

**STRATEGIC NATURAL RESOURCES PLC**  
**(“SNR” or the “Company”)**

**Unaudited interim results for the six months ended**  
**31 August 2011**

Strategic Natural Resources plc (AIM: SNRP), 74 *per cent.* owner of coal exploration and production assets located near Indwe in the Eastern Cape province of South Africa, today announces its unaudited interim results for the six months ended 31 August 2011.

Highlights:

- SNR has developed a mining plan to ensure the most cost effective way to deliver against its first orders and opencast workings have been targeted for full production by February 2012, with underground workings to commence in April 2012.
- Based on current negotiations with vendors of washing plants, the Company anticipates the first 150T/hour module to be commissioned by the end of April 2012, allowing more than sufficient time for shipments of beneficiated coal to commence by June 2012.
- SNR has signed an MOU with a private rail company with South African and international expertise, to provide rail operating services and the rolling stock necessary to commence and ramp up rail operations to the ports of both East London and Coega.
- Around 100 holes have been drilled since May 2011 with over half yielding coal. Drilling has been planned to commence in Phase 5 in January 2012.
- In addition to its initial export orders, the Company is in discussions with other interested parties regarding further off-take of coal on a longer term basis and will update shareholders accordingly.

David Nel, Chief Executive Officer of SNR, said, “SNR have made further significant progress in the last six months towards contracting out the mining operations and sourcing plant and equipment. We remain confident we will be able to deliver our first orders on schedule and we anticipate being able to update our competent persons report (CPR) in Q1 of 2012 and will update our resource statement at that time.”

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For further information about Strategic Natural Resources plc please visit [www.snrplc.co.uk](http://www.snrplc.co.uk)

## **Chairman's Statement**

I have pleasure in presenting the interim results of Strategic Natural Resources PLC ("SNR" or the "Company") for the half year to 31 August 2011. It reviews the operational and financial performance for the period together with an update on current developments.

## **Operational Performance**

I reported in my year end statement in May 2011 that we were delighted to announce our first major off-take agreement and quite naturally since then this has been a core focus of the company.

I am pleased to report that we have made significant progress in contracting out the mining operations and sourcing plant and equipment for the mine. Given the relationships we have developed with these contractors and suppliers, we remain confident we will be able to deliver our first orders on schedule.

The team in South Africa have developed a mining plan to ensure the most cost effective way to deliver against our first orders and in this regard opencast workings have been targeted for full production by February 2012. Furthermore, we have either procured or secured (through paying deposits) sufficient equipment to commence the underground operation in April 2012. Based on current negotiations with vendors of washing plants, we anticipate the first 150T/hour module will be commissioned by the end of April 2012, allowing more than sufficient time on the basis of the planned 24 a day hour mine operation for shipments of beneficiated coal to commence by June 2012.

On the related logistics front, I am pleased to report that Transnet, South Africa's national ports authority and operator as well as rail provider, continues to be supportive of the project. The port of East London has confirmed to us, in writing the availability and readiness of the port to commence our exports in June 2012 using a skip and container loading process. Transnet Port Terminals, the East London Port operator, has confirmed its procurement of all the necessary loading equipment to facilitate our ship loading. In addition, official processes are well underway to build a long term bulk dry facility, capable of handling 2–4 million tonnes of coal per annum through the Port of East London. This is a public process and shareholders will be able to obtain information on this as it progresses. Any agreements signed or concluded between Elitheni or SNR and Transnet will be announced separately.

We have also signed an MOU with a significant private rail company with extensive South African and international expertise, with whom we will be partnering to provide not only the rail operating services but also all of the rolling stock necessary to commence and ramp up rail operations to the ports of both East London and Coega.

Negotiations continue with Transnet in regard to rail. We are fortunate that the mine is serviced with a good quality road network to the port of East London. This network should allow us to deliver up to 1 million tonnes per annum by road to the port of East London, however the Company is aware that a rail link will more than double the export capacity through that port and will be essential for exports through the port of Coega. I am very pleased with the progress being made by my colleagues in South Africa in conjunction with Transnet and we will continue to update the market of progress in this regard.

