MOZAMBIQUE TREE FARMING PTY LTD:
GROUP TIMBER INDUSTRIES

PRESENTATION FOR:
RISI Conference
Durban
SEPTEMBER 2018
Home-built Firetower:

Symbiotic innovation
Mozambique

- Land of potential
- Land of:
  - Missed opportunity
  - Bureaucratic challenges
  - Governance and financial issues
- Positive signs of awakening:
  - Building & construction
  - Modernising
  - Electorate active
  - Government showing intent

- Mozambique Government supportive of investment
Founding Shareholders

- 57 leading SA commercial timber farmers
- Constitute large proportion of SA private growers
- Extensive experience of forestry, woodchips and timber industry in general
- Desire to expand timber investment
Mozambique Tree Farming Group Structure

December 2016

SA Investors
(58 shareholders)

100%

Mozambique Tree Farming (Pty) Ltd
Mozambique Timber Industries Group

Mozambique Fibra Ltda
(Mozambican plantation hardwood pulp log Export Company (Beira))

100%

Harbour lease over a chipping plant site and owner of plantation hardwood pulplog export business

Investimento Florestal de Mozambique Lda
(Mozambican Timber Farming Company Land Lease Right Holder)

100%

Timber Land leases & renewable eucalyptus plantations for pulpwood supply to pulpwood log export enterprise

December 2016
Project Objective

- Identify strategic forestry location with competitive advantages
- Secure long term forestry opportunity for our farmers and next generation farmers
- Build a sustainable hardwood plantation forestry investment in Mozambique
- Complete export value-chain with secure harbour facilities
Clear criteria for success

- Export harbour (own secure site)
- Superior MAI \(\geq 20 \text{ tpa/ha (30 cub m)}\)
- Proximity to harbour: minimize haulage (benchmark \(<200\text{km}\))
- Infrastructure links
- Strategic potential for long-term expansion
- Competitive advantage
Choosing Beira–corridor Project Progress
Harbour Site: key to success
Mean Annual Precipitation & distance from harbour
High Timber Potential and Timber Source Locations

Zimbabwe

Mozambique

Manica Province

Sofala Province

- Penha Longa
- Bandula
- Rotanda
- Sussendenga
- Gondola

This overall target area approx. 400,000 ha

Beira

Muanza
Total timber plantation potential

- Total potential far above long term MTF target of 1 million tpa

- Total feasible MAI potential estimates:
  - Less than 250km distance from Beira: 200,000 ha (>4 million tons per annum)
  - Zimbabwe (existing areas if well managed): 40,000 ha (>800,000 tpa)

- Combined max. yield feasible up to 5 million tpa
  - Perspective: Portucel had planned to produce 3 million tpa from Manica alone
Nursery – Gondala
IDC at 3-year old trial : Sofala
Sofala: 2 year old compartments
Project Scale

- Own timber supply first phase: 150,000 tpa from 6,500 planted hectares (Phase 2 starting as separate phase from year 2022 – 20,000 ha)
- Out-growers & independent suppliers
- Initial round log exports 200,000 tpa (2019–2022)
- 300,000 gmt from 2022/3 rising to 630,000 by 2027 and long term ≥1 million
Political Capital

- Rural development impact
- Regional spread
- Out-grower potential
- Jobs & skills
- Infrastructure build
- Sustainable forex from renewable resource
Illustration of Durban Woodchips’ regional developmental impact (green)
1st Outgrowers collecting seedlings from MTF nursery (2016)
New Development Area
Beira Site Clearing
Conclusion

- Our outlook is positive
- To date 100% own shareholder funds
- IDC loan for further expansion
- IDC minority equity stake
- Sustainable core business—strategic stepping stone for long-term growth