

# CHANGSHEN INTERNATIONAL TRADE AND MINING COMPANY LIMITED

## PROPOSED BUSINESS PLAN

### FOR

## THE ESTABLISHMENT OF GOLD MINING AND PROCESSING PLANT - MAJIMOTO, SERENGETI DISTRICT, MARA REGION, TANZANIA.



**Prepared by:**  
CHANGSHEN  
INTERNATIONAL  
TRADE AND MINING  
COMPANY LIMITED  
P O BOX 10444,  
CAPRIPOINT AREA,

MWANZA REGION,  
TANZANIA.

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## List of Abbreviations

CAPEX – Capital Expenditure  
CIF – Cost Insurance and Flight  
CSI - Corporate Social Investment  
EIA – Environment Impact Assessment  
GDP – Growth Domestic Products  
GOT- Government of Tanzania  
IRR – Internal rate of return  
CITMCL -Changshen International  
Trade and Mining Company Limited  
MW – Mega Watts  
NBS – National Bureau of standard  
NEMC – National Environment Management Council  
NGO – Non-Governmental Organization  
OPEX – Operating Expenditure  
PPP- public-private partnership  
SWOC – Strength Weakness Opportunity and Challenge  
TANESCO – Tanzania Electric Supply Company  
SEWASA – Serengeti Water Supply and Sewerage  
Authority TZS – Tanzania Shilling  
US\$ - United State Dollar  
USA - United state of America  
VAT – Value Added tax

## EXECUTIVE SUMMARY

Tanzania has a unique geological environment that hosts a variety of economic minerals. The most famous deposit is the Lake Victoria Greenstone belt in the central and north-central part of the country. Gold discovery and exploitation by German colonialists started towards the end of the 19<sup>th</sup> century in Tanzania and was at peak level in 1940 when it contributed to about 90% of the value of the mineral production. Tanzania has become one of the fastest-emerging gold producers in Africa, and is the continent's third-largest gold-producing country after South Africa and Ghana. A number of large international mining companies (Barrick Gold Corporation, AngloGold, Ashanti Mining, Resolute Limited) are now involved in operations in the country.

Changshen International Trade and Mining Company Limited as mining company in Tanzania, aimed to establish her production capacity by purchasing modern machines for extraction, drilling and hiring machineries and equipment for mining in Serengeti District. The company is already involved in development by purchasing machineries and equipment's at mining site, the company has experience in mining sector headed by ZHU HONGBO with 98% shares Founder's an experienced group of company in China and other African countries working in the mining industry.

Changshen International Trade and Mining Company Limited seek the opportunity by establish mining extraction and hiring machines and equipment.

The proposed project is estimated to cost a total of US\$ 2,866,957 whereas own equity is 75% equivalent to 2,150,217.39US\$ and 25% will be loanable fund. The company current asset is estimated to 245,965US\$, with total liquidity of 474,839US\$ with total asset of US\$ 3,318,195 the project will be implemented within 10 years.

The objectives of this study are two-fold. First is to determine the viability of the proposed project and serve as a business plan for the company's development program. Secondly, the business plan will act as a supporting document in the company's application for Tanzania Investment Centre (TIC) Certificate of Incentives so as to access exemptions on duties, VAT deferments and other benefits and protections as statutorily provided for under Tanzania Investment Act (1997). The Company is looking at providing direct employment to at least 52 permanent jobs on full implementation and operation of the project.

The estimated revenue gain in 2,021,739US\$ annually excluding Value Added Tax during the first year in operation of the Company, Net profit before tax is 474,839US\$ for the first year, and increases to second year to 529,519US\$, third years increases tremendously, Percentage of gross contribution for the first year 23%, 25% second years and increases to 40% to the 10<sup>th</sup> year, Net profit after tax and depreciation for the first years in operational is 856,976US\$ and increases positively, the project is able to pay corporate tax 245,965US\$ which has positive contribution to GDP of the country. The development of a large and complex project such as Changshen International Trade and Mining Company Limited is necessarily accompanied by multiple risks during all the phases of the

project development, construction, operation and maintenance. The right approach to manage the project in a manner which is fairly and adequately address the multiple risks in a comprehensive as well as systematic manner is to use the risk analysis and management methodology which identifies the risk issues and their instrumental cause. In this regard, the risk is eliminated or effectively managed by the party best suited with capacity to handle or deal with the risk factors.

The development of this company will be funded by private finances. The company acting through its various shareholders and structures will provide the initial risk capital amounting to 2,866,957US\$ and the amount will be raised from promoters' own equity of 75%. Shareholders will fund the development of the project for mining industries by importing machineries and equipment's as stated on this business plan.

## **1.0. MINING SECTOR OVERVIEW IN TANZANIA.**

### **1.1. Overview - Gold Processing Business in Tanzania.**

Tanzania has a unique geological environment that hosts a variety of economic minerals. The most famous deposit is the Lake Victoria Greenstone belt in the central and north-central part of the country. Gold discovery and exploitation by German colonialists started towards the end of the 19<sup>th</sup> century and lasted until the First World War. During the British colonial era (1918-1961) mineral production and revenue were mainly from gold, diamonds, lead, mica, salt and tin. Gold was at a peak level in 1940 when it contributed to about 90% of the value of the mineral production. Following independence in 1961, many industrial sectors including the mining industry, were nationalized by the government.

In 1986 Tanzania agreed to a structural adjustment program designed by the World Bank. Internal and external trade was liberalized, and the government opened up for foreign investment in the country. The liberalization of mining, accompanied by the legalization of the buying and selling of gold and gemstones through banks and designated dealers, had immediate effects.

Now Tanzania has become one of the fastest-emerging gold producers in Africa, and is the continent's third-largest gold-producing country after South Africa and Ghana. Number of large international mining companies (Barrick Gold Corporation, Anglo Gold, Ashanti Mining, Resolute Limited) are now involved in operations in the country.

However, the sector most relevant to operations conducted by Changshen International Trade and Mining Company Limited will be largest scale and artisanal sectors. Estimates for the number of artisanal miners operating in the country are usually taken to be around 500,000 people. There are approximately 6000 small scale claim holders for gold in Tanzania. Assuming the number of people employed on each site is between 30 and 60. This leads to an estimate of 270,000 people working on government sanctioned claims. There are also a large number of miners working on non- government sanctioned claims.

Currently in Tanzania there is a dichotomy between the large multinational mining companies and the artisanal miners. Changshen International Trade and Mining Company Limited will seek to exploit this dichotomy. It will operate in a way that will add value to artisanal miners while not troubling the larger mining companies.

There are a small number of companies that are carrying out similar gold leaching operations in Tanzania. These companies have appeared in the last few years following the gold price rises of 2005 where such business models became feasible.

## **1.2. Government support - Gold industrial development**

Following advice from the World Bank<sup>1</sup>, and hoping for economic growth and independence from donors, a number of African countries have opened up opportunities for large-scale mining by foreign investors over the last decade and a half. Tanzania, one of the 'new' mining countries, is now among the largest gold producers in Africa, but investor-friendly contracts have resulted in extremely low government revenues from mining, totaling less than 5 percent of what the country receives in development aid. In response to widespread discontent, and acknowledging the plight of affected communities, the government amended the 1998 Mining Act in 2010. In June 2018, the Government review her 1998 Mining Act and formulate new investment policy which that support investment incentives to investors, review existence of the legal framework and the role of bilateral investment treaties to ensure secure investment environment.

However, improved legal provisions may have limited effect if the present governance challenges are not resolved. In due respect, the 5<sup>th</sup> Government of Tanzania support local investors by removing some of duties imposed to investors in this case investor can imported machinery, capital goods at zero duty. There are significant opportunities for the export of technology, machinery, and services. 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.

