

BATLA MINERALS SA

CONSOLIDATED ACCOUNTS –  
31 MARCH 2011

# CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2011

(in thousands of Euros)

	March-11	March-10
<b>COMMITTED CAPITAL</b>		
Goodwill	1 668	3 170
Intangible Assets	1 324	1 331
Tangible Assets	6 348	5 628
Long-Term Investments	746	1 625
Equity accounted investments		
<b>Total Committed Capital</b>	<b>10 086</b>	<b>11 754</b>
<b>CURRENT ASSETS</b>		
Inventory and work in progress	410	462
Debtors	959	1 126
Other accounts receivable	1 672	1 450
Deferred tax assets	1 464	1 495
Marketable securities		0
Liquid assets	400	1 231
Prepaid expenses	56	1
<b>Total Current Assets</b>	<b>4 961</b>	<b>5 765</b>
<b>Total Assets</b>	<b>15 047</b>	<b>17 519</b>
<b>SHARE CAPITAL</b>		
Capital	5 350	5 350
Share premium	16 796	16 796
Consolidated reserves	-6 704	-2 872
Currency translation adjustment	-1 366	-1 657
Consolidated result	-5 735	-3 832
<b>Share Capital</b>	<b>8 341</b>	<b>13 785</b>
Non-group interests		
Non-group results	75	
<b>Minority Interests</b>	<b>75</b>	
Provisions	781	565
<b>Total Contingency and Loss Provision</b>	<b>781</b>	<b>565</b>
<b>DEBTS</b>		
Loans and financial debts	3 763	1 320
Accounts payable	1 047	448
Tax and social security liabilities	306	562
Deferred tax liabilities	734	839
Other debts		
Prepaid products		
<b>Total liabilities payable</b>	<b>5 850</b>	<b>3 169</b>
<b>Total liabilities</b>	<b>15 047</b>	<b>17 519</b>

CONSOLIDATED PROFIT AND LOSS ACCOUNT AS AT 31  
MARCH 2011  
(in thousands of Euros)

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	March-11 (12 months)	March-10 (12 months)
<b>Operating income</b>	<b>4 939</b>	<b>5 477</b>
Turnover	4 748	5 008
Other income	191	469
<b>Operating costs</b>	<b>7 145</b>	<b>6 018</b>
Purchase of materials	406	
Variation of stock		
Other purchases and external costs	3 079	2 362
Taxes, duties	25	18
Salaries and wages	2 209	1 697
Social security contributions	68	52
Allocations to depreciation	1 141	1 431
Allocations to provisions	150	417
Other operating costs	67	41
<b>Operating profit and loss</b>	<b>-2 206</b>	<b>-541</b>
Financial income	460	395
Financial costs	2 079	1 604
<b>Financial Result</b>	<b>-1 619</b>	<b>-1 209</b>
<b>CURRENT RESULT BEFORE TAX</b>	<b>-3 825</b>	<b>-1 750</b>
<b>EXCEPTIONAL RESULT</b>	<b>-71</b>	<b>14</b>
Taxes	-92	76
Depreciations of goodwill	1 563	1 916
Equity accounting results	-293	-104
<b>CONSOLIDATED RESULT</b>	<b>-5 660</b>	<b>-3 832</b>
Minority Results		
<b>GROUP RESULT</b>	<b>-5 735</b>	<b>-3 832</b>
Net result per share	-1.07	-0.72

TABLE OF CONSOLIDATED CASH FLOW 2011  
(in thousands of Euros)

<b>CASH FLOW TABLE</b>		
In K€	Mar-11	Mar-10
<i>Net Result</i>	-5,735	-3,832
Share of minority interest in result of integrated companies	75	
- Allocation to depreciations and provisions	2,363	3,151
- Depreciation of goodwill	1,563	1,916
- Equity accounting	293	104
- Result of sale	71	-13
- Deferred tax	-197	-42
- Plus value on sale of assets		
<i>Self-financing capacity</i>	-1,567	1,284
+/- Net variation in operation	810	-844
+/- Net variation excluding operation	-490	-1,405
<b><i>Related cash flow generated by activity</i></b>	<b>-1,247</b>	<b>1,845</b>
- Acquisitions of intangible assets	-267	-523
- Acquisitions of tangible assets	-2,372	-156
- Acquisitions of long-term investments	-408	-450
+ Income from sale of capital assets	906	333
+ Income from sale of subsidiaries		
<b><i>Cash flow related to investment activity</i></b>	<b>-2,141</b>	<b>-796</b>
- Dividends paid to shareholders		
+ Increase of capital		
+/- Variation of exchange adjustments		
+ Loan increases	807	-398
+/- Variation in other financial debts		-30
<b><i>Cash flow related to financing activities</i></b>	<b>807</b>	<b>-428</b>
<i>Effect of the variations of exchange rates</i>	-7	127
<b>Variation of cash flow</b>	<b>-2,588</b>	<b>748</b>
<b>Cash flow at the beginning of the financial year</b>	<b>956</b>	<b>208</b>
<b>Cash flow at the end of the financial year</b>	<b>-1,632</b>	<b>956</b>

# VARIATION OF CONSOLIDATED SHARE CAPITAL 2011

(in thousands of Euros)

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	<b>Capital</b>	<b>Bonus</b>	<b>Reserves</b>	<b>Equity Accounted</b>	<b>Result</b>	<b>TOTAL</b>
<i>Mar-10</i>	<i>5 350</i>	<i>16 796</i>	<i>-2 872</i>	<i>-1 657</i>	<i>-3 832</i>	<i>13 785</i>
Allocation			-3 832		3 832	0
Capital Increase						0
Other				291		291
Distribution						0
Result of the period					-5 735	-5 735
<b>Mar-11</b>	<b>5 350</b>	<b>16 796</b>	<b>-6 704</b>	<b>-1 366</b>	<b>-5 735</b>	<b>8 341</b>

# APPENDIX TO THE CONSOLIDATED ACCOUNTS OF FINANCIAL YEAR OF 2011

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## **GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

The individual financial statements of the companies of the Batla Group are drawn up according to the rules of accounting in force in their country of activity. For its consolidated accounts, the Group applies French accounting principles as they appear in the provisions of the law of 3 January 1985 and of its decree enforcing the law of 17 February 1986 and also defined by regulation CRC n° 99-02 ratified by decree of 22 June 1999 and gazetted on 31 July 1999.

