



MINERAL PROCESSING AND EXTRACTIVE METALLURGY LABORATORY

An investment plan into the supply service in the mining industry through provision of mineral processing and extractive metallurgy laboratory services.

Done by: Happiness Nesvinga
June 2020

BUSINESS PLAN

Nesch Mintech Tanzania Limited

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BY ACCEPTANCE OF THIS DOCUMENT, THE RECIPIENT AGREES TO BE BOUND BY THE AFOREMENTIONED STATEMENT.

EXECUTIVE SUMMARY

Nesch Mintech Tanzania Limited hereinafter referred to as "NMTL", is a privately owned company registered in Tanzania under the Companies Act, 2002 on 12 February 2014. It was formed mainly to offer Laboratory Analytical Services, and Consultancy in Mineral Processing and Extractive Metallurgy to the mining sector of Tanzania, East Africa and beyond. Mining has become one of the fast-growing industries in Tanzania which also contributes much to the economy of the country. Due to this rapid growth Nesch Mintech has been started to ease some of the challenges which small to large scale miners are facing in Tanzania. These miners had little knowledge on how to start, operate and to troubleshoot some of the challenges in their mineral processing activities. Challenges on sample analysis, dump samples, carbon samples and exploration sample analysis has been a major issue of concern. These challenges had a great impact on the growth of the mining industry and thus gave the rise to the formation of Nesch Mintec Pvt Ltd. The idea behind the formation of this company was to impart knowledge and solve some of the challenges that were faced by the small to large mining companies.

These factors all contribute towards NMT being able to fill a very important niche in the Africa mining industry. Demand is such that NMT will have one unit operating in Tanzania Mwanza within first 5 years based on known expressions of interest from prospective customers (including the Barrick Gold, Anglo gold Ashanti, already in production). Of the potential customers, one group relate to processing primary ore (large scale mines) and the other are for processing tailings (small scale mines). It should be noted that the financial forecasts are based on those clients that have shown interest in our services and therefore likely to go to contract award – though there is overall significant interest from the mining community throughout Tanzania which will allow for a degree of interchange of client/contracts if needed.

Financing Overview

The company is looking to invest Tsh1.4billion from its shareholders

The majority of the funding (Tsh820million) will be invested in plant and equipment required on the development of the Laboratory while the balance (Tsh600million) will be used for working capital requirements, furniture and fittings, motor vehicle and other pre-expenses as shown on the table below. The actual use of funds will be commensurate with the actual timing of plant production based on customer demand (per project) and will therefore be staggered and can be drawn down as and when required during the immediate two year period.

Financial Management and Investment breakdown

The following will be the breakdown of the investment needed

Investment breakdown	USD\$/Tsh.M
Land/Building	100 000 000
Plant	820 000 000
Vehicles	270 000 000
Furniture and Fittings	45 000 000
Pre-expenses	10 000 000
Others	15 000 000
Working Capital	140 000 000
Total	1, 400, 000, 000

The financial model within this business plan demonstrates a payback of all capital and interest within 15 months, whilst generating significant profits and cash on an ongoing annual basis.

Even after depreciating the plant and equipment over a very aggressive three-year period and assuming a 5% inflationary rate on all operating costs, annual profits (pre-tax) of Tsh0.6billion (2015) increasing to Tsh0.8m (2019) are achievable with (pre-tax) net cash generated after month 16 – potentially in excess over a five-year period.

The planned roll-out of the model after the successful implementation of the project will lead to a surge in demand and the potential to enter into further lucrative contracts within the next 24 months. These anticipated projects have not been included in the financial calculations. Furthermore, once NMT has been contracted to junior mining companies (e.g. Tembo Gold Corp and Victoria Gold Corp) for the early stages of geochemical tests, NMT will look to being retained by the client if they wish to further develop capacity and increase throughput tonnage on sites. This will result in further opportunities for significant growth in revenue, profits and cash generation through metallurgical tests and plant optimization tests.

BUSINESS DESCRIPTION

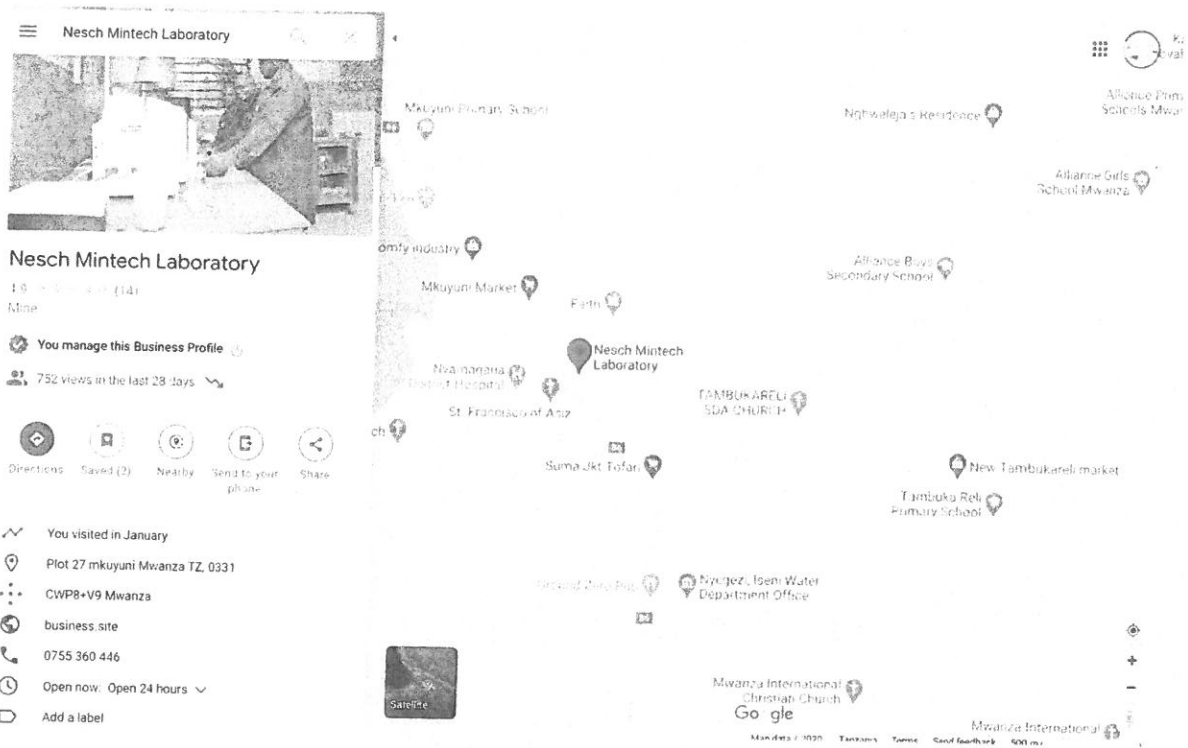
- i** NESCH MINTECH Limited is a privately-owned company set up to cover the gap that has been existing in the mining sector where credibility and integrity of mineral test results has created a major challenge in investment decision making for the mining industry. It is our conviction that we have taken Tanzania and East Africa to international levels by being assessed and successfully accredited by the SADCAS on an ISO/IEC17025:2005-Minerals which demonstrate that we are technically proficient and able to produce precise and accurate test and analysis of minerals.

