ANPOP 2012 Annual Report

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Executive Summary

The capital investment plan approved in 2011 has nearly been completed. While the results have not quite met every expectation, prospects have continued to improve substantially and revenues are expected to match or exceed expenses for the first time by the last half of 2013.

Vision

We envision a medium scale palm oil plantation and mill in Oyo State, Nigeria, including a 1000 hectare (2500 acre) plantation of Tenera-type hybrid oil palm trees producing 5 and 10 million kg of fresh fruit bunches of palm fruit per year, and a mill that will process this fruit to yield more than 1 million liters of cooking grade palm oil annually.

Mission

The American-Nigerian Palm Oil Producing Corporation was formed to help bring economic development to the people of rural Oyo State, Nigeria, to provide an example of ethical business conduct, and to assist The Good Samaritan Society of America in its vision to serve these people with education and health care. ANPOP is a for-profit enterprise that will, through its Nigerian subsidiary ANPOP-NAMPOP Ltd, provide jobs and economic stimulus to the area. Once profitable, ANPOP will make significant financial contributions to the programs of The Good Samaritan Society Mission in Fiditi, Nigeria.

2012 Summary of Key Activities

With the above reminder of where we are going and why, an annual report is an appropriate time to assess the long term plan and the state of progress. We have not yet completed an accurate count of the

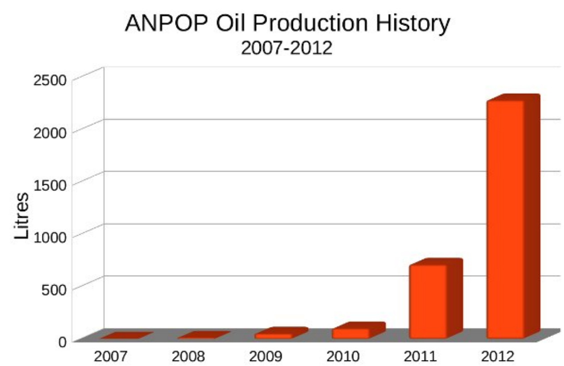

Figure 1: Exponential growth in ANPOP oil production since the first two liters of oil produced in 2007.

trees, so the current estimate is the same as was reported in 2011: approximately 8,000 trees planted on about 200 acres spread over five farms. We produced 2280 liters of oil from about 4400 kg of fruit bunches, short of earlier expectations but consistent with the average exponential growth rate in oil production observed over the last 6 years. This total is still well short of the approximately 30,000 liters the farm should be producing at this stage of development, but by continuing on the same exponential trend, it seems reasonable to expect that the farm will approach its potential as soon as 2014. Figures 1 and 2 show the entire history of ANPOP oil production since 2007, the first year we processed any fruit into oil (we produced two liters that year).

Here is a summary of key financial measures from 2012 operations.

- Current number of shares issued is 238,536. We have also sold shares in Nigeria worth another roughly $2,000.
- After averaging around $3,250 of expenses per year for 4 years, last year's expenses jumped to approximately $25,000. About $15,000 of that expense was salaries and other labor expenses, with approximately $6,500 going to the new farm manager and the rest to the tractor operator–

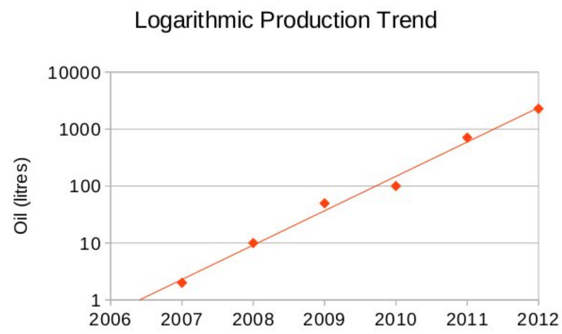

Figure 2: Exponential growth rate held steady in 2012.

mechanic and to the farm laborers. Of the remaining expenses, seeds, fertilizer, diesel and transportation costs were the largest categories of expenses. Transportations costs should drop somewhat in 2013 now that we own a truck, but as we have much more fruit to transport, the main benefit is keeping the transportation costs from skyrocketing out of control.

- Revenues for 2012 totaled $4,500, with $2,900 coming from the palm oil, and $1,600 coming from maize, oil palm kernels, and yams. Because the tractor did not become operational on site until approximately June, the inter-cropping revenues were significantly lower than had been expected at the beginning of 2012.

Capital expenses were also more than had been planned, and Table 1 provides a comparison of the planned vs. actual capital expenditures.

