31 March, 2010 an officer of the Company or the Group.

The auditor's independence declaration (made under section 307C of the Corporations Act 2001) is set out on page 24 and forms part of this report.

Directors' report

FOR THE YEAR ENDED 31 MARCH 2010



19. Rounding of Amounts

Amounts in directors' report have been rounded off in accordance with ASIC Class Order 98/100 dated 1998 to the nearest thousand dollars unless stated otherwise.

Signed in accordance with a resolution of the Board of Directors

For and on behalf of **Board of Directors**

A handwritten signature in black ink, appearing to be 'Arun Kumar Jagatramka', written over a horizontal line.

Arun Kumar Jagatramka
Director

A handwritten signature in black ink, appearing to be 'Andrew E. Firek', written over a horizontal line.

Andrew E. Firek
Director

Dated: 28 May 2010

“The best time to plant a tree is 20 years ago. The second best time to plant a tree is today”

Auditor's independence declaration

FOR THE YEAR ENDED 31 MARCH 2010



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Sydney NSW 2000
GPO Box 2551, Sydney NSW 2001
Australia

DECLARATION OF INDEPENDENCE BY WAYNE BASFORD TO THE DIRECTORS OF GUJARAT NRE COKING COAL LIMITED

As lead auditor of Gujarat NRE Coking Coal Limited for the year ended 31 March 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Gujarat NRE Coking Coal Limited and the entities it controlled during the year.

A handwritten signature in black ink, appearing to read 'Wayne Basford', with a long horizontal stroke extending to the right.

Wayne Basford
Director

A handwritten signature in black ink, appearing to read 'BDO', with a stylized, cursive font.

BDO Audit (NSW-VIC) Pty Ltd

Sydney, 28th May 2010

BDO Audit (NSW-VIC) Pty Ltd ABN 17 114 673 540 BDO is the brand name for the BDO International network and for each of the BDO Member Firms. in Australia is a national association of separate entities. Liability of each entity is limited by a scheme approved under the Professional Standards Legislation other than for acts or omissions of financial services licensees.

Statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2010



	Note	Consolidated		Parent	
		2010 \$	2009 \$	2010 \$	2009 \$
Revenue from continuing operations	2	139,429,109	205,198,342	84,989,790	168,134,305
Cost of sales		(136,508,142)	(157,179,093)	(95,917,835)	(134,935,479)
Gross profit		2,920,967	48,019,249	(10,928,045)	33,198,826
Other income	2	30,770,635	1,301,919	12,334,027	1,602,843
Administrative expenses		(10,282,759)	(10,248,799)	(8,022,969)	(8,144,907)
Distribution expenses		(20,200,718)	(14,736,664)	(10,734,595)	(10,930,814)
Environmental expenses		(4,329,744)	(3,339,881)	(2,335,484)	(2,321,144)
Finance cost	3	(7,782,592)	(11,719,292)	(3,417,834)	(5,982,248)
Realised exchange gain/(loss) on forward contracts		2,381,857	(2,845,609)	2,218,553	(1,948,362)
Gain/(Loss) on sale of tenements	26	1,500,000	(4,080,237)	–	–
Realised exchange Loss		(1,811,939)	–	(1,823,165)	–
Unrealised exchange loss on loans		–	(18,080,660)	–	–
Loss on sale of Assets		(510)	–	(510)	–
(Loss)/Profit before income tax		(6,834,803)	(15,729,974)	(22,710,022)	5,474,194
Income tax benefit/(expense)	4	(4,849,579)	6,577,604	827,973	464,443
(Loss)/Profit for the year		(11,684,382)	(9,152,370)	(21,882,049)	5,938,637
Other Comprehensive Income					
Increase in fair value of available – for – sale financial asset		1,794,759	–	1,244,759	–
Income tax on item of other comprehensive income		(538,428)	–	(373,428)	–
Other comprehensive income for the year net of tax		1,256,331	–	871,331	–
Total Comprehensive income for the year		(10,428,051)	(9,152,370)	(21,010,718)	5,938,637
Overall and continuing operations:					
Basic earnings/(loss) per share	11	(0.01)	(0.01)		
Diluted earnings/(loss) per share	11	(0.01)	(0.01)		

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

“A dictionary is the only place where success appears before work”

Statement of financial position

FOR THE YEAR ENDED 31 MARCH 2010



	Note	Consolidated		Parent	
		2010 \$	2009 \$	2010 \$	2009 \$
CURRENT ASSETS					
Cash and cash equivalents	12	4,059,065	1,391,464	3,732,939	996,936
Trade and other receivables	13	2,349,017	4,874,332	35,964,875	8,603,379
Inventories	14	19,835,630	15,443,017	9,338,601	12,655,494
Deferred tax asset	4(a)	4,515,754	6,002,334	4,091,112	464,443
TOTAL CURRENT ASSETS		30,759,466	27,711,147	53,127,527	22,720,252
NON CURRENT ASSETS					
Investments in subsidiaries	16	–	–	335,796,034	335,796,034
Deposits	17	374,472	368,141	374,472	368,141
Financial assets available for sale	15	7,945,798	1,000,000	5,395,798	–
Loans	18	–	–	1,444,388	880,087
Property, plant and equipment	19	346,035,379	248,521,111	222,016,865	152,774,687
Avondale mining lease	8(a)	299,962,973	299,962,973	–	–
Deferred tax asset	4(a)	1,272,082	534,961	1,272,082	534,961
Exploration licenses	25	5,516,000	5,516,000	–	–
TOTAL NON-CURRENT ASSETS		661,106,704	555,903,186	566,299,639	490,353,910
TOTAL ASSETS		691,866,170	583,614,333	619,427,166	513,074,162
CURRENT LIABILITIES					
Trade and other payables	20	55,595,264	37,421,719	35,352,368	23,674,976
Derivatives	20(a)	102,444	–	–	–
Loans	21	134,332	–	9,439,332	11,133,507
Provisions	22	6,767,739	4,473,364	5,352,265	4,473,364
Deferred tax liability	30	3,901,427	–	3,736,425	–
TOTAL CURRENT LIABILITIES		66,501,206	41,895,083	53,880,390	39,281,847
NON-CURRENT LIABILITIES					
Loans	23	131,846,302	92,761,109	78,003,446	20,965,000
Bonds	24	8,074,646	7,398,429	8,074,646	7,398,429
Restoration guarantee	27	15,611,667	16,208,390	5,438,930	5,297,493
Deferred tax liability	30	922,859	922,859	1,802,946	1,802,946
TOTAL NON-CURRENT LIABILITIES		156,455,474	117,290,787	93,319,968	35,463,868
TOTAL LIABILITIES		222,956,680	159,185,870	147,200,358	74,745,715
NET ASSETS		468,909,490	424,428,463	472,226,808	438,328,447
EQUITY					
Contributed capital	28	490,426,809	437,818,160	490,426,809	437,818,160
Reserves	28	9,401,848	5,845,088	9,016,849	5,845,088
Accumulated losses		(30,919,167)	(19,234,785)	(27,216,850)	(5,334,801)
TOTAL EQUITY		468,909,490	424,428,463	472,226,808	438,328,447

The above statement of financial position should be read in conjunction with the accompanying notes

Statement of changes in equity

FOR THE YEAR ENDED 31 MARCH 2010



Consolidated	Contributed equity \$	Accumulated losses \$	AFS reserve/ Revaluation Reserve \$	Share-based payment reserve/ Bonds Reserve \$	Total Equity \$
At 1 April 2008	411,334,183	(10,082,415)	–	994,914	402,246,682
Total comprehensive income for the year:					
(Loss) for the year	–	(9,152,370)	–	–	(9,152,370)
Other comprehensive income:					
Asset available – for – sale reserve	–	–	–	–	–
Total comprehensive income for the year:	–	(9,152,370)	–	–	(9,152,370)
Transactions with owners in their capacity as owners:					
Shares issued	26,499,600	–	–	–	26,499,600
Issue expenses	(15,623)	–	–	–	(15,623)
Bond Equity Reserve	–	–	–	2,153,338	2,153,338
Sharebase payment (Employee options expense)	–	–	–	2,696,836	2,696,836
At March 2009	437,818,160	(19,234,785)	–	5,845,088	424,428,463
Total comprehensive income for the year:					
(Loss) for the year	–	(11,684,382)	–	–	(11,684,382)
Other comprehensive income:					
Asset available – for – sale reserve	–	–	1,256,331	–	1,256,331
Total comprehensive income for the year:	–	(11,684,382)	1,256,331	–	(10,428,051)
Transactions with owners in their capacity as owners:					
Shares issued	54,328,598	–	–	–	54,328,598
Issue Expenses	(1,719,949)	–	–	–	(1,719,949)
Sharebase payment (Employee options expense)	–	–	–	2,300,429	2,300,429
At March 2010	490,426,809	(30,919,167)	1,256,331	8,145,517	468,909,490

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

Parent Entity

At 1 April 2008	411,334,183	(11,273,438)	–	994,914	401,055,659
Total comprehensive income for the year:					
Profit for the year	–	5,938,637	–	–	5,938,637
Other comprehensive income:					
Asset available – for – sale reserve	–	–	–	–	–
Total comprehensive income for the year:	–	5,938,637	–	–	5,938,637
Transactions with owners in their capacity as owners:					
Share issued	26,499,600	–	–	–	26,499,600
Issue expenses	(15,623)	–	–	–	(15,623)
Bond Equity Reserve	–	–	–	2,153,338	2,153,338
Sharebase payment (Employee options expense)	–	–	–	2,696,837	2,696,837
At 31 March 2009	437,818,160	(5,334,801)	–	5,845,089	438,328,447
Total comprehensive income for the year:					
(Loss) for the year	–	(21,882,049)	–	–	(21,882,049)
Other comprehensive income:					
Asset available – for – sale reserve	–	–	871,331	–	871,331
Total comprehensive income for the year:	–	(21,882,049)	871,331	–	(21,010,718)
Transactions with owners in their capacity as owners:					
Shares issued	54,328,598	–	–	–	54,328,598
Issue Expenses	(1,719,949)	–	–	–	(1,719,949)
Share based reserve	–	–	–	2,300,429	2,300,429
At 31 March 2010	490,426,809	(27,216,850)	871,331	8,145,518	472,226,808

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

Statement of cash flows

FOR THE YEAR ENDED 31 MARCH 2010



	Note	Consolidated		Parent	
		2010 \$	2009 \$	2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		142,293,266	199,984,630	86,873,681	164,496,965
Other receipts		329,221	207,669	192,949	188,315
Payments to suppliers		(142,316,650)	(164,884,452)	(88,579,083)	(143,874,165)
Interest received		1,059,654	384,504	931,080	148,786
Interest and other finance costs		(5,827,035)	(10,278,533)	(1,695,102)	(5,507,621)
Net cash (outflow)/inflow from operating activities	31	(4,461,544)	25,413,818	(2,276,475)	15,452,280
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(45,791,854)	(36,937,524)	(33,293,535)	(27,720,055)
Payment for mining lease		–	(1,262,815)	–	(1,262,815)
Payments for mine development		(78,048,068)	(37,981,469)	(51,666,245)	(21,875,559)
Sale of tenements licenses		500,000	2,500,000	–	–
Share purchase in Rey Resources Ltd		(7,640)	–	(7,640)	–
Rey Resources takeover expense		(163,879)	–	(163,879)	–
Payment to Wollongong Hawks Basketball for 2012 naming rights		(210,000)	–	(210,000)	–
Exploration expenses		–	(5,625)	–	–
Investment in Gujarat NRE Prop. Pty Ltd		–	(10,000)	–	(810,000)
Cash acquired upon acquisition of:					
– Gujarat NRE Properties Pty Ltd		–	6,009	–	–
Net cash (outflow) from investing activities		(123,721,441)	(73,691,424)	(85,341,299)	(51,668,429)
CASH FLOWS FROM FINANCING ACTIVITIES					
Pre shipment advance from Gujarat NRE Coke Ltd		14,970,065	–	5,753,676	–
Proceeds from issue of share capital / option conversion		47,848,130	26,477,281	47,848,130	26,477,281
Loan from Axis bank consortium		88,869,391	–	88,869,391	–
Repayment of loan to Gujarat NRE Coke Ltd		(2,000,000)	–	(2,000,000)	–
Proceeds from Hunter Finance		134,332	–	134,332	–
Loan proceeds from Gujarat NRE Ltd		(18,965,000)	13,965,000	(18,965,000)	13,965,000
Loan repaid by Wonga Coal Pty Ltd		–	6,600,000	–	–
Loan to Gujarat NRE Properties Pty Ltd		–	–	(254,725)	(4,556,000)
Loan to Gujarat NRE FCGL Pty Ltd		–	–	(28,850,000)	–
Loan proceeds from Gujarat NRE Resources NL		–	–	610,000	2,585,000
Loan repaid to Gujarat NRE FCGL Pty Ltd		–	–	(2,548,507)	(1,951,493)
Loan from Southbulli Holdings Pty Ltd		–	–	110,000	–
Proceeds/(Payment) of deposits		(6,331)	25,601	(6,331)	10,601
Annual and Sick leave provision transfer		–	–	(347,189)	–
Net cash inflow from financing activities		130,850,587	47,067,882	90,353,777	36,530,389
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,667,602	(1,209,724)	2,736,003	314,240
Net cash and cash equivalents at beginning of year		1,391,463	2,601,188	996,936	682,696
NET CASH AND CASH EQUIVALENTS AT END OF YEAR		4,059,065	1,391,464	3,732,939	996,936

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

“Tough times don’t last, tough entities do”

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010



Note 1. Statement of significant accounting policies

The financial statements of Gujarat NRE Coking Coal Limited (formerly known as Gujarat NRE Minerals Limited, the company changed its name with effect from the 24th day of February 2010) for the year ended 31 March 2010 were authorised for issue in accordance with a resolution of the directors on 25 May 2010 and covers Gujarat NRE Coking Coal Limited (the Company) as an individual entity as well as the consolidated entity, consisting of Gujarat NRE Coking Coal Limited and its subsidiaries (the Group) as required by the Corporations Act 2001.

a) Basis of Preparation

The financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Gujarat NRE Coking Coal Ltd is a company limited by shares, incorporated in and domicile in Australia whose shares are publicly traded on the Australian Stock Exchange.

Compliance with IFRS – Compliance with Australian Accounting Standards ensures that the financial report of Gujarat NRE Coking Coal Ltd and its controlled entities and Gujarat NRE Coking Coal Limited as an individual entity complies with International Financial Reporting Standards (IFRS).

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

b) Basis for Consolidation

The consolidated financial statements comprise the financial statements of Gujarat NRE Coking Coal Ltd and its subsidiaries at 31 March 2010. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Potential voting rights that are currently exercisable or convertible are considered when assessing control. Consolidated financial statements include all subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless costs cannot be recovered. Investments in subsidiaries are accounted for in the parent entity financial statements at cost. (Refer also to Note 1 (d) in relation to accounting for business combinations).

c) Going Concern

Despite the Group and the Parent having a deficiency of current assets to current liabilities of \$35.74 million (Group) and \$.75 million (Parent) and having incurred comprehensive loss of \$10.4 million (Group) and \$21.01 million (Parent) and the need for substantial capital expenditure to be incurred over the next few years in order to bring the mine to full development, the directors believe that going concern is appropriate because the current deficit in the current assets and current liabilities includes pre shipment advances of 14.97 million from the major shareholder. The major shareholder has agreed that it will not call on the amounts due where it places Gujarat NRE Coking Coal Ltd in a position where it cannot pay its debt as and when they fall due. In addition the funding needs will be met by coal sales, for which demand and the sales prices have gone up substantially from last year, the ongoing support of the parent entity, Gujarat NRE Coke limited and equity and commercial raisings that will be achieved by directors as required.

d) Business Combinations

The purchase method of accounting is used to account for all business combinations. As described below in Note 8A the share swap of Gujarat NRE Resources NL shares for shares in Gujarat NRE Coking Coal Ltd has been accounted for as an acquisition. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued, the value of the equity instruments is their published market price as at the date of takeover. Transaction costs arising on the issue of equity instruments are recognised directly into equity.

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

e) Share Based Payments

Share-based compensation benefits via employee options are provided to employees of the Gujarat NRE Coking Coal Limited. The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. The fair value at grant date is independently determined using a Binomial method for option pricing.

f) Income Tax

The charge for current income tax expense is based on the result for the year adjusted for any non assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognized from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred income tax assets are recognized to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Gujarat NRE Coking Coal Limited (from 1 April 2007) and its wholly-owned subsidiaries – Gujarat NRE Resources NL (from 14 December 2007), Gujarat NRE FCGL Pty Ltd (from 14 December 2007) and Southbull Holdings Pty Ltd (from 10 September 2007) – have implemented the tax consolidation legislation. Gujarat NRE Coking Coal Limited is the head entity in the tax consolidated group.

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010



The stand-alone taxpayer within a group approach has been used to allocate current income tax expense and deferred tax balances relating to income tax losses to wholly-owned subsidiaries that form part of the tax consolidated group. Other deferred tax balances are booked into respective group entities. The amounts receivable/payable under tax funding arrangements is due upon notification by the head entity, which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly-owned subsidiaries in order for the head entity to be able to pay tax installments. These amounts are recognised as current intercompany receivables or payables.

g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

h) Revision of Estimates

Useful lives of plant and equipment (Preproduction):

During the year the estimated useful lives of certain items (Preproduction) of plant and equipment used by the Company were revised. The net effect of the changes in the financial year was an reduction in amortization expenses of the Group by 10.14 million.

Assuming the assets are held until the end of their estimated useful lives, amortization of the Group in future years in relation to these assets will be decreased or increased in proportion to the actual production of the coal when compared with the available resources.

i) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property, plant and equipment are stated at historical cost less depreciation. The cost of a tangible fixed asset comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Preproduction costs include costs incurred in preparing the site for mining operations, including stripping costs. Costs associated with a start-up period are capitalised where the asset is available for use but incapable of operating at normal levels without a commissioning period. Preproduction costs incurred before the commencement of full production are capitalised to the extent they give rise to a future economic benefit. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Mining leases are carried at cost. The carrying amount is reviewed by directors to ensure it is not in excess of the recoverable amount from the lease. Amortisation is calculated in proportion of actual production when measured against the mineable resources available in the mine.

