

**GENGETATU EXTECH COMPANY LTD**  
**(GECOLTD)**  
**P.O. BOX 479**  
**GEITA**

**GOLD MINING AND PROCESSING BUSINESS**

**GOLD MINING AT NYAMALIMBE IN GEITA DISTRICT, QDS 45/2  
AND  
GOLD PROCESSING AT MPOMVU VILLAGE, GEITA DISTRICT**

**BUSINESS PLAN**



**MANAGING DIRECTOR**  
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**P.O BOX 479, GEITA**  
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**GECOLTD, 2021**

## 1.0 EXECUTIVE SUMMARY

### Company Background

Gengetatu Extech Company Limited is a limited liability company incorporated in Tanzania on 28<sup>th</sup> May, 2015.

The Company has a Certificate of Registration No. 117569 and TIN No: 127-241-309

The Company was granted a gold minerals processing license No. 0009/2016 on the 15<sup>th</sup> of April, 2016.

The company through its director Jumanne Yusuf Mtafuni has a mining license area at Nyamalimbe area in Geita District, QDS 45/2 with approximately 8.81 hectares (PML0302GTA)

The company has been carrying out gold mining activities at Nyamalimbe Area in Geita and processes the same gold at its designated premises located at Mpomvu Village, Geita District

The company through modern facilities and technology has managed to carry out mining and processing of gold minerals that has taken the company a long way in meeting its targeted customer's product needs thus increased business dealings, overall profitability, growth and overall sustainability.

The company has already invested over US\$ 1,920,521.69 into the business which was used to purchase plant and equipments and current assets, the business has recorded increasing profit levels for all the years it has operated thus the directors have thought it fit to strengthen the current business for improved business and overall growth and sustainability. Thus in this breath have thought to invest over US\$ 2 Million in order to fully implement this plan; the amount shall be used in;

- i. Purchasing more machineries and equipments
- ii. Purchasing of Trucks and Motor vehicles

US\$ 0.6 Million shall be contributed by the directors in form of equity while US\$ 1.4 Million shall be long term loan from NCBA bank

Through this project, The Company plans to benefit the community as a whole. Some of the community members shall benefit directly as more people through our local content plan shall

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employ locals and others shall benefit indirectly. This company shall provide gold to the local and international markets like Asia and the UAE.

The company's management team includes:

- i. Managing Director
- ii. Production Manager
- iii. Marketing Manager
- iv. Financial Manager
- v. Business development m

The financial analysis projection shows that the project is viable and bankable, since it's able to repay the loan and interest and is able to remain with positive net cash flows that can be reinvested for business expansion and growth.

It is expected that with all the conditions that call for the success of the business being constant, then the business will be growing at a very high rate hence ensuring supply of gold to the local and international market and at the same time ensuring profitability to the company, to business affiliates and other beneficiaries of the business.

## **1.1 Industry and Business Overview**

### **1.1.1 Industry Overview**

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 4<sup>th</sup> 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 government of Tanzania (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 center, 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 centers have been established.

The mining sector is also marred with the worst form of child labor. Children working in mining are exposed to many hazards such as mercury poisoning and entrapment when tunnels collapse, especially in smaller unlicensed operations. Gaps exist within the authority of the labor ministries of Mainland Tanzania and Zanzibar that may hinder adequate labor law enforcement, including the authority to assess penalties, and the lack of publicly available enforcement data.

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.

### **Sub-Sector Best Prospects**

The mining sector depends on imported machinery and supplies, and investors can import capital goods at zero duty. There are significant opportunities for the export of U.S. technology, machinery, and services. Mining companies have significant demand for better power alternatives as they currently rely on diesel generators. The Tanzanian Government encourages mining companies to procure local goods and services whenever possible, and many of the foreign mining executives would like to increase local consumption to support the Tanzanian economy. There is significant opportunity to supply foodstuffs, clean water, training, consultancy and other services. With an unreliable power grid and rail system, alternative energy and transport solutions are also in high demand.

### **Opportunities**

- Establishment of gold refinery activities
- Supply equipment and explosives, grinding media, mill liners, etc., under joint venture with Tanzania entrepreneurs
- Establishment of value-added activities
- Gemstone cutting and polishing (lapidary). In 2010, the Government passed a new legislation banning the export of unprocessed gemstones in a bid to spur local value addition.
- Rock and mineral carvings
- Jewelry manufacturing utilizing gold and gemstones
- Mineral processing industry e.g. smelters
- New areas in mineral exploration
- Drilling

#### **1.1.2 Business Description/Project Description**

Gengetatu's general objective is to serve the local and international markets with exceptionally quality gold. The project seeks to strengthen its mining and processing activities at its mining and processing area. The company plans to acquire the latest plant and machinery, trucks and motorvehicles, an efficient marketing plan and local distribution network to deliver products to its customers.

Gold mining is carried out at Nyamalimbe in Geita District, QDS 45/2 and gold processing at mpomvu village, Geita District

Tanzania gold reserves are estimated at about 45 million ounces. Gold exploration has been centered mostly on the greenstone belts around Lake Victoria, where several large deposits have already been discovered and are being developed. Tanzania Gold Production stood at 48.4 tonnes in 2019, compared to 39.3 tonnes in 2018. Tanzania's gold production increased by more than 700% over the past 25 years, from 5 to 40-50 tonnes per year, while South Africa's production of gold decreased from over 500 tonnes in 1990 to 117 tonnes in 2018. In the quarter ending March 2021, the value of gold produced by large-scale miners reached 10,009.6 kg for a total value of USD 469.0 million. This represents a slight decrease from 11,130 kg and a value of USD 477.58 million in the similar quarter in 2020. Tanzania Gold Export Tanzania's gold exports accounted for USD 2.2 billion of total exports in 2019, and USD 2.9 billion in 2020, representing more than 90% of the country's mineral exports. Gold exports increased by 83% over the past 5 years with USD 1.2 billion in 2015. Tanzania exports gold mainly to South Africa, India and Switzerland. Tanzania Gold Mines Buck reef Gold Mine The Buck reef gold mine, part of the Buck reef gold project, is located in north-central Tanzania immediately to the south of Lake Victoria and 110km southwest of Mwanza. The Buck reef project area comprises the dormant Buck reef gold mine and four prospects with known mineralization: Buck reef, Buziba, Tembo and Bingwa. The project was acquired from the Tanzanian State Mining Company (Stamico) in December 2010. Under a Heads of Agreement concluded with the state-owned company, Tanzanian Gold Corporation has the right to earn a 55% interest in Buck reef with Stamico holding the remainder. In June 2020, the Tanzanian Gold Corporation announced that gold production has reached commercial level at the oxide ore processing plant at the Buck reef Project.

### **1.1 Mission Statement**

Gengetatu Extech Company Limited strives to provide high quality gold minerals to all its customers in a customer friendly environment by keeping the environment clean and engaging motivated staff that focuses on the needs of its customers.

### **1.3 Vision**

To become one of the leading local gold processing companies that applies technological innovation to address evolving challenges.

### **1.4 Guiding Principles**

Gengetatu Extech Company Limited corporate governance and operations are guided by the following strategic principles

- i. Belief in people.
- ii. Respecting the dignity and worth of all people.
- iii. Keeping it local but with a global perspective.
- iv. Keeping good business ethics.
- v. Search for trusted partners who share the company's vision and working together to build long-term relationships based on trust.
- vi. Keeping our promises.

We believe that we owe it to the communities we serve, our customers, staff and government to act with integrity and manage our resources effectively and efficiently.

### **1.5 Goals**

#### **1.5.1 Short term goals**

- Registering our project with Tanzania Investment Centre (TIC) thus enjoying all the benefits that come with it
- Provide quality products and services that meet the product and price needs of our potential and prospecting customers.

#### **1.5.2 Long term goals**

- Maintenance of high quality product and service standards and customer care to sustain customers and bring in new customers.
- Expand distribution network to cover more customers.
- Continuous expansion to provide further employment opportunities so as to improve living standards of the people within the business area and its environments.

## **1.6 Critical Success Factors**

In order for Gengetatu Extech Company Limited to attain its goals,

- i. We will focus mainly on customers who are the core in our operations
- ii. Ensuring a stable and reliable gold supply to our targeted market.
- iii. Experience of the directors in the mining industry that gives us credibility.
- iv. The directors and employees have enough knowledge and experience in the gold business.

