



NITRO EXPLOSIVES (T) LIMITED
P.O. Box 21 DAR ES SALAAM, Tel/Fax: 022 2112381, Cell: 0787 380308
P.O. Box 11733, Arusha, Tel/Fax: 027 2548576, Cell 075438
P.O. Box 2646, MWANZA, Tel/Fax: 028 2542146,
E-mail: nitro@myarusha.com / info@nitroexplosives.com

Our Ref. No: NETL / AR / 395 / 20.

Date: 12th July 2020.

Tanzania Investment Centre
Shaaban Robert Street
P.O. Box 938
Dar Es Salaam

RE: PROGRESS REPORT FOR EMUSION PLANT (043085) AT MAVUJI VILLAGE, KILWA

Dear Sir / Me.

With this letter and attachments, we would like to provide you with the progress that we made with our project including a few historical dates. This "progress report will therefore include 2017 (previous report) and 2018 (till April 2018). These events (overview) and dates as follows:

1. Planned activities for the period:

- a) All staff housing that include **two dormitories** that can accommodate 16 staff, **three houses** that is 3 bedroom self-contained and **four houses** of 2 bedroom each are completed. They are all eco - friendly designed. All housing function fully on solar power including hot water. This mean that 25 permanent staff can be accommodated by the company on site. An electric fence surrounding the housing estate is completed.
- b) The tank farm has been completed that has a capacity of 65 000 Litres potable water from boreholes. At least 70% of water for the plant and staff will be pumped with renewable energy - solar.
- c) The office block is completed and function fully on renewable solar energy. The offices are now in use for administrative and planning purposes. Office workspace for 7 personnel, junior and senior.
- d) The road works (access to the main road B2) as well as the area surrounding the emulsion plant proved to be impassable in rain season. We had to eventually remove 70 000 cubic meters of clay and replace it with limestone (compacted) to ensure that the plant can function throughout the year.
- e) The main store that also accommodate the plant module is completed.
- f) Above site has been secured with an electric fence to ensure security in future.
- g) Solar lights (renewable energy) has erected and installed to light up the factory site as well as the housing estate.
- h) An induction facility has been constructed near the main B2 road (DAR to Mtwara) where staff and visitors will be informed and equipped to enter the manufacturing facility.
- i) Generator building constructed with 500Kw generator on site.
- j) 2nos 20,000ltrs diesel tanks have been put inside its enclosure for supplying diesel for production works.
- k) The bulk bag crusher and mill, bulk bag gantry and the complete augur systems for pushing Ammonium Nitrate into the Solution Tanks have assembled and installed.
- l) The complete system of boiler for steam production and calorifier for hot water production have been assembled and installed.
- m) The gantry for offloading raw material container have been assembled and installed

2. Achievements made on the project implementation to date:

- a) We applied and received a **Certificate of Incentives** on **27 July 2016**.
- b) **Land**. We went through lengthy and plenty of difficulties to acquire a certificate of occupancy on **04 April 2017**. This caused a significant delay in the initiation of the project. To provide detail of all the dates of meetings and mediations will be lengthy, so possibly we skip this. It took although approximately 3 years in total. A very costly exercise.
- c) Meanwhile, awaiting above, we were frantically working on the **EIA assessment** and its approval. Final version **submitted to NEMC on 17 November 2016**. We only **received the EIA Certificate on 6 April 2017**.
- d) While above issues proceeded from 27 July 2016, we applied for the reliefs granted regarding **capital goods through TRA and received the final approval on 18 April 2017**.
- e) Meanwhile we were importing parts of the plant and equipment to be able to construct this, we faced long delays due to **TBS**. We had to request for a waiver that was approved a month later - **19 April 2017**. **TBS** exemptions are valid for a year. We got it renewed (**April 2018**) accompanied with frustrations as it seems that **TBS** does not actually want to grant this. As per my opinion it (inspection exemption) will naturally deny them from extremely high inspection fees (15% additional to import duty and VAT). A not very investor friendly situation.
- f) We did acquire the building permit after the EIA approval. The **Architect, structural engineer, quantity surveyor and main contractor** were registered at their respective boards and numbers/stickers received in end **June 2017**. The **electrical engineer** was registered in **September 2017**.
- g) An OSHA certificate has been issued. This is of absolute importance to us as one of our core principles is to ensure a safe workplace with zero injury record.
- h) **Construction** then commenced in **August 2017** of the plant, area, and the housing estate. **Construction** of the infrastructure, (access and internal) road works were completed to an extent that personnel could comfortable live and be mobile on site by **November 2018**.
- i) The technical and design team continued frequent on-site design adjustment meetings to enhance the feasibility, cost effectiveness, environmental improvement, capacity enhancement capability and safety perfection modalities.
- j) Design changes and placement of critical components has been finalized on **07 May 2019**

3. updated information on the following aspects.

<i>S/No.</i> Information	Description	Current Project Status
1.) Shareholder's Information	Current Shareholders names, nationality, and percentage of ownership	<p>AUSTIN POWDER AFRICA INC. Nationality: American Percentage of ownership: 50%</p> <p>Y.H HOLDINGS LIMITED Nationality: Tanzanian Percentage of ownership: 21.9%</p> <p>JV TRUST LIMITED Nationality: Tanzanian Percentage of ownership: 20.9%</p> <p>YELENA MANAGEMENT LIMITED Nationality: Tanzanian Percentage of ownership: 2.45%</p> <p>YUSUF HAMISI MUSHI Nationality: Tanzanian Percentage of ownership: 1.05%</p> <p>JOHANNES JACOBUS VILJOEN Nationality: Tanzanian Percentage of ownership: 1.05%</p> <p>LIGHTNESS JOHANNES VILJOEN Nationality: Tanzanian Percentage of ownership: 0.1%</p> <p>ZAMZAM YUSUF MUSHI Nationality: Tanzanian Percentage of ownership: 2.55%</p>
2.) Company Communication Information	<p>Email address</p> <p>Mobile Number</p> <p>Land Line Telephone Number</p> <p>Physical Address (Plot No., Block No, Street, District and Region</p>	<p>info@nitroexplosives.com</p> <p>+255 754 380 308</p> <p>+255 27 254 8576</p> <p>Region Dar Es Salaam, District Ilala CBD, Ward Kivukoni, Postal code 11101, Street Samora/Azikiwe, Road Azikiwe, Plot number 2273/4, Block number 2273/4, House number 2273/4</p>
3.) Contact Person	Name Position	SALIMU JUMA MUSHI Company Secretary

