

# Sunkar Resources plc

(Incorporated in England and Wales with registered number 05759399)

## General Meeting 8 February 2012

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### **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**If you are in any doubt as to the contents of this document or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000.**

If you have sold or otherwise transferred all of your Ordinary Shares, please immediately forward this document together with the accompanying Form of Proxy as soon as possible to the relevant purchaser or transferee (or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee). However, such documents should not be forwarded to, or transmitted in or into, any jurisdiction where to do so might violate the relevant laws and regulations in that jurisdiction. If you have sold or transferred only part of your holding of Ordinary Shares you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

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## **Approval of Proposed Fundraising of up to US\$12.8 million through the Issue of Convertible Loan Notes to Sun Avenue Partners Corp and Notice of General Meeting**

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**This document should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 7 to 16 of this document and which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting.**

This document does not constitute or form part of any offer or invitation to purchase, subscribe for or sell any Ordinary Shares or other securities in the Company nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract therefor.

**Notice of the General Meeting is set out at the end of this document. A Form of Proxy for use at the General Meeting accompanies this document. To be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed thereon, as soon as possible but in any event so as to be received by the Company's registrars, Capita Registrars Limited, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 11.00 a.m. on 6 February 2012. Completion and return of the Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.**

Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of the Company's solicitors, Maclay Murray & Spens LLP, 12th Floor, One London Wall, London EC2Y 5AB for the period of one month from the date of this document and are also available at the Company's website at [www.sunkarresources.com](http://www.sunkarresources.com).

**Sunkar Resources plc**  
General Meeting 8 February 2012  
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**Sunkar Resources plc**  
General Meeting 8 February 2012  
**Directors, company secretary and advisers**

## 01

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### **Directors**

Teck Soon Kong (Non-executive Chairman)  
Serikjan Utegen (Chief Executive Officer)  
Nurdin Damitov (Director, Corporate Affairs)  
Charles de Chezelles (Non-executive Director)

### **Company Secretary**

Ryan Wilson

### **Registered Office**

29-30 St. James's Street  
London SW1A 1HB

### **Nominated Adviser and Broker**

Ambrian Partners Limited  
Old Change House  
128 Queen Victoria Street  
London EC2V 4BJ

### **Solicitors to the Company**

Maclay Murray & Spens LLP  
One London Wall  
London EC2Y 5AB

### **Registrars**

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

**Sunkar Resources plc**  
General Meeting 8 February 2012  
**Key statistics**

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Value of the First Convertible Loan Notes	US\$2.8 million
Value of the Second Convertible Loan Notes	US\$10.0 million
Annual rate of interest applicable to the Convertible Loan Notes	10.0 per cent.
Maximum amount of cash (including accrued interest) repayable on maturity of the Convertible Loan Notes if not converted (approximately)	US\$14.1 million
Number of existing Ordinary Shares	166,634,074
Total number of Ordinary Shares to be issued on the conversion of the First Convertible Loan Notes	38,166,687
Total number of Ordinary Shares to be issued on the conversion of the Second Convertible Loan Notes	136,309,596
Total number of Ordinary Shares to be issued on the conversion of all the Convertible Loan Notes	174,476,283
Number of Ordinary Shares subject to issue pursuant to the Warrants	1,000,000
Enlarged issued share capital on a fully diluted basis immediately following the conversion of all the Convertible Loan Notes	342,110,357
Percentage of enlarged issued share capital on a fully diluted basis represented by the Ordinary Shares issued on the conversion of all the Convertible Loan Notes	51.0 per cent.
Estimated net proceeds from the issue of all the Convertible Loan Notes	US\$12.6 million

**Sunkar Resources plc**  
General Meeting 8 February 2012  
**Expected timetable of principal events**

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Publication of this document	20 January 2012
Latest time and date for receipt of Forms of Proxy	11.00 a.m. on 6 February 2012
General Meeting	11.00 a.m. on 8 February 2012

# Sunkar Resources plc

## General Meeting 8 February 2012

### Definitions

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The following definitions apply throughout this document, unless the context otherwise requires:

“Act”	the Companies Act 2006;
“AIM”	the AIM market of the London Stock Exchange;
“AIM Rules for Companies”	the AIM Rules for Companies published by the London Stock Exchange and any amendments thereto;
“Articles of Association”	the articles of association of the Company adopted by the Company on 14 May 2010;
“ATF Bank”	ATF Bank Kazakhstan, a member of the UniCredit Group;
“Board” or “Directors”	the board of directors of the Company whose names are set out on page 1 of this document;
“Chilisai Project”	the Company’s Chilisai phosphate fertilizer manufacturing project in North Western Kazakhstan;
“Code”	the City Code on Takeovers and Mergers;
“Company” or “Sunkar”	Sunkar Resources plc;
“Competent Body”	the Ministry of Industry and New Technologies of the Republic of Kazakhstan and any successor body thereof, which is authorised to represent the Republic of Kazakhstan with regards to mining rights in the country;
“Controlling Interest”	the beneficial ownership, either directly or indirectly, of 30 per cent. or more of the issued ordinary share capital of the Company;
“Convertible Loan Notes”	the First Convertible Loan Notes and the Second Convertible Loan Notes;
“DAP”	di-ammonium phosphate, the industrial fertilizer containing as standard 18 per cent. of nitrogen and 46 per cent. of P <sub>2</sub> O <sub>5</sub> equivalent, pure DAP formula: (NH <sub>4</sub> ) <sub>2</sub> HPO <sub>4</sub> ;
“DAR”	direct application rock, ground phosphate rock which is used as a direct application fertilizer which complies with the Kazakhstan state standard for direct application phosphate rock;
“Feasibility Study”	the feasibility study on the Chilisai Project being undertaken by SNC-Lavalin on behalf of the Company;
“First Convertible Loan Notes”	the US\$2,800,000 10 per cent. convertible loan notes issued by the Company to Sun Avenue on 17 January 2012;
“First Convertible Loan Note Instrument”	the deed dated 17 January 2012 constituting the First Convertible Loan Notes;
“Form of Proxy”	the form of proxy accompanying this document for use by Shareholders in connection with the General Meeting;
“General Meeting”	the general meeting of the Company to be held at the offices of Maclay Murray & Spens LLP, 12th Floor, One London Wall, London, EC2Y 5AB convened for 11.00 a.m. on 8 February 2012 (or any adjournment or postponement thereof) at which the Resolutions will be proposed;
“Group”	the Company and its Subsidiaries;