## **1.7 Entry and growth strategy**

However much competition in business isn't that stiff, Gengetatu Extech Company Limited employs competitive pricing strategy to be able to win new customers while emphasizing quality products. The business also emphasizes cost effectiveness in order to recover all incidental costs before charging the price.

In order to continue growing and become sustainable, the following will always be done.

- Providing quality products and services that will keep customers and ensure repeat business.
- Empowerment through education (Capacity Building)  
The company offers regular training to its employees through daily training courses and staff meetings organized to help them appreciate new knowledge and exposures
- Prompt payments.  
Also the company has established credibility with bankers for being able to guarantee prompt and regular payment for the monies borrowed.

The Company intends to serve optimally the local market in Tanzania, but with time we expect that the business to grow into an internationally recognized distributor of quality gold minerals.

## **1.8 SWOT ANALYSIS**

### **1.8.1 Business Strength**

- Good and focused management
- Good quality products and services
- Reliable products and services supply
- Strategic business positioning

- Knowledge of the local market, industry and business acumen
- Team work
- Better strategies and structures in place

### **1.8.2 Business Weaknesses**

- Inadequate capital to fully execute the project at hand

### **1.8.3 Business Opportunities**

- Country's political stability that fosters business development
- Accessibility of funds from financial institutions
- Good infrastructure system which fosters business development and growth
- Regional integration that creates a common market
- Big and unexhausted demand

### **1.8.4 Business Threats**

- Competition though not stiff especially emanating from big mining companies
- Price fluctuations resulting from inflation

Gengetatu Extech Company Limited will always try to capitalize on the strength, take advantage/Exploit the opportunities, to curb the threats and alleviate the weaknesses with appropriate strategies like increasing its production capacity, strengthening the current production facilities, strengthening working capital, timely delivery of orders and maintaining quality standards of products and services offered.

### **1.9 Exit strategy**

In the case of unfavorable business environment in such a way that the business is required to be wound up, the following exit strategies will be applied:

- Customer and supplier placement strategy whereby, customers and suppliers will be smoothly handed over to another interested business as a going- concern to allow them to continue with their activities.
- Pay out any outstanding debts to creditors/suppliers.
- Collect any amounts outstanding from debtors.

- Sell all the inventory, machines and equipment to other firms in the same line of business.
- The organization can also be sold as a going concern to other firms or companies.

## **2.0 PRODUCTS / SERVICES**

One of the consumer behaviors is to maximize utility at the possible minimum costs. Gengetatu Extech Company Limited is looking at this with serious attention so as to meet our customers' needs and expectations. In so doing Gengetatu Extech Company Limited will always provide products and services of the required quality and distributed according to the needs of our customers as well as competitive prices that will match with the products quality. Again Gengetatu Extech Company Limited will go for "after sale services strategy" to see the performance of our products, difficulties that consumers have faced and to see to what extent consumers are appreciating our products and services.

### **2.1 Product/Service Description**

Gengetatu Extech Company Limited offers gold minerals as its core products, other minerals that shall be as residues on refinery are;

- i. Silver
- ii. Bronze
- iii. Copper

These can be sold to the local mineral dealers

### **2.2 Unique Features of Product/Service**

Gengetatu Extech Company Limited provides products of high quality that give our customers value for money. Our products shall be packed in high standard of packaging that portrays our company's image.

### **2.3 Gold Mining through Sluicing**

It has long been a very common practice for prospecting and small-scale mining to use a sluice box to extract gold from placer deposits. Essentially, a sluice box is a man-made channel with riffles at the bottom. In order to allow gold to drop out of suspension, the riffles are designed to create dead zones. In order to channel water flow, the box is placed in the stream. At the top of the box is placed gold-bearing material. The material is transported by the current through the riffles where behind the riffles settles gold and other dense material. Less dense material flows like tailings out of the box.

### **2.4 Gold Ore Processing**

#### **a) Cyanide process**

Cyanide extraction of gold may be used in areas where fine gold-bearing rocks are found. Sodium cyanide solution is mixed with finely ground rock that has been proven to contain gold or silver and is then separated as a gold cyanide or silver cyanide solution from ground rock. To precipitate residual zinc and silver and gold metals, zinc is added. Zinc is removed with sulfuric acid, leaving a silver or gold sludge that is generally smelted into an ingot and then shipped to a metal refinery for final processing into pure metals of 99.9999 percent.

In recent years, the technique of alkaline cyanide dissolution has been highly developed. It is especially suitable for processing low-grade gold and silver ore (e.g. less than 5 ppm gold), but its use is not limited to such ores. This extraction method involves many environmental hazards, largely due to the high acute toxicity of the involved cyanide compounds.

#### **b) Mercury process**

Historically, mercury has been widely used in placer gold mining to form mercury-gold amalgam with smaller gold particles, thereby increasing the rate of gold recovery. In the 1960s, large-scale mercury use stopped. In artisanal and small-scale gold mining (ASGM), however, mercury is still used, often clandestine, gold prospecting. It is estimated that 45,000 metric tons of mercury used in California for placer mining have not been recovered.

## **2.6 Proposed Products**

The company's shall strengthen its operations for the mining and processing of gold minerals though other metals shall be produced as by-products including; silver, bronze, copper and many others

## **3.0 THE MARKET**

### **3.1 Industry analysis**

Tanzania's gold mine production will see an average annual growth rate of 1.5% during 2021-2030, compared to 1.9% y-o-y during the last decade. We expect a number of factors to contribute to this slowdown in gold production growth. First, we expect mining policy in Tanzania to remain stringent in the coming years, as incumbent president Samia Suluhu Hassan shares a similar view on the sector as the former Tanzanian president, late John Magufuli. Tanzania's business environment in regards to the mining sector was restrictive under the Magufuli administration. A key demonstration of this was the introduction of the stringent mining code in 2017 which sought to increase control over the mining sector and increase royalty rates. This is unlikely to change with Hassan in power. Following a meeting between Samia Suluhu Hassan and Barrick Gold CEO Mark Bristow in July 2021, Bristow noted that there is a potential for more gold discovery but the company would need to keep turning over their licenses. The company has allegedly paid over USD370mn through the Twiga partnership. This interaction speaks to the operational challenges faced in the gold mining sector in Tanzania. The difficulty in operating in the gold mining sector as a result of high tax rates and restrictive policy informs our forecast of a slowdown of gold production growth rates. Source: USGS, Fitch Solutions

Second, Tanzania will retain its resource nationalistic rhetoric and maintain its tough stance towards international miners in the coming years, underpinning slow growth in gold mine production. In recent years, the government has revoked licenses from multinational companies such as Barrick and Glencore in order to open land to thousands of small-scale miners, cementing its hardliner stance on mining operations by foreign miners in the country. For instance, in 2017, Acacia mining was accused of under-reporting export quantities and avoiding taxes by the government of Tanzania. This led to a ban on gold ore exports which affected operations at Acacia's Bulyanhulu and Buzwagi mines. Furthermore, Acacia was fined USD2.4mn over pollutions at the companies North Mara operations and taxed USD190bn. Tanzania's dispute with Acacia is likely to serve as a deterrent for future mining foreign direct investment and thus forms the basis of our forecast for slow gold production growth.

We do not expect this to change in the near future especially given that the resource nationalistic reforms implemented by Magufuli resulted in Tanzania's revenue to increase 52.6% y-o-y, to USD528bn in FY2019/20.

