

DRAFT



OFFER

TO

LAND BANK OF SOUTH AFRICA

Which offer is
Simultaneously Aimed as proposal for finance at other
prospective and potential

INVESTORS

FINANCIERS

FOREIGN DIRECT INVESTORS

And

JOINT VENTURE PARTNERS

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Strategic Planner

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CEO SADC DFT, CIO Sect. 38 Commission of Inquiry



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PRELIMINARY NOTES ON READING THIS PRESENTATION

This presentation is designed for easy **cross-reference** to its various aspects if using the digital MS Word version supplied on CD (Note not the pdf version): -

- Ø The best place to start is at the **TABLE OF CONTENTS** following this section. Simply click on the heading you are interested in.
- Ø When reading the presentation and wherever words in **blue boldface** appear these denote a hyperlink to a file on the accompanying CD and words with a grey background denote a cross reference to an annexure in this file.
- Ø The same applies to any **footnotes** appearing in the text.
- Ø Clicking on **Web sites** listed in the text will cause your Internet browser to be opened and the site accessed provided you are on the net.
- Ø Clicking on **e-mail addresses** will open your internet mail program with the e-mail address in the send box
- Ø A hyperlink link to a PowerPoint file will open a PowerPoint presentation

All you need to do is to place the cursor above the text so highlighted and click the left button on your mouse. You will then be taken directly to the section cross-referenced, web page or e-mail editing page.

To return to the paragraph in which the cross reference appeared simply click on the **blue arrow** pointing to the left of your screen in the menu section which would have appeared on the top of your screen.

Should you wish to gain a **close up view** of any of the graphics included simply click on the menu item entitled, view and select the relevant enlargement you require and again when you are finished.

Should you have any queries, Dr. Izak Labuschagne can be contacted on (073) 1 5678 25. Alternatively you can send an e-mail to Dr. Izak Labuschagne by clicking on the following link info@izak.co.za

Should you wish to get a quick overview, the GDP Web Page is available under the hyperlink [GDP WEB PAGE](#) and the PowerPoint presentation under the hyperlink [GROUP ONE PROJECT.PPT](#)

A video of the area is available on request.

We trust that you will thoroughly enjoy the dynamics of this presentation.

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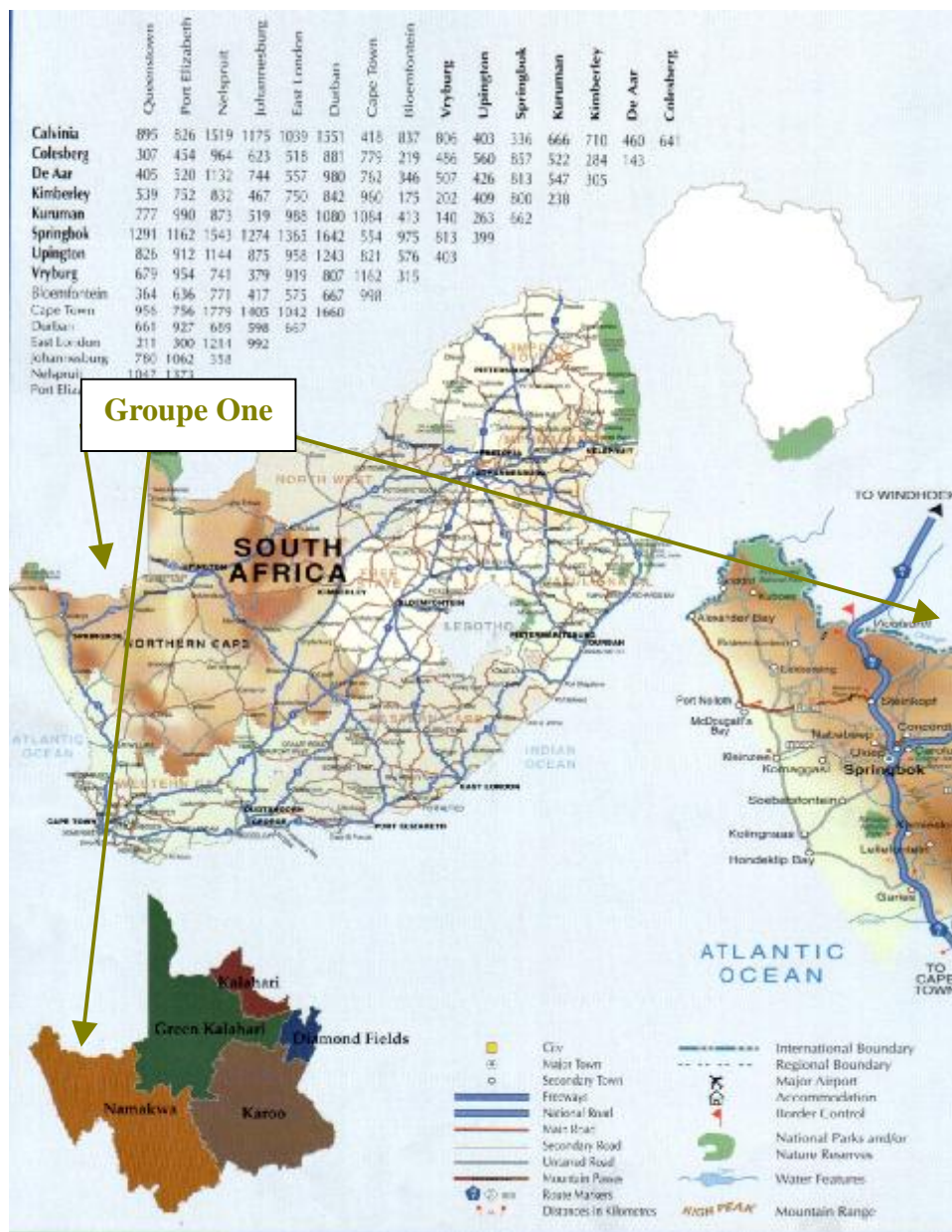
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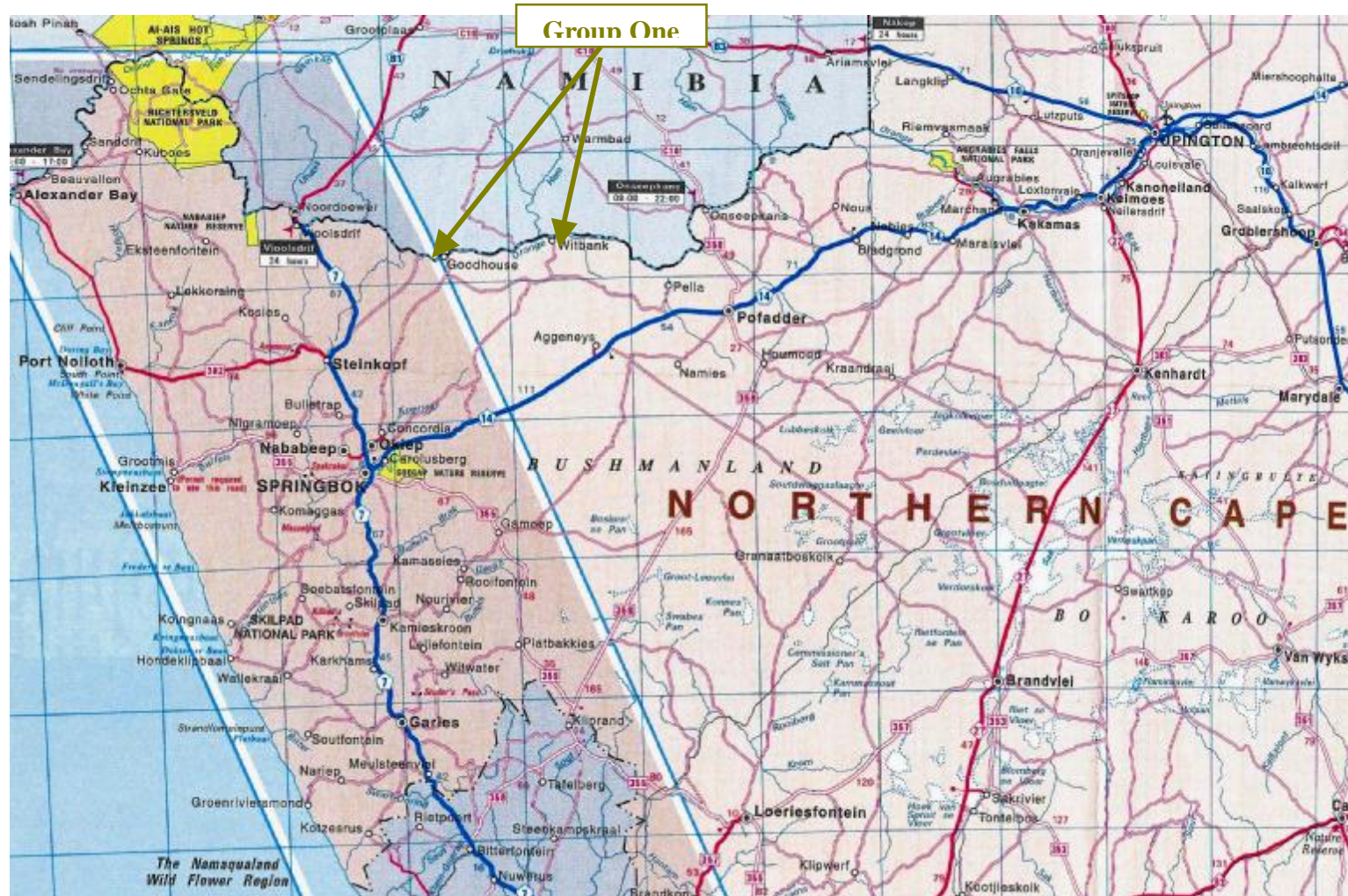
Location