**Sunkar Resources plc**  
General Meeting 8 February 2012  
**Definitions**  
continued

## 05

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“international trade specification”	the current generally accepted specifications for either benchmark DAP/MAP as published by fertilizer market analysts;
“Investment”	the issue of the US\$2,800,000 First Convertible Loan Notes and the proposed issue of the US\$10,000,000 Second Convertible Loan Notes to Sun Avenue;
“IPO”	the Initial Public Offering of the Company on AIM;
“London Stock Exchange”	London Stock Exchange plc;
“MAP”	mono-ammonium phosphate, the industrial fertilizer containing as standard 10 to 11 per cent. of nitrogen and 50 to 52 per cent. of P <sub>2</sub> O <sub>5</sub> equivalent, pure MAP formula: NH <sub>4</sub> H <sub>2</sub> PO <sub>4</sub> ;
“Maturity Date”	shall be whichever is the earlier of (i) 17 January 2013 and (ii) the date on which the Competent Body completes the exercise of its pre-emptive right under the Subsoil Use Law to acquire the Ordinary Shares arising on conversion of the Convertible Loan Notes and the Company receives payment for such Ordinary Shares;
“MER”	minor element ratio, the ratio of minor elements (such as iron oxide, aluminium oxide and magnesium oxide) as a proportion of the phosphoric acid;
“MLC”	the Company’s milling and loading complex at the Chilisaï Project where the Company grinds the un-ground phosphate rock, the result of phosphate ore beneficiation, into DAR and loads DAR onto rail cars in both bulk and bagged form;
“MMU”	OJSC Meleuzovskie Mineralnye Udobreniya, a Russian-based company, which is principally engaged in the production of mineral fertilizers and animal feed supplements;
“Noteholder”	a holder of Convertible Loan Notes;
“Notice of General Meeting”	the notice of General Meeting, set out at the end of this document;
“Ordinary Shares”	ordinary shares of 0.1p each in the capital of the Company;
“phosphate rock”	phosphate bearing raw material, a commercial commodity after beneficiation;
“phosphoric acid”	an acid produced from phosphate rock and used in the manufacture of DAP and MAP and in a number of other industrial processes and consumer products;
“PIM”	the preliminary information memorandum of the Feasibility Study on the Chilisaï Project prepared by SNC-Lavalin on behalf of the Company;
“Relationship Agreement”	the agreement dated 17 January 2012 between the Company and Sun Avenue relating to Sun Avenue’s relationship with the Company as a shareholder with a Controlling Interest;
“Resolutions”	the resolutions set out in the Notice of General Meeting;

**Sunkar Resources plc**  
General Meeting 8 February 2012  
**Definitions**  
continued

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“Second Convertible Loan Notes”	the US\$10,000,000 10 per cent. convertible loan notes of the Company to be constituted by the Second Convertible Loan Note Instrument;
“Second Convertible Loan Note Instrument”	the deed constituting the Second Convertible Loan Notes to be executed by the Company, subject to the passing of the Resolutions;
“Second Convertible Loan Note Issue”	the proposed issue of US\$10,000,000 of Second Convertible Loan Notes to Sun Avenue;
“Shareholders”	holders of Ordinary Shares;
“SNC-Lavalin”	S.A. SNC-Lavalin N.V.;
“Subscription Agreement”	the conditional agreement entered into between Sun Avenue and the Company relating to the Investment and dated 19 December 2011;
“Subsidiaries”	Temir Service and Chilisai Chemicals LLP;
“Subsoil Law Waiver”	the waiver by the Competent Body of its pre-emptive right under the Subsoil Use Law to acquire the alienated part of the subsoil rights which are represented by the Ordinary Shares arising on conversion of the Convertible Loan Notes;
“Subsoil Use Law”	the law “ <i>On Subsoil and Subsoil Use</i> ” of 24 June 2010 of the Republic of Kazakhstan;
“Subsoil Use Contract”	the subsoil use contract entered into by Temir Service and the Ministry of Industry and Trade of the Republic of Kazakhstan being Contract No. 1872 in respect of the Chilisai phosphate rock in North Western Kazakhstan;
“Sun Avenue”	Sun Avenue Partners Corp, a company incorporated under the laws of the British Virgin Islands with the registration number 1430450;
“Temir Service”	Temir Service LLP, a limited liability partnership incorporated in Kazakhstan;
“Warrants”	the warrants issued by the Company to Dutchess Opportunity Cayman Fund Ltd and First Columbus LLP in June 2010 conferring rights to subscribe for up to 1,000,000 Ordinary Shares.

In this document the symbol “£” and “p” refer to pounds and pence sterling respectively and the symbol “US\$” refers to United States dollars.

# Sunkar Resources plc

## General Meeting 8 February 2012

### Letter from the Chairman of Sunkar Resources plc

(Incorporated in England and Wales with registered number 05759399)

# 07

#### Directors:

Teck Soon Kong (Non-executive Chairman)  
Serikjan Utegen (Chief Executive Officer)  
Nurdin Damitov (Director, Corporate Affairs)  
Charles de Chezelles (Non-executive Director)

#### Registered Office:

29-30 St. James's Street  
London  
SW1A 1HB

20 January 2012

#### To all Shareholders

Dear Shareholder

#### **Proposed fundraising of up to US\$12.8 million through the issue of Convertible Loan Notes to Sun Avenue and notice of General Meeting**

##### 1. Introduction

Sunkar announced on 23 December 2011 that the Company had entered into a conditional subscription agreement with Sun Avenue, an investment and trading company registered in the British Virgin Islands, for the subscription by Sun Avenue in two tranches of up to US\$12.8 million of Convertible Loan Notes. The Convertible Loan Notes will convert in full, in accordance with their terms, into an aggregate of 174,476,283 Ordinary Shares, representing 51.0 per cent. of the fully diluted issued share capital of the Company as of today's date as enlarged by the issue of such Ordinary Shares and subject to any options in the Company not being exercised. The Investment values each Ordinary Share at approximately 4.8 pence as at 18 January 2012 (being the last practicable date prior to the date of this document).

The first tranche of the Investment, comprising US\$2.8 million First Convertible Loan Notes, was completed on 17 January 2012. The second tranche of the Investment, comprising the issue of US\$10 million Second Convertible Loan Notes, is subject to certain conditions including the passing of the Resolutions at the General Meeting.

The purpose of this letter is to explain the background to, and the reasons for, the Investment, to set out the terms of the Convertible Loan Notes, to set out the reasons why the Board considers that the Investment is in the best interests of the Company and its Shareholders as a whole and why the Directors recommend that you vote in favour of the Resolutions to be proposed at the General Meeting, notice of which is set out at the end of this document, to authorise the Second Convertible Loan Note Issue.

