

**XINCHENG DEVELOPMENT INVESTMENT COMPANY
LIMITED**

**BUSINESS PLAN
FOR
PROVIDING TECHNICAL SUPPORT IN MINING AND DRILLING SERVICES**

PROJECT SUMMARY

- 1.1 **APPLICANT :** XINCHENG DEVELOPMENT INVESTMENT COMPANY LIMITED
- 1.2 **NATURE OF PROJECT :** PROVIDING TECHNICAL SUPPORT IN MINING AND DRILLING SERVICES
- 1.3 **PROJECT SPONSOR :** XINCHENG DEVELOPMENT INVESTMENT COMPANY LIMITED
- 1.4 **DATE OF INCORPORATION :** 1ST NOVEMBER, 2022
- 1.5 **PROJECT LOCATION :** MISIGIRI VILLAGE, IRAMBA SINGIDA
- 1.6 **OBJECTIVE :** APPLYING TIC CERTIFICATE

2.0 EXECUTIVE SUMMARY

Description of the Company

XINCHENG DEVELOPMENT INVESTMENT COMPANY LIMITED is locally Company incorporated under Company Act of 2002, with certificate of incorporation **No. 158677938** dated 1st November, 2022.

The company share capital is Tsh 2,000,000,000/= with main objectives

XINCHENG DEVELOPMENT INVESTMENT COMPANY LIMITED Project is planning to involve in providing technical support in mining and drilling services

Project document presents proposals by **XINCHENG DEVELOPMENT INVESTMENT COMPANY LIMITED**, a locally registered company the project promoters are confident of mobilizing financial resources through owners' equity and long-term loan amounting to of **US\$ 4,000,000**

This study is a guiding tool for establishing a project for providing technical support in mining and drilling services and will be presented to TIC for obtaining certificate of incentives to facilitate smooth implementation of the project.

2.1 Project Location

The project will be located at **Misigiri Village, Iramba Singida**

2.2 The Project Sponsors

XINCHENG DEVELOPMENT INVESTMENT COMPANY LIMITED will be sponsoring this project. The Company is jointly owned by three shareholders.

Name of shareholder	Percentage of Share	Nationality
An Chong	40	China
Peng Daqiu	30	China
Wang Zhengang	30	China

2.3 The Project Objectives

The project main objectives is to provide technical support in mining companies

2.4 The Company Legal Status

XINCHENG DEVELOPMENT INVESTMENT COMPANY LIMITED was registered in 2022 with certificate of Registration No. 158677938.

2.5 Objective of Study

The purpose of this study is to work out the project viability technically and financially.

2.6 **The Project Rationale**

The project is consistent with overall government economic policy and strategies on mining sector increase of investment in mining sector

Tanzania is a land rich in minerals. Mining makes up more than 50% of the country's total exports, of which a large part comes from gold. The country has gold reserves of 10 million ounces, generating revenue of over a billion USD.

2.7 **The Role of Private Sector**

Tanzania like other countries in Africa decided to shift from closed economy dominated by government to open economy where all sector of economy is dominated by private sector. From the following facts the government has been obliged to change from being the key player to a facilitator in all sector of economy. This new role of the government has led to a more conducive and attractive environment to the private sector to join and invest in the agriculture sector.

Private investment in the mining sector will go a long way in increasing the establishment of Mining project, new industries, thus contributing in adding value of minerals.

The Government recognizes the pivotal role of the mining sector both in terms of economic growth and poverty reduction. In 2022, mining and quarrying added 15.4 trillion Tanzanian shillings (TZS) to Tanzania's Gross Domestic Product (GDP). This corresponded to around 5.9 billion U.S. dollars. The mining industry has been increasing its contribution to the country's economy since 2015.