Company Ownership/Legal Entity

- i** Nesch Mintech Tanzania Limited is a privately owned by three directors, 1 from Tanzania and 2 from Zimbabwe. This has been mainly to enhance linkage benefits between Tanzania and Zimbabwe and help transfer of technology between the 2 countries. All the 3 directors have equal shareholding in the company and Happiness Nesvinga is the full of vast knowledge and experience in the mining sector and he acts as the Chief operations Officer.

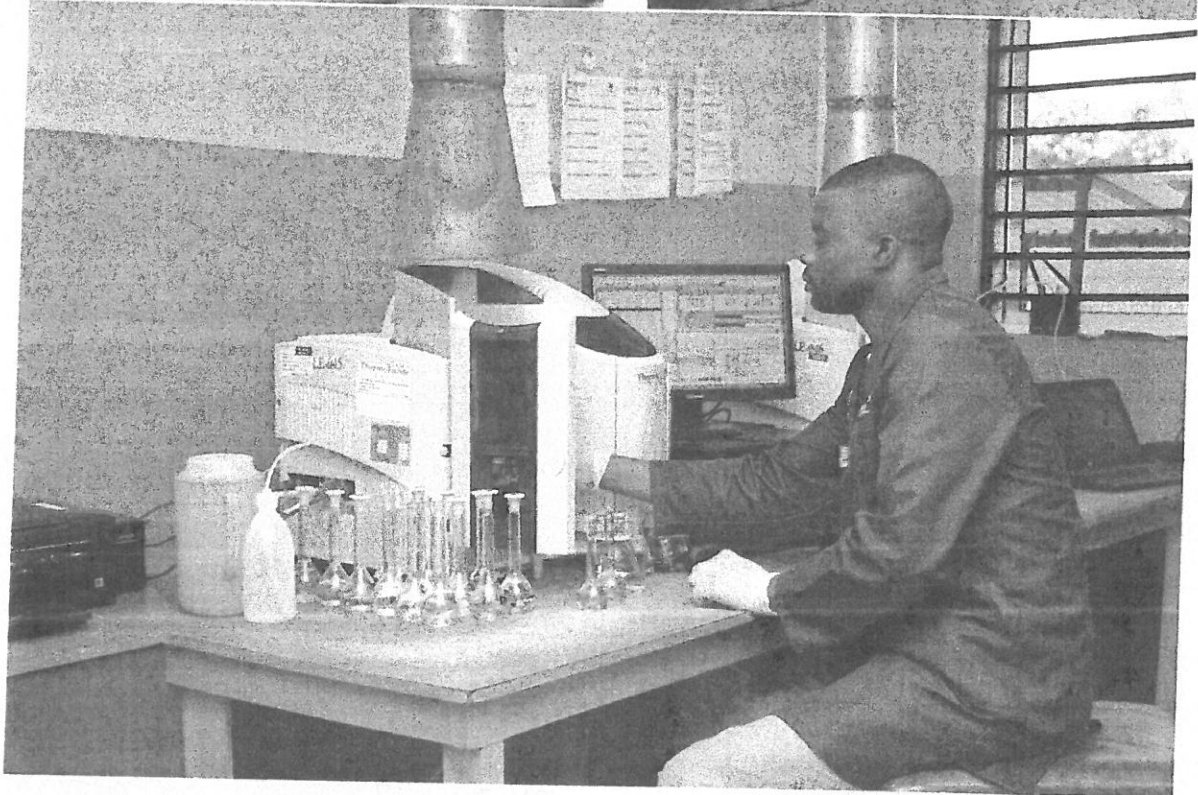
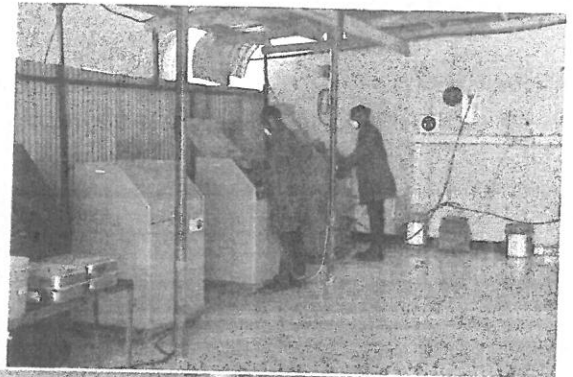
There has been lots of effort such that Nesch Mintech Tanzania limited has managed to attain accreditation status on ISO17025 in a very short time. The accreditation is the key to the mining laboratory as it puts the company to international level of standards and makes its output results acceptable. It is of great importance to maintain and defend the accreditation every year of assessment.

Location



Interior

i Located on a 2800 square meter area, the Nesch Mintech Laboratory is housing some AAS, Machines and ICP machines for mineral testing. The main components of the lab include the sample preparation, fire assay, conference room, instruments room. Details are as per picture below.



Hours of Operation



Work is done 24 hours at Nesch Mintech Laboratory and this is mainly because of the dire need of mining bodies demand for results in time. Thus, a standby shift works after hours to ensure results are produced within the expected time.

Get your Geological Exploration Results on time & on budget

Nesch Mintech Laboratory

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Mwanza Tanzania

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Products and Services

i Below is the detail of the services and products from Nesch Mintech Laboratory.

www.neschmintec.com

ISO/IEC 17025:2005
MINERALS ACCREDITED TEST -
50029

 **NESCH** Mintech
PRIVATE LIMITED
Making mineral processing a reality


A MEMBER OF AMERICAN SOCIETY
FOR TESTING AND MATERIALS

Comminution Testwork

- ✓ Jk Drop Weight Test
- ✓ Bond Rod Work Index (BRWi)
- ✓ Bond Ball Mill Work Index (BBWi)
- ✓ SAG Mill Comminution Testwork (SMC)
- ✓ Unconfined Compressive Strength Test (UCS)
- ✓ Unconfined Compressive Strength Test (UCS)
- ✓ Particle Size Analysis

