Interim Management Statement

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The crop of oil palm fresh fruit bunches ("FFB") harvested during the four month period to end April 2011 amounted to 191,530 tonnes. This was in line with the budgeted crop of 191,579 tonnes and comfortably ahead of the crop for the corresponding period in 2010 of 167,607 tonnes. External purchases of FFB totalled 9,160 tonnes, slightly ahead of the budgeted 8,315 tonnes and well up on the corresponding figure for 2010 of 5,781 tonnes. Rainfall to end April averaged 1,584 mm across the group's operations.

The crude palm oil ("CPO") extraction rate for the four month period to end April 2011 was a little disappointing at 22.5 per cent against a rate of 24.3 per cent for the corresponding period in 2010. The palm kernel extraction rate for the period was 4.5 per cent against 4.6 per cent for the same period in 2010. The target extraction rates for 2011 are 24.0 per cent for CPO and 4.75 per cent for palm kernels. The target rate for CPO now looks a little optimistic for the year as a whole but it is hoped that the extraction rate achieved over the remaining months of 2011 will be closer to target than has been the case during the year to-date.

Since 31 December 2010, 7,321 hectares from one land allocation of 7,445 hectares has been granted full HGU title thereby increasing the group's fully titled land areas to 70,584 hectares. Following receipt of a necessary licence, extension development resumed in January 2011 and is continuing.

The CPO price has remained at good levels during the early months of 2011 at a level comfortably in excess of $1,000 per tonne, CIF Rotterdam, at times trading above $1,300 per tonne and currently standing at $1,142 per tonne. The average price for the period 1 January to 30 April 2011 was $1,220 as compared with an average for the corresponding period in 2010 of $809. At these higher prices, the progressive nature of Indonesian duty levied on exports of CPO does however mean that the major proportion of any price in excess of $900 per tonne accrues to the Indonesian state rather than to CPO producers.

The current historically high prices of CPO and other vegetable oils (which have appreciated commensurately) are attributable to a number of factors: the demand drivers of population growth and developing world economic growth; increasing petroleum oil prices that are improving the economics of converting vegetable oils to bio-fuels; and the combined impact of the El Niño and La Niña weather phenomena that have held back production. For 2011, consumption may outstrip production and with stocks low and the annual oilseed crops competing for land with wheat and corn, which are also at high prices and in strong demand, CPO prices could reasonably be expected to remain at good levels throughout 2011 unless geo-political factors, such as the current unrest in the Middle East, materially disrupt the world economy.

In the coal operations, the first coal seams at the Kota Bangun concession were exposed in January 2011 and production levels are being expanded towards the intended level of 16,000 tonnes per month. A first shipment of Kota Bangun coal had been planned for April 2011 but should now be made in May. Discussions with possible purchasers of the higher sulphur coal from the Liburdinding concession have commenced and production plans for Liburdinding will be finalised once these have been concluded.

Sales of traded coal to-date in 2011 have amounted to 105,500 tonnes. The group remains on target to reach an average monthly level of traded coal sales of 100,000 tonnes during 2011. Coal for traded sales is currently being sourced by outright purchase from third party suppliers but the group is in talks that may result in long term arrangements for the procurement of a proportion of traded coal by mining of third party owned concessions against payment of a royalties.

The group has recently agreed an additional $3 million revolving working capital line for the group's coal operations and has extended the existing $3m revolving working capital facility for a further 12 months.

Group indebtedness currently stands at $132 million, substantially unchanged from the 31 December 2010 position as disclosed in the company's recently published 2010 annual report. Cash and cash equivalents available to the group currently amount to $35.3 million, also substantially unchanged from the 31 December 2010 position and are in line with expectations for this point in the financial year.

As indicated in the 2010 annual report, the directors remain cautious as to the extent to and speed at which the planned continued expansion of the group's oil palm hectarage can be delivered and are reluctant to assume the success of the group's new venture in coal before this has been proved by bankable results. That said, they are encouraged that, in recent months, the group has made progress in resolving outstanding land issues and can see that, if successful, the new coal operations could be further expanded into a material activity for the group. With CPO and crude palm kernel oil prices looking set to remain at or near current levels for a while longer, the directors believe that 2011 should be another good year for the group.

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