

SUNKAR RESOURCES PLC

CONDENSED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2011

SUNKAR RESOURCES PLC

CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The condensed financial statements of Sunkar Resources plc ("Sunkar" or the "Company") for the six months ended 30 June 2011 have been prepared by, and are the responsibility of, the Company's management. They have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union and do not include all of the information and disclosures that would be required by International Financial Reporting Standards for annual audited financial statements. The condensed financial statements should be read in conjunction with the Company's audited financial statements including the notes thereto for the period ended 31 December 2010. The financial information has been reviewed but has not been audited by the Company's Auditors.

These condensed financial statements have been approved by the Audit Committee and the Board of Directors.

SUNKAR RESOURCES PLC

CHAIRMAN'S STATEMENT

During the period under review, Sunkar continued to make progress on its wholly owned Chilisai phosphate fertilizer project (the "Project"). In the first quarter of 2011 the Company released the preliminary results of the Feasibility Study for the Project. This was followed by news of plans for the first industrial sales of rock to generate early cash flow. At the end of the first quarter the Company published its first reserves estimate of 265.6 million tonnes (in accordance with the guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC")).

In the second quarter, having drawn \$1.6 million and therefore fully utilised its \$5 million loan facility with ATF Bank in Kazakhstan, the Company commenced drawing on its Equity Line Facility ("ELF") with Dutches Opportunity Cayman Fund, Ltd ("Dutches"). At the same time the Company was pursuing alternative and additional medium term sources of finance to underpin the Company's progress. Post the period end, talks with one investor had progressed to the extent that subscription documentation was prepared. However, this new investment offer was withdrawn in August and finding an alternative investor at short notice proved impossible. Furthermore, in view of the Company's extreme share price volatility and its dilutive impact to existing shareholders, the directors decided it was in the interests of shareholders to suspend indefinitely the use of the facility. 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 Company's shares from trading on the AIM on 09 August 2011.

Since the suspension of trading on AIM, the directors of the Company have been working to secure the required additional funding. On 28 September 2011 the Company announced it had signed loan agreements with three directors and Napier Holdings Services Limited (as disclosed in Note 5) for approximately \$894,000 to provide short term working capital until alternative finance can be secured.

The Company currently anticipates that it will require funding of at least \$5 million in order to complete the Feasibility Study and continue operations in Kazakhstan until the end of the current financial year and, in total, \$12 million to achieve its key aims of, establishing a Direct Application Rock ("DAR") business and meeting Subsoil Use Contract ("SUC") commitments to the end of September 2012.

The challenge for the Group is to simultaneously complete the full Feasibility Study for its proposed phosphate fertilizer manufacturing project while maintaining commitments under the SUC. The Company is contracted to spend approximately \$700,000 to complete this study. Once the current working capital issues are resolved the Company will be able to update shareholders with a revised target date for the completion of this study. If the Group is unable to resolve these issues promptly, it may not be able to meet the 2011 mining commitments of the SUC. The likelihood of successfully renegotiating the 2011 commitment, should it enter into renegotiations, cannot presently be determined. The carrying value of the intangible assets relating to the Subsoil Use Contract of \$69.7 million is dependent on continued access to the contract area, which may be dependent on such renegotiations.

At this critical stage, every effort is being made to reduce cash outflow while balancing this with the need to maintain mining commitments and develop DAR sales. Staff numbers have been reduced and the mine now operates one shift. As a result, progress towards achieving the 2011 target ore extraction is behind schedule. If this target cannot be met, management expect to remedy any shortfall by negotiating with the Kazakhstan government that a shortfall be added to the commitment of one million tonnes for 2012.

In recent weeks the Company has started generating revenues from DAR sales to farmers and while the small amounts shipped in the first half of the year are reflected in these accounts, additional orders for 10,000 tonnes have been secured and will be fulfilled between September and November at plant gate prices in the region of \$55 per tonne. Sales to potential industrial buyers with whom the Company has held detailed discussions along with these sales to farmers, in time, are expected to contribute to the Company's funding requirements.

Whilst the resolution of the shortage of working capital is our principal concern, the fundamentals of the project remain unchanged: the occurrence of all the key ingredients for high analysis phosphate fertilizer production, namely: phosphate rock, sulphur (for sulphuric acid) and natural gas for ammonia production in the region can make this one of the lowest cost production sites in the world. Finally, the plant location in the middle of the Eurasian cereal growing areas of southern Russia and northern Kazakhstan and China which are removed from much of the Russian and Chinese domestic phosphate industries makes future Chilisai fertilizer deliveries the lowest cost to this otherwise under supplied region.

