



CENTRAFRIQUE

(A SUBSIDIARY OF SERENGETI GROUP HOLDINGS)

BUSINESS PROPOSAL



DIAMOND PROJECT

IN



CENTRAL AFRICAN REPUBLIC

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1. Executive Summary



1 Executive Summary

INALA CENTRAFRIQUE S.A., henceforth referred to as "INALACAR", has been formed as a joint venture company between a South African company, Serengeti Group Holdings (Pty) Ltd ("SERENGETI") and the Central African Republic (CAR) Government.

The joint venture is a culmination of the accord signed by both the President Thabo Mbeki (South Africa) and President Francois Bozize (Central African Republic) during the meeting of the governments in South Africa in July 2006 for the two countries to work together.

The purpose is three fold:

- firstly, it is being organized to take advantage of a specific gap in the mining and minerals sector, especially in the diamond industry;
- secondly to assist the CAR government in recovering taxes from sales, and
- thirdly to reduce the volumes of diamonds been smuggled out of the country illegally and legitimising conflict diamonds.

CAR is a full member of the Kimberley Process, which regulates the diamond industry as a protection against illicit and rebel activities funded by the diamond trade smugglers.

The management of Serengeti is experienced in the diamond industry in excess of 15 years. Our research and financial projections indicate that revenues through this new joint venture are sufficient to provide revenues of \$50.3 million in the first full year of operations. These sales figures are based upon average carat sales volume of 58,000 carats in year one, which equates to only 4% of the present total annual diamond market sales volumes in the CAR.

Second year revenues are expected to increase to \$62.9 million with average carat volume sales equating to 5% of market share.

In year three, the carat volume sales are expected to average 5.6% of CAR Diamond market sales volumes, providing expected revenue of \$72.4 million. In year four, the carat sales are expected to conservatively reach 6.4% of the total market sales volumes, with expected revenue of \$83.2 million.

INALACAR has the potential for a more rapid ramp-up due to the nature of the systems that will be put in place in the targeted market. In short, the carat volume sales actually attainable in the target market exceed the demand that dictates our growth.

These sales levels will produce for a Net Profit After Tax of \$1.55 million in the first year of operations and will increase to \$2.9 million in year two, \$4.15 million in year three and \$5.5 million in year four, respectively. The net profits after tax in these years will average 4.5% of revenue. From the 5th year Net Profit after Tax will average 7.5% of revenue. The overall long term target for year five expects to achieve a moderate

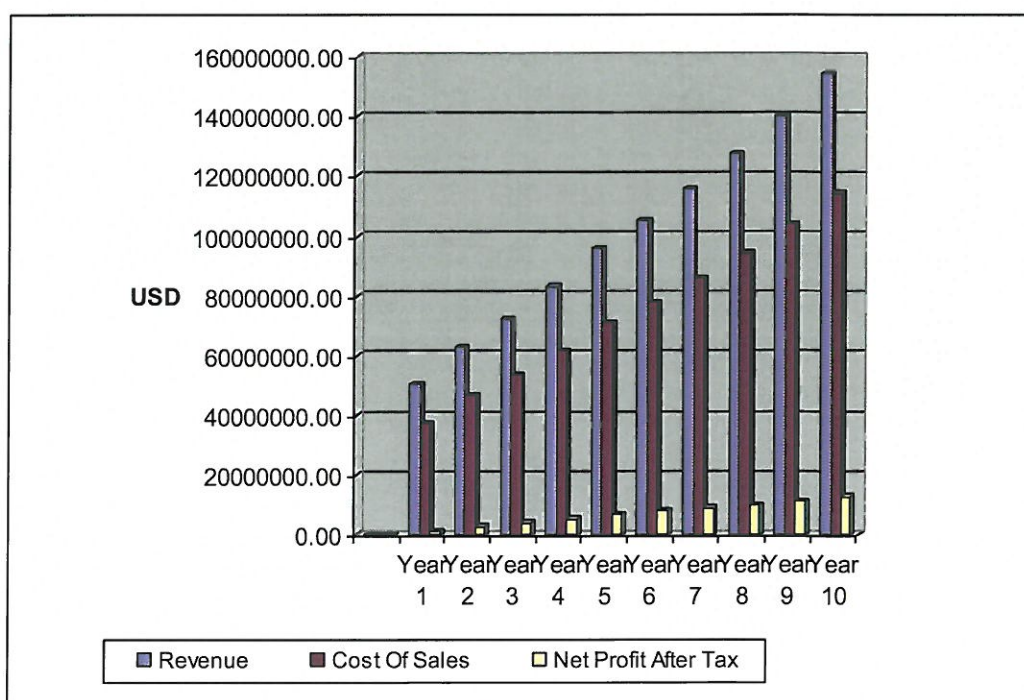
increase of carat volume sales to 110,263 carats which is estimated at 7.4% of the market size. This is expected to provide revenues of \$95.7 million and net profits of \$7 million.

Conservatively, this sales volume, revenue and profit are expected to increase, as reflected in the projections of year 6 to year 10, see financial plan chapter. The company's long term plan is part of the due diligence package. The expectation is based on the premise that we will have total support from both government and to the industry participants as our transaction system flow will be rolled out in such a manner as to be advantageous and beneficial, as will be addressed in the forwarding chapters.

The first year of formative operations will burn cash, but only for the capital expenditure required to set-up operations as INALCAR is expected to operate profitably from the first trading months. A steep revenue flow will commence immediately after the initial infrastructure is operational. The organizational and regulatory obligations of the new company have already been addressed.

Investment activity is needed to handle the expenses of this phase of the business. The turnaround time for the first operations is within the 1st month as the licenses have been approved for the venture and being issued to the joint venture entity. The process has been simplified as the CAR government has a shareholding in the joint venture company which is already registered in the CAR.

The following chart illustrates the overall highlights of our business plan over the first ten years. The Net Profit is taken after the government export tax of 12%, which is a levy applicable for all diamond purchases.



1.1 Objectives

The company has the following objectives different phases of business development:

- To commence a central buying office in Bangui on or before August 1, 2007.
- To commence operations of 1 head-office in Bangui and 1 decentralised field collection and buying offices within the 1st six months. Further buying offices at decentralised field sites will be rolled out subject to the success of the first field site and the availability of additional finance required.
- To initially add two industrial machines in the first 6 months for sifting diamonds and minerals at the mining sights located at the decentralised buying office, in order to empower and assist the diggers, thereby increasing their production levels.
- Most importantly, to raise sufficient "seed" capital in a timely fashion to financially enable these objectives to be rolled out in a professional and efficient manner from initial stages so as to have an impact into the market with a positive perception.

1.2 Mission

INALACAR has a mission to provide safe, efficient, and fair buying and collection offices for diamond and other minerals.

- Our service will emphasize safety, efficiency and security as its highest priority.
- We will operate and provide good quality machineries and technologies which will be made available to the diggers.
- We will strive to operate our administrative and accountability functions in an efficient and timely manner.
- We will provide friendly and courteous services to diggers, collectors, co-operatives and buyers alike.
- We will provide minerals beneficiation within CAR, by establishing the diamond cutting and polishing workshops with a compliment of 40 expert polishers and artisans in due course. The future vision is to establish complimentary jewelry manufacturing workshops.

1.3 Keys to Success

The keys to success are:

- Maintaining the required governmental approvals.
- Securing the initial seed capital financing.
- Experienced management. (Already in place through the local South African office and CAR).
- Marketing; dealing with channel problems and barriers to entry; Targeted market share must be achieved even amidst expected competition and resistance of the current diamond exporters.

- Quality product purchasing, foremost as a rule.
- Service delivered on time, costs controlled, purchasing and sales budgets managed. There is no temptation to fix growth at the expense of profits, as can be seen on the volume levels as far as year 10, which indicates of the aggressive manner in which INALACAR is expected to impact the market. This is the result of the government intervention in the regulatory steering process which has a direct impact to their income potential, details of which is expanded on in the financial chapter.
- Cost control. The over-all cost per carat will be pegged in USD dollars. This cost factor is intended to place INALACAR in a grouping of the best payers in the industry within the diggers and collectors market placement. The only other buyers with lower purchasing costs would be those that will breach the tax law by not collecting the taxes from the diggers nor paying the export tax levies by smuggling the diamonds. Government intends to clamp down on these defaulters, through this joint venture.

2. Company Summary



2 Company Summary

2.1 Introduction

- INALACAR was formed in August, 2006 subsequent to a negotiation between two of the current directors and the CAR Ministry of Mining to setup a Public Private Partnership (PPP) for the diamond mining sector.
- INALACAR is the joint venture entity culminating from that PPP and is between the CAR government and SERENGETI.
- SERENGETI is a 100% Black Owned South African Company and will hold the 65% shareholding in INALACAR. The backgrounds of all the shareholders of SERENGETI are enclosed herein.

2.2 Company Ownership

- The 65% shareholding in INALACAR was initially allocated to the 3 directors who were joint shareholders. The COO was involved with initiating the negotiations with the CAR ministry supported by the structuring of the transaction by the CFO. The CEO has played a pivotal role entering the transaction adding his many years of experience in the industry, supported by his investing in INALACAR's seed capital injection.
- To this extent the shareholding of the CFO and COO have been ceded to SERENGETI until the debt financing raised by SERENGETI for investment into INALACAR has been repaid including the related costs thereof.
- Share options and incentive schemes are expected to be offered to key management personnel after operations commence, depending on the progress of the business.
- SERENGETI's Initial "seed" capital of \$11.5 million to be invested in INALACAR for commencement of operations is expected to be raised via debt finance from financial Institutions.
- The further bridge financing for capital expansion after the first six months will be funded from the profits from the operation as well as further debt financing through SERENGETI.
- INALACAR's loan from SERENGETI is expected to be repaid from the 13th month of operations.
- The group, SERENGETI, in which INALACAR forms part of, is indicated in the graph at the end of this section.

2.3 Start-up Summary

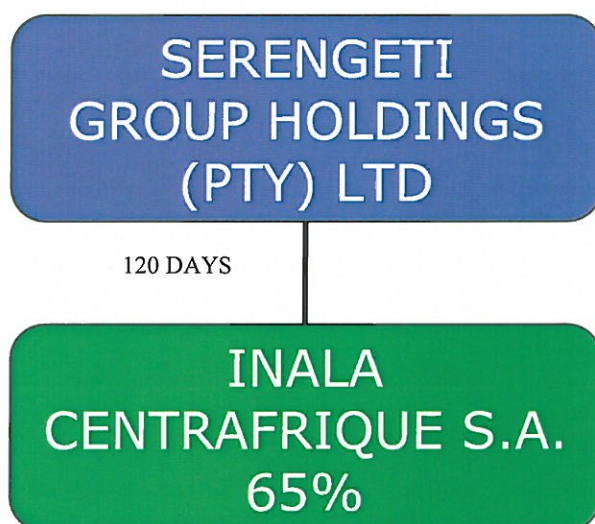
- Initially we will set up a central buying office in Bangui and 1 decentralized buying office in Berberati situated in the middle of the country north of Bangui, close to popular digging sites in current operation. This will serve to make it most convenient for the diggers to approach the buying office to sell their findings, thus improving further our competitive advantage.
- The decentralized office will forward the purchases every two days to the central buying office in Bangui through INALACAR's own collectors.

2.4 Company Locations and Facilities

- Management has already negotiated a large secured central buying office in Bangui.
- Further, decentralized buying offices are intended to be set-up in 4 prominent digging locations in the country from which the diamond trading business is influenced.
- As mentioned above, only 1 decentralised field buying site will be rolled-out within the 1st six months. The additional 3 decentralized buying stations will be considered thereafter after evaluating the successful rollout, operation and viability of the 1st decentralised site buying office and the main buying office in Bangui and upon positive outcome of the business due diligence done at that point.
- These locations will be complimented with medical, security, fuel and water storage facilities as well as the latest IT infrastructure.

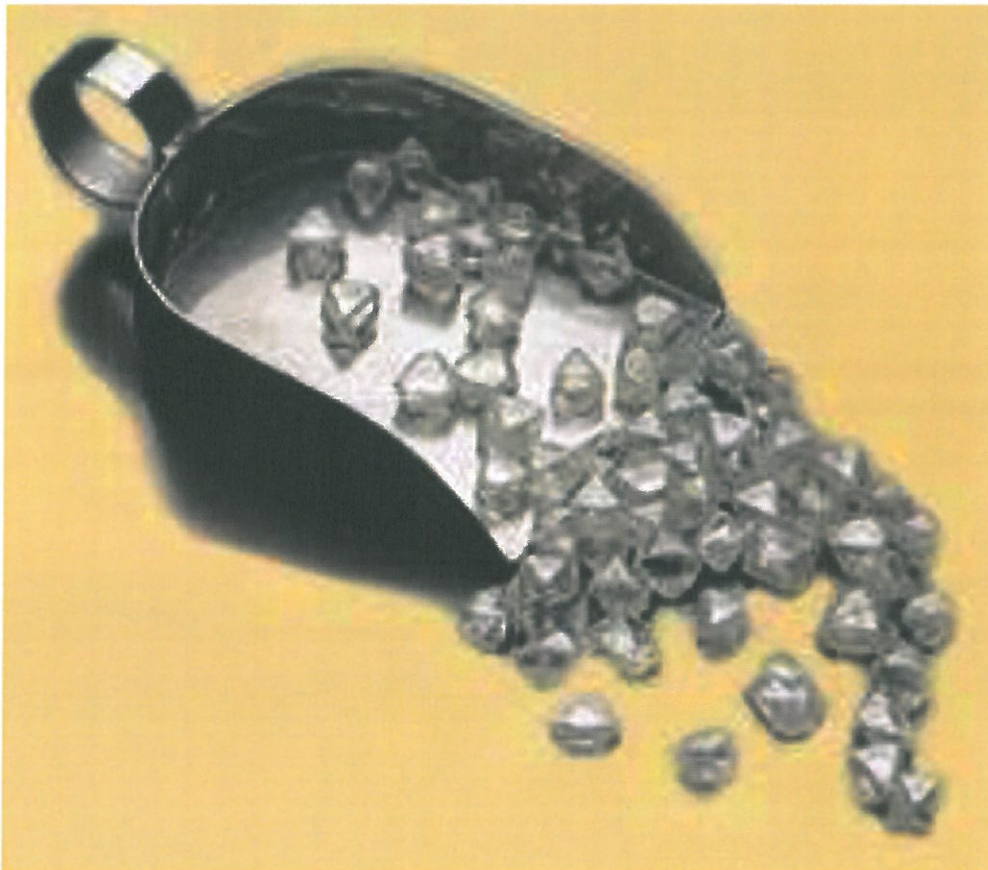
2.5 Holding Company Group Structure

- The group structure of INALACAR's holding company, SERENGETI, is as follows after the securitisation of shares can be summarised in the following organogram:



3.

Operations & Services



3 Operations & Services

The objective of this joint venture is also to assist the CAR government to reap the profit gains and tax revenues from the diamond industry in which they current are losing revenues of at least 60% of the volumes traded due to tax evasion and smuggling.

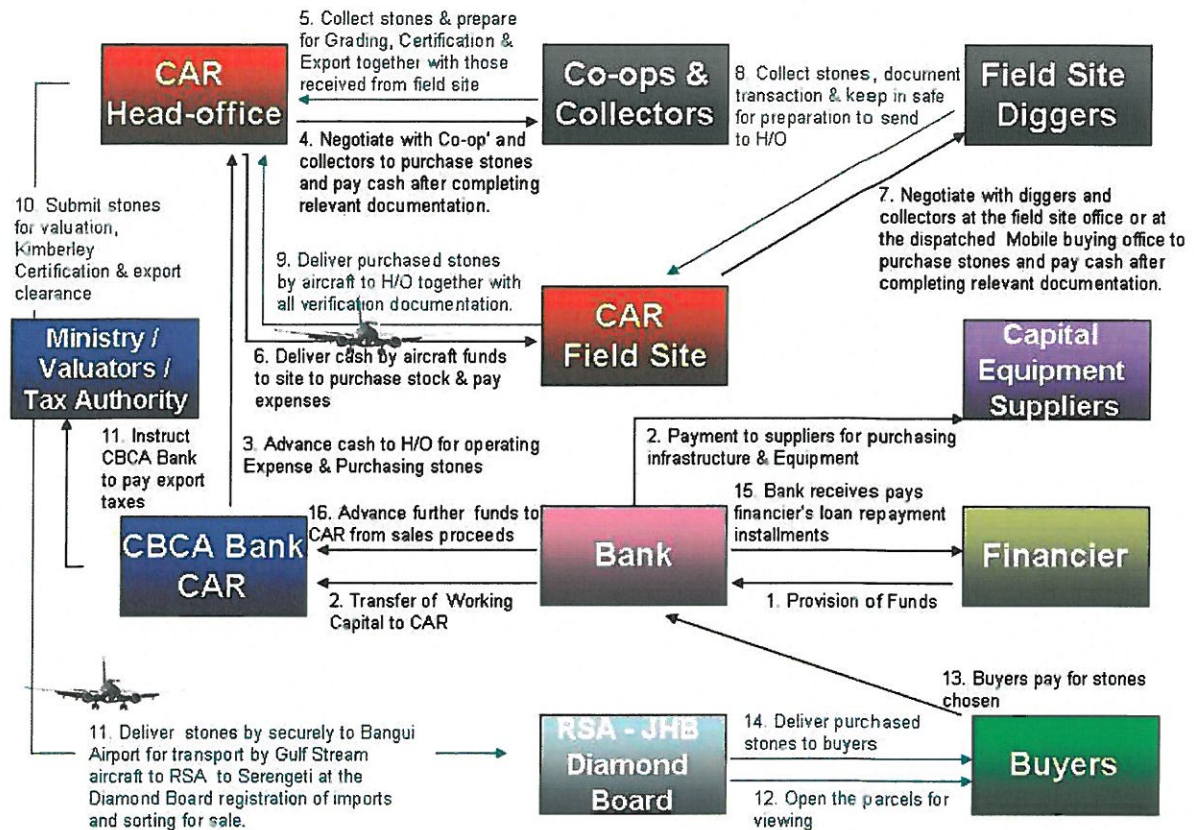
The following sections provide the descriptions of the operation, service, competitive advantage, technology, fulfillment, and future services.

3.1 Operation & Service Description

- INALACAR is in the business of facilitating the mining of precious minerals and stones for export from CAR to the international market. It will be principally set-up as a buying and export company, but will subsequently also invest into the funding of industrial machinery to assist the diggers in increasing production and consequently their income potential.
- INALACAR's motive will be to provide best prices to diggers and collectors directly, thus eliminating the middle-man and the additional margin which could preferably be passed on directly by the buying office to the diggers, allowing them to achieve a better price on their laboured findings, which in turn will motivate them to pay their taxes correctly and reduce smuggling activities. These taxes will be collected by the buying offices on behalf of the government. This becomes more effective as the number of decentralised sites are opened allowing the industry participants with easy access to our buying offices nearest to their convenience.
- The field office shall be established on land allocated by the government and approved by local authorities. The construction of the field office shall be through the laying of cargo containers especially designed for office use and for human habitation as residences. These containers are designed and are obtainable from a South African company known as Container world. (www.containerworld.co.za)
- The field offices shall consist of a buying office, residential units for staff, a fuel depot, a clinic and an office to be used by the Department of Mines and mines security personnel.
- The field office shall be supported by mobile buying offices in the form of armoured vehicles converted into buying offices accompanied by 2 security vehicles each to ensure the safety of the diamonds and cash on board. The reason for the mobile buying office is to cover a wide area in support of the field office. This enables us to access more artisanal miners and expand the field office's surrounding ground area coverage.
- The volume of diamond purchases are expected to initially attain 58,000 carats in year 1, increasing to 110,200 carats by year 5 and just over 177,500 carats by year 10.

- Once the parcel of precious stones are purchased and the CAR Revenue Authorities are paid their 12% Export Tax levy, INALACAR will offer the parcel on a best price basis to the international market, mostly in Johannesburg (RSA), Antwerp (Belgium), Dubai (UAE) and Israel. Smaller stones will also be offered to India. INALACAR has already identified many international buyers that are prepared to purchase CAR stones following the official procedure for this.
- Once the sale has been concluded INALACAR will redeem its cost of the parcel including the operational and administrative costs then make provision for the 35% company income taxes, thereafter it will split the profits with the CAR Government and SERENGETI on a 35% -65% basis.
- The CAR Government is expected to reap a net 16% return on the cost of diamonds exported from the country in year 1, increasing to 20% on average thereafter, which equates to a considerable contribution to the country's urgently required revenue. A proposal is being negotiated with the government to either provide INALACAR with a Tax Holiday relieving it from paying the 35% corporate tax for between 5 – 10 years or reducing its 35% shareholding. The outcome of choosing either will be the same for the government except that by retaining a shareholding a portion of the profits limited to USD5m will be withheld by the company's profits and any excess thereafter will be distributed to the shareholders as a dividend pro-rata to their shareholding. What this means is that from the CAR Government's share of profits in the course of business USD1.75m will always be retained as their investment.
- The balance of the profit split thereafter will allow the government to gain financial resources urgently needed to uplift the country. SERENGETI will assist the government in the spending of a portion of the funds by immediately and directly investing this into projects for the rehabilitation of the road and transport, health, housing and other community economic development projects.
- INALACAR, as mentioned above will attempt to finance industrial mining machineries and equipments for the diggers to enable them to work more productively. The approach is "no frills" with emphasis on safe equipment, courteous handling of production methods and higher output. INALACAR will transfer ownership to the diggers once they have repaid the capital through monthly repayment schemes by means of production output at the relevant market related value. It is expected that 2 sifting machines will be provided to the diggers in the first six months of operation, once the diggers are clustered into co-operatives for these benefits. This may increase at a rate of 2 machines per site if further decentralized site offices are opened.
- INALACAR intends to provide the diggers and their communities with precisely the level of economic upliftment they should command. This would also include mobile medical facilities and assistance for industrial tools, equipment, boots and related clothing required for them to perform their work more effectively and with safety.
- INALACAR intends to encourage diamond beneficiation industries by establishing diamond cutting and polishing workshops and jewellery manufacturing workshops with associated training institutions. It is intended to purchase 40 sets of diamond cutting equipment operational in Bangui after the positive outcome of the due diligence conducted of the business after the first six months of operation.

