



African Agriculture & Forestry

Impact Report Year 3

September 2017



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1. CEO Overview

It gives us great pleasure to present the Impact Report Update for the period August 2016 to August 2017. Obtala Limited (“Obtala”) is working to create a multi-industry African centred business focussed on creating value for its diverse group of stakeholders whilst providing positive social impact in the communities, countries and economies in which we operate.

David Pilling, the Africa editor of the Financial Times recently commented that contrary to widely held opinions throughout the world, with some notable exceptions, nation state formation is at an advanced state across the African continent, a pre-condition to meaningful development and the type of economic lift off seen across Asia over the last three decades.

Having spent roughly one third of my time in Africa since July, I consistently witness at first hand the dramatic emergence of these dynamic, vibrant economies. The similarities to observations made in my previous career spent principally dealing with Asia since 1987, particularly the growth of an increasingly educated and affluent middle class, are striking.

a) Organisational Summary

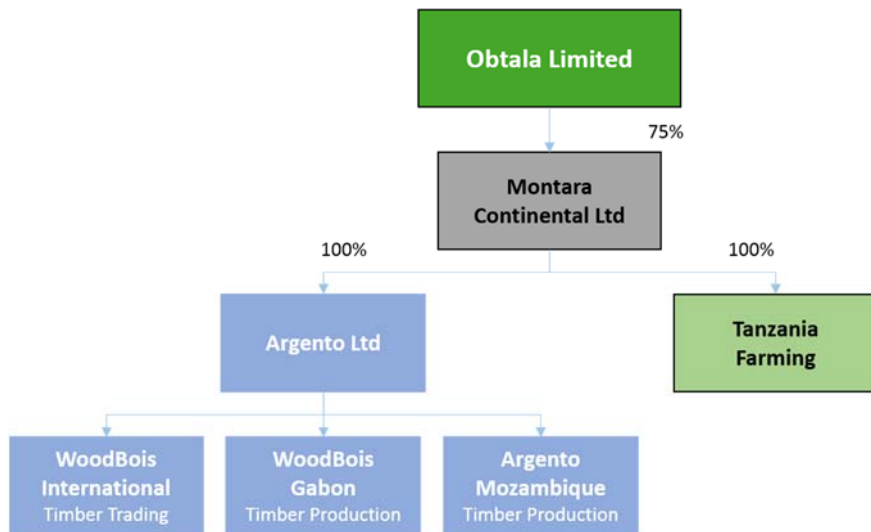
Obtala Limited was admitted to the AIM market of the London Stock Exchange in April 2008. The two pillars to the operating African businesses currently in production are; agriculture and associated processing, and forestry. We employ 768 people.

The Tanzanian farming operations are concentrated close to Morogoro covering 1,735 hectares, with the addition of the 195-hectare Magole Farm acquired in June 2017. A further 9.875 hectares of farmland has been secured in Mozambique for future development. Investment in agricultural machinery, irrigation, pack-house facilities and a drying unit has created a facility capable of supplying both local and international markets with both fresh and dried products. Our agricultural “Farm-to-Fork” model allows us to plant a seed and produce a finished, marketable and branded product for both export and domestic markets sales. This year we expanded and enhanced our pack-house at Magole farm in Tanzania. The 1,000 m² facility is reconfigured with the latest cooling technology from Coldex and has the highest safety standards implemented. The Group will continue to invest in capturing value in-country.

On the forestry business, Argento has secured sustainable forestry leases of 50 years on 312,465 hectares in Northern Mozambique, which makes Argento one of the largest forestry operators in Mozambique and Sub-Saharan Africa. Argento started Mozambique operations in 2011, producing timber for local markets, predominantly sleepers for major railway projects, with no outlet to international markets. Since then and looking ahead, the operation has been transformed and is set to make a major impact in the local and global markets. An export partnership was signed in March 2016 with Basic Material Limited, Hong Kong, to open-up international markets. International demand already significantly outstrips our capacity, but investment in infrastructure, including the now advanced construction of a leading-edge sawmill close to Nacala port, will dramatically increase this capacity going forward.

The latest development for Argento is the acquisition of WoodBois International ApS a fully-operational timber trading, production and forestry company with a global reach. Together we offer an unrivalled forestry platform, aligned in an ethos of sustainable methods, providing Obtala with an immediate income stream through WoodBois as Argento’s own production becomes operational.

Obtala's simplified corporate structure looks as follows:



a) Commitment to Social Value

Since 2015 we have been an active member of the Social Stock Exchange UK. Our ongoing relationship with the Social Stock Exchange expresses our support for alternative market mechanisms and represents an endorsement of our business practices and social impact activities.

In the interests of creating long term, material partnerships, myself and members of the board are actively looking to develop relationships with the social impact finance community. Our respective backgrounds and Obtala's activities make us uniquely placed to present African investment opportunities which can offer substantial financial returns to those with patient capital to employ, alongside positive environmental and social impact.

Social Impact Highlights 2017

- o Letter of Intent to Grow Africa, a partnership founded jointly by the African Union (AU), the New Partnership for Africa's Development (NEPAD) and the World Economic Forum, pledging to invest \$10m over 5 years in Tanzanian agriculture and its workforce through new infrastructure and training.
- o Obtala supports Climate Smart Agriculture (CSA) initiatives, which aim to increase productivity, improve food safety and boost farmers' incomes, while enhancing resistance to negative environmental shocks such as droughts and, not least, reducing greenhouse gas emissions.
- o Obtala supports the World Bank's Forest Investment Plan and advanced talks with the African Development Bank to collaborate on agricultural projects, public private partnerships and facilitating the regional and global export of produce.
- o Obtala was awarded the Impact Company of the Year title in the sub-\$150m capitalisation category by the Social Stock Exchange (SSX) in recognition of its continued efforts to upskill labour, create green infrastructure and kick-start economic development in our communities.

We are committed to improving the measurement and reporting of our social impact in future years and conducted an IRIS based ESG assessment to more accurately measure, take-decisions and report to internal and external stakeholders, including impact investors. Obtala will be reporting on progress against these disclosures on an annual basis and has management systems that collect data from stakeholders throughout the year.

Significant capital and time invested has enabled Obtala to become a socially responsible company with strong net tangible assets, near-term profitability with diversified revenue streams. The Business is gathering momentum and as its transformation and evolution continues, we trust that you will continue to track our progress with interest.

All disclosures made by the company are governed by the AIM regulation on reporting.

Paul Dolan
CEO

2. Social Purpose and Context

Obtala's mission is "To take the lead in the sustainable commercialization in Sub-Saharan Africa of two of the world's most in demand and diminishing natural resources, arable land and forestry. To pursue every opportunity to move up the agriculture and forestry value chain, in partnership with key stakeholders, contributing to long term economic and social development in the markets we operate in."

Moving up the value chain in our business activities in Sub-Saharan Africa, not only opens-up new market opportunities, but translates into more jobs being created locally. In this regard, we have set out to align our sustainability strategy with the United Nations Sustainable Development Goals (SDGs) which set out a vision for ending poverty, hunger, inequality and protecting the earth's natural resources.

Obtala's approach to the continued development of our business units directly and indirectly generates a wide range of benefits to the host community and host country as a whole on economic, social and environmental fronts. One of the most fundamental positive social impacts associated with our company's strategic growth objective is the employment and training opportunity we bring to a region. Our projects are located in regions of relatively high unemployment. National rates of unemployment are for Mozambique: 17%, Tanzania: 10%, Gabon 20% and Cote d'Ivoire 5% (www.tradingeconomics.com). In the more rural areas this rate is often much higher and the level of education and training lower.

a) Sustainable Agriculture

Some of the greatest challenges facing humanity today are a rapidly growing population and climate change, with Agriculture being of vital importance to both. This is particularly relevant in Sub-Saharan Africa, where the population is estimated to double to 1.5-2 billion by 2050, and where some 30 percent of inhabitants suffer from undernourishment. To counter this, the key will be to increase productivity through sustainable farming and efficiently incorporating many of the 33 million smallholders in the region which account for 80 percent of all farmland.