The project is located along the Namibian Border on the banks of the Orange River in the far Northern Cape Province of South Africa. Details of Northern Cape can be views in the video hyper linked as [Northern Cape Video](#). This area is known as **one of the best irrigation areas in South Africa** as there is almost no frost¹ and water is plentiful. The temperatures are mild to hot and the remoteness of this semi dessert area means that **plagues are also minimal**. Several crops produced there have the distinction of being first in the markets of South Africa.



¹ Once every 50 years

Zoom to surrounding area



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Grouping

Group One consists of various groupings of farmers against the Orange river in the far northern Cape Who have mandated a strategic planner (Dr. Izak Labuschagne, an Australian Investment Planner certified under the Sydney Stock exchange) to procure markets, operators and finance for a BEE farming project. Please see the link [LEGAL REGIME.doc](#) for a copy of the mandate.

The Goodhouse grouping consists of 19 farmers that have occupied and farmed land for some 20 years in Goodhouse in the far Northern Cape. Their land comprises some 250 ha if their existing tenure active leases are taken into account but only about 190 ha based on an erroneously obtained lease between the council and the Land bank in a project for the production of paprika that has failed due to an excessive amount of government interference in the project. As a result, the mandate expressly excludes public sector participation since there is a 100% failure rate of projects where there is public sector participation and because the public sector are unable to communicate regarding a host of outstanding issues from previous projects and the all import land ownership due to them in terms of several statutory and other requirements. Please see the link [LEGAL REGIME.doc](#) for a copy of the mandate.

For the purposes of reaching finality that is vested with best balance of commercial legal and political reality in the shortest time (as there is now a humanitarian crisis in the offing), a Memorandum of Understanding has been negotiated between Mr. Marius Nel of the land Bank and Dr. Labuschagne, the mandated of the farmers. Please see the link [MOU Land Bank.doc](#) for details of the memorandum.

The land in question is marked in yellow on the page appearing under the heading **Drip Irrigation Plan Goodhouse**.

The Langkweek Grouping consists of a further four farmers from two adjoining farms at Langkweek named Droomland (40ha) and Langverwacht (20ha), that also made their land available to the project.

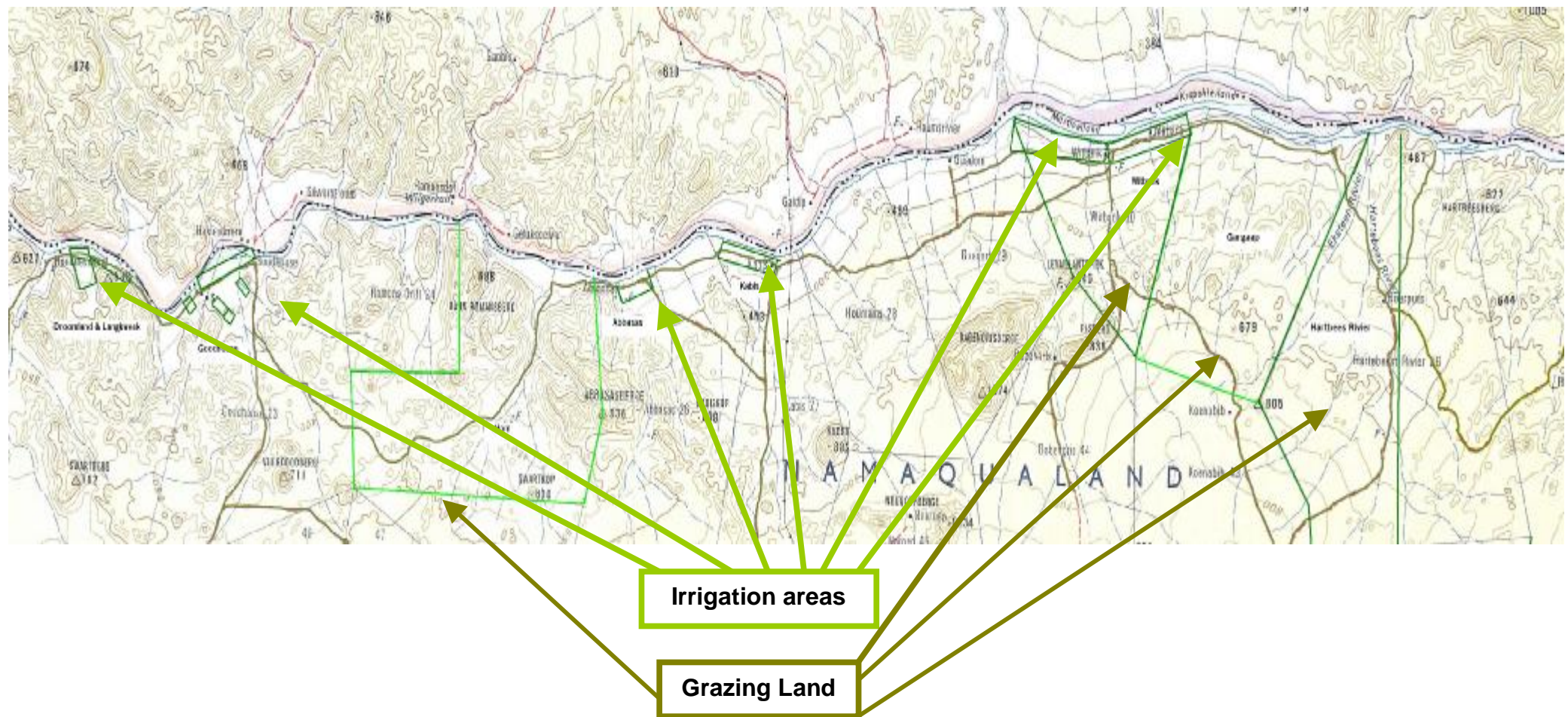
The land rights of Droomland are secured by a long standing lease with the Nama Khoi council is organized into a trust and the farming operations in a Close Corporation called Droomland Boerdery CC. Rev Appies a long standing prominent member of the entire area's community and his sons consisting of a lawyer and auditor and a doctor are the trustees

