

EMVEST ASSET MANAGEMENT PTY LIMITED



# Investment Proposal

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Matuba Estate  
Chokwe District  
Mozambique

20 July 2009

# PROJECT SUMMARY

<b>Project Name:</b>	EMVEST LIMPOPO Lda (MATUBA), District Chokwe, Province of Gaza.
<b>Date</b>	20 July 2009
<b>Deal Manager</b>	Russell du Preez
<b>Farm Description</b>	Farm Name : MATUBA Registered Owner : EMVEST LIMPOPO Lda. Extent : 2000ha (750 ha Pivot Irrigation )
<b>Project Location:</b>	Limpopo basin, Gaza Province, Mozambique 10 km from the town on Chokwe – Massinger road Ref: R256.
<b>Project Description:</b>	The MATUBA project would primarily focus on development of 750 ha of virgin land into arable lands under irrigation for the production of food crops and horticulture. The property is in close proximity of an abundant water sources for irrigation use namely the Limpopo river and HICEP main canal. There is an active railway line to Maputo bordering one of the boundaries. The main produce would be maize, soybeans and possibly dry beans. Livestock could be introduced in the future.
<b>Project time line:</b>	<p>Due to the magnitude of the project and considering the fact that this is a green field's project, we propose to have the project completed within 2 years after commencement.</p> <p>Approximately 1,000 ha is currently covered with mainly thorn/ acacia scrub bush. The aim is to de-bush the lands with our own equipment and engage the local community to assist us.</p> <ul style="list-style-type: none"> <li>• Year 1-2: All major infrastructural developments &amp; development of land - Production of crops start in latter half of year 1</li> <li>• Year 2: Continuation of land development - Expansion of crop and livestock production.</li> <li>• Year 3: Project operating at full capacity. (2000 ha)</li> </ul>
<b>Investment Required:</b>	<p>The property would be acquired from government at a nominal cost. The cost of the de-bushing would be capitalized to the land value. There is currently no infrastructure or improvements on the farm, however, the property's location is in close proximity to a major river. All the necessary infrastructure and equipment will need to be established. This would require an investments of:</p> <ul style="list-style-type: none"> <li>• <b>CAPITAL INVESTMENT - \$ 4,407,711</b></li> <li>• <b>TOTAL INVESTMENT - \$ 5,579,687</b></li> </ul>
<b>Project Type:</b>	50 year renewable lease of property from the Mozambican Government.
<b>Overview of Transaction:</b>	<p>The land we aim to acquire would be on a long term lease system called a 'DUAT'; this is registered with the central government for a 50 year period. There is no water restriction in terms of the irrigation under this system, however an application to Ara-Sul or HICEP is required. To realize final approval for the project we have to hand in a detailed Business Plan to the '<b>CPI</b>' <b>CENTRE FOR PROMOTION OF INVESTMENTS</b>' where after the necessary approval from '<b>CEPAGRI</b>' <b>CENTRE FOR PROMOTION OF AGRICULTURE</b> is acquired. CPI is mainly responsible for the promotion and attraction of FDI and the provision of institutional assistance, identification of potential financial and technological partners and the promotion programs of development assistance.</p>

