SAMROC

SA MINERAL RESOURCES CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1993/000460/06)
Share code: SAM ISIN: ZAE000012019
("Samroc" or "the company")

REVIEWED PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2008

BALANCE SHEET

	As at 30 June 2008 Reviewed Preliminary R	As at 30 June 2007 Audited R
ASSETS		
NON-CURRENT ASSETS	**33 096 963**	10 539 264
Property, plant and equipment	**5 230 142**	10 539 264
Loans receivable	**27 866 821**	–
CURRENT ASSETS	**18 924 853**	3 370 137
Inventories	**1 454 409**	471 745
Accounts receivable	**3 730 797**	1 790 170
Other receivables	**1 920 392**	943 609
Cash and cash equivalents	**11 819 255**	164 613
TOTAL ASSETS	**52 021 816**	13 909 401
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES	**44 425 514**	1 112 412
Stated capital	**83 725 538**	3 742 749
Share premium	**–**	27 152 471
Accumulated losses	**(39 300 024)**	(29 782 808)
NON-CURRENT LIABILITIES	**3 128 936**	10 304 392
Long-term liabilities	**2 502 964**	9 778 420
Provision for environmental rehabilitation	**625 972**	525 972
CURRENT LIABILITIES	**4 467 366**	2 492 598
Accounts payable	**3 546 156**	2 127 001
Other payables	**921 210**	365 596
TOTAL EQUITY AND LIABILITIES	**52 021 816**	13 909 401
Number of shares in issue	**313 291 612**	37 427 492
Net asset value per share (cents)	**14,18**	2,97

INCOME STATEMENT

	For the year ended 30 June 2008 Preliminary R	For the year ended 30 June 2007 Audited R
Revenue	**18 630 630**	15 390 461
Cost of sales	**(13 131 567)**	(10 923 459)
Gross profit	**5 499 063**	4 467 002
Operating costs	**(10 606 157)**	(4 667 982)
Operating loss	**(5 107 094)**	(200 980)
Impairment loss on revaluation of property, plant and equipment	**(5 159 393)**	–
Realised gain on insurance claim	**501 055**	–

1.4 *Financial assets and liabilities*

Financial assets and liabilities carried on the balance sheet include loans, investments, cash and cash equivalents, accounts receivable and accounts payable. All financial instruments are initially measured at fair value. In the case of financial instruments not classified as at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

Accounts receivable and loans originated by the company are measured at amortised cost using the effective interest rate method less any allowance for impairment.

Accounts payable are stated at gross invoiced value less discounts. Foreign payables are re-valued at year-end spot rates prevailing in the market.

A deferred tax asset and/or liability is recognised through equity on the potential unrealised capital gains and/or losses from available-for-sale financial assets.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has legal right to set off the recognised amounts and intends to either settle on a net basis or to realise the asset and the liability simultaneously.

1.5 *Environmental expenditure*

The group has long-term decommissioning and rehabilitation liabilities in relation to its environmental management plans, in compliance with current environmental and regulatory requirements.

1.5.1 Decommissioning costs

The provision for decommissioning represents the cost that will be incurred to rectify environmental damage. Accordingly an asset is recognised and included in property, plant and equipment. Decommissioning costs are provided at the present value of the costs estimated to settle the obligation. The unwinding of the decommissioning obligation is included in the income statement. Estimated future costs of decommissioning are reviewed regularly and adjusted as appropriate for new evidence or changes in legislation or technology. Changes in estimates are capitalised or reversed against the relevant assets. Gains or losses on the expected disposal of mining assets are not taken into account when estimating the costs.

1.5.2 Rehabilitation costs

The provision for rehabilitation represents the cost of restoring site damage after the commencement of mining activities. Provision for costs is charged to the income statement as a cost of production. Expert evaluation together with management judgment is used to estimate the quantum of such costs.

2. Unqualified review report

Moore Stephens MWM has issued an unqualified review report, which is available for inspection at the company's registered office.

COMMENTARY ON THE RESULTS

A loss of 5,68 (2007: loss of 2,26) cents, a headline loss of 2,90 (2007: loss of 2,26) cents and a net asset value of 14,18 (2007: 2,97) cents per share were reported. Included in the loss for the year are loans written off in an amount of R1,8 million, corporate head office costs in relation to current and future anticipated corporate actions in an amount of R2,2 million and an impairment loss on revaluation of property, plant and equipment in an amount of R5,2 million. The directors felt it prudent to impair the value of the plant after giving consideration to the remaining life of the Greenhills plant, its production capacity as well as the current condition of the tools and equipment.