## **CHANGE OF METHOD**

None

## **INFORMATION ON THE METHODS AND AREA OF CONSOLIDATION**

### Method of consolidation:

The Companies or Groups of Companies under exclusive control for which the percentage holding or percentage of effective control exceeds 50% are globally integrated (GI). This method of consolidation has been implemented for all the companies of the Group.

The Companies or Groups of Companies under joint control and for which the percentage holding or percentage of effective control is equal to 50%, are proportionally integrated (PI).

The Companies or Groups of Companies over which the group has significant influence in the management without having a percentage holding or a percentage of effective control equal to at least 50%, are equity accounted (EA).

It is recalled that, in the context of complying with South African legislation, the group is obliged to create legal structures in association with 'Black Economic Empowerment' of which the sole purpose is to own mining rights whose exploitation will be conceded to the Group. These entities are consolidated only when the group controls the entity de facto or de jure and/or when the group assumes all the financial risks pertaining thereto. Otherwise, these entities are consolidated on the basis of equity accounting.

### Constitution of the group:

On 28 November 2006, BATLA MINERALS was formed by contribution of 100% of the shares of EL NINO MINING valued at 4,000,000 Euros. EL NINO MINING received a contribution of 47.50% of the shares of ALLUVIAL VENTURES on 10 November 2006 worth the sum of 38,000,000 rands (for information, the rand rate at the end of November 2006 was 0.105 Euros).

Concomitantly, on 10 November 2006, EL NINO MINING acquired:

- 52.50% of the shares of ALLUVIAL VENTURES for the sum of 41,996,259 rands (including 44% via the buy-out of DRUID EXPLORATION and SKIP FAST FOODS),

## APPENDIX TO THE CONSOLIDATED ACCOUNTS OF FINANCIAL YEAR OF 2011

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- 49.00% of the shares of ASAPI 1058 for the sum of 2,900,000 rands payable after ASAPI obtained mining rights, with an additional sum of 481,333 rands to purchase the current account of the outgoing shareholders,
- 49.00% of the shares of BOESMANLAND for the sum of 120 rands with an additional sum of 154,500 to buy the account of the outgoing shareholder,
- 49.00% of the shares owned in FIKZA DIAMONDS for the sum of 58 rands,

At the time the group was constituted, the activity of its companies may be summarised as follows:

-BATLA MINERALS is a financial holding company owning 100% of the shares of EL NINO MINING

- EL NINO MINING is a holding company which owns, directly and indirectly, all of the shareholding in South Africa and Lesotho, namely:

- 100% of the shares of ALLUVIAL VENTURES
- 100% of the shares of DRUID EXPLORATION
- 100% of the shares of SKIP FAST FOODS
- 74% of the shares of ASAPI 1058
- 49% of the shares of BOESMANLAND
- 49% of the shares of FIKZA DIAMONDS.

- DRUID EXPLORATION and SKIP FAST FOODS are two holding companies each owning 22% of ALLUVIAL VENTURES.

- ALLUVIAL VENTURES operates, in the context of a subcontracting contract and on behalf of the owner of the mining rights, an alluvial quarry and conducts excavation and rock processing operations to extract diamonds.

- FIKZA DIAMONDS is a holding company owning 51% of the shares of BOESMANLAND.

- ASAPI and BOESMANLAND are two companies each owning a mining prospecting contract, at the expiry of which a mining exploitation contract will be concluded if the research and prospecting operations produce favourable results.

- BATLA RESOURCES was created with a view to finding new mineral resources. Its purpose is to prospect, develop and render secure new concessions (diamond, uranium, coalbed methane, etc).

- HANHEKA SA, a company registered under South African law, was created to become the mining operator for the mining concession held by Hanheka SPRL in the Democratic Republic of Congo. Because of the intention to break away from this concession, Hanheka SA is inactive and destined to be dissolved.

- GREAT FORCE INVESTMENTS 120 was created for the purpose of applying for prospecting rights for coalbed methane in Limpopo in South Africa (1 concession) and uranium at Fraserburg in South Africa (5 concessions).

- BATLA PROPERTIES was created to acquire the future offices for the management of El Nino Mining and of Batla Resources.

- RIVIERA TUNGSTEN owns 49% of the shares of BONGANI MINERALS.

## APPENDIX TO THE CONSOLIDATED ACCOUNTS OF FINANCIAL YEAR OF 2011

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- BONGANI MINERALS owns tungsten prospecting rights.
- PADDY'S PAD 1183 owns uranium prospecting rights for the Edenburg site.
- AUSTIN'S POST owns 25% of PADDY'S PAD and an option to purchase 26%.
- BUCHUBERG GRAVELS owns 49% of PADDY'S PAD.
- BATLAVAAL PROJECTS was created to acquire mining rights.
- BECHINI INVESTMENTS 60 was created to acquire mining rights.
- CEDAR CREEK PROPERTIES was created to acquire mining rights.
- JUST JASMINE INVESTMENTS 136 was created to acquire mining rights.
- BATLA INVESTMENT HOLDINGS was created in the framework of a partnership that is being created. The company is not yet engaged in any activity.
- TORO DIAMONDS was created to use mining rights in LESOTHO in the context of the formation of a partnership. The company is not yet engaged in any activity.
- ELSANA QUARRY was created (and 50% owned by BATLA RESOURCES) in order to operate mines and quarries.
- GREAT FORCE INVESTMENTS 120 was sold to BATLA RESOURCES for 1 RAND.

### **Development of the group:**

The development of the area of consolidation over the financial year ended 31 March 2011 can be summarised as follows:

- DAYSTAR ELECTRICAL, whose corporate purpose is the installation of electricity poles in LESOTHO.
- BATLA KAO INVESTMENTS, a company created to exploit the Storm Mountain site in LESOTHO.
- ASS INVESTMENTS 38, a previously non-consolidated company because of its non-activity. Registered under Namibian law, the company purpose is to own Coalbed Methane mining rights.

These companies have no significant impact on the consolidated accounts closed on 31 March 2011.



