

KALAHARI AIRWAYS

General Description:

I have applied to the Civil Aviation Authority of Botswana (CAAB) for an Aircraft Operating Certificate and the traffic rights for the initial routes, Cape Town to Gaborone and Gaborone to London. The new airline will offer daily flights from Cape Town to London with a thirty minute stopover in Gaborone on a route that is not served. Both Cape Town and Botswana passengers have to travel in transit through Johannesburg. I have detailed business plan.

Personal Situation:

I am university educated with extensive experience in transportation and in particular, aviation. A former airline COO and an airline CFO who have demonstrated high levels of competence will be appointed Director of Operations and Financial Director and act as post holders to comply with ICAO requirements. I will participate in the management of the airline by contributing my experience to ensuring a safe and effective operation.

Personal Talents:

I have operated heavy jet cargo charters including Boeing B707F, Douglas DC8F, Ilyushin IL76, Boeing B747F, and, Boeing B767 and B737 passenger charters on behalf of the South African Ministry of Defence in support of their peace keeping operations, very successfully since 1995 both regionally and internationally.

Difference from Competition:

Kalahari Airways will offer direct flights to London from Cape Town and from Gaborone thus avoiding the inconvenience of transiting through Johannesburg with its multiple security checks. Passengers will be able to save time and avoid the additional stress of changing flights at ORT. The emphasis will be on attracting premium class diamond industry, business and tourist passengers in Botswana. Hyperlocal marketing and discounting of fares in Cape Town will ensure every flight is fully booked. Our passengers will experience a far shorter travel time to London than they would, travelling in transit through Johannesburg, both from Cape Town and Gaborone.

Planned Return:

Estimated revenue of US\$200m per annum is projected. EBITDA is estimated to be US\$20m per annum.

Repayment Schedule:

The acquisition of three ex QANTAS Boeing B747-400 aircraft will require a lease purchase facility of \$30m to be repaid over five years. A standby facility of \$10m will be required to comply with the CAAB's working capital minimums. I have approached the Botswana Development Corporation (www.bdc.bw) and private investors seeking investment. The BDC has determined that the project meets with their investment criteria and they are willing to enter into a co-financing agreement with the bank. The Government of Botswana fully supports the provision of direct flights from Gaborone to London.

KALAHARI AIRWAYS POLICY & ADVANTAGES

Kalahari Airways will be a full service long haul airline. SAA Technical sent a delegation to my BDC presentation and assured the BDC that the full maintenance contract they offered would maintain the value of the aircraft and allow Kalahari Airways to concentrate on filling seats.

The Civil Aviation Authority South Africa also sent a delegation to my BDC presentation. They commended my choice of aircraft and stated that they fully supported any initiative that would help relieve the pressure caused by the growing numbers of passengers using ORTIA, which is reaching full capacity.

I have listed the following points which will give Kalahari Airways an opportunity to succeed in the market place, using the hub paradigm.

1. All of our flights will originate in South Africa and will stop for 30 minutes en-route to London Gatwick and later Hong Kong, New York, Paris and Frankfurt. Market surveys will determine the most viable routes.
2. The only aircraft that is able to tanker cheap fuel from Cape Town or Durban, to Gaborone, is the Boeing B747 due to its high gross landing weight. The maximum fuel uplift in Gaborone will be 30 tonnes which is within the current upload capability during our 30 minute en-route stop. The average saving will be \$50k per flight
3. I will pursue an opportunity to operate a wet lease contract for an airline in West Africa during the daily stopover at London Gatwick.
4. I have proposed to the Botswana Meat Commission that they consider exporting chilled beef (+1°C), which commands a premium over frozen beef, to the EU market. My proposal has been received with serious interest. Inter alia, the same argument can be made for the resuscitation of the Ostrich meat and the Cut Flower export industries in Botswana which collapsed due to severe restrictions placed by the South African authorities on transporting fresh agricultural products in transit.
5. All seats will be marketed heavily, at deep discounts where market conditions dictate, in Cape Town and London. Premium seats will be marketed heavily to the Diamond Industry and the rapidly expanding business sector in Botswana. We will also target the premium market in Johannesburg and in particular mining executives in the Rustenburg Platinum mining belt. Preliminary surveys suggest that Premium class passengers will drive to Gaborone rather than use ORTIA and as Pilanesburg has international status we may well contract a small jet to enable these passengers to connect with our Gaborone London flights.
6. In terms of the Botswana - United Kingdom Bi-lateral Air Service Agreement (BASA) the designated Botswana carrier is entitled to operate the Botswana UK route with no competition from British Airways until the Botswana designated operator has reached full capacity (not defined).

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THE AIRCRAFT

Each aircraft will be owned by a stand-alone company, offshore, and dry leased to the airline. This will offer early investors a more secure investment. BDC will provide the working capital for the airline. I am actively seeking investors to help me buy three ex QANTAS 747s on offer to me at \$6.5m each. My extensive research shows that combined with the available passenger loads out of Cape Town, we will have full loads on every flight out of Gaborone, matching British Airways average of 92% load factors. Nobody wants to transit via Johannesburg if they can avoid it. I have negotiated agreements with two regional airlines who will feed passengers from Lusaka, Harare, Windhoek and Lanseria/Pilanesburg into Gaborone.

QANTAS has offered me three '92 B744s with 90k airframe hours, mid-life engines and landing gears good to 2017/8 for a flat \$6.5m each. They each need a light D Check. Two years ago they were asking \$20m each for the same airplanes. They took a \$100m charge against the value of their 747s last year and I am sure they will have to repeat the exercise again, many times. There are seven QANTAS B747s in storage in the desert, in California.



I will not be performing heavy D Checks or overhauling engines. There are enough 744 airframes and engines coming on the market over the next twenty to thirty years. Boeing cannot afford to buy back all of them and it is not economical to overhaul any engine when you can buy a mid-life engine for \$1.5m. An engine overhaul costs \$6m.

My long range plan is to own twenty or more 744s within five years, half of which will be marketed on wet lease. I will be targeting airlines such as SAA and Virgin who are stuck with near worthless A340s for the next five years. A used 744 @ \$200k per month lease purchase cost plus \$2k per hour for maintenance and an extra 0.02c per seat km for fuel is a no brainer against a new A380 @ \$2m per month lease cost plus reserves.