

TAIFA MINING & CIVILS LIMITED

FEASIBILITY STUDY FOR

THE

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

Prepared by:
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1.0 INTRODUCTION

1.1 Foreword

Mining is one of the leading sectors in Tanzania. The Mining sector depends on imported machinery and various equipment and usually they involve a huge initial investment cost. One of the reason for the establishment of Backup Services to Mining is that the Mining companies will definitely need other services providers to assist them so that they can reduce costs .With that in mind, **Taifa Mining & Civils Limited** has seen the need to establish and operate a back-up service facility to assist the development of this important sector by providing various backup services to this industry to allow mining companies to outsource various services as and when needed . This will help the mining companies to reduce costs in carrying its operation in their mines.

2.0. EXECUTIVE SUMMARY

2.1 INTRODUCTION

Taifa Mining & Civils Limited has realized that there is potential in the mining sector and hence is 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 project having the objective of undertaking back-up services to Mining Industry. In order to carry this venture Taifa Mining & Civils 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 which has the intention of outsourcing their services.

2.2 THE COMPANY

Taifa Mining & Civils Limited has been incorporated as a Limited Liability Company on the 9th September 2022 under the certificate of incorporation number 14577

2.3 PROJECT PROMOTERS

The proposed backup service to the mining project is being promoted by a locally registered company, namely **Taifa Mining & Civils Limited** of P.O. Box 40954 Dar-es-salaam. The following are the shareholders of the company;

Name	Nationality	Shareholding
Akram Aziz Abdurassool	Tanzanian	89.9
Jehangir Aziz Abdurassool	Tanzanian	10
Halid Ahmed Mwasumilwe	Tanzanian	0.1

The promoters have vast industrial, mining and commercial experience and have decided to venture into the new line of business in Tanzania.

2.4 THE PROJECT

The Company has decided to establish the project with the objective of undertaking back-up services to Mining Industry. To carry this venture **Taifa Mining & Civils 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 some of their services. The services which Taifa Mining & Civils 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.

2.5 THE LOCATION

The registered office of the company is situated at plot no 77 Kipawa /Kiwalani Industrial Area, Ilala Dar-es-salaam

2.6 MARKET AND MARKETING ASPECTS

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

2.7 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 a highly technical nature. The requisite machinery that Taifa Mining & Civils Limited will use for the backup services to mining activities will be Tipper Trucks, Hydraulic Excavators, Motor Graders, Bulldozer, Wheel-loaders and fuel & service trucks

2.8 MANPOWER REQUIREMENTS

The back service to the mining company will employ **100** persons. The company will need to recruit expatriate personnel for the positions of General Manager, Mining Engineer, Mining Foreman, Maintenance Technician, Minerals Processing Technician, Laboratory Technician, Agriculture Engineers and Soil & Irrigation 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 and processing 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.

2.10 IMPLEMENTATION

The Major activities include registration and approval by the Tanzania Investment Centre and mobilization of funds. Civil works design, tendering, and construction will be carried out immediately after the project is approved and will take about 3 months. Machinery will be ordered once the funds are committed. Activities towards securing contracts to offer their services will follow immediately.

2.11 CAPITAL INVESTMENT

US\$

DESCRIPTION	Amount	TOTAL
Land and Building	150,000	150,000
Plant & Machinery	14,769,000	14,769,000
Furniture & Fitting	100,000	100,000
Vehicles	2,259,000	2,259,000
Pre-Operational Expenses	70,000	70,000
Working Capital	1,000,000	1,000,000
TOTAL INVESTMENT	18,348,000	18,348,000

2.12 FINANCING SCHEME

SOURCE	AMOUNT in USD	TOTAL IN USD
<i>Equity</i>	18,348,000	18,348,000
<i>Total</i>	18,348,000	18,348,000

2.13 Expenditure

The total operation costs have been estimated to be **65%** of the total revenue.

2.14 Recommendations

The study shows that the back service to mining service which **Taifa Mining & Civils Limited** intends to provide will be both technically and financially feasible. Furthermore, it will assist many mining companies to cut most of their costs and enable them to realise profits and reduce costs of operations and investments. Therefore, the project is recommended for implementation.

