

Quarterly Business Updates

1Q 2012

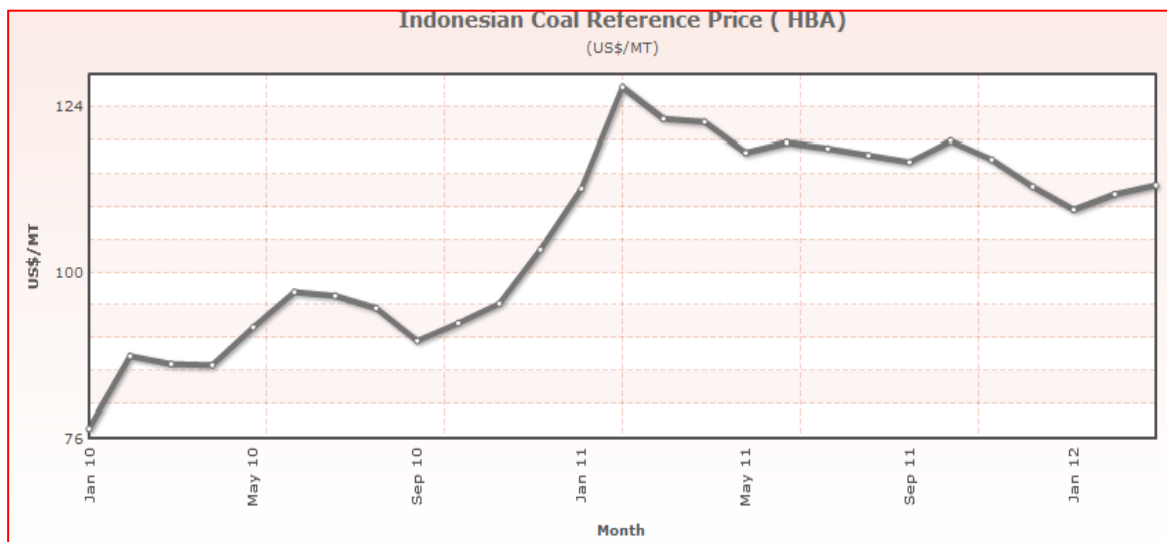
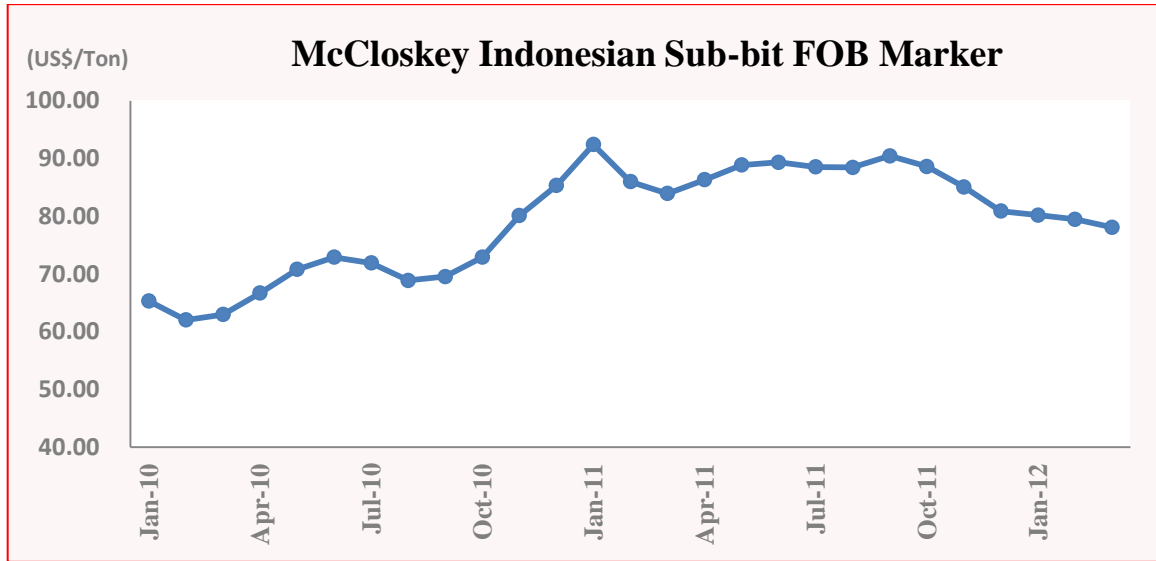


