



EQUATORIAL
PALM OIL

ANNUAL REPORT AND ACCOUNTS 2009

Stock Code: PAL



THE PALM OIL IN AFRICA

STAINABLE PALM OIL

DEVELOPING SUSTAINABLE
PALM OIL IN AFRICA

www.epoil.co.uk

“OUR MISSION IS TO BECOME A
SUSTAINABLE, LOW COST PRODUCER OF
CRUDE PALM OIL IN AFRICA THROUGH
THE REACTIVATION AND DEVELOPMENT
OF ITS EXISTING PLANTATIONS AND
LAND BANK IN LIBERIA”



CONTENTS

Highlights	01
Chairman’s Statement	02
Directors’ Report	04
Statement of Directors’ Responsibilities	09
Independent Auditors’ Report	10
Group Statement of Comprehensive Income	11
Group Balance Sheet	12
Company Balance Sheet	13
Cash Flow Statements	14
Statement of Changes in Equity	15
Notes to the Financial Statements	16
Company Information	33

HIGHLIGHTS



Continued work throughout 2009 at Palm Bay and Butaw to prepare for plantation rehabilitation.



Active development strategy focused on becoming a large scale West African producer of sustainable palm oil.



Successful £6.5 million equity raising and admission of EPO's shares on AIM in February 2010.

DEVELOPING SUSTAINABLE PALM OIL IN AFRICA

DEVELOPING SUSTAINABLE PALM OIL IN AFRICA



Cornerstone investor secured — BioPalm Energy Limited, a subsidiary of Indian Conglomerate The Siva Group further to a £5 million placing.



Reactivation of 3,000 ha of existing plantations at Palm Bay and 220,000 oil palm seeds ordered to be planted at nurseries being established at Palm Bay and Butaw plantations.



First palm oil mill is in transit to Liberia from Malaysia with expected palm oil production in Q4 2010 to provide cash flow.



Post tax loss of £943,000 (2008: £1,410,000) — reflects a reduction of over £620,000 in administrative expenditure throughout 2009.

CHAIRMAN'S STATEMENT

It gives me pleasure to report on Equatorial Palm Oil plc's ("EPO" or "the Company") progress over this pivotal reporting period.

During the year ended 31 December 2009, EPO undertook further positive preliminary operational and field activities in preparation for the rehabilitation and development of the Group's palm oil concessions in Liberia upon securing further funding by way of an admission to the Alternative Investment Market ('AIM') of the London Stock Exchange.

Subsequent to year end, the Company's financing endeavours culminated in a successful £6.5 million equity raising and admission of EPO's shares on AIM in February 2010. In May 2010, we were very pleased to welcome BioPalm Energy Limited ("BioPalm"), a subsidiary of Indian conglomerate The Siva Group, as a cornerstone investor following a £5 million placement. These two fund raisings have positioned the Group to move forward with implementing our strategy which is focused on becoming a large scale West African producer of sustainable palm oil.

The Directors believe that EPO is ideally positioned to create value for shareholders given its land position of *circa* 169,000 hectares ("ha") in Liberia, our strong management team, defined development strategy, expected short-term cash flow from the reactivation of existing plantations and a solid funding base.

Our operations in Liberia comprise three areas: 34,393 ha at Palm Bay Oil Palm Plantation ("Palm Bay"), 54,549 ha at Butaw Oil Palm Plantation ("Butaw"), and 80,000 ha in the River Cess County ("River Cess"). Palm Bay and Butaw are held under government ratified long-term concessions and all three areas are considered highly suitable for sustainable oil palm plantation development. Importantly, our plantation areas are well located, with established infrastructure, close to deep water ports and with access to suitable labour.

We aim to provide early cash flow through the reactivation of 3,000 ha of existing plantations at Palm Bay. As part of the reactivation, the Company announced on 2 June 2010 that our first palm oil mill is in transit to Liberia from Malaysia and is expected to be delivered to Liberia in July. The Directors expect that production of palm oil, providing the Company with cash flow, will commence in Q4 this year. Once production has started, we intend to sell CPO to the local market. In addition, we have ordered 220,000 oil palm seeds to be planted at nurseries being established at Palm Bay and Butaw. Looking further ahead, our long-term strategy is to plant 50,000 ha of

oil palm within ten years for sustainable CPO production with a target of producing 250,000 tonnes per annum ("tpa") and eventually extending our planting programme out to 100,000 ha. In tandem with our own plantation development we have an out-grower (smallholder) programme which will enable local communities to gain direct ownership within the palm industry while also increasing production of crude palm oil.

Liberia provides the Company with a low cost production environment and immediate access to the sizeable and well established West African palm oil market. The country has worked hard to stabilise its political system and we believe it has a highly encouraging investment outlook. Our view is supported by recent investment in the country by major international companies including Arcelor Mittal and Firestone. Importantly major international palm oil producers are active in Liberia with Sime Darby commencing operations and Golden Agri announcing significant palm oil investment plans. The willingness of such companies to invest heavily in Liberia reaffirms the potential of this region for palm oil.

Palm oil is the most widely produced edible oil in the world and is indigenous to West Africa. The Board believes that with the implementation of techniques from South East Asia and the latest seed genetics, Africa should again become a key player in the buoyant world CPO market. Furthermore, demand for CPO is increasing and is forecast to grow at an annualised growth rate of 5-6% between 2008 and 2015. This will be facilitated by an increasing global population and improved standards of living, the latter being a primary driver in India and China. Preference in diet has also played a part with the US seeing a 30% annualised growth in demand of CPO in the last seven years due to positive health findings and additionally, industrial demand has been underpinned by crude mineral oil prices.

Public awareness of palm oil has increased significantly in recent times and as an emerging developer we have first mover advantage in establishing new sustainable palm oil plantations. It is the Board's view that a clear commitment to environmentally and socially sustainable palm oil production is not simply the only option but also very achievable. We believe that if developed sustainably, palm oil can responsibly provide enormous benefits to countries such as Liberia whilst remaining an excellent investment.

Management

We have a strong management team in place that has extensive experience of both the region and the development of large scale oil palm plantations. Both our Plantations Director Geoff Brown and Managing Director Peter Bayliss, have many years of direct experience working in the sector, with Geoff Brown having occupied the roles of Managing Director of London Sumatra Indonesia and Chairman of New Britain Palm Oil Limited. We are confident that with an experienced management team behind us that we can move forward and implement our strategy effectively.

Financial Review

In February 2010, the Company raised £6.5 million before expenses, by way of a placing of 49,398,337 ordinary shares at 17.5p as part of the Company's admission to AIM. Subsequently in May 2010, the Company raised £5 million before expenses, by way of a placing subscription with BioPalm for 33,333,333 ordinary shares at 15p. The funds will be used for the continued development of the Company's 169,000 hectare land position and the acceleration of the plantation rollout programme.

For the year ended 31 December 2009, the Group reported an after tax loss of £943,000, down from the prior year loss of £1,410,000, reflecting a reduction of over £620,000 in administrative expenditure throughout 2009. Over the course of the period, we invested in our land position and leases in preparation for the fundraising and admission to AIM post-period end, increasing the book value of our non-current assets to £7.3 million, up from £6.7 million in 2008.

Outlook

We have a highly active development programme to crystallise the value of what I believe to be one of the most exciting palm oil opportunities in West Africa. The reactivation of existing oil palms has commenced and we expect to be generating cash flow as soon as we receive delivery of our mill, which is being shipped from Malaysia in June 2010. Additionally, in tandem with our own development schedule, we are examining a number of strategic partnerships which we believe will fast track the development of our portfolio and assist us in becoming a major palm oil company in Liberia.

The Board is confident that EPO offers investors a comparably lower cost entry point for palm oil development and investment and looks forward to the development of this exciting opportunity.

Finally I would like to thank my fellow Board members and staff for their hard work and determination to date, all of which has placed us in an excellent position to take the Company forward.

Michael Frayne

Chairman

3 June 2010

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Group for the year ended to 31 December 2009.

Principal Activities and Review of Operations

The principal activities of the Company are the evaluation and development of the cultivation of oil palms for the production of crude palm oil and associated products in Liberia.

The Company holds two concession agreements with the Government of Liberia for the investment, rehabilitation and participation by the Company over 10,200 hectares of existing oil palm plantations and a further 78,548 hectares of agricultural land for development into oil palm plantations. The concession agreements are held by the wholly owned subsidiaries LIBINC Oil Palm Inc ("LIBINC") and Liberia Forest Products Inc ("LFPI") and include respectively the Palm Bay plantation in Grand Bassa County and the Butaw plantation in Sinoe County.