Below is a very basic flowchart of the cash movements and diamond flow



Further Notes in Brief

General

- All diamond parcels offered by sellers will be evaluated by the in-house expert buyer and an offer will be made for the parcel.
- The purchase of the stones may occur after successful agreement in negotiations with the seller for the price which will be done in the presence of a government representative to ensure transparency of the purchase.
- The purchased stones will be properly documented on standard forms detailing all the information necessary for the Kimberley Certification and for export and record purposes.
- Funds will be requested from the cashier against the provision of a preformatted receipt from the expert buyer for the purchase. A purchase order will be signed and by both the expert buyer and the seller and will constitute an invoice.
- The sellers details will be updated onto the system and the necessary deductions will be reconciled for tax purposes
- The stones will be exchanged with the seller with the cash received from the cashier. The stones will immediately be rechecked by the operations manager and sealed before being locked in the safe, and signed for by the operations manager and the financial manager.

- All the relevant documents will be attached to the sales document and handed through to the financial manager.
- This parcel will at alter stage be taken out of the safe and valued by the Chief Valuator to ensure that the purchase price is commensurate with the stones purchased.
- Thereafter all the relevant documents and the stones will be presented to the IDV and the ministry for their valuation in order to determine the value for export as this will be used to determine the amount payable for export duty. As there would be at least 3 independent valuers, including INALACAR's Chief Valuator, this will prevent the price being over-valuated for tax purposes.
- The export documentation will be completed and relevant certification obtained.
- When the parcels are ready to be exported, it will be secured in a locked box with the relevant Certification and export papers, and then a convoy will accompany the armoured vehicle to the Bangui airport until the stones are on the Private Jet (Gulf Stream II) and the aircraft has flown off the runway.
- At the Johannesburg airport a security company will be available to collect the parcel and transport it to the State Diamond Board to SERENGETI's secured possession.
- The parcels and supporting documents will be available for viewing to the company's buyers.
- Once an offer from a client is accepted according to the company's pre-arranged minimum price as agreed by INALACAR's mandated officials, the buyer will transfer the stipulated funds into a CFC escrow account and the stones will be released to them.
- The ownership of diamonds shall remain with INALACAR once purchased until resold and funds are received.

The Head-office

- The operating activities of the company will be conducted from the centralised head-office in Bangui as well as the decentralised field site buying offices.
- The head-office will be involved in the overall management of field sites and also be used as a buying office involved in the purchase of diamonds.
- It will target the market of buyers who buy from other areas and come to Bangui for resale. Obviously, the price shall differ greatly and be much higher than the price we are going to pay at the field office.
- The Bangui buying offices shall use agents who will earn a commission when they bring a deal. These agents shall only receive commission only after the success of the transaction.
- The cleaning, sorting, grading and the evaluation of all received diamonds, shall all be done at the head-office. In the future the processing will also occur there.
- The diamonds collected from the field sites will be brought to Bangui for reconciliation and sorting.
- The diamonds shall be sold in lots of 5000 carats at a time. The diamonds can either be sold in Bangui by bringing clients there, brought to Johannesburg for sale, exported to Dubai or Israel. The selling of

diamonds is the easiest part of our operation as a parcel of 5000 carats can be sold to one client. The preferable route would be to bring them to South Africa before re-exporting.

- The head-office will be responsible for the proper registration of all diamonds with the Ministry of Mines and which will ensure that all the documentation relating to the export permits and Kimberly Process Certification is concluded before exporting of diamonds.

The Field Sites

- The field site buying operations will be managed and controlled by the head-office in Bangui which will co-ordinate their activities and provide them the necessary support. These sites will feed diamond purchases from the inlands through to the headoffice.
- This management activity is not limited to, but will include the drawing up of work schedules for employees on the field, logistical support of food, fuel, uniforms, and vehicle schedules for maintenance, medical supplies, and mining tools supplied to artisan miners and ensuring effective communications.
- The required personnel will be deployed to the field sites to handle the purchasing, securing, payment and transferring of the stones through to Bangui from the field site offices. Independent personnel will also handle the receipt, disbursements and reconciliation of funds utilized for operations and purchasing of diamonds. The process will be subject to strict routine audits. This will also ensure that people entrusted with the task of buying, do so within the legislative framework of the country in tandem with the protocol of the Kimberly Process.
- The general purchasing procedure will be similar to that generally stated above.
- The field office shall be supported by 4 mobile buying offices to access the inner country closer to the source of the stones. These mobile buying offices will be in the form of armoured vehicles, with each dispatched with a driver, cashier, expert buyer, government representative and supported by 2 security convoy vehicles with a driver and an armed security guard in each. Only 3 buying offices will be dispatched at any point and 1 will always be on standby.
- At the end of each working day the mobile offices shall report to the main field office where they will check-in diamonds purchased cash on hand and lodge a proper reconciliation.
- The stones purchased will be documented and be stored in secure safes by the manager, cashier and government representatives who will then switch the alarm on.
- Every 2-3 days when the cash-flow runs low at the field site, head-office will dispatch a light aircraft, the required funds for maintaining the operations and for purchasing of further diamonds and the head-office collector will receive and sign for the purchased stones on his departure back to Bangui.
- When the aircraft arrives from the field site it will be collected by the armoured vehicle and the security convoy and taken to the head-office for sorting and preparation for export.

The Field Site Facilities

- The field office being an operational buying office shall have multifaceted functions through various structures within it. It will house a clinic that shall be used as a support medical facility for the mining community and for people in the area.
- There shall be a retail outlet catering for the basic needs of the mining community such as sugar, rice, oil etc. This idea came about after seeing how people suffer to access such basic commodities. The service shall elevate us and give us an advantage over our competitors.
- The complex shall have residential quarters, ablutions, common kitchen and a dining place for the field site workers. The complex will be powered by a 400kv power plant. The complex shall include an office for the Ministry of Mines.

3.2 Competitive Advantage

- The primary competition in the CAR diamond market is from the current official diamond export permit holders distributed amongst 4 companies. There were an additional 3 permit holders that were closed down by the CAR government for evasion of taxes and smuggling diamonds.
- Further, as there are numerous people that buy unofficially and smuggle the diamonds out of Central Africa, they constitute the unofficial competition. We do not have the exact figures of the number of buyers because amongst this group. Until such time that the government is properly capacitated in terms of dealing decisively with illegal buyers, there shall always be smuggling which affect good business.
- INALACAR's main advantage will be realized once the cutting and polishing facility is put into place and is in operation.
- INALACAR feels that we can obtain a reasonable portion of the diamond export market. Our costs will initially be marginally higher than those of the current competitors, due to the premium prices to be paid to the diggers to encourage them to follow or vision and support our initiative and register for paying nominal taxes so as to legitimise their labour. However INALACAR will sell into the international market with the support of the international market for the initiative by CAR government. In addition pricing will also be slightly cheaper than the international norm with the intention of breaking into the market.
- It is the intention and the mutual understanding with the CAR government that over a period of time they would reduce the number of export permit holders in order to facilitate INALACAR being the only export permit holder for the diamonds out of CAR.
- This brings the additional opportunity of controlling and being the one access point for export stones, where additional revenue may be earned, just for this service.
- We will have an over-all competitive advantage since we will roll-out a field registration system for the diggers and collectors which we will link to the central registration system. On this real time system we will enter details of the sellers of the stones including details of the parcel, which will automatically be recorded on the central hub at the main buying office. This will be used by INALACAR, as the export

company, and by the government to track stones leaving the country which will be notify the importing countries, thus keeping a dual tracking system in the international market.

- This registration and identification service will serve as a barrier to entry from other competitors once we are entrenched. It will be mandated and put into constitution by the CAR Government that all diggers must be registered onto the new system. This is currently suspended for phase 2 of the project.
- It is unlikely that the other exporting countries will obtain the government support we currently enjoy, as we are working hand in hand with the CAR government to increase their total tax revenues collected from the diamond industry in a systematic manner, which they support.
- INALACAR will achieve its target by a combination of volume sales and saving measures in the areas of direct purchasing from primary diggers and from the diamond market operational structure. Also, with the provision of machinery, equipment and other necessary tools and services to the diggers, we anticipate their productivity to increase by at least 8 times.
- Our profitability will be influenced by loyalty from the diggers encouraged by our assistance to them as well as by economies of scale based on additional volumes gained through use of industrial equipment either than just shovels.
- Our state-of-the-art registration, identification and tracking system, which will be installed during the phase 2 of expansions, will save time allowing us to use fewer administrative hours to process data thus saving on costs.

3.3 Sales Literature

- All company literature is yet to be developed. This includes basic corporate identity material as well as advertising executions. First year projections include an expense item for this necessary business development work.

3.4 Fulfillment

- INALACAR will be able to fund their operations through the seed finance received from SERENGETI. The "seed" funding requirements of \$11.5 million will be sufficient to immediately start the operations at the required level as projected.
- The machineries needed for the diggers, will be purchased from the proceeds of the seed capital from SERENGETI, at an approximate cost of \$338,000 per unit.
- The machinery and equipment will be amortised over 5 years. Costs relating to the machinery will be committed by the co-operatives to whom the machinery will be provided and who will eventually be the benefactors thereof.
- Management has already been in contact with two industrial machine companies to enquire on the machineries required.

- It is expected that these companies will have at least twenty diamond sorting machines available over the next 4 months as an average lead time of 120 days is required for the machinery. Delays in obtaining the seed capital will slow the lead time to secure the machinery timeously.

3.5 Outsourcing of Services

- **Maintenance:** All regular maintenance of IT systems will be performed by a reputable IT company in the CAR which is still to be nominated.
- **Security and Ground Handling:** Security Handling Services is intended to be outsourced at all decentralised buying offices and the central buying office where these services will be performed by reputable security services. Where this is not available as is currently the case, we will deploy our own security operations team to handle this.

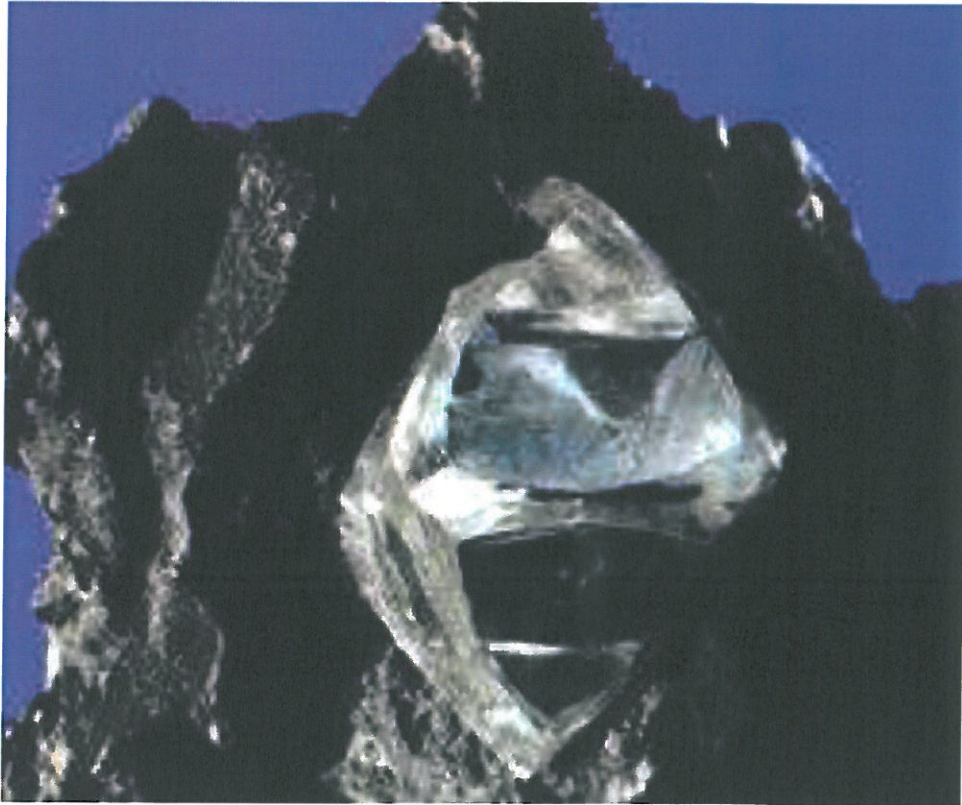
3.6 Technology

- All equipments and systems that will be utilised by INALACAR have been carefully and diligently evaluated by our technical partners, who will maintain the upkeep of all IT infrastructures. Details of the IT system are detailed on a separate presentation at request.
- It is the position of INALACAR management that the cheapest "over-all" operational costs are achieved by optimized "database control of information", that is management information systems. This becomes both a reliability and service standard for the running of our business operations. However, more sophisticated systems will be considered only if expansions in the number of decentralised buying sites occur.
- INALACAR's registered suppliers of stones would then not have to continuously fill in forms for sales to the buying office. They can produce their registration cards which could be swiped to allow us immediate access to their master file information. If they do not have their registration cards, we can immediately identify them through the biometric recognition system.
- Information on stones purchased from the diggers can be punched in real time onto the computer system updating the government and customs records, if linked, so we can trace the sale. A printout at the buying office can be made which the client signs as proof of transaction. Error is limited by this process and the sales administrative processing time is reduced by 5 times compared to the current conventional manner.
- The system simply searches and retrieves data so much faster. The result is not only higher levels of customer satisfaction but also substantial savings in communications cost to INALACAR.
- Training costs will also reduce exponentially. INALACAR's use of the registration and identification system can also be seamlessly integrated with other management information systems to be used by or the CAR government as projected for the near future.

Operational advantages:

- Over-all operations will be seamless from area-to-area of INALACAR's management information systems as a whole. Not only will INALACAR's information systems operate "seamlessly" but they will also greatly enhance the ability to conform to all government and international compliance requirements, such as the Kimberly Process.
- The biggest and toughest compliance issue facing businesses today is "record keeping." It is not enough to comply, but one must be able to prove compliance, with domestic and international diamond trading requirements, as well as have full and clearly defined and documented internal accountability and auditing system.

4. Market Analysis Summary



4 Market Analysis Summary

- Bangui is the best place in Africa to start this operation due to the current lack of infrastructure and therefore an opportunity to join with the CAR government to improve their tax revenue collection potential from the diamond industry and to stem tax evasion and diamond smuggling. As the government does not usually involve itself in the commercial sector, it has sort to take up SERENGETI's proposal to partner with the Ministry of Mines to control the diamond industry and reduce the amount of smuggling.
- The other key factors that resulted in the choice of Bangui is derived from management's experience and knowledge of the diamond industry, coupled with their understanding of the growth potential in this country which is the tenth largest diamond producer in the world.
- Management is making the judgment that not only is the Bangui market vulnerable to smuggling, but also that the ability to secure and close out the smuggling will increase tax revenues exponentially especially in the position INALACAR is placed.
- So the opportunity may best be described as one ready and waiting for the first entrant who arrives with a well conceived plan, sufficient industry experience, and with the sufficient startup capital to commence operations.

4.1 Market Segmentation

- The diamond industry is dominated by four licensed diamond exporters. It is an industry also characterized by 120 co-operative buyers, 400 collectors and 80,000 diggers. Like so many other industries it has quickly evolved into an industry that has room only for a forced "specialty" or "niche" licensed diamond exporter with the support of government.
- In today's diamond marketplace in the CAR, "price" positioning is no longer a sufficient concept on which to build this business. Best prices from the local market have become an expectation, not a promise.
- Thus, the true market segment opportunities today have become a combination of service mix, price level, and government control. The more critical decision has become one of deciding on service mix and price level in conjunction with participation in upliftment of the industry.
- The specialty aspect is now to obtain government regulation so as to allow INALACAR to be the only licensed diamond exporter in the country, thus the current exporters fall back to being co-operatives who have to go through INALACAR in order to export their diamond purchases.

- The following is a schematic presentation of the sector participants:

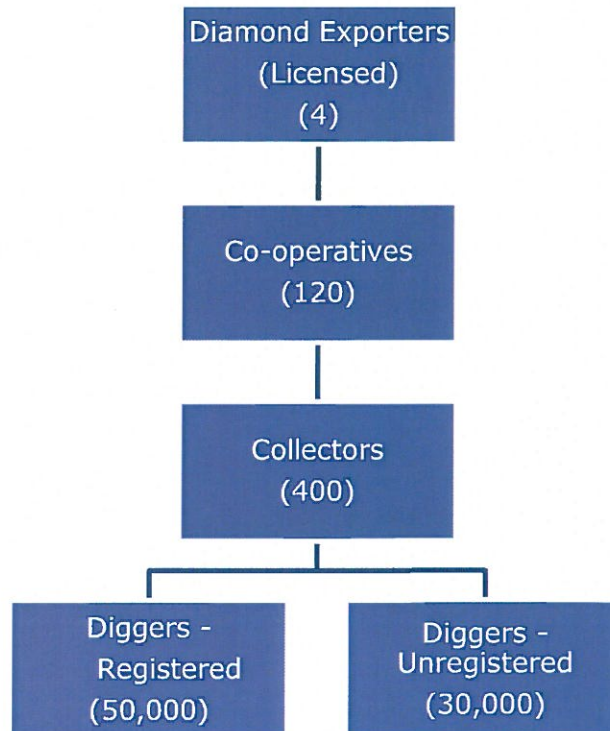


Fig: The structure of CAR diamond industry participant, showing numbers of diggers, collectors, co operatives and licensed diamond exporters.

4.2 Business Analysis

- The CAR government today is experiencing significant losses in tax revenue from the diamond industry due to tax evasion and smuggling. The management of INALACAR feels that these losses can be traced directly to the operational inefficiencies, and poor management systems in the government department.
- Management further believes that the current government structure cannot profitably compete against the established diamond traders in the control and regulation of this industry.
- It is SERENGETI's goal to provide a commercial structure in which the diamond trade can be regulated which is the only logical manner of the CAR government taking some control and collecting as much taxes and profit share which it would otherwise not be exposed to.

4.2.1 Business Participants

- The current diamond traders are not the focus of this plan. SERENGETI management has extensively studied the history of the diamond industry in CAR, as is documented in this proposal.

- SERENGETI has taken the best parts of each growth story, heeded the alarms and cautions, and learned from the outright mistakes. The result is the plan for the INALACAR, the primary diamond licensed exporter in the CAR diamond marketplace.

4.2.2 Distribution Patterns

- Sales of rough diamonds by the diamond exporters have historically been either direct from the diggers or from the collectors and co-operatives or through various travel agents. Modern computer technology and communications capability are changing the mix dramatically.
- This channel of distribution has been one of very high cost to the diamond exporters. The commissions and add-ons between the diggers to the export are significant and may only be reduced by replacing the middlemen with decentralized offices and information technology systems for registration and tracking of stones and transactions. Perks and incentives to circumvent coercion and bribery can be affordably added in due to the cost savings in the price differentials between the diggers and the co-operatives.
- INALACAR will have its central buying office in Bangui and nine of its own decentralized buying offices close to popular digging sites.
- The registration system will add substantial value to the maintenance of this control process.

4.2.3 Competition and Buying Patterns

- The most critical factor for INALACAR to overcome is the issue of market awareness and resistance. Customers and sellers want to deal with companies they know and trust. There is little doubt that INALACAR will need to spend heavily and frequently to promote itself in the local and international market.
- The needed amounts are budgeted in this plan. The advantage is that local media through the assistance of the CAR government can be utilized and word of mouth and active presence would be more cost effective on a per-impression basis.

4.2.4 Main Competitors

- Most of the local traders are small but the exporters are reasonable well established. SERENGETI concludes that the CAR opportunity is likely to be free from heavy imposing competition unless it comes from another start-up with government support as is our current status.
- If we are able to attack the market first with sufficient capitalisation, and government support, we will be difficult to overcome and should be able to build critical mass within two years and achieve a dominant market position.