Pre-production costs All costs relating to the pre-production of coal were capitalised and are amortised over the estimated life of reserves in the mine. Amortisation is calculated in proportion to actual production when measured against mineable resources in the mine seam for which the expenses were incurred. The carrying value of pre-production is reviewed by directors to ensure it is not in excess of its recoverable amount.

Mine development is activities undertaken to gain access to mineral reserves. Typically this includes sinking shafts, permanent excavations, building transport infrastructure and roadways. All costs relating to mine development are capitalised and are amortised over the estimated reserve in that developed area of the mine. Amortisation is calculated in proportion to actual production when measured against mineable resources in the mine area developed on which the expenses were incurred. The carrying value of mine development is reviewed by directors to ensure it is not in excess of its recoverable amount.

Deferred restoration cost The restoration liability calculated as the discounted present value in relation to restoration cost at the end of the lease is correspondingly represented by a non current asset described as 'Deferred restoration cost'.

The deferred restoration cost after deducting the change in liability is amortised on a straight line basis over the life of the mine lease.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of Asset

Plant and Equipment	10-40%
Motor Vehicles	12.50%

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

j) Fair Values

Fair values may be used for financial asset and liability measurement and well as for sundry disclosures. Fair values for financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. The quoted market price for financial assets is the current bid price and the quoted market price.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. Assumptions used are based on observable market prices and rates at the end of the reporting period. The fair value of long-term debt instruments is determined using quoted market prices for similar instruments. Estimated discounted cash flows are used to determine fair value of the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

k) Investments

Investments/investments in subsidiaries, associates and joint venture entities are accounted for in the consolidated financial statements as described in note 1(b) and in the parent entity financial statements at cost in accordance with the cost alternative permitted in separate financial statements under AASB 127 Consolidated and Separate Financial Statements.

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010

Note 1. Statement of significant accounting policies (continued)

l) Tenement Exploration and Exploration Licences

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Costs that do not meet these criteria are expensed. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

m) Revenue

Revenue comprises sale of coal at invoiced amounts, with most sales being cost and freight (C & F). Amounts billed to customers in respect of shipping and handling are classed as revenue where the group is responsible for carriage and freight. Revenue also includes the charter service revenue at invoiced amounts. All shipping and handling charges incurred by the company are recognised as operating costs.

Revenue Recognition

Revenue from the sale of coal is recognised in the income statement when the significant risks and rewards of ownership have been transferred to customers.

Interest Income

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Lease Rental Income

Lease rental income from housing and farm leasing is recognized in income on a receipts basis.

n) Trade and Other Receivables

Trade receivables are recognised at original invoice amounts less an allowance and impairment for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the group will not be able to collect all amounts due according to the original terms.

o) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30–60 day payment terms.

p) Interest-Bearing Liabilities

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the loans and borrowings using the effective interest method.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

q) Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to members of Gujarat NRE Coking Coal Ltd group by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

Diluted earnings per share

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

r) Impairment of Assets

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

s) Borrowing Costs

Borrowing cost on qualifying assets are capitalised and all other borrowing costs are recognised in the income statement in the period in which they are incurred.

t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010



u) Interests in Jointly Controlled Assets

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in Note 25.

The economic entity's interests in joint venture operations are brought to account in the consolidated financial statement using the fair value at the time of acquisition of Gujarat NRE Resources NL. The parent entity's interests in joint venture operations are brought to account using the cost method.

v) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and within the Group. Should any of the estimates vary significantly, this could have a material impact on the amounts presented and significant judgment.

Key estimates

Mine closure and rehabilitation provision estimates

Provision is made for the anticipated costs of future site restoration. The provision includes estimated future costs relating to the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site.

The calculation of rehabilitation and closure provisions (and corresponding capitalized closure cost assets where necessary) rely on estimates of cost required to rehabilitate and restore disturbed areas of land to their original condition. These estimates are regularly reviewed and adjusted in order to ensure that most up to date data is used to calculate these balances. The closure and rehabilitation provision is disclosed in the note on restoration guarantee Note 27.

Mine Development and pre production capitalisation

The Group activities undertaken to gain access to mineral reserves or sinking shafts, permanent excavations, building transport infrastructure and roadways are capitalised and are amortised over the estimated reserves in that developed area of the mine. Amortisation is calculated in proportion to actual production when measured against mineable resources in the mine area developed. The carrying value of mine development and pre-production is reviewed by directors to ensure it is not in excess of its recoverable amount.

Determination of coal reserves and resources

The group estimate its coal reserves and resources based on information compiled by competent persons as defined in the Australian code for reporting the coal mineral resources and ore reserves of December 2004 (JORC CODE). Reserves determined in this way are used in the calculation of depreciation, amortization and impairment charges, the assessment of mine lives and for forecasting the time for payment of close down and restoration costs.

Options Valuation Methodology

In conducting the calculation of the options we have followed the guidelines as set out in AASB 2. In doing this we have utilized the Binomial option pricing model ("the Binomial Model") to value the options. Utilisation of the Binomial Model is preferred over the Black – Scholes option pricing model ("the Black – Scholes") given the Options have American style exercise in that they can be exercised at any time after vesting until Expiry. The main limitation of the Black-Scholes Model is that it cannot be used to accurately price options with an American style exercises.

The acceptance of the Binomial Model is due to the derivation being grounded in economic theory. The value of an option calculated by Binomial Model is a function of a number of variables, including:

- The current price of the underlying shares as at the issue date;
- The exercise price;
- The expected volatility of the share price over the expected life of Options;
- The vesting date and expected life;
- The expected dividend yield; and
- The risk free interest rate for the expected life of the options.

Impairment

No impairment has been recognised in respect of the capitalised expenditure in relation to the preproduction, mine development or other capitalised expenses for the year ended 31 March 2010. Should the ongoing project expenditure indicate impairment, an impairment loss would be recognised up to the maximum carrying value of expenditure at 31 March 2010 amounting to \$151.01 million for the Group.

w) Inventories

Inventories of coal are physically measured or estimated and valued at lower of cost and net realizable value. Cost and net realizable value is determined as follows:

- Coal stocks – all direct materials, direct labor and an appropriate portion of variable and fixed overheads. Fixed overheads are allocated on the basis of normal operating capacity. Costs are assigned to inventories using the weighted average/first-in-first-out basis.
- Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling cost of completion and selling expenses.
- Stores – cost comprises average cost of purchase price and associated charges

x) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Gujarat NRE Coking Coal Ltd's functional and presentation currency.

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010

Note 1. Statement of significant accounting policies (continued)

Transactions and balances

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as revenue or expense as appropriate in the income statement.

y) Convertible Bonds

Bonds are a compound financial instrument containing liability and equity components, which are shown separately in the balance sheet. The initial fair value of the liability component is the discounted present value of the liability. The fair value of the equity comprises its time value. These bonds were repaid this year and loss on early payment was recognised as the difference between the carrying value and the amount paid.

z) New Accounting Standards and Interpretations

(i) Changes in Accounting Policies and Disclosures

Since 1 April 2009, the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 April 2009. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

- AASB 8 *Operating Segments*. This Standard requires disclosure of information about the Group's segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard has resulted in the Group revising its segment reporting. Refer to Note 5 for details of reportable segments.
- AASB 101 *Revised Presentation of Financial Statements*. The revised Standard separates owner and non-owner changes in equity and requires a statement of comprehensive income to be prepared which discloses all changes in equity during a period resulting from non-owner transactions. The Group has elected to present comprehensive income using the two statement approach.
- AASB 123 *Revised Borrowing Costs*. The Standard has been revised to require capitalisation of borrowing costs on qualifying assets.

(ii) Accounting Standards and Interpretations Issued But Not Yet Effective

- Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 31 March 2010. These are outlined in the table below:

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB Int. 17 and AASB 2008-13	Distributions of Non-cash Assets to Owners and consequential amendments to other Australian Accounting Standards	The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in-specie distributions.	1 July 2009	No effect identified	1 April 2010
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	No effect identified	1 April 2010
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	No effect identified	1 April 2010
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	No effect identified	1 April 2010
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	No effect identified	1 April 2010

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010



Note 2. Revenue & other income

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Revenue from continuing operations				
Export sales	127,268,602	180,954,651	72,829,283	143,890,614
Freight revenue	12,160,507	24,243,691	12,160,507	24,243,691
	139,429,109	205,198,342	84,989,790	168,134,305
Other Income				
Scrap sales	17,906	25,632	10,886	25,632
Compensation	129,252	–	–	–
Other income	182,063	162,683	182,063	162,683
Lease rental	22,200	19,353	–	–
Interest	1,059,654	384,504	931,080	148,786
Realised exchange gain on sales	–	709,747	–	886,766
Unrealised exchange gain	29,359,560	–	11,209,998	378,976
	30,770,635	1,301,919	12,334,027	1,602,843

Note 3. Expenses

(Loss)/Profit before income tax includes the following specific expenses

(a) Finance cost

Interest to Related parties	(62,337)	(915,287)	(62,337)	(915,287)
Interest expenses	(7,119,267)	(10,305,517)	(3,294,025)	(4,995,706)
Bank fee and charges	(498,544)	(498,488)	(61,472)	(71,255)
Interest rate swap borrowing cost	(102,444)	–	–	–
	(7,782,592)	(11,719,292)	(3,417,834)	(5,982,248)

(b) Employee, contractor and consultants charged

	(42,714,531)	(60,705,262)	(25,084,013)	(49,454,639)
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(c) Depreciation and amortization

Depreciation – Plant, Property and equipment	(5,852,376)	(3,672,463)	(4,917,880)	(3,264,141)
Amortisation – Pre production	(4,606,501)	(21,049,533)	(4,569,047)	(21,049,533)
– Deferred restoration	(586,759)	(570,644)	(329,118)	(318,456)
– Mine development	(11,893,586)	(2,780,808)	(2,654,366)	(2,780,808)
– Mining lease	(226,556)	(147,299)	(87,313)	(102,893)

(d) Restoration cost unwinding/PV adjustment

	596,724	(750,653)	(141,437)	(145,402)
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(e) Borrowing cost

	(548,123)	(204,070)	(344,053)	–
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(f) Net gain/(loss) on sale of assets

	1,499,490	(4,080,237)	(510)	–
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(g) Realised exchange gain/(loss) on forward contracts

	2,381,857	(2,845,609)	2,218,553	(1,948,362)
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(h) Realised exchange loss on sales

	(1,811,939)	–	(1,823,165)	–
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(i) Defined superannuation contribution expense

	(1,913,904)	(2,126,249)	((1,141,305))	(2,120,512)
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“You can be successful if you are absolutely consistent in what you do”

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010



Note 4. Income tax expense

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Current tax benefit/(expense)				
Current tax benefit/(expense)	6,209,891	(2,668,505)	5,294,905	(2,931,717)
Adjustments for previous years	–	–	–	–
Total current income tax benefit/(expense)	6,209,891	(2,668,505)	5,294,905	(2,931,717)
Deferred tax benefit/(expense)				
Origination and reversal of temporary differences	(4,849,579)	6,577,604	827,973	464,443
Benefit of tax losses previously unrecognised/ (tax losses not previously available)	(6,209,891)	2,668,505	(5,294,905)	2,931,717
Total deferred tax benefit/(expense)	(11,059,470)	9,246,109	(4,466,932)	3,396,160
Total income tax benefit/(expense) in income statement	(4,849,579)	6,577,604	827,973	464,443
Attributable to:				
Continuing operations	(4,849,579)	6,577,604	827,973	464,443
Discontinuing operations	–	–	–	–
	(4,849,579)	6,577,604	827,973	464,443
Reconciliation of the effective tax rate				
Loss/(Profit) from continuing operations before income tax expense	6,834,803	15,729,974	22,710,022	(5,474,194)
Loss from discontinuing operations before income tax expense	–	–	–	–
	6,834,803	15,729,974	22,710,022	(5,474,194)
Income tax benefit/(expense) at the Australian tax rate of 30% (2009: 30%)	2,050,441	4,718,992	6,813,007	(1,642,258)
Non-deductible expenses	(690,129)	(809,893)	(690,129)	(825,016)
Utilisation of previously unrecognised tax losses/ (tax losses previously not available)	(6,209,891)	2,668,505	(5,294,905)	2,931,717
Unrealised temporary differences	–	–	–	–
Income tax benefit/(expense)	(4,849,579)	6,577,604	827,973	464,443
Effective tax rate %	71	(42)	(4)	(8)
Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in the balance sheet for the following items:				
Unused tax losses	81,746,255	40,135,908	81,746,255	40,135,908
Potential benefit at 30% (2009: 30%)	24,523,876	12,040,772	24,523,876	12,040,772
There is no expiry date on the future deductibility of unused tax losses.				
Note 4(a). Deferred tax assets				
Deferred tax assets comprise temporary differences attributable to:				
<i>Amounts recognised in profit and loss</i>				
Unrealised exchange loss	–	5,537,891	–	–
Employee benefits	1,152,755	464,443	728,113	464,443
Losses utilised for unrealised exchange gain	3,362,999	–	3,362,999	–
	4,515,754	6,002,334	4,091,112	464,443
<i>Amounts recognised directly in equity</i>				
Share issue expenses	1,272,082	534,961	1,272,082	534,961
Total deferred tax assets	5,787,836	6,537,295	5,363,194	999,404
Deferred tax assets recognised do not exceed taxable amounts arising from the reversal of existing assessable temporary differences.				
To be settled within 12 months	4,515,754	6,002,334	4,091,112	464,443
To be settled after more than 12 months	1,272,082	534,961	1,272,082	534,961
	5,787,836	6,537,295	5,363,194	999,404

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010



Note 4(a). Deferred tax assets (continued)

Movements in deferred tax assets

	Opening balance at 1 April 2009	(Charged)/ credited to income statement	(Charged)/ credited directly to equity	Closing balance at 31 March 2010
Consolidated Entity				
<i>Amounts recognised in profit and loss</i>				
Unrealised exchange loss	5,537,891	(5,537,891)	–	–
Employee benefits	464,443	688,312	–	1,152,755
Losses utilised for unrealised exchange gain	–	3,362,999	–	3,362,999
<i>Amounts recognised directly in equity</i>				
Share issue expenses	534,961	–	737,121	1,272,082
Total	6,537,295	(1,486,580)	737,121	5,787,836

	Opening balance at 1 April 2008	(Charged)/ credited to income statement	(Charged)/ credited directly to equity	Closing balance at 31 March 2009
Consolidated Entity				
<i>Amounts recognised in profit and loss</i>				
Unrealised exchange loss	–	5,537,891	–	5,537,891
Employee benefits	–	464,443	–	464,443
<i>Amounts recognised directly in equity</i>				
Share issue expenses	528,265	–	6,696	534,961
Total	528,265	6,002,334	6,696	6,537,295

	Opening balance at 1 April 2009	(Charged)/ credited to income statement	(Charged)/ credited directly to equity	Closing balance at 31 March 2010
Parent entity				
<i>Amounts recognised in profit and loss</i>				
Employee benefits	464,443	263,670	–	728,113
Losses utilised for unrealised exchange gain	–	3,362,999	–	3,362,999
<i>Amounts recognised directly in equity</i>				
Share issue expenses	534,961	–	737,121	1,272,082
Total	999,404	3,626,669	737,121	5,363,194

	Opening balance at 1 April 2008	(Charged)/ credited to income statement	(Charged)/ credited directly to equity	Closing balance at 31 March 2009
Parent Entity				
<i>Amounts recognised in profit and loss</i>				
Employee benefits	–	464,443	–	464,443
<i>Amounts recognised directly in equity</i>				
Share issue expenses	528,265	–	6,696	534,961
Total	528,265	464,443	6,696	999,404

Note 5. Segment information

The group has adopted AASB 8 Operating Segments from 1 April 2009 whereby segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker (executive management committee that makes strategic decisions).

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010



Description of segment

The Group operates in one segment in the business of coal mining, coal preparation and export of coal. Management has determined this operating segment based on reports reviewed by the Management Committee for making strategic decision. The management committee comprises of the chairman, Chief financial officer (of the Indian Parent) who is also director of Gujarat NRE FCGL Pty. Ltd., one Non executive Director of Gujarat NRE FCGL Pty. Ltd. and Gujarat NRE Coke Ltd. and one Management consultant. The committee monitors the business based on the reportable segment

Segment information provided to the management committee for the year ended 31 March 2010 is as follows:

- EBITDA
- Revenue from external customers

Reconciliation of EBITDA to loss before income tax is as follows:

	2010	2009
EBITDA		
PROFIT/(LOSS) before income tax	(6,834,803)	(15,729,974)
Add Amortisation (Including Unwinding of restoration and borrowing cost)	17,264,800	25,503,007
Add Depreciation	5,852,376	3,672,463
Add Interest	7,181,604	11,220,804
Add share base payments	2,300,429	2,696,836
EBITDA	25,764,406	27,363,136

The management committee monitors segment performance based on EDITDA. This performance measure differs from the previous annual report for the financial year ended 31 March 2009 which reflected segment result based on net income before taxation.

All noncurrent assets other than financial instruments, deferred tax assets, post-employment benefits assets and rights arising under insurance contracts are located in Australia.

All export and freight charter revenue of \$139,429,109 is from sale to one external customer in India.

Note 6. Dividends

There were no dividends paid or proposed during the period.

Note 7. Contingent liabilities

State Bank of India bank guarantees of \$600,000 and \$1,000,000 have been provided to The Sydney Catchment Authority and NBL (National Basketball League) respectively. Guarantee to NBL was provided as a corporate support to the Wollongong Hawks.

A bank guarantee has been provided to the Department of Primary Industries in respect of the restoration liability for NRE No.1 mine for \$5,657,000. The restoration liability for this has been accounted at its present value in the Group's financial statements.

The Group has provided \$40,160,000 as a bank guarantee to the Department of Primary Industries. The amount is for rehabilitation of the new NRE Wongawilli mine (previously known as Eloura mine) purchased from BHP Billiton by the subsidiary Gujarat NRE FCGL Pty. Ltd. This site rehabilitation guarantee is large due to the large area of land of the mine site. This estimated rehabilitation will be reviewed by the company within two years and may result in a decrease in the said liability. The restoration liability has been accounted at its present value in the Group's financial statements.

