

Brasvista Group

New agribusiness opportunity

- **Brasvista was established to operate an agribusiness in Brazil and take advantage of the rapid growth in demand for foodstuffs particularly in Asia. It is acquiring an 8,500 ha farm in the Mato Grosso region in Brazil and plans to add more land to take its total land holdings to 85,000 ha by the end of 2009.**
- **The group's operations will be located in a region well-suited to growing soybean, maize and cotton. The favourable climate, with good rainfall, allows up to two crops a year to be grown. In addition the group will have access to local agribusiness know-how and services and will be run by a highly experienced management team.**
- **The margins and returns available in the agribusiness in Brazil are very attractive with EBITDA margins in excess of 30%.**

The group has been established to operate an agribusiness in the Mato Grosso region of Brazil to take advantage of the rising demand for soft commodities, demand and prices which are being fuelled by improving living standards in countries such as China. It intends to raise an initial US\$45m to finance the purchase of an existing farm operation as well as to finance machinery and equipment and support working capital. This farm is located in the municipality of Campos de Julio, Sapezal area, located some 700m above sea level. In addition to having agreed the purchase of this 8,500 ha farm, the group intends to build-up its land bank and is at different stages of negotiation for a further three land tracts totalling close to 85,000 ha. At least one further farm could be added by late 2008; these additional land tracts will require further equity funding at a later stage.

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Please refer to important disclosures at the end of this report.

Brasvista – Key Figures

US\$ m	2008E	2009E	2010E	2011E	2012E
Sales		13.62	12.52	12.30	12.82
EBITDA	n/a	5.23	4.07	3.66	3.95
EBIT	n/a	4.82	2.95	3.02	3.30
Net profit	n/a	5.02	2.46	2.63	2.98
EV/EBITDA	-	8.8	10.3	10.6	8.9
EV/EBIT	-	9.5	14.3	12.8	10.7
P/E	-	10.0	20.3	19.0	16.8

Note: Market capitalisation and EV based on equity paid in and the assumption that founders will retain 10% of the equity.

Source: *Libertas Capital Estimates*

Executive summary

Attractive land values	Land values in Brazil are low by international standards. Given the ideal climate with good rainfall up to two crops per year can be grown, providing good returns in the agribusiness. The climate in the State of Mato Grosso (MT) is ideally suited to the crops the group intends cultivating – namely maize, soybean and cotton. The area in which Brasvista intends to operate offers good access to the market and availability of equipment and supplies. Brazil, however, also has the potential to expand the area under cultivation; it could further double the area under cultivation and add a further 60m ha although this is not all prime agricultural land.
Favourable climate	The Sapezal region in the MT state offers an ideal climate with high rainfall levels during the growing season and a warm climate which is suited to growing two cash crops per year.
High crop yield potential	Yields in Brazil have been improving continuously over the last 15-20 years and now are close to US levels and amongst the highest in the world. The group's management believes that it has the expertise to reach yields comparable with some of the best producers in the region based upon its experience, local know-how and through benchmarking off existing agribusinesses in the area.
High agribusiness returns	Returns in the Brazilian agribusiness have been as high as 20-30% at the ROCE level for similar businesses in the MT area. We expect that at current prices of maize, soybean and cotton, the Brasvista Group will operate with EBITDA margins averaging between 30-40%.
Business requires a high level of working capital	The group intends to maintain an inventory of its harvested production at its warehouse in order to take advantage of higher prices normally available later in the year when they tend to rise. This will lead to high levels of working capital.
Soft commodity prices in secular uptrend	The prices of soft commodities are trending up due partly to input cost increases and also increased demand from emerging economies like China where rising per capita income is driving the demand for better quality foods. Despite this we have taken a prudent approach in our forecasts for the years after 2010, assuming that prices will remain relatively flat at the 2008 average suggesting potential to raise forecasts at a later date given good execution and further price improvement.
Biofuel demand also supporting soft commodity prices	Soft commodity prices are also being driven higher from rising demand for feedstock for new biofuel plants that have been supported by tax subsidies in countries such as the US. A potential threat to this is a backlash against rising

prices of food in poorer nations around the world that could alter policies which encourage the use of foodstuffs for biofuel use.

There is an adequate pool of experienced manpower available to operate agribusinesses in the region. Equipment suppliers are well established to service the region and most of the global foodstuffs trading companies are represented locally. In particular, we understand that the group intends to utilise the know-how and expertise provided by the Mato Grosso Foundation (Fundação MT) which has more than 15 years of crop development experience in the region.

The group's management has had extensive experience in the agribusiness in Brazil and proven skills in building and running a business based around the local agribusiness and in the trading of grain in the international grain markets. In addition to having an agronomist with recent experience in the region, we also understand that the group intends to recruit employees with local farming experience.

The Mato Grosso region has built a pool of expertise in agricultural cultivation

Strong management with extensive experience

Management

The management of the Brasvista Group has extensive experience within the agribusiness within Brazil. The group's CEO, Wolfgang Valle Walter, has had more than 15 years of experience in finance and the agribusiness in Brazil in addition to more than ten years working for Schlumberger on multinational assignments. He founded the Global Hedging Agribusiness which he has successfully developed into a trading company with more than 600 clients. The group's agronomy director, Michael Ferguson Smith, has had more than 30 years of agribusiness consulting experience. The group's farm manager, Christopher Ward, has had experience working for a multinational group which owned and managed some 250,000 ha of Brazilian farmland plus a further 20 years managing his own farm.

Group strategy

The Brasvista Group is seeking to take advantage of the suitable growing conditions for the agribusiness in Brazil and, more specifically, the MT region. The region is well-suited to developing a successful agribusiness due to a suitable climate, high crop yields, low operating costs and relatively low land values which ensure that high investment returns are available.

Initially, the group intends purchasing an 8,500 ha of farmland that is currently under cultivation but thereafter plans to build-up an extensive land bank through the acquisition of some 85,000 ha of land of which 47,000 ha are considered to be currently productive and have existing agribusiness operations and infrastructure on them. On new developments in the Sapezal region, at least 35% of the land must be left in its natural savannah state.