5. Diamonds in Central African Republic



5 Diamonds in Central African Republic

5.1 Introduction

- The first impression of the CAR on arrival in the capital, Bangui, is of a country forgotten by the rest of the world.
- There are few embassies, and those countries that do have political representation, with the exception of France, employ a minimum of expatriate staff.
- Most diplomatic representation is based in neighbouring Cameroon; even the French embassy in Bangui referred the author to its commercial affairs officer in Douala on diamond issues.
- While France is the primary donor of bilateral aid to the CAR, the country exists at a subsistence level in many respects, especially in the aftermath of multiple coup attempts centred in Bangui.
- At first glance, the CAR presents a seemingly straightforward case study in conflict or blood diamonds in Africa. Despite numerous coup attempts since 1996, the country has not been considered a producer of conflict diamonds like the DRC and Angola.
- The CAR's total diamond production, estimated at about US\$100 million per annum, is derived from a handful of towns along two veins of alluvial diamond deposits in eastern and western portions of the country.
- The sheer volume of diamonds produced in the DRC and Angola has overshadowed the importance of the CAR's much smaller diamond industry.
- As the world's tenth largest producer of diamonds, the vast proportion of which are gem quality, the CAR's diamond industry provides a vital source of government income.
- Compared to the anarchy of the DRC's diamond industry, the CAR is relatively well-regulated and transparent. The government commands an impressive array of statistics concerning diamond production and trading through the "Bureau d'Évaluation et de Contrôle de Diamant et d'Or" (BECDOR).
- Moreover, there are only seven major diamond exporting companies, or "*bureaux d'achat*", operating in the country, making an analysis of interests in the diamond economy relatively uncomplicated. Two of these exporters are no longer in existence as they have been shut-down by the government for their role in the evasion of taxes on diamond exports.
- Beneath this first level of scrutiny, however, a more detailed examination of the CAR diamond industry reveals a less optimistic picture.
- Diamonds represent one of the CAR's primary exports and thus play a prominent role in both the formal and informal economy (>90%). The CAR's diamond industry is based almost exclusively on informal alluvial production.

- The formal diamond sector, comprised of mechanized mining, constitutes less than 10 percent (<10%) of the country's official diamond exports - most of these licensed companies or operators work under '*autorisations exceptionnelles*' that allow companies to obtain temporary mining and export licenses, and reduced tax obligations.
- Most companies, in any case, prefer to finance local diamond diggers rather than invest in industrial production.
- Comparatively, the DRC's formal mining sector accounts for 25% of official exports, and Angola's formal sector accounts for nearly 50%. The government of the DRC is a majority owner in the Minière de Bakwanga (MIBA), the country's largest single diamond producer, although the company has made no profits for many years due to endemic corruption.
- The CAR government, on the contrary, does not hold shares in mining companies. This is in compliance with privatization criteria recommended by international lending organisations.
- Compared with Kinshasa, Bangui's parallel or informal economy seems starved of cash, and the vigorous diamond market in Kinshasa contrasts sharply with Bangui where the diamond export companies, or *bureaux d'achat*, are relatively devoid of diamond dealers, or collectors - the individuals who act as middlemen between exporters and miners. But the diamond anarchy of the DRC appears to be mostly absent in the CAR, at least in Bangui.
- The CAR government has recently implemented detailed mechanisms to monitor the internal diamond market from mine to export, through BECDOR, unlike either Angola or the DRC. Such a system can work in the CAR because its internal diamond trade is small enough to monitor. This has provided INALACAR with the opportunity as it will assist the government in regulating and administering the diamond flow from the country to ensure that the government collects its taxes on these exports, which is vital to support this small economy.
- BECDOR was established in 1982 to oversee the internal diamond market and to value official exports. BECDOR assesses the value of diamond parcels presented by the *bureaux d'achat* and companies exporting under *Authorisations Exceptionnelles* in order to assess tax.
- BECDOR also maintains a database concerning all diamond production in the country. It estimates that there are approximately 50,000 licensed diamond diggers in the CAR and a further 30,000 who are unlicensed.
- These diggers then sell to middlemen, i.e. collectors, which number about 400 and operate independently, or in association with a *bureau d'achat*. There are about 120 *bureaux d'achat*. Diggers may also sell directly to the *bureaux d'achat*, several of which finance alluvial mining operations.
- A digger will fill out a '*bordereau de production*' to formalize his production, and when a parcel of diamonds is sold to a middleman or *bureau d'achat*, a duplicate receipt is furnished, with copies retained by the seller and the buyer.
- This *bordereau d'achat* indicates the name of the seller, license number, carat weight, value, and origin. If, for example, a *collector* buys from five different diggers, his sale to a *bureau d'achat* will

be accompanied by five *bordereaux d'achat*. The sale of the diamonds by the collector to the *bureau d'achat* will then generate a single *bordereau d'achat*.

- This means that every diamond presented to BECDOR for valuation can be traced back to the seller. If the seller was a collector, then the origin of the diamonds can in theory be determined by the various *bordereaux* amassed by the collector. Loopholes in this system will be discussed below.

5.2 Government Taxes on Diamonds

- The total government tax paid by the *bureaux d'achat* is 11%, higher than in neighbouring countries. This is divided as follows:

Custom	BECDOR	Independent Diamond Valuators	Business Tax	Public Treasury
3.25%	0.75%	2%	2%	3%

- The *bureaux d'achat* believes that the tax is too high and threatens their profitability. The government believes otherwise.
- The Minister of Mines notes that despite gradual reductions in the export tax, from 20% in 1982, the volume of diamonds passing through official circuits has not increased, suggesting that lowering taxes has not reduced smuggling in this case too.
- Moreover, the government contends that the 2% business tax (also called the 'IMF tax' since it is meant to help the government repay its foreign (debt) is justified because there are no taxes on the import of foreign currency.
- The 3% paid to the Public Treasury is paid only by the *bureaux d'achat*.
- This tax does not seem to be a burden for exporters, however, since prices paid to diamond sellers (middlemen or diggers) are simply reduced to compensate.
- INALACAR has sought with government to reduce the volume of diamond smuggling by reducing the number of licensed diamond exporting companies once INALACAR is fully operational, so as to provide government with greater control over exports and revenues derived there from as well as to provide the diggers directly with better prices for their findings, while also assisting them by providing them with machinery and equipment to increase their current productivity.
- There is contention concerning the 2% paid by the *bureaux d'achat* directly to the "Independent Diamond Valuators" (IDV). This represents IDV's fee for providing a counter-valuation service to BECDOR, as well as for training BECDOR staff, which began in March 2002.
- If the CAR officially exports US\$60 million worth of diamonds annually, the IDV contract would gross US\$1.2 million, or US\$100,000 per month. This is a major concern for the *bureaux d'achat* who believes that IDV will over-estimate the value of exports in order to increase profits.
- Conversely, under the previous system, exporters could 'persuade' BECDOR employees to under-estimate the value of diamonds, depriving the state of vital revenue.

5.3 Counter Valuation and Counter Arguments

- The presence of a qualified external valuator during the BECDOR valuations is a net positive for the CAR. Such a contract, held by a respectable and transparent international company, should make under-valuation of diamond parcels nearly impossible.
- BECDOR previously used out-dated price lists that did not reflect price fluctuations in the diamond market, and seems to have systematically under-valued diamond exports for several reasons, including direct pressure from *bureaux d'achat*.
- IDV has introduced its own price list for BECDOR valuations, during which an IDV diamond expert is present. This aims to reflect current Antwerp prices for rough diamonds. This value then determines government tax and IDV's own fee. Naturally, certain *bureaux d'achat* is adverse to the new price list as well as the increased level of scrutiny in BECDOR.
- IDV's valuation expert does not allow employees of the *bureaux d'achat* to be physically present during BECDOR's valuation. This prevents haggling over prices and other types of influence, which seem to have been common previously. Thus, the influence of *bureaux d'achat* in the valuation process appears to have been greatly diminished by the presence of the external valuator.
- The stakes in this debate are significant. For example, if a *bureau d'achat* exports US\$10 million in diamonds annually, but is accustomed to having BECDOR under-value this by 20%, then the exporter saves US\$220,000 in tax ($\$10\text{m} \times 20\% \text{ undervalued} \times 11\% \text{ Gov. Tax}$).
- If the CAR's annual official exports of US\$60 million were under-valued by 20%, then the government would lose over US\$1 million in tax revenue.
- Conversely, if IDV were to over-value diamond exports by 20%, then the company's gross income from the CAR contract would increase by US\$240,000 and the government would gain an additional US\$1 million from higher taxes.
- Criticism has also been raised concerning the ability of a valuation company to maintain its independence while actively linked to the purchase or sale of diamonds.
- IDV shares an office with a company named Diamant S Langer and there seems to be considerable overlap between the principals and employees of both companies. Diamant S Langer markets diamonds produced by the DRC mining parastatal, MIBA in Antwerp, and also imported diamonds from the Republic of Congo (Congo-Brazzaville) in 2001, a country with no diamond production of its own, the same year that IDV obtained a valuation contract with the government of DRC. This contract was broken by the DRC government, leading to litigation.

5.4 Conflict Diamonds

- The CAR's physical proximity to rebel territory in the DRC suggests that Bangui could serve as a conduit for conflict diamonds. Bangui, Bujumbura, Kampala and Kigali are the most obvious routes for the exit of diamonds mined in rebel zones in eastern and northern DRC.
- The armies of Rwanda and Uganda deployed into the DRC in 1998, ostensibly for security reasons, but they have actively commercialized diamonds mined in areas under their control.
- The CAR has not intervened militarily in the DRC's war, but Congolese rebel leader Jean-Pierre Bemba dispatched troops to Bangui during a coup attempt there in 2001. Bemba intervened on behalf of the CAR government because he could not tolerate a hostile regime in Bangui, which is separated from his territory only by the width of the Ubangui River.
- Naturally, Bemba relies heavily on the supply of commodities and material either through Kampala or Bangui, the latter being a much cheaper alternative for goods such as petrol.
- Bemba has been able to finance his war against the Congolese government by controlling the sale of between one and three million dollars worth of diamonds a month.
- Bemba signed a peace deal with the Kabila government in April 2002 but then refused to assume his position as interim Prime Minister in Kinshasa.
- The diamond wealth controlled by Bemba's *Movement de libération du Congo* (MLC) has contributed to his ability to keep fighting. The exact routes for commercializing these diamonds remain a mystery for the most part. Rumours persist that Bemba sends his diamonds through South Africa directly, but there is more evidence that they pass initially through the DRC's neighbours before entering the international market.
- Prominent Lebanese diamond dealers in Kampala operate in DRC territory controlled by the rebel allies of the Ugandan People's Defence Forces, which trained and supported the MLC. These Kampala-based operations, financed by foreigners in association with Ugandan government strongmen, obtain diamonds from rebel zones immediately north of Kisangani such as Bafwasende and Banalia, as well as from Gbadolite in the heart of Bemba's zone of influence.
- Victor Bout, a Russian arms merchant, also supplied Bemba via Rwanda, Uganda and the CAR. Bout worked closely with Sanjivan Ruprah, who was active in the diamond and arms trade in many African countries until his arrest in Belgium, and later in Italy in 2002.
- Moreover, there are allegations of direct links between diamond companies in the CAR and Congolese rebel groups. Two CAR *bureaux d'achat* have been linked to Bemba by reliable sources investigating the diamond trade. One of these *bureaux d'achat* is also known by the Angola Selling Corporation for buying illicit diamonds in Angola. Previous links between a CAR *bureau d'achat* and diamonds mined in Kisangani (controlled by the RCD-Goma rebels) are detailed in *Hard Currency*.
- Approximately US\$50-60 million worth of illicit diamonds mined in rebel territory in eastern and northern DRC 'disappear' into the global rough diamond pipeline every year.

- Diamonds declared in Belgium by companies buying from Congolese rebels are sometimes declared as coming from the DRC. This is evidenced by the massive discrepancy between the DRC's official exports and Belgian imports. Companies also attempt to hide the true origin of their diamonds by declaring Congo-Brazzaville as the provenance when importing into Belgium.
- Belgian imports from Rwanda and Uganda between 1999 and 2001 totalled only US\$9.2 million, significantly understating the importance of these two countries in the transit of illicit DRC diamonds.
- Tanzania is another transit country for illicit goods. It accounted for US\$19 million in Belgian imports between 1999 and 2001, even though the largest Tanzanian producer, the Williamson diamond mine, sells its production to De Beers rather than the Antwerp market.
- It is possible that the CAR is being used for laundering diamonds derived from Congolese rebels, or that Bangui is used as a primary transit zone.
- Belgian imports declared as originating in the CAR have surpassed the CAR's official exports by a factor of three over the past few years, with the exception of 2001 when they were only double official exports.
- It is the intention of INANCAR together with the government to restrict and control the flow of the diamonds in a legitimate manner.
- There are three possible scenarios that may explain the use of the CAR for the laundering or transit of conflict diamonds, and the significant variation between CAR's exports and Belgian imports:
 - First, it is possible that the *bureaux d'achat* in the CAR declares all of their diamond exports and do not buy any illicit diamonds in the CAR or neighbouring countries. This would suggest that Belgian imports from the CAR were comprised of the CAR's official exports, as well as diamonds imported into Belgium by other companies not active in the CAR but fraudulently declaring the CAR as the provenance of the diamonds;
 - Second, CAR *bureaux d'achat* could be declaring some diamonds for official export while also smuggling other illicit diamonds, all of which would be declared in Belgium with a CAR provenance. Some of these illicit diamonds could be obtained from the DRC;
 - Third scenario could be a mixture of the first two, in which several *bureaux d'achat* operate legitimately, while others operate in both the official and illicit markets simultaneously, coupled with companies that are not present in the CAR but use the country's name to import diamonds into Belgium. To confirm such a distinction, a review of Belgian import documents for each company declaring CAR provenance would be required, but this sort of information remains a tightly guarded secret throughout the entire diamond industry.
- In each case there is fraud, tax evasion and possibly United Nations sanctions busting.

5.5 Laundering or Transit of Conflict Diamonds

- Neither BECDOR nor the external valuers are tasked with preventing the laundering of conflict diamonds through the CAR.
- Diamond parcels suspected of originating in the DRC or elsewhere are not impounded for investigation by the CAR government, although such observations may appear in IDV valuation reports.
- It is actually very difficult to differentiate between CAR diamonds and those mined in the MLC-controlled northern DRC, while diamonds from Kisangani could, in theory, be identified by specific qualities.
- The Minister of Mines rejects the possibility that DRC diamonds are laundered through official circuits in the CAR, basing his assumption on the difference between the average quality of CAR and DRC diamonds. He observes that the CAR's diamond production is about 80% gem quality and 20% industrial, while in the DRC it is the reverse.
- The laundering of even a small amount of DRC diamonds into the CAR's official statistics would alter the known proportion of gem and industrial diamonds, and alert the government.
- While there is a difference between the quality of CAR and DRC diamonds, it only applies to the total production of both countries.
- The high proportion of industrial quality diamonds from Mbuji Mayi in territory controlled by the DRC government, for example, would not logically pass through Bangui. Rather, diamonds from rebel zones in the east, and especially the north of the DRC, are suspected of passing through Bangui, and these diamonds are similar to the CAR's diamonds in both external characteristics and quality. General statistics concerning the quality of diamonds, as a result, cannot serve as a meaningful line of defence against the laundering of conflict diamonds, or those fraudulently imported from nearby mining zones in the DRC.

5.6 Conclusions

- There is no documented evidence that *bureaux d'achat* currently purchase conflict diamonds from the DRC, although anecdotal evidence suggests that this is a very real possibility.
- Such diamonds likely would not be laundered through the CAR's official exports to evade government tax.
- It is more probable that they would be smuggled into and then out of Bangui, and only then declared in Belgium.
- This problem may not seem to be the responsibility of the CAR government, but the use of Bangui as a transit point for conflict diamonds has severe repercussions for the country's diamond trade.

5.7 The Kimberley Process

- The “Kimberley Process” was initiated by the Government of South Africa in May 2000, in an effort to grapple with the problem of conflict diamonds.
- Concerned about how diamond-fuelled wars in Angola, Sierra Leone and the Democratic Republic of the Congo (DRC) might affect the legitimate trade in other producing countries, more than 50 countries have been meeting on a regular basis to develop an international certification system for rough diamonds.
- In November 2002, agreement was reached on the principles and many of the details in a system that began in early 2003.
- Provisions for regular independent monitoring of national control mechanisms were not, however, agreed, and remain an item of serious contention for NGOs concerned about the system’s credibility and effectiveness.
- NGOs, including Partnership Africa Canada, the Network Movement for Justice and Development and the International Peace Information Service, have participated in the process, along with representatives of the diamond industry.
- If the government of the Central African Republic (CAR) ignores good evidence that certain companies are dealing with rebel groups in the DRC, then it will be seen to be complicit in this trade. Diamond dealers, whether licensed or not, using Bangui to deal with Congolese rebel groups will taint the CAR’s legitimate diamond economy.
- The most basic indication that such a trade exists can be obtained from flight controllers at the national airport. The arrest warrant for arms trafficker Victor Bout was issued only following high-level embarrassment over the operations of Centrafrican Airlines, a company with fraudulently registered aircraft, not even registered in the CAR.
- The warrant was not issued out of a genuine attempt to prevent the use of Bangui as a staging post for the arming of the MLC, and other rebel groups in the region. Bout’s then business partner, who continues to reside in Bangui, was not named in the government’s case against Bout, according to a United Nations arms investigator.
- Moreover, the author’s personal observation of a transport aircraft departing Bangui, operated by an entrepreneur under investigation by UN arms experts, suggests that the CAR continues to be a significant platform in the arming of Congolese rebels.

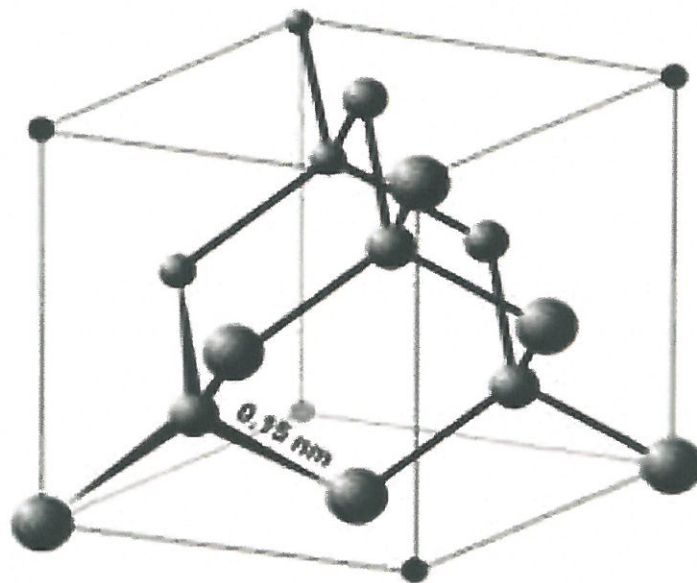
5.8 Recommendations

- If the government of the CAR and its independent valuator want to avoid charges of conflict of interest, the valuator should receive a fixed fee for its work. Then any increased values assigned to diamond exports will not attract criticism and will reflect only the professionalism of the service.
- If the government of the CAR wants to demonstrate convincingly that it is detecting and preventing the movement of conflict diamonds through its official diamond trade, it should review and

investigate BECDOR statistics. This would include randomly interviewing miners and middlemen to check that *bordereaux de production* and *bordereaux d'achat* are not being used to launder diamonds mined illegally in the CAR or in a neighbouring country.

- It is essential that the CAR be a full member of the Kimberley Process and that it works to halt the use of its name and its territory in the trafficking of contraband diamonds. This must be accompanied by a credible, independent review to ensure compliance. Without such a review, the country's diamonds will remain suspect and it would then be appropriate for the United Nations Security Council to place an international embargo on all diamonds emanating from the Central African Republic.

6. Strategy & Implementation Summary



6 Strategy and Implementation Summary

INALACAR's market presence will be achieved by relying on the strategy of identifying and serving a specialized niche market well.

6.1 Marketing Strategy

- The advantage of a highly identifiable market is that media selections can be limited in scope.
- There is no need for a national media program to launch INALACAR due the specific and niche market targeted and the close relationship of the different segments in this sector.
- The most effective media is expected to be the local newspapers, corporate marketing and word of mouth for the local participants.
- In terms of the international arena, this is very niche and the global players will identify this immediately. CAR requires no introduction to the international diamond traders, as they consider them to be one of the best in the world.

6.1.1 Pricing Strategy

- The price of diamonds at source is influenced by the market forces relating to demand and supply, i.e. the availability of stones, availability of buyers and the price of the US Dollar to the local CFA currency. The miners however have a fair idea of what price they want for a certain parcel and negotiations usually start there.
- Pricing for the diamonds are based on their individual qualities, i.e. Cut (shape), Colour, Clarity (no. of Inclusions in the stone) & Carat weight (size), which determine their individual pricing. Pricing is influenced by whether the stone is of gem or industrial quality.
- There is a International Price Guide produced in New York and referred to as the Rapaport, which is published on a monthly basis, and provides a benchmark that can be used to qualitatively price them when buying rough and selling same, including polished. Refer to website: <http://www.diamonds.net/rapnet/prices>
- For the purpose of the business plan we have averaged this price to a 1carat diamond gem quality diamond, although the actual price for a 3 carat may be much higher than for three 1carat stones. The price is also discounted according to the location from which the stones are purchased as compared to the global market. The prices used in the business plan are therefore conservative as it may be complex to provide projections for the estimated different grades.
- INALACAR will aim to provide the diggers with the best price compared to the other players in the market as well as off-selling the diamonds to selected buyers at competitive market prices. We intend to benefit financially through attaining higher sales volumes.