State Bank of India bank guarantees of \$900,000 have been provided to Supreme Court of NSW for Claim against and by Williams & Ors. ('Williams Proceedings').

Update on proceedings by and against the company is as follows:

A. Gujarat NRE Coking Coal Limited & Gujarat NRE Coke Limited vs Gary Alexander Williams & others – Supreme Court case 2006/268464

In December 2004 Gujarat NRE Coking Coal ("GNM"), funded by Gujarat NRE Coke Limited ("GNCL"), with other parties bought the Bellambi Colliery and associated assets, effected by contracts including the Venture Agreement dated 15 October 2004 ("Joint Venture") and the Land and Assets Sale Agreement dated 21 October 2004 ("LASA").

Gujarat NRE Coking Coal Limited (GNM) and Gujarat NRE Coke Limited (GNCL) have on 28 April 2006 jointly filed a suit in Supreme Court of NSW against other parties to the Joint Venture, namely Gary Alexander Williams, Mark Ngataiawhio William Gray, Malcolm Anthony Carson, Continental Mining & Materials Handling Pty. Limited, Billiva Pty. Limited, Ambigo Pty Limited and Bounty Industries Australia Pty. Limited (collectively "Defendants"). The cross-claimants countersued by cross-claim filed on 19 July 2006. The Plaintiffs have filed amended pleadings on 19 December 2009. GNM and GNCL have alleged that the Defendants (or some of them) were in breach of their contractual obligations, representations and warranties, on which GNM and GNCL expressly relied while entering into the acquisition of the mine. GNM and GNCL further allege that some of the Defendants (Williams, Gray and Carson) have breached their directors'/officers' duties and common law duties of care and diligence. Accordingly GNM and GNCL are seeking damages for various claims including interest and cost; and relief from making further payment/s to some of the Defendants pursuant to the Venture Agreement.

B. Settlement with Bellpac Pty. Ltd. ("Bellpac")

During 2008, the Company had settled Bellpac's claims in relation to the Remediation Obligation and the Royalty Obligation by way of a Deed dated 23 July 2008 ("Settlement" or "Deed"), wherein inter alia Bellpac acknowledged that the Company's obligations and Bellpac's rights under the Remediation Deed have expired and has surrendered its rights to receive any payment of royalty under the Royalty Deed.

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010



Note 7. Contingent liabilities (continued)

Pursuant to the terms of the Settlement the Company paid \$6 million in cash and issued 200 Convertible Bonds aggregating to \$10 million in Bellpac's favour and Bellpac surrendered the bank guarantee for \$5 million issued in its favour in the matter.

The Company had acquired NRE No.1 Colliery ("Colliery") from Bellpac in December 2004 and entered into various agreements with it and others.

1. In terms of the Remediation Licence Deed dated 3 December 2004 ("Remediation Deed") the Company was liable to Bellpac to undertake remediation of the land associated with the Colliery and to provide a bank guarantee for \$5 million as security for the remediation work (together the Remediation Obligations).
2. In terms of a Royalty Deed dated 3 December 2004 ("Royalty Deed") the Company was obliged to pay an annual royalty to Bellpac based on product tonnes of coal greater than 500,000 tonnes at a rate of \$0.50 per tonne and greater than 1,000,000 tonnes at a rate of \$1.00 per tonne (the Royalty Obligation).

The Settlement also provides for the Company through its wholly owned subsidiary, Southbulli Holdings Pty. Ltd, to acquire a part of the total land presently occupied by the Company, considered essential by the Company for its future mining operations, ("Mining Land") and to withdraw its operations from the remaining land ("Remaining Land").

Since the Settlement, while the Company was in the process of fulfilling its further obligations and agreed terms for the settlement of all other issues including finalizing the terms of sale and acquiring the Mining Land, Bellpac went into liquidation and Receivers were appointed ("Bellpac Receiver"). The Company had expressed its willingness to acquire the Mining Land at a fair market price from the Bellpac Receivers.

The Company in response to a Rectification Notice issued by Bellpac on 24 April 2009 filed a suit (Supreme Court Case 2009/298733) by Summons seeking that the Bellpac's rights pursuant to the Remediation Deed have expired and that Bellpac is not entitled to such Rectification; and sought an injunction permanently restraining Bellpac and claimed costs.

In August 2009, the company has been served with a statement of claim from LM Investment Management Limited ("LM") and Permanent Trustee Australia Limited ("PTAL") along with Bellpac Receivers (collectively "Plaintiffs") wherein the validity of the Settlement dated 23 July 2008 has been questioned. The Plaintiffs is a lender to Bellpac and holds a mortgage over the mining surface land at Russell Vale. The Plaintiffs have since filed suit (in response to the suit of Gujarat NRE Coking Coal Limited (Gujarat) (Supreme Court Case 2009/298733) first commenced by Summons, followed by Statement of Claim and then Commercial List Summons as amended.

The Company has filed appropriate defence to the original pleadings and cross claims and the Board of Directors are of the view that the case will not have any materially adverse effect on the working of the Company.

Note 8. Avondale mine

As per JORC compliant resource estimate of the Avondale mine Lease, it has inferred resources of 63 million tonnes in the Wongawilli coking coal seam and 74 million tonnes in the Tongara Steaming coal seam. At the time of acquisition of Gujarat NRE Resources NL group, the fair value of the mine took in consideration of the acquisition of the Elouera Mine (the said deal was under final terms at the time of acquisition and upon acquisition mine is named NRE Wongawilli) by the Group as it provides, rail and similar like infrastructure from portals in the escarpment, ventilation/haulage/access shaft, rail loop on the escarpment surface etc. By using the NRE Wongawilli (formerly Elouera) Colliery as an access to the Avondale coal reserves, this capital cost is not needed thus making a significant saving on capital expenditure.

Note 8A. Business combination

- i) On 16 June, 2008, the Company acquired Gujarat NRE Properties Pty. Ltd. (formerly known as Gujarat NRE Koyala Pty. Ltd.).

The acquisition transaction involved purchase of Gujarat NRE Koyala Pty. Ltd. 10,000 shares for \$10,000.

	Fair value \$	Carrying Amounts \$
Cash and cash equivalents	6,009	6,009
Property, Plant and Equipment	4,991	-
Trade and other payables	(1,000)	(1,000)
Fair value of net assets acquired	10,000	5,009
Minority interests	-	
Goodwill arising on acquisition	-	
	10,000	
Consideration:		
Cash paid	10,000	
Total purchase consideration	10,000	
Outflow of cash to acquire subsidiary:		
Cash consideration	10,000	
Balances of cash acquired	6,009	
Bank overdraft	-	
Outflow of cash	3,991	

The subsidiary Gujarat NRE Properties Pty. Ltd. is reported in the consolidated results.

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010



Note 9. Key management personnel disclosures

(a) Key management personnel compensation

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Short-term employee benefits	2,307,528	1,522,664	1,773,004	1,458,914
Post-employment benefits	308,939	302,676	240,815	296,937
Other long-term benefits	49,147	35,965	37,258	35,965
Termination benefits	–	98,028	–	98,028
Share-based payments	1,380,158	1,691,323	1,380,158	1,691,323
	4,045,772	3,650,656	3,431,235	3,581,167

Further information regarding the identity of key management personnel and their compensation can be found in the Audited Remuneration Report contained in the directors' report on pages 14 to 21 of the annual report.

(b) Equity instruments

Options and rights holdings

Details of options and rights held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

Consolidated 2010

Name	Balance at 1 April 2009	Granted as compensation	Options Exercised	Other Changes	Balance at 31 March 2010	Total vested at 31 March 2010	Total vested and exercisable at 31 March 2010	Total vested and unexercisable at 31 March 2010
Arun Kumar Jagatramka ^A	3,900,000	1,500,000	–	–	5,400,000	5,400,000	5,400,000	–
Mona Jagatramka ^A	3,900,000	1,500,000	–	–	5,400,000	5,400,000	5,400,000	–
Andrew Firek	1,000,000	500,000	–	–	1,500,000	1,500,000	1,500,000	–
Maurice Anghie	1,000,000	500,000	500,000	–	1,000,000	1,000,000	1,000,000	–
Donald Carroll	–	500,000	–	–	500,000	500,000	500,000	–
Sanjay Loyalka	–	–	–	–	–	–	–	–
S Murari	–	–	–	–	–	–	–	–
P R Kannan	–	–	–	–	–	–	–	–
Steven Bow	1,036,000	35,000	–	–	1,071,000	–	–	–
Naveen Kumar Nanda	1,036,000	35,000	–	–	1,071,000	–	–	–
Sanjay Sharma ^A	3,452,000	25,000	–	(8,000)	3,469,000	–	–	–
Chris Harvey	1,052,000	15,000	–	(8,000)	1,059,000	–	–	–
Darrell Eason	1,036,000	35,000	–	–	1,071,000	–	–	–
Steven Coffee	1,020,000	30,000	–	–	1,050,000	–	–	–
Phil Wakeford	20,000	1,035,000	–	–	1,055,000	–	–	–
Paul Coxhead	1,052,000	35,000	–	(8,000)	1,079,000	–	–	–
Rhys Brett	–	1,035,000	–	–	1,035,000	–	–	–
Paul Bryan	–	1,035,000	–	–	1,035,000	–	–	–

Notes:

A. Directors of Wonga Coal Pty Ltd, which is holding 2,400,000 options with exercise price of \$0.50 and expiry date of 31 Dec 2010.

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010



Note 9. Key management personnel disclosures (continued)

Consolidated 2009

Name	Balance at 1 April 2008	Granted as compensation	Options exercised	Other changes	Balance at 31 March 2009	Total vested at 31 March 2009	Total vested and exercisable at 31 March 2009	Total vested and unexercisable at 31 March 2009
Mr Arun Kumar Jagatramka ^{A B}	77,400,000	1,500,000	75,000,000	–	3,900,000	1,500,000	1,500,000	–
Mrs Mona Jagatramka ^{A B}	77,400,000	1,500,000	75,000,000	–	3,900,000	1,500,000	1,500,000	–
Mr Maurice Anghie ^B	75,500,000	500,000	75,000,000	–	1,000,000	1,000,000	1,000,000	–
Dr Andrew Firek ^B	75,500,000	500,000	75,000,000	–	1,000,000	1,000,000	1,000,000	–
Mr Steven Bow	–	1,040,000	–	–4,000	1,036,000	4,000	–	–
Dr Chris Harvey	24,000	1,040,000	8,000	–4,000	1,052,000	12,000	–	–
Mr Naveen Kumar Nanda	–	1,040,000	–	–4,000	1,036,000	4,000	–	–
Mr Sanjay Sharma ^A	3,424,000	40,000	8,000	–4,000	3,452,000	12,000	–	–
Mr Darrell Eason	1,000,000	40,000	–	–4,000	1,036,000	4,000	–	–
Mr Steven Coffee	–	1,020,000	–	–	1,020,000	–	–	–
Mr Philip Wakeford	–	20,000	–	–	20,000	–	–	–
Mr Paul Coxhead	38,400	1,040,000	–	–26,400	1,052,000	26,400	–	–
Mr Grant Case	1,028,800	40,000	–	–1,028,800	40,000	16,800	–	–

Notes:

A. Directors of Wonga Coal Pty Ltd, which is holding 2,400,000 options with exercise price of \$0.50 and expiry date of 31 Dec 2010.

B. Directors of Gujarat NRE Limited which was holding 75,000,000 options with exercise price of \$0.27 and expiry date of 31 Dec 2008 and these options were exercised during the year.

Shareholdings

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

Consolidated 2010

Name	Balance at 1 April 2009	Granted as compensation	Received on exercise of options or rights	Other changes	Balance at 31 March 2010	Balance held nominally
Arun Kumar Jagatramka ^{A B C}	664,765,420	–	–	7,200,771	671,966,191	–
Mona Jagatramka ^{A B C}	664,765,420	–	–	7,200,771	671,966,191	–
Andrew Firek ^B	203,082,523	–	–	6,110,770	209,193,293	–
Maurice Anghie ^B	202,500,000	–	500,000	6,110,770	209,110,770	–
Donald Carroll	–	–	–	–	–	–
Tanvee Jagatramka	–	–	–	–	–	–
Sanjay Loyalka	167,500	–	–	444,000	611,500	–
S Murari ^B	202,500,000	–	–	6,110,770	208,610,770	–
P R Kannan ^B	202,531,000	–	–	6,130,770	208,661,770	–
Steven Bow	–	–	–	40,000	40,000	–
Naveen Kumar Nanda	26,250	–	–	–	26,250	–
Sanjay Sharma ^A	371,507,870	–	–	–	371,507,870	–
Chris Harvey	51,241	–	–	–	51,241	–
Darrell Eason	8,000	–	–	–	8,000	–
Steven Coffee	–	–	–	–	–	–
Phil Wakeford	–	–	–	–	–	–
Paul Coxhead	75,483	–	–	–	75,483	–
Rhys Brett	–	–	–	–	–	–
Paul Bryan	–	–	–	–	–	–

Notes:

A. Director of Wonga Coal Pty Limited, which is holding 371,296,193 fully paid ordinary shares as on 31 Mar 2010

B. Directors of Gujarat NRE Limited, which is holding 208,610,770 fully paid ordinary shares as on 31 Mar 2010

C. Directors of Gujarat NRE Coke Limited, which is holding 86,092,966 fully paid ordinary shares as on 31 Mar 2010

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010



Consolidated 2009

Name	Balance at 1 April 2008	Granted as compensation	Received on exercise of options or rights	Other changes	Balance at 31 March 2009	Balance held nominally
Mr Arun Kumar Jagatramka^{A B C}	586,832,300	–	75,000,000	2,933,120	664,765,420	–
Mrs Mona Jagatramka^{A B C}	586,832,300	–	75,000,000	2,933,120	664,765,420	–
Mr Maurice Anghie^B	127,500,000	–	75,000,000	–	202,500,000	–
Dr Andrew Firek^B	128,082,523	–	75,000,000	–	203,082,523	–
Mr. S Murari^B	127,500,000	–	75,000,000	–	202,500,000	–
Mr. P R Kannan^B	127,506,000	–	75,000,000	25,000	202,531,000	–
Mr Steven Bow	–	–	–	–	–	–
Dr Chris Harvey	43,241	–	8,000	–	51,241	–
Mr Philip Wakeford	–	–	–	–	–	–
Mr Naveen Kumar Nanda	26,250	–	–	–	26,250	–
Mr Sanjay Sharma^A	371,499,870	–	8,000	–	371,507,870	–
Darrell Eason	8,000	–	–	–	8,000	–
Mr Paul Coxhead	77,483	–	–	–2,000	75,483	–
Mr Steven Coffee	–	–	–	–	–	–
Mr Grant Case	79,038	–	–	–15,500	63,538	–

Notes:

A. Director of Wonga Coal Pty Limited, which is holding 371,296,193 fully paid ordinary shares as on 31 Mar 2009

B. Directors of Gujarat NRE Limited, which is holding 202,500,000 fully paid ordinary shares as on 31 Mar 2009

C. Directors of Gujarat NRE Coke Limited, which is holding 86,092,966 fully paid ordinary shares as on 31 Mar 2009

(c) Loans to Key management persons:

Aggregate loans to key management personnel and their related parties

	Opening Balance \$	Interest paid and payable on loan \$	Interest not charged \$	Write-downs and allowances for doubtful debts \$	Closing Balance \$	Number in group at end of year
2010						
Sanjay Sharma	1,780	39	–	–	–	1
2009						
Sanjay Sharma	8,749	471	–	–	1,780	1

Loans outstanding at the end of the current year are unsecured and repayable on demand. Interest is payable on the loans at 9% (2008: 8.55%).

Notes to the financial statements

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Note 9A. Share based payments

Share base payments (options issued to employees and directors expensed and included in the administrative cost in profit and loss) during the year was \$2,300,429 (2009: \$2,696,836).