#### Tanzania - New Gold Mining Projects

Mine	Primary Company	Secondary Company	Notes
Golden Ridge	Barrick Gold	-	September 2019 - Barrick Gold Corporation has completed the acquisition of Acacia Mining and its assets; February 2018 - Acacia Mining is awaiting clarification about ownership of the project from Government of Tanzania; Resources: 0.8Moz
Imweru	Lake Victoria Gold	-	June 2020 - Katoro Gold has completed the sale of the project to Lake Victoria Gold; Indicated Resources: 0.09Moz; Mine Life: 10years; Estimated Production: 50koz/yr
Itetemia	Tanzanian Gold Corporation	State Mining Corporation - STAMICO	Indicated Resources: 0.3Moz
Jubilee Reef	Lion town Resources	-	September 2018 - Lion town Resources Limited is in the process of relinquishing its interest in the mine; Inferred Resources: 0.4Moz; The project encompasses two deposits Simba and Panapendesa
Kigosi	Tanzanian Gold Corporation	State Mining Corporation - STAMICO	Measured Resources: 0.2Moz
Kitongo	Pensana Metals Ltd	-	March 2018 - Pensana Metals Ltd (Formerly Rift Valley Resources) has executed a conditional sale agreement to sell the project to an undisclosed buyer; Inferred Resources: 0.4Moz

<b>Mine</b>	<b>Primary Company</b>	<b>Secondary Company</b>	<b>Notes</b>
Lubando	<b>Katoro Gold</b>	-	August 2019 - Katoro Gold has agreed a term sheet with Lake Victoria Gold to sell the project; Inferred Resources: 0.2Moz
Miyabi	<b>Pensana Metals Ltd</b>	-	Indicated Resources: 0.09Moz; The project includes Dalafuma deposits
Nyanzaga	<b>OreCorp</b>	OreCorp	June 2021 - OreCorp Limited has finalized the preliminary schedule and preparations to conclude the definitive feasibility study for the project by the end of Q122; Estimated Production: 213koz/yr; Mine Life: 12years; Measured Resources: 0.7Moz; The project includes Nyanzaga (Tusker) and Kilimani deposits
SMP	<b>Winshear Gold Corporation</b>	-	May 2019 - Winshear Gold Corporation has after consultation with the Tanzanian government, re-applied for Prospecting Licenses to replace the ground previously held under Retention Licenses; Indicated Resources: 0.6Moz
Singida	<b>Shanta Gold</b>	GL Jossue & JB Joel Limited	October 2020 - Shanta Gold Limited has commenced construction work at the project; Probable Reserves: 0.2Moz; Estimated Production: 32koz/yr; Mine Life: 7years; The project consists of three mining licenses: One is 100% owned by Shanta Gold, and the other two are held by a JV between Shanta Gold (90%) and GL Jossue & JB Joel Limited (10%); Expected Start Year: 2022

Nevertheless, as gold prices are at elevated levels and will remain strong in the coming years, we expect international miners to remain interested in Tanzania's gold deposits, despite stricter government regulations. We note that key players in the sector have recently made moves to circumvent the impacts of mining regulations and policy on production capacity. Since the purchase

of Acacia in September 2019, Barrick Gold has reached an agreement with the Tanzanian government, and Acacia has since resumed production under new ownership. The North Mara mine and Bulyanhulu mine have since been revived and returned to profitability. In 2019 a joint venture was formed between Barrick Gold and the Tanzanian government called Twiga Minerals. Twiga Minerals now controls the aforementioned mines in addition to the Buzwagi mine in Tanzania. More recently, international miners have formed partnerships with the Tanzanian government in order to ensure policy requirements are met. In February 2021, Tanzanian Gold Corp announced its entry into a definitive agreement with institutional investors with the intent to earn USD21.4mn towards the development of the Buck reef Gold Project in Tanzania. The project is in partnership with State Mining Corporation (STAMICO Tanzania).

Meanwhile, we note new gold mining projects are making progress. This poses upside risks to our forecasts. For example, OreCorp is spearheading a new project in Tanzania, the Nyanzaga gold project, and is working on funding for its development, although the project depends on approval from the Tanzanian Cabinet of Minister for a special mining licence.

### Tanzania Gold Mine Production Forecast

INDICATOR	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F
Gold Mine Production, moz	1.71	1.62	1.65	1.68	1.72	1.75	1.79	1.81	1.82	1.84	1.86	1.88
Gold Mine Production Volumes, % y-o-y	23.15	-5.17	2.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00

Source: USGS, Fitch Solutions

### 3.2 Market analysis

The Bank of Tanzania (BOT) released its Monthly Economic Review – April 2021, revealing that gold exports increased by USD 701.3 million to USD 3,025.4 million in the year-end March 2021. The increase in the revenues of exported gold is due to an increase in the market price of gold and government initiatives in supporting the mining industry, BOT explains.

The current economy is stable emanating from its stable political situation; however, Gengetatu Extech Company Limited operates and shall continue to operate with a state of a strong economy stability as the products sold are highly demanded thus the business is expected to be profitable and cash flow stable and positive in this economic environment. Other factors related to the market are;

- a) The Market is liberal and accommodates all players.
- b) Unfulfilled customer demands

- c) Prices are determined by forces of demand and supply
- d) The competition in the market is minimal as what matters is the level of production

### **3.3 Market for gold.**

In 2019, Tanzania exported US\$ 1.39bn in gold, making it the 4<sup>th</sup> largest exporter of gold in the world. At the same year, gold was the first most exported product in Tanzania.

#### **3.3.1 List of Major destination and estimated values**

The main destination of gold exports from Tanzania are;

- i. India US\$ 579mn
- ii. United Arab Emirates US\$ 498mn
- iii. Switzerland US\$ 265mn
- iv. Rwanda US\$ 45.7mn and
- v. Hong Kong US\$ 648K

### **3.4 Competitor Analysis**

#### **3.4.1 Competitive landscape**

The level of competition within our target market is minimal though faces stiff competition from international mining companies however the company can face this competition head on and meet its goals and objectives. Gengetatu Extech Company Limited shall continue to strengthen its operations with modern equipments and technology so as to match this competition

#### **3.4.2 Current Competitors-mining companies**

The company's immediate intention is to become one of the leading gold processors in Tanzania. However, the business faces competition that emanates from some of the renowned companies;

- i. The Buck reef gold mine is estimated to contain 19.2 tonnes of proven and probable gold reserves. The mine has an estimated life of 16 years and projected annual production of 51,000 ounces.
- ii. Gold Mine Bulyanhulu is an underground gold mine in the Shinyanga region of Northwestern Tanzania, located 55km south of Lake Victoria and operated by Barrick Gold.

Bulyanhulu commenced commercial production in 2001 and has proven and probable reserves of 2.2 million ounces. The current life of the mine is estimated to be 16 years, based on its proven and probable gold reserves of 6.1 million ounces. In 2019, Barrick produced 27,000 ounces of gold from Bulyanhulu, while estimated production for 2020 is between 30,000 and 50,000 ounces.

- iii. Buzwagi Gold Mine Buzwagi is an open pit gold mine in the Shinyanga region of Northwestern Tanzania, located 6km southeast from the town of Kahama in Tanzania. It is also operated by Barrick Gold. Buzwagi commenced commercial production in 2009 and has produced over 1 million ounces of gold to date. The mine is towards the end of its life based on its proven and probable gold reserves of 140,000 ounces. In 2019, Barrick produced 83,000 ounces of gold from Buzwagi, while estimated production for 2020 is between 80,000 and 100,000.
- iv. North Mara Gold Mine North Mara is a combined open pit and underground gold mine in the Mara Region of Tanzania and also operated by Barrick Gold. North Mara commenced commercial production in 2002 and has produced over 2 million ounces of gold to date. As of 2017, the estimated life of the mine is 9 years based on proven and probable gold reserves of 2 million ounces. Total proven and probable gold reserves at North Mara are estimated to be 1.7 million ounces. In 2019, Barrick produced 251,000 ounces of gold from North Mara, while estimated production for 2020 is between 240,000 and 270,000.
- v. Geita Gold Mine Geita is an open-pit gold mine located in the Geita region of Northwestern Tanzania. Geita started operations in 2000, initially as a joint venture of AngloGold and Ashanti. With the merger of the two companies in 2004, the mine became fully owned by AngloGold Ashanti. Since 2000, the Geita gold mine has produced more than 3 million ounces of gold. In the end of 2019, proven and probable gold reserves stood at 13.4 tonnes. In 2010, the life of the mine was estimated to be more than 10 years. In 2019, AngloGold Ashanti's gold production out of Geita stood at 604,000 ounces.
- vi. New Luika Gold Mine New Luika is an active gold mine in the Mbeya region of Tanzania. It is fully owned by Shanta Gold, which started gold extraction in 2012. The current life of the mine is estimated to be 5 years. New Luika's total gold proven and probable gold reserves are estimated at 3.6 tonnes. The annual gold production of new Luika stands at about 80,000 ounces per year.