In Tanzania we have started working with the Tanzanian Horticultural Association (TAHA) whose mission statement is "to develop and promote the Horticultural Industry in Tanzania to become more profitable, sustainable, and participate more effectively in the development of the country". We have found this relationship beneficial in that the assistance provided aides in identifying out-growers, improved seed knowledge, training opportunities and market potential.

In 2017, we signed a letter of Intent to Grow Africa, a partnership founded jointly by the African Union (AU), the New Partnership for Africa's Development (NEPAD) and the World Economic Forum. Under the letter of intent, Obtala has conditionally committed to investing USD 10 million in Tanzania agriculture over the coming five years, with investment being deployed for a new modular pack-house facility, housing of staff and training centers, scaling plantation based activities and the development of an outgrower programme, subject to sourcing of matched funding, grants, preferential loans and equity from donors, development finance institutions (DFIs) and impact investors.

Grow Africa works to increase private sector investment in agriculture, and accelerate the execution and impact of investment commitments. Our commitment is to Grow Africa which is promoting multi-stakeholder collaboration to advance private sector investment aligned to the Government of Tanzania's agricultural development objectives, as well as the Government of Tanzania's commitment to promote a business enabling environment that provides confidence to both the domestic and international private sector to achieve these objectives.

Obtala intends to progress their projects in Tanzania with the collaboration and partnership of the Government of Tanzania. The project is consistent with the investment priorities identified by the country-led Comprehensive Africa Agriculture Development Programme (CAADP) investment plans.

b) Sustainable Forestry

Forests and woodlands in Africa occupy an estimated 650 million hectares (ha) or 21.8 percent of the land area of this continent. These account for 16.8 percent of the global forest cover. Many of the forests are severely fragmented due to the encroachment of an expanding human population, leading to demand for firewood and extensive conversion of land to agricultural use. The forestry sector in Africa plays an important role in the livelihoods of many communities and in the economic development of many countries. Obtala recognises this potential opportunity through its ownership and sustainable management of natural forest concessions in Mozambique.

One of the challenges in Mozambique is illegal logging activities which occur throughout the country. Under pressure from the IMF, World Bank and Sovereign Wealth Funds (notably Norway) Mozambique has joined the global crackdown on illegal or aggressive logging. Forest Department Administrators (Fiscals) police forestry operations and enforce the strict controls on cut rates and log sizes. We are aware of the issue and work closely with the local law enforcement agencies to ensure the protection of the forests.

While we fully support a ban on irresponsible and illegal logging, sustainable forest management is, in fact, critical to addressing climate change.

This is regulated by our forestry management plans which regulate cutting cycles of 20-30 years to ensure regrowth of forests and selective cutting procedures to avoid de-aging of forests. Our forestry management plans cover concessions under management and have been approved by the governments and local communities.

Argento aims to sustainably consolidate its economic development, while helping to ensure that the forests entrusted to it are protected. Obtala supports the Mozambique Forest Investment Plan. We are in advanced talks with the World Bank to collaborate on a public private partnership for community concessions and other activities with the objective of raising income levels, creating jobs and supporting the sustainable use of forests.

3. Who Benefits

A healthy, prospering community cannot exist without sustainable resources; they are intrinsically intertwined.

At Obtala, we are in a unique position to bring vital positive impact on Africa's economic transformation, social development and climate change, through our agriculture and forestry operations. We align ourselves with the majority of the 17 Sustainable Development Goals (SDG), directly impacting SDG 1 – no poverty; SDG 2- no hunger; SDG 6 - decent work and economic growth; SDG 8 – decent work and economic growth; SDG 9 – industry, innovation and infrastructure; SDG 11- sustainable cities and communities; SDG 13 - Climate action; SDG 15 – life on land.

The role of the private sector and public private partnerships will be pivotal to counter these Goals, which were adopted by the world's governments at the United Nations in 2015 and set to guide global development until 2030. We aim to lead by example – developing inclusive value chains and pioneering solutions for deployment of renewables and transitioning to green growth.

The key beneficiaries of the development of our projects are listed below:

a) Our Employees

We currently employ 768 staff members who are provided with training, education and engaged to increase environmental awareness. 95% of employees come from the local communities. We estimate that for every employee there are at least a further 5 people who derive direct and significant benefit from our presence and activities in the communities in which we operate.

Employees are the main driving force in the success of the company. Significant attention is given to their welfare through the supply of uniforms, meals and sports activities. Training of company employees and skills transfer is also key to the success and sustainability of the company's future. We ensure that all our workers operate in safe and healthy working conditions, providing them with personal protective equipment (PPE) and behaviour based safety training. This is an ongoing exercise which we monitor closely and have reporting systems in place, some of which are also regulated by external organisations.

We provide additional benefits such as providing one free meal a day per worker. We are an equal opportunity employer, not differentiating between gender, nor as is applicable in Africa, on basis of tribal background. Obtala engages its staff on the respective projects through dialogue and consultation with Union representatives or elected spokespersons for worker formed committees.

b) The Local Communities

The communities we operate in are typically quite remote and many are largely subsistence economies with extremely limited access to education, training, infrastructure and employment. We assist with education, training, infrastructure, road maintenance, provision of sporting equipment and activities such as football competitions.

The local community consultations are required as a condition of operating the concessions. These are critical to us to ensure that communities are supportive, engaged and ensure that our social impact programmes are focused on those areas that provide the greatest benefit for them.

c) Countries

We currently have significant operations in Mozambique, Tanzania, Gabon and Cote d'Ivoire. The development of the Obtala projects allows for additional employment and skill transfer opportunities through a number of channels which have the objective of assisting in alleviating poverty and improving food security. As an example, we have established local marketing teams and sales staff, local accounting functions and logistics administrative functions, which should afford upward mobility and increased career progression opportunities for our employees.

As stated previously the areas we operate in are often very remote where countries struggle to provide education, health services and infrastructure. Our provision of these services is critical to these countries as these economies evolve and grow. In addition, countries benefit from our activities through increased taxation revenue and international exposure through exports of local products.

4. Activities and Operations

Obtala has created a vertically integrated, focussed agriculture and forestry business based in Sub-Saharan Africa, supplying produce both domestically and internationally. The platform which has been constructed is starting to deliver sustainable revenues from high quality produce which will enhance the underlying value of the projects, and in turn provide significant social benefits to our main beneficiaries and stakeholders.

Sustainable Farming (Montara Continental)

Outcome 1. Creating value add in-country, jobs and access to markets

The agriculture project in Tanzania is bringing new skill sets to the local farmers in Tanzania and is rehabilitating an area that has not seen commercial farming activities for many decades. Through our training programmes and working closely with out-growers and local farmers we will be able to make a positive contribution through introducing new crop varieties and improved harvest yields. Obtala will also allow better market access and assist the local farmers in entering the supply chain for their products.

At Obtala, we insist on sustainable farming, adopting precision farming- and climate-smart agricultural- principles where possible. To maximise quality yield and minimise waste, we have invested in critical upgrades to the existing pack-house, cold storage and cold chain. Obtala is therefore significantly focussed on creating value add in-country, in line with the government priorities [IRIS I9 Montara level value add].



Outcome 2. Training of local community to improve yields, sustainable land-use and improve food-security

We have adopted systems with a focus on preserving biodiversity, natural resource management and soil fertility improvement based on sound ecological principles. Water resources and usage is key to sustainable farming and we are working to optimise irrigation and management, ensuring adequate drainage. Our ethos is to be profitable and efficient in the short term, while ensuring the land remains fertile and productive for future generations.

To achieve this objective, we employ a range of sustainable cultivation techniques, for example the use of bee hives for pollination of sweet melons and other crops requiring pollination. At the same time, we are getting by-products from the bee hives, such as honey.