The Directors remain convinced of the merits of the project and its ability to generate returns for shareholders and believe that based on the current status of negotiations of various debt and equity funding options, finance will be secured. Therefore the condensed financial statements are prepared on a going concern basis. However, as a consequence of the issues noted above material uncertainties exists over the ability of the group to remain a going concern for the foreseeable future, as is more fully explained in note 1. The condensed financial statements do not include any adjustments which may be necessary if the group was unable to continue to operate

The Company's shares will remain suspended pending resolution of the current financial uncertainty. A further announcement will be made in due course.

Teck Soon Kong
CHAIRMAN
30 September 2011

INDEPENDENT REVIEW REPORT TO SUNKAR RESOURCES PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 9. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the group intends to use in preparing its next annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on

Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Emphasis of Matter - Going Concern

In forming our opinion on the interim financial information, which is not qualified, we have considered the adequacy of the disclosure made in the Chairman's statement and note 1 concerning the company's ability to continue as a going concern.

The Group is presently completing the feasibility study of the Chilisai deposit and operating the planned fertilizer plant. To date, the Group has incurred losses, resulting in a reported retained deficit of \$25.1 million as at 30 June 2011. The Group has produced Direct Application Rock as planned and also made a small volume of sales to farmers.

Whilst there remains £8.6 million to draw down on the ELF facility, the directors have chosen not to do so as discussed in the Chairman's Statement. Irrespective of their ability to draw down the ELF facility, the Company needs to secure additional funding, through debt or equity, in order to meet its obligations and continue its operations of mining the Chilisai deposit. Management are currently seeking to secure additional funding but such funding has not yet been secured.

These conditions, along with other matters explained in the Chairman's statement and note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial information does not include the adjustments that would result if the company was unable to continue as a going concern.

Emphasis of Matter - Carrying Value of Intangible Assets

In forming our opinion on the interim financial information, which is not qualified, we have considered the adequacy of the disclosures in note 1 to the interim financial information concerning the impairment of intangible assets.

Under the terms of the Subsoil Use Contract, the Group must meet minimum criteria for the volume of ore to be extracted from the contract area. At present the Group's forecasts indicate it has insufficient funds to meet the volume commitments for the year ending 31 December 2011. Meeting these commitments will remain uncertain even if additional funding is secured due to the limited time available to ramp up operations. Management currently anticipate being able to negotiate with the Kazakhstan government that the remainder of the 2011 commitment be added to the 2012 commitment.

In 2009, management successfully renegotiated the Subsoil Use Contract commitment. The likelihood of successfully renegotiating the 2011 commitment, should they enter

into renegotiations, cannot presently be determined. The carrying value of the intangible assets relating to the Subsoil Use Contract of \$69.7 million is dependent on continued access to the contract area, which may be dependent on such renegotiation.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom
30 September 2011

SUNKAR RESOURCES PLC
CONSOLIDATED INCOME STATEMENT

	Notes	(unaudited) 6 months ended 30 Jun 2011 \$000	(unaudited) 6 months ended 30 Jun 2010 \$000	(audited) Year ended 31 Dec 2010 \$000
Revenue		23	-	-
Cost of sales		<u>(45)</u>	<u>-</u>	<u>-</u>
Gross loss		(22)	-	-
Administrative expenses		(4,481)	(4,631)	(9,844)
Foreign exchange gains/(losses)		<u>295</u>	<u>(762)</u>	<u>(524)</u>
Operating loss before financing costs		(4,208)	(5,393)	(10,368)
Finance income		-	22	22
Finance costs		<u>(303)</u>	<u>(75)</u>	<u>(103)</u>
Loss before taxation		<u>(4,511)</u>	<u>(5,446)</u>	<u>(10,449)</u>
Income tax charge		<u>-</u>	<u>-</u>	<u>(2,956)</u>
Loss for the period		<u>(4,511)</u>	<u>(5,446)</u>	<u>(13,405)</u>
Basic and diluted loss per share (cents)	6	<u>(2.8)</u>	<u>(3.4)</u>	<u>(8.4)</u>