Geo-chemical Testwork

- ✓ X-ray Fluorescence (XRF)
- ✓ Fire Assay - AAS
- ✓ Aqua Regia - AAS and ICP
- ✓ Carbon and Sulphur Analysis
- ✓ Cyanide Speciation

Gravity Separation Testwork

- ✓ Amenability Test Knelson/ Falcon
- ✓ Gravity Recoverable Gold Test (GRG)
- ✓ Shaking Table Test
- ✓ Spiral Test
- ✓ Jigging Test

Flotation Testwork

- ✓ Reagent Effect
- ✓ Flotation Kinetics
- ✓ Bulk Flotation
- ✓ Cleaner and Rougher Flotation

Leach Testwork

- ✓ Diagnostic Leach
- ✓ Bottle Roll BLEG
- ✓ Agitation Leach Test
- ✓ Vat Leaching Test
- ✓ Heap Leach Test
- ✓ Column Leach Test
- ✓ Intensive Leach Reactor (ILR)
- ✓ Carbon Activity Test

Suppliers

i Major suppliers are:

- Waja General limited
- Nebrix company limited
- Thermofisher SA
- Agilent SA
- Chemitrex SA
- Proglo Zimbabwe
- Lamcast Zimbabwe

Service

i Following a thorough testing exercise, Nesch Mintech provide free consultancy services to mining companies to ensure their projects are successful and this service is done to those who we provide the testing services.

Management

i Backed up with a mining background from the Zimbabwean mining industry, the Chief Operations Officer for Nesch Mintech Tanzania Limited, Mr. Happiness Nesvinga has worked some of the biggest mining companies such as Rio Tinto, ZMDC and Goldsearch Technical services. Such background allows the management of Nesch Mintech Laboratory to understand the value of time and quality of results in the execution of their duties.

The management of the laboratory is composed of

- Metallurgist x 3
- Chemical engineers x1
- Metallurgical Assayer x 2
- Soil Chemist x 1
- Finance x 2

The gap to be closed soon for the mineralogist and this should be done before the end of the year.

Mission Statement



NESCH MINTECH laboratory is committed to achieve and maintain standard of quality in all its laboratory services commensurate with the needs of its customers' expectations at highest standard quality level. Nesch Mintech Tanzania Limited is a privately-owned company set up to cover the gap that has been existing in the mining sector where credibility and integrity of mineral test results has created a major challenge in investment decision making for the mining industry. It is our conviction that we have taken Tanzania and East Africa to international levels by being assessed and successfully accredited by the SADCAS on an ISO/IEC17025:2005-Minerals and Fire Assay. This demonstrate that we are technically proficient and able to produce precise and accurate test and analysis of mineral ores and geological samples

Vision Statement

NMT's vision is to have the biggest and most trusted mineral processing and extractive metallurgy testing laboratory in East Africa and be the center of innovation supporting all mineral research and development for Tanzania.

This will help put NMT at the forefront of this mining sector of the African mining industry.

MARKETING



The substantial market for the mineral laboratory is mainly dominated by mining companies in the category of small, medium, and large-scale mines. The smaller sector comes from research institutions such as universities. However, it is interesting to note that the use of laboratories requires at least 2 laboratories to work with, main laboratory and comparison laboratory to verify the results from the other laboratory. It is therefore important to ensure the laboratory meet expected standards to fit in the first or second category.

The main marketing target for Nesch Mintech Laboratory is to provide quality analysis in time to allow for decision making. This has been the challenge of most of the laboratory as they struggle to produce results within the expected time. With the use of current technology and adherence to a highly monitored Quality Management System, the lab has been able to meet and exceed its customers' expectations.

Market Analysis



The target market for Nesch Mintech Laboratory is the large-scale mining companies and this is from entry level of mining (exploration to processing). There are several big mines in Tanzania and as of now they are 6 big

mining companies with an additional of at least 5 new companies that start exploration for minerals every year.

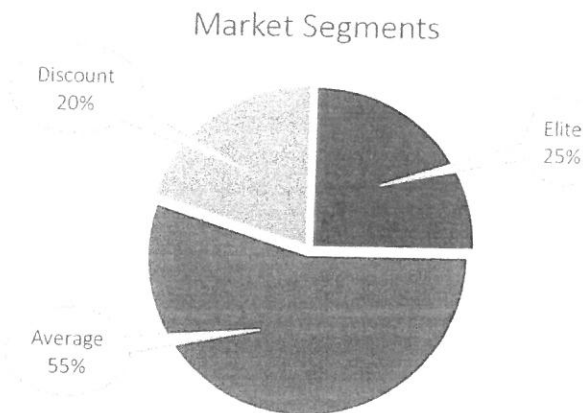
The companies have their head offices in Dar es salaam and do their activities in different locations of Tanzania with the highest number located in the lake region. Much of the communication with the clients shall be by site visit at both the mines site and the head office as much of the decision making is done at the head office.

It is interesting to note that there has been some players in our industry but most of which have been facing problems of delaying with processing of results such our entry into the market with technology that allows us to get results in the fastest time will be one of the greatest tool to allow us the gain a lot of market share. The overall market for laboratory services has been growing for the past 10 years and it is interesting to note that for Tanzania, there has been a lot of growth and demand for laboratory services. Our target is to get 50% of the market share in the first 5 years of our operation.



Market Segmentation

- i
 The market for laboratory services is divided into 3 categories mainly small scale, medium and large-scale mining companies. Prices for small scale is slightly lower compared to large and medium scale miners and this is because the large-scale miners bring more volumes of work and their work requires a lot of quality investment on it. The market segment is governed by the size of investment done into the mining project. 25% will fall into the elite, the big companies, 20% will be in the medium scale and the remain percentage will be the walk-in clients and small-scale miners.



Competition

- i** SGS and GST are considered as some of the team players in the same business with us and all SGS is a private lab while GST is fully owned by government. It is interesting to note that SGS has a long and trusted history in the industry while GST is driven by funding from Government. Each has its own weaknesses, SGS takes long time to process the samples while GST is well known for failing to get reagents in time for the to process the samples. As a result, both will take time to process the results. It is through this weaker side of both labs that Nesch Mintech is coming in to capitalize by producing results on time.

Major competitor in this business is the Government through its policies followed by technology, the better you have the latest technology, the more you can run the business at a profit.

Pricing

- i** The pricing philosophy is based on multiple pricing whereby for big mines the price will be slightly higher compared to small scale miners while all in all it will be centered on the cost-plus markup basis. Most of our competitors use the cost-plus markup in their costing. Every process and activity associated with the sample analysis is considered and then markup added to come up with final pricing. Nesch Mintech shall stick to multiple pricing to balance the broad segmentation of the market.