The increase in the net asset value of the company resulted mainly from a capital restructure. The purpose of the restructure and the recapitalisation was to place the company on a sound financial footing and to set it up as a black controlled diversified mineral resources company that would focus on acquiring mineral prospects, taking them up the value chain, and entering into joint venture agreements with recognised operators to turn such resources into account.

Revenue	**18 630 630**	15 390 461
Cost of sales	**(13 131 567)**	(10 923 459)
Gross profit	**5 499 063**	4 467 002
Operating costs	**(10 606 157)**	(4 667 982)
Operating loss	**(5 107 094)**	(200 980)
Impairment loss on revaluation of property, plant and equipment	**(5 159 393)**	–
Realised gain on insurance claim	**501 055**	–
Interest received	**326 536**	15
Interest paid	**(78 320)**	(644 156)
Net loss before tax	**(9 517 216)**	(845 121)
Taxation	**–**	–
Net loss after tax	**(9 517 216)**	(845 121)
Weighted average number of shares	**167 592 528**	37 427 492
Loss per share (cents)	**(5,68)**	(2,26)
Reconciliation of headline loss:		
Loss attributable to shareholders	**(9 517 216)**	(845 121)
Realised gain on insurance claim	**(501 055)**	–
Impairment loss on revaluation of property, plant and equipment	**5 159 393**	–
Headline loss	**(4 858 878)**	(845 121)
Headline loss per share (cents)	**(2,90)**	(2,26)

CASH FLOW STATEMENT

	For the year ended 30 June 2008 Preliminary R	For the year ended 30 June 2007 Audited R
CASH FLOWS FROM OPERATING ACTIVITIES	**(6 102 030)**	(39 445)
Interest received	**326 536**	15
Interest paid	**(78 320)**	(644 156)
Net cash from operating activities	**(5 853 814)**	(683 586)
CASH FLOWS FROM INVESTING ACTIVITIES	**(179 585)**	51 800
Plant and equipment acquired	**(680 640)**	–
Proceeds from disposal of plant and equipment	**–**	51 800
Proceeds from insurance claim	**501 055**	–
CASH FLOWS FROM FINANCING ACTIVITIES	**17 688 041**	630 743
Decrease in long-term liabilities	**(7 275 456)**	630 743
Increase in loans receivable	**(27 866 821)**	(8 025)
Shares issued for cash net of expenses	**52 830 318**	–
Net increase/(decrease) in cash and cash equivalents	**11 654 642**	(1 043)
Cash and cash equivalents at beginning of year	**164 613**	165 656
Cash and cash equivalents at end of year	**11 819 255**	164 613

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2008

	Stated capital	Share premium	Accumulated loss	Total
Balance at 30 June 2006	3 742 749	27 152 471	(28 937 687)	1 957 533
Net loss for the year			(845 121)	(845 121)
Balance at 30 June 2007	3 742 749	27 152 471	(29 782 808)	1 112 412
Shares issued for cash	54 148 090			54 148 090
Transfer to stated capital	27 152 471	(27 152 471)		–
Expenses written off against stated capital	(1 317 772)			(1 317 772)
Net loss for the year			(9 517 216)	(9 517 216)
Balance at 30 June 2008	**83 725 538**	**–**	**(39 300 024)**	**44 425 514**

NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies

1.1 Basis of preparation

The annual financial statements of the group for the twelve months ended 30 June 2008 have been prepared in accordance with the group's accounting policies, which comply with International Financial Reporting Standards and the presentation and dislosure requirements of International Accounting Standards Statement IAS 34 and the requirements of the South African Companies Act of 1973 and are consistent with those of the previous year. They have been prepared on a going concern basis.

remaining life of the Greenhills plant, its production capacity as well as the current condition of the tools and equipment.

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On 26 March 2008, Samroc announced that agreement was reached on 17 March 2008 ("the Agreement") in terms of which Samroc will, subject to specified conditions in the Agreement, invest in South Africa Congo Oil Company (Proprietary) Limited ("SacOil"). SacOil will reverse its assets and liabilities into Samroc. Samroc will then be the South African registered holding company of interests in the oil concessions located in the Albertine Graben area of the Democratic Republic of the Congo ("DRC"). The objective of the transaction is to reverse SacOil into a listed vehicle, so as to enable SacOil and its partners to effectively fund an exploration and development programme in the Albertine Graben area.

It is proposed that the name of Samroc will change to SacOil Holdings Limited. SacOil has been established by a consortium of companies, led by Divine Inspiration Group (Proprietary) Limited ("DIG") and Encha Group Limited ("Encha") to pursue investment opportunities in the oil and gas sector in DRC and the wider African region. The consortium has committed to the DRC Government that it will develop the oil and gas sector in DRC and that it will promote community development and local participation.