**The Investment is required to repay existing creditors, support the Company's plans and ongoing working capital requirements. The Directors believe that should Shareholders not vote in favour of the Resolutions, this would threaten the Company's ability to operate as a going concern and they would therefore have to consider the appointment of administrators to the Company. The appointment of administrators would, in the Board's opinion, result in Shareholders receiving no value for their current shareholdings.**

Following the clarification of the financial position of the Company set out in this letter and the convening of the General Meeting which gives Shareholders the opportunity to approve the Investment, the Company has applied for restoration of trading in the Ordinary Shares on AIM to be resumed from 7.30 a.m. on Friday, 20 January 2012, being the date of the publication of this document.

##### 2. Background to, and reasons for, the Investment

The Company reported in its condensed financial statements for the six months ended 30 June 2011, that it had for some months been pursuing alternative and additional medium term sources of finance to underpin the Company's development of the Chilisai Project. Talks with one investor had progressed to the extent that subscription documentation was being prepared in the summer of this year. However, this investment offer was withdrawn in August 2011 and finding an alternative investor at short notice in a difficult financial market proved impossible. Furthermore, in view of the Company's extreme share price volatility and its dilutive impact to Shareholders, the Directors decided it was in the interests of Shareholders to suspend indefinitely the use of the Company's equity line facility with Dutchess Opportunity Cayman Fund Ltd. The facility is dependent on both share price and trading volumes and in the deteriorating financial climate the Directors concluded it was unable to provide the envisaged support for the Company's operations. Consequently the shortage of working capital within the business resulted in the Directors requesting the suspension of the Ordinary Shares from trading on AIM on 9 August 2011.

**Sunkar Resources plc**  
General Meeting 8 February 2012  
**Letter from the Chairman**  
continued

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### **2. Background to, and reasons for, the Investment (continued)**

Since the suspension from trading on AIM, the Directors have been working to secure the required additional funding. On 28 September 2011 the Company announced it had signed loan agreements with myself, two other Directors, Nurdin Damitov and Serikjan Utegen, and Napier Holdings Services Limited, the family trust of Charles de Chezelles, for approximately US\$894,000 to provide short term working capital until alternative finance could be secured.

During October and November, the Directors continued to search for a new investor whilst also taking steps to reduce cash outflow as a result of a lack of working capital. Work on the Feasibility Study having already ceased, the Directors decided to stop all mining and agreed to defer drawing their remuneration until such time as a new investor could be found. The Board also sought to manage the Company's trade creditors with a view to minimising their demands for repayment.

However, at the end of November, Sunkar was unable to repay the principal amounts which became due to ATF Bank. As a consequence, Sunkar is in breach of its loan agreements with ATF Bank in respect of a total of US\$5.0 million and has commenced discussions to defer the repayment of the principal.

In the update on its financial position announced on 1 November 2011 the Company stated that it was in negotiations with a number of potential sources for funding. The Board subsequently received a number of offers of funding and, after due and careful deliberation, concluded that the investment from Sun Avenue was in the best interests of the Company and its Shareholders as a whole and so commenced talks with Sun Avenue on an exclusive basis to secure an investment.

The Investment is being structured as the Convertible Loan Notes so that the Company may receive the US\$12.8 million being invested in advance of obtaining the Subsoil Law Waiver.

The terms of Sun Avenue's investment are set out in paragraphs 10 to 13 (inclusive) of, and the Appendix to, this letter. Information on Sun Avenue is set out in paragraph 3 of this letter.

### **3. Sun Avenue**

Sun Avenue is an investment and trading company incorporated on 7 September 2007 in the British Virgin Islands with registered number 1430450 and its registered office at Trident Trust Company (B.V.I.) Limited, Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands. Sun Avenue is wholly beneficially owned by Almas Mynbayev, a Kazakhstan businessman. Sun Avenue was a shareholder of the Company prior to the IPO from December 2007 until March 2010 and Mr Mynbayev was a non-executive director of the Company's subsidiary, Temir Services LLP, from 18 February 2008 until 24 September 2009.

Mr Mynbayev graduated from Kazakh State University law school in 1996 and initially worked as legal counsel for banking, investment and energy companies in Kazakhstan. Between 2003 and 2004, Mr Mynbayev was Deputy Chairman of the Kazakh State Agency for Regulating Natural Monopolies and Protection Completion. During this tenure, Mr Mynbayev was a member of the Intergovernmental Commission for the law making activity in Kazakhstan. He no longer practices law and now primarily focuses on his own business interests which include JSC Insurance Company Nomad Insurance in Kazakhstan, JSC Company on Life Insurance Astana-Finance, investments in bauxite deposits in West Africa and gold deposits in the Kyrgyz Republic.

Nomad Insurance was formed in January 2004 and has demonstrated strong operating performance since at least 2006 with underwriting operations being its key source of profit. It specialises in compulsory third party liability insurance and is one of the top five insurance companies in Kazakhstan based on insurance premiums received in 2011. Following the sale of his shares in the Company, Mr Mynbayev was able to buy out his other original partners in Nomad Insurance and is now the sole shareholder of Nomad Insurance.

### **4. Trading update**

#### **Overview**

The Company has endured a difficult 2011 when anticipated sales of DAR to farmers failed to materialise and sales of ground phosphate rock to industrial customers were not achieved. This, along with the difficult financial markets, has meant that the working capital of the Company has been severely restricted and the Company has had to reduce and defer costs by curtailing all operating activity and all work on the Feasibility Study.

#### **Feasibility Study**

SNC-Lavalin produced the PIM, the key features of which were announced by the Company in February 2011. It was envisaged that the final Feasibility Study would be ready for release in the middle of 2011. However, due to the financial position of the Company, the final parts of the Feasibility Study have been delayed. The main areas of work which remain to be completed are the environmental and social impact assessment and finalisation of the study report.

**Sunkar Resources plc**  
General Meeting 8 February 2012  
**Letter from the Chairman**  
continued

## 09

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The Board will also discuss with SNC-Lavalin whether it is necessary to include in the Feasibility Study the engineering of technologies to reduce the MER of the phosphoric acid produced from Chilisai phosphate rock. The reduction of the MER is important as phosphoric acid with a high MER generally results in the manufacture of DAP of a lower quality than international trade specification DAP. The reports of the tests of two MER reduction technologies (pre-ammoniation and ion-exchange) are still being finalised but, as the Company announced on 19 July 2011, both technologies have been evaluated at pilot scale. The tests confirmed that it is possible to produce full international trade specification fertilizers from phosphoric acid derived from Chilisai phosphate rock and treated by either of these technologies.

However, the inclusion of the installation of these technologies at the Chilisai Project may not be required for the purposes of the Feasibility Study as the impact indicated by the Company's technical advisers of these MER reduction methods on capital expenditure, operating costs and revenue is within the 15 per cent. margin of error generally used for bankable feasibility studies. Without applying the MER reduction treatments referred to above, the pilot tests have indicated that the Chilisai phosphate rock generates DAP of a quality which the Company's markets consultant believes may be traded at a discount of approximately 5 per cent. to the forecasted future Black Sea price for international trade specification DAP. The Board does not intend to include an analysis of the possible MER reduction methods in the Feasibility Study if to do so would be likely to delay the anticipated release of the Feasibility Study.