SUNKAR RESOURCES PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(unaudited) 6 months ended 30 Jun 2011 \$000	(unaudited) 6 months ended 30 Jun 2010 \$000	(audited) Year ended 31 Dec 2010 \$000
Loss for the period	<u>(4,511)</u>	<u>(5,446)</u>	<u>(13,405)</u>
Exchange differences on translation of foreign operations	<u>(154)</u>	<u>230</u>	<u>185</u>
Other comprehensive (loss)/gain for the period	<u>(154)</u>	<u>230</u>	<u>185</u>
Total comprehensive loss for the period	<u>(4,665)</u>	<u>(5,216)</u>	<u>(13,220)</u>

SUNKAR RESOURCES PLC

CONSOLIDATED BALANCE SHEET

		(unaudited) 30 Jun 2011 \$000	(unaudited) 30 Jun 2010 \$000	(audited) 31 Dec 2010 \$000
Assets				
Intangible exploration assets	2	69,679	65,266	68,450
Property, plant and equipment	3	17,821	15,083	18,002
Other receivables		<u>382</u>	<u>124</u>	<u>387</u>
Total non-current assets		<u>87,882</u>	<u>80,473</u>	<u>86,839</u>
Inventories		10,460	8,255	9,815
Other receivables and prepayments		592	3,171	781
Cash and cash equivalents		<u>481</u>	<u>7,528</u>	<u>1,650</u>
Total current assets		<u>11,533</u>	<u>18,954</u>	<u>12,246</u>
Total assets		<u>99,415</u>	<u>99,427</u>	<u>99,085</u>
Equity				
Issued share capital		307	298	298
Share premium		112,148	110,366	110,366
Share warrant reserve		100	100	100
Translation reserve		(8,484)	(8,285)	(8,330)
Retained deficit		<u>(25,112)</u>	<u>(14,742)</u>	<u>(21,328)</u>
Total equity attributable to equity holders of parent		<u>78,959</u>	<u>87,737</u>	<u>81,106</u>
Liabilities				
Interest bearing loans and borrowings		750	-	1,200
Other payables		1,314	-	1,167
Deferred tax liabilities		11,956	8,893	11,862
Provisions		<u>-</u>	<u>1,823</u>	<u>-</u>
Total long-term liabilities		14,020	10,716	14,229
Interest bearing loans and borrowings		4,277	-	2,261
Trade and other payables		<u>2,159</u>	<u>974</u>	<u>1,489</u>
Total liabilities		<u>20,456</u>	<u>11,690</u>	<u>17,979</u>
Total equity and liabilities		<u>99,415</u>	<u>99,427</u>	<u>99,085</u>

SUNKAR RESOURCES PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

	Share capital	Share premium	Share warrants reserve	Translation reserve	Accumulated losses	Total Equity
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 January 2010	298	110,366	467	(8,515)	(11,135)	91,481
Comprehensive loss						
Loss for the period	-	-	-	-	(5,446)	(5,446)
Total other comprehensive gain	-	-	-	230	-	230
Total comprehensive loss for the period	-	-	-	230	(5,446)	(5,216)
Transfer	-	-	(467)	-	467	-
Issue of share warrants	-	-	100	-	-	100
Share-based payments	-	-	-	-	1,372	1,372
Balance at 30 June 2010	298	110,366	100	(8,285)	(14,742)	87,737
Comprehensive loss						
Loss for the period	-	-	-	-	(7,959)	(7,959)
Total other comprehensive loss	-	-	-	(45)	-	(45)
Total comprehensive loss for the period	-	-	-	(45)	(7,959)	(8,004)
Share-based payments	-	-	-	-	1,373	1,373
Balance at 31 December 2010	298	110,366	100	(8,330)	(21,328)	81,106
Comprehensive loss						
Loss for the period	-	-	-	-	(4,511)	(4,511)
Total other comprehensive loss	-	-	-	(154)	-	(154)
Total comprehensive loss for the period	-	-	-	(154)	(4,511)	(4,665)
Issue of shares	9	1,782	-	-	-	1,791
Share based payments	-	-	-	-	727	727
Balance at 30 June 2011	307	112,148	100	(8,484)	(25,112)	78,959

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CONSOLIDATED STATEMENT OF CASH FLOWS