Communication Details
(Email, Mobile and
Telephone)

salim@dexter.co.tz
Cellular: +255 688 498 912
Telephone/Facsimile (+255
27) 2543321

4.) Incorporation	Certificate of Incorporation No.	33003
TIN information	TIN Certificate No.	102-027-329
5.) Project Objective	Project Core Activity	Emulsion Plant
6.) Capacity	Project Capacity per Year	Emulsion Sales \$900,000
7.) Direct Employment	Foreign-Men	2
	Foreign-Women	NIL
	Local-Men	61
	Local-Women	12
8.) Indirect employment	Estimated Total No.	N/A
	Type/areas of Indirect Employment	N/A

4. Project Financial Expenditure to date (USD)

	Foreign (USD)	Local (USD)	Total (USD)
Land and Buildings	\$0	\$1,194,340	\$1,194,340
Plant and Machinery	\$729,523	\$0	\$729,523
Vehicles/Aircrafts	\$0	\$7,723	\$7,723
Furniture	\$0	\$22,152	\$22,152
Office Equipment	\$0	\$0	\$0
Insurance Cover	\$0	\$18027	\$18027
Pre-operational expenses	\$0	\$249,859	\$249,859
Working sub-total capital	\$0	\$0	\$0
GRAND TOTAL	\$729,523	\$1,492,100	\$2,221,624

5. Project Financing

This project is at present self-financed. We joined hands with an international technology partner who bought shares in Nitro Explosives (T) LTD. With a technology agreement in place, we are now able to have access to technology that was not previously available in East Africa. Nitro Explosives (T) LTD may be a "real" investor with "fresh foreign investment" regarding the investment itself as well as the technology. People will learn skills and their lives may improve. We will serve infrastructure projects with emulsion that was mostly imported before. When completed - we can export the product that will earn foreign currency.

A. Project Financing Plan

	Amount (USD)	Source Country
Local Equity	\$1,459,037	Tanzania
Local Loans	\$0	Tanzania
Foreign Equity	\$2,893,137	United States of America
Foreign Loans	\$100,890	United States of America
Total Investment	\$4,453,064	

B. Project Financial expenditure to date:

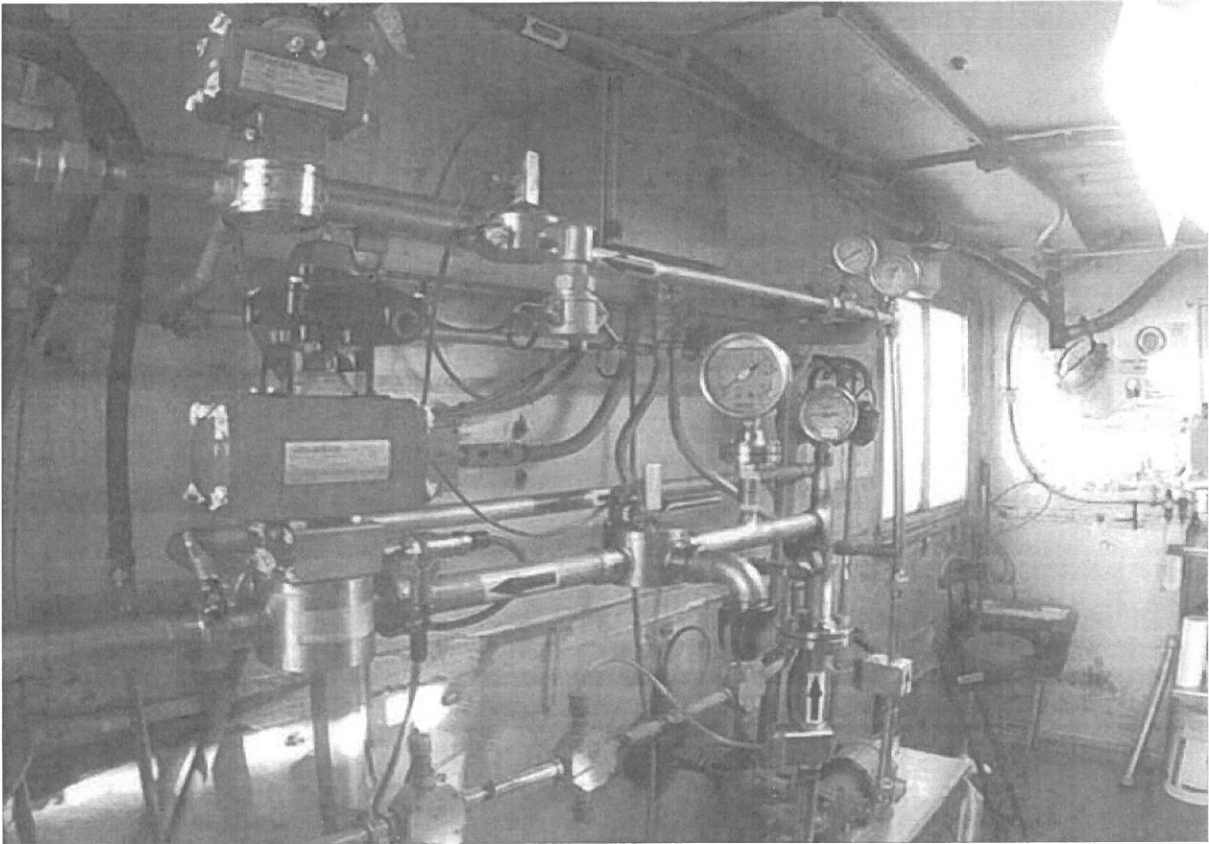
PROJECT FINACIAL EXPEDITURE TODATE	
ACTIVITY	FOREIGN \$
Land & Buildings	1, 585, 345.80
Plant and Machinery	1, 240, 000.67
Vehicles	201, 320.34
Furniture	76, 800.00
Office equipment	18 459.92
Insurance Cover	6, 480.60
Pre-operation expenses	358, 006.74
working sub-total capital	
GRAND TOTAL	3, 486, 414.07