# APPENDIX TO THE CONSOLIDATED ACCOUNTS OF FINANCIAL YEAR OF 2011

## Area of consolidation:

Companies	Information	% Interest	Method of consolidation
BATLA MINERALS	Limited company registered under French law with capital of 5,350 000 Euros registered with the Register of Business and Companies of BEZIERS as no. 493056162, head office at Immeuble le Solar 1, ZAE Le Monestié, 3 Avenue de l'Occitanie 34760 BOUJAN sur LIBRON.	N/A	Parent
EL NINO MINING	Company registered under South African law, constituted as a 'private company,' with capital of 1,600 Rand registered with the South African Registrar of Companies as no. 2001/019313/07 with its head office at Tygerforum B, 2nd floor, 53 Willie Van Schoor Avenue Bellville 7530, PO BOX 3347, TYGERVALLEY.	100%	Subsidiary
ALLUVIAL VENTURES	Company registered under LESOTHO law, registered as no. 2002/394 with its head office c/o Moors Rowland, 15 United Nations Road, Maseru LESOTHO.	100%	Subsidiary
DRUID EXPLORATION	Company registered under South African law, constituted as a 'closed corporation,' registered with the South African Registrar of Companies as no. 1995/005983/07 with its head office at 44 Constantia Road, 7800 WYNBERG.	100%	Subsidiary
SKIP FAST FOODS	Company registered under South African law, constituted as a 'private corporation,' registered with the South African Registrar of Companies as no. 2001/048323/23 with its head office at NBS Building, Jones Street, 8301 KIMBERLEY.	100%	Subsidiary
ASAPI 1058	Company registered under South African law, constituted as a 'private company,' with capital of 1,000 Rand, registered with the South African Registrar of Companies as no. 2006/00388/07 with its head office at 130 Miller Street, 7140 WESTERN BAY.	49%	Subsidiary*
BOESMANLAND DIAMENTE	Company registered under South African law, constituted as a 'private company,' with capital of 120 Rand registered with the South African Registrar of Companies as no. 2003/010023/0 7 with its head office at Tygerforum B, 2nd floor, 53 Willie Van Schoor Avenue Bellville 7530, PO BOX 3347, TYGERVALLEY.	74%	Subsidiary
FIZKA DIAMONDS	Company registered under South African law, constituted as a 'private company,' with capital of 120 Rand registered with the South African Registrar of Companies as no. 2003/010023/0 7 with its head office at Tygerforum B, 2nd floor, 53 Willie Van Schoor Avenue Bellville 7530, PO BOX 3347, TYGERVALLEY.	49%	Subsidiary*
BATLA RESOURCES	Company registered under South African law, constituted as a 'private company,' with capital of 120 Rand registered with the South African Registrar of Companies as no. 2007/010446/0 7 with its head office at Tygerforum B, 2nd floor, 53 Willie Van Schoor Avenue Bellville 7530, PO BOX 3347, TYGERVALLEY.	49%	MEE (equity method of accounting)
HANHEKA SA	Company registered under South African law, constituted as a 'private company,' with capital of 120 Rand registered with the South African Registrar of Companies as no. 2007/015422/0 7 with its head office at Tygerforum B, 2nd floor, 53 Willie Van Schoor Avenue Bellville 7530, PO BOX 3347, TYGERVALLEY.	100%	Subsidiary
GREAT FORCE INVESTMENTS 120	Company registered under South African law, constituted as a 'private company,' with capital of 120 Rand registered with the South African Registrar of Companies as no. 2007/016502/07 with its head office at Tygerforum B, 2nd floor, 53 Willie Van Schoor Avenue Bellville 7530, PO BOX 3347, TYGERVALLEY.	100%	Subsidiary
BATLA PROPERTIES	Company registered under South African law, constituted as a 'private company,' with capital of 120 Rand registered with the South African Registrar of Companies as no. 2007/015637/0 7 with its head office at Tygerforum B, 2nd floor, 53 Willie Van Schoor Avenue Bellville 7530, PO BOX 3347, TYGERVALLEY.	100%	Subsidiary
RIVIERA TUNGSTEN	Company registered under South African law, constituted as a 'private company,' with capital of 100 Rand registered with the South African Registrar of Companies as no. 2008/004239/0 7 with its head office at Tygerforum B, 2nd floor, 53 Willie Van Schoor avenue Bellville 7530, PO BOX 3347, TYGERVALLEY.	100%	Subsidiary
PADDY'S PAD 1183	Company registered under South African law, constituted as a 'private company,' with capital of 1000 Rand, registered with the South African Registrar of Companies as no. 2006/035522/0 7 with its head office at Tygerforum B, 2nd floor, 53 Willie Van Schoor Avenue Bellville 7530, PO BOX 3347, TYGERVALLEY.	49%	Subsidiary*
AUSTIN'S POST	Company registered under South African law, constituted as a 'private company,' with capital of 1000 Rand registered with the South African Registrar of Companies as no. 2007/006501/0 7 with its head office at Tygerforum B, 2nd floor, 53 Willie Van Schoor Avenue Bellville 7530, PO BOX 3347, TYGERVALLEY.	100%	Subsidiary