	(unaudited) Note 6 months ended 30 Jun 2011 \$000	(unaudited) 6 months ended 30 Jun 2010 \$000	(audited) Year ended 31 Dec 2010 \$000
Cash flows from operating activities:			
Operating loss	(4,208)	(5,393)	(10,368)
Adjustments for:			
Depreciation	716	1,624	3,078
Loss on disposal/reclassification of assets	266	-	-
Share-based payments	727	1,372	2,845
Exchange rate differences	(656)	410	106
Increase in inventories	(645)	(3,102)	(4,662)
Decrease in receivables	193	1,077	1,190
Increase in payables	<u>970</u>	<u>249</u>	<u>640</u>
Cash utilised in operations	(2,637)	(3,763)	(7,171)
Interest paid	<u>(303)</u>	<u>(75)</u>	<u>(8)</u>
Net cash utilised in operating activities	(2,940)	(3,838)	(7,179)
Cash flows from investing activities:			
Interest received	-	22	22
Acquisition of intangible exploration assets	(900)	(2,451)	(4,911)
Acquisition of property, plant and equipment	<u>(706)</u>	<u>(4,263)</u>	<u>(7,797)</u>
Net cash utilised in investing activities	(1,606)	(6,692)	(12,686)
Cash flows from financing activities:			
Bank loan received	1,564	-	3,461
Proceeds from the issue of share capital	<u>1,791</u>	<u>-</u>	<u>-</u>
Net cash inflow from financing activities	3,355	-	3,461
Net decrease in cash and cash equivalents	(1,191)	(10,530)	(16,404)
Cash and cash equivalents at start of period	1,650	18,576	18,576
Exchange differences	<u>22</u>	<u>(518)</u>	<u>(522)</u>
Cash and cash equivalents at end of period	<u>481</u>	<u>7,528</u>	<u>1,650</u>

SUNKAR RESOURCES PLC

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

Notes to the Financial Statements

1. BASIS OF PREPARATION

The Group prepares its condensed financial statements in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union (EU). The condensed financial statements presented herein have been prepared in accordance with the accounting policies expected to be used in preparing the Group's financial statements for the year ending 31 December 2011 which do not differ significantly from those used for the Group's 2010 financial statements.

Sunkar Resources plc is a company registered in England and Wales and was incorporated on 28 March 2006. The Company initially acquired an 80% interest in the capital of Temir Service LLP, a limited liability partnership registered in the Republic of Kazakhstan in September 2006 a further 10% in December 2007 and the final 10% in November 2008.

These interim results do not constitute statutory accounts within the meaning of s435 of the Companies Act 2006. The financial information in this report for the six months to 30 June 2011 and to 30 June 2010 has not been audited.

The financial information for the year ended 31 December 2010 does not constitute statutory accounts as defined in sections 435 (1) and (2) of the Companies Act 2006. This information was derived from the statutory accounts for the year ended 31 December 2010, a copy of which has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis of matter and did not contain a statement under sections 498 (2) or (3) of the Companies Act 2006.

The accounting policies and methods of computation used in the preparation of the condensed financial information are the same as those described in the Company's audited consolidated financial statements and notes thereto for the year ended 31 December 2010.

In the opinion of the management, the accompanying interim financial information includes all adjustments considered necessary for fair and consistent presentation of financial statements. These condensed financial statements should be read in conjunction with the Company's audited financial statements and notes for the year ended 31 December 2010.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

The financial statements have been prepared on the going concern basis, assuming the Group and the Company will continue as going concerns, and therefore realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the financial statements.

In the second quarter, having drawn \$1.6 million and therefore fully utilised its \$5 million loan facility with ATF Bank in Kazakhstan, the Company commenced drawing on its Equity Line Facility ("ELF") with Dutchess Opportunity Cayman Fund, Ltd ("Dutchess"). At the same time the Company was pursuing alternative and additional medium term sources of finance to underpin the Company's progress. Post the period end, talks with one investor had progressed to the extent that subscription documentation was prepared. However, this new investment offer was withdrawn in August and finding an alternative investor at short notice proved impossible. Furthermore, in view of the Company's extreme share price volatility and its dilutive impact to existing shareholders, the directors decided it was in the interests of shareholders to suspend indefinitely the use of the facility. 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 Company's shares from trading on the AIM on 09 August 2011.

Since the suspension of trading on AIM, the directors of the Company have been working to secure the required additional funding. On 28 September 2011 the Company announced it had signed loan agreements with three directors and Napier Holdings Services Limited (as disclosed in Note 5) for approximately \$894,000 to provide short term working capital until alternative finance can be secured.

