

**Batla Minerals SA**  
**Limited Liability Company with capital of 5,350,000 €**  
**Immeuble le Solar 1**  
**ZAE Le Monestié – 3 Avenue de l’Occitanie**  
**34760 Boujan sur Libron**  
**Register of Business and Companies (RCS) Béziers No. B 493 056 162**

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**Report of the Board of Directors of 6 August 2010 to the Ordinary Annual General Meeting**  
**held on 29 September 2010**

Ladies and Gentlemen:

We have invited you to attend the Annual General Meeting in accordance with the provisions of the law and of the statutes of our Company and, in particular, to ask you to approve the accounts of the financial year which ended on 31 March 2010.

The written notifications to attend required by the law have been duly sent out and all the documents and papers provided for by the current regulations have been made available to you within the statutory deadlines.

<b>I. REPORT ON THE MANAGEMENT OF THE CONSOLIDATED GROUP</b>
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**1.1 Situation and Activity of the Batla Minerals Group**

**1.1.1 Significant Events**

Market conditions in the diamond industry which had shown a marked deterioration since the end of the 2008 calendar year, with a considerable decline in the price of the rough stones, showed signs of a significant recovery during the final months of the financial year ended 31 March 2010. The recovery was accompanied by an increased demand for stones and higher prices for rough stones, though these are still lower than those which prevailed at the beginning of 2008.

As a result of these factors, combined with sustained efforts with respect to the operations at Letšeng, the subsidiary company Alluvial Ventures benefited from new investments, which enabled it to subsequently increase productivity.

In addition, the Group made considerable efforts to acquire a significant share in the Kao diamond mining concession in Lesotho. The rights to the concession were purchased through the Namakwa Batla Diamonds Company, a joint venture created for the purpose and owned by Batla Investment Holdings (wholly owned subsidiary of Batla Minerals S.A.), Namakwa Diamonds Ltd, the Government of Lesotho and a number of economic players in Lesotho.

This project falls within the scope of the Group’s intention to exploit diamond mining sites with high added value, supported by the fact that the Kao mining site offers the largest kimberlite pipe in Lesotho and the 4th largest pipe in the whole of Southern Africa.

## 1.1.2 Activities of the Group

### 1.1.2.1 Diamond Activity

#### ◆ *Letseng site (Lesotho)*

The Letseng site, where Alluvial Ventures (Pty) Ltd. is conducting operations, generated the entire Turnover for the financial year ended 31 March 2010.

Activity was maintained at a high pace and investment decisions were made to install equipment—enabling the increased productivity of the site, namely:

- installation of a crusher to process ‘hard kimberlite’;
- establishment of 3 flow sorts (x-ray luminescent diamond separators) to achieve a more reliable final sorting and recovery of diamonds.

The activity generated by Alluvial Ventures led to the extraction of 14.414 carats during the financial year ended 31 March 2010 which represents a decrease of 13% in relation to the previous financial year.

The data is summarised in the table below:

Period	Financial year ended 31 March 2009					Financial year ended March 2010				
	1	2	3	4	Financial year	1	2	3	4	Financial year
No. of Tonnes	559.956	574.606	476.291	515.349	2.126.202	553.954	599.626	419.298	576.206	2.149.084
Carats	4.855	5.106	3.222	3.375	16.557	3.847	4.505	3.081	2.981	14.414
Carats / 100 tonnes	0,867	0,888	0,676	0,654	0,78	0,69	0,75	0,73	0,52	0,67

The Turnover amounted to **5,008 K€** at 31 March as compared with 6,660 K€ during the previous financial year, which represents a decline of 24.8 %.

#### ◆ *Windsorton site (near Kimberley)*

Exploitation of the Windsorton site, uniting all the activities of alluvial diamond extraction, registered under the names of ‘Erf 1,’ ‘Morrisdraai’ and ‘Georges se

Grond' and grouped together under the umbrella of the legal entity of Moonstone Mining (Pty) Ltd, had begun in the third quarter of 2008.

The market downturn led to a major decline in diamond prices, which meant that it was no longer possible to guarantee profitable exploitation of these concessions. Consequently, the Group decided to put them on care and maintenance until price conditions improved. These sites were gradually shut down during March-April 2009.

◆ ***Grootdrink site***

The Grootdrink mining site (the concession held by Asapi (Pty) Ltd) in the region of the Northern Cape, which was in the exploratory test phase until February 2009, was also put on care and maintenance (March-April 2009) to prevent additional costs.

◆ ***Brandvlei site***

The Brandvlei mining site (the concession held by Boesmanland (Pty) Ltd) located in the Northern Cape region, succeeded in renewing prospecting rights granted by the Department of Minerals and Energy at the end of the first quarter of 2009.

The Group decided to put this site on care and maintenance in April 2009, to prevent additional costs related to the prospecting phase; a status which will continue until market conditions improve.