- Projected buying and selling prices are reflected in Chapter 8: Finance Plan section of this proposal

6.1.2 Promotion Strategy

- Promotion will be primarily newspaper and word of mouth for marketing the company for making the local CAR people aware of INALACAR's existence, targeted mainly around the diamond trading sector. In addition the company will employ a Public Relations (PR) Assistant for this.
- With the initial volumes envisaged there is a ready market available requiring little solicitation considering that CAR diamonds are general known for its gem quality.
- The combined amount budgeted for public relations, and marketing is an immaterial % of sales which is anticipated to be sufficient to launch the business.

6.1.3 Distribution Strategy

- Our management will utilize its well known contacts in the international market to deliver the products, although it should be noted that we will handle most of the forwarding of the product from source through to transport out of CAR.
- For deliveries out of the country by the company, this will be done via private jet directly to the destination under strict security measures.
- In South Africa, for instance as with other countries, a reputable security company will await the aircraft transporting the box of stones and will securely transport the stones to its required safe-keeping.

6.2 Sales Strategy

- The company will make direct sales to its contacts internationally. It is expected that our cost structure will be attractive to these businesses. Initially no personnel will be required to execute the direct sales strategy are included as it will be handled between the CEO and CFO. Further details on the sales are outlines in Chapter 3 and Chapter 8.

6.2.1 Sales Forecast

- The company is forecasting annual sales in year one of operations at \$86.8 million. Year two, three and four of operations will reach \$108,5 million, \$124.8 million and \$143.5 million respectively. Assumptions made for the market share of diamonds are: 7% in year one, 8% in year two, 10% in year three, 11% in year four, moving up to a conservative 33% in Year 10.
- The basis of the sales projections, illustrated in the Finance Plan section, and has been outlined in the "Market Analysis" section of this plan. The company has also prepared ten-year projections.

6.3 Milestones

- The 1st phase of the project is expected to be milestone fully implemented within 120 days of obtaining the initial funding requirements.
- The next milestone is the successful rollout of the head-office and decentralized field site which will be independently evaluated after 6 months of operation. A positive assessment will determine whether further expansion will be approved by the shareholders and financiers.

6.4 Setup Capital Expenditure Requirements

CAPEX SCHEDULE

Note	Description	Cost p/u USD	Quantity	Headoffice USD	Quantity	Field Site 1 USD	TOTAL USD
Vehicles							
1	4 X4 Vehicles - Administrative / Directors	40,541	3	121,622	0	-	121,622
2	Armour Protected Vehicles (Buyer's Mobile Offices)	162,162	1	162,162	4	648,649	810,811
3	Admin Vehicles	20,270	2	40,541	0	-	40,541
4	Convoy Security 4X4 Vehicles	67,568	3	202,703	8	540,541	743,243
5	Fuel Tanker	162,162	0	0	1	162,162	162,162
6	Articulated Haulage Trucks	162,162	0	0	0	-	0
7	Water Tanker	378,378	0	0	1	378,378	378,378
8	Truck with Hyster	202,703	0	0	1	202,703	202,703
IT							
9	Laptops	2,027	6	12,162	6	12,162	24,324
10	Desktop Computers	1,351	4	5,405	4	5,405	10,811
11	Fax machines	676	2	1,351	2	1,351	2,703
12	Copiers	2,703	2	5,405	2	5,405	10,811
13	Printers	405	3	1,216	3	1,216	2,432
14	Servers	8,108	1	8,108	1	8,108	16,216
15	Software	1,351	10	13,514	10	13,514	27,027
16	Satellite Cell Communicators	3,378	4	13,514	6	20,270	33,784
17	Mining Sector Registration System	675,676	0	0	0	-	-
Infrastructure							
18	VHF Base stations	8,108	0	0	1	8,108	8,108
19	HF Base Stations	6,757	0	0	1	6,757	6,757
20	Generator - 15 kVa	8,108	0	0	2	16,216	16,216
21	Walkie Talkies	473	0	0	10	4,730	4,730
22	Cash counters	2,703	3	8,108	8	21,622	29,730
23	Containerised Offices	13,514	0	0	2	27,027	27,027
24	Mobile Fuel Storage Tanks	81,081	0	0	1	81,081	81,081
25	Containerised Police of Mines Office	13,514	0	0	1	13,514	13,514
26	Containerised Medical Clinic	162,162	0	0	1	162,162	162,162
27	Containerised 7 Man Accommodation	13,514	0	0	14	189,189	189,189
28	Containerised Kitchen / Spaza & Cold Storage Facilities	20,548	0	0	3	61,644	61,644
29	Containerised Kitchen Ablution Facilities	20,548	0	0	1	20,548	20,548
30	Containerised General Purpose Facilities	10,000	0	0	3	30,000	30,000
31	Bangui Headoffice Building	1,000,000	1	1,000,000	0	-	1,000,000
32	Bangui Headoffice Residence	1,000,000	1	1,000,000	0	-	1,000,000
Security							
33	Electric Fencing	16,297	0	0	1	16,297	16,297
34	Wireless camera systems	676	10	6,757	15	10,135	16,892
35	Alarm	2,027	2	4,054	5	10,135	14,189
36	Safe	2,027	2	4,054	2	4,054	8,108
37	Security Equipment	5,405	3	16,216	3	16,216	32,432
Diamond Equipment							
38	Lights, weight etc	5,405	20	108,108	20	108,108	216,216
39	Laser Analyser	21,622	4	86,486	4	86,486	172,973
40	Machinery & Equipment - Grading, Sorting & Cleaning	337,838	0	0	2	675,676	675,676
Miscellaneous							
41	Charter Plane - Import Cargo	87,838	1	87,838	1	87,838	175,676
42	Downpayment Rental	40,541	0	0	1	40,541	40,541
43	Aztec Local Plane	162,162	1	162,162	1	162,162	324,324
44	Due Diligence Exposure	331,081	1	331,081	0	-	331,081
45	Gulf Stream 2 - Shuttle Aircraft	1,500,000	1	1,500,000	0	-	1,500,000
Total Capital Expenditure		USD		4,902,558		3,860,110	8,762,678

Notes:

1. **4 X4 Vehicles – Administrative /Directors** – These vehicles will be used by the directors as well as used to transport important guests.
2. **Armour Protected Vehicles (Buyer's Mobile Trucks)** - There will be 1 located in the head-office to shuttle between the office and the airport. At the decentralised field sites there would be 4 available 3 of which could be used simultaneously and 1 always on standby.
3. **Admin Vehicles** – The head-office will require 2 vehicles for running the normal business errands.
4. **Convoy Security 4X4 Vehicles** – Of the 3 security vehicles allocated to the head-office 2 will accompany the Armour Protected Vehicle. At each field site 8 security vehicles will be required as 2 vehicles will accompany each Armour Protected Vehicle.
5. **Fuel Tanker** – Each field site will require a fuel tanker as fuel is a scarce commodity inland and storage of the fuel is fundamental to continued business. The tankers will transport the fuel from the city to the field site precinct.
6. **Articulated Haulage Trucks** – This truck will be required only once further decentralised field sites are rolled-out.
7. **Water Tanker** – Clean water is an important part to the stability of the decentralised field sites considering the malaria and other diseases prevalent in the country. Therefore each site will be equipped with 1 sanitised water tanker.
8. **Truck with Hyster** – As the decentralised offices will be constructed from containers, this truck is required to load and offload the containers as well as move them around.
9. **Laptops** – The head-office and each field site will be provided with 6 laptops to be used by the directors and expert buyers. (Dell Latitude TM D830 Performance Business Notebook Core2 Duo



10. **Desktop Computers** – There will be 4 computers provided for the administrative use at each office.
11. **Fax machines** – 2 machines will be required for each office, with 1 utilised by the general office and the other used as a private fax by the managers for confidential reports,
12. **Copiers** - 2 machines will be required for each office, with 1 utilised by the general office and the other used by the managers and will also supplement as a back-up unit.
13. **Printers** – 3 printers will be allocated to each office to be utilised by the mobile offices and managers
14. **Servers** – Each office will have a server with a dual back-up
15. **Software** – Provision is made to purchase the necessary software required to manage the operations.

16. **Satellite Cell Communicators** – Satellite phones although expensive to maintain are imperative for communication in this country considering that the local telecommunication systems are lacks reliability or is totally non-existent in certain places.
17. **Mining Sector Registration System** – The registration system will not be implemented as the 1st phase is too small to create the impact which is expected to be derived from this. This will be rolled-out as soon as additional field sites are opened.
18. **VHF Base stations** – This is required for communication between the offices.
19. **HF Base Stations** – This is required for communication between the offices.
20. **Generator - 15 kVa** – Each site will have 2 back-up generators to provide electricity for the precinct, especially if the area does not have a source of electricity.



21. **Walkie Talkies** – At least 10 communicators will be available at each site to facilitate communication between the key individuals and areas of the precinct.

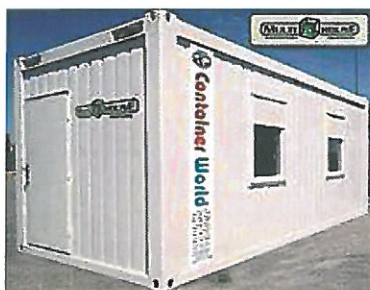


22. **Cash counters** – At the head-office the 2 cashiers will have a cash counter each and there will be 1 back-up machine. At the field sites the 2 office cahiers and the 4 mobile office cahiers will each have a cash counter and 2 machines will be kept as back-up.



23. **Containerised Offices** – Each field site will be kitted with 2 offices, 1 used as a restricted buying office and the other a support office for the Ministry of Mines, government representatives, technical support and other professionals on the site.

The strength of these containers is well known. Built to exacting standards, they are waterproof, fire resistant, highly secure and easily transported and located. The units are easily moved once on-site to suit your location needs. The containers can be transported either fully assembled or in kit form, using the same methods as maritime containers while retaining their competitive price advantages.



Containerised



Easy Mobility



Easily Placed

24. **Mobile Fuel Storage Tanks** – Each decentralised field site will have 1 storage tank to store fuel required to run the operations due to the shortage of fuel in the inner country. A tanker will replenish the fuel reserve regularly to ensure continued supply of fuel at all times.

The tank containers are the cost efficient answer to the transport and storage of bulk liquids. Ideal for both static and transport functions, they conform to the most stringent international specifications and are quality-rated to ISO (International Standard Organisation) and IMO (International Maritime Organisation) standards, meeting the latest worldwide transportation and design regulations. They range in size from 12 000 to 26 000 liters, They are graded for Food Cargoes, Semi-hazardous products such as diesel, paraffin and some petrol additives, Hazardous products such as avgas, petroleum products and chemicals and High pressure industrial gasses .Compared to other transportation systems, tanks are safe, secure and far more economical. Unlike drums, they are not susceptible to damage, leakage, product loss or contamination. In an equivalent space they carry 50% more cargo and completely eliminate the costly problems of drum disposal. (See Water Tanker Above)



Tank Containers

25. **Containerised Police of Mines Office** – These offices will be well equipped to cater for the requirements of the police and is necessary to be in the precinct area to create safety.



Control Room



Broadcast unit

26. **Containerised Medical Clinic** – The will be well equipped with the necessary medical equipment to service the surrounding diggers and other participants and their community for the basic medical care. The medical clinic will also include a pharmacy dispatching the basic medication for the minor sicknesses as well as diseases including malaria, tuberculosis and HIV.

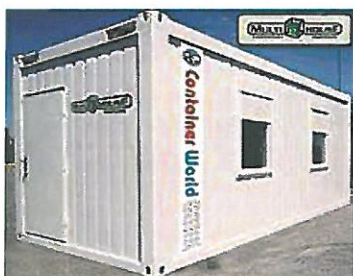


Conceptual Design of Clinic/Hospital



Clinic

27. **Containerised 7 Man Accommodation** – The accommodation units are of variable length (either 3m or 6m) and can be fitted with ablutions and or washing facilities, selected from the product range. Each decentralised Field Site will be provided at least 14 residential containers sleeping up to 7 people per container. Extra containers are provided to accommodate lesser individuals for management and spare capacity for company guests and head-office personnel.



Accommodation



Accommodation



Bathrooms

28. **Containerised Kitchen / Catering Facility** – The 1st container will be fully equipped to cater 3 meals a day for at least 80 people who will include all the staff. The 2nd will be used as a spaza shop will also be included to allow the employees as well as the surrounding community to purchase certain primary food products. The 3rd container will be used to store the perishable food products and other edible items which need to be stored under cool temperatures.

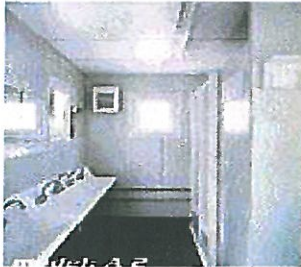


Kitchen



Spaza shop

29. **Containerised Communal Ablution Facilities** – The containerised ablution facilities will be brought to the site for use by the people in the precinct so as to avoid them going to the private accommodation facilities.



Ablution Container



Ablution Container

30. **Containerised General Purpose Facilities** – There will be at least 3 containers allocated per field site used by the staff for eating and for use after working hours for their entertainment.



Container Easy Setup

Modification as Requested

Easily Multiplied in Small Spaces

31. **Bangui Head-office Building** – The Bangui office has already been identified and an indicative price has already been received for the purchase of this property.
32. **Bangui Head-office Residence** - The Bangui residence has already been identified and an indicative price has already been received for the purchase of this property.

33. **Electric Fencing** – Electric fencing will be required for the field site to protect the precinct from easy access from the outside by intruders. Non is required for the head-office is it is already installed there.
34. **Wireless camera systems** – These cameras will be installed around the office and the field site for surveillance by the security guards and police to ensure that the securities at our offices are not breached. The numbers of cameras for the sites are estimated to be the minimum required to adequately cover the area.
35. **Alarm** – The alarm systems will be used to separately identify the breaches over a wide area especially at the field sites.
36. **Safe** – The head-office and each field site will have at least 2 safes each. 1 will keep the cash and the other the valuable stones.
37. **Security Equipment** – This will comprise the necessary items required by the security guards for the proper performance of duties.
38. **Lights, weight etc** – This is the basic diamond workshop equipment used for analysing the diamonds for beneficiation and will be used to assess the value of the stones
39. **Laser Analyser** – This equipment will be acquired and used on a test basis under the supervision of the CEO and his assistant.
40. **Machinery & Equipment (Grading, Sorting & Cleaning)** – There will be 2 of these equipment made available to the diggers once they are grouped into c-operatives to obtain this benefit. The machinery has the ability to increase the digger's productivity by more than 8 times their manual capacity.
41. **Charter Plane - Import Cargo** – The charter plane required for the transport of some of the capital goods will also be capitalised into the cost of the Property, Plant & Equipment and is based on previous costs for chartering a cargo aircraft for a similar destination
42. **Down-payment Rental** – This is an estimated price indicated for renting the field site land, which comprises payment in advance for approximately 6 months in advance.
43. **Aztec Local Plane** – The **Piper Aztec** is probably the most rugged twin engine executive aircraft Piper built. The Aztec can easily fly in and out of the shortest airstrips, while accommodating up to five passengers. The large doors and baggage compartments make this airplane an excellent cargo hauler. Equipped with late model avionics, weather radar and full de-icing, the Aztec can fly through every season of the year. It has a 4 passenger seating capacity.



44. **Due Diligence Exposure** – This is the costs that have been incurred in doing the initial negotiations and setting up the opportunity in CAR, which includes the numerous charter flights, accommodation and other costs to bring the opportunity to its current status. These funds have been borrowed is required to be repaid once proper funding is secured for the project.
45. **Gulf Stream 2 (Shuttle Aircraft)** – This aircraft is able to seat up to 12 people and is able to fly the long haul into South Africa. It is also able to fly over Africa to Portugal before having to refuel to get to any other European destination. The company will require its own jet due to limited flights in and out of the country and the extensive connecting flights required to get to the final destination we require.

For instance to get to South Africa you have to either get the once a week flight by Air France to Paris and then take a flight to South Africa. The alternative route is the inconsistent flight from Bangui to Douala, Cameroon with a day stop-over before connecting on Kenya airways to Nairobi, waiting between half a day to a full day and then connecting to Johannesburg, South Africa. Clearly this is by no means a safe means of transporting valuable products.



7.

Management Summary



7 Management Summary

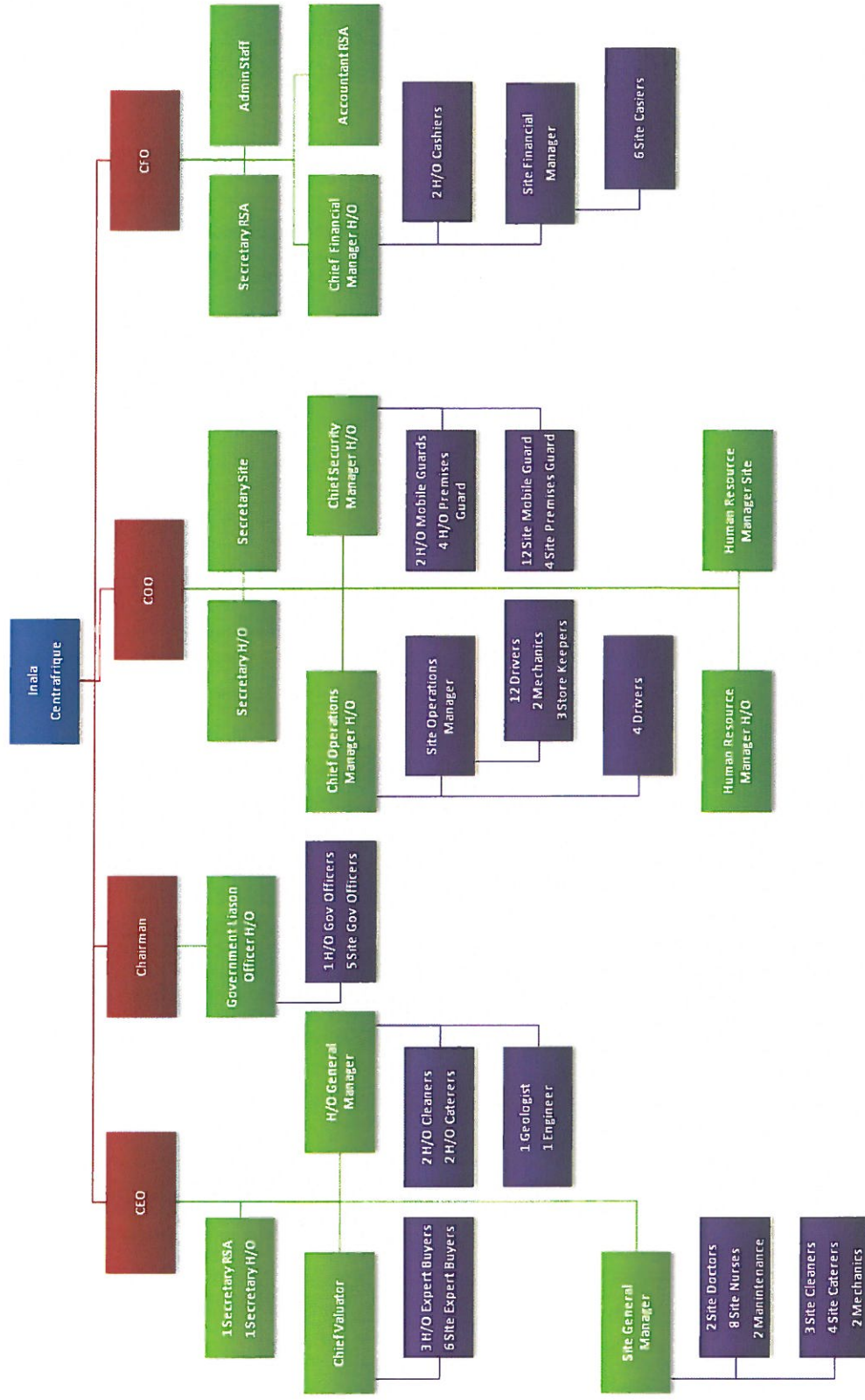
- The partners of INALACAR are highly experienced in the diamond industry. Although one of our objectives is to train key local people, we intend to hit the ground running with a highly qualified and experienced management team.
- Some of the individuals profiled are currently with other companies. They both know and respect our plans and have expressed the desire to work with INALACAR.
- The management of SERENGETI is well versed in all governmental approval procedures, having traversed them in the past to a full approval and operational status.
- We feel that the resumes of the key people enclosed herein will only enhance our ability to obtain required approvals for the current project. It is expected to be a necessity from this point forward to have such a management team assembled in order to obtain the government charters.

