

Report of the Independent Auditors to the Members of  
**CORPCLO 331 (PROPRIETARY) LIMITED**

*Report on the financial statements*

We have audited the annual financial statements of CorpClo 331 (Proprietary) Limited which comprise the directors' report, the statement of financial position at 31 December 2010, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 1 to 10.

*Management responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are 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.

*Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidences about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 statements.

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

*Opinion*

In our opinion the financial statements fairly present, in all material aspects, the financial position of the company at 31 December 2010, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Companies Act of South Africa.

*Emphasts of matter*

Without qualifying our opinion, we draw attention to the statement of changes in equity in the financial statements which indicates that the company has incurred a net loss of R500,377 for the year ended 31 December 2010 and as of that date the company's total liabilities exceeded its total assets by R5,471,671. These conditions indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

*Report on other legal and regulatory requirements*

With the written consent of the members, we have performed certain accounting and secretarial duties.

**NEXIA LEVITT KIRSON**  
Per AS Lewis  
Chartered Accountant (SA)  
Registered Auditor  
Johannesburg  
11 March 2011

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**CORPCLO 331 (PTY) LTD**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2010**

	Note	2010 R	2009 R
<b>ASSETS</b>			
<b>Non-Current Assets</b>		2 729 746	6 869 697
Property, Plant and Equipment	2	517 963	561 038
Mineral Properties	3	-	4 347 626
Deferred taxation	4	2 111 783	1 961 033
Taxation		100 000	-
<b>Current Assets</b>		752 015	586 546
Other Receivables and Prepayments	5		
<b>Total Assets</b>		<u>3 481 761</u>	<u>7 456 243</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		(5 471 670)	(4 971 294)
Issued capital	6	100	100
Retained earnings		(5 471 770)	(4 971 394)
<b>Non-Current Liabilities</b>		8 899 844	12 397 101
Shareholders loans	7	8 637 158	12 134 415
Long-term provisions	9	262 686	262 686
<b>Current Liabilities</b>			
Trade and other payables	8	53 587	30 436
<b>Total Equity and Liabilities</b>		<u>3 481 761</u>	<u>7 456 243</u>

**CORPCLO 331 (PTY) LTD**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 R	2009 R
Expenses		651 127	2 501 189
Loss before taxation		<u>(651 127)</u>	<u>(2 501 189)</u>
Taxation	10	150 750	755 301
Net loss for the period		<u><u>(500 377)</u></u>	<u><u>(1 745 888)</u></u>

**CORPCLO 331 (PTY) LTD**

**STATEMENT OF CHANGES IN EQUITY  
AS AT 31 DECEMBER 2010**

	Issued capital R	Retained earnings R	Total R
Balance at 1 January 2009	100	(3 225 506)	(3 225 406)
Net loss for the period		(1 745 888)	(1 745 888)
Balance at 31 December 2009	100	(4 971 394)	(4 971 294)
Net loss for the period		(500 377)	(500 377)
Balance at 31 December 2010	100	(5 471 771)	(5 471 671)

**CORPCLO 331 (PTY) LTD**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED**  
**31 DECEMBER 2010**

**1. Accounting policies**

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRSs). The principal accounting policies adopted in the preparation of these financial statements are set out below.

**1.1 Basis of presentation**

The financial statements are presented in South African rands, rounded to the nearest rand and are prepared on the historical cost basis.

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, the disclosures of any contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of expenses during the reporting period.

Significant areas where management judgment is applied are asset valuations, the recoverability of exploration and development expenditures on mineral properties, the amount of proven and probable mineral reserves, the estimated fair value of assets acquired in recent business combinations, the amount of future site restoration costs and contingent liabilities.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**1.2 Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Land is not depreciated. Depreciation is provided for on a straight line basis, after taking into account the residual value of the asset, over its estimated useful lives which are as follows:

Buildings	20 Years
Plant and Machinery	3 Years
Motor Vehicles	5 Years
Computer Equipment	5 Years
Furniture and Fittings	6 Years

The estimated useful lives and residual values of all property, plant and equipment are reviewed, and adjusted if necessary, at each reporting date.

