



**TARGET COMPANY STATEMENT
by
NEW BRITAIN PALM OIL LIMITED**

**INFORMATION TO SHAREHOLDERS
IN RESPONSE TO TAKEOVER OFFER
BY KULIM (MALAYSIA) BERHAD**

**THE INDEPENDENT DIRECTORS UNANIMOUSLY
RECOMMEND THAT YOU**

REJECT

THE OFFER

This Target Company Statement has been issued by New Britain Palm Oil Limited in response to the partial takeover bid made by Kulim (Malaysia) Berhad to acquire up to 30,009,621 shares in New Britain Palm Oil Limited.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in doubt as to how to deal with this document you should consult your broker, financial or other professional adviser immediately.

IMPORTANT INFORMATION

The Independent Directors of NBPOL recommend that the Offer be REJECTED. To reject the Offer, you should do nothing and not take any action in relation to documents sent to you by Kulim.

Target Company Statement

This Target Company Statement is dated 6 August 2013 and is given by New Britain Palm Oil Limited (**NBPOL**) under rule 22(5) of the *Takeovers Code 1998* (PNG) (the **Takeovers Code**). It is given in response to the Offer Document dated 23 July 2013 prepared by Kulim (Malaysia) Berhad (**Kulim**) (the **Offer Document**) and relates to the Offer made by Kulim to acquire up to 30,009,621 NBPOL Shares that Kulim does not already own.

A number of defined terms are used in this Target Company Statement. These terms are defined in section 6.1 of this document.

Investment decisions

This document does not take into account the investment objectives, financial situation or particular needs of any person. Before making any investment decision on the basis of this document you should consider whether that decision is appropriate in the light of those factors and seek independent financial and taxation advice if necessary.

Disclaimer regarding forward looking statements

This document contains forward looking statements, including statements of current intentions, statements of opinion and predictions as to possible future events.

Forward looking statements are not based on historical facts, but are based on NBPOL's current expectations of future results or events. These forward looking statements are subject to known and unknown risks, uncertainties and assumptions which could cause actual results or events to differ materially from the expectations described in such forward looking statements. Those risks, uncertainties, assumptions and other important factors are not all within the control of NBPOL and cannot be predicted by NBPOL. While NBPOL believes that the expectations reflected in the forward looking statements in this document are reasonable, no assurance can be given that such expectations will prove to be correct. Matters as yet not known to NBPOL or not currently considered material by NBPOL, may cause actual results or events to be materially different from those expressed, implied or projected in any forward looking statements.

None of NBPOL, its officers, any persons named in this document with their consent or any person involved in the preparation of this document makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward looking statement or any outcomes expressed or implied in any forward looking statements. Any forward looking statement contained in this document is qualified by this cautionary statement.

Subject to any continuing obligations under the laws of PNG, the UK Listing Rules or the PNG Listing Rules, NBPOL and its officers disclaim any obligation or undertaking to disseminate after the date of this document any updates or revisions to any forward looking statements to reflect any change in expectations in relation to any forward looking statements or any change in events, conditions or circumstances on which such statements are based.

Notice to Foreign Shareholders

The distribution of this document may, in some jurisdictions, be restricted by law or regulation. Accordingly, persons who come into possession of this document should inform themselves of, and observe, those restrictions.

Copy of the Target Company Statement and the Independent Adviser's Report

You may request a hard copy of this Target Company Statement or the full Independent Adviser's Report by contacting:

UK

Capita Registrars

The Registry
34, Beckenham Road
Beckenham
Kent England
Tel: +44 (0) 20 8639 2488

PNG

PNG Registries Limited

Level 2, Aon House
Macgregor Street
Port Moresby
Papua New Guinea
Tel: +675 321 6377

Copies of this Target Company Statement are also available on NBPOL's website
<http://www.nbpol.com.pg>.

6 August 2013

Dear NBPOL Shareholders

On 2 July 2013, New Britain Palm Oil Limited (**NBPOL**) received a Takeover Notice from Kulim (Malaysia) Berhad (**Kulim**) in relation to its intention to make a partial takeover offer (the **Offer**) to acquire up to 30,009,621 NBPOL Shares. Kulim has subsequently dispatched the Offer to NBPOL Shareholders, which is priced at GBP 5.50 or PGK 19.36 cash per NBPOL Share. The Offer will be open until 5.00 pm (PNG time) or 1.00 pm (UK time) on 28 August 2013, but may be extended in accordance with the *Takeovers Code*. If the Offer is fully successful, Kulim's total shareholding in NBPOL will increase from the current 48.97% to 68.97%.

1. Independent Board Committee

For the purpose of evaluating and responding to the Offer, the Board of NBPOL established an Independent Board Committee. The Independent Board Committee is solely responsible for assessing the merits of the Offer and preparing this Target Company Statement. The committee is comprised of Directors who are independent of Kulim, being Antonio Monteiro de Castro, Sir Joseph Tauvasa, Nicholas Thompson, Sir Brown Bai and Alan Chaytor.

Dato' Kamaruzzaman Abu Kassim and Ahamad Mohamad are Directors of NBPOL who are also directors in Kulim and, for that reason, have absented themselves from any deliberations with respect to any matters in relation to the Offer. Neither of these Directors will make a recommendation in respect of the Offer and neither of these Directors has approved this Target Company Statement.

2. Independent Adviser's Report on the merits of the Offer

As required by the Takeovers Code, an independent report on the merits of the Offer has been prepared by BDO. A summary of the Independent Adviser's Report is contained in section 9 of this Target Company Statement. A copy of the full Independent Adviser's Report is available on request from the Company.

THE INDEPENDENT ADVISER HAS CONCLUDED THAT, IN THEIR VIEW, THE OFFER IS NEITHER FAIR NOR REASONABLE.

3. Independent Directors' recommendation in relation to the Offer

In assessing the merits of the Offer, the Independent Directors of NBPOL have assessed the level of cash consideration (with the assistance of the Independent Adviser's Report) and the other terms and conditions of the Offer, including the overall conditionality of the Offer and the stated future intentions of Kulim. They have also taken into account the partial nature of the Offer, its potential to materially reduce liquidity in trading in NBPOL Shares and the following positive and negative aspects of the Offer.

Positive aspects of the Offer:

- *Premium to current market price:* The Offer provides NBPOL Shareholders an opportunity to dispose of at least some of their holdings at a premium to the current market price for NBPOL Shares.
- *Liquidity opportunity:* The Offer presents an opportunity for NBPOL Shareholders to sell at least some of their holdings at a time when trading in NBPOL Shares has been relatively illiquid when compared to other listed companies of a similar market capitalisation.
- *Highlights market undervalue:* The market value of the NBPOL Shares over the past 12 months has been well below the level the Independent Directors consider to be fair value. The Offer may improve market sentiment towards the NBPOL Shares by demonstrating that the Company's major shareholder is supportive of its future growth prospects.

Negative aspects of the Offer:

- *Offer not fair or reasonable:* The Offer is neither fair nor reasonable according to the Independent Adviser.
- *Offer Consideration:* The Offer Consideration significantly undervalues NBPOL Shares. It is more than 15% below the low end of the fair market value range for NBPOL Shares as determined by the Independent Adviser.
- *Partial offer:* Depending on the level of total acceptances of the Offer, an acceptance by a NBPOL Shareholder in respect of more than 39.19% of their shareholding may be scaled back, which means NBPOL Shareholders who wish to take this opportunity to exit their investment in NBPOL can have no certainty that they will be able to do so entirely.
- *Reduced liquidity:* Acceptance of the Offer may materially reduce the trading liquidity in NBPOL Shares due to the reduction of the free float. In this event NBPOL Shares will be less attractive to investors, potentially resulting in a lower value for NBPOL Shares that are not sold into the Offer.
- *Future growth:* Accepting Kulim's Offer would deprive NBPOL Shareholders of exposure to NBPOL's growth opportunities, including benefits from any future price increases in palm oil above the recent historical lows.
- *Risk of delisting from LSE:* If the Offer is fully accepted, NBPOL may not satisfy the listing requirements which may result in it being delisted from the London Stock Exchange (**LSE**).
- *Relationship Agreement:* If NBPOL is delisted from the LSE, the Relationship Agreement with Kulim will be automatically terminated and the minority NBPOL Shareholders will cease to have the benefit of the Relationship Agreement.
- *Conditionality of the Offer:* The Offer is subject to several conditions which, if not satisfied or waived, would effectively allow Kulim to withdraw the Offer.
- *Potential changes to NBPOL's operations post-Offer:* A number of significant changes may be made to NBPOL and its business following the Offer, including changes to its business strategy, a reduction in employee numbers and increased Board representation of Kulim. Kulim has not ruled out making such changes in the future.

RECOMMENDATION

The Independent Directors of NBPOL are of the view that the negative aspects of the Offer far outweigh any advantages which the Offer provides. Accordingly, **THE INDEPENDENT DIRECTORS OF NBPOL RECOMMEND THAT THE OFFER BE REJECTED**. To reject the Offer, you should do nothing and not take any action in relation to documents sent to you by Kulim.

Each Director of NBPOL intends to REJECT the Offer in relation to those NBPOL Shares held by them or in which they have a relevant interest.

If you are in any doubt as to how to act, it is recommended that you seek independent advice as soon as practicable.

Yours faithfully

A handwritten signature in black ink, appearing to read "Antonio Monteiro de Castro". The signature is fluid and cursive, with a prominent initial "A" and a long, sweeping tail.

Antonio Monteiro de Castro
CHAIRMAN

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1. RECOMMENDATION IN RELATION TO OFFER

The Independent Directors of NBPOL unanimously recommend that NBPOL Shareholders REJECT THE OFFER.

Dato' Kamaruzzaman Abu Kassim and Ahamad Mohamad are also directors of Kulim and, for that reason, have absented themselves from Board deliberations in relation to the Offer and will not make any recommendation in respect of the Offer.

The Independent Directors of NBPOL unanimously recommend that NBPOL Shareholders reject the Offer for the following reasons:

1	NOT FAIR OR REASONABLE	<p>Kulim's Offer is not fair and not reasonable according to the Independent Adviser and significantly undervalues your NBPOL Shares.</p> <p>The Independent Adviser has assessed that the fair market value of an NBPOL Share is in the range of GBP 6.50 to GBP 7.00 or PGK 22.04 to PGK 23.74.</p>
2	PARTIAL OFFER ONLY	<p>Kulim's Offer is a partial offer, and any acceptance in respect of more than 39.19% of your NBPOL Shares may be scaled back. Any NBPOL Shares you continue to hold after the Offer will be adversely affected by the reduced liquidity in NBPOL Shares. This may potentially reduce the value of any NBPOL Shares not disposed of as part of the Offer.</p>
3	FUTURE GROWTH	<p>Accepting Kulim's Offer would deprive you of exposure to NBPOL's growth opportunities, including the benefit arising from any future price increases in palm oil above recent historical lows.</p>
4	DELISTING RISK	<p>If the Offer is fully accepted, NBPOL may not satisfy the free float requirements which may result in it being delisted from the LSE Main Market.</p> <p>This would have an adverse impact on the future liquidity and share price of any remaining NBPOL Shares you hold.</p>
5	CONDITIONAL OFFER	<p>The Offer is subject to several conditions which, if not satisfied or waived, would effectively allow Kulim to withdraw the Offer.</p>
6	RELATIONSHIP AGREEMENT	<p>If NBPOL is delisted from LSE, the Relationship Agreement will be automatically terminated and the NBPOL Shareholders other than Kulim will cease to have the benefit of the Relationship Agreement.</p>
7	CHANGES TO NBPOL	<p>A number of significant changes may be made to NBPOL and its business following the Offer, including changes to its business strategy, the management team and/or the NBPOL Board. Kulim has not ruled out making such changes in the future.</p>

REASON 1 - The Offer is neither fair nor reasonable

The Offer Consideration is not fair

The Independent Adviser has estimated the fair market value of an NBPOL Share to be in a range between GBP 6.50 to GBP 7.00 or PGK 22.04 to PGK 23.74.