### DAR

Chilisai phosphate rock has been used historically as a low grade phosphate fertilizer but the use of all forms of phosphate fertilizers has decreased significantly following the collapse of the Soviet Union. In November 2011, the Government of Kazakhstan issued a decree which introduced regulations which required that a minimum initial level of nutrients must be sustained in the soil of agricultural land plots and which the Directors believe will require farmers to commit to more regular application of fertilizers.

Having started the output of concentrated 17 per cent. phosphate rock in early 2009, the Company sought to outsource to cement plants with spare grinding capacity the grinding of its phosphate rock in order to produce DAR of the required specification. However, the cement plants in the area were kept busy by their core business, due to the continuing government-sponsored construction programme in Kazakhstan, and were reluctant to switch their mills to other products.

The decision to invest in the MLC was taken following discussions with the local agricultural communities interested in purchasing DAR and preliminary discussions with regional phosphoric acid manufacturers interested in purchasing ground phosphate rock. The major issue that the Directors encountered during these discussions was that, without the finished product being ready for delivery, it was difficult to secure bulk sales of un-ground phosphate rock. Furthermore, potential buyers and local entrepreneurs were reluctant to install their own grinding capacities as the final DAR sales price was unknown due to the absence of any existing market for this type of product.

Although the Board expected sales of DAR to reach 50,000 tonnes in 2011 following the MLC commencing operations, actual sales were less than 3,000 tonnes and consisted solely of sales of trial quantities to farmers. The Board believes that the main reasons for weak sales were:

- no sales were made prior to the planting season (which runs from April to the end of May), as Chilisai DAR was only approved as a state subsidised fertilizer at the end of April. The state subsidy of 50 per cent. of delivered cost is a significant economic factor for farmers;
- a record high and very late in the season harvest resulted not only in farmers being unable to harvest their crops in time before the snow arrived but also in working capital difficulties for farmers who experienced delays in delivering their harvest. This has resulted in the inability of the farmers to prepay for deliveries of DAR including the orders of 10,000 tonnes of DAR reported in the Company's condensed financial statements for the six months ended 30 June 2011;
- large farms were reluctant to buy bulk quantities as they considered the results of the testing programme of about 300 tonnes in 2009-2010 on about 10 locations to be insufficient.

The Board is aiming to achieve DAR sales to farmers in the order of 50,000 tonnes in 2012 based on the indications of interest received from farmers. Most farmers who bought Chilisai DAR in 2011 have given positive feedback to the Company and expressed their intentions to place larger orders during 2012.

The Government has also indicated its intention to create specialised fertilizer logistics and warehousing centres to reduce seasonal logistics problems and to mitigate farmers' cash constraints. Whilst this initiative is in its early stages, the Directors believe that this, along with the previously announced subsidies for locally manufactured fertilizers, will stimulate demand for DAR. However, the magnitude and timing of the impact of the initiative on the Company's DAR sales cannot be quantified at this time.

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### 4. Trading update (continued)

The Board has continued to explore sales of ground phosphate rock to Russian phosphoric acid manufacturing plants. These Russian phosphoric acid manufacturers completed a number of additional laboratory scale technical tests in 2011. The key conclusions of these tests were that (a) there is no detrimental issue with the overall amenability of the Chilisai phosphate rock for conversion into phosphoric acid, and (b) some mechanical equipment modifications are necessary due to the high insolubles content in the phosphoric acid reactor.

On 22 March 2011, the Company announced that it had signed a protocol with MMU to conduct industrial scale tests of the Chilisai phosphate ore. MMU subsequently notified the Company that the industrial scale tests will not be possible until after certain repair works have been completed at its phosphoric acid plant. MMU has indicated that these repairs are to be completed during the first quarter of 2012. However, there can be no guarantee as to the timing of the tests. Discussions are still ongoing with a number of other phosphoric acid manufacturers but there is no guarantee that such discussions will lead to sales in 2012.

### 5. Subsoil Use Contract

The Company is not in compliance with the terms of the Subsoil Use Contract as it has not mined the 1,000,000 tonnes of ore that it was required to extract during 2011. The Company began mining in May 2011 but in October 2011 suspended its operations in order to reduce cash expenditure having mined a total of 502,000 tonnes. The Company has responded to a notice from the Competent Body requesting the reasons for its non-compliance with the Subsoil Use Contract and is awaiting further discussions with the Competent Body. The Company will submit as soon as reasonably practicable an application to the Competent Body requesting the renegotiation of the Subsoil Use Contract with ore extraction requirements for 2012, 2013, and 2014 being set at 300,000 tonnes per year.

**If the Competent Body does not approve the renegotiation, the Company will continue to be in breach of the Subsoil Use Contract, and the Competent Body will be entitled to withdraw the Subsoil Use Contract from the Company. If this were to happen, it would have a material adverse impact on the Company's operations as the Company would lose its principal asset, namely the rights to mine at the Chilisai Project, and its only remaining assets would be its plant and equipment at Chilisai together with the intellectual property value of the work to date on the Feasibility Study.**

### 6. Strategy

The Directors have recently undertaken and commenced the implementation of a strategic review of the entire operations of the Group. This review has been agreed with Sun Avenue which has confirmed the Company should continue to follow this strategy following completion of the Investment. The major points of the strategic review include:

- completing the Feasibility Study and securing a sulphur supply agreement to enhance the ability to attract a strategic partner for the Company or the Chilisai Project;
- significantly reducing the operational cash burn of the Group by:
  - continuing to reduce the Group's headcount by sending all staff in Almaty, Aktobe and at Chilisai (except for those required for basic corporate and business functionality) on extended unpaid leave;
  - closing its London office to maintain only a virtual presence in the UK to the extent required for corporate and regulatory purposes; and
  - limiting expenditure on technical research to that which is essential for the completion of the Feasibility Study and for ongoing sales of DAR;
- generating other forms of revenue with the Group's assets including leasing its equipment to earth moving businesses, with a view to outsourcing the extraction of the phosphate ore and/or utilising the earth moving equipment owned by the Group on commercial earth moving contracts in the Aktobe region; and
- continuing to promote DAR sales to farmers and ground phosphate rock sales to phosphoric acid manufacturers as set out in paragraph 4 above.

### 7. Strategic partner

The Company has had extensive discussions with potential strategic partners regarding an investment in the Company or the Chilisai Project. The Directors believe that the best route to building the Chilisai Project is with the involvement of a strategic partner and therefore will continue this search with renewed vigour once the Feasibility Study is completed. The Directors believe that the Company's position for these talks needs to be reinforced by securing the medium term finance constituted by the Investment, achieving a renegotiation, and continuation, of the Subsoil Use Contract by negotiating reduced extraction obligations, completing the Feasibility Study and securing a sulphur supply agreement.