### **Drilling Progress**

Just under 100 holes have been drilled since May 2011 with over half yielding coal, despite a very wet and snow filled season in the mountains of the Eastern Cape. Currently two core rigs and one percussion rig is operating over Elitheni's Phase 1–4 areas. Drilling has been planned to commence in Phase 5 in January 2012.

The Company anticipates being able to update its Competent Persons Report (CPR) in Q1 of 2012 and will update its resource statement at that time.

### **Future Operations and Plans**

In addition to our initial export orders, we are in discussions with other interested parties regarding further off-take of the coal on a longer term basis and we will update shareholders accordingly.

Interactions with the local market in South Africa continue. Although there are a number of industrial operations in the Eastern Cape, the Board has taken a decision to focus only on new and emerging industrial operations that incorporate combustion technology suitable for burning the Eastern Cape coal. Conversion of combustion technology of existing industrial operators has proved to have too long a lead time and not to be economically justifiable in comparison with focusing on export orders or a 'to be installed' plant.

Power generation at the mine mouth remains a core potential market and the Company will continue to pursue this opportunity, in accordance with South Africa's Integrated Resource Plan 2010, which allows for the introduction of coal fired base load Independent Power Producers from 2018.

### **Financial Summary**

The Company made a loss of £975k during the six months, compared with a loss of £470k for the six months ended 31 August 2010. The increase in the Company's loss can be attributed to : (i) the Rand weakening during the period under review as compared to strengthening against sterling in the equivalent prior period (£232k); (ii) increased operational expenses as a result of increased staffing levels and associated costs in preparation of the mine development (£300k); (iii) a reduction in interest expense (£27k). Shareholders will note an increase in prepayments and creditors (both due within one year and after one year). This is as a result of our prudent approach in recognising the commission due to London Commodity Brokers in respect of the off take agreement we entered into with Trasteel earlier this year. This commission will be expensed to the profit and loss account over the life of the contract.

### **Funding Required**

I was pleased to report in September 2011 that the Company had raised £1.9M from its major shareholder, Cooch, at a 38% premium to the prevailing market price at that time, so as to limit dilution for other shareholders. The proceeds of this fundraising ensured we were able to procure long lead items that are required to enable the delivery of our first coal to Trasteel.

World capital markets have been extremely challenging in recent months and not only has the Company been able to raise finance at a premium but it continues negotiations for further

significant funding with a number of potential investors. The Company is aware of the need to close a funding package to finance production at the mine and in this regard we are looking forward to updating shareholders in the near future.

R. H. R. Latham  
Chairman

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)  
For the half year ended 31 August 2011

Date: 25 November 2011

	Notes	Unaudited six months to 31.08.11 £'000	Unaudited six months to 31.08.10 £'000	Audited year to 28.02.2011 £'000
Administration expenses		(1,008)	(477)	(1,875)
<b>Operating (Loss)</b>		<b>(1,008)</b>	<b>(477)</b>	<b>(1,875)</b>
Finance income		36	37	87
Loan note interest - Ulitorque		-	-	(909)
Other interest expense		(3)	(30)	(45)
Finance expense		(3)	(30)	(954)
<b>(Loss) before tax</b>		<b>(975)</b>	<b>(470)</b>	<b>(2,742)</b>
Income tax expense		-	-	-
<b>(Loss) for the year</b>				
<b>Attributable to shareholders of SNR</b>		<b>(757)</b>	<b>(387)</b>	<b>(2,241)</b>
Attributable to non-controlling interest		(218)	(83)	(501)
		<b>(975)</b>	<b>(470)</b>	<b>(2,742)</b>
<b>Other comprehensive income for the year</b>				
Exchange differences on translation of foreign operations		62	18	33
<b>Total comprehensive (loss) for the year</b>		<b>(913)</b>	<b>(452)</b>	<b>(2,709)</b>
Attributable to shareholders of SNR		(712)	(374)	(2,217)
Attributable to non-controlling interest		(201)	(78)	(492)
		<b>(913)</b>	<b>(452)</b>	<b>(2,709)</b>
(Loss) per share from both total and continuing operations				
<b>Basic and diluted (pence per share)</b>	3	<b>(0.69)</b>	<b>(0.42)</b>	<b>(2.40)</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)

