

KAIA VILLAGE, PEMBA
NORTHERN MOZAMBIQUE

MARIS AFRICA FUND

Q2 2014



First Closing	9th June, 2009
Final Closing	8th December, 2010
Commitments	\$26.1m
Fund Domicile	Cayman Islands
Structure	1 General Partner, 55 Limited Partners

This report covers the final period of the Maris Africa Fund prior to a reorganisation into Maris Limited, a Mauritian GBL1 company, and a subsequent rights issue. The company is finalising rights issue documentation and will circulate a note to all shareholders once it is complete.

HI 2014 RESULTS

EBITDA was in line with forecasts, Net Income was ahead of expectations and the portfolio is on track to meet its full year EBITDA target of \$6.1m. Revenues for the half were 16% behind forecast, largely due to a reorganisation of the fuel contract managed by Network Support Services (NSS), an arrangement for which the company charged only a 1% margin to its client. The stand out performers were KGML, Equator Drilling, Afritise and Untu, whilst ETC has made significant progress towards generating a profit in the second half of the year. Zimgold, perhaps the hidden gem amongst the portfolio, looks poised to commence production in Q3 and preliminary geological work on site looks very encouraging. It is interesting to note that the three companies that carried the greatest discounts in the recent valuation are all among the strongest performers in the group.

- Maris equity share of Revenue was \$13.21m +26% on H1 2013 & -15% behind forecast
- Maris equity share of EBITDA was \$2.26m +213% on H1 2013 & -2% behind forecast
- Maris equity share of Net Income was \$1.41m +7416% on H1 2013 & +3% ahead of forecast

LODGING AND INDUSTRIAL PROPERTY

This quarter saw 100% occupancy and improved yields at Mulitani in Tete and Mozambique Managed Offices in Maputo (MMO), with OSS Mozambique achieving 100% occupancy in July. This quarter also saw Anadarko and Halliburton employees move into Kaia Village in Pemba. In South Sudan, private sector and NGO investment remains on hold, which has led to a fall in occupancy at Acacia Village.

BUSINESS SERVICES

MTA, the JCB dealership in Angola, is on track for a record year and is performing ahead of budget. Equator Drilling has won an anchor contract with Gemfields, which looks likely to be extended by a further 5000m to the end of 2014. Cost cutting at Untu, Zimbabwean microfinance provider, saw net income significantly outperform expectations for the quarter. Despite the political situation in South Sudan, Afritise has enjoyed a record first half of the year bucking the trend. MTT, JCB Tanzania, is behind forecast due to a slow down in the sector and increased competition. The political situation in South Sudan is impacting Network Support Services, which saw an 8% reduction in sites under management, though the company has acquired new clients and we anticipate closing the year in line with forecasts.

RESOURCES AND AGRICULTURE

KGML remains the portfolio's strongest performer, with results significantly ahead of forecast as our second mine comes on line. Trial production at our second gold project, Zimgold, is promising and the company is on track to start full scale production from its tailings facility in Q3. After a weak Q1 Equatoria Teak Company is behind forecasts for the half, but production volumes were up 500% on Q1 and are improving every month. Sister company CETC remains the focus of a dispute between Central and State Government. Elsewhere, tea prices are at their lowest for 15 years, which has negatively impacted Tatepa, though the this has been a record year for avocado production.

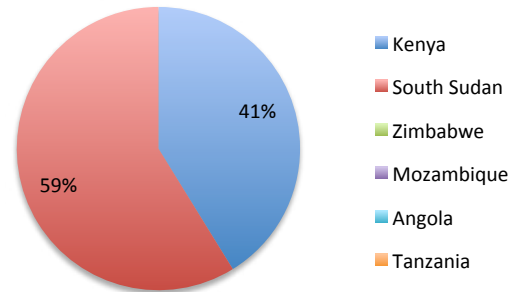
PORTFOLIO COMPANIES AT 31/03/14*

					EQUITY (US\$m)					DEBT (US\$m)				TOTAL (US\$m)		
Date	Company	Country	Equity	Sector	Unrealised Cost	Unrealised Gains	Fair Value	Realised Gains	% of Cost	Cost	Fair Value	Repaid	% of Cost	Total Cost	Proceeds/ Valuation	% of Cost
Jun-09	Karebe Gold Mining	Kenya	80%	Gold Mining	1.45	11.35	12.80	-	884%	0.69	0.11	0.79	132%	2.13	13.70	642%
Sep-09	Network Support Services	South Sudan	71%	Telecoms	1.69	1.70	3.38	0.87	252%	-	-	-	-	1.69	4.25	252%
Sep-09	Acacia / OSS	South Sudan	47%	Lodging	1.02	0.98	2.00	0.64	258%	-	-	-	-	1.02	2.63	258%
Sep-09	Afritise	South Sudan	27%	Advertising	0.17	0.38	0.56	-	325%	0.07	0.08	-	127%	0.24	0.64	269%
Apr-11	Untu	Zimbabwe	19%	SME Banking	0.55	-0.17	0.38	-	69%	0.25	0.26	0.03	113%	0.80	0.66	82%
May-11	OSS Mozambique	Mozambique	100%	Mining Support	2.31	3.69	6.00	-	260%	-	-	-	-	2.31	6.00	260%
Jul-11	Maquinas e Tractores Angola	Angola	50%	Dealership	0.96	3.04	4.00	-	417%	-	-	-	-	0.96	4.00	417%
Apr-12	Tatepa	Tanzania	18%	Agriculture	1.50	-0.15	1.35	-	90%	-	-	-	-	1.50	1.35	90%
Apr-12	Mulitani	Mozambique	48.5%	Lodging	1.62	1.29	2.91	-	180%	-	-	-	-	1.62	2.91	180%
Jun-12	Equatoria Teak Co. / CETC	South Sudan	67%	Forestry	3.16	5.01	8.17	-	259%	-	-	-	-	3.16	8.17	259%
Oct-12	Select / Metals	Moz / Tanzania	<10%	Exploration	0.38	-0.21	0.18	-	46%	-	-	-	-	0.38	0.18	46%
Oct-12	MMO	Mozambique	75%	Serviced Offices	0.17	0.77	0.94	-	568%	0.15	0.15	-	103%	0.32	1.09	346%
Oct-12	Quirimbas Support Services	Mozambique	49%	Lodging	2.50	1.50	4.00	-	160%	-	-	-	-	2.50	4.00	160%
Feb-13	MT Tanzania	Tanzania	50%	Dealership	0.36	2.14	2.50	-	698%	0.48	0.29	0.24	111%	0.84	3.03	362%
Mar-13	Equator Drilling	Moz / Tanzania	100%	Mining Support	1.00	-	1.00	-	100%	0.17	0.17	-	104%	1.17	1.17	100%
Jul-13	Mayjel Mining	Zimbabwe	67%	Gold Mining	1.53	0.15	1.68	-	110%	-	-	-	-	1.53	1.68	110%
Total					20.37	31.47	51.84	1.50	262%	1.80	1.07	1.06	118%	22.17	55.47	250%