### **1.1.2.2 Uranium Activity**

The Group contracted Mintek, a leader in ore and metallurgical research, to carry out all the tests needed to accurately determine the reserves of uranium present at the Mooifontein site (South Africa), during the final quarter of 2009. Many tests were conducted, which helped define the process to be used in optimising the extraction of this ore.

The tests were carried out on-site and in a laboratory using lixiviation methodology ('heap leaching'). Tests are scheduled to be completed during the last quarter of this calendar year.

So far, results have proved interesting because a high uranium content has been identified and the rate of recovery of the ore trends toward the high side.

In addition, the Group is keeping a close watch on the development of 'spot' prices of uranium, which according to many analysts, should set in motion an upward trend to reach 60\$/lb during the next quarter (currently the prices are hovering between 44 and 45\$/lb). Within 18 to 24 months, spot prices are projected to hit 80\$/lb. This price increase would obviously enhance the value of these mining assets and therefore make it possible to sell them at a profit. This is in line with the decision of the Group's Board of Directors which had determined in March 2009 to sell its shareholding in Paddy's Pad (Pty) Ltd, or its uranium prospecting rights granted by

the Department of Minerals and Energy. To that end, a non-exclusive mandate was given to a specialist broker in April 2009 to conduct the sale of these mining assets. At the end of March 2010, the uranium activity was not generating any revenue for the reasons outlined above.

### **1.1.2.3 Tungsten Activity**

As the Group has a 49% shareholding in a company that holds a tungsten (and molybdenum) concession, it had initiated an environmental impact study during the first quarter of 2008; a necessary process to obtain mining rights.

This study was suspended because a landowners' and farmers' association, which objects to the proposed mining of tungsten, had lodged an appeal to have the future application for mining rights invalidated by the DME (Department of Minerals and Energy). Although the appeal was not suspensive, in view of the pernicious atmosphere which had been created between the landowners and the Group, it was deemed wise to suspend the environmental impact study until the DME should issue authorisation to return to the site.

During this period, the Group has continued to conduct tests on this project and earlier studies led to the discovery that a part of site contained other ores such as 'Rare Earth Elements' (REE), in particular.

Consequently, the sensible course was to submit a new application for mining rights on this site for all the ores which have been identified by the various studies.

The process required the company to abandon its application for the right to mine tungsten and molybdenum as, if the company had been granted mining rights for tungsten and molybdenum and a third party had applied for the right to prospect for one of the ores present on the site, the whole project could have been blocked or it could have been necessary to consider a form of co-extraction with another mining company.

The new application for prospecting rights was submitted to the Department of Minerals and Energy in March 2010. The application process required significant interaction with the public and affected landowners, and the submission of a number of technical reports. Consequently, at the end of March 2010, tungsten activity was not generating any revenue.

### **1.1.3 Problems encountered**

#### **◆ Concerning Diamond activity**

The chief problem which the Group has had to face concerns the delay in the Stormberg (formerly known as Kao) project. Even though the outlines of the cooperation project with Namakwa Diamonds Ltd have been clearly laid down, they have not yet been implemented, which has led to a delay in making this site operational.

◆ **Concerning Tungsten activity**

Once the Group had identified ores on the Riviera site other than tungsten and molybdenum, for which an application for mining rights was already under consideration, it had to withdraw that application to submit a new application for prospecting rights for the two original ores as well as others, including the Rare Earth Elements (REE) and all the other ores that are present or are in trace form. The purpose of this procedure is to prevent any third party applying for prospecting rights for one of the ores present on site which might lead to a situation where our operations could be blocked.

◆ **Concerning the activities conducted by Batla Resources (Pty) Ltd**

The exploitation of the granite quarry, under the auspices of Elsana Quarry (Pty) Ltd, has had to be shut down, following legal action by local authorities.

The defendants in the case are Elsana and the Department of Mineral Resources. The local authorities have proposed a solution, which might offer a way out of the deadlock. Elsana would need to submit an application for re-zoning, which would make it possible to amend the classifications that form the basis for determining the methods of exploitation of the territory.

The Coalbed Methane (CBM) prospecting programme on the Aranos site in Namibia has not produced the hoped-for results. The CBM content was insufficient and the gas extraction programme was abandoned after we had fulfilled a number of demands made by the Namibian Government. Nevertheless, the site has revealed considerable potential for gasifying coal.

**1.1.4 Outlook**

Although the purchase value of rough diamonds still falls short of the amounts achieved during the first quarter of 2008, there is a confirmed upward trend and there is a continuing demand for rough stones of fine quality. This is particularly valid for the stones mined in the Kingdom of Lesotho, which are very high quality diamonds.

Consequently, the Group has exerted considerable energy to obtain a significant shareholding in the company which has won the mining lease for the Kao site in Lesotho. (The site has subsequently been renamed Stormberg).

A Joint Venture (JV) that includes the Namakwa Diamonds Company Ltd (a company quoted on the Main Market of the London Stock Exchange), the Government of Lesotho and a number of local investors has been created, under the name of: Namakwa Batla Diamonds Lesotho (NBDL).