<b>Required Plant and Equipment and Infrastructure:</b>	<ul style="list-style-type: none"> <li>• Workshop, Storage sheds and Accommodation compounds.</li> <li>• Installation of centre pivots, electricity to pumps and pivots.</li> <li>• Boreholes, Water storage, Pump stations.</li> <li>• Drainage to be constructed where necessary</li> <li>• Roads &amp; electricity to be established</li> <li>• Farm buildings to be established.</li> <li>• Maintenance equipment</li> <li>• Vehicles, tractors implements and tools</li> <li>• Grain storage facilities on farm also at Matuba Railway Station.</li> <li>• Fencing off of Crop and Livestock areas.</li> </ul>										
<b>Macro View:</b>	<p>Mozambique is in a positive growth cycle and this growth will continue as the nation continues to recover from the negative effects of its past. The country is still a net importer of commodities. Mozambique currently imports cereals, leaving it susceptible to global food price increases. In June 2008, the Ministry of Agriculture announced its 3 year food production action plan of 600 million USD, where 25% of that would be funded by private investors. This indicates that they have strong intentions to replace imports with internal production and that they have a strong urge to become self-sufficient. In recent years, Mozambique's economic growth rate has been amongst the highest in the world, dampened only by the serious floods of 2000. According to the <b>World Economic Forum</b> 2009, Davos in Switzerland: The economy of Mozambique will grow steadily in 2009/10 with a growth rate of between 6.5 and 7%, as agricultural output and steady aid flows offset the global downturn.</p> <p>The Gaza Government as well as the local Matuba community, has welcomed our investment proposal in this vast area of unutilized land. We will be employing the bulk of our labour from the local Matuba Community. The requirements from the community are very modest, reasonable, practical and achievable.</p>										
<b>Proposed use of land:</b>	<p>The arable lands will be used to primarily plant maize and soya. Secondary crops that would be cultivated include wheat, onions, dry beans and potatoes.</p> <p>A Livestock component i.e.: Poultry and Cattle could be introduced. Further Processing of our crops and products will be a priority.</p>										
<b>Climate:</b>	<p>The average yearly rainfall for this region is 622 mm measured over a 40 year period. There is no frost and the superior heat units and humidity in this area would be extremely favourable for crop farming. It is our intention to double crop per annum in winter and summer with soybeans and maize respectively.</p>										
<b>Financial Summary</b>	<table border="1"> <tr> <td data-bbox="423 1635 867 1707"> <b>Model IRR</b> </td> <td data-bbox="867 1635 1521 1707"> <b>750 ha</b> </td> </tr> <tr> <td data-bbox="423 1707 867 1749"> <b>(Nominal)</b> </td> <td data-bbox="867 1707 1521 1749"> <b>USD'000</b> </td> </tr> <tr> <td data-bbox="423 1749 867 1797"> IRR over 10 years </td> <td data-bbox="867 1749 1521 1797"> <b>20.0%</b> </td> </tr> <tr> <td data-bbox="423 1797 867 1854"> NPV </td> <td data-bbox="867 1797 1521 1854"> <b>4,518</b> </td> </tr> <tr> <td data-bbox="423 1854 867 1929"> Payback(years) </td> <td data-bbox="867 1854 1521 1929"> <b>5.8</b> </td> </tr> </table>	<b>Model IRR</b>	<b>750 ha</b>	<b>(Nominal)</b>	<b>USD'000</b>	IRR over 10 years	<b>20.0%</b>	NPV	<b>4,518</b>	Payback(years)	<b>5.8</b>
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# EmVest Agricultural Corporation

## Evaluation of Matuba

### Gaza Province, Mozambique

### 750ha irrigation

#### Discounted Cash Flow Summary:

DCF Real - excluding inflation	USD
IRR	20.0%
NPV \$'000	4,518
Payback Period (yrs)	5.8
PV \$'000	6,677

#### Main Assumptions:

Includes Land Revaluation		
Discount: Rate		8%
Period		10 Years
Tax	Includes Tax Holiday	32%

#### Funding Requirements

Currency R/\$ 7.36375 USD '000

Description	Year	Cost
<b>Capital Investments</b>		
Land	1	640
Infrastructure	1	406
Irrigation Systems	1	2,657
Vehicles/Movable Machinery & Equipment	1	633
Livestock	1	
Transaction Costs /Other	1	71
<b>Total Farm Purchase</b>		<b>4,407</b>
Buildings Additions	2	0
Fixed Improvements Additions	2	0
Vehicles/Movable Machinery & Equipment Additions	2	0
Livestock Sales	1	0
Livestock Additions	1	0
<b>Total Investment</b>		<b>4,407</b>
Variable Costs	1	1,142
Fixed Costs (excluding depreciation&EAC Overheads)	1	33
EAC Overheads	1	5
<b>Total Funding Required</b>		<b>5,587</b>

Note 1: USD Values at current exchange rate

Product	Volume	Variable Cost <sup>2</sup>	Yield yr1 <sup>3</sup>	Avg Yield <sup>4</sup>
Maize Dryland	0 Ha	\$ 704.55	4.5 Tons	5.72 Tons
Soya Dryland	0 Ha	\$ 489.50	1.8 Tons	2.35 Tons
Dry Beans	0 Ha	\$ 880.18	2.7 Tons	3.33 Tons
Potatoes Irrigated	0 Ha	\$ 7,098.90	38.0 Tons	46.83 Tons
Wheat Irrigated	0 Ha	\$ 1,080.73	4.5 Tons	5.55 Tons
Maize Irrigated	750 Ha	\$ 1,049.93	8.9 Tons	10.74 Tons
Soya Irrigated	750 Ha	\$ 649.27	3.6 Tons	4.23 Tons