Details of options outstanding as part of the employees' option plan during the financial year:

Grant date	Exercise date	Exercise price	Balance at beginning of year	Granted during the year	Forfeited during the year	Exercised during the year	Expired during the year	Balance at end of year	Exercisable at end of year
Various	30-Sep-09	\$ 0.65	696,000	–	24,000	8,000	664,000	–	–
Various	30-Sep-10	\$ 0.75	696,000	–	48,000	–	–	648,000	–
10-Jul-07	10-Jul-07	\$ 0.50	1,000,000	–	–	500,000	–	500,000	–
10-Jul-08	30-Sep-15	\$ 0.50	1,400,000	–	600,000	–	–	800,000	–
10-Jul-08	30-Sep-17	\$ 0.50	1,400,000	–	600,000	–	–	800,000	–
10-Jul-08	30-Sep-18	\$ 0.50	1,400,000	–	600,000	–	–	800,000	–
10-Jul-08	30-Sep-19	\$ 0.50	1,400,000	–	600,000	–	–	800,000	–
10-Jul-08	30-Sep-20	\$ 0.50	1,400,000	–	600,000	–	–	800,000	–
28-Apr-08	01-Apr-09	\$ 1.50	704,000	–	20,000	–	684,000	–	–
28-Apr-08	01-Apr-10	\$ 1.65	704,000	–	40,000	–	–	664,000	–
28-Apr-08	01-Apr-11	\$ 1.80	704,000	–	44,000	–	–	660,000	–
28-Apr-08	01-Apr-12	\$ 2.00	704,000	–	44,000	–	–	660,000	–
28-Apr-08	01-Apr-13	\$ 2.25	704,000	–	44,000	–	–	660,000	–
4-Sep-08	4-Sep-08	\$ 1.60	2,500,000	–	–	–	–	2,500,000	–
30-Jan-09	01-Apr-10	NIL	850,000	–	70,000	–	–	780,000	–
30-Jan-09	30-Jun-10	\$ 0.20	850,000	–	70,000	–	–	780,000	–
30-Jan-09	30-Sep-16	\$ 0.50	2,000,000	–	–	–	–	2,000,000	–
30-Jan-09	30-Sep-17	\$ 0.50	2,000,000	–	–	–	–	2,000,000	–
30-Jan-09	30-Sep-18	\$ 0.50	2,000,000	–	–	–	–	2,000,000	–
30-Jan-09	30-Sep-19	\$ 0.50	2,000,000	–	–	–	–	2,000,000	–
30-Jan-09	30-Sep-20	\$ 0.50	2,000,000	–	–	–	–	2,000,000	–
25-Sep-09	25-Sep-09	\$ 0.60	–	2,500,000	–	–	–	2,500,000	–
03-Feb-10	01-Oct-11	NIL	–	505,000	–	–	–	505,000	–
03-Feb-10	01-Apr-11	\$ 0.65	–	1,053,000	3,000	–	–	1,050,000	–
03-Feb-10	01-Apr-12	\$ 0.65	–	1,053,000	3,000	–	–	1,050,000	–
03-Feb-10	01-Apr-13	\$ 0.65	–	1,053,000	3,000	–	–	1,050,000	–
03-Feb-10	01-Apr-14	\$ 0.65	–	1,053,000	3,000	–	–	1,050,000	–
03-Feb-10	01-Apr-15	\$ 0.65	–	1,053,000	3,000	–	–	1,050,000	–
03-Feb-10	01-Oct-16	\$ 0.65	–	1,440,000	–	–	–	1,440,000	–
03-Feb-10	01-Oct-17	\$ 0.65	–	1,440,000	–	–	–	1,440,000	–
03-Feb-10	01-Oct-18	\$ 0.65	–	1,440,000	–	–	–	1,440,000	–
03-Feb-10	01-Oct-19	\$ 0.65	–	1,440,000	–	–	–	1,440,000	–
03-Feb-10	01-Oct-20	\$ 0.65	–	1,440,000	–	–	–	1,440,000	–
23-Feb-10	23-Feb-10	\$ 0.65	–	500,000	–	–	–	500,000	–
31-Mar-10	01-Oct-11	NIL	–	40,000	–	–	–	40,000	–
31-Mar-10	01-Oct-16	\$ 0.65	–	120,000	–	–	–	120,000	–
31-Mar-10	01-Oct-17	\$ 0.65	–	120,000	–	–	–	120,000	–
31-Mar-10	01-Oct-18	\$ 0.65	–	120,000	–	–	–	120,000	–
31-Mar-10	01-Oct-19	\$ 0.65	–	120,000	–	–	–	120,000	–
31-Mar-10	01-Oct-20	\$ 0.65	–	120,000	–	–	–	120,000	–
TOTAL		–	27,112,000	16,610,000	3,419,000	508,000	1,348,000	38,447,000	–
Weighted average exercise price		–	\$.76	\$.62	\$.57	\$.50	\$ 1.08	\$.71	–

Notes:

- Volume weighted average exercise price for remaining 38,447,000 employees' options is \$0.71 per share.
- Volume weighted average exercise share price for options exercised was \$0.62 per share.
- Volume weighted average remaining contractual life of employees options is 6.40 years.
- The above employees' options were granted to permanent employees of the Company
- Each option exercised will be converted into one fully paid ordinary shares of the Company
- The options are granted to employees at no consideration

Notes to the financial statements

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The employee needs to remain in continuous employment (up to vesting date) with the Company in order to vest these options.

Fair value of the options granted was determined by an independent valuator, who has followed the guidelines as set out in AASB 2, and used the Binomial option pricing model ("the Binomial Model") to value the options. Utilisation of the Binomial Model is preferred over the Black – Scholes option pricing model ("the Black – Scholes") given the Options have an American style exercise in that they can be exercised at any time after vesting until Expiry. The main limitation of the Black-Scholes Model is that it cannot be used to accurately price options with an American style exercises.

The acceptance of the Binomial Model is due to the derivation being grounded in economic theory. The value of an option calculated by Binomial Model during the year/ range is a function of a number of variables, including:

- The current price of the underlying shares as at the issue date: \$0.64 to \$0.69 (2009: \$0.31 to \$1.60)
- The exercise price: \$0.00 to \$0.65 (2009: \$0.00 to \$2.25)
- The expected volatility of the share price over the expected life of Options: 51% to 92% (2009: 45% to 67%)
- The vesting date and expected life: expected life 1.24 years to 10.83 years; Vesting date 25/09/09 to 01/10/20, (2009 .97 years to 11.78 years; Vesting date 04/09/08 to 30/09/20)
- The expected dividend yield: 0%, (2009: 0%)
- The risk free interest rate for the expected life of the option 4.37% to 5.65% (2009: 2.75% to 6.49%)

Details of options outstanding as part of the employees' option plan during the year ended 31 March 2009:

Grant date	Exercise date	Exercise price	Balance at beginning of year	Granted during the year	Forfeited during the year	Exercised during the year	Expired during the year	Balance at end of year	Exercisable at end of year
Various	30-Sep-08	\$ 0.60	776,000	–	–	240,000	536,000	–	–
Various	30-Sep-09	\$ 0.65	776,000	–	–	–	80,000	696,000	–
Various	30-Sep-10	\$ 0.75	776,000	–	–	–	80,000	696,000	–
Various	30-Sep-07	\$ 0.50	280,800	–	–	61,200	219,600	–	–
10-Jul-07	10-Jul-07	\$ 0.50	1,000,000	–	–	–	–	1,000,000	–
10-Jul-08	30-Sep-15	\$ 0.50	1,400,000	–	–	–	–	1,400,000	–
10-Jul-08	30-Sep-17	\$ 0.50	1,400,000	–	–	–	–	1,400,000	–
10-Jul-08	30-Sep-18	\$ 0.50	1,400,000	–	–	–	–	1,400,000	–
10-Jul-08	30-Sep-19	\$ 0.50	1,400,000	–	–	–	–	1,400,000	–
10-Jul-08	30-Sep-20	\$ 0.50	1,400,000	–	–	–	–	1,400,000	–
28-Apr-08	01-Apr-09	\$ 1.50	–	732,000	28,000	–	–	704,000	–
28-Apr-08	01-Apr-10	\$ 1.65	–	732,000	28,000	–	–	704,000	–
28-Apr-08	01-Apr-11	\$ 1.80	–	732,000	28,000	–	–	704,000	–
28-Apr-08	01-Apr-12	\$ 2.00	–	732,000	28,000	–	–	704,000	–
28-Apr-08	01-Apr-13	\$ 2.25	–	732,000	28,000	–	–	704,000	–
04-Sep-08	04-Sep-08	\$ 1.60	–	2,500,000	–	–	–	2,500,000	–
30-Jan-09	01-Apr-10	\$ –	–	850,000	–	–	–	850,000	–
30-Jan-09	30-Jun-10	\$ 0.20	–	850,000	–	–	–	850,000	–
30-Jan-09	30-Sep-16	\$ 0.50	–	2,000,000	–	–	–	2,000,000	–
30-Jan-09	30-Sep-17	\$ 0.50	–	2,000,000	–	–	–	2,000,000	–
30-Jan-09	30-Sep-18	\$ 0.50	–	2,000,000	–	–	–	2,000,000	–
30-Jan-09	30-Sep-19	\$ 0.50	–	2,000,000	–	–	–	2,000,000	–
30-Jan-09	30-Sep-20	\$ 0.50	–	2,000,000	–	–	–	2,000,000	–
Total		–	10,608,800	17,860,000	140,000	301,200	915,600	27,112,000	–
Weighted average exercise price		–	\$0.61	\$0.89	\$1.84	\$0.58	\$0.59	\$0.76	–

Notes:

- Volume Average Weighted Exercise Price for remaining 27,112,000 employees' options is \$0.76 per share.
- Volume weighted average exercise share price for options exercised was \$0.87 per share.
- Volume weighted average remaining contractual life of employees options is 7.29 years.
- The above employees' options were granted to permanent employees of the Company.
- Each option exercised will be converted into one fully paid ordinary shares of the Company.
- The options are granted to employees at no consideration.
- The employee needs to remain in continuous employment (up to vesting date) with the Company in order to vest these options.



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Note 9A. Share based payments (continued)

Fair value of the options granted was determined by an independent valuator, who has followed the guidelines as set out in AASB 2, and used the Binomial option pricing model ("the Binomial Model") to value the options. Utilisation of the Binomial Model is preferred over the Black – Scholes option pricing model ("the Black – Scholes") given the Options have an American style exercise in that they can be exercised at any time after vesting until Expiry. The main limitation of the Black-Scholes Model is that it cannot be used to accurately price options with an American style exercises.

The acceptance of the Binomial Model is due to the derivation being grounded in economic theory. The value of an option calculated by Binomial Model is a function of a number of variables, including:

- The current price of the underlying shares as at the issue date: \$.31 to \$1.60 (2008: \$.50)
- The exercise price: \$0.00 to \$2.25 (2008: \$.50 to \$.75)
- The expected volatility of the share price over the expected life of Options: 45% to 67% (2008: 35% to 49%)
- The vesting date and expected life: expected life .97 years to 11.78 years; Vesting date 04/09/08 to 30/09/20, (2008 expected life .44 years to 13.39 years; Vesting date 05/07/06 to 30/09/20)
- The expected dividend yield: 0%, (2008: 0%)
- The risk free interest rate for the expected life of the option 2.75% to 6.49% (2008: 5.08% to 6.15%)

Note 10. Auditors' remuneration

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Audit services				
Amount due and payable for the audit and review of the financial reports of the Group by BDO Audit (NSW – VIC) Pty Ltd	169,110	194,768	159,610	114,717
Other services				
Amount due and payable for the Group by BDO Audit (NSW – VIC) Pty Ltd				
– Taxation and other consultancy	68,830	16,690	66,630	16,690
– Independent accountant report	–	–	–	–

Note 11. Earnings per share

	Consolidated	
	2010 \$	2009 \$
(a) Reconciliation of Earnings to Loss		
(Loss)	(11,684,382)	(9,152,370)
Earnings used to calculate basic EPS	(11,684,382)	(9,152,370)
Earnings used in calculation of dilutive EPS	(11,684,382)	(9,152,370)
(b) Weighted average number of ordinary shares:	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS and diluted EPS	846,294,737	748,008,259
(c) Options have not been taken into account when determining the weighted average number of ordinary shares used to calculate diluted EPS because their effect is anti dilutive.		

Note 12. Cash and cash equivalents

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Cash on hand	1,500	10,100	1,500	10,100
Cash at bank*	4,057,565	1,381,364	3,731,439	986,836
	4,059,065	1,391,464	3,732,939	996,936

* Cash at bank includes \$2,471,984 restricted cash balance held and maintained for debt service coverage for the 75 million US\$ loan interest.

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Note 13. Trade and other receivables

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Current				
Trade receivables	–	1,803,752	–	1,803,752
Other debtors	1,952,552	2,876,107	1,907,685	2,049,154
Prepayment	210,000	–	210,000	–
Employee loan / Share application money	426	129,165	426	129,165
FFBT Receivable	–	57,121	–	57,121
Long services levy refund	22,160	8,187	22,160	8,187
Rey Resources Limited takeover expenses	163,879	–	163,879	–
Loan to Gujarat NRE FCGL Pty Ltd	–	–	28,850,000	–
Loan to Gujarat NRE Properties Pty Ltd	–	–	4,810,725	4,556,000
	2,349,017	4,874,332	35,964,875	8,603,379

Note 14. Inventories

Stores and consumables – at cost	3,780,753	2,381,836	2,925,615	1,872,169
ROM Coal stock – at cost	11,621,922	13,061,181	1,980,031	10,783,325
ROM Coal stock – at net realizable value	4,432,955	–	4,432,955	–
	19,835,630	15,443,017	9,338,601	12,655,494

Note 15. Non current financial assets available for sale

Rey Resources Limited	5,275,798	–	5,275,798	–
Investment in Port Kembla Coal Terminal	120,000	–	120,000	–
Investment in Shree Minerals Ltd	2,550,000	1,000,000	–	–
	7,945,798	1,000,000	5,395,798	–

Investments available for sale are valued and carried at their fair value.

Note 16. Investments in subsidiaries

Investment in subsidiary Gujarat NRE Resources NL	–	–	329,981,034	329,981,034
Investment in subsidiary Southbull Holdings Pty Ltd	–	–	5,005,000	5,005,000
Investment in subsidiary Gujarat NRE Properties Pty Ltd	–	–	810,000	810,000
	–	–	335,796,034	335,796,034

See details at Note 36.

Investments in subsidiaries are carried at cost.

Note 17. Deposits

NRE No 1 Colliery Trust	283,025	276,334	283,025	276,334
Other rental bonds	1,721	2,081	1,721	2,081
DSC Escrow Account	89,726	89,726	89,726	89,726
	374,472	368,141	374,472	368,141

Deposits receive floating rate of interest and their carrying value approximate their fair value.

Note 18. Loans

Loans Subsidiaries – related party	–	–	1,444,388	880,087
	–	–	1,444,388	880,087

The above loan is contractually repayable on demand and the carrying value approximates its fair value.

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010



Note 19. Property, plant and equipment

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Mine development				
Mine Development at cost*	134,852,742	59,969,633	92,233,933	43,732,647
Accumulated amortization	(15,081,414)	(3,187,828)	(5,842,194)	(3,187,828)
	119,771,328	56,781,805	86,391,739	40,544,819
Mining lease				
Mining lease at cost	22,387,855	22,387,855	22,387,855	22,387,855
Avondale mine	3,635,154	3,635,154	–	–
Wongawilli mine	15,632,889	15,632,888	–	–
Accumulated amortization	(553,312)	(326,757)	(369,664)	(282,351)
	41,102,586	41,329,140	22,018,191	22,105,504
Deferred restoration cost				
Restoration guarantee	15,242,413	15,024,295	4,936,767	4,936,767
Adjustment to present value	–	218,118	–	–
Accumulated amortization	(1,625,089)	(1,038,330)	(1,115,260)	(786,142)
	13,617,324	14,204,083	3,821,507	4,150,625
Pre-production expenses				
Opening balance	58,707,767	58,707,767	54,502,901	54,502,901
Addition	–	–	–	–
	58,707,767	58,707,767	54,502,901	54,502,901
Less accumulated amortization	(27,466,969)	(22,860,468)	(27,429,515)	(22,860,468)
	31,240,798	35,847,299	27,073,386	31,642,433
Plant and equipment				
Cost	114,560,216	68,939,897	93,630,340	60,336,805
Accumulated depreciation	(13,247,079)	(7,425,321)	(11,718,175)	(6,830,913)
	101,313,137	61,514,576	81,912,165	53,505,892
Land and buildings				
Cost	39,083,461	38,911,925	893,132	893,132
Accumulated depreciation	(93,255)	(67,718)	(93,255)	(67,718)
	38,990,206	38,844,207	799,877	825,414
Total Property, plant and equipment	346,035,379	248,521,111	222,016,865	152,774,687
* Includes interest capitalized during the year	1,267,996	–	1,267,996	–
(a) Movements in carrying amounts				
Mine development				
Cost at beginning of the year	59,969,633	21,857,088	43,732,647	21,857,088
Additions	74,883,109	38,112,545	48,501,286	21,875,559
Cost at end of the year	134,852,742	59,969,633	92,233,933	43,732,647
Accumulated amortisation at beginning of the year	(3,187,828)	(407,020)	(3,187,828)	(407,020)
Amortisation for the year	(11,893,586)	(2,780,808)	(2,654,366)	(2,780,808)
Accumulated amortisation at end of the year	(15,081,414)	(3,187,828)	(5,842,194)	(3,187,828)
Carrying amount at the end of the year	119,771,328	56,781,805	86,391,739	40,544,819
Mining lease				
Cost at beginning of the year	41,655,897	25,030,661	22,387,855	6,125,040
Additions	–	16,625,236	–	16,262,815
Cost at end of the year	41,655,89	41,655,897	22,387,855	22,387,855
Accumulated amortisation at beginning of the year	(326,757)	(179,458)	(282,351)	(179,458)
Amortisation for the year	(226,554)	(147,299)	(87,313)	(102,893)
Accumulated amortisation at end of the year	(553,311)	(326,757)	(369,664)	(282,351)
Carrying amount at the end of the year	41,102,586	41,329,140	22,018,191	22,105,504
Deferred restoration cost				
Cost of deferred restoration cost before Net present value and amortization	47,350,421	47,350,421	7,350,421	7,350,421
Additions	–	–	–	–
Cost at end of the year	47,350,421	47,350,421	7,350,421	7,350,421

Notes to the financial statements

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	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Adjustment for present value				
Opening balance at beginning of year	(32,108,008)	(32,486,048)	(2,413,654)	(2,573,576)
Adjustment for the year	–	378,040	–	159,922
Closing balance at end of year	(32,108,008)	(32,108,008)	(2,413,654)	(2,413,654)
Amortisation				
Opening balance at beginning of year	(1,038,330)	(467,686)	(786,142)	(467,686)
Amortisation for the year	(586,759)	(570,644)	(329,118)	(318,456)
Closing balance at end of year	(1,625,089)	(1,038,330)	(1,115,260)	(786,142)
Carrying amount at the end of the year	13,617,324	14,204,083	3,821,507	4,150,625
Pre-production expenditure				
Pre-production and operational mining at beginning of the year	58,707,767	58,707,767	54,502,901	54,502,901
Additions	–	–	–	–
Cost at end of the year	58,707,767	58,707,767	54,502,901	54,502,901
Accumulated amortisation at beginning of the year	(22,860,468)	(1,810,935)	(22,860,468)	(1,810,935)
Amortisation for the year	(4,606,501)	(21,049,533)	(4,569,047)	(21,049,533)
Accumulated amortisation at end of the year	(27,466,969)	(22,860,468)	(27,429,515)	(22,860,468)
Carrying amount at the end of the year	31,240,798	35,847,299	27,073,386	31,642,433
Plant and equipment				
Cost of plant and equipment at beginning of the year	68,939,898	37,735,254	60,336,805	32,616,749
Additions	45,620,318	31,247,843	33,293,535	27,720,055
Disposal	–	(43,200)	–	–
Cost at end of the year	114,560,216	68,939,897	93,630,340	60,336,804
Accumulated depreciation at beginning of the year	(7,425,322)	(3,673,450)	(6,830,913)	(3,592,312)
Depreciation for the year	(5,821,757)	(3,775,604)	(4,887,262)	(3,238,601)
Write back of depreciation on disposal	–	23,733	–	–
Accumulated depreciation at end of the year	(13,247,079)	(7,425,321)	(11,718,175)	(6,830,913)
Carrying amount at the end of the year	101,313,137	61,514,576	81,912,165	53,505,891
Land and buildings				
Cost of land & buildings at beginning of the year	39,004,516	33,579,675	893,132	893,132
Additions	78,945	5,332,250	–	–
Cost at end of the year	39,083,461	38,911,925	893,132	893,132
Accumulated depreciation buildings at beginning of the year	(67,717)	(42,178)	(67,717)	(42,178)
Depreciation for the year	(25,538)	(25,539)	(25,538)	(25,539)
Accumulated depreciation buildings at end of the year	(93,255)	(67,717)	(93,255)	(67,717)
Carrying amount at the end of the year	38,990,206	38,844,208	799,877	825,415
Total property, plant and equipment	346,035,379	248,521,111	222,016,865	152,774,687

Note 20. Trade and other payables

Trade payables	23,630,929	17,865,646	15,594,174	11,263,452
Other payables	198,393	6,789,035	197,143	583,385
Accruals and others	11,395,877	7,134,698	8,407,375	6,195,799
Related parties – Gujarat NRE Coke Limited expenses Owings	–	232,340	–	232,340
Related parties – Gujarat NRE Coke Limited pre shipment Owings*	14,970,065	–	5,753,676	–
State Bank of India working capital Loan**	5,400,000	5,400,000	5,400,000	5,400,000
	55,595,264	37,421,719	35,352,368	23,674,976

Notes:

* The amount relates to advances from the major shareholder (Gujarat NRE Coke Ltd and its controlled entities) on the shipment of unwashed ROM Coal on normal commercial terms and conditions for product advance payment. The major shareholder has agreed that it will not call on the amounts due where it places Gujarat NRE Coking Coal Ltd in a position where it cannot pay its debt as and when they fall due. The revenue received for supply of product will be offset by the amount due.