Since October 2015 we were awarded both the GLOBALG.A.P. and BRC certifications, international food safety standards and employee health, safety and certification on both farms and the processing facility. The GLOBALG.A.P. Integrated Farm Assurance (IFA) Standard consists of General Rules and Control Points and Compliance Criteria (CPCC.) as they relate to food production and the efficacy of the supply chain. The BRC certification is the leading safety, operational and quality certification programme used by over 23,000 suppliers in 123 countries.



Obtala works with the local community to improve crop production through introducing better practices. We also assist in providing access to equipment such as tractors to prepare the land and improve the local infrastructure as we engage local small-scale farmers for the supply of banana, mango and pineapple [see IRIS 350 suppliers].

Our farms are run by a strong and highly experienced management team which has taken the facility to a leading-edge operation. All senior management are 'trained to train'. There is a very limited skills base in Tanzania, and skills transfer has become a large part of the company's training program [See IRIS I11 Reinvested in R&D].

We strive to look after our employees and their families, creating a positive cascade effect on the wider community. Good examples include projects focussed on health and well-being initiatives, such as the netball and football teams.

The Obtala fc football team has been promoted to 3rd tier league this year and competes in local tournaments. To foster team building and good relationships with the local communities, the company is also sponsoring a football tournament 'Obtala cup' with 12 senior football teams and 4 junior teams, drawn from the local villages. Another initiative is the sponsoring of upgrades to the local hospital, where an immunisation initiative was carried out for our employees earlier this year.



Montara farming operations in brief

- The Tanzanian farming operations are concentrated close to Morogoro covering 1,735 hectares, with the addition of the 195 hectare Magole Farm acquired in June 2017.
- Highly experienced local management team
- GLOBALG.A.P. certification awarded in July 2015
- BRC Global Standards certification awarded in October 2015
- Tax Free Export Processing Zone (EPZ) certificate awarded
- Fruit dehydrator and fresh packing facilities constructed

- Geographically easy to air freight fresh produce to Europe, Middle East and Regional African markets
- 230 km from Dar es Salaam Port and international airport via tarmac roads
- Up to 4 crops per year per hectare, rotational crop for increased sales
- The first of a number of significant off-take agreements for export of fresh produce secured in Q4 2015
- Our farming activities are modern and fully accredited with the Export Processing Zone (EPZ) certificate, with the associated fiscal benefits and incentives.
- In 2017, we expanded and enhanced our pack-house at Magole farm in Tanzania. The 1,000 m² facility is reconfigured with the latest cooling technology from Coldex and the highest safety standards implemented. The new facility is handling some 60 tonnes of gross-weight melons, yielding 40 tonnes of net-weight export produce, during this most recent harvest, but is capable of processing more than double this amount as the farm expands according to plans.
- Construction of a brand-new, state of the art pack-house will begin in due course to accommodate the growth in crop yield according to Obtala's long-term expansion plans.

Sustainable Forestry

Outcome 4. Sustainable forestry management practices

All our forestry concession in Mozambique as well as the concession in Gabon are governed by detailed Forestry Management plans. The forestry management plans have been approved by the local governments, with preliminary local community consultation and approval, and are strictly followed by Argento's operations. The management plan aims to get a feasible exploitation based on selective cutting of commercially valuable species with emphasis on social aspects as well as to protecting the natural biodiversity. On the environmental aspects, guidelines for soil, water resources and wildlife protection are indicated as well as for fire control measures [see IRIS 1.1. Forest Management Plan].

The Forestry management plans specify annual cutting volumes, which are calculated to ensure the protection of the forests [See IRIS E4.4. Commercial Stocks]. Low impact harvesting procedures are outlined in Forest Management plan [See IRIS 2.1. Low impact harvesting practices] and applied in Argento's operations include:

Prescriptions and recommendations for sustainable exploitation

- The Forest and Wildlife Regulation (Decree 12/2002 of 6 June 2002) requires that the Concession must be divided into Annual Exploitation Blocks. Argento management plans comply with this requirement. Zoning of the concession can be defined in distinctive areas:
 - the production zone corresponding to productive forest formations,
 - the protection zone on the edge of water courses and mountains,
 - the community and multi-uses zone that is accessible to local communities for agriculture other purposes and,
 - the infrastructure zone creating small movable camps for non-residential workers.

The zoning composition is a standard specification of zoning of concession, although differences can occur such as no presence or activity. For example, not all Cutting Blocks have a community zone. Since the native species don't represent a uniform distribution on all the territorial platforms, to achieve the annual established volumes in the management plan, for a certain species, a Cutting Block is defined to be exploited in a certain year. The operator can plan according to the orders, and therefore exploit strategically desired wood species.

- Before the beginning of each harvesting project, the concession does pre-harvesting forestry inventory for the block to be explored. It is allowed to carry an exploitation period longer than one year in certain blocks, just as the exploitation period may be carried out in more than one block or compartment. This will depend on the volumes and species in compartments, which will be confirmed during the pre-cut inventory carried out before the beginning of the forestry operation. In any case, it will be ensured that the total volume to be explored will never exceed the calculated admissible cut-off volume.
- The pre-harvesting inventory includes harvesting and drag map, identifying the parent trees to produce seeds and specifying the main silvicultural activities to be carried out before and after the harvesting. The planning and mapping of the harvesting and the trawling also aims to reduce the risk of disorder dragging which in turn causes damage in regenerating vegetation, especially in natural regeneration which is the most vulnerable.

- It is recommended to run a forestry inventory covering the entire concession as an update of the preliminary forestry inventory that served as base for the management plan. The first should be carried out after 5 years and second after 10 years of implementation of the management plan.
- The (rotation) cutting cycle is defined as the time between two successive cuttings in the same block (not of the same tree), which ensures sufficient time for the trees of the diameter immediately preceding the minimum cutting diameter (DMC), to grow to the next diameter class, thus reaching the DMC. The consulting firms that have elaborated the forestry management plans for Argento concessions, have recommended rotation cutting cycles of 20 years, respectively 30 years, according to their findings on the ground during the preliminary forest inventory for each concession. The reference used as average annual growth rate in diameter of desired wood species is “0,5cm/year”. The cutting cycle has been calculated taking the references from the National Forest Inventory (Marzoli 2007, Saket 1995), and the references from Pereira, C. (2002, 2005) considering an average moderate growth of 0.5cm/year in diameter, and considering different flora species growth in Mozambique at 1m³/ha/year. In this scenario, for instance the trees with diameter class 30-39cm would reach as follows: 30cm to 39cm actual diameter +(0.5cm growth/year * 30 years cutting cycle) = 45-54cm diameter, which complies with the harvestable DMC established by The Forest and Wildlife Regulation (Decree 12/2002 of 6 June 2002).
- The annual cut of commercial timber (m³ / year) must never exceed the volume of annual allowable cut (CAA) established for each species. The Forestry management plans specify annual cutting volumes, which are calculated as per international and national best practices “FAO (1998). Guidelines for the management of tropical forests – The production of wood.”, “Pereira, C. (2002). Plano de manejo participativo da floresta comunitária de Pindanganga”, and Pereira C. (2005). Planificação de manejo florestal”.
- A safety factor “f” established at 0.7 or at 0.8, has been considered in the CCA calculation, which gives allowance of large trees to be considered for harvesting. The CCA calculation was made taking into account that the company will leave in each compartment 30% to 20% of the standing volume with complying DMC. Despite the allowance by the safety factor “f”, the large trees with dimensions and phenotype characteristics suitable to produce good quality seeds are marked for conservation as good seeds stocks to ensure the natural regeneration of forests.
- The remaining forest with uneven stands exhibit higher levels of vertical structure (key for many species of birds and mammals), have higher levels of carbon sequestration, and produce a more constant flow of market and non-market forest resources than even-aged stands. The largest 5 percent replenish the stock having the highest distribution of seed-pods.

Operating technology

The management plan is assessing the equipment used for forestry operations in accordance with the potential of the forest and the ecological conditions of the area. The use of local labour will be an added value for the residents, and will contribute to the generation of income sources for local communities.