The group plans to build an agribusiness that will largely produce soybean, maize and cotton, raise cattle and develop its own biofuel resources. The Brasvista Group plans to operate both through outright land ownership as well as through land leases.

Strict environmental requirements

Within the region there is a strict requirement that at least 20% of land must be maintained as natural savannah grassland and not farmed. However, some environmentalists argue that as demand increases for more land on which to plant grain crops such as soybean, it displaces cattle farmers who sell up and move on to regions like the Amazon which leads to deforestation. The counter argument to this is that is that Brazilian cattle farmers are moving to more organised farming methods which are more profitable than those used in the past where cattle roam over vast acreages. Secondly, there are several thousand

hectares of land that have been poorly-managed or abandoned that can be brought into cultivation without destroying rainforest.

One challenge for agribusinesses in the MT region is its underdeveloped infrastructure compared to more developed countries such as the US. Most of the region is more than 1,000km from ports like Santos on the Atlantic Coast. In addition there are few railroads while roads are generally poor, increasing transport costs on exports. To the north of the region it is possible to ship produce for export by canal and river barges to the Atlantic via a tributary of the Amazon.

Farming prospects

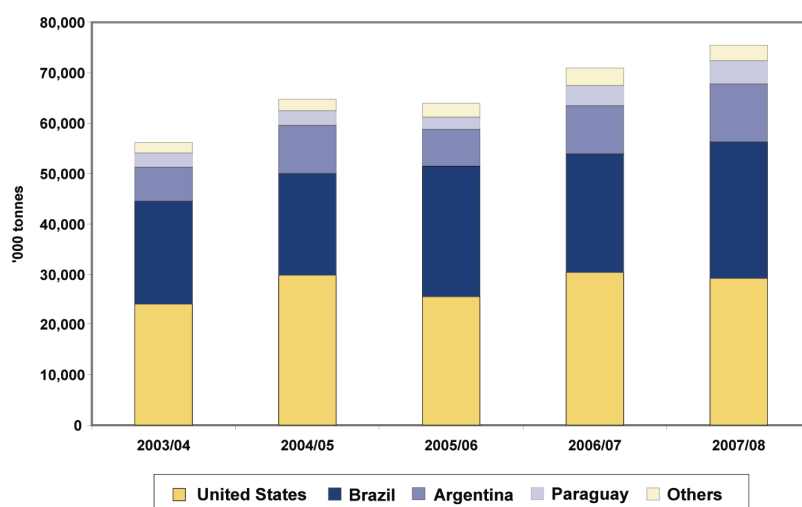
Brazil has emerged as one of the largest exporters of food products globally. In 2006 Brazil became the largest exporter of soybean after it overtook the US accounting for more than 35% of global exports. It is one of the largest producers of maize (corn) after the US and in cotton Brazil is the fifth largest producer globally. It is the leading producer of beef, pork and poultry for which the feedstuffs have to be produced locally. The country has some 60m ha of land available for agricultural development.

Not only has Brazil an ideal climate and good rainfall for growing grain crops, but it also has ample water supplies enabling irrigation in the event of inadequate rainfall. The state of MT produces a significant share of Brazil's grain and soft commodities as the table below shows. According to the MT foundation, the state is the largest producer of soybeans and cotton in Brazil with 27% and 57% of production respectively.

Infrastructure within the Mato Grosso

Brazil – largest exporter of grain and meat products

Major Exporters of Soybean

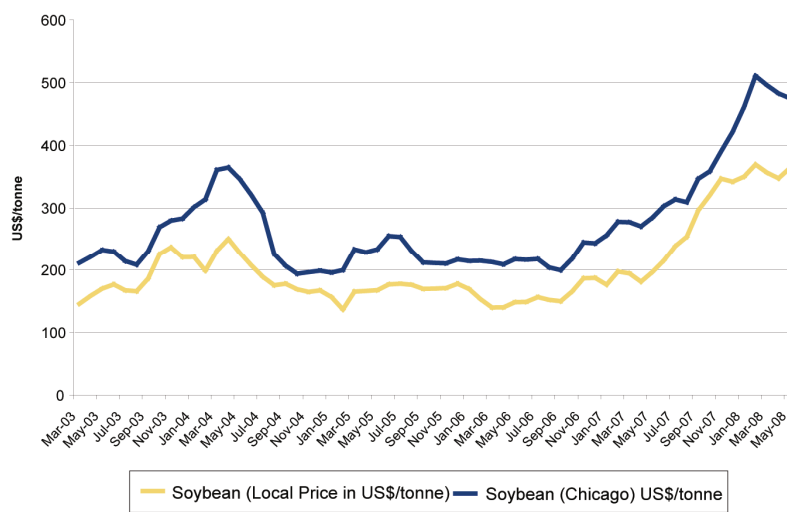


Source: USDA

Soybean production rising

Brazilian production of soybean (*Glycine max*) is expected to double from the 2007 level of 59m tonnes to 111m tonnes by 2020. Soybean is an annual plant which needs high temperatures and good rainfall to grow; these conditions exist in the MT region and which allows the region to have some of the highest yields globally for the crop. Depending upon variety, the growth cycle is approximately five months. Uses of the crop, apart from foodstuffs and additives for human consumption, range from cattle, dairy, pig and poultry feeds to adhesives, paint plastics and biofuels. Chinese demand for soybean has also grown particularly quickly and this is driving up prices and also land values in the MT region.