Whilst pursuing its strategic goals, the Board's intention is to maximise the Company's sales of DAR and to reduce the Company's operating costs with a view to the Company becoming at least cash flow neutral.

**Sunkar Resources plc**  
General Meeting 8 February 2012  
**Letter from the Chairman**  
continued

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## 8. Working capital and use of proceeds

### Working capital requirements

In determining the amount of working capital required until the end of 2012, the Directors have made the following assumptions:

- the Subsoil Use Contract can be successfully renegotiated to require extraction of 300,000 tonnes in 2012;
- at least 50,000 tonnes of DAR will be sold to farmers during 2012;
- the loans with ATF Bank will be repaid in an orderly manner.

The Directors believe that, on the basis of its current working capital model, the funds from the Investment will be sufficient until at least December 2012 by which time it is expected the Feasibility Study will have been completed.

If the Company does not achieve any sales of DAR as assumed above, the Directors believe the funds from the Investment will be sufficient until September 2012 and, in addition should the Group be forced to repay its loans to ATF Bank from the Investment, the funds will only last until March 2012.

### Use of proceeds

It is intended that the net proceeds of the Investment will be used to pay existing trade creditors of the Group and to provide funds for the Company's ongoing working capital needs and capital expenditure requirements, which includes but not limited to, meeting the cost of the completion of the Feasibility Study and associated advisory fees.

Specifically, the Board envisage that the proceeds from the Investment will be utilised approximately as follows:

Stage 1	US\$000
Company expenses arising from the Investment	200
Unpaid salaries	167
Payment of existing tax creditors of the Group	506
Payment of existing trade creditors of the Group	1,275
Payments toward completion of the Feasibility Study	175
Repayment of bank loans and interest	381
Working capital	96
<b>Total</b>	<b>2,800</b>

Stage 2	US\$000
Unpaid salaries	247
Payment of existing trade creditors of the Group	1,077
Payments toward completion of the Feasibility Study	480
Repayment of loans (and accrued interest) made by Directors and the family trust of a Director	945
Payment of bank loans and interest	1,701
Working capital	5,550
<b>Total</b>	<b>10,000</b>

### Loans with ATF Bank

The Company is currently in breach of the terms of its loans of US\$5.0m with ATF Bank. The Company intends to seek to renegotiate the repayment schedule of the loans which reflects an orderly repayment of the loans. If this is not possible, the loans would have to be paid out of the unallocated working capital as noted in the table above and the Company would only have sufficient funds to trade until March 2012.

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### **8. Working capital and use of proceeds (continued)**

#### **Financing of further project development**

The Directors believe that the Company must continue to look for future sources of financing to build its proposed phosphate fertilizer manufacturing complex. The financing options the Board will consider include (but are not limited to):

- a further placement in private or public form, potentially among a group of dedicated institutional investors and possibly with a dual-listing on one of the East/South Asian markets;
- negotiating with the governments of Kazakhstan and other targeted fertilizer importing countries regarding the co-financing of the Chilisaï Project in the form of direct debt or equity;
- seeking the involvement of fertilizer market operators and leading engineering firms in the project operation and sales process, in order to mitigate the completion risk;
- more complex financing structures such as a turn-key construction contracts with full completion guarantees and pre-arranged finance in exchange for a pledge of long term off-take commitments/proceeds.

### **9. Intentions of Sun Avenue**

Sun Avenue has confirmed it will support the Company's strategy as detailed in paragraph 6 above.

#### **Board structure**

Pursuant to the terms of the Subscription Agreement and subject, when it becomes unconditional, to the terms of the Relationship Agreement referred to below, Sun Avenue has the right to nominate:

- one director to the board of directors of the Company following the issue of the First Convertible Loan Notes; and
- two further directors to the board of directors of the Company upon the issue of the Second Convertible Loan Notes.

Following the issue of the First Convertible Loan Notes, Sun Avenue also has the right to nominate the Chief Executive Officer and the Chief Financial Officer of the Company from among the board of directors of the Company.

Pursuant to the Articles of Association, such appointed directors will resign at the next AGM and will be able to seek re-election by the Shareholders. Sun Avenue will make its nominations in due course. The existing Directors will discuss any proposed nominee with the Company's Nominated Adviser prior to confirming that appointment.

#### **Relationship Agreement**

As Sun Avenue will hold at least 51.0 per cent. of the Ordinary Shares following the conversion of the Convertible Loan Notes and on the basis that no options are exercised, it has entered into the Relationship Agreement to ensure that the board of directors of the Company operates in a manner which is appropriate for a company whose shares are admitted to trading on AIM.

Sun Avenue has agreed in the Relationship Agreement:

- to procure that the Company's independence is maintained, that the Company is capable, at all times, of carrying on its business and making decisions in the interests of the Shareholders as a whole and independently of Sun Avenue;
- insofar as it is able reasonably to procure the same, all agreements, transactions and relationships entered into by the Company or any member of the Group are conducted on an arms' length basis and on normal commercial terms;
- that it is only permitted to nominate up to two directors or (if lower or higher) such number of directors as is equal to one less than the number of independent non-executive directors; and
- to use reasonable endeavours to ensure there is a majority of independent non-executive directors on the board.

Sun Avenue has also agreed that it will not exercise the voting rights it has which are generally exercisable at Shareholder meetings:

- where it has any conflict of interest in the subject matter of that vote;
- to alter the composition of the board of directors of the Company, except as permitted pursuant to the terms of the Subscription Agreement or with the approval of the Company following the board of directors of the Company having consulted with its nominated adviser; or
- during the period of six months from it becoming a Shareholder, to approve any resolution seeking to cancel the Company's admission to trading on AIM (except where such a resolution is proposed or supported by a majority of the non-executive directors of the Company or by a majority of the Shareholders other than Sun Avenue).

The Relationship Agreement is conditional upon Sun Avenue acquiring a Controlling Interest following a conversion of the Convertible Loan Notes into Ordinary Shares and will terminate on it ceasing to have a Controlling Interest.

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### **10. Subscription Agreement**

The Company and Sun Avenue entered into the Subscription Agreement on 19 December 2011 pursuant to which Sun Avenue has committed to subscribe for up to US\$12,800,000 Convertible Loan Notes comprising US\$2,800,000 First Convertible Loan Notes and US\$10,000,000 Second Convertible Loan Notes. As described in paragraph 1 above, Sun Avenue has already subscribed for US\$2,800,000 of the First Convertible Loan Notes and has agreed to subscribe for US\$10,000,000 of the Second Convertible Loan Notes upon the Subscription Agreement becoming unconditional in all respects.

