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MES Mine Services Tanzania Business Plan



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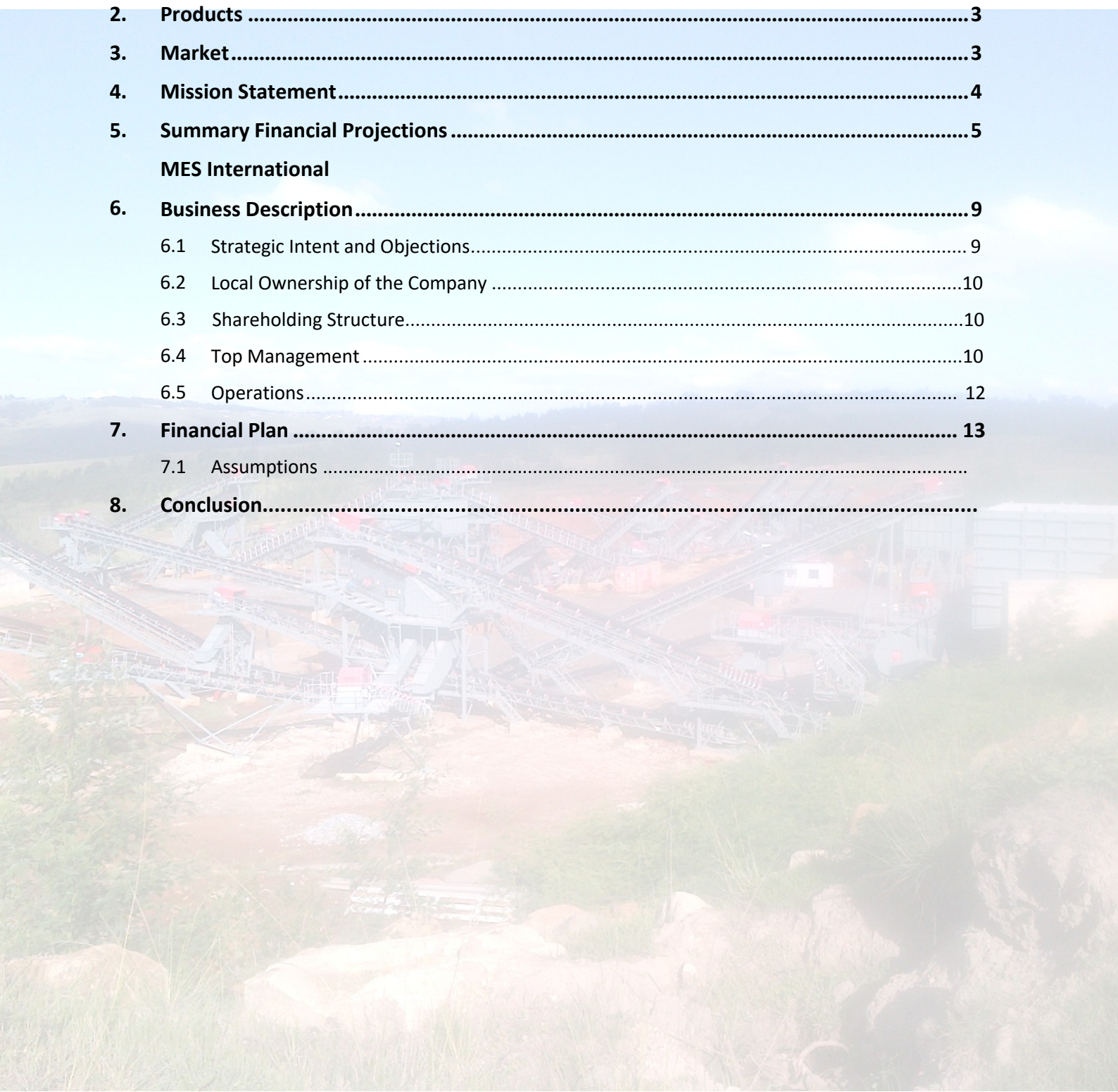
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1. The Company Background

MES UK was established in 1981 as a supplier of mining machinery and conveyor belt products focusing initially on the UK and African markets. The growth of the company in these areas enabled MES to establish a footprint directly in the markets it serves. MES Mine Services Tanzania is a further step in having a direct presence in a market in which it intends making direct investment and providing local employment opportunities.

2. Products

MES Mine Services Tanzania has invested in mining equipment capable of providing raw materials in the following areas:

- **Aggregate:**
Standard Concrete Stone Products, Crusher Sand, Specialised Road stone and Base Course Products, Non-Standard Rock & Crush Products
- **Ready-mix Concrete:**
Concrete and Mortar
- **Brick & Block:**
Concrete Bricks, Modular Blocks, Paving Blocks

All these products are produced according to industry standards.