## APPENDIX TO THE CONSOLIDATED ACCOUNTS OF FINANCIAL YEAR OF 2011

BUCHBERG GRAVELS	Company registered under South African law, constituted as a 'private company,' with capital of 1000 Rand, registered with the South African Registrar of Companies as no. 2006/035310/07 with its head office at Tygerforum B, 2nd floor, 53 Willie Van Schoor Avenue Bellville 7530, PO BOX 3347, TYGERVALLEY.	100%	Subsidiary
BONGANI MINERALS	Company registered under South African law, constituted as a 'private company,' with capital of 11,764 Rand, registered with the South African Registrar of Companies as no. 2002/030414/0 7 with its head office at Tygerforum B, 2nd floor, 53 Willie Van Schoor Avenue Bellville 7530, PO BOX 3347, TYGERVALLEY.	49%	Subsidiary*
BATLAVAAL PROJECTS	Company registered under South African law, constituted as a 'private company,' with capital of 120 Rand, registered with the South African Registrar of Companies as no. 2008/016067/0 7 with its head office at Tygerforum B, 2nd floor, 53 Willie Van Schoor Avenue Bellville 7530, PO BOX 3347, TYGERVALLEY.	100%	Subsidiary
BECHINI INVESTMENTS 60	Company registered under South African law, constituted as a 'private company,' with capital of 120 Rand, registered with the South African Registrar of Companies as no.2007/016394/0 7 with its head office at Tygerforum B, 2nd floor, 53 Willie Van Schoor Avenue Bellville 7530, PO BOX 3347, TYGERVALLEY.	100%	Subsidiary
CEDAR CREEK PROPERTIES	Company registered under South African law, constituted as a 'private company,' with capital of 120 Rand, registered with the South African Registrar of Companies as no.2 007/032914/0 7 with its head office at Tygerforum B, 2nd floor, 53 Willie Van Schoor Avenue Bellville 7530, PO BOX 3347, TYGERVALLEY.	100%	Subsidiary
MOONSTONE MINING	Company registered under South African law, constituted as a 'private company,' with capital of 120 Rand, registered with the South African Registrar of Companies as no. 2008/015728/07 with its head office at Tygerforum B, 2nd floor, 53 Willie Van Schoor Avenue Bellville 7530, PO BOX 3347, TYGERVALLEY.	100%	Subsidiary
JUST JASMINE INVESTMENTS 136	Company registered under South African law, constituted as a 'private company,' with capital of 120 Rand, registered with the South African Registrar of Companies as no. 2007/011885/0 7 with its head office at Tygerforum B, 2nd floor, 53 Willie Van Schoor Avenue Bellville 7530, PO BOX 3347, TYGERVALLEY.	100%	Subsidiary
BATLA INVESTMENTS HOLDING	Company registered under Mauritian law, with capital of 100 Euros, registered as no.090977 C1/GBL with its head office at 5 President John Kennedy Street, Port Louis, Mauritius.	100%	Subsidiary
TORO DIAMONDS	Company registered under LESOTHO law, registered as no. 2009/1044 with its head office at PO Box 12508 Maseru 100 LESOTHO.	100%	Subsidiary
ELSANA QUARRY	Company registered under South African law, constituted in the form of a private company, with capital of 240 rand, registered with the Registrar of Companies of the Republic of South Africa under no. 2006/022382/07with its head office at PO Box 298, Porteville 6810.	24.50%	Subsidiary
DAYSTAR ELEC	Company registered under LESOTHO law with capital of 1000 M, registered as no. 2009/1239, with its head office at Suite 211, Block B, Victoria Hotel Offices, Maseru, LESOTHO	39.96%	Subsidiary *
BATLA KAO INVESTMENT	Company registered under Mauritian law, with capital of 100 € registered as no. 096179 C1/GBL, with its head office at 5 President John Kennedy Street, Port Louis, Mauritius	100.00%	Subsidiary
ASS INVESTMENTS 38	Company registered under Namibian law, with capital of N\$ 100, registered as no. 2008/0189, with its head office at 78 Sam Nujoma Drive, Windhoek, Namibia	100.00%	Subsidiary

\* Companies controlled by the Batla Minerals Group despite the non-majority percentage shareholding.

### Exclusion of the Area of Consolidation:

Hanheka SARL, situated in the Democratic Republic of Congo, of which a 70% shareholding was acquired in November 2006 and which is currently put up for sale by the Group, has not been consolidated since the Group has not been able, within a reasonable period of time, to obtain the financial reports of the company as at 31 March (see Section on Long Term Investments).

## **SALIENT EVENTS OF THE FINANCIAL YEAR**

### *- Disputes with EFI & FORTIS*

Having had its appeal rejected in June 2010, the Company instituted new proceedings in the Dutch courts issuing a writ against the ABN AMRO group (purchaser of the FORTIS NETHERLAND group). At this stage, the procedure is taking its course and has not generated any financial impact as at 31 March 2011.

### *- KAO Project*

The joint venture project could not be successfully carried out as a result of the partner's default. This has not had any significant impact on the accounts closed on 31 March 2011 (posts event after closure).

### *- ALLUVIAL VENTURES*

A letter of intent was signed between ALLUVIAL VENTURES and LETSENG DIAMONDS for the signature of a new contract which took effect on 1 February 2011 for a period of three years leading as a result to an increased turnover for ALLUVIAL VENTURES.

### *- BATLA RESOURCES*

ELSANA QUARRY (subsidiary of BATLA RESOURCES), which is operating granite quarries is subject to a decision which had not been obtained before the accounts were closed on 31 March 2011. As a result, the share of the net balance using the equity method at the close of the financial year takes this risk into account. The Group has maintained a provision covering all the assets of Batla Resources (Pty) Ltd (and its subsidiaries) in view of the related risk, given that the partners cannot assume their share of loss.

### *- BATLA PROPERTIES*

BATLA PROPERTIES purchased the TECHNOPARK office building in June 2010 for the sum of 13, 992, 711 RANDES; it is partly occupied by ENM and partly let to another company.

## **ACCOUNTING PRINCIPLES AND VALUATION METHODS**

### SPECIFIC POINTS

Owing to the fact that the companies of the subgroup EL NINO MINING present their accounts in the South African format, their financial statements have been restated to comply with the format of French financial statements. The South African financial statements were restated because the accounting principles would be different from those acceptable in terms of French accounting principles.

### GOODWILL – SUM OF VALUATION DIFFERENCES

Goodwill, which is the difference between the purchase price of the shares, increased where appropriate by the purchase costs, and the share in shareholders' equity acquired, is allocated to identifiable assets and liabilities. The differences thus allocated, follow the accounting principles and rules used for the entries concerned taking into account the potential tax liabilities written into the deferred tax entry. Unallocated goodwill is depreciated over a period of 5 years.

### INTANGIBLE ASSETS

- When ALLUVIAL VENTURES was acquired, the company identified an element of invisible assets corresponding to the future economic benefits that will result from the exploitation of the sub-contracting ore-screening contract at the diamond mine in Lesotho.

The valuation of this invisible asset (30,000,000 rands) was made on the basis of the discounting of future cash flows based on the following premises:

- Duration: 5 years
- Discount rate: 12%
- Inflation rate: 10% (excluding fuel – 15% fuel)
- Taxation rate: 34.75%

This contract was initially depreciated over a period of 5 years which corresponded to an estimate of the probable period of exploitation at the beginning of the contract. In view of the amendments reinforcing the contractual relationship between the parties, the group estimated that the probable duration of the contract could be extended by an additional five years. As a result the depreciation plan was revised forwards.

- Over the preceding financial year, BATLA RESOURCES made an advance payment for diamond extractions where the company had mining rights (Verdi option). This advance payment of 5,300,000 rands is regarded as a right depreciated over the lifetime of the prospecting permit, i.e. October 2013.