Advertising and Promotion

- i** Advertising shall be based on social networking and online adverts to create brand awareness and creating footprint on the market. Platforms such as Facebook, Instagram and LinkedIn shall be the major media

platforms to facilitate our advertising. Google ads and other online marketing tools shall be used.

Strategy and Implementation

- ① The strategy shall involve putting much effort in ensuring that we Nesch Mintech gets accredited in the earliest time possible to be able to provide services to bigger mining companies. During this period, we shall start with one method and then when accreditation is achieved, other methods will then be submitted for accreditation. The moment the certificates are out for accreditation, more work will then be on brand awareness and pro motion of the company all over the entire online platforms and sites visits will be increased to reach all potential clients. The laboratory is expected to the biggest in East Africa and Africa at large by 2021.

Milestones

- ① Below is a list of objectives which Nesch Mintech Laboratory wish to achieve in the future.
 - Being accredited in at least 10 methods-by 2025
 - Being one of the biggest tax collectors on behalf of the government of Tanzania-by 2025
 - Being one of the best employers in Tanzania-by 2022
 - Being the best quality laboratory in Africa-by 2021

Miscellaneous Documents

- ① The following documents have been attached
 - Tax clearance
 - Business Licence
 - Tin number
 - Accreditation certificate
 - Memorandum of association
 - Resume of Chief Operations Officer

COMPANY OWNERSHIP

Nesch Mintech Tanzania Ltd is owned wholly by three individuals, which consists of the following shareholding.

Shareholders	Percentage
Julius Mwita Kegoye	30.33%
Happiness Nesvinga	33.33%
Israel Chasosa	33.33%

Key Management, Advisors and Directors

NMT's Board of Directors and Management have extensive experience working in many different African industries ranging from mining, finance, banking and construction over the past 35 years.

Directors and Advisers

Happiness Nesvinga – Director

Is the founder and Chairman of Nesch Mintech and holds a HND in mineral processing and extractive metallurgy from the Zimbabwe School of Mines. He has vast experience in the mining industry from several companies he has worked for at managerial level. He has been with Rio Tinto's Murowa diamond and Goldsearch Technical Services where his passion for mineral consultancy started.

Israel Chasosa – Director

Mr. Israel Chasosa has been in the finance and banking industries for more than 26 years. Studied a Banking and Finance degree in the United Kingdom and worked several years with Bank ABC, Barclays bank, Akiba bank, and other banks in Tanzania, Israel Chasosa brings in valuable support and advice to NMT. He has been able to set up his own finance consultancy company and is working with different international finance institutions to finance companies in Africa. He has concentrated on managing the growth and success of engineering, manufacturing, and technology-driven companies.

Julius Mwita Kegoye –Director.

Julius Mwita Kegoye is a highly experienced local partner in NMT and has been well experienced in running business in the Tanzania environment. He brings in lots of experience especially in the mining industry as he has been a registered gold dealer for more than 20 years in Tanzania. Julius has been supplying several services to large scale mines in Tanzania through his company North Mara mine for the past 7 years.

Prosper Munemo – Manager

Is a holder of an MBA from SAUT university Tanzania and an Honors Degree in Mineral Processing and Metallurgy from University of Zimbabwe. Prosper brings in technical advice to the NMT team in support of the project and has been in the industry for more than 8 years from being a senior lecturer at Harare polytechnic to being a plant manager at Sabi Gold mine

Key Management and Executive Directors

Mark Johnstone – Senior Metallurgist and Engineer

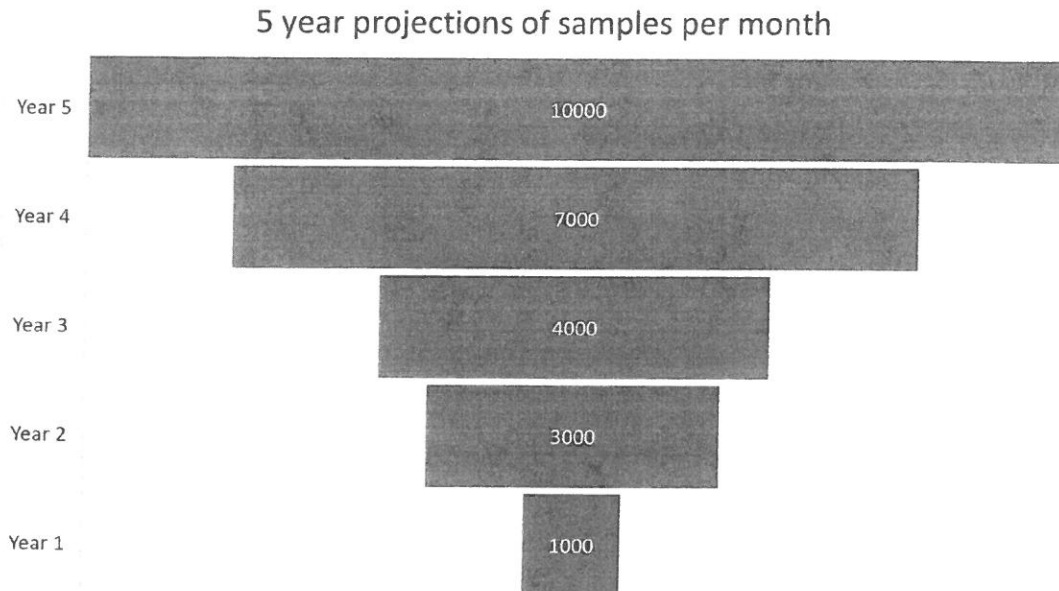
Mark was born and educated in Zimbabwe, achieving a First Class Hons at HND in Mineral Processing and Extractive Metallurgy. Mark's experience spans 32 years in the mining industry in Africa, principally in Zimbabwe, where he spent eight years in plant/mine management of both mining sites and tailings retreatment plants. Then followed a further 20 years in metallurgy, where he became the Head of Metallurgy for Falcon Gold in Bulawayo. In 2009, Mark formed Blonton Management – a metallurgical consultancy for gold mines in Africa. Since then he has been a successful consultant to the mining industry in and beyond Zimbabwe.

Planned Operations

NMT has a head office in Mwanza, along Dar res salaam road at Mkuyuni industrial area. NMT has all its operations based on the same location indicated above. Further facilities include Metallurgical laboratory facilities. The all geochemical and metallurgical laboratory are located at the same place. No testworks will be done offsite as per ISO17025 requirements.

Actual Business Prospects

5-Year Projection Flow Chart



NMT expect to have a progressive increase of the number of samples they will process, and this will directly be linked to the finance produced per month. Initially 1000 samples per month will be the target and this is expected to be over 10 000 after 5 years.