- vii. Golden Pride Gold Mine Golden Pride was an open-pit gold mine located in the Tabora Region of Tanzania. Resolute, an Australian mining company began construction of the Golden Pride mine in 1997 and operated the mine for 15 years until it was closed in 2013. The total production of the mine was more than 2.2 million ounces of gold.
- viii. Other closed gold mines in Tanzania include Kirondatal, Sekenke, and Tulawaka.

#### **3.4.3 Competitive Advantages.**

The following are the competitive advantages of Gengetatu Extech Company Limited;

- Experience of the directors, having enough business knowledge and zeal to do business.
- The Lake Zone and Geita in particular neighboring East African Countries (Kenya, Uganda, Burundi and Rwanda) makes the market huge
- Gengetatu Extech Company Limited is planning to strengthen its strategic marketing and promotional activities as a means of expanding its market
- Gengetatu Extech Company Limited is planning to have a more effective and efficient supply chain that will ensure timely delivery of products into the market and reliable supply of all materials to be used at the processing plant.

#### **3.4.2 Barriers to Market Entry**

Major barrier that Gengetatu Extech Company Limited faces especially for the market entry is high capital costs and adequate working capital. This business requires more capital to be able to strengthen its current operations but Gengetatu Extech Company Limited with clear and defined strategies shall influence the bankers to finance its plan.

#### **4.0 MARKETING STRATEGIES AND SALES STRATEGY**

All strategies pertaining to marketing issues have been taken into considerations so as to meet our objectives. The opening up of the space (liberation) and governments initiative to support small scale miners has brought many players into play thus increasing the participation of different players into the various sectors of the economy especially gold mining.

In recent years, the government has revoked licenses from multinational companies such as Barrick and Glencore in order to open land to thousands of small-scale miners, cementing its hardliner stance on mining operations by foreign miners in the country.

#### **4.1 Market for gold and values**

In 2019, Tanzania exported US\$ 1.39bn in gold, making it the 4<sup>th</sup> largest exporter of gold in the world. At the same year, gold was the first most exported product in Tanzania.

The main destination of gold exports from Tanzania are;

- i. India US\$ 579mn
- ii. United Arab Emirates US\$ 498mn
- iii. Switzerland US\$ 265mn
- iv. Rwanda US\$ 45.7mn and
- v. Hong Kong US\$ 648K

#### **4.2 Targeting Strategy**

Gengetatu Extech Company Limited is an established business with business associates of suppliers and potential customer, we will go for mass marketing strategy because we want to go after the market as a whole with one offer that answers common needs of our customers. With this strategy Gengetatu Extech Company Limited meets the customers' expectations as many of our customers shall be testing our products at a right time and right place.

#### **4.3 Positioning Strategy**

Gengetatu Extech Company Limited always positions its products basing on;

- a) The quality of our products,
- b) Timely deliveries.

#### **4.4 Product/Service Strategy**

This is an interesting part where one firm gets power to kick out its competitor though it is not always easy to achieve as many of the business developers think. Gengetatu Extech Co. Ltd shall adopt the best product packaging to differentiate its products with the other firms. This good designing of product packaging introduces our products in a successful way.

Our strategy will always be to sell our products within the range of customers' expectations in terms of quality, at the required time and expected location. This allows many consumers to access our products and purchase them. With this strategy Gengetatu Extech Company Limited will and is able to exploit the unexploited market in Tanzania.

#### **4.5 Pricing Strategy**

Competitive Pricing is our major pricing strategy. As explained before Gengetatu Extech Co. Ltd will try to operate at the possible minimum costs of production so as to meet our pricing strategy.

#### **4.6 Distribution Channels**

Gengetatu Extech Company Limited aims at meeting the demand and expectations of all our customers locally and worldwide. With this various method of products distribution will be used. There are number of factors that will be put into consideration when distributing our products. The following will be put into consideration:

- The nature of the targeted market
- The nature of the business as well as legal issues

#### **Distribution channels that will be used**

We shall adopt any of the following distribution channels according to the prevailing circumstances

1. Indirectly, through an agent, broker or trading house in the country or region;
2. Indirectly, through an international importer, wholesaler or agent;
3. Directly, through an international jeweller;
4. Directly, through an international retailer;
5. Directly and indirectly, through your own web shop or a web platform.

#### **4.7 Promotion Strategy**

In case of promotion both push and Pull strategies are used.

A “**push**” promotional strategy makes use of our business sales force and trade promotion activities to create consumer demand for our products. We will always promote our products directly and through our distribution network

A “**pull**” selling strategy is the next strategy Gengetatu shall use. This requires high spending on advertising and consumer promotion to build up consumer demand for our products.

#### **4.8 Sales Strategy**

Our products shall be distributed as explained in the distribution channel listed above. Gengetatu’s main objective is to maximize profit by meeting the customers need. This is done by supplying our products to all places where they are demanded at a right time so as to meet customers’ expectations.

## **5.0 DEVELOPMENT AND EXPANSION STRATEGY**

### **5.1 Development Strategy**

The company has already covered the following

- i. Executed all construction works and all other civil works
- ii. Acquired some of the necessary plant and machinery
- iii. Acquired the necessary furniture, fittings and office equipments and working capital

The only work remaining in the development of Gengetatu's gold processing plant project includes;

- i. Purchasing more plant and equipments
- ii. Purchasing more trucks and motor vehicles

These are all geared towards increasing the current production capacity for increased business dealings, increased profit, growth and overall business sustainability.

### **5.2 Expansion Plan**

Gengetatu Extech Company Limited will continue to expand through;

- i. Seeking for additional funds from financial institutions with the aim of strengthening its production capacity
- ii. Increasing the company's working capital via re-investing in after tax cash flows of the business.

## **6.0 ORGANIZATION PLAN**

### **6.1 The Organization**

The overall management of the Company is vested in the Board of directors which is charged with the task of formulating from time to time its policies and providing general guidelines to top management and its related technical departments in ensuring the smooth centering of all realistic decisions relating to social, economic and manpower development.

In order to ensure efficiency of staff, management continuously motivates staff and always tries to build capacity in areas of customer care and quality. Bonus and other incentives are means of boosting employee's morale.

### **6.2 Management Structure:**

Gengetatu Extech Company Limited has five departments, these are; Production department, Marketing department, finance and administration department, supplies and transport department as well as business development department. Each department has limit of authorities and report to Managing Director.

### **6.3 Departments**

#### **6.3.1 Production department**

The production department is responsible for converting raw materials and other inputs into finished goods or services. In between the processes of production, the department works to improve the efficiency of the production or assembly line so that it can meet the output targets set by company management and ensure finished products offer consumers the best value and quality

#### **6.3.2 Marketing department**

This will be responsible for Managing Sales, Distribution of the Products and looking for orders. They always communicate to customers through sales Promotion and advertising the Products.

#### **6.3.3 Finance and administration department.**

Are responsible for preparation of Capital Budget, Prepare Financial Statement, Cash Flows Statements, Income Statements, keep and maintain Books of accounts as well as issue Payments to

various activities such as Salaries and Wages to labors paid in Weekly and Monthly basis. This department is headed by the accountant.