## **1.3. Project concept Changshen International Trade and Mining Company Limited**

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The proposed project aimed to expands her production capacity by purchasing modern machines for mining processing in Serengeti District, Mara region. However, the company is already involved in development of processing site in Serengeti District, extraction by importation of machineries and equipment such as 2 dumpers trucks, 2 Excavator - Caterpillars 320DL,2 back-hole loaders, bulldozers, CIP complete set, gold hoe crusher, drilling equipment, and generators, laboratory for noble metal testing; and environmental protection plant equipment. Other major capital expenditure will involve procurement of Development of Infrastructure (boreholes, underground reservoir, overhead tanks, waste water disposal/septic tanks etc.) and Civil Works Structures, modern processing machines and equipment; purchase of utility motor vehicles, furniture and fittings, and fencing of the project sites. The company will be located in Mwanza City but major activities conducted in Majimoto village, Serengeti district in Mara region. The company is headed by ZHUHONGRO as the main shareholder (98%) and RUAN SHUJIN and ZHU XIAOJE as shares. ZHUHONGRO founders have experienced in mining extraction and processing in different countries.

The company will focus on processing and hiring working equipment to major

company nearby the mining sites in Mara and nearby regions. The project will be managed from start to finish, with some services provided by employees of Changshen International Trade and Mining Company Limited and some by subcontracted specialists. Founders, through experienced management will be the lead in addition to currently running projects; founders will hold webinars on mining extraction concerns and best practices for potential clients and the community. Changshen International Trade and Mining Company Limited is a registered company in Tanzania. More precise status of company is Incorporation. The date of incorporation is 157373692

Changshen International Trade and Mining Company Limited will primarily registered (BRELA) with the following activities, Mining of hard coal, Mining of other non-ferrous metal ores, Extraction of crude petroleum, Quarrying of stone, sand and clay, Support activities for other mining and quarrying, Mining of iron ores and Extraction of natural gas. Currently the company deals with processing of gold in Serengeti district, in Mara region.

The company will seek ongoing relationships with North Mara Gold Mine Ltd for multiple- home contracts and mining site in Serengeti District. In such realization we a special care should be taken and do something or people in such situation this project was proposed. The proposed company will be one of the prominent constructing firms in Tanzania, which will provide equipment's hiring services and extraction. The project anticipates to start in early January 2023 and is being mainly run by importing additional machines from Europe.

## 2.0. PROJECT OVERVIEW

### 2.1 The project location and ownership structure

Changshen International Trade and Mining Company Limited is Limited is a Tanzanian company registered in Tanzania with certificate of incorporation number 157373692 issued on 16<sup>th</sup> August, 2022. The office of the company is located at Capri Point in Mwanza city. The permanent is P O Box 10444 Mwanza region while the project will be carried out at Majimoto Village, Serengeti District in Mara region.

The initial Authorized Share Capital of the company is TZS 1,000,000,000/= divided into 100 ordinary shares of TZS 10,000,000 each and the company have the power to divide the original or any increased capital into several classes, and to attach thereto any preferential, deferred, qualified or other special rights privileges, restrictions or conditions. Unless the conditions of issues shall otherwise expressly declare, every issue of shares, whether preference or otherwise, or any such rights, privileges or conditions shall not be altered or modified except in accordance with the registered Articles or Association. The liability of the members is limited and the following names compromise the company ownership and principal shareholding as illustrated on Table 1 below.

**Table 2.1: Company Ownership and Principal Shareholders**

S/No	Shareholder's Name	Address	Occupation of Subscriber	Number of Shares
1.	Mr. ZHU HONGBO (Chinese) Businessman	Peoples' Republic of China, Shandong Province, Yantai City, Daliuxing Town, Menlou Street, House No.187	Private Company by Share, Domicile in Tanzania- Incorporate Number 157373692	98
2.	Mr. RUAN SHUJIN (Chinese) Businessman	Peoples' Republic of China, Shaanxi Province, Datong City, Kuangqu District, Shuangfeng Street, House No. 301, Third Floor.	Private Company by Share, Domicile in Tanzania- Incorporate Number 157373692	1
3.	Mr. ZHU XIAOJIE (Chinese) Businessman	Peoples' Republic of China, Shandong Province, Yantai City, Daliuxing Town, Menlou Street, House No.187	Private Company by Share, Domicile in Tanzania- Incorporate Number 157373692	1

## **2.2. Project site analysis**

Based on physical inspection of the proposed site, the availability of basic and essential industrial infrastructure such transport, water supply, effluent disposal, electric power supply, telecommunication system and security were all checked out. The current physical condition of infrastructure and utilities on the proposed site is as shown on the pictorial overview of the project site as follows:

### **2.2.1. Utilities and Other supporting Facilities**

The realization of the project development requires successful completion of a number of necessary activities and facilities to enable a successful development of the project. Strategic and situational analysis of project, the project needs reliable supplies of energy, water, transportation, telecommunications services, waste disposal and other services. The regional government under SEWASA" Serengeti district water Supply Authority" and TANESCO has distribute power and water to ensure water network reaches peri urban areas especially where the project will be located. The following are reliable utilities found at the site;

#### **A. Electricity Supply**

The proposed site will be supplied with industrial production 3-phase standard power supply from Tanzania Electric Supply Company (TANESCO), the electricity is available through the National Grid Line from Musoma to Serengeti District, and if possible, the institute will request installation electric Transformer in case the available power supply is not enough to feed the Company.

As part of project budget, the Company will be installed with a stand by generator with a capacity of 100KVA that will be installed for power supply. Solar energy will be alternative source for administration and other miscellaneous activities and not processing activities.

#### **B. Water supply**

The proposed site has close to SEWASA water network, the agency is major supplier of water to urban and peri urban area in the city. While depending on water supply from SEWASA, Changshen International Trade and Mining Company Limited. Plan to find alternative source of water while Hydrological surveys are ongoing on the project area to determine availability and sustainability of water supply.

#### **C. Transportation network**

The project is located just 391 Km from Mwanza to Serengeti District and 129 km from Musoma township in mara region. The project is accessible in all mean of transport, such as heavy vehicles, Light Vehicle and public transports and air time.

## **D. Communication system.**

The mobile tower operators and service providers available to the project area are such as Vodacom, Tigo, Airtel and Halotel. The particular business communication system with external world/entities is expected to improve once the company becomes operational. The National Fibre Optical line transmission is closer to the project area, actually just like 100 meters closer to the project area.

## **2.3. Project description**

### **2.3.1. Background information of the project**

Changshen International Trade and Mining Company Limited is the private mining company offering gold processing and hiring machines and equipment's to small miners based in Tanzania. The company intends to expand extraction work to hered Primary mining Licenses (PMLs) in Majimoto village, in Serengeti district Mining sites by purchase heavy equipment's for extractions work.



The proposed aimed to expand her extraction and drilling services by purchasing modern machines for the following activities; Exploitation and Development Surface Drilling, Exploration and development Reverse, Circulation Drilling, Grade Control Drilling, Blast Hole Drilling, Weep Hole Drilling, and Provision of Shot Firing Services. However, the company is under process in purchasing of said Exploration services equipment's as will result of the significant investment in Tanzanian operations, the company is looking to register at the Tanzania investment Center. For that purpose, this business plan is prepared to outline the required information about the company and the operations being conducted for the Tanzania Investment Centre only. It is to be considered private and confidential.

Changshen International Trade and Mining Company Limited seek the opportunity by investing in gold processing and drilling services and find interlinking advantages of her experience to be part on internship to the anticipated established firm.