Soybean Prices – Local vs. US Prices



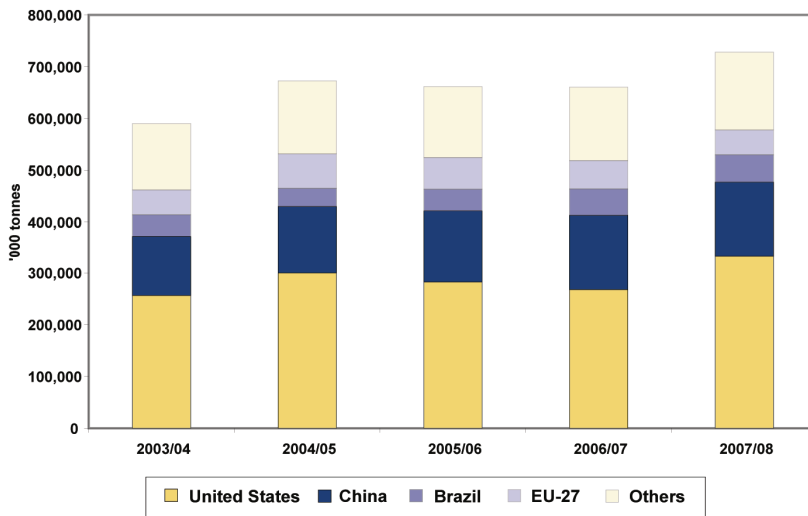
Source: CBOT, Global Hedging and Libertas Capital Estimates

Maize

Maize – an ideal second crop rotating with soybean

Also called corn in the US, maize (*Zea mays*) is grown largely in the US, Brazil, China and Argentina. Ideally, maize is grown as a summer crop in the Mato Grosso region, with planting taking place between October and March. It can also be grown as a second crop after soybean as soybean absorbs nitrogen from the air and leaves natural nitrates in the soil from which the maize will benefit. This rotation also reduces the need for high nitrate containing fertilizers.

Largest Global Producers of Corn

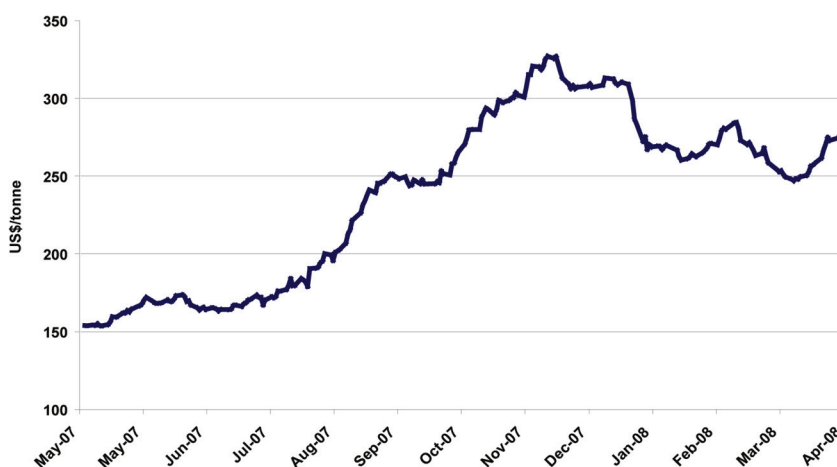


Source: USDA

Maize is largely grown in the MT region as an animal feedstock and for export. As a cattle feedstock the proportion of grain needed to provide the same level of calories in meat is five to seven times the amount of calories provided by corn. However, with maize prices rising rapidly beef producers could start to suffer margin pressures unless they are able to raise selling prices sharply.

The grain has many uses and can also be used to produce corn syrup (after hydrolysis) or in industrial uses (such as in plastics and fabrics). As a green crop it can be used to produce silage. In markets like the US, the grain is used to produce ethanol for biofuel although increasingly this use is being questioned due to the poor economics of the process

Brazilian Corn Prices

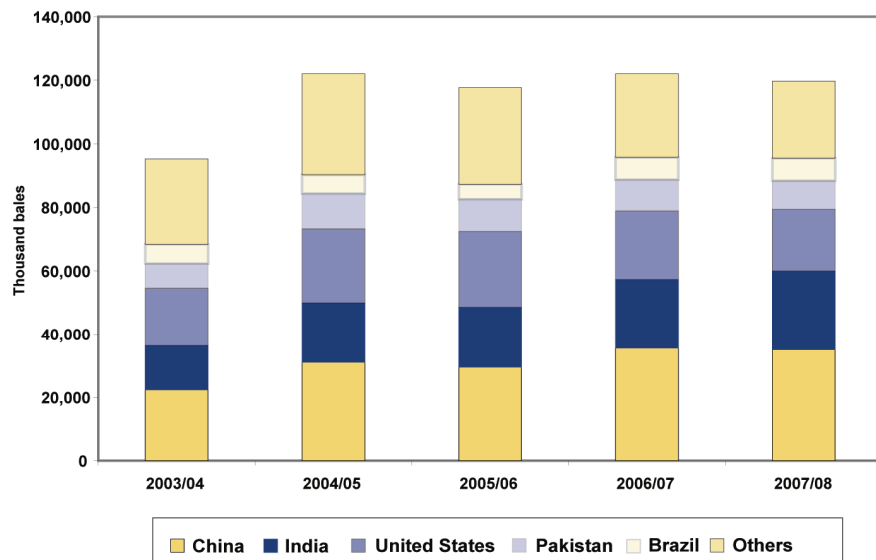


Source: Global Hedging and Libertas Capital Estimates

Cotton

Brazil is one of the largest producers of cotton (*Gossypium* sp.) in the world, with other producer countries including the US, China, India and Pakistan. Cotton requires substantial amounts of water to grow well, a frost free growing period as well as a relatively dry period during harvesting. The climate of the MT region therefore suits the crop conditions well with harvesting generally taking place during the low rainfall months of June and July. Cotton grown as a second crop is risky due to wetter weather conditions later in the year.

Major Producers of Cotton

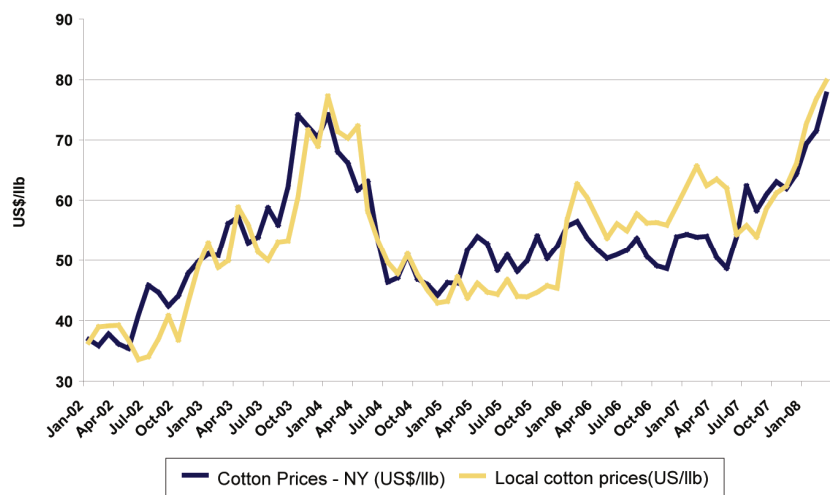


Source: USDA

Following harvesting, cotton goes through ginning, a process that separates the cotton fibre from the seed and other impurities. The cotton fibres are then spun to make textiles. Brazil has had a fairly extensive textile industry but it has in recent years suffered from competition from Asia – for this reason exports of cotton have been increasing.

