

SOYET LIMITED

FEASIBILITY STUDY FOR

THE

**ESTABLISHMENT OF FACILITIES FOR BACKUP
SERVICES TO THE MINING COMPANIES**



Prepared by:

SOYET LIMITED

P.O. Box 23482 Dar-es-salaam

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1.0 INTRODUCTION

1.1 Foreword

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. The Mining sector depends on imported machinery and supplies and they demand a huge initial investment cost. One of the basic necessities for the establishment of Backup Services to Mining is that the Mining companies will definitely need other services providers to assist so that they can reduce costs and therefore make their ventures to be profitable .With that in mind, the private sector has seen the need to establish and operate various services to assist the development of this important sector by starting various backup services to this industry to allow mining companies to outsource various services as and when needed . This will help them to reduce costs in carrying its endeavours in the operation of their mines.

1.2 Objective of Study

A recently established local firm, SOYET LIMITED has realized this services potential in the mining sector and hence have now contemplating putting up a project that will provide various services to the Mining sector. The purpose of this feasibility study is to work out the technical and commercial details and financial viability for the establishment of The Company with the objective of undertaking back-up services to Mining Industry. To carry this venture SOYET limited intends to purchase various heavy and light mining equipment's which will be used to carry out mining activities after obtaining contracts from various mining companies who would like to outsource their services.

2.0. EXECUTIVE SUMMARY

2.1 INTRODUCTION

This study examines the possibility for the establishing a Company with the objective of undertaking back-up services to Mining Industry. To carry this venture SOYET limited intends to purchase various heavy and light mining equipment's which will be used to carry out mining activities after obtaining contracts from various mining companies who would like to outsource their services. A techno-economic evaluation has been carried out to determine the viability of the project idea.

2.2 THE COMPANY

SOYET LIMITED has been incorporated as a Limited Liability Company on the 20th April 2021 under the certificate of incorporation number 151628931.

2.3 PROJECT PROMOTERS

The proposed back up service to mining is being promoted by a locally registered company, namely SOYET LIMITED of P.O. Box 23482 Dar-es-salaam. The following are the shareholders of the company;

Name	Nationality	Shareholding
Aurena Fernandes	Tanzanian	31%
Russell Stuart	Tanzanian	20%
Alan Mayers	British	24%
Simon Mayers	New Zealand	25%

The promoters have vast industrial, mining and commercial experience and have, capitalized the new company adequately to venture into the new intended lines of business in Tanzania.

2.3 THE PROJECT

The Company has been incorporated with the objective of undertaking back-up services to Mining Industry. To carry this venture SOYET LIMITED intends to purchase various heavy and light mining equipment's which will be used to carry out mining activities after obtaining contracts from various mining companies who would like to outsource their services. The services which soyet limited intends to offer as back up services to assist them are strip mining, open-pit mining, mountaintop removal, dredging and highwall mining, excavations, digging and other related mining activities.

2.4 Statutory Compliance

The company has obtained the Tax Identification Number 151-628-931. Currently SOYET LIMITED is in the process of obtaining all the necessary permits and registration with the appropriate government entity in order to commence the backup service activities.

2.5 Market and Marketing Aspects

The market survey carried out reveals that the demand for various outsourcing services is raising rapidly. The survey concludes that the proposed back service to mining will not face any market problems.

2.6 Process and Technology

The technology will be mainly on the employment of capital goods and technical experts in their respective fields. The technology will be of highly technical nature. The requisite machinery which Soyot Limited will use for the carrying of backup services to mining will be Tipper Trucks ,Hydraulic Excavators, Motor Graders, Bulldozer, Wheel-loaders and fuel &service trucks

2.7 RAW MATERIALS

The business of servicing mining by way of technical services do not require any specific raw materials as these services require the employment of capital goods and technical experts in their respective fields.