The conditionality and the principal terms and conditions of the Subscription Agreement are described in the Appendix to this letter.

### **11. Security provided to Sun Avenue**

Nurdin Damitov and Serikjan Utegen have each provided irrevocable undertakings to Sun Avenue confirming that they will vote in favour of the Resolutions and, as security for the Investment, will transfer to Sun Avenue such number of Ordinary Shares as are held by them up to a maximum of 20,000,000 Ordinary Shares each to satisfy any default on the repayment of the Investment by the Company.

The Company has also agreed to provide security over at least 2,000,000 tonnes of phosphate ore and 200,000 tonnes of phosphate rock that are owned by Temir Service for the repayment of the Convertible Loan Notes. The security will cease upon the conversion of the Convertible Loan Notes into Ordinary Shares. It has been agreed that any proceeds received from the sales of phosphate ore or phosphate rock will be first used to repay the interest which accrues on the Convertible Loan Notes with the prior written consent of Sun Avenue.

### **12. Terms of the Second Convertible Loan Notes**

Subject to the passing of the Resolutions and the receipt of funds (which are expected in full by 12 March 2012 at the latest), the Second Convertible Loan Notes will be constituted and issued pursuant to the Second Convertible Loan Note Instrument. The rights of the Noteholder will be set out in the Second Convertible Loan Note Instrument, the principal terms and conditions of which are described in the Appendix to this letter.

### **13. Terms of the First Convertible Loan Notes**

The First Convertible Loan Notes will, five working days after receipt by the Company of the Subsoil Law Waiver, automatically convert into 38,166,687 Ordinary Shares.

The provisions of the First Convertible Loan Note Instrument are similar to those of the Second Convertible Loan Note Instrument, except that the maturity date is the earlier of (i) 17 January 2013, (ii) 5 business days following the General Meeting in the event that the Resolutions are not passed and (iii) the date on which the Competent Body completes the exercise of its pre-emptive right under the Subsoil Use Law to acquire the Ordinary Shares arising on conversion of all the Convertible Loan Notes and the Company receives payment for such Ordinary Shares.

**If the Resolutions are not passed, the Second Convertible Loan Notes will not be issued and the First Convertible Loan Notes will become repayable in full, together with accrued interest, five business days following the General Meeting.**

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### **14. Impact of the Investment on share capital**

#### **Existing options and Warrants**

The Subscription Agreement provides that the 174,476,283 Ordinary Shares to be issued on the conversion of the Convertible Loan Notes shall represent 51.0 per cent. of the fully diluted issued share capital of the Company on the condition that all or any existing options to acquire Ordinary Shares are duly cancelled or terminated with the exception of the Warrants.

Accordingly, all the Directors and all current employees have agreed to cancel for nil consideration the options held by them. Options validly remain for a number of ex-employees the exercise of which is at the discretion of the Board. In view of the certainty that is required for the transaction, the Board have resolved that they will not use this discretion and therefore the remaining options will not be exercisable until such point that they lapse.

As of today's date the number of Ordinary Shares in issue is 166,634,074 and, following the cancellation of all options (as described above), there are Warrants outstanding in respect of a further 1,000,000 new Ordinary Shares which are exercisable. It is the Board's intention to seek the cancellation of the remaining options before the issue of the Second Convertible Loan Notes.

#### **Dilution**

The Company intends by 1 February 2012 to submit a single application for the Subsoil Law Waiver in respect of the conversion of all the Convertible Loan Notes and therefore, if the Subsoil Law Waiver is received by the Company, all the Convertible Loan Notes will convert at the same time into a total of 174,476,283 Ordinary Shares within 5 business days of such receipt.

Should the Convertible Loan Notes convert into Ordinary Shares, the existing Shareholders in the Company will be materially diluted as the conversion would result in Sun Avenue holding 51.0 per cent. of the share capital of the Company on a fully diluted basis. Existing Shareholders would hold only approximately 49.0 per cent. of the share capital of the Company.

### **15. The Code and the takeover provisions in the Articles of Association**

The Company is not subject to the Code on the basis that the place of central management and control of the Company is located outside the United Kingdom, the Channel Islands and the Isle of Man for the purposes of paragraph 3(a)(ii) of the Introduction to the Code.

As the Code does not apply to the Company, article 144.3 of the Articles of Association provides, inter alia, that a person must not:

- whether by himself or with persons acting in concert with him, acquire an interest in shares which, taken together with shares in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights attributable to all the shares of the Company, except as a result of a Permitted Acquisition (defined below); or
- whilst he, together with persons acting in concert with him, is interested in shares which in aggregate carry 30 per cent or more of the voting rights attributable to all the shares in the Company but does not hold shares carrying more than 50 per cent. of such voting rights acquire, whether by himself or with persons acting in concert with him, an interest in additional shares which, taken together with shares in which persons acting in concert with him are interested, increases the percentage of shares carrying voting rights in which he is interested, except as a result of a Permitted Acquisition (defined below).

An acquisition is a "Permitted Acquisition" if either:

- following consultation with, and having taken account of the views of, the Company's nominated adviser from time to time, a majority of the independent non-executive directors of the Company consent to the acquisition; or
- the acquisition is made in circumstances in which the Code, if it applied to the Company, would require an offer to be made as a consequence and such offer is made in accordance with Rule 9 of the Code, as if it applied to the Company.

The conversion of the Convertible Loan Notes into Ordinary Shares will be prohibited unless such conversion is a Permitted Acquisition. The independent non-executive directors, being myself and Mr Charles de Chezelles, who have consulted with, and have taken account of the views of the Company's nominated adviser, have resolved to consent to the acquisition of the Ordinary Shares by Sun Avenue on the conversion of the Convertible Loan Notes, so that Sun Avenue is not required on such acquisition to make a general offer for the entire issued share capital of the Company in accordance with Rule 9 of the Code, as if it so applied.

Shareholders should therefore note that, if the Resolutions are passed, Sun Avenue will, upon the completion of the Investment and the subsequent conversion of the Convertible Loan Notes into Ordinary Shares, acquire 51.0 per cent. of the issued share capital of the Company on a fully diluted basis and will not be required to make a general offer for the entire issued share capital of the Company in accordance with the Articles. Furthermore, as Sun Avenue would then have more than 50.0 per cent. of the issued share capital of the Company, it will be able to acquire further shares in the Company and to increase its shareholding in the Company without making such a general offer.

Subject to the provisions of the Relationship Agreement, this will provide Sun Avenue with significant control over the affairs of the Company. It will be able to pass a number of resolutions without the support of existing Shareholders. Some resolutions will still require the approval of 75 per cent. of those Shareholders attending and entitled to vote in person or by proxy at a general meeting but, due to the size of the potential shareholding of Sun Avenue, existing Shareholders' ability to prevent such resolutions from being passed will be diminished.