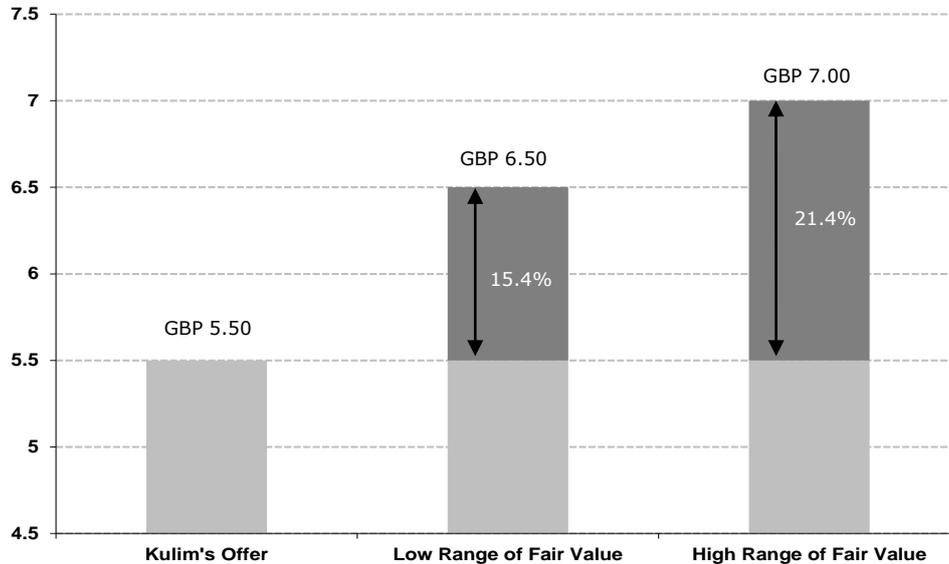


Fig 1 – Fair market value of each NBPOL Share (in GBP)
 Source: Independent Adviser's Report

The Independent Adviser has concluded that the Offer is **NOT FAIR**.

The valuation is based on the discounted cash flow method, which is considered by the Independent Adviser as the most appropriate methodology to arrive at the fair market value of an NBPOL Share. The discounted cash flow is calculated based on a long term Crude Palm Oil (**CPO**) price of USD 1,000 to 1,200 per tonne, having regard to market expectations and discussions with NBPOL management regarding the industry's expectations of long term prices.

Kulim's Offer is 15.4% below the low range and 21.4% below the high range of the Independent Adviser's valuation.

Based on the Independent Adviser's Report, your Independent Directors unanimously believe that Kulim's Offer significantly undervalues your NBPOL Shares.

The Offer is not reasonable

In assessing whether the Offer is reasonable, the Independent Adviser considered the likely advantages and disadvantages to NBPOL Shareholders of accepting the Offer as set out below:

Advantages of the Offer	Disadvantages of the Offer
<ul style="list-style-type: none"> • The Offer provides NBPOL Shareholders with an opportunity to realise a premium over the current share price. • Accepting the Offer reduces shareholder exposure to the equity market. 	<ul style="list-style-type: none"> • The Offer Consideration of GBP 5.50 or PGK 19.36 is not fair. • Disposing NBPOL Shareholders will not be able to benefit from any future price increases in palm oil. • Depending on the acceptance level under the Offer, any valid acceptance by an NBPOL Shareholder in respect of more than 39.19% of its shareholding may be scaled back. A partial offer would potentially reduce the value of any NBPOL Shares not disposed of as part of the Offer. • If the Offer is successful, the remaining NBPOL Shares may be impacted by reduced liquidity. This may also have a negative impact on the future share price and reduce the value of the remaining shareholdings. • UK Listing Rules require that at least 25% of a company's shares are in public hands. If the Offer is fully accepted, NBPOL may not satisfy these requirements which may result in it being delisted from the LSE Main Market.

In the opinion of the Independent Adviser, the advantages of the Offer are not sufficient to outweigh the disadvantages. Therefore the Independent Adviser concluded that the Offer is **NOT REASONABLE**.

NBPOL Shareholders are urged to read the full summary of the Independent Adviser's Report attached in section 8 of this Target Company Statement for a description of the methodology and assumptions used by the Independent Adviser in its report.

A full copy of the Independent Adviser's Report is available on request from NBPOL.

REASON 2 - The Offer is a partial offer only

Kulim's Offer is a partial offer to acquire up to 30,009,621 NBPOL Shares. You may accept the Offer for some or all of your NBPOL Shares. However, if there are acceptances for more than 30,009,621 NBPOL Shares, any acceptance by you in respect of more than 39.19% of your NBPOL Shares may be scaled back in accordance with section 16 of the Offer Document.

The table below provides a simplified illustration on how the scale back may affect your acceptance under the Offer:

	Assuming 20% of the remaining Shares accept into the Offer	Assuming 50% of the remaining Shares accept into the Offer	Assuming all remaining Shares accept into the Offer
Your current Shareholding	50,000	50,000	50,000
Maximum shares able to be validly accepted into the Offer	50,000 (100%)	44,597 (89.2%)	19,597 (39.2%)
Shares you will hold after scale back	0 (0%)	5,403 (10.8%)	30,403 (60.8%)

As illustrated above, under the partial offer from Kulim, you may be required to retain up to 60.8% of your existing shareholding of NBPOL Shares after you have accepted into the Offer. The actual number of NBPOL Shares that will be scaled back will be calculated in accordance with rule 12 of the Takeovers Code, and will depend on a number of factors all of which are outside NBPOL's or your control.

Reduced liquidity

If successful, the Offer will result in a reduction in the number of free floating NBPOL Shares, which will reduce the liquidity for any NBPOL Shares that you continue to hold after completion of the Offer. Kulim conceded in section 3.3 of the Offer Document that "...if the Offer is successful, there will be less free floating NBPOL Shares or Depository Interests traded on LSE and POMSx. This may result in the remaining NBPOL Shares held by Offerees having reduced liquidity."

The reduced liquidity may increase your risk as a minority NBPOL Shareholder as it may significantly restrict your ability to execute trades in NBPOL Shares on a timely basis and at your preferred price level.

Reduced future price

As noted in the Independent Adviser's Report, the reduced liquidity of NBPOL Shares may have a negative impact on the future price of the remaining NBPOL Shares. This would adversely affect the overall return you receive in respect of your NBPOL Shares.

REASON 3 – NBPOL has excellent future prospects

The Independent Directors do not consider that the Offer adequately reflects NBPOL's strong asset base and future growth potential.

NBPOL is one of the largest industrial producers of sustainable palm oil with over 78,000 hectares of planted oil palm plantations, a further 10,000 hectares under preparation for oil palm, twelve oil mills, two refineries, as well as a seed production and plant breeding facility. In 2012, NBPOL processed 2,273,081 tonnes of fresh fruit bunches, which resulted in total palm oil production of 545,207 tonnes of crude palm oil (crude palm oil and palm kernel oil).

As the majority of NBPOL's income is derived from production of crude palm oil and palm kernel oil, the value of NBPOL Shares is highly sensitive to world CPO prices. The Independent Directors consider the Offer has been opportunistically timed to take advantage of a temporary low point in the CPO market over the past 3 years as shown in the graph below:

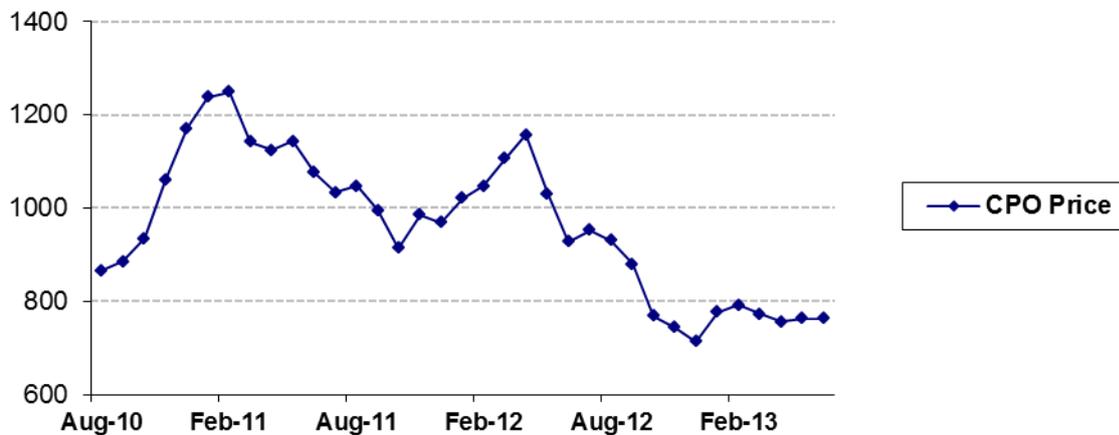


Fig 2 – Crude Palm Oil price per tonne (in USD)
Source: World Bank

The weakness of CPO prices in 2013 has been attributed to multiple factors, including strong oilseeds production and sluggish demand, resulting in high inventories at both producer and consumer ends. The longer term outlook for CPO pricing is positive. Palm oil consumption is increasing and price competitiveness in relation to other edible oils should support demand growth, particularly in the middle and low income emerging economies.

The Independent Adviser's Report estimated that CPO price should increase to around USD1,100 by 2021. The Independent Directors are of the strong view that NBPOL is well placed to execute its business strategy to further enhance the Company's asset base and unlock the significant upside value if the CPO price recovers from recent historical lows.

If you accept Kulim's Offer, you will no longer be able to benefit from any future CPO price increases above recent historical lows.

REASON 4 – Potential delisting from London Stock Exchange

Under UK Listing Rules 6.1.19 and 9.2.15, the requirement for continued listing on the Official List of the UKLA is that at least 25% of the shares in the Company must be in public hands in one or more European Economic Area (**EEA**) states or in PNG.

In order to assess the potential delisting risk, the Company has engaged its corporate broker, Liberum Capital Limited (**Liberum Capital**), to conduct a free float analysis of the potential effect of Kulim's Offer. Liberum Capital is of the view that, if the Offer is fully accepted, NBPOL will be unlikely to be able to meet the 25% free float requirement under the UK Listing Rules which would likely result in the cancellation of NBPOL Shares from being listed on the Official List of the UKLA and from trading on the Main Market of the LSE.

There are certain actions which NBPOL may be able to take pursuant to the UK Listing Rules in order to mitigate the effects of a reduced free float. These possible actions include:

- requesting that the UKLA accept a lower free float percentage than 25% (UK Listing Rule 6.1.20); or
- requesting that the UKLA permit NBPOL to have a reasonable amount of time to restore the free float back over 25% (UK Listing Rule 5.2.2(2)).

The mitigating actions would require formal approval from the UKLA and, for the avoidance of doubt, such approvals have not been requested by NBPOL and there can be no guarantee that they will be either requested or granted. In the absence of such mitigating actions or such approval from the UKLA, the delisting will result in NBPOL Shares only having a public stock exchange listing on POMSx.

