

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 recourses 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 abundance in the central Madagascar Gold Belt in metamorphic terrains as veins of gold bearing quartzes are present there. This is in addition to the alluvial deposits they have abundantly.

This proposed project is to jointly develop an area of **1875 Hectares** of gold permit spread on 48 blocks in one of the best gold deposit areas of the country/African region. This permit concession is situated on the Antanimbary Commune in the Meavatanana District and the Betsiboka Region, in the Central Madagascar Gold belt.

THE PROMOTERS

The project is jointly promoted by a group of entrepreneurs with a long term perspective and a global vision. The promoters of the project are Mr.Prasannan and Mr.E.Mohanan from India and Mr.Stanley Kalathara, an Indian Origin Attorney from USA. They are ably assisted by a local promoter partner Mr.RANDRIAMANANJARA Robert, a leading personality in Madagascar.

The brief profiles of the promoters are furnished as under.

Mr.N.Prasannan, an investor visa holder, hails from India had first visited Madagascar almost 12 years back and since then he has been a frequent visitor to the country and a facilitator of business to many of Indians in Madagascar, For example, he only took M/s Varun Industries, Mumbai to Madagascar who has now lot of business interests in goldmines and petro carbons. An expert in building relationship, he eventually could make excellent relationship with the local personalities like President, Ministers, Directors of different departments and other politicians. He 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 more than 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 served Madagascar Chamber of Commerce as Executive Director.

The other promoter, Mr.E.Mohanan is a busy management consultant in India and is leading entrepreneur too. A leader par excellence, he conducts management training programs for corporates. 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. He has introduced substantial investment into the promoter group for the purpose of advancing amounts to permit holder and other connected documentation/matters. Mr.Mohanan shall be the spoke person for the group and conduct negotiations with all stake holders.

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 local promoter Mr. RANDRIAMANANJARA Robert is a seasoned leader and known personality in Madagascar. At present he serves as Technical Advisor to Ministry of Industry and Private Sector Development. Also he is the Vice-President of Russia Madagascar Business Council. A qualified Gemologist from GIA HRD Antwerp, he had exposure as Manager in Gemological Institute of Madagascar during the initial years of his career. Before taking over the present assignment, he was Technical Advisor to

Foreign Ministry for an entire term. Given the stature and position of Mr. Robert in Economic Development Board of Madagascar (EDBM), the further documentation and licensing of the JV Company and other government matters are expected to be very smooth.

II. THE PROPERTY

The Gold mine property is situated in one of the best gold deposit areas in Madagascar **with total mining concessions of 1875 Hectares** under Permit No.3867 spreading in 48 blocks in Antanimbary village in Maevatanana District of Madagascar. This is almost 250 KMs northwest of the capital city Antananarivo, of the country and is well accessible through Route National-4 (RN-4).

Ownership of the permit is now vested in the name of Mrs.RAVELOARISOA RAZAFIMANDIMBY Aimee, a local Madagascar citizen. The promoters have almost taken over the mining permit through several rounds of negotiations and advancing substantial money to the owner of the permit. Besides, the involvement of the local promoter and other officials/politicians are being compensated by the promoters, in addition to the expenses incurred by them for various travels, stay and meetings in the process. The promoters have been keeping excellent relationship with the owner for over 5 years.

The promoters have almost taken over the mining permit through several rounds of negotiations and advancing substantial money to the owner of the permit. The promoters have been keeping excellent relationship with the owner Mrs. Aimee for over 5 years. The promoters were instrumental in renewing the permit after going through all formalities. Besides, the promoters took interest and made geological assessment as regards the potentiality of the gold deposits in the permit through an eminent geologist of the country. A Mission Report highlighting the potentiality of gold deposits prepared by Mr. Georges RASAMIMANANA, a PHD holder in Mining Geology and the Ex-Mining Director of Govt. of Madagascar is attached.

Given the location and specialties of the property, the estimated valuation of the property could be of several Billion US Dollars, once assessment and valuation

process is completed by internationally acclaimed valuing companies. Though the exact gold deposit can be assessed only after detailed soil test by conducting drilling operations, the above geologist Mr. Georges was of the opinion that this permit could house more than 15000 tons of primary gold deposits. The highlights of the proposed property/permit are summarized below for an easy comprehension, as under.

- Permit No.3867 (Copy of the Permit is attached.)
- Mining Area- 1875 Hectares (625 Mx625M) x 48
- Permit Validity : 10/12/2015 to 09/12/2023
- Permit Type : PRE (Permit for Research and Exploitation)
- The permit can be converted to Exploitation Permit (PE) for 40 years at any point of time
- Good Road Accessibility
- A good part of the Perimeter of the permit is in the IKOPA river with strong mineralization
- This permits have Primary and Alluvial deposits
- Since the promoters are so familiar with local bodies and authorities, no security threats in this area.
- There are no river forests or big environmental issues.

