

PROJECT BRIEF- GOLD MINE PROJECT AT **MADAGASCAR**

I. INTRODUCTION

After the phenomenal growth of trade and industry in Asian continent mainly driven by India and China during the last decade, the future opportunities for the business now exist at African continent. The continent is starving for investment, expertise, infrastructure, connectivity and human resources development. Most of the countries in Africa are lagging behind to the rest of the world by more than three decades in terms of development. Genuine business has ample scope and opportunities in almost all African countries. The continent is very rich in natural resources such as hydrocarbons, gold, silver, copper ores and precious stones and the avenues to explore in gold mining is not only lucrative, but would be a promising business for decades.

This project aims to introduce you to a wonderful gold mining opportunity to one of the richest gold deposits of the world in the island country of Madagascar. Republic of Madagascar, an Island of nation in the Indian Ocean of the south eastern coast of Africa and is having a population of about 20 Million spread on a total area of about 600000 square meters. It was a French colony and is slightly larger than France.

Madagascar's valuable gold deposits are classified broadly into two categories, primary and secondary (Alluvial) deposits. When it comes to Madagascar's primary gold deposits, they are found in Vohilava Ambossary Gold Belt in metamorphic terrains as veins of gold bearing quartzes are even visible by naked eyes on the rocks surfaces. This is in addition to the alluvial deposits they have abundantly.

This proposed project is to jointly develop an area of 1250 Hectares of gold field spread on 32 blocks in one of the best gold deposit areas of the country/African region at Ampasary in Mananjary district i-e **VOHILAVA AMBOSSARY GOLD BELT**. The project shall be under a joint venture with M/s Royal Gold Mines Sarl

II. THE COMPANY AND THE PROMOTERS

The company M/s Royal Gold Mines Sarl is established in the country of Madagascar, in African continent with the primary objective of mining and connected activities, with its registered address at Lot AB241/C, Ambitatafika, Antananarivo, Madagascar.

The company is jointly promoted by a group of entrepreneurs and professionals with a long term perspective and a global vision. While Mr.Sunel Kumar is the backbone of the movement, Madam Andrianaivoarimisa Joile, a Madagascar citizen plays the role of a facilitator in the home country and Mr.N.Prasannan, a noted businessman takes the company forward through his international connections.

Mr.Stanley Kalathara, a leading Attorney from USA and Mr.E.Mohanana, a

leading businessman and management consultant from India are the able professionals closely associated with the project, in leading the company in the right direction.

The brief profiles of the directors are furnished as under.

Mr.Sunelkumar, the Managing director is an Indian citizen and had migrated to the country of Madagaskar about two decades back. During the long stay in the country, Mr.Sunel has acquired fluency in the local language and dialects. An expert in building relationship, he eventually could make excellent relationship with the local personalities like President, Ministers and other politicians. A country which is still with lot of prominent and influential Kings in rural and forest areas, Mr.Sunel Kumar could establish very cordial relationship with about 40 kings. He carries the unique distinction of getting all the 40 kings of the area on a single platform to discuss on the project successfully and got their blessings. Ever since he came to Madagascar, he has been associated with the mining sector in one way or other. His knowledge and clarity in the industry had further progressed and taken successful expression in emerald and gold mining projects. He has opened and operated many mines of gold and precious stones successfully.

Another director, Madam Andrianaivoarimisa Joele, a native to Madagascar, comes from a highly influential family in Madagascar and is the grand-daughter of ex- governor and minster of republic of Madagascar. Her family has been involved in precious stones mining and finished products from colonial times, giving her hands on experience in mining. Custodian of the permits of gold fields, she plays a cardinal role in this project and is very sincere and genuine lady with lot of business connections in and out of the country.

