



GUJARAT NRE MINERAL RESOURCES LIMITED

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**Gujarat NRE : An integrated approach to an aligned future –
Scripting the future of India's coking coal and met coke
security for a steely growth**



Dear Shareholder(s)

I have been receiving a number of queries from the investors enquiring about the performance of the group and seeking to know the status of the IPO of Gujarat NRE Mineral Resources Ltd ("GNMRL"). My constant endeavour has been to communicate with all my share holders directly and to be transparent in mitigating their concerns, if any.

1. GNMRL holds controlling stake in Gujarat NRE Coke Ltd ("GNCL"), which in turn allows the company to hold controlling stake in Gujarat NRE Coking Coal Limited ("GNCCL"), the Australian coking coal mining arm. GNMRL through its wholly owned subsidiary also holds 90% stake in two onshore oil and gas exploration blocks in the highly prospective Canning Basin in Western Australia.
2. Coking coal is in severe short supply worldwide, more so in India. With increased economic activity across the globe, steel production is continuously on the rise. Indian steel production is expected to reach 200 MTPA by 2020. Every tonne of steel made through the blast furnace route requires one tonne of coking coal. This would result in an annual demand of around 140 MTPA of coking coal by 2020. Supply today is unable to keep pace with the insatiable hunger of coking coal that is only going to become severe in the days to come. This has invariably resulted in rise in coking coal price to USD 330 in 2011 as against USD 225, which was the price during 2010, up by over USD 100.
3. We, at Gujarat NRE, are privileged and proud to own this prized possession of prime quality hard coking coal in Australia. GNCCL, the Australian coking coal mining arm of Gujarat NRE group has JORC resources of 652 MT of prime quality hard coking coal.
4. We introduced longwall mining in NRE Wongawilli colliery in 2009 and we plan to upgrade to longwall mining in NRE No1 by the end of 2011. Thus the hard coking coal production is being increased from current level of less than 2 MTPA to 6 MTPA by 2014/15, making us one of the top 10 hard coking coal producers in the world.
5. Gujarat NRE Coke Ltd (GNCL), the flagship company of Gujarat NRE group, is the largest independent met coke producer in the country. Riding on a strong global demand, met coke price is also on an upswing and is currently hovering at around \$ 540 / tonne. It has been a practice at Gujarat NRE to invest in additional capacities to take advantage of any upswing in the market. We are hence, steadily increasing our production capacity through Brownfield and Greenfield expansions to raise our capacity to 4 MTPA by 2014/15 from current level of 1.38 MTPA.
6. With the commissioning of coal washery of 0.90 MTPA capacity adjacent to our coke making facility in Dharwad our total installed capacity of coal washery has increased to 2.40 MTPA. Also, out of the targeted 60 MW waste heat power generation, the first phase of 15 MW at Dharwad is nearing completion.
7. In the oil & gas front, various studies and analysis initiated by the company has indicated prospects and leads with huge upside potentials which would be confirmed through further exploration programs. At present, environmental surveys and cultural clearances are taking place to pave the way for an aggressive exploration program of 400 km 2D seismic data acquisition scheduled for field season of 2011. This would be followed further by processing and interpretation of the acquired data and drilling of well.

8. I have always believed in creating wealth and sharing the same with the shareholders. GNCL has given 6 bonuses in last 8 years and recent one being in the form DVR shares which is unique and one of its kind – a record of sorts by any corporate. The company has also paid dividend (including tax) totaling to Rs 342 crores (approx) in last 10 years (from 2000-01).

Rs. 1 lakh invested in GNCL on 1st August 2000 after having got a cash dividend totaling to Rs. 40 lakhs (approx.) in last 10 years is worth Rs. 2.81 crores (approx.) as on 7th April 2011, which represents a compounded annual return of 75.74 % p.a. for a long term investor.

9. In 2009, the Board of Directors of GNMRL, in an endeavor to benefit the shareholders, announced Bonus issue to non-promoter shareholders in the ratio 1:1. This rare action of corporate governance of making the external shareholders the real beneficiary of the bonus issue had not only reduced the cost of shareholding of the non-promoter shareholders by half, but also led to a very little dilution in equity capital of the Company.
10. The Company has plans to raise funds to further its objective and getting listed on the Stock Exchanges. The extreme volatility in the stock markets in India and abroad, has made it difficult for us to get correct and true valuation of the company and I would never be happy to devalue the company's worth and potential which would in turn mortify the real value of the share to the investors. Rewarding our shareholders is the basic instinct and philosophy that we believe in and our investors will definitely reap the benefit of listing in a much better manner in the times to come.

I am once again pleased to announce that the Board of Directors has proposed another Bonus issue of the company in the ratio of 1:2 to the non-promoter shareholders, wherein the promoters will once again forego their bonus entitlements in favour of the non-promoter shareholders. This only speaks volumes of the promoters' continued commitment towards our minority shareholders and safeguarding their interests.

In today's world very few people understand that the industry doesn't work on the quarterly/half yearly basis. **True or real value of any company is never reflected by simply comparing or ascertaining parameters like EPS or ROE that too on a monthly/quarterly basis. To reap the benefit of hard earned savings one needs to be a long term investor.** I believe that while the market dynamics ensure a certain amount of skewedness in the short term, they always inevitably bounce back to reflect true values. The various expansion / revamping programs that are now being undertaken are expected to provide synergic benefits to the company as a whole thus adding quantum value to its performance in the longer term. The phenomenal returns in last decade were obtained only by following this path rather than worrying about short term effects on quarterly performances.

I personally feel that the current decade till 2020 would be a much more interesting and exciting decade than the one that has gone by. Coking Coal and Met Coke are going to be in huge demand with steel demand rising as India invests heavily in infrastructure, constructs more houses, roads, bridges, airports, ports, railways amongst others, and industrial activity booms. We are in a sector which is one of the lucrative businesses possible in current times. We have everything going for us, a well developed market, secured supply of excellent quality raw material, a dedicated team and most importantly, a committed shareholder family.

I thank you for all the faith and confidence that you have bestowed on us and look forward to your similar continued unstinted support in our future endeavours.

Should you require any further clarification / information, please feel free to write / mail us. We shall be glad to address all your genuine concerns.

Thanking You,

Yours sincerely,



Arun Kumar Jagatramka

Chairman and Managing Director

Gujarat NRE Mineral Resources Limited

(Please do visit us at www.gujaratnre.com)