Implications of delisting from LSE

There are a number of adverse implications which may arise from the delisting of NBPOL Shares on the LSE, some of which are discussed below:

- a) **Inability to trade on the LSE:** If NBPOL is delisted from the LSE, this will restrict the ability of NBPOL Shareholders to realise their holdings in the Company in the future, in particular the price which NBPOL Shareholders may realise for their NBPOL Shares and when they are able to do so. NBPOL Shares will continue to be traded on POMSx and will remain freely transferable, but the trading volume in these NBPOL Shares listed on POMSx is likely to be significantly smaller compared to the trading volume on the LSE.
- b) **Absence of UK statutory protections:** NBPOL Shareholders will cease to have the protection of certain statutory regimes solely applicable to LSE listed companies, although the Company will continue to be listed on POMSx and be subject to the laws of PNG and the PNG Listing Rules.

Some examples of the major differences between the regulatory regime for listed companies in UK and PNG include:

Periodic disclosures	<p>The UK DTRs require an LSE listed company to disclose:</p> <ul style="list-style-type: none"> • at the end of each calendar month in which an increase or decrease in its voting rights has occurred, the total number of its voting rights and capital in respect of each class of its shares and the total number of voting rights attaching to shares held in its treasury; and • a list of persons working for them who have access to price-sensitive information, whether on a regular or occasional basis. An insider list must be kept for at least five years and must contain prescribed
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	<p>information, and if requested must be disclosed to FCA of UK as soon as possible.</p> <p>Under the PNG Listing Rules, there is no specific disclosure requirement similar to the above for POMSoX listed companies.</p>
<p>Corporate governance</p>	<p>Under the UK Listing Rules, an LSE listed company must include in its annual report and accounts a statement as to how it has applied the main principles of the UK Corporate Governance Code, or explain the reasons for any non-compliance. The UK Corporate Governance Code contains detailed recommendations for LSE listed companies, including:</p> <ul style="list-style-type: none"> • at least half of the board should comprise independent and non-executive directors, and a majority of the members of nomination committee should be non-executive directors; • the board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors; and • specific recommendations regarding the level of remuneration of directors, and contract periods and compensation for early termination of directors' service contracts. <p>In comparison, the PNG Listing Rules only contain an indicative list of corporate governance matters that a POMSoX listed company may, but is not required to, take into account when preparing an annual report. Further, there is no PNG equivalent of the UK Corporate Governance Code.</p>

- c) **More restricted access to future capital:** Certain international institutional investors may not be able to invest in NBPOL in the future if the Company is delisted from the LSE, due to restrictions in their investment mandate. This will further reduce the market for NBPOL Shares, and also make it significantly more difficult for the Company to obtain additional capital and to pursue business opportunities going forward.

REASON 5 – Conditional Offer

Kulim's Offer is subject to a number of material conditions which reduce the likelihood of the Offer being successful.

Even if you accept Kulim's Offer, the Offer may not be successful and you will not receive the Offer Consideration unless and until all conditions of the Offer are satisfied or waived.

If you accept the Offer, you will not be able to withdraw your acceptance until the Offer Period expires (if the conditions to the Offer are not satisfied or waived), meaning that you would not be able to sell or otherwise deal with your NBPOL Shares on the LSE or POMSoX during that period.

One of the conditions of the Offer is that there must be no occurrence of anything during the Offer period that has or is likely to have a "material adverse effect" on the Company. The definition of "material adverse effect" contains very low thresholds, including a US\$2.8m reduction in the value of NBPOL's consolidated net assets. Based on the net assets reported in the 2012 Annual Report, the NBPOL Group had approximately US\$983m in net assets as at 31 December 2013, and therefore a reduction of 0.28% in the value of its net assets would result in a breach of this condition.

The Directors will continue to act in what they believe to be the best interests of NBPOL as a whole over the Offer Period. Given the conditionality of the Offer, there may be breaches of one or more conditions of the Offer which arise as a result of the Company carrying on its business in the ordinary course.

A detailed analysis of this and the other conditions of the Offer is set out in section 3.3.

REASON 6 – Relationship Agreement with Kulim

If the Offer is largely successful and NBPOL is subsequently delisted from the LSE, the existing Relationship Agreement between NBPOL and Kulim will automatically terminate. This will result in a number of material changes to the corporate governance of NBPOL, including that there will no longer be requirements that:

- Kulim procure that a majority of the NBPOL Board is comprised of independent directors;
- Kulim conduct all transactions and relationships with any member of the NBPOL Group on arm's length terms and on a normal commercial basis; and
- no transactions, arrangements or agreements with Kulim or any of its associated entities be entered into, amended or terminated without the prior approval of a majority of the independent directors of NBPOL.

The Independent Directors are of the view that the requirement for Kulim to conduct all transactions and relationships on arm's length terms and on a normal commercial basis is an important foundation of NBPOL's business and a key protection for NBPOL Shareholders other than Kulim.

REASON 7 – Uncertain changes to NBPOL's operations

If the Offer is successful, Kulim will increase its voting power in NBPOL from the current 48.97% to 68.97%. This will give Kulim the ability not only to control the passing of ordinary resolutions at general meetings, but also a substantially enhanced ability to pass special resolutions to effect major changes to the Company, including:

- altering or revoking the Company's constitution;
- approving a major transaction, which means acquisition or disposal of assets the value of which is more than half the value of the assets of the Company before the acquisition or disposal, or a transaction which has or is likely to have the effect of the Company acquiring rights or interests or incurring obligations or liabilities the value of which is more than half the value of the assets of the Company before the transaction, but excluding granting floating charges or transactions entered into by a receiver;
- amalgamating the Company;
- winding up the Company;
- voluntarily delisting the Company from the LSE; and
- making certain changes to the capital and pre-emptive rights under the Company's constitution.

With this greater voting power, there is a real risk that Kulim may in the near or more distant future implement a number of significant changes to NBPOL and its business, including changes to the business strategy, the management team and/or the NBPOL Board. Kulim has not ruled out making such changes in the future in its Offer Document.

Key personnel

The Offer Document leaves open whether Kulim will seek to change any of the Directors if the Offer is successful. The departure of key people (such as Alan Chaytor or Nicolas Thompson) would have an adverse impact on the future performance of NBPOL and the value of NBPOL Shares.

2. YOUR CHOICES

The Independent Directors recommend that you REJECT the Offer. However, as an NBPOL Shareholder, you have three choices available to you:

2.1. Reject the Offer

If you do not wish to accept the Offer or sell your NBPOL Shares on market, you should **DO NOTHING**.

If you do not wish to accept the Offer, do not take any action in relation to the documents sent to you by Kulim.

2.2. Accept the Offer

If you accept the Offer, you:

- a. will not receive the Offer Consideration unless and until each of the conditions of the Offer is satisfied or waived;
- b. will not be able to withdraw your acceptance unless the Offer Consideration is not paid before the time specified in paragraph 3.2.3.2.f below, meaning that you would not be able to sell your NBPOL Shares on the LSE or POMSx during the Offer Period;
- c. may be liable for certain taxes on disposal of your NBPOL Shares which may have financial consequences for you.

If you wish to accept the Offer, you should refer to the Offer Document for instructions on how to do so.

2.3. Sell your shares on market

You can still sell your NBPOL Shares on market for cash during the Offer Period if you have not already accepted the Offer.

If you sell your NBPOL Shares on market, you:

- a. will lose your exposure to potential future growth of NBPOL;
- b. may be liable for certain taxes or brokerage costs; and
- c. will not receive the benefits of any potential higher offer from Kulim or higher competing offer (if any).

NBPOL Shareholders who wish to sell their NBPOL Shares on market should contact their brokers.

Your Independent Directors encourage you to seek independent financial and taxation advice before making a decision whether or not to accept the Offer from Kulim.

3. THE OFFER

3.1. Background to the Offer

As a PNG incorporated company, NBPOL is subject to the provisions of the Takeovers Code. The City Code on Takeovers and Mergers of the United Kingdom does not apply to NBPOL.

The Securities Commission of Papua New Guinea is the regulatory body responsible for the supervision of the Offer and enforcement of the Takeovers Code and the Securities Act 1997 of PNG in relation to the Offer.

Kulim has been NBPOL's major shareholder since 1996 when it acquired 90% of NBPOL's issued share capital. Since that time it has progressively reduced its stake in NBPOL. Upon the listing of NBPOL on the LSE Main Market in 2007, Kulim's holding in NBPOL decreased from 61.24% to 50.68%.

Kulim's stake in NBPOL was further reduced during 2012 following the issue of 5,048,104 new ordinary shares by NBPOL as consideration for the acquisition of minority shareholdings in Kula Palm Oil Limited (refer to NBPOL LSE announcements dated 9 January, 25 April and 18 May 2012). Kulim currently holds 48.97% of NBPOL Shares.

In accordance with the Takeovers Code, a shareholder with a relevant interest in more than 20% but less than 50% of the voting shares in a Takeovers Code company (such as NBPOL) is prohibited from increasing its percentage ownership except pursuant to a full or partial takeover offer made in compliance with the Takeovers Code (unless an exemption applies). The Takeovers Code permits such a shareholder to make a partial offer for less than all of the shares of that company. However, a partial offer must be:

- conditional on the offeror acquiring (together with its existing interests) at least 50% of the target company;
- made to all shareholders of the target company; and
- made for a specified percentage of the shares in the target company in which the offeror does not have a relevant interest.

3.2. Summary of the Offer

a. Partial offer

The Offer is a partial offer to acquire up to 30,009,621 NBPOL Shares, representing 20% of the issued ordinary share capital of NBPOL.

If you accept the Offer in respect of more than 39.19% of your NBPOL Shares, your acceptance may be scaled back in accordance with section 16 of the Offer Document. This means Kulim will only take up 39.19% of your NBPOL Shares, unless other NBPOL Shareholders do not accept the Offer or accept for less than 39.19% of their NBPOL Shares.

b. Consideration

The consideration being offered by Kulim is GBP 5.50 or PGK 19.36 for each of your NBPOL Shares accepted into the Offer. You may elect to receive GBP or PGK but not both.

c. Offer Period

The Offer is open for acceptance from 23 July 2013 until 5.00 pm (PNG time) or 1.00 pm (UK time) on 28 August 2013, unless it is extended or withdrawn.

d. Effect of acceptance

If you accept the Offer:

- you will be unable to accept any higher takeover bid that may be made by a third party or any alternative transaction that may be recommended by the Board;
- you will relinquish control of your NBPOL Shares to Kulim that are the subject of a valid acceptance but will have no guarantee of payment until the Offer becomes unconditional; and
- you will be unable to sell your NBPOL Shares on the LSE or POMSoX.

The effects of acceptance are set out in detail in section 12.1 of the Offer Document. Section 12.1 of the Offer Document describes the rights attached to your NBPOL Shares that you will be giving up, the representations and warranties that you will be making and the irrevocable authorities and appointments that you will be giving Kulim if you accept the Offer. Please note that the Directors do not take any responsibility for the contents of the Offer Document and are not endorsing any of the statements contained in it.

e. Limited rights to withdraw your acceptance

Once you have accepted the Offer, you will not be able to withdraw your acceptance unless the Offer Consideration is not paid before the time specified in paragraph f below. If the conditions of the Offer are not satisfied or waived by the end of the Offer Period (which may be extended with the consent of the Securities Commission of Papua New Guinea), the Offer will lapse and the NBPOL Shares will be returned to you.

f. Timing of payment

If you accept the Offer in accordance with the instructions contained in the Offer Document, Kulim has stated it will pay the consideration for your NBPOL Shares to you by no later than 7 days after the later of the date the Offer becomes unconditional and the end of the Offer Period.