### 2.3.2. Modernizing and expansion working machineries and equipment's in Serengeti district

The project proposal entails setting up mining extraction facilities using modern technology. The proposed project will therefore involve the following activities:

- ❖ Acquisition of adequate mining sites to ensure maximum production
- ❖ Development of camps and infrastructure
- ❖ Construction of buildings and storage warehouses, workshops and offices
- ❖ Procurement and installation of environmental protection plant equipment
- ❖ Importation and installation of equipment, machinery and plants,
- ❖ Procurement of heavy-duty trucks fleet for transportation of mining materials and building materials,
- ❖ Purchase of furniture, equipment, fittings and administration motor vehicles, fencing of the factory compound and storage yard.

### 2.4. Project Cost & Financing Pattern

The proposed project is estimated to cost a total of US\$ 2,866,956.520 whereas own equity is 75%. The company current asset is estimated to 245,965US\$, with total liquidity of 474,839US\$ with total fixed asset of US\$ 2,597,391 – see annex III, and loanable fund is 716,739.13US\$ from commercial banks.

The project will be implemented within 10 years.

Equity figures in US\$	
<b>Loan (250%)</b>	<b>716,739.13</b>
<b>equity (75%)</b>	<b>2,150,217.39</b>
<b>Total Equity</b>	<b>2,866,956.52</b>

### 2.5. Business Plan Objectives

The objectives of this study are three-fold. First is to determine the viability of the proposed project and serve as a business plan for the company's development program. Secondly, to facilitate loanable fund of 25%, thirdly, the business plan will act as a supporting document in the company's application for Tanzania Investment Centre (TIC) Certificate of Incentives so as to access exemptions on duties, VAT deferments and other benefits and protections as statutorily provided for under Tanzania Investment Act (1997).

The project promoters have commissioned a reputable engineering and project planning consulting firm to advise on detailed technical and economic evaluation of the project and in determining its viability. As the report will be used to raise fund financing for the project, it is tailored to meet standard requirements of financial institutions in the region.

## **2.6. Product: Market and pricing Analysis**

Changshen International Trade and Mining Company Limited target mining site works. In her strategies, the company during the start of project will ensure sets of essential machineries and equipment at site this will provides comprehensive for client requirement by employ reputable engineers to work efficiently at the site. Advocacy will be more support to enable the Company to provide the services at subsidized costs.

The company will work in a piece mil paid in squire meter and cubic meters. Anticipated price range between 10 to 15US\$. The promoters' own shares from gold processing as source of capital gain in investments. The main source of revenues is from commission share capital and the company anticipates gained shares from gold is 1,356,521.71US\$ and revenues gained from hiring and extraction of machineries and equipment's is 665,217.39US\$.

## **2.7 Technical Characteristic of the project and related cost**

### **2.7.1. Land acquisition and Buildings**

Based on physical inspection of the proposed site, the availability of basic and essential industrial development is in place. The shareholder hired PML (PML000479LEZ, PML000480, PML000482LEZ, PML000485LEZ, PML000213LEZ, PML000481LEZ) already hired PML and the cost of is 26,086.96US\$ included to this business plane. The estimated sum of hired land and structure/buildings is 60,869.57US\$ which include Development of Infrastructure (boreholes, underground reservoir, overhead tanks, waste water disposal/septic tanks etc.) and Civil Works Structures and administration block. Others includes; Construction of Mining Camp and Processing Buildings and Workshop Building and Parking Yard.

### **2.7.2. Machinery and Equipment.**

Proper Company machinery and equipment selection is one of the key problems in the development extraction and drilling in Tanzania. The machinery and equipment must suit the two-fold requirements of the developing countries, i.e., it should be up-to-date to allow quality delivery of extraction and drilling activities. In view of the foregoing, an effort has been made to choose from modern technological alternatives, a level that strikes a balance between fixed costs based on depreciation and variable costs based essentially on wages.

The requirements of various items of equipment have been worked out taking into

consideration the quality provision of extraction activities and drilling services, average equipment utilization and normal productivity level of a professional worker etc. While working out details of equipment required, it has been assumed that the Company will work day 365 days a year. The projects machinery and equipment will be sourced from Asian and recommended machinery and equipment producer in the world according to their experience. Estimated total cost is 2,347,391.30US\$.

The project will purchase more modern machineries and equipment's such as Excavators, backhoe loaders, dumper trucks, graders etc. Calculated depreciation of machines and other working facilities is estimated to cost 41,548US\$

### **2.7.3. Motor Vehicles**

The project anticipated to purchase 5 motor vehicles costing to 141,304.35US\$. Administrative vehicle 2 and utility vehicle 3. Light vehicle will facilitate general work at the compound and administrative work.

### **2.7.4. Furniture & Fittings and office equipment's**

This cost item includes the purchase of various office furniture: tables, chairs cabinets, safes, telecommunication gadgets, firefighting equipment, air conditioners etc. A budget of 4,347.83US\$ will be allocated for office equipment furniture and as part of purchasing furniture the company will allocate 43,478.26US\$ as miscellaneous cost for purchasing other facilities in case the budget goes above limit.

### **2.7.5. Pre-Operational Expenses**

Under pre-operational expenses are considered costs like company formation, preliminary project studies, business plan preparation costs, licenses, permits and authorization, including processing of Incentives, and legal fees, travelling expenses, initial recruitment and training expenses, and interest accrued during project construction period. Budget allocated for this is 8,695.65US\$

### **2.7.6. Initial Working Capital**

This item will mainly cover initial imports of chemicals for gold processing materials to last for the first three months of operations. Otherwise, raw materials will generally be maintained at one month's stock and debtors at one month's sales volume constitute the biggest portion of current assets. Trade credits will be 15 days for the items listed. The initial working capital allocated budget is 260,565.22US\$

## 2.7.7. Project Capital Investment Summary

INVESTMENT SUMMARY - CHANGESHEN INTERNATIONAL TRADE AND MINING COMPANY LTD				
S/NO.	CAPITAL ITEM	No.	UNIT	ESTIMATED COST US\$
NB	ALL FIGURES IN USD			
	<b>A. LAND AND BUILDINGS</b>			
1	Land acquisition/renting		PML	26,086.96
2	Development of Infrastructure (boreholes, underground reservoir, overhead tanks, waste water disposal/septic tanks etc.) and Civil Works Structures			19,565.22
3	Store for chemical, spare parts, etc.			8,695.65
4	Construction of Mining Camp and Processing Buildings and Workshop Building and Parking Yard			6,521.74
	<b>SUB TOTAL</b>			<b>60,869.57</b>
	<b>B. MACHINERY EQUIPMENT</b>			
1	Excavator - Caterpillar 320DL	2	unit	330,434.78
2	Back hole Loaders	2	unit	208,695.65
4	Dumper Trucks	2	unit	521,739.13
5	Bulldozer	1	unit	130,434.78
6	Drilling equipment set	2	unit	434,782.61
7	CIP Complete set and gold crusher	2	unit	608,695.65
8	ICT equipment and accessories	Lump sum		1,739.13
9	Office Equipment	Office sets		2,173.91
10	Miscellaneous Tools and Equipment	Lump sum		21,739.13
11	Standby Generator	1	Unit	86,956.52
	<b>SUB TOTAL</b>			<b>2,347,391.30</b>
	<b>C. MOTOR VEHICLES</b>			
1	Administrative Vehicles	2	Unit	43,478.26
2	Utility Vehicles	3	Unit	97,826.09
	<b>SUB TOTAL</b>			<b>141,304.35</b>
	<b>D. FURNITURE</b>			
1	Office Furniture	set in lump sum		4,347.83
2	Contangoes/others cost			43,478.26
	<b>SUB TOTAL</b>			<b>47,826.09</b>
	<b>TOTAL FIXED ASSET</b>			<b>2,597,391.30</b>
	<b>E. CURRENT ASSETS</b>			
1	Pre operational expenses			8,695.65

