

Interim Management Statement

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The crop of oil palm fresh fruit bunches ("FFB") harvested to end October 2009 amounted to 395,000 tonnes, against the budgeted crop of 397,000 tonnes and comfortably ahead of the crop for the corresponding period in 2008 of 368,000 tonnes. The directors continue to expect that the budgeted FFB crop for 2009 of 486,000 tonnes will be achieved.

The crude palm oil ("CPO") extraction rate for the period from 1 January to 31 October 2009 was 23.5 per cent against a budget of 23.7 per cent. The rate for the corresponding period in 2008 was 23.1 per cent. The improvement on the prior period reflects the measures taken over the past eighteen months to improve harvesting standards. These require constant management attention but it is hoped that, going forward, the better extraction rates now being achieved can be maintained. Palm kernel extraction rates for the period were 4.7 per cent against a budget of 5.0 per cent and 4.5 per cent for the same period in 2008.

Rainfall for 2009 to end October averaged 2,467 mm across the group's operations, compared with 2,509 mm for the same period of the previous year. August and September 2009 were very dry, probably reflecting the reported El Nino effect. A detailed analysis of the rainfall received during these two dry months suggests that rainfall was just sufficient to avoid deficits in the moisture required by the group's palms for optimal development. If correct, and provided that there are no further extended dry periods in 2009, this would mean that the reduced levels of rainfall in August and September should not have a negative impact on cropping in 2010.

After the recovery in CPO prices seen in the early months of 2009 and the subsequent slight fall back from the high of \$830 per tonne, CIF Rotterdam, reached in May 2009, prices in recent months have been relatively steady, trading for the most part in the range \$650 to \$750 per tonne. Recent increases in CPO stocks in Malaysia and a good soyabean crop in the US might result in some price weakness in the final months of the year but the directors consider that the medium term outlook remains encouraging.

The group continues to make progress with land titling and has recently increased its full titled land area by 5,211 hectares to a total of 52,025 hectares. Settlement of land compensation issues is also proceeding satisfactorily. As a result, the group hopes to complete its planned further development of 2,000 hectares of oil palm in 2009 and retains its previously announced plans to develop a further 8,000 hectares during 2010 and 2011. Planting up of the first larger scale village cooperative scheme supported by the group within a gross area of 1,500 hectares is on schedule and should be completed during 2009.

Following the ISO 14001 certification of the group's mills in 2008, several of the group's estates have now also been certified under the same standard with the balance of the estates expected to obtain certification in 2010. The group also remains on track to seek accreditation during 2010 from the Roundtable on Sustainable Palm Oil ("RSPO") as a sustainable producer of CPO. The group's conservation department is beginning to obtain academic recognition and a current project aimed at maintaining orang-utan populations in the group's conservation areas has generated particular interest. The Ironwood Foundation, a charitable foundation supported by the conservation department, has been successful in obtaining some funding for a project to conserve rare and endangered crocodile species in a wetland area in East Kutai.

Recent months have seen significant activity in relation to the group's coal initiative. The first sales of coal from the Liburdinding concession in East Kalimantan are currently under negotiation at margins that are in line with expectations. In view of the high sulphur content of the Liburdinding coal deposits, the group has decided that the coal is best marketed within Indonesia. A coal depot has been established at Semarang in Central Java to facilitate deliveries to industrial users of coal in that area (a large coal consuming district) and to permit blending with other bought in coal to meet specific buyer requirements.

The group plans that Liburdinding production should progressively be increased from a present level of 5,000

tonnes per month to an eventual 30,000 tonnes per month. To provide reassurance of a ready market for the higher levels of output, the group applied to become, and has recently been accepted as, one of a limited number of approved suppliers to the Indonesian state electricity company ("PLN"). Over the next 18 months, PLN is planning to commission additional coal fired power stations having a generating capacity of some 10,000 megawatts and requiring an estimated 70 million tonnes of steaming coal per annum.

Since the group let it be known that it was interested in developing coal operations, it has been offered a considerable number of mining prospects but the directors have been hesitant to commit further funds to coal until the concessions initially acquired had been brought into commercial operation. With that now the case, the group is currently evaluating an opportunity to purchase, at a cost of some \$4.5 million, one further coal concession (also in East Kalimantan) having deposits of higher calorific coking coal. This would provide a firmer base for the coal operations by taking the group into the production of high grade coking coal suitable for export to steel producers.

On 6 November 2009, the group completed the placing of 1,490,000 9 per cent cumulative preference shares for cash at a price of 103.18p per share, thus increasing the number of preference shares in the company in issue to 16,392,954. There has been no material change in the group's borrowings since 30 June 2009 but cash resources have reduced from \$21.7 million to \$19.9 million. This reduction is in line with budgets and reflects expenditure on the group's continuing development programme. The group is currently in discussions with a small number of financial institutions as to the possibility of securing limited further debt facilities to provide additional working capital for the new coal activities and to increase the cash cushion available to the group against possible additional cash requirements for the planned expansion of the oil palm operations.

The directors retain the view that with margins remaining at good levels, encouraging progress in resolving outstanding land issues, the prospect of significant additions to the group's planted hectareage and the possibilities of the new coal initiative, growth prospects for the group remain encouraging.

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