In addition, the Company has entered into a memorandum of intent with the River Cess County to establish a joint venture to develop oil palm plantations over at least a further 80,000 hectares.

The development of our land bank is progressing well and we have embarked upon our reactivation programme at Palm Bay. The existing plantations are considered to be in reasonable condition by the Independent Expert Agronomist, who believe that the plantations are capable of producing economic yields of fresh fruit bunches ("FFB") in areas which have not been used for shifting cultivation and where the number of palm oils per hectare is close to 140-180 plants per hectare. With this in mind, we consider an area of 3,000 hectares at Palm Bay to be the most economically viable for rehabilitation. Weeding and clearing of undergrowth has commenced and further to completion, we expect that the reactivation should immediately enhance land valuations.

Throughout 2009, we continued work on a number of preliminary operational activities at both Palm Bay and Butaw, conducting ongoing survey work to ensure that demographic and social reports on the existing inhabitants and ongoing economic activities in and around the concession areas are current. These routine surveys continue to provide valuable data on population numbers and activities at both sites, providing the Company with significant opportunity to further develop dialogue with local stakeholders. Communication between the Company and local communities is imperative and we are committed to maintaining consistent communication concerning development plans and future opportunities for employment.

Additionally, we have embarked upon an active recruitment programme and now have 125 employees who are engaged in preliminary field activities at Palm Bay and Butaw estates. We have been clearing and maintaining roads, concession boundaries lines and enabling access to be made to all areas of the existing plantings on both concessions and our increased workforce are vital in this process.

We have identified potential oil palm nursery sites and have cleared each concession in preparation for the establishment of seedling nurseries at both Palm Bay and Butaw. We have also placed an initial order of 220,000 oil palm seeds with Unipalm, the sales agent for Feronia Inc, whose seed garden is in The Democratic Republic of Congo. The seeds will be delivered in batches and have been developed and specifically cultivated for the West African palm oil sector, with the first batch delivered in May. Having prepared the nurseries, the seeds will immediately be planted and will provide seedlings to facilitate the Company's initial round of planting of *circa* 1,200 hectares of land, 600 hectares at each plantation.

Other ongoing work programmes include the clearing and surveying of existing social infrastructure at both concessions. The Company has reviewed factory sites, office and workshop facilities and housing at the plantations and rehabilitation and repair plans have been compiled for implementation.

Additionally, rehabilitation and repair work has commenced on a number of priority social infrastructure projects including schools, clinics and priority housing together with associated water and sanitation facilities. In particular, construction work commenced on two temporary elementary schools at Butaw which will provide schooling for between 300-400 students currently residing on the concession. The schools will be completed in time to enable the enrolment of students in time for the commencement of the new academic year in September 2010. We also commenced refurbishment work on the existing elementary school at Palm Bay and completion of this project will take place in time for the commencement of the new academic year when 400 local students are due to enrol. Temporary school facilities have been provided at alternative sites at Palm Bay to enable studies to continue for the 350 existing students during the rehabilitation of the permanent school buildings.

We have also enhanced medical and first aid facilities at both concession areas. The health facility at Butaw underwent further expansion during 2009 with the addition of a Maternity Unit and the establishment of a Malaria & TB Control Unit at the site as part of a nationwide programme spearheaded by the Ministry of Health. Patient numbers treated at the facility throughout 2009 averaged in the region of 500 consultations per month. Renovation of a temporary First Aid Post at the Palm Bay concession was completed during the fourth quarter of 2009 and the facility became operational on the appointment of qualified health workers in December 2009. Early indications are that patient numbers will exceed 500 consultations per month at this facility.

Throughout 2009 routine security operations continued to be carried out by Company security personnel in conjunction with the Liberian National Police and aided by the establishment of Magisterial Courts on both concessions as provided for under the terms of the concession agreements signed with the Government of Liberia. During the year there were no security breaches or incidents of note which occurred on either concession.

Results and Dividends

The loss on ordinary activities of the Group after taxation amounted to £942,348 (2008: loss £1,409,943).

The Directors do not propose the payment of a dividend.

Key Performance Indicators

The activities of the Group in the evaluation and development of the cultivation of oil palms for the production of crude palm oil and associated products in Liberia during the period ended 31 December 2009 were constrained by the available capital. During this period, the Group undertook further preliminary operational and field activities in preparation for the rehabilitation and development of the two palm oil concessions in Liberia upon securing further funding by way of the Initial Public Offering (“IPO”) completed in February 2010.

With funding for rehabilitation and development now in place, the key performance indicators for the Group for the next reporting period include:

- Number of seedlings planted in the nursery
- Number of hectares of existing plantations rehabilitated and brought into production
- Tonnes of FFB produced from existing plantations at economic yields
- Installation and commissioning of oil mill
- Number of hectares of land cleared for new plantations and number of hectares of old plantations cleared for replanting
- Tonnes of crude palm oil/palm kernel oil/palm kernel expeller/palm kernels produced
- Recruitment of key experienced plantation management personnel
- Number of Liberian personnel recruited and trained in line with expansion
- Rehabilitation and expansion of housing and community services infrastructure on plantations in line with expansion of workforce and community needs
- Positive communication and relationships with local communities and government
- Rehabilitation of existing plantation infrastructure; and
- Maintenance of security on plantations

DIRECTORS' REPORT

continued

Directors and Directors' Interests

The Directors who served during the year to 31 December 2009 had, at that time, the following beneficial interests in the shares of the Company:

	3 June 2010	31 December 2009	31 December 2008
Michael Frayne	6,394,085 ¹	1,366,666 ¹	466,666 ¹
Ross Warner (Resigned 26 March 2009)	N/A	N/A	100,000 ²
Anthony Samaha	487,440 ³	345,000 ³	345,000 ³
Geoff Brown	491,786	—	—
Joseph Jaoudi	6,509,500 ⁴	5,345,000 ⁴	5,345,000 ⁴
Peter Bayliss	294,285	—	—

Notes:

- 1 Michael Frayne's interest in 6,394,085 Ordinary Shares are held as follows: (a) 5,595,237 are held through Adeline Services Limited, a company held by a trust of which Michael Frayne is a beneficiary; (b) 298,634 Ordinary Shares are held directly by Mr Frayne; (c) 425,714 Ordinary Shares are held by Sanita Investments Limited, a company held by a trust of which Michael Frayne is a beneficiary; and (d) 74,500 Ordinary Shares are held by Hattingdon Group Limited, a company held by a trust of which Michael Frayne is a beneficiary.
- 2 The shares are held by Bournemead International Limited. The interest is a beneficial interest.
- 3 Anthony Samaha's interest in 487,440 Ordinary Shares is as follows: (a) 345,000 Ordinary Shares are held by Reabold Limited, in which Mr Samaha has an indirect beneficial interest; and (b) 142,440 Ordinary Shares are held directly by Mr Samaha.
- 4 Joseph Jaoudi's interest in 6,509,500 Ordinary Shares is as follows: (a) 4,190,000 Ordinary Shares held directly by Mr Jaoudi; and (b) 2,319,500 Ordinary Shares held by Argico Limited, a company which is held as to 100% by Mr Jaoudi.

Substantial shareholdings

As at 3 June 2010 the following shareholdings were registered as being interested in 3% or more of the Company's issued share capital:

	Ordinary shares of £0.01 each	Percentage of issued share capital
BioPalm Energy Limited	33,333,333	29.0%
Chase Nominees Limited	7,816,666	6.8%
Joseph Jaoudi	6,509,500	5.7%
Michael Frayne	6,394,085	5.6%
Harewood Nominees Limited	3,687,000	3.2%

Share Capital

There were no changes to the authorised or allotted share capital of the Company during the year ended 31 December 2009.

Subsequent to the year end, as a result of the Admission to AIM on 26 February 2010, the called up share capital of the Company was increased by the allotment of 49,398,337 ordinary shares at a placing price of 17.5p per share. In addition, as announced on 27 May 2010, the Company placed 33,333,333 ordinary shares at a placing price of 15p per share to BioPalm Energy Limited.

Charitable and Political Donations

During the period there were no charitable or political donations.