Cotton oil is extracted from the cotton seeds and can be used for human consumption or as a biofuel feedstock. The by-product of the oil extraction process (i.e. the remaining fibre material) is then used in cattle feed.

Cotton Prices – Local vs. Global



Source: CBOT, Global Hedging and Libertas Capital Estimates

Within the state of Mato Grosso only 22% of the total area has been given over to agricultural and pastoral activities. The area under cultivation can be increased to 35% of the total area of the state and still maintain a high level of environmental preservation. This is based on estimates from the Fundação MT (Mato Grosso Foundation) which suggest that by 2015 the state could increase the present area under cropping to 35% which would enable an increase in soybean production from 24m tonnes to 40m tonnes and cotton from 3.5m bales to 6.0m bales.

A structural change in demand for soft commodities and meat is taking place globally as the standard of living in Asia and, more specifically, China takes place. China has been forging closer links with Brazil, not only for the supply of metals but also for access to grain to support its growth and rising standards of living, emerging middle class and the consequent rise in demand for meat. Demand for meat increases the demand for grains such as maize with about 70% of harvest being used for animal feed. Beijing is also encouraging Chinese companies to purchase farmland abroad in countries such as Brazil to guarantee its future food supplies.

Although Brazil has built-up a successful ethanol industry based on sugar cane that provides some 45% of its fuel needs (but only uses 1% of its land area), rising demand for corn in the US as a feedstock for its bioethanol plants has diverted crops away from the food sector. In 2007 approximately a third of the US's corn (maize) crop was diverted to biofuel which has reduced its ability to export this grain but has increased the demand from elsewhere. Over the longer term the use of corn for biofuel looks unsustainable, as observers question the level of energy output achieved from that input (as in the case of US corn).

Potential for growth in area under cultivation

Rising demand from Asia

Biofuel growth also supporting demand

Group prospects

Ideal climate and location

The 8,500 ha farm that Brasvista Group has agreed to purchase is located in the Sapezal area of the Campos de Julio district. This area has a regular and long rainy season which is ideally suited to the planting of second crops which allows for improved returns on farming. Annual rainfall is between 2,000mm and 2,400mm with most of the rain falling between October and April when the rainfall averages more than 200mm/month. Between April and September it is relatively dry with an average monthly rainfall of less than 40mm/month – this is the period when harvesting usually takes place. Due to the high altitude of the plateau (700m above sea level) the average temperature is 24C.

The group's initial farm is located next to the Planorte farm operated by SLC Agrícola which achieved soybean yields over 3.3 tonnes/ha, cotton lint yields of little over 1.48 tonnes/ha and maize yields including a second crop of more than 6.1 tonnes/ha in 2007.

Support of the Mato Grosso Foundation

The Fundação MT, formed 15 years ago by leading farmers in the region, undertakes research and development of new crop varieties, crop yields, disease and pests and provides advice on agricultural production to agribusinesses in the area. The Brasvista Group intends to utilise the support and know-how of this foundation.

Transport infrastructure can reasonably support the export of produce

The local roads are reasonable in the area and are generally in good condition despite many of the roads being unpaved. The route to sea by paved road is 600kms (375 miles) north to Porto Velho. Here barges can load up to 300 container truck loads of grain. This is then shipped down the River Madiera, a tributary of the Amazon, to the port of Itacoatiara, where the cargo is transferred to ocean-going cargo vessels. Generally the group plans to sell its produce locally to international dealers which have purchasing operations locally.

Good logistics to support farming operations

In the locality of the farm are distributors for farm equipment such as John Deere, Massey Ferguson and Case, which guarantees that spare parts and essential maintenance can be sourced easily. The farm is also situated in the Jaruena River basin and so has adequate water supplies. Management believes that there is potential to install a mini hydro scheme on the river that would supply the farm with all its electrical power needs.

Existing farm assets to support farm operations

The farm has existing buildings that are located together in the centre of the property. They include a warehouse for soybean storage with temperature and aeration controls as well as a harvest receiving area. In addition, there are two warehouses for cotton storage; one for lint and the other for seed. There is also a building housing a cotton separation and cleaning plant. Other buildings

include employee living quarters, a kitchen and restaurant and a workshop for the maintenance of farm equipment. The main grain storage warehouse outlined above has a capacity of 18,000 tonnes and would support soybean production on more than 5,000 ha. It is likely, however, that the group will need to spend a proportion of the proceeds of the equity raising on upgrading the facilities but management anticipates that this will amount to less than US\$ 0.5m.

Environmental farming measures to be used

The group aims to use zero-tillage crop cultivation. This technique ensures that there is always cover on the fields – either a cash crop or pearl millet – that keeps the soil covered ensuring no erosion during the winter months, little weed growth, helps to retain moisture in the soil and assists in degrading herbicides more rapidly. The pearl millet cover is dried using an herbicide prior to planting with a spring crop and in addition it provides extra organic matter for the soil. In areas which are potentially subject to erosion, the group will use contours to control the soil. It will also maintain the existing natural forest; in particular it is mandatory to maintain such forest near waterways.

Through the use of these measures, the group will ensure that no chemicals leak into the soils and contaminate water supplies or water courses. The most common chemical used is Glyphosate which breaks down quickly when in contact with moisture. The group will also ensure that its employees take necessary precautions before spraying activities including the use of protective wear.

