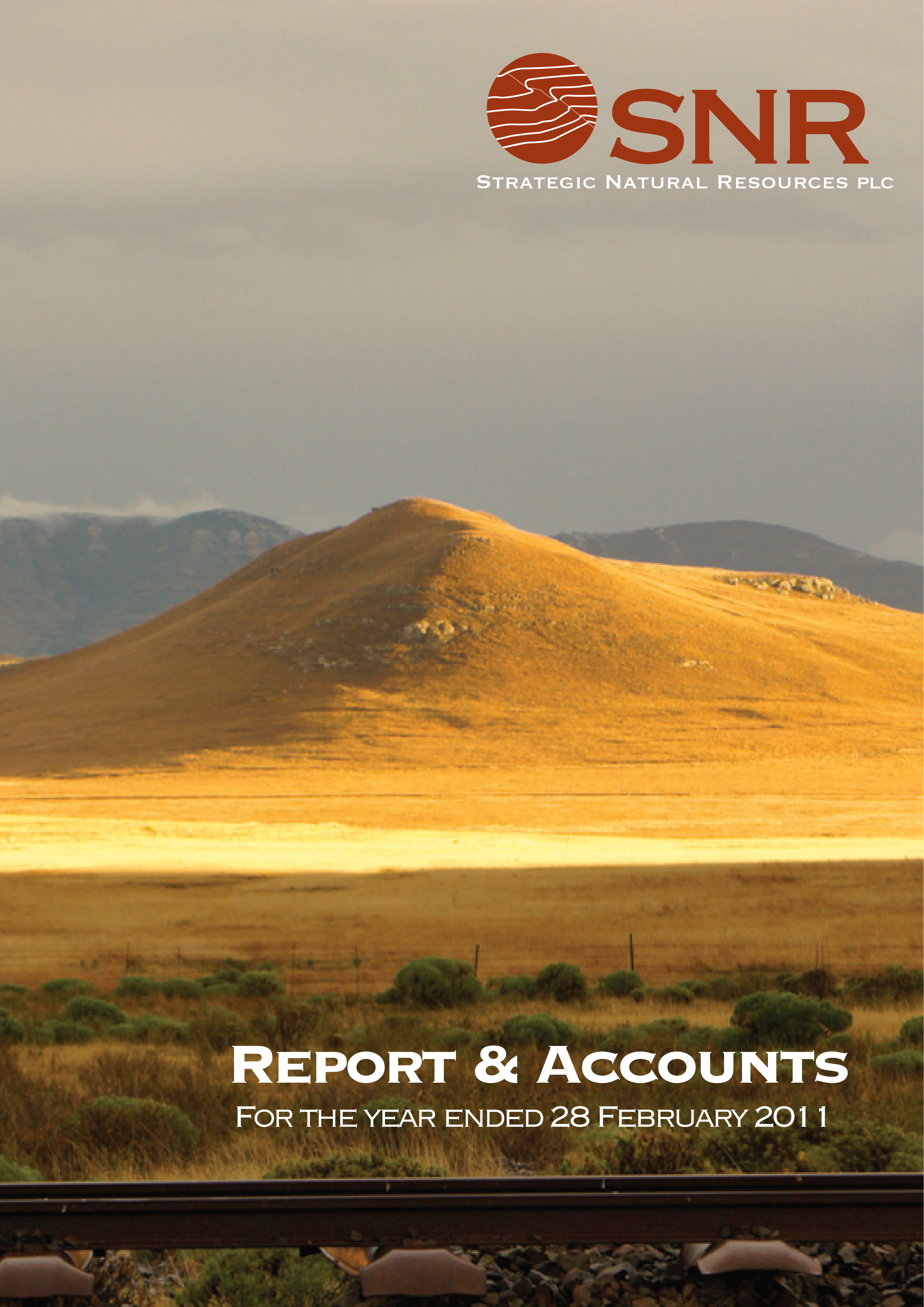

SNR

Strategic Natural Resources plc

Report & Accounts

For the year ended 28 February 2011

COMPANY INFORMATION

DIRECTORS
R H R Latham *(Non-executive Chairman)*
D J Nel *(Chief Executive)*
B W Nel *(Commercial Director)*
J P Metcalfe *(Communications Director)*
E D Cox *(Finance Director)*
R M R MacDonnell *(Non-executive)*
A Steenkamp *(Non-executive)*

SECRETARY
E D Cox

COMPANY NUMBER
5249946

REGISTERED OFFICE
Suite 4
Claridge House
32 Davies Street
London
W1K 4ND

AUDITORS
BDO LLP
Registered Auditors
Chartered Accountants
55 Baker Street
London
W1U 7EU

BUSINESS ADDRESS
Suite 4
Claridge House
32 Davies Street
London
W1K 4ND

BANKERS
Royal Bank of Scotland plc
National Westminster House
37 Old Dover Road
Canterbury,
Kent
CT1 3JB

SOLICITORS
Memery Crystal LLP
44 Southampton Buildings
London
WC2A 1AP

NOMINATED ADVISER AND JOINT BROKER
Allenby Capital Limited
Suite 4
Claridge House
32 Davies Street
London
W1K 4ND

JOINT BROKER
Evolution Securities Plc
100 Wood Street
London
EC2V 7AN

JOINT BROKER
SP Angel Corporate Finance Limited
35 Berkeley Square
London
W1J 5BF

Typical coal crushing and washing plant

CONTENTS

CHAIRMAN'S STATEMENT

'We have signed our first offtake agreement for 2 million tonnes'

I have pleasure in presenting the Company's results for the year ended 28th February 2011. This statement reviews the Operational and Financial performance of the Company for the year ended 28th February 2011 together with developments after that date and provides an update on the operations and plans for the Company.

OPERATIONAL UPDATE

I reported in the Interim announcement in November 2010 that we had received numerous enquiries from prospective export purchasers of Elitheni coal and that we were in advanced discussions with several international traders, power developers and coal brokering companies.

In April we were very pleased to announce that negotiations had been successfully concluded with the Trasteel Group, which was founded in September 2009 and has experience in the steel and raw materials sectors, for our first offtake contract covering the first 2 million tons of production from the Elitheni mine, commencing at an annual rate of 500,000 tons in June next year and building up to higher rates over the next two years. I would draw shareholder's attention to this contract which at the current price for export coal from South Africa, allowing for adjustments to reflect the quality of our coal, is of considerable value to the Company. This will be produced from circa 1% of our existing resource base which we are now once again actively involved in increasing through a new c.USD2.5 million drilling programme announced in March.

Shareholders will, I am sure, share the appreciation of the Board that we are just at the beginning of a major mine development programme with very substantial volumes in prospect over the many years to come.

Whilst the signing of an offtake agreement for export coal has been the main focus of attention over the recent past the Company has not lost sight of the domestic power generation and industrial steam markets. Shareholders should note that the large volumes of beneficiated coal required under the offtake agreement will result in larger volumes of mined coal at the mine site and a resulting discard stockpile from the washing process which will be suitable for domestic steam and independent power plant markets. This coal will be available to the Company to sell on an extremely competitive basis given that the mining costs will have been recovered from the export sales contract.

CHAIRMAN'S STATEMENT

In May 2011 we were delighted to announce the appointment of Bertus Steenkamp as our technical director. With extensive low seam mining experience in South Africa and a shared vision for this coalfield, he will be responsible for the setting-up of the Mine Technical Services such as planning, scheduling and plant procurement, which will include the appointment of mining contracting services and related in house mining services for the Company.

SUMMARY OF RESULTS

Operational performance resulted in a loss before and after tax of £2.7m (2010 £436k) as set out in the Financial Statements. The significant components of this increase in losses can be broken down as follows:-

- Administrative expenses rose by £630k due to increased employment costs (£385k) which included certain termination payments, and an increase in professional and consulting fees of £124k and other expenses of £121k.

- The Board reviewed the carrying value of the Suxe burners and given the status of known projects under active development decided to write down this equipment to nil value which gave rise to an impairment charge of £121k.

- During the year and in order to restructure and consolidate the BEE shareholding in Elitheni, shares were transferred to Rapitrade 644 (Pty.) Ltd which gave rise to an impairment charge of £312k (see note 16)

- It was announced in December that the settlement of the loan agreement with Ulitorque had been challenged in the arbitration court and unfortunately the arbitrator had ruled against the Company. The Company moved extremely quickly to settle this unexpected liability at the minimum cost and paid Ulitorque (Pty.) Limited £909k (ZAR 10.2m) in full and final settlement of all and any claims which it may have against Elitheni Coal (Pty) Ltd (see note 8).

