

DIVINE PROJECTS TRADING COMPANY LIMITED

PROJECT BUSINESS PLAN

Prepared By:

Remdin Mohamed Noor

FOR: DIVINE PROJECTS TRADING COMPANY LIMITED

EXECUTIVE SUMMARY

M/s DIVINE PROJECTS TRADING COMPANY LIMITED (DPTCL) is a private owned company with certificate of registration No. 176714611 incorporated on 30th July 2024, under the Companies Act, 2002, of the Laws of Tanzania. The company head office is located at Utemini Ward, Ipembe Street, Singida Gold Market House PO Box 130, Singida - Tanzania. The objectives of the company amongst others include to carry out exploration and gold mine development in the country. The company owns a Primary Mining License (PML) No. PML1311SGD, PML1312SGD and PML1313SGD which cover a total area of 0.157154 square kilometres. The Primary Mining License is located at Timbwa Village in Iramba District, Singida.

Divine Gold Project (DGP) is located at Timbwa Village approximately 9 kms west of Misigiri-Kiomboi tarmac road, within Iramba District, in Singida Region.

The proposed project is estimated to cost USD1,360,000 of which USD 280,000 is license acquisition and licensing, USD730,000 is for Plant and equipment. Land and buildings costs USD 130,000, working capital USD 200,000 and office equipment USD 20,000. The financing of the project will be through equity funds from the project promoter (73.5%) and a (26.5%) term loan from financial institutions.

M/s Divine Projects Trading Company Limited has successfully carried out Environmental Impact Assessment (EIA) and Social Impact Assessment (SIA)

The Company targets gold market in South Africa, Dubai, Mauritius and Europe. Sales arrangement will include M/s Divine Projects Trading Company Limited signing sales contracts with reputable buyers to sell its gold on a regular basis. The company will stockpile gold at its premise. Once the target quantity is reached as agreed by the buyer, the buyer will test the purity of gold and immediately pay for the consignment. The payment shall be made by transferring the funds to M/s Divine Projects Trading Company Limited bank account prior to shipment of the bullions out of the mine. To this end, M/s Divine Projects Trading Company Limited will neither be involved in the actual transportation of gold from the mine to the buyer nor bear costs associated with transport.

The project financial analysis shows that the project is a viable undertaking. Financial indicators for the project, Internal Rate of Return (IRR) is 90%, the discounted payback period is 4 years while NPV at 10% is USD 9,769,891. This implies that, the project is technically sound, financially viable and economically feasible thus worth financing.

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INTRODUCTION

1.1 INVESTMENT ENVIRONMENT

Tanzania is an emerging economy with high growth potential. Whilst the economy is relatively diversified, a number of opportunities remain untapped. In an attempt to make Tanzania a preferred destination for Foreign Direct Investment (FDI), continuous improvements towards the creation of an enabling environment have been made.

The gold price, greater than USD 2,500 per ounce, over the last three years and demand for the gold metal has prompted many gold mining companies and prospectors worldwide to reassess their prospective properties. Projects which were not attractive in the past due to low gold grades and/or price now require re-appraisal with the view of whether profitable ventures may be facilitated. The mentioned reasons have prompted Divine Projects Trading Company Limited (DPTCL) deciding to develop Divine Gold Project (DGP). The company's intention is to generate profits for the shareholders and wellbeing of communities surrounding the project area. Additional revenue will be injected into the government through payment of royalty, corporate taxes, service levy, import duties and other taxes resulting from various business transactions.

For Tanzania, with the continued discoveries of small and medium gold deposits in various parts of the country and the growth of organized small miners, the mining industry stands at a more growth potential. In addition, the projected increase in gold price due to increase in gold demand from the Central Banks and BRICS countries i.e. Brazil, Russia, India and China will enable the sector contribute even more to the GDP as well as improving people's lives in the sector. It is in these grounds that M/s Divine Projects Trading Company Limited is desirous to establish Vat leaching and a CIP Plant for gold ore processing.