The third promoter director Mr.N.Prasannan, hails from India, is associated with a lot of projects in oil, mining and precious stones in various parts of the world. With his vast network of friends in Middle East, US, Canada and Australia, he is the person connecting the company to international customers and suppliers. Mr. N Prasannan, based in Madagascar for a decade, travelled across the globe, developed his own contacts locally and internationally. He also is very much involved in Indian politics with lot of connections with central and state leaders across

political parties. He also was served as former Executive Director of Madagascar Chamber of Commerce.

The Executive Director of the company, Mr. Stanley Kalathara is leading attorney and consoler in New York with wide-spread contacts all over USA and is a well-known personality in the political circles in USA. An expert in Business Planning, Joint Venture agreements and international B to B agreements, he has been successfully practicing in New York City for about 4 decades. He contested election as democratic candidate in elections to New York City Council and is legal advisor and mentor to many of the organizations. With his able advices and guidance, the company, Royal Gold Mines Sarl is poised to scale new heights. Please visit Mr. Stanley Kalathara's website www.sklawny.com which speaks for itself as regards the versatile activities of this charismatic leader.

The other Director Mr. E. Mohanan is a leading management consultant in India and is a leading entrepreneur too. This dynamic MBA holder from a respectable institute in India understands international business well and shall expect to steer the company to position itself as a futuristic company in the industry. With his wide exposure in involving with various organizations as a consultant across the length and breadth of India, he would be able to elevate the company to the next level

III. THE PROPERTY

The Gold mine property is situated in one of the east gold deposit area in Madagascar. This is under **VOHILAVA AMBOSSARY GOLD BELT**. Among the properties/permits, a total of **1250 Hectare** under Permit ML No.37276 with 32 blocks is presently offered by the promoters for joint development under this proposed Joint Venture with the above company. Given the location and specialties of the property, the estimated valuation of the property could be of several Billion US Dollars, once valuation is completed by internationally acclaimed valuing companies, as per opinions of the experts in the industry. The highlights of the proposed project are summarized below for an easy comprehension, as under.

- Mining Area- 1250 Hectares of area with one Permit No. ML #37276

- Road accessibility developed by us only
- There are Gold mines operated during Colonel Time. Its primary Gold Deposit nearby this permit.
- 2 major rivers are crossing the permit.
- This permits have Primary and Alluvial deposits
- Nearest airport is 70kms away
- Permit issued in 2010 for a period of 8 years shall be extendable up to 60 (40+20) years further by govt. authorities, as per the rules and regulations of the country.
- Alluvial deposit works are going on in a small level, manually by locals, at the site.
- Since the promoters are so familiar with local bodies and authorities, no security threats in this area.
- The promoters are getting tremendous support from the local community to

work these areas.

- There are no river forests or big environmental issues.
- All Environmental Clearance/ Licenses have been obtained from the government and on the hands of the promoters, which is considered to be very difficult for mining projects, nowadays.

IV. THE PROJECT

The project aims to develop the above property jointly by the company and the proposed investor into a full-fledged mine by introducing capital in infrastructure, plant, machinery, working capital and all other connected activities

As the ownership of the property came to the promoters due to decades of hard work, lot of risks/lobbying and huge investment over a period of time, the promoters now want to cash some of their good work through an investment from a likeminded investor. Under the joint venture mode, the investor shall be offered a stake of 25% of the paid up capital/enhanced capital thereby ensuring the ownership of the property to the extent of the equity holding by the investors.

A Joint Venture can be initiated by incorporation of a Holding Company in the country of Origin of Investor or in Dubai/Mauritius or any other tax heaven with the agreed share holding pattern as per mutual understanding of the JV partners. Subsequently a Subsidiary Company of the Holding company with the same share holding pattern can be incorporated in Madagascar, which in turn will take over the operations of Royal Gold Mine Sarl along with the title of the Goldmine and its assets. While the compensation to the promoters can be disbursed from the accounts of the Holding Company or from any other accounts of the Investor, the amount for running of the project has to be transferred from the accounts of the Holding Company to the Subsidiary Company at Madagascar.

