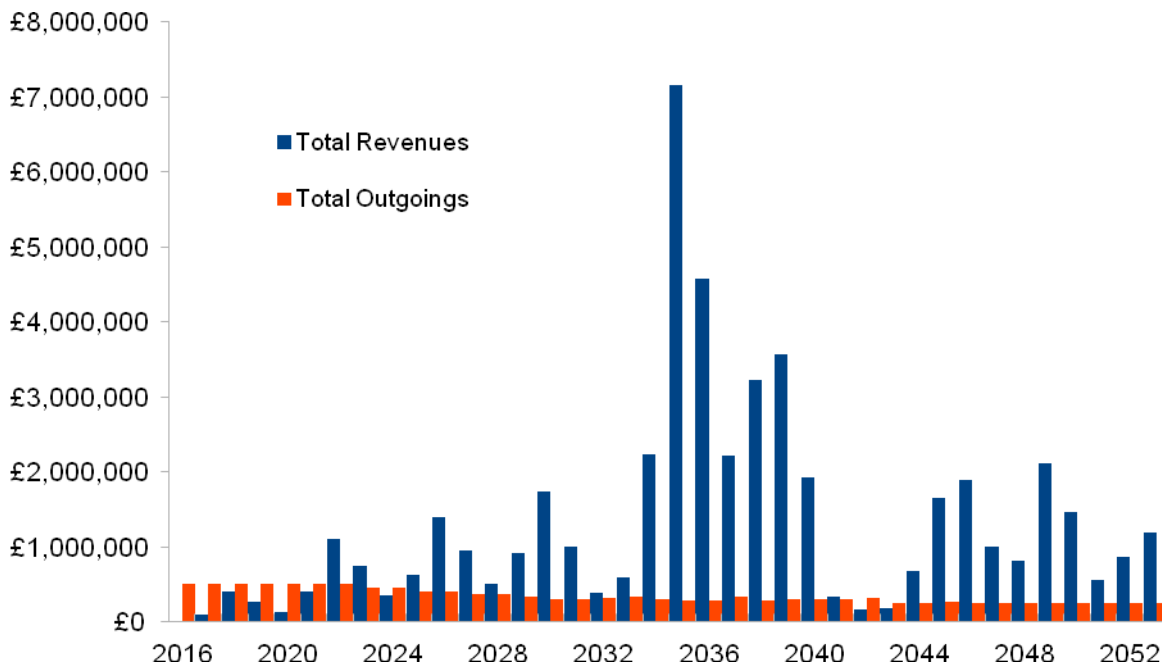


The ArBolivia Project is a social enterprise that has pioneered reforestation and climate smart agriculture since 2007. In the last year we have started to generate the first revenues from “thinning” our tree lots. A new unit has also been established to process and market timber not only from ArBolivia’s trees but also from the sustainable management of mature forests owned by indigenous communities. Our own hardwood timber takes a long time to reach full maturity and at present breakeven is not expected to be achieved until 2021. We are therefore seeking to raise additional funds to meet operational costs until then.

Since 2007 the project has established 1416 commercial hectares in partnership with around 1000 farmers. The first timber revenues have been realised this year and over the full term of the project we anticipate our share of timber revenues totalling \$76 million.



However, the full rotation cycle for the majority of our trees is around 25 years and in the meantime, operational costs are high, meaning that substantial funding is required until revenues from commercial thinning match and then exceed costs.

In addition to the core timber production business, we have established ArBo Real, a timber harvesting and processing unit, which is projected to generate net revenues of approximately \$20 million over the lifetime of the project. Even more importantly, it is generating immediate revenues now and will become cash positive as early as 2018. This is of key importance as, despite the imminence of the project’s first significant timber revenues, breakeven from its own trees is not expected until 2021/22. This results in a \$1.64 million cash shortfall, assuming that timber and ArBoreal revenues are re-invested.