2.8 MANPOWER REQUIREMENTS

The back service to mining company will employ 148 persons. The company will need to recruit expatriate personnel for the positions of General Manager & Mining Engineer. Other positions will be allocated to Tanzanian nationals based on skills and experience in the mining sectors

2.9 THE MANAGEMENT

The company will be managed and run by its Board of Directors which some of the Directors will be fully involved in running the company activities. The Board of Directors will be assisted by a General Manager and Managers in charge of mining, processing and agriculture services. This team of top managers will be assisted by various engineers and Chief Accountant. This team will be fully responsible for all aspects of

management of the day-to-day operations and support activities of the company. The level of staffing will be increased over two to three years based on the requirements of the project and availability of suitable Tanzanian manpower.

2.10 IMPLEMENTATION

The Major activities include registration and approval by the Tanzania Investment Centre and mobilization of funds from sponsors and banking institutions. Civil works design, tendering and construction will be carried out immediately after project is approved and would take about six months.

Machinery will be ordered after funds are committed. Activities towards securing contract to offer their services will follow immediately. Related to civil works and machinery will take place simultaneously.

2.11 Capital Investment Requirements

US\$

DESCRIPTION	Amount	TOTAL
Land and Building	250,000	250,000
Plant & Machinery	3,251,000	3,251,000
Furniture & Fitting	200,000	200,000
Vehicles	200,000	200,000
Pre-Operational Expenses	35,000	35,000
Working Capital	350,000	350,000
TOTAL INVESTMENT	4,286,000	4,286,000

2.12 Financing Scheme

US\$

SOURCE	AMOUNT	TOTAL
<i>Equity</i>	4,286,000	4,286,000
<i>Total</i>	4,286,000	4,286,000

2.13 Expenditure

The total operation costs have been estimated to be 85% of the total revenue.

2.14 Recommendations

The study shows that the back service to mining service which **SOYET LIMITED** intends to provide will be both technically and financially feasible. Furthermore, it will assist mining company to cut most of their costs and enable them to realise profits for both the service company and the mining companies.

In view of the findings the project is recommended for implementation.

4. 0 THE PROJECT

The company intends to set up a base for various mining equipment for the purpose of being outsourced by various mining and agriculture enterprises to be used by them or themselves as contractors. The services to Mining Industry will cover, strip mining, open-pit mining, mountaintop removal, dredging and highwall mining, excavations, digging and other related mining activities. They can also hire the machines to those who will prefer to hire instead of soyet offering them their services. Soyot limited will be investing in buying of the required mining equipment, including but not limited to; Off-highway mining trucks, Excavators, Bulldozers, Graders, Production Drill rigs & other Supporting equipment. So far, the company has been able to identify geographical areas and clients for commencing the business operations and has already single with some mines including by Lake Victoria Gold Ltd (LVG who have decided to outsourced some of the operation to mining contractors

Back up services to mining being one of the recent entrants into Tanzanian economy has been playing significant role in contribution to GDP, exports, employment generation and taxes.

4.1 BUILDINGS AND PHYSICAL INFRASTRUCTURE

The company is planning to set up the commercial operations at the Imwelo , Geita district , Geita Region

The godowns and/or storage space or yards for capital goods will also be rented at various locations in Tanzania. The objective of this exercise is to bring capital goods as near as possible to the clients of the company, the miners.

4.2 PLANT AND MACHINERY

The project requires a set of machines and equipment. The list shows in details every item of capital goods, equipment, tools and materials together with prices.

Machine	Supplier	Price (USD)	Capacity	Units	Total
Howo 8X4 28t Tipper Trucks	Howo	\$95,000	28 tonnes	9	\$855,000
Komatsu PC600 Hydraulic Excavator	Komatsu	\$650,000	60 tonnes	2	\$1,300,000
Komatsu GR705 Motor Grader	Komatsu	\$280,000	149 kW	1	\$280,000
Komatsu D85 Bulldozer	Komatsu	\$320,000	30 tonnes	1	\$320,000
Komatsu WA740 Wheel-loader	Komatsu	\$276,000	19 tonnes	1	\$276,000
Fuel Truck	Howo	\$110,000	28 tonnes	1	\$110,000
Service Truck	Howo	\$110,000	28 tonnes	1	\$110,000
Total					\$3,251,000

The total cost of these machines and equipment are expected at U\$3,251,000. over the next five years. Initially the high-quality capital goods essential for commencement of operations will be imported and used at pre-determined sites nearer to clients' mine sites.