1.2 OBJECTIVES OF THE PROJECT

The aim of the project promoter therefore is to develop a gold mine, install modern vat leaching plant and a CIP plant for gold ore processing at Timbwa village, Old Kiomboi ward, in Iramba District, Singida Region and Matundasi, Makulugusi in Chunya District, Mbeya Region. Specifically, the objectives of the company are to:

- i) Mobilize funds from its shareholders and financial institutions
- ii) Develop a gold mine
- iii) Develop a modern VAT leaching plant and install a CIP Plant at the site; and
- iv) Operate the Plant and repay the loan to the financial institution(s) as per the agreed terms and conditions.

1.2.1 PROJECT PROMOTER

The promoter of the proposed project is M/s Divine Projects Trading Company Limited (DPTCL). The promoter is a private owned company with certificate of registration No. 176714611 incorporated on 30th July 2024, under the Companies Act, 2002, of the Laws of Tanzania. The company head office is located at Utemini Ward, Ipembe Street, Singida Gold Market House P.O. Box 130, Singida- Tanzania. Authorised share capital of the company at the time of registration was TZS 500,000,000 divided into 1,000 shares of TZS 500,000 each. The project is wholly owned by M/s Divine Projects Trading Company Limited.

Credit Relationship

Currently, M/s Divine Projects Trading Company Limited is free from any financial encumbrances. Similarly, the company directors for the company have good understanding of credit management thus assure promising loan servicing.

2 PROJECT DEVELOPMENT AND ANALYSIS

2.1 DEVELOPMENT

The project will be implemented in three phases namely Construction, Operation and Decommissioning.

2.1.1 CONSTRUCTION

The construction phase has components like Building and Civil Works; Installation of Machinery and Equipment; Acquisition of Office Equipment, Furniture and installation of Infrastructure for Utilities like water and electricity.

2.1.2 OPERATION

The operation phase includes drilling, blasting, hoisting and production of gold from the ore rock.

2.1.3 DECOMMISSION

The decommission phase includes closure of the plant, dismantling of the equipment and rehabilitation of the land to nearly its original status.

2.2 PROJECT PLOT DESCRIPTION

2.2.1 LOCATION AND SIZE

The area is within PML1311SGD, PML1312SGD, PML1313SGD which is located at Timbwa Village, approximately 9 kms west of Misigiri – Kiomboi Tarmac Road, within Iramba District, in Singida Region the PMLs cover a total area of 0.157154 square kilometres.

8 PROJECT FINANCIAL ANALYSIS

8.1 COSTS ELEMENTS

8.1.1 TYPES OF EXPLOSIVES

The bulk explosives are magnum control and ammonium nitrate-based emulsion product and pumped in the hole at 1.20g/cc. Accessories are a 400g booster, shock tubes, non-electrical delays, and detonating cord. Initiation is by means of remote exploder unit. The powder factor varies between 0.22 to 0.44 kg/bcm. The explosives should be stored in the Magazine and handled as per Tanzania explosive Act.

8.1.2 TYPES AND MANAGEMENT OF CHEMICALS

Quantities of chemicals to be used will depend upon the size of the mine and the processing plant. Similarly, grade and mineralogy of the ore to be treated by the processing plants determine the quantities to be used. Considering a mine that processes approximately 25,200t/year and assuming that there is no complex ore to hinder dissolution and other metallurgical processes in the plant, estimates of the quantities of the major chemicals and supplies to be consumed per year (**Table 11**).