In terms of further agreements concluded separately with DIG and SacOil dated 17 March 2008, Samroc advanced a total amount of USD3,449 million (with a Rand value of R27,867 million assuming an exchange rate of R8,08 to the dollar) paid directly (on behalf of DIG and SacOil) to the DRC Government in respect of signature bonus for the oil concessions. The loans advanced to DIG and SacOil are secured by pledges and sureties normal for transactions of this nature.

Upon conclusion of the SacOil transaction the indebtedness of DIG to Samroc under the relevant loan agreement will be set-off against the indebtedness of Samroc to DIG under the SacOil agreement. The indebtedness of SacOil to Samroc under the relevant loan agreement will be left outstanding on shareholder loan account.

As previously reported, unauthorised loans in an amount of R1,8 million were made by management at the Greenhills plant. The total value of the loans has been written off in the income statement. The company has since instituted legal action against the parties involved and the necessary disciplinary actions have been undertaken and completed. The matter is also in the process of being handed over to the Commercial Crimes Unit.

Capital restructure and change of control

On 8 November 2007 the company consolidated and converted its issued share capital of 374 274 923 ordinary shares of 1 cent each on a 1-for-10 basis into 37 427 492 ordinary shares of no par value. The comparative figures have been restated accordingly.

During the period under review, the company had two specific issues of shares for cash. During December 2007, 235 million shares were issued at a price of 10 cents per share raising R23,5 million before expenses. The purpose of the specific issue was to repay the GVM loan account and to raise capital for the evaluation of new acquisitions by the company and to facilitate the recruitment of a new management team.

Following a change of control whereby Encha became the controlling shareholder of the company, an offer was made to minority shareholders. Results of the offer can be found in an announcement made to shareholders on 12 December 2007.

During March 2008, another 40,86 million shares were issued at a price of 75 cents per share raising R30,65 million before expenses. The funds so raised have been and will continue to be deployed in completing the envisaged SacOil and Pioneer Coal transactions as previously announced and described below.

Dividend

The board has resolved not to declare any dividend to shareholders for the period under review.

Future direction

Following the Agreement, the directors of Samroc have decided to focus the business of Samroc on that of the exploration and development of oil and gas resources.

During the months following the announcement of the Agreement, Samroc has received numerous proposals to invest in other minerals-related ventures, *inter alia,* the abovementioned coal exploration companies. The directors of Samroc decided that the coal exploration companies held strong value creating potential for the shareholders of Samroc and accordingly decided to acquire the coal exploration assets for the benefit of Samroc shareholders via Pioneer Coal, and at the same time, to dispose of the Greenhills plant and Bushveld Pioneer, a wholly owned subsidiary of Samroc, to Pioneer Coal.

The unbundling will allow shareholders to attribute appropriate separate ratings to their holdings in Samroc and Pioneer Coal. It is expected that this will unlock any potential discount that may eventuate by retaining both companies under a single share structure. It will also enable the companies to develop separate management and funding structures that will be appropriate for the businesses they operate.

Further cautionary

In the light of the above and further to previous cautionary announcements, the last of which was dated 2 September 2008, Samroc shareholders are advised to continue to exercise caution when dealing in their Samroc shares until a further announcement is made.

By order of the board

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1.2 Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the group and it can be reliably measured. The sale of mining products is recognised when the significant risks and rewards of ownership of the products are transferred to the buyer.

1.3 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Assets forming part of the long-term infrastructure of mining operations including buildings, plant and equipment, roads and dams are depreciated evenly over the remaining useful life of the mining operation or a maximum period of 20 years whichever is the shorter. Depreciation on mining assets is deferred until the relevant asset is brought into economic use.

Mineral rights and mining claims which are exploited are valued at historical cost and are amortised over their estimated useful lives using the unit-of-production method. Mineral rights and mining claims which are not being exploited are not amortised.

Depreciation is calculated on the straight line method to write off the cost of each asset, or the re-valued amounts, to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

Motor vehicles	4 years
Office equipment	3 years
Plant and equipment	20 years

Further cautionary

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By order of the board

Melinda van den Berg
Fusion Corporate Secretarial Services (Proprietary) Limited
Company secretary

Directors:
RJ Linnell (Chairman), C Bird*, BH Christie*, RT Vela* (*British)

Registered office:
119 Rosen Office Park, 37 Invicta Road, Midrand, 1685

Registered postal address:
PO Box 8439, Halfway House, 1685

Transfer secretaries:
Link Market Services SA (Proprietary) Limited

Company Secretary:
Melinda van den Berg
Fusion Corporate Secretarial Services (Proprietary) Limited