6. Problems and Solution

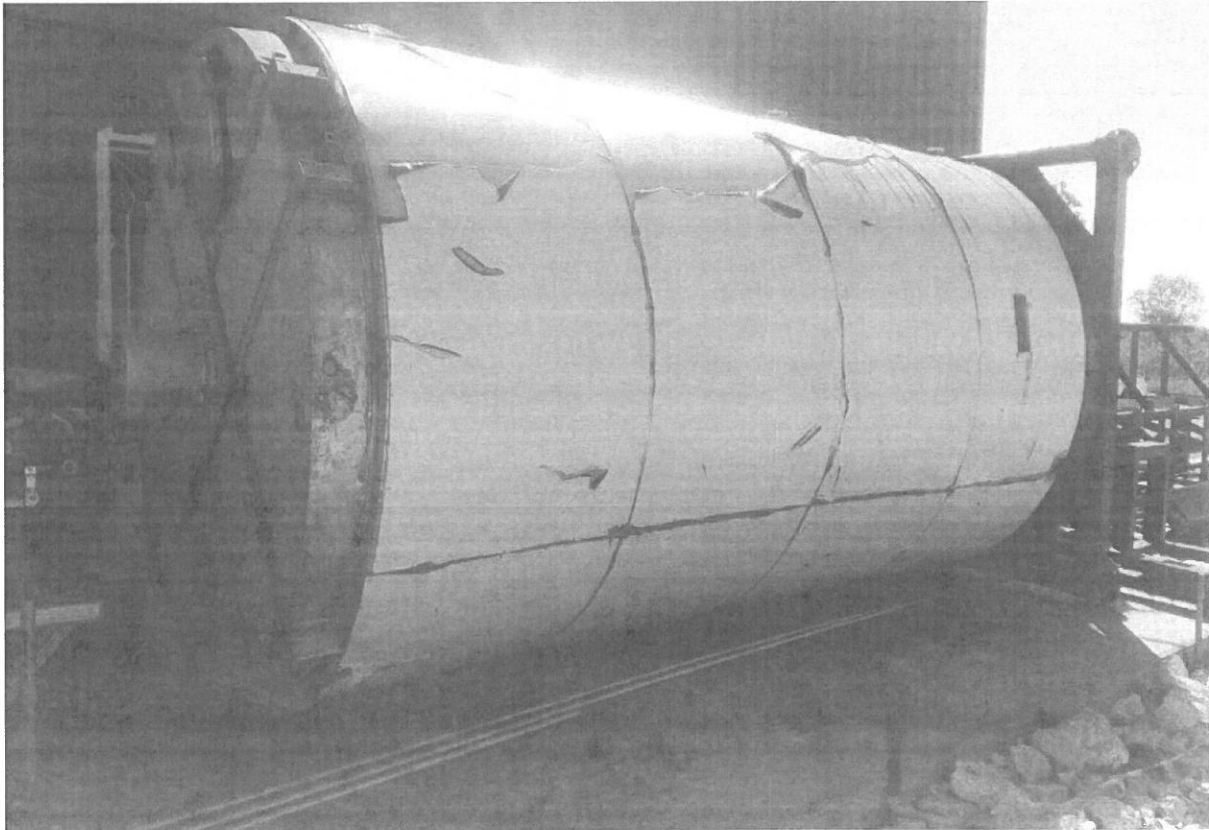
I faced so many obstacles to reach where we are now and I belief that more is to come. These might be a long list. I try to summarise for now:

- 1.) Land acquisition: This is a lengthy and very costly affair. It took for ever to make a bit of progress within the processes. Well, the solution is that one need to start early enough to allow all the steps to work out. Patience and constant follow up was the only solution that I see working. Land rent and taxes are also now added to our expense list. To my opinion it is on the high side, seen in the light of attracting real investors that assist in the drive towards industrialisation and a self-reliance Tanzania.
- 2.) EIA. **This has been resolved in the meanwhile.** But we missed out on valuable time and had to go through a lengthy process that caused a delay. The cost of doing an EIA was much higher than expected for this Emulsion plant project. **Meanwhile we had other developments in Lugoba area that was completed in May 2019 with better EIA cooperation.**
- 3.) Other permits and permissions (I think) can be simplified. This take long and is costly. I just think of a manufacturing licence that we still need. We cannot apply for it as we do not have the plant up and running yet. I mean - what if something changes and a manufacturing licence is being refused? We do not have sufficient surety as investor.
- 4.) Exemptions for capital goods: This is not immensely attractive. Some laws clearly exclude deemed capital goods for this project. We develop in a remote area and must establish our own infrastructure. We requested for items in the "estate" that was categorically declined. Freight of goods and people, also raw materials are critical for the plant to be productive and was declined (vehicles). I fail to understand why in some cases merit is not provided to specific needs to run a remote project such as this. This being facilitated by TRA. **We must request for additional items to be partially relieved from import taxes.** This simply as times change, demands change and with these changes, we as business must adjust or react accordingly and quickly. This additional request should follow as we go along.
- 5.) The project development started much later than expected. A year has gone by (lost) with fixed costs. Naturally, this project will be also behind schedule and over budget when completed.

