

**ZHONGQUAN MINING COMPANY LIMITED
PROPOSED BUSINESS PLAN
FOR
THE ESTABLISHMENT OF DOLOMITE AND GRANITE
PROCESSING INDUSTRY AT KWEDIKWAZU, HANDENI
DISTRICT, TANGA REGION - TANZANIA.**



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List of Abbreviations

BRELA – Business Registration and Licensing
CAPEX – Capital Expenditure
CIF – Cost Insurance and Flight
CRB –Contractor Registration Board
CSI - Corporate Social Investment
CSI - Corporate Social Investment
DAWASCO –Dar es Salaam Water supply Company
EIA – Environment Impact Assessment
GDP – Growth Domestic Products
GOT- Government of Tanzania
IRR – Internal rate of return
KVA – Kilo Volt Amperes
MT – Metric Ton
MW – Mega Watts
NBS – National Bureau of standard
NEMC – National Environment Management Council
NGO – Non Governmental Organization
NSSF – National Social Security Fund
OPEX – Operating Expenditure
OSHA – Occupation Health and Safety
PML – Primary Mining License
PPP- Public-private partnership
SPM - Single Mooring Point
SWOC – Strength Weakness Opportunity and Challenge
TANESCO – Tanzania Electric Supply Company
TPA – Tanzania Port Authority
TZS – Tanzania Shilling
US\$ - United State Dollar
USA - United states of America
VAT – Value Added tax
VETA - Vocation Education Training Authority

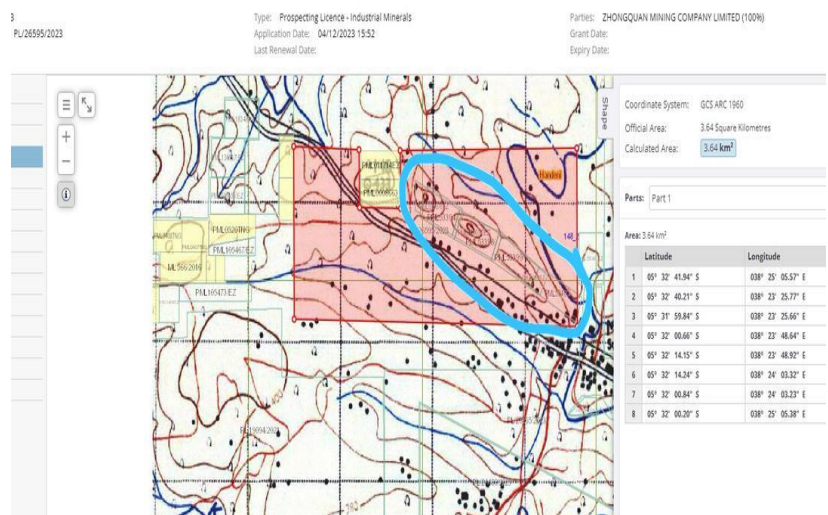
1.0. INDUSTRY OVERVIEW

1.1. PROJECT BACKGROUND

ZHONGQUAN MINING COMPANY LIMITED, a Tanzanian registered company plan to establish Dolomite and Granite processing plant in Tanzania following the discovery of Dolomite and Granite deposits in the Handeni District in Tanga Region. The company has found Dolomite and Granite deposits in at Kwedikwazu village, Handeni district- Tanga Region that have the potential to make Tanzania one of the world's leading countries in Dolomite and Granite production. The results of the initial soil geochemical samplings conducted by the company showed high Dolomite and Granite grades of up to 46-80% Dolomite and Granite.

The discovery of the Dolomite and Granite deposits is significant for the clean energy transition, as Dolomite and Granite is a critical mineral in the manufacture of batteries used in emerging modern tiles for construction decoration of buildings structure including different type of tiles according to preferences of customers. The company is now seeking formal Tanzania Investment Centre certificate of incentive and other approvals from the authorities, and while there is no specific timeline for starting proper drilling, the company is committed to pursuing further follow-up.

Tanzania has had past Dolomite and Granite discoveries, but they have been restricted to the Kwedikwazu area Handeni district, Tanga, where Zhongquan Mining Company Limited a multinationals have established stakes. In 2022, the area identified Dolomite and Granite deposits with values exceeding 46% Dolomite and Granite in Kwedikwazu, while in 2023, Zhongquan Mining Company Limited and acquired prospecting licences covering about 220.4Hactars for granite and 3.63 Ha of dolomite stone for extraction.



1.2. Project concept ZHONGQUAN MINING COMPANY LIMITED

The proposed project aimed to establish expands her production capacity by purchasing modern machines for mining processing in Kwedikwazu village, Tanga Region. However, the company is already involved in development of processing site by importation of machineries and equipment such as dumpers trucks, Excavator back-hole loaders, bulldozers, crusher, drilling equipment, and generators, laboratory for noble metal testing; and environmental protection plant equipment. In additional, tiles processing machines will be installed at Buguruni industrial areas as finished goods. 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 Tanga region.