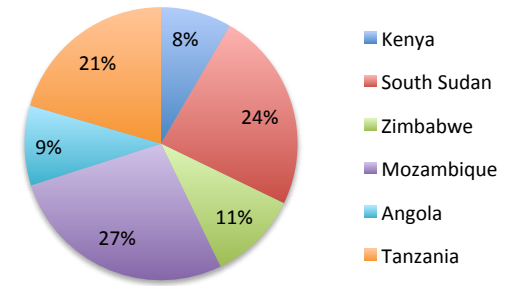
FUND SUMMARY (US\$m)*

Capital Committed	26.10
Capital Called	26.10
Advisory Fee since first close	(3.61)
Establishment, Administration & Deal Costs	(0.85)
Late Entry Interest Payments	0.10
Gain on Revaluation	31.76
Realised Return / Repayments	2.56
Value of Fund	56.06
Fair Value of Fund / Capital called	2.15x
Capital Distributed	-
Reserved for follow on	-
Available for drawdown	-

Investment Geographical Spread Q4 2009



Investment Geographical Spread Q2 2014

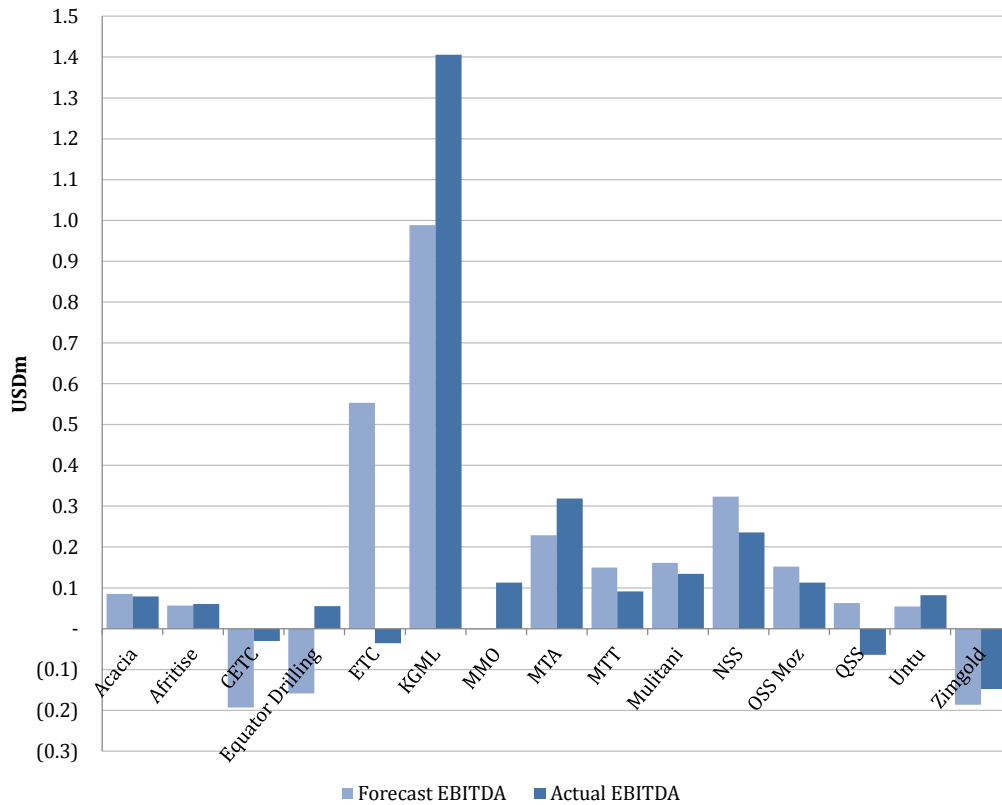


*These figures are unaudited

PORTFOLIO RESULTS **HI 2014**

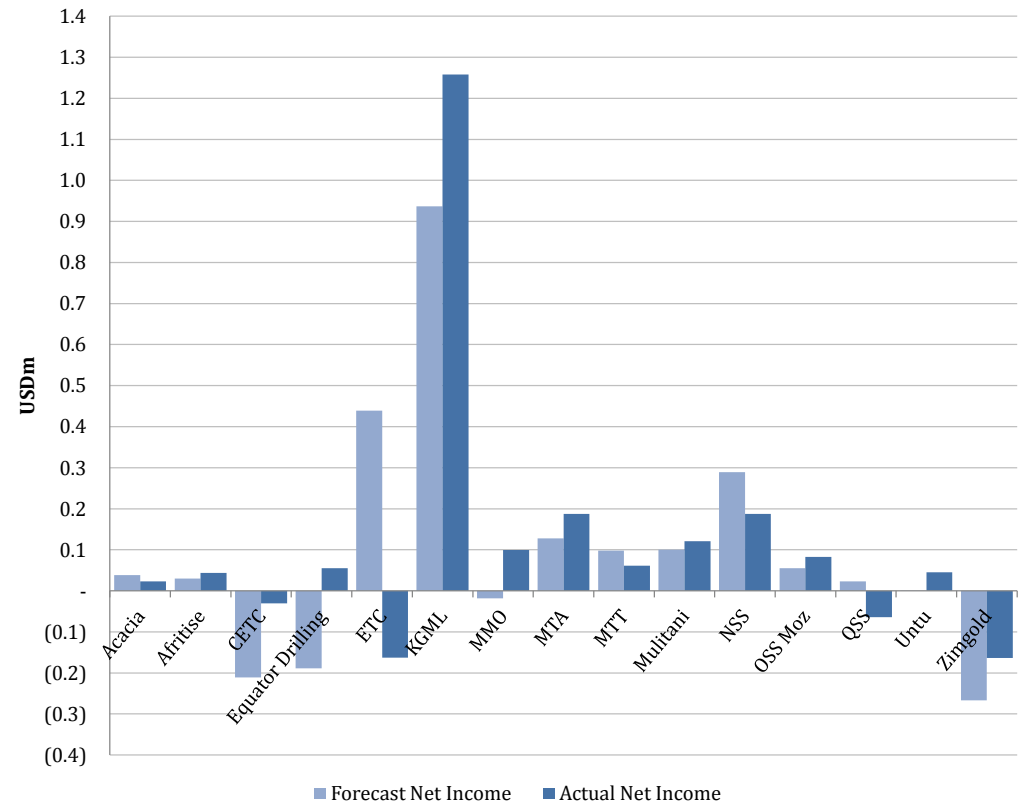
In aggregate H1 2014 actual results are in line with EBITDA and Net Income forecasts.