7.1 Organizational Structure

- The company will be organized into the following major operational areas:
 1. Centralised and Decentralised Buying Operations
 2. Centralised & Decentralised Security Management
 3. Administration, Compliance and Technical Management (Valuation, Certification)
 4. Human Resource, Technology and Medical Infrastructure Management
 5. Finance Operations
 6. Sales & Marketing
- Many of the specific positions and job descriptions are government mandated.
- INALACAR will fully comply with all such mandates.

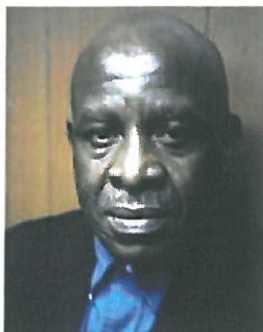
A detailed organogram of the company structure is listed below:

INALA CENTRAFRIQUE ORGANOGRAM



7.2 Management Team

The following are the brief biographies and ages of the key members of INALA'CARs management team:



Joshua Nxumalo
Chief Executive Officer

Joshua has been involved actively in the diamond industry for the last 10 years with a passive involvement for 10 years prior.

Joshua is currently the CEO of:

- Serengeti Jewellers (Pty) Ltd and
- Serengeti Mining Resources (Pty) Ltd with operations in Guinea Conakry.
- Serengeti Group Holdings which has a shareholding and principle role in INALACAR in lieu of providing the seed capital to implement the project.



Didier Pereira,
Chief Operating Officer

Didier has been advisory in government projects for the last 20 years. He has 3 years of mineral experience beginning with this sector by acting as agent for governments in Africa, where he ultimately attained the opportunity to start up this venture.

Didier is the CEO of Venatto Trading (Pty) Ltd whose principle business is trading commodities in Africa and advisory to ministries in African countries.

He has been the lead arranger in facilitating the INALCAR joint Venture and has ceded his shareholding in INALACAR to SERENGETI to secure the seed capital until repaid.



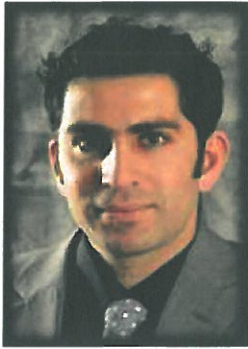
Shiraz Gany
Chief Financial Officer

CA(SA), B. Compt (Honours) P. Int Tax Law, CIS

Shiraz has come from a diverse background with involvement in:

- the music industry managing 11 chain stores, a music recording label and a music mail order service throughout Africa.
- the accounting, auditing and consulting arena for a CA(SA) firm
- consulting business turnaround solutions and new project and product development rollout.
- trading and broking in a diversified spectrum of commodities
- the management buyouts of the 1st BEE ICT company,
- information technology development & marketing,
- FMCG relating to personal care products to the major chain stores throughout South Africa,
- the banking industry and currently related to Structured Trade Finance;
- the promotion of the Minara Chamber of Commerce

Shiraz is a director of Voyant Consulting (Pty) Ltd and was involved with the structuring of the current project. He has ceded his shareholding in INALACAR to SERENGETI to secure the seed capital until repaid.



Bilal Jhetam
Chief Financial Manager
B. Acc (Honours) [Part 1 Board Exam CA(SA)]

He holds a senior financial consultant position at a listed entity, SAB & T Ubuntu's "Business Innovations Group", and is responsible for marketing and consulting in the areas of project management, internal & external compliance reviews, business & strategic development, special investigations and valuations. He has managed a number of projects including the following:

- IEC results verification for the National and Provincial elections for the Western Cape in 2004 and 2006 respectively.
- Assisted a Dubai based company with operations in South Africa obtain funding of \$40m for expansion.
- Investigative assurance for a Cape Town based company with a purchase of real estate for R150m on the Durban point waterfront development.
- Audit and commercialisation assessment of 37 Innovation fund funded projects.
- Assisted NER in 2005 to determine Eskom's allowed price increase for that year.
- Assisting the Gauteng Department of Health with rectifying their systems and financial management at year end.

He is also a director of Petrocam Trading (Pty) Ltd, trading in various commodities, particularly fertiliser, chemicals and edibles such as rice and sugar, in the African and Middle East region.



Andreas Charalampous
Chief Operations Manager

Andreas has an entrepreneurial background spanning over 23 years and was involved in:

- Diamond and Emerald procurement from Europe and Africa with an extensive network of buyers in Europe and the Middle East, specifically Israel and Dubai. He also had offices at the Johannesburg Diamond Centre trading in South Africa.
- Commodity trading of on selected commodities on an opportunistic basis.
- Deal advisory and broking as consultant or agent.
- Financial services, trade financing and structuring of client's transactions to facilitate obtaining bank funding.

He is the current CEO of ACH Diamonds (Pty) Ltd and Corporate Funding Partners (Pty) Ltd.

7.3 Personnel Plan

- The personnel needs and growth plans for both key executives and category are noted below and in the expense section of the financial plan chapter.
- It is expected that all employees will participate in the company's Incentive Scheme.

SALARIES SCHEDULE PER MONTH							
Note		Costs USD		Head Office USD		Field Site1 USD	
BANGUI C.A.R.							
1	CEO	12,000	1	15,000	0	-	M
2	CFO	12,000	1	15,000	0	-	M
3	COO	12,000	1	15,000	0	-	M
4	Chairman	8,000	1	8,000	0	-	M
5	Chief Operations Manager	6,000	1	6,000	0	-	M
6	Chief Financial Manager	6,000	1	6,000	0	-	M
7	Chief Security Manager	3,000	1	3,000	0	-	M
8	Chief Valuator	6,000	1	6,000	0	-	M
9	Geologist	6,000	1	6,000	0	-	M
10	Engineer	6,000	1	6,000	0	-	M
11	Government Liason Officer	3,000	1	3,000	0	-	M
12	General Manager	800	1	800	1	800	M
13	Operations Manager	800	0	0	1	800	M
14	Financial Manager	800	0	0	1	800	M
15	Human Resource Managers	600	1	600	1	600	M
16	Drivers	500	4	2,000	12	6,000	M
17	Security Guards - Vehicles	400	2	800	12	4,800	M
18	Cashier	600	2	1,200	6	3,600	M
19	Valuator / Expert Buyer	1,000	3	3,000	6	6,000	M
20	Government Representative	700	1	700	5	3,500	M
21	Office Secretary	700	2	1,400	1	700	F
22	Office Stock Recorder	700	1	700	1	700	F
23	Medical Staff - Doctors	1,200	0	0	2	2,400	M
24	Medical Staff - Nurses	500	0	0	8	4,000	F
25	Security Guards - Premises	400	4	1,600	4	1,600	M
26	Cleaners	300	2	600	5	1,500	F
27	Caterers	300	2	600	4	1,200	F
28	Mechanics	500	0	0	2	1,000	M
29	Stores Personnel	400	0	0	2	800	F
30	Maintenance Personnel	300	0	0	2	600	M
31	Expert Polishers	600	0	0	0	-	
			33	103,000	76	41,400	
SOUTH AFRICA							
						TOTAL	
32	Secretary	1,200	2	2,400			F
33	Admin Personnel	1,200	1	1,200			F
34	Accountant	2,500	1	2,500			M
			4	6,100		150,500	

Salary escalation per annum after the first year is calculated as per the assumption schedule Ref: 8.1

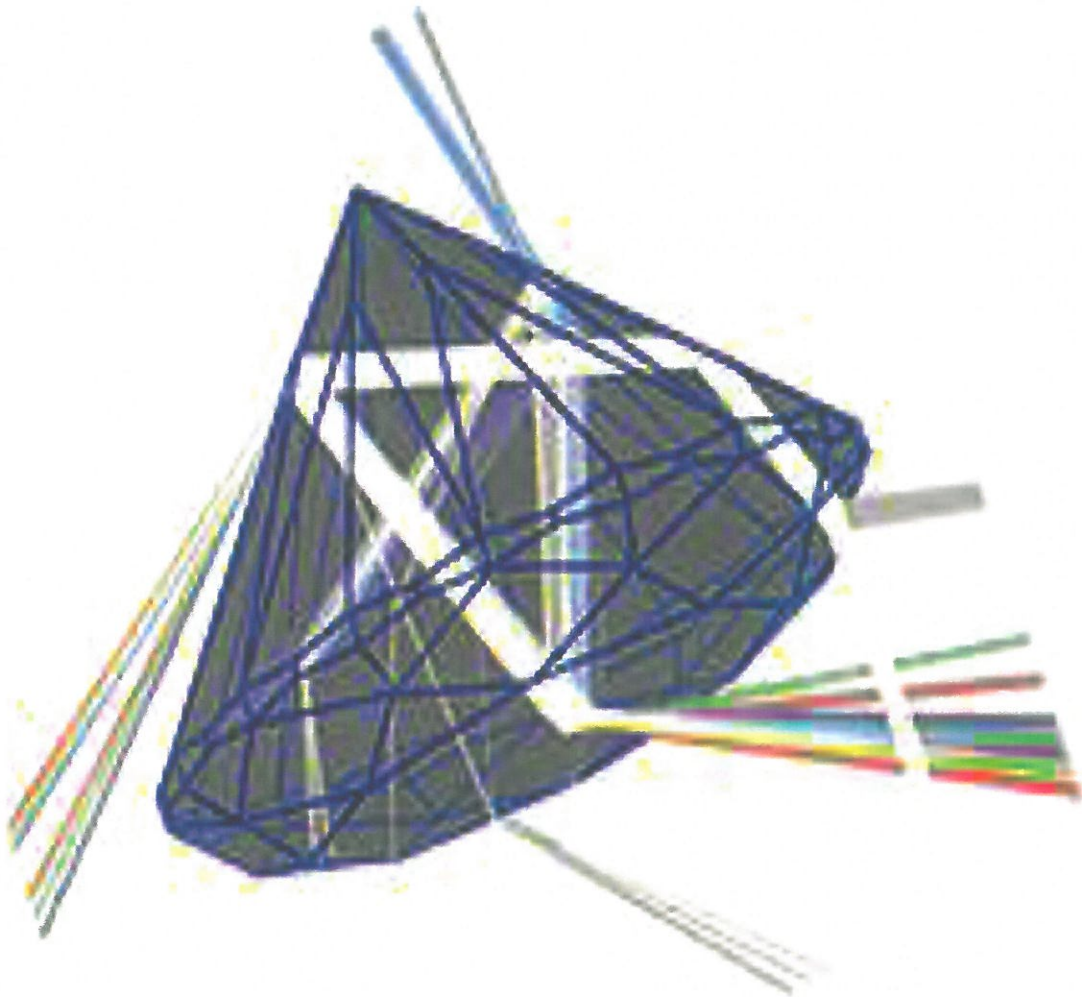
Notes:

1. The **CHIEF EXECUTIVE OFFICER** is South African and will operate between RSA & CAR and will be supported by the General Managers who will support him in his absence from CAR. The CEO is tasked with ensuring that the valuers are independent and are reasonable in their price endorsements when purchasing the precious stones and co-ordinating this with the IDV valuation in CAR. He is further primarily responsible for the sales and marketing of the stones to the international market.
2. The **CHIEF FINANCIAL OFFICER** is South African and will be responsible for the cash management of the company supported by an accountant in RSA and 2 Financial Managers in CAR. He will move between RSA and CAR swapping places with the Chief Financial Manager for that period. He will be integrally involved in the financial evaluation of the purchasing and selling of the precious stones and will act as the company's chief negotiator during interaction with third parties associated with the company.
3. The **CHIEF OPERATIONS OFFICER** is South African and has a strategic role in the smooth implementation of the project as he is responsible for co-ordinating the Operations Manager, Security Manager and the Human Resource Manager as well as overlooking the operations. His role will swap with the Head-office Chief Operations Manager, as they will move between RSA and CAR.
4. The **CHAIRMAN** is from CAR and will be appointed from the CAR government. He will co-ordinate the communication between the company and the government and will be supported by a Government Liaison Officer. There will be 6 Government Representatives independently reporting to them from the buying operations.
5. The **CHIEF OPERATIONS MANAGER** is South African and tasked with supporting the COO in his absence. He will have a good understanding and experience in the diamond procurement and trading.
6. The **CHIEF SECURITY MANAGER** is from CAR and tasked with supporting the COO with the security environment both at the Head-office and the Field Sites. He will have a good understanding of the environment and security management. He will co-ordinate the security guards utilised at the premises and those accompanying the mobile buying vehicles going to the field sites in a convoy.
7. The **CHIEF FINANCIAL MANAGER** is South African and tasked with supporting the CFO in his absence. He will have a detailed understanding of the accounting and regulatory requirements for the business and will assist the CFO with obtaining the relevant documents and certifications together with the CEO after valuations are done with the IDV. He will also have the head-office cashiers and the Field Site Financial Managers reporting to him together with the Operations Manager. He will also ensure the rollout of the internal controls of the company and evaluate whether the segregation of duties is constantly maintained.
8. The **CHIEF VALUATOR** will be an independent party duly appointed by the CEO and the CAR government who will evaluate the purchases and assist the CEO with the separation of the parcels into the different grades according to the 4C's. He will also arbitrate between the IDV and other regulatory authorities related to the valuation of the parcels prior to export and during the sale thereof to ensure transparency. He will act as a salaried consultant and will only be present when required.
9. The **GEOLOGIST** will be South African and will perform studies at the various field Sites for the co-operatives and management and will provide recommendations on an advisory basis. He will report directly to the CEO.
10. The **ENGINEER** will be South African and will evaluate the various Field Sites for the co-operatives and management and will report to them on the safety issues and other related issues on an advisory basis. He will report directly to the CEO.
11. The **GOVERNMENT LIAISON OFFICER** will be from CAR and will assist the Chairman in his reporting of the operations and will have constant interaction with the independent Government Representatives that will accompany the Expert Buyers during their buying to ensure transparency.
12. The **GENERAL MANAGERS** will operate under the instructions of the CEO at their locations and will perform his task in his absence under the supervision of the CFO or Chief Financial Manager. They will ensure that the administrative and operating environment is conducive to business and will act upon the recommendations of the Directors.
13. The **OPERATIONS MANAGER** will be appointed to manage the operations of the field site and will report to the COO and Chief Operations Manager. He will have a good understanding and experience in the diamond procurement and will co-ordinate the security guards in line with his operating activities at the field sites and mobile purchasing operations.

14. The **FINANCIAL MANAGER** will be a local and will manage the finances and reconciliations for an individual field site and will report to the CFO and Chief Financial Manager.
15. A **HUMAN RESOURCE MANAGER** will be located at the head-office and each field site who will report to the COO. They will handle all matters relating to employees at their site and will interact with the managers of the respective departments (Operations, Finance, Security, General Administration and Government Compliance) as well as External Consultants.
16. The **DRIVERS** will be used to transport the security convoys, expert buyers and also utilised for administration. The head-office will require 3 drivers for the convoy security especially for the head-office to airport route and 1 administrative driver for transporting guests and company executives. When the convoy is not used, the drivers will be used for administrative purposes as well. At the field sites there would be 4 buying convoys that will travel to the digger's site. Each convoy will require 3 drivers, 1 for the Buyer's armoured vehicle and 2 for the security vehicles accompanying it. As only 3 convoys will be allowed to move to different digger's site at any one point, there will always be 3 drivers available on call.
17. The **SECURITY GUARDS - VEHICLE** used to accompany the convoy will be trained in CAR. The 2 will be in place at the head-office and each field site. The head-office will require 2 security guards at the head-office. Each field site rollout will require 12 guards as 3 is required for each of the 4 convoy teams. As only 3 convoys will be dispatched at any one time, there will always be 3 guards available on call.
18. The **CASHIERS** will manage the cash advances provided to them by the Financial Managers. They will be accountable to the Operations Manager as well as the Financial Manager for supporting documentation and disbursements.
19. The **EXPERT BUYERS / VALUATORS** are responsible for the negotiation, valuation and purchasing of the precious stones after consulting with the independent Government Representative accompanying them. They will be responsibly recruited and adequately trained according to the company's policy. At the head-office there will be 3 expert buyers servicing the local sellers and the non-present site diggers, collectors and co-operatives that come to Bangui to sell their parcel of precious stones. At each site there will be 6 expert buyers, 2 of which are dedicated to the field site and 1 for each of the 4 buying convoy teams.
20. The **GOVERNMENT REPRESENTATIVES** will be recruited on recommendation from the CAR Government Ministry and will be present with the buyers to ensure independent judgement and transparency occurs for all transactions. At the head-office there would be 1 representative as he would be accompanied by the Government Liaison Officer. At each of the field site office there would be 1 representative at the field site office and 1 representative for each of the 4 convoys. As only 3 convoys will be dispatched at any one time, there will always be representative available on call.
21. The **OFFICE SECRETARY** is required to support the staff at the offices. The head-office will require 2 secretaries to support both directors and staff, whereas each field site will require 1 secretary.
22. An **OFFICE STOCK RECORDER** will be required for each office to make an independent entry for all stones entering into the safes and stores room and obtain the signatures of the financial manager, government representative and the operations manager.
23. The **MEDICAL DOCTORS** will be sourced within the country. Each decentralised field sites will require 2 doctors to attend to the medical requirements of the diggers and other related parties that are associated and support that buying office. They will be supported by nurses and will operate from the mobile medical containers that will be domiciled within the field buying office precinct. There will be no medical facilities at the head-office therefore doctors are not required. Rather, the Bangui hospital will be supported with medication and some equipment. They will be supervised by the Site General Manager.
24. The **MEDICAL NURSES** will be sourced in CAR. Each field site will require 8 nurses to support the doctors. They will be supervised by the Site General Manager.
25. The **SECURITY GUARDS – FIELD SITES** will be sourced and trained in CAR and 4 guards will be allocated for ensuring the safety of the office precinct at the head-office and each field site. The head-office guards will report to the Chief Security Manager while those at the decentralised field sites will report to the Operations Manager.
26. The **CLEANERS** will be from CAR and ensure the premises are always kept hygienically clean and the mobile catering facility and containerised accommodation facilities is made ready daily. The head-office will appoint 2 cleaners supervised Head-office General Manager. Each decentralised field site will have 5 cleaners supervised by the Site General Manager.
27. The **CATERERS** will be sourced from CAR under the supervision of the respective General Managers. The head-office will appoint 2 caterers whereas the field site offices will appoint 4 serving all meals daily.

28. The **MECHANICS** will be deployed only at the decentralised field sites. Each site will have 2 mechanics under the supervision of the General Manager. The head-office is in a city which has immediate access to mechanics.
29. The **STORES PERSONNEL** will be appointed only at the decentralised field sites. There will be 2 store personnel at each site who will maintain spare stock of food, consumables, vehicle and maintenance spares. They would be supervised by the General Manager.
30. The **MAINTENANCE PERSONNEL** is required to ensure that the decentralised field sites are always able to operate efficiently. The field sites will require 2 maintenance personnel and none is required by the head-office as maintenance work may be outsourced when required.
31. The **EXPERT POLISHERS** will not be employed initially and will only be employed in the 2nd phase of operations on the successful due diligence outcome after the 1st 6 months of operations.
32. The 2 **SECRETARIES** in South Africa will assist the directors with there scheduling, preparation and correspondences regarding travel, clients and other strategic management issues.
33. The **ADMINISTRATIVE PERSONNEL** will be used to assist with general office activities for the directors especially co-ordinating the arrangements for the open tender selling of the precious stones and assisting the accountant with the documentation relating to customs for the import and export of the stones.
34. The **ACCOUNTANT** will report to the CFO and will maintain the accounting records for the importation for the stones from Bangui and the on-selling of this to the buyers. He would also be responsible for providing progress reports to the company's financiers on a 2 monthly basis. He will also assist the Chief Financial Manager with the formulation of Internal Control Measures. The accountant will report to both the CFO and Chief Financial Manager.

8. **Financial Plan**



8 Financial Plan

- Adequate financing is essential for a start-up diamond exporting company. Because of the amount of capital required to start this management feels it is restricted to this funding path.
- Once the buying office is setup the company can continue to operate profitably for an indefinite period of time in the event additional capital becomes unavailable on attractive terms.
- However with the intended volumes and the intended four initial decentralized buying offices, management require adequate seed capital to make a distinct impact in the CAR local market, as well as the prominent international buyers.