As at 31 August 2011

Company registration number 5249946

	Notes	Unaudited as at 31.08.11 £'000	Unaudited as at 31.08.10 £'000	Audited as at 28.02.2011 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property plant and equipment	4	700	244	132
Intangibles	5	4,865	4,330	4,553
<b>Total non-current assets</b>		<b>5,565</b>	<b>4,574</b>	<b>4,685</b>
<b>Current assets</b>				
Trade and other receivables	6	2,404	122	70
Loan note		630	2,332	622
Cash and cash equivalents		1,692	1,578	3,536
<b>Total current assets</b>		<b>4,726</b>	<b>4,032</b>	<b>4,228</b>
<b>Total assets</b>		<b>10,291</b>	<b>8,606</b>	<b>8,913</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Issued capital	9	1,160	941	1,091
Share premium		10,122	6,658	8,891
Share option reserve		4	-	-
Translation reserve		172	116	127
Retained (deficit)/earnings		(2,306)	305	(1,549)
<b>Equity attributable to equity holders of parent</b>		<b>9,152</b>	<b>8,020</b>	<b>8,560</b>
Non-controlling interest		(278)	337	(77)
<b>Total equity</b>		<b>8,874</b>	<b>8,357</b>	<b>8,483</b>
<b>Non-current liabilities</b>				
Other financial liabilities		888	32	27
Provisions		79	91	102
<b>Total non-current liabilities</b>	8	<b>967</b>	<b>123</b>	<b>129</b>
<b>Current liabilities</b>				
Other financial liabilities		23	-	29
Trade and other payables		427	126	272
<b>Total current liabilities</b>	7	<b>450</b>	<b>126</b>	<b>301</b>
<b>Total liabilities</b>		<b>1,417</b>	<b>249</b>	<b>430</b>
<b>Total equity and liabilities</b>		<b>10,291</b>	<b>8,606</b>	<b>8,913</b>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)  
For the half year ended 31 August 2011

	Notes	Unaudited six months to 31.08.11 £'000	Unaudited six months to 31.08.10 £'000	Audited year to 28.02.2011 £'000
<b>Cash flows from operating activities</b>				
Cash (used in)/from operations	10	(2,125)	(552)	152
Interest received		29	5	27
Interest paid		(3)	(32)	(947)
<b>Net cash (used in) operating activities</b>		<b>(2,099)</b>	<b>(579)</b>	<b>(768)</b>
<b>Cash flows from investing activities</b>				
Drilling and exploration costs		(428)	(532)	(723)
Purchase of plant and equipment		(622)	(8)	(41)
Disposals of plant and machinery		5	-	12
<b>Net cash (used in) investing activities</b>		<b>(1,045)</b>	<b>(540)</b>	<b>(752)</b>
<b>Net cash outflow before financing activities</b>		<b>(3,144)</b>	<b>(1,119)</b>	<b>(1,520)</b>
<b>Cash flows from financing activities</b>				
Issue of shares (net of costs)		1,300	2,692	5,075
(Repayment) of loan note		-	(409)	(433)
<b>Net cash generated from financing activities</b>		<b>1,300</b>	<b>2,283</b>	<b>4,642</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>		<b>(1,844)</b>	<b>1,164</b>	<b>3,122</b>
Cash and cash equivalents at start of period		3,536	414	414
<b>Cash and cash equivalents at end of period</b>		<b>1,692</b>	<b>1,578</b>	<b>3,536</b>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)  
For the half year ended 31 August 2011