Payment of Suppliers

It is Group policy to settle all debts with creditors on a timely basis and in accordance with the terms of credit agreed with each supplier. During the period, the Group was unsuccessful in raising sufficient funding to meet all its current liabilities, particularly costs associated with the proposed IPO in June 2008. As a result, management worked with vendors and service providers to keep them informed of our position and establish payment plans where appropriate.

Insurance

The Group maintained insurance in respect of its Directors and Officers against liabilities in relation to the Group.

Post Balance Sheet Events

At the date these financial statements were approved, being 3 June 2010, the Directors were not aware of any significant post balance sheet events other than those set out in note 23 to the Financial Statements.

Going Concern

These financial statements have been prepared on a going concern basis, taking into account the equity funds raised subsequent to the year end of £6.5 million and £5 million, before expenses, in February 2010 and May 2010, respectively.

Employment Policies

The Group is committed to promoting policies which ensure that high calibre employees are attracted, retained and motivated, to ensure the ongoing success for the business. Employees and those who seek to work with the Group are treated equally regardless of sex, marital status, creed, age, colour, race or ethnic origin.

Details of the Director emoluments and payments made for professional services rendered are set out in notes 7 and 8 to the financial statements.

Health & Safety

The Group's aim is to maintain its record of workplace safety. In order to achieve this objective the Group provides training and support to employees and sets demanding standards for workplace safety.

Auditors

In accordance with section 384 of the Companies Act 2006, a resolution to reappoint Chapman Davis LLP and to authorise the Directors to fix their remuneration will be proposed at the annual general meeting.

Remuneration

The Company remunerates the Directors at a level commensurate with the size of the Company and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes it upholds the objectives of the Company with regard to this issue.

Details of Directors' emoluments and payments made for professional services rendered are set out in notes 7 and 8 to the financial statements.

Corporate Governance

The Directors are committed to maintaining high standards of corporate governance. The Directors have established procedures, so far as is practicable, given the Company's size, to comply with the Combined Code as modified by the recommendations of the Quoted Companies Alliance. The Company has adopted and operates a share dealing code for Directors and senior employees on substantially the same terms as the Model Code appended to the Listing Rules of the UKLA.

The Board

The Board meets regularly throughout the year. To enable the Board to perform its duties, each of the Directors has full access to all relevant information and to the services of the Company Secretary. If necessary the non-executive Directors may take independent professional advice at the Company's expense. The Board currently includes two non-executive Directors. The Board has delegated specific responsibilities to the committees described below.

DIRECTORS' REPORT

continued

The Audit Committee

The Company has established an Audit Committee, which comprises three Directors, Joseph Jaoudi, Anthony Samaha and Geoff Brown, and will be chaired by Anthony Samaha. The Audit Committee will meet at least twice each year and at any other time when it is appropriate to consider and discuss audit and accounting related issues. The Audit Committee will be responsible for monitoring the quality of internal controls and for ensuring that the financial performance of the Company is properly monitored, controlled and reported on. It will review a wide range of matters, including half-year and annual results before their submission to the Board. It will also meet the Company's auditors without executive Board members being present and review reports from the auditors relating to accounts and internal control systems.

The Remuneration Committee

The Company has established a Remuneration Committee, which comprises three Directors, Geoff Brown, Joseph Jaoudi and Anthony Samaha, and will be chaired by Joseph Jaoudi. The Remuneration Committee will review the performance of the executive Directors and set the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders. In determining the remuneration of executive Directors, the Remuneration Committee seeks to enable the Company to attract and retain executives of the highest calibre. The Remuneration Committee will also make recommendations to the Board concerning the allocation of share options, bonus schemes, pension rights and compensation payments. No Director is permitted to participate in discussions or decisions concerning their own remuneration.

The Nominations Committee

The Company has established a Nominations Committee, which comprises three Directors, Anthony Samaha, Joseph Jaoudi and Geoff Brown, and will be chaired by Geoff Brown. The Nominations Committee will meet at least two times a year, and may meet at other times during the year as required. This committee will regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes. In addition, it will give full consideration to succession planning for Directors and other senior executives, and be responsible for identifying, evaluating and nominating Board candidates. It will also review annually the time required from non-executive Directors.

Control Procedures

The Board has approved financial budgets and cash forecasts. In addition, it has implemented procedures to ensure compliance with accounting standards and effective reporting.

Business Risks and Uncertainties

The Group's business is subject to risks inherent in the oil palm sector. In addition, there are risks associated with the jurisdictions where the Group operates. The Company has identified certain risks pertinent to its business including: agricultural and environmental risks, availability of financing, volatility of palm oil prices, dependence on key personnel, costs and availability of materials and services, foreign currency risk and Liberian economic and political risks.

Provision of information to Auditors

As far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken appropriate steps to ensure that they are aware of such relevant information, and that the Company's auditors are aware of that information.

Annual General Meeting

This report and financial statements will be presented to shareholders for their approval at the Annual General Meeting ("AGM"). The notice of the Annual General Meeting will be distributed to shareholders together with the Annual Report.

By order of the Board

John Bottomley
Company Secretary
3 June 2010

Registered Number 5555087

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors' Responsibilities for the Financial Statements

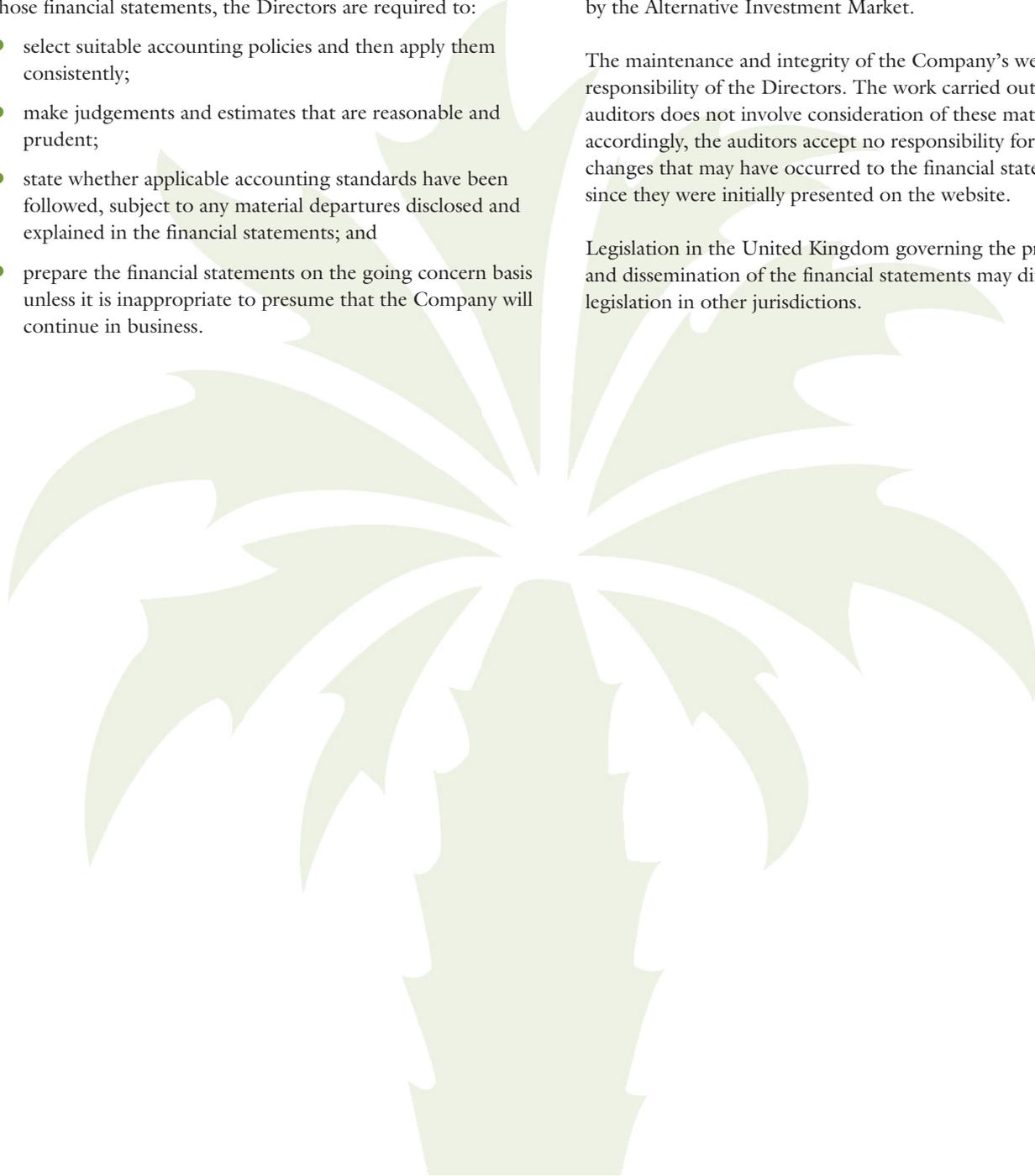
Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Profit or Loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are also responsible for ensuring that the annual report includes information required by the Alternative Investment Market.