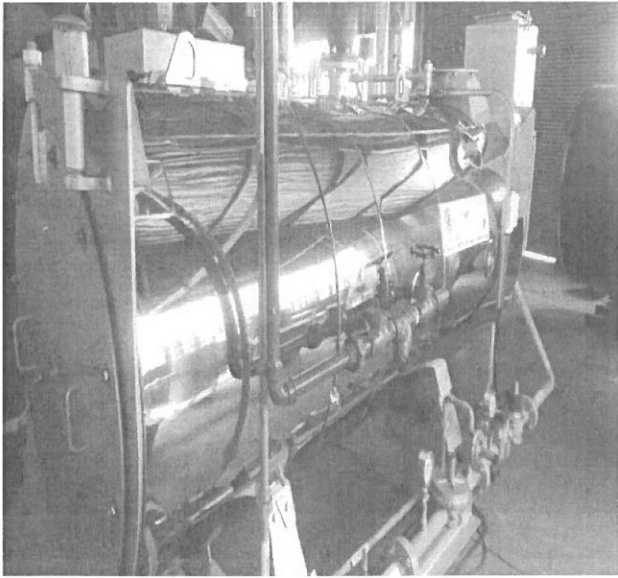
EMULSION MODULE



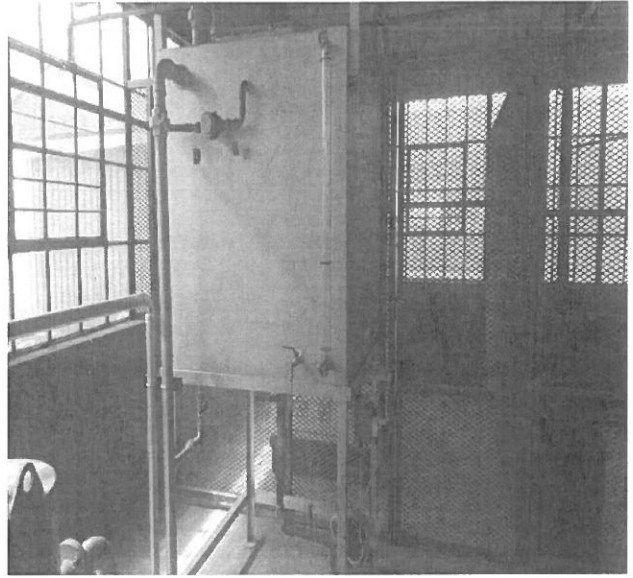
ONE ANSOL TANK COMPLETED



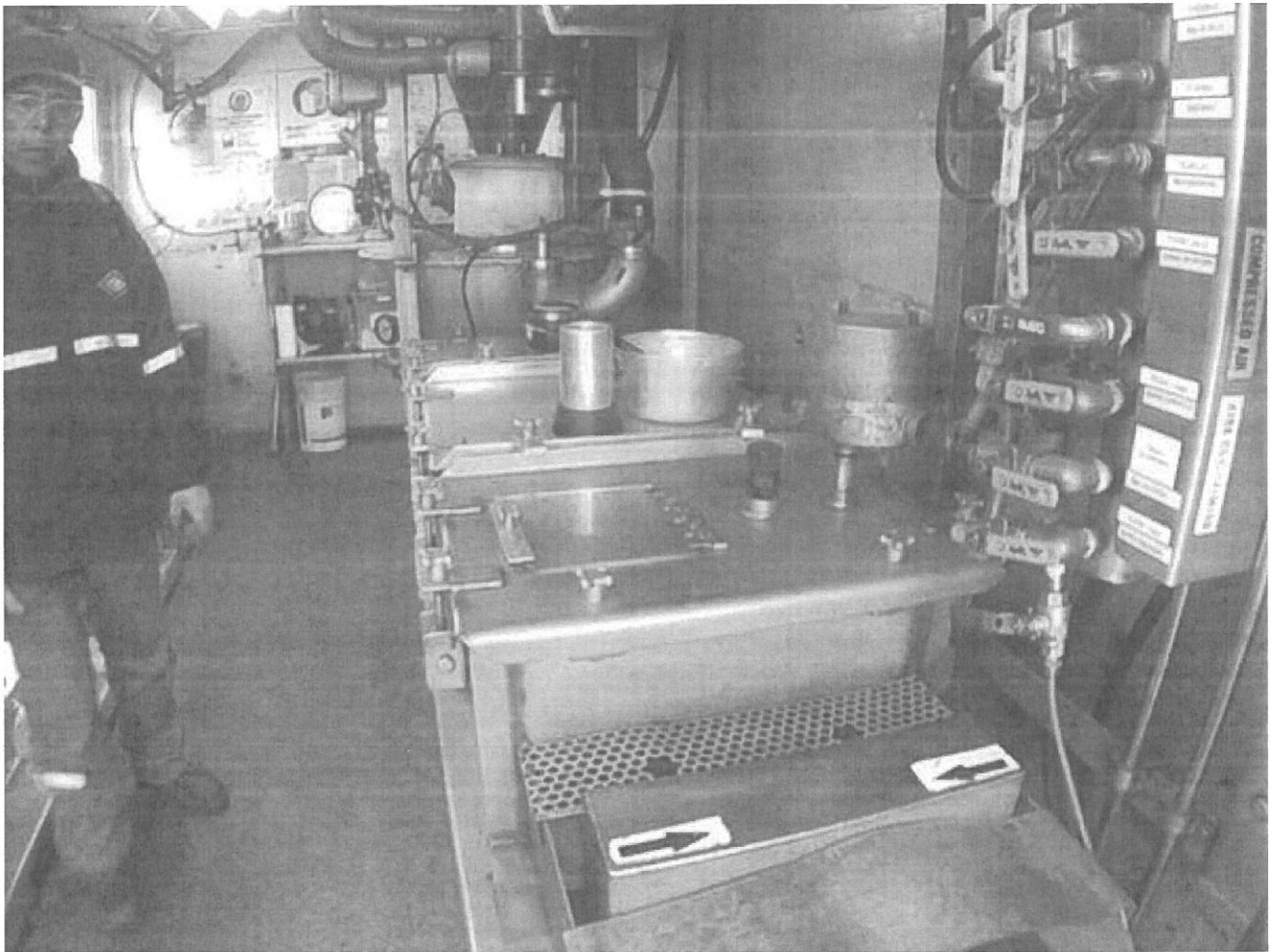
BOILER



CHOLORIFYER



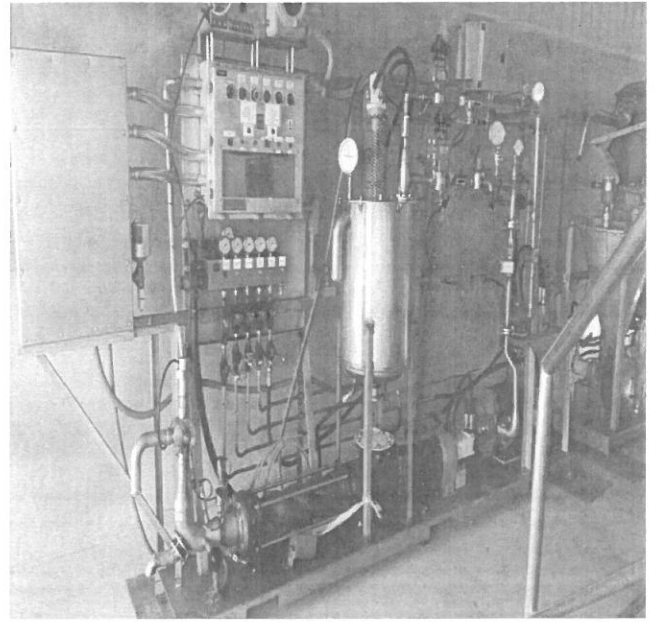
EMUSION MODULE



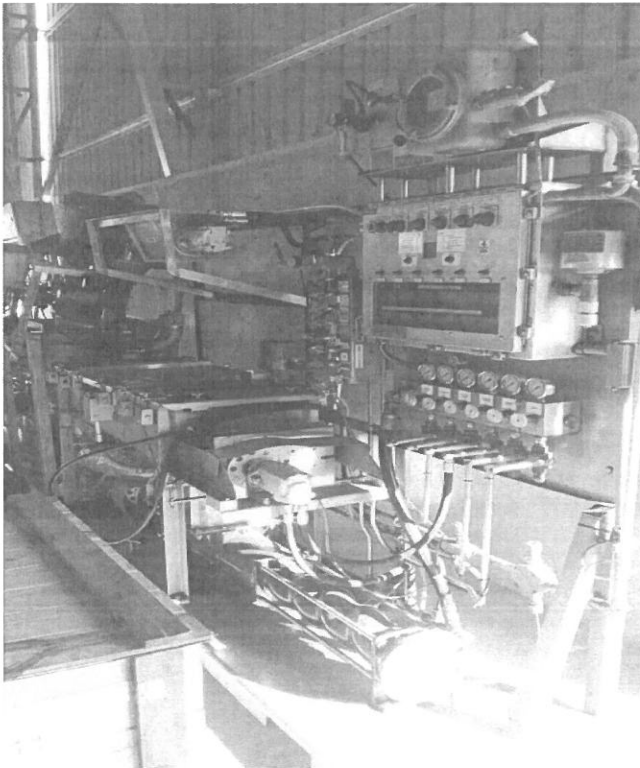
EMULSION MUDULE COMPONENTS