** The facility is secured by a fixed and floating charge over the assets of the Company and guaranteed by the major shareholder as per Note 29.



Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010

Note 20 (a). Derivatives

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Interest rate swap contracts (Interest swap of 2.64% with LIBOR)	102,444	–	–	–
Total current derivative financial liability	102,444	–	–	–

Note 21. Current loans

Loan from Gujarat NRE Resources NL*	–	–	4,195,000	3,585,000
Loan from Gujarat NRE FCGL Pty Ltd*	–	–	–	2,548,507
Loan Southbulli Holdings Pty Ltd*	–	–	5,110,000	5,000,000
Hunter premium finance**	134,332	–	134,332	–
	134,332	–	9,439,332	11,133,507

* Loans from subsidiaries are interest free and repayable on demand

** This finance is at a fixed interest rate of 3.73%

Note 22. Provisions

A provision is recognised when there is legal or constructive obligation as a result of a past event and it is possible that a future sacrifice of economic benefits will be required to settle the obligation. Short term employee benefit provisions comprise amounts due (vested) to employees for annual and sick leave at balance date but where the timing of when employees will take the leave is uncertain at balance date. These amounts are recorded at nominal amounts.

Current

Sick and annual leave	6,767,739	4,473,364	5,352,265	4,473,364
	6,767,739	4,473,364	5,352,265	4,473,364

Note 23. Non current loans

Loan from Gujarat NRE Coke Limited*	–	2,000,000	–	2,000,000
Loan from State bank of India*	53,842,856	71,796,109	–	–
Loan from Gujarat NRE Limited#	–	18,965,000	–	18,965,000
Loan from Axis bank consortium	78,003,446	–	78,003,446	–
	131,846,302	92,761,109	78,003,446	20,965,000

* The above loans are at floating rate of interest. (Please refer Note 29)

Loan was at fixed rate of interest of 8% p.a till December 2008 and was interest free after that period.

Fair value approximates their carrying value. Please refer to Note 29 for security against loans.

Note 24. Bonds

8% Convertible 20 years bond	6,923,803	6,923,802	6,923,802	6,923,802
Accumulated interest on 8% Convertible 20 years bond	1,150,843	474,627	1,150,843	474,627
	8,074,646	7,398,429	8,074,645	7,398,429

The above Bonds' carrying value approximates their fair value.

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010



Note 25. Exploration licenses (joint venture IEL 29/2006 cethana)

Gujarat NRE Resources NL to earn 30% joint venture

The Company joint venture (30% ownership), farm-in arrangement with Pluton Resources Limited (60%) and Southern Ocean Science Pty Ltd and John McDougall (SOSM) 10% is managed by Pluton through joint venture exploration program and Gujarat will commence pro rata cost contribution after \$600,000 has been spent by Pluton.

Cethana is prospective for gold and base metals. The Exploration Licence is located 50km south of Devonport on the north coast of Tasmania. At balance date the joint venture has started operation but there is no immediate commitment on Gujarat NRE Resources NL.

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Opening value	5,516,000	5,845,210	–	–
Acquired during acquisition	–	–	–	–
Adjustment for cost related to Tasmanian Tenements sold	–	(329,210)	–	–
Carrying value of proportionate JV licence	5,516,000	5,516,000	–	–

Joint Venture IEL 29/2006 Cethana is not impaired and directors are of the opinion that the carrying value is the reasonable fair value of the asset.

Note 26. Tenements and exploration licences

Opening value	–	7,150,000	–	–
Acquired during acquisition	–	–	–	–
Capitalised Exploration and evaluation costs	–	–	–	–
Less reduction in Cethana Project rights	–	–	–	–
Less Joint venture operations – Note 25	–	7,150,000	–	–
Less Net Sale consideration	1,500,000	3,069,763	–	–
Gain / (Loss) on sale of tenements	1,500,000	(4,080,237)	–	–
Closing balance of all tenements (except Cethana – see Note 25)	–	–	–	–

The Group has recognized the gain on sale consideration of \$1,500,000 as income received this year, as per the other terms of the sale contract for sale of tenements, this brings the loss from sale down to \$2,580,237 from \$4,080,237 shown last year. The Group is still entitled to receive 10 million shares within 30 days of successful completion of:

- the company completing a bankable feasibility study to be sole funded by the company;
- the company obtaining funding approval for the development and operation of a mine as contemplated by the bankable feasibility study; and
- the Board approving a decision to mine, on the Nelson Bay River tenement.

The Group has not accounted for this future receipt as it does not seem probable in the immediate future.

At balance date, the Group held interests in the following tenements for exploration and development:

Joint venture operations – Cethana Project

Tenement	Project Name
EL29/2006	Cethana

Note 27. Restoration guarantee

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Restoration guarantee	16,208,391	15,079,696	5,297,493	4,992,168
Restoration liability unwinding	141,437	750,654	141,437	145,403
Adjustment for Net Present Value	(738,161)	378,040	–	159,922
	15,611,667	16,208,390	5,438,930	5,297,493

The calculation of restoration liability (and corresponding capitalised closure cost assets where necessary) rely on estimates of costs at present value required to rehabilitate and restore disturbed areas of land to their original condition (for NRE No1 mine and NRE Wongawilli mine). These estimates are regularly reviewed and adjusted in order to ensure the most up to date data is used to calculate these balances.

Notes to the financial statements

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Note 28. Issued capital

a. Share capital

	2010 Number	2010 \$	2010 Number	2009 \$
Parent entity				
Ordinary shares				
Fully paid	886,471,199	490,426,809	802,773,349	437,818,160
Consolidated				
Ordinary shares				
Fully paid	886,471,199	490,426,809	802,773,349	437,818,160

b. Movements in ordinary share capital 2010

Details	Number of shares	Issue price \$	\$
Parent entity			
Opening balance	802,773,349	–	437,818,160
Capital Raising during the year	77,000,000	.65	50,050,000
Share issue expenses	–	–	(1,719,949)
Options converted:			
Directors	500,000	.50	250,000
Employees	8000	.65	5,200
Issue of shares on acquisition	6,189,850	–	4,023,398
Closing balance	886,471,199	–	490,426,809
Consolidated			
Opening balance	802,773,349	–	437,818,160
Capital Raising during the year	77,000,000	.65	50,050,000
Share issue expenses	–	–	(1,719,949)
Options converted:			
Directors	500,000	.50	250,000
Employees	8000	.65	5,200
Issue of shares on acquisition	6,189,850	–	4,023,398
Closing balance	886,471,199	–	490,426,809

Movements in ordinary share capital 2009

Details	Number of shares	Issue price \$	\$
Parent entity			
Opening balance	704,972,149	–	411,334,183
Share issue expenses	–	–	(15,623)
Employee options converted during the year	61,200	0.5	30,600
	240,000	0.6	144,000
Exercise of options	97,500,000	0.27	26,325,000
Closing balance	802,773,349	–	437,818,160
Consolidated			
Opening balance	704,972,149	–	411,334,183
Share issue expenses	–	–	(15,623)
Employee options converted during the year	61,200	0.5	30,600
	240,000	0.6	144,000
Exercise of options	97,500,000	0.27	26,325,000
Closing balance	802,773,349	–	437,818,160

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010



Note 29. Security and composite revolving working capital facilities:

- During the period ended 31 March 2008 the company took composite revolving working capital facilities from SBI. The purpose of such facility was to provide additional funds for general corporate purposes within the entity. SBI working capital loan provided as part of the composite revolving working capital facilities are:
 - Pre shipment overdraft facility is up to a maximum of A\$ 5,400,000, of which A\$ 5,400,000 has been drawn down. Rate of interest applicable to the pre shipment overdraft facility is 1.25% above the 3 month AUD LIBOR rate.
 - Bill Discounting facility is up to a maximum of A\$ 20,000,000, of which US\$11,987,690 has been drawn down. Rate of interest applicable to the facility is 1.80766% per annum.
 - Bank Guarantee facility is up to maximum of A\$ 11,000,000, of which A\$ 8,157,000 has been applied for Restoration guarantee, Sydney Catchment Authority, Supreme Court of NSW and National Basketball League (Guarantee to National Basketball League was provided as a corporate support for the Wollongong Hawks). A fee of 1.00% per annum on the face value of each Guarantee Liability is payable (6 months in advance) in respect of bank guarantee facility on the date of establishment of that facility.

SECURITY

- First ranking fixed and floating charge over all the assets and liabilities of Gujarat NRE Coking Coal Ltd (Formerly Gujarat NRE Australia Pty Ltd).
 - Guarantee and indemnity by Gujarat NRE Coke Ltd in favor of the lender.
 - Deed of priority between Gujarat NRE Coke Ltd and the lender.
 - Gujarat NRE Coking Coal Ltd (Formerly India NRE Minerals Ltd) will not create any other charge on its assets without prior written consent of lender.
- During the year Gujarat NRE Coking Coal Ltd has entered into syndicated Term Loan facility of USD 75 million with AXIS Bank Ltd and others during the year ("Syndicated Loan"). The facility is sanctioned by consortium of Banks in Singapore, London, Hong Kong, India and Antwerp led by the Axis Bank Limited.

Gujarat NRE Coking Coal Ltd has granted the following charges in favour of the security trustee for the lenders in the syndication to secure USD 75 million Term Loan as follows:

- A charge over the entire Fixed Assets of Gujarat NRE Coking Coal Ltd.
- A charge over the mining leases and consolidated coal leases pertaining to 'NRE No. 1 Colliery' and 'NRE Wongawilli Colliery'.
- A charge over the entire fixed assets of the subsidiary company – Gujarat NRE FCGL Pty Ltd.

Gujarat NRE Coking Coal Ltd entered into priority agreement with that security trustee on terms satisfactory to State Bank Of India to regulate the priority of the above charges and the existing fixed charges which State Bank of India has over the same property so that the fixed charges will rank pari-passu to secure each lender's and State Bank of India's respective pro-rata share of the Syndicated Loan and the facilities of State Bank of India.

This is with following conditions:

- Gujarat NRE Coking Coal Ltd has provided a Corporate Guarantee for the total facilities granted by State Bank of India to Gujarat NRE FCGL Pty Ltd (USD 50 million Term Loan and AUD50 million Bank Guarantee).
- Gujarat NRE FCGL Pty Ltd provided a Corporate Guarantee for the total facilities granted by SBI to Gujarat NRE Coking Coal Ltd (AUD 20 million Bill Discounting, AUD 5.4 million Export Packing Credit, AUD 11 million Bank Guarantee).
- Cross-collateralisation of the existing charges is held by State Bank of India over Gujarat NRE Coking Coal Ltd and Gujarat NRE FCGL Pty Ltd in respect of the State Bank of India facilities referred to in 1 and 2 above.

Note 30. Deferred tax liabilities

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Deferred tax liabilities comprise temporary differences attributable to:				
<i>Amounts recognised in profit and loss</i>				
Unrealised exchange gain	3,362,999	–	3,362,999	–
	3,362,999	–	3,362,999	–
<i>Amounts recognised directly in equity</i>				
Equity component of bonds	922,859	922,859	922,859	922,859
Fair value of assets	538,428	–	373,426	–
	1,461,287	922,859	1,296,285	922,859
<i>Other</i>				
Amount transferred from subsidiaries on adoption of tax consolidation	–	–	880,087	880,087
	–	–	880,087	880,087
Total deferred tax liabilities	4,824,286	922,859	5,539,371	1,802,946
To be settled within 12 months	3,901,427	–	3,736,425	–
To be settled after more than 12 months	922,859	922,859	1,802,946	1,802,946
	4,824,286	922,859	5,539,371	1,802,946

Notes to the financial statements

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Note 30. Deferred tax liabilities (continued)

Movements in deferred tax liabilities

	Opening balance at 1 April 2009	Charged/ (credited) to income statement	Charged/ (credited) directly to equity	Closing balance at 31 March 2010
Consolidated Entity				
<i>Amounts recognised in profit and loss</i>				
Unrealised exchange gain	–	3,362,999	–	3,362,999
<i>Amounts recognised directly in equity</i>				
Equity component of bonds	922,859	–	–	922,859
Fair value of Assets	–	–	538,428	538,426
Total	922,859	3,362,999	538,428	4,824,286

	Opening balance at 1 April 2008	Charged/ (credited) to income statement	Charged/ (credited) directly to equity	Closing balance at 31 March 2009
Consolidated Entity				
<i>Amounts recognised in profit and loss</i>				
Unrealised exchange gain	575,270	(575,270)	–	–
<i>Amounts recognised directly in equity</i>				
Equity component of bonds	–	–	922,859	922,859
Total	575,270	(575,270)	922,859	922,859

	Opening balance at 1 April 2009	Charged/ (credited) to income statement	Charged/ (credited) directly to equity	Closing balance at 31 March 2010
Parent entity				
<i>Amounts recognised in profit and loss</i>				
Unrealised exchange gain	–	3,362,999	–	3,362,999
<i>Amounts recognised directly in equity</i>				
Equity component of bonds	922,859	–	–	922,859
<i>Other</i>				
Amount transferred from subsidiaries on adoption of tax consolidation	880,087	–	–	880,087
Fair value of assets	–	–	373,426	373,426
Total	1,802,946	3,362,999	373,426	5,539,371

	Opening balance at 1 April 2008	Charged/ (credited) to loan account	Charged/ (credited) directly to equity	Closing balance at 31 March 2009
Parent Entity				
<i>Amounts recognised directly in equity</i>				
Equity component of bonds	–	–	922,859	922,859
<i>Other</i>				
Amount transferred from subsidiaries on adoption of tax consolidation	–	880,087	–	880,087
Total	–	880,087	922,859	1,802,946

Notes to the financial statements

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Note 31. Cash flow information

Reconciliation of Cash Flow from Operations with (Loss)/Profit before Income Tax

	2010		2009	
	Consolidated \$	Parent \$	Consolidated \$	Parent \$
(Loss)/Profit from ordinary activities after income tax	(11,684,382)	(21,882,049)	(9,152,370)	5,938,637
Add/(less) Non cash flow items				
Unrealised Exchange (gain)/Loss	(29,359,560)	(11,209,998)	18,080,660	(378,976)
Depreciation	5,847,296	4,912,800	3,672,463	3,264,141
Deferred Restoration amortization	586,759	329,118	570,644	318,456
Amortisation of borrowing cost	548,123	344,053	204,070	–
Restoration Liability Unwinding	(596,724)	141,437	750,655	145,403
Provision for Royalty expenses Written off	–	–	64,828	64,828
Mine Lease amortization	226,556	87,313	147,299	102,893
Mine Development amortization	11,893,586	2,654,366	2,780,808	2,780,808
Pre-production amortization	4,606,500	4,569,047	21,049,533	21,049,533
Loss on sale of Tenements	–	–	4,080,237	–
Loss/(Profit) on sale of asset	(1,499,490)	510	–	–
Employee options and share base payment	2,300,429	2,300,429	2,696,836	2,696,836
Accrued interest on bonds	676,216	676,216	–	–
Borrowing cost interest rate swap	102,444	–	–	–
Change in assets and liabilities				
Receivables – Trade Debtors, Other Debtors	2,742,403	1,997,108	(2,603,230)	(2,011,959)
Inventories	40,342	7,749,848	(11,224,887)	(8,437,364)
Trade and other payables	1,927,308	4,655,211	(684,868)	(11,175,257)
Provisions	2,331,071	1,226,089	1,548,143	1,548,143
Deposits paid/received	–	–	10,601	10,601
Tax benefit	4,849,579	(827,973)	(6,577,604)	(464,443)
Cash inflow/(outflow) from operations	(4461,544)	(2,276,475)	25,413,818	15,452,280

Note 32. Capital risk management

The Group considers its capital to comprise of its ordinary share capital, reserves and accumulated losses.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

It is the Group's policy to maintain its gearing ratio within the range of 15-35 % (2009: 15-30 %). The Group's gearing ratio at the balance sheet date is shown below:

Gearing ratios	Consolidated		Parent	
	2010	2009	2010	2009
Net debt	145,320,948	105,559,538	91,478,092	33,763,429
Total equity	457,128,171	424,428,463	462,084,856	438,328,447
Total capital	490,426,809	437,818,160	490,426,809	437,818,160
Gearing Ratio	31.79%	24.87%	19.80%	7.70%

The increase in the capital has been brought about by net shares issued and option conversion, said share issue and option conversion raised additional equity of \$52,608,648. The increase in debt has been brought about by an additional debt of USD 75 million raised during the year through Syndicate of Banks; the Group intends to maintain these gearing levels going forward. There have been no other significant changes to the Group's capital management objectives, policies and processes in the year nor has there been any change in what the Group considers to be its capital. It is Board's decision to change policy and carry gearing ratio within the range of 15-35% going forward.

