

BUSINESS PLAN

FOR A

REFINERY PROJECT

SAB GOLD LIMITED

SAB GOLD LIMITED

P O BOX 5710

DAR ES SALAAM

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PROJECT SUMMARY

PROMOTING COMPANY:	SAB GOLD LIMITED
PROJECT PURPOSE:	GOLD Refinery
COUNTRY OF ORIGIN:	Tanzania
COUNTRY OF DESTIN:	Tanzania
PROJECT OWNERS:	SAB GOLD LIMITED
PROJECT VALUE:	US \$ 1.50 Million
Financing:	Owners equity and Loans

1.0 INTRODUCTION

Sub Gold Limited is private company limited by shares registered in Tanzania with the main purpose to engage in Gold refinery project, among others. Currently, the company has embarked on establishing a project aimed at providing. The processing plant shall be located SOKO LA DHAHABU – KAHAMA in whereas the raw material is going to be established in Kahama District, Shinyanga Region at QDS 63/3 Igomelo, Malunga Ward.

This business plan has been prepared to establish the viability of the targeted services and guide the procurement, operational and marketing activities of the project. The plan establishes a strategic framework that provides a focus, direction and most importantly a common language that acts as a guide for all service delivery, marketing/brand activities creating cohesive strategic alignment between the company mission, vision and goals.

The company requires a total of USD 1.50m. that will be used office premise rent, purchase of machinery and business equipment and raw materials required for the project start up. The financing of the project is expected to be 60% equity financing and 40% loan. The project expects to employ at **least 58 persons**, majority being Tanzanians who shall be directly employed by the project. It is expected that at **least 100 indirect jobs** will be created through sales and commissioning agreements with local suppliers.

1.1 THE PROMOTING AND OWNING COMPANY

SAB GOLD LIMITED is a project promoting company. The company will promote a project which is being located at, Shinyanga region. The contacts will be P.O. Box 5710 Dar es Salaam. The is a venture project under two shareholders which by names are

Name	% shareholding
Abbas Hussein Bandali	99.99
Sukaina Bandali	0.01

The above mentioned entities are shareholders who have pulled together their resources including capital to invest and carry out planned project.

1.2 Company objective:

The business is mainly meant to process and supply gold ingot. Our products are generally meant for export markets. We shall produce to cater for the increasing demand of gold triggered by the rising global need for specialty and electronic products as well as changing life style of global population. Besides, we would like to engage in business aiming at operating sustainably by giving our customers value for money and 4 making profits. We are dedicated to making our esteemed customers part of our success by producing high quality products.

Notably the business will focus on the following specific objectives;

- To ensure availability and reliability of high-quality gold products;
- To employ at least 100 people and contribute to the improvement of livelihood of the community,
- To generate sufficient income through sales to meet the needs of the shareholders and contribute to government revenues,
- To expand our production volume in Tanzania.

2.0 THE PROJECT PLANNED

The proposed project in this business plan is to establish and operation of the Gold Refinery in Shinyanga. The structure will comprise two storey. This will be built in a single compound with all basic facilities in a single structure.

The building will be constructed basing on locally and international sourced resources like machinery and spares. The idea is to lower the cost of construction and have a good state of the art refinery.

The investment plan is made to accommodate all these requirements so as to make sure that at last the customers find it easy to access to almost everything.

This construction plan is expected to be implemented and completed in a year.

3.0 TECHNICAL REQUIREMENTS

So far several basic requirements for the project initial stage of implementation have been acquired, including the land which is ready acquired, the company is registered, the business license will be acquired, Tax Identification Number (TIN) also acquired and the headquarters for company operations is established, the implementation technical requirements are in place, constructors contracted; and the current requirements are:

3.1 Additional Capital

From their savings, the shareholder (investors) have prepared about USD 1.50 million as capital for the project implementation the summary of which is presented below in the table.

ITEMS	US DOLLAR
Land & Buildings	100,000.00
Plant & Machinery	1,100,000.00
Motor Vehicles	50,000.00
Furniture & Fittings	30,000.00
Preoperational Expenses	50,000.00
Fixed Investments	
Working Capital	170,000.00
Total Investment Cost	1,500,000.00

4.0 BUSINESS DESCRIPTION

The company has entered MOU with Kahama Municipal Council for establishment and operated Gold refinery plant at SOKO LA DHAHABU – KAHAMA. The processing facility shall be built in SOKO LA DHABABU Kahama District, Shinyanga Region. The project shall make special layout and construction suitable for processing of gold ore. Modern facilities shall be installed and equipment availed for high quality output. The project expects to produce an average of 75 kg of ingot per month through a world class production facility. The company is expecting to expand production and establish new distribution outlets over time as new opportunities emerge and be identified.