FUNDING REQUIREMENTS

The Group has sufficient funds to cover its overhead for the next twelve months. However project development costs are currently unfunded and the Group is considering a number of options and strategies to raise the sums required to develop the Elitheni mine. These options include the issue of equity, debt finance and the assumption of financial partners. The directors expect to be able to successfully raise the additional funds required but whilst negotiations are on-going, the Group does not have any binding agreements in place at present. I expect to make further announcements updating shareholders on our financing plan in the near future.

CHAIRMAN'S STATEMENT

FUTURE OPERATIONS AND PLANS

The attention of the Board is now firmly focussed on the mine development programme to achieve the production targets needed to fulfil the Trasteel contract as well as the financing plan which will be needed to accomplish the investment required.

The Company has a great deal of work to complete both in terms of mine development, readiness of the logistics chain as well as ensuring the coal terminal at the port of East London is fully operational.

The recent appointment of our technical director, ensures that the planned mine development is well in hand, with detailed mine planning and a related procurement strategy already completed. Once fully implemented this will enable the production capability required to deliver against our first 2 million tonne offtake and in addition ensure there is an on-going capability to produce and deliver 2 million tonnes of saleable coal per annum. The first equipment necessary has already been procured.

The fortuitous location of the mine in relation to the port and road and rail networks is seen by the Board as more of an opportunity and advantage as well as being a challenge. The Company has made significant headway in terms of finalising the solution for road, rail and port services and has formalised the necessary relationships and partnerships to ensure successful execution of each. The mine's location in relation to the port and the road network allows the Company to commence with road transport for the first year of operation and to convert to rail at a later stage, allowing sufficient time to ensure all logistics necessary for rail can be phased in smoothly.

The port of East London has been extremely supportive and is committed to a start date of June 2012, so much so that, at their own expense, they commenced the Environmental Impact Assessment (EIA) in November of 2010 for the new coal terminal at the port. The EIA process, which allows for certain elements of construction to commence in advance of its conclusion, is expected to be concluded by November 2011.

The Company has developed a road map and project plan for every operational aspect, from the mine development to the logistics implementation, and the organisational growth now required. Key members of the executive together with the senior management team will manage the development to ensure all aspects are synergistically achieved.

CHAIRMAN'S STATEMENT

DRILLING PROGRESS

We are pleased to have recommenced an active drilling programme with an estimated budget of USD2.5 million allocated to three primary objectives:

1. To find more coal, and target the high value areas, specifically focussed on historical reports of possible coking coal.

2. Improve our resource categorisation by enhancing inferred resource to indicated or measured resource.

3. Commence exploration of the significant opportunity in Phase 5.

I look forward to updating shareholders on the progress of this programme with the aim of providing an update of our CPR within Q4 of 2011.

As shareholders will appreciate from the above this has been a transformational period for your Company which could not have been achieved without the hard work and expertise of our teams in both South Africa and the United Kingdom. I am sure you will agree with me that all our people deserve to be congratulated on the speed and excellence of what can only be ranked as a remarkable period of building the future of your Company. I look forward to this time next year with confidence when our first coal will have been mined, washed and delivered to the port of East London in time for the first shipment under the Trasteel contract.

R. H. R. Latham
Chairman

Date: 31 May 2011

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the year ended 28 February 2011.

COMPANY REGISTRATION NUMBER

Strategic Natural Resources plc is a company registered in England and Wales with registered number 5249946.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the Group is to acquire and develop natural resource assets, initially in South Africa.

The results of the Group during the period under review are set out in the consolidated statement of comprehensive income and the consolidated statement of financial position.

A detailed review of the business and future developments is provided in the Chairman's Statement.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group relate to the economic development of the coal mine (see 'going concern' Note 3.2) and the future production and sale of coal on terms which will generate a positive return for shareholders.

The Group's activities are in South Africa and therefore future results will be affected by the movement in the value of the South African Rand ("ZAR") relative to sterling. In due course, and when the mine becomes operational, the directors may, where appropriate, use hedging instruments to manage the exposure to international coal prices and the currency risk.

KEY PERFORMANCE INDICATORS

At this stage in the Group's development, the Directors are focussing on drilling results and the expansion of the area under licence. When the mine is in full production, financial, operational, health and safety and environmental KPIs will become relevant and will be measured and reported as appropriate.

DIRECTORS' REPORT

A recent Board meeting in Johannesburg:
R M R MacDonnell, E D Cox, D J Nel, R H R Latham, B W Nel, A Steenkamp and J P Metcalfe.

RESULTS AND DIVIDENDS

The Group results for the year ended 28 February 2011 are set out in the consolidated statement of comprehensive income. No dividend is proposed (2010 – nil).

SHARE CAPITAL

Details of the authorised and issued share capital are set out in note 18. Changes during the year and since the year end are set out in note 18.

SUBSTANTIAL SHAREHOLDINGS

The Company is aware of the following interests in excess of 3% of the ordinary share capital of the Company as at 4 May 2011.

Name	Number of ordinary shares	Percentage of issued share capital
Cooch 1095 Ltd	15,000,000	13.75%
Southern Cape Corridor Power (Pty) Limited	14,100,000	12.92%
The Tudor BVI Global Portfolio L.P. – LBPB Nominees Ltd 1	8,883,333	8.14%
Sterling Trust Limited	7,500,000	6.87%
Credit Suisse Securities (Europe) Limited	6,800,000	6.23%
Grange Capital Limited	4,435,000	4.06%

1 The Tudor BVI Global Portfolio L.P – LBPB Nominees Ltd has voting rights over 2,083,333 ordinary shares and an economic interest in 6,800,000 ordinary shares.

DIRECTORS' REPORT

DIRECTORS

The following Directors have held office since 1 March 2010:

E D Cox	appointed 2 November 2010
P R S Earl	resigned 20 October 2010
R H R Latham	
R M R MacDonnell	
J P Metcalfe	
B W Nel	
D J Nel	
E R Shaw	resigned 1 November 2010

DIRECTORS' INTERESTS

The Directors' beneficial interests in the shares of the Company were as stated below:

	YEAR ENDED 28 FEBRUARY 2011 1P SHARES	YEAR ENDED 29 FEBRUARY 2010 1P SHARES
R H R Latham [1]	2,901,111	2,831,111
R M R MacDonnell [2]	98,872	98,872
J P Metcalfe [3]	2,917,150	2,917,150
D J Nel	15,000	15,000
B W Nel and D J Nel [4]	14,100,000	14,100,000

1 2,500,000 of these shares are held by a company, Cayzer Continuation PCC Limited-Cell 3512, for the benefit of R H R Latham.

2 Holding includes 31,650 shares owned by R M R MacDonnell's wife, Mrs E MacDonnell

3 Holding includes 15,600 shares owned by J P Metcalfe's wife, Mrs C Metcalfe.

4 B W Nel and D J Nel are trustees of the Southern Cape Corridor Trust (the "Trust"). B W Nel is not a beneficiary of the Trust, although his children, including D J Nel, are beneficiaries. The Trust owns 78.5% and D J Nel owns 20% of the shares in Southern Cape Corridor Power (Pty) Limited, which in turn owns 14,100,000 shares in the Company.

POLICY AND PRACTICE ON PAYMENT OF SUPPLIERS

It is the policy of the Group, with respect to suppliers, to: a) settle payment terms when agreeing the terms of each transaction, b) ensure suppliers are made aware of the terms of payment and c) pay in accordance with the contractual and legal obligations. The Company's average creditor payment period at 28 February 2011 was 30 days (28 February 2010 - 35 days).

RISK MANAGEMENT AND OBJECTIVES

The financial risk management policies and objectives are set out in note 23.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS's") as adopted by the European Union.

DIRECTORS' REPORT

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable IFRS accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITORS

BDO LLP has expressed willingness to continue in office. In accordance with section 489 (4) of the Companies Acts 2006, a resolution to reappoint BDO LLP will be proposed at the Annual General Meeting.

By order of the Board

Edward Cox
Secretary

Date: 31 May 2011

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Company is committed to applying high standards of corporate governance, integrity and business ethics to all activities.

The Company is not required to comply with the UK Corporate Governance Code (formerly the Combined Code, as amended in June 2008) which applies to Companies which are Fully Listed on the London Stock Exchange. However, the Board has given consideration to the provisions and supports the objectives of this code and intend to comply with those aspects which they consider relevant to the Group's size and circumstances

THE BOARD OF DIRECTORS

The Board of Directors has a duty to promote the success of the Company for its shareholders. The Board, comprising a non-executive chairman, four executive Directors and two other non-executive Directors, is responsible for the overall direction and management of the Company as well as approving major capital expenditure, potential acquisitions and financial matters. The Board meets regularly and has a schedule of matters specifically reserved to it including raising new capital, entering into financing facilities for projects, treasury policies and approval of annual operating budgets and monitoring of key risks. The Board met eleven times during the year. The Directors are free to seek external advice as they consider necessary.