2	Initial working capital			260,869.57
	<b>SUB TOTAL</b>			<b>269,565.22</b>
	<b>TOTAL INVESTMENT</b>			<b>2,866,956.52</b>

	<b>EQUITY + LOAN</b>			
1	<b>LOAN (25%)</b>			<b>716,739.13</b>
2	<b>EQUITY (75%)</b>			<b>2,150,217.39</b>
	<b>TOTAL FINANCING</b>			<b>2,866,956.52</b>

### 2.7.8. Project Financing

The project costs, including fixed costs (machinery, equipment, building renovations, motor vehicles, office furniture and equipment and pre-operation expenses will be financed by a shareholder and if need be, the combination of bank term loan and shareholders own resources. Working capital requirements will be financed by short term bank financing in form of overdraft facility. The project promoters are planning to finance project cost in the following pattern:

### 2.7.9. Project Implementation

Full implementation of the project is planned to take place by February, 2023. Machineries and motor vehicles will be imported immediately while mobilization of resources is in process.

### 2.7.10. Auxiliary Materials/ services

Falling under this category of extraction and drilling services, utilities and service facilities must be considered,

**Utilities and service facilities that will need to be provided in this plant are as follows:**

- (i) Workshop
- (ii) Electric power
- (iii) Water supply
- (iv) Miscellaneous facilities {Canteen; First Aid Kit, Storage and transport and Office Facilities}

#### **(i) Workshop**

It is necessary to make provision for a small workshop in the Company premises so that certain maintenance operations could be carried out following sudden breakdowns and major routine matters.

The facility will comprise of necessary machines like small centre lathe, drilling machine, welding set, soldering and gas-cutting equipment including complete electrical kit to take care of necessary electrical maintenance as well as to replace

worn-out parts and periodic oil and greases needs for the Company. Equipment provision has been restricted to the minimum.

**(ii) Electric Power and Generator**

The proposed site will be supplied with industrial production 3-phase standard power supply from Tanzania Electric Supply Company (TANESCO), the electricity is available through the National Grid Line from Mwanza - Mara Region. As part of an alternative power supply, the Company will heavy duty 100KVA power generator automated generator that will be connected to the all-necessary Company compound for standby power supply. The Company will install an online UPS system that secures clean and uninterrupted power free of surges, brownouts, fluctuations and other power problems.

**(iii) Water Supply**

Apart from the needs of electric power, water is also required for the actual process and other social needs. The proposed site has close to SEWASA water network, the agency is major supplier of water to urban and peri urban area in the district. While depending on water supply from SEWASA, the main line is close to the proposed industry from Serengeti district-urban area. The main line from this source will be tapped and let to the land site and water collected in an overhead reservoir provided at the top of the building of the plant. Adequate provision has been made in the project cost for the overhead tank and supply and laying of pipelines etc.

**(iv) Miscellaneous Facilities e.g. First Aid Kit, Storage and Transport, Office Facilities etc**

- Provision has been made in the project costs for necessary facilities for external telephones and fire alarm system;
- Sickness and ill-health are recognized to be among the cause of absenteeism and low morale leading to decreased provision of health care, increased waste and bad employee-management relations. Therefore, necessary provision has been made for the canteen and first aid facilities in case of accidents, sudden sickness etc.
- Storage and transport needs of the Company have been duly recognized and been attempted mostly manual,
- Necessary provision for furniture and office equipment has been made in the Capital Cost estimates.

**2.7.11. Waste management for industry**

In order to create a sustainable society, it is necessary to develop effective utilization of all sorts of wastes. One of the major wastes from our living is fiber

wastes. Fiber wastes are generally divided to nonindustrial (organic chemicals) and industrial wastes (inorganic Chemicals). In her strategic management for a Company; the industry has to move from an understanding of improvement at all costs to an understanding of continuous and balanced improvement once established. In modern times, environmental protection is being implemented not because it is enforced law, but as an administrative philosophy. Rapid degradation in environmental conditions has changed at attitude of industrial managers toward ecological environment and had them consider ecology a significant factor while taking decisions related to industrial management. Parameters responsible for environmental pollution include chemicals discharged into air, water and soil as well as energy pollution all these will take into consideration of the proposed project.

### **3.0. MANPOWER AND PROPOSED SALARY BUDGET**

#### **3.1. Employment**

The Company is looking at providing direct employment to at least 52 permanent jobs on full implementation and operation of the project. The project is divided into 5 Departments; Administration (5), finance (2), Maintenance (14), operation (23), store and logistic (4)

#### **3.2. Recruitment**

Recruitment of the 30 persons will be carried out by giving first preference to ex-technician from our local technical institutes such as Vocation Education Training Authority "VETA" and employees of company in Tanzania, based on demonstration of skills and aptitude basis and their willingness to work for Changshen International Trade and Mining Company Limited. Careful methodology is being worked out by a competent management consultant who will set the job descriptions. To ensure that the right calibre is recruited. Recruitment of expatriate personnel will be carried out in consultation with the relevant authorities in Government and the collaborating agencies.

#### **3.3. Training and the use of consultants**

The company plans to initially carry out on the job training for most of the technical staff to be dispatched to the project site by the suppliers of the machineries and equipment's of the Company which will be specified under sales agreement. In general, the Company will ensure that employees acquire new skills and procedures to increase their productivity fourfold. Educational materials will be subsidized or paid for to motivate the workers to develop themselves.

Whereas the Company will endeavor to obtain the best talents to fill the permanent posts in the organization, it is intended where necessary, to continue with the policy of hiring out some specialized skills by way of consultants (Visiting staff). Alternatively, those skills not required throughout the year will be left to consultants. The project will be managed by qualified professionals given the vast experience that the promoters have acquired over years in running and managing similar businesses, guidance to management and regularly monitor and evaluate performance of the project.

**Table 3.1. Proposed manpower requirement:**

S/No.	DEPARTMENT	STRENGTH /NUMBERS	MONTHLY SALARY US\$	ANNUAL BUDGET US\$
A	<b>ADMINISTRATION</b>			
	HSE Manager	1	783	9,391
	Office Administrator	1	652	7,826
	Project manager	1	913	10,957
	House keepers	2	109	2,609
	<b>SUB TOTAL</b>	<b>5</b>	<b>3,326</b>	<b>30,783</b>
B	<b>FINANCE</b>			
	Chief Finance Officer	1	652	7,826
	Asst. Accountant	1	326	9,999
	<b>SUB TOTAL</b>	<b>2</b>	<b>978</b>	<b>17,825</b>
C	<b>MAINTAINANCE</b>			
	Boilermakers	2	348	8,348
	Electrician	1	391	4,696
	Senior Fitter	1	370	4,435
	Fitter	5	326	19,565
	Mechanics	2	783	18,783
	Maintain ace Planners	2	761	18,261
	Senior ICT	1	339	4,070
	<b>SUB TOTAL</b>	<b>14</b>	<b>3,317</b>	<b>78,157</b>
D	<b>OPERATION</b>			
	Driller supervisors	2	387	9,287
	Drillers	6	239	17,217
	Drivers	6	696	50,087
	Production Engineers	1	609	7,304
	Short Helpers	2	196	4,696
	Sr. Short firer	1	152	1,826
	Underground wheel loader operator	2	1,174	28,174
	Utility worker	5	522	31,304
	<b>SUB TOTAL</b>	<b>23</b>	<b>3,587</b>	<b>140,609</b>
	E	<b>STORE AND LOGISTIC</b>		
Logistic Liaison		1	522	6,261
Purchasing Coordinator		1	478	5,739