Table 6: Summary of Chemical Type, Quantity and Uses

No	Chemical Type	Q'ty per year	Uses
1	Cyanide (1kg/ton)	22,500kg	Gold leaching
2	Caustic soda (0.4kg/ton)	9,000kg	Used lime, for pH regulation
3	Sodium metabisulphite		Cyanide detoxification
4	Nitic acid (20kg/week)	1,040kg	Elution process
5	Flocculants (minor)		Dewatering
6	Activated carbon (5tons/year)	5 tons	Carries Gold in solution form

8.1.3 GRADE CONTROL

It is unlikely that the assays from blast holes will give sufficient control, given their relatively wide spacing, therefore continuous grade control manning with the channel cutting saw is also likely to be required. Grade control procedures will be developed at the required standard. Two run-of-mine stockpiles, for high grade and low-grade ores, respectively, and each equivalent to 5-days' mill feed will be established near the primary crusher.

Blasting will be done depending on the short- and long-term production plan, based on the project timeline and requirements it is advised that there should be a

continuous production process this means a twenty-four hours production schedule which implies that the project will be running at least two shifts, day and night shift. This implies that blasting can be done daily or after two days of operations. With regards to safety, control blasting will be conducted whereby pre-split holes will be drilled and smooth control blasting will take place, with this kind of blasting, effect of vibration will be minimized if not eliminated.

8.2 PROJECT FINANCING PLAN

Total estimated capital investment of the project is USD 1,360,000. The financing of the project costs will be through equity funds from the project promoter M/s Divine Projects Trading Company Limited (74%) and a term loan (26%) from financial institutions (**Table 12**).

Table 7: Proposed Project Financing Plan

ITEM	AMOUNT IN USD	PERCENTAGE
Equity from M/S Divine Projects Trading Company Limited	1,000,000	74%
Term Loan from Financial Institutions(s)	360,000	26%
TOTAL	1,360,000	100%

8.2.1 PROPOSED TERMS AND CONDITIONS FOR THE LOAN

The following are the proposed terms and conditions for the required loan facility:

- Loan amount: USD 360,000
- Moratorium period: 1 year during which interest will be capitalized
- Repayment period: 3 years excluding a 1-year grace period
- Interest on loan: Fixed rate of 9% for the facility in USD

Table 12: SWOC Analysis

<p><u>Strengths</u> High quality and strong product Committed and enthusiastic shareholders Well experienced promoters Sufficient proven ore reserves as per geology study Product in high demand</p>	<p><u>Weaknesses</u> Capital intensive coupled with high capital cost Proportionately High operational costs</p>
<p><u>Opportunities</u> Huge Market growth Liberalization of the economy and Government's policy to remove monopolies Possession of adequate ML for mining activities</p>	<p><u>Challenges</u> Theft of Gold High labour & electricity costs Increase in Government levies Legislation which might be counter productive Workers strike</p>

11.3 COMPETITION ANALYSIS

Basically, competition to the proposed project is expected particularly from the existing big mining companies i.e. Barrick, Geita Gold Mine and Shanta Mine. However, it could be noted that in Gold business competition could be in terms of company capacity to acquire more mining licenses and ability to carry out exploration prior to mining works. M/s DPTCL already owns PML 1311SGD, 1312SGD and 1313SGD which is well enough for the target operation. Therefore, the existing big mining companies will not pose serious competition to the proposed project.

12 FINANCIAL AND ECONOMIC VIABILITY

12.1 ASSUMPTIONS

The financial assessment and projections are based on the following assumptions

- Estimated cost of the project is USD 1,360,000
- A loan of USD 360,000 in 4 years (1-year grace period exclusive) will carry an interest rate of 9% p.a. on USD. During grace period, interest rate will be capitalised
- The average time between procurement, installation and commissioning of the Plant is 6 months
- Project costs are assumed to increase at 2%
- An average gold recovery/production (grade in grams per tonne) is 6.01g/t of processed gold ore while the ounces to gram conversion (Oz:g) is 31.103477
- Ore to waste ratio is 7:3