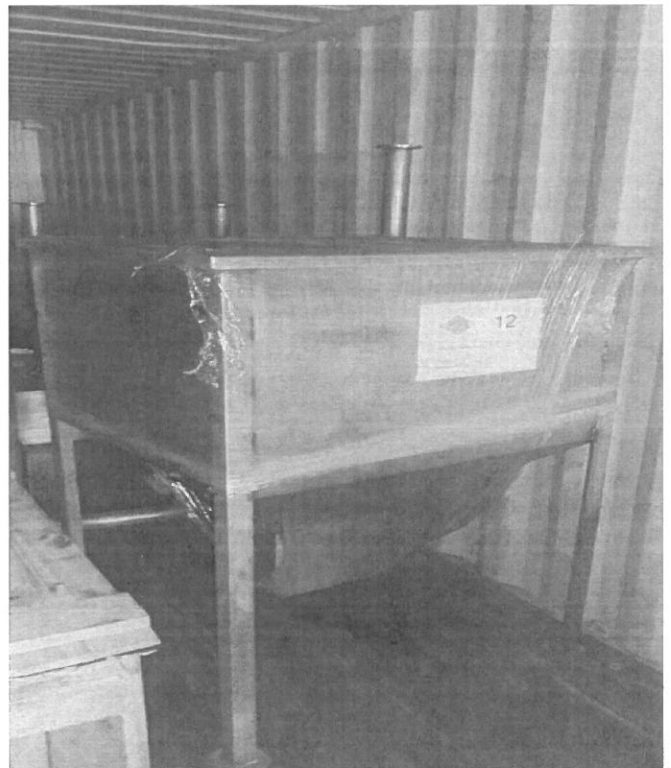
EMULSION MODULE



EMULSION MIXING UNIT

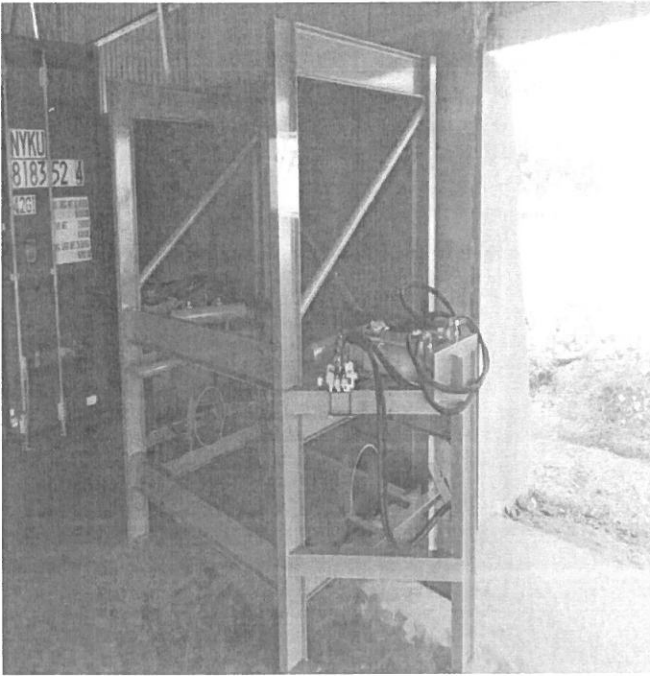


EMULSION HOPPER

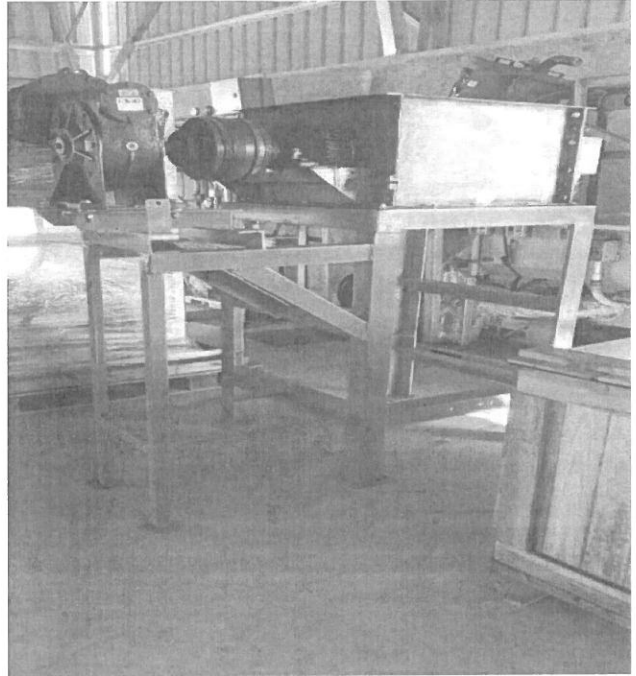


PLANT AND EQUIPMENT

AN CRUSHER



GEARBOX FOR AN CRUSHER



CRUSHER STAIRCASE ON LOAD SELL



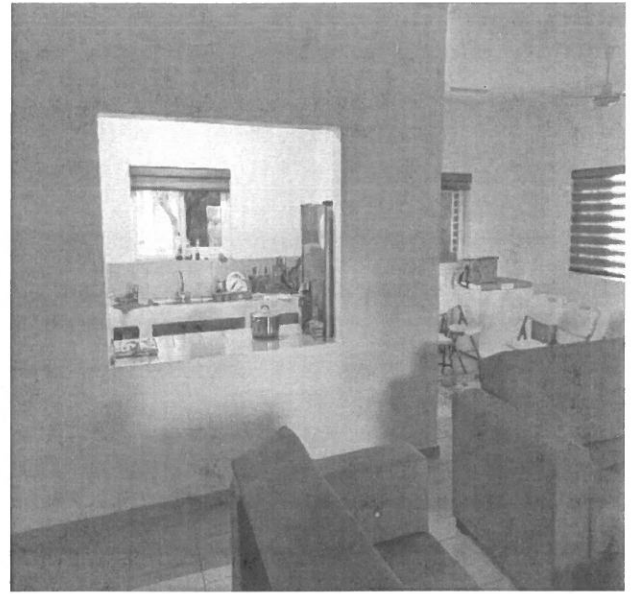