The Jaw crusher, Screen and Rock Plant which is the basis for successfully implementing the business plan, was supplied new to the GGM site in Geita. MES is using its mobile crusher and screen to crush ROM to various aggregate sizes necessary for the mine to complete its underground operations. The Rock Plant is a stand-alone aggregate plant capable of producing various aggregate fraction sizes in support of the mine's projects.

The growth in demand at GGM along with a joint venture with a local Tanzanian operator will ensure that the operation is sustainable, profitable and contributes to the economy of Tanzania in a responsible manner.

3. Market

Target Market

Our target market is the Geita Gold Mine.

Economic Value at GGM:

- GGM expenditure on aggregate for mining works and other projects;
 - * **2021** – TZS 12 Billion
 - * **2022** – TZS 25 Billion
 - * **2023** – TZS 35 Billion
 - * **2024** - TZS 38 Billion
 - * **2025** - TZS 40 Billion

Marketing and Sales Strategy

Since the market drivers are service, price and quality, the company will: -

- utilize state of the art Terex Powerscreen and Parker plant
- Enter into production/supply agreement with GGM to manage the crushing of aggregate stone thus giving us the economies of scale and modern technology to achieve a competitive price, service and quality.
- Over the next 3 years, establish a brand known for quality.

4. Mission Statement

MES Mine Services Tanzania is a highly skilled and well-resourced company. We differentiate ourselves from other mining and building materials suppliers through our values of Leadership, Respect, Focus, Persistence and Performance, which underpins our interaction with shareholders, Investors, employees, customers, the broader community and competitors.

Strategic Intent & Objectives

MES Mine Services Tanzania business intent is driven by the following objectives:

- a. Exceed the targeted Internal Rate of Return (IRR) on a sustainable basis throughout the building cycle.
- b. Deliver stronger financial returns than our competitors in comparable markets.
- c. Deliver superior total shareholder return sustainably.
- d. Create a stimulating and exciting working environment for employees.
- e. To have a positive effect on the surrounding communities through upliftment and empowerment.

Monthly aggregate volumes

Product	Monthly production (M3)
-40 mm constant demand	78 000
-40 mm safety stock	19 500
-19mm stemming	5 000
Total	102 500

MES Target (% of market share)

2021	2022	2023 - 2025
65%	80%	100%

5. Summary Financial Projections

Table 1

Years ending December 2021		2021	2022	2023	2024	2025
		Projection	Projection	Projection	Projection	Projection
		TZS Mil	TZS Mil	TZS Mil	TZS Mil	TZS Mil
Sales		7 800	20 000	35 000	38 000	40 000
Gross margin		2 652	6 800	11 900	12 920	13 600
Operating expenses		<u>156</u>	<u>400</u>	<u>700</u>	<u>750</u>	<u>775</u>
Income from operations		2 496	6 400	11 200	12 170	12 825
Net income before taxes		2 252	5 378	9 828	10 680	11 250
Net cashflow		2 000	6 000	10 800	11 850	12 000
Total assets		8 115	9 500	12 000	13 000	14 000

Sales/total assets %		96	210	292	292	285
Net income before taxes as % total assets		31	57	82	82	80
Gross margin (as % sales)		34	34	34	34	34
Net income before taxes (as % sales)		29	27	28	28	28

To achieve the above performance, we shall partner with a local operator on a JV basis to crush and screen the product at a contract price for an agreed period of no less than 3 years.

PRODUCTION REQUIREMENTS

Table 2

Production Requirements per	M3/	M3/	M3/
	Day	Month	Year
-40 mm Stone	2 600	78 000	936 000
19 mm Stone	167	5 000	60 000
TOTAL M3	2 767	83 000	996 000

5.1 KEY SUCCESS FACTORS

- Efficient and Effective production of aggregate stone (see table 2 above)
- Proximity to market leading to competitive advantage of cost, delivery and distribution
- Service, quality and perceived value
- Skilled management and production staff leading to operational efficiencies
- Close proximity to the primary input (ROM)
- The ability to deliver on our strategic intent within an acceptable level of risk to ensure our sustainability

6. Business Description

BASIC CORPORATE DATA

Name of Company	MES Mine Services Tanzania
Status	A newly established business.
Registered Office	Geita District, Tanzania
Company Registration No.	TBA
TRA	TBA

MES International

MES has had a presence in sub Saharan Africa for 30 years, operating mainly in Zambia, Zimbabwe and South Africa, selling and servicing conveying and crushing equipment.

Despite the volatility in the South African mining industry involving labour and ownership, MES established an office in Johannesburg in order to exploit the unique opportunities created by the breakdown in established mining groups and the move to create a more inclusive BEE industry. The investment over the past 36 months is in excess of £2.5 million.