	Volume	Price per Hectare	Yield %
Grazing	0 Ha	\$	340 8%

Note 2: 2009 values Rand per unit: source detailed crop and livestock models

Note 3: anticipated yield

Note 4: over discount period

#### Additional Notes and Comments

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Prepared by:

WP&TM

Evaluation of Matuba

-- Income Statement --																					
USD '000	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20
Net Sales Revenue	0	0	0	0	0	0	1,172	0	0	0	0	802	2,133	2,176	2,348	2,583	2,728	2,783	2,783	2,783	2,783
Maize Dryland	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Soya Dryland	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dry Beans	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Potatoes Irrigated	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Wheat Irrigated	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Maize Irrigated	0	0	0	0	0	0	1,172	0	0	0	0	0	1,244	1,269	1,395	1,535	1,627	1,627	1,627	1,627	1,627
Soya Irrigated	0	0	0	0	0	0	0	0	0	0	0	802	890	908	953	1,048	1,101	1,156	1,156	1,156	1,156
Grazing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Variable cost	0	61	22	42	44	64	60	450	144	102	95	57	1,274	1,274	1,274	1,274	1,274	1,274	1,274	1,274	1,274
Maize Dryland	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Soya Dryland	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dry Beans	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Potatoes Irrigated	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Wheat Irrigated	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Maize Irrigated	0	61	22	33	30	26	23	333	31	84	66	0	787	787	787	787	787	787	787	787	787
Soya Irrigated	0	0	0	9	14	38	38	118	113	18	29	57	487	487	487	487	487	487	487	487	487
Grazing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross Margin	0	(61)	(22)	(42)	(44)	(64)	1,111	(450)	(144)	(102)	(95)	745	859	902	1,074	1,309	1,453	1,508	1,508	1,508	1,508
Maize Dryland	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Soya Dryland	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dry Beans	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Potatoes Irrigated	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Wheat Irrigated	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Maize Irrigated	0	(61)	(22)	(33)	(30)	(26)	1149	(333)	(31)	(84)	(66)	0	456	481	608	747	840	840	840	840	840
Soya Irrigated	0	0	0	-9	-14	-38	(38)	(118)	(113)	(18)	(29)	745	403	421	466	561	614	669	669	669	669
Grazing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fixed Costs	28	28	28	28	28	28	28	28	28	28	28	28	340	341	340	340	213	213	213	213	213
Salary and wages	2	2	2	2	2	2	2	2	2	2	2	2	21	21	21	20	20	20	20	20	20
Operating costs	1	1	1	1	1	1	1	1	1	1	1	1	14	16	15	15	15	15	15	15	15
Depreciation	25	25	25	25	25	25	25	25	25	25	25	25	300	300	300	300	173	173	173	173	173
Overheads	0	0	0	0	0	0	0	0	0	0	0	0	5	4	4	4	4	4	4	4	4
Extraordinary Expenses	6	6	6	6	6	6	6	6	6	6	6	6	0	0	0	0	0	0	0	0	0
Sundry Income	(6)	(5)	(4)	(3)	(2)	(1)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Trading Profit	(40)	(101)	(60)	(79)	(80)	(99)	1,077	(484)	(178)	(136)	(129)	711	519	561	733	968	1,240	1,295	1,295	1,296	1,296
Interest expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit Before Tax	(40)	(101)	(60)	(79)	(80)	(99)	1,077	(484)	(178)	(136)	(129)	711	519	561	733	968	1,240	1,295	1,295	1,296	1,296
Income Tax	(13)	(32)	(19)	(25)	(26)	(32)	345	(155)	(57)	(44)	(41)	227	0	0	0	0	397	414	415	415	415
Net Income	(27)	(68)	(41)	(54)	(54)	(68)	732	(329)	(121)	(93)	(87)	483	519	561	733	968	843	881	881	881	881

USD '000																					
--Present Valuation --																					
	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20
CASHFLOW	(5)	(46)	(18)	(31)	(32)	(45)	755	(307)	(99)	(70)	(65)	506	791	832	937	1,172	961	999	999	999	999
Add...Exit value																					7,239
TOTAL NET CASH FLOW	(5)	(46)	(18)	(31)	(32)	(45)	755	(307)	(99)	(70)	(65)	506	791	832	937	1,172	961	999	999	999	8,238
	PV \$ 6,676.88		Discount rate		13.8%																