	Store supervisor	2	348	8,348
	Store person	4	283	13,565
	<b>SUB TOTAL</b>	<b>8</b>	<b>1,630</b>	<b>33,913</b>
	<b>GRAND TOTAL</b>	<b>52</b>	<b>12,839</b>	<b>301,286</b>

## 4.0. FINANCIAL ANALYSIS

### 4.1. Production, Revenue and project viability

- ❑ The estimated revenue gain in providing 2,021,739US\$ annually during the first year and increases to 2,122,826US\$ in second years, excluding Value Added Tax
- ❑ Net profit before tax is 474,839US\$ for the first year, and increases to second year to 529,519US\$, third years increases tremendously,
- ❑ Percentage of gross contribution for the first year 23%, 25% second years and increases to 40% to the 10<sup>th</sup> year as shown in income statement,
- ❑ Net profit after tax and depreciation for the first years in operational is 245,965US\$ and increases positively, the project is able to pay corporate tax 129,987US\$ which has positive contribution to GDP of the country,
- ❑ The expected sales increase annually is 5% while expenses increase by 3% which depends on inflation rate of the country
- ❑ Total investment cost of the project is 2,866,956US\$ whereas the own equity is 75% and loan-able amount 25%, project current assets for the first year is 245,965 US\$, fixed asset 2,597,391US\$, Project liquidity is 474,839US\$
- ❑ The end balance of project in cash flow statement is positive and increases tremendous.
- ❑ Cash generated from operation and net cash from operational activities increases positively of project (see cash flow sheet)
- ❑ The Discounted Cash flow yields an Internal Rate of Return (IRR) of 8.93%, which is well above the assumed cost of capital at 8% (estimated average interest to commercial banks in Tanzania for US\$) of project is within 8 years. This confirms the financial viability of the proposed project.
- ❑ Return on Investment is anticipated to 8.6% which is above bank interest rate, which show strength in recover bank loan within project economic life - see balance sheet,
- ❑ Depreciation of fixed assets and amortization of the pre-operational expenses rates used are as follows: land 5%, Civil Works/ Structures/Buildings 5.00% on straight line basis, Plant Machinery & Technical Equipment 12.50% on straight line basis, Motor Vehicles. 20.00% on straight line basis. The business plan uses 12.5% as depreciation factors,
- ❑ Salaries and Wages have been based on the prevailing scales in the industry. There is provision of 20% to cover company contribution to

NSSSF (10%) and other social welfare (10%). Included to the total amount (see Income statement)

- Corporate Tax is fixed at 30% of taxable profits.
- The business plan has an assumption all capital investment will be recovered within 7 years for 8 year projected economic life,

#### **4.2. Capacity Utilization**

For projection purposes, it is assumed that the Company will operate for a single shift with approximately of 8 hours per single shift, (makes 24 hours/day) in a day, 30 days a month or 365 days per year.

## 5.0. RISK ANALYSIS

### 5.1. Risk Analysis

Risk is the probability that an event or action will adversely affect the organization. Risk assessment is the identification and analysis of risks associated with the achievement of operations, financial reporting and compliance goals and objectives. Risk management is a central part of the Company. The industry's management will determine the level of operations, financial and compliance risk they are willing to assume. Risk assessment is one of the Collage's management responsibilities.

### 5.2. Macroeconomic risk analysis

Since early 1986, the government of Tanzania has launched a comprehensive economic policy and stabilization plan with the aim to enhance the amount of infrastructure construction and improve the lives of the poor. During this time the main economic indicators significantly improved. However, uneven development of various region in the country, lack of relevant infrastructure in transportation, telecommunications, networking, health facilities, electricity and water supplies have proven to be investment barriers. Overall, Tanzania has a weak economic foundation but the project can achieve a greater impact in attaining social and economic goals for the country.

### 5.3. Finance risk analysis

- a) **Supply Risk:** The risk in consumable good relates to supply of raw material, transportation and price fluctuations. There is no assurance of enough supply of raw materials in the local market instead mostly of raw materials are imported.
- b) **Processing Risks:** The technology, machines and equipment used in in rudimentary stages all of which contribute to reducing output efficiency. also, quality safety and standards consideration in the Company environment is limited.
- c) **Sales/market risk:** Placing on the consumer markets bears risk of demand fluctuations and rejections through the implementation. Furthermore, consumers are not aware of the Company and safety criteria and are usually very pricing sensitive.

#### 5.4. Other potential external risk

- a) **Lack of Governance:** the governance mechanism in the value chain is underdeveloped, actors operate in an uncoordinated and unorganized fashion, and if rules exist they are often ignored;
- b) **Lack of market coordination:** No lead organization has a coordinating role in relation to markets, technology and information such that producers and processors have no incentives for improving neither their product nor the chain process to promote sustainable income earning opportunities;
- c) **Unclear and conflicting roles regulatory authorities:** Regulatory Agencies are responsible for quality control as well as enforcing, Ministries and their bodies, NEMC are some of regulatory role in issuing licensing etc.
- d) **Industry associations:** Associations are weak at all levels of the chain;
- e) **Operating procedures:** Standard procedures are inadequately enforced, or not enforced at all, because of relaxed production and trade regulations; and
- f) **Integration:** there is little vertical integration of importers, mid chain actors and processors.

#### 5.5. Mitigating potential risk

The development of a large and complex project such as **Changshen International Trade and Mining Company Limited** is necessarily accompanied by multiple risks during all the phases of the project development, construction, operation and maintenance. The right approach to manage the project in a manner which is fairly and adequately address the multiple risks in a comprehensive as well as systematic manner is to use the risk analysis and management methodology which identifies the risk issues and their instrumental cause. In this regard, the risk is eliminated or effectively managed by the party best suited with capacity to handle or deal with the risk factors.

## 6.0. ECONOMIC AND SOCIAL ASPECTS

### 6.1. Broad Socio-Economic impact of the project

In the Business field, what still really matters most is *“What is the return on investment of your project?”* The challenge thus created is to determine the relationship between community and social impact and business value (or return on investment). Many public, private and community stakeholders have over the past few decades become disappointed about the potential social impact and value of Corporate Social Investment (CSI) projects. The company will apply the CSI perspective, social impact assessment as a tool that will be used to qualify and quantify the social, economic and environmental changes and outcomes that will occur over a period of time, within the development context, as the result of the factory investment. In order to address the impact assessment framework, the company will apply the Impact Investment Index, which will show through evaluation and assessment, the social impact of the project through a blend of indicators that are able to prove positive short-, medium- and long-term impacts.

#### Impact Investment Index Framework

Impact Investment Index		
Frame Work for CHANGSHEN INTERNATIONAL TRADE AND MINING COMPANY LIMITED		
Performance Area	Quantitative Indicator	Remarks
<b>Investment Capital</b>	Total investment capital, CAPEX and OPEX 2,866,957US\$	Substantial amount of capital invested into the domestic economy
<b>Income Tax Annually</b>	Indicative Annual audit report 129,987US\$	Increased GDP of the national
<b>Job requirements</b>	Job creation after establishment of the project is 52 DIRECT TANZANIAN JOBS	Reasonable number of direct jobs created to local Tanzanians with direct impact on poverty reduction through enhanced income Generation
<b>Technology applied</b>	High Tech Environmentally friendly machinery	Applied technology which is free from environmental Pollution
Other Implied Project Benefits		
<ul style="list-style-type: none"> <li>▪ Increased sales to the Utility Companies providing services of</li> </ul>		

electricity, water and sewerage, telecommunications;

- Increased business transacted by local banks and institutions providing financial services;
- Business opportunities for local contractors and sub-contractors during the construction phase;
- Increased regional intra-trade and international trade due to better infrastructure facility and links to markets; and
- Contribution to GDP growth through increased economic activities

Based on the Impact Investment Index analysis, the Institute can develop projections that the project can deliver both value for money in the context of broad socioeconomic impact and return on investment while complying with governance requirements. In this regard therefore, the company will promote the good health and increases Tanzania life span, create employment, attract new technologies, expand earnings and ultimately contribute substantially to the country's economic growth.