The maintenance and integrity of the Company's website is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EQUATORIAL PALM OIL plc

We have audited the financial statements of Equatorial Palm Oil plc for the year ended 31 December 2009 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Cash Flows, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2009 and of the Group's and the Parent Company's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other Matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Director's Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

Matters on which we are Required to report by Exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Rowan J. Palmer (Senior statutory auditor)

For and on behalf of Chapman Davis LLP, Statutory Auditor

Chartered Accountants
Chapman Davis LLP
2 Chapel Court
London SE1 1HH
3 June 2010

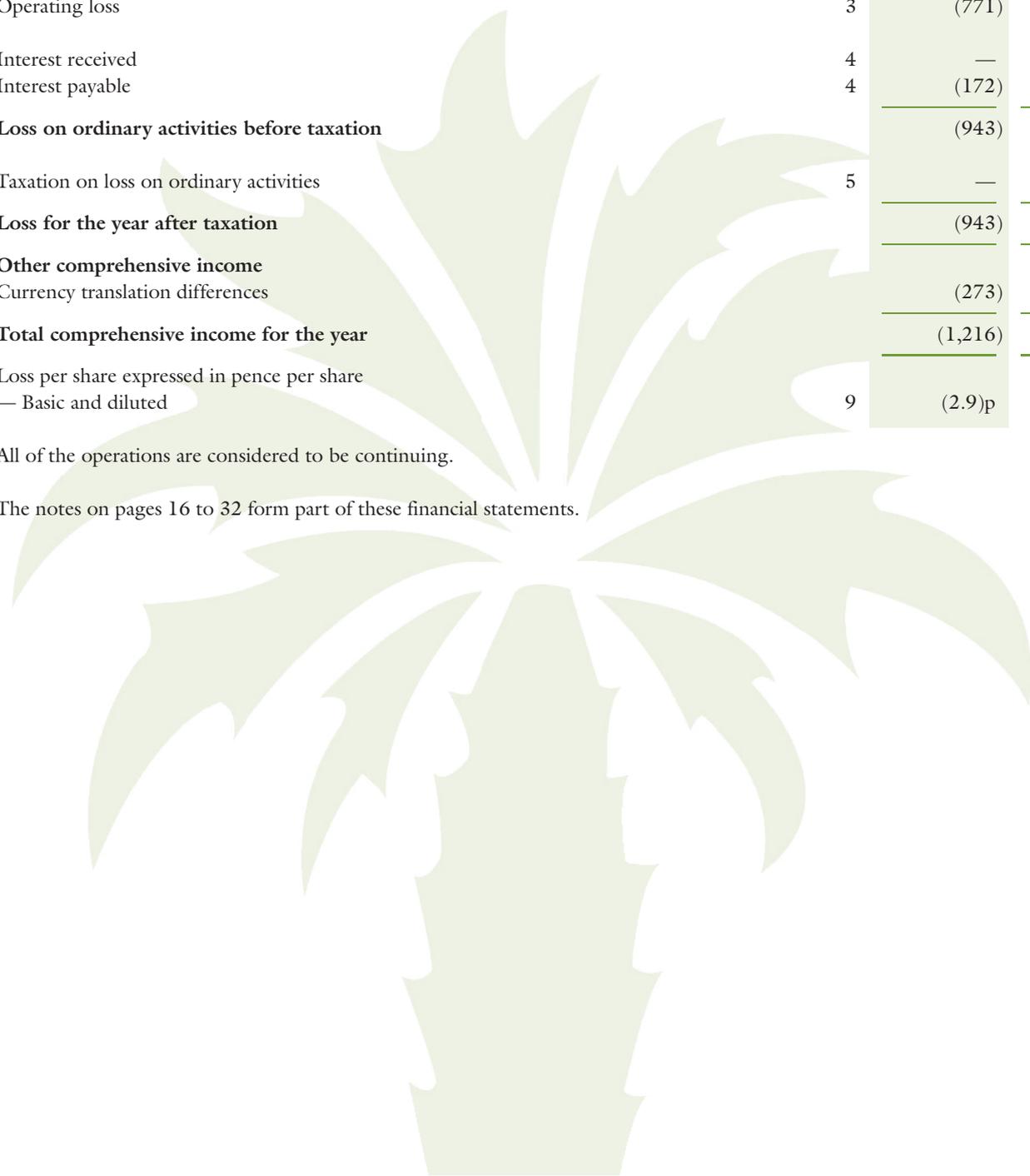
GROUP STATEMENT OF COMPREHENSIVE INCOME

For the period 1 January 2009 to 31 December 2009

	Note	2009 £'000	2008 £'000
Administrative expenses		(771)	(1,395)
Operating loss	3	(771)	(1,395)
Interest received	4	—	12
Interest payable	4	(172)	(27)
Loss on ordinary activities before taxation		(943)	(1,410)
Taxation on loss on ordinary activities	5	—	—
Loss for the year after taxation		(943)	(1,410)
Other comprehensive income			
Currency translation differences		(273)	359
Total comprehensive income for the year		(1,216)	(1,051)
Loss per share expressed in pence per share — Basic and diluted	9	(2.9)p	(4.6)p

All of the operations are considered to be continuing.

The notes on pages 16 to 32 form part of these financial statements.



GROUP BALANCE SHEET

As at 31 December 2009

	Note	2009 £'000	2008 £'000
ASSETS			
Non-current assets			
Intangible assets	11	7,232	6,663
Plant and equipment	15	58	75
		<u>7,290</u>	<u>6,738</u>
Current assets			
Other receivables	16	347	14
Cash and cash equivalents	20	63	18
		<u>410</u>	<u>32</u>
LIABILITIES			
Current liabilities			
Trade and other payables	17	2,009	1,091
Short-term borrowings	18	2,002	774
		<u>4,011</u>	<u>1,865</u>
Net current (liabilities)		(3,601)	(1,833)
NET ASSETS		<u>3,689</u>	<u>4,905</u>
SHAREHOLDERS' EQUITY			
Share capital	19	320	320
Share premium		6,175	6,175
Other reserves		104	377
Retained loss		(2,910)	(1,967)
Total equity		<u>3,689</u>	<u>4,905</u>

The financial statements were approved by the Board of Directors on 3 June 2010 and were signed on its behalf by:

Michael Frayne
 Chairman

Anthony Samaha
 Director

The notes on pages 16 to 32 form part of these financial statements.

COMPANY BALANCE SHEET

As at 31 December 2009

	Note	2009 £'000	2008 £'000
ASSETS			
Non-current assets			
Investments	13	—	—
Plant and equipment	15	22	44
		22	44
Current assets			
Other receivables	16	7,623	6,420
Cash and cash equivalents	20	33	18
		7,656	6,438
LIABILITIES			
Current liabilities			
Trade and other payables	17	1,994	1,091
Short-term borrowings	18	2,002	774
		3,996	1,865
Net current assets		3,660	4,573
NET ASSETS		3,682	4,617
SHAREHOLDERS' EQUITY			
Share capital	19	320	320
Share premium		6,175	6,175
Equity reserve	19	—	—
Other reserves		21	21
Retained loss		(2,834)	(1,899)
Total equity		3,682	4,617

The financial statements were approved by the Board of Directors on 3 June 2010 and were signed on its behalf by:

Michael Frayne
Chairman

Anthony Samaha
Director

The notes on pages 16 to 32 form part of these financial statements.