The Company currently anticipates that it will require funding of at least \$5 million in order to complete the Feasibility Study and continue operations in Kazakhstan until the end of the current financial year and, in total, \$12 million to achieve its key aims of, establishing a Direct Application Rock ("DAR") business and meeting Subsoil Use Contract ("SUC") commitments to the end of September 2012.

The challenge for the Group is to simultaneously complete the full Feasibility Study for its proposed phosphate fertilizer manufacturing project while maintaining commitments under the SUC. The Company is contracted to spend approximately \$700,000 to complete this study. Once the current working capital issues are resolved the Company will be able to update shareholders with a revised target date for the completion of this study. If the Group is unable to resolve these issues promptly, it may not be able to meet the 2011 mining commitments of the SUC. The likelihood of successfully

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FOR THE SIX MONTHS ENDED 30 JUNE 2011

renegotiating the 2011 commitment, should it enter into renegotiations, cannot presently be determined. The carrying value of the intangible assets relating to the Subsoil Use Contract of \$69.7 million is dependent on continued access to the contract area, which may be dependent on such renegotiations.

At this critical stage, every effort is being made to reduce cash outflow while balancing this with the need to maintain mining commitments and develop DAR sales. Staff numbers have been reduced and the mine now operates one shift. As a result, progress towards achieving the 2011 target ore extraction is behind schedule. If this target cannot be met, management expect to remedy any shortfall by negotiating with the Kazakhstan government that a shortfall be added to the commitment of one million tonnes for 2012.

In recent weeks the Company has started generating revenues from DAR sales to farmers and while the small amounts shipped in the first half of the year are reflected in these accounts, additional orders for 10,000 tonnes have been secured and will be fulfilled between September and November at plant gate prices in the region of \$55 per tonne. Sales to potential industrial buyers with whom the Company has held detailed discussions along with these sales to farmers, in time, are expected to contribute to the Company's funding requirements.

In light of the above, a material uncertainty exists which may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, the Directors believe that on the current status of negotiations on various equity and debt funding options will be secured and therefore the accounts are prepared on a going concern basis.

2. INTANGIBLE FIXED ASSETS

	(unaudited)	(unaudited)	(audited)
Deferred exploration costs	30 Jun 2011 \$000	30 Jun 2010 \$000	31 Dec 2010 \$000
Cost			
Balance – beginning of period	68,450	62,447	62,447
Additions	749	2,451	5,388
Reversal of Asset Retirement Obligation	-	-	(1,106)
Transfer from receivables	-	-	1,323
Exchange differences	480	368	398
Balance - end of period	<u>69,679</u>	<u>65,266</u>	<u>68,450</u>

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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The reclassification relates to costs incurred in removing overburden which has been reclassified to Inventories.

3. TANGIBLE FIXED ASSETS

	(unaudited) 30 Jun 2011 \$000	(unaudited) 30 Jun 2010 \$000	(audited) 31 Dec 2010 \$000
Property, plant and equipment			
Cost			
Balance – beginning of period	23,258	14,608	14,608
Additions	706	4,263	8,489
Reclassification	(1,485)	-	-
Disposals	(91)	-	(94)
Exchange differences	<u>107</u>	<u>45</u>	<u>255</u>
Balance - end of period	<u>22,495</u>	<u>18,916</u>	<u>23,258</u>
Depreciation			
Balance – beginning of period	5,256	2,194	2,194
Charge for period	716	1,624	3,078
Reclassification	(1,257)	-	-
On disposals	(52)	-	-
Exchange differences	<u>11</u>	<u>15</u>	<u>(16)</u>
Balance - end of period	<u>4,674</u>	<u>3,833</u>	<u>5,256</u>
Net book value			
At end of period	<u>17,821</u>	<u>15,083</u>	<u>18,002</u>
At start of period	<u>18,002</u>	<u>12,414</u>	<u>12,414</u>

4. SHARE CAPITAL

The Group accessed capital of \$1,789,000 by the issue of 1,851,582 ordinary shares at \$0.43 (27 pence) each and 3,157,895 ordinary shares at \$0.31 (19 pence) each through its Equity Line Facility ("ELF") of up to £10 million with Dutchess Opportunity Cayman Fund, Ltd ("Dutchess") during the six months ended 30 June 2011.

SUNKAR RESOURCES PLC

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

5. RELATED PARTY TRANSACTIONS

As disclosed in previous financial statements of the company has provided loan facilities to its wholly owned subsidiary Temir Service LLP of up to \$47 million. The loans are subject to interest at LIBOR plus 2%. The loans are repayable within five years from the date of the agreement.

