

Minopex Mining Solutions Tanzania Limited

BUSINESS PLAN

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EXECUTIVE SUMMARY

Minopex, as part of the DRA Group, is a leading processing plant contract operator with an impressive track record, having operated more than 46 sites and commissioned over 62 sites across the base metals, precious metals & stones and bulk commodity sectors.

Minopex Mining Solutions was incorporated in 2020 to facilitate the expansion of the Minopex Group footprint in the United Republic of Tanzania. The company successfully closed a two year contract with Shanta Gold in 2020 and expects this contract to be extended beyond this period. The company plans to operate the contract by investing in capital and employing Tanzanian citizens as well as to engage with other stakeholders to ensure a sustainable future for both Minopex Mining Solutions and the market which it operates in.

This proposal has been prepared as part of the company's application for a Certificate of Incentives from the Tanzania Investment Centre (TIC) under Section 17 of the Tanzania Investment Act and Part IV of the Investment Regulations 2002 to implement the envisaged project.

Given the recent favourable global mining market conditions and growth in the Tanzanian mining industry, Minopex is excited to become a contributor to the success of mining companies in the country. The company has outlined a marketing strategy in this document that will assist with growing its footprint in the market. The company plans to build a close relationship with its current client, while engaging with other mining companies in the country to diversify its client base.

1. MINOPEX MINING SOLUTIONS MISSION AND VISION

Vision

To be acknowledged as a global leader in offering customised mineral processing, mining and infrastructure engineering and operations solutions that are always delivered in a responsible manner within the United Republic of Tanzania.

Mission

DRA is a world-class and responsible provider of mining, mineral processing and infrastructure engineering and operations solutions that are cost effective and customised to the client's requirements. DRA operates throughout the minerals and mining value chain for all commodities, irrespective of geographical location and operational complexities.

2. DESCRIPTION OF PRODUCTS AND SERVICES

Minopex Mining Solutions Limited, which offers tailor-made operations & maintenance solutions to mine owners, is jointly owned by DRA Minopex Holdings and Mr Avigdhor Aba Fainzilbar. Minopex Mining Solutions has been established as the vehicle through which both shareholders will pursue business objectives within the United Republic of Tanzania. The products and services as offered by each shareholder, will be made available within the Republic.

3. LIST OF PRODUCTS AND SERVICES

The following services will be available through Minopex Mining Solutions Limited which will be supported through the DRA office in South Africa until Minopex Mining Solutions is adequately resourced.

a. OPERATION OF PROCESSING PLANTS, MINES AND ANALYTICAL LABORATORIES

Minopex deploys a trained and experienced workforce together with integrated systems and controls to deliver operations services to our clients thereby reducing overall project risk.

- Plant operations

Minopex offers expert services in the operations and maintenance of mineral processing plants and mines facilitating flexible, integrated, cost effective and highly competitive value adding operating solutions.

- Mine operations

Minopex Mining Operations provides flexible, integrated and highly competitive value-adding services to mines. We aim to grow through long term relationships built up through contract performance, sustainable safety, health and environmental practices as well as social and ethical contracting practices.

- Quality laboratory services

b. MAINTENANCE SERVICES AND OPTIMIZING PLANT UTILIZATION

Our holistic asset management approach is the key to delivering maintenance services and optimising plant utilization.

c. ENGINEERING SERVICES

The Minopex engineering workshops EnSerSa and EnSerMo, aim to provide clients with in-house fabrication and erection; breakdown supports and repairs as well as other services to support ongoing operations.

d. ADVISORY SERVICES

Minopex through its experience of commissioning and operating 46 processing facilities, have developed a operational readiness and planning capability. Our advisory services include Operational Readiness, Management Contracts as well as Operational Consulting.

- Operational readiness

We offer the Operational Readiness service to clients to holistically bridge the gap between construction and operations for both mines and processing facilities.

- Management services

This is a hybrid solution which allows Minopex to implement a management team working together with the client's operational team.

- Consulting

Where clients prefer to self-operate, Minopex is able to provide technical expertise on an operational level thereby assisting clients in maximising the value generated from these assets.

e. OPERATIONS AND MAINTENANCE

The Minopex Optimisation services includes advanced technology solutions enabling remote monitoring

and control. With a dedicated team of engineers to ensure plant optimisation, and access to 1000+ engineers from DRA Global, Minopex has an increased problem-solving capability to solve most of your mineral processing operations issues.

4. COMPANY ORGANISATIONAL STRUCTURE

The Minopex Mining Solutions provisional organisational structure has been included in Annexure A.

5. MINOPEX MINING SOLUTIONS STAFFING

The Group has been awarded a 2 year operations and maintenance contract with Shanta Gold. It is the intention to operate that project through Minopex Mining Solutions.