4.1 BUSINESS ENVIRONMENT

The business may be affected by factors beyond owner's control, and these need to be taken into account before making any investment decision. The company has considered many opportunities and challenges that may arise out of the expected changes. Thus analysis of business environment key factors is paramount to this plan in order to determine external factors and how they are likely to affect the project. Economically; Tanzania is now experiencing economic growth whereby the purchasing power of people is increasing and people's interactions is increasing as trade grows in the East Africa and SADC regions. The country is highly improving business environment to encourage investors in various sectors where mining is one among top government investment priorities. The burning issue currently is the rate of inflation and fall in domestic currency this would lead to increased cost of production as the price of fuels are rising. Issues like Common Market for the East Community are opening up business performance and new investment opportunities. Politically; the political environment is conducive for the business operations. The current government regime is in support of investments. There have been adequate policies to support hospitality and tourism sectors. The Tanzanian Government is engaged in developing and promoting sustainable growth in the mining sector in Tanzania by creating conducive investment environment as one of economic growth catalyst. 6 Social-Cultural: The social aspect focuses on the forces within the society. Family, friends, colleagues, neighbours and the media are social factors. These factors can affect our attitudes, opinions and interests. So, it can impact sales of products and revenues earned. There

is no doubt that the society is continually changing. The tastes and preferences are a great example of this change for the Tanzanian culture. Most of Tanzanians currently are willing to pay a premium price for a product that satisfies their expectations. Demographically, the country is increasing in population where currently the country is estimated to have over 60 million people. The increase in population necessitates increase in products and services. Technological factors: Technological factors are variables that are being used for evaluating available alternatives with respect to technological capabilities. Our company consider it as an important tool for improving production, operations and functions to achieve efficiency. Technological factors are one of various external environment factors that affect businesses greatly and are also an integral component of the PESTLE analysis. In the present scenario, utmost dependence on equipment, technological factors can have more effect on business operation and success globally than ever before. Furthermore, development of technology has also introduced digital marketing strategies through which companies are able to sell their products and services. Even the research and development R&D divisions in companies have changed its way of functioning and more advanced techniques in the development of products and services have been introduced only through technological advancements. We are constantly looking for development and updates within the technological environment. In this way, we do not only improve our operations but, we will also be well aware of business transformational phase. We will derive groundbreaking strategies to grow exponentially.

4.2 INDUSTRY AND MARKET ANALYSIS

Mining is one of the leading sectors in Tanzania with the value of mineral exports constantly increasing for the past several years. The sector is comprised of both small and large-scale operations. Mining in Tanzania includes metals (gold, iron ore, nickel, copper, cobalt, silver), industrial minerals (diamonds, tanzanite, ruby, garnet, limestone, soda ash, gypsum, salt, phosphate, gravel, sand, dimension stones and graphite), and fuel minerals (coal, uranium). Tanzania is also home to many rare earth and critical minerals that are currently in the exploration stage. Tanzania earned around 2.3 billion U.S. dollars with minerals exports in 2019, a significant increase over 2018 level of 1.6 billion U.S. dollars. Gold had the highest contribution to the value of mineral exports. Tanzania is the 4th largest gold producer in Africa after South Africa, Ghana

and Mali and is the world's sole producer of the precious stone Tanzanite. Gold production currently stands at roughly 50 tonnes a year, copper at 2980 tonnes, silver at 10 tonnes and diamond at 112,670 carats. Mining and quarrying activities had a very large contribution to Tanzania's Gross Domestic Product (GDP) growth in the first quarter of 2021. The sector recorded 10.2 percent of the GDP equivalent to 1,473,804 million TZS. The Tanzania mining industry remains attractive to investors, given the next few years of significant diversification to the mining of nickel, uranium and coal. There is also availability of investment incentives and supply chain opportunities in the mining sector. There have been a number of changes in the Mining industry in the country. According to Petroleum Act 2015 and the Mining Act 2010, license holders and contractors in the extractive sector are liable to pay taxes including corporate tax (30%), capital gain tax (30%), withholding tax (10%) and other taxes. Profits resulting from transfer or disposal of rights are also subject to taxes, which are collected by the Tanzania Revenue Authority. The Tanzania Extractive Industries Transparency and Accountability Act 2015 has provisions for all new concessions, contracts and licenses to be made available to the public (<https://eiti.org/news/tanzania-enacts-eiti-legislation>).