8.1 Important Assumptions

The financial plan depends on important assumptions, most of which are shown in the following table. They key underlying assumptions are:

- We assume a moderate growth, without major restrictions.
- We assume of course that there are no unforeseen changes in the global market to make products immediately obsolete.
- We assume access to equity capital and financing sufficient to maintain our financial plan as shown in the tables.
- General Assumptions:

SHAREHOLDERS		%		Variables	
Serengeti Group Holdings	65%			Average Selling Price	\$868.05
CAR Government	35%			Average Buying Price	\$643.00 (Priced higher due to limited sites)
Total	100%			Gross Profit Markup	35%
Assumptions				Government Export Taxation	12%
Inflation	4.50% CFA/ZAR	70		CAR Company Taxation	35% (subject to change)
Wage inflation	3.00% ZAR/AED	1.78		Start up Equity	100.00
Wage increases	7.50% ZAR/USD	7.40		Start up CAPEX	\$8,762,678 Based on Setting Full Operations
Date	Increment	Carats	% Market	Working Capital Required	\$2,880,640 Based on 4th Month Capacity
Year 1		58,000	3.9%	Cost of Working Capital Finance	9% Monthly 1%
Year 2	25%	72,500	4.8%	Incentive Mechanism - % of GP	3%
Year 3	15%	83,375	5.6%	Buffer Cash on Hand	\$5,000,000 (expected after operating 2 years)
Year 4	15%	95,881	6.4%	Balance Check	0.00
Year 5	15%	110,263	7.4%	Diamond Buying Assumptions	
Year 6	10%	121,290	8.1%	CAR Annual Diamond Supply	1,500,000
Year 7	10%	133,419	8.9%	Notes	
Year 8	10%	146,761	9.8%	Model is real, assumes no diamond price increases nor costs increases	
Year 9	10%	161,437	10.8%	Depreciation on CAPEX are averaged at 25% depreciation on reducing balance method	
Year 10	10%	177,580	11.8%	Tax assumed paid as incurred, i.e. No Tax Holiday	

- Taxation has been fully accounted for. A request has been made for a Tax Holiday concession, considering the investment into the country and CAR Government participation in Equity.
- South African Revenue Services has been briefed on the structure to provide advice on the taxation of international profits attributable to the South African company in the event of a Tax Holiday. Feedback is still forthcoming.

- In the event that taxes are payable in South Africa due to non-payment of tax in CAR for the intended 5 years on a residence based tax system, then the tax holiday does not benefit either INALACAR or SERENGETI. In this case the 35% shareholding of the CAR government will be negotiated to be reduced to compensate for the disadvantage of not being able to benefit from the tax structure.
- The CAR Government will still be benefited either way as they would either receive the corporate taxes upfront plus a reduced share of the equity profits, or will receive no corporate taxes but share in the profits of the company on a 35% equity basis.
- For the basis of the financial calculations we have assumed a conservative approach in accounting for this situation and have accounted for both the corporate tax and government's current equity shareholding. As this is negotiated favourably it will add to the SERENGETI's benefit.
- Details of tax information is noted below:

Paying Taxes in Central African Republic

Tax	Pmts p/a		Statutory tax rate (as per the World Bank)	Tax base	Rates from CAR directly
Corporate income tax	4		30% on profits or 10% on turnover (whichever is higher)	taxable income	35%
Value added tax (VAT)	12		19%	value added	19%
Check transaction tax	12	a)	2.50%	check transactions	
Social security contributions	12		15.84%	gross salaries	10%
Apprenticeship tax	12	a)	2%	gross salaries	2%
Property tax	1	a)	15%	building rental value	15%
Diamond Export Taxes				Cost of Product	12%
Stamp duty	1	a)	fixed fee		

Notes:

a) data not collected

NB: For purposes of financial calculations the Rates received directly from CAR will be used.

8.2 Key Financial Indicators

- In the diamond business the most important measurements are cost per available carat. If the carat size is bigger the cost price increases and so will the resulting revenue making INALACAR operate more profitably.
- For simplicity we have included the price at a cost estimated for a 1 carat rough stone.

8.3 Break-even Analysis

- When we take out all operational costs for the diamond acquisition and sales costs relating thereto and include all the overheads, the company breaks even in the first month by maintaining sales just \$32.9 million for the first year. This is 65% of our expected sales forecast for the first year but it indicates that the company could survive without doing any further sales for an indeterminate period.

Break-even Analysis:

Breakeven Analysis Calculation	1st Year	% of Est. Sale
Breakeven Sales Required	32,854,389	65%
Breakeven Cost of Gem Stones	21,355,353	
Estimated Total Net Expenditure Incl. Taxes	11,499,036	
Diamond Carats Sales Required to Break-even	33,212	57%
Assumptions		
Average Buying Price	\$643	
Gross Profit Markup	35%	
Sales Estimated as per Projections	50,346,900	
Diamond Carats Sales Estimated	58,000	

8.4 Projected Profit and Loss

- Our profits improve from approx. 3% of sales in year one to 5% in year two rising to an average of 8% of sales from year six and thereafter. In gross numbers, INALACAR exceeds \$2.9 million in profit in the second operational year as compared to \$1.5 million in the first year, \$7 million in year five, increasing year on year and is expected to conservatively peak at \$12.8 million in year 10. This does not include any expansion in the number of field sites which will increase profitability substantially. It neither takes into account the benefits of a tax relief (Tax Holiday) from the CAR government if approved.

8.5 Projected Cash Flow

- This business plan cash flows positively from the initial infusion of approx. \$17 million. It will continue to produce cash as long as sales targets are met over break even.
- Further borrowings may only be required if seasonal fluctuations occur or if expansion plans are further accelerated after the first year. It is anticipated that the expansion after the first 6 months will be funded from additional capital injection. This is based on the premise that no dividends, i.e. the joint venture profit sharing only commences from the end of the first 12 month of operations.
- The repayments for the 1st year capital funding is expected to commence from the beginning of the 2nd year and complete at the end of the 5th year of operations as can be seen from section 8.8 & 8.10.

8.6 Projected Balance Sheet

- The projected balance sheet illustrates the growth of the net worth of the business and may also be utilized to estimate future stock values based upon industry multiples.

8.7 Projections for the Business Operation

Table: The chart below illustrates the Projected Income Statement, Cash Flow Statement Balance Sheet, for the first year during formative stage for SERENGETI's subsidiary INALACAR

INALACAR FINANCIAL INFORMATION

FIRST YEAR FORECAST

Time Period	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1
Diamond Carats acquired	3,500	3,500	4,000	4,000	5,000	5,000	5,000	5,000	6,000	6,000	6,000	6,000	54,000
Income Statement	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1
Revenue	2,604,150	2,604,150	3,472,200	3,472,200	4,340,250	4,340,250	4,340,250	4,340,250	5,208,300	5,208,300	5,208,300	5,208,300	50,346,900
Cost of Sales	1,929,000	1,929,000	2,572,000	2,572,000	3,215,000	3,215,000	3,215,000	3,215,000	3,858,000	3,858,000	3,858,000	3,858,000	37,294,000
Gross Profit	675,150	675,150	900,200	900,200	1,125,250	1,125,250	1,125,250	1,125,250	1,350,300	1,350,300	1,350,300	1,350,300	13,052,900
Gross Margin	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%
Government Export Tax (12% X C.O.S.)	231,480	231,480	308,640	308,640	385,800	385,800	385,800	385,800	462,960	462,960	462,960	462,960	4,475,280
Adj. Gross Profit	443,670	443,670	591,560	591,560	739,450	739,450	739,450	739,450	887,340	887,340	887,340	887,340	8,577,620
Expenses	262,681	262,681	262,681	262,681	262,681	262,681	262,681	262,681	262,681	262,681	262,681	262,681	3,334,737
Employee Incentive	5,430	5,430	9,866	9,866	14,303	14,303	14,303	14,303	18,740	18,740	18,740	18,740	157,286
EBITDA	175,560	175,560	319,013	319,013	462,466	462,466	462,466	462,466	605,919	605,919	605,919	605,919	5,085,597
EBITDA Margin	7%	7%	9%	9%	11%	11%	11%	11%	12%	12%	12%	12%	10%
Depreciation	146,045	143,611	141,217	138,863	136,549	134,273	132,035	129,835	127,671	125,543	123,451	121,393	1,600,486
Earnings Bef. Interest & Tax	29,515	31,949	177,796	180,149	325,917	328,193	330,431	332,631	478,249	480,376	482,469	484,526	3,485,111
Interest	87,325	87,980	88,640	89,304	89,974	90,649	91,329	92,014	92,704	93,399	94,100	94,806	1,092,224
Profit Before Tax	-57,810	-56,031	89,156	90,845	235,943	237,544	239,102	240,618	385,545	386,977	388,369	389,720	2,392,888
Taxation	-20,233	-19,611	31,205	31,796	82,580	83,190	83,886	84,516	134,941	135,442	135,929	136,371	837,511
Net Profit After Tax	-37,576	-36,420	57,951	59,049	153,363	154,354	155,216	156,101	250,604	251,535	252,440	253,346	1,555,377
Retained Earnings	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1
Opening Balance	0	-37,576	-73,997	-16,045	43,004	196,367	287,721	443,137	599,538	850,142	1,101,677	1,354,117	0
PAT	-37,576	-36,420	57,951	59,049	153,363	154,354	155,216	156,101	250,604	251,535	252,440	253,346	1,555,377
Dividends	0	0	0	0	0	0	0	0	0	0	0	0	0
Closing Balance	-37,576	-73,997	-16,045	43,004	196,367	287,721	443,137	599,538	850,142	1,101,677	1,354,117	1,555,377	1,555,377
Cashflow Statement	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1
Opening Cash balance	0	915,953	1,111,123	678,772	965,989	625,715	941,991	1,320,771	1,699,021	1,449,840	1,920,317	2,390,308	0
Net Profit After Tax	-37,576	-36,420	57,951	59,049	153,363	154,354	155,216	156,101	250,604	251,535	252,440	253,346	1,555,377
Changes in Working Capital	-2,160,480	0	-720,160	0	-720,160	0	0	0	-720,160	0	0	0	-4,320,960
Depreciation	146,045	143,611	141,217	138,863	136,549	134,273	132,035	129,835	127,671	125,543	123,451	121,393	1,600,486
FCFF	-2,052,012	1,023,144	590,132	876,684	535,741	851,342	1,229,442	1,607,007	1,357,136	1,826,918	2,296,208	2,712,961	-1,165,088
Investment in CAPEX	-8,762,678	0	0	0	0	0	0	0	0	0	0	0	-8,762,678
Interest Paid	87,325	87,980	88,640	89,304	89,974	90,649	91,329	92,014	92,704	93,399	94,100	94,806	1,092,224
Additional Debt raised	11,643,318	0	0	0	0	0	0	0	0	0	0	0	11,643,318
Debt Repaid	0	0	0	0	0	0	0	0	0	0	0	0	0
Free Cashflow to Equity Holders	915,953	1,111,123	678,772	965,989	625,715	941,991	1,320,771	1,699,021	1,449,840	1,920,317	2,390,308	2,807,766	2,807,766
Buffer	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends declared	0	0	0	0	0	0	0	0	0	0	0	0	0
Closing Cash	915,953	1,111,123	678,772	965,989	625,715	941,991	1,320,771	1,699,021	1,449,840	1,920,317	2,390,308	2,807,766	2,807,766
Balance Sheet	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1
Cash	915,953	1,111,123	678,772	965,989	625,715	941,991	1,320,771	1,699,021	1,449,840	1,920,317	2,390,308	2,807,766	2,807,766
Inventory	2,160,480	2,160,480	2,880,640	2,880,640	3,600,800	3,600,800	3,600,800	3,600,800	4,320,960	4,320,960	4,320,960	4,320,960	4,320,960
Debtors	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Assets	3,076,433	3,271,603	3,559,412	3,846,629	4,226,515	4,542,791	4,921,571	5,299,821	5,770,800	6,241,277	6,711,268	7,128,726	7,128,726
Fixed Assets	8,616,634	8,473,023	8,331,806	8,192,943	8,056,394	7,922,120	7,790,085	7,660,250	7,532,579	7,407,036	7,283,586	7,162,193	7,162,193
Total Assets	11,693,067	11,744,626	11,891,218	12,039,571	12,282,908	12,464,911	12,711,656	12,960,071	13,303,379	13,648,314	13,994,854	14,290,919	14,290,919
Creditors	0	0	0	0	0	0	0	0	0	0	0	0	0
Overdraft	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100
Shareholder Loans	11,730,643	11,818,623	11,907,263	11,996,567	12,086,541	12,177,190	12,268,519	12,360,533	12,453,237	12,546,637	12,640,736	12,735,542	12,735,542
Total Liabilities	11,730,643	11,818,623	11,907,263	11,996,567	12,086,541	12,177,190	12,268,519	12,360,533	12,453,237	12,546,637	12,640,736	12,735,542	12,735,542
Net Assets	-37,576	-73,997	-16,045	43,004	153,363	154,354	155,216	156,101	250,604	251,535	252,440	253,346	1,555,377
Equity	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1
Capital	100	100	100	100	100	100	100	100	100	100	100	100	100
Retained Income	-37,576	-73,997	-16,045	43,004	153,363	154,354	155,216	156,101	250,604	251,535	252,440	253,346	1,555,377
Total Equity	-37,576	-73,997	-16,045	43,004	153,363	154,354	155,216	156,101	250,604	251,535	252,440	253,346	1,555,377

Table: The chart below illustrates the Projected Income Statement, Cash Flow Statement Balance Sheet, for the Ten years of the projected operation SERENGETI's subsidiary INALACAR

INALACAR
FINANCIAL INFORMATION

TEN YEAR FORECAST

Time Period	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Diamond Carats acquired	58,000	77,500	83,375	95,881	116,263	121,290	133,419	146,761	161,437	177,580
Income Statement	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	50,346,900	62,933,625	72,373,669	83,229,719	95,714,177	105,285,595	115,814,154	127,395,569	140,135,126	154,148,639
Cost of Sales	37,294,000	46,617,500	53,610,125	61,651,644	70,899,390	77,989,329	85,788,262	94,367,089	103,803,797	114,184,177
Gross Profit	13,052,900	16,316,125	18,763,544	21,578,075	24,814,787	27,296,265	30,025,892	33,028,481	36,331,329	39,964,462
Gross Margin	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%
Government Export Tax (12%XC.O.S.)	4,475,280	5,594,100	6,433,215	7,398,197	8,507,927	9,358,720	10,294,591	11,324,051	12,456,456	13,702,101
Adj. Gross Profit	8,577,620	10,722,025	12,330,329	14,179,878	16,306,860	17,937,546	19,731,300	21,704,430	23,874,873	26,262,361
Expenses	3,334,737	3,540,312	3,759,301	3,992,621	4,241,251	4,506,242	4,788,718	5,089,882	5,411,024	5,753,524
Employee Incentive	157,286	215,451	257,131	305,618	361,968	402,939	448,277	498,436	553,915	615,265
EBITDA	5,085,597	6,966,262	8,313,896	9,881,639	11,703,640	13,028,364	14,494,305	16,116,112	17,909,934	19,893,571
EBITDA Margin	10%	11%	11%	12%	12%	12%	13%	13%	13%	13%
Depreciation	1,800,486	1,432,439	1,145,951	916,761	733,409	586,727	469,381	375,505	300,404	240,323
Earnings Bef. Interest & Tax	3,485,111	5,533,823	7,167,946	8,964,879	10,970,232	12,441,638	14,024,924	15,740,607	17,609,530	19,653,248
Interest	1,092,224	1,036,264	782,147	504,192	199,870	25,917	28,348	0	0	0
Profit Before Tax	2,392,888	4,497,559	6,385,799	8,460,686	10,770,361	12,415,720	13,996,575	15,740,607	17,609,530	19,653,248
Taxation	837,511	1,574,146	2,235,030	2,961,240	3,769,626	4,345,502	4,898,801	5,509,212	6,163,336	6,878,637
Net Profit After Tax	1,555,377	2,923,413	4,150,769	5,499,446	7,000,735	8,070,218	9,097,774	10,231,394	11,446,195	12,774,611
Retained Earnings	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Opening Balance	0	1,555,377	4,478,790	7,455,319	10,519,827	14,183,980	18,223,998	22,744,198	27,769,415	33,293,705
PAT	1,555,377	2,923,413	4,150,769	5,499,446	7,000,735	8,070,218	9,097,774	10,231,394	11,446,195	12,774,611
Dividends	0	0	-1,174,240	-2,434,939	-3,336,582	-8,030,199	-8,877,575	-9,817,178	-10,877,904	-12,059,371
Closing Balance	1,555,377	4,478,790	7,455,319	10,519,827	14,183,980	18,223,998	22,744,198	27,769,415	33,293,705	39,353,076
Cashflow Statement	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Opening Cash balance	0	2,807,766	4,484,278	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Net Profit After Tax	1,555,377	2,923,413	4,150,769	5,499,446	7,000,735	8,070,218	9,097,774	10,231,394	11,446,195	12,774,611
Changes in Working Capital	-4,320,960	29,596	-643,705	-740,260	-851,299	-652,663	-717,929	-789,722	-868,694	-955,564
Depreciation	1,800,486	1,432,439	1,145,951	916,761	733,409	586,727	469,381	375,505	300,404	240,323
FCFF	-1,165,098	7,193,214	9,137,293	10,675,946	11,882,844	13,004,282	13,849,226	14,817,178	15,877,904	17,059,371
Investment in CAPEX	-8,762,678	0	0	0	0	0	0	0	0	0
Interest Paid	1,092,224	1,036,264	782,147	504,192	199,870	25,917	28,348	0	0	0
Additional Debt raised	11,643,318	0	0	0	0	0	0	0	0	0
Debt Repaid	0	-3,745,200	-3,745,200	-3,745,200	-3,746,132	0	0	0	0	0
Free Cashflow to Equity Holders	2,807,766	4,484,278	6,174,240	7,434,939	8,336,582	13,030,199	13,877,575	14,817,178	15,877,904	17,059,371
Buffer	0	0	0	0	0	0	0	0	0	0
Dividends declared	0	0	-1,174,240	-2,434,939	-3,336,582	-8,030,199	-8,877,575	-9,817,178	-10,877,904	-12,059,371
Closing Cash	2,807,766	4,484,278	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Balance Sheet	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cash	2,807,766	4,484,278	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Inventory	4,320,960	4,291,364	4,935,069	5,675,329	6,526,629	7,179,262	7,897,221	8,686,943	9,555,637	10,511,201
Debtors	0	0	0	0	0	0	0	0	0	0
Total Current Assets	7,128,726	8,775,642	9,935,069	10,675,329	11,526,629	12,179,262	12,897,221	13,686,943	14,555,637	15,511,201
Fixed Assets	7,162,193	5,729,754	4,583,803	3,667,043	2,933,634	2,346,907	1,877,526	1,502,021	1,201,617	961,293
Total Assets	14,290,919	14,505,396	14,518,872	14,342,372	14,460,263	14,526,169	14,774,747	15,188,964	15,757,254	16,472,494
Creditors	0	0	0	0	0	0	0	0	0	0
Overdraft	0	0	0	0	0	0	0	0	0	0
Total Current Liabilities	0	0	0	0	0	0	0	0	0	0
Debt	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100
Shareholder Loans	12,735,542	10,026,606	7,063,553	3,822,545	276,283	302,201	330,549	330,549	330,549	330,549
Total Liabilities	12,735,442	10,026,506	7,063,453	3,822,445	276,183	302,101	330,449	330,449	330,449	330,449
Net Assets	1,555,377	4,478,890	7,455,419	10,519,927	14,184,080	14,224,068	14,444,298	14,858,515	15,426,805	16,142,045
Equity	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Capital	100	100	100	100	100	100	100	100	100	100
Retained Income	1,555,377	4,478,790	7,455,319	10,519,827	14,183,980	14,223,998	14,444,198	14,858,415	15,426,705	16,141,945
Total Equity	1,555,377	4,478,890	7,455,419	10,519,927	14,184,080	14,224,098	14,444,298	14,858,515	15,426,805	16,142,045

Table: The chart below illustrates the Projected Expense Schedule for the first year of projected operation for SERENGETI's subsidiary INALACAR

INALACAR

EXPENSE CALCULATION FOR THE GROUP

FIRST YEAR FORECAST

USD		7.40	7.40	7.40	7.40	7.40	7.40	7.40	7.40	7.40	7.40	7.40	7.40
InalaCar Operations	10,000	1	1	1	1	1	1	1	1	1	1	1	1
Infrastructure - Buying Office *	3,000	0	0	0	0	0	0	0	0	0	0	0	0
Expert Polishers in Bangui													

