

Quarterly Business Updates

4Q 2012



鴻寶資源有限公司
AGRITRADE RESOURCES LIMITED

(Stock Code: 1131.HK)

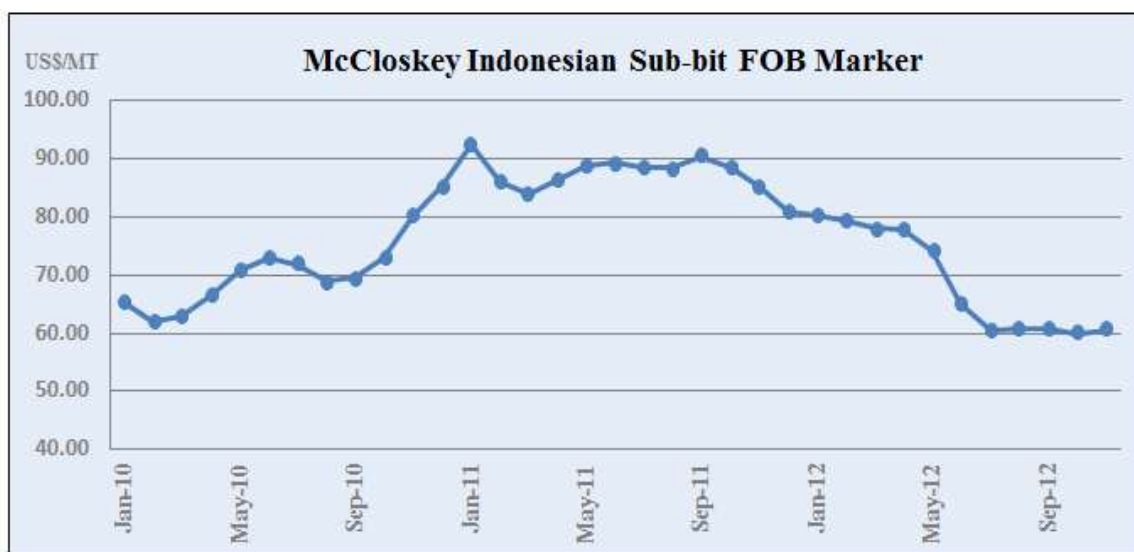
Interim Result HY2013

Agritrade Resources Limited (the “**Company**”) announced the unaudited condensed consolidated interim result of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2012 (“**HY 2013**”). The financial highlight and mining segment analysis which extracted from figures of the interim result announcement are shown below:

Financial Highlight			
	Half Year 2013 <i>HK\$'000</i>	Half Year 2012 <i>HK\$'000</i>	Variance
Revenue	364,555	237,402	53.6%
Gross Profit	106,565	76,907	38.6%
Gross Profit Margin	29.2%	32.4%	(3.2pts)
Profit for the period	37,915	3,153	1,102.5%
Profit Margin	10.4%	1.3%	9.1%
Mining Segment Analysis			
Revenue	282,156	167,665	68.3%
Segment Profit	83,843	55,321	51.6%
Segment Profit Margin	29.7%	33.0%	(3.3pts)

Indonesian Coal Price

Based on the Indonesian Coal Reference Price Index and McCloskey, the Indonesian coal price increased significantly in 2010. Although the international coal prices also declined significantly in 2012, it is projected to increase steadily in the foreseeable future. Line charts below show the historical Indonesian coal FOB (free-on-board) price from January 2010 to December 2012:



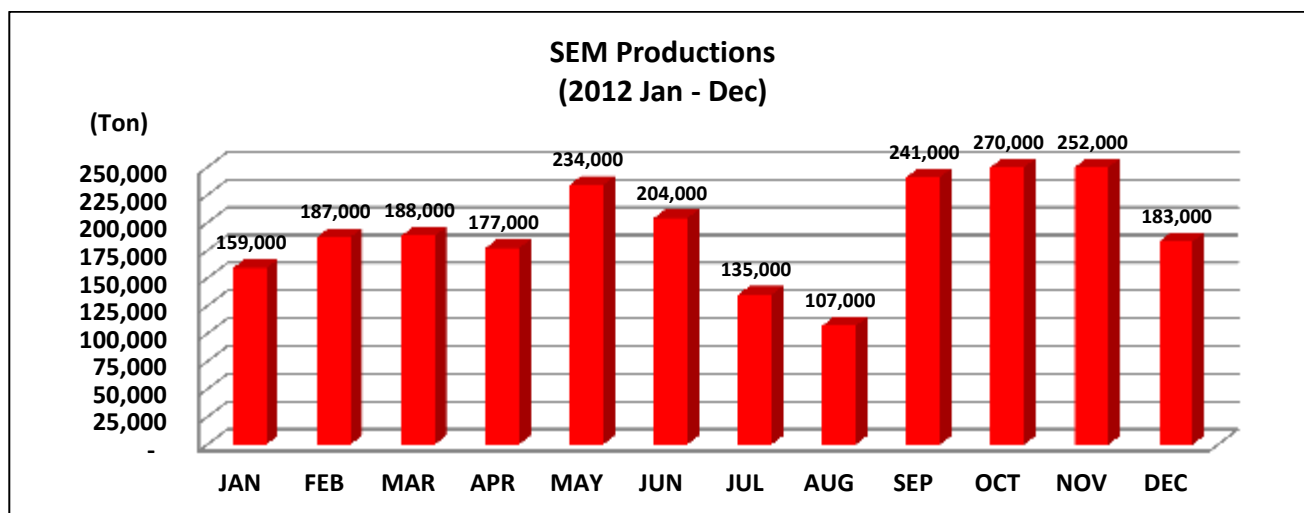
Source: coalspot.com, mccloskeycoal.com

*Note: Indonesian Coal Reference Price Index and McCloskey are assessment of the FOB (Mother Vessel) price of coal with calorific value of 6,322 kcal/kg (gar) and 4,800 –5,100kcal/kg (nar) respectively. The Company is producing coal with calorific value of 3,700-3,900kcal/kg (gar) approximately, so the selling price needs to be adjusted based on the level of calorific value and market acceptance. Information above is for reference only.



Current Production

PT SEM is mining coal at a rate of approximately 2.5 million tons per annum. As we are now focusing our mining activities at Pit 3, monthly production capacity has exceeded 240,000 tons. Due to rainy season in Indonesia, coal production in December 2012 has been declined slightly to 180,000 tons approximately. Our Management is confident that monthly production will be backed on track soon and also continues to increase steadily in the future. Our monthly production figures are shown below.



Monthly Production Figures

Mining Operation

After the commencement of Pit 3 mining during Q3 2013, coal mining process is getting more efficient due to its relatively thin overburden and thick coal seams. While our production activities mainly focus on Pit3, Pit 2 is back-filling in progress. During the rainy season in Indonesia, monthly coal production still remained at high level of over 230,000 tons on average for Q4 2013. Photos below show the latest condition of the SEM coal mine.



SEM Coal Mine: Pit 3
Mining activities



SEM Coal Mine: Pit 2
(Back fill in progress)



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Heavy mining equipment

Logistics Infrastructure – Jetty Operations

Currently PT SEM is employing 3 jetties for its operations. Each jetty has different features including loading capabilities via automated conveyor belts, manual and automated ramp loading by dump truck, varied barge type suitability and stockpile capacities. Jetty facilities are constantly being reviewed and upgraded to meet increasing operational demands.



Bigger size crusher at jetty



Conveyor belt at jetty



Logistics Infrastructure – Stockpiles

The stockpiles that we employ are located within close proximity to the jetties with on-site facilities such as mobile crushers and weigh bridges. The total coal stockpiling facilities is capable of handling up to 500,000 tonnes of coal for storage. Ever since it has been equipped with monitoring devices the management team in Jakarta has effectively prevented pilferages, monitor stockpile conditions to ensure smooth operations.



SEM coal at stockpile



Coal stockpiling

Logistics Infrastructure – Hauling Road

As usual, road maintenance will be carried out consistently to make sure the logistic efficiency. Hauling trucks are all linked up with radio system so that can report road condition in every single trip. This would ensure damaged road can be repaired swiftly.



Regular road maintenance and widening



Hauling road condition

New Operation Office

In order to improve the operational management, we are building a new operational office which locates at the start of hauling road. We believe it would help in centralizing and also monitoring the work of the mining and hauling operation as a whole.



New operation office

Major Events

Increase in Coal Reserves and Resources

On 13 November 2012, the Company reported the updated Statement of Open Cut Coal Resources and Reserves as at 31 July 2012. Details are shown at the summarized table as below:

		Coal Resources and Reserves Report		Change in %	Reason of change
		As at 31 October 2010	As at 31 July 2012		
Coal Resources (in million tonnes)	Measured	26.70	86.61	Increased 224.38%	Additional exploration and new geological model
	Indicated	35.60	51.26	Increased 43.99%	
	Inferred	16.00	14.83	Decreased 7.31%	
	Total	78.30	152.70	Increased 95.02%	
Total Open Cut Coal Reserves (in million tonnes)	Proved	0.00	83.38	Increased	Additional exploration and new geological model
	Probable	41.00	34.47	Decreased 15.93%	
	Total	41.00	117.85	Increased 187.44%	



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Goals

Even the global coal market is not yet recovered with relatively low international coal price, it is becoming more stable in the past few months. We are still confidence that the Company is capable to get through such tough environment due to our strong fundamentals and cost efficient operations. We believe the global coal market will remain strong in the future. The announcement of increased coal resources and reserves proved greater potential and profitability of the Company. Also, the financial result of the past six month ended gave the Company huge encouragement to realise our long term aspiration to be an international coal producer and supplier.

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