TANZANIA MARKET OVERVIEW

Global mine production of gold increased by 15% from 2,498 tonnes in 2007 to 2,861 tonnes in 2012. New supply has been partly spurred by the sharp increase in the gold price, which more than doubled between 2007 and 2012. Mines in the top 15 gold countries extracted 2,177 tonnes of gold, 76% of the world total. The six largest producers, China, Australia, the United States, Russia, Peru and South Africa extracted more than half of the gold mined globally. In 2013, global gold mine production was 2,804 tonnes showing an increase of four per cent over 2012.

At present, the gold industry contributes to the economic growth of countries, as investments in gold mining are driving increase in production, with upcoming projects planned from 2014 to 2020. The global gold production is expected to increase to 3,100 by 2015 and 3,300 by 2017. Gold mine production is expected to increase overall at a compound annual growth rate of 2.5% until 2020, following a growing demand for gold, especially in the jewellery sector in Asia (with India and China maintaining their dominant positions for consumption).

Not only focus is given on the gold producing mines but also there has been significant demand for metal on the global market following the disastrous effect of Corvid 19 and the drop in oil price. Thus, has enhanced further demand for metals and the demand is going to increase for the coming 5 to 8 years.

Gold Market Analysis

Over the past decade there have been seismic shifts in the global economy. The changing patterns of economic growth and wealth creation around the world have had a huge impact on the geography of gold demand.

China and India combined make up over half of global consumer demand for gold (which is made up of jewellery, bar and coin demand). This is in part due to the important cultural and economic role that it plays in both countries. In addition, young, affluent and urban societies in the East are driving a huge expansion in the demand for gold jewellery and through investments in bars and coins.

The US accounts for around five per cent of consumer gold demand, while Europe accounts for just under eight per cent.

Worldwide Supply

At the end of 2013, there were 177,200 tonnes of stocks in existence above ground. If every single ounce of this gold were placed next to each other, the resulting cube of pure gold would only measure 21 metres in any direction. While its rarity endures, the sources of gold have become as geographically diverse as gold demand.

China is the largest producer in the world, accounting for around 14 per cent of total production. East Asia as a whole produces 21 per cent of the total newly mined gold. Latin America produces around 18 per cent of the total, with North America supplying around 15 per cent.

Around 19 per cent of production comes from Africa and five per cent from Central Asia and Eastern Europe, where new discoveries and new operations offer opportunities for economic growth and development. With the price of gold maintained at a relatively high rate, recycling (tailings) accounts for around one third of the total supply of gold in today's market.

Some of the world's largest gold mining companies continue to invest in new technologies, processes and explorations in order to support the ongoing demand for gold, but ensuring that it is done in a responsible way.

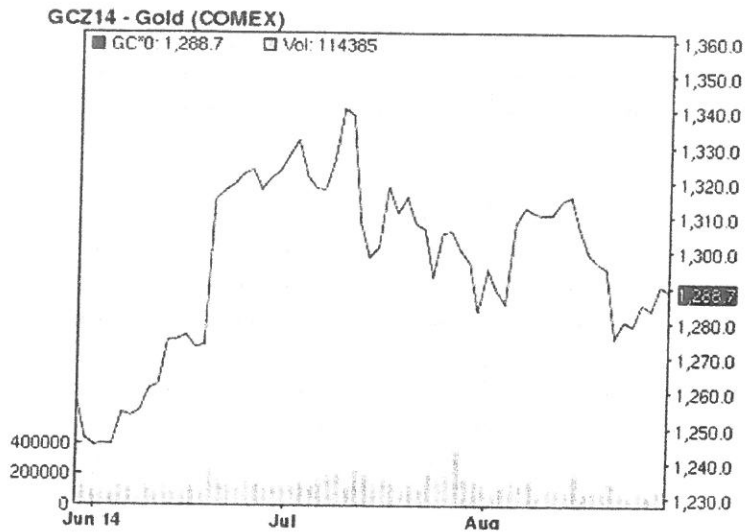
Worldwide Demand

All over the world, gold has emotional, cultural and financial value, which supports demand across generations. Gold is fashioned into jewellery and used to manage risk in financial portfolios and protect the wealth of nations; it is found in smart phones, and cutting-edge medical diagnostics.

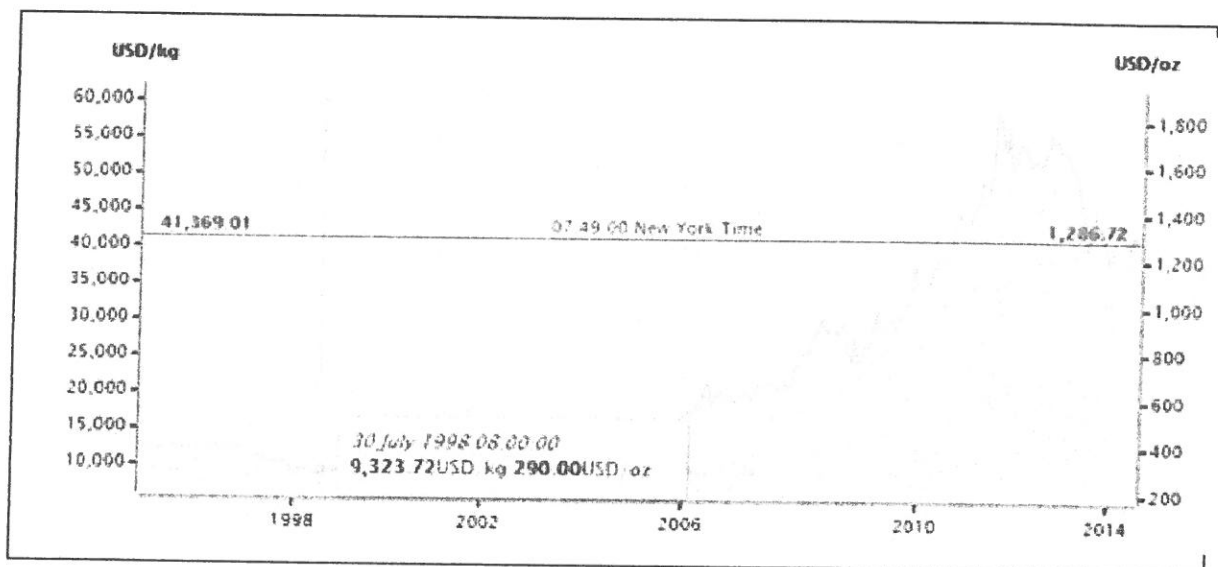
These diverse uses for gold mean that across the decades different sectors in the gold market have risen in prominence at different points in the global economic cycle. This self-balancing nature of the gold market means that, typically, there is a sustained base level of demand.