The Chairman of the Board is Richard Latham, who is also chairman of Northern Petroleum Plc, Ascension Holdings Ltd, Obsidian Energy Ltd, Obsidian Minerals Ltd and a director of Acharnian Mining Ltd. The other non-executive Directors are Randal MacDonnell (senior independent director) and Bertus Steenkamp, who are regarded by the Board as independent in character and judgement.

The Chief Executive Officer is David Nel who is responsible for the operations of Elitheni Coal (Pty) Ltd and its mining activity in South Africa. Jeremy Metcalfe is an executive Director with particular responsibility for communications with shareholders and public relations. Barry Nel is the commercial Director and Edward Cox is the finance Director. All Directors are involved in significant decisions.

RELATIONS WITH SHAREHOLDERS

The Group values the views of its shareholders and recognises their interest in the Group's strategy and performance, Board membership and quality of management. It therefore holds regular meetings with and gives presentations to its institutional shareholders to discuss objectives.

The Annual General Meeting ("AGM") is used to communicate with private investors and their participation is encouraged. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the annual report and accounts. The Company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands.

The Company website is also maintained to aid communication with investors, employees, customers, suppliers and the general public.

CORPORATE GOVERNANCE STATEMENT

ACCOUNTABILITY AND AUDIT

The Board seeks to present a balanced and understandable assessment of the Group's position and prospects in all interim and price-sensitive reports, reports to regulators and the information required to be presented by statute.

The Audit Committee comprises Randal MacDonnell (Chairman) and Richard Latham.

The Audit Committee has terms of reference which outline its objectives and responsibilities. These include keeping under review the scope and results of the external audit and its cost effectiveness. The Committee also reviews the independence and objectivity of the external auditors and reviews the nature and extent of non-audit services supplied by the external auditors to the Group, seeking to balance objectivity and value for money.

INTERNAL CONTROLS

The Board has responsibility for the Group's system of internal control and for reviewing its effectiveness. No risk management process or systems of internal control can eliminate the risk of material misstatement or loss. However, the Group's systems are designed to provide the Directors with reasonable assurance that problems are identified in a timely manner and dealt with appropriately. The Board considers that there have been no substantial weaknesses in financial controls resulting in material loss, contingencies or uncertainties and thus discloseable in the accounts. The Board has considered the need for an internal audit function and has concluded that there is no current need for such a function.

ASSESSMENT OF BUSINESS RISK

The Company believes that the identification and management of risk is central to achieving the success of the Company for its shareholders. Each year, the Board reviews and considers the risk profile for the whole business. This risk profile covers both operational and strategic risks. A system of business risk identification, assessment, and evaluation is in place within the management process throughout the Group. Strategic risks are regularly reviewed by the Board. Risks relating to the key activities within the subsidiary operating units are assessed continuously by their respective boards of Directors.

CONTROL ENVIRONMENT

The Group's operating procedures include a comprehensive system for reporting financial and non-financial information to the Board including:

- preparation and review of annual budgets;
- review of the business at each Board meeting, focussing on any new risks arising (for example key changes in the market).

CORPORATE GOVERNANCE STATEMENT

CONTROL PROCEDURES

Detailed operational procedures have been developed to safeguard shareholders' investments and the Group's assets that embody key controls and these are reviewed annually by the Board. The implications of changes in law and regulations are taken into account within these procedures.

HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION POLICY

The Group is committed to compliance with all relevant laws and regulations and continues to assess its operations to ensure protection of the environment, the community and the health and safety of its employees. The Group maintains appropriate procedures to ensure that all activities are carried out in compliance with safety regulations, in a culture where the safety of personnel is paramount and which recognises environmental sustainability and respect for cultural and heritage issues.

MONITORING PROCESS

There are clear procedures for monitoring the system of key controls and for identifying and assessing risks and the effectiveness of controls.

The Board has considered the need for an internal audit function but has decided that is not justified at present. However, it will keep the decision under review on at least an annual basis.

DIRECTORS' REMUNERATION

The Board recognises that Directors' remuneration is of legitimate concern to the shareholders and it is committed to following current best practice. The particulars of the Directors' interests in the share capital of the Company are set out in the Directors' report.

The Remuneration Committee comprises Richard Latham (Chairman) and Randal MacDonnell. The Committee makes recommendations to the Board on the Company's framework of executive remuneration and determines specific remuneration packages for each of the executive Directors.

Details of Directors' remuneration are set out in note 6 of the notes to the financial statements. For the year to 28 February 2011, the total remuneration, excluding national insurance, paid to the Directors of SNR was £562k (2010 – £311k).

CORPORATE GOVERNANCE STATEMENT

APPOINTMENT OF DIRECTORS

The Nomination Committee presently comprises Richard Latham (Chairman) and Randal MacDonnell. The Committee is responsible for monitoring the composition of the Board and meets to make recommendations to the Board on all new Board appointments and succession planning. The Board does not use an external consultant in the appointment of Directors.

STATEMENT OF NON-COMPLIANCE

The shareholdings of the non-executive Director, Richard Latham, is such that he is not considered independent as defined by the Combined Code.

Edward Cox
Company Secretary

Date: 31 May 2011

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF STRATEGIC NATURAL RESOURCES PLC

We have audited the financial statements of Strategic Natural Resources PLC for the year ended 28 February 2011 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of cash flows, the company statement of cash flows, the consolidated statement of changes in equity, the company statement of changes in equity and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 28 February 2011 and of the group's loss for the year then ended;

the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF STRATEGIC NATURAL RESOURCES PLC

EMPHASIS OF MATTER – GOING CONCERN

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 3.2 to the financial statements concerning the Group and company's ability to continue as a going concern. The Group and company is reliant on its ability to successfully raise further financing, either in the form of debt or equity to fund future working capital and development needs. Although the directors expect to be able to successfully raise the additional funds required they have no binding agreements to date. This condition along with other matters disclosed in note 3.2 to the financial statements, indicates the existence of a material uncertainty which may cast significant doubt about the Group and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and company were unable to continue as a going concern, which would principally relate to the carrying value of capitalised exploration costs and loans receivable.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Scott Knight
Senior Statutory Auditor

For and on behalf of BDO LLP, statutory auditor

55 Baker Street
London
W1U 7EU
United Kingdom

Date: 31 May 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 28 February 2011

	Notes	Year to 28.02.2011 £'000	Year to 28.02.2010 £'000
Administration expenses	5	(1,875)	(502)
Operating Loss		**(1,875)**	**(502)**
Finance income	7	87	104
Loan note interest Ulitorque	8	(909)	–
Other interest expense	8	(45)	(38)
Finance expense	8	(954)	(38)
Loss before tax		**(2,742)**	**(436)**
Income tax expense	9	–	–
Loss for the year			
Attributable to shareholders of SNR		**(2,241)**	**(375)**
Attributable to non-controlling interest	3.4	(501)	(61)
		(2,742)	**(436)**
Other comprehensive income for the year			
Exchange differences on translation of foreign operations		33	93
Total comprehensive loss for the year		**(2,709)**	**(343)**
Attributable to shareholders of SNR		(2,217)	(306)
Attributable to non-controlling interest	3.4	(492)	(37)
		(2,709)	**(343)**
Loss per share from both total and continuing operations			
Basic and diluted (pence per share)	10	**(0.24)**	**(0.54)**

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 28 February 2011

Company registration number 5249946

	Notes	28.02.2011 £'000	28.02.2010 £'000
Assets			
Non-current assets			
Property plant and equipment	12	132	265
Intangibles	13	4,553	3,693
Total non-current assets		**4,685**	**3,958**
Current assets			
Trade and other receivables	15	70	95
Loan note	16	622	2,301
Cash and cash equivalents	17	3,536	414
Total current assets		**4,228**	**2,810**
Total assets		**8,913**	**6,768**
Equity and liabilities			
Capital and reserves			
Issued capital	18	1,091	749
Share premium		8,891	4,158
Translation reserve		127	103
Retained (deficit)/earnings		(1,549)	692
Equity attributable to equity holders of parent		**8,560**	**5,702**
Non-controlling interest	3.4	(77)	415
Total Equity		**8,483**	**6,117**
Non-current liabilities			
Other financial liabilities	19	27	32
Provisions	19	102	91
Total non-current liabilities		**129**	**123**
Current liabilities			
Other financial liabilities	19	29	409
Trade and other payables	19	272	119
Total current liabilities		**301**	**528**
Total liabilities		**430**	**651**
Total equity and liabilities		**8,913**	**6,768**

These financial statements were approved by the Board on 31 May 2011.