The land rights of Langverwacht are also secured by a long standing lease with the Nama Khoi council under the name of Mr. Jacobus Engelbrecht.

Farmers in the Abassas and Kabis areas comprising some 120 ha currently under diesel irrigation and a further 500 ha of irrigation developable land when the electrical supply has been installed by Eskom later this year.

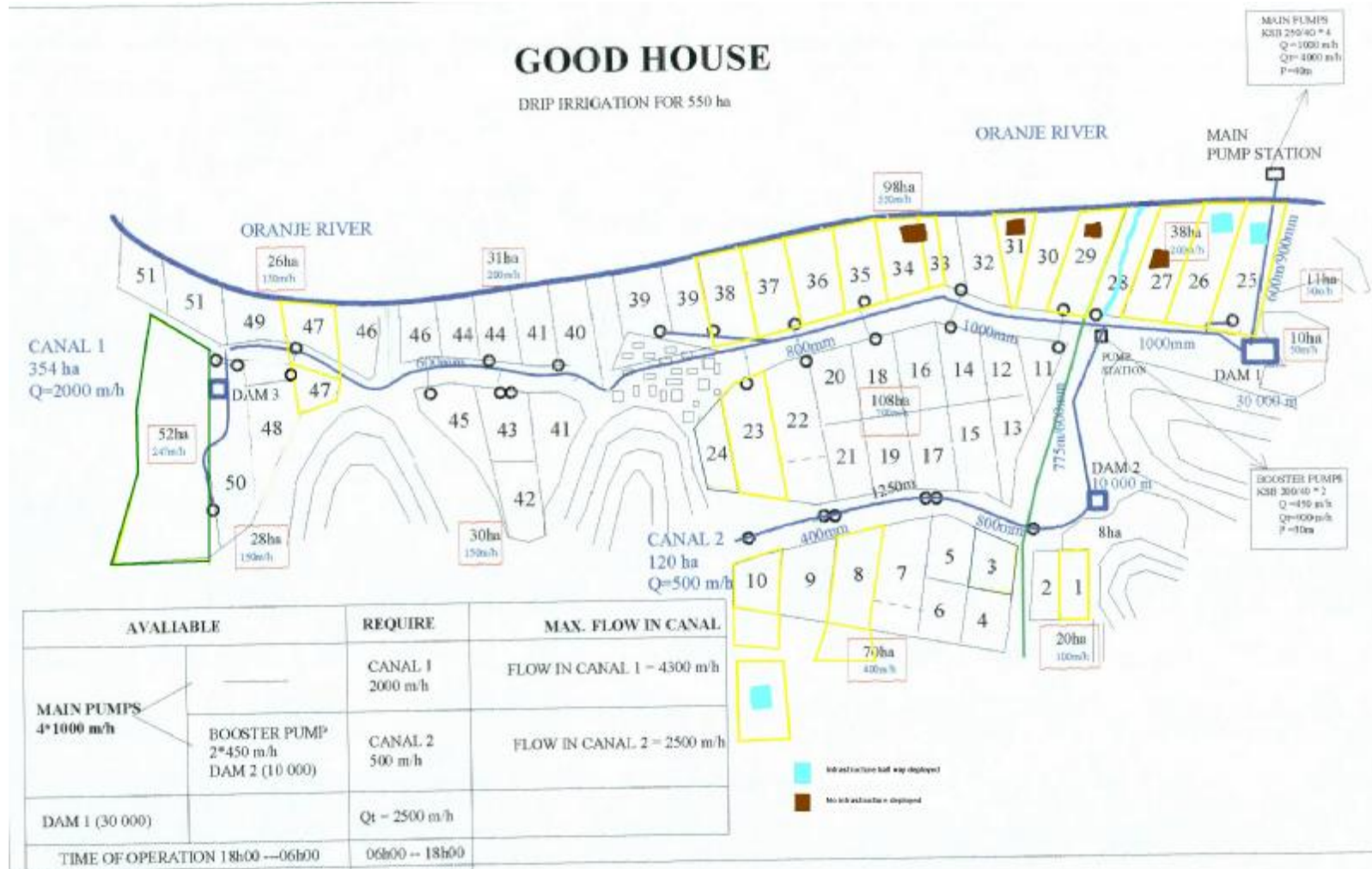
Zoom to agricultural area

Note: - Zoom to 200% and even 500% to see better detail.



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Drip Irrigation Plan Goodhouse



Agricultural statistics of the area

Average Annual Rainfall:

Month	Rainfall
January	2.8
February	7.1
March	14.0
April	5.8
May	3.6
June	5.3
July	5.3
August	1.5
September	1.5
October	2.3
November	3.8
December	4.6
TOTAL	57.6



Average daily temperatures.

Month	Temperature
January	30.5
February	29.9
March	28.3
April	24.4
May	19.1
June	15.3
July	14.5
August	17.2
September	20.5
October	24.2
November	26.4
December	29.3



Average Evaporation vs. average Rainfall

Month	Evaporation * A-pan mm/day	Rainfall mm (month)
January	15.8	2.8
February	15.1	7.1
March	11.	14.0
April	-	5.8
May	3.2	3.6
June	-	5.3
July	3.6	5.3
August	4.8	1.5
September	7.4	1.5
October	10.1	2.3
November	13.9	3.8
December	14.4	4.6

- The evaporation is the average in climate zone no. 1495 and the rainfall as measured at Goodhouse itself.