EXPENSES	Notes	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	1 year
		USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
INALACAR OPERATIONS														
Administration Expenses														
Internet access		2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	32,432
Internet Email		270	270	270	270	270	270	270	270	270	270	270	270	3,243
Telephone		6,757	6,757	6,757	6,757	6,757	6,757	6,757	6,757	6,757	6,757	6,757	6,757	81,081
Cell Phone / Satellite Phones		13,514	13,514	13,514	13,514	13,514	13,514	13,514	13,514	13,514	13,514	13,514	13,514	162,162
Annual audit fees		0	0	0	0	0	0	0	0	0	0	0	0	67,568
Banking fees		2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	32,432
Rent - Infrastructure Costs *		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
Electricity / water		2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Stationery		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Fuel - Vehicles		10,697	10,697	10,697	10,697	10,697	10,697	10,697	10,697	10,697	10,697	10,697	10,697	128,366
Fuel - Generator		10,697	10,697	10,697	10,697	10,697	10,697	10,697	10,697	10,697	10,697	10,697	10,697	128,366
Insurance - Office		2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	32,432
Insurance - Vehicles		2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	24,324
Insurance - Staffs		2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	32,432
Insurance - House		405	405	405	405	405	405	405	405	405	405	405	405	4,865
Total Administrative Expenses		68,178	68,178	68,178	68,178	68,178	68,178	68,178	68,178	68,178	68,178	68,178	135,746	885,704
Staff														
Salaries - Head Office		103,000	103,000	103,000	103,000	103,000	103,000	103,000	103,000	103,000	103,000	103,000	103,000	1,236,000
Salaries - Field Site		41,400	41,400	41,400	41,400	41,400	41,400	41,400	41,400	41,400	41,400	41,400	41,400	496,800
Total Salaries and Wages		144,400	144,400	144,400	144,400	144,400	144,400	144,400	144,400	144,400	144,400	144,400	144,400	1,732,800
TOTAL CAR COSTS		212,578	212,578	212,578	212,578	212,578	212,578	212,578	212,578	212,578	212,578	212,578	280,146	2,618,504
Office RSA														
Annual Audit fees		0	0	0	0	0	0	0	0	0	0	0	15,000	15,000
External Consultants		3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Internet access		400	400	400	400	400	400	400	400	400	400	400	400	4,800
Insurance		500	500	500	500	500	500	500	500	500	500	500	500	6,000
Launch INALA in RSA		0	0	0	0	0	100,000	0	0	0	0	0	0	100,000
Rent		4,730	4,730	4,730	4,730	4,730	4,730	4,730	4,730	4,730	4,730	4,730	4,730	56,757
Salaries - Head Office		6,100	6,100	6,100	6,100	6,100	6,100	6,100	6,100	6,100	6,100	6,100	6,100	73,200
Satellite Tracking		2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	2,703	32,432
Stationery		500	500	500	500	500	500	500	500	500	500	500	500	6,000
Telephone		6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	72,000
Total Office Costs		23,932	23,932	23,932	23,932	23,932	123,932	23,932	23,932	23,932	23,932	23,932	38,932	402,189
Travel														
Brinks - Commodity Transport		5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	67,200
Car rental		500	500	500	500	500	500	500	500	500	500	500	500	6,000
Travel - Subsistence allowance		4,054	4,054	4,054	4,054	4,054	4,054	4,054	4,054	4,054	4,054	4,054	4,054	48,649
Travel - Accommodation		4,054	4,054	4,054	4,054	4,054	4,054	4,054	4,054	4,054	4,054	4,054	4,054	48,649
Travel - Tickets		12,162	12,162	12,162	12,162	12,162	12,162	12,162	12,162	12,162	12,162	12,162	12,162	145,946
Total Tavel Expenses		26,370	26,370	26,370	26,370	26,370	26,370	26,370	26,370	26,370	26,370	26,370	26,370	316,443
TOTAL RSA COSTS		50,303	50,303	50,303	50,303	50,303	150,303	50,303	50,303	50,303	50,303	50,303	65,303	718,632
TOTAL EXPENSES	USD	262,881	262,881	262,881	262,881	262,881	362,881	262,881	262,881	262,881	262,881	262,881	345,448	3,337,137

Table: The chart below illustrates the Projected Expense Schedule for the Ten years of projected operation for SERENGETI's subsidiary INALACAR

INALACAR

EXPENSE CALCULATION FOR THE GROUP

TEN YEAR FORCAST

INALACAR Operations	7.40	7.40	7.40	7.40	7.40	7.40	7.40	7.40	7.40	7.40
Infrastructure - Buying Office *	1	1	1	1	1	1	1	1	1	1
Expert Polishers in Bangui	0	0	0	0	0	0	0	0	0	0

EXPENSES	1 year	2 year	3 year	4 year	5 year	6 year	7 year	8 year	9 year	10 year
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
INALACAR OPERATIONS										
Administration Expenses										
Internet access	32,432	33,892	35,417	37,011	38,676	40,417	42,235	44,136	46,122	48,198
Internet Email	3,243	3,389	3,542	3,701	3,868	4,042	4,224	4,414	4,612	4,820
Telephone	81,081	84,730	88,543	92,527	96,691	101,042	105,589	110,340	115,305	120,494
Cell Phone / Satellite Phones	162,162	169,459	177,085	185,054	193,381	202,084	211,177	220,680	230,611	240,988
Annual audit fees	67,568	70,608	73,785	77,106	80,576	84,201	87,991	91,950	96,088	100,412
Banking fees	32,432	33,892	35,417	37,011	38,676	40,417	42,235	44,136	46,122	48,198
Rent - Infrastructure Costs *	120,000	129,000	138,675	149,076	160,256	172,276	185,196	199,086	214,017	230,069
Electricity / water	24,000	25,080	26,209	27,388	28,620	29,908	31,254	32,661	34,130	35,666
Stationery	12,000	12,540	13,104	13,694	14,310	14,954	15,627	16,330	17,065	17,833
Fuel - Vehicles	128,366	134,142	140,179	146,487	153,079	159,967	167,166	174,688	182,549	190,764
Fuel - Generator	128,366	134,142	140,179	146,487	153,079	159,967	167,166	174,688	182,549	190,764
Insurance - Office	32,432	33,892	35,417	37,011	38,676	40,417	42,235	44,136	46,122	48,198
Insurance - Vehicles	24,324	25,419	26,563	27,758	29,007	30,313	31,677	33,102	34,592	36,148
Insurance - Staffs	32,432	33,892	35,417	37,011	38,676	40,417	42,235	44,136	46,122	48,198
Insurance - House	4,865	5,084	5,313	5,552	5,801	6,063	6,335	6,620	6,918	7,230
Total Administrative Expenses	929,161	974,843	1,022,872	1,073,373	1,126,483	1,182,342	1,241,104	1,302,926	1,367,978	
Staff										
Salaries - Head Office	1,236,000	1,328,700	1,428,353	1,535,479	1,650,640	1,774,438	1,907,521	2,050,585	2,204,379	2,369,707
Salaries - Field Site	496,800	534,060	574,115	617,173	663,461	713,221	766,712	824,216	886,032	952,484
Total Salaries and Wages	1,732,800	1,862,760	2,002,467	2,152,652	2,314,101	2,487,658	2,674,233	2,874,800	3,090,410	3,322,191
TOTAL CAR COSTS	2,791,921	2,977,310	3,175,524	3,387,474	3,614,141	3,856,575	4,115,904	4,393,336	4,690,169	
Office RSA										
Annual Audit fees	15,000	15,675	16,380	17,117	17,888	18,693	19,534	20,413	21,332	22,291
External Consultants	36,000	37,620	39,313	41,082	42,931	44,863	46,881	48,991	51,196	53,499
Internet access	4,800	5,016	5,242	5,478	5,724	5,982	6,251	6,532	6,826	7,133
Insurance	6,000	6,270	6,552	6,847	7,155	7,477	7,814	8,165	8,533	8,917
Launch INALA in RSA	100,000	104,500	109,203	114,117	119,252	124,618	130,226	136,086	142,210	148,610
Rent	56,757	59,311	61,980	64,769	67,683	70,729	73,912	77,238	80,714	84,346
Salaries - Head Office	73,200	76,494	79,936	83,533	87,292	91,221	95,325	99,615	104,098	108,782
Satellite Tracking	32,432	33,892	35,417	37,011	38,676	40,417	42,235	44,136	46,122	48,198
Stationery	6,000	6,270	6,552	6,847	7,155	7,477	7,814	8,165	8,533	8,917
Telephone	72,000	75,240	78,626	82,164	85,861	89,725	93,763	97,982	102,391	106,999
Total Office Costs	402,189	420,288	439,201	458,965	479,618	501,201	523,755	547,324	571,953	597,691
Travel										
Brinks - Commodity Transport	67,200	70,224	73,384	76,686	80,137	83,743	87,512	91,450	95,565	99,866
Car rental	6,000	6,270	6,552	6,847	7,155	7,477	7,814	8,165	8,533	8,917
Travel - Subsistence allowance	48,649	50,838	53,126	55,516	58,014	60,625	63,353	66,204	69,183	72,297
Travel - Accommodation	48,649	50,838	53,126	55,516	58,014	60,625	63,353	66,204	69,183	72,297
Travel - Tickets	145,946	152,514	159,377	166,549	174,043	181,875	190,060	198,612	207,550	216,890
Total Tavel Expenses	316,443	330,683	345,564	361,114	377,364	394,346	412,091	430,636	450,014	470,265
TOTAL RSA COSTS	718,632	750,971	784,765	820,079	856,983	895,547	935,846	977,959	1,021,968	1,067,956
TOTAL EXPENSES	3,337,137	3,542,892	3,762,075	3,995,603	4,244,457	4,509,688	4,792,422	5,093,864	5,415,304	5,758,126

Table: Expected Returns for Shareholders in the First Year of Operation

INALACAR

EXPECTED RETURNS FOR SHAREHOLDERS IN THE FIRST YEAR

INCOME STATEMENT INFO.	USD												USD	
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	
Revenue	2,604,150	2,604,150	3,472,200	3,472,200	4,340,250	4,340,250	4,340,250	4,340,250	5,208,300	5,208,300	5,208,300	5,208,300	50,346,900	
Cost of Sales	1,929,000	1,929,000	2,572,000	2,572,000	3,215,000	3,215,000	3,215,000	3,215,000	3,858,000	3,858,000	3,858,000	3,858,000	37,254,000	
Net Profit After Tax	- 37,703	- 36,546	57,825	58,923	153,237	91,227	155,290	156,275	250,478	251,409	252,314	201,134	1,553,864	
Net Return on Revenue for INALACAR	-1%	-1%	2%	2%	4%	2%	4%	4%	5%	5%	5%	4%	3%	
GOVERNMENT OF CAR														
Government Export Tax (12%XC.O.S.)	231,480	231,480	308,640	308,640	385,800	385,800	385,800	385,800	462,960	462,960	462,960	462,960	4,475,280	
Taxation	- 20,301.39	- 19,678.69	31,136.74	31,727.83	82,512.10	49,122.45	83,617.76	84,148.23	134,872.72	135,374.11	135,881.27	108,302.70	836,696	
Government Share of PAT	13,196	12,791	20,239	20,623	53,633	31,930	54,352	54,696	87,667	87,983	88,310	70,397	543,852	
35%	197,983	199,010	360,016	360,991	521,945	466,852	523,769	524,645	685,500	686,327	687,131	641,659	5,855,828	
Total Return (on Revenue) for Gov. of CAR	8%	8%	10%	10%	12%	11%	12%	12%	13%	13%	13%	12%	12%	
Total Return (on Cost of Goods) for Gov of CAR	10%	10%	14%	14%	16%	15%	16%	16%	18%	18%	18%	17%	16%	
Joint Venture Consortium- INALA														
Return for Joint Venture Consortium	65%	24,507	37,586	36,300	99,604	59,298	100,939	101,579	162,811	163,416	164,004	130,737	1,010,011	
Return on Equity & Debt Capital	-0.02%	-0.02%	0.03%	0.03%	0.07%	0.04%	0.07%	0.07%	0.10%	0.10%	0.10%	0.08%	0.64%	
Net Profit % after Tax on Revenue	-1%	-1%	1%	1%	2%	1%	2%	2%	3%	3%	3%	3%	2%	
Scenario where CAR Gov. forgoes its 35% share (in leui of receiving Corporate Taxes)														
Return on Capital Investment for Joint Venture	-0.03%	-0.03%	0.04%	0.04%	0.11%	0.06%	0.10%	0.10%	0.16%	0.16%	0.15%	0.12%	0.99%	
Net Profit % after Tax on Revenue	-1%	-1%	2%	2%	4%	2%	4%	4%	5%	5%	5%	4%	3%	
Total Return (on Revenue) for Gov. of CAR	8%	8%	10%	10%	11%	10%	11%	11%	11%	11%	11%	11%	11%	

NB: The scenario calculated in Yellow will be the added viability of the project once a compromise is made between INALCAR and the CAR Government on either:

- o CAR Government receiving a 35% corporate taxes annually without providing a Tax Holiday relief to INALACAR, compensated by a reduction in shareholding in the joint venture, or alternatively
- o Providing the joint venture INALACAR with a Tax Holiday relief for a period of between 5-10 years for payment of corporate tax and maintaining its full 35%.

NB: The Government portion of the returns will always include the gross 12% Export Taxes payable for export of the precious stones.

8.8 Expected Returns for Shareholders in the Ten Year of Operation and Present Valuation of the Opportunity

INALACAR

EXPECTED RETURNS FOR SHAREHOLDERS OVER 10 YEAR PROJECTION										
INCOME STATEMENT INFO.										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Revenue	50,346,900	62,933,625	72,373,669	83,229,719	95,714,177	105,285,595	115,814,154	127,395,569	140,135,126	154,148,639
Cost Of Sales	37,294,000	46,617,500	53,610,125	61,651,644	70,895,390	77,989,329	85,788,262	94,367,089	103,803,797	114,184,177
Net Profit After Tax	1,553,864	2,921,787	4,149,020	5,497,566	6,998,714	8,068,046	9,095,439	10,228,884	11,443,496	12,771,710
Net Return on Revenue for INALACAR	3%	5%	6%	7%	7%	8%	8%	8%	8%	8%
GOVERNMENT OF CAR										
Government Export Tax (12%XC.O.S.)	4,475,280	5,594,100	6,433,215	7,398,197	8,507,927	9,358,720	10,294,591	11,324,051	12,456,456	13,702,101
Taxation	836,696	1,573,270	2,234,088	2,960,228	3,768,538	4,344,332	4,897,544	5,507,861	6,161,882	6,877,075
Government Share of PAT	543,852	1,022,625	1,452,157	1,924,148	2,449,550	2,823,816	3,183,403	3,580,109	4,005,224	4,470,099
Total Return (on Revenue) for Gov. of CAR	5,855,828	8,189,995	10,119,460	12,282,573	14,726,015	16,526,868	18,375,539	20,412,021	22,623,562	25,049,274
Total Return (on Cost of Goods) for Gov of CAR	12%	13%	14%	15%	15%	16%	16%	16%	16%	16%
	16%	18%	19%	20%	21%	21%	21%	22%	22%	22%
Joint Venture Consortium - INALACAR										
Return for Joint Venture Consortium	1,010,011	1,899,161	2,696,863	3,573,418	4,549,164	5,244,230	5,912,035	6,648,775	7,438,272	8,301,612
Return on Equity & Debt Capital	0.64%	16.40%	23.37%	31.69%	42.14%	36.20%	40.62%	45.00%	48.97%	52.68%
(COGS + Gov. Comm. 12% +SH Loan+Inventory)										
Net Profit % after Tax on Revenue	2%	3%	4%	4%	5%	5%	5%	5%	5%	5%
Scenario where CAR Gov. forgoes its 35% share (in lieu of receiving Corporate Taxes)										
Return on Capital Investment for Joint Venture	0.99%	25.23%	35.96%	48.75%	64.83%	55.69%	62.49%	69.23%	75.34%	81.05%
Net Profit % after Tax on Revenue	3%	5%	6%	7%	7%	8%	8%	8%	8%	8%
Total Return (on Revenue) for Gov. of CAR	11%	11%	12%	12%	13%	13%	13%	13%	13%	13%

NB: The scenario calculated in Yellow will be the added viability of the project once a compromise is made between INALACAR and the CAR Government on either:

- o CAR Government receiving a 35% corporate taxes annually without providing a Tax Holiday relief to INALACAR, compensated by a reduction in shareholding in the joint venture, or alternatively
- o Providing the joint venture INALACAR with a Tax Holiday relief for a period of between 5-10 years for payment of corporate tax and maintaining its full 35%.

NB: The Government portion of the returns will always include the gross 12% Export Taxes payable for export of the precious stones.

8.9 Seed Capital Debt Repayment Schedule

INALACAR LOAN REPAYMENT SCHEDULE

Creditor: SRENGETI GROUP HOLDINGS

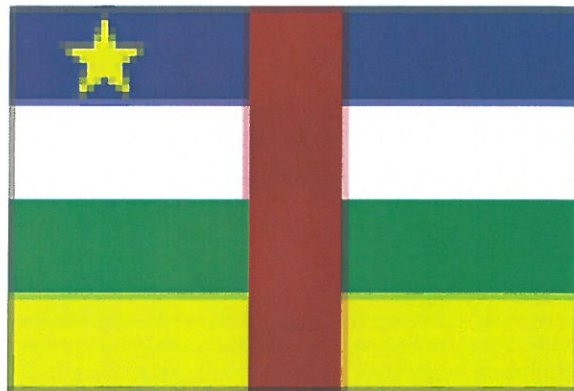
	1st Month	7th Month	
Principle sum:	11,643,318	-	11,643,318
Interest rate:	9.000%		
Term Months:	60.00		
Instalments:	Per schedule		

Date	Payment	Capital	Interest	Balance	Instalments	Capital	Interest
0				11,643,318.27			
1	-	87,324.89	87,324.89	11,730,643.15	Current	-	1,092,223.57
2	-	87,979.82	87,979.82	11,818,622.98			
3	-	88,639.67	88,639.67	11,907,262.65			
4	-	89,304.47	89,304.47	11,996,567.12	Short term	14,981,732.28	2,576,739.51
5	-	89,974.25	89,974.25	12,086,541.37	Long term	3,745,200.00	1,036,263.97
6	-	90,649.06	90,649.06	12,177,190.43		11,236,532.28	1,540,475.54
7	-	91,328.93	91,328.93	12,268,519.36	Total	14,981,732.28	3,668,963.07
8	-	92,013.90	92,013.90	12,360,533.26			
9	-	92,704.00	92,704.00	12,453,237.26			
10	-	93,399.28	93,399.28	12,546,636.54			
11	-	94,099.77	94,099.77	12,640,736.31			
12	-	94,805.52	94,805.52	12,735,541.83			
13	312,100.00	216,583.44	95,516.56	12,518,958.40	Current	3,745,200.00	1,036,263.97
14	312,100.00	218,207.81	93,892.19	12,300,750.58			
15	312,100.00	219,844.37	92,255.63	12,080,906.21	Short term	11,236,532.28	1,540,475.54
16	312,100.00	221,493.20	90,606.80	11,859,413.01	Long term	3,745,200.00	782,147.08
17	312,100.00	223,154.40	88,945.60	11,636,258.61		7,491,332.28	758,328.46
18	312,100.00	224,828.06	87,271.94	11,411,430.55	Total	14,981,732.28	2,576,739.51
19	312,100.00	226,514.27	85,585.73	11,184,916.28			
20	312,100.00	228,213.13	83,886.87	10,956,703.15			
21	312,100.00	229,924.73	82,175.27	10,726,778.42			
22	312,100.00	231,649.16	80,450.84	10,495,129.26			
23	312,100.00	233,386.53	78,713.47	10,261,742.73			
24	312,100.00	235,136.93	76,963.07	10,026,605.80			
25	312,100.00	236,900.46	75,199.54	9,789,705.34	Current	3,745,200.00	782,147.08
26	312,100.00	238,677.21	73,422.79	9,551,028.13			
27	312,100.00	240,467.29	71,632.71	9,310,560.84	Short term	7,491,332.28	758,328.46
28	312,100.00	242,270.79	69,829.21	9,068,290.05	Long term	3,745,200.00	504,192.28
29	312,100.00	244,087.82	68,012.18	8,824,202.23		3,746,132.28	254,136.18
30	312,100.00	245,918.48	66,181.52	8,578,283.74	Total	11,236,532.28	1,540,475.54
31	312,100.00	247,762.87	64,337.13	8,330,520.87			
32	312,100.00	249,621.09	62,478.91	8,080,899.78			
33	312,100.00	251,493.25	60,606.75	7,829,406.53			
34	312,100.00	253,379.45	58,720.55	7,576,027.08			
35	312,100.00	255,279.80	56,820.20	7,320,747.28			
36	312,100.00	257,194.40	54,905.60	7,063,552.88			
37	312,100.00	259,123.35	52,976.65	6,804,429.53	Current	3,745,200.00	504,192.28
38	312,100.00	261,066.78	51,033.22	6,543,362.75			
39	312,100.00	263,024.78	49,075.22	6,280,337.97	Short term	3,746,132.28	254,136.18
40	312,100.00	264,997.47	47,102.53	6,015,340.51	Long term	3,746,132.28	199,870.40
41	312,100.00	266,984.95	45,115.05	5,748,355.56		-	54,265.78
42	312,100.00	268,987.33	43,112.67	5,479,368.23	Total	7,491,332.28	758,328.46
43	312,100.00	271,004.74	41,095.26	5,208,363.49			
44	312,100.00	273,037.27	39,062.73	4,935,326.21			
45	312,100.00	275,085.05	37,014.95	4,660,241.16			
46	312,100.00	277,148.19	34,951.81	4,383,092.97			
47	312,100.00	279,226.80	32,873.20	4,103,866.17			
48	312,100.00	281,321.00	30,779.00	3,822,545.16			
49	312,100.00	283,430.91	28,669.09	3,539,114.25	Current	3,746,132.28	199,870.40
50	312,100.00	285,556.64	26,543.36	3,253,557.61			
51	312,100.00	287,698.32	24,401.68	2,965,859.29	Short term	-	54,265.78
52	312,100.00	289,856.06	22,243.94	2,676,003.24	Long term	-	25,917.28
53	312,100.00	292,029.98	20,070.02	2,383,973.26		-	28,348.50
54	312,100.00	294,220.20	17,879.80	2,089,753.06	Total	3,746,132.28	254,136.18
55	312,100.00	296,426.85	15,673.15	1,793,326.21			
56	312,100.00	298,650.05	13,449.95	1,494,676.15			
57	312,100.00	300,889.93	11,210.07	1,193,786.23			
58	312,100.00	303,146.60	8,953.40	890,639.62			
59	312,100.00	305,420.20	6,679.80	585,219.42			
60	313,032.28	308,936.13	4,096.15	276,283.28			
		14,981,732.28	11,312,769.21	3,668,963.07			

9.