Post period end, on 28 September 2011 the Company announced it had signed loan agreements with three directors and Napier Holdings Services Limited, a trust belonging to the family of Charles de Chezelles, a non-executive director of the Company, for \$894,000 to provide short term working capital until alternative finance can be secured.

6. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share, based on the loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the period was calculated as follows:

Loss attributable to ordinary shareholders

6 months ended 30 Jun 2011 \$000	6 months ended 30 Jun 2010 \$000	Year ended 31 Dec 2010 \$000
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Loss for the period attributable to ordinary shareholders

<u>(4,511)</u>	<u>(5,446)</u>	<u>(13,405)</u>
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Weighted average number of ordinary shares

6 months ended 30 Jun 2011	6 months ended 30 Jun 2010	Year ended 31 Dec 2010
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At end of period (thousand)

<u>161,038</u>	<u>159,849</u>	<u>159,849</u>
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The share options and warrants in issue are not considered dilutive since the Group made a loss in both the current and prior periods.

7. OPERATING SEGMENTS

The Group's activities relate to the development of the Chilisai phosphate rock mine and evaluation of its phosphate fertilizer project. All the Group's operations are in

SUNKAR RESOURCES PLC

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

Kazakhstan with support provided from the UK and as such the Group has only one segment.

Geographical information

For the six months ended 30 June 2011

(unaudited)	Revenue	Non-current assets	Liabilities	Capital expenditure	Depreciation
Kazakhstan	23	87,500	19,124	1,455	708
UK	<u>-</u>	<u>9</u>	<u>1,332</u>	<u>-</u>	<u>8</u>
	<u>23</u>	<u>87,509</u>	<u>20,456</u>	<u>1,455</u>	<u>716</u>

For the year ended 31 December 2010

(audited)	Revenue	Non-current assets	Liabilities	Capital expenditure	Depreciation
Kazakhstan	-	86,435	17,166	13,869	3,062
UK	<u>-</u>	<u>17</u>	<u>813</u>	<u>8</u>	<u>16</u>
	<u>-</u>	<u>86,452</u>	<u>17,979</u>	<u>13,877</u>	<u>3,078</u>

SUNKAR RESOURCES PLC

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8. FINANCIAL INSTRUMENTS

The Board determines, as required, the degree to which it is appropriate to use financial instruments and hedging techniques to mitigate risks. The main risks for which such instruments may be appropriate are foreign exchange risk, interest rate risk and liquidity risk each of which is discussed below. There were no derivative instruments outstanding at 30 June 2011.

Liquidity risk and capital management

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern so that it can continue to increase the value of the entity for the benefit of shareholders.

Given the nature of the Group's current activities the entity will remain dependent on additional funding in the short to medium term until such time as the Group becomes self-financing from the commercial production of phosphate fertilizers. Management monitors forecasts of the Group's liquidity by projecting rolling 18 month cash flows. Refer to Note 1 for more detail.

The Group cash position at 30 June 2011 was \$0.5 million (31 December 2010: \$1.6 million).

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates to the Group's cash holdings and ATF Loan.

Foreign currency risk

The presentational currency of the Group is US Dollars. The functional currency of the parent company is US Dollars and the functional currency of the subsidiary is Kazakhstan Tenge. The Group is exposed to foreign currency risk due to movements in the Kazakhstan Tenge against the US Dollar exchange rate in relation to Kazakhstan Tenge denominated transactions and balances of the subsidiary and movements in GB Pounds and Euros against the Dollar Exchange rate in respect of transactions and balance of the parent company.

The Group has a general policy of not hedging against foreign currency risks. The Group manages foreign currency risk by reviewing and matching forecasted foreign currency payments with foreign currency balances.

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The primary currency of international fertilizer trading is the US Dollar.

Exchange rate fluctuations may adversely affect the Group's financial position and results.

Fair value of financial assets

In the directors' opinion there is no material difference between the book value and fair value of any of the group's financial instruments.

9. CAPITAL COMMITMENTS

Under the SUC the Group's current obligations are to spend \$115 million cumulatively by the end of 2020. Annual mining SUC targets are set and the 2011 target is one million tonnes of ore. This 2011 target could potentially still be met provided the Company can promptly remedy its current cash constraints as explained in Note 1. If this target cannot be met, management expect to remedy any shortfall by negotiating the shortfall be added to the commitment of one million tonnes for 2012.