These rights were transferred to EL NINO MINING. In view of the uncertainties that arose during the financial year, provision was made for these rights.

- It should be noted that the costs of research, development and mining prospecting are entered into the accounts as costs, because these expenses are regarded as initial research and prospecting costs. However, once the prospecting rights have been obtained, the prospecting costs are frozen because serious potential opportunities exist for the profitable launch of mining operations.

## APPENDIX TO THE CONSOLIDATED ACCOUNTS OF FINANCIAL YEAR OF 2011

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As long as prospecting takes place in accordance with initial assumptions, there is no depreciation. But if it does not do so:

- a depreciation test is established in order to guarantee that the recognition of these preparatory costs as assets will not make the entry cost of future fixed assets (in the event of a discovery leading to a mining operation) exceed their current estimated value;
- in the event of failure, these costs are entered into the accounts as exceptional costs.

In the event of a discovery leading to a mining operation, the prospecting work is incorporated into the production costs of tangible assets, as these preparatory costs are required to bring the asset into service in compliance with the management's expected use thereof.

The depreciation plan is deferred until the end of the prospecting phase and then amortised over the duration of the mining operation.

### TANGIBLE ASSETS

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The committed tangible assets consist mainly of machines, tools and excavation equipment used for exploiting the alluvial quarries. The entry cost of the tangible assets into the committed assets of the Group consists of the purchase cost. The depreciation of the tangible assets is carried out in a linear way. The duration of the depreciation corresponds to the lifetime of the use of the goods. The periods applied can be broken down as follows:

♦ Implements	5 years
♦ Fittings and equipment	6 years
♦ Site machinery	5 years
♦ Excavating equipment	3 years
♦ Movable	3 years

The goods acquired through leasing are listed in the assets of the balance sheet and the corresponding loans are entered as liabilities in the financial debts. At the same time, the fees are cancelled and the financial cost related to financing, as well as allocations to depreciations, are recorded in accordance with the Group's methods.

Concerning buildings (acquisition of BATLA PROPERTIES – significant events of the financial year), the depreciation period has been estimated at 20 years for the part of the premises used by the group and for the part that is let for the duration of the lease (8 years, renewable for four years). The bases for depreciation have been calculated in terms of the square metres used.

### LONG-TERM INVESTMENTS

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The raw value of the stock of the non-consolidated companies and other non-equity securities appearing in the balance sheet consists of their purchase cost. A provision for depreciation may be constituted when their inventory value is less than the acquisition value.

## APPENDIX TO THE CONSOLIDATED ACCOUNTS OF FINANCIAL YEAR OF 2011

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The inventory value corresponds to the utility value for the Group; in particular, it is determined by taking account of the share of net assets owned, and of the prospects of profitability.

### CURRENT WORK IN PROGRESS

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Work in progress is valued at the cost price of a ton of processed alluvial rocks. If the sale price is lower than the cost price, it is the sale price which is retained in the context of the valuation of the outstanding debts at year end.

### OPERATING RECEIVABLES AND DEBTS

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Accounts receivable are valued at their nominal value. They are subject to a case by case assessment and provision is made for them as evaluated risks.

### MARKETABLE SECURITIES

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Marketable securities appear in the balance sheet at their purchase cost. They are the subject of a provision when their liquidation value is lower than their net accounting value.

### CONTINGENCY AND LOSS PROVISION

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This is intended to cover clearly specified contingencies and losses liable to result from unexpected events occurring or in progress at financial year end.

### SUPPLEMENTARY PENSIONS AND REDUNDANCY PAY

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No provision for pensions is entered into the accounts because it does not apply to the group's employees. However, there is provision for breach of contract in order to take into account social responsibility obligations in South Africa and Lesotho.

### TURNOVER

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Turnover consists of invoiced sub-contracting work of processing and excavation of alluvial rock to extract diamonds on behalf of the owner of a quarry situated in LESOTHO and South Africa.

### COMPANY TAX

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Tax is calculated for each entity of the group in relation to the legislation in force in each country concerned. The main tax rates are as follows:

## APPENDIX TO THE CONSOLIDATED ACCOUNTS OF FINANCIAL YEAR OF 2011

<b>Year</b>	<b>Country</b>	<b>Particulars</b>	<b>Rate</b>
2011	France	Company tax	33,33%
	South Africa	Company tax	28,00%
	South Africa	Dividend tax	12,5%
	Lesotho	Company tax	25,00%
2010	France	Company tax	33,33%
	South Africa	Company tax	28,00%
	South Africa	Dividend tax	12,5%
	Lesotho	Company tax	25,00%

### RECIPROCAL OPERATIONS

Reciprocal balances, the operations carried out between companies of the Group, have been removed. Secondly, the distribution of dividends and the results of the sale of shares between companies of the Group have also been removed.

### OPERATIONS IN FOREIGN CURRENCY

The financial statements of the foreign companies are converted into Euros using the closing rate principle. The Rand-Euro rates used are as follows:

<b>Date</b>	<b>Average annual rate</b>	<b>Closing rate</b>
Nov - 06		0,106477
March - 07	0,106076	0,102929
March - 08	0,098813	0,077777
March - 09	0,08001	0,07808
March - 10	0,091685	0,10109
March - 11	0,102421	0,103619

### DEFERRED TAX

Deferred tax resulting from temporary discrepancies in taxation or deductions are calculated in accordance with the method of variable carrying forward of the totality of the temporary differences existing in the individual accounts, or arising from the restatements of consolidation or the elimination of internal results. They then appear when the value of an asset or a liability is different from its fiscal value. Deferred taxes are calculated for each company. Deferred tax as a net asset is only stated when its recovery is confirmed by the forecasts of future profits at the closing date.

Deferred taxes are calculated at the tax rate prevailing at the financial year end, according to the taxation system in force in the country of origin. Year end deferred tax is calculated using the tax rate of the last known tax demand, i.e. 28%.

# APPENDIX TO THE CONSOLIDATED ACCOUNTS OF FINANCIAL YEAR OF 2011

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## RESTATEMENTS OF TAX-RELATED ACCOUNTS

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The constitution or the write-back of regulated provisions such as, in particular, the write-back of investment grants and the constitution or write-back of exceptional depreciations, is cancelled, in order to prevent the distortion of the image created by consolidated accounts, which is the effect of accounts entered only for the purposes of tax legislation as it is applied in the country where the consolidated company is located.