Actual vs. Forecast EBITDA for H1 2014



Forecast: 2,311,417 **Actual:** 2,265,760 **Difference:** -45,657 -2.0%

Actual vs. Forecast Net Income for H1 2014



Forecast: 1,366,506 **Actual:** 1,416,706 **Difference:** 50,200 3.7%

MTA has an exclusive dealership license to sell JCB machines, power products, spare parts and after-sales service within Angola. MTA is managed by Pedro Salbany and is a joint venture with Muscat Overseas Group.



INVESTMENT DATE	07/11	SHAREHOLDER LOAN	\$0
FUND EQUITY	50%	GUARANTEE	\$1,500,000
EQUITY COST	\$958,099	VALUATION	\$4,000,000

FINANCIALS US\$000	HI 13A	HI 14A		HI 14E	HI 14A	
Revenues	2,939	4,530	54%	4,246	4,530	7%
EBITDA	343	638	86%	458	638	39%
Net Income	191	375	96%	255	375	47%

Highlights

Net income up 96% on 2013 and 47% on forecast
Sales look likely to exceed target forecasts for the year

Lowlights

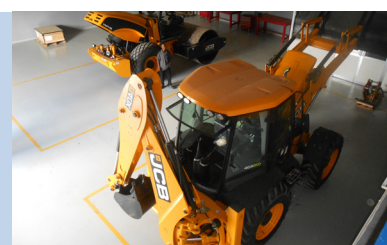
Instability follow the collapse of Banco Espirito Santo
Continued recruitment challenges

MTA has had an excellent start to the year trumping historic results and forecasts. Considering trade in Angola is traditionally stronger in H2, 2014 is likely to be a very good year for the business and \$10m of sales is feasible. In addition to core products, MTA is pleased to see sales of non core heavy line products and generators rise. Business has also picked up in the after sales department, and the gross margin made on the sale of spares and service now covers up to 75% of the company overheads (absorption rate). The business will have to further increase its stock levels and trade guarantees in order to keep up with this growth. The market has been buoyed by significant increases in government investment in infrastructure and in the oil and gas sector. As a result of the strong sales and the real estate market within Angola we are considering developing long-term premises for MTA in Luanda.

MTT



MTT has an exclusive dealership license to sell JCB machines, power products, spare parts and after-sales service within Tanzania. MTT is a joint venture with Muscat Overseas Group.



INVESTMENT DATE	02/13	SHAREHOLDER LOAN	\$291,196
FUND EQUITY	50%	GUARANTEE	\$500,000
EQUITY COST	\$357,930	VALUATION	\$2,500,000

FINANCIALS US\$000	HI 13A	HI 14A		HI 14E	HI 14A	
Revenues	1,924	2,579	34%	3,266	2,579	-21%
EBITDA	224	182	-19%	299	182	-39%
Net Income	148	122	-18%	196	122	-38%

Highlights

New General Manager identified
Market share has increased

Lowlights

Market down 22% on 2013 / economic slowdown
Results behind forecast

MTT is behind forecasts for the year, mainly due to a sharp slowdown in the construction sector which in turn has been driven by late government payments on infrastructure projects and a general economic slowdown. The company has also reduced its gross margins in the face of increasing price competition. As a result, numbers of machines sold are slightly behind budget, though more encouragingly MTT's market share has increased and a new General Manager has been appointed. We anticipate that MTT may come in close to or slightly below forecast for the year. MTT is now considering sourcing and developing its own premises in Dar Es Salaam.

Network Support Services is the dominant GSM infrastructure construction and maintenance company in South Sudan. NSS is managed by Phil Taylor and is headquartered in Juba.

INVESTMENT DATE	06/09	SHAREHOLDER LOAN	\$0
FUND EQUITY	71.25%	REALISED RETURN	\$865,876
EQUITY COST	\$1,685,891	VALUATION	\$3,384,375



FINANCIALS US\$000	HI 13A	HI 14A		HI 14E	HI 14A	
Revenues	6,726	4,871	-28%	5,669	4,871	-14%
EBITDA	595	331	-44%	454	331	-27%
Net Income	459	263	-43%	406	263	-35%

Highlights

Recent entrants to the market have fled
Increasing work is being generated by ZTE/MTN

Lowlights

EBITDA down 43% on 2013 and 35% on forecast
Insecurity restricting operations in affected regions

NSS is behind budget to the end of June, mainly due to cash accounting of a large installation project, where costs were incurred before any revenues were generated. We anticipate increased earnings in the second half for work completed in H1, though NSS has been impacted by the political situation and 8% of sites are no longer being managed. The key reason for the fall in revenues is due to NSS no longer handling the fuel supply for Zain. This was a marginal activity which added a great deal to the top line and only a 1% margin. We anticipate that NSS will end the year close to the revised forecasts used to establish the current valuation. Whilst trading conditions remain very challenging in South Sudan, NSS has secured work with a number of additional telecoms companies, which should result in a strong second half of the year.

AFRITISE



Afritise Limited (Afritise) is the dominant outdoor advertising company in South Sudan with coverage in 11 cities and towns and is headquartered in Juba. The company has constructed over 6,800m² of billboard space.