4.4 RAW MATERIALS

The business of servicing mining by way of technical services do not require any specific raw materials as these services require the employment of capital goods and technical experts in their respective fields.

5. 0 THE MARKET

The market for company's products and services are divided into three segments will be as follows

Services to mining industries – these are technical services to mining enterprises by way of providing capital goods for exploration, drilling, mining, transportation, etc.

Services to agriculture – these are services to farms and agriculture projects by way of providing capital goods for tilling, sowing, harvesting, transportation, etc.

5.1 Demand

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, discovery, development, production and reclamation with local investment surpassing \$1 billion.

Recent nickel, helium, graphite, uranium and coal finds have spurred increased interest on the part of investors to invest in the mining sector. Because of this increase Soyet Limited will not suffer any marketing problems as they will have several mining companies which will need their services. The demand will be driven by the fact that mining company will be able to reduce Barriers to Entry, start -up and operation costs as there are usually the main impediments in the mining sector.

5.2 Supply

There are not many firms which offer such service in Tanzania therefore Soyet limited will not face any competition for having clients who will need their services in the country.

5.3 Demand – Supply gap and Plant Capacity

There exists the project demand-supply gap for back up services in Tanzania. The promoters' intention to put up back up services with a contract value **of \$13,800,000 per year**

6.0 S W O T ANALYSIS

6.1 STRENGTHS:

Investments in new quality capital goods, efficiency, customer base, proven experience, own facilities, grasp over all aspects of mining engineering and management, ability to solve technical problems and evolve engineering solutions in house, innovations in better use of equipment, well known in the market as a reliable service provider and supplier, willingness to undertake orders from various customers employing flexible solutions and creditworthy with suppliers and bankers.

6.2 WEAKNESSES:

Presence of bigger players from various international players, costs of transportation to processing sites, competitive pressures hampering profitability.

6.3 OPPORTUNITIES:

Growing importance of mining and agriculture, lower operational costs, establishment of one stop mineral processing and export center, 28 markets and 25 mineral centers, strengthening of mineral control and reduction of smuggling due to construction of a 24.5km wall around the Mirerani tanzanite mine. Another opportunity is the ability to undertake contracts for various enterprises, opportunities to service upcountry and smaller customers with speed and flexibility.

6.4 THREATS:

Downturn in the economy due to the existence of covid19, nationally and internationally, failure of major clients due to various reasons resulting in reduced demand for mineral resources, increases in transportation costs, etc.

7.0 MANAGEMENT AND STAFF

The company will require services of management staff, support staff and skilled and unskilled workers. The company intends to hire the following management and operational personnel:

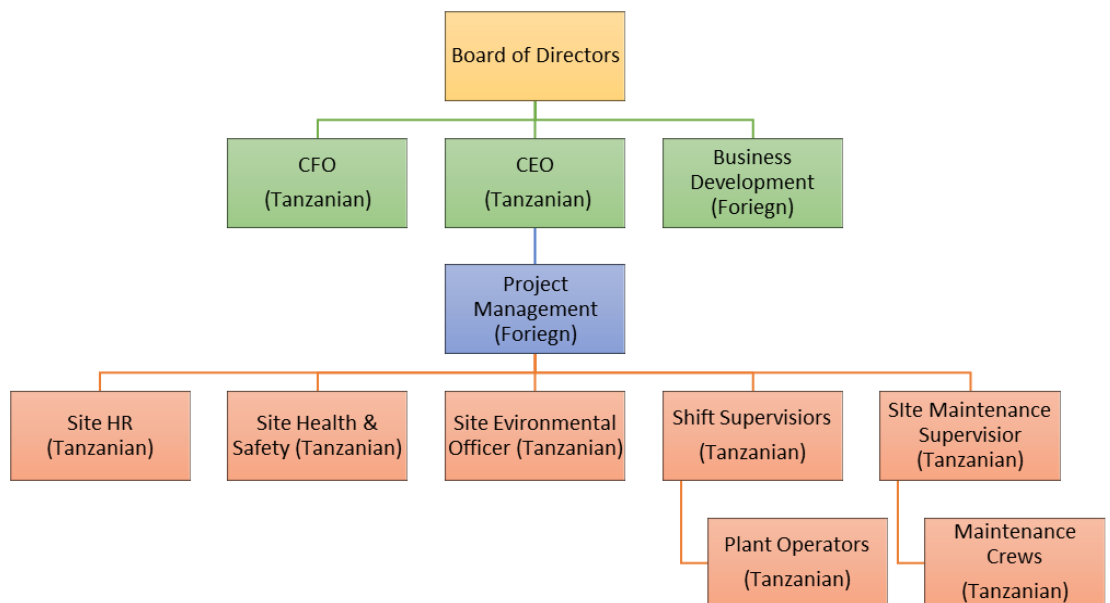
(USD)