8 The Government of Tanzania would like to see more value-added activities in the country to include smelting and processing of minerals. As of 2020 two model gold smelters were built in Lwamgasa and Katente, a one stop mineral processing and export center, strengthening of mineral control and reduction of smuggling due to construction of a 24.5km wall around the Mirerani tanzanite mine. Also, 28 markets and 25 mineral centres have been established. The company recognizes the market forces that are surrounding the mining industry and gold processing and supply business in particular. We will utilise all reasonable means to ensure that our products meet the required standards and be able to sustain the business environment.

4.3 TARGET MARKETS AND THEIR CHARACTERISTICS

The resolution to invest in gold processing business resulted from a well thought market study that informed different strategies and actions. In view of that, following cultural values, lifestyle, needs and preferences our products are mainly meant for middle class and high-income earners. These are specifically private companies in both domestic (10%) and foreign (90%) markets. These will include:

- Jewelry production companies,
- Electronic components manufacturing companies,
- Art and culture companies and
- Gold merchants.

4.3 MARKET SIZE

Our feasibility field survey indicates that; the market is poised to keep on growing as global population growth increases. Highest demand comes from foreign customers Tanzania. We expect to produce and supply gold ingot throughout the year. The business is designed to produce ingots weighing 900 kg during the first year of operation with an estimated revenue of USD 50,400,000. It is projected that 90% and 10% of sales shall be generated from export and local markets respectively. Table 4.1 below summarises the expected demand for the business during the first year of the project.

5.0 INVESTMENT AND FINANCING

5.1 Assumptions

All prices and costs used in this project are based on December 2022 market levels and are in the real value assumptions. The budgets have been incremented by 20% to cover the possible changes in real prices due to inflationary effects likely to fall in. Only the construction costs have and are kept constant for the entire project development. The project operation costs are also fixed for the all life on the assumption that when real costs rise, they affect both buyer, seller and income-expenditure at the same proportional levels within means the profit margin will be maintained constant.

The project's life span is planned to be 25 years assumed that construction will take 4 years and after construction the operation will have be in the next 20 years period a period considered long enough to scale the impact of the project to the communities.

To bring all costs to a conservative level, capital and operating costs estimates have been increased by a contingent allowance of capital financing.

5.2 Summary of Investment Funds Allocation

The total capital investment is estimated at US\$ 1,500,000.00 and is itemized as follows:

ITEMS	US DOLLAR
Fixed Investments	1,330,000.00
Working Capital	170,000.00
Total Investment	1,500,000.00

Financing Plan

The project is expected to be financed by owner's equity contributions at 30%, (US\$ 0.506million) and, loans at 60%, (US\$ 0.994 million).

6.0 FINANCIAL AND ECONOMIC ANALYSIS

Projecting for financial statement is based on the following assumptions:

- The project is evaluated for 5 years based on the useful life of major assets
- The implementation of the project will cost US\$ 1.50million
- Capital expenditure will be spread over a period of 5 years.
- Economic depreciation rates are based on useful life of fixed assets and capital items.

Depreciating and Amortization Schedule

It is assumed that the project will be granted a 50% capital investment allowance on the year of acquisition of capital/deemed capital goods and thereafter the balance of 50% be subjected to the normal depreciation rates. This applies to Machinery, Equipment, Motor Vehicles and furniture for this particular case.