As regards the working of the Joint Venture, if the investor has any better workable option other than the above, such option can also be explored.

The ownership of the permit of the gold field, in the name of Director Madam Andrianaivoarimisa Joele, has already been transferred to the company's name through a registered agreement, by observing all legal formalities of the country. Any other formalities required as per Company Law of the country shall also be complied with by observing all due diligence. For conducting a due diligence exercise by the investor, the company is ready to extend any sort of information and documents to the investor/consultants.

Though the original worth of the property is running into Billions of US Dollars, the company is offering the proposed stake to the investor considering

a total valuation of the property as USD 200 Million only, with an aim to reward the genuine initial investor for encouraging entry into an unknown business, other than in their home country. Though the promoters shall ensure all dealings and transactions in a highly transparent and professional manner, the promoters also want to doubly ensure that the investor/company shall be at ease in doing business with a long term perspective with very high return. In effect, the promoters want to upkeep their philosophy of WIN-WIN throughout the business.

Considering the valuation of the property @ USD 200 Million and an equity holding of 25% in the JV company, the investor needs to bring in an amount equivalent to **USD 50 Million only** for enjoying the ownership of 25% in the property and for further operating the property with a good ROI and off-course with a future eye on valuation of the property. Out of the consideration of USD 50 Million to be invested by the investors for enjoying 25% stake in the JV company vis-à-vis the Goldmine, the company shall be reinvesting USD 15 Million for the development of the mine as this amount shall ensure a smooth conduct of the project with an attractive ROI to the investor. This means that the investors need not bring in more money, other than the investment of USD 50 Million, for running of the project. **The balance of USD 35 Million shall be withdrawn by the promoters as the value of stake dilution in property through convenient modes of payments to both the promoters and the investors and shall be used for their future development of their other properties and businesses they have in the country/outside.**

The company looks forward to have a professional investor who believes in transparent business with a long term perspective. The investment can be expected to be withdrawn within a period of 3 to 4 years, after starting commercial operations. It is expected that the commercial operations can be started within 8 months of signing the MOU for the JV. The Implementation Time Plan of the project with payment of the Investor to the Promoter/JV Company shall be provided to the investor. Considering the very low valuation being demanded by the promoters and the potentiality of the gold field they possess, a genuine investor can look forward to reap big dividends within a short period and still enjoy the ownership up to a period of 60 years.

The investor needs to visit the country and the gold field and should have a firsthand feel of the genuineness of the project. Upon satisfaction and genuineness of the project, the finer details shall be drawn through the consultants/accounts of both the sides. A detailed MOU of the JV, consisting of the terms, conditions, duties and obligations of both the parties including project implementation schedule, appointment of professional consultants etc, shall have to be signed by the parties and at this time and the investor needs to make an advance payment of a minimum of USD 10 Million to the promoters as per the able advises of the consultants firms, as per the laws of the country and as per prevailing international laws.

The representative of the investor shall be inducted into the company as a full time director forthwith and all transactions of the company shall be done through such representative.

V. BUSINESS PLAN VIS-À-VIS INVESTMENT SCHEDULE

1. Up on satisfaction of the property/project and finalization of the negotiations between the parties, MOU is to be signed between the Promoter Company and the Investor citing all points in details without any ambiguity, which shall be the pillars of operations of the project.
2. An advance of USD 10 Million towards the consideration for transferring the ownership of the Promoter Company and the goldmine to the Subsidiary JV Company is to be paid by the investor to the Promoter Company, along with the signing of MOU.
3. An amount of USD 7.50 Million need to be transferred by the Holding Company to the accounts of the new Subsidiary JV company at Madagascar for initiating the project such as appointment of consultants, ordering of Plant and machinery and other matters in connection with the establishing and running the project.
4. Competent professional consultants shall be appointed and workings shall be started as per the able guidance's of such consultants
5. SOPs (Standard Operating Procedures) shall be finalized and due diligence shall be reviewed jointly by the promoters and the investors