INVESTMENT DATE	06/09	SHAREHOLDER LOAN	\$84,699
FUND EQUITY	27%	REALISED RETURN	\$0
EQUITY COST	\$171,171	VALUATION	\$555,600



FINANCIALS US\$000	HI 13A	HI 14A		HI 14E	HI 14A	
Revenues	385	437	14%	443	437	-1%
EBITDA	178	218	22%	203	218	7%
Net Income	107	158	48%	107	158	48%

Highlights

Record revenues in H1 in line with forecasts
Net income up 48% YoY despite adverse conditions

Lowlights

Few new clients entering the market
Market prospects long term looking uncertain

Despite the political headwind in Juba, Afritise has posted record results, a remarkable achievement in a country and economy that has been in decline since December. The company significantly outperformed the same period in 2013 and our forecast, with Net Income beating both our forecasts and YTD 2013 numbers by 48%. The company is planning maintenance work and some additional site building in Juba, but otherwise will look to maintain its No 1 market position until the situation in the country improves. It looks likely that Afritise will sign up Zain and South Sudan Breweries Ltd, two of South Sudan's largest companies, after a very long courting period. We maintain a positive outlook for the company which has weathered the South Sudanese storm remarkably well.

Founded in 2013 by Bruce Olivier, Equator Drilling is a drilling contractor that offers exploration drilling services to the African resource sector.



INVESTMENT DATE	03/13	SHAREHOLDER LOAN	\$172,350
FUND EQUITY	100%	REALISED RETURN	\$0
EQUITY COST	\$1,003,885	VALUATION	\$1,000,000

FINANCIALS US\$000	HI 14E	HI 14A	
Revenues	109	112	3%
EBITDA	(159)	55	135%
Net Income	(189)	55	129%

Highlights

Results ahead of forecasts

Cornerstone contract signed

Further 10,000 metres likely to be offered

Lowlights

Exploration market remains depressed

Margins are under pressure as rates fall and costs rise

Following a slow start due to adverse market conditions for exploration drilling in Mozambique, Equator Drilling signed its first significant contract with the precious stones miner Gemfields, a London AIM listed company with a ruby mine in Montepuez, Cabo Del Gado province. The contract was for 5,000 metres of shallow auger drilling in support of the mine's production planning and operations are currently underway. The contract looks likely to be extended by a further 5,000 metres which will carry the company through to 2015 and the next drilling season. As a consequence of our relationship with the client, ED has been encouraged to bid on a large contract mining project for Gemfields, which opens the door to a new business opportunity in one of the most interesting mining regions in Africa.

UNTU



Untu was founded in 2009 by CEO Clive Msipha to meet the growing demand for credit from small businesses and entrepreneurs. Untu has a book of \$2.5m and offers loans, micro housing and insurance products from its five branches in Harare, Chitungwiza, Gokwe, Gweru and Bulawayo.

INVESTMENT DATE	04/11	SHAREHOLDER LOAN	\$256,599
FUND EQUITY	19%	REALISED RETURN	\$26,145
EQUITY COST	\$553,805	VALUATION	\$662,924



FINANCIALS US\$000	HI 13A	HI 14A		HI 14E	HI 14A	
Operating Income	779	983	26%	1,854	983	-47%
Operating Expenses	641	481	-25%	1,243	481	-61%
Impairment provisions	101	119	18%	480	119	-75%
Net Income	(17)	238	1524%	5	238	4360%

Highlights

Net Income ahead of forecast

Portfolio At Risk reduced to 7.5%

Lowlights

Zimbabwe growth faltering

Financial sector remains undercapitalised

To the end of June Untu achieved net income of \$240k, compared to our forecast of \$5k. The company grew its book from \$2.7m to \$3.1m in Q2 and is on track to end the year with a loan book over \$4m. The book is made up predominantly of microenterprise loans sub \$2,000, a sector that has been ignored by Untu's competitors in favour of more politically sensitive payroll lending. In 2015 Untu is targeting a loan book of \$8m, funded by the multiple credit lines that it has secured with regional and international microfinance funders. Portfolio At Risk is sub 10% for the first time since inception, which compares positively with an average for the sector of 20%. Untu is performing well in a very challenging market. The World Bank growth forecast for Zimbabwe in 2015 is 1%, down from an optimistic 6% for 2014.

Acacia Village is Juba's leading long-stay hotel and has been Trip Advisor's No.1 rated Juba hotel since 2009. Acacia Village is a 39 room residential compound with serviced office space and storage facilities.



INVESTMENT DATE	06/09	SHAREHOLDER LOAN	\$0
FUND EQUITY	47%	REALISED RETURN	\$636,787
EQUITY COST	\$1,021,186	VALUATION	\$1,997,500

FINANCIALS US\$000	HI 13A	HI 14A		HI 14E	HI 14A	
Revenues	894	704	-21%	749	704	-6%
EBITDA	378	168	-55%	180	168	-7%
Net Income	240	49	-80%	81	49	-40%

Highlights

Occupancy remains higher than peers in Juba

Lowlights

Hotel market in Juba remains depressed

Acacia Village has had a disappointing first half of the year. It is behind 2015 as expected and below our forecasts. Occupancy rates have fallen in June to below 50%, down from 80% in early Q1, as international companies and NGO's have withdrawn from South Sudan until the situation improves. We are seeing some signs of a recovery with encouraging bookings in Q3. In order to mitigate the impact of the political upheaval on the business, the company will undertake a cost cutting program and look to reduce rates in order to bolster occupancy in the near term. We anticipate that if the political situation worsens, Acacia Village will end the year close to or behind our forecast.

OSS MOZAMBIQUE



OSS Mozambique develops industrial parks and provides warehouses and mining services in Tete, Mozambique. Phase 1 saw the construction and sale of our first compound of warehouses and offices. Phase 2 is a development in Moatize, closer to major coal mines and traffic routes.



INVESTMENT DATE	05/11	SHAREHOLDER LOAN	\$0
FUND EQUITY	100%	REALISED RETURN	\$0
EQUITY COST	\$2,310,987	VALUATION	\$6,000,000

FINANCIALS US\$000	HI 14E	HI 14A	
Revenues	224	244	9%
EBITDA	152	112	-26%
Net Income	55	83	49%

Highlights

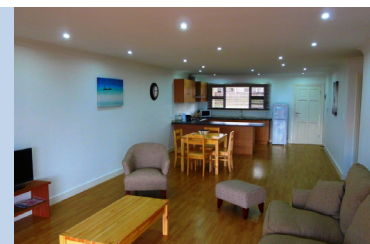
Land purchases in Nacala and Pemba
Net Income up on budget

Lowlights

Marked slowdown in Tete due to low coal prices
Sale of Rio Tinto assets for 2% of original price

OSS is currently running at about 100% occupancy. The business is behind on budget for the year due to the local slow down and to the company's decision to delay the building of further industrial units in Tete. However, OSS has now sourced 10 hectares of prime industrial land in Nacala, a highly strategic port and the main export hub for coal produced in Tete. Vale has made a USD4 billion investment in a 900km railway to Nacala. The land that OSS has secured has been priced at extremely competitive rates. It has main road frontage, is close to the railway and is well served by utilities. OSS has also secured 2.2 hectares of prime industrial land in Pemba, which will be another one of the region's fastest growing cities due to the major discoveries of natural gas.