It then follows that the schedule will be:

DEPRECIATION SCHEDULE	RATE
Land & Buildings	4.00%
Equipment & Machinery	10.00%
Motor Vehicles	20.00%
Office Equipment	20.00%
Furniture & Fittings	12.50%
Preoperational Expenses	20.00%

6.1 Sales Projections and Expenses

Sales projections and expenses are based on the sale of space in the premise as a main revenue generating services. Though there may be a slight positive increase every year, the first three operating years give that picture as sales as annexed

6.2 Operating costs:

6.2.1 Salaries, wages and allowances plus Social Benefits

6.3 Administrative Costs

- 6.3.1 Director/Board fees
- 6.3.2 Professional/audit fees
- 6.3.3 Traveling
- 6.3.4 Insurance: 2% of major capital assets (motor vehicles and Machinery/equipment)
- 6.3.5 Licences
- 6.3.6 Taxes/duties/levies
- 6.3.7 Marketing and Advertisement

6.4 Financial Statements

6.4.1 Profits

Net profit increases from US\$ 264,042 in the first year growing to USD 353,0744 in the fourth year which will then rise to USD 360,395 in the fifth year and remain constant to the tenth year.

6.4.2 Projected Cash Flows

As shown in the cash flow, the project has a positive net cash flow from year 1 of operation to the 5th year.

6.4.3 Revenue Reserves

Revenue Reserves Increasing the company value are increasing all over the project life span, at a multiplier of about eight times in the period of ten years (from USD 264,042 to USD 3,072,325 in the fifth year) meaning the project multiplier move on its wealth is high.

6.5 Financial Indicators

Financials indicators showing the financial viability of the project are summarized below:

6.5.1 Internal Rate of Return (IRR)

The project' internal rate of return (IRR) after tax is computed as annexed at the discount rate of 4%

6.5.2 Net Present Value

The Net Present Value will as per schedule annexed

6.5.3 Payback Period

The payback period is computed at 3 years

7.0 ECONOMIC BENEFITS OF THE PROJECT

The successful operation of the Project will contribute significantly to the economic and benefits to Tanzania people. In summary, the benefits that will be realized are as follows:-

- Job offer to professionals and non professional workers
- It will serve to provide more standard, modern and quality working space in the county.
- Provision of market to other Input (local producers) and services providers, thus contributing to their income creation.
- The income to be earned will help in improving standard of living of the workers and other people residing in the area.
- The direct income for the workers, combined with other social benefits that the will provide and help in overall efforts of alleviation of poverty in the country.
- Provision of a market for goods demanded, services demanded
- Investment tax will add up on tax revenue of the Treasury and local Government authorities.
- The Government earns considerable revenue from the workers and investors in terms tax collections.

8.0 MANAGEMENT AND STAFF

To perform a professional job in the services industry a company requires a team of skilled and well-motivated personnel. Under the implementation program the project envisages undertaking a deliberate 2 prolonged plan.

- Out – Sourcing staff with relevant and adequate industry skills capable of strategizing and operationalizing growth and profit oriented marketing and operational plans and strategies. The local labour market has enough personnel with relevant skills and experience in the fields of marketing, operations and information technology. In case of short falls, more effort will be spared in looking for requisite skills elsewhere including on the neighbouring labour market.
- Motivation and retention scheme: Continuity being a vital element in any efficient operation, focus will be given to minimize frequent manpower run out. In order to achieve this, an attractive incentive package will be part of the expansion program. The objective is to attract the best-qualified personnel to the company labour force and to retain them for a reasonable period of service in order to achieve continuity and harmony in the company's operations.

9.0 SWOT ANALYSIS

9.1 Strengths

The strengths of this project will be the same as those that have served the project promoters other businesses operations in good stead. These are:

- Sound and credible management and financial policies
- All incredible determination and perseverance of the directors against immense odds
- A fairly well skilled, committed and efficient labor force
- A quality maintenance.

9.2 Weaknesses

- No weaknesses are anticipated so far

9.3 Opportunities

The company is focused to take optimum possible advantage on the following:

The increased attractiveness of the country as a quality investors' destination through available policies including:

- Market liberalization
- Lucrative investment incentive package
- Duty exemption on capital goods
- 50% capital investment allowance with indefinite loss carry over period against future profits
- A stable economic and political environment
- Heavy investments in infrastructural development in roads (all weather)

9.4 Threats

The main, profound and most likely threat to the company's well being in the market includes:

- Unfair competitive practices among stakeholders such as negative (publicity, skilled manpower draining and agent/client poaching).

10.0 CONCLUSION AND RECOMMENDATIONS

10.1 Conclusion

The project as analyzed in this report is both economically and technically viable. The project has come at the right time to provide the much needed quality goods and living facilities for all living communities in Tanzania and neighbors.