Table 1: Planned vs. Actual Capital Expansion

Item	Planned	Actual
Processing Equipment	$14,000	$13,500
Installation & Training	$3,000	$6,385
Truck for Fruit Transport	$3,000	N/A[1]
Building for Processing	$15,000	$25,000
Fencing / Gate	$2,000	N/A[2]
Tractor & Implements	$10,000	$33,500[3]
Miscellaneous	$3,000	N/A[4]
Total	$50,000	$78,385[5]

[1]Truck purchase delayed until April 2013 - we actually spent $8,300.
[2]Decision was made to forgo the gate and direct all the traffic through the main TGSSM entrance for improved security.
[3]An additional $2500 was allocated in 2013 for a plough, in addition to the tractor and harrow purchased and shipped over in 2012.
[4]We spent $1000 in April 2013 for plumbing to connect the processing center to the TGSSM water supply.
[5]Counting investments delayed until 2013 (truck, plough, and plumbing), the total new capital investment stands at approximately $90,000. Of that total, approximately $14,000 remains to be paid as part of the tractor financing arrangement.

Figure 3: The newly completed mill building just after completion in May 2012.

Processing Center

The largest investment was for the processing center, including the building and equipment, which together cost approximately $45,000. Figures 3 and 4 show the outside of the building and the working area with the equipment installed. Installation was completed in May 2012. Figure 5 shows the fruit sterilizer in operation, and clicking on the link will show a video of the entire new oil extraction process.

Once the fruit is harvested, the fruit bunches are brought to the mill where the fruitlets are separated. The fruitlets are cleaned and loaded into the sterilizer, where they are steamed for a minimum of an hour and a half, but usually for longer. The sterilization process deactivates the enzymes that cause the oil to ferment, and also softens the flesh of the fruit so that the oil is more easily extracted. After sterilization, the fruit is poured into the hopper of the screw press, which separates the oil from the kernels and fibrous leftovers. The oil is then collected and cleaned and dried, which may be a two step process, although the clarifier purchase from NIFOR is designed to complete both operations in one step. Cleaning is the removal of dirt and stray fibers from

Figure 4: The NIFOR processing equipment is installed in the new mill building.

Figure 5: Click to view oil processing video.

the oil, and drying is the final removal of all water from the oil.

Tractor and Harrow

We spent approximately $33,500 on a John Deere 6400 tractor and heavy-duty harrow. The tractor with harrow is shown in operation on Omodeni Farm in Figure 6. The tractor itself cost $20,000, and the harrow cost $4,000. Shipping was another $5,500 and Nigerian Customs charged $4,000. The tractor was put into operation in June 2012.

The tractor and harrow have proven to be very effective, and the driver–mechanic we have hired seems to be keeping it in good operating condition. The areas weeded with the tractor and harrow remain clear for many times longer than similar areas cleared by hand, and it costs much less to do that clearing. Some hand clearing at the tractor margins, especially close to the trees, is still required, but the costs are significantly less and the results much better than hand clearing.

Figure 6: The John Deere 6400 tractor and heavy duty harrow in operation on Omodeni Farm.

Projections

As noted above, we have seen exponential growth in oil production over the last few years, and based on the results so far in 2013 we continue to see similar increases. The farm should be capable of one more year of similar growth before we approach the level of harvest the trees at this stage should be producing.

- Expenses for 2012 totaled $25,300. So far in 2013, expenses are tracking about 25% higher, largely the result of the having so much additional fruit to harvest, transport and process, but also because we are being much more aggressive with our inter-cropping efforts. Going forward, the use of the truck should tend to reduce our expenses, but it seems reasonable to plan for about a 20% increase for the year, or around $30,000.

- Our current progress in the oil palm harvest supports a projection of about 8000 liters, higher than initially estimated. This would be expected to give us revenues of around $11,000.

- After a late start in 2012, we realized about $1,900 in inter-cropping revenues for the year. Because we came into 2013 with some crops already in the ground, and have use of the tractor for the entire year, revenues should be substantially greater in 2013. The current estimate is about $9,000.

- This projection puts us at an operating loss of about $10,000 for the year, not counting capital investments. However, much of that money has already been spent, and according to this projection we expect to stop needing additional funds to operate by around July. For the second half of the year, revenues should exceed expenses by enough that we may not need any further investments going forward.

Expansion Plan Status

From the initial launch of ANPOP, the long-term plan has been to initiate our own processing center once the quantity of fruit produced grew large enough to justify the investment. We clearly reached that stage in 2012, and at this point we believe we have completed the capital investment necessary for the farm to operate profitably. The growth in the past two years has been very rapid, and managing expenses very well can be difficult in such a time of transition. But with the rapid growth, the revenues are growing at a much faster pace than the expenses, and the outlook is very bright.

Summary

The year 2012 will be remembered for many major milestones being reached, especially the launching of our own processing center that had been a keystone of the vision for ANPOP since the founding of the company. The stage of investment is now primarily behind us, and the key going forward is to manage that investment to produce the results. To God be the glory!