HOPPER FOR AN CRUSHER



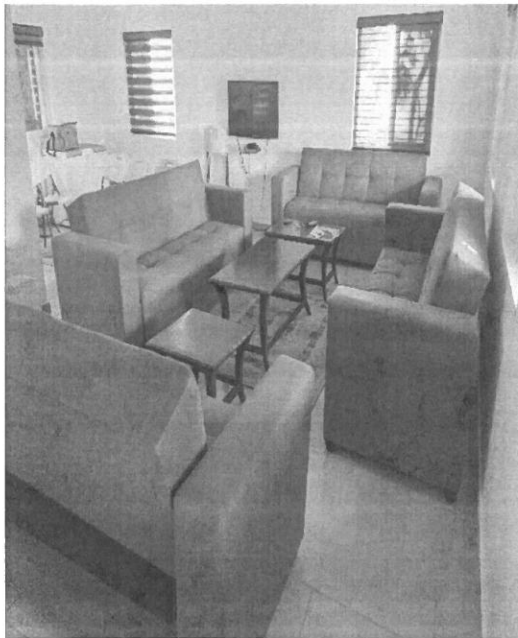
ACCOMODATION



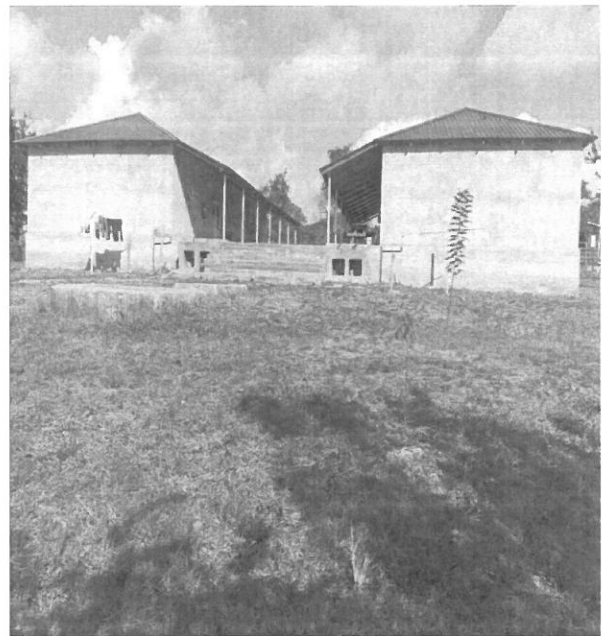
ACCOMODATION SENIOR STAFF



HOUSING INTERIOR



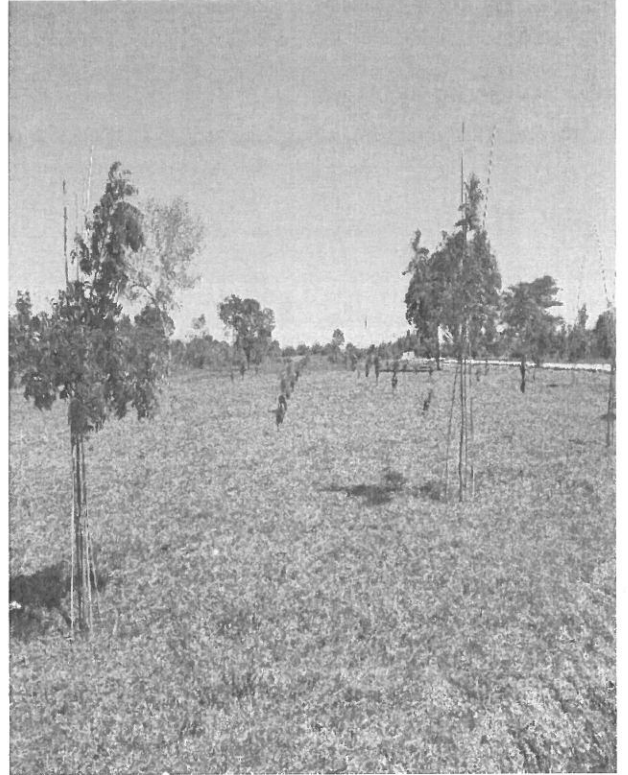
DORMATORIES FOR WORKERS



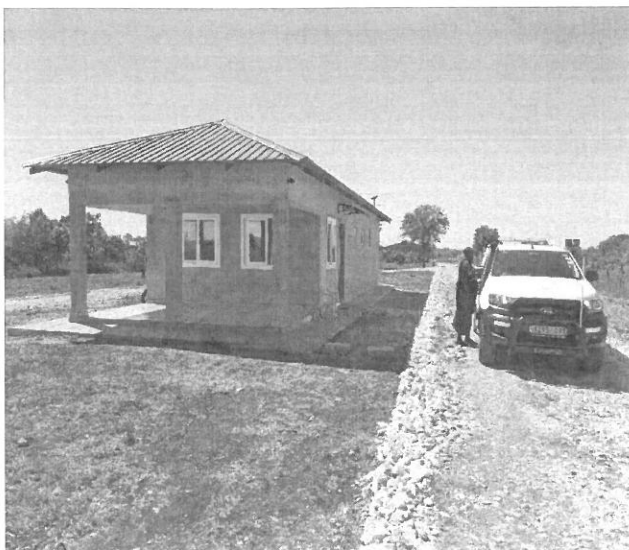
HOUSING FOR STAFF COMPLETED



