

SUNKAR RESOURCES PLC

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

SIX MONTHS ENDED 30 JUNE 2010

SUNKAR RESOURCES PLC

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

The accompanying unaudited consolidated financial statements of Sunkar Resources plc ("Sunkar" or the "Company") for the six months ended 30 June 2010 have been prepared by and are the responsibility of the Company's management. They do not include all of the information and disclosures that would be required by International Financial Reporting Standards for annual audited financial statements. The interim consolidated financial statements should be read in conjunction with the Company's audited financial statements including the notes thereto for the period ended 31 December 2009. The financial information has not been reviewed or audited by the Company's Auditors.

These 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 has continued to make solid progress on its wholly owned Chilisai phosphate fertilizer project.

In January 2010, the Company published a resource estimate in accordance with the guidelines of the Australian Code for Reporting of Exploration Results, Mineral Reserves and Ore Reserves ("JORC") of 293 million tonnes in the Measured and Indicated category and a further 182 million tonnes in the Inferred category. This represents only 40 per cent. of the licence area and is sufficient to meet the first 20 years of fertilizer production at the planned extraction rate of 10 million tonnes of ore per annum. A resource estimate for the whole territory will be completed after digitizing the remaining available mine data.

The renegotiation of the Company's mining commitments became a priority after the successful completion of phosphoric acid plant tests in 2009. In June this year, the Company was pleased to announce that the Government of the Republic of Kazakhstan had agreed to a new work programme. This is a substantial milestone for the project and is indicative of the support the Company has received from the authorities in Kazakhstan. The revised programme will align the mining commitments under the Company's Subsoil Use Contract with our development plans to introduce fertilizer production capacity of 850 thousand tonnes of ammoniated phosphates in 2014 and its expansion to 1,700 thousand tonnes in 2017.

The selection of an engineering contractor to complete a Bankable Feasibility Study ("BFS") was concluded in March 2010 and SNC-Lavalin, one of the leading engineering and construction groups in the world with first class experience in large scale fertilizer industry projects, was appointed. Preliminary results of the study will be available in the second half of 2010 with the completion of the study in the first half of 2011. Before completion of the BFS the Company plans to conclude its negotiation of feedstock supply agreements and product off-take agreements, negotiations on which are ongoing.

In the six months to the end of June 2010 mining has been progressing steadily with 396 thousand tonnes of ore extracted and the Company is on track to achieve the revised ore extraction commitment of 1 million tonnes in 2010. Having researched the potential regional phosphate rock market thoroughly, the Company is confident that it exists and will produce early cashflow for the Company starting in Q4 2010. Resources have been assigned to the construction of a milling complex which is currently being completed, with production tests due to commence shortly.

The Board is keen to sustain the progress that has already been achieved and in June 2010 secured financing in the form of an Equity Line Facility (“ELF”) of £10 million for a three year period. Funds under the ELF can be drawn at times and intervals chosen by the Company. The Company is not obligated to make use of the facility but the Board considers that this prudent move provides the Company with the financial flexibility and stability needed to progress the project to the completion of the BFS and beyond.

I would like to thank our staff for their continuing professionalism and commitment in delivering results and driving forward our strategic plans to build a low cost integrated phosphate fertilizer production facility.

The long term outlook for the phosphates sector remains positive and world prices began to increase in the second half of 2010, with the benchmark of US Gulf DAP now nearing US\$500 per tonne. The underlying fundamentals of food demand and population growth in Asia remain and thus, I believe, that our project, which benefits from scale, location and developed infrastructure is well positioned for the future.

Teck Soon Kong
CHAIRMAN
17 August 2010

SUNKAR RESOURCES PLC
CONSOLIDATED INCOME STATEMENT

	Note	(unaudited) 6 months ended 30 Jun 2010 \$000	(unaudited) 6 months ended 30 Jun 2009 \$000	(audited) Year ended 31 Dec 2009 \$000
Other operating income		-	-	-
Administrative expenses		(4,631)	(4,727)	(11,352)
Foreign exchange losses		<u>(762)</u>	<u>(2,502)</u>	<u>(3,112)</u>
Operating loss before financing costs		(5,393)	(7,229)	(14,464)
Finance income		22	112	190
Finance costs		<u>(75)</u>	<u>(39)</u>	<u>(120)</u>
Loss before taxation		<u>(5,446)</u>	<u>(7,156)</u>	<u>(14,394)</u>
Income tax credit		<u>-</u>	<u>-</u>	<u>-</u>
Loss for the period		<u>(5,446)</u>	<u>(7,156)</u>	<u>(14,394)</u>
Basic and diluted earnings per share (cents)	6	<u>(3.4)</u>	<u>(4.5)</u>	<u>(9.0)</u>