鴻寶資源有限公司
AGRITRADE RESOURCES LIMITED
(Stock Code: 1131.HK)



Indonesian Coal Price

Based on the Indonesian Coal Reference Price Index and McCloskey, Indonesian coal price increased significantly in 2010. Although Indonesian coal price dropped slightly at the beginning of 2011, it is projected to remain strong in the foreseeable future. Line charts below show the historical Indonesian coal FOB (free-on-board) price from 2010 to March of 2012:



Source: coalspot.com, mccloskeycoal.com

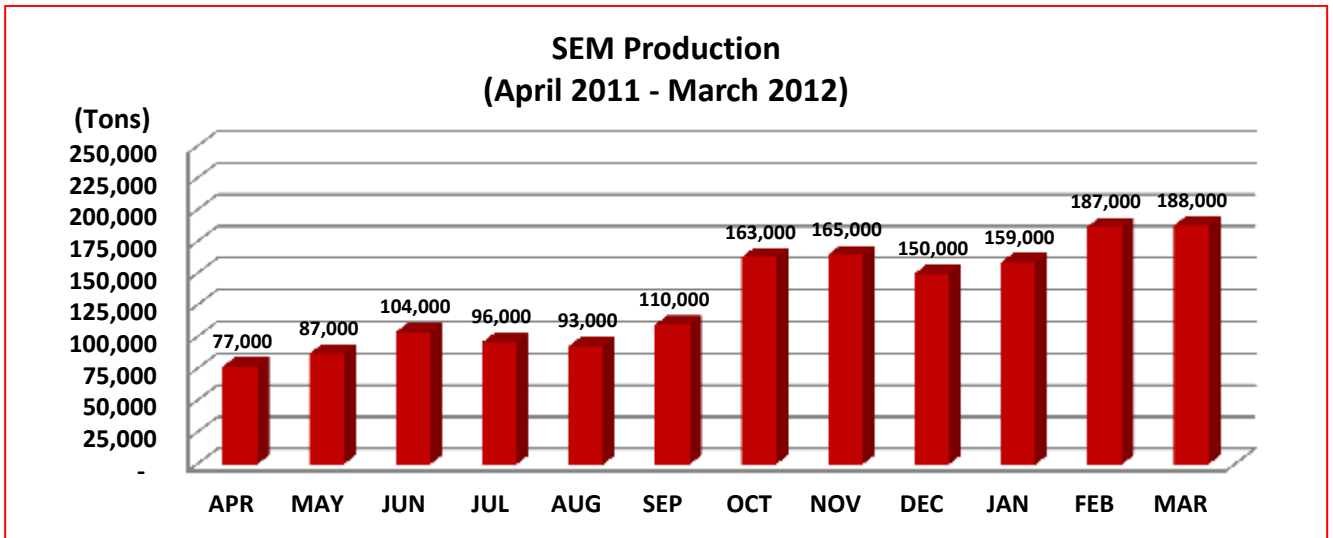
*Note: Indonesian Coal Reference Price Index and McCloskey are assessment of the FOB (Mother Vessel) price of coal with calorific value of 6,322 kcal/kg (gar) and 5,100 – 4,800kcal/kg (nar) respectively. The Company is producing coal with calorific value of 3,700-3,900kcal/kg (gar) approximately, so 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 2.0 – 2.5 million tons per annum. With the commencement of mining at Pit 2 in 4Q 2011, monthly production has reached 180,000 tons since February 2012. Our Management is confident that monthly production will continue to increase steadily. Our monthly production figures are shown below.



Monthly Production Figures

Mining Operations

Current coal extraction stands at an average rate of 6,000 – 6,500 tons/day reaching 180,000 tons/month through 2 pits.