## 7.0. FINANCIAL MODELLING AND ANALYSIS

The Financial Modelling and analysis, is the main source of information for assessing the potential financial viability of the Company, the analysis is based on the assumptions that have been taken for the implementation of the site development, demand and the associated potential investment requirements for a 10-year time period. The purpose of establishing this Company is to speed up the country's economic development by being a catalyst for restructuring the existing collage to set up and attracting new, both foreign and domestic entrepreneurs to a liberalized legal business framework.

### 7.1. Project investment inputs and revenue

**Table 7.1. Project investment inputs and revenue**

<b>COMMISSION FROM SHARE CAPITAL</b>	
<i>Monthly gold production in Kilograms 2%</i>	2.0
<i>Annual production of gold</i>	24.00
<i>selling price per KG (130Mln TZS)</i>	56,521.74
<i>Annual commission from Mining</i>	1,356,521.74
<b>COMMISSION FROM SHARED CAPITAL</b>	<b>1,356,521.74</b>
<b>REVENUE FROM CONSTRUCTION AND HIRING</b>	
<i>Excavator - Caterpillar 320DL @ 1</i>	234,782.61
<i>Back hole Loaders @ 2</i>	130,434.78
<i>Dumper Trucks @ 2</i>	130,434.78
<i>Bulldozer @ 1</i>	130,434.78
<i>Miscellaneous Tools and Equipment</i>	39,130.43
<b>REVENUE FROM HIRING MACHINES</b>	<b>665,217.39</b>
<b>GRAND TOTAL</b>	<b>2,021,739.1</b>

## **7.2. Objective and Scope of Financial Model**

### **7.2.1. Objective**

The main objective of the financial modelling and analysis is to setup a financial model framework for potential generated revenues and operational & maintenance costs for the full operation of Changshen International Trade and Mining Company Limited based on the assumptions taken for the Market Analysis, the plan for the facility development, unit production costs and other overhead and operational charges.

### **7.2.2. Scope**

The scope consists of a financial model that will be used to analyses the potential financial viability of the project based on the assumptions taken for the concept and scope of the Company on the Market Analysis. The financial model has been developed in excel spread sheet and include information on costs, expenses and the subsequent sales revenue based on the average market prices and linked to the financial cash flow.

## ANNEX I - INCOME STATEMENT

(ALL NUMBERS IN US\$)

<u>REVENUE</u>												
	<u>YR 0</u>	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>	<u>YEAR 6</u>	<u>YEAR 7</u>	<u>YEAR 8</u>	<u>YEAR 9</u>	<u>YEAR 10</u>	<u>TOTAL</u>
COMMISSION FROM SHARED CAPITAL	-	1,356,522	1,424,348	1,495,565	1,570,343	1,648,861	1,731,304	1,817,869	1,908,762	2,004,200	2,104,410	17,062,185
REVENUE FROM HIRING MACHINES		665,217	698,478	733,402	770,072	808,576	849,005	891,455	936,028	982,829	1,031,971	8,367,033
<b>TOTAL OPERATING REVENUE</b>	-	<b>2,021,739</b>	<b>2,122,826</b>	<b>2,228,967</b>	<b>2,340,416</b>	<b>2,457,437</b>	<b>2,580,308</b>	<b>2,709,324</b>	<b>2,844,790</b>	<b>2,987,029</b>	<b>3,136,381</b>	<b>25,429,218</b>
<u>EXPECTED EXPENSES</u>												
	<u>YR 0</u>	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>	<u>YEAR 6</u>	<u>YEAR 7</u>	<u>YEAR 8</u>	<u>YEAR 9</u>	<u>YEAR 10</u>	<u>TOTAL</u>
SALARIES		301,286	310,325	319,634	329,223	329,223	339,100	339,100	349,273	349,273	359,751	3,326,189
SOCIAL CHARGES & PENSION PAYMENTS		60,257	62,065	63,927	65,845	65,845	67,820	67,820	69,855	69,855	71,950	665,238
CONSUMABLE GOODS - RAW MATERIALS INCLUDES CHEMICALS		434,783	447,826	461,261	475,099	475,099	489,352	489,352	504,032	504,032	519,153	4,799,988
ADMINISTRATIVE EXPENCES		144,000	148,320	152,770	157,353	157,353	162,073	162,073	166,935	166,935	171,944	1,589,756
FUEL AND LUBRICANTS FORMACHINERIES AND GENRATORS		288,000	296,640	311,472	327,046	327,046	343,398	343,398	360,568	360,568	378,596	3,336,731
SECURITY SERVICES		86,400	88,992	91,662	94,412	94,412	97,244	97,244	100,161	100,161	103,166	953,854
WORK WEAR AND OTHER RELATED FACILITIES		120,000	123,600	127,308	131,127	131,127	135,061	135,061	139,113	139,113	143,286	1,324,797
INSUARANCE/LICENSING/HEALTHY PREMIUM/OTHER CHARGES		8,696	8,957	9,225	9,502	9,502	9,787	9,787	10,081	10,081	10,383	96,000
UTILITIES - ELECTRICITY AND WATER SERVICES		60,000	61,800	63,654	65,564	65,564	67,531	67,531	69,556	69,556	71,643	662,398
OTHER COSTS		43,478	44,783	46,126	47,510	47,510	48,935	48,935	50,403	50,403	51,915	479,999
<b>TOTAL OPERATING COSTS</b>		<b>1,546,900</b>	<b>1,593,307</b>	<b>1,647,039</b>	<b>1,702,679</b>	<b>1,702,679</b>	<b>1,760,301</b>	<b>1,760,301</b>	<b>1,819,978</b>	<b>1,819,978</b>	<b>1,881,788</b>	<b>17,234,948</b>
<b>OPERATIONAL NET EARNINGS BEFORE DEPRECIATION, INTEREST &amp; TAX</b>		<b>474,839</b>	<b>529,519</b>	<b>581,929</b>	<b>637,737</b>	<b>754,757</b>	<b>820,008</b>	<b>949,023</b>	<b>1,024,812</b>	<b>1,167,052</b>	<b>1,254,593</b>	<b>8,194,270</b>
%AGE GROSS CONTRIBUTION												

	23	25	26	27	31	32	35	36	39	40	1
<i>DEPRECIATION AT 12.5% (MACHINES, EQUIPT.)</i>	41,548	46,333	50,919	55,802	66,041	71,751	83,040	89,671	102,117	109,777	737,484
<i>NET EARNINGS BEFORE TAX &amp; INTEREST</i>	433,291	483,186	531,010	581,935	688,716	748,257	865,984	935,141	1,064,935	1,144,816	7,456,785
<i>INTEREST PAID (BANK LOAN)</i>	57,339	53,381	49,106	44,490	39,504	34,119	28,303	22,022	15,238	7,912	351,414
<i>TAX (30%)</i>	129,987	144,956	159,303	174,580	206,615	224,477	259,795	280,542	319,480	343,445	2,243,181
<i>NET EARNINGS</i>	245,965	284,849	322,601	362,865	442,598	489,661	577,886	632,577	730,216	793,459	4,882,676