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Note 33. Financial risk management

FINANCIAL INSTRUMENTS Categories of Financial Instruments	Consolidated		Parent	
	2010	2009	2010	2009
Financial Assets				
Loans and receivables (including cash and cash equivalents)*	5,112,582	6,513,937	38,438,987	9,848,456
Available-for-sale financial assets	7,945,798	1,000,000	5,275,798	–
Financial liabilities				
Payables and Borrowings**	50,297,708	32,021,719	29,952,368	18,274,976
Loans & Bonds***	145,455,280	105,559,538	100,917,424	44,896,936
Financial guarantee contracts#	15,611,667	16,208,390	5,438,930	5,297,493

* Parent Included \$33,660,725 (2009: \$4,556,000) loans between the group and related parties.

** Included \$ 14,970,064 (2009: \$Nil) and \$5,753,676 (Parent) (2009: Nil) payables between the group and related parties.

*** Include Nil (Group) (2009: \$20,965,000) Parent included \$9,305,000 (2009: \$32,098,507) loans between the group and related parties.

These are the financial liabilities for restoration and rehabilitation at present value.

The fair values of financial assets and liabilities approximates their carrying values.

(a) General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The principal financial instruments from which financial instrument risk arises are:

- trade receivables
- cash at bank
- trade and other payables
- floating-rate bank term loans
- deposits
- loans receivable
- swaps

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The Board receives reports from the management, who gets reports from Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee. The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Groups competitiveness and flexibility.

(b) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group.

Currently the Group sells its entire coal production to the ultimate parent company in India against 100% advance receipts/accepted bills of exchange/letters of credit; hence the Group's exposure to credit risk is minimal. To mitigate the credit risk associated with derivative contracts, foreign exchange contracts and interest rate swap contracts are taken out only with reputed financial institutions.

The maximum exposure to credit risk at balance date is as follows:

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Trade debtors	–	1,803,752	–	1,803,752
Loan to related party	–	–	33,660,725	4,556,000
Other debtors and receivable	448,530	2,876,107	484,386	2,049,154
Share application and employee loans	426	129,165	426	129,165
Bank Guarantee to Hawks	1,000,000	–	1,000,000	–
Interest rate swap	102,444	–	–	–
	1,551,400	4,809,024	35,352,368	8,538,071

Bank Guarantee for Wollongong Hawks basketball club in favour of National Basketball League (NBL) is provided during the year. Directors are confident seeing the Hawks performance in last season that there will be no need for activating this bank guarantee due to sufficient support and sponsorship available to Hawks.

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010



Note 33. Financial risk management (continued)

The maximum exposure to credit risk at end of reporting period by country is as follows:

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Australia	1,523,600	1,846,205	35,324,568	5,575,252
India	27,800	2,962,819	27,800	2,962,819
	1,551,400	4,809,024	35,352,368	8,538,071

The maximum exposure to credit risk for trade receivables at end of reporting period by type of customer.

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Australia – other receivable	421,156	300,026	456,586	164,882
Foreign – Shipper	–	12,731	–	12,731
Foreign – Coal Customer	27,800	485,238	27,800	485,238
Foreign – Steel Industry Customer	–	2,464,850	–	2,464,850
	448,956	3,262,845	484,386	3,127,701

The amount receivable include \$210,000 which is a pre payment for naming rights of Wollongong Hawks basketball team, the amount will be utilised in two years time when the naming rights come in use.

In 2009 – The amount receivable is A\$2,464,850 from a reputed steel manufacturing company in India Ms Kalyani Steels Limited; the said amount was received during the year.

In 2009 – The amount receivable is \$485,238 from the largest share holder in India Gujarat NRE Coke Limited; the said amount was received during the year.

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funds and flexibility through the use of bank overdraft, bank loans, finance leases and committed available credit. The Board of Directors maintains adequate committed credit facilities and the ability to close-out market positions.

Financing arrangements

The following financing facilities were available at the end of reporting period:

Credit stand-by arrangements	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Total facilities:				
SBI Working Capital facility	5,400,000	5,400,000	5,400,000	5,400,000
SBI Bill Discounting facility	20,000,000	20,000,000	20,000,000	20,000,000
SBI Bank guarantee facility	61,000,000	61,000,000	11,000,000	11,000,000
SBI 50 Million US\$ loan (In AUD\$)	53,842,856	71,796,109	–	–
Axis bank Ltd syndicate term loan 75 million US\$ loan(In AUD\$)	78,003,446	–	78,003,446	–
Used at balance date:				
SBI Working Capital facility	5,400,000	5,400,000	5,400,000	5,400,000
SBI Bill Discounting facility	13,088,427	2,141,800	13,088,427	2,141,800
SBI Bank guarantee facility	48,317,000	47,157,000	8,157,000	7,157,000
SBI US\$ loan	53,842,856	71,796,109	–	–
Axis bank ltd syndicated term loan 75 million US\$ loan (In AUD\$)	78,003,446	–	78,003,446	–
Unused at balance date:				
SBI Working Capital facility	–	–	–	–
SBI Bill Discounting facility	6,911,573	17,858,200	6,911,573	17,858,200
SBI Bank guarantee facility	12,683,000	3,843,000	2,843,000	3,843,000
SBI US\$ loan	–	–	–	–
Axis bank ltd syndicated term loan 75 million US\$ loan (In AUD\$)	–	–	–	–
Hunter Finance loan				
Total facilities:	134,332	–	134,332	–
Used at balance date	134,332	–	134,332	–
Unused at balance date	–	–	–	–

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FOR THE YEAR ENDED 31 MARCH 2010



Maturity Analysis - Group – 2010

Financial Liabilities	Carrying Amount \$	Contractual Cash flows \$	< 6 mths \$	6- 12 mths \$	1-3 years \$	3-10 years \$	> 10 years \$	>20 years \$
Non-derivatives								
Hunter Finance loan	134,332	134,332	134,332	–	–	–	–	–
Trade Creditors	23,630,929	23,630,929	23,630,929	–	–	–	–	–
Other Payables	11,594,270	11,594,270	11,594,270	–	–	–	–	–
Advance against sale from								
Gujarat NRE Coke Limited	14,970,065	14,970,065	14,970,065	–	–	–	–	–
SBI Working Capital facility	5,400,000	6,274,800	145,800	145,800	5,983,200	–	–	–
Loan from Related Party	–	–	–	–	–	–	–	–
Loan from Major Shareholder	–	–	–	–	–	–	–	–
SBI US\$ 50 Million loan in AUD\$	53,842,856	67,279,622	1,744,527	1,744,527	24,823,092	38,967,475	–	–
Axis bank Ltd syndicate term loan 75 Million US\$ loan (In AUD\$)	78,003,446	94,622,285	2,427,345	2,427,345	42,036,501	47,731,095	–	–
Convertible bonds including interest	8,074,646	26,000,000	–	–	–	8,000,000	18,000,000	–
Restoration liability/ financial guarantee	15,611,667	46,450,421	–	–	1,800,000	5,800,000	–	38,850,421
Bank Guarantee	–	2,660,000	–	–	–	900,000	1,760,000	–
TOTAL	211,262,211	293,616,724	54,647,268	4,317,672	74,642,793	101,398,570	19,760,000	38,850,421
Derivatives								
Interest rate swap	102,444	102,444	–	–	102,444	–	–	–

Financial Assets

Non-derivatives								
Trade debtors	–	–	–	–	–	–	–	–
Other receivables	2,185,138	2,185,138	2,185,138	–	–	–	–	–
Investments	7,945,798	7,945,798	–	–	7,945,798	–	–	–
TOTAL	10,130,936	10,130,936	2,185,138	–	7,945,798	–	–	–

Maturity Analysis - Group – 2009

Financial Liabilities	Carrying Amount \$	Contractual Cash flows \$	< 6 mths \$	6- 12 mths \$	1-3 years \$	3-10 years \$	> 10 years \$	>20 years \$
Non-derivatives								
Trade Creditors	17,865,646	17,865,646	17,865,646	–	–	–	–	–
Other Payables	13,923,733	13,923,733	13,923,733	–	–	–	–	–
Advance against sale from								
Gujarat NRE Coke Limited	232,340	232,340	–	232,340	–	–	–	–
SBI Working Capital facility	5,400,000	5,676,818	92,273	92,273	5,492,273	–	–	–
Loan from Related Party	18,965,000	18,965,000	–	–	18,965,000	–	–	–
Loan from Major Shareholder	2,000,000	2,339,000	56,500	56,500	226,000	2,000,000	–	–
SBI US\$ 50 Million loan converted in AUD\$	71,796,109	83,022,329	1,603,746	1,603,746	6,414,982	73,399,855	–	–
Axis bank Ltd syndicate term loan 75 million US\$ loan (In AUD\$)	–	–	–	–	–	–	–	–
Convertible bonds including interest	7,398,429	26,000,000	–	–	–	–	8,000,000	18,000,000
Restoration liability/ financial guarantee	16,208,390	46,450,421	–	–	1,800,000	5,800,000	–	38,850,421
Bank Guarantee	–	1,650,000	–	–	–	900,000	750,000	–
TOTAL	153,789,647	216,125,287	33,541,898	1,984,859	32,898,255	82,099,855	8,750,000	56,850,421
Derivatives								
Interest rate swap	–	–	–	–	–	–	–	–

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Note 33. Financial risk management (continued)

Financial Assets	Carrying Amount \$	Contractual Cash flows \$	< 6 mths \$	6- 12 mths \$	1-3 years \$	3-10 years \$	> 10 years \$	>20 years \$
Non-derivatives								
Trade debtors	1,803,752	1,803,752	1,803,752	–	–	–	–	–
Other receivables	3,070,426	3,070,426	3,070,426	–	–	–	–	–
Investments	1,000,000	1,000,000	–	–	1,000,000	–	–	–
TOTAL	5,874,178	5,874,178	4,874,178	–	1,000,000	–	–	–

Maturity Analysis - Parent – 2010

Financial Liabilities	Carrying Amount \$	Contractual Cash flows \$	<6 mths \$	6-12 mths \$	1-3 years \$	>3 years \$	>10 year \$	>20 years \$
Non-derivatives								
Hunter Finance loan	134,332	134,332	134,332	–	–	–	–	–
Trade Creditors	15,594,173	15,594,173	15,594,173	–	–	–	–	–
Other Payables	8,604,518	8,604,518	8,604,518	–	–	–	–	–
Advance against sale from Gujarat NRE Coke Limited	5,753,676	5,753,676	5,753,676	–	–	–	–	–
SBI Working Capital facility	5,400,000	6,274,800	145,800	145,800	5,983,200	–	–	–
Loan from Related Party	9,305,000	9,305,000	–	9,305,000	–	–	–	–
Loan from Major Shareholder	–	–	–	–	–	–	–	–
Axis bank Ltd syndicate term loan 75 million US\$ loan (In AUS\$)	78,003,446	94,622,285	2,427,345	2,427,345	42,036,501	47,731,095	–	–
Convertible bonds including interest	8,074,645	26,000,000	–	–	–	8,000,000	18,000,000	–
Restoration liability/ financial guarantee	5,438,930	7,350,421	–	–	–	–	7,350,421	–
Bank Guarantee fee	–	2,500,000	–	–	–	–	2,500,000	–
Total	136,308,720	176,139,205	32,659,844	11,878,145	48,019,701	55,731,095	27,850,421	–

Derivatives

Interest rate swap	–	–	–	–	–	–	–	–
Financial Assets								
Non-derivatives								
Trade debtors	–	–	–	–	–	–	–	–
Other receivables	2,140,271	2,140,271	2,140,271	–	–	–	–	–
Investments	5,395,798	5,395,798	–	–	5,395,798	–	–	–
Loan related parties	33,660,725	33,660,725	–	33,660,725	–	–	–	–
	41,196,794	41,196,794	2,140,271	33,660,725	5,395,798	–	–	–

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Maturity Analysis - Parent – 2009

Financial Liabilities	Carrying Amount \$	Contractual Cash flows \$	<6 mths \$	6-12 mths \$	1-3 years \$	3-10 years \$	>10 year \$	>20 years \$
Non-derivatives								
Trade Creditors	11,263,452	11,263,452	11,263,452	–	–	–	–	–
Other Payables	6,779,184	6,779,184	6,779,184	–	–	–	–	–
Advances against sale from								
Gujarat NRE Coke Limited	232,340	232,340	–	232,340	–	–	–	–
SBI Working Capital facility	5,400,000	5,676,818	92,273	92,273	5,492,273	–	–	–
Loan from Related Party	30,098,507	30,098,507	–	11,133,507	18,965,000	–	–	–
Loan from Major Shareholder	2,000,000	2,339,000	56,500	56,500	226,000	2,000,000	–	–
Convertible bonds including interest	7,398,429	26,000,000	–	–	–	–	8,000,000	18,000,000
Restoration liability/ financial guarantee	5,297,493	7,350,421	–	–	–	–	7,350,421	–
Bank Guarantee fee	–	1,500,000	–	–	–	–	1,500,000	–
Total	68,469,405	91,239,722	18,191,409	11,514,620	24,683,273	2,000,000	16,850,421	18,000,000

Derivatives

Interest rate swap	–	–	–	–	–	–	–	–
Financial Assets								
Non-derivatives								
Trade debtors	1,803,752	1,803,752	1,803,752	–	–	–	–	–
Other receivables	2,243,627	2,243,627	2,243,627	–	–	–	–	–
Loan to related party	4,556,000	4,556,000	4,556,000	–	–	–	–	–
Total	8,603,379	8,603,379	8,603,379	–	–	–	–	–

Liquidity risk is reduced due to:

Group's major owing is AUD \$131.84 Million (Original loan US\$125 million) to Syndicate of banks in respect of the purchase of mine and mine development. Repayment of loan starts after two years and since the Australian dollar is constantly strengthening and as the Group has a natural hedge being all exports in US dollar it will reduce debts in US dollars considerably. Further \$14.97 million are from Pre shipment advances from the major shareholder Gujarat NRE Coke Ltd who has agreed that it will not call on the amounts due where it places Gujarat NRE Coking Coal Ltd in a position where it cannot pay its debts as and when they fall due. The revenue received for supply of product will be offset by the amounts due. The major shareholder Gujarat NRE Coke Limited has given an unconditional letter of financial support to Gujarat NRE Coking Coal Limited.

The Group is in the process of entering into borrowing facilities or other lines of credit that it can access to meet liquidity needs. The Group Holds an exploration licence and shares as investments in Rey Resources Ltd and Pike River Ltd which has a liquid current market.

It is the Group's policy to renew bank loan facilities well before the renewal dates to avoid any inherent liquidity issues when the facilities expire.

d) Market risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

i. Foreign exchange risk:

Export coal sales are denominated in US dollars. A weak Australian dollar against the US dollar has a positive impact on cash flow and strengthening of the Australian dollar against the US dollar has an adverse impact on earnings and cash flows. As group's major debts are in US dollars has covered up for the impact of strengthening of the Australian Dollar. Therefore strengthening of the Australian dollar against the US dollar will result in net gains from debts denominated in US dollars.



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Note 33. Financial risk management (continued)

Sensitivity Analysis

	Carrying Amount AUD \$	Equivalent US\$ Amount Converted @ .9159 \$	AUD/US		AUD/US	
			-10%	Other Equity \$	10%	Other Equity \$
			Profit / (Loss) \$		Profit / (Loss) \$	
Consolidated - 2010						
Trade Payables	2,067,575	1,893,692	(229,731)	–	187,961	–
Sales advances on letters of Credit	14,970,065	13,711,083	(1,663,341)	–	1,360,915	–
Loans	131,846,302	120,758,028	(14,649,589)	–	11,986,027	–
Interest on Loans	3,119,607	2,857,248	(346,623)	–	283,601	–
Tax charge of 30%	–	–	4,962,799	–	(4,060,471)	–
After tax increase/ (decrease)	–	–	(11,926,485)	–	9,758,033	–

The above analysis assumes all other variables remain constant.

	Carrying Amount AUD \$	Equivalent US\$ Amount Converted @ .6873 \$	AUD/US		AUD/US	
			-10%	Other Equity \$	10%	Other Equity \$
			Profit / (Loss) \$		Profit / (Loss) \$	
Consolidated - 2009						
Trade Payables	199,330	137,000	(22,148)	–	18,121	–
Loans	71,796,109	49,345,466	(7,977,345)	–	6,526,919	–
Interest on Loans	938,899	645,305	(104,322)	–	85,354	–
Tax charge of 30%	–	–	2,399,848	–	(1,963,512)	–
After tax increase/ (decrease)	–	–	(5,703,967)	–	4,666,882	–

The above analysis assumes all other variables remain constant.

	Carrying Amount AUD \$	Equivalent US\$ Amount Converted @ .9159 \$	AUD/US		AUD/US	
			-10%	Other Equity \$	10%	Other Equity \$
			Profit / (Loss) \$		Profit / (Loss) \$	
Parent – 2010						
Trade Payables	2,067,575	1,893,692	(229,731)	–	187,961	–
Loans	78,003,446	71,443,356	(8,667,050)	–	7,091,222	–
Interest on Loans	2,050,868	1,878,390	(227,874)	–	186,443	–
Sales advances on letters of credit	5,753,676	5,269,792	(639,297)	–	523,061	–
Tax charge of 30%	–	–	2,929,186	–	(2,396,606)	–
After tax increase/ (decrease)	–	–	(6,834,766)	–	5,592,081	–

The above analysis assumes all other variables remain constant.