The joint venture NBDL created for this purpose is owned as follows:

- Batla Minerals and Namakwa Diamonds have a 62.5 % capital shareholding;
- Government of Lesotho has a 25% capital shareholding;
- Local economic players have a 12.5% capital shareholding.

The Stormberg (formerly Kao) mining site, situated at an altitude of 2,500 metres and extending over a surface of 19.8 hectares, offers the biggest kimberlite pipe in Lesotho and the fourth largest in the whole of Southern Africa.

This site has 173 million tonnes of material to be processed for reserves estimated at 12.4 million carats of diamonds.

The objective of the Batla Group is to become both a shareholder in the JV NBDL and the sub-contractor for the processing of the weathered and alluvial kimberlite.

To this end, the Group is planning to install a weathered kimberlite processing plant (following the centrifugal pan plant process) based on the same model as that used at Letšeng.

In addition, the Group is continuing to develop all the necessary technical, geological, environmental, financial, legal and logistical studies for the assets of which it holds the prospecting rights. The following sites are involved:

- Riviera Tungsten whose chief mineral resource is tungsten;
- Mooifontein whose chief mineral resource is uranium;
- Waterberg whose chief mineral resource is Coalbed Methane (CBM).

These studies will enable the mining leases to be obtained, clear of all legal restraints, and will demonstrate the full potential of the reserves of each site. Once this stage has been reached, the Group will then be in a position to envisage either starting operations at the site, because it will have a feasibility study done, or the sale of the assets at a higher price than the simple resale of prospecting rights.

#### **1.1.5 Major occurrences since the end of the financial year**

During the first quarter of the new financial year, the Group finalized the purchase of premises intended for office use in Capital Place, an office complex located in Technopark, Stellenbosch (South Africa). The staff of El Nino Mining Company (Pty) Ltd occupy 225 m<sup>2</sup> of the 660 m<sup>2</sup> purchased for a total sum of 14 million ZAR. It was financed by contribution from company funds of 3.5 million ZAR, the balance being financed by Investec Bank. The Group plans to rent out the remaining 435 m<sup>2</sup>.

The Group has also established a rental contract for a minimum period of 24 months (renewable) for some of the excavating equipment which was lying idle from the Windsorton site. The excavating equipment is rented out to a contractor working at the Mothae mine in Lesotho. The Group is considering offering to sell the said equipment to the contractor at the end of the 24-month period.

The Group has obtained a prospecting certificate for Coalbed Methane (CBM) in Namibia. Prospecting rights have been awarded to the Aranos Gas Company Ltd, a joint venture created for the purpose and owned by the companies of Batla Minerals S.A. (27% of capital), SADC Minerals (a Namibian-registered company) and a number of local economic players.

The Aranos Gas Company initiated in April 2010 a phase of intensive prospecting, with drilling and measurement of the in situ quantities of coalbed methane. Batla Minerals S.A.'s investment has risen to 2.5 million ZAR. The tests were not sufficiently conclusive to undertake the next phase which consisted of establishing a gas extraction unit to convert it into electricity.

However, the studies have made it possible to identify a considerable presence of coal, which can be gasified by technical means to obtain electricity. This process has been abandoned for the present since it requires major investment.

Having commissioned Mintek (mineral research organisation) to conduct the metallurgical studies of its uranium mining site, the Group invested up to 1 million ZAR to enable the identification of the final extraction process and the type of solution (alkaline/acid) needed in the context of processing by lixiviation (heap leaching). Although these tests will only be completed during the fourth quarter of the 2010 calendar year, the results identified to date have proved positive.

#### **1.1.6 New projects**

As the project for CBM extraction at the Aranos site in Namibia was not sufficiently conclusive, but could (in the medium term) lead to a project of the gasification of coal, the Group has begun negotiations with the SADC company (a partner of the Group in the Aranos project) to initiate prospecting tests for a CBM project in the Waterberg region in Namibia.

Although the Group has received many approaches, it has not considered embarking on other projects.

Its objective in the immediate future is to develop the current or recently initiated projects.

#### **1.1.7 Research and development**

The Group, which has acquired prospecting rights for a site offering significant uranium reserves, has initiated a battery of tests to define the most successful and efficient operational model to extract the ore.

To that end, the Group has commissioned a laboratory specialising in metallurgy and mineral valuation to identify what type of alkaline or acid solution will need to be used to extract the uranium ore using a process of lixiviation (heap leaching). Mintek, a world leader in mineral and metallurgical analysis, is in charge of the development of this project.

### **1.2 Analysis of business and of the situation**

The financial year shows the operating income of the Group at **5,477 K€**, compared with 6,664 K€ for the preceding financial year, a drop of 17.8%, due to the 20% decline in rough diamond prices and a 15% decrease in the recovery of diamonds.

The decision taken by the Group to put some of its unprofitable diamond mining operations (those of Windsorton) on care and maintenance has led to a decrease in operating costs of more than 20%, reducing this item from 7,572 K€ to **6,018 K€** for the financial year ending 31 March 2010.