QSS offers serviced accommodation in Pemba, Mozambique, to major oil and gas clients associated with the recent offshore discoveries. The Kaia Village compound is complete and opened to clients in Q2 2014 .



INVESTMENT DATE	10/12	SHAREHOLDER LOAN	\$0
FUND EQUITY	49%	REALISED RETURN	\$0
EQUITY COST	\$2,504,120	VALUATION	\$4,000,000

FINANCIALS US\$000	HI 14E	HI 14A	
Revenues	271	19	-93%
EBITDA	126	(128)	-201%
Net Income	46	(128)	-376%

Highlights

100% occupancy in 3rd week of August for port inauguration
Phase 1 development of Pemba port commences
Oil and gas law ratified

Lowlights

FID for LNG trains expected Q3 2015
Current slow pace in Pemba, lower occupancy than expected

QSS holds 8.8 Hectares of land in Pemba, northern Mozambique. The company has developed an equivalent 4 star residential long stay development on a 2 Ha site targeting the major oil and gas clients associated with the recent offshore discoveries. After a slow start due to delays in gas developments for Pemba, QSS has started to take on clients, including Halliburton and Anadarko. QSS is currently running at about 35% occupancy, which is ahead of break even. We expect the occupancy levels to rise to over 50% in the next two weeks and the 60% occupancy that we forecast for YE 2014 looks achievable. With activity in Pemba anticipated to increase towards the end of the year, QSS is well positioned to develop additional real estate opportunities to serve the gas industry and associated infrastructure projects.

MULITANI



Mulitani is a secure, serviced accommodation compound in Tete, central Mozambique well located on the banks of the Zambezi. Phases 1 and 2 of construction are complete and all 50 rooms are full.



INVESTMENT DATE	05/12	SHAREHOLDER LOAN	\$0
FUND EQUITY	48.5%	REALISED RETURN	\$0
EQUITY COST	\$1,617,420	VALUATION	\$2,910,000

FINANCIALS US\$000	HI 14E	HI 14A	
Revenues	483	472	-2%
EBITDA	332	277	-16%
Net Income	207	249	20%

Highlights

Full occupancy
Possible expansion in Maputo

Lowlights

Slowdown in Tete

Mulitani is currently operating at 100% occupancy and is on track to meet budgets for 2014. The business has had a very strong quarter and is building a good capital reserve for further development or distribution at the end of the year. The company still holds a 2 Ha site adjacent to the existing development for future expansion. Mulitani is also in the final stages of negotiating an opportunity to build a further 10-20 units for one of its anchor clients in Matola, the industrial twin city to Maputo, with a guaranteed 3 year contract. Land has already been identified for this purpose and negotiations are ongoing.

MMO is a serviced office business based in Maputo catering to the rapidly increasing number of international businesses arriving in Mozambique. MMO currently operates three serviced office centres in three different areas of Maputo: Avenida 24 de Julho, Marginal and the JAT building.



INVESTMENT DATE	10/12	SHAREHOLDER LOAN	\$153,794
FUND EQUITY	75%	REALISED RETURN	\$0
EQUITY COST	\$165,035	VALUATION	\$937,500

FINANCIALS US\$000	HI 14E	HI 14A	
Revenues	327	472	44%
EBITDA	(3)	150	5633%
Net Income	(25)	133	634%

Highlights

*Final negotiation of facilities management contract
Buoyant market in Maputo*

Lowlights

*Arrival of Regus and other competition
Pressure on future margins*

Mozambique Managed Offices is 100% full and performing well. Competition has increased, most notably with Regus entering the market, but this is yet to impact the company's performance. Management remains confident that our premium offering and location will continue to ensure high levels of occupancy, but we remain vigilant to price competition putting downward pressure on margins. These are not unexpected developments and part of the natural cycle in the serviced office market, however in anticipation of such developments we have already been diversifying the company's offering.

Karebe Gold Mining Ltd is located near Kisumu, Western Kenya and is the only operating gold mine in the Kenya. Since we broke ground in 2009 Karebe has produced 7,302 oz or 227 kg of gold, totaling \$10.2m to date.



INVESTMENT DATE	06/09	SHAREHOLDER LOAN	\$110,010
FUND EQUITY	80%	REALISED RETURN	\$790,000
EQUITY COST	\$1,447,576	VALUATION	\$12,800,000

FINANCIALS US\$000	HI 13A	HI 14A		HI 14E	HI 14A	
Revenues	1,181	2,981	147%	2,730	2,918	7%
EBITDA	112	1,757	1468%	1,235	1,757	42%
Net Income	-14	1,573	11392%	1,171	1,573	34%

Highlights

*Excellent results in H1 beat forecast
Production commences from Boma Mine*

Lowlights

*Gold price weaker than anticipated
Introduction of CGT on mining sector*

KGML is ahead of forecast revenues and earnings to the end of June and continues to perform strongly. Production costs remain around \$700/oz and we look forward to new production (10 ton/day of ore) coming online from Boma Mine, scheduled for July. Milling hours are set to increase in August and we anticipate a strong end to the year, ahead of budget. A recent visit from the company’s consulting geologist at the mine has affirmed our confidence in, and understanding of the resource. Major headway has been made after four years’ negotiations and a deal looks likely to be concluded imminently to secure our third mine, Rock Corry. When in operation Rock Corry is likely to be equal in size to Equatorial Mine, our principal production source and could double production in the medium term.

ZIMGOLD

Zimgold is a private gold company managed by Karebe Managing Director, David May. Zimgold has established a tailings processing operation at the dormant Commoner Mine in the Midlands region, which could produce 6,500-7,000 oz of gold within three years.