Price

	2011	2012	2013	% ch 2013 vs 2012	Q3'13	Q4'13	Q1'14	Q2'14	% ch Q2'14 vs Q2'13
Supply									
Mine production	2,839	2,862	3,039	6	798	820	713	765	4
Net producer hedging	11	-40	-44	--	-6	-13	9	50	--
Total mine supply	2,850	2,822	2,994	6	792	807	722	815	13
Recycled gold	1,659	1,634	1,267	-22	338	301	316	263	1
Total Supply	4,509	4,456	4,262	-4	1,130	1,109	1,037	1,078	10
Demand									
Jewellery fabrication ¹	2,029	1,999	2,361	19	565	526	572	518	-29
Technology	458	415	409	-2	103	98	99	101	-3
Sub-total above fabrication	2,487	2,415	2,770	15	668	625	670	619	-25
Total bar & coin demand	1,573	1,347	1,766	31	310	366	286	275	-56
ETFs & similar ²	185	279	-880	--	-120	-181	-3	-40	--
Central bank net purchases	457	544	409	-25	101	85	124	118	28
Gold Demand	4,702	4,585	4,065	-11	959	894	1,078	972	-15
OTC Investment & stock flows ³	-193	-129	196	--	171	214	-40	106	--
Total Demand	4,509	4,456	4,262	-4	1,130	1,109	1,037	1,078	10
London PM fix (US\$/oz)	1,571.52	1,668.98	1,411.23	-15	1,326.28	1,276.16	1,293.06	1,288.39	-9



The above graph depicts the fluctuations in the gold price during the last 3 month period June to August 2014, identifying a high of US \$1,340 and a low of US \$1,245 – a 'swing' of US \$95 or 7.6%.



During the last 10 years gold has increased in value from US \$415.04 to US \$1,285.80 – an increase of US \$870.76 or 210%.

As the demand for gold continues to increase, the price is also likely to ease upwards.

Competitor Analysis

Comparing like for like in this field is always difficult.

The competition falls into three broad categories:

- The first category relates to the bespoke “consultant designed and build” of a lab to be situated onsite that is within the mine itself.
- The second one relates to proprietary components being offered “from stock” to a mining company with building consultants retained to fabricate and commission, followed by a handover to in house personnel within the client organization (mining company).
- And lastly the “off the shelf” lab supply where the mine will carry its samples to the lab for analysis.

All of the above can work and have worked to varying degrees of success. There are however nearly always problems to overcome and technical and logistical considerations that need to be identified and factored into the design, fabrication and on-site commissioning. The Principle issues relate to the time it takes to properly and professionally design and source the equipment and in being able to identify and budget the complete costs (including all of the component parts) for set up. The total cost should be considered in terms of the expenditure needed on all resources i.e. personnel, financial and time. The “off the shelf” options all require professional / consulting team time and hands-on and dedicated participation to implement them – at every stage a vendor of either equipment or a service, adds an element of potential uncertainty that will impact the overall budget and correspondingly a chance of a successful outcome is also impacted. This can lead to such an escalation in costs for a similar scaled operation (when commissioned and in production) amounting to a total spend of Tsh0.6 m.

Investors (mining company clients) in this scale of operation tend to provide shareholding stakes in the actual mining entity for the provision of the plant, rather than raising debt/equity finance for an outright source of lab services

The resale value of fixed plant has little value when sold and is worth the sum of its second hand parts and generally relates to a 70% write down on its original overall value/cost.

NMT however offers a solution that retains value at a premium, because:

- Sample analysis shall be done within 24 hours which is far from competitors who normally take up to 7 days.
- Provision of quality results from an accredited laboratory
- It has a dedicated and experienced management and processing team that will operate and maintain the plant to the highest standards with the optimum results.

TANZANIA MINING FACTS

According to The World Bank, Tanzania has sustained high economic growth and macroeconomic stability over the last decade, driven by structural reforms and steadily increasing levels of exports, becoming one of the best performers in Sub-Saharan Africa. Growth in gross domestic product (GDP) has been between 5% and 7% in recent years, with the drivers of growth over the past decade being primarily mining, construction, communications and the financial sector. Tanzania is considered to be one of Africa's most mining friendly investor destinations.

Mining in Tanzania has changed dramatically in the past decade. After many years of stagnation, the country has seen substantial new investment, mainly in five major new mines. Supported by Tanzania's long-delayed macroeconomic and structural reforms in the mid-1990s, and radical new mining legislation in 1998, gold production by end-1998 had exceeded its previous peak as achieved in 1938 with an output level of 388,000 ounces (versus 48,000 ounces in the preceding year and zero in 1998). Since 2001, annual gold production has continued to grow rapidly and now routinely exceeds one million ounces per annum. This impressive upsurge in mining activity means that the sector now accounts for over 40% of the country's exports, around 75% of its foreign direct investment (some \$300 million annually in recent years as against total FDI of only around \$10 million per annum a decade earlier) and a rising share of government tax revenues (currently 3.6%) and GDP (currently around 3.2%).

Tanzania has become one of the fastest emerging gold producers in Africa. In 2011, Tanzania was the fourth largest gold producer in the continent after South Africa, Ghana and Mali. Roughly five per cent of Tanzania's gross domestic product and one-third of its exports come from mining. Experts estimate that around 10 per cent of the country's gold comes from small-scale mining, a number that continues to grow. The remainder of the gold is produced by medium and large-scale mining companies. In 2011, Tanzania earned US\$2.1 billion in mineral exports, of which more than 95 percent came from six gold mines. An annual growth of 7.7% is forecasted in the mining sector between 2011 and 2015, doubling the value of the sector from US\$0.64bn to US\$1.28bn.

Tanzania	2000	2005	2011
Population (million)	34.04	38.83	46.22
GDP (constant 2011 international \$ billion)	13.0	16.0	23.9
GDP per capita, PPP (constant 2005 international \$)	868	1,070	1,336
Extractive exports (% total exports)	1%	12%	37%

Source: World Bank.

A fundamental reform of mineral legislation has been the first key ingredient of the successful resurgence of mining in Tanzania. The new legislation has also been a recent sequel to the launch of systematic policies of macroeconomic stabilization and structural adjustment. The more investor-friendly mineral legislation from 1998 represented the first part of the success package, and the macroeconomic stabilizing reforms of the same period represented the second part. The third component seems to have been a selective improvement in some aspects of Tanzania's governance that also began after 1996.

In April 2010, a revised Mining Act was passed by Parliament, which incorporated higher royalties at 4% for precious and base metals, 6% for diamonds and gemstones, and 7% for uranium, as well as, requiring mining companies to list on the Dar es Salaam Stock Exchange.