**EBITDA** (Earnings Before Interest, Taxes, Depreciation and Amortization) amounted to **1,307 K€** at 31 March 2010 as compared with 522 K€ in the previous financial year. Operating activity generated by the Group has led to a cash flow increase of almost 750 K€ over the financial year, leading to a **net cash flow** at 31 March 2010 of almost **1 million Euros**.

As the uranium, tungsten and coalbed methane activities were still in the development phase at the close of the financial year, they were unable to contribute to the financial turnover achieved by the Group.

In addition, the Group continues to engage in a company policy aimed at improving the training and qualifications as well as the well-being of its employees.

To that end, employees take training courses certified by approved organisations. Similarly, and mainly on its Lesotho site, employees are benefiting from improved working conditions. These employees are correctly remunerated, housed, fed and benefit from a certain level of material comfort and have access to medical care. Finally, profit-sharing in the results of their operating site is paid back to them, demonstrating the desire of the Group to conduct a company policy designed to improve the living conditions of its workforce, which constitutes its chief resource.

### **1.3 Chief risks and uncertainties**

#### ***1.3.1 Concerning Hanheka SARL (Limited Liability Company)***

This Congolese registered company, in which Batla Minerals S.A. has a 70% shareholding, with a diamond concession in the province of Tshikapa (Democratic Republic of Congo), was the subject of an agreement of sale signed on 31 March 2009 and registered on 20 April 2009. However, some financial problems regarding the purchasers of the shares held by Batla Minerals Ltd. made it impossible to complete the sale.

Because the buyers failed to honour their promise to purchase, the Group commissioned one of the minority shareholders in Hanheka SARL to carry out the seizure of equipment owned by one of the companies of the buyers.

Following a favourable court decision in this matter, some equipment was seized and sold on auction in May 2010. A company showed interest in purchasing the mining equipment and made a financial proposal which was accepted by the County Court of Kinshasa.

Administrative problems that the Group has not managed to resolve have, up to the present, made it impossible to recover the 766,220\$ that are owed to it. Be that as it may, the Group continues to own its 70% shareholding in Hanheka SARL and will immediately offer them for sale.

In light of the uncertainty surrounding the payment of this sum and the offer for sale of the Group's 70% shareholding in Hanheka SARL, a financial provision of 969 K€ has been made in the accounts of this financial year.

### ***1.3.2. Concerning the Riviera Tungsten Company (Pty) Ltd***

A landowners' association, opposed to the establishment of a mining operation, did not allow the analysts commissioned by the Group to conduct the necessary work for the Environmental Impact Study.

During this period, laboratory studies were conducted, leading to the identification of the presence of ores other than tungsten and molybdenum, and especially of Rare Earth Elements (REE).

To prevent any third party submitting an application for the right to prospect on the same site but for ores other than tungsten and molybdenum, the Group decided to withdraw its application for mining rights for those two ores alone, and at the end of March 2010 submitted an application for prospecting rights for all the ores present on the site, whether in quantity like tungsten and molybdenum, or in trace form like the REEs, silver, gold, etc.

In light of the abandonment of the application for mining rights and the application for prospecting rights, for which the investigation is currently taking place, it has been decided to make a financial provision in the amount of 440 K€. This uncertainty is related to the Department of Minerals and Energy's extended delay in making a decision about issuing the prospecting certificate.

### ***1.3.3. Concerning the Batlavaal project***

The Batla Resources Company has purchased a 26% shareholding in 9 companies falling under the umbrella of Batlavaal Projects. These 9 companies, belonging to Verdi Trust, have been the subject of an application for diamond prospecting rights.

The project, which brings together all of these companies, extends over an area of approximately 70,000 hectares, along the Vaal River. This river is historically renowned for being a place where alluvial diamonds have been clearly identified and are present in sufficient density.

In view of these factors, which are supported by previous studies, the Group took out an option to obtain the 74% of shares remaining to Verdi Trust against a payment of 417 K€, plus a commission per treated tonne.

The Group subsequently encountered problems when it became aware of erroneous or concealed information. It then attempted to engage in negotiations with the seller to renegotiate the option and the bases of the operating contract.

If this approach proves ineffective, legal action will be taken against the seller. A provision of 417 K€ was made under the item "Allowances for provisions."

#### 1.4 Presentation of the economic and financial results

The overall total of the balance sheet amounts to 17,519 K€ as compared with 17,803 K€ of the financial year ending in the previous year. During the financial year ending 31 March 2010, the **turnover** of the consolidated whole of the Company amounts to **5,008 K€** as compared with 6,660 K€ as shown in the accounts of the financial year ending in the previous year, which represents a decline of 24.8% in Euros.

This decline is due firstly to fluctuations in the price of rough diamonds, which, despite an upward trend, is lower overall than that of the previous financial year and secondly, to the lower diamond content recovered, which has decreased by 12.9% as compared with the year before.

The **operating income** of the financial year amounted to **5,477 K€** in total as compared with 6,664 K€, as shown by the accounts of the financial year ending the previous year, which represents a decline of 17.8%.