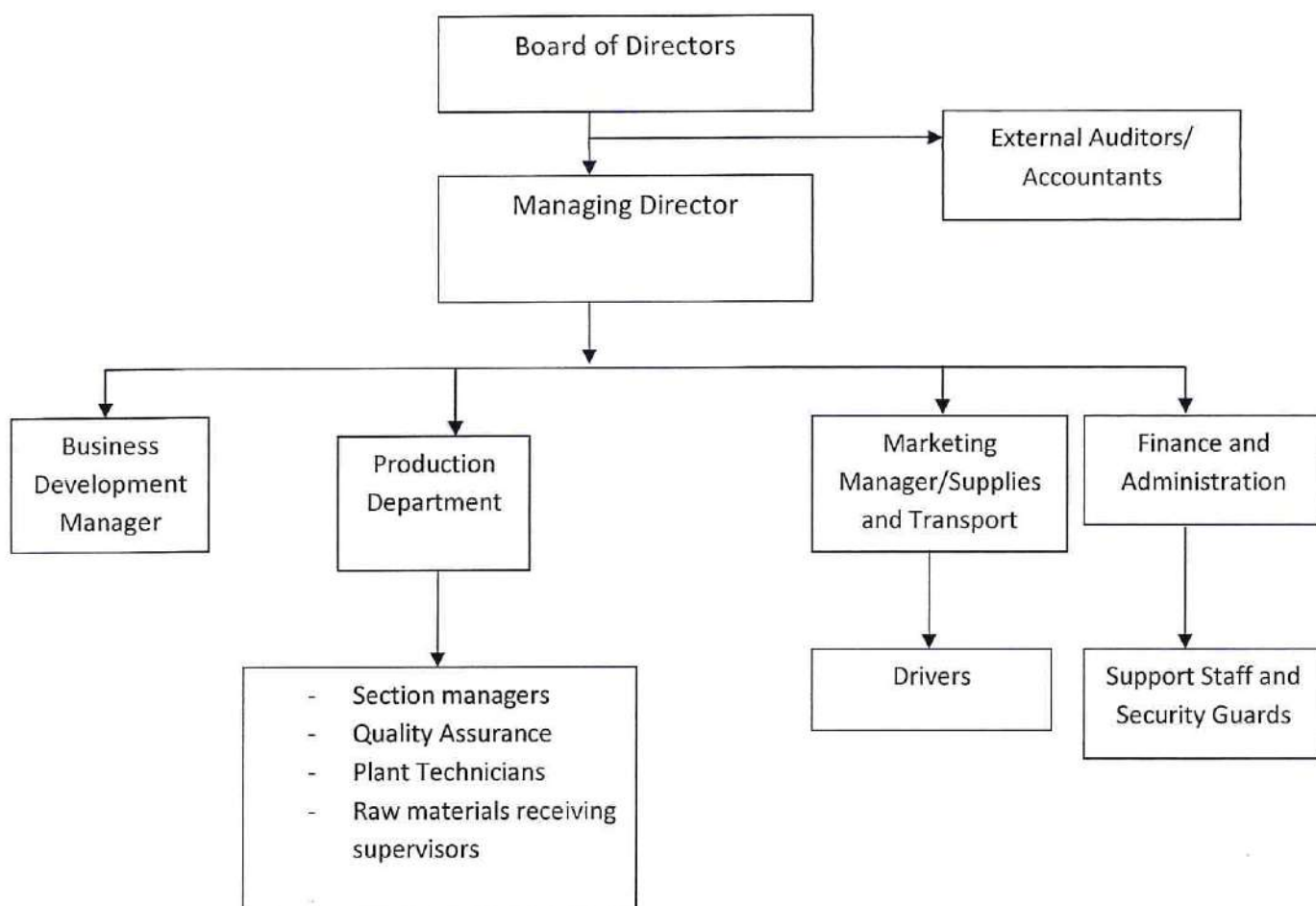
### **6.3.3 Supplies and Transport department.**

Is responsible for arranging orders, manage the supplies centers, stores, transport, acquisition of products, inventory Management and Control and other needs. Marketing manager is in charge of this department also.

### **6.3.4 Business Development Department**

The Business Development manager manages this department, he works to improve the organization's market position and achieve financial growth. He defines long-term organizational strategic goals, builds key customer relationships, identifies business opportunities, negotiates and closes business deals and maintains extensive knowledge of current market conditions. He also works with the internal team, marketing staff, and other managers to increase sales opportunities and thereby maximize revenue for the organization. To achieve this, the business development manager needs to find potential new customers, present to them, ultimately convert them into clients, and continue to grow business in the future. He also helps to manage the existing clients and ensure they stay satisfied and positive. They call on clients, often being required to make presentations on solutions and services that meet or predict their clients' future needs.

### 6.3.5 Organization Chart.



### 6.3.5 Company ownership structure

Gengetatu Extech Company Limited is owned by 3 shareholders. Their details are as shown below;

Names	%shares	Nationality
1. Jumanne Yusuph Mtafuni P. o Box 479, Geita	50%	Tanzanian
2. Yusuph Jumanne Yusuph P.o Box 2370, Mwanza, Tanzania	15%	Tanzanian
2. Mohamed Jumanne Yusuph P.o Box 2370, Mwanza, Tanzania	15%	Tanzanian
3. Unallotted shares	20%	

### **6.3.5.1 Managing Director**

Mr. Jumanne Yusuph Mtafuni works in the capacity of managing director of Gengetatu Extech Company Limited, he heads the management team with other departmental heads as shown above, his roles and responsibilities are but not limited to;

- Being accountable for the overall performance of the Business and for the day-to-day running and management of the business.
- Supervision and monitoring of Business strategies
- Manage the day-to-day operations of the Business
- Manage, motivate, develop and lead employees.
- Manage resources efficiently and effectively to achieve the business's objectives

### **6.4 Management Structure and Style**

Gengetatu Extech Company Limited is under the unique management structure which provides it with competitive advantage based on the factor that its organized based on upward and downward communication which facilitates easy flow of information to and fro across all managerial departments.

### **6.5 Recruitment and Training**

Recruitment is done competitively through advertisement and interviewing the potential candidates. The recruited staffs have the minimum training requirement for the job. However, regular updating is done through sending of staff to relevant short courses offered by various training institutions

The recruitment exercise is and shall be conducted in the competitive environment to ensure the right person to have the right position. This also enables our business to achieve its desired goals and objectives by creating value to our customers and become one of the leading gold processing companies in the Lake Zone and Tanzania in general. The following are the summary of job to be created by the company:

Employment	Foreign Skilled	Local Skilled and Semi skilled	Local Unskilled	Total
Women	NIL	6	9	15
Men	NIL	15	10	25
<b>TOTAL</b>	<b>NIL</b>	<b>21</b>	<b>19</b>	<b>40</b>

### 6.6 Relevant regulations

Gengetatu Extech Company Limited is fully registered with;

- i. The workers compensation fund (WCF)
- ii. TMAA
- iii. NSSF

## 7.0 INVESTMENT AND FINANCING

The company has already invested Tzs 3,664,434,803.00 in equity equivalent to US\$ 1,572,718.8 and Tzs 810,380,734.00 in external borrowing equivalent to US\$ 347,802.89 which was used for as detailed below;

Description	Amount in US\$
Property, Plant and Equipments	824,793.85
Current Assets	1,095,727.84
<b>TOTAL</b>	<b><u>1,920,521.69</u></b>

The company plans to strengthen its current operations by;

- |  |                                |
|--|--------------------------------|
| i. Purchasing Plant and Equipments worth | US\$ 1.5 Million               |
| ii. Trucks and Motor vehicles worth      | <u>US\$ 0.5 Million</u>        |
| <b>TOTAL</b>                             | <b><u>US\$ 2.0 Million</u></b> |

### 7.1 Financing Plan

The above business plan shall be financed by both Equity and Long term debt from NCBA bank

Note: From the banks terms and conditions for asset financing; the bank shall finance 70% of the total Assets while the company shall contribute 30%

- |                                       |                                |
|---------------------------------------|--------------------------------|
| i. Equity –Owners contribution        | US\$ 600,000.00                |
| ii. Bank Loan-NCBA Bank (5 year loan) | <u>US\$1,400,000.00</u>        |
| <b>TOTAL</b>                          | <b><u>US\$2,000,000.00</u></b> |

### 7.2 Term Loan

#### a) Loan Terms

- Loan amount: US\$1,400,000.00
- Loan Period: 60 months
- Loan Interest: 15%
- No grace period considered

### **7.3 Loan Security**

The plant and machinery and trucks shall be used as security for the loan in application thus shall be co-owned by the company and the bank.

NB: ownership shall fully transfer to the company on fully liquidating the bank loan.

