

9th of February 2018
 Monthly Progress Report – January

January Progress Report on SF Lapacho S.A.

Summary: We had a another 330 mm of rain in January and a total of 572 mm this season. The pastures look excellent with grass taller than the fences through most parts. We let go of the local administrator Bradley Ginter due to inefficiencies in his work. Multiple candidates for the position have been interviewed and a replacement selected. We also switched to a new legal and accounting office. More information below.

Rain

Rainfall:	October 2017:	November 2017:	December 2017:	January 2018:	July '17-June '18: (continuous)
Estancia La Neruana	19 mm	19 mm	204 mm	330 mm	572 mm



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Pastures

The pastures look excellent thanks to the heavy rains, with grass in most parts higher than the fencing. At this stage La Neruana already has enough reserves to get through the year and is ready to be loaded with more cattle.



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Cattle

The overall condition of the herd is naturally good due to the grass reserves. One of the Brahman bulls is slightly injured on the front shoulder due to a fight with another bull but should recover fully.



Political Overview

The internal election within both of the major political parties have been completed at this time, chances are about 50% for each party to win a majority in the general elections at this stage.

Both the Colorado party as well as the coalition of various parties known as the “Alianza” (alliance) have set major goals to fight corruption and promise some sort of change for the country, as is common. We find it somewhat difficult to say which party will do better for the country, even though generally speaking the Colorado party has done well through the last term and it is easier to know what to expect.

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Manager

After careful consideration and many discussions the decision has been taken to let go of the local manager Bradley Ginter, mainly due to repeated inefficiencies in his organizational efforts and communication with the Southern Connections team.

We have received a large number of requests from potential candidates for the position, and after pre-selection held interviews with a number of good applicants. Finally, the decision has been made to employ a young farmer named Mathias Schroeder, who will take over the duties of local manager from early March. More information on Mathias will follow in the next monthly report.

Furthermore the decision has been made to transfer responsibility for internal book keeping and most paperwork to the ***Southern Connections*** head secretary Elfriede Harder, as this will ensure a more efficient flow of information and better suited candidates for their respective duties. The additional hourly cost for the secretary will be subtracted from the managers monthly salary to ensure this change does not imply higher costs to the company.

Charcoal

Charcoal production has re-started for the season. After a meeting with the contractor Heinz Penner last week we have decided to allow the construction of 8 more ovens in a third row. This will not only increase monthly income from this activity, but also speed up the cleaning of pastures from remaining brush.





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Following the standardized monthly farm report...

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Loma Plata, January 2017					
<u>MONTHLY REPORT</u>					
					Month: January 2017
Rainfall:	<u>October 2017:</u>	<u>November 2017:</u>	<u>December 2017:</u>	<u>January 2018:</u>	<u>July '17-June '18: (continuous)</u>
Estancia La Neruana	19 mm	19 mm	204 mm	330 mm	572 mm
Monthly steer price of FrigoChorti on the: 31st of January 2018					
<i>Current month (final day): exchange rate 5,525</i>					Past month: 5,595
Price: Grs. 18,400 / US\$ 3.30					Price: Grs. 17.900 / US\$ 3.20
Observations:					
Charcoal production has started for the 2018 season. A new local manager will start early march, with one of our team members (Egon Reimer) taking responsibility in the interim (February).					
Financing:	OPEX (Expense):		US\$ 1,600.00		
	CAPEX:		US\$ 0.00		
	Sold Livestock (income)		US\$ 0.00		
	Saldo-Coop. Account		US\$		
CATTLE	Previous month total		464 head		
	Bought		0 head		
	Died/ recalculated		0 head		
	Consumed		0 head		
	Sold		0 head		

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	Born	7 head
	Died (calves)	0 head
	New total	451 head
	Pregnancy rate-June 2017	N / A
<u>Office work</u>		
Spreadsheets on file and various responsibilities:		
Rather than being another duty of the local farm manager, Southern Connections general secretary Elfriede Harder will now take overall responsibility for all internal accounting and bookkeeping for SF Lapacho S.A.		
<u>ANDE (electricity):</u>		
While the electricity meter has been installed, we have not yet received any bills.		
<u>Farm:</u>		
Workers info:		
All cattle pens have now been cleaned and in some the brush has already been burned. Ruben (foreman) has re-shaped and cleaned all internal roads with the tractor and grader blade to remove tall grass. The new junior worker and horseman Alfonso has done a good job so far. Workers continue to clean and maintain fencing and check on all cattle daily.		
Mechanics and Machinery:		
All machinery is in working order. Given the incredible growth of pastures in some cases even on the internal roads we are considering buying a small rotor cutter at some point in the future.		

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Water System information:

With the large reservoir being completely full, we are now again relying on it as main water source for the entire farm.

Cattle report:

One of the Brahman bulls has hurt his left front shoulder in fight, but is recovering well.

The pasture looks excellent, classified number 1

The cattle look good, classified number 2

Range for Cattle and Pasture report: (if number 5 or 6, give an explanation)

1. **Excellent**
2. **Very good**
3. **Good**
4. **Average**
5. **Weak**
6. **Unacceptable**
7. **Not usable due to re-sowing**

Other/ Diverse:*** Charcoal production:**

Charcoal production has restarted for the 2018 season.

Report on Projects:

None

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Thank you for your participation and confidence!
We are always available to discuss any questions.

Lennart Stahr

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