Typical professions employed within our organization include:

- Mechanical Engineers
- Process Engineers
- Electrical Engineers
- Instrumentation Engineers
- Civil and Infrastructure Engineers
- Mining Engineers
- Project Managers
- Project Engineers
- Accountants
- Design Engineers
- Asset Care Managers
- Industrial Engineers
- Procurement specialists
- Maintenance planners
- Health and Safety Managers
- Process technicians

- Process operators
- Engineering Foreman
- Mechanics
- Fabricators
- Electricians
- Engineering aides

6. LOCALISATION

Our training policy will be developed hand in hand with the Localisation Plan for Minopex Mining Solutions to maximize the empowerment of the local labour.

Based on our Localisation Plan, we intend to employ Tanzanian Nationals within our training programme as well as within our operational staffing. Minopex Mining Solutions intends to appoint and train mainly Tanzanian Nationals to staff our operations with Shanta Gold (refer to organizational chart in section 4 above).

7. MARKETING STRATEGY AND TARGET CLIENTS

Tanzania is endowed with vast quantities and types of resources whose extraction has been central to the country's economic growth. Mining is one of the leading sectors in Tanzania, with the value of mineral exports increasing each year. Leading minerals include gold, iron ore, nickel, copper, cobalt, silver, diamond, tanzanite, tin, ruby, garnet, limestone, soda ash, gypsum, salt, phosphate, coal, uranium, gravel, graphite, sand and dimension stones. The United Kingdom is the largest foreign investor in this industry in Tanzania with other projects by investors from India, China, Kenya, USA, Netherlands, South Africa, Canada, Germany and Oman.

Tanzania is the 4th largest gold producer in Africa after South Africa, Ghana and Mali. The mining industry experienced an estimated 15.3 percent growth in the first quarter of 2020 compared to 10 percent growth during the same quarter in the previous year. There is an increase in mineral revenue collection from \$84.5 million in 2015/16 to \$202.7 million from July 2019 to April 2020.

There have been a number of changes in the Mining industry and more expected due to the 2017 Minerals Act. The GoT is trying to make the sector more attractive but there are still several punitive or restrictive regulations. The changes in the legislations have increased the royalties increasing from 4 percent to 6 percent and an introduction of 1 percent clearing fees on the value of all minerals exported from the country. Also, the new laws give the GoT an ability to acquire 16 percent of shares from major mining companies on free carrying basis. The amendments led to the establishment of Joint Venture Company known as Twiga Minerals Corporation Limited between the Government (16 percent shares) and Barrick Gold Corporation Company (84 percent shares); and payment of compensation of \$100 million from Barrick Gold Corporation Company as initial settlement of the agreed \$300 million.

The GoT would like to see more value-added activities in the country to include smelting and processing of minerals , as of 2020 two model gold smelters were built in Lwamgasa and Katente, one stop mineral processing and export centre, strengthening of mineral control and reduction of smuggling due to construction of a 24.5km wall around the Mirerani tanzanite mine. Also, 28 markets and 25 mineral centres have been established.

In recent years, mineral exploration has increased in several parts of the country. The sector has attracted substantial new foreign investment in mineral development exploration, with local investment surpassing \$1 billion. Recent nickel, helium, graphite, uranium and coal finds have spurred increased interest on the part of investors.

(Source: <https://www.trade.gov>)

Shanta Gold, a company listed on the London Stock Exchange (SHG), is the prime mover in developing the country's solid minerals potential, however the door is open for other mining companies to take advantage of the significant opportunities that exist.

Minopex Mining Solutions is already favourably positioned for business within the United Republic of Tanzania with a confirmed 2 year contract for the operation and maintenance for Shanta Gold.

The added benefit of our approach to training and skills development is considered vital within the East African Region. Given the skills challenges within the region, it presents an ideal opportunity for Minopex Mining Solutions within the overall Mining Industry within the Republic.

It is anticipated that our relationship with Shanta Gold will develop further and thus present more opportunities on a longer term basis extending the project pipeline beyond the 2 year mark. We are also engaging other mining companies to expand our client base in the country.

8. FINANCIAL ANALYSIS

The investment for the start-up of the new contract and funding of possible future projects is listed in Annexure B below. Minopex plans to invest around USD500,000 in Tanzania consisting of working capital and other fixed assets. Funding of this investment will be sourced internally from the Group and will be settled with cash flow generated from operating activities.

The company expects to generate USD4,000,000 in revenue with a net profit margin of 17% over a period of 5 five years. Net cash flow generation during this period is projected to be USD300,000 with a positive net present value of USD110,000. The payback period of the initial investment, based on these figures, is 3.16 years and the project has a positive internal rate of return (IRR) rate of 18%. The positive cash flow, coupled with an IRR higher than the cost of capital demonstrates that the project is financially viable. A detailed analysis of the projected financial results of the company can be viewed in Annexure B below.