3.3. Offer Conditions

The Offer is subject to a large number of conditions. The full terms of the conditions are set out in section 11.1 of the Offer Document.

As at the date of this Target Company Statement, Kulim has not announced that any of the conditions of the Offer have been satisfied or waived. Set out below is a summary of the key conditions to the Offer (using the terms defined in section 11.1 of the Offer Document) and NBPOL's assessment as to whether these conditions will be met. The satisfaction of most of these conditions is outside NBPOL's control.

NBPOL Shareholders should be aware that even if the conditions of the Offer are not satisfied, they may be waived by Kulim. If a condition is unsatisfied and has not been waived by no later than 7 days after the end of the Offer Period (excluding any extension by Kulim in accordance with the Takeovers Code), the Offer will automatically terminate and NBPOL Shares will be returned to NBPOL Shareholders who accepted into the Offer.

- **Minimum acceptance**

Before the end of the Offer Period, the Offeror receiving valid acceptances under the Offer which, when taken together with the voting shares in NBPOL in which the Offeror has a relevant interest as at the date of this Offer, carry more than 50% of the voting rights in NBPOL.

This condition is a matter for NBPOL Shareholders and is outside NBPOL's control.

Kulim will not be able to waive the minimum acceptance condition, unless it has approval from the other NBPOL Shareholders as required under rule 7(2)(b) of the Takeovers Code.

- **Maximum take-up**

The Offeror is not obliged to acquire more than 30,009,621 NBPOL Shares pursuant to this Offer.

Where Kulim receives valid acceptances in respect of more than 30,009,621 NBPOL Shares, Kulim will take up from each accepting NBPOL Shareholder the lesser of:

- the number of the relevant NBPOL Shares which represents 39.19% of NBPOL Shares held or controlled by them; or
- the number of NBPOL Shares in respect of which the NBPOL Shareholders accepted the Offer.

Further information about the scale back is set out in section 16 of the Offer Document.

Depending on the level of acceptance among NBPOL Shareholders under the Offer, there is a real risk that not all of your NBPOL Shares will be accepted into the Offer and you will retain a smaller minority shareholding in NBPOL after completion of the Offer.

- **No material adverse change**

There having not (a) occurred, been announced or become known to the Offeror (whether or not public) at any time on or before 5.00 p.m. (PNG time) on 28 August 2013, any event, change or condition which has had or is reasonably likely to have, a Material Adverse Effect (except for any event, change or condition that may arise as a direct consequence of the announcement or consummation of the Offer), and (b) become known to the Offeror at any time on or before the end of the Offer Period, that information publicly filed by NBPOL or any of its subsidiaries, is or is reasonably likely to be, materially incomplete, incorrect, untrue or misleading.

"Material Adverse Effect" means any decrease in (a) the consolidated net assets of NBPOL by at least US\$2.8 million; or (b) the consolidated profit after tax of NBPOL by US\$2.8 million or more in 2013.

This condition is drafted very broadly and the determination of a material adverse change may be susceptible to different interpretations.

The definition of "Material Adverse Effect" also contains relatively low thresholds, especially for the reduction in the value of consolidated net assets. Based on the net assets reported in the NBPOL 2012 Annual Report, the NBPOL Group had approximately US\$983m in net assets as at 31 December 2012, and therefore a

drop of 0.28% in the value of the net assets of the NBPOL Group would result in a breach of this condition.

Matters which may result in a small decrease in the net assets of the NBPOL Group include, without limitation, a decrease in working capital, an increase in trade debt, an increase in tax liabilities, or a decrease in the value of certain derivative instruments used by NBPOL for hedging purposes.

The Directors will continue to act in what they believe to be the best interests of NBPOL as a whole over the Offer Period. Given the low thresholds of this condition, there may be breaches of this condition which arise as a result of NBPOL carrying on its business in the ordinary course. Accordingly, this condition may not be satisfied.

- **Prescribed occurrences**

None of the following events occurring at any time on or before the end of the Offer Period:

- (A) NBPOL converting all or any of its shares into a larger or smaller number of shares;
- (B) NBPOL, or any subsidiary of NBPOL, resolving to reduce its share capital in any way;
- (C) NBPOL, or any subsidiary of NBPOL, entering into a buy-back agreement or resolving to approve the terms of a buy-back agreement;
- (D) NBPOL, or any subsidiary of NBPOL, issuing shares or granting an option over any of its shares, or agreeing to make such an issue or grant such an option;
- (E) NBPOL, or any subsidiary of NBPOL, issuing, or agreeing to issue, convertible notes;
- (F) NBPOL, or any subsidiary of NBPOL, disposing, or agreeing to dispose, of the whole, or a substantial part, of its business, or property;
- (G) NBPOL, or any subsidiary of NBPOL, charging, or agreeing to charge, the whole or a substantial part, of its business or property;
- (H) NBPOL, or any subsidiary of NBPOL, suffering an Insolvency Event;
- (I) the making or acceptance of this Offer being enjoined, restrained or injuncted by any court of competent jurisdiction; and
- (J) NBPOL recommending, declaring, paying, making or proposing to recommend, declare, pay or make any bonus, dividend or other distribution other than dividends lawfully paid or made by any wholly owned subsidiary of NBPOL to NBPOL or any of its wholly owned subsidiaries.

As at the date of this Target Company Statement, the Company does not intend to declare any special dividends or do anything that is out of the ordinary course of business. However, the Company has historically declared an interim dividend during the third quarter. The NBPOL Board will make a decision on whether to declare an interim dividend for the 6 months ended 30 June 2013, or take any other corporate action, having regard to the best interest of the Company and the NBPOL Shareholders. If an interim dividend is declared during the Offer Period, this will breach one of the conditions of the Offer. It will then be a matter for Kulim

as to whether it waives the condition in respect of such interim dividend or uses that breach to withdraw the Offer.

- **Orders of courts, governmental authorities or agencies**

<p>There is not in effect a preliminary or final order or decree issued by, or other action taken by, any court, government or governmental authority or agency, restraining or prohibiting or threatening to restrain or prohibit the Offer, or any contract made on acceptance of the Offer, or in any way or seeking to require the divestiture of any shares in or assets of NBPOL or the Offeror.</p>
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Nothing has come to the attention of the Board which indicates that this condition will not be satisfied. However, unforeseen events may arise during the Offer Period which are wholly or partially outside of NBPOL's control and which may lead to a breach of this condition.

4. BACKGROUND OF NBPOL

4.1. Background and history

Founded in 1967, NBPOL is a large scale integrated industrial producer of sustainable palm oil in PNG and Solomon Islands. It has over 78,000 hectares of planted oil palm estates, over 7,700 hectares of sugar cane and a further 9,200 hectares of grazing pasture; twelve oil mills; two refineries, one in PNG, and one in Liverpool, UK; and a seed production and plant breeding facility.

NBPOL is fully vertically integrated, producing its own seed (which it also sells globally), planting, cultivating and harvesting its own land, and processing and refining palm oil (both in PNG and the UK). It also contracts directly with its end customers in the EU and arranges shipping of its products.

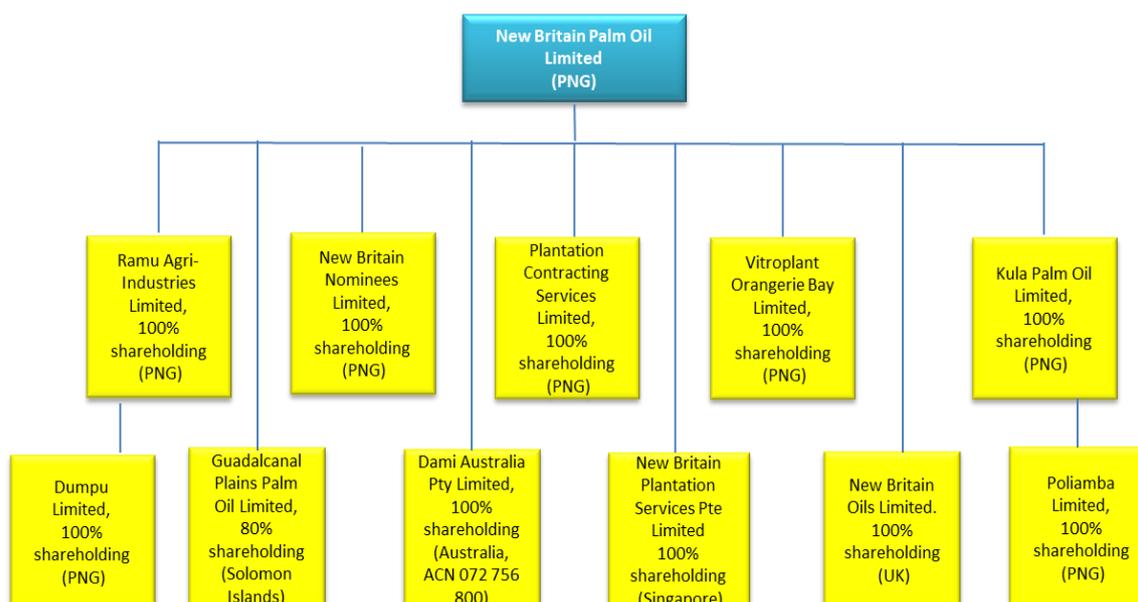
NBPOL has high regard for the importance of its sustainability credentials and is active in proving its performance through its certification to ISO 14001 and its close involvement and support of the Roundtable on Sustainable Palm Oil (**RSPO**). NBPOL is a certified supplier of sustainable palm oil from its entire production base in PNG and Solomon Islands, under the RSPO guidelines.

NBPOL is an important company in the PNG economy. It is one of the largest private sector employers in the country, and a large contributor of hard currency into the country. NBPOL has grown consistently over its 46 years history.

NBPOL is quoted on the LSE Main Market under the ticker NBPO.L (commenced dealing on 17 December 2007) and on POMSoX since 1999.

Further details of NBPOL can be found at <http://www.nbpol.com.pg>.

4.2. NBPOL Group structure



4.3. Business units

Set out below is information in relation to NBPOL's core business units:

- **Oil palm plantations and mills**

NBPOL's oil palm plantations are based in six locations: West New Britain, Ramu Valley, Milne Bay, Poliamba and Higaturu in PNG and the Guadalcanal Province of the Solomon Islands. Around 25% of fruit is supplied by over 15,000 smallholders, and NBPOL operates a total of twelve crude palm oil mills, six palm kernel crushing plants and two refineries, processing over two million tonnes of fresh fruit bunches annually.

In 2012, the NBPOL Group processed over 2,273,080 tonnes of fresh fruit bunches compared to the record production of 2,421,003 tonnes in 2011. This resulted in a total oil production of 545,207 tonnes of crude oil (crude palm oil and palm kernel oil) produced from the NBPOL Group's oil mills, representing an 8% downturn over 2011. In addition some 27,092 tonnes of palm kernels were exported directly, a reduction of 5% from 2011 as additional kernel crushing capacity at the KPOL mills was commissioned during the latter part of the year.

The NBPOL Group now has 78,343 hectares estates planted with oil palms of which 66,746 hectares are under harvest, with the balance being immature oil palms estates that were planted over the last three years.

- **Refineries**

NBPOL owns and operates the NBPOL Group's main refinery, based in Liverpool, UK. NBPOL focuses on delivering segregated, traceable and certified sustainable food ingredients to end customers based in the EU. In 2012, the refinery ran either at or close to effective nameplate capacity for the second half of 2012 and this is a testimony to NBPOL's ever expanding product range, the growing interest in the UK for sustainable palm based ingredients and New Britain Oils' growing credibility within the UK food and personal care markets. The decision to expand the refinery was taken in the expectation that the first deodoriser would be fully utilised during 2012. The second deodoriser has already been installed and is now operational.