	Carrying Amount AUD \$	Equivalent US\$ Amount Converted @ .6873 \$	AUD/US		AUD/US	
			-10%	Other Equity \$	10%	Other Equity \$
			Profit / (Loss) \$		Profit / (Loss) \$	
Parent – 2009						
Trade Payables	199,330	137,000	(22,148)	–	18,121	–
Tax charge of 30%	–	–	6,644	–	(5,436)	–
After tax increase/ (decrease)	–	–	(15,503)	–	12,685	–

The above analysis assumes all other variables remain constant.

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Group sensitivity:

At 31 March 2010, had the Australian dollar weakened/strengthened by 10 per cent against the US dollar with all other variables held constant, the Group's post tax loss for the year would have been \$11.92 million higher/\$9.75 million lower (2009: \$5.59 million higher/\$4.58 million lower) mainly as a result of foreign exchange gains/losses on translation of US dollar denominated shipment charges, trade payables, loans, pre shipment advances and interest on loans. Loss is more sensitive to movements in the Australian dollar/US dollar exchange rates in 2010 than in 2009 because of the increased amount of US dollar shipment charges, trade payables, loans, pre shipment advances and interest on loans and borrowings.

Parent sensitivity:

At 31 March 2010, had the Australian dollar weakened /strengthened by 10 per cent against the US dollar with all other variables held constant, the parent entity post tax loss for the year would have been \$6.83 million higher/\$5.59 million lower (2009: \$15.5K higher/\$12.6K lower) mainly as a result of foreign exchange gains/losses on translation of US dollar denominated shipment charges. Loss is more sensitive to movements in the Australian dollar/US dollar exchange rates in 2010 than in 2009 because of the amount of US dollar shipment charges, US dollar loans and interest thereon.

ii) Interest rate risk

It is the Group's policy either to eliminate interest rate risk over the cash flows on its long term debt finance through the use of fixed rate instruments or to mitigate the risk through the use of floating – to fixed – interest rate swaps. The Group currently has the floating – to fixed – rate swap over some of its floating – rate borrowings that expire on 18 December 2014. Whilst this an economic hedge of the cash flow risk, the group does not apply hedge accounting.

As the Group has no significant interest bearing asset, the Group and the parent entity's main interest rate risk arises from the term borrowings. For each class of financial asset and liability refer to the respective notes for interest rate exposure.

Borrowings issued at variable rates exposed the Group and parent entity to interest rate risk, but at the same time some of the borrowings were at a fixed rate to reduce the variable rate risk, this at the same time expose the Group and parent entity to fair value interest rate risk. At 31 March 2010, the Group's borrowings at variable rates were denominated in US dollars were AUD\$152 million and in Australian dollars were \$7.4 million. At 31 March 2009, the group's borrowings at variable rates were dominated in US dollars were AUD 71.79 million and in Australian dollars were \$7.4 million.

Group and parent entity

Neither the Group nor parent entity has significant interest bearing assets. The Group and the parent entity's main interest rate risk arises from long term borrowings issued at variable rates which expose the parent and the Group to cash flow interest risk. During 2010 and 2009, the borrowings were at variable rates and were denominated in both US dollars and Australian dollars. For each class of financial asset and liability refer to the respective notes for interest rate exposure. At 31 March 2010, if interest rates had changed by +/- 1% from the year end rates with all other variables held constant, post tax loss would have been \$.93 million higher/lower (2009: \$.54 million higher/lower) as a result of lower/higher interest expense from these financial liabilities. The Group monitors its interest rate exposure continuously. The Group also considers on continuous basis to alternative financing opportunities, hedging positions and renewal of existing positions.

Summary of effective interest rate table

Loans A\$	2010 Consolidated			2010 Parent		
	Floating rate	Fix interest	Interest free	Floating rate	Fix interest	Interest free
Loan Hunter Premium	–	134,332	–	–	134,332	–
Rate of interest	–	3.73%	–	–	3.73%	–
Loans from related party						
– Non current	–	–	–	–	–	–
– Current	–	–	–	–	–	9,305,000
Loans to related party (receivable)						
– Non current	–	–	–	–	–	(33,660,725)
– Current	–	–	–	–	–	–
Interest rate	–	–	–	–	–	–
Loans SBI	5,400,000	–	–	5,400,000	–	–
Interest rate	3 Months AUD LIBOR +1.25%	–	–	3 Months AUD LIBOR +1.25%	–	–
Loans US\$						
A\$ equivalent	131,846,302	–	–	78,003,446	–	–
Rate of interest	LIBOR + 5.4% for 75 million US\$ and LIBOR(Swap 2.64%)+ 3.75125% for 50 million US\$	–	–	LIBOR + 5.4% for 75 million US\$	–	–



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Note 33. Financial risk management (continued)

Loans A\$	2009 Consolidated			2009 Parent		
	Floating rate	Fix interest	Interest free	Floating rate	Fix interest	Interest free
Loans from related party						
– Non current	2,000,000	–	18,965,000	2,000,000	–	18,965,000
– Current	–	–	–	–	–	11,133,507
Interest rate	BBSY +2.5%	–	–	BBSY +2.5%	–	–
Loans SBI	5,400,000	–	–	5,400,000	–	–
Interest rate	LIBOR +1.25%	–	–	LIBOR +1.25%	–	–
Loans US\$						
A\$ equivalent	71,796,109	–	–	–	–	–
Rate of interest	LIBOR +2.3%	–	–	–	–	–

Sensitivity analysis

	Carrying Amount AUD	-1% Interest rate risk		+1% Interest rate risk	
		Profit/(Loss) \$	Other Equity \$	Profit/(Loss) \$	Other Equity \$
Consolidated – 2010					
Cash and cash equivalents	4,057,565	(40,576)	–	40,576	–
Deposits	374,472	(3,745)	–	3,745	–
Loans and borrowings(Australian)	5,534,332	55,343	–	(55,343)	–
Loans and borrowings (US\$)	131,846,302	1,318,463	–	(1,318,463)	–
Tax charge of 30%		(398,846)	–	398,846	–
After tax increase/ (decrease)		930,640	–	(930,640)	–

Consolidated – 2009

	Carrying Amount AUD	Profit/(Loss) \$	Other Equity \$	Profit/(Loss) \$	Other Equity \$
Cash and cash equivalents	1,381,364	(13,814)	–	13,814	–
Deposits	368,141	(3,681)	–	3,681	–
Loans and borrowings(Australian)	7,400,000	74,000	–	(74,000)	–
Loans and borrowings (US\$)	71,796,109	717,961	–	(717,961)	–
Tax charge of 30%		(232,340)	–	232,340	–
After tax increase/ (decrease)		542,055	–	(542,126)	–

The above analysis assumes all other variables remain constant.

	Carrying Amount AUD	-1% Interest rate risk		+1% Interest rate risk	
		Profit/(Loss) \$	Other Equity \$	Profit/(Loss) \$	Other Equity \$
Parent – 2010					
Cash and cash equivalents	3,731,439	(37,314)	–	37,314	–
Deposits	374,472	(3,745)	–	3,745	–
Loans and borrowings(Australian)	5,534,332	55,343	–	(55,343)	–
Loans and borrowings(US\$)	78,003,446	780,034	–	(780,034)	–
Tax charge of 30%		(238,296)	–	238,296	–
After tax increase/ (decrease)		556,023	–	(556,023)	–

Parent – 2009

	Carrying Amount AUD	Profit/(Loss) \$	Other Equity \$	Profit/(Loss) \$	Other Equity \$
Cash and cash equivalents	986,836	(9,868)	–	9,868	–
Deposits	368,141	(3,681)	–	3,681	–
Loans and borrowings(Australian)	7,400,000	74,000	–	(74,000)	–
Tax charge of 30%		(18,135)	–	18,135	–
After tax increase/ (decrease)		42,315	–	(42,315)	–

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010

e) Fair value

i. Hierarchy

The following tables classify financial instruments recognised in the statement of financial positions of the group and parent entity according to the hierarchy stipulated in AASB 7 as follows:

- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or
- Level 3 – a valuation technique is used using inputs that are not based on observable market data (unobservable inputs).

Consolidated – 2010	Level 1	Level 2	Level 3	Total
Assets				
Available for sale financial assets:				
– Listed equity securities	7,825,798	–	–	7,825,798
– Unlisted equity securities	–	–	120,000	120,000
	7,825,798	–	120,000	7,945,798

Consolidated – 2009	Level 1	Level 2	Level 3	Total
Assets				
Available for sale financial assets:				
– Listed equity securities	–	–	–	–
– Unlisted equity securities	–	–	1,000,000	1,000,000
	–	–	1,000,000	1,000,000

Parent – 2010	Level 1	Level 2	Level 3	Total
Assets				
Available for sale financial assets:				
– Listed equity securities	5,275,798	–	–	5,275,798
– Unlisted equity securities	–	–	120,000	120,000
	5,275,798	–	120,000	5,395,798

Parent – 2009	Level 1	Level 2	Level 3	Total
Assets				
Available for sale financial assets:				
– Listed equity securities	–	–	–	–
– Unlisted equity securities	–	–	–	–
	–	–	–	–

ii. Reconciliations

Consolidated – 2010	Unlisted equity securities
Opening balance on 1 April 2009	1,000,000
Transfers into Level 3	–
Transfers out of Level 3#	(1,000,000)
Gains recognised in profit or loss	–
Gains recognised in other comprehensive income	–
Purchases	120,000
Sales	–
Other movements	–
Closing balance	120,000
Total gains/losses for the period included in other income in profit or loss that relate to assets held at the end of the reporting period	–

Transferred out to level 1 as the security got listed during the year.



Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010

Note 33. Financial risk management (continued)

Consolidated – 2009	Unlisted equity securities
Opening balance	–
Transfers into Level 3	–
Transfers out of Level 3	–
Gains recognised in profit or loss	–
Gains recognised in other comprehensive income	–
Purchases	1,000,000
Sales	–
Other movements	–
Closing balance	1,000,000
Total gains/losses for the period included in other income in profit or loss that relate to assets held at the end of the reporting period	–

Parent – 2010	Unlisted equity securities
Opening balance	–
Transfers into Level 3	–
Transfers out of Level 3	–
Gains recognised in profit or loss	–
Gains recognised in other comprehensive income	–
Purchases	120,000
Sales	–
Other movements	–
Closing balance	120,000
Total gains/losses for the period included in other income in profit or loss that relate to assets held at the end of the reporting period	–

Parent – 2009	Unlisted equity securities
Opening balance	–
Transfers into Level 3	–
Transfers out of Level 3	–
Gains recognised in profit or loss	–
Gains recognised in other comprehensive income	–
Purchases	–
Sales	–
Other movements	–
Closing balance	–
Total gains/losses for the period included in other income in profit or loss that relate to assets held at the end of the reporting period	–

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010



Note 34. Related party transactions

Apart from the transactions with Key Management Personnel (refer Note 9) the following are the other related party transactions to disclose for the year ended 31 March 2010 or as at balance date for the group.

The company repaid \$2,000,000 loan owing to Gujarat NRE Coke Limited. Gujarat NRE Coke Ltd is the ultimate parent company in India. Interest at a rate of 2.5% above BBSY was payable on the loan. During the year interest of \$61,553.76 was paid to Gujarat NRE Coke Ltd.

Export sales of \$127,268,601 are to the ultimate parent company during the year and included in freight revenue of \$12,160,507 was freight services provided to Gujarat NRE Coke Limited.

Pre shipment advances of \$ 24,046,136 were received from Gujarat NRE Coke Ltd on the shipment of unwashed ROM Coal on normal commercial terms and conditions for product advance payment, out of which \$9,076,071 was offset against revenue from coal sales. \$14,970,065 remained outstanding at the end of the year. Gujarat NRE Coke has agreed that it will not call on the amounts due where it places Gujarat NRE Coking Coal Ltd and Gujarat NRE FCGL Pty Ltd in a position where it cannot pay its debt as and when they fall due.

The company repaid \$18,965,000 towards the loan from its parent Gujarat NRE Limited. At the end of the year the balance outstanding was \$ NIL. Company also received rental and management fee of \$162,000 from Gujarat NRE Limited.

The Company repaid \$ 2,548,507 towards the loan from its subsidiary Gujarat NRE FCGL Pty Ltd and further provided \$ 28,850,000 as loan to Gujarat NRE FCGL Pty Ltd.

The Company owes \$4,195,000 and \$5,110,000 respectively to its subsidiaries Gujarat NRE Resources NL and Southbulli Holdings Pty Ltd.

During the year \$347,188 was paid by Gujarat NRE Coking Coal to Gujarat NRE FCGL Pty Ltd for the liability of Annual and Sick Leave taken over during the year.

The company provided a loan of \$254,725 to its subsidiary Gujarat NRE Properties Pty Ltd.

All the intercompany loans are interest free.

Note 35. Capital commitments

Capital expenditure commitments

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Commitments contracted for:				
Longwall and other equipment for mine development and production	62,025,435	61,122,327	44,854,322	48,198,587
– Between 0 to 12 months	29,760,481	61,122,327	22,418,587	48,198,587
– Between 2 and 5 years	32,264,954	–	22,435,735	–
– More the 5 years	–	–	–	–
	62,025,435	61,122,327	44,854,322	48,198,587

* There are no contractual commitments entered by the Group in the long run at balance date.

Note 36. Subsidiary companies

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2010	2009
Gujarat NRE Resources NL	Australia	Ordinary	100%	100%
Gujarat NRE FCGL Pty Ltd	Australia	Ordinary	100%	100%
Gujarat NRE Properties Pty Ltd	Australia	Ordinary	100%	100%
Southbulli Holdings Pty Limited	Australia	Ordinary	100%	100%

Note 37. Rey Resources Ltd takeover

Gujarat NRE Coking Coal Ltd has made an intention of off market takeover offer for all the shares of Rey Resources Limited (Rey) on 3 June, 2009. The offer was made unconditional on 21 August 2010. The consideration under the offer is 9 cents for each Rey share held (**the cash offer**) or 1 GNM share for every 5 Rey shares held (**the share offer**).

Note 38. Events after the balance sheet date

- The Company has extended the off market takeover offer for all the securities of Rey Resources Ltd on a periodical basis. Accordingly, the current offer of the Company unless extended would expire on Friday, 11 June, 2010 at 7.00 p.m. EST.
- The Company is currently holding 11.998% of the shares in Rey Resources Ltd.



Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2010

Note 39. Franking account balance

Franking account balance

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Franking credits available for the subsequent financial years based on a tax rate of 30% (2009: 30%)	-	-	-	-

The above amount represents the balance on the franking account at the end of the financial year adjusted for:

- franking credits that will arise from the payment of income tax payable
- franking debits that will arise from payment of dividends provided for
- franking credits that will arise from the receipt of dividends recognized as receivable

There is no impact on the franking account of dividends as no dividend was recommended during or after Year end.

Note 40. Parent entity

Ultimate parent company Gujarat NRE Coke Limited and its 100% subsidiary Gujarat NRE Limited along with its 100% subsidiary Wonga Coal Pty Ltd (both Australian companies), owns 75.13% of the issued ordinary shares of Gujarat NRE Coking Coal Limited.

The ultimate parent entity and ultimate controlling party is Gujarat NRE Coke Limited in India.

Note 41. Other corporate information

The financial report for Gujarat NRE Coking Coal Limited for the year ended 31 March 2010 was authorized for issue in accordance with a resolution of directors on 25 May 2010. Gujarat NRE Coking Coal Limited is a company listed by shares incorporated in Australia, whose shares are publically traded on the Australian Stock Exchange.

Directors

Mr. Arun Kumar Jagatramka *Chairman*
 Mrs. Mona Jagatramka
 Dr. Andrew E. Firek
 Mr. Maurice Anghie
 Mr. Don Carroll (Appointed on 11 September 2009)

Company Secretary

Mr Sanjay Sharma

Principal and registered office

Lot 1, Cnr of Bellambi Lane & Princes Highway
 Russell Vale NSW 2517
 Phone: (02) 42236800 / 818
 Fax: (02) 42837368

Auditors

BDO Audit (NSW – VIC) Pty Ltd
 Level 19, 2 Market Street, Sydney NSW 2000

Bankers

State Bank of India
 Suite 2 & 3, Level 12
 234 George Street
 Sydney NSW 2000

Share registry

Registries Limited
 Level 2, 28 Margaret Street, Sydney NSW 2000
 Ph (02) 9290 9600
 Fax (02) 9279 0664

Directors' declaration

FOR THE YEAR ENDED 31 MARCH 2010



Gujarat NRE Coking Coal Limited

ACN 111 244 896

CORPORATE ADDRESS: CNR BELLAMBI LANE & PRINCES HIGHWAY, RUSSELL VALE NSW 2517
PHONE NO: (02) 4223 6800 FAX: (02) 4283 7368 E-MAIL: gnal@gujaratnre.com.au

Directors' Declaration

The directors of the company declare that:

1. The financial statements, comprising the income statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 31 March 2010 and of the performance for the financial year ended 31 March 2010 of the company and the consolidated entity.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosures included on pages 14 to 21 of the Directors' Report (as part of audited Remuneration Report), for the year ended 31 March 2010, comply with section 300A of the *Corporations Act 2001*.
4. The directors have been given the declarations by the chief executive officer (or equivalent) and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

A handwritten signature in black ink, appearing to read 'Arun K. Jagatramka', written over a horizontal line.

Mr. Arun Kumar Jagatramka
Chairman

A handwritten signature in black ink, appearing to read 'Andrew E. Firek', written over a horizontal line.

Dr. Andrew E. Firek
Director

Dated: 28 May 2010

“When I dream alone it is a dream. When we dream together it is a reality”

Independent auditor's report

FOR THE YEAR ENDED 31 MARCH 2010



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Level 19, 2 Market St
Sydney NSW 2000
GPO Box 2551, Sydney NSW 2001
Australia

To the members of Gujarat NRE Coking Coal Limited

Matters Relating to the Electronic Presentation of the Audited Financial Report

Report on the Financial Report

We have audited the accompanying financial report of Gujarat NRE Coking Coal Limited, which comprises the statement of financial position as at 31 March 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion:

- (a) the financial report of Gujarat NRE Coking Coal Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 March 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 21 of the directors' report for the year ended 31 March 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Gujarat NRE Coking Coal Limited for the year ended 31 March 2010, complies with section 300A of the *Corporations Act 2001*.