POSITION	NO. OF PEOPLE	MONTHLY SALARY	YEARLY SALARY
CEO	1	20,000	240,000
CFO	1	15,000	180,000
Business Development Manager	1	15,000	180,000
Project Manager	1	7,500	90,000
Site HR	1	5,000	60,000
Site Health & Safety	1	5,000	60,000
Site Environmental Officer	1	5,000	60,000
Shift Supervisors	8	3,500	336,000
Site Maintenance Supervisor	1	5,000	60,000
Plant Operators	101	500	606,000
Security Guards	30	350	126,000
TOTAL	148	81,850	1,998,000

Of the above **148** persons, the company will need to recruit expatriates for positions of General Manager & Mining Engineer. The other positions will be allocated to Tanzanian nationals based on skills and experience in the mining sectors. This is very important due to the highly technical nature of the industry which needs to employ new technologies to the country as well as the complexity involved in the business. The ultimate objective is for the company to be competitive and offer quality products and services to local and highly competitive export markets.

At the offering of the services the company will require services of **101** skilled and unskilled plant operators, handlers and helpers which are available and identified by the company. In addition, the company will also need to hire **30** security personnel to assist with safety and security of the assets of the company

Please see the projected company organogram below;



8 .0 FINANCIAL ASPECTS

8.1 BASIC ASSUMPTIONS:

8.1.1 The following basic assumptions form the basis of the study:

- The project will operate at 50% capacity in year 1, 60% in year 2, 70% in year 3 from year 4 and thereafter.
- The project has adopted the currency exchange rate of United state Dollar 1 = US\$.2300

8.2 Summary of Capital Costs

The total initial investment required for undertaking the project is estimated at **US\$. 4.286 million**. The breakdown of the capital investments is presented in table below: -

DESCRIPTION	Amount	TOTAL
Land and Building	250,000	250,000
Plant & Machinery	3,251,000	3,251,000
Furniture & Fitting	200,000	200,000
Vehicles	200,000	200,000
Pre-Operational Expenses	35,000	35,000
Working Capital	350,000	350,000
TOTAL INVESTMENT	4,286,000	4,286,000

8.2.1 Buildings and Civil Works Costs

The premises will be prepared and constructed as yard and office blocks for the storage of equipment's.

8.2.3 Plant Machinery and Equipment Costs The main machinery for the envisaged project will be as follows

Machine	Supplier	Price (USD)	Capacity	Units	Total
Howo 8X4 28t Tipper Trucks	Howo	\$95,000	28 tonnes	9	\$855,000
Komatsu PC600 Hydraulic Excavator	Komatsu	\$650,000	60 tonnes	2	\$1,300,000
Komatsu GR705 Motor Grader	Komatsu	\$280,000	149 kW	1	\$280,000
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Service Truck	Howo	\$110,000	28 tonnes	1	\$110,000
Total					\$3,251,000

8.2.3. Furniture and Fittings

The items to be purchased will comprise office furniture and computers for office and factory.