Soft commodity price outlook

In our forecasts we have used the estimated prices for soybean delivered locally to the grain centres operated by the large buyers (Bunge, Cargill, Dreyfus and Amaggi) near Sapezal as we think it unlikely that the group will transport the grain to a port, for example, Paranaguá near Curitiba. We expect prices for both soybean and maize to remain high over the next year or so due to increased biofuel demand, in markets like North America, and continued upward pressure on food prices. It is worth pointing out here that food crops are not used for biofuels within Brazil; the country has a very successful ethanol industry based on sugar cane that uses only 1% of Brazil's land area to produce some 45% of its fuel needs.

Thereafter we expect that by 2011 both soybean and maize prices will decline again to the long term trend price as more production is offered to the market. Thereafter, on a longer-term view, we have anticipated that prices will rise by about 1.5% p.a. for soybean and maize and by 2-2.5% p.a. for cotton and cotton seed.

While the growth in per capita income in markets like China and India are likely to fuel increased consumption of grains and meat over the longer term, we anticipate that the use of food crops in biofuels is likely to reduce in favour of non-food crops and waste organic materials, which will likely reduce the upward pressure seen over the last two years.

Cotton processing potential

The group plans to invest in equipment to enable it to press cotton seeds to extract cotton oil. It believes that this oil could be sold at a higher value than the seed and the residual fibre from the crushing process can be used as cattle feed. At a later date the cotton oil could also be used as bio-diesel to power the farm's tractors and harvesters. The existing farm does have such seed pressing equipment, but it is in need of repair. The group intends to purchase this equipment when the farm is bought.

Forecast and outlook

In our forecasts we have only included the initial land purchase of 8,500 ha of farmland although the company believes that it could acquire further land before the end of 2009. We would expect the returns on the further land tranches to be lower than the group's initial farmland should land prices rise, although economies of scale will begin to contribute to group profitability as it builds up acreage.

Our forecasts are based only on the initial land transaction

Crop rotation and planting regime

In a normal year the group plans to grow three crops (cotton, soybean and maize) on each third of its arable land. Following the initial soybean crop, we expect the group to follow with maize as a second crop. Each year the land will be rotated between the three crops while the group plans to plant pearl millet following harvesting as a cover crop which helps to retain moisture, control weeds and feed the soil with organic matter. In the first year the group expects to reap high yields in soybean partly because a proportion of the farm land has been used to grow cotton by SLC Agrícola. The high residual fertiliser levels following a cotton crop mean that the yields on a following soybean crop are generally very high.

In most years the group does not expect to plant cotton as a second crop as this is considered too risky if harvesting has to take place during the rainy season. In years when the soybean harvest is particularly early, however, the group may consider cotton as a second crop as this can work out to be a profitable move.

Relatively conservative price expectations

We have based our forecasts on relatively conservative expectations for selling prices. We expect prices for soybean and maize to continue to be driven higher over the next 12 months by rising oil prices and the increased demand for biofuel feedstock especially in North America. Thereafter, we expect increased

acreage of grain crops globally as well as changes in biofuel production in several regions to reduce demand for grain feedstock. This should be supported by the further development of second-generation biodiesel production using waste fibres rather than primary feedstocks. For this reason we expect maize and soybean prices to decline back to the long-term trend during 2010 and 2011 and then rise by around 1.5-2% p.a. on average thereafter.

We expect rising oil prices to lead to higher costs of fertilisers over the next 12-18 months. Thereafter we expect input costs including fertilisers and herbicides as well as transport costs to rise by 3% p.a. on average. Other operational costs are expected to rise by 1-1.5% p.a. Cotton, in particular, has a very high input cost level. According to Embrapa Agropecuária Oeste estimates, the US\$ cost per hectare excluding land lease costs averages approximately US\$ 1,900/ha in the Sapezal area of the MT of which fertilisers amount to US\$ 640/ha (34%) and herbicides and insecticides US\$420/ha (22%). Costs of separating, cleaning and grading cotton amount to 14% of the total production cost on average. The high costs of cotton production mean that a small uplift in cotton prices can have strong leverage on the group's profits.

The group expects to hedge fully its anticipated production to lock in market prices at the time the crop is planted. Management has a strong record and knowledge in grain hedging. It plans to use put options to achieve hedging rather than futures so that it locks in a floor price without restricting upside. It also plans to maintain an inventory of three to four months of production to sell at a later date when prices tend to rise (between October and December each year).

The group is also considering hedging the Brazilian real against the US\$ in which virtually all its production is sold. More than 20% of its costs are in Brazilian real and with the improvement in the country's debt rating as well as the likely rise in interest rates following a recent pick up in inflation, the Brazilian real is likely to strengthen further against the US\$ in the coming year.

Input costs

Forward hedging

Financials

Profit and Loss

	H2/2008	2009	2010	2011	2012	2013
Revenues	0	13,620,270	12,520,969	12,296,016	12,816,182	13,358,429
Soybean	0	5,325,120	4,780,382	4,571,660	4,756,240	4,948,273
Maize	0	3,495,150	3,180,587	3,097,096	3,222,141	3,352,235
Cotton Seed	0	480,000	456,000	462,726	483,780	505,792
Cotton Lint	0	4,320,000	4,104,000	4,164,534	4,354,020	4,552,128
			-8.1%	-1.8%	4.2%	4.2%
COGS	-4,711,411	-6,481,769	-6,583,397	-6,738,469	-6,897,557	-7,060,771
Soybean	(2,519,411)	(2,946,529)	(2,996,199)	(3,072,055)	(3,149,976)	(3,230,021)
Maize	0	(1,270,000)	(1,289,950)	(1,320,392)	(1,351,623)	(1,383,665)
Cotton	(2,192,000)	(2,265,240)	(2,297,249)	(2,346,023)	(2,395,958)	(2,447,084)
Crop Inventory Change	4,700,000	300,000	(391,622)	108,550	111,361	114,250
Sales Tax	0	864,887	795,082	780,797	813,828	848,260
Gross Profit	(11,411)	6,573,614	4,750,868	4,885,300	5,216,159	5,563,648
Gross Profit Margin		48%	38%	40%	41%	42%
SG & A	(333,400)	(692,272)	(706,117)	(720,240)	(734,645)	(749,337)
Distribution Costs	0	(334,250)	(357,648)	(384,918)	(406,377)	(429,033)
CSR Investments	0	(13,620)	(12,521)	(12,296)	(12,816)	(13,358)
EBITDA (excl crop inventory)	(5,044,811)	5,233,472	4,066,204	3,659,296	3,950,960	4,257,669
EBITDA (Incl crop inventory)	(344,811)	5,533,472	3,674,582	3,767,846	4,062,321	4,371,919
EBITDA Margin (excl inv)		38%	32%	30%	31%	32%
Less Depreciation	271,133	711,167	727,834	744,500	761,167	777,834
EBIT	(615,944)	4,822,305	2,946,749	3,023,345	3,301,154	3,594,085
EBIT (excl crop inventory)	(5,315,944)	4,522,305	3,338,370	2,914,795	3,189,793	3,479,835
Net Financial Income (Expense)	100,000	200,000	300,000	450,000	640,000	800,000
Pre-Tax Profit	(515,944)	5,022,305	3,246,749	3,473,345	3,941,154	4,394,085
Less Corporate Tax	0	0	786,183	841,199	957,448	1,069,959
Net Income	(515,944)	5,022,305	2,460,566	2,632,147	2,983,706	3,324,126
Net Margin		37%	20%	21%	23%	25%