Temperature comparison between Goodhouse and Messina

Goodhouse					Messina			
Months	Average Max oC	Average Min oC	Maximum Extreme	Minimum Extreme	Average Max oC	Average Min oC	Maximum Extreme	Minimum Extreme
January	39.3	21.8	47.8	8.3	33.5	21.3	43.5	13.0
February	38.2	21.6	46.7	13.9	32.4	20.8	41.2	12.8
March	36.3	20.2	43.9	10.0	31.6	19.3	40.5	10.3
April	32.4	16.4	41.7	7.2	29.8	15.9	39.7	5.6
May	27.1	11.2	37.2	0.6	27.4	10.9	37.5	1.6
June	23.4	7.1	31.7	-1.1	24.9	6.9	32.4	-3.6
July	22.6	6.4	30.0	-0.6	24.9	6.9	33.0	-3.8
August	25.7	8.7	37.8	-0.6	27.0	9.7	38.1	-3.8
September	29.1	12.0	40.6	3.3	29.8	14.1	41.9	3.5
October	32.8	15.6	44.4	4.4	31.2	17.4	42.0	8.1
November	34.9	17.9	45.6	8.9	32.3	19.4	43.0	10.9
December	37.9	20.6	47.2	9.4	32.9	20.4	43.0	10.6

Suitable crops for the Goodhouse Project

<p>The winter climate of Goodhouse is conducive to many vegetables produced for specific niche markets. Distance to markets is significant.</p>	<p><u>WINTER ANNUAL:</u></p> <p>Tomatoes (<i>Cycopersicon</i> spp)</p> <p>Cabbage (<i>Brassica oleracca</i>)</p> <p>Potato (<i>Solamum tuberosum</i>)</p> <p>Strawberry (<i>Fragaria Anasa</i>)</p>
<p>Well adapted. Requires a turgor induced rest period before flowering.</p> <p>Well adapted. Take care for wind damage.</p> <p>Well adapted. Take care for wind damage.</p> <p>Well adapted, but slow grower.</p> <p>Yellow varieties better adapted than he purple varieties.</p> <p>Well adapted.</p> <p>Well adapted.</p> <p>Well adapted, but slow grower.</p> <p>Well adapted, especially pomelo.</p>	<p><u>TREE:</u></p> <p>Mango (<i>Mangifera indica</i>)</p> <p>Banana (<i>Musa acuminate</i>)</p> <p>Pawpaw (<i>Carica papaya</i>)</p> <p>Cashew nuts (<i>Anacordium occidentale</i>)</p> <p>Granadilla (<i>Passiflora edulis</i>)</p> <p>Fig (<i>Figus carica</i>)</p> <p>Avocado (<i>Persea omericana</i>)</p> <p>Dadel (<i>Phoenix dactylifera</i>)</p> <p>Citrus.</p>

Goodhouse Crops continued

Crop	Remarks
<u>PERENNIAL:</u>	
Lucern (<i>Medicago sativa</i>)	Well adapted. Production throughout the year. Low risk.
Sugar cane (<i>Saccharum officinarum</i>)	Well adapted. Area too small for mill.
<u>SUMMER ANNUAL:</u>	
Cotton (<i>Gossypium</i> spp)	Well adapted. Area too small for a mill. Long distance to nearest mill (Uppington)
Groundnuts (<i>Arachis hypogaea</i>)	Especially good for confectionary varieties.
Sorghum (<i>Sorghum caffrorum</i>)	Well adapted.
Sweet melon (<i>Cucumis melo</i>)	Niche market production.
Lima Bean (<i>Phaseolus lunatus</i>)	Climate is conducive towards seed production.
Peppers (<i>Capsicum frutescens</i>)	Well adapted. Climate conducive towards high quality (export quality)



Climate requirements of tropical and subtropical fruit.

AREA	Climate	Crop
A	Very hot, humid and frost free	Bananas Macadamia nuts Coffee Pineapples Ginger Cocoanuts Cashew nuts Cocoa
B	Very hot, dry and frost free.	Mango Pawpaw Citrus
C	Warm summers, cool winters with the possibility of frost.	Litchi Guava Peanuts
D	Cool moderate summers, humid and frost free.	Avocado Granadilla



Soil analysis

A copy of a recent soil analysis done at Goodhouse is available under the link [grond ontleding.tif](#)

GOODHOUSE TESTS AS AT 26 FEBRUARY 2004

Lab No.	Ref. No	P. Bray 1	K	Ca	Mg	S Am Ac	Na	PH (KCl)	65 Ca%	8 K%	25 Afg%	2 Na%	Ca:Mg	Ca+Mg)/K	Mg:K
		Mg/kg	Mg/kg	Mg/kg	Mg/kg	Mg/kg	Mg/kg						1.54.5	10.0.20.0	3.04.0
28667	L1	12	19 1	1041	235	11	20	6.36	67.54	6.34	24.99	1.13	2.70	14.60	3.94
28668	L2	22	25 1	1440	244	19	32	7.26	72.14	6.43	20.04	1.39	3.60	14.33	3.12
28669	L3	65	35 0	978	235	24	74	7.07	60.87	11.14	23.98	4.00	2.54	7.62	2.15
28670	L4	23	15 2	671	104	156	174	6.66	62.68	7.26	15.93	14.13	3.94	10.82	2.19

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Available Infrastructure

Droomland



Currently has 40 ha of Lucerne under sprinkler irrigation supplied by an electric pump directly from the Orange River. There is a house occupied by the tenant, sheds, a tunnel nursery, and some implements comprising: -



1. One tractor in running order
2. Two tractors needing some R 15,000 in repairs
3. A Baler
4. Several trailers



5. Assortment of rippers and plows
6. Bakkie
7. Water reservoir.

Goodhouse



1. An assortment of structures to accommodate the farmers,



2. A newly deployed drip irrigation system supplied from an R 14 million irrigation pipelines built a few years ago.

3. Some of the 19 farmers (4) have not had infrastructure deployed on their property because of the fact that the government was keen to get the inexperienced farmers going first and because the development finance supplied by the Land Bank for that purpose was misappropriated to the paprika factory. This is now being rectified.



Langverwacht



1. 20 ha's under flood irrigation supplied by an electric pump directly from the Orange River.

Hom



This part of the group's holdings comprises some 12074 a of grazing land which has been rented by one family for more than 15 years, giving rise to property rights under the Upgrading of Land Tenure Act.

Abbassas



This part of the group's holdings comprises of a lease of some 30 – 90 ha of flood irrigation along the Orange River. A sturdy house and outbuildings are on site. Diesel is presently used to pump

water until the proposed electrical supply line is deployed (to be completed mid 2004).

Kabis

This part of the group's holdings comprises a lease for some 30 – 90 ha of land under sprinkler irrigation.

Overall strategy

The overall strategy of this project is to begin with the crops encapsulated in this proposal and as a platform to get something connected with commercial reality going. **Value adding infrastructure** will be hot on the heels of this foundation, giving rise to vastly increased profit margins. A pill machine for the lusern, the packing of vegetales grown in the off season for the local mines in the warehouse will create a huge self funded cash injected that can only escalate exponentially.

The **medium and long-term crops** being introduced by Mr. Sertic and his Foreign Direct Investment (FDI) ill provide the capital input and crop income stability that is needed to get this project on a basis that will guarantee a contingency income to it. And that very all import (and I might I add, almost indispensable, factor) is what has all along been mysteriously absent from any plans for the area. The **export** of these products will create fiscal currency stability so needed in most other land reform projects.