4. 0 THE PROJECT

The company intends to set up a project for various mining equipment for the purpose of being outsourced by various mining 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 **Taifa Mining & Civils Limited** offering them their services. **Taifa Mining & Civils Limited** intends to purchase mining equipment, including but not limited to; Off-highway mining trucks, Excavators, Bulldozers, Graders, Production Drill rigs & and other Supporting equipment. Back-up services to mining being one of the recent entrants into the Tanzanian economy has been playing a 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 sub-leased office plot no 77 Kipawa /Kiwalani Industrial Area, Ilala Dar-es-salaam. 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 i.e. the miners.

4.2 PLANT AND MACHINERY

The project requires a set of machines and equipment. The list of the machinery to be imported are in the appendixes. The total cost of these machines and equipment is expected at U\$**14,769,000**. The high-quality capital goods essential for commencement of operations will be imported and used at pre-determined sites nearer to clients' mine sites.

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. Recent nickel, helium, graphite, uranium and coal findings have spurred increased interest on the part of investors to invest in the mining sector. Because of this increase Taifa Mining & Civils 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 and 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 Taifa Mining & Civils 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 \$56,000,000 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, knowledge over all aspects of mining engineering and management, ability to solve technical problems and evolve engineering solutions inhouse, innovations in better use of equipment, experience in the market, 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:

Costs of transportation to processing sites and competition

6.3 OPPORTUNITIES:

Growing importance of mining and agriculture sector in the mechanization, lower operational costs, establishment of one stop mineral processing and export center mineral control and reduction of smuggling due to construction of a 24.5km wall around the Mererani Tanzanite mine and ability to undertake contracts for various enterprises.

6.4 THREATS:

Nationally and internationally failure of major clients due to various reasons resulting in reduced demand for mineral resources, increases in transportation costs, investments cost etc.

7.0 MANAGEMENT AND STAFF

The company will require services of management staff, support staff and skilled and unskilled workers. Of the above **100** persons, the company will need to recruit expatriate personnel for the **9** positions of General Manager, Mining Engineer, Mining Foreman, Maintenance Technician, Minerals Processing Technician, Laboratory Technician, Agriculture Engineers and Soil & Irrigation 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 be highly competitive export markets.

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 70% capacity in year 1, 80% in year 2, 90% in year 3 from year 4 and thereafter.
- The project has adopted the currency exchange rate of United state Dollar 1 = US\$.2400

8.2 Summary of Capital Costs

The total initial investment required for undertaking the project is estimated at **US\$. 18.35m** the breakdown of the capital investments is presented in table below: -

DESCRIPTION	Amount	TOTAL
Land and Building	150,000	150,000
Plant & Machinery	14,769,000	14,769,000
Furniture & Fitting	100,000	100,000
Vehicles	2,259,000	2,259,000
Pre-Operational Expenses	70,000	70,000
Working Capital	1,000,000	1,000,000
TOTAL INVESTMENT	18,348,000	18,348,000

8.2.1 Buildings and Civil Works Costs

The premises will be renovated as yard and office blocks are already existing and they will be used for the storage of equipment's.

8.2.3 Plant Machinery and Equipment Costs The main machinery for the envisaged project are shown in the appendices attached with this write up

8.2.3. Furniture and Fittings

The items to be purchased will comprise office furniture and computers for office and the yard

8.2.4 Vehicles

Dumper trucks, pickups and Land cruisers will be used for transportation of various inputs and other office activities.

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 work out at about **US\$.1.0m**

9.0 COST OF OPERATION

The anticipated costs for operating the project are estimated at 65% of the total revenue per annum. Sections of the capacity utilization have been assumed to grow at a rate of 70% in year 1, 80% in year 2, and 90% in year 3 while stabilized services are envisaged from the fourth year at 90% of rated capacity

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 Administrative Overheads

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

9.4 Revenues

The revenues arising from backup services to mining & and agricultural services are anticipated from the very first year. Gross revenues arising from the 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 a 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 65% 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\$20.2 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

- Provision of high-quality contractor services to the country's most important sectors, mining and agriculture.
- Employment of at least persons including 100 Tanzanian nationals.
- Additional employment opportunities in enterprises that will benefit in terms of new business opportunities to service this project.
- 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's objective of encouraging proper development of the mining sector in the country. This document has provided a full analysis of the financial and techno-economic viability of the establishment/operation of the backup services to mining undertaking along with the financing requirements/parameters that have been considered and have established that the proposed project is financially viable and economically/socially beneficial.