CASH FLOW STATEMENTS

For the year to 31 December 2009

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Cash flows from operating activities				
Operating loss	(771)	(1,395)	(763)	(1,352)
(Increase)/decrease in trade and other receivables	(333)	67	(1,203)	(1,351)
Increase in trade and other payables	918	807	903	807
Depreciation	23	48	22	23
Net cash outflow from operating activities	(163)	(473)	(1,041)	(1,873)
Cash flows from investing activities				
Interest received	—	12	—	12
Payments to acquire intangible assets	(839)	(1,405)	—	—
Payments to acquire tangible assets	(9)	(5)	—	(5)
Net cash (outflow)/inflow from investing activities	(848)	(1,398)	—	7
Cash flows from financing activities				
Short-term borrowings	1,228	774	1,228	774
Issue of ordinary share capital	—	—	—	—
Share issue costs	—	—	—	—
Interest paid	(172)	(27)	(172)	(27)
Net cash inflow from financing activities	1,056	747	1,056	747
Net increase/(decrease) in cash and cash equivalents	45	(1,124)	15	(1,119)
Cash and cash equivalents at beginning of period	18	1,142	18	1,137
Cash and cash equivalents at end of period	63	18	33	18

The notes on pages 16 to 32 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2009

Group	Called up share capital £'000	Share premium reserve £'000	Foreign currency translation reserve £'000	Equity reserve £'000	Share- based payment reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 January 2008	206	2,863	(3)	900	21	(557)	3,430
Share capital issued (note 19)	114	3,312	—	(900)	—	—	2,526
Cost of share issue	—	—	—	—	—	—	—
(Loss) for the year	—	—	—	—	—	(1,410)	(1,410)
Share-based payments	—	—	—	—	—	—	—
Currency translation differences	—	—	359	—	—	—	359
As at 31 December 2008	320	6,175	356	—	21	(1,967)	4,905
As at 1 January 2009	320	6,175	356	—	21	(1,967)	4,905
Share capital issued (note 19)	—	—	—	—	—	—	—
Cost of share issue	—	—	—	—	—	—	—
(Loss) for the year	—	—	—	—	—	(943)	(943)
Share-based payments	—	—	—	—	—	—	—
Currency translation differences	—	—	(273)	—	—	—	(273)
As at 31 December 2009	320	6,175	83	—	21	(2,910)	3,689

Company	Called up share capital £'000	Share premium reserve £'000	Foreign currency translation reserve £'000	Equity reserve £'000	Share- based payment reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 January 2008	206	2,863	—	900	21	(532)	3,458
Share capital issued (note 19)	114	3,312	—	(900)	—	—	2,526
Cost of share issue	—	—	—	—	—	—	—
(Loss) for the year	—	—	—	—	—	(1,367)	(1,367)
Share-based payments	—	—	—	—	—	—	—
Currency translation differences	—	—	—	—	—	—	—
As at 31 December 2008	320	6,175	—	—	21	(1,899)	4,617
As at 1 January 2009	320	6,175	—	—	21	(1,899)	4,617
Share capital issued (note 19)	—	—	—	—	—	—	—
Cost of share issue	—	—	—	—	—	—	—
(Loss) for the year	—	—	—	—	—	(935)	(935)
Share-based payments	—	—	—	—	—	—	—
Currency translation differences	—	—	—	—	—	—	—
As at 31 December 2009	320	6,175	—	—	21	(2,834)	3,682

The notes on pages 16 to 32 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the period 1 January 2009 to 31 December 2009

1. Summary of Significant Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

Authorisation of financial statements

The consolidated financial statements of Equatorial Palm Oil plc for the year ended 31 December 2009 were authorised for issue by the Board on 3 June 2010 and the balance sheets signed on the Board's behalf by Michael Frayne and Anthony Samaha.

Basis of accounting

These financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the European Union and IFRIC interpretations and with those parts of the Companies Act 2006, applicable to companies reporting under IFRS.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Equatorial Palm Oil plc and its subsidiaries (the "Group") as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Revenue

The Group had no revenue during the year.

Foreign currencies

The consolidated financial statements are stated in thousands of sterling (£), which is the reporting currency of the Group and the Company and all values are rounded to the nearest £'000 unless otherwise stated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. All other differences are taken to the income statement. The relevant exchange rates used at year end were GBP:USD — 1.59 and GBP:AUD — 1.78.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Intangible assets

Intangible assets are recognised if it is probable that they will provide a future economic benefit to the Company and are recorded at cost less eventual amortisation and provision for impairment in value.

The costs in respect of project evaluation and the development of the cultivation of oil palms are capitalised at cost. The developments are not yet at a stage where accounting for biological assets, under IAS 41, is deemed necessary.

1. Summary of Significant Accounting Policies continued

Goodwill on consolidation is capitalised and shown within intangible assets. Positive goodwill is subject to an annual impairment review, and negative goodwill is immediately written-off to the income statement when it arises.

Investment

Investments in subsidiary undertakings are stated at cost less any provision for impairment in value, prior to their elimination on consolidation.

Where the Group has entered into a contract to acquire a company, and the acquisition has not been completed at the balance date, but it is probable that the acquisition will be completed and provide a future economic benefit to the Group, the costs incurred in respect of that acquisition are capitalised.

Impairment of non-financial assets

Non-financial assets and identifiable intangibles, other than exploration and evaluation assets, are reviewed for impairment each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected undiscounted future cash flow from the use of the assets and their eventual disposition is less than the carrying amount of the assets, an impairment loss is recognised and measured using the asset's fair value or discounted cash flows.

Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on all plant and equipment to write off the cost less estimated residual value of each asset over its expected useful economic life on a straight-line basis at the following annual rates:

Plant and Equipment	25% – 33%
Vehicles	20%

All assets are subject to annual impairment reviews.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received, except where it is in respect to costs associated with the issue of securities, in which case it is charged to the share premium account.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is determined using a Black-Scholes model.

NOTES TO THE FINANCIAL STATEMENTS

continued

1. Summary of Significant Accounting Policies continued

Financial instruments

The Group's financial assets consist of cash and trade and other receivables.

Cash consists of cash on hand and cash held on current account or on short-term deposits at variable interest rates. Any interest earned is accrued monthly and classified as interest.

Trade and other receivables are stated at cost less impairment losses.

The Group's financial liabilities consist of trade and other payables and short-term borrowings, which are stated at their cost. All interest and other borrowing costs incurred in connection with the above are expensed as incurred and reported as part of net financing costs in the income statement. Convertible loan notes are included within short-term borrowings and treated as solely liability with no equity component due to the conversion terms being AIM admission placing price.

Going concern

These financial statements have been prepared on a going concern basis, taking into account the equity funds raised subsequent to the year end of £6.5 million and £5 million, before expenses, in February 2010 and May 2010, respectively.

Adoption of new and revised accounting standards

In the current year the Company has adopted all of the new and revised Standards and Interpretations issued by the Accounting Standards Board that are relevant to its operation and effective and mandatory for the current annual reporting period and there is no material financial impact on the financial statements of the Group or the Company.

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs) and (Effective date)

IFRS 2	Amendment to IFRS 2 — Group cash settled and share-based payment transactions (1 January 2010)
IFRS 3	Business Combinations — revised January 2008 (1 July 2009)
IFRS 5	Measurement of non-current assets classified as held for sale (1 January 2010)
IAS 27	Consolidated and Separate Financial Statements — revised January 2008 (1 July 2009)
IAS 38	Intangible Assets (1 January 2010) International Financial Reporting Interpretations Committee (IFRIC)
IFRIC 17	Distribution of non-cash assets to owners (1 July 2009)

2. Revenue and Segmental Analysis

The Group had no revenue during the period.

The Group operates in the business segment of the evaluation and development of the cultivation of oil palms.

The Group has material interests in two geographical segments, the United Kingdom and Liberia.

By geographical area	United Kingdom £'000	Liberia £'000	Total £'000
2009			
Loss for the year ended 31 December 2009	(935)	(8)	(943)
Other segment information:			
Additions to Intangible assets	—	839	839
Total Segment assets	400	7,300	7,700
Segment liabilities	(3,996)	(15)	(4,011)
2008			
Loss for the year ended 31 December 2008	(1,367)	(43)	(1,410)
Other segment information:			
Additions to Intangible assets	—	3,931	3,931
Total Segment assets	76	6,694	6,770
Segment liabilities	(1,865)	—	(1,865)

3. Operating loss

The operating loss is stated after charging:

	Group 2009 £'000	Group 2008 £'000
Auditors' remuneration — audit services	15	10
— other services	—	30
Depreciation (note 15)	23	48
Directors' emoluments (note 8)	587	326

Auditors' remuneration for non-audit services provided during 2008 amounting to £30,000 relates to the provision of Reporting Accountants services for the proposed re-Admission to AIM.