The **operating costs** of the financial year amounted to **6,018 K€** as compared with 7,572 K€ as shown in the accounts of the financial year ending the previous year, which is a saving of 20.5% as compared with the previous financial year.

The **EBITDA** (Earnings Before Interest, Taxes, Depreciation and Amortization) of the financial year amounted to **1,307 K€** as compared with 522 K€ as shown in the accounts of the financial year ending in the previous year.

The **Operating Result** or **EBIT** (Earnings Before Interest and Taxes) of the financial year amounted to **-541 K€** as compared with -908 K€ as shown in the accounts of the financial year ending in the previous year. The EBIT was affected by the allocation to provision of 417 K€ which is the amount paid for an option to buy shares in a company (see above).

The **Financial Profit or Loss** of the financial year comes to **-1,209 K€** as compared with 334 K€ as shown in the accounts of the financial year ending in the previous year. As explained in paragraph 1.3, financial depreciations were made to identify latent financial risks.

The **Net Operating Income before Tax** of the financial year amounts to **-1,750 K€** as compared with -574 K€ as shown in the accounts of the previous financial year.

The financial year ended 31 March 2009 of the consolidated whole of the Group shows a **loss of 3,832 K€**.

This amount is explained by the payment of taxes in the amount of 76 K€, the amortization of goodwill (\*) for the sum of 1,916 K€, the earnings of the equity-accounted companies at -104 K€ together with a negative operating result in the amount of 541 K€.

*(\*) It has been agreed to amortize the goodwill over a period of 5 years.*

The Group's liquid assets at the close of the financial year amount to a net sum of **956 K€**, as compared with a net cash position at the end of the previous financial year of 208 K€.

Operations generated an **increase** in liquid assets of **748 K€** during the financial year.

*This can be seen in the summary table below:*

Items in K€	Financial year ending 31 March 2009 (12 months)	Situation at 31 March 2009 (6 months)	Financial year ending 31 March 2010 (12 months)
Turnover	6.660	2.456	5.008
Operating Income	6.664	2.624	5.477
Operating Costs	7.572	2.648	6.018
EBITDA	522	781	1.307
Earnings from Operations before Interest and Tax (EBIT)	- 908	- 24	- 541
Financial Result	334	132	- 1.209
Net Operating Income before Tax	- 574	108	- 1.750
Exceptional Earnings	36	- 126	14
Tax	347	869	76
Amortization of Goodwill	1.289	718	1.916
Equity-Accounted Companies Earnings	- 155	- 73	- 104
Net Consolidated Earnings	- 2.329	- 1.678	- 3.832

**Change of method:** Batla Resources, which was consolidated through overall integration as at 31 March 2009, is now consolidated through equity accounting as a result of the management's change of assessment of the issue of control of the companies co-owned in the framework of Black Economic Empowerment. The financial items related to the financial year ended 31 March 2009 have been corrected to take these modifications into account.

### 1.5 Presentation of the consolidated accounts

Although the Group has no legal obligation in that regard, the consolidated accounts, certified by the auditors, are presented to you here to enable you to get a global overview of the activity and the situation of the Group constituted by the Company, its subsidiaries and controlled companies.

As at 31 March 2010, the area of consolidation of the Batla Minerals Group included the companies shown on the following pages.

Companies	Information	% Interests	Method of consolidation
<b>BATLA MINERALS</b>	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
<b>EL NINO MINING</b>	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
<b>ALLUVIAL VENTURES</b>	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
<b>DRUID EXPLORATION</b>	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
<b>SKIP FAST FOODS</b>	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
<b>ASAPI 1058</b>	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*
<b>BOESMANLAND DIAMANTE</b>	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 BOX3347, TYGERVALLEY.	74%	Subsidiary
<b>FIZKA DIAMONDS</b>	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*
<b>BATLA RESOURCES</b>	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 BOX3347, TYGERVALLEY.	49% **	MEE (equity method of accounting)
<b>HANHEKA SA</b>	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
<b>GREAT FORCE INVESTMENTS 120</b>	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.	49%	MEE
<b>BATLA PROPERTIES</b>	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
<b>RIVIERA TUNGSTEN</b>	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
<b>PADDY'S PAD 1183</b>	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*

<b>AUSTIN'S POST</b>	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
<b>BUCHUBERG GRAVELS</b>	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
<b>BONGANI MINERALS</b>	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*
<b>BATLAVAAL PROJECTS</b>	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
<b>BECHINI INVESTMENTS 60</b>	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
<b>CEDAR CREEK PROPERTIES</b>	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
<b>MOONSTONE MINING</b>	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
<b>JUST JASMINE INVESTMENTS 136</b>	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
<b>BATLA INVESTMENTS HOLDING</b>	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
<b>TORO DIAMONDS</b>	Company registered under LESOTHO law, registered as no. 2009/1044 with its head office at PO Box 12508 Maseru 100 LESOTHO.	100%	Subsidiary
<b>ELSANA QUARRY</b>	Company registered under South African law, constituted as a 'private company,' with capital of 240 Rand, registered with the South African Registrar of Companies as no. 2006/022382/0 7 with its head office at PO Box 298, Porterville 6810.	24.5%	MEE (equity method of accounting)

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

\*\* In April 2008, the Group sold 51% of the interests in the context of the Black Economic Empowerment programme.