8.2.4 Vehicles

A 15-toner truck and a 5-toner truck that will be used for transportation of various inputs and other office activities are recommended. A bus of 45 seats will be provided for workers' transport and two saloon cars for the top management.

8.2.5 Pre-Production Capital Expenditures

These include project development cost for feasibility study and start-up expenses including interest on loan taken for capital investment in the pre-production period.

8.2.6 Initial Working Capital

Initial working capital requirements for the proposed steel mill project works out at about **US\$.0.350m**

9.0 COST OF OPERATION

The anticipated costs for operating the project are estimated at 85% of the total revenue per annum. Sections of the capacity utilization has been assumed to grow at a rate of 50% in year 1, 60% in year 2, 70% in year 3 while stabilized production is envisaged from the fourth year at 80% of rated capacity. 80% will be the sustainable production level.

9.1 Repair and Maintenance

Annual repairs and maintenance of the machinery and equipment have been worked out to cover all costs, including spare parts.

9.2 Vehicle running Expenses.

Vehicle running expenses include fuel, lubricants, tear and wear, road licence, insurance, etc.

9.3 Salaries and Wages

The total wage package is estimated at US\$.1.998million for the first two years which include expatriates.

POSITION	NO. OF PEOPLE	MONTHLY SALARY	YEARLY SALARY
CEO	1	20,000	240,000
CFO	1	15,000	180,000
Business Development Manager	1	15,000	180,000
Project Manager	1	7,500	90,000
Site HR	1	5,000	60,000
Site Health & Safety	1	5,000	60,000
Site Environmental Officer	1	5,000	60,000
Shift Supervisors	8	3,500	336,000
Site Maintenance Supervisor	1	5,000	60,000
Plant Operators	101	500	606,000
Security Guards	30	350	126,000
TOTAL	148	81,850	1,998,000

9.4 Administrative Overheads

The main item in the administrative cost is insurance of fixed assets

9.5 Revenues

The revenues arising from back up services to mining & agricultural services are anticipated from the very first year. Gross revenues arising from sale of services are conservatively estimated to rise at the rate of 10% per annum at constant prices. Similarly, expenses are assumed to rise at the similar rate or based on other factors. Taxation is assumed to be constant i.e., at 30% of net business incomes. The total operation cost is assumed to be 85% of the total revenue per annum

10.0 FINANCIAL ANALYSIS

10.1 PROJECTED PROFIT AND LOSS ACCOUNTS

The revenue and operating cost assumptions have been summarized and presented in the Projected Profit and Loss Accounts. The Accounts clearly demonstrate that the project will be very profitable.

10.2 PROJECTED CASHFLOW

The cash flow analysis gives the movements of funds during the project operation after the initial financing, additional funding for increases in working capital requirement is internally generated by the project. The project is expected to pay back in a period of approximately 3 years. The Cash Flow analysis of the project shows a net surplus of US\$ 2.257 Million at the end of the year 6 or after five years.

11.0 ECONOMIC & SOCIAL BENEFITS

The following benefits will accrue to the nation from the implementation of this project covering the existing and new investments:

- Provision of high-quality contractor's services to the country's most important sector, mining and agriculture.
- Employment of at least persons including 146 Tanzanian nationals.
- Additional employment opportunities in enterprises which will benefit in terms of new businesses opportunities to service this new project.
- Direct Taxes to T.R.A. – **US\$ 0. 905** from year nine by way of corporation taxes at the current rate of 30% of net taxable incomes.
- Additional direct taxes will also accrue from employment taxes of employees and withholding taxes on dividends paid to shareholders.
- Additional revenue generation for other companies, both private and public who will be servicing the mining sector.

12.0 Conclusion

The investment and development of this servicing company is in line with the Government objective of encouraging proper development of mining sector in the country.

In addition, it will have a positive impact on the development of the region, as it would generate a number of benefits and more positive impact on the economy of the region.

This document has provided a full analysis on the financial, Techno-economic viability on the establishment/operation of the Integrated products undertaking along with the financing requirements/parameters have been considered and have established that the proposed project is technically sound, financially viable, and economically/socially beneficial.