- The average price for Gold is USD 1,200 per Ounce
- Cost estimates for legal and consultancy fees is 0.5% of net revenue, mine royalty is 6% of turnover, corporate tax 30% of gross profit, inspection fee is 1%, local levy is 0.6%, government free share 16%
- Average electricity bills are USD 15,000/month, external security charges is USD 4,780/month, communication is USD 670/month and other office expenses is USD 2,000/month
- Depreciation cost is calculated at 5%, 25%, 37.5% and 20% for building, plant and equipment, furniture & fittings and motor vehicles respectively on a straight-line basis
- Plant capacity for crushing is 3,75 tonnes/hr operating at 80% capacity utilization while. The general plant capacity utilization for ore processing therefore is assumed to be 80% in year 1, 85% in year 2 and 90% from year 3 onwards
- Project life span is assumed to be 13 years
- Exchange rate is USD/TZS 2,680.

12.2 PROJECTED CASH FLOW STATEMENT

The details of sources and application of funds are presented in Table 18. The cumulative cash balance is positive throughout the life of the project. As such, the project does not require intermediate funds besides the initial investment. The cumulative net cash at the end of year 10 is USD 9.17 million.

Table 13: Cashflow in Ten Years

Year	1	2	3	4	5	6	7	8
Operating activities								

Cash from operations	80,330	2,923,200	2,892,131	2,860,224	2,922,514	2,878,082	2,832,761	2,786,534
Profit Before Tax	33,367	2,769,228	2,709,618	2,678,243	2,642,603	2,600,415	2,626,078	2,631,195
Depreciation on PPE	146,963	253,972	282,513	281,982	279,910	277,667	206,683	155,339
Changes in working capital:								
Inventories	-100,000	-100,000	-100,000	-100,000				
Cash								
trade and other receivables								
trade and other payables								
Tax paid	-10,010	-830,768	-812,885	-803,473	-792,781	-780,124	-787,823	-789,359
Net cash from operating activities	70,320	2,092,432	2,079,245	2,056,751	2,129,733	2,097,957	2,044,938	1,997,175
Investing activities								
Cash paid for property, plant and equipment	-	-515,000	-375,000	-270,000	-250,000	-250,000		
Cash for Working Capital	1,130,000							
	-230,000							
Net cash used in investing activities	1,360,000	-515,000	-375,000	-270,000	-250,000	-250,000	0	0
Financing activities								
Proceeds from borrowings	360,000	-120,000	-120,000	-120,000				
Proceeds from Equity	1,000,000							
					1,500,000	1,500,000	1,500,000	-1,500,000
Net cash from financing activities	1,360,000	-120,000	-120,000	-120,000	1,500,000	1,500,000	1,500,000	-1,500,000
Increase in cash and equivalents	70,320	1,457,432	1,584,245	1,666,751	379,733	347,957	544,938	497,175
Movement in cash and cash equivalents								
At start of year	200,000	270,320	1,727,752	3,311,997	4,978,749	5,358,481	5,706,438	6,251,376
Increase in cash and cash equivalents	70,320	1,457,432	1,584,245	1,666,751	379,733	347,957	544,938	497,175
At end of year	270,320	1,727,752	3,311,997	4,978,749	5,358,481	5,706,438	6,251,376	6,748,551

12.3 PROJECTED DISCOUNTED CASH FLOW

From the discounted Cash flow, the key financial results are as follows:

- Net Present Value (NPV) at 10% US 9.77 Million
- Internal Rate of Return (IRR) 90 %
- Payback Period (PBP) 0.85 Years

The above profitability indicators suggest that the project is financially viable since the projected cash flows sufficiently cover the initial capital outlay. The results therefore

indicate that the proposed project is financially and economically viable hence worth to be implemented.

12.4 PROJECT SENSITIVITY ANALYSIS

Sensitivity analysis was carried out to tests viability of the project due to changes in revenue and operating costs. The following profitability indicators are derived.