ENVIRONMENT IMPROVEMENTS



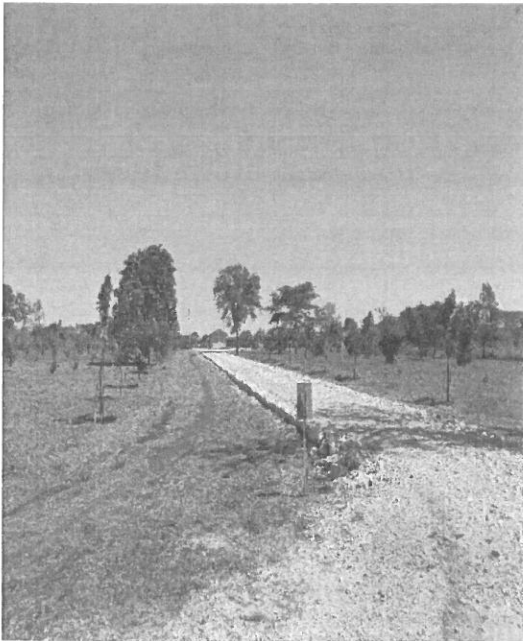
INDUCTION FACILITY AT MAIN ENTRANCE



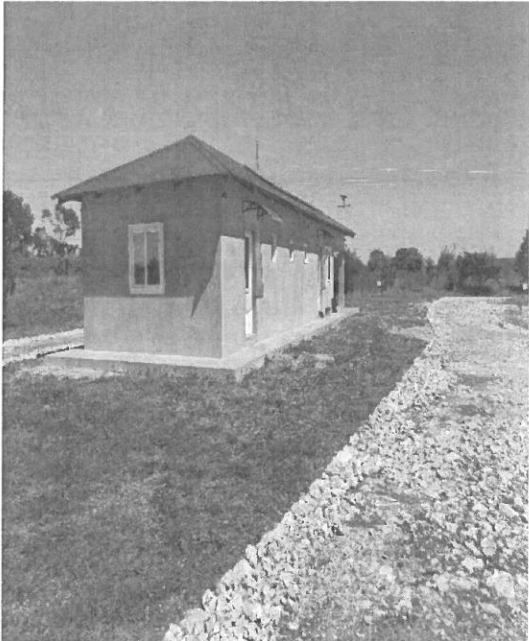
INDUCTION AND ENTRANCE BOOM



ENTRANCE ROAD



INDUCTION AREA



ENVIRONMENTAL AWARENESS AND IMPROVEMENT



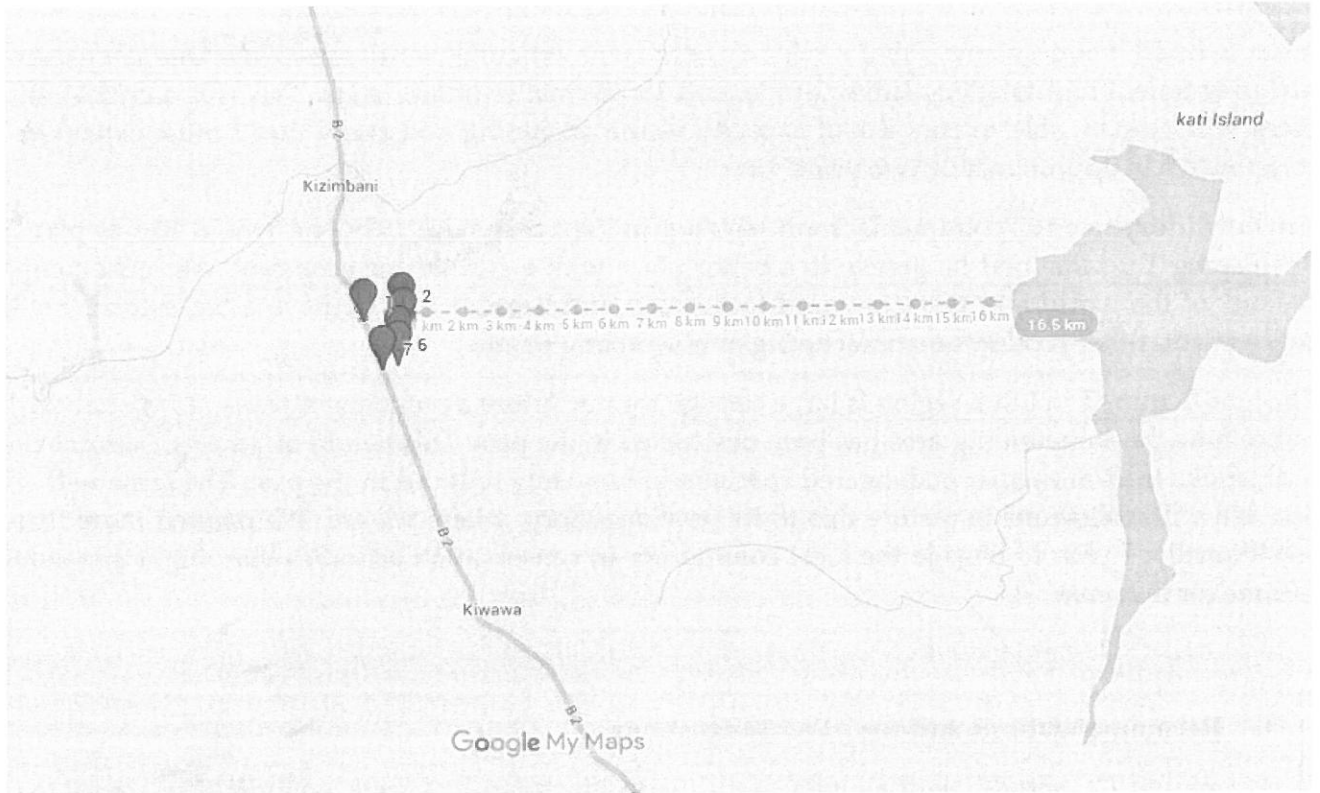