The accompanying accounting policies and notes form an integral part of these financial statements.

R Latham
Director

E Cox
Director

COMPANY STATEMENT OF FINANCIAL POSITION

As at 28 February 2011

Company registration number 5249946

	Notes	28.02.2011 £'000	28.02.2010 £'000
Assets			
Non-current assets			
Investments	14	405	405
Trade and other receivables	15i	6,399	3,583
Total non-current assets		**6,804**	**3,988**
Current assets			
Trade and other receivables	15ii	18	66
Cash and cash equivalents	17	2,095	231
Total current assets		**2,113**	**297**
Total assets		**8,917**	**4,285**
Equity and liabilities			
Capital and reserves			
Issued Capital	18	1,091	749
Share Premium		8,891	4,158
Retained earnings		(1,219)	(690)
Total equity		**8,763**	**4,217**
Current liabilities			
Trade and other payables	19	154	68
Total liabilities		**154**	**68**
Total equity and liabilities		**8,917**	**4,285**

These financial statements were approved by the Board on 31 May 2011.

The accompanying accounting policies and notes form an integral part of these financial statements.

R Latham
Director

E Cox
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2011

	Notes	Year ended 28.02.2011 £'000	Year ended 28.02.2010 £'000
Cash flows from operating activities			
Cash from/(used in) operations	20	152	(827)
Interest received		27	12
Interest paid		(947)	(38)
Net cash used in operating activities		**(768)**	**(853)**
Cash flows from investing activities			
Drilling and exploration costs	13	(723)	(300)
Purchase of plant and equipment	12	(41)	(131)
Disposals of plant and machinery	12	12	–
Net cash used in investing activities		**(752)**	**(431)**
Net cash outflow before financing activities		**(1,520)**	**(1,284)**
Cash flows from financing activities			
Issue of shares (net of costs)		5,075	920
(Repayment)/issue of loan note		(433)	409
Net cash generated from financing activities		**4,642**	**1,329**
Increase in cash and cash equivalents		**3,122**	**45**
Cash and cash equivalents at start of year		414	369
Cash and cash equivalents at end of period		**3,536**	**414**

The accompanying accounting policies and notes form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

For the year ended 28 February 2011

	Year ended 28.02.2011 £'000	Year ended 28.02.2010 £'000
Cash flows from operating activities		
Cash used in operations	(378)	(381)
Interest received	13	–
Interest paid	(30)	–
Net cash used in operating activities	**(395)**	**(381)**
Cash flows from investing activities		
Loans to subsidiaries	(2,816)	(565)
Net cash used in investing activities	**(2,816)**	**(565)**
Net cash outflow before financing activities	**(3,211)**	**(946)**
Cash flows from financing activities		
Issue of shares (net of costs)	5,075	920
Net cash generated from financing activities	**5,075**	**920**
Increase/(Decrease) in cash and cash equivalents	**1,864**	**(26)**
Cash and cash equivalents at start of year	231	257
Cash and cash equivalents at end of period	**2,095**	**231**

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2011

	Attributable to equity holders of the Company						
	Share capital £'000	Share premium £'000	Translation reserve £'000	Retained accumulated deficit £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1.03.09	**650**	**3,337**	**34**	**1,067**	**5,088**	**452**	**5,540**
Loss for year to 28.02.10	–	–	–	(375)	**(375)**	(61)	**(436)**
Exchange differences	–	–	69	–	**69**	24	**93**
Total recognised income and expense for the year	**–**	**–**	**69**	**(375)**	**(306)**	**(37)**	**(343)**
Issue of shares	99	860	–	–	**959**	–	**959**
Share issue costs	–	(39)	–	–	**(39)**	–	**(39)**
Balance at 28.02.10	**749**	**4,158**	**103**	**692**	**5,702**	**415**	**6,117**
Loss for year to 28.02.11	–	–	–	(2,241)	**(2,241)**	(501)	**(2,742)**
Exchange differences	–	–	24	–	**24**	9	**33**
Total recognised income and expense for the year	**–**	**–**	**24**	**(2,241)**	**(2,217)**	**(492)**	**(2,709)**
Allotment of shares	342	4,913	–	–	**5,255**	–	**5,255**
Share issue cost	–	(180)	–	–	**(180)**	–	**(180)**
Balance at 28.02.11	**1,091**	**8,891**	**127**	**(1,549)**	**8,560**	**(77)**	**(8,483)**

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 28 February 2011

	Share capital £'000	Share premium £'000	Retained accumulated deficit £'000	Total equity £'000
Balance at 1.03.09	**650**	**3,337**	**(434)**	**3,553**
Loss for year to 28.02.10	–	–	(256)	**(256)**
Total recognised income and expense for the year	**–**	**–**	**(256)**	**(256)**
Allotment of shares	99	860	–	**959**
Share issue costs	–	(39)	–	**(39)**
Balance at 28.02.10	**749**	**4,158**	**(690)**	**4,217**
Loss for year to 28.02.11	–	–	(529)	**(529)**
Total recognised income and expense for the year	**–**	**–**	**(529)**	**(529)**
Allotment of shares	342	4,913	–	**5,255**
Share issue costs	–	(180)	–	**(180)**
Balance at 28.02.11	**1,091**	**8,891**	**(1,219)**	**8,763**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 28 February 2011

1. NATURE OF OPERATIONS

The principal activity of Strategic Natural Resources PLC and its subsidiary entities ('the Group') is the acquisition and development of natural resource assets. During the year under review, all of the Group's activities were located in South Africa.

2. GENERAL INFORMATION

Strategic Natural Resources PLC is the Group's ultimate parent company. It is incorporated and domiciled in England and Wales. The address of Strategic Natural Resources PLC is given on the information page. Strategic Natural Resources PLC shares are traded on the AIM market of The London Stock Exchange PLC.

3. SUMMARY OF ACCOUNTING POLICIES

3.1 Basis of preparation

The basis of preparation and principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements of Strategic Natural Resources PLC have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS's"), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

3.2 Going concern

The Financial Statements have been prepared on a going concern basis. The Group has sufficient funds to cover its overhead for the next twelve months however project development costs are currently unfunded and the Group is considering a number of options including the issue of equity, debt finance and the assumption of financial partners. Whilst negotiations are on-going, the Group does not have any binding agreements in place at present.

The Group and company is therefore reliant on its ability to successfully raise further financing, to fund future working capital and development needs. The directors expect to be able to successfully raise the additional funds required but as noted above they have no binding agreements to date. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group and Company's ability to continue as a going concern.

3.3 Accounting standards

New standards, amendments and interpretations effective for the year ended 28 February 2011 and adopted by the Group are detailed below:

Standard	*Effective date*	*Impact on initial application*
IFRS 2 – Amendment – Group Cash-settled Share-based Payment Transactions	1 Jan 2010	The amendments clarifies that where a parent (or another group entity) has an obligation to make a cash-settled share-based payment to another group entity's employees or suppliers, the entity receiving the goods or services should account for the transaction as equity-settled.
'Additional exemptions for first-time adopters' (Amendment to IFRS 1)	1 Jan 2010	This is not relevant to the Group as it is an existing IFRS preparer.
Improvements to IFRSs (2009)	Generally 1 Jan 2010	The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards. The improvements did not have any impact on the current or prior years' financial statements.
IFRIC 17 – Distributions of Non-cash Assets to Owners	1 Jan 2010	The interpretation provides guidance on how to measure distribution of assets other than cash.
IFRIC 18 – Transfer of Assets from Customers	1 Jan 2010	The interpretation clarifies the treatment of agreements in which an entity receives from a customer an item of property that it must use to provide the customer with an on-going access to goods or services.
IFRIC 9/ IAS 39 – Amendment – Embedded Derivative	1 Jan 2010	The amendment clarifies the treatment of embedded derivatives in host contracts that are classified out of fair value through profit or loss.
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	1 Jan 2010	The interpretation provides guidance for application of hedge accounting in foreign operations.
IAS 32 – Classification of rights issues	1 Feb 2010	This Amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer.

Standards, amendments and interpretations that are not yet effective and have not been early adopted are detailed below:

Standard	*Description*	*Effective date*
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 Jul 2010
IFRS 1	Amendment – First Time Adoption of IFRS	1 Jul 2010
IAS 24	Revised – Related Party Disclosures	1 Jan 2011
IFRIC 14	Amendment – IAS 19 Limit on a defined benefit asset	1 Jan 2011
IFRS 7	Amendment – Transfer of financial assets	1 Jul 2011
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 Jul 2011
	Improvements to IFRSs (2010)	1 Jan 2011
IAS 12	Deferred Tax: Recovery of Underlying Assets	1 Jan 2012
IFRS 9	Financial instruments	1 Jan 2013

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group. The Group does not intend to apply any of the pronouncements early.