A stylized signature of the BDO firm.

BDO Audit (NSW-VIC) Pty Ltd

A handwritten signature of Wayne Basford.

Wayne Basford
Director

Sydney, 28 May 2010

BDO Audit (NSW-VIC) Pty Ltd ABN 17 114 673 540 BDO is the brand name for the BDO International network and for each of the BDO Member Firms. In Australia is a national association of separate entities. Liability of each entity is limited by a scheme approved under the Professional Standards Legislation other than for acts or omissions of financial services licensees.

Corporate governance

FOR THE YEAR ENDED 31 MARCH 2010



Corporate governance statement

Under ASX Listing Rules and the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations", the Company is required to disclose in its annual report the extent of its compliance with those principles. Accordingly, the Board has included in its corporate governance policies those matters contained in the ASX Recommendations where appropriate.

1. Board charter

A. Role of the Board

The Board of Directors (Board) is responsible for guiding and monitoring Gujarat NRE Coking Coal Limited (Company) on behalf of members by whom they are elected and to whom they are accountable.

The Board is responsible for, and has the authority to determine all matters relating to, the strategic direction, policies, practices, establishing goals for management and the operation of the Company.

The monitoring and ultimate control of the business of the Company is vested in the Board. The Board's primary responsibility is to oversee the Company's business activities and management & to act in the best interest on behalf of the Company's stakeholders. The Board of Directors of the Company is collectively experienced in mining, finance, managing listed public companies and the requirements of, and compliance with, the applicable law, ASX Listing Rules and ASIC regulations, rules, guidelines and policies.

The Board has the responsibility of approving the appointment of the CEO, CFO (or their equivalent) and the Company Secretary. The Board approves and monitors corporate strategies and performance objectives. Under the oversight of the Board's Audit Committee, the Board monitors systems of risk management, compliance and financial reporting. The Board is responsible for approving and monitoring the progress of major capital expenditure, capital raisings & management, acquisitions and divestitures of Company assets.

B. Board Structure

The Board is currently comprised of a non-executive Chairman and three independent non-executive Directors and one non-executive Director i.e. in aggregate five Directors. The Board supports the appointment of directors who bring a wide range of business and professional skills and experience to the Company. The Board is satisfied that it has an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Each director is required to disclose any interest which might create a potential conflict of interest with his or her duties as a director or which would affect his or her independence. Directors are appointed in accordance with the constitution of the Company and are appointed for a period of three years or until the third annual general meeting following his or her appointment (whichever is the longer). Any Director appointed by the Board during the year stands for re-election at the Annual General Meeting.

The Board has established a Management Committee and an Audit Committee.

2. Code of conduct and conflicts of interest

A. Code of Conduct

The code of conduct aims to encourage the appropriate standards of conduct and behaviour of the directors, officers, employees and contractors (collectively called the Employees) of the Company. Employees are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. In general though, the Company requires that each director and officer of the Company must comply with all laws and regulations. This includes understanding the laws and regulations relevant to their work and complying with the legal requirements of the jurisdiction in which the Company operates.

Contractors and others employed by the Company should not engage in activities or hold or trade assets that involve, or could appear to involve, a conflict between their personal interests and the interests of the Company. The practices of the Board are aimed at promoting ethical and responsible decision making. The Board strives for good corporate governance and industry best practice. It specifically requires that:

- Employees of the Company must act honestly, in good faith and in the best interests of the Company as a whole;
- Employees have a duty to use due care and diligence in fulfilling the functions of their position and exercising the powers attached to their employment;
- Employees must recognize that their primary responsibility is to the Company's stakeholders as a whole;
- Employees must not take advantage of their position for personal gain, or the gain of their associates;
- Directors have an obligation to be independent in their judgments;
- Confidential information received by Employees in the course of the exercise of their duties remains the property of the Company. Confidential information can only be released or used with specific permission from the Company; and
- Employees have an obligation, to comply with the spirit as well as the letter of the law and with the principles of this code

B. Conflicts of Interest

The Board is committed to good corporate governance and aims for continuous improvement in these practices. It embraces high ethical standards and requires both personal and corporate responsibility. Employees are required to safeguard the integrity of the Company and to act in the best interests of its stakeholders.

The Board has formulated a Directors' Disclosure Policy which in addition to disclosing the Directors' notifiable interest in securities of the Company is designed to manage potential conflicts of interest. Each Director is required to disclose any interest which might create a potential conflict with his or her duties as a director or which might affect their independence. There must be no conflict, or perception of a conflict, between the interests of any director, officer or employee and the responsibility of that person to the stakeholders. All Employees may never improperly use their position for personal or private gain to themselves, family member(s) or their associate(s). Where a potential conflict exists, this should be disclosed to the Board prior to any dealings taking place.

3. Management committee

The Board has formed a Management Committee, which is at present comprised of Mr. Arun Kumar Jagatramka, Mr. P R Kannan, Mr. Murari Sananguly and Mr. Sanjay Loyalka, who are responsible for overall control and day-to-day affairs and management under the guidance of the Board. This committee also translates the decisions and planning of the Board into reality under the existing working scenario.

Corporate governance

FOR THE YEAR ENDED 31 MARCH 2010



4. Audit committee

A. Purpose

The Audit Committee plays a key role in assisting the Board of Directors with its responsibilities relating to accounting, internal control systems, reporting practices and risk management, and ensuring the independence of the Company auditor. The charter for this committee incorporates policies and procedures to ensure an effective focus from an independent perspective.

The Audit Committee oversees and appraises the quality of the audits conducted by the auditors and emphasizes areas where the Audit Committee believes special attention is required. At present, the external auditors of the Company are BDO Audit (NSW-VIC) Pty Ltd (BDO). BDO's appointment was reviewed and recommended by the Audit Committee. The Committee also is also responsible for reviewing the appointment of BDO on a periodic basis in line with industry best practice. The Board believes that the ongoing assessment of the Company's audit arrangements will comply with any regulatory requirements to rotate the BDO's partner in charge of the Company's external audit.

The Audit Committee also reviews the effectiveness of administrative, operating and accounting controls.

B. Composition

The composition of the Audit Committee is determined in accordance with the principle that only non-executive directors may be members of the Committee. There must be at least two members on the Committee. Current members of the Audit Committee are Mr. Anghie & Dr. Firek who are independent non-executive directors of the Company and Mr. Sanjay Loyalka. Mr. Anghie is the Chairman of the Committee. The Company Secretary acts as a Secretary to the Committee.

This policy is reviewed every two years.

5. Risk management and internal compliance and control

Management determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

The Board oversees an ongoing assessment of the effectiveness of risk management and internal compliance and control.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to report back on the efficiency and effectiveness of risk management, inter-alia, by benchmarking the Company's performance against industry standards.

The risk profile of the Company contains both financial and non-financial factors including material risks arising from pricing, competitive position, currency movements, operational efficiency, ore reserve replacement, fuel prices, ground water flows, product quality, investments in new projects.

To mitigate these risks, the Company has in place a broad range of risk management policies and procedures including specialized sales contracts, competent management in all disciplines, a comprehensive management information system, an experienced Board, regular Board meetings, financial and internal audits, rigorous appraisal of new investments, advisers familiar with the Company and an internal audit function.

Management is responsible for the ongoing management of risk with standing instructions to apprise the Board of changing circumstances within the Company and within the international business environment.

This policy is reviewed every two years.

6. CEO and CFO certification

In accordance with Section 295A of the Corporations Act, the CEO and CFO have provided written statements to the Board that:

In their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board.

The Company's risk management and internal compliance and control system is operating effectively in all material respects.

The Board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

7. Board continuous disclosure policy

ASX defines continuous disclosure in its Listing Rules as "the timely advising of information to keep the market informed of events and developments as they occur". The Listing Rules and the Corporations Act require that a listed Company disclose to the market matters which a reasonable person would expect to have a material effect on the price or value of the Company's securities. A reasonable person is taken to expect information to have a material effect on the price or value of securities if it would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the securities.

The Company's Continuous Disclosure Policy contained below is designed to meet market best practice, ensuring that all interested parties have an equal opportunity to obtain information which is issued by the Company. It is the Company's policy for the immediate reporting of any matter which could potentially have a material effect, via established reporting lines to the Company Secretary. The Company Secretary is responsible for monitoring information which could be price sensitive, liaising with the Chairman to make an initial assessment, and escalating to the Board for disclosure of such information where practicable. The Chairman will monitor daily activity to ascertain what matters should be considered for disclosure and as soon as a matter is appropriate for disclosure the Chairman must immediately notify the Company Secretary. It is noted that the Company must not delay in giving this information to ASX. Therefore, if the Board is not immediately available, the Company Secretary will lodge such information after consultation with the Chairman.

It is also the Company's policy that price-sensitive information will be disclosed, in the first instance, to ASX and disclosures to the market will then be placed on the Company's website. Material information must not be selectively disclosed (i.e. to analysts, the media or shareholders) prior to being announced to ASX, and all media releases must be referred to the Company Secretary for clearance prior to any release.

This policy is reviewed annually.

Corporate governance

FOR THE YEAR ENDED 31 MARCH 2010



8. Securities trading policy

The Company's trading policy is aimed at ensuring that unpublished price sensitive information about the Company is not used in an unlawful manner.

The Company's share trading policy regulates dealings by directors, officers and employees in securities issued by the Company. In certain circumstances this policy also applies to contractors and consultants. The Company:

- Must comply with the requirements of the Corporations Act;
- Must receive prior notification from directors, officers, employees and contractors of their intention to deal in the Company's securities; and
- Prohibits short term trading by directors, officers, employees and contractors in the Company's securities.

The Securities Trading Policy was reviewed and revised by the Board of Directors as a part of annual review process with the introduction of concepts of restriction periods, clearance notices etc.

The policy is reviewed annually.

9. Communication strategy – Shareholder communications

The Company recognizes the value of providing current and relevant information to its shareholders. The Company's communication strategy is aimed at promoting effective communication with shareholders and encouraging effective participation at general meetings. In accordance with the Company's regulatory obligations, certain periodic reporting will also be made to shareholders, including the annual report. The Company's aim is for informed shareholder participation. The Company maintains a website and will endeavour to publish on the website all relevant announcements made to the market.

The Company is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market.

In accordance with the ASX Corporate Governance Report "Principles of Good Corporate Governance and Best Practice Recommendations – March 2003" Disclosure Principle 6.2, the external auditors will be requested to attend the annual general meeting and are available to answer shareholder questions about the conduct of the audit and preparation of the auditor's report.

This policy is reviewed annually.

10. Board remuneration and nominations policy

An increase in remuneration of directors is determined by shareholders, apart from payments for executive directors, and the Board determines individual directors' remuneration. The Company has not formed a nomination committee because of the Company's size which is small enough for the whole Board to efficiently address the issue of board competencies.

11. Performance evaluation practices

As part of the annual review of the performance of the Board, the appropriate size, composition and terms and conditions of appointment to and retirement from the Board are considered. The level of remuneration for non-executive directors is considered with regard to practices of other public companies and the aggregate amount of fees approved by shareholders. The Board also reviews the appropriate criteria for Board membership collectively.

The Board has established formal processes to review its own performance and the performance of individual directors and the committees of the Board, annually.

This policy is reviewed annually.



ASX additional information

FOR THE YEAR ENDED 31 MARCH 2010

Additional information required by the Australia Securities Exchange (ASX) as at 28 May 2010 and not shown elsewhere in this report is as follows:

Distribution of equity securities

The number of shareholders, by size of holding, in each class of shares are

Holdings Ranges	Holders	Total Units	%
1-1,000	121	69,361	0.008
1,001-5,000	349	1,211,512	0.136
5,001-10,000	349	2,894,425	0.325
10,001-100,000	359	10,018,292	1.126
100,001-99,999,999,999	72	875,477,268	98.405
Totals	1,250	889,670,858	100.000

The number of optionholders, by size of holding, in each class of options are

Holdings Ranges	Holders	Total Units	%
1-1,000	0	0	0.000
1,001-5,000	0	0	0.000
5,001-10,000	65	572,000	1.545
10,001-100,000	401	7,774,000	21.001
100,001-99,999,999,999	42	28,672,000	77.454
Totals	508	37,018,000	100.000

Restricted securities

As at 28 May 2010 there are no restricted securities.

Voting rights

All ordinary shares whether in any restriction or not carry one vote per share without restriction.

Substantial shareholders as at 28 May 2010

Shareholder	Total Units	%
Wonga Coal Pty Ltd	373,696,193	42.005
Gujarat NRE Limited	208,610,770	23.449
Gujarat NRE Coke Limited	86,092,966	9.677
Total	668,399,929	75.131



ASX additional information

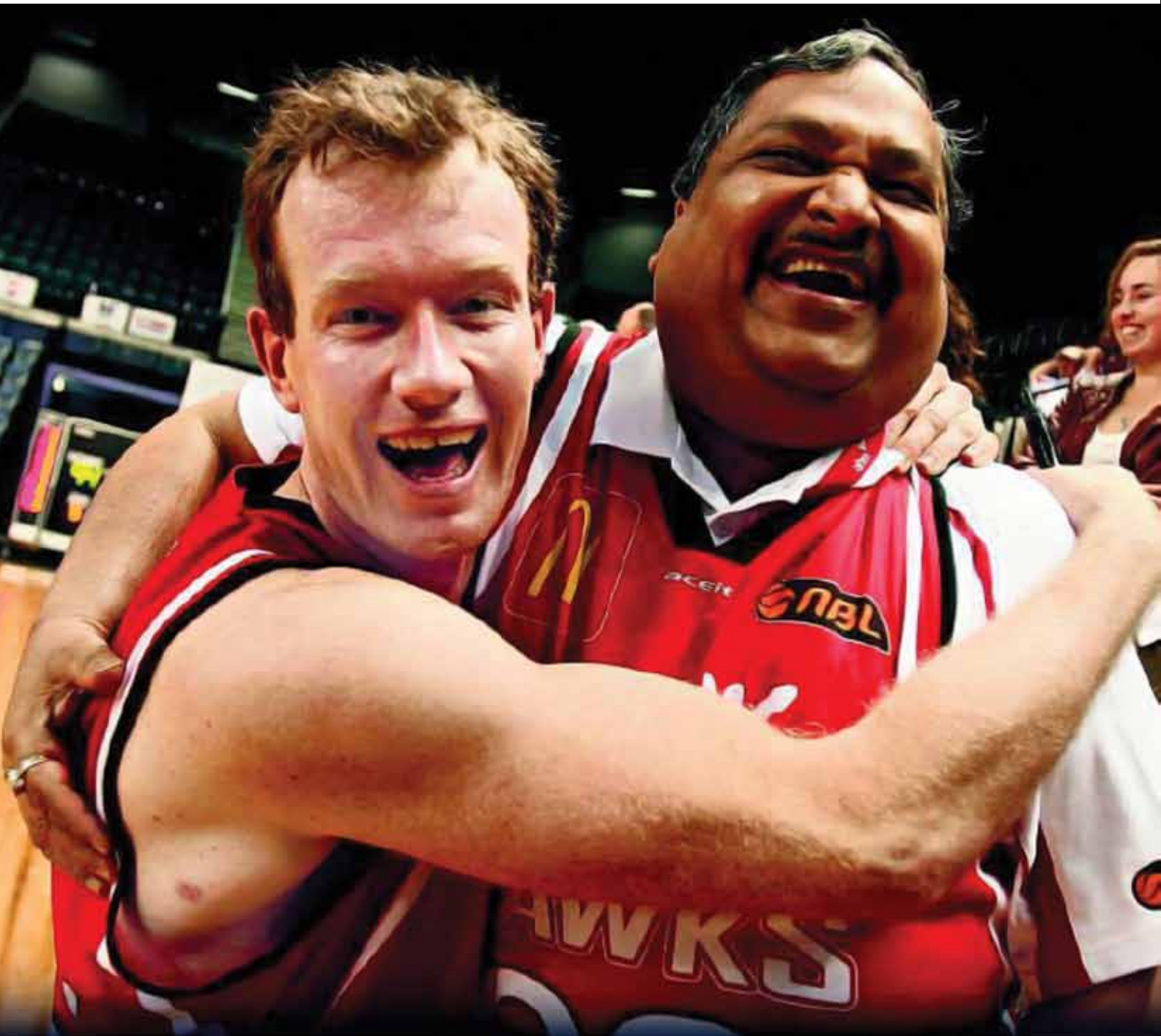
FOR THE YEAR ENDED 31 MARCH 2010

Twenty largest shareholders of the company

Holder Name	Balance at 28-05-2010	%
WONGA COAL PTY LTD	373,696,193	42.004
GUJARAT NRE LIMITED	202,500,000	22.761
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	81,862,016	9.201
GUJARAT NRE COKE LIMITED	77,136,000	8.670
HAPPY MINING PTY LTD	27,861,550	3.132
NAROTTAMKA COMMODITIES PVT LTD	13,300,000	1.495
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	10,660,045	1.198
NATIONAL NOMINEES LIMITED	8,986,329	1.010
GUJARAT NRE COKE LIMITED	8,956,966	1.007
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	8,235,458	0.926
CITICORP NOMINEES PTY LIMITED <CFSIL CFS WS AUST SHRE A/C>	7,557,844	0.850
GUJARAT NRE LIMITED	6,110,770	0.687
HAPPY MINING PTY LTD	5,000,000	0.562
CITICORP NOMINEES PTY LIMITED	4,413,893	0.496
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED <HOUSE A/C>	3,843,154	0.432
J P MORGAN NOMINEES AUSTRALIA LIMITED	3,697,587	0.416
AMP LIFE LIMITED	3,010,000	0.338
CENTURY SATELLITE PTY LTD	2,837,000	0.319
CITICORP NOMINEES PTY LIMITED <CWLTH BANK OFF SUPER A/C>	2,636,135	0.296
MR ARUN KUMAR JAGATRAMKA & MRS MONA JAGATRAMKA	2,240,001	0.252
	Total	854,540,941
	Total Issued Capital	889,670,858



It is not enough to aim; you must hit



DIAMONDS ARE BLACK