SEM Coal Mine: Pit 1
Coal Getting





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*SEM Coal Mine: Pit 1
coal getting*



*SEM Coal Mine: Pit 2
coal getting*





Logistics Infrastructure – Jetty Operations

PT SEM has access to 4 jetties for its operations. Each jetty has different features including number of loading and discharging berths, loading capabilities via conveyor belts and dump trucks, varied barge type suitability and stockpile capacities in excess of 200,000 tons. Jetty facilities are constantly reviewed and upgraded to meet increasing operational demands.



Construction of new loading port



Piling works at new jetty





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*Existing stockpile and jetty
(Panorama view)*

A new coal terminal spanning 15 Ha is under construction. This new port will consist of 3 loading berths and 1 discharging berth, with the loading rate of 1,000 tons/hour and 2,000 tons/hour for 2 conveyors respectively.

Logistics Infrastructure – Stockpiles

There are 3 existing stockpiles located within close proximity from the jetties with on-site facilities such as mobile crushers and weigh bridges. Similarly, these facilities are evaluated and maintained regularly to ensure a high level of operational efficiency.



Mobile crusher unit





New weigh bridge

Logistics Infrastructure – Hauling Road

Condition of the 41km hauling road has improved considerably compared to a year ago. Besides widening the road to 15 meters, gravelling and improvements have also been done to the road surface using lime stone, laterite and base course using materials are shipped in from Sumatra.



Improved road surface



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The road is regularly maintained using bulldozers, compactors and motor graders. Plans to develop a new 35km hauling road, adjacent to the existing Pertamina Road are currently underway.



Regular road maintenance and widening



Major Events

1. Indonesian Mining Law Update

On 27 March 2012, Agritrade Resources Limited (the “**Company**”) has issued a voluntary announcement in relation to the new regulation for foreign ownership of Indonesian mining companies. Based on new Indonesia mining law GR 24 of 2012, the holder of Izin Usaha Pertambangan (“**IUP**”) for the purpose of foreign investment, after 5 years as of its production is obliged to divest its shares gradually so that on the tenth year its shares will be held at least 51% by an Indonesian citizen.

The ownership of the Indonesian citizen in each year after the end of the fifth year as of production shall not be less than the percentages below:

- a. Sixth Year (20%)
- b. Seventh Year (30%)
- c. Eighth Year (37%)
- d. Ninth Year (44%)
- e. Tenth Year (51%)

The Company remains confident in the potential of Indonesia as a thermal coal production market and will closely monitor the latest development of the Indonesian mining regulations.

2. Fund Raising Activities

On 24 February 2012, the Company has entered into a secured term loan facility term sheet and an off-take term sheet with an international financial institution (the “**FI**”). The FI making available a term loan facility up to US\$50 million to Agritrade Resources Asia Pte Ltd (the “**ARAL**”), a wholly-owned subsidiary of the Company for mining infrastructure development and ARAL committing to supply up to 3 million tons SEM coal in total to FI in the next 3 years.

3. Clear and Clean Status

PT SEM has obtained the Clear and Clean mining permit status, awarded by the Directorate General of Minerals and Coal of the Energy and Mineral Resources Ministry. Mine permits are given the Clear and Clean status if the mine areas they cover have complete documents and do not overlap with other mining sites. It has been reported by the Directorate General of Minerals and Coal that out of the 9,662 mining permits (IUPs) issued by local governments up till mid-2011, only 3,778 permits have the Clear and Clean status.





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Goals

In the short run, PT SEM aims to acquire more heavy mining equipment to support its production target. PT SEM may also consider engaging another professional contractor to ramp up its production.

In addition, the Management firmly believes that continuous upgrading of its logistics infrastructure is key to the long term growth of the Company, and will continue to focus on mining infrastructure development.

The US\$50 million fund-raising and off-take arrangement with the international FI is testament to both the creditworthiness of the Company as well as the quality of SEM coal. The Company will continue to actively explore potential off-take opportunities in the future. Furthermore, we will work on expanding our export customer base in order to realise our long term aspiration of becoming an international coal producer.

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