10.2 Recommendations

A fast implementation of this venture is therefore highly recommended especially at this juncture when the Government in collaboration with donor communities is implementing a program of boosting investment in trade, improving living standards, and free movements of goods in the East African Community.

FINANCIAL ACCOUNTS

PROJECTED INCOME STATEMENT						
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Sales Revenue		639,000	766,800	920,160	1,104,192	1,325,030
Cost of Sales		127,800	127,800	127,800	127,800	127,800
Gross Profit		511,200	639,000	792,360	976,392	1,197,230
Operating Expenses						
Administrative Overhead						
Costs		33,000	33,330	33,663	34,000	34,340
Motor Vehicle running		34,000	34,340	34,683	35,030	35,381
Salaries and Wages		26,600	26,866	27,135	27,406	27,680
Depreciation		117,250	118,423	119,607	120,803	122,011
Utility Costs		14,000	14,140	14,281	14,424	14,568
Insurance		35,500	35,855	36,214	36,576	36,941
Interest on Loan		44,400	44,844	45,292	45,745	46,203
Total Expenses		237,750	240,128	242,529	244,954	247,404
Profit before Tax		273,450	398,873	549,831	731,438	949,827
Tax (30%)		82,035	119,662	164,949	219,431	284,948
Profit After Tax		191,415	279,211	384,882	512,007	664,879

PROJECTED BALANCE SHEET						
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Fixed Assets		1,220,000	1,102,750	1,023,000	942,000	861,000
Long term Assets						
Depreciation		117,250	82,250	82,250	82,250	82,250
Total long term assets		1,102,750	1,020,500	940,750	859,750	778,750
Current Assets						
Cash		3,528,730	4,058,040	2,632,581	4,941,437	7,570,679
Account Receivable		170,000	195,500	224,825	258,549	297,331
Inventory		0	0	0	0	0
Total Current Assets		3,698,730	4,253,540	2,857,406	5,199,986	7,868,010
Total Assets		4,801,480	5,274,040	3,798,156	6,059,736	8,646,760
Current Liabilities						
Accounts Payable		42,500	48,875	56,206	64,637	74,333
Other Current Liabilit		3,500	4,025	4,629	5,323	6,122
Subtotal Current Liabi		46,000	52,900	60,835	69,960	80,454
Long term Liabilities						
Long term Liabilitie		0	0	0	0	0
Total Liabilities		46,000	52,900	60,835	69,960	80,454
Captil and Reserves						
Owners Contribution		1,420,000	1,657,415	2,180,941	2,905,868	3,872,717
Retained Earning		191,415	470,626	664,093	896,888	1,176,885
Total Capital		1,657,415	2,180,941	2,905,868	3,872,717	5,130,057

OTHER OPERATING COST						
Other Operations Cost		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Motor Vehicle running expens		34,000	37,060	40,395	44,031	47,994
Salaries and Wages		26,600	29,260	32,186	35,405	38,945
Administrative Overhead Costs		33,000	36,300	39,930	43,923	48,315
Utility Costs		14,000	15,400	16,940	18,634	20,497
Interest on Loan		44,400	39,960	35,964	32,368	29,131
Communication Exepnses		18,000	19,800	21,780	23,958	26,354
Total Costs		170,000	177,780	187,195	198,318	211,236

FIXED ASSETS SCHEDULE						
NAME OF ASSETS		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Land and Buildings		1,020,000	969,000	918,000	867,000	816,000
Plant & Machines		100,000	80,000	60,000	40,000	20,000
Motor Vehicle		50,000	10,000	5,000	0	-5,000
Furniture & Fixtures		50,000	43,750	40,000	35,000	30,000
Total		1,220,000	1,102,750	1,023,000	942,000	861,000
Depreciation		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Land and Buildings		51,000	51,000	51,000	51,000	51,000
Plant & Machines		20,000	20,000	20,000	20,000	20,000
Motor Vehicles		40,000	5,000	5,000	5,000	5,000
Furniture & Fixtures		6,250	6,250	6,250	6,250	6,250
ANNUAL DEPRECIATION		117,250	82,250	82,250	82,250	82,250
CLOSING FIXED ASSETS		1,102,750	1,020,500	940,750	859,750	778,750