Method of selection and marking of trees

Before starting the logging, the trees to be harvested should be marked. These trees present a good quality of wood stem when observed by the naked eye. This operation shall ensure that at least three to four trees per hectare of the specific group should remain with a view to perpetuating the existing species in the settlement.

Standards for harvesting and extraction

Trees grow normally with a natural sense of fall. However, it is necessary that slaughter be directed in a certain sense by the following:

- The log should be in the easiest direction to be dragged;
- The cut should cause as little damage as possible to the remaining trees around it.



Prescriptions and recommendations of forest management activities

For the first 5 years, there will be systematic and successive silvicultural activities namely:

- Selection of trees to be harvested;
- Marking of seed-bearing trees;
- Selective harvesting;
- Regeneration management;
- Enrichment of the forest through planting and sprouting management.

It is recommended to include more species in the list that the concessionaire has defined as main or desirable, as a way of ensuring greater diversification and at the same time, reduce the pressure on the most preferred species.

The application of good practices can be seen after harvesting or collecting activities of forest products and verified on field visits. This system is more challenging but there are significant ecological benefits.

Argento's qualified forester ensures that our operations are run responsibly. The acquisition of certification is complex and costly and Argento is investing significantly to build capacity to achieve certification, while keeping a strong focus on business growth [See IRIS PD2756 Product Certification].

Outcome 5. Environmental protection

Exploitation of forest resources within the concession area will undoubtedly result in a series of impacts on the configuration and structure of soils, on water resources, on vegetation and indigenous fauna. However, the degree of severity of these impacts, is believed to depend more on the fragility of the ecosystem itself and the exploitation and transport to be used, considering that these activities are closely related to each other.

Main environmental impacts

- Care is taken to prevent erosion when opening roads and harvesting, and to guard rainwater drainage. The chemicals to be used in this process will be handled carefully, preventing them from being deposited arbitrarily. The erosion associated with the logging activity will be minimal since the configuration of the area is flat.
- The carriage and transport of the harvested wood shall not be undertaken during the rainy season to prevent soil erosion. Exploitation of timber near streams will be avoided to protect the springs and courses of the rivers.
- The opening of the area for the installation of the camps should not in any way create a change in the initial configuration of the area. A tailored alteration of the area will be designed to guarantee and avoid the existence of several small camps scattered throughout the area.
- Branches resulting from the tree-cutting process shall be removed from the forest in the form of firewood or other products to prevent the spread of uncontrolled forest.

As a result of surveys carried out in the area, restricted access areas may be defined or established for the preservation of species diversity. Wildlife resources and vegetation will be considered during the planning process, with a view to adopting a viable strategy for their protection, which will indicate areas with ecological and environmental value to be defined as areas of conservation or exploration according to the specific findings and needs. There will be no forestry exploitation on areas dedicated for conservation. The following criteria were considered when determining the conservation areas:

- Fragility of environment;
- Area of concentration of endangered or rare fauna species, including territorial species;
- Area with significant plant biodiversity;

In those cases where species are considered rare or threatened with extinction (according to official international organisations), they shall be protected by means of measures more appropriate for this purpose. Other environmental protection focusses in the management plan:

- use of machineries;
- build of roads;
- harvesting activities;
- transportation;
- construction of junctions;
- permanent watercourses;
- soils;
- topography (trees with inclination greater than 45°);
- protection against diseases and pests;
- control on access to the concession area;
- diseases and pests;
- illegal logging;
- protection against fire;
- identification of high value conservation sites
- in those cases where species are considered rare or threatened with extinction (according to international conventions), they will be protected, through more appropriate measures to that end.

Outcome 6. Job creation and training

For the Mozambican forestry concessions, we are establishing a new sawmill to capture the secondary processing and manufacturing linkages in the supply chain. This will facilitate additional stable employment in a region where there a currently few work opportunities and bring new skills into a rural setting. Training local workers to operate wood working machinery and sawmill equipment, teaching them to drive and maintain tractors, trucks and other vehicles is on-going.

The extension of a credit line for Woodbois trading platform will multiply supply to export markets meeting international and domestic demand, generating more jobs and training opportunities across the continent.



Outcome 7. Community benefits

Responsible forest management means also contributing to the sustainable development of the region and countries we operate, combating poverty. At Argento's forestry concessions, there are 60 communities and 4,000 farmers [see Corporate Indicator Community Engagement]. We have been instrumental in building schools, hospitals and infrastructure for these communities while also working with farmers on sustainable harvesting practices and income sources, such as the restoration of degraded areas. We have made significant investments in Africa by setting up local wood-processing plants. Besides the generation of significant employment opportunities, Argento offers training and support with woodworking to make desks for pupils and construction of bridges and waste wood has been offered to the communities and government institutions for coffins and firewood.

Development of a sustainable forest and wood economy is an economic and social incentive for the population to maintain the forest cover. A range of new and innovative projects are being launched, including:

- o community concessions in collaboration with World Bank, which offers Argento an opportunity to transfer skills and knowledge and for local communities to generate new income sources, education and generation of new jobs.
- o sustainable agriculture initiative, including education on harvesting practices and installation of bee hives with local communities for multi-use of forest for honey production, nutrition and medicine.
- o in collaboration with a local NGO, support and awareness raising of sustainable use of forest landscape amongst small scale farmers on concessions.

Where possible, this social responsibility is extended beyond Africa's borders. Our subsidiary, WoodBois International, was a proud sponsor of a cycling race in Denmark in support of a local children's cancer charity in early July 2017.



Argento in brief

Argento has secured sustainable forestry leases of 50 years on 312,465 hectares in Northern Mozambique.

Argento started Mozambique operations in 2011, producing timber for local markets, predominantly sleepers for major railway projects, with no outlet to international markets. Since then and looking ahead, the operation has been transformed and is set to make a major impact in the local and global markets.



An export partnership was signed in March 2016 with Basic Material Limited, Hong Kong, to open-up international markets. International demand already significantly outstrips our capacity, but investment in infrastructure, including the now advanced construction of a leading-edge sawmill in Nampula, close to Nacala port, will dramatically increase this capacity going forward.

The first exports started August 2016 destined for Germany, Thailand, Vietnam, South Africa, Denmark and Mauritius. With significant upgrades at Nacala port, we can ship over 100 containers of timber per week and further port infrastructure expansion through to 2020 is planned.

○ **WoodBois International**

The latest development for Argento is the acquisition of WoodBois International ApS, a fully-operational timber trading, production and forestry company with a global reach. The acquisition of global timber trader WoodBois with 96,851 hectares of a 20-year forestry concession in Gabon.

WBI, Gabon, will see increases in production following the installation of three new horizontal saws in June and purchase of two new bulldozers and the completion of veneer factory. WoodBois International (WBI) is 100 percent owned by Argento Limited and operates across the full spectrum of the timber market. The company is a global trader of sawn timber sourced from a large and diverse range of timber producers throughout Africa.

WBI provides highest-quality, sustainable forestry products to a truly global, and often exclusive, customer base, with sales into the Middle East (32%), Europe (17%), North America (15%), Africa (14%), South America (13%) and Asia (9%).

WBI is headquartered in Copenhagen with African trading operations based in Abidjan, Ivory Coast, where the company leases warehouse space for inventory.

From sustainably managed forests to worldwide delivery of tailored, high-specification timber products, Obtala – through Argento and WoodBois – is set to operate across the value-chain in this increasingly high-margin and buoyant market.

WoodBois' trading platform, benefits from full traceability of all 50 wood suppliers in the region. Among other features, our commitments are reflected in chain of custody and close relationship with all supplier [see IRIS F3.1 traceability].

5. Stakeholders

Engagement with our various stakeholder groups is critical for our project development and in identifying early market opportunities and developing a supporting ecosystem of stakeholders that will help our business thrive. We consider stakeholders a large group of beneficiaries, which build our supporting ecosystem and which we can benefit from our operations through education and training and support toward self-sufficiency while promoting an increased awareness of environment protection.

