

# Quarterly Business Updates

## 3Q 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, the Indonesian coal price increased significantly in 2010. Although the international coal prices 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 September 2012:

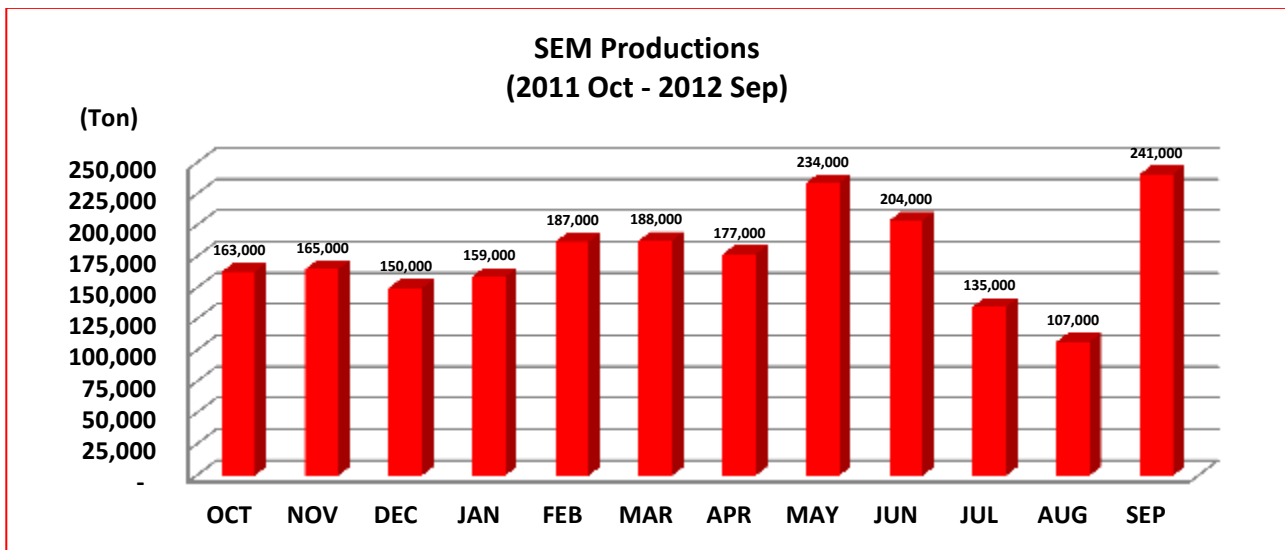


Source: [coalspot.com](http://coalspot.com), [mccloskeycoal.com](http://mccloskeycoal.com)

\*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. Following our coal sales strategy, coal production in July and August was lowered intentionally before rising back up in September. Our Management is confident that monthly production will continue to increase steadily in the future. Our monthly production figures are shown below.



Monthly Production Figures

## Mining Operation

We have commenced mining coal from Pit 3 which has relatively thin overburden and thick coal seams. Pit 1 has been back-filled with overburden and is ready for re-vegetation while Pit 2 has back-filling in progress. Current coal production stands at an average rate of 8,000 tons/day or over 240,000 tons a month. Photos below show the latest condition of the SEM coal mine.



SEM Coal Mine: Pit 1  
(After back filled)



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





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*SEM Coal Mine: Pit 3  
Thick coal seam*



*SEM Coal Mine: Pit 3  
Mining activities*



## Logistics Infrastructure – Jetty Operations

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.



*Conveyor belt at jetty*



*New crusher at jetty  
(under construction)*

### 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. 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.



*Weigh Bridge*



*Coal stockpiling*

### Logistics Infrastructure – Hauling Road

For the Ex-Pertamina road (please refer to “Major Events” for details) the Company has recently commenced various upgrades and is planning to conduct feasibility studies on the construction of an all-weather tar road to further improve transportation efficiency.



*Regular road maintenance and widening*



*Ex-Pertamina road*



## Major Events

### Road Leasing Agreement

On 5 October 2012, PT Megastar Indonesia (“**Megastar**”), an indirect non-wholly owned subsidiary of the Company, entered into a road leasing agreement (“**Road Leasing Agreement**”) with PT Pertamina (Persero) (“**Pertamina**”). Megastar will lease the Ex-Pertamina Road from Pertamina for a term of 10 years starting from 1 October 2012 to 30 September 2022 for the purpose of coal hauling, and Megastar shall operate and manage the Ex-Pertamina Road.

Pertamina is one of the world's largest producers and exporters of liquefied natural gas. It is a non-public oil and gas company, 100% owned by the Government of the Republic of Indonesia, through the Ministry of State-Owned Enterprises, based in Jakarta.

Entering into the Road Leasing Agreement provides an excellent opportunity for the Group to further enhance and secure our logistical operations and expansion plans. The Company believes the Ex-Pertamina Road will enable us to improve transportation time, increase production capacity and reduce transportation costs.

### Coal Supply Agreement

On 4 June 2012, PT Senamas Energindo Mineral (“**PT SEM**”), a non-wholly owned subsidiary the Company entered into the Coal Supply Agreement with Agritrade International Pte Limited (“**Agritrade International**”), pursuant to which PT SEM agreed to supply and Agritrade International agreed to purchase 400,000 metric tonnes of coal annually.

As Agritrade International is a substantial shareholder of the Company, the transactions under the Coal Supply Agreement constitute continuing connected transactions which were approved by the independent shareholders of the Company at the special general meeting on 31 July 2012.

To enhance the product image and brand of PT SEM coal, the Board believes the Coal Supply Agreement will enable the Company to leverage on Agritrade International’s extensive distribution network and reputation, hence benefiting the Group by expanding its international distribution channels.

## Goals

Although the global coal market has been badly affected this year due to the decline in international coal prices, Agritrade Resources Limited has been able to weather this slowdown due to our strong fundamentals and cost efficient operations. We are confident that the global coal market will improve and remain strong in the future. For the Company, efficient mining and logistics are the backbone for its development strategy. The Road Leasing Agreement and Coal Supply Agreement are in line with our strategy to reinforce our operational foundations. The Management of the Company firmly believes that





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continuous upgrading of its logistical infrastructure is the key to the long term growth of the Company, and will continue to focus on this.

The results of past financial year proved that efforts to continue to providing an integrated coal supply-chain solution will deliver sustainable growth. To push further growth the Company will actively explore potential off-take opportunities and expand our export customer base in order to realise our long term aspiration to be an international coal producer and supplier.

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