Shareholders will be shareholders in a controlled company, in which the trading liquidity of the Ordinary Shares admitted to AIM may be restricted by the presence of a majority Shareholder and where, subject to the provisions of the Relationship Agreement, operational decisions are capable of being controlled by such a Shareholder.

#### **16. General Meeting**

Notice of a General Meeting of the Company to be held at the offices of Maclay Murray & Spens LLP, 12th Floor, One London Wall, London, EC2Y 5AB at 11.00 a.m. on 8 February 2012 is set out at the end of this document.

At the General Meeting, the following resolutions will be proposed:

##### **Resolution 1 (authority to allot)**

The directors of a company may only allot shares if they have been authorised to do so by shareholders in general meeting (or otherwise if the articles of association of the company contain valid and express authority). Resolution 1 will be proposed as an ordinary resolution and will authorise the Directors to allot, grant rights to subscribe for, or to convert any security into, Ordinary Shares in connection with the allotment and issue of the Second Convertible Loan Notes and their conversion into Ordinary Shares. Such authority will expire on 31 December 2012.

Resolution 1 requires approval by a simple majority of those Shareholders attending and entitled to vote in person or by proxy at the General Meeting.

This resolution is necessary because the grant of the rights to subscribe for, or to convert any security into, Ordinary Shares in connection with the issue of the Second Convertible Loan Notes exceeds the authorisation that is currently in place. The authority sought is in addition to the existing authority to allot Ordinary Shares pursuant to section 551 of the Act which was granted at the Company's annual general meeting on 26 May 2011.

##### **Resolution 2 (disapplication of pre-emption rights)**

Resolution 2 will be proposed as a special resolution and will disapply Shareholders' statutory pre-emption rights (which require a company to offer all allotments of equity securities for cash first to existing shareholders in proportion to their shareholdings) in relation to the allotment and issue of the Second Convertible Loan Notes and their conversion into Ordinary Shares. Such power will expire on 31 December 2012.

Resolution 2 requires the approval of Shareholders representing at least 75 per cent. of those attending and entitled to vote in person or by proxy at the General Meeting and is subject to the passing of resolution 1. The authority sought is in addition to the existing authority to allot Ordinary Shares pursuant to section 570 and 573 of the Act which was granted at the Company's annual general meeting on 26 May 2011.

**Sunkar Resources plc**  
General Meeting 8 February 2012  
**Letter from the Chairman**  
continued

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### 17. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of the Company's solicitors, Maclay Murray & Spens LLP, 12th Floor, One London Wall, London EC2Y 5AB from the date of this document up to and including the date of the General Meeting and will on the day of the General Meeting be available for inspection at the venue of the General Meeting for at least 15 minutes prior to the meeting until the end of the General Meeting:

- the Articles of Association;
- the First Convertible Loan Note Instrument; and
- the Second Convertible Loan Note Instrument.

### 18. Irrevocable undertakings

As referred to in paragraph 11 above, Nurdin Damitov and Serikjan Utegen have given irrevocable undertakings to SAPC confirming their intention to vote in favour of the Resolutions in respect of 40,000,000 Ordinary Shares in aggregate representing 24.0 per cent. of the existing issued share capital of the Company.

### 19. Action to be taken

A Form of Proxy for use at the General Meeting accompanies this document. Whether or not you intend to be present at the General Meeting, you are requested to complete, sign and return the Form of Proxy as soon as possible but in any event so as to be received by the Company's registrars, Capita Registrars Limited, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 11.00 a.m. on 6 February 2012. Unless the Form of Proxy is received by this date and time, it will be invalid. The completion and return of the Form of Proxy will not preclude you from attending and voting in person at the General Meeting if you so wish.

### 20. Recommendation

**The Directors consider the Second Convertible Loan Note Issue to be in the best interests of the Company and its Shareholders as a whole. Shareholders should be aware that, without the proceeds of the Investment, the Directors believe that the Company is unlikely to have adequate working capital to continue operations and to complete the Feasibility Study. Such funds are required to repay creditors, support the Company's plans and ongoing working capital requirements. The Directors believe that should Shareholders not vote in favour of the Resolutions, this would threaten the Company's ability to operate as a going concern and they would therefore have to consider the appointment of administrators to the Company. The appointment of administrators would, in the Board's opinion, result in Shareholders receiving no value for their current shareholdings.**

**Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting as they intend to do so in respect of their own beneficial shareholdings, which amount to 42,841,299 Ordinary Shares (representing approximately 25.7 per cent. of the Company's existing issued share capital) as at the date of this document.**

Yours faithfully



**Teck Soon Kong**  
Chairman

**Summary of the principal terms and conditions of the Subscription Agreement and the Second Convertible Loan Instrument**

**1. Subscription Agreement**

**Conditionality**

The obligation of Sun Avenue to subscribe for the Second Convertible Loan Notes is conditional, inter alia, upon:

- the passing of the Resolutions;
- the warranties provided by the Company to Sun Avenue under the Subscription Agreement remaining true, up-to-date, complete, accurate and not misleading in all material respects; and
- the Subscription Agreement not having been terminated in accordance with its terms,

by 5.00 pm on 31 March 2012 (or such later date as Sun Avenue may in its absolute discretion agree in writing with the Company).

**Representations and warranties**

Under the Subscription Agreement, the Company has given certain representations and warranties to Sun Avenue appropriate to a transaction of the size and nature of the Investment, relating, inter alia, to the business and financial position of the Company and to its capacity to issue the Ordinary Shares pursuant to the Convertible Loan Notes.

**Undertakings by the Company**

The Subscription Agreement places certain restrictions on the Company which remain in force until such time as the Convertible Loan Notes have converted in full. The Company is, therefore, obliged to obtain the prior written consent of Sun Avenue prior to, inter alia, incurring any expenditure in excess of US\$80,000, issuing new securities, taking on any new indebtedness or entering into any contract under which the Company would have a direct liability exceeding US\$500,000.

**2. Second Convertible Loan Note Instrument**

The principal terms and conditions of the Second Convertible Loan Notes are as follows:

**Status**

The Second Convertible Loan Notes shall rank *pari passu* equally and rateably without discrimination or preference as an unsecured obligation of the Company.

No application has been, or is intended to be made, to any listing authority, stock exchange or other market for the Second Convertible Loan Notes to be quoted, listed or otherwise traded.

**Repayment**

Save to the extent not previously converted, the principal amount of the Second Convertible Loan Notes shall be repayable in full by the Company on the date which is the earlier of (i) 17 January 2013 and (ii) the date on which the Competent Body completes the exercise of its pre-emptive right under the Subsoil Use Law to acquire the Ordinary Shares arising on conversion of all the Convertible Loan Notes and the Company receives payment for such Ordinary Shares.

