

April 2, 2014
RNS

SUNKAR RESOURCES PLC
("Sunkar" or the "Company")

UPDATE ON OPERATIONS AND FINANCIAL POSITION OF THE COMPANY

Sunkar (AIM:SKR) provides the following update:

Background

Since the last update provided by the Company on 12 December 2013, Sunkar's operations have been adversely affected by the 20 per cent. devaluation of the Kazakh Tenge on 11 February 2014 which has led to financial uncertainty within the domestic economy of Kazakhstan. Many new government contracts for execution denominated in the local currency have been put on hold, which has led to delays in the receipt of monies due to Sunkar in respect of its existing earth moving contracts and also delays in agreeing any new contracts.

As shareholders are aware, earth moving contracts associated with the Kazakh government's infrastructure development programs are a significant part of Sunkar's revenues and the Company had been relying on the cash generated by these projects for its ongoing working capital needs. In the interim results, for the six months ended 30 June 2013, announced on 24 September 2013, the Company stated, "Short-term cash flows will be managed by completion of the existing earth moving contracts, pursuit of additional contracts and further sales of DAR and ground phosphate rock backed up by the support of the majority shareholder." However, recent events have made that forecast unsustainable.

Earth Moving Contracts

The Company's wholly owned subsidiary, Temir Service LLP ("Temir") has been unsuccessful, to date, in concluding negotiations for a third earth moving contract on the timescale previously expected and, accordingly, Temir is now expected to generate materially less cash, during this financial year, than had been expected at the time of the last update in December. Management continues to negotiate this contract, but there can be no certainty as to whether, or when, acceptable terms will be agreed.

In the interim, on 29 March 2014 management agreed an extension to the second earth moving contract with a value of approximately KZT79 million (US\$434,000), of which a proportion will be prepaid. It is expected that the Company will resume its work on site in approximately 15 days and that the contract extension will take up to 45 days to complete.

Direct Application Rock sales

Since the beginning of this year Temir has shipped 4,685 tonnes of DAR, contracted to sell total of 7,501 tonnes, and received indicative orders of 17,000 tonnes. The majority of these sales are to Kazakh and Russian farmers, with some additional sales to European destinations.

Subsoil Use Contract execution

The Company was recently informed that on 20 March 2014 the Ministry of Industry and New Technologies of the Republic of Kazakhstan duly executed Addendum #3 to the Subsoil Use Contract ("SUC") with Temir approving the revised ore mining commitment of 300,000 tonnes of rock per annum.

Financial Position of the Company

The Company's current cash position is US\$57,000, which is US\$348,000 below budget, as a result of the delays in receipt of payment in respect of the existing earth moving contracts, the delays in agreeing a further earth moving contract and the economic effects of the Tenge devaluation.

The Company has operated at a loss for the year to date, in both cash and profit terms, and is expected to continue to do so until further earth moving contracts can be secured or an alternative strategy developed.

Delay in Asia Credit Bank loan repayment

As announced on 4 January 2013, Temir signed a credit line facility with Asia Credit Bank (Kazakhstan) ("ACB") for US\$3,000,000 ("ACB Loan"). As a result of delays in signing a new earth moving contract, Temir was unable to make its regular monthly payments against the ACB Loan of US\$84,000 to ACB on 26 February 2014 and 26 March 2014. On 26 March 2014, Temir was contacted by ACB requesting payment by 31 March 2014, regarding the two missed instalments, together with penalties and interest on the missed instalments, amounting to US\$186,712 in aggregate.

After further negotiations between management and ACB, ACB has advised management that it will trigger default of the ACB Loan and require the repayment of all outstanding monies, should Temir fail to make the payment of \$186,712 by 14 April 2014. The current principal amount outstanding on the ACB Loan is US\$1,935,456.

SAPC financial support

Sun Avenue Partners Corp ("SAPC"), the Company's majority shareholder and its owner, Almas Mynbayev, has provided financial support to the Company historically. In 2012, SAPC provided funding of US\$12.8m by way of convertible loan notes which were subsequently converted in to new shares in the Company in December 2012.

As stated in the Interim Report on 24 September 2013, the Company received a letter of support from JSC “Interfarma-K” confirming that it will, subject to the agreement of mutually acceptable terms, provide financial support to assist the Company and its operating subsidiaries to meet their liabilities as they fall due. The Company is now in negotiations with SAPC with regard to the provision of possible financial support in the form of a convertible shareholder loan. The Company anticipates that these negotiations will be finalised by 13 April 2014.

In the event that the Company is not able to agree acceptable terms with SAPC, it will not be able to make the payment required by ACB, as set out above, ACB may trigger a default under the terms of the ACB Loan. The ACB Loan is secured against earth moving equipment and certain production facilities located at Temir’s milling and loading complex at Chilisai deposit.

Accordingly, as a result of ongoing operating losses and lack of clarity regarding its prospects and access to funding, the Company faces significant financial uncertainty.

Further announcements will be made as and when required.

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Notes to Editors:

Sunkar Resources plc

Sunkar Resources plc, through its wholly owned subsidiary Temir Service LLP, operates a phosphate rock mine in Aktobe Oblast, North West Kazakhstan. Temir Service LLP holds a Subsoil Use Contract to part of the Chilisai Phosphate Rock Deposit. The contract area is estimated to contain 1,128 million tonnes of phosphate ore.

Sunkar's strategy is to build a world class integrated ammoniated phosphate fertilizer plant with low operating costs. Sunkar's low cost base derives from its near surface phosphate rock deposit and access to sulphur from the nearby North Caspian oil and gas fields.