Attributable to equity holders of the Company

	Share capital £'000	Share premium £'000	Share option reserve £'000	Translation reserve £'000	Retained accumulated deficit £'000	Total £'000	Non- controlling interest £'000	Total equity £'000
<b>Balance at 1.03.10</b>	<b>749</b>	<b>4,158</b>	-	<b>103</b>	<b>692</b>	<b>5,702</b>	<b>415</b>	<b>6,117</b>
Loss for the period to 31.08.10	-	-	-	-	(387)	<b>(387)</b>	(83)	<b>(470)</b>
Exchange differences	-	-	-	13	-	<b>13</b>	5	<b>18</b>
<b>Total recognised income and expense for the year</b>	-	-	-	<b>13</b>	<b>(387)</b>	<b>(374)</b>	<b>(78)</b>	<b>(452)</b>
Issue of shares	192	2,680	-	-	-	<b>2,872</b>	-	<b>2,872</b>
Share issue costs	-	(180)	-	-	-	<b>(180)</b>	-	<b>(180)</b>
<b>Balance at 31.08.10</b>	<b>941</b>	<b>6,658</b>	-	<b>116</b>	<b>305</b>	<b>8,020</b>	<b>337</b>	<b>8,357</b>
Loss for period to 28.02.11	-	-	-	-	(1,854)	<b>(1,854)</b>	(418)	<b>(2,272)</b>
Exchange differences	-	-	-	11	-	<b>11</b>	4	<b>15</b>
<b>Total recognised income and expense for the year</b>	-	-	-	<b>11</b>	<b>(1,854)</b>	<b>(1,843)</b>	<b>(414)</b>	<b>(2,257)</b>
Allotment of shares	150	2,233	-	-	-	<b>2,383</b>	-	<b>2,383</b>
Share issue costs	-	-	-	-	-	-	-	-
<b>Balance at 28.02.11</b>	<b>1,091</b>	<b>8,891</b>	-	<b>127</b>	<b>(1,549)</b>	<b>8,560</b>	<b>(77)</b>	<b>8,483</b>
Loss for period to 31.08.11	-	-	-	-	(757)	<b>(757)</b>	(218)	<b>(975)</b>
Exchange differences	-	-	-	45	-	<b>45</b>	17	<b>62</b>
<b>Total recognised income and expense for the year</b>	-	-	-	<b>45</b>	<b>(757)</b>	<b>(712)</b>	<b>(201)</b>	<b>(913)</b>
Share option charge for the period	-	-	4	-	-	<b>4</b>	-	<b>4</b>

Allotment of shares	69	1,231	-	-	-	<b>1,300</b>	-	<b>1,300</b>
<b>Balance at 31.08.11</b>	<b>1,160</b>	<b>10,122</b>	<b>4</b>	<b>172</b>	<b>(2,306)</b>	<b>9,152</b>	<b>(278)</b>	<b>8,874</b>

NOTES TO THE INTERIM STATEMENT  
For the half year ended 31 August 2011

**1. Basis of preparation**

These un-audited condensed consolidated interim financial statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The comparative figures for the year ended 28 February 2011 were derived from the Statutory Accounts for that year and were approved on the 31 May 2011. The auditors' report on those accounts was unqualified, did not contain a statement under section 498 (2) - (3) of the Companies Act 2006 but did include an emphasis of matter which drew attention to the directors' consideration of going concern without qualifying their report. These accounts have been delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006. The financial information contained in this interim statement has been prepared in accordance with all relevant International Financial Reporting Standards ('IFRS') in force and is expected to apply to the Group's results for the year ending 28 February 2012 and on interpretations of those Standards released to date.

**2. Accounting policies**

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies set out in the Group's financial statements for the year ended 28 February 2011.

**3. Loss per share**

The basic and diluted loss per share has been calculated by dividing the result for the respective period attributable to shareholders by the weighted average number of shares in issue during the relevant period.