The IDC will be approached (in line with their invitation to that end) to obtain a **significant share of the paprika plant in Springbok**. This will make paprika production more than just viable for Goodhouse

It seems to be the common view now that the only projects that will succeed in 3rd development as set out in the NEPAD policy document are those that are **100% private sector controlled, of large critical mass, managed intensively, generating diversified value added products preffereably for the export market and with a gearing ratio that shows prospects of significant decline**. This project fits that model precisely.

Project Group description

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see the heading **Immanent Property Ownership**. Please see the link [LEGAL REGIME.doc](#) for a copy of the mandate.

For the purposes of reaching finality that is vested with best balance of commercial legal and political reality in the shortest time (as there is now a humanitarian crisis in the offing), a Memorandum of Understanding has been negotiated between Mr. Marius Nel of the land Bank and Dr. Labuschagne, the mandated of the farmers. Please see the link [Dirk MOU.doc](#) and [MOU Land Bank.doc](#) for details of the memorandum.

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Farmers in the Abassas and Kabis areas comprising some 120 ha currently under diesel irrigation and a further 500 ha of irrigation developable land when the electrical supply has been installed by Eskom later this year.

Organization

Group One has organized itself as follows: -

1. Their respective land rights and infrastructure on the land are vested in a Community Property Association manifesting as a trust.
2. An Operating company was formed to operate the project and own.
 - a. The company pays the trust a usage fee for the property of its members.
3. The company also interacts with a Close Corporation that holds the loose assets of the project.
 - a. The company pays the CC for the use of the implements

Group One Organizational Chart



Shareholding

1. The shareholding regime can be negotiated at the GMC and/or the GDP etc. level and will of course be dependant on the level of involvement of any prospective partner or financier.
2. Where this forms part of the negotiations a management company contracting with GMC should ideally acquire no less than a 26% shareholding secured by appropriate management and shareholders agreements that make provision for the empowerment of the landowners into self-sufficient sustainable providers of agricultural and related products. Comprehensive control mechanisms from both sides accompanied by mileposts, timelines and performance guarantees should characterize the legal regime between the parties.
3. Should other financiers or investors be in the picture, these will have a shareholding commensurate to reasonably negated instruments of debt such as shares warehoused for the PDI's by IDC based on a quasi equity investment for empowerment or a direct stake by an investor based on an entry and exit strategy where appropriate, otherwise shares held by the company and ceded to a financiers based on the terms and conditions of a loan.
4. The various trusts and CC shall acquire a pro rate shareholding in their immediate management companies and thence pro rata in comparison with the other companies in the group into GMC.

Community interest

GMC shall make 3% available to the community provided that the community is able to set up an orderly structure which will delegate one representative to an annual shareholders meeting held for the purpose of reporting on any benefits that may have accrued to the community as a result of the project's activities and also to get an idea of community needs for the coming year.

Legal Regime

The approach with the legal regime is that wherever possible the courts are not considered a solution to problems vested with enough commercial reality so as to install appropriate guarantees and security mechanisms.

The legal regime consists of: -

1. The various companies which are formed along the lines of the standard memorandum and Articles of Association which can be viewed the following link [COMPANY ARTICLES OF ASSOCIATION](#).

2. The various trust structures as appears under the link [GDP TRUST.](#)
3. The various Close Corporations acquired from the shelf and with standard incorporation clauses.
4. The mandate to the strategic planner appearing under the cross-reference [LEGAL REGIME.doc.](#)
5. The Management Agreement for GDP2 can be viewed under the link [GDP2 MA](#)
- 5.1. The Definitions and General Causes which accompanied by the ADR, Confidentiality, Intellectual property and Non Circumvention Agreement included therein is standard throughout the regime.
6. The proposed management agreement will be along the lines of the one for GDP excepting that the specific conditions will reflect the shareholding percentage and issues negotiated in terms of the clause heading **Joint Venture with Farm Management Company** and the hyperlink [LEGAL REGIME.doc.](#)
7. A copy of the standard lease agreement held by the farmers is available under the link [LEASE.](#)
8. The proposed cession as security of the lease is available under the link [CESSION](#)
9. A sample Shareholders agreement is available under the link [SHAREHOLDERS AGREEMENT](#)

Immanent Property Ownership

All the properties in the GMC structure are about to become privately owned. This means that at long last the commercial realty necessary for sustainable development such as the availability of collateral to supply any would be investors or financiers would be in the picture. With the mentoring and BEE development factors brought into the picture by Dr, Labuschagne and through him groups like the IDC the lights will certainly then be turned on with respect to a successful future for the project.

All the farms are held in trust by the Minister of Land Affairs and leased to the current occupiers by the local council that acts as the minister's administrators in respect of the farms. The occupiers hold leases with the council ranging from 9 years and 11 months to 25 years.

AN application for transfer of the title into the names of the occupiers is being prepared to be launched, as such on the following grounds: -

1. Despite the farmers having occupied rented and farmed the land for some time by 19987 despite the fact that the occupiers were supposed to get transfer of the land in terms of clause 20(2)(c) of Act 9/1987 The Rural Areas Act at that time, the local authorities neglected to do so.
2. By 1991 and with the advent of the Upgrading of Land tenure Act the occupiers were supposed to get transfer of the land in terms of Section 2(c) of Act 112/1991. Again this was neglected.
3. In 1998 the Transformation of Certain Rural area Act came into being repealing certain aspects of the previous two acts but not the sections that gave them right of title of course. In terms of that Act a Transformation Process comprise an election in terms of which the people will decide whether the land will be transferred to the council a community property association or individuals were held. Despite the people of Goodhouse voting for individual ownership it was again neglected to transfer the land.
4. In March 2002 the Land Bank of South Africa approved a private sector Paprika Project based on the payment of Land Redistribution Agricultural Development Grants to some 55 farmers in terms of which the land had to be transferred to a management company. Again the land was not transferred.

In respect of Goodhouse the status quo is that in January 2004 19 of the 55 farmers at Goodhouse cancelled their production agreements with the paprika project because of the following reasons

1. The government had reneged on the security it was supposed to supply the Land Bank in respect of the project.
2. The farmers discovered that whereas only R 5,5 mil was paid out of the LRAD system to Land Bank some R 8 mil was paid to the project initiators in the private (and through them to the public sector).
3. The project management company had loaned R 9 Mil of the R 55 mil it borrowed from the Land Bank so as to deploy infrastructure development and crop establishment on the project to a paprika powder and oil extraction plant in another company and was unable to get the money back.
4. The government interfered in the project to the point where management left the project and then they installed a person as manager of the project as well as the factory the money was lent to.
5. The 19 farmers were being so grossly discriminated against (because they voted for another party) that they could no longer tolerate the abuse and defrauding they were subjected to.
6. Since the land was still not being transferred there was no hope of saving the project with private sector funding.
7. However it is doubtful that the project planning subdivisions of the land will be used in a property transfer as the breaches of contract terms are such that they comprise inducement. As a result the land that the farmers in question still hold the original rental agreements on will be transferred to them and that will in all probability comprise some 200 ha.