## ANNEX II -CASH FLOW FROM OPERATING ACTIVITIES

### CASH FLOW STATEMENT FROM INVESTING ACTIVITIES FOR TEN YEARS

(ALL NUMBERS IN USD)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>										
CASH RECEIPTS FROM SALES	2,021,739	2,122,826	2,228,967	2,340,416	2,457,437	2,580,308	2,709,324	2,844,790	2,987,029	3,136,381
CASH PAID TO SUPPLIERS AND EMPLOYEES	(1,546,900)	(1,593,307)	(1,647,039)	(1,702,679)	(1,702,679)	(1,760,301)	(1,760,301)	(1,819,978)	(1,819,978)	(1,881,788)
CASH GENERATED FROM OPERATIONS	474,839	529,519	581,929	637,737	754,757	820,008	949,023	1,024,812	1,167,052	1,254,593
DIVIDENDS RECEIVED*	0	0	0	0	0	0	0	0	0	0
INTEREST RECEIVED	0	0	0	0	0	0	0	0	0	0
INTEREST PAID	(57,339)	(53,381)	(49,106)	(44,490)	(39,504)	(34,119)	(34,119)	(28,303)	(22,022)	(22,022)
TAX PAID	(129,987)	(144,956)	(159,303)	(174,580)	(206,615)	(224,477)	(259,795)	(280,542)	(319,480)	(343,445)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>287,513</b>	<b>331,182</b>	<b>373,519</b>	<b>418,667</b>	<b>508,639</b>	<b>561,412</b>	<b>655,110</b>	<b>715,967</b>	<b>825,550</b>	<b>889,126</b>
<b><u>CASH FLOW FROM INVESTING ACTIVITIES</u></b>										
REPLACEMENT OF EQUIPMENT	0	0	0	0	0	0	0	0	0	0
PROCEEDS** FROM SALE OF EQUIPMENT	0	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><u>CASH FLOW FROM FINANCING ACTIVITIES</u></b>										
PROCEEDS FROM CAPITAL CONTRIBUTED	2,150,217	0	0	0	0					0
PROCEEDS FROM LOAN	716,739	0	0	0	0					0
PAYMENT OF LOAN	(49,476)	(53,434)	(57,709)	(62,326)	(67,312)	(72,697)	(78,512)	(84,793)	(91,577)	(98,903)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>2,817,480</b>	<b>(53,434)</b>	<b>(57,709)</b>	<b>(62,326)</b>	<b>(67,312)</b>	<b>(72,697)</b>	<b>(78,512)</b>	<b>(84,793)</b>	<b>(91,577)</b>	<b>(98,903)</b>
<b><u>NET INCREASE/ DECREASE IN CASH</u></b>	<b>3,104,993</b>	<b>277,748</b>	<b>315,810</b>	<b>356,341</b>	<b>441,327</b>	<b>488,715</b>	<b>576,597</b>	<b>631,174</b>	<b>733,973</b>	<b>790,223</b>
CASH AT THE BEGINNING OF THE PERIOD	245,965	284,849	322,601	362,865	442,598	489,661	577,886	632,577	730,216	793,459
<b>CASH AT THE END OF THE PERIOD</b>	<b>3,350,958</b>	<b>562,598</b>	<b>638,411</b>	<b>719,205</b>	<b>883,925</b>	<b>978,377</b>	<b>1,154,483</b>	<b>1,263,751</b>	<b>1,464,189</b>	<b>1,583,682</b>

## ANNEX III – PROFOMA BALANCE SHEET

<i>(ALL NUMBERS IN US\$</i>	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 4</b>	<b>YEAR 5</b>	<b>YEAR 6</b>	<b>YEAR 7</b>	<b>YEAR 8</b>	<b>YEAR 9</b>	<b>YEAR 10</b>
<i>CURRENT ASSET</i>	245,965	284,849	322,601	362,865	442,598	489,661	577,886	632,577	730,216	793,459
<i>FIXED ASSET</i>	2,597,391	2,555,843	2,509,510	2,458,591	2,402,789	2,336,748	2,264,997	2,181,958	2,092,287	1,990,170
<i>LIQUIDITY</i>	474,839	529,519	581,929	637,737	754,757	820,008	949,023	1,024,812	1,167,052	1,254,593
<b><i>TOTAL ASSET</i></b>	<b>3,318,195</b>	<b>3,370,212</b>	<b>3,414,039</b>	<b>3,459,192</b>	<b>3,600,144</b>	<b>3,646,417</b>	<b>3,791,906</b>	<b>3,839,347</b>	<b>3,989,555</b>	<b>4,038,221</b>
<b><i>NET ASSET MINUS DEPRECIATION</i></b>	<b>3,276,647</b>	<b>3,323,879</b>	<b>3,363,121</b>	<b>3,403,390</b>	<b>3,534,103</b>	<b>3,574,666</b>	<b>3,708,867</b>	<b>3,749,676</b>	<b>3,887,438</b>	<b>3,928,444</b>
<i>EQUITY</i>	2,866,957	2,723,609	2,587,428	2,458,057	2,335,154	2,218,396	2,107,476	2,002,103	1,901,998	1,806,898
<i>RESERVES</i>	0	0	0	0	0	0	0	0	0	0
<b><i>TOTAL OWN EQUITY</i></b>	<b>2,866,957</b>	<b>2,723,609</b>	<b>2,587,428</b>	<b>2,458,057</b>	<b>2,335,154</b>	<b>2,218,396</b>	<b>2,107,476</b>	<b>2,002,103</b>	<b>1,901,998</b>	<b>1,806,898</b>
<i>PROVISIONS</i>	131,339	302,166	458,655	608,136	819,478	953,227	1,151,740	1,270,545	1,457,027	1,561,510
<i>LONG TERM LOAN</i>	106,815	106,815	106,815	106,815	106,815	106,815	106,815	106,815	106,815	106,815
<i>SHORT TERM LIABILITIES</i>	171,536	191,289	210,222	230,382	272,656	296,228	342,835	370,214	421,598	453,222
<b><i>TOTAL EQUITY &amp; LIABILITIES</i></b>	<b>3,276,647</b>	<b>3,323,879</b>	<b>3,363,121</b>	<b>3,403,390</b>	<b>3,534,103</b>	<b>3,574,666</b>	<b>3,708,867</b>	<b>3,749,676</b>	<b>3,887,438</b>	<b>3,928,444</b>
<i>NET FA/CL</i>	24.32	23.93	23.49	23.02	22.49	21.88	21.20	20.43	19.59	18.63
<i>CL/CA</i>	0.70	0.67	0.65	0.63	0.62	0.60	0.59	0.59	0.58	0.57
<b><i>DEBIT/CAPITAL RATIOS</i></b>	<b>0.13</b>	<b>0.18</b>	<b>0.23</b>	<b>0.28</b>	<b>0.34</b>	<b>0.38</b>	<b>0.43</b>	<b>0.47</b>	<b>0.51</b>	<b>0.54</b>
<i>ROI</i>	8.6	10.5	12.5	14.8	19.0	22.1	27.4	31.6	38.4	43.9
<i>BREAK EVEN POINT</i>	5.47	4.83	4.31	3.86	3.18	2.85	2.39	2.13	1.79	1.59
<i>BREAK EVEN RATIO</i>	3.84	3.57	3.38	3.20	2.76	2.64	2.33	2.24	2.01	1.95
<b><i>EQUITY/TOTAL LIABILITIES</i></b>	<b>87</b>	<b>82</b>	<b>77</b>	<b>72</b>	<b>66</b>	<b>62</b>	<b>57</b>	<b>53</b>	<b>49</b>	<b>46</b>