NOTES TO THE FINANCIAL STATEMENTS

continued

4. Interest

	Group 2009 £'000	Group 2008 £'000
Received		
Bank interest received	—	12
Payable		
On short-term borrowings	(172)	(27)

5. Taxation

	Group 2009 £'000	Group 2008 £'000
Current year taxation		
UK corporation tax at 28% on results for the period (2008: 28.5%)	—	—
Factors affecting the tax charge for the period		
Loss on ordinary activities before tax	(943)	(1,410)
Loss on ordinary activities at the UK standard rate of 28% (2008: 28.5%)	(264)	(402)
Effects:		
Future tax benefit not brought to account	264	402
Current period taxation	—	—

No deferred tax assets have been created.

6. Directors' Emoluments

	Group 2009 £'000	Group 2008 £'000
Michael Frayne ¹	33	72
Ross Warner	6	36
Anthony Samaha	24	36
Geoff Brown	220	86
Peter Bayliss	131	76
Joseph Jaoudi	173	20
Total	587	326

¹ Services provided by Adelize Services Limited.

7. Compensation of Key Management Personnel (excluding Directors)

	Group 2009 £'000	Group 2008 £'000
Salaries	132	176
Social security	3	3
Total	135	179

8. Staff Costs (including Directors)

	Group 2009 £'000	Group 2008 £'000
Staff costs		
Directors fees	587	326
Salaries & wages	304	520
Social security costs	55	32
Total staff costs	946	878
Capitalised to intangible assets	(419)	(512)
Total staff costs expenses	527	366

The Group averaged 172 employees during the year ended 31 December 2009 (2008: 160). The Company averaged 9 employees during the year ended 31 December 2009 (2008: 9). The Group had an average of 20 employees involved in administration and an average of 152 employees involved in field and operational support activities for the year ended 31 December 2009 (2008: 9 and 151 respectively).

9. Loss Per Share

The basic loss per share is derived by dividing the loss for the period attributable to ordinary shareholders by the weighted average number of shares in issue.

As inclusion of the potential Ordinary shares would result in a decrease in the loss per share they are considered to be anti-dilutive; as such, a diluted earnings per share is not included.

	Group 2009 £'000	Group 2008 £'000
Loss for the period	(943)	(1,410)
Weighted average number of Ordinary shares of 1p in issue	32.0 million	30.7 million
Loss per share — basic	(2.9)p	(4.6)p

NOTES TO THE FINANCIAL STATEMENTS

continued

10. Financial Instruments

The Group's financial instruments, other than its investments, comprise cash and items arising directly from its operation such as trade receivables and trade payables, finance leases, and provisions.

The Group seeks to obtain a favourable interest rate on its cash balances through the use of bank treasury deposits.

At the period end the Group had a cash balance of £63,000, made up as follows:

	Group 2009 £'000	Group 2008 £'000
British pounds	33	17
US dollars	30	1

There is no material difference between the book value and fair value of the Group's cash.

As at 31 December 2009, the Group had three overseas subsidiaries which operated in Liberia and whose expenditure is primarily denominated in US dollars. Foreign exchange risk is inherent in the Group's activities and is accepted as such.

The majority of Parent Company expenses are denominated in British pounds.

Management review the Group and Company's exposure to currency risk, interest rate risk, liquidity risk and credit risk on a regular basis and consider that through this review they manage the exposure of the Group and Company.

No formal policies have been put in place in order to hedge the Group and Company's activities to the exposure to currency risk or interest risk.

The Group and Company manage the interest rate risk associated with the Group cash assets by ensuring that interest rates are as favourable as possible, whether this is through investment in floating or fixed interest rate deposits, whilst managing the access the Group requires to the funds for working capital purposes.

11. Intangible Assets

	Group £'000
Net book value as at 1 January 2008	2,388
Acquired through business combination in February 2008	3,134
Currency translation	344
Development expenditure	797
Amortisation/Impairment	—
Net book value as at 31 December 2008	6,663
Currency translation adjustment	(270)
Development expenditure	839
Amortisation/Impairment	—
Net book value as at 31 December 2009	7,232

The Directors undertook an impairment review as at 31 December 2009 and as a result of this review no provision was required. The land subject to the concession licence held by Liberia Forest Products Incorporated contains approximately 4,600 hectares of existing palm plantations which have not been maintained for a considerable period of time. The Directors have engaged agricultural experts to assess the possibility of regenerating the plantations and whilst the Directors are optimistic that the plantations can be regenerated, they consider it prudent to attribute nil value to the re-existing plantations until a detailed assessment of its economic potential value has been completed.

12. Business Combinations

2008

On 21 February 2008 EBF (Mauritius) Limited acquired 100% of the share capital of LIBINC Oil Palm Inc for cash consideration of USD200,000 (£137,931) and the issue of 84.2 million fully paid “old” ordinary shares in the Company with an assessed fair value of 3p per share. A further USD700,000 (£482,759) is payable to the vendors upon the Company completing its readmission to AIM. LIBINC Oil Palm Inc was incorporated in Liberia on 4 October 2007 and at the date of acquisition was a non-trading entity of USD100 capital and the holder of a fifty year agreement with the Government of Liberia to rehabilitate and develop the Palm Bay Oil Palm plantation in Grand Bassa County, Liberia. The fair value adjustment of this acquisition, as disclosed in note 11, amounted to £3,134,000.

NOTES TO THE FINANCIAL STATEMENTS

continued

13. Investments

Subsidiaries of Equatorial Palm Oil plc

Company	Country of Registration	Holding 2009	Holding 2008	Nature of business
Direct				
Equatorial Biofuels (Guernsey) Limited	Guernsey	100%	100%	Holding Company
Indirect				
EBF (Mauritius) Limited	Mauritius	100%	100%	Holding Company
EBF Liberia	Liberia	100%	100%	Operating company in Liberia
Liberia Forest Products Incorporated	Liberia	100%	100%	Operating company in Liberia
Liberia Agricultural Development Corporation	Liberia	100%	100%	Non-operating company in Liberia
LIBINC Oil Palm Inc	Liberia	100%	100%	Operating company in Liberia

14. Loans to Subsidiaries

	Company 2009 £'000	Company 2008 £'000
Equatorial Biofuels (Guernsey) Limited	30	14
EBF (Mauritius) Limited	5,944	5,651
Equatorial Biofuels Liberia Incorporated	1,304	741
Total	7,278	6,406

The loans to subsidiaries are interest free and have no fixed repayment date. They are denominated in US dollars and are repayable on demand. Repayment of loans is subject to the Directors' assessment of the Group's requirements and availability of appropriate liquid resources.

15. Property, Plant and Equipment

Plant and equipment	Group £'000	Company £'000
Cost		
Opening cost at 1 January 2008	144	90
Additions	5	5
Currency translation adjustment	15	—
Closing cost at 31 December 2008	164	95
Additions	9	—
Currency translation adjustment	(3)	—
Closing cost at 31 December 2009	170	95
Depreciation		
Opening balance at 1 January 2008	(41)	(28)
Charge for the year to 31 December 2008	(48)	(23)
Closing balance at 31 December 2008	(89)	(51)
Charge for year to 31 December 2009	(23)	(22)
Closing balance at 31 December 2009	(112)	(73)
Net book value		
At 1 January 2009	75	44
At 31 December 2009	58	22

16. Other Receivables

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Other receivables ⁽ⁱ⁾	42	8	40	8
Prepayments ⁽ⁱⁱ⁾	305	6	305	6
Amounts owed by subsidiary undertakings as per note 14 ⁽ⁱⁱⁱ⁾	—	—	7,278	6,406
	347	14	7,623	6,420

⁽ⁱ⁾ Other receivables are non-interest bearing and generally repayable between 30 and 60 days.

⁽ⁱⁱ⁾ The Mill deposit of £264,000 has been fully reinstated in the 2009 Group and Company Balance Sheets reversing the 2008 provision made against its future recoverability.

⁽ⁱⁱⁱ⁾ The loans to subsidiaries are interest free and have no fixed repayment date. They are denominated in US dollars and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

continued

17. Trade and Other Payables

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Accruals	688	568	688	568
Trade payables	596	399	596	399
Other payables	725	124	710	124
	2,009	1,091	1,994	1,091

The Accruals balance includes an amount of £440,000 payable in respect of the acquisition of LIBINC Oil Palm Inc and the Company completing its readmission on AIM (2008: £483,000).