INVESTMENT DATE	07/13	SHAREHOLDER LOAN	\$0
FUND EQUITY	67%	REALISED RETURN	\$0
EQUITY COST	\$1,529,313	VALUATION	\$1,675,000

FINANCIALS US\$000	HI 14E	HI 14A	
Revenues	55	109	39%
EBITDA	(278)	(220)	21%
Net Income	(399)	(244)	39%

Highlights

*Recovery rates encouraging from test plant
Tailings plant commissioning in Q3*

Lowlights

Political situation in Zimbabwe remains uncertain

Zimgold is in production and is on track to meet its Q3 schedule for large scale production. We are pleased with progress and prospects both for the tailings projects and for the mines themselves. Zimgold is valued at \$1.67m, which is essentially close to cost, which again seems very reasonable given the upside potential. Recent geological work on the mining claims held by the company indicates an entire parallel quartz structure to the west of the Commoner Mine. If test results prove positive the chances of developing a good sized mine in combination with the tailings project look feasible. It is likely that a significant exploration program will be required in the next 12 months to prove up a number of encouraging potential ore bodies on the mining claims.

Equatoria Teak Company (ETC) and Central Equatoria Teak Company (CETC) make up South Sudan’s leading sustainable forestry company and the second largest teak grower in Africa. The companies manage over 3,220 ha of mature plantations (av. 45 yrs).



INVESTMENT DATE	06/12	SHAREHOLDER LOAN	\$0
FUND EQUITY	68%	REALISED RETURN	\$0
EQUITY COST	\$3,159,620	VALUATION	\$8,171,098

FINANCIALS US\$000	ETC	HI 14E	HI 14A		CETC	HI 14E	HI 14A	
Revenues		2,803	1,856	-34%		599	9	-99%
EBITDA		787	(51)	-106%		(293)	(46)	84%
Net Income		625	(232)	-137%		(320)	(46)	86%

Highlights

*Production volumes up 300% on Q1
Recovery rate strengthening*

Lowlights

*Rainy season and bad roads impede haulage
State / Juba dispute at CETC ongoing*

In Q2 ETC shipped 1,905 cbm for gross revenues of \$1.25m. EBITDA for Q2 was \$154k. Following losses in Q1 this brings EBITDA for H1 to (\$51k). The company ended the quarter with over \$150,000 of product awaiting shipment due to very poor road conditions. Q2 saw significant improvements in volumes and recovery rates as investments in spare parts, new sawmills and additional personnel delivered results. Our new license to ship logs directly from the field also proved profitable. Management has been working hard to push up pricing across all products. This quarter also saw the fewest security incidents at ETC in the past twelve months.

	<u>Q1/cbm</u>	<u>Q2/cbm</u>
Average daily production	12	31
Total production	745	1,911
Recovery rate	39%	44%

Due to delays getting into Nangondi plantation (the third largest plantation at ETC), some of the new saws are not yet in production and volumes can rise further towards the target 45 cbm / day without additional capital expenditure. Tor Devereux, the Production Manager, has performed well, as seen by the improvement in the recovery rate, though a bout of malaria in June slowed him down.

ETC’s average selling price is slowly increasing. We are clearfelling our forests in order to ensure a high quality coppice, and although the yields are above expectations, this results in significant volumes of relatively small timber. Average pricing is brought down by the cost of selling lower grade and smaller dimension sawn wood, which carry the same royalty rate of \$100/cbm. The Ministry of Agriculture has agreed to reduce the royalties on these smaller products by 70%, starting in late Q2.

We have planted out 11,110 seedlings in Yaboa plantation (11 ha) in Q1 / Q2 in the form of stumps and ETC’s nursery is home to 27,000 seedlings. We are working with community leaders to increase mutual cooperation between local farmers and the company.

Negotiations between Central Equatoria State and the National Government over the management of CETC and the payment of royalties dragged into Q2 and production from CETC has been further delayed. CETC is a recognised national asset but as the conflict in South Sudan drags on, the States are seeking alternative sources of revenue and starting to dispute Juba’s authority. Three India - made sawmills and one Canadian woodmill are in country and ready to start production, but we have not been able to commence construction on the sawmill site until this dispute is resolved. Q2 saw the matter referred to the Council of Ministers (the South Sudan Cabinet). Meanwhile the company has established a nursery which now holds 15,000 seedlings. This will increase to 40,000 in the next month, enough to plant out 18 ha. This is the only new planting happening anywhere in Central Equatoria State.



Tatepa is the holding company for a group of companies active in the Tanzanian agriculture and agro-processing sector. Two of the companies grow, package and market loose-leaf black tea. Meanwhile, Kymbila Tea Packing Company (KTPC) is the owner of Chai Tausi, a mass-market brand.

INVESTMENT DATE	04/12	SHAREHOLDER LOAN	\$0
FUND EQUITY	18%	REALISED RETURN	\$0
EQUITY COST	\$1,501,173	VALUATION	\$1,350,835



Highlights

Export of 26 containers of avocados
Implemented cost restructuring plan

Lowlights

Continued low tea prices
Competition from Chai Bora
Quality issues on some avocado exports

Tatepa has continued to struggle mainly due to a falling tea price but also increased competition for Chai Tausi from market leader Chai Bora. Global tea prices remain depressed and Tatepa is behind budget. Rungwe Avocado Company completed the harvest season with 26 containers exported. There continued to be issues relating to quality of fruit in some of the containers and thus prices achieved. However the company is working with its technical partners to improve consistency above the current 80%. Rungwe Avocado Company has also welcomed new equity & debt investors, AgDevCo, which bring further specialist experience on farming in Africa and working with smallholders. Tight capital discipline is in effect across the company and Maris has led the efforts in restructuring of Chai Tausi, with a \$50k per month reduction in operating costs effective from August.

METALS OF AFRICA



The fund has made a small strategic investment in two prospective mining exploration companies listed on the ASX. The companies hold exploration licenses in Tanzania and Mozambique; both are potential clients for Equator Drilling.

INVESTMENT DATE	10/12	SHAREHOLDER LOAN	\$0
FUND EQUITY	<5%	REALISED RETURN	\$0
EQUITY COST	\$382,603	VALUATION	\$175,659



Highlights

Successful placements in Q2 / Q3
Secured highly prospective additional concessions

Lowlights

Exploration market remain subdued

During Q2 Metals of Africa conducted a placement which raised \$494,216 and then an additional placement which raised \$950,000 in July. The company also announced the commencement of its initial exploration program at the Montepuez Graphite Project in Mozambique. The project is located along the strike from Syrah Resources (ASX: SYR) and Triton Resources (ASX: TON) major graphite resources, and hosts the same geology of the graphite bearing unit that contains these resources. The share price saw a sharp rally into the end of the quarter on the back of the additional financing and the graphite opportunity in Cabo Del Gado, which hosts a world class graphite resource. Outcropping of graphite and vanadium mineralisation in conjunction with a 10km long EM conductor have been defined as a drill target. In the Tete province further drilling is likely on the Rio Mazoe and Changara prospects.