Priority actions include:

- The pursuit of macroeconomic policies that will motivate investment in mining sector by small holders and large – scale companies.
- Creation of an enabling environment and provide proactive support to private operators
- Concentration of budgetary allocations in exploration and r
- Provision of special support to investments in mining sector

3.0 Ove view of Mining Sector

Mining a leading industrial sector 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 incudes 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 40 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 few changes in the Mining industry in the country. According to Petroleum Act 2015 PDF and the Mining Act 2010 PDF, 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. In June 2017, the Tanzanian government passed laws with significant implications for extractive sector governance in the country (including the Natural Wealth and Resources Contracts Bill, the Natural Wealth and Resources Bill and the Written Laws Act). One of the most significant implications of the bills is that they empower the national assembly to allow the

government to re-negotiate any agreement considered inequitable and containing “unconscionable terms”

Other provisions entitle the government to stakes of at least 16 % in mining companies operating in the country, with the option to acquire up to 50%.

The Tanzania Extractive Industries Transparency and Accountability Act 2015 PDF

has provisions for all new concessions, contracts and licenses to be made available to the public

One result of these amendments led to the establishment of Joint Venture Company known as Twiga Minerals Corporation Limited between the Government (16 percent shares) and Barrick Gold Corporation Company (84 percent shares); and payment of compensation of \$100 million from Barrick Gold Corporation Company as initial settlement of the agreed \$300 million.

The GoT would like to see more value-added activities in the country to include smelting and processing of minerals. As of 2020 two model gold smelters were built in Lwamgasa and Katente, 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 centers have been established.

In recent years, mineral exploration has increased in several parts of the country. The sector has attracted substantial new foreign investment in mineral development exploration, with local investment surpassing \$1 billion. Recent nickel, helium, graphite, uranium and coal finds have spurred increased interest on the part of investors.

Sub-Sector Best Prospects

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

3.1 Investment Opportunities

- Establishment of gold refinery activities

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

4.0 Project Management and Manpower requirements

For efficient planning, managing and running of project activities, the company will employ 15 skilled and experienced employees

5.0 Project description

Significant measures have been taken to liberalize the Tanzania economy so that to encourage private sector to take a lead in Tanzania economic growth; The Government of Tanzania embarked on adjustment program to give the private sector the leading role. That is why XINCHENG DEVELOPMENT INVESTMENT COMPANY LIMITED came up with a proposal to establish the said project.

6.0 Targeted Markets.

The targeted market of the project is mining companies

6.1 Supply and Competition

The project is not expecting to face any competition within country

6.2 Monitoring and Evaluation

The Management has full commitment to ensuring good quality of agricultural produces from **XINCHENG DEVELOPMENT INVESTMENT COMPANY LIMITED** use of new technology in mining industry will be more emphasized. Thus, the management philosophy is through business process, management will strive to ensure compliance to standards and quality service.

7.0 Project Investment Cost

The estimated capital investment cost of the project is US\$650,000

SCHEDULE 6.0: COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	50,000.00
Machinery & Equipment	2,500,000.00
Motor Vehicles	1,000,000.00
Furniture & Fixtures	5,000.00
Pre exp	10,000.00
Others	5,000.00
Working Capital	430,000.00
TOTAL	4,000,000.00

For the project to be a reality a total investment amounting to US 4,000,000 is needed

7.1 Financing Pattern

The project will be financed by equity US \$ 3,000,000 and loan US\$1,000,000

8.0 Financial Analysis

8.1 Considerations and Assumptions:

The corporate tax charged is 30% of the profits. Capital investment allowance is 50%. The capital assets are exempted from custom duty and Value Added Tax. The straight-line method to depreciate the project's capital items has been applied.

8.2 Financial Statements:

8.3 Projected Revenue

For projection purposes, it is assumed that the economic life of the project is five years, and that revenue from the project commence from the first year of operation.

8.4 PROJECTED PROFIT AND LOSS STATEMENT

The Income and Expenditure Statement shows the projected income for the 5 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. US \$, 1,707,650 in first year to US \$ 9,623,824 in the 5 year

PROJECTED INCOME & EXPENDITURE STATEMENT

	1	2	3	4	5
Revenue	3,780,000	3,969,000	4,167,450	4,375,823	4,594,614
Operating Expenses:	1,134,000	1,190,700	1,250,235	1,312,747	1,378,384
Profit before Depreciation &Interest	2,646,000	2,778,300	2,917,215	3,063,076	3,216,230
Interest	80,000	64,000	48,000	32,000	16,000
Depreciation	126,500	126,500	126,500	126,500	126,500
Gross Profit	2,439,500	2,587,800	2,742,715	2,904,576	3,073,730
Tax (30%)	731,850	776,340	822,815	871,373	922,119
Profit After Tax	1,707,650	1,811,460	1,919,901	2,033,203	2,151,611
Accumulated Profit	1,707,650	3,519,110	5,439,011	7,472,214	9,623,824