MES South Africa strategy has been to evolve from an equipment service provider to a business focused on providing investment and expertise in the process chain. This has led to the formation of the contract crushing/processing business operating in the aggregate and coal industry together with a service led approach to the supply and maintenance of conveyor belts.

Core Competencies

The following remain the core competences of MES International;

- Crushing Equipment
- Crushing Spares Contract Mining Conveyor Belts
Conveyor Spares Conveyor Design Belt
refurbishing Belt Planing

Value added Services

MES has always been known as an innovator in the industry with a credo that we can provide end to end solutions.

- Stone Powered Electricity

With a worldwide patent on a product that converts kinetic energy from falling rock into a localized power source.

- Pyrolysis

MES has established a pyrolysis plant in the UK to convert waste conveyor product into an energy and reusable materials source.

- Belt Wear Detection System

A design created by MES to aid customers in belt management.

Key Staff

MES has always sought staff who are dynamic, entrepreneurial and imaginative thinkers. Besides well motivated sales staff, MES has extremely competent Engineering and Financial staff who are able to understand the business and craft our response to the market in a way that is highly profitable and efficient.

Prior Credentials

In the early 2000's. MES operated the second largest Rubber Vulcanizing business in South Africa with offices in Johannesburg, Langebaan, Secunda and Ellisras and was contracted exclusively to Goodyear South Africa.

6.1 Strategic Intent and Objections

MES Mine Services Tanzania Strategic Intent is to be a values *and market driven mining and construction materials supplier*, operating in Tanzania.

MES Mine Services Tanzania *Key Business Objectives* are to:

- (a) Exceed the targeted Internal Rate of Return (IRR) on a sustainable basis through the building cycle
- (b) Deliver better financial returns than the competition in comparable markets
- (c) Deliver superior total shareholder returns
- (d) Achieve superior returns in a sustainable way
- (e) Create a stimulating and exciting working environment for employees
- (f) To have a positive effect on the surrounding communities through upliftment and empowerment

Our Strategic Intent and Objectives define what and where we want MES Tanzania to be.

We are committed to delivering shareholder value, value to our customers and value to other stakeholders in our company. Our Company Values of **Leadership, Respect, Focus, Persistence and Performance** are referred to in our Strategic Intent to re-enforce their ongoing importance in sustaining MES Tanzania.

Our market driven focus reflects the importance we place in fulfilling and exceeding market needs through customer satisfaction, quality and innovation processes. We must be aware of future market trends and anticipate the changing needs of our customers. In order to achieve this effectively we strive to understand what is important to our customers and what they value.

In particular, we are committed to:

- Pursuing *focused strategies* that create and sustain *competitive advantage*
- *Investing in people* to have cutting edge competencies and skills in our industry
- Encouraging and *implementing innovation* to further improve our processes, products and services thus satisfying the needs of our markets
- *Achieve growth through skills, competencies and capturing leading* market position
- Ensuring our operations are sustainable in terms of their *social, employee and environmental impacts*

6.2 Local Ownership of the Company

The company is a 20% Tanzanian owned and managed business

6.3 Shareholding Structure

20% - Tanzania ownership
80% - MES UK ownership

6.4 Top Management

Managing Director

Dayana Mwashu

Dayana is a young female entrepreneur in both the mining and retail sectors. She is a resident of Geita and has had great exposure to the GGM Mining Operations. She brings great organisational skills with a hands-on approach to problem solving. Dayana will be responsible for client liaison, business development and human resources within the company.

CFO

Christopher Corns

A UK citizen, Chris has been resident for 40 years in Africa. Chris has been the Managing Director of a large South African motor group as well as Finance Director for one of the largest FMCG companies in Nigeria. Chris has been a partner in MES for 10 years in South Africa.

He has studied B Comm (Economics) at UNISA and an MBA at Manchester Business School

Technical Director

Paul Anderson

As the founder of MES UK, Paul has a wealth of experience in the mining and quarrying industries. MES services some of the largest quarries in the UK with large machine engineering parts and conveyor belts, with Paul overseeing large contract mining operations in Africa.

Operational Staff

MES Tanzania has a planned authorised headcount of 19 staff of which 16 are Tanzanian and 3 expatriates.

The intention is to fully localise the operational staff within 3 years with the Managing Director leading the training and development programme.

Corporate Social Responsibility

As a resident of Geita, the Managing Director, Ms. Mwashwa will create and lead initiatives around community projects with a special focus on education and training.

It is core to the company values that MES Tanzania leave a legacy of skills transfer and employee upliftment.