The NBPOL Group also operates a small refinery and a bulking terminal in West New Britain. Having commissioned the second fractionation plant in late 2011, the West New Britain refining operation has been supplying specialist palm products to Ferrero throughout 2012 and has been building the relationship with the team at Ferrero to ensure the supply of optimum quality product that can only be derived from fresh palm oil stock. The Ferrero team has made frequent visits to provide back up and support with technical expertise, equipment, training and knowledge, to guarantee continuous development of their product range.

- **Sugar plantations**

NBPOL owns Ramu Sugar which is the only sugar producer in PNG, providing around 80% of all commercially available sugar. Ramu has 7,700 hectares of sugar cane which is processed and refined at its own mill and sold throughout PNG.

In 2012, Ramu Sugar harvested 417,011 tonnes of cane, yielding 36,208 tonnes of sugar. Whilst the volume of cane harvested was 5% higher than 2011, the volume of sugar produced was just below the 2011 levels of 36,387 tonnes. Disruptions to the harvesting programme due to unplanned fires meant that approximately 9,000 tonnes of cane was cut but in no condition to be delivered to the factory.

- **Beef production**

The NBPOL Group remains the largest producer of beef in PNG. The NBPOL Group's herd size remained stable with 20,000 cattle managed in two separate locations. The NBPOL Group's herd produced some 1,304,000 kilograms of beef for the PNG market generating revenue of PGK15.5 million. Demand for fresh, consistently good quality beef in PNG remains high and continues to fetch a premium.

The herd at Ramu is approximately 16,500 heads of cattle. This yielded over 1,091,700 kg of beef, just above the budget.

The herd at West New Britain is approximately 3,500 heads of cattle. The total number of animals processed fell short of budget by 10%. The operation provides butchered products to the local community only.

- **Seed production**

The NBPOL Group's West New Britain operations are home to Dami Research Station, which delivers over 20 million world-class seed per year. Dami seeds are also produced through joint venture operations in Indonesia and partner agreements in Malaysia and Colombia. NBPOL's international customer base includes companies from Indonesia, Thailand, Philippines, Honduras, Sri Lanka and Kenya.

In 2012, seed sales exceeded forecasts and reached PGK14.7 million, a 25% increase from the sales achieved in 2011 of PGK11.8 million. Of those sales, 10.5 million were to customers overseas and PGK4.2 million for domestic use within PNG.

4.4. Issued capital of NBPOL

(a) **NBPOL Shares**

As at the close of business on the day before the date of this Target Company Statement, the issued capital of NBPOL consisted of:

- 150,048,104 NBPOL Shares; and
- certain equity incentives under the 2012 LTIP Plan.

Further information about NBPOL's issued capital can be found in section 5 of this document.

(b) **Depository Interests**

Depository Interests are an alternative way to hold NBPOL Shares and are designed to facilitate the transfer and settlement of shares in the UK when they are traded on the LSE. Each Depository Interest represents one NBPOL Share. Capita IRG Trustees Limited, the administrator of NBPOL's Depository Interests program, holds legal title to NBPOL Shares on behalf of and for the benefit of the Depository Interests holders.

Further information about the Depository Interests can be found in section 5 of this document.

5. STATUTORY INFORMATION

This section 5 comprises of information that NBPOL is required to include in its Target Company Statement in accordance with Schedule 2 to the Takeovers Code.

5.1. Date

This Target Company Statement is dated 6 August 2013.

5.2. Offer

This Target Company Statement relates to a partial offer by Kulim dated 23 July 2013 to acquire up to 30,009,621 NBPOL Shares.

5.3. Target Company

The name of the target company is New Britain Palm Oil Limited.

5.4. Directors of NBPOL

As at the date of this Target Company Statement, the Directors are:

- Antonio Monteiro de Castro
- Sir Brown Bai, KBE CSM CBE
- Alan Chaytor
- Dato' Kamaruzzaman Abu Kassim
- Ahamad Mohamed
- Sir Joseph Tauvasa, KBE
- Nicolas Thompson.

5.5. Ownership of NBPOL Shares

(a) *Target company/Directors/senior officers/associates with relevant interest in NBPOL Shares*

The following Directors and senior officers have relevant interests in NBPOL Shares:

Director/Senior officer/associate	Number	Class	Percentage
Antonio Monteiro de Castro - Director	150,000	ordinary	0.10%
Nicholas Thompson - Director	383,521	ordinary	0.26%
Alan Chaytor - Director	6,729,000	ordinary	4.48%
Amir Mohareb – Senior Officer	10,000	ordinary	0.01%
David Mather – Senior Officer	38,005	ordinary	0.03%
Dr Simon Lord – Senior Officer	100,000	ordinary	0.07%

Director/Senior officer/associate	Number	Class	Percentage
Harry Brock – Senior Officer	98,767	ordinary	0.06%
Jamie Graham – Senior Officer	33,250	ordinary	0.02%

The following associates of Directors or senior officers have relevant interests of more than 5% in NBPOL Shares:

- (i) Ahamad Mohamad is a director of Kulim and Ahamad Mohamad and Kulim are therefore associates. Kulim holds 73,482,619 NBPOL Shares representing 48.97% of the issued NBPOL Shares;
- (ii) Dato' Kamaruzzaman Abu Kassim is a director of Kulim and Dato' Kamaruzzaman Abu Kassim and Kulim are therefore associates. Kulim holds 73,482,619 NBPOL Shares representing 48.97% of the issued NBPOL Shares; and

For completeness, it is noted that New Britain Nominees Limited is a wholly owned subsidiary of NBPOL and holds 666,318 NBPOL Shares representing 0.44% of the issued NBPOL Shares which it holds in trust and issued as payment (partly in shares and partly in cash) to landowners who lease land to the Company.

Except for the above, to the knowledge of NBPOL, none of NBPOL, its Directors or its senior officers and none of their respective associates which hold more than 5% of NBPOL Shares have a relevant interest in NBPOL Shares.

(b) *Persons with relevant interest greater than 5% in NBPOL*

To the knowledge of NBPOL, no person has a relevant interest in more than 5% of NBPOL Shares except as set out below:

Shareholder	Number	Class	Percentage
Kulim	73,482,619	Fully-paid ordinary shares	48.97%
West New Britain Provincial Government	12,000,000	Fully-paid ordinary shares	8%

(c) *Issuance of NBPOL Shares*

There are no NBPOL Shares that have, during the 2-year period ending on the date of this Target Company Statement, been issued to NBPOL Directors and senior officers or their associates, or in which Directors and senior officers or their respective associates have, during the 2-year period ending on the date of this Target Company Statement, obtained a beneficial interest under any employee share scheme or other remuneration arrangement, other than as described below.

LTIP Performance Share Awards

In accordance with the rules of the 2012 LTIP Plan, the Remuneration Committee approved the grant of Performance Share Awards on 28 June 2012 at a price of GBP7.65

(approximately PGK24.80 as at date of grant) per ordinary share to the executive Directors and certain senior managers in the Company.

The vesting of the Performance Share Awards is subject to meeting performance targets relating to return on capital employed and the Company's operational key performance indicators. Subject to continued employment and the performance targets being met, the LTIP awards will normally vest on the third anniversary of their grant.

Further information about the Performance Share Awards can be found in the 2012 Annual Report. The performance criteria for the vesting of the Performance Share Awards are set out in the Remuneration Committee Chairman's letter to NBPOL Shareholders dated 4 May 2012. Until the performance evaluations are completed (at the relevant time) and the performance criteria met, no shares will be issued to any of the named directors and senior officers pursuant to the Performance Shares Award.

Director/Senior officer	Number	Nature of Interest	Percentage	Price ¹
Nicholas Thompson - Director	125,679	Performance Share Award	0.11%	K24.80 / £7.65 per share
Alan Chaytor - Director	70,588	Performance Share Award	0.05%	
Amir Mohareb – Senior Officer	58,650	Performance Share Award	0.04%	
David Mather – Senior Officer	54,461	Performance Share Award	0.04%	
Dr Simon Lord – Senior Officer	49,086	Performance Share Award	0.03%	
Francis Goh – Senior Officer	44,505	Performance Share Award	0.03%	
Harry Brock – Senior Officer	23,879	Performance Share Award	0.02%	
Jamie Graham – Senior Officer	23,879	Performance Share Award	0.02%	
Michael Jackson – Senior Officer	23,879	Performance Share Award	0.02%	
David Andrew – Senior Officer	22,283	Performance Share Award	0.02%	
Roger Benzie - Senior Officer	20,947	Performance Share Award	0.02%	

¹ The interests in NBPOL Shares awarded under the 2012 LTIP were awarded at GBP7.65 or approximately PGK 24.80 per ordinary share.

Director/Senior officer	Number	Nature of Interest	Percentage	Price ¹
Joe Castle – Senior Officer	8,798	Performance Share Award	0.01%	
Teup Goledu – Senior Officer	2,876	Performance Share Award	0.002%	

Bonus Share Award

In accordance with the rules of the 2012 LTIP Plan, the Remuneration Committee approved the grant of Bonus Share Awards on 28 June 2012 at a price of GBP7.65 (approximately PGK24.80 as at date of grant) per ordinary share to the executive Directors.

The above Bonus Share Awards will vest 50% on the third anniversary of grant in 2015 and 50% on the fourth anniversary of grant in 2016, subject to continuous employment.

Director/Senior officer	Number	Nature of Interest	Percentage	Price
Nicholas Thompson - Director	41,893	Bonus Share Award	0.028%	K24.80 / GBP7.6
Alan Chaytor - Director	17,647	Bonus Share Award	0.012%	5 per share

5.6. Trading in NBPOL Shares

No Director, senior officer or their associates have acquired or disposed of NBPOL Shares during the 6 month period before the date of the Offer except as disclosed below:

Director/Senior officer	Acquired/Disposed	Date	Consideration / per share	Number	%
Alan Chaytor – Director	Acquired	14 and 15 May 2013	£3.75	20,000	0.013
Alan Chaytor – Director	Acquired	21 May 2013	£3.75	10,000	0.007

5.7. Intentions to reject the Offer

Each Director, senior officer or their associates who holds NBPOL Shares intends to reject the Offer for those NBPOL Shares.

5.8. Ownership of Kulim shares

To the knowledge of NBPOL, none of NBPOL, its Directors, its senior officers or their respective associates hold a relevant interest in any Kulim shares except:

- (a) Ahamad Mohamad who holds 976,200 ordinary shares in Kulim representing 0.076% of the total issued share capital of Kulim; and

- (b) Francis Goh, Group Company Secretary of NBPOL, who holds 10,000 ordinary shares in Kulim representing 0.0007% of the total issued share capital of Kulim.

5.9. Trading in Kulim shares

To the knowledge of NBPOL, no Kulim shares have been acquired or disposed of during the 6 month period preceding the date of the Offer by NBPOL, Directors, its senior officers or their respective associates.

5.10. Arrangements between NBPOL and Kulim

There is no agreement or arrangement made or proposed to be made between Kulim or any associates of Kulim, and NBPOL or any related company of NBPOL, in connection with, in anticipation of, or in response to the Offer.

5.11. Relationship between Kulim and NBPOL Directors and officers

To the knowledge of NBPOL, there is no agreement or arrangement made or proposed to be made between Kulim or any associates of Kulim, and any of the directors or senior officers of NBPOL or any related company of NBPOL other than the employment arrangements between Kulim and its directors Ahamad Mohamad and Dato' Kamaruzzaman Abu Kassim who are also Directors of NBPOL. As those NBPOL Directors have not participated in the preparation of this Target Company Statement, NBPOL does not have the particulars of these contracts.

