

APPENDIX A
PROJECT DESCRIPTION
SHOREMILLKOL ROCK LOBSTER FISHING: NAMIBIA

I. Introduction

This appendix describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this Appendix A shall be construed as amending any of the definitions, conditions, or terms of the Agreement.

II. Background

Shoremillkol (Pty) Limited's main business activity is harvesting rock lobster. Shoremillkol is a consortium of three fishing companies owned by 18 indigenous Namibians based in Luderitz, Namibia.

The Ministry of Fisheries and Marine Resources (MFMR) has assigned Shoremillkol a provisional 15-year rock lobster catch quota of 10 metric tons per year. The company leases vessels from other lobster fishing enterprises to catch its quota because it does not own its own vessel. Shoremillkol must acquire its own fishing vessel in order to permanently secure the 15-year fishing rights. The group has not been able to earn adequate income from its business to purchase a vessel. This problem is exacerbated by the high cost of the leasing fees for chartered vessels, which significantly reduces the group's income from its catch.

III. Funding

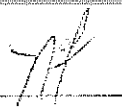
A. ADF Contribution

The financial plan for ADF's contribution is set forth in Appendix A-1 to this Agreement. The Parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 7 of the Agreement and do not cause ADF's contribution to exceed the obligated amount specified in Article 3, Section 3.1 of the Agreement.

B. Grantee Contribution

Shoremillkol's contribution to the Project is NS220,900 towards the VAT on the vessel's purchase price. Shoremillkol will also cover all salary, administrative, marketing, and management costs not specifically provided for in the ADF contribution.

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IV. Project Goal

The goal of the Project is to promote the growth and development of indigenous SMEs.

V. Project Purpose

The purpose of the Project is to enable a business owned by a consortium of 18 indigenous Namibians to increase the profitability and sustainability of its rock lobster fishing enterprise and increase the incomes of its employees as measured by the following.

Net income after tax and interest payments will increase from an amount to be determined from the FY2004 financial statements to:

Y1 NS 98,600
Y2 NS131,000
Y3 NS163,200
Y4 NS172,000
Y5 NS188,900

Production wages paid to employees will increase from zero to:

Y1 - NS260,920
Y2 - NS301,449
Y3 - NS351,095
Y4 - NS407,909
Y5 - NS473,651

VI. Outputs

A. Shoremillkol's capacity to produce rock lobster for the market will increase as measured by the following.

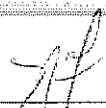
- Total revenues from lobster will increase from an amount to be determined from the FY2004 financial statements to:

Y1 - NS 1,247,900
Y2 - NS 1,578,800
Y3 - NS 1,794,900
Y4 - NS 1,932,600
Y5 - NS 2,130,100

- Revenues from whole processed lobster will change from an amount to be determined from the FY2004 financial statements to:

Y1 - NS1,242,000
Y2 - NS1,571,000
Y3 - NS1,402,700

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Y4 – N\$1,386,200

Y5 – N\$1,273,600

- Revenues from live lobster will increase from zero to:

Y1 - NS0

Y2 – NS0

Y3 – NS384,600

Y4 – NS538,500

Y5 – NS848,200

- The value of Shoremillkol's catch in terms of weight (kg) of live lobsters sold will increase from 0 to:

Y1 – 0

Y2 – 0

Y3 – 1,782

Y4 – 2,376

Y5 – 3,564

- Shoremillkol's total allowable catch quota allocated by the MFMR will increase from 10 metric tons to 12 metric tons in Year 2.

B. Shoremillkol's capacity to govern and manage operations will improve as measured by the following.

- By the end of Project Year 1, the company will have instituted financial management policies and procedures that are consistent with industry "best practices".

- Beginning in Project Year 1 and continuing through the life of the Project, the Grantee will retain an accounting firm to conduct an annual independent audit.

- The number of persons employed by Shoremillkol will increase from 0 to 13 in Year 1 and be sustained thereafter.

VII. ACTIVITIES

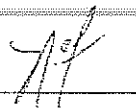
Shoremillkol will undertake the following activities to generate the Project's expected outputs.

A. Production of Rock Lobster

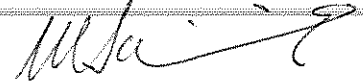
The Grant will enable the Grantee to significantly increase its production of rock lobster. To this end, the Grant will fund a new fishing vessel.

Shoremillkol will contract with a shipbuilding company based in Luderitz, Namibia, to construct a new 13.75 m fiberglass vessel. The boat will be outfitted with a tank of

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approximately 6.5 cubic meters with a capacity of 400-500 live lobsters. The tanks will be equipped with pumps capable of circulating 3 cubic meters of water per hour. Shoremillkol will purchase a new set of approximately 100 fishing traps and accessories for use by the fishing crew.

Shoremillkol will recruit and train a fishing crew and shore personnel to operate the fishing boat and provide appropriate on-shore technical and administrative support.

Shoremillkol will produce lobster to supply three product lines: whole frozen lobster, live lobster, and lobster tails. The production process consists of catching, weighing and inspecting, cleaning and cooling, and packing the lobster. Shoremillkol's fishing crew will use trapping and ring methods to catch lobsters. They will sort the catch and return pregnant female lobsters to the sea. Government officials will inspect the catch to ensure compliance with regulations. The Grant provides funds for seawater holding tanks for storage of the catch it is processed and packaged. To minimize the risk of accidents at sea, Shoremillkol will maintain full compliance with the Namibia's Department of Marine Affairs' safety regulations.

Pamona Factory (Pty) limited (Pamona) will have responsibility for ensuring the lobster products meet established quality standards, in collaboration with the Government of Namibia's fisheries inspectors, the South African Bureau of Standards, and the European Union. Pamona will follow the Hazard Critical Control Point or other internationally recognized quality assurance system.

B. Management and Administration

Shoremillkol will develop and document financial, administrative, and management systems and procedures to effectively manage the business, including the boat, fishing operations, personnel, and marketing activities. Shoremillkol will obtain training for its board and management personnel in key areas such as roles and responsibilities, governance, budgeting, and strategic planning.

C. Marketing

All lobster products produced by Shoremillkol will carry the Pamona label and will be marketed through the Namibian Rock Lobster Packers (Namrock), Pamona's marketing agent. Namrock's services include price negotiations, product specifications, advertising, and distribution.

VIII. Roles and Responsibilities of the Parties

Shoremillkol has primary responsibility for ensuring that project activities are properly implemented. Within Shoremillkol, the Board of Directors has overall responsibility for supervising and coordinating project implementation. Management, consisting of the Company Secretary, Boat Skipper and Shore Skipper, will assist the Board.

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Pursuant to Article 10 of the Agreement, the ADF Partner in Namibia will provide Shoremillkol technical assistance and advice during the implementation of this project.

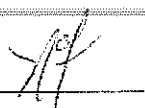
IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Grantee, working with the ADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of the Grantee's organization. The committee will provide the Partner with input for the Project monitoring plan. The monitoring plan will include quarterly reporting on the Grantee's contributions for community development activities, including any contributions made to a Community Reinvestment Grant (CRG) fund. It will also include reporting on the amount of any distributions of dividends or profits to shareholders and employees, as well as any reinvestment of profits into the business. In addition, during implementation, the committee will have responsibility for ensuring that the Project follows the implementation plan, and that problems identified through monitoring and evaluation are properly addressed in a timely manner.

X. Other Implementation Issues

Shoremillkol will open a separate non-interest bearing bank account to receive ADF funds in addition to any present operational bank account(s).

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