Source: Libertas Capital Estimates

Valuation

For industry comparatives we have measured Brasvista largely against SLC Agricola and, where available, against Brasil Agro and JBS. Based upon the value of equity to be paid in and, assuming founder's capital of 10%, the group is being valued on our forecasts at 8.0x EV/EBITDA for 2009E and 9.5x for 2010E. For 2010E we have assumed that prices for soybean, maize and cotton start to decline back to trend prices. However, the comparative valuations using FactSet data appear to assume continued improvement in agri-product prices. For this reason valuations based on 2009 forecasts are more comparable. Nevertheless, Brasvista looks likely to be offered at less than half the value of SLC and well below the valuations of other Brazilian producers and agribusiness companies in the sector.

The valuation of Brasvista against the agribusiness sector looks compelling

Agribusiness Valuation

Company	EV US\$ m	Mkt Cap US \$ m	EV/Sales 2009e	EV/Sales 2010e	EV/EBITDA 2009e	EV/EBITDA 2010e	P/CF 2009e	P/CF 2010e	P/E 2009e	P/E 2010e	EV/ha # US \$
Brasvista	46	50.0	3.37	3.66	8.0	9.5	8.7	15.7	9.96	20.3	5,334
Landkom	247	343	3.70	2.01	15.6	6.2	5.7	4.2	6.2	4.7	3,685
SLC*	1,675	1,727	6.54	5.12	22.0	17.8	-	-	42.3	46.5	10,031
Archer Daniels*	29,061	25,667	0.46	0.42	8.5	7.5	9.2	n/a	13.5	12.5	n/a
Bunge*	18,690	14,330	0.35	0.32	8.2	7.6	18.2	5.5	15.8	14.2	n/a
Corn Products*	4,064	3,502	1.02	0.94	7.7	7.0	n/a	n/a	15.5	14.1	n/a
Brasil Agro	233	438	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3,471
JBS*	6,476	4,745	0.44	0.43	8.1	6.1	10.9	8.4	29.7	22.7	n/a

Note: EV and market cap for Brasvista based on equity paid in and 10% founder share.

* FactSet consensus data.

Based on 2008E EV.

Source: *Libertas Capital Estimates unless otherwise stated.*

We believe that Brasil Agro, despite acquiring farmland, has been slow to develop farming operations and is therefore trading at significantly higher multiples to SLC Agricola. Landkom operates a higher-gearred and consequently higher-risk model based solely on land leases. In the future Landkom may have to purchase its land at which time its model would then be more comparable to Brasvista's.

DCF valuation

In our DCF valuation of Brasvista we have included the contribution of two tranches of equity and assumed that the group only operates its initial farmland. In other words, we have not included the potential of further land acquisitions.