Depreciation is charged to profit or loss. Gains or losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. The net amount is included in profit or loss for the period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED  
31 DECEMBER 2010

1.3 *Mineral Properties*

Direct property acquisition costs, holding costs, field exploration and supervisory costs, and development costs relating to specific properties are capitalised and deferred until the property to which the costs directly relate is placed into production, at which time they will be depreciated on a unit of production basis, or until the properties are abandoned, sold or considered to be impaired in value, at which time an appropriate charge to profit or loss will be made. Costs include the cash consideration paid and the fair market value of the shares issued, if any, on the acquisition of exploration properties. Costs incurred for administration and general exploration that are not project specific, are charged to profit or loss.

A review of the capitalised costs is made on an annual basis and an impairment on the value is recognised based upon the stage of exploration and / or development, work programs proposed, current exploration results and upon management's assessment of the future probability of profitable revenues from each property, or from the sale of the relevant property. The assessment of a property's estimated current fair market value may also be based upon review of other property transactions that have occurred in the same geographic area as that of the property under review. The recovery of costs of mining claims and deferred exploration is dependent upon the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete exploration and development and the future profitable production, or proceeds from disposition, of such properties.

1.4 *Impairments*

The carrying value of the assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is based on the higher of fair value less costs to sell and the assets value in use. An impairment loss is recognised in profit or loss in the period when the recoverable value exceeds the carrying value of the asset.

1.5 *Taxation*

Current taxation comprises of normal tax payable calculated on the basis of the estimated taxable income for the year, using the tax rates enacted at the statement of financial position date.

Deferred taxation is based on temporary differences. Temporary differences arise when the carrying amounts of assets and liabilities for financial reporting purposes differs to the tax base of those assets and liabilities. Deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred taxation assets are reduced to the extent that it is not longer probable that the related tax benefit will be realised.

The effect on deferred taxation of a change in tax rate is recognised in profit or loss in the period the change in tax rate was enacted.

CORPCLO 331 (PTY) LTD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED  
31 DECEMBER 2010

1.6 *Financial instruments*

Financial assets and financial liabilities are recognised on the company's statement of financial position when the company has become a party to the contractual provisions of the instruments. Initial and subsequent recognition of these instruments are measured as set out below.

*Loans and receivables*

Loans and receivables are initially measured at fair value, plus transaction costs. Subsequently, items included in this category are measured at the amortised cost, calculated based on the effective interest method, and interest income is included in profit or loss for the period. Net gains or losses represent reversals of impairment losses, impairment losses and gains and losses on derecognition. Net gains or losses are included in "other income" or "other expenses".

Short-term receivables with no stated interest rate are measured at the original invoice amount, if the effect of discounting is immaterial.

*Borrowings and payables*

Borrowings and payables are initially measured at the fair value excluding any transaction costs. Subsequently, these liabilities are measured at fair value with gains and losses recognised in profit or loss. Interest expense is separated from the net gains and losses on these items. Interest expense, calculated using the effective interest method, is included in "finance cost". Net gains or losses consist of gains or losses on the derecognition of items and they are included in "other income" or "other expenses".

*Offsetting*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

CORPCLO 331 (PTY) LTD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
31 DECEMBER 2010

2. Property, plant and equipment

	Plant & Machinery R	Land & Buildings R	Motor Vehicles R	Computer Equipment R	Furniture & Fittings R	Total R
Carrying amount at 01 January 2009	328 851	85 679	135 664	2 506	78 057	630 757
At cost	328 851	85 679	162 797	3 609	107 872	688 808
Accumulated Depreciation	-	-	(27 133)	(1 103)	(29 815)	(58 051)
Depreciation	-	-	(32 559)	(1 203)	(35 957)	(69 719)
Carrying amount at 31 December 2009	328 851	85 679	103 105	1 303	42 100	561 038
At cost	328 851	85 679	162 797	3 609	107 872	688 808
Accumulated Depreciation	-	-	(59 692)	(2 306)	(65 772)	(127 770)
Depreciation	-	-	(32 559)	(423)	(10 093)	(43 075)
Carrying amount at 31 December 2010	328 851	85 679	70 546	880	32 007	517 963
At cost	328 851	85 679	162 797	3 609	107 872	688 808
Accumulated Depreciation	-	-	(92 251)	(2 729)	(75 865)	(170 845)

Management has reassessed the useful lives of the assets and prospectively applied new rates of depreciation for certain assets.

The new estimated useful lives are as follows:

	2010	2009
Computer equipment	5 years	3 years
Furniture and fittings	6 years	3 years

Management is of the opinion that the new useful lives better approximate the actual rate of usage attributable to the assets.