18. Short-term Borrowings

The short-term borrowings of the Group and Company comprise:

	2009 £'000	2008 £'000
£ Convertible loan notes	1,234	—
AUD200,000 convertible loan note	112	96
Accrued interest and rolled charges thereon	45	3
Loans from Adelse Services Limited	—	652
Interest thereon	5	23
AUD500,000 Promissory Notes	280	—
Accrued interest and rolled charges thereon	96	—
US\$350,000 refundable deposit from Agriterra	230	—
Total	2,002	774

The sterling Convertible Loan Notes were issued in connection with the pre-IPO fundraising as follows:

	£'000
To certain investors	524
To Adelse Services Limited as converted debt	700
To trade creditors as payables settlement	10
	1,234

These loan notes are unsecured and interest free and were convertible into new Ordinary Shares upon Admission at the Placing Price of 17.5p with attached warrants.

No equity component of these convertible loan notes has been included in reserves.

18. Short-term Borrowings continued

The AUD 200,000 convertible loan note was repayable on 30 June 2009 with a 20% coupon at repayment.

The loans due to Adelise Services Limited, a Company controlled by Michael Frayne, comprising of principal of £652,000 incur interest charged at 2% above LIBOR.

The financing obtained from Adelise Services Limited by way of unsecured 6 month promissory notes and converted to convertible loan note are as follows:

On 27 March 2009, the Company received AUD100,000 provided by way of an unsecured 6 month promissory note to Adelise Services Limited with a repayable of AUD125,000 due on 26 September 2009. This is now due and payable and accrues at a rate of 35% per annum until repaid.

On 16 April 2009, the Company received AUD300,000 provided by way of an unsecured 6 month promissory note to Adelise Services Limited with a repayable of AUD375,000 due on 15 October 2009. This is now due and payable and accrues at a rate of 35% per annum until repaid.

On 30 April 2009, the Company received AUD100,000 provided by way of an unsecured 6 month promissory note to Adelise Services Limited with a repayment of AUD125,000 due on 29 October 2009. This is now due and payable and accrues at a rate of 35% per annum until repaid.

On 18 August 2009 Agriterra Limited announced it had signed a Memorandum of Understanding to acquire Equatorial Biofuels (Guernsey) Limited, a wholly owned subsidiary of the Company for USD2.5 million cash and USD12 million in shares in Agriterra including a refundable deposit of USD350,000. On 22 September 2009 it was announced by Agriterra the MOU had been terminated. The USD350,000 deposit shall become repayable to Agriterra effectively no later than 120 business days after 18 August 2009 together with interest at a rate of 12% per annum accruing from that initial date.

19. Called Up Share Capital

	2009 £'000	2008 £'000
Authorised		
100,000,000 Ordinary shares of 1p each	1,000	1,000
Allotted, called up and fully paid		
32,020,000 Ordinary shares of 1p each	320	320

Subsequent to the year end, as a result of the Admission to AIM on 26 February 2010, the called up share capital was increased by the allotment of 49,398,337 ordinary shares at a placing price of 17.5p per share. In addition, as announced on 27 May 2010, the Company placed 33,333,333 ordinary shares at a placing price of 15p per share to BioPalm Energy Limited.

NOTES TO THE FINANCIAL STATEMENTS

continued

19. Called Up Share Capital continued

Share options

No unconditional options were issued during the current period.

As at 31 December 2009 the options in issue, which have been restated for the April 2008 1 for 10 share consolidation, were:

Exercise Price	Expiry Date	Options in Issue 31 December 2009
30p	14 February 2011	300,000

No options lapsed or were cancelled and no options were exercised during the period.

Subsequent to the year end, options to subscribe for 8,350,000 Ordinary Shares at the Placing Price within 5 years after the date of grant have been granted to the Directors, management and others by the Company conditional on Admission as follows:

	Number of Options Exercisable on Grant	Number of Options Exercisable on Performance Milestone 1 ¹	Number of Options Exercisable on Performance Milestone 2 ²	Number of Options Exercisable on Performance Milestone 3 ³	Total
Directors					
Peter Bayliss	500,000	500,000	500,000	500,000	2,000,000
Michael Frayne	312,500	312,500	312,500	312,500	1,250,000
Joe Jaoudi	312,500	312,500	312,500	312,500	1,250,000
Geoff Brown	250,000	250,000	250,000	250,000	1,000,000
Anthony Samaha	250,000	250,000	250,000	250,000	1,000,000
Employees	137,500	137,500	137,500	137,500	550,000
Others	325,000	325,000	325,000	325,000	1,300,000
Total					8,350,000

¹ Performance Milestone 1 is Commission 5 tonne per hour mill at Palm Bay.

² Performance Milestone 2 is the production of 4,000 tonnes of CPO from mills owned by the Group.

³ Performance Milestone 3 is the planting of first 2,500 hectares of new palm oil plantation.

20. Analysis of Changes in Net Funds

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Balance at beginning of period	18	1,142	18	1,137
Change during the period	45	(1,124)	15	(1,119)
Balance at the end of the period	<u>63</u>	<u>18</u>	<u>33</u>	<u>18</u>

21. Commitments

Operating lease commitments

Operating leases relate to office facilities. The Company entered into a 5 year lease with a break clause after 3 years.

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Non-cancellable operating lease payments:				
Not longer than one year	—	100	—	100
Longer than one year and not longer than five years	182	—	182	—
	<u>182</u>	<u>100</u>	<u>182</u>	<u>100</u>

Liberia commitments

Under the investment agreements entered into by LFPI and LIBINC, the Group is obliged to spend USD14.245 million during the four years from 31 December 2007. The majority of this expenditure is likely to be incurred in the later part of this four year period.

Placement commitments

Pursuant to a mandate letter (the “**Mandate Letter**”) dated 8 December 2009 from Mombaur McCabe Limited (“**MML**”) to the Company, MML has agreed to provide placement agent services to the Company. MML’s services will be to (i) introduce the Company to a well-capitalised strategic investor with a long-term strategic interest in West African palm oil (“**Strategic Investor**”) and (ii) participate in negotiations, to the extent requested, with a view to protecting and enhancing the interests of the Company.

Under the Mandate Letter, the Company has agreed to pay MML a fee equal to 3.5% of the gross proceeds invested by the Strategic Investor in the Placing plus a fee equal to 3.5% of the first US\$20,000,000 and 1% of any amount above US\$20,000,000 invested by the Strategic Investor subsequently. In addition, the Company has agreed to reimburse MML for any reasonable out of pocket expenses.

The Company has agreed to indemnify any Director, officer, employee, controlling person, representative or agent of MML and MML’s subsidiaries, affiliates and associated companies from and against any losses, claims, damages, charges or liabilities relating to or arising out of MML’s services under the Mandate Letter, except in certain limited circumstances.

The Mandate Letter is governed by English law and any disputes shall be decided by arbitration in London in accordance with the rules of the London Court of International Arbitration.

NOTES TO THE FINANCIAL STATEMENTS

continued

22. Related Party Transactions

There is no ultimate controlling party.

Included within short-term borrowings and disclosed in note 18 are interest bearing loans due to Adelize Services Limited (“Adelize”), a company controlled by Michael Frayne, of £376,000 comprising principal of £280,000 and interest charged of £96,000 calculated at 2% above LIBOR, together with Convertible Loan Notes amounting to £700,000.

Details of related party transactions in relation to services provided by Adelize, a company associated with Michael Frayne, are disclosed in note 6.

Irvine Energy Plc (“Irvine”) made payments for serviced office facilities and administrative support to the Company, who shares common Board members with Irvine. These payments are all on arms’ length terms and amount to £18,000 for the financial period. There were no amounts outstanding to or from Irvine at the year-end or at the previous year-end in respect of these services.

Details of loans to subsidiaries are disclosed in note 14.

Included within other payables are unpaid Directors’ fees as follows:

	2009 £’000	2008 £’000
Michael Frayne	90	57
Ross Warner	22	16
Geoff Brown	220	—
Anthony Samaha	40	16
Peter Bayliss	131	—
Joseph Jaoudi	193	20
Total	696	109

Also included within other payables are amounts owing to a Director and a former Director as follows:

	2009 £’000	2008 £’000
Ross Warner	10	10
Anthony Samaha	4	3
Total	14	13

A wholly owned subsidiary of the Company, Equatorial Biofuels (Liberia) Inc has been granted a residential lease by a key Company employee, David Parker, in the City of Monrovia. The monthly rent under the lease is US\$5,750.