Below is a list of the broader stakeholder base involved in our activities and nature of our relationship;

- **Employees** are the main driving force in the success of the company. Signification attention is given to their welfare through the supply of uniforms, meals and sports activities. Upskilling of our workforce is a priority, to ensure our businesses remain leading-edge with motivated, skilled men and women supporting us as we support them.
- **Local Communities** we operate in are typically quite remote and many are largely subsistence economies with extremely limited access to education, training, infrastructure and employment. We assist with education, training, infrastructure, road maintenance, organisation of football competitions and equipment.
- **Ministry of Lands, Agriculture, Environment, Water;** Close liaison with all Ministries affecting the operation of the company are fostered. All data relevant to these Ministries are shared for the common good. Frequent visits to the project by the Ministries of Agriculture, Land, Water and the Environment are made for collaborative purposes. Hosting local and national politicians to view the project as an example of a successful foreign investment and significant employer.
- **Local Government;** Payment of CESS tax (a development levy paid to District Councils in Tanzania) on fresh produce, hosting local Government agencies on “Best Practice” farming and evidence of foreign investment working within their District. We consult frequently, at least monthly, with Local Government to ensure that local development initiatives are co-ordinated and our efforts remain focussed on those areas that provide the best outcomes for local communities.
- **Standards Agencies,** such as GLOBAL.G.A.P.; The company is accredited by GLOBAL.G.A.P., TBS (Tanzania Bureau of Standards) is a member TAHA (Tanzania Horticultural Association) Applications to TFDA (Tanzania Food and drugs Agency) and BRC (British Retail Consortium) are ongoing.
- **Suppliers;** Suppliers to the company play a major part in the successful operation of the company. The company endeavours to promote local suppliers to increase their capacity to excel.

- **Customers;** Without customers, the company could not exist, so much energy is put into ensuring the speed, efficiency and quality of our service delivery and products.
- **Non-Governmental Organisations;** Support of NGOs such as HELP by selling our dried and processed products in their shop. They gain by the lease and 20% commission on sales.
- **Research bodies;** such as Universidade Eduardo Mondlane (UEM) Forestry Department in Mozambique; Sokoine University of Agriculture (SUA) in Tanzania;
- **Shareholders;** Obtala is listed on the London Stock Exchange AIM and communication with our shareholders is given high priority. There is regular dialogue with shareholders through announcements of the year-end results, six monthly results and operational updates. The Board uses the Annual General Meeting to communicate with investors and welcomes their participation.
- **Impact investors and International Organisations;** such as the African Development Bank, international development organisations, DFI's, regional platforms such as Grow Africa and the World Bank.

Over the past year, we embarked on a journey of stakeholder consultations, as a step towards engaging more meaningfully with our expanding communities. From consultations with high level representatives of the African Development Bank, local governments and chiefs of the local communities to non-profit organisations, universities, academics and international experts. Across the board, we have received overwhelming support for leveraging our business activities by embracing social and environmental stewardship while expanding our operational footprint in the region.

6. Evidencing Social Value

a) Evidence

	Outcome	Indicator	Performance (2014)	Performance (2015)	Performance (2016)	Target (2017)
Outcome 1. & 6. Creating value add in-country, jobs and access to markets	Access to employment	Number of employees engaged	400	440	768	775
		Number of people leaving employment to seek other work opportunities for career advancement	1	6	10	12
	Training	Number of local farms we engage to supply product in terms of an out-grower programme	3	5	7	10
	Food Security	Number of additional entities we can engage to help supply food products directly to the market or through a supply chain that we are creating.	Nil	4	6	6
	Alleviating Poverty	Number of partnerships based either on commercial or investment	1	2	3	5
Outcome 3 & 7. Improve health and wellbeing of employees and the wider community	Community based projects	Completed community based project can be considered as a unit of positive impact, irrespective of financial cost to Obtala	1	3	5	7
Outcome 2. Training of local community to improve yields, sustainable land-use and improve food-security	Workplace Training	Number of individuals who advance or gain promotion within the company to positions of greater seniority and responsibility	3	4	6	10

Note: IRIS reports on
Outcome 4. Sustainable forest management practices
Outcome 5. Environmental protection

Montara Continental – Agriculture (IRIS)

Data Collection Protocols			Data Collection 2017	
ID	Indicator name	Unit measure	Data entries	Current Measure
Social				
OI3160	Employment	Full- time Employees: Total	Number of paid full-time employees at the organization at the end of reporting period.	80 (20 women /60 men)
		Temporary Employees: Total	Number of temporary employees paid by the organization at the end of reporting period	183 (102 women/81 men)
OI8118	Women representation balance	Number of women on the BOD of Obtala (group wide indicator)	Number of women on the Board of Directors	1
OI1075			Total number of people on the Board of Directors	5

Data Collection Protocols			
ID	Indicator name	Indicator Definition	Data Collected
ECONOMIC			
F1 - Profitability and Economic Efficiency			
I9	Obtala level value add	Rating according to degree of processing: 1) Fresh product 2) Product with post-harvest treatment 3) Product with primary transformation 4) Product with tertiary transformation	1) Fresh product 2) Product with post-harvest treatment; cold storage 3) Product with primary transformation; dried fruit line
I11	Reinvested in R&D	Number of staff on farm trained in agriculture innovative techniques and sustainable practices and other relevant aspects.	1) 242 employees trained in agricultural innovative techniques and sustainable practices. 2) 184 trained in health and social issues. 3) 81 trained in adult literacy, business and financial management, record keeping, accounting and administrative procedures. 4) 263 employees trained in health and safety 5) 76 employees trained in business development (market access, marketing, strategy, quality control and others). 7) 232 employees trained in labour laws.
PI5350	Supplier Individuals :Total	Number of individuals who sold goods or services to the organization during reporting period.	5 small scale farmer groups collecting produce (pineapples, mangoes and banana) in Kinole Morogoro, tanga, Bagamoyo, Kahama, Mvomero-Tufiani 1 medium scale farmer in Kilosa 1 large scale farmer in Tanga

Argento – Argento Mozambique, WoodBois Gabon and WoodBois Trading (IRIS)

Data Collection Protocols				
#	Indicator name	Indicator Definition	Data collected	Additional Comments
SOCIAL				
S3 - Human Health and Safety				
S3.1	Workplace Safety and Health	Safety and health in the workplace is improved by adopting practices that reduce possible hazards in the workplace.	Yes	Argento is focused on increasing production on all its concessions while keeping workers safe. An experienced global Head of HSE is implementing a robust HSE framework focused on incidence reporting and investigation, risk assessment for manual handling processes. Additional resources are being added for implementation of risk assessment procedures and behavior based safety measures, taking into account cultural context.
S4 - Good Governance				
S4.1	Stakeholder dialogue	Decision-making processes are made considering potentially affected stakeholders who are identified, informed and considered.	Yes	We have mapped all relevant stakeholders and engaged in consultations, as a step towards engaging more meaningfully with our expanding communities. These include high level representatives from non-profit organisation and civil society, development finance and multilateral development institutions, nonprofit organisations, academics and international experts, suppliers and customers.
Corporate Indicator	Community engagement	Obtala engages actively with its communities living on concessions, beyond the generation of employment.	Yes	Responsible forest management means also contributing to the sustainable development of the region and countries we operate, in particular combating poverty. We have made significant investments in Africa by setting up local wood-processing plants. It has skilled a workforce and we have built schools, roads and small hospitals at our operations. Development of a sustainable forest and wood economy is an economic and social incentive for the population to maintain the forest cover. Besides the generation of significant employment opportunities, Argento offers construction and support with wood to make desks for pupils, construction of bridges and waste wood we have been offering the communities and government institutions for coffins and firewood. A range of new and innovative projects are being launched, including: - community concessions in collaboration with World Bank, which offers Argento an opportunity to transfer skills and knowledge and for local communities to generate new income sources, education and generation of new jobs. - sustainable harvesting practices which will include installation and education of hives with local communities for multi-use of forest for honey production, nutrition and medicine - in collaboration with a local NGO, support and awareness raising of sustainable use of forest landscape amongst small scale farmers on concessions. Project outcomes will be measured with their own set of indicators, including number of new sources of income opened, more sustainable practices of forest use by local communities and level of reduction of uncontrolled fires.