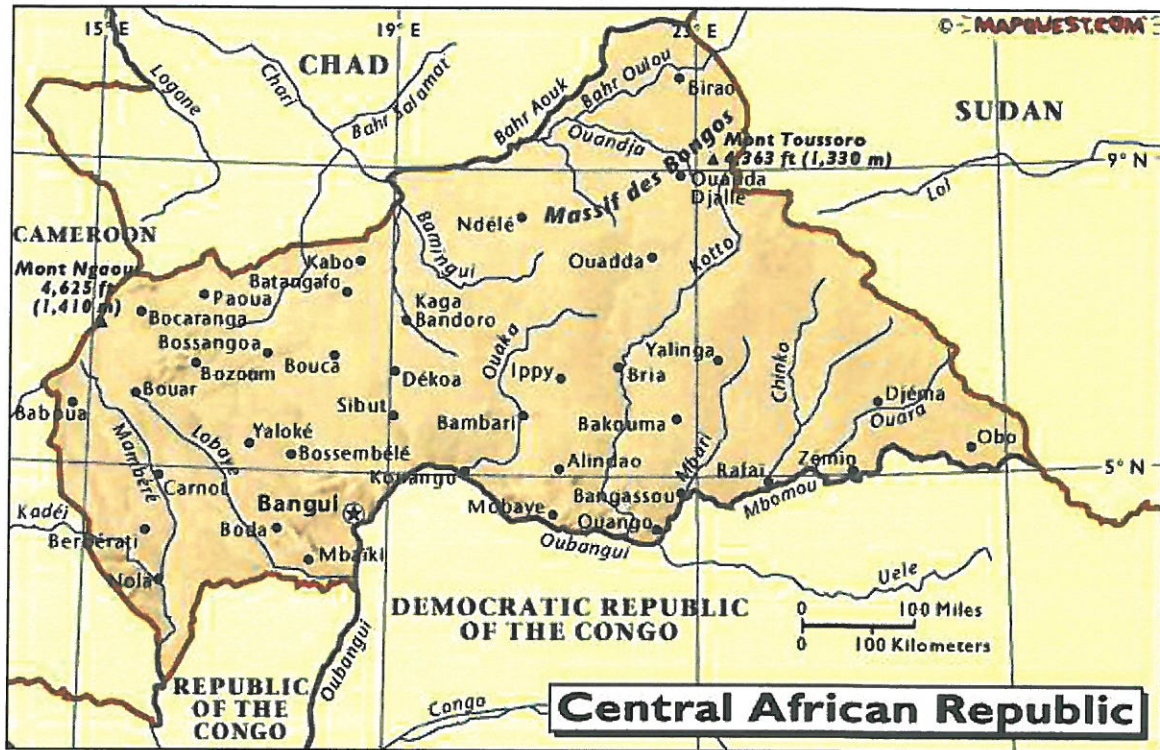
Central African Republic

Country Profile



9 Central African Republic Country Profile

9.1 Brief Summary



9.1.1 Geography

- Area:** 622,984 sq. km. (242,000 sq. mi.); slightly smaller than Texas.
- Cities:** *Capital*--Bangui (pop. 690,000).
Other cities--Berberati (56,867), Bouar (39,676), Bambari (32,603)
Bangassou (24,450), Bossangoa (31,723), Mbaiki (16,901),
and Carnot (31,324).
- Terrain:** Rolling plain 600 meters-700 meters (1,980 ft.-2,310 ft.) above sea level; scattered hills in northeast and southwest.
- Climate:** Tropical, ranging from humid equatorial in the south to Sahelo-Sudanese in the north; hot, dry winters with mild to hot, wet summers.

9.1.2 People (Overview)

Nationality:	Central African(s).
Population (2004):	3.9 million.
Annual growth:	Rate of 1.1%.
Ethnic groups:	More than 80; Baya 33%, Banda 27%, Sara 10%, Mandja 13%, Mboum 7%, M'baka 4%, Yakoma 4%, other 2%.
Religions:	Protestant 25%, Roman Catholic 25%, Muslim 15%, indigenous beliefs 35%.
Languages:	Sangho (official), Sangho (national).
Education:	<i>Years compulsory</i> --6. <i>Enrollment</i> --primary school 75%.
Literacy:	50%
Health:	<i>Infant mortality rate</i> 115 deaths/1,000. <i>Life expectancy</i> avg. 43 yrs.
Work force:	(approx. 53% of pop.): <i>Agriculture</i> --75%; <i>industry</i> --6%; <i>commerce and services</i> --4%; <i>government</i> --15%.

9.1.3 Government (Overview)

Type:	Republic.
Independence:	August 13, 1960.
Constitution:	Passed by referendum December 29, 1994; adopted January 1995; suspended by decree in March 2003. New constitution passed by referendum December 5, 2004.
Branches:	Executive--president, prime minister, and Council of Ministers. Legislative--unicameral National Assembly. <i>Judicial</i> --Constitutional Court, inferior courts, criminal courts, Court of Appeals.
Admin subdivision:	16 prefectures, commune of Bangui.
Political parties:	Alliance for Democracy and Progress (ADP), Central African Democratic Assembly (RDC), Civic Forum (FC), Democratic Forum (FODEM), Liberal Democratic Party (PLD), Movement for Democracy and Development (MDD), Movement for the Liberation of the Central African People (MLPC), Patriotic Front for Progress (FPP), People's Union for the Republic (UPR), National Unity Party (PUN), and Social Democratic Party (PSD).

9.1.4 Economy (Overview)

GDP: (2002) \$1.045 billion.

Annual growth: -7.2% (2003); 0.5% (2004 est.).

Per capita income: (2002): \$260.

Avg. inflation rate: 4.2% (2003); 3.2 (2004 est.).

Natural resources: Diamonds, uranium, timber, gold, oil.

Agriculture: (2002, 54.8% of GDP) *Products*--Timber, cotton, coffee, tobacco, food crops, livestock. Cultivated land unavailable.

Arable Land: 3%

Industry: (2002, 21.6% of GDP) *Types*--Diamond mining, sawmills, breweries, textiles, footwear, assembly of bicycles and motorcycles, and soap.

Services (2002): 23.6% of GDP.

Trade (2004): *Exports*--\$161 million; diamonds, coffee, cotton, timber, tobacco. *Major markets*--Belgium, Italy, France, Luxembourg, Germany, Egypt, Spain, and Cote d'Ivoire. *Imports*--\$119 million; food, textiles, petroleum products, machinery, electrical equipment, motor vehicles, chemicals, pharmaceuticals, consumer goods, industrial products.

Major suppliers: France, United States, Cote d'Ivoire, Cameroon, Germany, Japan. Central government budget (2002): \$226 million.

Defense: (2002, 2.4% of budget): \$5.4 million.

Fiscal year: Calendar year.

9.2 People

- There are more than 80 ethnic groups in the Central African Republic (C.A.R.), each with its own language.
- About 75% are Baya-Mandjia and Banda (40% largely located in the northern and central parts of the country), and 4% are M'Baka (southwestern corner of the C.A.R.). Sangho, the language of a small group along the Oubangui River, is the national language spoken by the majority of Central Africans.
- Only a small part of the population has more than an elementary knowledge of French, the official language.
- More than 55% of the population of the C.A.R. lives in rural areas.
- The chief agricultural areas are around the Bossangoa and Bambari. Bangui, Berberati, Bangassou, and Bossangoa are the most densely populated urban centers.

9.3 History

- The C.A.R. appears to have been settled from at least the 7th century on by overlapping empires, including the Kanem-Bornou, Ouaddai, Baguirmi, and Dafour groups based in Lake Chad and the Upper Nile.
- Later, various sultanates claimed present-day C.A.R, using the entire Oubangui region as a slave reservoir, from which slaves were traded north across the Sahara and to West Africa for export by European traders.
- Population migration in the 18th and 19th centuries brought new migrants into the area, including the Zande, Banda, and Baya-Mandjia.
- In 1875 the Egyptian sultan Rabah governed Upper-Oubangui, which included present-day C.A.R. Europeans, primarily the French, German, and Belgians, arrived in the area in 1885.
- The French consolidated their legal claim to the area through an 1887 convention with Congo Free State, which granted France possession of the right bank of the Oubangui River. Two years later, the French established an outpost at Bangui, and in 1894, Oubangui-Chari became a French territory.
- However, the French did not consolidate their control over the area until 1903 after having defeated the forces of the Egyptian sultan Rabah and established colonial administration throughout the territory. In 1906, the Oubangui-Chari territory was united with the Chad colony; in 1910, it became one of the four territories of the Federation of French Equatorial Africa (A.E.F.), along with Chad, Congo (Brazzaville), and Gabon.

- The next 30 years were marked by small-scale revolts against French rule and the development of a plantation-style economy.
- In August 1940, the territory responded, with the rest of the A.E.F., to the call from Gen. Charles de Gaulle to fight for Free France.
- After World War II, the French Constitution of 1946 inaugurated the first of a series of reforms that led eventually to complete independence for all French territories in western and equatorial Africa. In 1946, all A.E.F. inhabitants were granted French citizenship and allowed to establish local assemblies.
- The assembly in C.A.R. was led by Barthelemy Boganda, a Catholic priest who also was known for his forthright statements in the French Assembly on the need for African emancipation. In 1956 French legislation eliminated certain voting inequalities and provided for the creation of some organs of self-government in each territory.
- The French constitutional referendum of September 1958 dissolved the A.E.F., and on December 1 of the same year the Assembly declared the birth of the Central African Republic with Boganda as head of government. Boganda ruled until his death in a March 1959 plane crash. His cousin, David Dacko, replaced him, governing the country until 1965 and overseeing the country's declaration of independence on August 13, 1960.
- On January 1, 1966, following a swift and almost bloodless coup, Col. Jean-Bedel Bokassa assumed power as President of the Republic. Bokassa abolished the constitution of 1959, dissolved the National Assembly, and issued a decree that placed all legislative and executive powers in the hands of the president.
- On December 4, 1976, the republic became a monarchy with the promulgation of the imperial constitution and the proclamation of the president as Emperor Bokassa I. His regime was characterized by numerous human rights atrocities.
- Following riots in Bangui and the murder of between 50 and 200 schoolchildren, former President Dacko led a successful French-backed coup against Bokassa on September 20, 1979. Dacko's efforts to promote economic and political reforms proved ineffectual, and on September 1, 1981, he in turn was overthrown in a bloodless coup by Gen. Andre Kolingba. For 4 years, Kolingba led the country as head of the Military Committee for National Recovery (CRMN).
- In 1985 the CRMN was dissolved, and Kolingba named a new cabinet with increased civilian participation, signaling the start of a return to civilian rule.
- The process of democratization quickened in 1986 with the creation of a new political party, the *Rassemblement Democratique Centrafricain* (RDC), and the drafting of a new constitution that subsequently was ratified in a national referendum. General Kolingba was sworn in as constitutional President on November 29, 1986.

- The constitution established a National Assembly made up of 52 elected deputies, elected in July 1987. Due to mounting political pressure, in 1991 President Kolingba announced the creation of a national commission to rewrite the constitution to provide for a multi-party system.
- Multi-party presidential elections were conducted in 1992 but were later cancelled due to serious logistical and other irregularities.
- Ange Felix Patasse won a second-round victory in rescheduled elections held in October 1993, and was re-elected for another 6-year term in September 1999.
- Salary arrears, labor unrest, and unequal treatment of military officers from different ethnic groups led to three mutinies against the Patasse government in 1996 and 1997.
- The French succeeded in quelling the disturbances, and an African peacekeeping force (MISAB) occupied Bangui until 1998 when they were relieved by a UN peacekeeping mission (MINURCA).
- Economic difficulties caused by the looting and destruction during the 1996 and 1997 mutinies, energy crises, and government mismanagement continued to trouble Patasse's government through 2000. In March 2000 the last of the MINURCA forces departed Bangui.
- In May 2001 rebel forces within the C.A.R. military, led by former President and Army General Andre Kolingba, attempted a military coup. After several days of heavy fighting, forces loyal to the government, aided by a small number of troops from Libya and the Congolese rebel Movement for the Liberation of the Congo (MLC), were able to put down the coup attempt.
- In March 15, 2003 General Francois Bozize made significant progress in restoring order to Bangui and parts of the country, and professed a desire to promote national reconciliation, strengthen the economy, and improve the human rights situation. A new constitution was passed by referendum in December 2004.
- In spring 2005, the country held its elections.
- The first round of presidential and legislative elections were held in March 2005, and in May, President Bozize defeated former Prime Minister Martin Ziguele in a second-round runoff. On June 13, Bozize named Elie Dote, an agricultural engineer who had worked at the African Development Bank, his new Prime Minister.

9.4 Government and Political Conditions

- The government is a republic comprised of a strong executive branch (president, vice president, prime minister, and council of ministers), and weak legislative and judicial branches.
- Government and opposition party members, as well as civil society and the military are represented in the three branches, although the president appoints the vice president, prime minister, members of the cabinet (Council of Ministers), top military officials, and managers of national parastatals.
- The National Assembly is made up of 109 members elected by popular vote to serve 5-year terms. Legislative elections were held in 1998; in contested results, the government's Movement for the Liberation of the Central African People (MLPC) won just over 50% control of the legislative body.
- Legislative elections were last held in spring 2005.
- For administration purposes, the country is divided into 16 prefectures that are further divided into over 60 sub prefectures; the commune of Bangui is administered separately. The president currently appoints heads of these administrative units, called "prefets" and "sous-prefets".
- There are 174 communes, each headed by a mayor and council appointed by the president. Suffrage is universal over the age of 21.
- The judicial sector encompasses the Constitutional Court, Court of Cassation, Court of Appeals, criminal and civil courts, Labor Court, and Juvenile Court, although several of these courts have insufficient resources and trained personnel to operate on a regular basis.
- The Criminal Court of Bangui sits once or twice a year, usually for 1 or 2 months each session. Judges are appointed by the president; executive influence often impedes transparent handling of judicial affairs.
- Military courts exist but are currently only used to try military personnel for crimes committed in the course of duty.
- There are a limited number of formal courts currently functioning outside Bangui; traditional arbitration and negotiation play a major role in administering domestic, property, and probate law.
- The Central African Republic has a vibrant civil society, with numerous professional, labor, and local development associations actively carrying out campaigns and gaining greater local and international credibility.
- The C.A.R. Government's human rights record remains flawed.

- There are continued reports of arbitrary detainment, torture and, to a lesser degree, extra judicial killings. Journalists have occasionally been threatened, and prison conditions remain harsh.

9.5 Economy

- The Central African Republic is classified as one of the world's least developed countries, with an annual per capita income of \$260 (2002).
- Sparsely populated and landlocked, the nation is overwhelmingly agrarian, with the vast bulk of the population engaged in subsistence farming and 55% of the country's gross domestic product (GDP) arising from agriculture.
- Principal crops include cotton, food crops (cassava, yams, bananas, and maize), coffee, and tobacco. In 2002, timber accounted for about 30% of export earnings.
- The country also has rich but largely unexploited natural resources in the form of diamonds, gold, uranium, and other minerals.
- There may be oil deposits along the country's northern border with Chad.
- Diamonds are the only of these mineral resources currently being developed; in 2002, diamond exports made up close to 50% of the CAR's export earnings.
- Industry contributes only about 20% of the country's GDP, with artesian diamond mining, breweries, and sawmills making up the bulk of the sector.
- Services currently account for about 25% of GDP, largely because of the oversized government bureaucracy and high transportation costs arising from the country's landlocked position.
- Hydroelectric plants based in Boali provide much of the country's limited electrical supply.
- Fuel supplies must be barged in via the Ubangui River or trucked overland through Cameroon, resulting in frequent shortages of gasoline, diesel, and jet fuel.
- The CAR's transportation and communication network is limited.
- The country has only 650 kilometers of paved road, limited international and no domestic air service (except charters), and does not possess a railroad.
- Commercial traffic on the Ubangui River is impossible from December to May or June, and conflict in the region has sometimes prevented shipments from moving between Kinshasa and Bangui.
- The telephone system functions, albeit imperfectly. Four radio stations currently operate in the C.A.R., as well as one television station.

- Numerous newspapers and pamphlets are published on a regular basis, and at least one company has begun providing Internet service.
- In the more than 40 years since independence, the C.A.R. has made slow progress toward economic development.
- Economic mismanagement, poor infrastructure, a limited tax base, scarce private investment, and adverse external conditions have led to deficits in both its budget and external trade.
- Its debt burden is considerable, and the country has seen a decline in per capita gross national product (GNP) over the last 30 years.
- Structural adjustment programs with the World Bank and International Monetary Fund (IMF) and interest-free credits to support investments in the agriculture, livestock, and transportation sectors have had limited impact.
- The World Bank and IMF are now encouraging the government to concentrate exclusively on implementing much-needed economic reforms to jumpstart the economy and defining its fundamental priorities with the aim of alleviating poverty.
- As a result, many of the state-owned business entities have been privatized and limited efforts have been made to standardize and simplify labor and investment codes and to address problems of corruption.
- The C.A.R. Government has adopted the Central African Economic and Monetary Community (CEMAC) Charter of Investment, and is in the process of adopting a new labor code.

9.6 Defense

- Under military restructuring plans formulated 1999-2000, the civilian Minister of Defense controlled and directed all armed forces, including the Presidential Security Unit (UPS), which had previously been seen as a militia supporting the president.
- In April 2001, the C.A.R. armed forces numbered about 3,000, including army, navy, air force, gendarmerie, national police, Presidential Security Unit, and local police personnel. An estimated 1,200 members of the army and gendarmerie fled to the Democratic Republic of the Congo following the failed coup attempt of May 2001.
- Following the 2003 coup, Central African Economic and Monetary Community (CEMAC-Communauté Économique et Monétaire de l'Afrique Centrale) and C.A.R. armed forces assumed responsibility for securing the capital city. CEMAC forces currently total approximately 400 soldiers, which are supported by an additional 200 French soldiers.

- The C.A.R. armed forces number approximately 2,000.
- Working with the French, the C.A.R. military is attempting to provide professional training and decentralize its troops in an effort to combat road bandits, thievery, and poaching throughout the C.A.R. territory.

9.7 Foreign Relations

- The Central African Republic is an active member in several Central African organizations, including the Economic and Monetary Union (CEMAC), the Economic Community of Central African States (CEEAC) Central African Peace and Security Council (COPAX--still under formation), and the Central Bank of Central African States (BEAC).
- Standardization of tax, customs, and security arrangements between the Central African states is a major foreign policy objective of the C.A.R. Government.
- The C.A.R. is a participant in the Community of Sahel-Saharan States (CEN-SAD), and the Organization of African Unity (OAU--now the African Union).
- Libya and, to a lesser degree, Sudan have shown increased interest in cooperation with the C.A.R. over the last year.
- Outside of Africa, the C.A.R. maintains fairly close ties to France, albeit considerably reduced from previous years. In the late 1990s, France withdrew forces stationed in the C.A.R.; drops in its external assistance budget have reduced French military and social development aid to the country.
- Other multilateral organizations--including the World Bank, International Monetary Fund, UN agencies, European Union, and the African Development Bank--and bilateral donors--including Germany, Japan, the European Union, China, and the United States--are significant development partners for the C.A.R.
- Seventeen countries have resident diplomatic or consular representatives in Bangui, and the C.A.R. maintains approximately the same number of missions abroad.
- Since early 1989 the government recognizes both Israel and the Palestinian state. The C.A.R. also maintains diplomatic relations with China.
- The C.A.R. generally joins other African and developing country states in consensus positions on major policy issues.

9.8 U.S.-C.A.R. Relations

- The U.S. and C.A.R. enjoy generally good relations, although concerns over the pace of political and economic liberalization and human rights have affected the degree of support provided by the U.S. to the country.
- The U.S. Embassy in Bangui was briefly closed as a result of the 1996-97 mutinies. It reopened in 1998 with limited staff, but U.S. Agency for International Development (USAID) and Peace Corps missions previously operating in Bangui did not return.
- The American Embassy in Bangui again temporarily suspended operations on November 2, 2002 in response to security concerns raised by the October 2002 launch of Francois Bozize's 2003 military coup.
- The Embassy reopened in January 2005; however, there currently is limited U.S. diplomatic/consular representation in the C.A.R.
- As a result, the ability of the Embassy to provide services to American citizens remains extremely limited.
- The Department of State has recently approved the lifting of Section 508 aid restrictions triggered by the coup; U.S. assistance to the Central African Republic had been prohibited except in the areas of humanitarian aid and support for democratization.