### **8.0 RISKS ANALYSIS.**

The above business like any other business has risks that can be controlled not to happen if properly mitigated. The identified risks and their mitigating factor are as follows;

1. Theft – day and night security employed
2. Fire, Accidents and other Risks – a comprehensive insurance policy is advisable
3. Competition – Increasing production capacity
4. Price fluctuation-flexibility in production to be able to counter any price changes

### **9.0 SOCIAL AND ECONOMIC ASPECTS OF THE BUSINESS**

Notwithstanding the financial returns to the owners there are other benefits of the business like,

i. Employment opportunities

Employment and poverty reduction are among the major concerns of the central government. It's therefore important to note that the business is providing employment directly and indirectly to many others. This is a significant contribution coming from local investors like Gengetatu Extech Co. Ltd. The company shall employ 40 people of which 15 shall be skilled, 6 shall be semi skilled and 19 shall be unskilled/locals or casuals looking for daily earning.

ii. Revenue to Government through taxes and Licenses

The company facilitates the availability and provision of services by government through a non quid-pro-quo payment of tax, fees and licenses annually. Taxes like corporation tax, PAYE, SDL, WCF, Service levy, Royalties and any withholding tax to be charged

## **10.0 CONCLUSION AND RECOMMENDATIONS**

### **10.1 Conclusion**

- a. The business is profitable and contributes to government revenue by way of taxes
- b. The business shall employ people all of whom are Tanzanian nationals
- c. The business is a clear manifestation of the country's efforts to encourage local investors and the readiness of the people to seize such opportunities.

### **10.2 Recommendation**

The company's plan to strengthen its current production capacity by acquiring more plant and equipments, trucks and motor vehicles is viable as it will increase production, increase employment opportunities and thus meet with the demands of its potential and prospecting customers thus any support in favour of implementing this plan is more than welcome.

### **ATTACHMENTS:**

- CASHFLOW PROJECTIONS
- PROJECTED INCOME STATEMENT
- PROJECTED STATEMENT OF FINANCIAL POSITION
- CAPITAL BUDGETING INCLUDING
  - ✓ NPV
  - ✓ PAY BACK PERIOD
  - ✓ INTERNAL RATE OF RETURN
  - ✓ PROFITABILITY INDEX
  - ✓ ARR

**GENGETATU EXTTECH COMPANY LIMITED**  
P. O BOX 479, GEITA

**PROJECTED CASH FLOW STATEMENT**

	YR1	YR2	YR3	YR4	YR5
<b>CASH INFLOWS</b>					
Revenue/Income	11,083,052.99	13,853,816.23	18,009,961.10	24,313,447.49	34,038,826.49
Accounts Receivables	443,322.12	554,152.65	720,398.44	972,537.90	1,361,553.06
Loan Facility-NCBA Bank	8,866.44	11,083.05	14,407.97	19,450.76	27,231.06
<b>TOTAL CASH INFLOWS</b>	<b>12,935,241.55</b>	<b>14,419,051.94</b>	<b>18,744,767.52</b>	<b>25,305,436.15</b>	<b>35,427,610.61</b>
<b>CASH OUTFLOWS</b>					
Production Costs	9,531,425.57	11,914,281.96	15,488,566.55	20,909,564.84	29,273,390.78
Purchase of Trucks & Motor Vehicle	500,000.00	-	-	-	-
Machinery and Equipment	1,500,000.00	-	-	-	-
Salaries and Wages	21,225.32	22,286.59	23,400.92	24,570.96	25,799.51
Travelling Expenses	1,633.28	1,714.95	1,800.69	1,890.73	1,985.26
Telephone and Communication Charges	1,165.02	1,223.27	1,284.43	1,348.65	1,416.09
Bank Charges and Commission	1,313.30	1,339.57	1,366.36	1,393.69	1,421.56
Electricity and Water Charges	56,477.03	59,300.88	62,265.93	65,379.22	68,648.18
Professional & Legal Fees	643.78	643.78	643.78	643.78	643.78
Fuel and Lubricants	90,856.59	95,399.42	100,169.39	105,177.86	110,436.75
<b>Statutory payments</b>					
NSSF	2,122.53	2,228.66	2,340.09	2,457.10	2,579.95
SDL	849.01	891.46	936.04	982.84	1,031.98
WCF	212.25	222.87	234.01	245.71	258.00
Mining Royalty (6% of Sales) and CIF (1%)	775,813.71	969,767.14	1,260,697.28	1,701,941.32	2,382,717.85
Hiring of Equipments	1,351.93	1,419.53	1,490.50	1,565.03	1,643.28
Electrical Material	2,302.84	2,417.99	2,538.88	2,665.83	2,799.12
Repair and Assemble of Machinery, Maintenance	6,217.53	6,528.41	6,854.83	7,197.57	7,557.45
Licenses and Fees	5,150.21	5,150.21	5,150.21	5,150.21	5,150.21
SCR	1,180.26	1,180.26	1,180.26	1,180.26	1,180.26
Meeting Expenses	1,072.96	1,126.61	1,182.94	1,242.09	1,304.19
Spare parts	10,355.48	10,873.25	11,416.92	11,987.76	12,587.15
Meals to workers	908.63	954.06	1,001.77	1,051.86	1,104.45
Gases for welding and Explosion	2,243.89	2,356.09	2,473.89	2,597.58	2,727.46
Air tickets and Freight Charges	12,542.54	13,169.67	13,828.15	14,519.56	15,245.54
Poly Pipes	4,882.73	5,126.86	5,383.20	5,652.36	5,934.98
Laboratory Tests	599.36	629.32	660.79	693.83	728.52
Loan repayment -Interest only	190,750.00	148,750.00	106,750.00	61,250.00	22,750.00
Loan Repayment -Principal	280,000.00	280,000.00	280,000.00	280,000.00	280,000.00
Penalties and Fines	257.51	257.51	257.51	257.51	257.51
Accounts Payables	190,628.51	238,285.64	309,771.33	418,191.30	585,467.82
Depreciation	243,869.53	322,706.23	282,333.89	247,021.00	216,130.07
Tax	178,439.81	234,027.05	318,577.61	448,086.16	649,311.46
<b>TOTAL CASH OUTFLOWS</b>	<b>4,085,065.56</b>	<b>2,429,977.27</b>	<b>2,805,991.61</b>	<b>3,416,341.77</b>	<b>4,408,818.39</b>
<b>NET CASH FLOWS</b>	<b>8,850,175.99</b>	<b>11,989,074.67</b>	<b>15,938,775.91</b>	<b>21,889,094.38</b>	<b>31,018,792.21</b>
Balance b/f	183,415.02	9,033,591.01	21,022,665.68	36,961,441.59	58,850,535.97
Balance c/f	9,033,591.01	21,022,665.68	36,961,441.59	58,850,535.97	89,869,328.18

Note: All Figures in US\$



APPENDIX 3:

GENGETATU EXTECH COMPANY LIMITED  
P.O BOX 479, GEITA

PROJECTED BALANCE SHEET

	YR1	YR2	YR3	YR4	YR5
Non Current Assets -Refer to Asset Schedule	2,580,924.32	2,258,218.09	1,975,884.19	1,728,863.20	1,512,733.12
<b>TOTAL NON CURRENT ASSETS</b>	<b>2,580,924.32</b>	<b>2,258,218.09</b>	<b>1,975,884.19</b>	<b>1,728,863.20</b>	<b>1,512,733.12</b>
<b>CURRENT ASSETS</b>					
Cash & Bank	257,470.53	205,976.42	938,442.85	1,704,343.65	2,374,202.20
Inventories	452,445.57	844,400.71	925,776.70	1,275,808.46	2,216,636.29
Accounts Receivables	8,866.44	11,083.05	14,407.97	19,450.76	27,231.06
<b>TOTAL CURRENT ASSETS</b>	<b>718,782.54</b>	<b>1,061,460.18</b>	<b>1,878,627.52</b>	<b>2,999,602.87</b>	<b>4,618,069.55</b>
<b>TOTAL ASSETS</b>	<b>3,299,706.86</b>	<b>3,319,678.27</b>	<b>3,854,511.72</b>	<b>4,728,466.06</b>	<b>6,130,802.67</b>
<b>FINANCED BY</b>					
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Issued and Fully paid share Capital	206,008.58	206,008.58	206,008.58	206,008.58	206,008.58
Advance towards Share Capital	1,072,961.37	1,072,961.37	1,072,961.37	1,072,961.37	1,072,961.37
Retained Earnings	293,748.84	416,359.55	962,422.68	1,705,770.44	2,751,304.82
Add: Net Profit after tax	416,359.55	546,063.13	743,347.76	1,045,534.37	1,515,060.08
<b>TOTAL EQUITY</b>	<b>1,989,078.35</b>	<b>2,241,392.64</b>	<b>2,984,740.39</b>	<b>4,030,274.77</b>	<b>5,545,334.85</b>
<b>LIABILITIES</b>					
Long term Debt/Loan Facility-NCBA Bank	1,120,000.00	840,000.00	560,000.00	280,000.00	
Accounts Payables	190,628.51	238,285.64	309,771.33	418,191.30	585,467.82
<b>TOTAL LIABILITIES</b>	<b>1,310,628.51</b>	<b>1,078,285.64</b>	<b>869,771.33</b>	<b>698,191.30</b>	<b>585,467.82</b>
<b>NET WORTH</b>	<b>3,299,706.86</b>	<b>3,319,678.27</b>	<b>3,854,511.72</b>	<b>4,728,466.06</b>	<b>6,130,802.67</b>