On 3 November 2006, Sanita Investments Limited (the “Landlord”) granted to the Company a lease in respect of Floors 1 to 4, 94 Jermyn Street, London SW1 6JE (the “Lease”). The principal terms of the Lease provided that the term of the Lease was 5 years from the date of the Lease (the “Term”), the yearly rent payable by the Company to the Landlord for the first 3 years of the Term was £99,150, the yearly rent payable by the Company for the next 2 years of the Term was the higher of £99,150 and the market rent for the premises based on a rent review carried out by the Landlord 3 years after the date of the Lease and the Lease may be terminated on the third anniversary of the date of the Lease by the Company giving not less than 6 months’ termination notice to the Landlord provided that there is no material breach by the Company of any terms or covenants of the Lease and the Company gives full vacant possession of the premises in accordance with the covenants contained in the Lease.

23. Post Balance Date Events

Convertible loan notes

The Company has issued various convertible loan notes during November 2009 to February 2010 to certain investors in connection with the pre-IPO fundraising undertaken by the Company in November 2009. The aggregate nominal amount of convertible loan notes issued is £2,096,560 of which £1,391,000 was issued at 31 December 2009. All these loan notes are convertible into new Ordinary Shares upon Admission at the Placing Price with attached Warrants on conversion.

Warrant agreements

Pursuant to warrant instruments dated 22 February 2010 and executed by the Company, the Company created warrants which give the right, conditional upon Admission, to subscribe for Ordinary Shares at the Placing Price. Pursuant to a Board resolution passed on 22 February 2010, the Board resolved to issue: (a) to Mirabaud and Shore Capital, conditional upon Admission, Warrants to subscribe for 1,843,400 Ordinary Shares to be exercised at any time between the date of issue and the date falling on the fifth anniversary of Admission; (b) to broker for Investor Subscription Letter, conditional on Admission, Warrants to subscribe for 15,000 Ordinary Shares to be exercised between the date of issue and the date falling on the fifth anniversary of Admission; (c) Warrant to subscribe for 11,980,337 Ordinary Shares to holders of Convertible Loan Notes on the basis of one Warrant for every Ordinary Share arising on Convertible Loan Notes, half of which will be exercisable between the date of conversion (i.e. the date of Admission), and the date falling on the third anniversary of Admission and half of which will be exercisable between the date of conversion (i.e. the date of Admission) and the date falling on the second anniversary of Admission; (d) Warrants to subscribe for 18,627,500 Ordinary Shares to Placees and to the Investor Subscription Letter on the basis of one Warrant for every two Placing Shares (or Subscription Shares subscribed for in the case of the Investor under the Investor Subscription Letter) exercisable on or before the date falling on the second anniversary of Admission; and (e) Warrants to subscribe for 81,500 Ordinary Shares under or in connection with the Facility Letters to be exercised at any time between the date of issue and the date falling on the second anniversary of Admission.

Options

Conditional upon Admission to AIM it has been agreed to grant options to subscribe for 8,350,000 Ordinary Shares at the placing price within five years after the date of grant to the Directors, Management and others, with a proportion of certain of these options subject to performance milestones (see note 19).

Investor subscription

Pursuant to an investor subscription letter dated 10 February 2010 from the Company to Andrew Milne (the “**Investor**”) and a letter of confirmation dated 10 February 2010 from the Investor to the Company (together, the “**Investor Subscription Letter**”), the Company has agreed to issue, and the Investor has irrevocably agreed to subscribe for, 6,857,143 Ordinary Shares at a price of 17.5 pence per Ordinary Share (the “**Subscription**”). In addition, the Company has agreed to issue the Investor with 1 Warrant for every two ordinary Shares subscribed for pursuant to the Investor Subscription Letter.

The Company and the Investor have agreed that the Subscription shall be structured as follows:

- (a) on or prior to the date immediately preceding Admission, the Investor shall subscribe for, and make settlement in respect of the first tranche of the Subscription being, 300,000 Ordinary Shares (and the Investor will be issued with 150,000 Warrants); and
- (b) on or prior to the date which is 12 months following the date of Admission, the Investor shall subscribe for, and make settlement in respect of, the second tranche of the Subscription being a further 6,557,143 Ordinary Shares (“**Second Tranche Shares**”) (and the Investor shall be issued with 3,278,571 Warrants) of which the Investor must subscribe for, and make settlement in respect of, at least 1,500,000 Ordinary Shares (in respect of which the Investor will be issued with 750,000 Warrants) on or prior to the date which is 6 months from the date of Admission.

NOTES TO THE FINANCIAL STATEMENTS

continued

23. Post Balance Date Events continued

Subscription for Second Tranche Shares shall be by way of notice from the Investor to the Company specifying the number of Second Tranche Shares the Investor wishes to subscribe for (“**Subscription Notice**”). Each Subscription Notice must be for a minimum of 300,000 Second Tranche Shares (or, if less, the balance of the Second Tranche Shares the Investor is required to subscribe for under the Investor Subscription Letter).

The Subscription is conditional on Admission becoming effective on or before 26 February 2010 (or such later date as may be notified by the Company to the Investor not being later than 31 March 2010). The allotment and issue of the Second Tranche Shares will also be conditional on admission of such Second Tranche Shares to trading on AIM by no later than the date which is 10 days from the date of the relevant Subscription Notice.

The Company shall pay to the Investor’s broker commission of 5% of the aggregate value of gross monies raised under the Investor Subscription Letter at the Placing Price and, pursuant to a warrant instrument, grant Warrants to subscribe for such number of Ordinary Shares equivalent to 5% of the aggregate of the number of Subscription Shares to be issued under the Investor Subscription Letter.

The Investor Subscription Letter contains a number of warranties and representations given by the Investor to the Company in connection with the Subscription, including, without limitation, that the Investor can subscribe for Ordinary Shares in accordance with all applicable laws.

The Investor Subscription Letter is governed by English law and the Company and the Investor have agreed to submit to the non-exclusive jurisdiction of the English courts in respect of any disputes that may arise out of it.

Credit facilities

The three credit facility letters dated 22 February 2010 between the Company and respectively Michael Frayne, Anthony Samaha and Mirabaud Investment Management Limited, and referred to in the Company’s Placing and Admission to AIM document dated 23 February 2010, were terminated on 3 June 2010 following the completion of the £5 million placement to BioPalm announced in May 2010, in accordance with the terms of the three credit facility letters.

Placement to BioPalm Energy Limited

On 27 May 2010 the Company announced a subscription agreement with BioPalm Energy Limited, a subsidiary of Indian conglomerate The Siva Group, to raise £5 million, before expenses, by way of a placing of 33,333,333 ordinary shares at 15p.

24. Profit and Loss Account of the Parent Company

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Parent Company has not been separately presented in these accounts. The Parent Company loss for the year was £935,572 (2008: £1,367,036).

COMPANY INFORMATION



Directors	Michael Frayne (executive Chairman) Peter Bayliss (Managing Director) Geoff Brown (executive Plantations Director) Anthony Samaha (non-executive Director) Joseph Jaoudi (non-executive Director)
Company Secretary and Registered Office	Sprecher Grier Halberstam LLP John Bottomley One America Square Crosswall London EC3N 2SG
Nominated Adviser	Shore Capital and Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU
Joint Broker	Shore Capital Stockbrokers Limited The Corn Exchange Fenwick Street Liverpool L2 7RB
Joint Broker	Mirabaud Securities LLP 21 St James's Square London SW1Y 4JP
Auditors	Chapman Davis LLP 2 Chapel Court London SE1 1HH
Solicitors	Watson, Farley & Williams LLP 15 Appold Street London EC2A 2HB
Principal Bankers	HSBC Bank plc 39 Tottenham Court Road London W1T 2AR
Registrars	Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL



Equatorial Palm Oil plc

Registered Office:

One America Square

Crosswall

London EC3N 2SG

Trading Office:

94 Jermyn Street

London SW1Y 6JE

www.epoil.co.uk

Registered Number 05555087

DEVELOPING SUSTAINABLE
DEVELOPING SUSTAINABLE PALM OIL IN AFRICA
DEVELOPING SUSTAINABLE