#### 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).

The ASS Investments 38 Company (Pty) Ltd registered under Namibian law with capital of Namibian 100\$ which was created on 17 March 2008, has not been consolidated because this company had not been active at all as at 31 March 2010. This company is empowered to hold exploitation rights for coalbed methane. The accounts consolidated on 31 March 2009 reveal a net result share of the Group equal to -3.832 K€.

## **1.6 Table of the results of the Group**

The table of the Group's results for the financial years ended since this one was constituted are to be found in Annexe 2.

# **II. REPORT ON THE SITUATION AND THE ACTIVITY OF THE COMPANY**

## **2.1 Activity and situation of the Company**

The Company has continued its holding activity, endeavouring to follow the development of the Group's companies with the greatest vigilance and precision.

The Company has attempted to keep abreast of the litigation of which it is subject, working together with its legal advisers.

The Company has always planned to change markets and is considering a transfer onto the ALTERNEXT market of NYSE-Euronext Paris as soon as conditions become favourable.

The Company appointed a new Administrator, Mr Jean David RETIEF, Financial Director of the subsidiary company El Nino Mining (Pty) Ltd, during the Joint Ordinary and Extraordinary General Meeting which was held on 18 January 2010.

## **2.2 Outlook**

The Company, which has postponed its proposed transfer to ALTERNEXT of NYSE-Euronext Paris, is nevertheless planning to effect this change of market as soon as conditions become favourable.

## **2.3 Chief risks and uncertainties**

The Company has not identified any specific risks or uncertainties.

## **2.4 Major occurrences which have taken place since the close of the financial year**

In the context of the dispute between the Company and the Fortis Nederland NV Bank and consequent upon the ruling made by the Court of Appeal of Aix-en-Provence on 19 February 2009, which declared itself incompetent to make a summary judgement, the Company decided to lodge an appeal, after consultation with specialist advisers.

The Commercial Chamber of the Court of Appeal decided during its session of 8 June 2010 to reject the appeal lodged by the Company and sentenced it to pay €2500 to the Fortis Nederland NV Bank on the basis of article 700 of the code of Civil Procedure.

## 2.5 Research and development

None

## 2.6 Company capital and shareholdings

The company capital of Batla Minerals as at 31 March 2010 stands at 5,350,000 €, consisting of 5,350,000 shares with a nominal value of 1 €.

In view of declarations received by the Company that statutory shareholding thresholds have been exceeded, and in application of the provisions of Article L. 233-7 of the Code of Commerce and of Article 13 of the Company Statutes, you will find below, in compliance with Article L. 233-13 of the Code of Commerce, the identity of the natural persons or legal entities directly or indirectly holding, on 31 March 2010, the percentages of the company capital and of the voting rights in the general meetings referred to in the said articles:

Account name	% of capital	% of voting rights
Vesuvius Investments Ltd	20.327%	25.303%
JLP SAS	13.706%	16.994%
V5 non-trading company	12.836%	15.977%
Lauviah non-trading company	11.402%	14.193%
Juvela Investments Ltd	9.346%	5.817%
M2V2	2.325%	2.894%

The shares held directly or indirectly by Batla Minerals in other companies are presented in the chart attached in annexe 1.

## 2.7 Presentation of the annual accounts

The annual accounts of the financial year ended 31 March 2010 that we submit for your approval have been drawn up in accordance with the rules of presentation and evaluation methods provided for by the regulations in force.

The rules of presentation and the methods of evaluation selected are identical to those of the previous financial year.

The overall total of the balance sheet amounts to **22,723,459 €** at 31 March 2010 compared with 23,202,755 € for the financial year ended 31 March 2009.

As the Company at that date had only financial holding business, it produced no turnover. Its resources derive from the invoicing of loan interests made to its subsidiary company, El Nino Mining. As this loan is designed to be 'long term,' its purpose is not to be repaid. The sum of the Financial Income amounted to 911,147 €.

The sum of the Operating Charges of the financial year amounts to 416,774 €. The annual accounts of the company show a loss of 537,490 €.

This result is the consequence of the precautionary provision of an amount of 968,817 € resulting from the non-payment of the sale of 70% of the shares owned in Hanheka SARL in the Democratic Republic of Congo, a sale amounting to 1,275,000 US\$.

## 2.8 Allocation of the result of the financial year ended 31 March 2010

The accounts of the financial year ended 31 March 2010 show a loss of 537,490 € that we are proposing to you to allocate to the balance carried forward which, because of the positive balance carried forward of 78,691 € of 31 March 2009, is consequently reduced to a negative balance of 458,799 €.