6. All formalities as regards the transfer of the property shall be complied with Company Law of the Republic of Madagascar.
7. Approvals from Economic Development Board of Madagascar shall be obtained.
8. The paid up capital of the company shall be enhanced to accommodate the developments and induction of the new investor Director.
9. On legal transfer of the property in the name of the JV Company, the balance consideration of USD 25 Million on account of transfer of ownership of the goldmine need to be paid by the investor to the promoters.
10. The balance of USD 7.50 Million for development of the project such as acquiring Plant and Machinery, Gravity Sorting Machines, Excavators, Trucks, Dumpers, Construction of Lockers for keeping output gold, Construction of Camp, Working Capital, Employee recruitment/training etc. and such amount shall have to be parked by the investor to the JV company's account at Madagascar and shall be jointly managed by the Director Board consisting of the Promoter and the Investor, as per the requirements of the various activities, at the appropriate time.
11. Quotations for the plant and machinery shall be invited, finalized and order

shall be placed. Machinery can be expected to supply within a period of 4 to 5 months after placing confirmed order with payment. The Washing Plants, which are the most important machines of the project shall be sourced from US/Canada/Australia

12. Employees shall be inducted and trained for the job.

13. Mining areas shall be marked by the Mining Engineers and Geologists and the consultant company and accordingly rehabilitation/relocation of the locals shall be conducted in a systematic way.

14. Simultaneously camp construction shall be completed in the ear marked areas for mining.

15. Security of the entire area shall be ensured by deploying Government Security forces. This is very much possible given the stature of Directors of the company, in this country. This shall be on payment basis.

16. It is expected to complete the entire process within a period of 8 months from the date of paying advance and signing MOU. Detailed Project Implementation Plan shall be prepared and submitted to Investor before signing MOU.

17. The commercial operation of mining shall be started by the company in a full-fledged manner.

VI. RETURN ON INVESTMENT AND FINANCIALS

The total area envisaged under the project for mining is 1250 Hectares. A minimum of 8000 tons of output soil shall be mined and processed spending 8 or more hours a day using 4 Washing Plants with a processing capacity of 250 tons per hour. Eight excavators will have to be used for excavation works and adequate trucks and dumpers shall be deployed for ensuring transportation and conversion of the raw material through the Washing Plants. This projection of excavation of the fertile mine is based on the very minimum volume expected. The calculations are furnished below as under, for easy comprehension.

Though the output of gold on processing of a ton soil in this area can be varied between 2 to 22 grams of gold **with an average of 3 grams per ton**, 1 gram output per ton only takes for calculation purpose, as it is the international practice of estimation of output of gold/ton in respect of unvalued mines.

So the output of gold expected per day by processing 8000 tons of raw materials is $8000 \times 1 \text{ grams} = 8000 \text{ grams of gold}$

The present market value of 24 carat gold is USD 42 per gram

The maximum projected expenditure for production of gold is USD 8 per gram. This cost is arrived at after considering all direct and indirect expenses in connection with the mining operation including labor, fuel, running administrative, managerial and maintenance costs of plant and machinery.

Net Profit per gram of gold = $42 - 8 = \text{USD } 34$

The Net Profit per day = $8000 \text{ grams} \times \text{USD } 34 = \text{USD } 272000$

The Net Profit per year = $272000 \times 300 \text{ days} = \text{USD } 81,600,000/-$ =
USD 81.6 Million

Net Annual Profit on of Investor = $\text{USD } 81.6 \text{ Million} \times 25\% = 20.40 \text{ Million}$

A provision for Income Tax @ 25% is made on 50% of the Net Profit, before repatriating the amount to the home country of the investor, which works out as under.