Data Collection Protocols			Data Collection 2017	
#	Indicator name	Indicator Definition	Data collected	Additional Comments
ENVIRONMENTAL				
E1 - Laws and regulation compliance about the resource				
E1.1.	Forest Management Plan	Argento has and applies a Forest Management Plan authorized by national authorities.	Yes	Argento's forest management plans are up to date for its concessions in active operations and approved by national communities and local communities. The forest management plans detemering the annual allowable cut, assesses the equipment used for forestry operations in accordance with potential of the forest and encompasses protection measures of the ecological habitat. The forest management plan recommends the use of local labour as a value-add for residents, as the forest operator generates a significant number of jobs for local communities.
		Third party verification	In progress	Reports are being send to the government containing detailed and verifiable information. Continued approval of operating licence is depending compliance with forest management plans.
E1.2.	Tenure rights	Legal rights have been granted to the organization by competent authorities authorizing access to forest resources	Yes	Argento has a resolution and titles securing the rights to harvest and collect forest products in the forest area under management.
E2 - Use and wast reduction of materials				
E2.1.	Low impact harvesting practices	Obtala has and applies guides on good practices for the harvesting or collection of forest products.	Yes	Management plan make reference to the implementation of low impact harvesting practices by FAO and national policy: "FAO 1998. Guidelines for the management of tropical forests 1. The production of wood (FAO forestry paper 135)". "FAO 1998. Reduced impact timber harvesting in the tropical natural forest in Indonesia by Elias, Forest harvesting case study No. 11, FAO Rome, English." The Forest and Wildlife Regulation (Decree 12/2002 of 6 June 2002) "Vancley, J. K. (1996). Estimating Sustainable Timber production from tropical Forests. A discussion Paper Prepared for the World Bank. Working paper No.11. CIFOR." Woodbois Gabon management plans make reference to the implementation of regional and national exploitation normes: IUCN guidelines. COMIFAC project "Nicolas Picard, Sylvie Gourlet-Fleury. Manuel de reference pour l'installation de dispositifs permanents en foret de production dans le Bassin du Congo (Manual of reference for the installation of definitive measures in productive forest in Congo Basin). COMIFAC, pp.265, 2008. <cirad-00339816>" Décret 689/PR/MEFEPEPN du 24 août 2004 defining the technical planning normes and the sustainable management of productive forests registered and the National Technical Guide. Permanent Service of Inventory and Forest Planning, Republic of Congo (SPIAF) 2007. Normes d'Exploitation Forestière à Impact Réduit (EFIR) (Normes of Low Impact Forest Exploitation)."
E3 - Land use, conservation and cover change				
E3.1.	Change in forest cover in forests under management plan	Activities performed by Obtala or third parties which generate a change in the forest cover within an area that is managed under a plan	No	Concession contracts which involve annual licences emitted by the governmental authorities exclusivly for wood species exploitation. There is no change in forest cover as a result of different activities such as agriculture on the productive forest area. Local communities do agriculture in the community area and in the agricol area in identified as such in the management plan, therefore not impacting the forest cover. Furthermore, the harvesting of the wood species by the operator is done controlled using selective harvesting methods as defined in the Forest Management Plan.
E3.2	Forest Management Certification	Argento adopts a set of certification standard which is internationally recognized	In progress	While certification is in process, Argento is continuously evaluating its impacts and dependencies on natural capital to ensure better decision-making at all levels in 16 the company.

ENVIRONMENTAL cont.

E4 - Species biodiversity use and conservation

E.4.1	Special areas under conservation	Argento has identified and delimited special areas (water bodies, flooding, soil, endangered species, areas of value) within the forest management plan	Yes	For Argento Mozambique concessions, the concessionaire follows the planning for pre and post-exploitation silvicultural activities described in the Management Plans. This includes the identification and management of special areas under conservation, including measures for their protection. For Woodbois concession in Gabon, Management Plan make reference to the implementation of Annual Operations Plan which includes the identification of conservations area within the concession.
E4.3	Carbon stocks	Argento records the carbon stocks stored in the ecosystem under management	1 million tons of Carbon sequestration per year	A mature forest sequestrates about 1ton CO2 per acre per year. Argento has roughly 1 million acres under management. Using most conservative numbers, with Argento's stock, this equals a forest carbon stocks of 1 million tons of carbon a year.
E4.4	Commercial Stocks	Argento uses practices that enable sustainable extraction of commercial forest products from the managed forest	Yes	Concession contracts which involve annual licences emitted by the governmental authorities exclusively for wood species exploitation. There is no change in forest cover as a result of different activities such as agriculture on the productive forest area

b) Current Management

Global Management Team:

Miles Pelham, Chairman

Miles Pelham is Hong Kong based and has worked in finance for the past 2 decades, during which time he has held senior investment banking positions at some of the worlds' largest financial institutions. He holds MSI accreditation with the CISI.

Paul Dolan, Chief Executive Officer

Paul brings almost 30 years experience in investment banking and finance, where he consistently built award winning, world-class teams and managed global portfolios in excess of \$10billion across asset classes. Paul worked in London and Tokyo, and from 2007- 2012 in Hong Kong, as Nomura's Global Head of Convertible Bonds, Co-head of Equities APAC and Chairman of the committee for Corporate Social Responsibility. In 2014 he founded Dolan Sports Management with the goals of managing the careers and wealth of elite athletes, improving the visibility of female sporting role models and financing sports facilities for the underprivileged.

Warren Deats, Chief Operating Officer

Warren has 15 years' of investment banking experience in Africa, Europe and Asia, and has extensive contacts throughout the continent. His management skills are complimented by 5 years' experience developing a successful Citrus and Pomegranate farm in South Africa. Warren is based in Tanzania from where he oversees our African operations.

Carnel Geddes, Chief Financial Officer

Based in South Africa, Carnel is a chartered accountant and certified fraud examiner, dually qualified in the UK and South Africa. She is an elected board member and director of the largest South African pomegranate farm company, Pomona, since 2008.

Carnel honed her expertise in all key areas of accountancy and audit during a 15-year career at BDO, the global audit, tax and advisory group, culminating as director, forensic services, of BDO London and partner of BDO Cape Town. She brings invaluable knowledge of the international as well as the African markets, with the highest financial qualifications.

Kevin Milne, Non-Executive Director

Kevin is a Chartered Fellow of the CISI, with over 30 years' experience in global financial services. Kevin has extensive experience operating in highly regulated environments including being a member of the Executive Committee of the London Stock Exchange Group.

Jessica Camus, Non- Executive Director

Jessica brings extensive experience facilitating public private partnerships working with leaders from private sector, government and civil society globally, and across Sub-Saharan Africa. Jessica specialises in accelerating growth and impact for socially responsible business in frontier markets.

She was previously an Associate Director at the World Economic Forum, developing numerous initiatives and programmes on building entrepreneurship ecosystems, innovation and gender and former Financial Market Executive at Thomson Reuters.

Jessica holds an MA from the Graduate Institute of International Relations & Development Studies, Geneva and an MBA from the IE Business School, Madrid.

- **Montara Farm Management Team**

Graham Impey

Head of Agriculture (Tanzania) Graham Impey has been farming for nearly 30 years having worked in a number of African countries, and has a strong background in export orientated horticulture and pack-house management

Martin Collins

Head of New Business (London) Former CEO of Tullett Futures Asia and Natsource Europe. Originated and structured many of the world's first Emission Reduction Transactions, traveling extensively in Asia and Africa

- **Forestry Management Team**

Patrick Greene

Head of Forestry. Patrick has extensive forestry experience, across Africa and the Baltic states, from grassroots to the conclusion of projects. Patrick has valuable marketing experience, from working for Scandinavian Design APS, one of the world's biggest wooden garden furniture producers. Patrick is British and has a military background.