## 2.9 Payment Schedules

In application of article L. 444-6-1 of the Code of Commerce, we present to you in the following table the breakdown as at 31 March 2010 of the balance of the accounts payable by due date for payment. However, as this is the first year of application, no comparison with the preceding financial year can be presented for this financial year.

	Due	Unmatured ≤ 60 days	Unmatured ≥ 60 Days
Accounts payable	30,925 € (exc. Tax)	-	-
<b>TOTAL</b>	<b>30,925 € (exc. Tax)</b>	<b>-</b>	<b>-</b>

## 2.10 Agreements referred to in Article L 225-38 of the Code of Commerce

We request that you approve the agreements referred to in article L. 225-38 of the Code of Commerce properly authorised by your Board of Directors during the past financial year. In this regard, during the financial year the following regulated agreement was made:

- ◆ In accordance with the minutes of 21 March 2010, the Board of Directors of Batla Minerals SA authorised, in the context of debt redemption, the recovery of expenditure made on behalf of Batla Minerals SA for overdrafts to Hanheka SARL, registered under Congolese law, as follows:

- 690,286 South African Rands were spent by Hanheka SA (Pty) on behalf of Batla Minerals SA.

In addition, it must be remembered that the following agreement, although concluded during a previous financial year, continued to be effective during the financial year ended 31 March 2010.

- ◆ According to the minutes of 19 May 2008, the Board of Directors of Batla Minerals S.A. authorised an amendment to be made to the loan contract between the Company and El Nino Mining (Pty) Ltd, providing that the loan contract was concluded for an indeterminate period and that, given its object, was not intended to be repaid in the immediate future and that in that case, it was impossible to determine a foreseeable date for repayment.

Your auditors have been informed of these agreements which they record for your benefit in their special report.

### **2.11 Agreements referred to in Article L. 225-39 of the Code of Commerce**

No agreement as provided for in Article L. 225-39 was made during the financial year.

### **2.12 Information concerning authorised agents of the company**

In accordance with the provisions of Article L. 225-102-1, below is a list of all of the Authorised agents and the functions performed throughout the company by each of the company agents authorised to act on behalf of the Company during the past financial year.

Mr Johannes VAN DER WALT holds the position of CEO at El Nino Mining, and of Director at:

- Asapi (Pty) Ltd
- Batla Properties (Pty) Ltd
- Batla Resources (Pty) Ltd
- Bechini Investments 60 (Pty) Ltd
- Bongani Minerals (Pty) Ltd
- Cedar Creek Properties 74 (Pty) Ltd
- Druid Exploration (Pty) Ltd
- Fikza Diamonds (Pty) Ltd
- Great Force Investments 120 (Pty) Ltd
- Hanheka SA (Pty) Ltd
- Itakane Trading (Pty) Ltd
- Just Jasmine Investments (Pty) Ltd
- Market Demand Trading 561 (Pty) Ltd
- Skip Fast Foods (Pty) Ltd

Mr Patrick MORIN, Chairman of the Board of Directors of Batla Minerals Ltd. also holds the following positions:

- Chairman of JLP SAS, a company with capital of 40,000 €
- Member of the Supervisory Board of Marseille Rugby SASP, a company with capital of 1,132,769 €
- Managing director of Le Mail, a non-trading property company with capital of 3,000€

Mr Arnaud VERCRUYSSSE, CEO of Batla Minerals SA also holds the following positions:

- Director of Batla Investments Holding, a company registered under Mauritian law
- Managing Director of V5 SARL, a limited liability company with capital of 774,000 €
- Chairman of IKSUN, a limited company with capital of 50,000 €

Mr Henri MIOCH, Deputy Chief Executive Officer of Batla Minerals Ltd., also holds the following positions:

- Member of the Board of Marseille Rugby SASP, a company with capital of 1,132,769€
- Managing Director of Lauviah, a non-trading company with capital of 774,000€

Mr Jean David RETIEF, Financial Director of the company El Nino Mining (Pty) Ltd, also holds the following positions:

- Director of Batla Investments Holding, a company registered under Mauritian law
- Director of Toro Diamonds, a company registered under Lesotho law
- Director of Elsana Quarry, a company registered under South African law

### **2.13 Modalities of the conduct of general management**

We remind you that the Board of Directors in its meeting of 23 May 2007, appointed Mr Arnaud Vercruysse as Chief Executive Officer, replacing Mr Johannes Van der Walt for the duration of his term of office as administrator, and that the Chairman of the Company, Mr Patrick Morin, chairs the Board of Directors and takes no part in the general management. We inform you that Mr Henri Mioch has been appointed Deputy Chief Executive Officer of the Company, and took up his responsibilities on 1 November 2008.

We inform you that during the Joint Ordinary and Extraordinary General Meeting which was held on 18 January 2010, the terms of office of Messrs Vercruysse, van der Walt, Mioch, and of the company JLP, as administrators, had expired and were renewed for a period of three years. During the same meeting, Mr Jean David Retief, Financial Director of El Nino Mining, was appointed as the new administrator for a period of three years.