**Interest**

The Company shall pay interest on the principal amount of the Second Convertible Loan Notes at 10.0 per cent. per annum payable on the Maturity Date.

**Events of default**

Following the occurrence of certain events of default in relation to the Company, the Noteholder may notify the Company that the Second Convertible Loan Notes are repayable by the Company. Such events include but are not limited to any failure by the Company in any material respect to perform or observe its obligations under the Second Convertible Loan Note Instrument where the failure continues for 30 days following notice of default served by the Noteholder or on the making of an order, or on the passing of an effective resolution, for the winding-up, liquidation, administration or dissolution of the Company.

In addition, the Noteholder will have a right to require the immediate redemption of the Second Convertible Loan Notes if any subsidiary of the Company loses the Subsoil Use Contract or the Subsoil Use Contract is suspended for more than 12 months, is withdrawn or its terms amended in a material respect to the detriment of such subsidiary.

**Undertakings by the Company**

The Company has undertaken, so long as any of the Second Convertible Loan Notes remain capable of being converted, not to undertake certain actions except with the written consent of the Noteholder.

**Conversion**

Five working days after receipt by the Company of the Subsoil Law Waiver, the Second Convertible Loan Notes will automatically convert into 136,309,596 Ordinary Shares.

The Ordinary Shares arising upon conversion of the Second Convertible Loan Notes shall be credited as fully paid.

The Company will use all reasonable endeavours to ensure that all the Ordinary Shares allotted on conversion, will upon allotment, be admitted to AIM.

**Variation**

The provisions of the Second Convertible Loan Note Instrument and the rights of the holders of Second Convertible Loan Notes may only be modified, abrogated, varied or compromised with the written consent of the Noteholder.

**Non-transferable**

The Second Convertible Loan Notes are not transferable.

# Sunkar Resources plc

(Incorporated in England and Wales with registered number 05759399)

## Notice of General Meeting

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NOTICE IS HEREBY GIVEN that a general meeting of Sunkar Resources plc (the "**Company**") will be held at the offices of Maclay Murray & Spens LLP, 12th Floor, One London Wall, London, EC2Y 5AB on 8 February 2012 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, of which resolution 1 will be proposed as an ordinary resolution and resolution 2 will be proposed as a special resolution:

### Ordinary Resolution

1. THAT, in addition to any existing authorities and powers granted to the directors of the Company pursuant to section 551 of the Companies Act 2006 (the "**Act**") prior to the passing of this resolution, the directors of the Company be and are hereby generally and unconditionally authorised pursuant to section 551 of the Act to exercise all or any powers of the Company to allot shares in the Company and to grant rights ("**relevant rights**") to subscribe for or to convert any security into shares of the Company (such shares and rights to subscribe for or to convert any security into shares of the Company being "**relevant securities**") in connection with the Second Convertible Loan Note Instrument (as that term is defined in the circular to shareholders of the Company dated 20 January 2012 (the "**Circular**") up to an aggregate nominal amount of £136,309.60 (being the maximum nominal amount of ordinary shares in the capital of the Company that may be allotted pursuant to the rights granted by the Second Convertible Loan Note Instrument) provided that such authorisation shall expire at midnight on 31 December 2012 unless previously renewed, revoked or varied by the Company in a general meeting, save that the Company may at any time before the expiry of this authorisation make an offer or agreement which would or might require relevant securities to be allotted or relevant rights to be granted after the expiry of this authorisation and the directors of the Company may allot relevant securities or grant relevant rights in pursuance of any such offer or agreement as if the authorisation conferred hereby had not expired.

### Special Resolution

2. THAT, subject to the passing of resolution 1 (the "**Section 551 Resolution**"), and in addition to any existing authorities and powers granted to the directors of the Company pursuant to sections 570 and 573 of the Act prior to the passing of this resolution, the directors of the Company be empowered in accordance with sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560 (1), (2) and (3) of the Act) pursuant to the Section 551 Resolution as if section 561(1) of the Act did not apply to such allotment, provided that this power shall expire at midnight on 31 December 2012, but so that this power shall enable the Company to make an offer or agreement before such expiry which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of any such offer or agreement as if such expiry had not occurred.

By order of the Board



**Ryan J Wilson**  
Company Secretary

20 January 2012

29-30 St. James's Street  
London SW1A 1HB

# Sunkar Resources plc

## General Meeting 8 February 2012

### Notes

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1. As a member, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share. In the event of a conflict between a blank proxy form and a proxy form which states the number of shares to which it applies, the specific proxy form shall be counted first, regardless of whether it was sent or received before or after the blank proxy form; and any remaining shares in respect of which you are the registered holder will be appointed to the blank proxy form. To appoint more than one proxy, you should contact the Company's registrars, Capita Registrars, PXS, The Registry, 34 Beckenham, Kent BR3 4TU.
2. A form of proxy is enclosed. If you have not received one, please contact the Company's registrars. To be valid, your proxy form and any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority should be sent to the Company's registrars, Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive no later than 11.00 a.m. on 6 February 2012.
3. If you appoint a proxy, this will not prevent you attending the meeting and voting in person if you wish to do so.
4. In accordance with Regulation 41 of the Uncertified Securities Regulations 2001, to have the right to attend and vote at the meeting a member must first have his or her name entered in the Company's register of members by no later than 6:00 p.m. on 6 February 2012 or, if this meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting (excluding weekends and public holidays). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the meeting.
5. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
6. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA 10) by 11.00 a.m. on 6 February 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
7. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

**Sunkar Resources plc**  
General Meeting 8 February 2012  
**Notes**  
continued

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8. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
9. Any corporation which is a member can authorise one or more person(s) to act as its representative(s) at the meeting.
10. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted);
- calling the Capita Registrars' shareholder helpline on 0871 664 0300 (calls cost 10 pence per minute plus network extras) (from outside the UK +44 (0) 20 8639 3399). Lines are open Monday-Friday 8.30 a.m. – 5.30 p.m.; or
  - contacting Capita Registrars by email at [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)
11. Copies of the following documents will be available for inspection during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of the Company's solicitors, Maclay Murray & Spens LLP, 12th Floor, One London Wall, London EC2Y 5AB from the date of this notice up to and including the date of the meeting and will on the day of the meeting be available for inspection at the venue of the meeting for at least 15 minutes prior to the meeting until the end of the meeting:
- a copy of the articles of association of the Company; and
  - copies of the First Convertible Loan Note Instrument (as that term is defined in the Circular) and the Second Convertible Loan Note Instrument.

You may not use any electronic address provided either in this notice of meeting or any related documents (including the chairman's letter and proxy form) to communicate with the Company for any purpose other than those expressly stated.