SUNKAR RESOURCES PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(unaudited) 6 months ended 30 June 2010 \$000	(unaudited) 6 months ended 30 June 2009 \$000	(audited) Year ended 31 Dec 2009 \$000
Loss for the period	<u>(5,446)</u>	<u>(7,156)</u>	<u>(14,394)</u>
Foreign exchange translation differences	<u>230</u>	<u>(10,753)</u>	<u>(9,202)</u>
Other comprehensive loss for the period	<u>230</u>	<u>(10,753)</u>	<u>(9,202)</u>
Total comprehensive loss for the period	<u>(5,216)</u>	<u>(17,909)</u>	<u>(23,086)</u>

SUNKAR RESOURCES PLC

CONSOLIDATED BALANCE SHEET

		(unaudited) 30 Jun 2010 \$000	(unaudited) 30 Jun 2009 \$000	(audited) 31 Dec 2009 \$000
Assets				
Intangible exploration assets	2	65,266	61,284	62,447
Property, plant and equipment	3	15,083	10,345	12,414
Deposit		<u>124</u>	<u>59</u>	<u>130</u>
Total non-current assets		<u>80,473</u>	<u>71,688</u>	<u>74,991</u>
Inventories		8,255	3,009	5,153
Other receivables and prepayments		3,171	4,775	4,148
Cash and cash equivalents		<u>7,528</u>	<u>26,157</u>	<u>18,576</u>
Total current assets		<u>18,954</u>	<u>33,940</u>	<u>27,877</u>
Total assets		<u>99,427</u>	<u>105,628</u>	<u>102,868</u>
Equity				
Issued share capital		298	298	298
Share premium		110,366	110,460	110,366
Share warrant reserve		100	467	467
Translation reserve		(8,285)	(10,066)	(8,515)
Retained earnings		<u>(14,742)</u>	<u>(6,139)</u>	<u>(11,135)</u>
Total equity attributable to equity holders of parent		<u>87,737</u>	<u>95,020</u>	<u>91,481</u>
Liabilities				
Other payables		-	642	1,247
Deferred tax liabilities		8,893	8,718	8,839
Provisions		<u>1,823</u>	<u>330</u>	<u>498</u>
Total long term liabilities		10,716	9,690	10,584
Trade and other payables		<u>974</u>	<u>918</u>	<u>803</u>
Total liabilities		<u>11,690</u>	<u>10,608</u>	<u>11,387</u>
Total equity and liabilities		<u>99,427</u>	<u>105,628</u>	<u>102,868</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 2009	298	110,366	561	687	(1,041)	110,871
Comprehensive loss						
Loss for the period					(7,156)	(7,156)
Total other comprehensive loss	-	-	-	(10,753)	-	(10,753)
Total comprehensive loss for the period	-	-	-	(10,753)	(7,156)	(17,909)
Transactions with owners						
Transfer	-	-	(94)	-	94	-
Share-based payments					2,059	2,059
Transactions with owners	-	-	(94)	-	2,153	2,059
Balance at 30 June 2009	298	110,366	467	(10,066)	(6,044)	95,021
Comprehensive loss						
Loss for the period	-	-	-	-	(7,238)	(7,238)
Total other comprehensive loss	-	-	-	1,551	-	1,551
Total comprehensive loss for the period	-	-	-	1,561	(7,238)	(5,687)
Transactions with owners						
Share based payments	-	-	-	-	2,147	2,147
Transactions with owners	-	-	-	-	2,147	2,147
Balance at 31 December 2009	298	110,366	467	(8,515)	(11,135)	91,481
Comprehensive loss						
Loss for the period	-	-	-	-	(5,446)	(5,984)
Total other comprehensive loss	-	-	-	230	-	230
Total comprehensive loss for the period	-	-	-	230	(5,446)	(5,754)
Transactions with owners						
Transfer	-	-	(467)	-	467	-
Issue of share warrants	-	-	100	-	-	100
Share based payments	-	-	-	-	1,372	1,372
Transactions with owners	-	-	(367)	-	1,839	1,472
Balance at 30 June 2010	298	110,366	100	(8,285)	(14,742)	87,199

