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31 AUGUST 2011

**CITY NATURAL RESOURCES HIGH YIELD TRUST PLC
(THE "COMPANY")**

**PLACING AND OPEN OFFER OF UP TO £40 MILLION NOMINAL OF
3.5 PER CENT. CONVERTIBLE UNSECURED LOAN STOCK 2018 ("CULS")
AT 100P PER £1 NOMINAL UNIT**

The Board announced on 3 August 2011 that the Company and its advisers were exploring the possibility of an issue of convertible unsecured loan stock to replace the Company's existing borrowing facilities and potentially to extend the permanent capital of the Company.

The Board is pleased to announce that, following consultation with investors representing the majority of the Company's issued share capital and a range of potential new investors in the Company, the Company is proposing to raise up to £40 million through a placing and open offer of 3.5 per cent. convertible unsecured loan stock 2018 (the "**Issue**").

The Board believes that introducing structural gearing should enable the Company to generate increased total returns over the longer term. The Directors intend to apply the net proceeds of the Issue, which will be approximately £39.2 million (on the assumption that the Issue is fully subscribed and £40 million nominal of CULS is issued), to repay borrowings drawn down under the Company's bank facility, of which £22.4 million (of a maximum of £30 million) was drawn down as at 26 August 2011. The balance of the net proceeds of the Issue will be available for investment by the Company's investment manager in accordance with the Company's investment policy.

The CULS is available under the Issue at an issue price of 100p per £1 nominal. The interest rate on the CULS will be 3.5 per cent. per annum, payable semi-annually on 31 March and 30 September each year, with the first interest payment payable on 31 March 2012 in respect of the period from (and including) the date of Admission to (and excluding) 31 March 2012. CULS Holders will be able to convert their CULS into Ordinary Shares twice annually throughout the life of the CULS, commencing on 31 March 2012 and ending on 30 September 2018. The Conversion Price will be set at a premium of 10 per cent. to the unaudited NAV (including income) per Ordinary Share at the time the CULS is issued (expressed in pence to four decimal places). Any outstanding CULS will be repayable at par on 30 September 2018.

Qualifying Shareholders will have the opportunity to subscribe for up to £15.0 million nominal of CULS under the Open Offer on a pre-emptive basis. Qualifying Shareholders will also be able to apply for up to a maximum amount equal to 100 per cent. of their Open Offer Entitlement under the Excess Application Facility. The Excess Application Facility will apply to the extent that other Qualifying Shareholders do not take up their Open Offer Entitlements in full.

Canaccord Genuity has conditionally placed £40 million nominal of CULS currently available under the Issue with institutional investors and private client stockbrokers (including certain existing Shareholders) at the Issue Price, subject to claw back of up to £15.0 million nominal of CULS to satisfy valid applications made by Qualifying Shareholders under the Open Offer (including the Excess Application Facility).

The Company utilises gearing to maximise long-term returns for Shareholders and the CULS will be taken into account in calculating the maximum level of borrowings that is permitted by the Company's investment policy, being an amount equal to 25 per cent. of Shareholders' funds (measured at the time of draw down). If £40 million nominal of CULS would exceed that amount at the Calculation Date, the size of the Issue will be scaled back so that the nominal amount of CULS issued pursuant to the Issue does not exceed 25 per cent. (or, at the Board's discretion, 20 per cent.) of Shareholders' funds at the Calculation Date, with the Placing (after taking into account any claw back under the Open Offer) and the Open Offer being scaled back pro rata. **For illustrative purposes only**, had the Calculation Date been 26 August 2011, £40 million nominal of CULS would have been equal to 18.0 per cent. of Shareholders' funds at that date.

Notwithstanding the current uncertain economic environment and recent stockmarket volatility, the Board and the Company's investment manager have confidence in the long-term prospects for investing in the natural resources sector and believe that gearing should enable the Company to generate increased total returns over the longer term. The Directors believe that an issue of CULS will have a number of advantages, in particular:

- it will provide the Company with long-term structural gearing at a fixed cost that is competitive with the cost of other forms of gearing that the Company might have employed and which has the potential to be converted into the permanent capital base of the Company;
- it will provide the Company with additional investable funds, thereby increasing the Company's ability to make new investments of the kind that have contributed significantly to its performance in the past;
- following any conversion of CULS, the Company would have an increased number of Ordinary Shares in issue, which should, in due course, enhance the liquidity in the market for the Ordinary Shares; and
- the capital base of the Company would increase following any conversion of CULS, allowing the Company's fixed operating costs to be spread across a larger number of Ordinary Shares, which should cause the Company's total expense ratio to fall.

