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Strategic Natural Resources (LON:SNRP): Q&A Session with Strategic Natural Resources Director of Communications Jeremy Metcalfe

Strategic Natural Resources updated the market today with [news of an increased stake holding by way of a placing at market price with its BEE partners Rapitrade 844](#). The company also provided an update on good progress with its on-going off-take negotiations.

With the backdrop of escalating prices for thermal coal on the global market we thought it would be opportune to put a few investor focused questions to communications Director Jeremy Metcalfe. Here's what he had to say:

MM: We note that coal prices have been increasing significantly of late. How do you view this trend from the company's perspective, particularly with regard to potential off-take negotiations going forward?

JM: I am acutely aware that investors and followers of Strategic Natural Resources PLC are keenly awaiting the announcement of a coal offtake agreement. It is perhaps worth explaining just what such an agreement is composed of. First of all it is not just a sales agreement by one party to purchase x tones of coal from another. It is a very complicated agreement covering a number of aspects including, for example, certainty of port handling equipment being up to the job or sufficient railway capacity to move the envisaged tonnage or proof that the Company has the financial wherewithal to mine the amount of product encompassed in the agreement. There will be sections covering Bank Guarantees and other performance data germane to ensure the effectiveness of the contract(s). There are other elements too numerous to go into here. Naturally all of this takes a great deal of time and due diligence to piece together.

Add to the above the actual pricing of our coal which has to be as optimum as possible. The Board are considering this carefully.

MM: How would you summarise the strategic vision of the management team ('Strategic')?

JM: The whole SNR team is fully focused on obtaining the absolute maximum advantage for all our share holders. This means "getting it right". It means increasing the size of our coal deposit from current levels to something much larger as we crank up our drilling programme and it means not cutting any corners as we negotiate the coal offtake agreements on which we are currently working.

MM: How well is the company positioned to deal with specific challenges regarding operating conditions and the regulatory requirements within South Africa as they impact Companies operating in the Natural Resource sector?

JM: We are extremely well positioned and have to date enjoyed the total support of the relevant exploration and mining authorities. We have as you know, recently concluded a very exciting BEE deal and have confidence that our BEE partners will be playing a very full and supportive role as we move forward into major coal production. Bear in mind ours is the only large coal deposit in the Eastern Cape, an area that has for many years been rather neglected and for which the Government has plans for regeneration of a number of industries that will require energy and coal.

MM: Can you outline how you intend to increase you current 150million tonne coal resource and what specific operational steps you will implement to achieve this?

JM: Quite simply we are planning to start a new drilling programme shortly, the objective of which will be to double the existing tonnage over the next couple of years. Remember, we have only drilled approximately 3% of our licence area. That leaves 97% still to go. We have access to 7 drilling rigs and we are currently planning how best to employ them in discussion with our technical advisors.

MM: Strategic's resource is principally made up of Anthracitic coal. Can you briefly expand on the specific characteristics for this type of coal, the market, and also its potential applications, both in country and for the export market?

JM: I suppose one of the best characteristics of anthracite coal is that it is virtually smokeless and in the case of our coal it is extremely low in sulphur. It lacks some of the high calorific values of bituminous coal but it is entirely suitable for burning in fluidized bed boilers and for blending with other coals. This means we can satisfy the two biggest markets that we have identified namely coal for export and for power stations. Additional advantages, as identified by Professor Falcon in [name of the report], is that our coal has specific qualities which make it suitable as a reductant in the smelting process and thus, in a washed condition, we should be able to obtain a substantial premium price.

MM: What infrastructure changes and capital investment will be required to supply coal in bulk quantities and how would the company seek to finance any additional investment required?

JM: East London, which will be our principal port for export, will require considerable infrastructure changes. The railway system which, fortuitously just happens to run from our mine mouth to East London, will also require some money spent on it in certain parts to bring it up to the standard that we will require to handle the large tonnages envisaged. Actual costs are still being worked out and we are working on a bankable feasibility proposal which, when concluded, we will present to investors.

MM: Your move from exploration to production is a key inflexion point in terms of investor value generation. When do you anticipate initial revenue inflows to commence and how, in broad terms, how do you anticipate utilising incoming funds in the foreseeable future?

JM: We have already commenced production in a small way to provide a certain tonnage of coal for test purposes. Major production is planned for the first quarter of 2012 when we anticipate the commencement of our export programme.

MM: What news flow should investors expect from the company over the next 3-6 months?

JM: As I am sure you realise for this interview we are very busy on a number of fronts and we hope that there will be a steady flow of announcements during the rest of this year.

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