The farms Droomland, Langkweek, Abbassas, Kabis and Witbank were never part of the PAPRIKA project. Droomland, Langkweek, Kabis and Abassaas stand to acquire property rights as Witbank did, their property being in a private trust. Goodhouse farmers will also no doubt get the property transferred into a trust. Abbassas has 30 – 90 ha available, Kabis 30- 90 ha, Witbank some 400 ha, Goodhouse 190 – 200, Droomland 40 ha and Langverwacht 20 ha.

Declarative order

A declarative order from the High Court in Kimberly declaring that the Goodhouse framers have the right to establish crops unhindered is in the process of being secured. This will of course absolutely secure the rights of a crop establisher in the area.

Copy of Group One Notice and related information

A copy of the Notice given by Group One Trust to the paprika project appears under the following link [Group One Notice](#). Ancillary and related documents are available from Dr. Labuschagne who can be contacted at (073) 1 5678 25 or the e-mail address izak@izak.co.za.

Markets

Paprika

A Take-Off agreement for Paprika with a minimum price of R 8.50.00 for grade 1 Paprika and 2 R 5.50 for grade 2 Paprika has been offered by the local Paprika extraction plant at Springbok, Nocal (Pty) Ltd. With the exception of two farmers all the best paprika producers and harvesters are in Group One.

Cotton

In respect of Cotton, Clark Cotton, SA Cotton and an FDI has undertaken to purchase all the cotton produced. It is therefore not necessary to secure sales by a take off agreement, as there is competition in the market for the product. All that remains is to decide on a minimum price that we have pegged at R 2.50 instead of the R 3.40 projected by the industry leaders.

AFGRI have offered to finance the cotton aspect of the project if an arrangement suitable to the parties can be arranged for Clark Cotton to collect the cotton at Goodhouse, which event will result in a saving in the production costs attached hereto.

The members of group one have an excellent track record for the production of cotton and it's delivery to Clark cotton, having produced record yields.

The operator is able to interact freely with Cotton Sa, Clark Cotton and the FDI.

Lusern

Lusern is a medium term crop in excellent demand in the arid area surrounding the project. It is well suited to the flood irrigation of the property in question. The farmer in question has some 10 years experience in farming lusern.

Future Markets

1. The local **Paprika** Plant needs to buy paprika from other producers as the project at Goodhouse has failed to perform adequately, due to the fact that the government forced their supporters that had no farming experience onto the project.
2. The **local supermarkets** need **carrots, cucumbers, Sweet potatoes, green peas, melons** and a few other crops. Various other crops like garlic, herbs and essential oil related crops are being considered.
3. The production of **carrots** is an immediate opportunity for expansion.
 - 3.1. Due to governments inability to produce LRAD grants for the production aspect of the R 1 Bil Green Dessert Project the sale of the biggest carrot farm in South Africa collapsed and was then rescued by a maize farmer. This means that the take off agreements supplied by Pick and Pay, Spar, Woolworths and the RSA markets to Gili Greenworld Holdings for the production of carrots cannot be filled. This has left these markets in the lurch with regards to supply.



Opportunities for Strategic Acquisitions in Value Adding Chain



Since the Paprika Factory is in trouble, anyone that has the acumen and capability to exploit the opportunity of getting the factory, and provided they have or are able to secure a properly established market for paprika, that crop would be ideal.

A cotton gin, hammer mill for wheat, oil extraction still for lavender etc., pack house and bottling facilities are all under consideration, the funding in principal

being on offer and accessible once suitable crop production programs have been established.

The Opportunity

The withdrawal of the 19 best farmers of the project from the Goodhouse paprika project has triggered a host of new opportunities.

1. Firstly an additional 48 farmers have also mandated their advisor Dr. Labuschagne from neighbouring properties. All these farmers have had enough of government intervention and have separated themselves from those individuals who are just there for the ride. In respect of all farmers he is under a mandate to run a management company that will JV with prospective farmer/operators/ JV partners/ investors and financiers. He subsequently set up a structure that would give any future partner or financier the option of deploying separately or in stages.
 - 1.1. One of the farms has **40 ha of Lucerne**. All that is needed is for the guarantees to be renewed with Eskom so as to continue production through irrigating the crop.
 - 1.2. All three properties irrigate directly from the Orange River with electric pumps.
 - 1.3. Langverwacht has 20 ha under flood irrigation. Again the Eskom electricity supply needs to be re-established.
 - 1.4. Kabis needs a Transformer and then 90 ha will be irrigable as either flood or sprinkler irrigation. Abbassas will be a beneficiary of the new electricity power line to be deployed this year.
 - 1.5. Witbank has several hundred ha under flood irrigation and the property is already in a private trust
2. Secondly Dr. Labuschagne formulated a **Agricultural Development Strategy** for the area which strategy covers the following: -
 - 2.1. Establishing **short-term crops** with an interim or long-term partner.
 - 2.2. These should ideally be dry or dried crops like dried tomatoes with a shelf life.
 - 2.3. The establishment of **pack housing and value adding infrastructure**
 - 2.4. The acquisition of more **implements and the modes of delivery**.
 - 2.5. Establishing **long term crops** such as figs and dates
 - 2.6. Establishment of **export-crops** through initiatives like AGOA and NEPAD.
 - 2.7. **Cross sector collaboration** and synergy with mining, tourism, civil engineering, housing and factory construction sectors.
3. Thirdly he **identified potential J V Partners, financiers and investors** to make the strategy happen.

- 3.1. JV partners comprise some farming groups interested in establishing crops
- 3.2. Some of the financiers are able to provide financing up to R 23 million for the deployment of the value adding strategy in stages.
- 3.3. Other potential partners comprise suppliers of implements and infrastructure such irrigation equipment
4. Fourthly he identified **another adjoining area with 30 – 90 ha** of irrigable land that is to be electrified within the next three months
5. Fifthly, he identified Clark Cotton and Cotton SA as possible entities to establish a **Cotton crop in November 2004** on their usual JV basis where they carry the establishment costs, employ the land occupiers and pay them a share of the profits.
6. Sixthly he is engaged in a **CROSS SECTOR COLLABORATION PRIVATE SECTOR INITIATIVE** that will create cross sector collaboration between the agricultural, construction and civil engineer sectors along the lines of the NEPAD policies for the area.
7. Seventhly he has identified a few **farm managers** to run a **CROP INSURANCE SECURED BANK FINANCED PROJECT** should he be unable to find a farmer to start establishing crops in the March to November window.