3.4 Basis of consolidation

These financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 28 February 2011.

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and subsidiary entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiary entities have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the acquired company, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the entity prior to acquisition. On initial recognition, the assets and liabilities of the acquired entity are included in the consolidated balance sheet at their fair values, which are also used as the basis for subsequent measurement in accordance with the Group accounting policies. Investments in subsidiaries and joint ventures are stated at cost less impairment in the balance sheet of the Company.

The non-controlling interest shown in the consolidated statement of comprehensive income and the consolidated statement of financial position represents the 26 per cent. interest owned by minority shareholders in the Group's operating subsidiary, Elitheni Coal (Pty.) Ltd.

NOTES TO THE FINANCIAL STATEMENTS

3.5 Foreign currency translation

The financial information is presented in pounds sterling, which is also the functional currency of the parent company.

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of remaining balances at year-end exchange rates are recognised in the Statement of Comprehensive Income in administrative expenses.

In the consolidated financial statements, all separate financial statements of subsidiary entities, originally presented in a currency different from the Group's presentation currency, have been converted into sterling. Assets and liabilities have been translated into sterling at the closing rate at the balance sheet date.

Income and expenses have been converted into sterling at the average rates over the reporting period. Any differences arising from this procedure have been charged/(credited) to the Translation Reserve.

3.6 Income and expense recognition

Revenue is recognised upon the performance of services and delivery of goods or transfer of risk to the customer. No revenues were recorded during the current year.

Operating expenses are recognised in the Statement of Comprehensive Income upon utilisation of the service or at the date of their origin. All other income and expenses are reported on an accruals basis.

3.7 Borrowing costs

All borrowing costs are expensed as incurred except where the costs are directly attributable to specific construction projects, in which case the interest cost is capitalised as part of those assets.

3.8 Plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and any provision for impairment. No depreciation is charged during the period of construction.

Depreciation is calculated to write down the cost or valuation less estimated residual value of all plant and equipment by equal annual instalments over their estimated useful economic lives. The periods generally applicable are:

Plant and machinery – between 5 and 6 years
Fixtures and fittings – between 6 and 10 years
Computer equipment – between 2 and 3 years
Motor vehicles – over 5 years

Material residual values are updated as required, but at least annually, whether or not the asset is revalued. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

3.9 Intangible assets (comprising development and exploration work)

An intangible asset is recognised when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and that the cost of the asset can be measured reliably. Intangible assets are recognised at cost, their carrying value is cost less accumulated depreciation and any impairment losses.

Drilling, exploration and mine development costs are capitalised as intangible fixed assets to the extent that there is a reasonable degree of certainty that there will be a future income stream from the project which has a positive net present value over the expected life of the project. The costs will be amortised over the life of the mine when production commences.

3.10 Taxation

Current income tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the Statement of Comprehensive Income.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognised in respect of non-tax deductible goodwill. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

At 28 February 2011, no recognition has been made of the potential deferred tax asset arising from the Group’s trading losses to date in view of the uncertainty regarding both the timing of the reversing of the asset and the tax rate which will apply when the reversing occurs.

Deferred tax liabilities are provided for in full with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided that they are enacted or substantially enacted at the balance sheet date.

Deferred tax is provided on differences between the fair value of assets and liabilities acquired in an acquisition and the carrying value of the assets and liabilities of the acquired entity and on the differences relating to investments in a subsidiary unless the temporary difference can be controlled and will probably not reverse in the foreseeable future.

Changes in deferred tax assets and liabilities are recognised as a component of tax expense in the Statement of Comprehensive Income, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

3.11 Financial assets

The Group's financial assets include cash and cash equivalents, trade and other receivables and loan notes.

Cash and cash equivalents include cash at bank and in hand as well as short term highly liquid investments such as money market instruments and bank deposits.

Receivables and loan notes are non-derivative financial assets with fixed or determinable payment dates that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Receivables are measured initially at fair value and subsequently re-measured at amortised cost using the effective interest method, less provision for impairment. Any impairment is recognised in the Statement of Comprehensive Income.

Trade receivables and loan notes are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms. The amount of the write-down is determined as the difference between the assets carrying amount and the present value of estimated cash flows.

3.12 Financial liabilities

The Group's financial liabilities include current and non-current trade and other payables.

Financial liabilities are obligations to pay cash or other financial instruments and are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value. At the current time the Group have not entered into any held for trading financial instruments and so do not have any instruments at fair value through profit or loss. All transaction costs are recognised immediately in the Statement of Comprehensive Income. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities are subsequently recorded at amortised cost using the effective interest method, with interest related charges recognised as an expense in finance expense in the Statement of Comprehensive Income. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the Statement of Comprehensive Income on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is derecognised only when the obligation is extinguished, that is when the obligation is discharged, cancelled or expires.

3.13 Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or on-going production of a mining property. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged against profits over the life of the operation through the amortisation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage which is created on an on-going basis during production are provided for at their net present values and charged against profits as extraction progresses.

Changes in the measurement of a liability relating to the decommissioning of plant and other site preparation work that result from changes in the estimated timing or amount of the cash flow, or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the current period. If the increase in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the Statement of Comprehensive Income.

If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy above.

3.14 Social and labour plan costs

An obligation to incur social and labour costs to uplift the community arises in terms of a Social and Labour Works Programme submitted to the Department of Minerals and Energy, committing to the upliftment in areas like, human resources development programmes, local economic developments, formation of trusts to drive community projects, small, medium and micro enterprise development and community development.

Such costs arising from the uplifting of the community, discounted to their present value, are provided for and capitalised at the date of the granting of the mining right and as soon as the constructive obligation to incur such costs arises.

These costs are charged against profits over the first five years of the mining right, through the amortisation of the asset and the unwinding of the discount on the provision.

Changes in the measurement of a liability relating to the social and labour plan that results from changes in the estimated timing or amount of the cash flow, or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the current period. If the increase in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the Statement of Comprehensive Income.

If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy above.

3.15 Equity
Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Translation reserve" represents the differences arising from translation of investments in overseas subsidiaries.
- "Retained Earnings" represents cumulative retained profits/(losses).
- "Non-controlling interest" represents the minority's interest in the net assets of the entity in which the minority has a shareholding.

3.16 Share based payments
Consideration received in respect of the sale of equity instruments to the non-controlling interest was compared with the fair value of those equity instruments in accordance with IFRS 2 "Share Based Payments" and IFRIC 8 "Scope of IFRS 2". Any differences arising between the consideration and fair value would be recognised as a share based payment charge.

3.17 Pensions
During the period under review, the Group did not operate or contribute to any pension schemes (2010 – nil).

3.18 Key assumptions and estimates
The Group makes estimates and assumptions concerning the future. The Board has considered the critical accounting estimates and assumptions used in the financial statements and the main areas of significant risk which may cause material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below.

Social and labour plan and rehabilitation obligations

The net present values of provision estimates have been discounted to their present value at 8% per annum (2010: 8%) being an estimate of the prevailing risk free interest rates in South Africa.

Social and labour plan costs are reviewed annually and after taking into account work completed during the year fresh estimates are made of the expected future costs required to bring the Group's obligations to completion. If a shortfall arises additional provisions are made.

Rehabilitation expenditure is expected to be incurred at the end of the mine life. For further information, including the carrying amounts of the liabilities, refer to note 19.

Carrying value of intangible assets

The group assesses at each reporting period whether there is any indication that intangible assets may be impaired. If such indication exists, the group estimates the recoverable amount of the asset. The recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less cost to sell'. The estimates used for impairment reviews are based on detailed mine plans and operating plans.

3.19 Segment reporting

The Group's only operating activities at present are the coal mining activity in South Africa and the head office function in the UK.

The measurement policies used by the Group for segment reporting under IFRS 8 are the same as those used in the financial statements.

4. SEGMENT ANALYSIS

IFRS 8 requires operating segments to be reported on the basis of internal reports that are regularly reviewed by the chief operating decision maker who is considered to be the Board of Directors.

The following tables provide an analysis of the operating results, total assets and liabilities, capital expenditure and depreciation for 2011 and 2010 for each segment. The Group has only two operating activities, being the development of the coal mining asset in South Africa and the head office function in the UK.