## MINORITY INTERESTS

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Minority interests represent the share of the foreign partners in the BATLA MINERALS Group in profit and loss and the consolidated shareholders' equity. This share is determined on the basis of the percentage interests actually owned at the end of the financial year.

It must be noted that the losses attributable to the minority interests are deducted from the majority interests insofar as partners or minority shareholders have no formal obligation to make up the losses. If, subsequently, the group makes a profit, the majority interests will then be credited with all the profit up to the level of the minority losses charged.

As at 31 March 2011, the negative result of the minority losses deducted from the group share amounts to 1,216 K Euros.



APPENDIX TO THE CONSOLIDATED ACCOUNTS OF FINANCIAL  
YEAR OF 2011

**DETAIL OF CERTAIN BALANCE SHEET ENTRIES**

**NOTE 1: CONSOLIDATION GOODWILL FUND AND INTANGIBLE ASSETS**

Consolidation goodwill fund:

	Raw values	Depreciations	March- 11 (12 months)	March - 10 (12 mths)
EL NINO MINING	73	64	9	24
ALLUVIAL VENTURES	320	282	37	99
DRUID & SKIP	3,038	2,430	608	1,186
ASAPI	85	85	0	8
BOESMANLAND	56	45	10	21
RIVIERA	934	934	0	0
AUSTIN'S POST	1,242	993	248	484
BUCHUBERG	2,850	2,280	570	1,112
PADDY'S PAD	283	99	183	234
<b>TOTAL</b>	<b>8,881</b>	<b>7,213</b>	<b>1,668</b>	<b>3,170</b>

Other Intangible Assets:

	Raw values	Depreciations & Provisions	March -11 (12 mths)	March -10 (12 mths)
Concessions, rights				
Business	3,109	2,176	933	1,214
Other intangible assets	862	471	391	117
<b>TOTAL</b>	<b>3,971</b>	<b>2,647</b>	<b>1,324</b>	<b>1,331</b>

RV	Concessions, rights	Business	Other intang. Assets	TOTAL
<i>Mar-10</i>		3,033	576	3,609
Increases			267	267
Decreases				0
Foreign currency impacts		76	19	95
<b>Mar-11</b>	<b>0</b>	<b>3,109</b>	<b>862</b>	<b>3,971</b>

APPENDIX TO THE CONSOLIDATED ACCOUNTS OF FINANCIAL YEAR OF 2011

DEPRECIATIONS	Concessions, rights	Business	Other intang. Assets	TOTAL
<i>Mar-10</i>		1,819		1,819
Allocations		307		307
Write-backs				
Foreign currency impacts		50		50
<b>Mar-11</b>	<b>0</b>	<b>2,176</b>	<b>0</b>	<b>2,176</b>

DEPRECIATIONS	Concessions, rights	Business	Other intang. Assets	TOTAL
<i>Mar-10</i>			459	459
Allocations				0
Write-backs				
Foreign currency impacts			12	12
<b>Mar-11</b>	<b>0</b>	<b>0</b>	<b>471</b>	<b>471</b>

NOTE 2: TANGIBLE ASSETS

	Raw values	Deprec.	March - 11 (12 mths)	March - 10 (12 mths)
Land				
Constructions	1,450	120	1,330	
ech. Installations Equip. and implements	3,644	1,124	2,520	2,723
Other tangible assets	5,054	2,556	2,498	2,905
Tangible assets in progress				
<b>TOTAL</b>	<b>10,148</b>	<b>3,800</b>	<b>6,348</b>	<b>5,628</b>

Land	Buildings	Installations, equip. and implements	Other tangible assets	Current assets	TOTAL
			0		
		3,408	5,138		8,546
	1,433	766	173		2,372
		-617	-383		-1,000
					0
	17	87	126		230
<b>0</b>	<b>1,450</b>	<b>3,644</b>	<b>5,054</b>	<b>0</b>	<b>10,148</b>

	1,904
	48
	1,952

APPENDIX TO THE CONSOLIDATED ACCOUNTS OF FINANCIAL YEAR OF 2011

	685	2,233		2,918	815
120	445	269		834	173
	-29	-5		-34	
	23	59		82	23
120	1,124	2,556	0	3,800	1,011
	2,284	2,582		4,746	

NOTE 3: LONG-TERM INVESTMENTS

	Raw Values	Depreciations & Provisions	March -11 (12 mths)	March - 10 (12 mths)
Equity securities	233	233	0	
Debts on equity securities	679	679	0	
Loans			0	
Other long-term investments	2 631	1 885	746	1 625
<b>TOTAL</b>	<b>3 543</b>	<b>2 797</b>	<b>746</b>	<b>1 625</b>

VARIATIONS	Equity securities	Debts on equity securities	Loans	Other long-term investments	TOTAL
Mar-10	233	736		2 110	3 079
Increases				615	615
Decreases		-57		-150	-207
Foreign currency impacts				56	56
<b>Mar-11</b>	<b>233</b>	<b>679</b>	<b>0</b>	<b>2 631</b>	<b>3 543</b>

PROVISIONS	Equity securities	Debts on equity securities	Loans	Other long-term investments	TOTAL
Mar-10	233	736		485	1 454
Allocations				1 371	1 371
Write-backs		-57			-57
Foreign currency impacts				29	29
<b>Mar-11</b>	<b>233</b>	<b>679</b>	<b>0</b>	<b>1 885</b>	<b>2 797</b>

The provision for equity securities and debts on equity securities relates to HANHEKA DRC (one of the significant events of the financial year).

The provision for other long-term investments relates essentially to the cash advance made to BATLA RESOURCES and to ARANOS GAS.