$20.4 \text{ Million USD} \times 50\% = 10.20 \times 25\% = 2.55 \text{ Million USD}$, As such, the Final Position shall be as follows

Net Gain	= 20.40
Less IT Provision	= <u>2.55</u>
Net Profit	17.85
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ROI $17.85/50 \times 100 = 35.70\%$ after Income Tax of Madagascar

So a genuine investor can expect a return on investment of 35.7 % in the first year itself and can aim to withdraw his investment within a period of 3 to 4 years of his investment and still can enjoy 25% of the stake in the company/property for many years.

The chances of getting precious stones like Ruby, Emerald, Gems and other such stones are very likely in this alluvial gold mining, as has been experiencing in the nearby similar fields. Such unexpected big gains running into millions of US Dollars have not been considered for, in the calculations.

VII. MARKETING OF GOLD IN INTERNATIONAL MARKETS

The daily output of the gold automatically stored in the safe chambers/ lockers planned in underground, after washing, sorting and melting into bars should be provided with foolproof security through Government Security forces on payment basis. The production needs to be transported to the capital of the country once in a month by a chartered flight and kept in lockers till actual exporting happens to Dubai or other countries. Marketing arrangement may not be very difficult as gold bullion agents of reputed Gold Refineries are available by offering us BG/LC and such bullion agents shall arrange certification and immediate realization of proceeds of the gold. On certification of 24 carots (99.9%) by the refineries and marking company's name, the confirming bank of the buyer shall release the payment to the company's bank forthwith. The total cycle for transportation of the output gold from the mine field to capital, then exporting to refineries, certification and realization of money shall take about 2

months after production. The maximum of working capital cycle planned is two months from the date of production.

VIII. SECOND PHASE AND THE MOST IMPORTANT PHASE FOR INVESTOR AND THE PROMOTER.

Once the investor and the company are satisfied with the outcome of the project, the most important phase of certification of the property should be explored.

The property is not only rich in alluvial deposits of gold, but is very rich in Primary Deposits also. Primary deposits are very much available in the property as it can be visible even by naked eyes. Primary deposits are available in quarts/rocks with veins spreading into kilometers of length, width and depth and such primary deposits are very prominent in this part of Madagascar, which is a known fact to the entire gold industry. However, the real valuation of property in eyes of big international investors in gold industry can be attracted only by conducting valuation of the property by an internationally acclaimed valuation company/geologist, approved by major Gold Councils like US, Canada, Australia, South Africa etc. This certification is known as NI43101 certification in the international parlance. The approximate projected cost for valuation of the property for NI43101 certification shall be USD 15 to 20 Million. The valuation expenses can be shared by the investor and the promoter in 25:75 ratios and can be earmarked a fund for this purpose from the proceeds of the first year of operations.

The certifying company shall be camping in the property for quite some period of time and shall be conducting drilling at various places, according to their assessment, where primary deposits are evidently visible and available. It is expected that such consultants shall conduct a minimum of 100 drills with a minimum average depth of 200 meters. During the drilling, they would collect samples of every meter and conduct testing of the sample. In that case, there would be a minimum of, $200 \times 100 = 20000$ samples which should be tested. After testing, they would assess the gold deposits under the property and do a fair valuation of the property. Though the exact valuation can be arrived at only after systematic valuation by internationally acclaimed companies with approvals from Gold Councils, given the potentiality of the gold deposits in this permit, the valuation expected is a minimum of 3 Billions of USD.

Once this certification process is completed, there would be enough investors from all parts of the world either to purchase the property or to jointly develop the property with a large scale license, which would permit the company to mine 1000 meters or below from the earth surface using big machineries/ lifts. In both the cases, the return of the investor shall be billions of USDs, considering the 25% stake they hold in the company/property.

IX. CONCLUSION

The promoters are looking forward to have a very transparent and meaningful association with the investor on a long term basis. All decisions shall be on mutually agreeable terms. In the event of investor becoming genuine and

happening through their words and deeds, enough potential exists to jointly explore more avenues not only in this country of Madagascar, but in the entire African Region.