## The ArBolivia Project – Financial Summary October 2015

COSTS				
	ArBolivia	ArBoreal	Tax	Total
2015/2016	\$775,688	\$851,678	\$0	\$1,627,366
2016/2017	\$775,688	\$807,743	\$0	\$1,583,431
2017/2018	\$775,688	\$806,484	\$0	\$1,582,172
2018/2019	\$775,688	\$636,356	\$0	\$1,412,044
2019/2020	\$775,688	\$631,829	\$0	\$1,407,517
2020/2021	\$775,688	\$627,302	\$67,146	\$1,470,135
2021/2022	\$698,119	\$622,775	\$354,553	\$1,675,447

Operational costs for the ArBolivia Project are high, given the dispersed nature of the plots and the social objectives of the project to educating and support semi-literate farmers in managing all of their land more sustainably and profitably.

This base cost has been reduced to the minimum necessary to monitor and manage 900 farmers in widely dispersed areas to a high standard. Nevertheless it is still high, meaning that breakeven is not achieved until 2021.

INCOMING CASH					
	Grants	Loans	ArBolivia	ArBoreal	Total
2015/2016	\$293,303	\$53,000	\$48,141	\$227,180	\$621,624
2016/2017	\$220,350		\$158,713	\$504,606	\$883,668
2017/2018			\$609,553	\$934,784	\$1,544,337
2018/2019			\$404,329	\$1,049,003	\$1,453,332
2019/2020			\$212,757	\$1,049,003	\$1,261,759
2020/2021			\$622,569	\$1,049,003	\$1,671,572
2021/2022			\$1,690,103	\$1,049,003	\$2,739,105

Around \$7.5 million has been invested in the project to date, with a loan of \$223,100 being secured as matched funding for the ArBoReal timber processing unit. A further loan is being sought from one of Bolivia's largest banks.

Grants and service agreements totalling \$566,000 have also already been confirmed for 2015/16 and 2016/17.

Carbon credit sales of €224,339 (\$255,000) have already been secured for 2015/16, with over 6m still to go and further contracts anticipated at the start of 2016.

<b>CASH FLOW</b>				
	Costs	Revenues	Cash flow	Cumulative cash
Starting Cash			\$297,000	\$297,000
2015/2016	\$1,627,366	\$621,624	-\$1,005,742	-\$708,742
2016/2017	\$1,583,431	\$883,668	-\$699,762	-\$1,408,504
2017/2018	\$1,582,172	\$1,544,337	-\$37,835	-\$1,446,339
2018/2019	\$1,412,044	\$1,453,332	\$41,288	-\$1,405,051
2019/2020	\$1,407,517	\$1,261,759	-\$145,757	-\$1,550,808
2020/2021	\$1,470,135	\$1,671,572	\$201,437	-\$1,349,372
2021/2022	\$1,675,447	\$2,739,105	\$1,063,658	-\$285,713

As at 1 July 2015, the project held almost \$300,000 cash from a \$170,000 loan and grant funding for ArBoreal, which has since been deployed for the ArBoreal operation. In addition to the figures above, working capital of \$90,000 is needed due to a potential delay of up to 2 months in receiving payment on larger timber sales. Most of the cash is required over the next two years – around \$700,000 in each year. For 2015/16, we have already secured contracts worth \$255,000 from the sale of carbon credits and have paid costs totalling \$88,000. This leaves a net funding requirement of \$365,000 for the remainder of 2015/16 and reduces the total additional funding required to just under \$1.3 million (£850,000).

In addition, the Cochabamba project, the main funding vehicle for ArBolivia has operational costs approaching £100,000 a year.

Approximately 93,000 tonnes of certified carbon credits remain available for sale, with a further 40,000 credits to be issued from the 200 hectares planted in 2013 and due to be validated in early 2016.

We have now sold all the carbon credits from each year to date and half of those relating to 2016 as well as all those due from 2021 onwards. We have also sold more than half of our 2016 vintage. However we have only included secured sales in our projections, although it does seem likely that a significant proportion of the cash still needed may indeed come from carbon sales. We will also keep looking for grant opportunities, but this source of future finance cannot be relied upon and has not been included in the above figures. Whilst our efforts in these areas will indeed continue, we must plan to raise the bulk of the amount required from investment.