In particular, to the knowledge of NBPOL, no director or senior officer of NBPOL has any agreement or arrangement with Kulim or any of its associates for any payment or other benefit by way of compensation for loss of office, remaining in office or retiring from office, should the Offer be successful.

Except for Ahamad Mohamad and Dato' Kamaruzzaman Abu Kassim, who are directors of both Kulim and NBPOL, none of NBPOL's directors and/or senior officers is also a director or senior officer of Kulim or any related company of Kulim.

5.12. Agreement between NBPOL and Directors

Other than as disclosed in this paragraph, there is no agreement or arrangement made or proposed to be made between NBPOL or any related company of NBPOL, and any of the Directors or senior officers or their associates of NBPOL or its related companies, pursuant to which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office, should the Offer be successful.

- (a) 2012 LTIP Plan

Under rule 9.1 of the 2012 LTIP Plan, where a person obtains control of the Company as a result of making an offer to acquire NBPOL Shares, NBPOL Share awards granted under the 2012 LTIP will vest on the date the person obtains control of NBPOL. Control is defined as a person obtaining more than 50% of the voting shares in NBPOL.

If the minimum acceptance condition of the Offer is satisfied, Kulim's voting power in NBPOL will exceed 50%, therefore obtaining control of NBPOL within the meaning of the 2012 LTIP Plan.

The number of the awards to be vested upon change of control event will be determined by the NBPOL Board in its absolute discretion, taking into account the factors that the Board deems relevant including the time elapsed since the

interests awarded and if appropriate, performance targets. As at the date of this Target Company Statement, the NBPOL Board has not yet made any determination in relation to the vesting of awards under the 2012 LTIP Plan.

(b) Retirement benefit schemes

NBPOL does not operate any retirement benefit scheme for its employees.

(c) Executives employment contracts

Senior management of NBPOL have contractual entitlements to remuneration upon the termination of their services. NBPOL considers that these are within the range generally negotiated on arm's length terms.

Under the terms of the executive employment contracts for Alan Chaytor and Nicolas Thompson, the relevant executives have the right to terminate their employment in the Company on the occurrence of a "Fundamental Change" event by giving the Company 3 month's written notice. On termination, the Company is required to pay the relevant person the cash equivalent of:

- in the case of Nicolas Thompson, 6 months' salary; and
- in the case of Alan Chaytor, 3 months' salary,

in addition to any other benefits the executive is entitled to on termination of their employment. The definition of "Fundamental Change" relevantly includes the executive ceasing to hold their current position or material diminishment of their duties, status or authority, by reason of any change to the NBPOL Board resulting in more than half of the current executive Directors ceasing to be directors of NBPOL. The only executive Directors on the NBPOL Board are Nicolas Thompson and Alan Chaytor.

Consequently, if Nicolas Thompson and Alan Chaytor are removed from the Board, they would each be entitled to terminate their employment under the terms of their executive employment contract and receive the relevant termination benefits prescribed in those contracts.

(d) Pacific Rim agreements

Pacific Rim as an associate of Alan Chaytor, is a party to two material contracts with the NBPOL Group. Each contract has been previously approved by the Board and publicly disclosed.

In 2010, Alan Chaytor, an executive Director, declared to the Board that he was directly and indirectly interested in two contracts being negotiated between Pacific Rim and NBPOL and also with NBPOL's subsidiary New Britain Oils Limited (**NBOL**). Alan Chaytor declared that he is a director and shareholder of Pacific Rim. For completeness, a short summary these two contracts are set out below:

1. The first contract relates to a management agreement to be entered into between NBOL, a UK registered wholly owned subsidiary of NBPOL, and Pacific Rim. The management agreement provided that in return for an agreed management fee to be paid by NBOL, Pacific Rim shall supply management expertise and second senior managers to manage NBOL's newly built refinery in Liverpool, UK; and
2. The second was a renewal of the existing agency contract between NBPOL and Pacific Rim. Pacific Rim was NBPOL's sole agent and distributor of all of NBPOL and the NBPOL Group's palm oil products.

There is no payment or other benefit available as compensation for Alan's loss of office, or as to Alan's remaining in or retiring from office, should the Offer be successful, under the terms of these two contracts.

5.13. Interests of NBPOL Directors and their associates in material contracts of Kulim

Dato' Kamaruzzaman Abu Kassim, a non-independent non-executive director of NBPOL and also chairman of Kulim and Ahamad Mohamad, a non-independent non-executive director of NBPOL and the managing director of Kulim, each have employment contracts with Kulim. As those NBPOL Directors have not participated in the preparation of this Target Company Statement, NBPOL does not have the particulars of these contracts. Except for these contracts, no Director or senior officer of NBPOL or their associates has any interest in any material contract to which Kulim, or any related company of Kulim (including NBPOL and its subsidiaries), is a party.

No person who has a relevant interest in more than 5% of any class of equity shares of NBPOL, to the knowledge of the Directors or senior officers of NBPOL, has any interest in any material contract to which Kulim, or any related company of Kulim, is a party.

5.14. Additional information

Other than as disclosed in this Target Company Statement, the Directors are not aware of any other information in the Offer Document which is incorrect, misleading or deceptive, any additional information within the knowledge of NBPOL which would make the information in the Offer Document correct or not misleading or deceptive.

5.15. Recommendation of the independent directors

Having considered the terms of the Offer and the matters discussed in sections 5 and 6 of this Target Company Statement, each Independent Director feels justified in making a recommendation in relation to the Offer.

Ahamad Mohamad and Dato' Kamaruzzaman Abu Kassim, who are not members of the Independent Board Committee, are also directors of Kulim and, due to potential conflict of interests in respect of the Offer, absented themselves from any deliberations of the Board with respect to any matters in relation to the Offer.

Each of the Independent Directors recommends that you REJECT the Offer.

In considering whether you wish to follow that recommendation, you should:

- (a) read the whole of this Target Company Statement and the Offer Document;
- (b) consider your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- (c) consult with your legal, financial or other professional advisor if you believe that is necessary.

5.16. Actions of NBPOL

Neither NBPOL nor any of its related companies has entered into any material transaction, agreement, arrangement, or understanding, in any case whether or not legally binding, as a consequence of, in response to, or in connection with, the Offer.

There are no negotiations underway as a consequence of, in response to, or in connection with, the Offer which relate to or could result in:

- (a) an extraordinary transaction, such as a merger or reorganisation, involving NBPOL or any of its related companies; or
- (b) the acquisition or disposition of material assets by NBPOL or any of its related companies; or
- (c) an acquisition of equity shares by, or of, NBPOL or any related company of NBPOL; or
- (d) any material change in the present share capital, or dividend policy of NBPOL.

5.17. Issued capital of NBPOL

(a) NBPOL Shares

As at the close of business on the day before the date of this Target Company Statement, the issued capital of NBPOL consisted of 150,048,104 NBPOL Shares. Each NBPOL Share entitles the holder to one vote on any resolution, the right to an equal share in dividends authorised by the Board of NBPOL and the right to an equal share in the distribution of the surplus assets of NBPOL.

There are no options or rights to acquire NBPOL Shares on issue.

The Company also has on issue certain equity incentives under the 2012 LTIP Plan which give the relevant holders a right to receive NBPOL Shares on vesting of those incentives. This is described in more detail in section 5.5.

(b) Depository Interests

Depository Interests are an alternative way to hold NBPOL Shares and are designed to facilitate the transfer and settlement of shares in the UK when they are traded on the LSE. Each Depository Interest represents one NBPOL Share. The holder of Depository Interests has beneficial ownership of the underlying NBPOL Shares. Capita IRG Trustees Limited, the administrator of NBPOL's Depository Interests program, holds legal title to the shares and holds the shares on behalf of and for the benefit of the Depository Interest holder. However, Depository Interests have not been and will not be traded on POMSx.

The Depository Interests are independent securities constituted under English law, which may be held and transferred through the CREST system.

The Depository Interests have been created pursuant to and issued on the terms of the Deed Poll executed by the Depository on 11 December 2007 in favour of the holders of the Depository Interests from time to time.

Holders of Depository Interests have the same voting rights and receive the same dividends as holders of NBPOL Shares. The default currency for dividend payments to Depository Interest holders is British pounds sterling, unless a Depository Interest holder contacts Capita IRG Trustees Limited to elect to receive dividends in PGK.

5.18. Financial information of NBPOL

(a) Financial reports and statements

Each NBPOL Shareholder is entitled to obtain from NBPOL a copy of the latest annual report and financial statements of NBPOL for the financial year ended 31 December 2012 issued to shareholders by visiting <http://www.nbpol.com.pg> or by

making written request to NBPOL Registrar (details are included in the Important Information section).

No interim report or financial statements of NBPOL have been issued to shareholders subsequent to the last annual report and financial statements other than those disclosed below.

Aside from the announcements relating to the Offer, the following announcements were made to the LSE and the Port Moresby Stock Exchange subsequent to the release of the 2012 Annual Report:

- 1) Appendix 4B lodged with POMSx;
- 2) First Quarter Report and Trading Update on 14 May 2013;
- 3) LSE announcement dated 20 May 2013 on notification of Pacific Rim acquiring 20,000 NBPOL Shares at GBP 3.75.
- 4) LSE announcement dated 24 May 2013 on notification of Pacific Rim acquiring 10,000 NBPOL Shares at GBP 3.75.
- 5) LSE announcement dated 24 May 2013 on notification of retirement of Non-executive Director
- 6) LSE announcement dated 31 May 2013 on notification of results Of Annual General Meeting.
- 7) LSE announcement dated 20 June 2013 on the intention of Kulim to make partial takeover offer to NBPOL.
- 8) LSE announcement dated 27 June 2013 on entering into an agreement with Olenex C.V. to supply palm oil.
- 9) LSE announcement dated 3 July 2013 on notification of receipt of takeover notice from Kulim.
- 10) LSE announcement dated 9 July 2013 on update of partial takeover offer from Kulim.
- 11) LSE Announcement dated 6 August 2013 in relation to the interim results for the 6 months ended 30 June 2013.

(b). **Material changes to the prospects, financial or trading position of NBPOL**

There are no material changes in the prospects, financial or trading position of NBPOL subsequent to the most recent financial statements issued to shareholders which are not disclosed under the preceding provisions of this paragraph.

(c) **Other information about the assets, liabilities, profitability and financial affairs of NBPOL**

There is no other information about the assets, liabilities, profitability and financial affairs of NBPOL that the Directors of NBPOL determine, in view of the nature and terms of the Offer, is material to the making of a decision by an NBPOL Shareholder as to whether or not to accept the Offer.

5.19. Independent advice on the merits of the Offer

An Independent Adviser's Report has been prepared by BDO, as to the merits of the Offer. A summary of this report is set out in section 7. The full report is available for inspection at the offices of Ashurst PNG at Level 4 Mogoru Moto Building, Champion Parade Port Moresby and a copy of the report will be sent to any NBPOL Shareholder upon request to NBPOL PO Kimbe West New Britain and payment of a fee of K5.00 or GBP2.00.

The Independent Adviser's Report and the summary set out in section 7 include a statement of the qualifications and expertise of the adviser and particulars of any interests of the adviser which could affect the adviser's ability to provide an unbiased report.

5.20. Asset valuation

See the Independent Adviser's Report referred to in paragraph 5.19 and the summary of the Independent Adviser's report set out in section 7.

5.21. Financial forecast

See the Independent Adviser's Report referred to in paragraph 5.19 and the summary of the Independent Adviser's Report set out in section 7.