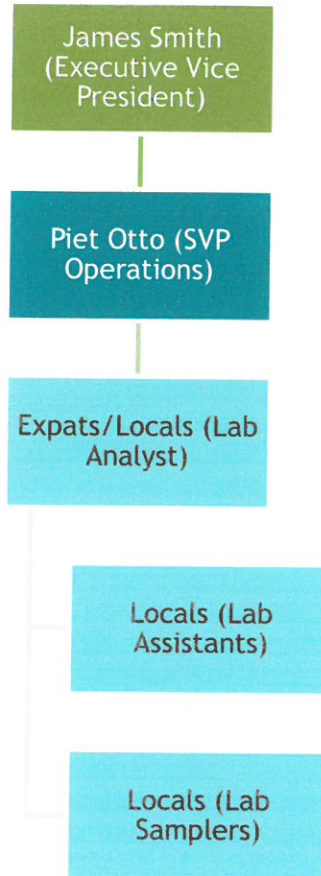
9. CONCLUSION

This document outlines the business proposal for Minopex Mining Solutions which the Minopex Group will utilise to create and expand its operating and investment activities in the United Republic of Tanzania.

Taking the above into account and considering the financial viability of the company's investment activities, it is recommended the this business proposal be executed.

The company therefore wishes to apply for a Certificate of Incentives from the Tanzania Investment Centre (TIC) under Section 17 of the Tanzania Investment Act and Part IV of the Investment Regulations 2002. It is respectfully recommended that the Tanzania Investment Centre (TIC) provide the necessary support to the company by approving this application for Certificate of Incentives.

ANNEXURE A PROVISIONAL ORGANIZATIONAL STRUCTURE



ANNEXURE B FINANCIAL ANALYSIS

Planned Initial investment

	USD
Working Capital	200 000
Field Vehicle x 2	94 000
Furniture & Fittings	26 000
Office equipment	20 000
Field equipment	160 000
Total	500 000

Project Income Statement

	USD					TOTAL
	2021	2022	2023	2025	2025	
Revenue	771 257	799 485	828 746	859 078	890 520	4 149 086
Cost of Sales	-372 167	-385 788	-399 908	-414 545	-429 717	-2 002 124
Gross Profit	399 090	413 697	428 838	444 534	460 804	2 146 962
GP %	52%	52%	52%	52%	52%	52%
Overheads	-209 662	-217 336	-225 290	-233 536	-242 083	-1 127 907
Operating Profit	189 428	196 361	203 548	210 998	218 720	1 019 055
OP %	25%	25%	25%	25%	25%	25%
Corporate Tax @ 30%	-56 828	-58 908	-61 064	-63 299	-65 616	-305 717
Net Profit	132 600	137 453	142 484	147 698	153 104	713 339
NP %	17%	17%	17%	17%	17%	17%

Cash flow analysis

	USD						TOTAL
	Y0	Y1	Y2	Y3	Y4	Y5	
Initial investment	-500 000						-500 000
Net profit	-	132 600	137 453	142 484	147 698	153 104	713 339
Adjusted for depreciation		50 000	50 000	50 000	50 000	50 000	250 000
Less corporate tax on capital allowances		30 000	30 000	30 000	30 000	30 000	-150 000
Net cash flow from operating activities	-	500 000	152 600	157 453	162 484	167 698	313 339
Total cash flow	313 339						
Cost of capital (Minopex Group)	10%						
NPV	110 540						
IRR	18%						
Payback	3,16						

Balance Sheet

FORECASTED BALANCE SHEET 2021 - 2025					
USD	2021	2022	2023	2024	2025
Fixed Assets	300 000	250 000	200 000	150 000	100 000
Property Plant & Equipment	300 000	250 000	200 000	150 000	100 000
Current Assets	472 600	481 845	491 428	517 079	723 764
Inventory	200 000	200 000	200 000	200 000	200 000
Debtors	120 000	124 392	128 945	133 664	138 556
Cash/Bank	152 600	157 453	162 484	183 414	385 208
Total Assets	772 600	731 845	691 428	667 079	823 764
Share Capital	9 000	9 000	9 000	9 000	9 000
Retained Earnings	132 600	270 052	412 536	560 234	713 339
Total Equity	141 600	279 052	421 536	569 234	722 339
Non-current Liabilities	-	-	-	-	-
Current Liabilities	631 000	452 792	269 892	97 845	101 426
Taxes	56 828	58 908	61 064	63 299	65 616
Group Finance	543 158	361 735	175 502		
Creditors	31 014	32 149	33 326	34 545	35 810
Total Equity and Liabilities	772 600	731 845	691 428	667 079	823 764