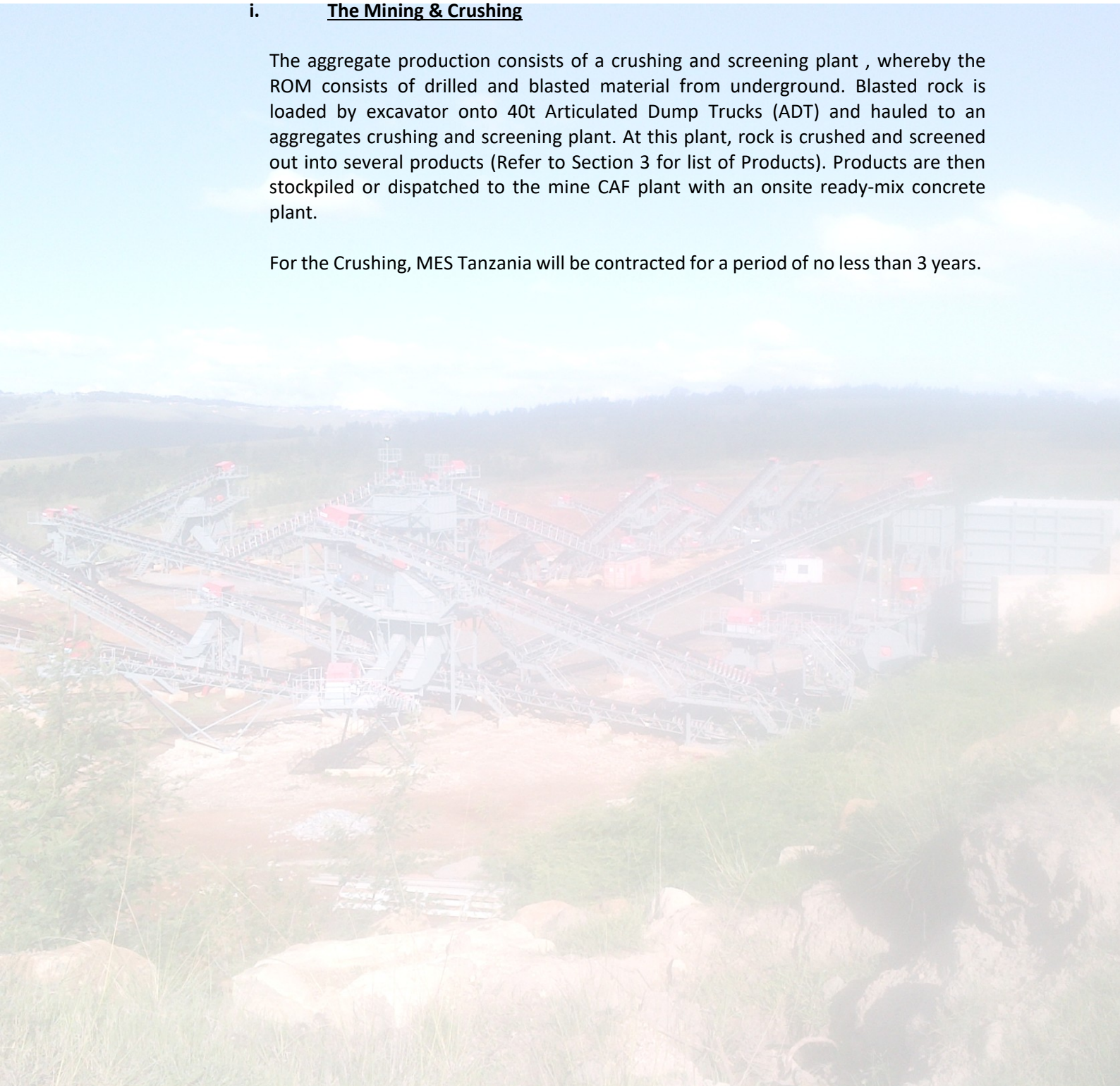
6.5 Operations

The business will be operated in the following manner

i. The Mining & Crushing

The aggregate production consists of a crushing and screening plant, whereby the ROM consists of drilled and blasted material from underground. Blasted rock is loaded by excavator onto 40t Articulated Dump Trucks (ADT) and hauled to an aggregates crushing and screening plant. At this plant, rock is crushed and screened out into several products (Refer to Section 3 for list of Products). Products are then stockpiled or dispatched to the mine CAF plant with an onsite ready-mix concrete plant.

For the Crushing, MES Tanzania will be contracted for a period of no less than 3 years.



7. Financial Plan

See section 5 above.

8. Conclusion

MES Mine Services Tanzania will invest TZS 4,6 billion in capital equipment with a further planned investment of TZS 3,5 billion and an additional TZS 500 million for working capital.