	South Africa £'000	UK £'000	Inter-group elimination £'000	Total £'000
Year to 28.02.11				
Administrative expenses	(941)	(934)	–	**(1,875)**
Interest income	18	148	(79)	**87**
Interest expense	(924)	(30)	–	**(954)**
Loss before taxation	**(1,847)**	**(816)**	**(79)**	**(2,742)**
Taxation	–	–	–	–
Loss after taxation	**(1,847)**	**(816)**	**(79)**	**(2,742)**
Total assets	**5,106**	**16,413**	**(12,606)**	**8,913**
Total liabilities	**6,483**	**6,553**	**(12,606)**	**430**
Capital expenditure and expenditure on intangible asset				
Plant and equipment	41	–	–	**41**
Intangible asset	720	–	–	**720**
Year to 28.02.10				
Administrative Expenses	(439)	(343)	–	**(782)**
Exchange Differences	280	–	–	**280**
	(159)	**(343)**	**–**	**(502)**
Interest income	12	142	(50)	**104**
Interest expense	(38)	–	–	**(38)**
Loss before taxation	**(185)**	**(201)**	**(50)**	**(436)**
Taxation	–	–	–	–
Loss after taxation	**(185)**	**(201)**	**(50)**	**(436)**
Total assets	**4,170**	**4,597**	**(1,999)**	**6,768**
Total liabilities	**2,583**	**67**	**(1,999)**	**651**
Capital expenditure and expenditure on intangible asset				
Plant and equipment	131	–	–	**131**
Intangible asset	300	–	–	**300**

5. ADMINISTRATIVE EXPENSES

	Year to 28.02.2011 £'000	Year to 28.02.2010 £'000
Included within administrative expenses are the following expenses:		
Payroll and social security	775	389
Legal and professional	196	127
Office costs and general overhead	564	247
Impairment charge re BEE loan note (see note 16)	312	–
Profit on disposal of fixed assets	(2)	–
Foreign exchange gains	(5)	(280)
Fees paid to the auditors:		
in respect of the parent company audit	24	17
in respect of subsidiary company audits	11	2
	1,875	**502**

6. EMPLOYMENT COSTS

	Year to 28.02.2011 £'000	Year to 28.02.2010 £'000
a) Total remuneration		
Aggregate remuneration of all employees and Directors	744	367
Social security costs	31	22
	775	**389**
Average number of employees	15	15

b) Directors' remuneration		
R Latham	47	21
E Cox	24	–
J Metcalfe	50	31
B Nel	175	109
D Nel	139	92
E Shaw	54	26
P Earl	41	16
R MacDonnell	32	16
	562	**311**

Total social security costs in respect of the directors amounted to £12k (2010: 10k).

Key management personnel are considered to be the directors of the Group.

7. FINANCE INCOME

	Year to 28.02.2011 £'000	Year to 28.02.2010 £'000
Interest received on bank deposits	31	12
Loan interest receivable (net of provision)	56	92
	87	**104**

The loan interest is due from the minority shareholders in respect of the deferred consideration. The interest rate on the loan is based on six month and twelve month LIBOR plus 2.25 per cent and three month LIBOR plus 1.5 per cent.

8. FINANCE EXPENSE

	Year to 28.02.2011 £'000	Year to 28.02.2010 £'000
Interest paid on finance leases	6	10
Loan note interest Ulitorque – (see note below)	909	28
Loan note interest SP Angel Limited – (see note below)	30	–
Other	9	–
	954	**38**

On 17 June 2009 Elitheni Coal (Pty) Limited ("Elitheni") entered into a loan agreement with Ulitorque (Pty.) Limited ("Ulitorque"), a private company registered in South Africa, the loan principal being £320k (ZAR4.5m). Under the loan agreement interest accrued and was compounded monthly on the basis of JIBAR plus a margin of 3.5 per cent. The loan agreement provided the lender with the opportunity to convert the outstanding balance due under the agreement into a 10 per cent. equity interest in Elitheni 9 months after drawdown, or into new shares of the Company equal to such outstanding loan amount. This loan was subsequently modified by the lender requesting early repayment.

The Company entered into a short term loan agreement with SP Angel Limited ("SP Angel"), pursuant to which SP Angel loaned £300k to the Company on 15 March 2010. The Company used this loan together with its own existing cash resources, to effect repayment of both the principal and accrued interest of the Ulitorque Loan on 16 March 2010 and subsequently repaid the loan from SP Angel from the proceeds of a placing by the Company which was announced on 17 March 2010

Subsequently the Company received notice from Ulitorque that, in their opinion, the repayment of all of the outstanding capital and accrued interest did not satisfy the repayment conditions set out in the Ulitorque Loan Agreement and that they wished to convert the principal of the Ulitorque loan and accrued interest into a shareholding of 10% in Elitheni. The Directors were advised by legal counsel in South Africa that Ulitorque had limited basis for making such a claim because repayment had been made in accordance with their request for repayment and the Directors believed the claim from Ulitorque to be without foundation.

The matter was subsequently put to arbitration in South Africa and on 5th October 2010 the Company was informed by the arbitrator that Ulitorque's claims had been upheld.

On 29 December 2010 Elitheni paid Ulitorque (Pty.) Limited £909k (ZAR 10.2m) in full and final settlement of all and any claims which it may have against Elitheni Coal (Pty) Ltd being the agreed settlement of £1.336m (ZAR15m) less the amount already paid in settlement of the original loan £427k (ZAR 4.8m).

9. TAX EXPENSE

No taxation is due to be paid in respect of the results for the periods covered by these financial statements. Losses carried forward which may be available for offset against income in future periods are estimated at £1.1m in the UK and ZAR 28.2m/£2.5m in South Africa. No deferred tax asset has been recognised in respect of these losses owing to uncertainty over the timing of when the losses will be utilised. If a deferred tax asset was recognised, the carrying value of the asset is estimated at £1m (2010 – £465k).

10. LOSS PER SHARE

The basic and diluted loss per share has been calculated by dividing the result for the respective year attributable to shareholders by the weighted average number of shares in issue during the relevant year. In accordance with IAS 33 as the Group is reporting a loss for both this and the preceding year the contingently issuable shares are not considered dilutive because their exercise would have the effect of reducing the loss per share.

	Year to 28.02.2011 £'000	**Year to 28.02.2010 £'000**
Loss attributable to equity shareholders of the Company	(2,241)	(375)
Average number of shares in issue	94,589,583	69,929,000
Basic and diluted EPS	**(0.24p)**	**(0.54p)**
Headline EPS	**(0.24p)**	**(0.54p)**

11. PARENT COMPANY'S RESULT FOR THE PERIOD

As permitted by Section 408 of the Companies Act 2006, the parent company's Statement of Comprehensive Income is not shown separately in the financial statements. The loss for the period was £529k (29 February 2010 – loss £158k).

12. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost at 01.03. 2009	**69**	**41**	**89**	**199**
Additions during the year	131	–	–	131
Cost at 28.02.2010	**200**	**41**	**89**	**330**
Depreciation at 01.03.2009	**(11)**	**(14)**	**(22)**	**(47)**
Charge for year	(19)	(9)	(21)	(49)
Exchange difference	11	6	14	31
Depreciation 28.02.2010	**(19)**	**(17)**	**(29)**	**(65)**
Net book value 28.02.2010	**181**	**24**	**60**	**265**
Cost at 01.03.2010	**200**	**41**	**89**	**330**
Additions during the year	7	–	34	41
Disposals during the year	(4)	(4)	(28)	(36)
Cost at 28.02.2011	**203**	**37**	**95**	**335**
Depreciation at 01.03.2010	**(19)**	**(17)**	**(29)**	**(65)**
Charge for year	(145)	(6)	(27)	(178)
Disposals during the year	2	2	22	26
Exchange difference	10	1	3	14
Depreciation 28 02.2011	**(152)**	**(20)**	**(31)**	**(203)**
Net book value 28.02.2011	**51**	**17**	**64**	**132**

The motor vehicles have been financed by hire purchase.

13. INTANGIBLE ASSETS

	£'000
At 1.03.09	**3,026**
Drilling and exploration costs during the year	300
Exchange adjustment	367
At 28.02.10	**3,693**
Drilling and exploration costs during the year	723
Exchange adjustment	137
At 28.02.11	**4,553**

The intangible asset represents the Directors' estimate of the fair value of the coal mining licence and the development and exploration work which has been undertaken at the site in South Africa.

When the mine is in economic production, these costs associated with bringing the mine into production will be amortised over the expected useful life of the mine. No amortisation has been charged in the current or prior year since the production from the mine has been negligible.

14. INVESTMENTS

	28.02.11 £'000	28.02.10 £'000
At cost	405	405

On 13 December 2006, the Company acquired 100 per cent. of the issued share capital of Acharnian Mining Ltd, a company incorporated in the British Virgin Islands, company number 1056886. Acharnian Mining Ltd owns 74 per cent. (2010 – 74 per cent.) of the issued share capital of Elitheni Coal (Pty.) Ltd, a company incorporated in South Africa, company number 2001/002173/07.