APPENDICES & ANNEXTURES

TAIFA MINING & CIVILS LIMITED
ESTIMATED CAPITAL COST SUMMARY

US \$

DESCRIPTION	Amount	TOTAL
Land and Building	150,000	150,000
Plant & Machinery	14,769,000	14,769,000
Furniture & Fitting	100,000	100,000
Vehicles	2,259,000	2,259,000
Pre-Operational Expenses	70,000	70,000
Working Capital	1,000,000	1,000,000
TOTAL INVESTMENT	18,348,000	18,348,000

TAIFA MINING & CIVILS LIMITED

PROPOSED FINANCING PLAN

SOURCE	AMOUNT in USD	TOTAL IN USD
<i>Equity</i>	18,348,000	18,348,000
<i>Total</i>	18,348,000	18,348,000

TAIFA MINING & CIVILS LIMITED

DEPRECIATION SCHEDULE

SN ITEM	Opening Balance		1	2	3	4	5	6	7	8	9	10
Building and Civil Work	150,000	5%	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Machinery & Equipment	14,769,000	12.5%	1,846	1,846	1,846	1,846	1,846	1,846	1,846	1,846	1,846	1,846
Furniture and Fittings	100,000	12.5%	13	13	13	13	13	13	13	13	-	-
Motor Vehicles	2,259,000	25%	565	565	565	565	-	-	-	-	-	-
Pre- Operational Expenses	70,000	20%	14	14	14	14	14	-	-	-	-	-
Total			9938	9938	9938	9938	8,873	8859	8859	8859	9346	9346

TAIFA MINING & CIVILS LIMITED
REVENUE SCHEDULE

US \$000

YEAR	1	2	3	4	5	6	7	8	9	10
Contract Value	56,000	61,600	67,760	74,536	74,536	74,536	74,536	74,536	74,536	74,536
Total Contract Value	56,000	61,600	67,760	74,536	74,536	74,536	74,536	74,536	74,536	74,536

TAIFA MINING & CIVILS LIMITED

PROJECTED PROFIT AND LOSS STATEMENT

(USD 000)

ITEM/YEAR	1	2	3	4	5	6	7	8	9	10
Revenue from Operations	56,000	61,600	67,760	74,536	74,536	74,536	74,536	74,536	74,536	74,536
Cost of goods sold	36,400	40,040	44,044	48,448	48,448	48,448	48,448	48,448	48,448	48,448
Gross Profit	19,600	21,560	23,716	26,088	26,088	26,088	26,088	26,088	26,088	26,088
Operating Profit	19,600	21,560	23,716	26,088	26,088	26,088	26,088	26,088	26,088	26,088
Less: Depreciation	9938	9938	9938	9938	8,873	8859	8859	8859	9346	9346
Profit Before Tax	9662	11,622	13,778	16,150	16,150	16,150	16,150	16,150	16,150	16,150
Taxable Income	9662	11,622	13,778	16,150	16,150	16,150	16,150	16,150	16,150	16,150
Corporation Tax – 30%	2,898	3,487	4,133	4,845	4,845	4,845	4,845	4,845	4,845	4,845
Net Profit After Tax	6,764	8,135	9,645	11,305	11,305	11,305	11,305	11,305	11,305	11,305
Revenue Reserves	6,764	14,899	24544	35,849	47,154	58,459	59,594	70,899	82,204	93,509

TAIFA MINING & CIVILS LIMITED
PROJECTED CASH FLOWS STATEMENT

(USD '000)

ITEM/YEAR	0	1	2	3	4	5	6	7	8	9	10
INFLOWS											
- Equity	18,348		-	-	-	-	-	-	-	-	-
PROFIT BEFORE TAX	-	9662	11,622	13,778	16,150	16,150	16,150	16,150	16,150	16,150	16,150
Depreciation	-	9938	9938	9938	9938	8,873	8859	8859	8859	9346	9346
TOTAL INFLOWS	18,348	19,600	21,560	23,716	26,088	25023	25,009	25,009	25,009	25,496	25,496
OUTFLOWS											
Investment & Reinvestment	18,348										
Taxation		2,898	3,487	4,133	4,845	4,845	4,845	4,845	4,845	4,845	4,845
TOTAL OUTFLOW	18,348	2,898	3,487	4,133	4,845	4,845	4,845	4,845	4,845	4,845	4,845
NET OUTFLOW	-	16,702	18,073	22,583	21,243	20,178	20,164	20,164	20,164	20,651	20,651