SUNKAR RESOURCES PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

	(unaudited) Note 6 months ended 30 June 2010 \$000	(unaudited) 6 months ended 30 Jun 2009 \$000	(audited) Year ended 31 Dec 2009 \$000
Cash flows from operating activities:			
Operating loss	(5,393)	(7,229)	(14,464)
Adjustments for:			
Depreciation	1,624	920	1,801
Share based payments	1,372	2,059	4,206
Exchange rate differences	410	-	2,740
Increase in inventories	(3,102)	(898)	(3,042)
Decrease / (increase) in receivables	1,077	(1,177)	(620)
Increase / (decrease) in payables	249	(416)	191
Cash utilised in operations	(3,763)	(6,741)	(9,188)
Interest paid	(75)	(39)	(120)
Net cash utilised in operating activities	(3,838)	(6,780)	(9,308)
Cash flows from investing activities:			
Interest received	22	112	189
Acquisition of minority interest	-	(2,950)	(2,950)
Acquisition of intangible exploration assets	(2,451)	(563)	(873)
Acquisition of property, plant and equipment	(4,263)	(355)	(3,282)
Net cash from investing activities	(6,692)	(3,756)	(6,916)
Cash flows from financing activities:			
Repayment of loan	-	-	-
Proceeds from the issue of share capital	-	-	-
Payment of transaction costs	-	-	-
Net cash outflow from financing activities	-	-	-
Net (decrease) / increase in cash and cash equivalents	(10,530)	(10,536)	(16,224)
Cash and cash equivalents at start of period	18,576	34,545	34,545
Exchange differences	(518)	2,147	255
Cash and cash equivalents at end of period	<u>7,528</u>	<u>26,157</u>	<u>18,576</u>

SUNKAR RESOURCES PLC

UNAUDITED NOTES TO THE INTERIM STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

Notes to the Financial Statements

1. BASIS OF PREPARATION

The Group prepares its financial statements on the basis of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The 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 2010 which do not differ significantly from those used for the Group's 2009 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 2010 and to 30 June 2009 has not been audited.

The accounting policies and methods of computation used in the preparation of the unaudited consolidated 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 2009.

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 interim consolidated financial statements should be read in conjunction with the Company's audited financial statements and notes for the year ended 31 December 2009.

The financial statements have been prepared on the going concern basis, assuming the Group and the Company to 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.

SUNKAR RESOURCES PLC

UNAUDITED NOTES TO THE INTERIM STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

2. INTANGIBLE FIXED ASSETS

	(unaudited)	(unaudited)	(audited)
	30 Jun 2010 \$000	30 Jun 2009 \$000	31 Dec 2009 \$000
Deferred exploration costs			
Cost			
Balance – beginning of period	62,447	75,341	75,341
Additions	2,451	563	873
Exchange differences	<u>368</u>	<u>(14,620)</u>	<u>(13,767)</u>
Balance - end of period	<u>65,266</u>	<u>61,284</u>	<u>62,447</u>

3. TANGIBLE FIXED ASSETS

	(unaudited)	(unaudited)	(audited)
	30 Jun 2010 \$000	30 Jun 2009 \$000	31 Dec 2009 \$000
Property, plant and equipment			
Cost			
Balance – beginning of period	14,608	11,783	11,783
Additions	4,263	355	3,285
Disposals	-	-	(5)
Exchange differences	<u>45</u>	<u>(555)</u>	<u>(455)</u>
Balance - end of period	<u>18,916</u>	<u>11,583</u>	<u>14,608</u>
Depreciation			
Balance – beginning of period	2,194	400	400
Charge for period	1,624	920	1,801
Exchange differences	<u>15</u>	<u>(82)</u>	<u>(7)</u>
Balance - end of period	<u>3,833</u>	<u>1,238</u>	<u>2,194</u>
Net book value			
At end of period	<u>15,083</u>	<u>10,345</u>	<u>12,414</u>
At start of period	<u>12,414</u>	<u>11,383</u>	<u>11,383</u>

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UNAUDITED NOTES TO THE INTERIM STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

4. SHARE CAPITAL

On 29 June 2010 the Group secured a three year Equity Line Facility ("ELF") of up to £10 million with Dutchess Opportunity Cayman Fund, Ltd ("Dutchess").