Benefits and spin offs

Any prospective private sector partner will no doubt benefit from the following: -

1. Accessibility to some of the **finest irrigation land** in South Africa.
 - 1.1. **No limitations as to water supply**
2. Being **first in the market** with regards to certain crops such as grapes.
3. **Endless supply of, solar and wind energy** for drying crops and future electric energy generation.
4. Allegiance and access to well reputed **strategic planning facility**.
5. **Grant funding** for training in BEE structures.
6. **Donor funding** from various aid agencies.
7. Exposure to AGOA and various other **export markets**
8. Exposure to **financiers** for the overall strategies of the project
9. Exposure to the **cross sector initiative** introduced by the strategic planning wing
10. Exposure to various other **potential partners**
11. Possibility of having a **share in the project**
12. Positioning with regards to the **acquisition of factories** such as paprika or cucumber pickling plant

13. Positioning in respect of various **other cross border projects and projects in other African countries**
14. Being able to **freeze out competition** in markets by taking up investment avenues in Africa south of the equator (supplying EU/USA winter markets) instead of allowing other FDI's to do so.
15. Taking part in and exploiting the benefits of participation and sharing in the **value adding chain**
16. Possibility of **spin offs from litigation** against the paprika project by GDP farmers such as: -
 - 16.1. **Enhancement of security** due to the Acquisition of title to the land by the other partners
 - 16.2. Acquisition, shareholding or use of **implements**
 - 16.3. Acquisition, shareholding or use of **paprika factory**
 - 16.4. **Injection of capital** due to damages claimed and awarded
17. Positioned to take over **management of Henkries dates project** due to proximity.
18. **Expansion into adjoining areas**, cross border or otherwise.
19. Establishing a **long term relationship** backed by the prospects of huge contingency **profits from long term crop establishment**
20. Ideal positioning with respect to **financing for ancillary projects** such as fish farming, tourism and construction.
21. The obvious benefits of **increasing your critical mass and diversification.**

Legal regime between Group One, Financiers, Investors and JV Partners

Market – take off

The basis of the project is that a management entity will be identified that will ideally be in a position to bring a market to the project that would manifest in a take off agreement for crops at a set price.

Insurance

An appropriate underwriter that will ideally be able to discount its cost against the dynamics of the project and the level of management control will insure the crop. This partner has been identified as ACE a JV is being concluded at this time. The dynamics and management control aspects comprising the following: -

1. Intensive farming – best crop establishment tending and risk manage available coupled with satellite technology

2. Diversification of groups between long medium and gradually established long term
3. Dry or dried crops – shelf life for better market release timing
4. Large critical mass – better bargaining power for price
5. Value adding infrastructure – larger margins on sales for enhanced return on investment.
6. Export of crops – hedge against soft currency fluctuations
7. Development of Nguni Livestock for export of hides and organic meat products

Securities

1. The insurance policy and take off agreements will then serve as security for the financing of the crop establishment costs
2. Implements will secure implement financing
3. Infrastructure will secure infrastructure financing
4. The JV partners will be able to negotiate a contract based on one or a combination of the following: -
 - a. Investment (ideally no less than 26%) secured by Shareholders Agreement giving full management control in the first year. Management control reduces and exit strategies increase reduces as mileposts and the JV partner and the project participants meet timelines for empowerment.
5. Profit sharing, whether as stand-alone or in conjunction with investment or management fee.
6. Management fee either as stand-alone or in conjunction with investment and profit share.
7. The JV partner may wish to also invest in the value-adding infrastructure and share in ancillary markets of other diversified crops.

Joint Venture with Farm Management Company

1. In this project Group One management Company (GMC) enters into a management agreement based on a specific mandate from the management companies GDP, Kabis, Abassas, Witbank, Droomland and Langverwacht companies.
 - 1.1. An example of the typical management agreement appears in the hyperlink [LEGAL REGIME.doc](#) as an example of the mandate.

2. GMC then enters into a Joint venture with a farm management and investment Company (FMC). The purpose of the JV is the FMC to establish manage and harvest crops on the properties and with the implements under management along the following lines: -
 - 2.1. FMC provides GMC with a business plan for the establishment and marketing costs of the crop(s) in question and which plan details: -
 - 2.1.1. Amounts paid for land and equipment usage
 - 2.1.2. Income and expenditure regime
 - 2.1.3. Employment prospects
 - 2.1.4. Training prospects
 - 2.1.5. Proposed profit sharing regime
 - 2.1.6. Control mechanisms available to GMC in respect of: -
 - 2.1.6.1. Monitoring and veto on Budget deployment
 - 2.1.6.2. Monitoring and veto on sales
 - 2.2. The FMC should be vested with established take off agreements for its product with reputable markets.
 - 2.3. The production of crops should be diversified and subjected to a properly researched crop rotation program that will take into consideration other crops grown in the area and the effect that those crops may or may not have on crops grown by the FMC.
 - 2.4. The FMC must insure its crops at it's own cost or provide appropriate securities in respect of any crop losses occasioned by weather, plague or otherwise. Alternatively GMC is in a position to do so, in which case the dynamics of the deal will of course alter accordingly in respect of things such as profit sharing and management fees etc.
 - 2.5. The FMC shall warrant that it is absolutely insulated against any government interference with operations at Goodhouse.
 - 2.6. The FMC shall collaborate with pre disclosed cross sector project development where possible provided that it enhances his operations.
3. The FMC's contract shall be confined to the terms taken to deploy and market specific crops
4. Should the FMC's performance be satisfactory it may be invited by GMC to participate an any future developments and projects of GMC.
5. GMC's strategies for future development are as follows:
 - 5.1. To develop infrastructure to cater for:
 - 5.1.1. Drying facilities for certain types of crops

- 5.1.2. Warehousing facilities for the storage of crops so as to exploit the best market conditions
 - 5.1.3. Packaging facilities so as to add value to crops
 - 5.1.4. Establishment of long term crops such as figs, mangoes, grapes for raisins and dates
 - 5.1.5. Coalitions or JV's with Agencies such as AGOA or establishment of own Marketing Agencies
 - 5.1.6. Collaboration with construction industry with regards to development and enhancement of infrastructure such as irrigation pipelines, roads, airport, town and tourism developments.
- 6. Acquisition of implements and
 - 7. Acquisition of transport so as to minimize delivery costs

Current Status Quo



- Ø The project has been invited by the Land Bank of South Africa to engage in talks toward a usage policy in respect of the situation at Goodhouse. (see [usage policy offer to Land Bank.doc](#)) and the proposed MOU at [MOU Land Bank.doc](#)
- Ø Confidentiality Intellectual Property and Non-Circumvention treaties are in place with **several financiers that have undertaken to finance the implements, irrigation and value-adding infrastructure.**
- Ø A prominent trader in the **Cotton** industry is being engaged toward a take off agreement for cotton production.
 - This entity is also negotiating the activation of and the sale of shares in a currently mothballed **Cotton Gin in the USA** to the project whilst the transport of cotton to the gin will be borne by the entity buying the cotton.
 - Another prominent entity in the cotton industry will be **financed** by its principal holding company comprising of **one of the foremost agricultural entities in South Africa.**