	<b>Six months to 31.08.11 £'000's</b>	<b>Six months to 31.08.10 £'000's</b>	<b>Year to 28.02.11 £'000's</b>
(Loss) attributable to equity shareholders of the parent company	(£757)	(£387)	(£2,241)
Average number of shares in issue	109,400,816	93,057,000	94,589,583
Basic and diluted (loss) per share (pence)	(0.69p)	(0.42p)	(2.4p)
Headline loss per share (pence)	(0.69p)	(0.42p)	(2.4p)

**4. Property plant and equipment**

	<b>Six months to 31.08.11 £'000's</b>	<b>Six months to 31.08.10 £'000's</b>	<b>Year to 28.02.11 £'000's</b>
<b>Written down value at start of period</b>	<b>132</b>	<b>265</b>	<b>265</b>
Additions	602	-	41
Disposals	(5)	-	(36)
Net depreciation charge	(26)	(22)	(152)
Exchange difference	(3)	1	14
<b>At end of period</b>	<b>700</b>	<b>244</b>	<b>132</b>

Additions in the six months to 31 August 2011 include £593k of mining equipment.

#### 5. Intangible assets (exploration costs)

	Six months to 31.08.11 £'000's	Six months to 31.08.10 £'000's	Year to 28.02.11 £'000's
<b>At start of period</b>	<b>4,533</b>	<b>3,693</b>	<b>3,693</b>
Drilling and exploration costs capitalised in the period	432	532	723
Exchange adjustment	(100)	105	137
<b>At end of period</b>	<b>4,865</b>	<b>4,330</b>	<b>4,553</b>

#### 6. Trade and other receivables

	Six months to 31.08.11 £'000's	Six months to 31.08.10 £'000's	Year to 28.02.11 £'000's
Trade receivables	20	29	17
Deposits on mining equipment	925	-	-
Other receivables and prepayments	1,215	76	42
VAT	244	17	11
<b>At end of period</b>	<b>2,404</b>	<b>122</b>	<b>70</b>

Prepayments include brokerage charges relating to the Trasteel off-take agreement. These charges will be expensed over the individual shipments under the contract.

#### 7. Current trade and other payables

	Six months to 31.08.11 £'000's	Six months to 31.08.10 £'000's	Year to 28.02.11 £'000's
Trade payables	353	60	54
Accruals	65	35	174
Hire purchase	23	24	29
Other	9	7	44
<b>At end of period</b>	<b>450</b>	<b>126</b>	<b>301</b>

Trade payables include brokerage charges relating to the Trasteel off-take agreement.

#### 8. Non-current liabilities

	Six months to 31.08.11 £'000's	Six months to 31.08.10 £'000's	Year to 28.02.11 £'000's
Trade payables	873	-	-
Hire purchase	15	32	27
Provisions	79	91	102
<b>At end of period</b>	<b>967</b>	<b>123</b>	<b>129</b>

Trade payables include brokerage charges relating to the Trasteel off-take agreement.

## 9. Share capital

	Six months to 31.08.11 £'000's	Six months to 31.08.10 £'000's	Year to 28.02.11 £'000's
Authorised	5,000	5,000	5,000
Allotted, called up and fully paid	<b>1,160</b>	<b>941</b>	<b>1,091</b>

On 24 August 2011, the Company issued 6,842,105 ordinary 1p shares for cash at 19p per share.

## 10. Reconciliation of profit before tax to cash generated from operations

	Six months to 31.08.11 £'000	Six months to 31.08.10 £'000	Year to 28.02.11 £'000
Result for the period	(975)	(470)	(2,742)
Depreciation	26	39	178
Profit on disposal of fixed assets	-	-	(2)
Share option charges	4	-	-
Changes in working capital	(1,390)	(52)	1,938
Unrealised exchange adjustment	236	(62)	(87)
Finance income	(29)	(37)	(87)
Finance expense	3	30	954
<b>Net cash outflow from operating activities</b>	<b>(2,125)</b>	<b>(552)</b>	<b>152</b>

## 11. Events after the reporting date

On 16 September 2011, the Company issued a further 3,157,895 ordinary 1p shares for cash at 19p per share.

## 12. Approval

The Board of directors approved this interim statement on 25 November 2011. This interim statement has not been audited.

Shareholders will be able to download a copy of the interim report from the Group's website [www.snrplc.co.uk](http://www.snrplc.co.uk). Copies may also be obtained from the Company's registered office – Suite 4, Claridge House, 32 Davies Street, London W1K 4ND.