Underlying land valuation

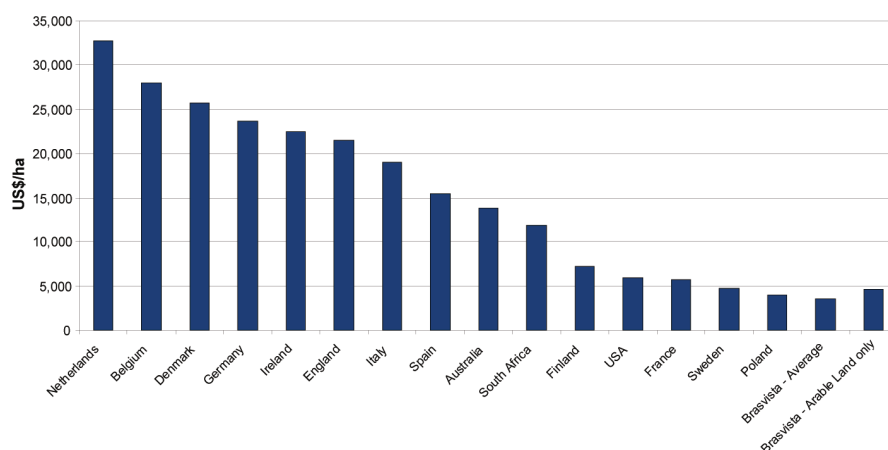
DCF Valuation

US\$	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
EBIT (excl. crop inventory)	-5,315,944	4,522,305	3,338,370	2,914,795	3,189,793	3,479,835	3,885,244	4,471,850	4,650,150	4,844,163	5,054,567	5,512,763
Adjusted Tax Charge	0	0	786,183	841,199	957,448	1,069,959	1,216,311	1,404,212	1,493,788	1,592,291	1,700,642	1,876,941
NOPLAT	-5,315,944	4,522,305	4,124,553	3,755,994	4,147,241	4,549,794	5,101,555	5,876,062	6,143,938	6,436,454	6,755,209	7,389,704
Depreciation	271,133	711,167	727,834	744,500	761,167	777,834	673,367	400,000	550,000	700,000	850,000	1,000,000
Change in Working Cap	-800,940	4,595,769	-400,000	-101,994	158,195	165,304	164,600	170,705	177,968	185,533	193,411	289,201
Gross Cash Flow	-4,243,871	637,703	5,252,387	4,602,489	4,750,213	5,162,324	5,610,321	6,105,357	6,515,970	6,950,921	7,411,797	8,100,503
Operating Cash Flow	-4,243,871	637,703	5,252,387	4,602,489	4,750,213	5,162,324	5,610,321	6,105,357	6,515,970	6,950,921	7,411,797	8,100,503
Land & Equipment	33,553,602	-1,013,400	-100,000	-100,000	-100,000	-100,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000
Free Cash Flow	37,797,473	-375,698	5,152,387	4,502,489	4,650,213	5,062,324	4,610,321	5,105,357	5,515,970	5,950,921	6,411,797	7,100,503
Discount Rate	12.0%											
Growth in Perpetuity	1.5%											
Today's Date	30/05/2008											
	31/12/2008	31/12/2009	31/12/2010	31/12/2011	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2019
Years	0.589	1.589	2.589	3.589	4.592	5.592	6.592	7.592	8.595	9.595	10.595	11.595
NPV Factor	0.94	0.84	0.75	0.67	0.59	0.53	0.47	0.42	0.38	0.34	0.30	0.27
NPV of Cash Flows	35,356,668	-313,783	3,842,209	2,997,831	2,763,595	2,686,170	2,184,222	2,159,602	2,082,651	2,006,138	1,929,916	1,908,226
Sum of NPVs	11,109,890											
+ Terminal Value	16,464,692											
Pre-Money Equity Value	5,354,802											
Net Capital Raise	42,000,000											
Post Money Valuation	47,354,802											
Add Net Debt End-08	-4,302,527											
EV Implied End-08	43,052,275											

Source: *Libertas Capital Estimates*

The group has paid R\$50m equivalent to US\$30.3m for its initial farm land purchase of 8,500 ha (6,500 ha of arable land). This equates to US\$ 3,600/ha or US\$4,670 /ha of arable land. In comparison SLC Agrícola's Q1 2008 report reflects the value of its Planorte farm located in Sapezal, Mato Grosso which lies next to Brasvista's farm, as having an appraised value in April 2008 of US\$4,925/ha based on Deloitte Touche Tohmatsu appraisal values. Average land values in the Sapezal area that are under cultivation have been valued by local real estate companies at US\$4,375/ha over the past year.

Global Comparison of Arable Land Prices



Source: EU, Knight Frank and Libertas Capital Estimates

Furthermore the land acquired by Brasvista has existing farm buildings and extensive warehouses and other facilities on it that further enhance the value of the farm land. A recent valuation of these buildings by the MT Foundation, using local real estate company valuations, valued the farm buildings at US\$1.7m and the cotton processing equipment at US\$0.85m.

Cash flow

Cash Flow

US\$	H2/2008	2009	2010	2011	2012	2013
Cash Inflows						
Operating Cash Flow (incl Crops)	-344,811	5,533,472	3,674,582	3,767,846	4,062,321	4,371,919
Less Tax	0	0	786,183	841,199	957,448	1,069,959
Add Financial inc	100,000	200,000	300,000	450,000	640,000	800,000
Less Increase in Working Capital	3,899,060	4,895,769	-791,622	6,556	269,556	279,554
Total Cash Inflow	-4,143,871	837,703	3,980,021	3,370,091	3,475,316	3,822,406
Other Cash Outflows						
Equipment Purchases (Net)	3,253,602	1,013,400	100,000	100,000	100,000	100,000
Land Purchases	30,300,000	0	0	0	0	0
Total Cash Outflow	33,553,602	1,013,400	100,000	100,000	100,000	100,000
Net Cash Flow After Investment	-37,697,473	-175,698	3,880,021	3,270,091	3,375,316	3,722,406
Financed as Follows:						
New Equity(Net)	42,000,000	0	0	0	0	0
LT Debt Increase (Decrease)	0	0	0	0	0	0
Net Cash Inflow/(Outflow)	4,302,527	-175,698	3,880,021	3,270,091	3,375,316	3,722,406
Cash Flow Summary						
Beginning Cash Balance	0	4,302,527	4,126,830	8,006,851	11,276,942	14,652,258
Net Cash (Inflows) - Outflows	4,302,527	-175,698	3,880,021	3,270,091	3,375,316	3,722,406
Cash Position Year End	4,302,527	4,126,830	8,006,851	11,276,942	14,652,258	18,374,664

Source: Libertas Capital Estimates

Balance Sheet

Balance Sheet

	2008	2009	2010	2011	2012	2013
ASSETS						
Current Assets	9,002,527	15,936,965	18,875,713	22,141,878	25,888,639	29,996,418
Cash and Cash Equivalents	4,302,527	4,126,830	8,006,851	11,276,942	14,652,258	18,374,664
Accounts Receivable	0	1,362,027	1,252,097	1,229,602	1,281,618	1,335,843
Growing Crops	4,700,000	5,000,000	4,608,378	4,716,928	4,828,290	4,942,540
Inventory	0	5,448,108	5,008,388	4,918,406	5,126,473	5,343,372
Fixed Assets (Long-Term Assets)	33,282,468	33,584,702	32,956,868	32,312,368	31,651,201	30,973,367
Property	30,300,000	30,300,000	30,300,000	30,300,000	30,300,000	30,300,000
Plant, Equipment	2,982,468	3,284,702	2,656,868	2,012,368	1,351,201	673,367
Other Intangible Fixed Assets	0	0	0	0	0	0
Deferred Tax Assets						
TOTAL ASSETS	42,284,995	49,521,666	51,832,581	54,454,246	57,539,839	60,969,785
LIABILITIES and EQUITY						
Current Liabilities	800,940	3,015,306	2,865,655	2,855,173	2,957,061	3,062,880
Accounts Payable	800,940	972,265	987,510	1,010,770	1,034,634	1,059,116
Other Current Liabilities	0	2,043,041	1,878,145	1,844,402	1,922,427	2,003,764
Long-Term Liabilities	0	0	0	0	0	0
Loans	0	0	0	0	0	0
Other Long-Term Liabilities	0	0	0	0	0	0
Net equity	41,484,056	46,506,360	48,966,926	51,599,073	54,582,779	57,906,905
TOTAL LIABILITIES	42,284,995	49,521,666	51,832,581	54,454,246	57,539,839	60,969,785
	2008	2009	2010	2011	2012	2013
RATIOS						
Debt/Equity	-21.7%	-19.6%	-25.8%	-31.0%	-35.7%	-40.3%
ROE	n/a	10.8%	5.0%	5.1%	5.5%	5.7%
ROCE	n/a	10.4%	6.0%	5.9%	6.0%	6.2%
Pre-Interest Return on Total Assets	n/a	9.7%	5.7%	5.6%	5.7%	5.9%

Note: We have assumed that the founders will be left with some 10% of the equity. On this basis we have assumed an approximate market valuation of US\$50m for multiple calculations.