Select Exploration vended a number of its licenses into Metals of Africa for equity earlier in the year. The company retains a number of prospective licenses and is seeking to simply hold the licenses and tread water in current market conditions in the sector.

SOUTH SUDAN KEY FACTS

South Sudan GDP \$9.4 bn; GDP contraction 55% (2012), 33% (2013), 17% (2014e)

Population 10.8 m (0.5 m Juba)

CPI Inflation 47.2% (2012)

Ease of doing business index 159 of 185

Oil (70% GDP); Construction; Forestry; Agriculture; Foreign Aid

KEY SECTORS

Oil; Agriculture; Forestry

KEY DYNAMICS & UPDATES

Continued fighting in South Sudan between forces led by President Salva Kiir and his opponent and former Vice President Riek Machar has reduced oil flows from 350,000 barrels a day at peak in 2011 to 160,000 barrels a day in 2014. This has obliged the government to reduce expenditure and has created considerable delays to the sale of mining concessions and new rounds of oil-licensing. Foreign investment has also slowed and the government is struggling to service its debts, including \$1.6bn borrowed from China's National Petroleum Corp, Malaysia's Petronas and ONGC Videsh Ltd of India. International aid, which contributed around \$5.5bn to GDP in 2011 has been paused as international funders move away from capacity building programs toward direct relief operations. GDP is expected to decline for 2014 due to the ongoing civil conflict. Despite the turmoil in the north of the country and reduced income for the government, life in the capital Juba has remained relatively unchanged and construction on new residential and industrial property continues. Despite the turbulence, government finances are in a better position than during the 2012 complete oil shutdown.

In the north of the country civil unrest persists despite international intervention headed by IGAD (an 8 country trade block in East Africa that includes South Sudan and South), the African Union, the UN, China, the EU and the Troika (US, UK and Norway, signatories of the Comprehensive Peace Agreement in 2005). The ceasefire that was agreed between the two sides has broken down, and it appears neither of the leaders have complete control over their forces on the ground. Seasonal rains have not helped matters, with many roads now inaccessible, and food shortages amongst the displaced population is becoming an increasing concern. The international community is losing patience and the threat of sanctions against key individuals on both sides of the conflict are likely to be imposed in the second half of 2014, should they not come to an urgent settlement. This could have negative knock on effects for foreign companies operating in South Sudan.

South Sudan is also funding 3,000 Ugandan troops, who are stationed in South Sudan and are fighting to support the government. South Sudan has struggled to pay its troops and there are reports of soldiers abandoning the front lines after not being paid. Oil receipts should be sufficient to cover these salaries, but are likely to have been diverted. The same fate is befalling the State Governments in South Sudan, who are no longer receiving their historic payments from the capital and are thus seeking alternative forms of revenue generation. Equatoria Teak Company is likely to be the largest monthly contributor to the Western Equatoria State account.

Despite the ongoing civil conflict, however, cooperation between Sudan and South Sudan has improved over key shared areas of concern, including border areas and oil revenues, a lifeline of both Governments.

KENYA KEY FACTS

Kenya GDP \$46bn; GDP growth: 4.2% (2012) 5.1% (2013) 5.9% (2014e)
 Population 44.6m (3.1m Nairobi), growth rate 2.27%
 CPI Inflation 7.1% (2013), FDI: \$249m
 Currency rate: \$1 = 87.5 Kenyan Shilling (KES) (down 1.5% in 12 months)
 Interest rate: 8.5% (Central Bank of Kenya), Interbank: 10%
 Public debt (as % of GDP): 47.8%, Investment as % of GDP: 20.9%
 Next Presidential election: 2017

KEY SECTORS

Agriculture; Tourism; Construction; Services; Oil and Gas potential

KEY DYNAMICS & UPDATES

Despite a string of security incidents the Kenyan economy has remained robust and 2014 should match the 2013 GDP growth rate of 4.7%. Other key economic fundamentals remain at encouraging levels. Interest rates have remained broadly steady, and year on year inflation has risen only moderately to 7.3%. The Kenyan Shilling, however, declined to a 30 month low vs. the dollar towards the end of May. The Central Bank has argued that the decline is a result of seasonality and the temporary demand for local companies to meet dividend payments to foreign parents. Political instability in Kenya, however, may be a contributing factor.

Kenya has been the victim of terrorist attacks from Al-Shabaab and other sympathetic groups focused in the poorer suburbs of Nairobi and Mombasa, and also in villages in the North East of Kenya, close to the border with Somalia. Security services are on high alert, and the tourism industry is suffering. Other sectors, however, are proving resilient and this quarter has seen growth in the finance sector, communications and logistics. Construction has also performed well, although agriculture has suffered as much as the tourism industry.

The government continues its strategy of targeting foreign direct investment and is continuing its privatisation agenda. They are also investing funds in six key industries: agro-processing, beef cattle, fishing, textile manufacturing, leather goods and information technology. This effort is being led by the Ministry of Industrialisation, who are also stepping up infrastructure development projects. Such projects include the \$4.5 billion Standard Gauge Railway from Mombasa to the Ugandan border. Work is due to start following the receipt of funding from the Exim Bank of China. Funding for new developments has also been raised by the government through successful Treasury bond auctions in April and May. The Central Bank of Kenya accepted Kshs 12.5 billion of offers in its Kshs 15 billion auction of 2 year Treasury bonds in May, at a final yield of 10.795%. The auction of 5 year Treasury bonds in April was particularly well received by investors. Over Kshs 30 Billion of bids were made in the Kshs 15 billion auction. A final yield of 10.87% was achieved, down from a yield of 11.95% that was achieved towards the end of last year.

ANGOLA KEY FACTS

Angola GDP \$126bn, GDP growth 7.9% (2012) 4.1% (2013) 5.3% (2014e)
 Population 20m (5.9m Luanda), growth rate: 3.1%
 2012 FDI \$9bn (mostly pre-salt oil exploration)
 CPI Inflation: 7.3%, 2013 FDI: \$5bn
 Currency rate: \$1 = 97.6 Angolan Kwanza (AON) (down 2% in 12 months)
 Interest rate: 9.2% (National Bank of Angola)
 Public debt (as % of GDP): 32.7%, Investment (as % of GDP): 16%
 Next election: 2016

KEY SECTORS

Oil & Gas; Mining; Agriculture and Construction

KEY DYNAMICS & UPDATES

The GDP growth target announced by the Angolan government is 6% for 2014, up from 2013's 4.1% but down on the previously announced target of 8.8%. In an effort to help achieve this target the Central Bank cut its basic interest rate by 50 basis points to 8.75% in July, in a move to further stimulate the economy. With inflation on a downward trend, Angola is likely to move ahead with this rate loosening as it chases growth targets.