- Ø Confidentiality Intellectual Property and Non-Circumvention treaties as well as a Memorandum of Understanding are in place with a group of entities in the EU to the ends of establishing OFFTAKE AGREEMENTS and **FDI investment** for the production of **Oranges, Grapes, Lavender and Rosemary** as export crops to the EU. (See [MOU Ecovit.doc](#) and [confid Tom.doc](#))
 - These crops will be cultivated using a world renowned organic fertilisation product. (See studies under [Ecovit.doc](#))
- Ø The same entity will also be facilitating the OFFTAKE AGREEMENT to a local operator growing **organic carrots** for one of the largest supermarket chains in South Africa. (See [Goodhouse Carrots.xls](#) for an example of production costs etc.)
- Ø Value adding infrastructure in the form of an **oil extraction plant** will be installed for the lavender production and pack house facilities for the other crops
- Ø The Paprika Plant in Springbok has invited the project to enter into a take off agreement with it. What is more the acquisition of shares in the factory is also under consideration.
- Ø Confidentiality Intellectual Property and Non-Circumvention treaties as well as a Memorandum of Understanding are in place with a very prominent operator from the North West Province. (See [Dirk MOU.doc](#) and [CV Dirk Mouton.doc](#))
- Ø Details of the lavender production are available at the following hyperlinks on this CD.
 1. [Lavender as an Alternative Enterprise short.doc](#)
 2. [Essential oils Australian.htm](#)
 3. [Extracts of different documents related to herbal medicine.doc](#)
 4. [Copy of Lavender in Australia.doc](#)
 5. [Lavender-historytaxonomyproduction.doc](#)
 6. [Essential Oil buyers.pdf](#)
 7. [Google Search essential oil markets buyers.htm](#)
 8. [lavenderbag.doc](#)
 9. [Lavender Day - Contact Details.xls](#)

Commencement of plan

Mr. Mouton has activated his services under the abovementioned MOU. After throwing his full weight and that of his contacts into this project we have arrived at a phase one project plan which will set the Group One project on a sound footing in that the plan will reduce the gearing required to run the project by at least 20% per annum.

The business plan as he has drawn it in Afrikaans appears below, followed by the spread-sheets that will form the basis of the application.

This proposal shall be submitted on a first-refusal basis to the Land bank of South Africa so as to give them the opportunity of rescuing part of the paprika project that met its politically fuelled demise at Goodhouse. The proposed usage agreement shall go a long way to provide stability in the area. Once title on the land is passed the Land Bank and indeed any other financier will have a proper basis of security in terms of their mandates from either government or their investors.

Should the politics hamper the Land Bank to engage this offer timeously then the other financiers and stakeholders will no doubt acquiesce without any further delay.

After countless opinions, case studies and admissions, the consensus is that there can never be any doubt that the Group one project has a right to tenure (and with that title) to the land, a right to operate the land, and the ability to provide those rights as security.

Immediate Finance Requirements

1. A revolving draw down facility for production and management finance over 5 years is sought as the gearing reduction built into the project should see it becoming self funding in that time.
2. Infrastructure finance over ten years with moratorium on interest and repayment for one year is required in order to introduce some commercial order to the infrastructure to the area.
3. Implement finance over 5 years with no deposit is required in order to fill the gaps that exist in the area as a result of poor planning in the last project and gross vandalism born out of politically generated unrest.
4. Infrastructure finance in order to deal with the issues set out above.

The details of this financing follows the overview given below.

The financial spread sheet are in a separate **document** [GDP Presentation\Management Cash Flow1a.xls](#)

The covering letter to landbank for that document is at [Covlet M Nel Financials.doc](#) .

In short this project is able to maintain a positive cash flow that gradually escalates over time thereby generating ever-increasing dividends. This trend becomes more pronounced after 5 years when the implements are paid off and escalates along a steep positive curve after 10 years when the long-term loans are satisfied. A one-year moratorium on capital and interest repayments attributable to a large infrastructure loan has a very positive effect.

Long term funding requirements

1. The GDP project will need to purchase implements until such time as the litigation against the paprika project produces any results in that department. Approx. R 600,000.00
2. The GDP project needs to upgrade the house and offices at GDP 2 so as to serve as a proper residence and office for the resident farm manager. Approx. R 140,000.00
3. GDP needs to acquire two dedicated vehicle for the management company so as to attend to the administrative aspects of the project. Approx R 230,000.00
4. Funding is required for the purposes of training the PDI / BEE participants in the project. Approx. R 340,000.00
5. Funding is required for the strategic planning with respect to the deployment of long-term crops. Approx R 19 Million
6. Funding is required for the construction of the appropriate value-adding infrastructure that will service export markets of those and the other crops. Approx R 13 mil.
7. Funding to expand the irrigable area by another 90 ha. Approx R 9 mil.

Long Term Funding strategies

1. Various organisations have indicated that they will look at funding value-adding infrastructure all up to the tune of some R 40 million.
2. Crop insurance could be utilized as security for crop establishment finance. Implement financiers are also ready to negotiate once a project has been approved
3. FDI funding.
4. Various grant funding opportunities exist with international aid agencies and these will no doubt kick in within the next 18 months to 2 years

5. DTI incentives are available to FDI investors and those providing empowerment training and equipment to the project
6. Quasi Equity investments from major institutions is on the cards, [particularly as this is a BEE project
7. Direct investment by operators to increase a stake in the business

Summary

1. Bear in mind also that this is a BEE project and the various BEE / PDI and other related incentive schemes, donor and grant funding initiatives have not been taken into account here. The idea is to get this project off the ground as a purely commercial private sector project and then to let all any other accrued benefits from those types of initiatives simply add value and synergy to a project.
2. The other aspects related to the project such as tourism, construction and the mining activities could be developed as further phases of the cross sector collaboration initiative adopted by NEPAD.
3. Please bear in mind that this is a very hurriedly put together Strategic Overview only. The purpose of the correspondence is to provide just a brief overview that will highlight the opportunities created by the situation. What is sought here is some feedback about ideas for possible ways forward and hopefully a request for a meeting to discuss the options and a concise and focused request for further details. A more detailed overview containing maps plans and pictures is available on CD. This communication is sent notwithstanding the fact that a few lending institutions JV partners and farmers have already shown an interest. The objective here is to compile the right mix of partners and financiers for this project. This area that has hitherto been stifled by an authoritarian regime has excellent potential and lends itself to outstanding development potential. It should be in everyone's interest to become a part of this timeous initiative.
4. This paprika project issue is for all intents and purposes a humanitarian crisis caused by what is a very unfortunate and sad bungle in the South African Land Reform Program.
5. A real opportunity exists to diffuse the type of embarrassment that this type of development can cause (see the link [Land Reform - Obstruction3a.pdf](#)) and to give real effect to the NEPAD policy on Agriculture (see [NEPAD CAAD .pdf](#)).
6. Should you be unable to give some feedback or get involved at this time please give us your feedback so that we can properly screen future correspondence.
7. Further details of the other projects handled by this consultancy can be viewed at www.izak.co.za

Details of CEO and related initiatives

Details of the CEO of GMC can be obtained from the web page www.izak.co.za directly from the web or the link [IZAK WEB PAGE](#) herein. The GMC web page is expected to be up and running within the next few weeks and is available under the link [GDP Web Page](#) herein.

Key aspects of the planning approach used can be viewed on the following hyperlinks: -

- Ø [The way forward for Agricultural Projects in Africa.pdf](#);
- Ø [AGRI-IS - CONSTRUCTION INITIATIVE.pdf](#); and [AGRI-IS-Web Page\index.html](#)
- Ø [Web Izak\Projects.htm](#)

Compilers details

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Lets do it Now!

Video