# APPENDIX TO THE CONSOLIDATED ACCOUNTS OF FINANCIAL YEAR OF 2011

## NOTE 4: EQUITY ACCOUNTED STOCK

BATLA RESOURCES is equity accounted. The information is as follows:

EQUITY ACCOUNTED	BATLA RESOURCES
Restated shareholders' equity	-1,340
Value of stock	0
Share of the Group	49%
<b>TOTAL</b>	<b>-659</b>
<i>In K Rands</i>	
Amount of company shareholders' equity	-12,933
Result	-5,898
Total balance sheet	3,516
Turnover	0
RELEVANT FACTORS OF THE BALANCE SHEET (K€)	BATLA RESOURCES
Subsidiary loan	102
Clients	
Operating income	147

## NOTE 5: STOCKS

	Raw values	Depreciations & Provisions	March - 11 (12 mths)	March -10 (12 mths)
Raw materials				
Work in progress	410		410	462
Merchandise				
<b>TOTAL STOCKS &amp; WORK IN PROGRESS</b>	<b>410</b>	<b>0</b>	<b>410</b>	<b>462</b>

# APPENDIX TO THE CONSOLIDATED ACCOUNTS OF FINANCIAL YEAR OF 2011

## NOTE 6: CLIENT RECEIVABLES AND OTHER RECEIVABLES

	Raw values	Depreciation	March - 11 (12 mths)	March -10 (12 mths)
Clients	1,070	111	959	1,126
Sub-total	1,070	111	959	1,126
Tax receivables	350		350	80
Company receivables	30		30	630
Sundry debtors	1,292		1,292	740
Sub-total	1,672	0	1,672	1,450
<b>TOTAL RECEIVABLES</b>	<b>2,742</b>	<b>111</b>	<b>2,631</b>	<b>2,576</b>

## NOTE 7: PAYMENT SCHEDULE OF NET RECEIVABLES

	Less than 1 year	More than 1 year	Total
Clients	1,070		1,070
Tax receivables	350		350
Company receivables	30		30
Sundry debtors	1,292		1,292
<b>TOTAL RECEIVABLES</b>	<b>2,742</b>	<b>0</b>	<b>2,742</b>
Mar-10	2,576		2,576

## NOTE 8: SHAREHOLDERS' EQUITY

Share capital amounts to 5,350,000 Euros. It is divided into 5,350,000 shares of 1 Euro each, fully subscribed and fully paid up.

## NOTE 9: CONTINGENCY AND LOSS PROVISIONS

PROVISIONS	Disputes	EA BATLA RESSOURCES	Redund-ancy pay	Provisions renovation	Other costs	Other risks	TOTAL
Mar-10		354	126	34	32	19	565
Allocations		293		16	24		333
Write-backs			-111		-3	-19	-133
Foreign currency impacts		12	2	1	1		16
<b>Mar-11</b>	<b>0</b>	<b>659</b>	<b>17</b>	<b>51</b>	<b>54</b>	<b>0</b>	<b>781</b>

## APPENDIX TO THE CONSOLIDATED ACCOUNTS OF FINANCIAL YEAR OF 2011

Dispute for which no provision has been made:

ALLUVIAL VENTURES and ENM are in dispute with DOBSON MINING EQUIPMENT which is claiming the sum of 3,400,000 RANDES damages with respect to the delivery of equipment. No provision has been made in the accounts, as the companies concerned and their lawyers are confident that they will win their case in court.

### NOTE 10: NEGATIVE GOODWILL

None.

### NOTE 11: LIABILITIES

	March -11 (12 mths)	March - 10 (12 mths)
Borrowings from credit institutions	1,060	
Sundry liabilities		
Debts related to leasing	671	1,045
Overdraft	2,032	275
<b>TOTAL</b>	<b>3,763</b>	<b>1,320</b>

### NOTE 12: DUE DATES FOR LIABILITIES

	Less than 1 year	1 to 5 years	More than 5 years	Total
Borrowings from credit institutions	51	1,009		1,060
Sundry liabilities				0
Debts related to leasing	405	266		671
Overdraft	2,032			2,032
<b>TOTAL</b>	<b>2,488</b>	<b>1,275</b>	<b>0</b>	<b>3,763</b>
Mar-10	613	707		1,320

### NOTE 13: OTHER DEBTS PAYABLE

	March - 11 (12 mths)	March - 10(12 mths)
Suppliers and related accounts	1,047	448
Advances and payments received		
Sub-total	1,047	448
Social contributions	177	232
Tax debts	84	119
Sundry debts	45	211
Prepaid income		
Sub-total	306	562
<b>TOTAL</b>	<b>1,353</b>	<b>1,010</b>

All the remaining debts are payable in less than one year.

# APPENDIX TO THE CONSOLIDATED ACCOUNTS OF FINANCIAL YEAR OF 2011

## DETAIL OF CERTAIN ENTRIES IN THE PROFIT AND LOSS ACCOUNT

### NOTE 14: TURNOVER AND OTHER OPERATING INCOME

The geographical breakdown of turnover by components is as follows:

	March - 11 (12 mths)	March - 10 (12 mths)
Provision of services		
South Africa / Lesotho	4 748	5 008
- Rest of the world		
<b>TOTAL TURNOVER</b>	<b>4 748</b>	<b>5 008</b>

The other operating income is broken down as follows:

	March - 11 (12 mths)	March - 10 (12 mths)
Provision of services		
Capitalized production		106
Stored production		249
Write-back of provisions and TC	133	114
Other operating income	58	
<b>TOTAL</b>	<b>191</b>	<b>469</b>

### NOTE 15: FINANCIAL PROFIT OR LOSS

The financial profit or loss consists of the following elements at the end of the financial year:

	March - 11 (12 mths)	March - 10 (12 mths)
Other investment income		
Exchange gains		110
Net income of sale of marketable securities		
Other financial income	404	285
Write-backs on prov. and financial depr.	56	
<b>TOTAL FINANCIAL INCOME</b>	<b>460</b>	<b>395</b>
Allocation to prov. & financial depr.	1,371	1,409
Interests and financial costs	412	12
Exchange losses	296	51
Other financial costs		132
<b>TOTAL FINANCIAL COSTS</b>	<b>2,079</b>	<b>1,604</b>
<b>FINANCIAL PROFIT OR LOSS</b>	<b>-1,619</b>	<b>-1,209</b>

### NOTE 16: EXCEPTIONAL RESULT

The exceptional result consists of the following elements at the end of the financial year:

APPENDIX TO THE CONSOLIDATED ACCOUNTS OF FINANCIAL YEAR OF 2011

	March - 11 (12 mths)	March - 10 (12 mths)
Exceptional operating income		
Exceptional income on previous ex.		
Income from sale of some assets	895	304
Other exceptional income		
Profit on sale of subsidiary		
Write-backs of exceptional provisions		
Transfers of exceptional costs		
<b>TOTAL EXCEPTIONAL INCOME</b>	<b>895</b>	<b>304</b>
Exceptional operating costs		
Costs from previous financial years		
Net carrying amount of the assets sold	966	289
Other exceptional costs		
Exceptional allocations to provisions		
<b>TOTAL EXCEPTIONAL COSTS</b>	<b>966</b>	<b>289</b>
<b>EXCEPTIONAL RESULT</b>	<b>-71</b>	<b>15</b>

NOTE 17: COMPANY TAX

	March - 11 (12 mths)	March - 10 (12 mths)
Company tax	106	118
Deferred taxes	-198	-42
<b>TOTAL</b>	<b>-92</b>	<b>76</b>

	2011	2010
<b>Pre-tax result</b>	<b>-5 752</b>	<b>-3 756</b>
Selected tax rate	33.33%	33.33%
<b>Theoretical tax charge</b>	<b>-1 917</b>	<b>-1 252</b>
Impact of rate variation on current tax	322	-36
Temporary differences	388	1 436
Permanent differences	21	20
Equity accounting	98	35
Depreciations and write-backs goodwill	525	846
Deficits not resulting in deferred Tax asset	215	276
Others	257	-1 214
<b>Actual tax cost</b>	<b>-92</b>	<b>76</b>



# APPENDIX TO THE CONSOLIDATED ACCOUNTS OF FINANCIAL YEAR OF 2011

## NOTE 18: DEFERRED TAXES

DEFERRED TAXES	March - 11 (12 mths)	March - 10 (12 mths)
<b>LIABILITIES</b>		
Temporary discrepancy (Alluvial)	734	839
<b>Total</b>	<b>734</b>	<b>839</b>
<b>ASSETS</b>		
Latent exchange loss (ENM)		209
Temporary discrepancy (ENM)		-160
Deficit that can be carried forward (ENM)	1 404	1 384
Restatements (ENM)	60	62
<b>Total</b>	<b>1 464</b>	<b>1 495</b>

It must be noted that the deferrable deficits of BATLA MINERALS SA have not been activated through caution. Basically, these deficits amount to 1,562 K€ as at 31 March 2010.

## NOTE 19: PAYMENT AWARDED TO THE MEMBERS OF THE ADMINISTRATION AND MANAGEMENT

Financial year ended 31 March 2011: 507,000 Euros  
 Financial year ended 31 March 2010: 307,000 Euros

## NOTE 20: AVERAGE WORKFORCE NUMBERS

The overall workforce broken down by socio-professional categories as at 31 March 2011 is resented for each legal category listed below:

	TOTAL
Directors	4
Executives	5
Availability	
Employees	114
<b>TOTAL</b>	<b>123</b>

## NOTE 21: RESULT PER SHARE

The result per share of - 1.07 Euros is fixed in accordance with notice no. 27 of the *Ordre des Experts Comptables* (Association of Registered Accountants) and is the division of the net result share of the Group by the weighted average number of shares in circulation of BATLA MINERALS SA, i.e. 5,350,000 shares.

# APPENDIX TO THE CONSOLIDATED ACCOUNTS OF FINANCIAL YEAR OF 2011

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## NOTE 22: POST END OF FINANCIAL YEAR EVENTS

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- KOLO Project:
- On 15 July 2011, the Group was awarded a mining licence on the Kolo site by the Department of Minerals and Energy of Lesotho.
- This project, named “Kolo”, is a mining site with two kimberlite pipes, one covering an area of 1.2 ha, and the other covering an area in excess of 6 ha. Historical data reveals the presence of diamonds in a concentration of 8.5 carats per hundred tonnes for the first pipe. For the second, tests have proved the presence of diamonds but new and more extensive tests will be needed to determine the estimated potential of this pipe.
- Stormberg Project (formerly Kao):

The Joint Venture project with Namakwa Diamonds Ltd was unsuccessful during this financial year as a result of the default of the latter. Namakwa Diamonds Ltd did not respect the terms of the undertakings made upon the signature of a Memorandum of Understanding (MOU) dating from November 2009, and which consisted of defining the rules for sharing the co-venture as well as the rules for the division of the mining operators’ contracts (weathered kimberlite for Toro Diamonds (Pty) Ltd, a subsidiary of Batla Minerals and hard kimberlite for Namakwa Diamonds Ltd).

Considering that it has been injured at every level, Batla Minerals took the decision to take legal action against Namakwa Diamonds Ltd in the High Court of Lesotho. In July 2011, Batla Minerals, via its subsidiary Toro Diamonds (Pty) Ltd, obtained a court order from the Maseru Court in Lesotho and a warrant of seizure of:

  - The entirety of the shareholding held by Namakwa Diamonds Ltd in Storm Mountain (Pty) Ltd and;
  - The entirety of the rights, its stocks and shareholdings related to credit account held by Namakwa Diamonds Ltd in Storm Mountain (Pty) Ltd.
- Riviera site:

The Group had abandoned its prospecting right for tungsten and molybdenum in March 2010 to lodge a new application for prospecting rights to include not only those two ores but also the “Rare Earth Elements” (REE), zinc, copper, silver and gold. The purpose of this procedure was to avoid the possibility of a third party making an application for prospecting rights for one of the latter ores and being granted it by the Department of Minerals and Energy. In such a case, it would be necessary to cohabit on the mining operations site. But above all, it is because tests revealed the very considerable presence of REEs on this site, which gives it a much greater in situ value.

The Group was awarded prospecting rights by the Department of Minerals and Energy on 1 July 2011.

## NOTE 23: COMMITMENTS NOT INCLUDED IN THE BALANCE SHEET

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- Option to purchase 25% of BONGANI MINERALS for the amount of 7,500,000 rands including 4,800,000 rands already paid (option valid up to 30 days after mining rights have been obtained).
- Option to purchase an additional 26% of shares in PADDY’s PAD 1183 (Pty) Ltd. The previous option to purchase 25% was exercised for 1,905,000 rands during the financial year. The option cost 689,000 rands.

## APPENDIX TO THE CONSOLIDATED ACCOUNTS OF FINANCIAL YEAR OF 2011

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- Option to purchase 25% of ASAPI for the sum of 1,000,000 rands (option valid up to 30 days after mining rights have been obtained).