8.5 PROJECTED CASH FLOWS

The project's cash flows depict a good liquid position right from the first year. Cash accumulation builds up from US \$1,914,150 in the first year to US \$ 10,496,325 at the end of 5 years of the project's operations

PROJECTED CASH FLOWS USD\$M

SOURCES:		1	2	3	4	5
Profit before interest and depreciation	-	2,646,000	2,778,300	2,917,215	3,063,076	3,216,230
Equity	3,000,000					
Loan	1,000,000					
Total Sources	4,000,000	2,646,000	2,778,300	2,917,215	3,063,076	3,216,230
Applications:						
Capital expenditure	3,555,000	-	-	-	-	-
working Capital &Others	445,000					
Cash	-	1,914,150	2,001,960	2,094,401	2,191,703	2,294,111
Tax	-	731,850	776,340	822,815	871,373	922,119
Sub total	4,000,000	2,646,000	2,778,300	2,917,215	3,063,076	3,216,230
Total applications	4,000,000	2,646,000	2,778,300	2,917,215	3,063,076	3,216,230
Accumulated cash		1,914,150	3,916,110	6,010,511	8,202,214	10,496,325

7.6 PROJECTED BALANCE SHEET

Project total equity rise from US \$53,000,000 at first year to US \$ 12,623,824 fifth which is significance increase as you can see below

PROJECTED BALANCE SHEET

Fixed Assets	-	1	2	3	4	5
Opening balance	-	3,555,000	3,428,500	3,302,000	3,175,500	3,049,000
Total Long-term Assets	-	3,555,000	3,428,500	3,302,000	3,175,500	3,049,000
Less depreciation	-	126,500	126,500	126,500	126,500	126,500
Closing balance	-	3,428,500	3,302,000	3,175,500	3,049,000	2,922,500
Working capital	445,000	445,000	445,000	445,000	445,000	445,000
Accumulated cash	-	1,914,150	3,916,110	6,010,511	8,202,214	10,496,325
Total assets	445,000	5,787,650	7,663,110	9,631,011	11,696,214	13,863,825
Financed by						
Equity	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Accumulated profit	-	1,707,650	3,519,110	5,439,011	7,472,214	9,623,824
Total equity	3,000,000	4,707,650	6,519,110	8,439,011	10,472,214	12,623,824
Long term loan	1,000,000	800,000	600,000	400,000	200,000	-
Total debts	1,000,000	800,000	600,000	400,000	200,000	-
Total equity and debts	4,000,000	5,507,650	7,119,110	8,839,011	10,672,214	12,623,824

9.0 ECONOMIC ASPECTS

Implementation of this project will have the following social and economic values

- The project is an ideal option for utilization of the investment opportunities available in mining sector
- The project will create employment for **15** people on permanent contract.
- It will create more business opportunities

- It will generate substantial revenue to the government in the form of corporate tax, value added tax and pay as you earn.
- The project will have transfer of knowledge and skills to mining companies
- The project will generate foreign earnings

10.0 IMPLEMENTATION

Project implementation is expected to be relatively very short once project has been approved it is estimated that construction of hotel will be completed within one year: -

SCHEDULE 11.0 IMPLEMENTATION

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	October 2024
2	Placing order of machines	September– November 2028
3	Arriving of machines and equipment	November-December 2028
4	Recruitment	December 2024
5	In house training	January- February 2025
4	Testing	March - May 2025
6	Commercial operations	June 2025

11.0 CONCLUSION & RECOMMENDATIONS

The project is technically feasible, financially viable, and economically sound, provided the sponsors will manage it efficiently.

It is recommended that the project be approved by Tanzania Investment Centre and be granted the TIC Certificate of Incentives with its associated privileges and benefits as provided for under the Tanzania Investment Act, 1997.