**ANNEX IV - LOAN PAYMENT SCHEDULE**

*Loan Information and Payment Schedule*

<i>Loan Data</i>	<b>All number in US\$</b>		<b>Loan Summary</b>		
<i>Original Principal</i>	716,739.13		Scheduled Payments		106,815.27
<i>Loan Term (Years)</i>	10.00		Scheduled number of payments		10.00
<i>Annual Interest Rate</i>	8%		Actual number of payments		10.00
<i>Payments per Year</i>	1.00		Total Early Payment		-
<i>Payment</i>	106,815.27		Total Interest		351,413.53
<i>Year</i>	<b>Payment</b>	<b>Interest</b>	<b>Cumulative Interest</b>	<b>Principal</b>	<b>Balance</b>
-					716,739.13
1.00	106,815.27	57,339.13	57,339.13	49,476.14	667,262.99
2.00	106,815.27	53,381.04	110,720.17	53,434.23	613,828.77
3.00	106,815.27	49,106.30	159,826.47	57,708.96	556,119.80
4.00	106,815.27	44,489.58	204,316.06	62,325.68	493,794.12
5.00	106,815.27	39,503.53	243,819.59	67,311.74	426,482.39
6.00	106,815.27	34,118.59	277,938.18	72,696.68	353,785.71
7.00	106,815.27	28,302.86	306,241.03	78,512.41	275,273.30
8.00	106,815.27	22,021.86	328,262.90	84,793.40	190,479.90
9.00	106,815.27	15,238.39	343,501.29	91,576.87	98,903.02
10.00	106,815.27	7,912.24	351,413.53	98,903.02	-
		351,413.53			

## ANNEX V- INTERNAL RATE OF RETURN

<i>(all numbers in US\$)</i>		
	Initial Investment	-2,866,957
Year 1	Additional Annual Net Profit	245,965
Year 2	Additional Annual Net Profit	284,849
Year 3	Additional Annual Net Profit	322,601
Year 4	Additional Annual Net Profit	362,865
Year 5	Additional Annual Net Profit	442,598
Year 6	Additional Annual Net Profit	489,661
Year 7	Additional Annual Net Profit	577,886
Year 8	Additional Annual Net Profit	632,577
Year 9	Additional Annual Net Profit	730,216
Year 10	Additional Annual Net Profit	793,459
	<b>IRR (in 10 years)</b>	<b>8.93%</b>

*The IRR above indicates that the expected return on the TZS 2,866,957 initial investment after 10 years is 8.93%.*

## ANNEX VI - PAYBACK PERIOD

### PAYBACK PERIOD ANALYSIS

	YEAR	BEGINNING BALANCE	NET CASH FLOWS	ENDING BALANCE
<i>COST OF INVESTMENT</i>	0.00	2,866,956.52	0.00	2,866,956.52
	1.00	2,866,956.52	245,964.58	2,620,991.95
	2.00	2,620,991.95	284,849.49	2,336,142.45
	3.00	2,336,142.45	322,600.68	2,013,541.78
	4.00	2,013,541.78	362,864.61	1,650,677.17
	5.00	1,650,677.17	442,597.69	1,208,079.48
	6.00	1,208,079.48	489,661.41	718,418.07
	7.00	718,418.07	577,885.74	140,532.33
	8.00	140,532.33	632,577.10	492,044.77
	9.00	492,044.77	730,216.05	1,222,260.81
	10.00	1,222,260.81	793,458.88	2,015,719.69

<b>PAYBACK PERIOD =</b>	<b>8.00</b>	<b>YEARS</b>
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## **8.0. CONCLUDING REMARKS AND WAY FORWARD**

### **8.1. Evidence of project viability based on financial model and policy framework support**

On the basis of all the analysis done on this Business Plan on all aspects of assessment on both SWOC Analysis, market analysis, risk analysis and the financial analysis, the proposed investment options in the Company as prescribed on this business plan have shown that the project is commercially viable. Nonetheless, the company through professional consultative manner, will continue to find ways of implementing cost effective options given time and financial resources that will be made available. Financial analysis results show that when the Company is financed 100% by shareholders totaling to 2,866,957S\$, in financial analysis the project it gives IRR of about 8.93%. The computed IRR is well above annual loan interest rate of 8.0% as ceiling rates to all foreign bank interest in Tanzania which is technically interpreted that the project is financially viable. The payback period for the project is estimated between 7-8 years, which is within the range for this type of investment. Sensitivity analysis results also favor the project. Financial analysis for the project has shown feasible returns. Based on the investment scope and the assumptions taken in this Business Plan, the project will not face any difficulties during establishment, according to the projected cash flow be in a position to accomplish repayment of the loan and start generating profit.

### **8.2. Policy Framework Support**

The development of the CHANGSHEN INTERNATIONAL TRADE AND MINING COMPANY LIMITED is designed to take advantages of the current Tanzanian market-oriented reforms. The Project will be developed and expanded to accelerate the industrialization process. The vision 2025 emphasizes the importance of the allocation of public funds for strategic investments and private sector financing for development investments.

The 15 years Perspective Plan (2010-2025); Prioritize private investment in the context of Public Private Partnership. The First Five Years Development Plan (2020-2025) recognizes the fundamental role of the private sector in enabling the government to allocate its fund to strategic projects to facilitate a higher level of development. Other policies identify Public Private Partnership as a means of increasing the level of stakeholder participation and of easing the financial burden on the government. It should be noted that existing public resources are clearly insufficient to meet Tanzania's huge development needs. The increased use of private enterprises participation in development projects can help alleviate the financing gap. This approach is now applied by the company to ensure development of one among the ultra- modern Mining company especially in Mining sector expanded in Serengeti, Mara Region. Private sector and investment have been recognized as the most significant potential source of additional funding required to facilitate development projects.

### **8.3. Conclusive Remarks and Way Forward**

The development of this company will be funded by private finances. The company acting through its various shareholders and structures will provide the initial risk capital amounting to 2,866,957US\$ and the amount will be raised from promoters' own equity of 75% equivalent to 2,150,217.39 US\$ and the remain 25% will be raised from commercial banks. The company will fund the development of the project for mining industries by importing machineries and equipments as stated on this business plan. Before the company engages into the development of this project as a private enterprise, it needs to accomplish the pre development activities to make way for the development of the designated project.

#### **a) Conduct Environmental Impact Assessment.**

The company has to engage a consultant to conduct EIA in order to ensure that environmental and possibly other sustainability aspects are considered effectively in policy, plan and project development. The EIA Directive aims at introducing systematic assessment of the environmental effects of strategic land use related plans and programs. It typically applies to regional and local, development, waste and transport plans, within the country. EIA ensures that plans and programs take into consideration the environmental effects they cause.

#### **b) Mobilization of project requirements**

The structure should include all vital service facilities described in this business plan. When possible, the process of design of the facility should be consultative inasmuch that it should allow and incorporate ideas from experienced professionals from the industry.

#### **c) Mobilizing Funds**

As previously discussed on the Financial Analysis of this business plan, financing mechanism for the Company should be scrutinized well before commencing the project implementation. There may be several options of financing the project development but the firm will find the best option. The investment team should do consultation with relevant financial institutions (Banks and non-bank Financial Institutions), both within and outside the country. This exercise should be more effective if the team works closely with central government agencies, particularly mining regulatory agency, PORALG, TRA, etc