Note: All figures in US \$

**APPENDIX 4:**

**ASSET DEPRECIATION SCHEDULE**

Depreciation is calculated to write off the cost of the fixed assets over the expected useful lives of the assets concerned on a reducing balance basis. The principal rates used for the purpose were:-

- Mining Equipments 12.50%
- Motor vehicles 25.00%
- Generator 12.50%
- Machines and Equipments 12.50%
- Furniture and Fittings 12.50%
- Computers and Accessories 37.50%
- Plate Tanks 12.50%

**NON CURRENT ASSETS AND DEPRECIATION FOR THE FIRST YEAR:**

DESCRIPTION	COST / VALUATION		DEPRECIATION		BOOK VALUE		
	As at START Tshs	Additions/ (Disposal) Tshs	As at END Tshs	As at START Tshs	Charges/ (Disposal) Tshs	As at END Tshs	As at END Tshs
Mining Equipments	60,751	1,500,000	1,560,751	18,597	85,719	1,04,316	1,475,032
New Trucks and Motorvehicles	-	500,000	500,000	-	62,500	62,500	437,500
Low Bed Trailer-T128 DMG	14,485	-	14,485	11,266	1,811	13,077	12,674
Shacman Tipper T157 DKG	20,520	-	20,520	15,960	2,565	18,525	17,955
Caterpillar- Excavator T656 DGT	55,526	-	55,526	43,187	6,941	50,127	48,585
Used Scania Tipper Truck	39,560	-	39,560	13,187	4,945	18,132	34,615
CIP Scania and Ellution Plant	603,541	-	603,541	469,421	75,443	544,863	528,098
Furniture and Fittings	3,148	-	3,148	964	394	1,357	2,754
Computers and Accessories	581	-	581	565	218	783	363
Plate Tanks	26,682	-	26,682	8,168	3,335	11,503	23,347
<b>TOTAL</b>	<b>824,794</b>	<b>2,000,000</b>	<b>2,824,794</b>	<b>573,146</b>	<b>243,870</b>	<b>813,680</b>	<b>2,580,924</b>

**NON CURRENT ASSETS AND DEPRECIATION FOR THE SECOND YEAR:**

DESCRIPTION	COST / VALUATION		DEPRECIATION		BOOK VALUE		
	As at START Tshs	Additions/ (Disposal) Tshs	As at END Tshs	As at START Tshs	Charges/ (Disposal) Tshs	As at END Tshs	As at END Tshs
Mining Equipments	1,475,032	-	1,475,032	104,316	184,379	288,695	1,290,653
New Trucks and Motorvehicles	437,500	-	437,500	62,500	54,688	117,188	382,812
Low Bed Trailer-T128 DMG	12,674	-	12,674	13,077	1,584	14,661	11,090
Shacman Tipper T157 DKG	17,955	-	17,955	18,525	2,244	20,770	15,711
Caterpillar-Excavator T656 DGT	48,585	-	48,585	50,127	6,073	56,201	42,512
Used Scania Tipper Truck	34,615	-	34,615	18,132	4,327	22,459	30,288
CIP Scania and Ellution Plant	528,098	-	528,098	544,863	66,012	610,875	462,086
Furniture and Fittings	2,754	-	2,754	1,357	344	1,702	2,410
Computers and Accessories	363	-	363	783	136	919	227
Plate Tanks	23,347	-	23,347	11,503	2,918	14,421	20,429
<b>TOTAL</b>	<b>2,580,924</b>	<b>-</b>	<b>2,580,924</b>	<b>813,680</b>	<b>322,706</b>	<b>1,147,890</b>	<b>2,258,218</b>

NON CURRENT ASSETS AND DEPRECIATION FOR THE THIRD YEAR:

DESCRIPTION	COST / VALUATION			DEPRECIATION			BOOK VALUE		
	As at START	Additions/ (Disposal)	As at END	As at START	Charges/ (Disposal)	As at END	As at END	As at END	
Mining Equipments	1,290,653	-	1,290,653	288,695	161,332	450,027	1,129,321	1,290,653	
New Trucks and Motorvehicles	382,812	-	382,812	117,188	47,851	165,039	334,961	382,812	
Low Bed Trailer-T128 DMG	11,090	-	11,090	14,661	1,386	16,047	9,704	11,090	
Shacman Tipper T157 DKG	15,711	-	15,711	20,770	1,964	22,734	13,747	15,711	
Caterpillar-Excavator T656 DGT	42,512	-	42,512	56,201	5,314	61,515	37,198	42,512	
Used Scania Tipper Truck	30,288	-	30,288	22,459	3,786	26,245	26,502	30,288	
CIP Scania and Ellution Plant	462,086	-	462,086	610,875	57,761	668,636	404,325	462,086	
Furniture and Fittings	2,410	-	2,410	1,702	301	2,003	2,109	2,410	
Computers and Accessories	227	-	227	919	85	1,004	142	227	
Plate Tanks	20,429	-	20,429	14,421	2,554	16,975	17,875	20,429	
<b>TOTAL</b>	<b>2,258,218</b>	<b>-</b>	<b>2,258,218</b>	<b>1,147,890</b>	<b>282,334</b>	<b>1,413,249</b>	<b>1,975,884</b>	<b>2,258,218</b>	

NON CURRENT ASSETS AND DEPRECIATION FOR THE FOURTH YEAR:

DESCRIPTION	COST / VALUATION			DEPRECIATION			BOOK VALUE		
	As at START	Additions/ (Disposal)	As at END	As at START	Charges/ (Disposal)	As at END	As at END	As at END	
Mining Equipments	1,129,321	-	1,129,321	450,027	141,165	591,192	988,156	1,129,321	
New Trucks and Motorvehicles	334,961	-	334,961	165,039	41,870	206,909	293,091	334,961	
Low Bed Trailer-T128 DMG	9,704	-	9,704	16,047	1,213	17,260	8,491	9,704	
Shacman Tipper T157 DKG	13,747	-	13,747	22,734	1,718	24,452	12,029	13,747	
Caterpillar-Excavator T656 DGT	37,198	-	37,198	61,515	4,650	66,165	32,548	37,198	
Used Scania Tipper Truck	26,502	-	26,502	26,245	3,313	29,558	23,189	26,502	
CIP Scania and Ellution Plant	404,325	-	404,325	668,636	50,541	719,177	353,785	404,325	
Furniture and Fittings	2,109	-	2,109	2,003	264	2,267	1,846	2,109	
Computers and Accessories	142	-	142	1,004	53	1,057	89	142	
Plate Tanks	17,875	-	17,875	16,975	2,234	19,209	15,640	17,875	
<b>TOTAL</b>	<b>1,975,884</b>	<b>-</b>	<b>1,975,884</b>	<b>1,413,249</b>	<b>247,021</b>	<b>1,677,248</b>	<b>1,728,863</b>	<b>1,975,884</b>	

NON CURRENT ASSETS AND DEPRECIATION FOR THE FIFTH YEAR:

DESCRIPTION	COST / VALUATION			DEPRECIATION			BOOK VALUE		
	As at START	Additions/ (Disposal)	As at END	As at START	Charges/ (Disposal)	As at END	As at END	As at END	
Mining Equipments	988,156	-	988,156	591,192	123,520	243,545	864,637	988,156	
New Trucks and Motorvehicles	293,091	-	293,091	206,909	36,636	243,545	256,455	293,091	
Low Bed Trailer-T128 DMG	8,491	-	8,491	17,260	1,061	18,322	7,429	8,491	
Shacman Tipper T157 DKG	12,029	-	12,029	24,452	1,504	25,956	10,525	12,029	
Caterpillar-Excavator T656 DGT	32,548	-	32,548	66,165	4,069	70,234	28,480	32,548	
Used Scania Tipper Truck	23,189	-	23,189	29,558	2,899	32,457	20,291	23,189	
CIP Scania and Ellution Plant	353,785	-	353,785	719,177	44,223	763,400	309,561	353,785	
Furniture and Fittings	1,846	-	1,846	2,267	231	2,498	1,615	1,846	
Computers and Accessories	89	-	89	1,057	33	1,090	55	89	
Plate Tanks	15,640	-	15,640	19,209	1,955	21,165	13,685	15,640	
<b>TOTAL</b>	<b>1,728,863</b>	<b>-</b>	<b>1,728,863</b>	<b>1,677,248</b>	<b>216,130</b>	<b>1,178,666</b>	<b>1,512,733</b>	<b>1,728,863</b>	

APPENDIX 5:

GENGETATU EXTech COMPANY LIMITED

P.O BOX 479, GEITA

AMOUNT (US \$)

CAPITAL STRUCTURE	
EQUITY	600,000.00
DEBT/LOAN	1,400,000.00
<b>TOTAL CAPITAL</b>	<b>2,000,000.00</b>

*NB: The business is run as a limited liability company by shares*

Share Capital	206,008.58
Number of shares	800.00
Share price	257.51

**Assumption**

Dividends	1,000,000.00
Par Value	257.51
Market Value of Shares say	343.35
DPS	1,250.00

**Cost of Equity Capital KeWe**

Ke	0.002%
Weight of equity capital (We)	0.30
KeWe	0.06%

**Cost of Debt KdWd**

Wd	0.70
Interest rate (i)	15%
Tax rate as per TRA (t)	30%
Kd	10.5%
KdWd	7.35%

**WACC (ko) = KeWe + KdWd**

7.41%  
~7%

$$We = \frac{\text{Equity}}{\text{Total Capital}} = \frac{600,000}{2,000,000} = 0.3$$

$$Ke = \frac{\text{DPS}}{\text{Market Share Price}} = \frac{1250}{343.35} = 0.002$$

$$WeKe = 0.3 \times 0.002 = 0.06\%$$

$$Wd = \frac{\text{Debt}}{\text{Total Capital}} = \frac{1,400,000}{2,000,000} = 0.70$$

$$Kd = i(1-t) = 15\% \times (1-30\%) = 10.50\%$$

$$WdKd = 0.7 \times 10.5\% = 7.35\%$$

**GENGETATU EXTECH COMPANY LIMITED**  
**P.O BOX 479, GEITA**

**APPENDIX 6**

<b>NET PRESENT VALUE (NPV)</b>			
		<b>PVIF (7%)</b>	
<b>Year</b>	<b>Cash flow (US \$)</b>	<b>7%</b>	<b>PVS (US \$)</b>
YR1	660,229.08	0.935	617,036.52
YR2	868,769.36	0.873	758,816.80
YR3	1,025,681.65	0.816	837,261.75
YR4	1,292,555.37	0.763	986,084.30
YR5	1,731,190.15	0.713	1,234,314.65
	Sum of PVs		4,433,514.02
<b>Less</b>	Capital Investment		2,000,000.00
<b>NPV</b>			<b>2,433,514.02</b>

**Since NPV is Positive or > 0 then project is acceptable**

APPENDIX 7

GENGETATU EXTECH COMPANY LIMITED  
P.O BOX 479, GEITA  
INTERNAL RATE OF RETURN (IRR)

Calculating an IRR for the Project by assuming the PVIFs of 24% and 42%

		Assumed PVIF 24%		Assumed PVIF 42%	
Year	Cash flow (US \$)	24%	PVS(US \$)	42%	PVS(US\$)
YR1	660,229.08	0.806	532,443	0.704	464,950
YR2	868,769.36	0.650	565,016	0.496	430,852
YR3	1,025,681.65	0.524	537,957	0.349	358,218
YR4	1,292,555.37	0.423	546,717	0.246	317,904
YR5	1,731,190.15	0.341	590,522	0.173	299,849
		<b>Sum of PVS</b>	<b>2,772,655</b>		<b>1,871,773</b>
		Less Initial investment	2,000,000		2,000,000
	<b>A</b>	<b>NPV (Positive)</b>	<b>772,655</b>	NPV (Negative)	(128,227)
				<b>B Absolute value</b>	<b>128,227</b>

**Calculations for IRR**

C	Sum the NPVs	A+B	<b>900,881.97</b>	
D	Propotion of each NPV to the sum C	A/C and B/C	0.86	0.14
E	Difference of the assumed PVIF	42%-24%	18%	18%
F	Difference of each PVIF from the NPV=0	D*E	15.44%	2.56%
	<b>Internal rate of return (IRR)</b>	<b>PVIF +/- F</b>	<b>39.44%</b>	<b>39.44%</b>

*Check*

Calculated PVIF	PVS (US\$)
<b>39.44%</b>	
0.717	473,486.14
0.514	446,817.06
0.369	378,312.30
0.265	341,900.44
0.190	328,403.59
	<hr/>
	1,968,919.53
	<b>2,000,000.00</b>
	<hr/>
	<b>(31,080.47)</b>

*The remnant of 31,080.47 is due to approximations in the initial calculations*

**APPENDIX 8:**

**GENGETATU EXTECH COMPANY LIMITED**

**P.O BOX 479, GEITA**

**PAY BACK PERIOD (PBP)**

<u>Year</u>	<u>Cash Flow (US \$)</u>	<u>Cumulative Cash Flow (US \$)</u>
YR0	-	-
YR1	660,229.08	660,229.08
YR2	868,769.36	1,528,998.43
YR3	1,025,681.65	2,554,680.08
YR4	1,292,555.37	3,847,235.45
YR5	1,731,190.15	5,578,425.60

Pay Back Period = 3 Years + 12months\*proportion of the remainder in the 2nd year to the amount in the 3rd year

Proportion =  $\frac{471,001.57}{2,554,680.08}$  = 0.18

PAY BACK PERIOD = 3 yrs + 12month\*0.18 = 3 yrs, 2 Months and 2 weeks

**PAY BACK PERIOD will be 3 years and 2 months**

APPENDIX 9:

GENGETATU EXTECH COMPANY LIMITED			
P.O BOX 479, GEITA			
PROFITABILITY INDEX (PI)			
PVIF (7%)			
Year	Cash flow (US \$)	7%	PVS (US \$)
YR1	660,229.08	0.935	617,036.52
YR2	868,769.36	0.873	758,816.80
YR3	1,025,681.65	0.816	837,261.75
YR4	1,292,555.37	0.763	986,084.30
YR5	1,731,190.15	0.713	1,234,314.65
	Sum of PVs		4,433,514.02
	Initial investment (Co)		2,000,000.00
<b>Profitability Index</b>	=	$\frac{\text{Sums Of PVs}}{\text{Co}}$	= $\frac{4,433,514}{2,000,000}$ = <b>2.22</b>

Since PI is > 1 the project is acceptable

**APPENDIX 10:**

<b>GENGETATU EXTECH COMPANY LIMITED</b> <b>P.O BOX 479, GEITA</b> <b>AVERAGE RATE OF RETURN (ARR)</b>	
YEAR	NET PROFIT AFTER TAX - NPAT (US \$)
YR1	660,229.08
YR2	868,769.36
YR3	1,025,681.65
YR4	1,292,555.37
YR5	1,731,190.15
<b>Total NPAT</b>	<b>5,578,425.60</b>
Average NPAT	1,115,685.12
Initial Investment	2,000,000.00
$\text{ARR} = \frac{\text{Average NPAT}}{\text{Initial Investment}} = \frac{1,115,685.12}{2,000,000.00} = 0.56$	
<b>ARR = 0.56</b> <span style="float: right;"><b>56%</b></span>	