15. TRADE AND OTHER RECEIVABLES

	28.02.11 £'000	28.02.10 £'000
a) Group		
Trade receivables	17	20
Other receivables and prepayments	42	65
VAT recoverable	11	10
	70	**95**
b) Company		
i) Non-current		
Amount due from subsidiary	6,399	3,583
ii) Current		
Other receivables and prepayments	14	62
VAT recoverable	4	4
	18	**66**

The amount due from subsidiary is repayable on demand and bears interest at 3 month LIBOR plus 1.5 per cent.

16. LOAN NOTE

	28.02.11 £'000	28.02.10 £'000
Loan notes – principal	621	4, 199
Add: accrued interest	1	402
Less: provision	–	(2,300)
	622	**2,301**

The loan note represents the instrument under which the deferred consideration arising on the sale of the Group's 26 per cent. interest in Elitheni Coal (Pty.) Ltd to Rapitrade 644 (Pty) Ltd is owing and secured. Interest is payable at 3 month LIBOR plus 1.5 per cent.

The balance owing at the year-end in respect of accrued interest amounts to £1k (2010 – £402k).

On 26 June 2008, the Company's wholly owned subsidiary, Acharnian Mining Ltd ('Acharnian'), exchanged contracts for the sale of 26 per cent. of its interest in Elitheni Coal (Pty.) Limited (the 'Original BEE transaction') for a total consideration of £4.84m of which ZAR 10m (£0.64m) was received representing 4 per cent of the interest in Elitheni Coal (Pty.). The balance of £4.2m was originally payable in two tranches, £3.3m by 12 December 2008 and £0.9m by 31 May 2009. The repayment date of the tranche due by 12 December 2008 was subsequently extended to 31 May 2009. The deferred consideration was secured against the shares sold. At 28 February 2009 the Directors decided to make a provision of 50 per cent. against the balance owing plus the interest accrued at the balance sheet date. At 28 February 2010 the provision totalled £2.3m being 50% of the £4.2m owing plus accrued interest at that date of £402k.

During the year and in order to restructure and consolidate the BEE shareholding in Elitheni, Acharnian exercised its rights under the original loan pledge agreements and procured the transfer of the remaining 22% to Rapitrade 644 (Pty) Ltd ("Rapitrade") to replace these original loans. Under the terms of this Sale of Shares Agreement the remaining 22 per cent was transferred to Rapitrade 644 (Pty.) Ltd for the sum of ZAR 22,000,000 having received written confirmation from the original BEE shareholders of their agreement to this consolidation and restructuring of Elitheni's BEE shareholding.

The sale price was satisfied by the payment by Rapitrade to Acharnian of ZAR 15,000,000 in cash and a simultaneous loan of ZAR 7,000,000 by Acharnian to Rapitrade. This loan bears interest at a rate equal to the three month LIBOR plus 1.5 per cent. Upon Elitheni declaring a dividend, Rapitrade will apply 50 per cent. of the sums payable towards discharging the then outstanding loan.

No share based payment charge under IFRS 2 arises on this transaction since the fair value of the consideration received is considered to be the same as the fair value of the equity sold.

The sale agreement refers to the possibility that the purchasers of the 26 per cent. interest in Elitheni may, at some time in the future and subject to the agreement of the Company, convert their interest in Elitheni into ordinary shares in the Company. No terms for a conversion have been agreed as at the date of these financial statements and accordingly no fair value is deemed to exist in respect of conversion rights which may be agreed in the future.

The interest recognised in finance income in the year of £56k (2010 – £92k) (see note 7) is the amount due on the original loans after a making a provision of 50 per cent plus £1k being interest accrued on the loan to Rapitrade.

An impairment charge of £312k being the difference between the sale price of the 22% sold to Rapitrade and the then written down value of the amount owed including accrued interest from the original BEE shareholders has been made and is included in administration costs.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the Group and the Company comprise cash and short term bank deposits held in interest bearing accounts, accessible at between 1 and 30 days' notice.

18. SHARE CAPITAL

The share capital of the Company consists of fully paid ordinary shares with a par value of 1p. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of the Company.

	28.02.11	**28.02.10**
Shares issued and fully paid		
At the beginning of the year	74,938,333	65,000,000
Shares issued during the year	34,165,000	9,938,333
At end of year	109,103,333	74,938,333
Value £'000's	**1,091**	**749**

19. TRADE AND OTHER PAYABLES

	28.02.11 £'000	28.02.10 £'000
a) Group		
(i) Non-current		
Hire purchase	**27**	**32**
(ii) Non-current		
Provisions		
Social and labour commitments [1]	81	73
Environmental rehabilitation [2]	21	18
	102	**91**
(ii) Current		
Trade payables	54	49
Accruals	174	29
Payroll taxes	44	5
Hire purchase	29	36
Loan note [3]	–	409
	301	**528**
b) Company		
Current		
Trade payables	15	34
Accruals	95	29
Payroll taxes	44	5
	154	**68**

1 The social and labour commitments provision recognises the obligation to incur social and labour costs in South Africa to uplift the community arising out of a Social and Labour Works Programme submitted to the Department of Minerals and Energy in South Africa. The uplifting covers areas such as human resources development programmes, local environmental developments, formation of trusts to drive community projects, small, medium and micro enterprise development and community development.

2 The environmental rehabilitation provision represents an obligation to incur restoration, rehabilitation and environmental costs in South Africa when environmental disturbance is caused by the development and mining activities. A provision is recognised for the present value of such future costs. Provision is also made for the future costs relating to the decommissioning of the plant or other restoration work. It is anticipated that the cost of restoration and decommissioning will be incurred over the life of the mine. The provision is based on the estimated net costs to rehabilitate the mine on the assumption that third parties will attend to the rehabilitation of the mine, including VAT and a 10 per cent. contingency.

The table below details the movement on the social and labour provision and the environmental rehabilitation provision during the year.

Provisions

	Social and labour	Environmental rehabilitation	Total
Balance at 01.03.10	**73**	**18**	**91**
Additional provision	14	2	16
Payments	(16)	–	(16)
Unwind discount	6	–	6
Exchange difference	4	1	5
Balance at 28.02.11	**81**	**21**	**102**

3 On 17 June 2009 Elitheni Coal entered into a loan agreement with Ulitorque (Pty.) Limited, a private company registered in South Africa, the loan principal being ZAR4.5m (£320k) which was repaid during the year (see note 8).

20. RECONCILIATION OF LOSS BEFORE TAX TO CASH USED IN OPERATIONS

	Year to 28.02.2011 £'000	Year to 28.02.2010 £'000
a) Group		
Result for the year	(2,742)	(436)
Depreciation	178	49
Profit on disposal of fixed assets	(2)	–
Decrease/(increase) in receivables	1,765	(30)
Increase/(decrease) in payables	167	(63)
Increase/(decrease) in provisions	6	24
Deduct finance income	(87)	(104)
Deduct finance expense	954	38
Unrealised exchange adjustment	(87)	(305)
Net cash outflow from operating activities	**152**	**(827)**
b) Company		
Result for the year	(529)	(256)
Changes in working capital	134	(38)
Deduct finance income	(13)	(87)
Deduct finance expense	30	–
Net cash outflow from operating activities	**(378)**	**(381)**

21. CAPITAL COMMITMENTS

The Group, through its interest in its subsidiary company, Elitheni Coal (Pty.) Ltd ('Elitheni') is engaged in developing the mining licence owned by Elitheni.

22. RELATED PARTY TRANSACTIONS

During the year, the Company paid £39k (2010 – £52k) to Independent Power Corporation PLC, a company of which P Earl and E Shaw are Directors and shareholders, under a “Shared Services Agreement” for the provision of office and other administrative services.

The Company has made loans to its subsidiary, Acharnian, amounting to £6.04m at the balance sheet date (2010 – £3.58m). Interest charged during the year amounted to £0.11m (2010 – £0.09m). Acharnian has made loans to Elitheni amounting to £6.21m at the balance sheet date (2010 – £2.0m). Interest charged during the year amounted to £0.08m (2010 – £0.05m).

On 12 March 2009 a loan of £15,750 was made to a former director of the Company and on 2 October 2009 a partial repayment amounting to £7,500 was made leaving an outstanding loan account balance at the beginning of the financial year of £8,250. This outstanding balance was repaid on 24 December 2010.

B W Nel and D J Nel are trustees of the Southern Cape Corridor Trust (the “Trust”). B W Nel is not a beneficiary of the Trust, although his children, including D J Nel, are beneficiaries. The Trust owns 78.5% and D J Nel owns 20% of the shares in Southern Cape Corridor Power (Pty) Limited. Southern Cape Corridor Power (Pty) Ltd performed consulting services to the Group during the year. These costs amounted to £46k which remained payable at the year-end (2010: Nil).