Source: *Libertas Capital Estimates*

Production forecasts

In the table below we have estimated the area planted by crop, the expected yield per hectare, the expected prices received and the costs associated with production of each crop. We expect Brasvista to achieve yields well above the averages in Brazil (due to better farming methods) and further anticipate that yields will improve over the next few years. We have taken a conservative view on the outlook for grain and cotton prices, expecting that prices will peak in the coming year or so and decline back to trend prices during 2010 and 2011. Furthermore, the group's management believes that it can secure, through hedging strategies, a higher level of prices, given such a scenario.

Production Forecasts and Assumptions

	H2/2008	2009	2010	2011	2012	2013
Total Area (ha)	8,544	8,544	8,544	8,544	8,544	8,544
Producing Area (ha)	6,500	6,500	6,500	6,500	6,500	6,500
Reserve Area (ha)	2,044	2,044	2,044	2,044	2,044	2,044
Reserve Area (%)	23.9%	23.9%	23.9%	23.9%	23.9%	23.9%
Planted Area (ha)	6,500	9,000	9,000	9,000	9,000	9,000
Soybean	4,500	4,500	4,500	4,500	4,500	4,500
Maize (Second Crop)	0	2,500	2,500	2,500	2,500	2,500
Cotton	2,000	2,000	2,000	2,000	2,000	2,000
Crop Yields (Tonnes/ ha)						
Soybean	0	3.2	3.2	3.3	3.4	3.4
Maize	0	5.2	5.2	5.3	5.4	5.6
Cotton Seed	0	2.4	2.4	2.5	2.5	2.6
Cotton Lint		1.6	1.6	1.6	1.7	1.7
Prices per Tonne(US\$/tonne)						
Soybean	360	370	332	310	314	319
Maize	0	270	246	233	237	240
Cotton Seed	0	100	95	94	96	98
Cotton Lint	0	1,350	1,283	1,270	1,295	1,321
Price Expectations						
Soybean		3.0%	-10.5%	-7.0%	1.5%	1.5%
Maize			-9.0%	-5.0%	1.5%	1.5%
Cotton Seed			-5.0%	-1.0%	2.0%	2.0%
Cotton Lint			-5.0%	-1.0%	2.0%	2.0%
Input Costs1 (US\$/ ha)						
Soybean	434	449	458	472	486	500
Maize	0	290	296	305	314	323
Cotton	452	468	477	491	506	521
Input Cost Inflation		3.5	2.0	3.0	3.0	3.0
Operational Costs2 (US\$/ha)						
Soybean	126	129	130	132	134	136
Maize	0	138	139	141	144	146
Cotton	470	486	491	499	506	514
Operational Cost Inflation		2.0	1.0	1.5	1.5	1.5
Cleaning & Clearing (US\$/ha)						
Soybean	0	77	78	79	80	82
Maize	0	80	81	82	83	84
Cotton	174	178	180	183	186	188
Cleaning & Clearing Cost Inflation		2.5	1.0	1.5	1.5	1.5

Source: Libertas Capital Estimates

Risks

Prospective returns on land holdings	The Brasvista Group has only entered into the purchase of its initial 8,600 ha of land. There are still risks to the start-up of operations on this land. There is also a risk that future planned purchases of other tracts of land may not be successful or could be undertaken at significantly higher prices as grain prices rise sharply. This would require larger capital outlays per productive hectare and would likely provide lower returns than the group's initial land purchase.
Changes in import duties and subsidies or new protectionist measures may alter demand and prices	An increased level of subsidies, in the US for example, or a reduction in export duties (in Argentina for example) would increase supply and reduce world grain prices. Increased import duties by a major importer like China, could reduce demand for soft commodities and adversely impact prices.
Economic downturn and soft commodity prices	A sharp downturn in economic growth globally, and more specifically in China, is a downside risk as soft commodity prices could decline again and land values would likely fall in sympathy.
Backlash against biofuel trend	Demand for soft commodities could be hit by a reversal in biofuel policies in the US. Sharp rises in basic food commodities is partly being blamed on biofuel subsidies and incentives which have subsequently increased demand, could encourage a U-turn in US policies. Under George Bush, the US targets a fivefold increase in biofuel production to 36 billion US gallons by 2022.
Weather and harvesting impacts	Favourable weather conditions and bumper harvests within the major grain exporting countries could lead to a sharp reduction in grain prices. The group will also initially only have one farm so it will not be diversified in order to reduce climate risks.
Environmental risk	The strong growth in the agribusiness in Brazil due to the rise in soft commodity demand is making grain farming more attractive and pushing cattle farming further north into the Amazon rainforest. This trend is being blamed for the Amazon's deforestation by some environmentalists.
Political risks	Under Lula da Silva incentives and farmland redistribution have been encouraged in Brazil. Changes in government policies could add to costs of an agribusiness and restrain development of farmland in the MT region.

Weights and measurements used

1 metric tonne = 2205 lbs

1 hectare = 2.471 acres

1 hectare = 10,000 square metres

Soybean

1 bushel = 60 lbs = 27.21kgs

1 bag = 60kg = 2.20462 bushels

Corn / maize

1 bushel = 56lbs = 25.4012 kgs

1 bag = 60 kgs = 2.3621 bushels

Cotton

1 bale = 480 lbs = 217.72kgs

1 arroba = 15 kgs

Important Disclosures:

Libertas Capital Group plc expect to receive or intend to seek compensation for investment banking or financial advisory services within the next three months.

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