The 2010 Mining Act gives the State "a free carried interest" in mining projects, the level of which is negotiated between the government and the mineral rights holder depending on the type of mineral and the level of investment.

The State ownership of future mining projects in Tanzania will be based on the level of investment in each individual joint venture. The new act prescribes that mineral rights and licenses for dealing in the minerals will be reserved exclusively for Tanzanian citizens and corporate bodies under the exclusive control of Tanzanian citizens.

Salient features of the 2010 Mining Act are:

- The right to trade in mineral rights;
- The simplification and consolidation of past statutes on mining and mineral trading, and;
- The improved security of tenure through removal of most past ministerial discretionary powers and introduction of a mining advisory committee responsible for advising the Minister of Energy and Minerals on decisions to ensure enhanced clarity and transparency; fair, streamlined and non-discriminatory licensing procedures; and environmental management.

The Mining Act aims to deter information hoarding of new discoveries, the freezing of exploration acreage for speculative purposes and transfer pricing and tax evasion. The fiscal incentives provided to exploration and mining activities include the following:

- Exemption of import duty and Value Added Tax (VAT) on equipment and essential materials up the anniversary of start of production, thereafter 5% seal applies;
- Depreciation allowances of 100%, and;
- Repatriation of capital and profit directly related to mining.

Under the Mining Act, Tanzania issues four basic categories of licenses:

- Reconnaissance License: granted for one year and renewed for one year. A work programme must be submitted by the applicants and bi-annual reports are required for submission. On expiry, all data, maps and reports are to be surrendered to the Government. The license holder may then apply for a Prospecting License;
- Prospecting License: granted for an initial period of three years and for two successive periods of renewal, neither of which can exceed two years and both which require a 50% reduction in land area. The portion returned to the

State can be reapplied for as a new application under a different company name. Currently, a subsidiary company under the same parent umbrella may apply for the new application;

- Retention License: granted for the holder of a prospecting license on which mineral deposits of commercial significance have been discovered but which cannot be exploited or developed immediately. These licenses are granted for a maximum of five years; and
- Mining License: granted to the holder of a Prospecting License over the area and gives the holder the exclusive right to prospect and mine minerals. These are valid for 25 years (or the life of the mine), with an option to renew for a further 25 years.

Special Mining Licenses are granted on the basis of an application, which stipulates the Mineral Resources and Reserves for the deposit, mining and processing proposals as well as social and labour plans and beneficial use of the resources. The Special Mining License is based upon a Development Agreement between the Department of Energy and Minerals and the applicant.

The State reserves its rights to revoke and Reconnaissance, Prospecting, Retention and/or Mining rights in terms of the Tanzanian Mining Act. In terms of security and tenure, there are recorded cases of companies with renewal applications in process, having new Prospecting Licenses granted over their previously held right.

Licenses that are located within a Forest Reserve and Game Controlled Area require additional authorisation, which must be sought from the Ministry of Natural Resources and Tourism (MNRT).

In terms of the 2010 Mining Act, royalty will be computed on a gross value basis, as opposed to the net profit value in the previous act. Production of mining operations will be subject to a 4% royalty and a corporate tax rate of 30% will be applied.

FINANCIAL INFORMATION

Required Investment

NMT needs to raise Tsh1.4 billion which will provide the requisite funding for all capital and working capital requirements to enable the company to execute the project thereby taking advantage of these exciting and lucrative initial opportunities available in Tanzania. Of the amount raised, Tsh820 million will be considered short-term debt repayable within 5 years months and attract interest at 1% per annum and the balance of Tsh600million can be converted into equity 5 years after the funds have been provided, through the issue of 10% of the post-money shareholding (The Company will secure the short term loan against new contracts/assets and the current asset base).

Fixed Assets and Working Capital Summary

The Company currently owns plant and equipment valued at Tsh300million and have no other investment in Tanzania.

The forecast balance sheets identify the substantial increase in asset value as the plant and equipment increases.

Capitalization Strategy

NMT has raised in excess of Tsh1b through share capital. Of the additional funds now sought, Tsh1b will be capitalized. It is intended that a mutually agreed shareholders agreement will be produced concurrent with a fund-raising exercise should there be a need for that.

Forecast Results – profits and cash

Since inception in 2014 and for most of 2015 a great deal of time, effort and cost has been expended on research and development, marketing and business development through pursuit of an accreditation for the lab.. Travelling throughout Tanzania and extensively in the region, visiting would be clients, meeting with vendors, suppliers and the mining community "at large" – all the while refining and improving the plant features and processes - has taken a focused and concerted effort by the management team. The culmination of this effort led to the commissioning of the laboratory and being accredited in 2017. By the end of 2016, it is anticipated that Tsh465k will have been spent in start-up and R and D costs as reflected in the anticipated loss within the accounts.

Further funding of Tsh250k has been allocated for the accreditation and establish a laboratory, additional personnel recruitment and training, upgrade security and increase stocks of consumable products.

The roll out of the projects, all implemented within 12 months, generate substantial returns (profits and cash) for both NMT from the first year onwards.

The overall pre-tax profits increase from in year one, in year five and after paying back the loan within 18 months of start-up, the forecast cash-flow projection identifies cash generation of Tsh400k per annum on average.

The market/model – i.e. visiting clients and online marketing – both provide high returns on investments. The current corporate management structure can comfortably manage and control the initial new contracts, together with the ongoing testing activities, without necessitating any substantial increase in overhead resources.

Income statement

PROJECTED STATEMENTS OF COMPREHENSIVE INCOME					
	2020	2021	2022	2023	2024
	TZS	TZS	TZS	TZS	TZS
INCOME					
Sales Revenue-Geo - Chemical Laboratory	1,700,000,000	2,431,000,000	3,476,330,000	4,971,151,900	7,108,747,217
Metallurgical Laboratory	1,000,000,000	1,430,000,000	2,044,900,000	2,924,207,000	4,181,616,010
TOTAL SALES	2,700,000,000	3,861,000,000	5,521,230,000	7,895,358,900	11,290,363,227
LESS: COST OF SALES:-					
COST OF SALES	-	-	-	-	-
GROSS PROFIT	2,700,000,000	3,861,000,000	5,521,230,000	7,895,358,900	11,290,363,227
LESS:EXPENDITURE					
Operating expenses	1,836,000,000	2,625,480,000	3,754,436,400	5,368,844,052	7,677,446,994
Bank charges & Interest	-	12,137,386	-	12,137,386	12,137,386
Depreciation	257,123,430	329,068,797	473,402,818	636,731,561	1,038,595,108
TOTAL EXPENDITURE	2,093,123,430	2,966,686,183	4,227,839,218	6,017,712,999	8,728,179,488
NET PROFIT/(LOSS) BEFORE TAXATION	606,876,570	894,313,817	1,293,390,782	1,877,645,901	2,562,183,739
LESS:TAXATION EXPENSE	182,062,971	268,294,145	388,017,235	563,293,770	768,655,122
NET PROFIT/(LOSS) AFTER TAXATION	788,939,541	1,162,607,961	1,681,408,017	2,440,939,671	3,330,838,860
ADD: BALANCE B/DOWN	-	788,939,541	1,951,547,503	3,632,955,520	6,073,895,191
BALANCE C/FORWARD	788,939,541	1,951,547,503	3,632,955,520	6,073,895,191	9,404,734,051

