



TIC CERTIFICATE OF INCENTIVES NO. 042903

**PROJECT PROGRESS REPORT**  
**March 2020**

**1. Preamble**

QSTEK Farming Ltd, is investing in agri-processing project for production of edible oil and animal feeds from sunflower oilseeds. The investment project was issued with TIC certificate no. 042903 in July 2015.

Project implementation commenced in 2016 and was planned to complete in Q4 2017. The completed plant was earlier planned to commence production in the crop season of 2018. However due to several factors beyond control of the project developers, completion of the project has delayed for about 2.5years. The updated completion time is now August 2020 and production is planned to commence in September 2020.

This report provides brief progress of project implementation todate.

**2. Project Site Location**

The project site is located in Manyoni town council, Mnadani area.

**3. Key Milestones and Status of the Project**

The status of key activities for project implementation is summarized hereunder:

	ACTIVITY	PLANNED COMPLETION	RESCHEDULED COMPLETION	CURRENT STATUS
(i)	Procurement of building materials for construction of plant's workshop	2016	-	COMPLETED
(ii)	Procurement of seeds pressing, refinery and cake processing systems	2016	-	COMPLETED
(iii)	Acquisition of project site in Manyoni	2017	-	COMPLETED
(iv)	Construction of plant buildings	2017	April-2020	IN PROGRESS
(v)	Installation of seeds pressing, refinery and cake processing systems	2017	May-2020	IN PROGRESS
(vi)	Procurement of solvent extraction system, dewaxing system, conveyors	-	June-2020	IN PROGRESS
(vii)	Procurement of other assets	-	July-2020	NOT STARTED
(viii)	Installation of solvent extraction system, dewaxing system, conveyors	-	Aug-2020	NOT STARTED
(ix)	Start of production	2017/18	Sept-2020	NOT STARTED

#### 4. Status of Project Financial Expenditure

Below is the current status of expenditures for the project implementation:

ITEM	AMOUNT (USD)
Land Acquisition	20,000
Project Mobilization	70,000
Workshop Prefabricated Materials	253,000
Plant Machines & Equipment	653,505
Project Construction	459,911
Project overheads due to delay	88,000
<b>TOTAL</b>	<b>1,544,416</b>

#### 5. Project Financing

The project's works in progress are being financed through bank's credit line.

#### 6. Problems and Solutions

Project implementation has met several challenges which delayed its completion for about 2.5 years. The major factors for the delay are:

##### 6.1 Change of Project Site

Singida municipal rejected our request for land use change at the project site to industrial application. Due to that, the Company opted to move the project to Manyoni where the district council facilitated availability of suitable industrial site for the project. We found that the local environment at Manyoni town council is more favorable and welcoming for investors than in Singida Municipality. This impacted in delayed availability of NEMC approval for the project as the process for environmental impact assessment (EIA) had to be redone at the new site.

##### 6.2 Project Financing

Significant part of project financing relies on bank loan. However, securing of favorable credit facility from local banks has been challenging and taken long time for its realization. The impact has been on delayed implementation of the project for about 3 years. A credit facility for financing implementation of the project was ultimately secured from the Tanzania Agricultural Development Bank (TADB) in April 2019.

### 6.3 Civil Works Delay

Delay in completion of civil works caused by unexpectedly heavy and prolonged rainfalls in Manyoni throughout December 2019 and January 2020. Consequently, pushing forward completion of civil works to the end of April 2020. The delay in civil works has also pushed forward completion of installation and commissioning of pressing and refinery systems to the end of May 2020;

### 6.4 Impact of Corona Virus Pandemic

The outbreak of coronavirus Pandemic in China and globally has caused uncertainty on shipment of our solvent extraction systems which were ordered in November 2019. The shipment was earlier planned at the end of January 2020 and its installation was expected to complete by end of April 2020. With this situation, it is now re-projected to expect its completion to August 2020.

## 7. Future Plans

The company expects to increase purchase of more plant facilities including machines for capacity expansion, seed storage facilities and products conveyance trucks.

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