5.22. Sales of unlisted equity shares under Offer

Not applicable.

5.23. Market prices of NBPOL Shares

Closing price of NBPOL Shares on POMSoX on the latest practicable day prior to the date on which the target company statement is sent by NBPOL – 2 August 2013	K15.60
Closing price of NBPOL Shares on POMSoX on the last day on which POMSoX was open for business prior to the date on which NBPOL received the Takeover Notice - 1 July 2013	K15.00
Highest closing price of NBPOL Shares on POMSoX in 6 months to the date on which NBPOL received the Takeover Notice - 1 July 2013	K17.00
Lowest closing price of NBPOL Shares on POMSoX in 6 months to the date on which NBPOL received the Takeover Notice - 1 July 2013	K14.50
Closing price of Depository Interests on LSE on the latest practicable day prior to the date on which the target company statement is sent by NBPOL – 2 August 2013	GBP 4.58
Closing price of Depository Interests on LSE on the last day on which LSE was open for business prior to the date on which NBPOL received the Takeover Notice - 1 July 2013	GBP 4.95
Highest closing price of Depository Interests on LSE in 6 months to the date on which NBPOL received the Takeover Notice - 1 July 2013	GBP 5.65
Lowest closing price of Depository Interests on LSE in 6 months to	GBP 3.55

There has been no issue of NBPOL Shares, changes in NBPOL Shares on issue or dividend payments, which could have affected the market prices referred to in this paragraph.

There is no other information about the market price of NBPOL Shares which the Independent Directors determine is material to the making of a decision by an NBPOL Shareholder to accept or reject the Offer.

5.24. Other information

There is no any other information not required to be disclosed in this Target Company Statement under the Takeovers Code but known, or ought reasonably to be known, by NBPOL or the Directors, which would reasonably be expected to affect the decision of NBPOL Shareholders to accept or reject the Offer.

5.25. Approval of Target Company Statement

The content of this Target Company Statement and the sending of it to NBPOL Shareholders has been approved by the Board of NBPOL other than Ahamad Mohamad and Dato' Kamaruzzaman Abu Kassim. The reason that Ahamad Mohamad and Dato' Kamaruzzaman Abu Kassim have not approved this Target Company Statement is that they are associates of Kulim and have not participated in any of the deliberations of the board concerning the Offer. In approving this statement, the Independent Directors have relied on the contents of the Independent Adviser's Report and information supplied by individual directors and senior management, which they understand to be accurate.

5.26. Certificate

See section 8 of this Target Company Statement.

6. INTERPRETATION

6.1. Definitions

The following definitions apply in this Statement.

2012 Annual Report means NBPOL Annual Report and financial statements for the year ended 31 December 2012.

2012 LTIP Plan means 2012 Long Term Incentive Plan.

associate has the definition provided for in rule 3 of the *Takeovers Code*.

Award means an Option or a Conditional Share Award granted under the 2012 LTIP Plan.

Board means the board of directors of the Company.

Bonus Share Award means an Award which is not subject to a performance target imposed under rule 5.1 of the 2012 LTIP Plan.

Conditional Share Award means a conditional right under the 2012 LTIP Plan to acquire NBPOL Shares.

CPO means Crude Palm Oil.

CREST means the system of paperless settlement of trades in listed securities and holding of uncertificated securities operated by Euroclear in accordance with CREST Regulations.

Deed Poll means the trust deed poll under which the Depository issues Depository Interests to holders representing any interest in the underlying NBPOL Shares and holds the corresponding NBPOL Shares as bare trustee for the Depository Interests holders.

Depository means Capita IRG Trustees Limited.

Depository Interests means the dematerialised Depository interests issued by the Depository representing the underlying NBPOL Shares which are held on trust for the holders of the Depository Interests, which may be held and transferred through the CREST system.

Director means an individual appointed to the office of director of the Company from time to time.

Disclosure and Transparency Rules means the Disclosure Rules and Transparency Rules made by the Financial Conduct Authority of United Kingdom.

EEA means European Economic Area.

EU means the European Union.

FCA means Financial Conduct Authority.

FSMA means Financial Services and Markets Act 2000.

GBP or **£** means British Pound.

Independent Adviser or **BDO** means BDO LLP.

Independent Adviser's Report means the report dated 5 August 2013 on the merits of the Offer prepared by the Independent Adviser, a summary of which is contained in section 7 of this Statement.

Independent Board Committee means a sub-committee formed by the Board to exclusively deal with all decisions connected with the Offer.

Independent Directors means each member of the Independent Board Committee, comprised of:

- (a) Antonio Monteiro de Castro;
- (b) Sir Brown Bai, KBE CSM CBE;
- (c) Alan Chaytor;
- (d) Sir Joseph Tauvasa, KBE; and
- (e) Nicolas Thompson.

K or PGK means Papua New Guinean Kina.

KPOL means Kula Palm Oil Limited.

Kulim means Kulim (Malaysia) Berhad.

Liberum Capital means Liberum Capital Limited.

LSE means London Stock Exchange.

Main Market means the main market of LSE.

NBOL means New Britain Oils Limited.

NBPOL or Company means New Britain Palm Oil Limited.

NBPOL Group means NBPOL and its subsidiaries.

NBPOL Shares means an NBPOL Share or a Depository Interest over an NBPOL Share, as the context requires.

NBPOL Shares means fully paid ordinary shares in the capital of NBPOL.

NBPOL Shareholder means a holder of NBPOL Shares.

Offer means the written offers made by Kulim to acquire NBPOL Shares dated 23 July 2013.

Offer Consideration means consideration offered for NBPOL Shares of cash of either GBP 5.50 or PGK 19.36 per NBPOL Share (as elected).

Offer Document means the offer document prepared by Kulim under rule 22 of the Takeovers Code and dated 23 July 2013.

Offer Period means the period, as defined in the Offer, for which the Offer is open for acceptance.

Offeree means a person to whom an Offer has been sent.

Official List means the list maintained by the FCA in accordance with section 74 of the FSMA for the purpose of Part VI of the FSMA.

Option means a right to acquire NBPOL Shares granted under the 2012 LTIP Plan.

Pacific Rim means Pacific Rim Plantation Services Pte Limited.

Performance Share Award means an award which is subject to a performance target imposed under rule 5.1 of the 2012 LTIP Plan.

PNG means Papua New Guinea.

PNG Listing Rules means the Listing Rules of the Port Moresby Stock Exchange.

POMSoX means Port Moresby Stock Exchange Limited or the market operated by it, as the context requires.

Premium Segment means the premium listing regime of the LSE.

related body corporate has the meaning provided for in section 113(7) Securities Act 1997.

related company has the meaning provided for in rule 2(1) Takeovers Code.

Relationship Agreement means the controlling shareholder relationship agreement between NBPOL and Kulim dated 11 December 2007.

relevant interest has the meaning provided for in rule 2(1) Takeovers Code.

Remuneration Committee means the Remuneration Committee under the Board.

RIS means the approved regulatory information services listed in appendix 3.1.1 of the UK Listing Rules.

RSPO means Roundtable on Sustainable Palm Oil.

Standard Segment means the standard listing regime of LSE.

Takeovers Code means the Takeovers Code 1998 (PNG).

Takeover Notice means the notice under rule 22(1) of the Takeovers Code dated 1 July 2013 received by NBPOL from Kulim.

UK DTRs means Disclosure Rules and Transparency Rules sourcebook containing the disclosure rules, transparency rules and corporate governance rules.

UK Listing Rules means the rules and regulations made by the FCA under Part VI of FSMA as amended from time to time.

UKLA means UK Listing Authority.

USD means the lawful currency for the time being of the United States.

6.2. Rules for interpreting this document

Headings are for convenience only and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.

- (a) A reference to:
 - (i) legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
 - (ii) a document or agreement, or a provision of a document or agreement, is to that document, agreement or provision as amended, supplemented, replaced or novated;
 - (iii) paragraphs are to paragraphs of this target company statement; and
 - (iv) anything (including a right, obligation or concept) includes each part of it.
- (b) A singular word includes the plural, and vice versa.
- (c) A word which suggests one gender includes the other gender.
- (d) If a word is defined, another part of speech has a corresponding meaning.

6.3. Governing law

This statement is governed by the laws of Papua New Guinea.

7. SUMMARY OF INDEPENDENT ADVISER'S REPORT



NEW BRITAIN PALM OIL LIMITED

SUMMARY OF INDEPENDENT ADVISER'S REPORT

5 August 2013



Introduction

On 2 July 2013 Kulim (Malaysia) Berhad (“Offeror” or “Kulim”) announced a partial offer under Rule 7 of the Takeovers Code 1998 of the Independent State of Papua New Guinea to acquire up to 30,009,621 fully paid ordinary shares in New Britain Palm Oil Limited (“Target” or “NBPOL”).

The cash consideration offered by Kulim is GBP 5.50 or PGK 19.36 per NBPOL share (the “Takeover Offer”). The cash consideration offered represents a 15% premium on NBPOL’s closing share price the day before the Takeover Offer was first announced on 20 July 2013 (the “Announcement Date”). The consideration may be selected in either GBP or PGK but not a mixture of both.

If the Takeover Offer is fully accepted, the Offeror’s stake in NBPOL will increase from a holding of 48.97% to 68.97% on completion of the offer. Consequently, NBPOL will become a subsidiary of the Offeror which will, therefore, hold a controlling interest in NBPOL.

The directors of NBPOL are to issue a Target Company Statement, in response to the Offer Document, which will include their recommendation as to whether Shareholders should accept or reject the Takeover Offer. A copy of this summary is to be included with the Target Company Statement.

Purpose of the report

BDO LLP has been appointed by the directors of NBPOL to provide an independent adviser’s report in relation to the merits of the Takeover Offer. This report is in accordance with *Rule 9 of the Takeovers Code 1998 of the Independent State of Papua New Guinea*. It has also been prepared in regard to the Takeovers Code 1998 (“Takeovers Code”), the Securities Act 1997 (“Securities Act”), the Port Moresby Stock Exchange (POMSOX) Listing Rules (“POMSOX Listing Rules”), UK Listing Rules (“LSE Listing Rules”) and the Companies Act 1997 (“Companies Act”).

This report has been prepared for the purpose of assisting Shareholders in their consideration of the Takeover Offer, and should not be used for any other purposes.

Independent advisers

The employees of BDO principally involved in preparing this report were Chay Yiowmin and Cedric Hu. Chay Yiowmin is a partner while Cedric is a senior at BDO LLP. Both of them have extensive experience in the areas of corporate finance, specifically in advising on valuations, financial due diligence, and mergers and acquisitions. They were also assisted by David Mitchell, valuation partner at BDO LLP UK, and Rachel Turrell, valuation manager at BDO LLP UK. Below is a summary of their qualifications:

David Mitchell

David joined BDO LLP in July 2001 from Barclays Bank. David has over 12 years' valuation experience and is currently the National Head of the Share and Business Valuation team in the UK.

David has prepared a large number of valuation reports on shares, intellectual property, software and options for unquoted and quoted companies and unincorporated businesses. These have been for a variety of purposes, including expert witness, fair value determination, commercial, fiscal, fairness opinions and statutory and accounting purposes.

David has prepared valuation reports for the English High Court, the International Court of Arbitration in London, Geneva and Zurich, the Dubai International Financial Centre Court and the World Intellectual Property Organisation.

David is a fellow of the Association of Chartered Certified Accountants and is a Chartered Tax Adviser. He is also a member of the Society of Share & Business Valuers and the Royal Institution of Chartered Surveyors.