23. FINANCIAL ASSETS AND LIABILITIES

The Group’s financial instruments comprise cash and cash equivalents, loan note receivable and various items that arise directly from its operations such as trade receivables, trade payables and hire purchase liabilities.

The main purpose of these financial instruments is to finance the Group’s operations.

The Board regularly reviews and agrees policies for managing the level of risk arising from the Group’s financial instruments. These are summarised below.

Market risk

Foreign currency risk – The Group undertakes transactions principally in British pounds sterling and South African Rand. While the Group continually monitors its exposure to movements in currency rates, it does not utilize hedging instruments to protect against currency risk.

The functional currency of the Company is British pounds sterling. At 28 February 2011, cash balances amounting to £2,095k (2010 – £231k) were held in Sterling denominated accounts.

The functional currency of Elitheni is South African Rand (“ZAR”). At 28 February 2011, Elitheni held cash balances denominated in ZAR amounting to ZAR 16,184k/£1,441k (2010 – ZAR 2,168k/£183k).

ZAR denominated financial assets and liabilities at 28.2.2011, translated into British pounds Sterling at the closing rate, are as follows:

	ZAR'000	£'000
Trade and other receivables	584	52
Cash and cash equivalents	16,184	1,441
Other financial liabilities (non-current)	(310)	(27)
Provisions	(1,140)	(102)
Other financial liabilities (current)	(325)	(29)
Trade and other payables	(1,322)	(118)
Net financial liabilities	**13,671**	**1,217**

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities and the sterling/ZAR exchange rate.

It assumes a +/– 20 per cent. change of the sterling/ZAR exchange rate for the year ended 28 February 2011 (2010: 20 per cent.). Both of these percentages have been chosen to reflect the market volatility of the currencies concerned. The sensitivity analysis is based on the Group's foreign currency financial assets and liabilities.

If sterling had weakened against the ZAR by the above percentages this would have had the following impact:

	28.02.2011 £'000	28.02.2010 £'000
Net result for the year	(122)	(37)
Equity	(243)	(75)

If sterling had strengthened against the ZAR by the above percentages this would have had the following impact:

	28.02.2011 £'000	28.02.2010 £'000
Net result for the year	122	37
Equity	243	75

Exposures to foreign exchange rates vary during the year throughout the normal course of the Group's business. The above analysis is considered to be representative of the Group's exposure to currency risk.

Interest rate risk – The Group utilises cash deposits at variable rates of interest for short-term periods, depending on cash requirements. The rates are reviewed regularly and the best rate obtained in the context of the Group's needs. The results of the Group are not significantly affected by the level of interest income.

Interest earning balances were held in British pounds sterling and ZAR. The weighted average interest rate for British pounds sterling was 1.5 per cent. (2010: 0.05 per cent.) and for ZAR 4.75 per cent. (2010: 1.5 per cent.). If interest rates had been 1 per cent. point higher or lower during the year, the effect on net interest income would have been £11k (2010 – £10k).

Liquidity risk

In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches to finance its activities for limited periods only. Further funding is raised as and when required. The Group's policy continues to be to ensure that it has adequate liquidity by careful management of its working capital.

Credit risk – Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions, trade receivables and other financial instruments.

Credit risk from balances with banks and financial institutions is managed by the Board. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

Counterparty credit limits are reviewed by the Board on a regular basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The Group has exposure to counterparty risk in the form of the loan note referred to in note 16.

Financial assets

	Group 28.02.11 £'000	Group 28.02.10 £'000	Company 28.02.11 £'000	Company 28.02.10 £'000
Trade receivables	17	20	–	–
Cash at bank and in hand	3,536	414	2.095	231
Loan note receivable	622	2,301	–	–
	4,175	**2,735**	**2,095**	**231**

Cash at bank and in hand comprise cash and short-term deposits held by the Group treasury function. The carrying amount of these assets is approximately their fair value.

Trade and other receivables fall due for payment within 3 months from the balance sheet date.

The repayment terms of the Loan note receivable are disclosed in note 16.

Financial liabilities

	Group 28.02.11 £'000	Group 28.02.10 £'000	Company 28.02.11 £'000	Company 28.02.10 £'000
Other financial liabilities	56	441	–	–
Trade and other payables	272	119	154	68
	328	**560**	**154**	**68**

Trade and other payables fall due for payment within 3 months from the balance sheet date.

24. CAPITAL MANAGEMENT AND PROCEDURES

The Group's capital management objectives are:

a) to ensure the Group's ability to continue as a going concern (see note 3.2);

b) to increase the value of the assets of the Group; and

c) to enhance shareholder value in the Company and returns to shareholders.

The achievement of these objectives is undertaken by developing existing ventures and identifying new ventures for development. The Group will also undertake other transactions where these are deemed financially beneficial to the Company.

The Directors continue to monitor the capital requirements of the Group by reference to expected future cash flows.

SOCIAL RESPONSIBILITY AND COMMUNITY BUILDING

For the year ended 28 February 2011

The issues of social responsibility and community building continue to be a key area of the operations of Strategic Natural Resources and Elitheni Coal. Not only is its necessity highlighted by the impoverished conditions of the area within which Elitheni Mine is situated, but both regional and national offices of the Department of Minerals and Energy show that implementation of a mining company's social and labour plan is a matter of high priority for government as well. It is gratifying for the company to be able to work together with all structures to contribute significantly to the general improvement of communities in the area.

ACHIEVEMENTS IN 2010/11

As previously reported the Eastern Cape is the second largest province in South Africa, with half of its population between the ages of 12 and 30. A large percentage of the population finds itself nestled in the forgotten rural villages, which have felt the chastisement and scars left by the HIV/AIDS pandemic. The evidence of countless abandoned children is seen in the dusty streets and barren hills of Emalahleni and surrounding areas.

In celebration of World Aids Day on 1 December 2009, Management and community members gathered around the vulnerable children of Emalahleni to bring a bit of sunshine and hope by presenting each child with a Box of Blessing. Many of these children head up homes and are solely responsible for taking care of other children.

Action needed to be taken and this motivated the Company to work closely with the Community Trust to initiate the birth of a Safe Home for the vulnerable children. The Elitheni Children's Home of Hope was birthed. The aim of this children's home is to create and sustain a caring, cultural-indigenous environment, where the community's heart and involvement will echo each and every day in the lives of the children.

The Company's goal is simple and clear: "To launch a self-sustainable children's home, which will be maintained by local business, government and community members".

Not only will this project bring business and community together, but elder and youth, man and woman, widow and orphan, black and white. The concept of the home was founded on the following principles:

- The Children's Home is a home recognised for the community by the community.
- The home will be managed and governed by the Emalahleni Community Trust, which represents stakeholders from local government, community and traditional leadership.
- The project will maintain, support, and encourage local culture and economy through this initiative.
- Access to medical care and facilities will be made available to the children.

SOCIAL RESPONSIBILITY AND COMMUNITY BUILDING

- The home will have a legal guardian nominated by the elders/traditional leadership to fulfil a caring and nurturing role to these children. The legal guardian will report and be assessed by the Department of Social Development to ensure that a healthy family centred home and values are instilled in the home.

- Community resources and volunteers will be called upon to assist in the setup of the Children's home; from development stage to deployment of the actual building and administration of the home.

Local schools have been invited to participate in designing of the traditional children's home and several women's groups will be assigned to showcase their craft and sewing skills required in the home. Local farmers and masons will also have the opportunity to transfer their skills and contribution where required. Nursing assistance and health practitioners will also be assigned to monitor the progress and development of the children.

Elitheni Coal are working closely with the provincial Department of Social Development whilst establishing the children's home. The Company is very excited and humbled by the opportunity to make a difference in the lives of at least six orphaned children from the immediate rural community.

True community empowerment will be the fruit of this village-owned project.

Through the financial year, Elitheni embarked on an ambitious programme to create a skills profile of all villages in and around the mine. A team of 25 field workers were trained in the administration of a survey created in house. This survey was used to assess skills which could be developed in support of the mine as well as SMME (Small Medium Micro Enterprises) which either exist, or based on small business experience evident in the region, which could be developed further in support of the mine. Over a period of 10 weeks, over 5000 questionnaires were successfully completed.

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1. Coega deep water port

2. The Honourable Premier of the Eastern Cape with the team

3. Lunch with the Deputy Minister of Economy

4. Elitheni's Site Manager celebrating the road ahead with Elitheni's Director of Stakeholder Management

4

5

6

7

5. The team by the Elitheni coal face

6. Bertus Steenkamp explaining the mining plan to the board

7. Elitheni coal samples

8. East London dedicated coal siding