Table 14: Sensitivity Analysis

Base Case 70tpd		Break Even Grade		Break Even Gold Price	
Details	Amount	Details	Amount	Details	Amount
Tons Mined Per Day	34	Tons Mined Per Day	70	Tons Mined Per Day	70
Tons Mined Per Month	1,022	Tons Mined Per Month	2,100	Tons Mined Per Month	2,100
Drilled Grade (g/t)	9	Drilled Grade (g/t)	5	Drilled Grade (g/t)	9
Recovery @ 65% (g/t)	6	Recovery @ 65% (g/t)	3	Recovery @ 65% (g/t)	6
Gold Price (oz)	1,200	Gold Price (oz)	1,200	Gold Price (oz)	584
Gold Price (g)	39	Gold Price (g)	39	Gold Price (g)	19
Gold Kgs Won	6,145	Gold Kgs Won	6,145	Gold Kgs Won	12,626
Gross Revenue	237,068	Gross Revenue	237,068	Gross Revenue	237,068
Royalty 6%	14,224	Royalty 6%	14,224	Royalty 6%	14,224
Clearing Fee 1%	2,371	Clearing Fee 1%	2,371	Clearing Fee 1%	2,371
Service Levy 0.3%	711	Service Levy 0.3%	711	Service Levy 0.3%	711
CSR Fee 0.7%	1,659	CSR Fee 0.7%	1,659	CSR Fee 0.7%	1,659
Buying Fee 4%	9,483	Buying Fee 4%	9,483	Buying Fee 4%	9,483
Net Revenue	208,620	Net Revenue	208,620	Net Revenue	208,620
Costs	208,620	Costs	208,620	Costs	208,620
Power	13,600	Power	13,600	Power	13,600
Drilling Costs	15,642	Drilling Costs	15,642	Drilling Costs	15,642
Equipping Costs	5,715	Equipping Costs	5,715	Equipping Costs	5,715
Explosives	18,106	Explosives	18,106	Explosives	18,106
Salaries and Wages	72,938	Salaries and Wages	72,938	Salaries and Wages	72,938
Vehicle Costs	4,500	Vehicle Costs	4,500	Vehicle Costs	4,500
Staff Costs	5,500	Staff Costs	5,500	Staff Costs	5,500
Processing Costs	34,723	Processing Costs	34,723	Processing Costs	34,723
Financing	2,700	Financing	2,700	Financing	2,700
Licensing Costs	1,000	Licensing Costs	1,000	Licensing Costs	1,000
Office Expenses	2,000	Office Expenses	2,000	Office Expenses	2,000
Security Costs	4,000	Security Costs	4,000	Security Costs	4,000
Depreciation	14,696	Depreciation	14,696	Depreciation	14,696
Sample Costs	4,000	Sample Costs	4,000	Sample Costs	4,000
Auditing Costs	1,500	Auditing Costs	1,500	Auditing Costs	1,500
Miscellaneous	8,000	Miscellaneous	8,000	Miscellaneous	8,000
Profit/Loss	0	Profit/Loss	0	Profit/Loss	0

Based on sensitivity results in the table above the following inferences could be made:

- Break even for production is 34.07tpd
- Break even for grade is 4.50g/t
- Break even for price is U\$583.99

The above profitability indicators show that the project is sensitive to changes in sales revenue affected by changes in production, grades and price. Under the current assumptions of production and processing, gold grade of 9.25g/t and price of U\$1,200, the project has a room to absorb any hit of decrease in production up to 39%. Nevertheless, the analysis has been based on a very pessimistic ground especially on the price. If the analysis is to apply the prevailing gold price, the project would have yielded more robust results.

12.5 PROJECTED BALANCE SHEETS

This statement is presented in Table 20. The analysis show that the project's balance sheet will increase from USD 1.36 million in year 1 to USD 8.74 million in year 10.