The CULS will provide CULS Holders with:

- an attractive yield of 3.5 per cent. per annum, which is significantly above the dividend yield on the Ordinary Shares (1.5 per cent. based on the most recent annual dividend of 4.22p per Ordinary Share and an Ordinary Share price of 285.3p at the close of business on 26 August 2011);
- capital protection through repayment at par, with the repayment being well covered by the assets of the Company (more than six times covered based on an Issue of £40 million nominal of CULS, repayment of the borrowings drawn down under the existing Bank Facility and the Company's unaudited net assets of £221.6 million as at 26 August 2011); and
- the potential to participate in further growth in the NAV per Ordinary Share through the ability, semi-annually, to convert the CULS into new Ordinary Shares over the next seven years.

The Issue is conditional, *inter alia*, upon:

- Shareholders approving the Issue at a general meeting of the Company which is being convened for 11.00 a.m. on Friday, 23 September 2011; and
- Admission taking place no later than 8.00 a.m. on Monday, 26 September 2011 (or such later date as the Company and Canaccord Genuity agree, not being later than Friday, 7 October 2011).

Expected Timetable of Principal Events

	2011
Record date for entitlements under the Open Offer	6.00 p.m. on Friday, 26 August
Open Offer opens and this Prospectus, Application Forms and Forms of Proxy despatched	Wednesday, 31 August
Ex-entitlement Date	8.00 a.m. on Thursday, 1 September
Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to stock accounts in CREST of Qualifying CREST Shareholders	Thursday, 1 September
Latest recommended time and date for requested withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST	4.30 p.m. on Wednesday, 14 September
Latest time and date for depositing Open Offer Entitlements and Excess CREST Open Offer Entitlements into CREST	3.00 p.m. on Thursday, 15 September
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims)	3.00 p.m. on Friday, 16 September
Placing closed	5.00 p.m. on Monday, 19 September
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and	11.00 a.m. on Tuesday, 20 September

settlement of relevant CREST instructions (as appropriate) and Open Offer closed

Commitments undertaken by investors pursuant to Placing on a T + 3 basis

Wednesday, 21 September

Conversion Price calculated

As at Tuesday, 20 September

Latest time and date for receipt of Forms of Proxy and electronic proxy appointments via CREST system for use at General Meeting

11.00 a.m. on Wednesday, 21 September

General Meeting to approve matters in connection with the Issue

11.00 a.m. on Friday, 23 September

Result of the Placing and Open Offer and conversion premium announced through an RIS

Wednesday, 21 September

Admission and commencement of dealings in CULS on London Stock Exchange's Main Market

8.00 a.m. on Monday, 26 September

CREST stock accounts credited with CULS issued in uncertificated form

Monday, 26 September

Definitive certificate for CULS issued in certificated form despatched

By Monday, 3 October

Further Information

A document which comprises (i) a prospectus prepared in accordance with the Prospectus Rules in connection with the Issue and the applications for Admission and (ii) a circular prepared in accordance with the Listing Rules in connection with the General Meeting (the "**Prospectus**") is being published today and will be submitted to the National Storage Mechanism and will shortly be available for inspection at www.hemscott.com/nsm.do.

Copies of the Prospectus are also available from the Company at its registered office at c/o F&C Asset Management plc, Exchange House, Primrose Street, London EC2A 2NY.

Enquiries

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Notes

Canaccord Genuity, which is authorised and regulated in the United Kingdom by the FSA, is acting solely for the Company and for no one else in connection with the Issue and Admission and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Canaccord Genuity or for affording advice in relation to the Issue, Admission or any other matter referred to in this announcement or the Prospectus.

Words and expressions defined in the Prospectus have the same meanings when used in this announcement.

Neither the National Storage Mechanism website nor the Company's website nor the content of any website accessible from hyperlinks on those websites (or any other website) is (or is deemed to be) incorporated into, or forms (or is deemed to form) part of, this announcement.

This announcement is an advertisement and not a prospectus. This announcement does not constitute or form part of, and should not be construed as, any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, CULS or any other security in City Natural Resources High Yield Trust plc or securities in any other entity, in any jurisdiction, including the United States, 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 or investment decision whatsoever, in any jurisdiction. This announcement does not constitute a recommendation regarding any securities. Any investment decision must be made exclusively on the basis of the Prospectus and any supplement thereto.