Chay Yiowmin

Yiowmin leads BDO Singapore's Business Transaction Services Department, providing business advisory services in the areas of mergers and acquisitions, corporate restructuring, financial modelling, corporate and financial instruments valuations, and financial and operational due diligence. Yiowmin is also considered a specialist in the field of treasury and financial risk management.

Yiowmin has more than 14 years of public accounting experience in Singapore and the United Kingdom. Prior to joining BDO LLP in 2012, Yiowmin worked with various large multinational accounting and audit firms, where he was admitted as a partner in 2010.

Yiowmin holds a Bachelor of Accountancy and a Master of Business from Nanyang Technological University, and a Master of Business Administration from University of Birmingham. Yiowmin is also a practicing member of the Institute of Singapore Chartered Accountants ("ICSA") and Certified Finance and Treasury Professional ("CFTP") of the Finance and Treasury Association ("FTA").

Rachel Turrell

Rachel joined BDO LLP in December 2007 as a member of the Forensic Accounting Team, before joining the Valuations team in January 2011.

Rachel has a broad range of industry valuation experience including, among others, the valuation of natural resources companies, power plants, restaurants, aviation companies, asset management funds, film and publishing companies, and intellectual property, including brands and patents.

Rachel is a member of the Institute of Chartered Accountants in England and Wales.

Cedric Hu

Since graduating with a Bachelor of Accountancy from Singapore Management University in 2009, Cedric has more than 3 years of professional accounting and auditing experience in Singapore, including valuation, financial due diligence, internal and statutory audit, and IPO reporting.

Basis of evaluation

For the purposes of assessing whether the Takeover Offer is fair and reasonable, we have assessed the fair market value of an ordinary NBPOL share and compared our assessment of value to the consideration to be received by Shareholders in accordance with the Takeover Offer.

In our determination of whether the Takeover Offer is reasonable, we have also evaluated other advantages and disadvantages of the Takeover Offer to Shareholders.

Our valuation is based on market data as at 31 July 2013.

Summary and conclusion

We have concluded that the Takeover Offer is not fair and not reasonable. In arriving at this conclusion, we have had regard to the following factors:

The Takeover Offer is Not Fair

We set out below a summary of our assessment of the fair market value of an NBPOL share:

	DCF		NTA		Market Multiples	
	Low	High	Low	High	Low	High
Implied equity value of NBPOL (USD million)	1,028.5	2,375.1	926.6	1,195.1	899.7	1,457.3
Number of ordinary shares on issue before Takeover Offer (million)	150.0	150.0	150.0	150.0	150.0	150.0
Value per share (USD)	6.85	15.83	6.18	7.96	6.00	9.71
Value per share (GBP)	4.39	10.14	3.95	5.10	3.84	6.22
Value per share (PGK)	14.88	34.37	13.41	17.29	13.02	21.09

Source: BDO Analysis

We have relied upon the DCF approach as our primary valuation methodology. We have estimated a value per NBPOL share of between GBP 4.39 and GBP 10.14 based on CPO price sensitivities, and between GBP 5.70 and GBP 9.62 based on discount rate sensitivities, with a base case value of GBP 7.26.

We have performed a cross check on our DCF valuation using an asset based approach and a market approach. This gives a value per NBPOL share of between GBP 3.84 and GBP 6.22. Although we note that this range is lower than the base case DCF valuation, we consider that

the DCF approach most accurately reflects the future expectations of the Company's performance and the inherent risks associated with future cash flows.

We have estimated the fair market value of an NBPOL share to be between GBP 6.50 and GBP 7.00 or PGK 22.04 to PGK 23.74, on a controlling basis. This compares to a non-controlling NBPOL share price of GBP 4.80 the day immediately before the Announcement Date.

Our analysis indicates that the Takeover Offer of GBP 5.50 or PGK 19.36 a share is below the range of our estimation of the fair market value of an NBPOL share on a controlling basis.

The potential upside related to expected CPO price increases result in an offer we do not consider to be fair. The nature of the partial offer means that any remaining NBPOL shares may have reduced liquidity, which may have a negative impact on the share price and reduce the value of the remaining shareholdings.

In assessing whether the Takeover Offer is fair and reasonable, we note that while Kulim is offering to acquire only a 20% stake, it would, as a result of the offer, obtain a shareholding in excess of 50% and control of NBPOL. We have included in our assessment of the offer an appropriate control premium, such that we arrive at a fair market value of NBPOL on a controlling basis.

Our base case DCF valuation assumes a long term CPO price of USD 1,100 per tonne. Our analysis indicates that the valuation is highly sensitive to the CPO price. Our high case DCF valuation is based on the assumption that the CPO price reaches a long term price of USD 1,200 per tonne by the end of the projected period. Our low case DCF valuation is based on the assumption that the CPO price reaches a long term price of USD 1,000 per tonne by the end of projected period. Our assumptions are based on the range of long term CPO price expectations observed in the market. The table below shows the value of an NBPOL share based on both the low end and the high end range of CPO prices:

	Base	High	Low
Value of forecast cash flows (USD million)	457.1	594.3	319.8
Terminal value (USD million)	1,509.0	2,045.1	973.0
Enterprise value (USD million)	1,966.1	2,639.4	1,292.8
Net debt	264.3	264.3	264.3
Equity value	1,701.8	2,375.1	1,028.5
Number of issued shares (in millions)	150.0	150.0	150.0
Equity value per share (USD)	11.34	15.83	6.85
Equity value per share (GBP)	7.26	10.14	4.39
Equity value per share (PGK)	24.63	34.37	14.88

Source: BDO Analysis

Valuation of an NBPOL share

We consider the most appropriate methodology to value the fair market value of an NBPOL share is the discounted cash flow method for the following reasons:

- NBPOL management have prepared long term cash flow forecasts;
- NBPOL's earnings can be lumpy due to the volatility of CPO and PKO prices, and the impact of the climate on production; and
- The majority of the earnings of NBPOL are link to palm oil operations.

We have also used an asset based valuation approach and a market approach as a cross-check.

The discounted cash flow method requires the determination of an appropriate discount rate and the projection of future cash flows. We have selected a discount rate of 9% to apply to the projected cash flows.

We have based NBPOL's expected forecast cash flows on a number of key assumptions. We have arrived at these assumptions following a review of the historical performance of NBPOL, forecasts prepared by management and third party market data. We have also held discussions with NBPOL's management concerning their views on the future expectations of the business. The key assumptions we have adopted in the preparation of the projections are as follows:

- Total mature plantation estates, including third party estates, expected to produce 2,320,835 tonnes of FFB in FY2013 with no major variations in the FFB yields in the following years. Our production forecasts are based on current plantation estates and the age profile of trees, as provided by management.
- Palm kernel ("PK") extraction rate of 2.75% for FY2013, increasing to 2.85% from FY2014 onwards.
- CPO extraction rate of 22.08% for FY2013, increasing to 22.5% from FY2014 onwards.
- Palm kernel oil ("PKO") extraction rate of 2.2% for FY2013, increasing to 2.25% from FY2014 onwards.
- The extraction rate assumptions we have used are in line with industry averages.
- CPO price estimated at USD 845 per tonne in FY2013, increasing linearly to USD 1,100 per tonne by FY2021.
- PKO price estimated to have 10% price premium imputed to respective CPO prices for each reference year.
- In addition, NBPOL continues to benefit from EU import duty rebate for CPO and PKO at 3.8% and 6.4% respectively.
- PKE prices estimated at USD 50 per tonne in FY2013 and to subsequently increase to USD 55 per tonne from FY2014 onwards.
- An estimated EBITDA margin of 24% from FY2013, increasing to 27% by FY2021.

- A depreciation rate of 10% of revenue, based on historical depreciation rates and NBPOL’s depreciation policy.
- Total capital expenditure (“capex”) of USD 858 million during the forecast period. We have assumed that capital expenditure will be incurred in respect of the development of existing palm oil plantations, expenditure on palm oil housing and re-plantation.
- Corporate tax rate of 30% corresponding to PNG’s current corporate tax rate.
- A long-term inflation rate of 4% per annum consistent with PNG’s current inflation rate.

The discounted cash flow valuation is sensitive to both the discount rate and long term growth rate assumed. The table below presents the equity value of an NBPOL share based on a range of terminal growth rates and discount rates:

Terminal Growth Rate	Equity value per share (GBP)		
	Discount Rate		
	8%	9%	10%
2%	6.88	5.55	4.56
3%	7.97	6.26	5.05
4%	9.62	7.26	5.70
5%	12.37	8.76	6.61
6%	17.86	11.26	7.98

Source: BDO Analysis

As a cross check, we have selected earnings before interest, tax, depreciation and amortisation (“EBITDA”) as an appropriate measure of earnings for NBPOL, as EBITDA multiples are less sensitive to different financing structures, depreciation accounting policies and effective tax rates of the comparable companies. We have assessed NBPOL’s maintainable level of EBITDA to be USD 145.5 million based on its projected earnings profile. We have selected an EBITDA earnings multiple of between 8 and 10 on a controlling basis based on our analysis of comparable companies.

We have also considered a profit after tax (“PAT”) measure of earnings and an industry specific valuation measure of Enterprise Value/Hectare. We assessed maintainable PAT of USD 65 million and a P/E multiple of between 14 and 16.

The Takeover Offer is Not Reasonable

In our assessment of whether the Takeover Offer is reasonable, we have considered the likely advantages and disadvantages to Shareholders of accepting the Takeover Offer as follows:

Advantages of the Takeover Offer

- The Takeover Offer provides NBPOL Shareholders with an opportunity to realise a premium to the current share price.
- Accepting the Takeover Offer reduces shareholder exposure to equity market.

Disadvantages of the Takeover Offer

- The offer consideration of GBP 5.50 or PGK 19.36 is not fair.
- Disposing Shareholders of NBPOL will not be able to benefit from future expected price increases in palm oil products going forward.
- Depending on the acceptance level under the Takeover Offer, any valid acceptance by a Shareholder in respect of more than 39.19% of its shareholding may be scaled back. A partial offer would significantly reduce the current value of any undisposed shares for current Shareholders.
- If the Takeover Offer is successful, the remaining NBPOL shares may have reduced liquidity. This may also have a negative impact on the share price.
- LSE Listing Rules require that at least 25% of a company's shares are in public hands. If the Takeover Offer is fully accepted NBPOL may not satisfy these requirements which may result in it delisting from the London Stock Exchange.

Conclusion on reasonableness

In our opinion, the advantages of the Takeover Offer are not sufficient to outweigh the disadvantages; therefore we consider that the Takeover Offer is not reasonable.

Conclusion

Based on the forgoing, we are of the opinion that the Takeover Offer is not fair and not reasonable to Shareholders. An individual investor's decision in relation to the Takeover Offer may be influenced by that investor's particular circumstances. If in doubt the investor should consult an independent adviser.

This conclusion should be read in conjunction with our detailed report which sets out our scope and findings.



BDO LLP (Singapore)



BDO LLP (UK)

8. CERTIFICATE AND AUTHORISATION

To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this Target Company Statement is true and correct, is not false, misleading or deceptive in any material respect, whether by omission of any information or otherwise, and includes all the information required to be disclosed by the target company under the *Takeovers Code* 1998.

Dated 6 August 2013



Nicolas Thompson
Chief Executive Officer (by his
agent authorised in writing)



Amir Mohareb
Chief Financial Officer



Antonio Monteiro de Castro
Director who acts with the
authority of the board of
directors of New Britain Palm
Oil Limited



Alan Chaytor
Director who acts with the
authority of the board of
directors of New Britain Palm Oil
Limited