Table 15: Balance Sheet

Year	0	1	2	3	4	5	6	7	8	9	10
EQUITY											
Shareholder's Surplus	1,000,000	1,023,357	2,961,816	4,858,548	6,733,318	7,083,141	7,403,431	7,741,686	8,083,523	8,418,546	8,739,127
Share capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Retained earnings		23,357	1,961,816	3,858,548	5,733,318	6,083,141	6,403,431	6,741,686	7,083,523	7,418,546	7,739,127
Non-current liabilities											
Borrowings	360,000	360,000	240,000	120,000	0						
	1,360,000	1,383,357	3,201,816	4,978,548	6,733,318	7,083,141	7,403,431	7,741,686	8,083,523	8,418,546	8,739,127
REPRESENTED BY											
Non-current assets	1,130,000	983,037	1,244,064	1,336,551	1,324,570	1,294,659	1,266,993	1,060,310	904,971	787,050	696,594
Property, plant & equipment	1,130,000	1,130,000	1,645,000	2,020,000	2,290,000	2,540,000	2,790,000	2,790,000	2,790,000	2,790,000	2,790,000
Accumulated Depreciation		146,963	400,936	683,449	965,430	1,245,341	1,523,007	1,729,690	1,885,029	2,002,950	2,093,406
Current assets	230,000	400,320	1,957,752	3,641,997	5,408,749	5,788,481	6,136,438	6,681,376	7,178,551	7,631,495	8,042,534
Inventories	30,000	130,000	230,000	330,000	430,000	430,000	430,000	430,000	430,000	430,000	430,000
Trade and other receivables											
Cash and cash equivalents	200,000	270,320	1,727,752	3,311,997	4,978,749	5,358,481	5,706,438	6,251,376	6,748,551	7,201,495	7,612,534
Current liabilities	0	0	0	0	0	0	0	0	0	0	0
Net current assets	230,000	400,320	1,957,752	3,641,997	5,408,749	5,788,481	6,136,438	6,681,376	7,178,551	7,631,495	8,042,534
	1,360,000	1,383,357	3,201,816	4,978,548	6,733,318	7,083,141	7,403,431	7,741,686	8,083,523	8,418,546	8,739,127

12.6 PROJECTED PROJECT BENEFITS

The proposed project has a number of developmental values to the country, some of the project benefits include:

- Contribution of revenue to the Government through various taxes amounting to USD11,147 million for the plan period
- Creation of employment to at least 130 people on permanent basis and at least 100 casual labours
- Contribution to the government efforts of improving standard of living through provision of income to employees and other services providers to the mining site
- Increase forex to the country
- Facilitation of use of gold mineral resources needed to stabilize the country's balance of payment and generate revenue to Central and Local Government endowed with minerals in their locality
- Contribute to government efforts in the provision of social services through its CSR program of 0.6% of net revenue will be invested annually
- Contribution to increase GDP of the country and general per-capital income.

13 CONCLUSION AND RECOMMENDATIONS

13.1 CONCLUSION AND RECOMMENDATIONS

The project evaluation carried out in this study has demonstrated that the venture is profitable and offers attractive return of the funds to be invested. The return on equity over the project duration evaluated is generally moderate. Similarly, this project is in line with the National Development Policy thus worth financing.

The assessment of the viability of the proposed development demonstrates a high-income earning capacity. On the basis of the analysis, the investment will yield an IRR of 56% p.a which is greater than the cost of capital, 8% p.a. This financial assessment is based on a pessimistic ground with sales price of USD 1,200/oz (VAT and Royalty Inclusive) and Gold ore grade of 9.25g/t. On the other hand, the demand for gold to the world market is projected to increase due to increasing investment in gold, Jewellery business, industries, electronics, monetary exchanges, medicine and commercial chemistry. The analysis has been based on a very pessimistic ground especially on the grade and gold price. If the prevailing gold price of at least US 1,300/oz was used, the project would have yielded more robust results. Similarly, the scope of the project is relatively small compared to the potential demand. In this regard, it is recommended to finance implementation of the project at hand.