ENVIRONMENTAL AND NATURE AWARENESS



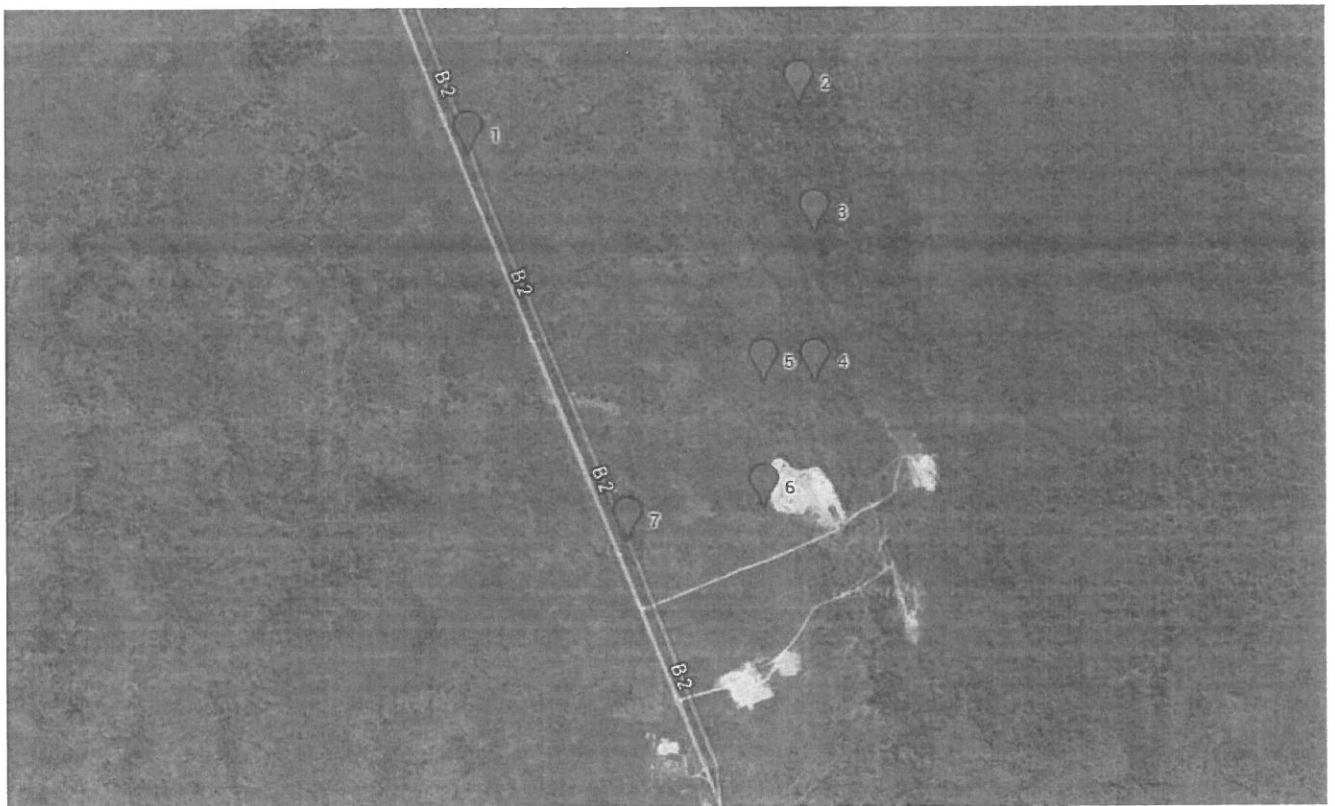
LEGAL NOTIFICATION OF OUR PERMISON TO BUILD OUR EMULSION FACILITY



BELOW IS SOME OF THE PICTURES RELATED TO OUR EMULSION PLANT AND ITS PROGRESS.



MAVUJI EMULSION PLANT (EDEN) LOCATION, BEFORE RED STAR



SITE SPECIFIC LOCATION (EDEN)