Ivan Muir

Muir was appointed COO of Argento in March 2017. A South African national and highly-qualified FSC auditor he brings 25 years' experience in forestry production and management to Argento. Based in Mozambique, he will oversee the planning and execution of production, while managing the supply chain from the concessions to the port via the sawmill.

Jorge Nobrega

Logging Manager. Jorge has over 30 years' experience in Mozambique working with tropical hardwoods. He previously worked for Madell Timber for 18 years as Production Manager and has experience leading a forestry project in Angola. Jorge joined Argento three years ago and has built an experienced logging team and training program. He is very popular with the local communities.

Ben Salter

Head of Health, Safety Security and Environment. Based in Mozambique, Ben is an ex-Royal Marines Commando and previously filled similar roles for major oil conglomerates in Asia. He is tasked with securing supply lines, introducing processes and procedures, defining roles and responsibilities, and ensuring compliance with local regulations.

Claus Wellov

Logistics Manager. Claus has 41 years' experience in shipping and logistics, 38 of which were Africa based, in positions from Operations Manager to Country Manager. Claus has worked several times in Mozambique since 1987. Claus has an exceptional knowledge of all Mozambique ports and landside operations (rail and road), including deep relationships with Nacala port officials.

- **WoodBois Management Team**

Zahid Abbas

Director, WBI, Zahid, a Danish citizen, has more than 20 years' experience in the timber business, formerly working for DLH Group in roles spanning procurement in Africa, sourcing Brazilian hardwood for French manufacturers and implementing and reinforcing the Group's environmental policy, based in Copenhagen.

Hadi Ghossein

CEO, WoodBois Gabon. A former diplomat and a Gabonese citizen, Ghossein will manage the operations in Gabon with a minimum three-year commitment.

Jacob Hansen

Director, WBI, Jacob, a Danish citizen, has been in the timber business for more than 30 years. Before joining WBI in 2005, he worked for DLH Group, where he held various international sales and procurement roles based in France, the Middle East and Africa (Gabon, Cameroon) selling lumber produced in West Africa. Earlier in his career Jacob operated a sawmill in Sweden, Canada, and the UK and has also worked in hardwood procurement in the Philippines.

c) Corporate Governance

The Obtala Directors recognise the importance of sound corporate governance and intend to ensure compliance with the main provisions of the QCA Guidelines insofar as they are appropriate.

The Obtala Board is responsible for formulating, reviewing and approving Obtala's strategy, budgets and corporate actions. The Directors hold regular board meetings at least every three months and at other times as and when required. The Company has established audit and remuneration committees with formally delegated duties and responsibilities.

The audit committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of Obtala is properly measured and reported on. The remuneration committee reviews the performance of the executive directors and makes recommendations to the Board on matters relating to their remuneration and terms of service. The committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation.

The UK Takeover Code (the "Code") applied to the Company as of 30th September 2013 when the Code was revised to include all companies traded on AIM incorporated in the UK, the Channel Islands or the Isle of Man. Obtala is committed to honesty and integrity in how it does business in all the countries and territories in which it operates. No employee, officer or associated person (including agents, consultants, suppliers or representatives) of Obtala may engage in any dishonest practice or any form of bribery or other corruption anywhere in the world. We have an Anti-Bribery Policy for Obtala's group of companies and all its subsidiary companies worldwide. It explains the measures and behaviours to be adhered to by all Obtala officers, employees, and associated persons (including consultants, agents, suppliers and representatives of Obtala).

As a publicly listed company Obtala produces independently audited financial accounts. The financial year end is 31st December and ensures that all taxes, whether corporate or personnel have been paid to the relevant authority and all mandatory social and pension contributions are up to date.

The majority of the disclosures in this Impact Report are based on Obtala's experience over several years. To further support and measure our social impact objectives, we have conducted a baseline assessment for IRIS, the catalogue of globally accepted social impact performance metrics. We followed the sector-specific recommendations co-developed by The Finance Alliance for Sustainable Trade (FAST) and IRIS for the selection of core indicators for SME's in the forestry

and agriculture value chain. An outline of the initial set of indicators is included in this report. The establishment of this framework uncovered insights on data points the company has at hand and areas we need to strengthen.

All disclosures made by the company are governed by the AIM regulation on reporting. Information on Economic Indicators provided in this report is therefore restricted and we advise for investors and other stakeholders to consult our financial statements available on our website (<http://www.obtala.com/investors-financial-statements.html>).

We are conscious that integrated qualitative and quantitative data comparability over time constitutes a long-term effort but we believe this will be to the material benefit of investors. The focus on these indicators will support our decision making internally and communicate our social and environmental performance to potential and existing investors. As project development continues and operations become more established, we expect that much more data will become available, enabling a greater understanding and more thorough reporting of Obtala's impacts. Obtala will continue to monitor the indicators used to measure the stated outcomes. Over time, there may result in amendments and extensions to existing data collection.

d) Future plans

In terms of future development Obtala intends to consider:

- We intend to rapidly grow revenues and profits as we scale up across Sub-Saharan Africa in both Forestry and Agriculture.
- For our forestry business in Mozambique, the company is building a new sawmill, veneer factory and drying kilns to handle greater production capacity and further move up the value chain in-country. We aim to launch a range of innovative programmes such as the establishment of the community concession, planting and protection of native species.
- An extension of a credit line for WoodBois trading platform will multiply supply to export markets meeting international and domestic demand, and herewith generate a greater number of jobs across the continent.
- For the agriculture business, we will intensify and forge new partnerships to scale our operations through infrastructure upgrades such as the construction of a brand-new, state of the art pack-house, extension of farms and development of agreements with surrounding farms. We focus on opening new markets while retaining value-add in country.
- For our employees, we are harmonizing our human resource systems across all business divisions and continue to emphasis on health, well-being and sports.

7. Risks/ Opportunities analysis, Negative externalities & Other Issues

The company have large-scale, stable and producing forestry assets across Sub-Saharan Africa. Up to June 2016, the company has been operating at 10% of capacity but have confirmed demand for significantly higher quantities than we can satisfy even if we were operating at 100% capacity across all concessions. As such we are looking to accelerate production capacity as well as securing new concessions to satisfy the proven demand from those export markets in Asia, the Middle East, South Africa and Europe that we are currently supplying.

Across the regions, foreign exchange remains high, especially in those instances where there is a large reliance on local customers paying in local currency. However, a growing majority of our revenues are generated through export demand and are billed and collected in US dollars. Our costs in-country, be they Capex or Opex, remain relatively low.

Risks/ Opportunities for Mozambique,

- Illegal logging has been a major issue within the country especially in plantation forestry where large quantities of specific timber types can easily be identified, harvested and exploited. The areas covered by forestry are extremely large and almost impossible to provide security over. Furthermore, the timber species that exist in the region are very high value and are in high demand in Asia and Europe for luxury furniture etc. During the reporting period the government has banned the export of logs, meaning that only end product can be exported. The produce we export is "end product" such as planks, cubes, decking etc. processed in-country, in our own production facilities and as such is eligible for export. This export restriction is very important and

beneficial to us as it will have the effect of reducing supply to markets where the demand is constant or growing.

- Secondly, the government had been issuing two types of concessions; large and small. All of the companies' concessions are large concessions, operating with strictly enforced permitted cut levels and sustainable practices to ensure that the level of the national forestry reserves are maintained. Smaller concessions are not bound by the same regulation and are typically much shorter term in duration. During the reporting period, the government announced that it would not be issuing any new small concessions, would not be renewing existing ones and would be cancelling those that have been issued but are not being harvested. Again, this development is very important and beneficial to us, as it will also have the effect of reducing supply to markets where the demand is constant or growing. Additionally, these small concessions will, we anticipate, be aggregated into large concessions that we can secure to facilitate our expansion plans.