3. Mineral properties

Mineral properties is deemed to belong to Homeland Mining & Energy SA (Pty) Ltd, as the inventory to which it relates has been accounted for in the books of Homeland Mining and Energy SA (Pty) Ltd.

**CORPCLO 331 (PTY) LTD**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED**  
**31 DECEMBER 2010**

	2010 R	2009 R
<b>4. Deferred taxation</b>		
Deferred tax asset at beginning of year	1 961 033	1 205 732
Credited to the statement of comprehensive income	150 750	755 301
Deferred tax asset at end of year	<u>2 111 783</u>	<u>1 961 033</u>
 Deferred tax comprises of the following categories:		
Mineral properties	-	(1 309 414)
Non-mining assets	(16 990)	9 208
Provision for rehabilitation	73 552	73 552
Estimated tax loss and unused capital expenditure	2 055 221	3 187 687
Deferred tax asset	<u>2 111 783</u>	<u>1 961 033</u>
 <b>5. Other Receivables and Prepayments</b>		
Deposits	20 621	14 660
Value Added Taxation	731 394	571 886
	<u>752 015</u>	<u>586 546</u>
 <b>6. Issued capital</b>		
<i>Share capital</i>		
Authorised		
1000 Ordinary shares of R1 each	<u>1 000</u>	<u>1 000</u>
Issued		
100 Ordinary shares of R1 each	<u>100</u>	<u>100</u>
 The unissued shares of the company are under the control of the directors until the forthcoming annual general meeting.		
 <b>7. Shareholders loans</b>		
Homeland Mining & Energy SA (Pty) Ltd	<u>8 637 158</u>	<u>12 134 415</u>

The above loan is unsecured, interest free and repayable on demand of the lender. The lender however agrees not to request repayment before January 2012, unless a suitable alternative source of finance has been arranged.

**CORPCLO 331 (PTY) LTD**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED  
31 DECEMBER 2010**

	2010 R	2009 R
<b>8. Trade and other payables</b>		
Suppliers	4 663	-
Accruals	27 080	30 436
Provision for leave pay	21 844	-
	<u>53 587</u>	<u>30 436</u>
<b>9. Environmental Obligation Provision</b>		
Balance at beginning of year	262 686	
Provisions made during the period	-	262 686
Balance at end of year	<u>262 686</u>	<u>262 686</u>
<p>A guarantee is held with Homeland Mining &amp; Energy SA (Pty) Ltd's First National Bank in favour of the Department of Minerals and Energy Affairs to the value of R262,686.</p>		
<b>10. Taxation</b>		
SA Normal Taxation		
Deferred taxation	<u>150 750</u>	<u>755 301</u>

Taxation has not been provided as capital allowances resulted in an estimated assessable loss for the year of R7,304,076 (2009: R6,708,117) and the entity as an unredeemed capital expenditure which will both be available for set off against future taxable profits.

**11. Events after balance sheet date**

There have been no material fact or circumstance which has occurred between the accounting date and the date of this report.

**12. Cash flow statement**

No cash flow statement has been prepared as the company does not have a bank account and all transactions are taken through an inter-company loan account with Homeland Mining & Energy SA (Pty) Ltd

**13. Related party disclosure**

*The holding company - Homeland Mining & Energy SA (Pty) Ltd (100% shareholding)*

Balances with the holding company has been disclosed in note 7

Management fee paid - R64 678 (2009:R1,651,707)

*The ultimate holding company - GMR Energy Limited, incorporated in India.*

No transactions took place between the company and the ultimate holding company.

**CORPCLO 331 (PTY) LTD**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010 R	2009 R
Other Income	-	-
Expenses	651 127	2 501 189
Accounting Fees	36 462	22 351
Consulting Fees	-	-
Depreciation	43 075	69 720
Donation	5 209	-
Electricity & Water	-	907
Entertainment expenses	-	-
General expenses	44 603	14 951
Security	94 965	98 230
Interest paid	-	-
Legal fees	-	46 209
Management fee	64 678	1 651 707
Motor vehicle expenses	1 500	-
Printing & stationery	-	-
Rent paid	124 764	174 133
Salaries and wages	232 639	394 074
Telephone and fax	(338)	1 907
Travel & Accomodation	3 570	27 000
Loss for the period	<u>(651 127)</u>	<u>(2 501 189)</u>