The oil industry, which accounts for half of the country's GDP and 95% of its exports, has a slower start to the year but conditions improved in Q2 and production should continue to rise as new oil fields are developed. Ongoing instability in the Middle East and Ukraine is likely to put upward pressure on oil prices.

Infrastructure developments are also gathering pace and the government recently took on a loan of \$1.5 billion from Russian bank VTB Capital to implement public investment projects identified in the government's National Development Plan. The government of Angola has committed \$20 billion to the reconstruction and rehabilitation of public infrastructure with \$8 billion dedicated to roads, \$5 billion to airports, and \$3.5 billion dedicated to power developments. The production capacity of the Quianganga thermal power plant is to be tripled to 9600Kw following the installation of four new generators, which will increase the number of people with access to electricity in the city of Mbanza Congo and its suburbs, from 8,000 at the moment to 12,000 and on a continual basis (24 hours a day).

Elsewhere, China Railway Construction announced the official commencement of the Benguela railroad project which connects Angola's Atlantic port of Lobito to the eastern border town of Luau, and also to the rail network of the Democratic Republic of Congo. Operations along this route are expected to start later this year.

Banco Espírito Santo Angola (BESA), the country's second largest bank, collapsed as Portugal's beleaguered Banco Espírito Santo (BES) lost \$4.8 billion in the first six months of the year and faced restructuring by the Portuguese central bank. BESA had doubled its loan portfolio between 2010 and 2012, leaving it with a loan/deposit ratio of nearly 200%, and relied heavily on BES for funding. Following the losses at BES, a deterioration in the quality of the loan book prompted concerns around liquidity and solvency at the bank. The Bank of Portugal acted by stepping in and categorising BESA as a 'bad' bank as part of the overall restructuring of BES. The Angolan central bank has since injected \$5bn into BESA, and is expected to keep the bank afloat for up to a year while advisers review and restructure its loan books.

ZIMBABWE KEY FACTS

Zimbabwe GDP \$11bn; GDP growth 4.4% (2012) 3% (2013) 3% (2014e)
 Population 13.2m (2.1m Harare) Growth rate: 2.7%
 CPI Inflation: -0.9%, 2013 FDI: \$400m (estimate)
 Currency change: Multi currency economy, USD and South African Rand
 Interest rate: 20% (lending rate), 0.15% (deposit rate)
 Public debt (as % of GDP): 56.1%, Investment (as % of GDP): 27.3%
 Next election: 2018

KEY SECTORS

Mining; Agriculture; Financial Services

KEY DYNAMICS & UPDATES

Zimbabwe remains in a delicate state. Minimal foreign direct investment inflows, increasing government debt, a deteriorating trade deficit and investor uncertainty over government policies are weighing on the economy. These factors are contributing to an increasing number of businesses being forced into closure, and to the high level of unemployment that the country is currently experiencing.

Foreign investment in Zimbabwe more than halved in the first six months of this year, with the country receiving \$67 million in inflows for the period vs. \$165 million for the same period 2013. John Mangudya, the recently appointed Central Bank Governor has stated that he believes this to be as a result of investors misunderstanding the country's indigenisation policy. Exports have also been steadily declining, and were down 13% for the first half of the year compared to 2013. Our experience in Zimbabwe would corroborate the Governor's assessment - the original guidance that companies are bound to cede 50% of shareholding to indigeneous parties is no longer the case, and there are a growing number of examples of indigenisation policies ceding 20 - 30% over five years, hedged by numerous caveats and financial instruments, receiving approval from the Indigenisation Commission.

The Zimbabwean government returned to deficit in April following disappointing revenues and increasing employment costs. A cumulative deficit of £33.5 million was recorded for the four months to April, as revenues stood at \$1.12bn vs a target of \$1.17bn. The Accountant General's office stated that the earnings miss came as a result of declining tax revenues, as VAT collections came in lower than expected. This was compounded by employment costs of \$671 million, following increased salaries for civil servants, which has led to the government increasing its debt burden. Debts to companies are being repaid through the controversial issuance of US dollar denominated Treasury Bills by the Central Bank. It was reported that the Finance Ministry raised \$30 million in bills to repay tobacco farmers in July following the Central Bank's retention of 25% of tobacco earnings between 2006-2008 in an effort to raise foreign currency. This follows the \$100 million issuance in June by the Reserve Bank of Zimbabwe.

One positive note has been the easing of sanctions by the European Union. Should the US follow the same path, this could assist the economy in attracting foreign capital once again. The question of succession to Mugabe within Zanu PF is becoming a public affair and Grace Mugabe, his wife has entered the fray. There are rumours that Mugabe will seek to quell dissent and announce a successor at the Zanu PF conference in December, though these are unsubstantiated.

TANZANIA KEY FACTS

Tanzania GDP \$52 bn; GDP growth 6.4% (2012), 6.9% (2015), 7.1% (2014e)
Population 48m (4.4m Dar es Salam), growth rate: 2.7%
CPI Inflation: 9%, 2013 FDI: \$1.8bn (estimate)
Currency rate: \$1 = 1,620 Tanzanian Shilling (TZS), no change.
Interest rate: 7-8%
Public debt (as % of GDP): 42.9%, Investment as % of GDP: 39.1%
Next election: 2015

KEY SECTORS

Construction; Trade; Telecommunications; Gas potential.

For further details please see Investor Briefing on Mozambique and Tanzania.

MOZAMBIQUE KEY FACTS

Mozambique GDP \$15bn; GDP growth 7.4% (2012), 7% (2015), 8.5% (2014e)
Population 24.5m (1.8m Maputo)
CPI Inflation: 5.6%, 2013 FDI: \$4.5bn
Currency rate: \$1 = 31.04 Metical (down 3% in 2014)
Interest rate: 20% (lending rate), 8.25% (Central Bank)
Public debt (as % of GDP): 50.7%, Investment (as % of GDP): 38%
Next election: 2014

KEY SECTORS

Oil and Gas exploration; Mining; Agriculture

For further details please see Investor Briefing on Mozambique and Tanzania.



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