**2.14 Note:** The text in this section has been temporarily removed while a legal dispute is underway.

### **2.15 Employee participation in Company capital**

A Joint Ordinary and Extraordinary General Meeting was held on 18 January 2010 to rule on a possible increase of capital reserved for employees. This resolution was not adopted by the shareholders.

### **2.16 Free Allocation of shares**

The Company, in an effort to promote loyalty and create incentives for its employees in general and of its senior management in particular, is planning to carry out a free allocation of shares. This resolution will be put to the vote during the Extraordinary General Meeting which will be held on the same day as the Ordinary General Meeting.

The objective is to authorise the Board of Directors to carry out, on one or several occasions, in application of Articles L. 225-197-1 and ff. of the Code of Commerce, a free issue of shares to the employees of the Company and its subsidiary companies, both French and/or foreign, by means of an increase of the Company capital by incorporation of reserves and/or by issuing shares to the value of 535,000 € and the creation and issue of new ordinary shares of a nominal value of one (1) € representing 535,000 shares. The total number of freely allocated shares resulting from the present authorisation shall not represent more than 10% of the Company capital at the date of the decision to allocate them by the Board of Directors.

## **2.17 Non tax-deductible expenditure**

In accordance with the provisions of Article 223 (iv) and 223 (v) of the General Tax Code, we inform you that the accounts of the past financial year do not provide for any sum corresponding to non-tax-deductible expenditure as provided for in article 39-4 of the General Tax Code.

## **2.18 Table of company results**

The table of company results since the formation of the Company are attached in annexe 2.

\* \* \* \* \*

We call upon you to adopt the resolutions which we hereby submit for your approval.

Done at Aix-en-Provence

6 August 2010

The Board of Directors

**ANNEXE 2**

**Batla Minerals**  
**Limited Company with capital of 5,350,000€**  
**Immeuble le Solar 1 – ZAE Le Monestié**  
**3 Avenue de l'Occitanie**  
**34760 Boujan sur Libron**  
**RCS Béziers B 493 056 162**

**TABLE OF THE LAST FIVE FINANCIAL YEARS CONSOLIDATED**

31/03/2010	31/03/2009	31/03/2008	31/03/2007 (4 months)
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**I. FINANCIAL SITUATION AT THE END OF THE FINANCIAL YEAR (K€)**

a) Company capital	5 350	5 350	5 350	4 000
b) Number of shares issued	5 350 000	5 350 000	5 350 000	4 000 000
c) Number of bonds convertible into shares				

**II. OVERALL RESULT OF EFFECTIVE OPERATIONS (K€)**

a) Turnover excluding tax	5 008	6 660	7 270	1 122
b) Pre-tax profit, depreciation and provisions	1 417	737	3 850	100
c) Tax	76	347	966	45
d) Profit after tax, but before depreciations and provisions	1 341	390	2 884	55
e) Profit after tax, depreciation and provisions	3 832	- 2 329	53	- 596
f) Amount of profits distributed	0	0	0	0
g) Employee profit sharing	0	0	0	0

**III. RESULT OF THE OPERATIONS REDUCED TO A SINGLE SHARE (€)**

a) Profit after tax but before depreciations and provisions	0.25	0.07	0.54	0.01
b) Profit after tax, depreciation and provisions	0.72	-0.435	0.01	-0.15
c) Dividend paid on each share	0	0	0	0

**IV. STAFF (K€)**

a) Number of employees	112	122	108	97
b) Amount of total wage bill	1 697	1 571	747	253
c) Amount of sums paid for welfare benefits	52	45	22	1

**BATLA MINERALS**

**RESULTS OF THE LAST FIVE FINANCIAL YEARS**  
**Presented in Euros**

<b>Results of the last five financial years</b>					
Nature of the indications/Periods Length of the financial year	31/03/2010 12 months	31/03/2009 12 months	31/03/2008 12 months	31/03/2007 4 months	31/03/2006 0 months
<b>I – Financial situation at the end of the financial year</b>					
a) Company capital	5 350 000	5 350 000	5 350 000	4 000 000	
b) Number of shares issued					
c) Number of bonds convertible into shares					
<b>II – Overall result of effective operations</b>					
a) Business turnover excl. tax					
b) Pre-tax profit, depreciation and provisions	391 287	101 723	295 207	-186 161	
c) Tax on profits					
d) Profit after tax, but before depreciation and provisions	372 577	101 723	295 207	-186 161	
e) Profit after tax, depreciation and provisions	-537 490	84 122	180 730	-186 161	
f) Amounts of the profits distributed					
g) Employee profit-sharing					
<b>III – Result of operations reduced to a single share</b>					
a) Profit after tax, but before depreciations and provisions					
b) Profit after tax, depreciation and provisions					
c) Dividend paid to each share					
<b>IV – Staff</b>					
a) Number of employees	2	2	1		
b) Amount of total wage bill	124 072	133 320	62 700		
c) Amount of sums paid for social benefits (Social Security, company benefit schemes, etc.)	51 541	44 843	22 231		
<b>Additional remarks</b>					

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