The ELF offers the Company ongoing access to capital as it enables the Company to obtain funding from Dutchess at any time during the next three years by way of subscription for new ordinary shares in the Company. Subscriptions will be priced at a 6% discount to the market price and will take place at timings and intervals and in sizes determined by the Company, subject to the agreed mechanisms specified under the ELF.

The ELF may be drawn down in tranches linked to the Company's average daily trading volume in the three days prior to the notice of draw down or in other specified amounts. The Company is able to specify a minimum acceptable price for each tranche to prevent shares being sold in the market at an unacceptable discount. In consideration for the ELF, Sunkar has paid a commitment fee and issued 1,000,000 warrants in aggregate with an exercise price of 30 pence which expire on 29 June 2013.

5. RELATED PARTY TRANSACTIONS

As disclosed in previous financial statements of the company has provided a loan facility to its wholly owned subsidiary Temir Service LLP of up to \$32 million. The loan is interest free for the first 12 months and then subject to interest at LIBOR plus 2%. The loan is effectively repayable within five years from the date of the agreement.

6. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings 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 2010 \$000	6 months ended 30 Jun 2009 \$000	Year ended 31 Dec 2009 \$000
Loss for the period attributable to ordinary shareholders	(5,446)	(7,156)	(14,394)

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UNAUDITED NOTES TO THE INTERIM STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

Weighted average number of ordinary shares	6 months ended 30 June 2010	6 months ended 30 Jun 2009	Year ended 31 Dec 2009
At end of period (thousand)	<u>159,849</u>	<u>159,849</u>	<u>159,849</u>

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 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 2010

(unaudited)	Non-current assets	Liabilities	Loss for the period	Capital expenditure	Depreciation
Kazakhstan	80,448	11,430	(2,035)	4,257	1,618
UK	<u>25</u>	<u>259</u>	<u>(3,411)</u>	<u>6</u>	<u>7</u>
	<u>80,473</u>	<u>11,689</u>	<u>(5,446)</u>	<u>4,263</u>	<u>1,625</u>

For the year ended 31 December 2009

(audited)	Non-current assets	Liabilities	Loss for the period	Capital expenditure	Depreciation
Kazakhstan	72,561	11,079	(7,908)	3,970	1,788
UK	<u>25</u>	<u>308</u>	<u>(6,486)</u>	<u>14</u>	<u>13</u>
	<u>72,586</u>	<u>11,387</u>	<u>(14,394)</u>	<u>3,984</u>	<u>1,801</u>

SUNKAR RESOURCES PLC

UNAUDITED NOTES TO THE INTERIM STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 2010.

Liquidity risk

To date the Group has relied on shareholder funding and founder loans to finance its operations. As the Group has finite cash resources and no material income, the liquidity risk is significant and is managed by controls over expenditure.

The liabilities of the Group are due within one year. The Group has adequate financial resources to meet the obligations existing at 30 June 2010.

Interest rate risk

At the balance sheet date there was no significant exposure to interest rate risk.

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.

	(unaudited) 30 Jun 2010	(unaudited) 30 Jun 2009
	\$000	\$000
GB Pounds	297	2,808
US Dollars	3,924	17,634
Euros	2,879	5,593
Kazakhstan Tenge	<u>428</u>	<u>122</u>
	<u>7,528</u>	<u>26,157</u>

SUNKAR RESOURCES PLC

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FOR THE SIX MONTHS ENDED 30 JUNE 2010

The Group's cash resources are mainly held in US Dollars, Euros, GBP and Kazakhstan Tenge. 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 new terms agreed, but not yet formalised with the Ministry for Industry and New Technologies of the Republic of Kazakhstan, the Group's Subsoil Use Contract obligations to invest \$115 million cumulatively, will be extended from 2014 to 2020.