PROJECTED STATEMENTS OF FINANCIAL POSITION					
	2,020	2,021	2,022	2,023	2,024
	TZS	TZS	TZS	TZS	TZS
ASSETS EMPLOYED					
Non Current Assets	1,649,824,379	2,153,441,953	3,163,780,094	4,307,081,300	7,120,126,127
CURRENT ASSETS					
Stocks	235,000,000	179,000,000	-	900,975,500	900,975,500
Trade Debtors	1,517,686,812	2,433,297,051	3,486,245,761	4,996,034,934	7,144,329,956
Cash and Bank balances	400,000,000	786,000,000	812,000,000	648,000,000	560,000,000
TOTAL	2,152,686,812	3,398,297,051	4,298,245,761	6,545,010,434	8,605,305,456
TOTAL ASSETS	3,802,511,190	5,551,739,004	7,462,025,855	10,852,091,734	15,725,431,583
EQUITY AND LIABILITIES					
EQUITY					
Issued share capital	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Income Account	788,939,541	1,951,547,503	3,632,955,520	6,073,895,191	9,404,734,051
TOTAL	1,788,939,541	2,951,547,503	4,632,955,520	7,073,895,191	10,404,734,051
LIABILITIES					
Long term liabilities	1,400,000,000	1,386,000,000	1,372,140,000	1,358,418,600	1,344,834,434
TOTAL	1,400,000,000	1,386,000,000	1,372,140,000	1,358,418,600	1,344,834,434
CURRENT LIABILITIES					
Taxation Account	182,062,971	268,294,145	388,017,235	563,293,770	768,655,122
Creditors and Accruals	431,508,678	945,897,356	1,068,913,100	1,856,484,173	3,207,207,977
TOTAL	613,571,649	1,214,191,501	1,456,930,335	2,419,777,943	3,975,863,098
TOTAL LIABILITIES	2,013,571,649	2,600,191,501	2,829,070,335	3,778,196,543	5,320,697,532
TOTAL EQUITY AND LIABILITIES	3,802,511,190	5,551,739,004	7,462,025,855	10,852,091,734	15,725,431,583

PROJECTED CASH FLOW STATEMENTS					
	2020	2021	2022	2023	2024
CASH FLOWS FROM OPERATION ACTIVITIES:-	TZS	TZS	TZS	TZS	TZS
Net Profit/(Loss) before Taxation	606,876,570	894,313,817	1,293,390,782	1,877,645,901	2,562,183,739
Add: Adjustment for non cash items - Depreciation	257,123,430	329,068,797	473,402,818	636,731,561	1,038,595,108
Operating Profit/(Loss) before working capital changes	864,000,000	1,223,382,614	1,766,793,600	2,514,377,462	3,600,778,847
WORKING CAPITAL CHANGES					
Decrease/(Increase) in Stocks	235,000,000	56,000,000	179,000,000	(900,975,500)	-
Decrease/(Increase) in Trade Debtors	233,849,472	(915,610,239)	(1,052,948,710)	(1,509,789,173)	(2,148,295,022)
Decrease/(Increase) in Creditors & Accruals	(227,283,562)	514,388,679	123,015,744	787,571,073	1,350,723,803
Net cash generated from operations	1,105,565,910	878,161,053	1,015,860,633	891,183,862	2,803,207,628
Less: Taxation paid	(30,000,000)	-	-	-	-
Prior year tax paid	(5,000,000)	(182,062,971)	(268,294,145)	(388,017,235)	(563,293,770)
Net cash generated from operating activities	1,070,565,910	696,098,082	747,566,488	503,166,627	2,239,913,858
CASHFLOWS FROM INVESTING ACTIVITIES					
Purchases of Fixed assets	(1,713,232,780)	(310,098,082)	(721,566,488)	(667,166,627)	(2,327,913,858)
Net cash used in investing activities	(1,713,232,780)	(310,098,082)	(721,566,488)	(667,166,627)	(2,327,913,858)
CASHFLOWS FROM FINANCING ACTIVITIES					
Advance Towards Share Capital	1,000,000,000	-	-	-	-
Net cash generated from financing activities	1,000,000,000	-	-	-	-
Net Increase/(Decrease) in cash and cash equivalents	357,333,130	386,000,000	26,000,000	(164,000,000)	(88,000,000)
Cash & cash equivalents at start	42,666,870	400,000,000	786,000,000	812,000,000	648,000,000
Cash & cash equivalents at close	400,000,000	786,000,000	812,000,000	648,000,000	560,000,000

Sensitivity Analysis

Project	Parameter					
	Number of samples		Samples per day		Testworks	
Geochemical lab	% decrease		% decrease Amount		% decrease Amount	
		29%	3000	30%	250	29%
	55%	4750	55%	755	55%	4

In order to test the financial viability of the projects, a certain amount of sensitivity analysis has been carried out on the three main variable components affecting revenues, i.e. gold price, tonnes processed per day, and the ore grade, in order to confirm how much the variable price or quantity must drop before the net profit reduces to a break-even position. The above table suggests a 29/30% drop in any of the variables will lead to the "Tailings" projects reducing to a break-even position, while the more lucrative "Primary Ore" projects would need to drop by 55% before the margin reduced to a break-even position.

As can be seen from the above analysis both models – in the geochemical lab – are capable of withstanding substantial reductions in the variable components before they becoming loss-making operations. Conversely any increases in the variable components will lead to greater profits and cash gains (not included in the forecasts).

Project Sensitivity Analysis

	2015		2016		2017		2018		2019	
	%	\$	%	\$	%	\$	%	\$	%	\$
Revenue	-42%	6,259,028	47%	8,963,660	-47%	8,963,660	-47%	8,963,660	47%	8,963,660
Net Profit	73%	565,979	60%	1,739,268	-61%	1,579,965	-57%	1,969,399	59%	1,883,599
Net cash flow	-106%	-135,142	82%	894,448	-68%	3,428,587	-64%	5,702,816	63%	7,564,966