

5 October 2011

EQUATORIAL PALM OIL plc

("EPO" or the "Company")

USD\$10 million Term Loan Facility Agreement

Equatorial Palm Oil plc, (AIM: PAL), the AIM listed palm oil development company with operations in Liberia, announces that on 5 October 2011 a group company, Liberian Palm Developments Limited ("**LPD**"), entered into a loan facility agreement with Geoff Palm Limited ("**GPL**"), and Broadcourt Investments Limited ("**BIL**") (the "**Loan Agreement**").

Background

GPL and BIL are companies related to BioPalm Energy Limited ("**BPL**"), a 26.7% shareholder in EPO. BPL is a member of the Siva group of companies (the "**Siva Group**"), with whom EPO's wholly owned subsidiary, Equatorial Biofuels (Guernsey) Limited entered into a joint venture agreement in December 2010. It is this joint venture company, LPD, which has entered into the Loan Agreement.

Under the terms of the Loan Agreement, LPD will provide GPL with US\$10 million for a period of six months (the "**Loan**"), BIL has provided certain guarantees to LPD in relation to the Loan, the details of which are set out below.

Through its wholly owned subsidiary, SPZ Enterprise Pty Limited ("**SPZ**"), GPL has a large scale oil palm project in Papua New Guinea ("**PNG**"), an established palm oil producing country, where it has signed long term leases with the PNG Government (the "**Projects**"). The Projects cover an area of 110,000 hectares with 89,000 hectares suitable for the cultivation of oil palm. The Loan, which has been provided as bridge financing, will allow GPL to accelerate its planting schedules.

The directors of EPO (the "**Board**") believe that, in addition to the potential long term strategic benefits of strengthening the relationship with BPL and the wider Siva Group, the Loan Agreement provides LPD with an opportunity to generate a competitive rate of return on the cash funds held and also provides EPO with exposure to a major oil palm project outside of West Africa.

Key terms of the Loan Agreement

The key terms of the Loan Agreement are set out below:

- The Loan is for a 6 month period;
- Interest on the principal sum will accrue at the greater of LIBOR plus 4% per annum or 5% per annum and a transaction fee is payable at the rate of 1% on the Loan;
- The interest and the principal sum are repayable in one single payment on the expiry of the 6 month period. However, GPL may repay the monies prior to this date without penalty;

- The Loan will be secured by a guarantee provided by BIL. In addition LPD will be granted a charge over 45% of the shares held by GPL in the share capital of SPZ; and
- The Loan Agreement contains various customary representations, warranties and undertakings from GPL.

In addition to the security granted under the Loan Agreement, each of LPD and BPL have undertaken that in the event GPL defaults in repaying the Loan or any other monies payable by it under the Loan Agreement (“**Outstanding Monies**”) an amount of cash equivalent to the Outstanding Monies will be transferred to EPO from LPD. In the absence of sufficient funds being available for transfer, the Outstanding Monies will be recorded as a debt due and owing by LPD to EPO.

As a result of the fact that the funds to be advanced under the Loan Agreement will be provided to a party related to a substantial shareholder in the Company, the entering into of the Loan Agreement by the Company constitutes a related party transaction for the purposes of the AIM Rules for Companies. The independent Directors of the Company, being the Directors with the exception of Shankar Varadharajan, who is a Siva Group appointee (the “**Independent Directors**”) consider, having consulted with Strand Hanson Limited (“**Strand Hanson**”), the Company’s Nominated Adviser, that the terms of the Loan Agreement are fair and reasonable insofar as the Company’s shareholders are concerned. Strand Hanson has taken into account the Independent Directors’ commercial assessment of the Loan Agreement.

For further information, please contact:

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