Externalities for Tanzania,

- Due to its latitude, being just south the equator, it enjoys the ability to sow, grow and harvest all year around ensuring surety of supply to distributors and their customers. The typical risks of operating in similar geographies are a lack of effective transport infrastructure, the lack of water, blight and occasional unseasonable climate conditions that can prevent harvesting. We have sought to mitigate these, in the main, by our choice of location close to the capital city which has excellent road and air links. Furthermore, we have invested significantly in our irrigation process by tapping into the underground river network which carries the precipitation run-off from the surrounding mountains rather than relying on the over ground rivers which can often dry up. Our adherence to Global.G.A.P and BRC ensure that our agricultural processes, supply chain and traceability is of the highest quality.
- As stated previously the majority of our produce is exported. Our fresh produce is typically transported by air-freight from Dar es Salaam International Airport. As Tanzania is a net importer, many of the air freight flights return to their home bases largely empty. Wherever possible we seek to use this excess capacity for both economic and environmental reasons to reduce costs and to minimise increased carbon emissions. Mozambique has a similar situation being a net importer with many ships returning to their home bases largely empty. Again, wherever possible we seek to use this excess capacity for both economic and environmental reasons to reduce costs and to minimise increased carbon emissions

In 2018, we are planning to provide similar examples for operations in Gabon and Cote d'Ivoire. From a macro economic perspective, all key indicators would suggest that the regions in which our main operations are based in fast growing economies. According to the International Monetary Fund World Economic Outlook, projects GDP growth for 2017 in Cote d'Ivoire (7.9%), Gabon (4.5%), Tanzania (7.2%) and Mozambique (5.5%). For reference GDP growth in the US and UK for the same period is projected 2.1% and 1.05% respectively. There is growing political stability in the region and national governments are keen to work with organisations such as ours which can demonstrate strong social impact, are growth oriented and with a focus on exports to help reduce trade imbalances.

8. Disclosure Statements

Disclosure Statements

Governance

1.1. Name of SSX Member Organisation: Obtala Ltd

1.2. Please provide the name of the entity (team/governing body) responsible for oversight of the organisation's social objectives (as referenced in Section 2 of the Impact Report):

Obtala Board of Directors

1.3. How many times did this entity meet during the year? 4 meetings

#	Disclosure Statement	Confirm
1.3	During the year, the core mission and social purpose of the organisation was reviewed by the entity described in statement 1.1 above.	x
1.4	The entity described in statement 1.1 above was satisfied that the organisation is continuing to achieve its mission and is working towards its stated social purpose.	x

Stakeholder engagement

1.5. Please provide a summary of the engagement activities the organisation has undertaken with the organisation's core stakeholder groups during the year (which are impacted by its operations). You can add additional rows if necessary:

Stakeholder Group	Activity	# of sessions	# engaged	Topics of engagement
Governments & local government representatives		Ongoing		Review project impacts & dependencies , local regulations, taxes
Employees Local Communities		Ongoing		Performance, upskilling, training, health and wellbeing, implementation of local development initiatives
Standards Agencies		Ongoing		Certification, food safety
Suppliers & customers		Ongoing		Strengthen relations, increase efficiency and performance
Non-Governmental Organizations		Ongoing		Consult and collaborate for implementation of community projects
Shareholders		Ongoing		Regular dialogue, announcement of the year-end results, six monthly results and operational updates.
International finance institutions, impact investors and regional platforms		Ongoing		Collaborate to raise profile and promote investment opportunities in Sub-Saharan

1.6. Please provide a summary of actions the organisation has taken as a result of this engagement (no more than 500 words):

We are in continuous exchange with all our core stakeholder groups. Appropriate activities and actions are taken at all levels of the organisation. These range from implementing training, health and sports activities with local communities to set up governance structure for community concessions with the World Bank.

Material changes

For the following statements, please answer 'yes' if any material changes have occurred during the year, and provide details of the change on the following page:

#	Report Section	Decision Point	Yes	No
2.1	Social Purpose and Context	Has the organisation materially changed or updated its social purpose or mission?		X
2.2	Social Purpose and Context	Has responsibility for oversight of the organisation's social objectives, mission or social purpose changed?	X	
3.1	Who Benefits	Have any of the organisation's core stakeholder groups changed?	X	
3.2	Who Benefits	Has the policy, regulatory or market context of the organisation materially changed?	X	
4.1	Activities and Operations	Has the organisation changed its core activities and/or core operations, or acquired or divested of businesses which affect its core purpose?		X
4.2	Activities and Operations	Have any of the outcomes experienced by the organisation's core stakeholder groups changed (described by the organisation as resulting from its activities)?		X
5.1	Stakeholders	Has the organisation changed its methods of stakeholder engagement?	X	
5.2	Stakeholders	Have relationships with any key partners of the organisation changed (i.e. those partners that are critical to delivery)?		X

Further Detail

In the table below, please provide further details where you answered 'yes' to the decision points listed above. Note that you will need to submit updated versions of all sections which have material changes in them as defined by this table. You should also include details of any updates you have made to sections of your Impact Report to evidence the Year Two requirements, such as proportionality, materiality or stakeholder engagement.

#	Report Section	Decision Point	Detail
2.1	Social Purpose and Context	Has the organisation materially changed or updated its social purpose or mission?	Remains the same as in previous years. The mission statement of Obtala has been reframed "To take a lead in sustainable commercialization of Sub-Saharan Africa of two of the world's most in demand and diminishing natural resources, arable land and forestry. To pursue every opportunity to move up the agriculture and forestry value chain, in partnership with key stakeholders, contributing to long term economic and social development in the markets we operate in.

#	Report Section	Decision Point	Detail
2.2	Social Purpose and Context	Has responsibility for oversight of the organisation's social objectives, mission or social purpose changed?	Addition of Jessica Camus as Non-Executive Director to enhance oversight of the social mission Obtala's social mission.
3.1	Who Benefits	Have any of the organisation's core stakeholder groups changed?	Addition of international development organisations, DFI's, regional platforms such as Grow Africa and Mozambique Forest Investment Plan managed by the World Bank and local NGO's.
3.2	Who Benefits	Has the policy, regulatory or market context of the organisation materially changed?	With the integration of WoodBois, Obtala's policy regulatory and market context extends to Gabon and Cote d'Ivoire and Denmark and the supply chain of the WoodBois trading platform.
4.1	Activities and Operations	Has the organisation changed its core activities and/or core operations, or acquired or divested of businesses which affect its core purpose?	Acquisition of WoodBois in June 2017. Core purpose remains unchanged.
4.2	Activities and Operations	Have any of the outcomes experienced by the organisation's core stakeholder groups changed (described by the organisation as resulting from its activities)?	The described outcomes of its operations have been extended to describe the environmental and sustainable cultivation and harvesting techniques which indirectly generate social impacts.
5.1	Stakeholders	Has the organisation changed its methods of stakeholder engagement?	The organisation is taking a more strategic approach to stakeholder engagement and mapping its relationships with stakeholders.
5.2	Stakeholders	Have relationships with any key partners of the organisation changed (i.e. those partners that are critical to delivery)?	Obtala has strengthened relationships with existing stakeholders and developed relationships with new stakeholders to ensure greater effectiveness of its operations as well as social and environmental impacts at all levels.

Document sign-off

This document should be signed off by a representative of the entity (team/governing body) responsible for oversight of the organisation's social objectives, as referenced in statement 1.1 below and Section 2 of the Impact Report, to verify the accuracy of the disclosures presented by the Member Organisation:

The Impact Report submitted by our organisation is:

A new Impact Report

An update to our Year Two Impact Report, by exception

I certify that this document, when considered in conjunction with my organisation's SSX Year One and Year Two Impact Report submissions, provides a fair representation of the changes in the social and/or environmental impact of my organisation. I further certify that all material information relevant to the impact performance of my organisation in the year since the publication of my organisation's SSX Year Two Impact Report has been included in either this document and/or my organisation's SSX Year Three Impact Report

Signature:



Name: Paul Dolan

Role: CEO Obtala Ltd

Date: September 25, 2017