III. THE PROJECT

The project aims to develop the above property/permit jointly by the promoters 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 custody of the property came to the promoters due to years of hard work, lot of risks/lobbying and huge investment over a period of time, the promoters now want to commercially exploit the mine 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 Singapore/Hong Kong/Mauritius or any other tax heaven with the agreed share holding pattern 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 would take over 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 pattern of investment into the project, 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 Mrs.RAVELOARISOA RAZAFIMANDIMBY Aimee, shall be transferred to

the JV 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. Though the original worth of the property is running into Billions of US Dollars, the promoters offer the proposed stake to the investor on a total investment of USD 16 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.

The investor needs to bring in an amount of **USD 16 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 16 Million to be invested by the investors for enjoying 25% stake in the JV company vis-à-vis the Goldmine, the promoters shall be utilizing USD 3 Million for honoring their balance commitments with the owner of the mine and another USD 5 Million shall be reinvesting into the JV Company 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 any more money, other than the investment of USD 16 Million, for running of the project. **The balance of USD 8 Million shall be withdrawn by the promoters as the value of stake dilution in property through convenient modes of payments to the promoters.**

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 2 years, after starting commercial operations. It is expected that the commercial operations can be started within 6

to 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 40 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 between the parties. 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 the investor needs to make an advance payment of a minimum of USD 5 Million to the promoters. 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.

IV. 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 Promoters 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 4 Million towards the consideration for transferring the ownership of the goldmine to the Subsidiary JV Company is to be paid by the investor to the Indian Promoters to their accounts.

3. An amount of USD 3 Million needs to be transferred by the investor to the promoters at Madagascar for initiating the balance consideration to the permit holder and honoring the other commitments as regards the permit.
4. An amount of USD 5 Million needs to be parked in the JV Holding Company and such amounts as necessary for establishing and running the mine need only to be brought to the subsidiary company of holding Company at Madagascar.
5. This amount of USD 5 Million as above, as parked in the holding company's account shall be used 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 amounts required for establishing and running the mine at Madagascar. Such amounts shall be transferred in stages as per the requirement and shall be jointly managed by the Director Board consisting of the Promoters and the Investor, as per the requirements of the various activities, at the appropriate time.
6. Competent professional consultants shall be appointed and workings shall be started as per the able guidance's of such consultants
7. SOPs (Standard Operating Procedures) shall be finalized and due diligence shall be reviewed jointly by the promoters and the investors
8. All formalities as regards the transfer of the property shall be complied with Company Law of the Republic of Madagascar.

9. Approvals from Economic Development Board of Madagascar shall be obtained.

10. On legal transfer of the property in the name of the JV Company, the balance consideration of USD 4 Million on account of transfer of ownership of the goldmine need to be paid by the investor to the promoters.

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 3 to 4 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.

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

15. It is expected to complete the entire process within a period of 6 to 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.

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

V. RETURN ON INVESTMENT AND FINANCIALS

The total area envisaged under the project for mining is 1875 Hectares. A minimum of 2000 tons of output soil shall be mined and processed spending 8 or more hours a day using a Washing Plants with a processing capacity of 250 tons per hour. Excavators will have to be used for excavation works and adequate dredgers, 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 permit is estimated up to 100 grams of gold per ton, 2 grams output per ton only takes for calculation purpose.

So the output of gold expected per day by processing 2000 tons of raw materials is $2000 \times 2 \text{ grams} = 4000 \text{ grams of gold}$

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

The maximum projected expenditure for production of gold is USD 10 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 = $42 - 10 = \text{USD } 32$

The Net Profit per day = $4000 \text{ grams} \times \text{USD } 32 = \text{USD } 128000$

The Net Profit per year = $128000 \times 300 \text{ days} = \text{USD } 38,400,000/-$ =
USD 38.4 Million

Net Annual Profit on of Investor = $\text{USD } 38.40 \text{ Million} \times 25\% = \text{USD } 9.6$
Million.

Though gold market has been steady for quite a long time, a provision shall be made for a downward market fluctuation of 10% in the price of gold, in calculations. Besides, 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, for calculation purpose. As such, the Final Position shall be as follows

Net Gain	=	9.60
Less 10% for Fluctuation	=	<u>.96</u>
		8.64
Less IT @ 25% on 4.32		<u>1.08</u>
Net Profit		7.56
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So a genuine investor can expect a **Return On Investment (ROI) of 47.25 %** ($7.56/16*100$) in the first year itself and can aim to withdraw his investment within a period of 2 years of his investment and still can enjoy 40% of the stake in the company/property for many years.

The chances of getting more output are very bright, which has not been considered in the above calculations. Besides, 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.

VI. MARKETING OF GOLD IN INTERNATIONAL MARKETS

The daily output of the gold automatically stored in the safe chambers/ lockers 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 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 concerned 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.

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

Once the investor and the JV 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 and could be available in quarts/rocks with veins and such primary deposits are very prominent in this part of Madagascar. 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 NI43 101 certification shall be USD 10 to 20 Million, depending upon the reputation of valuing and certifying company.

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 assessment of the gold deposits in the mine and the 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 gold deposits could be of around 15000 tons and could be worth of a minimum of 3 Billions of USD, as per the opinion of the acclaimed geologists.

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.

VIII. 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.