The project will be managed from start to finish, with some services provided by employees of ZHONGQUAN 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. the company is registered with the following activities, 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 Dolomite and Granite in Tanga region.

The company commitment is to add value and create Tanzania economy through deliberate utilization Tanzanian human and available mineral in order to stimulate development of capabilities of fellow Tanzanian and to encourage other investments and participation growth at the National Economy.

2.0. PROJECT OVERVIEW

2.1 The project location and ownership structure

ZHONGQUAN MINING COMPANY LIMITED is Limited is a Tanzanian company registered in Tanzania with certificate of incorporation number 169-719-969 issued on October, 2023. The office of the company is located at plot 30-40 Pugu Road, Temeke, Dar es Salaam, P O Box 72662 Dar es salaam, but the main processing will carried out at Buguruni industrial site and extraction of dolomite and granite stone will be carried in Tanga region.

The initial Authorized Share Capital of the company is TZS 100,000,000/= divided into 1,000 ordinary shares of TZS100,000 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 Company	Address	Occupation of Subscriber	Number of Shares
1.	QINGPIAO CAI, (CHINESE)	P O BOX 72662, DAR ES SALAAM, TANZANIA	Private Company by Share, Domicile in Tanzania- Incorporate Number 169-719-969	250
2.	ZHQIN WANG (CHINESE)	P O BOX 72662, DAR ES SALAAM, TANZANIA	Private Company by Share, Domicile in Tanzania- Incorporate Number 169-719-969	250
3	JINGFANS LYU (CHINESE)	P O BOX 72662, DAR ES SALAAM, TANZANIA	Private Company by Share, Domicile in Tanzania- Incorporate Number 169-719-969	250
	PAN HUI (CHINESE)	P O BOX 72662, DAR ES SALAAM, TANZANIA	Private Company by Share, Domicile in Tanzania- Incorporate Number 169-719-969	250

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 TAWASA "Tanga 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 Dar es salaam to Tanga, 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 TAWASA water network, the agency is major supplier of water to urban and peri urban area in the city. While depending on water supply from TAWASA, Zhongquan 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 few kilometers from the main roads to Tanga and Dar es Salaam. 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. 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 75%, 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.

2.4. Technical Characteristic of the project and related cost

2.4.1. 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 purchased PMLs for Dolomite and Granite production already hired PML and the cost of is 20,868US\$ included to this business plane. The estimated sum of land and structure/buildings is 412,447US\$ 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.

2.4.2. 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 240 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 5,790,660US\$.

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 603,315US\$

2.4.3. Motor Vehicles

The project anticipated to purchase supporting trucks (heavy, light trucks and utility vehicles) motor vehicles costing to 2,456,522US\$. Trucks 30 and Administrative vehicle 8. Light vehicle will facilitate general work at the compound and administrative work.

2.4.4. 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 32,609US\$ will be allocated for office equipment furniture and as part of purchasing furniture the company will allocate 63,217US\$ as miscellaneous cost for purchasing other facilities in case the budget goes above limit.

2.4.5. 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 27,964US\$

2.4.6. 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 14,800,226US\$

2.5. Project Capital Investment Summary

<i>INVESTMENT SUMMARY</i>	
<i>LAND AND BUILDINGS</i>	
<i>LAND ACQUISITIONED</i>	20,868.00
<i>BUILDINGS (ADMINISTRATION BLOCK)</i>	32,608.70
<i>LABARATORY</i>	156,521.00
<i>STORE FOR CHEMICAL, SPARE PARTS, ETC</i>	23,218.00
<i>CAMP AND WORKSHOP</i>	179,231.00
<i>SUB TOTAL FIXED ASSETS</i>	412,446.70
<i>MACHINERIES AND EQUIPMENTS</i>	
<i>DOLOMITE AND GRANITE PROCESSING MACHINE AND EQUIPMENTS</i>	2,514,532.00

<i>CRUSHERS 600-5000TPH</i>	1,532,181.00
<i>DOLOMITE AND GRANITE ORE PROCESSING LINE</i>	980,632.00
<i>BLAST HOLE DRILLING SETS</i>	218,980.00
<i>SURFACE DIAMOND /RC DRILLING SET</i>	423,879.00
<i>UNDERGROUND DRILLING SET</i>	120,456.00
<i>SUB TOTAL FIXED ASSETS</i>	5,790,660.00
<i>MOTOR VEHICLES</i>	
<i>SUPPRTING TRUCKS 20</i>	1,369,565.22
<i>LIGHTING PLANTS 10</i>	565,217.39
<i>LIGHT VEHICLES 8</i>	521,739.13
<i>SUB TOTAL FIXED ASSETS</i>	2,456,521.74
<i>OTHER FACILITIES</i>	
<i>FENITURE AND FITTINGS</i>	32,608.70
<i>OFFICE EQUIPMENTS</i>	41,304.35
<i>CONTINGES</i>	130,434.78
<i>SUB TOTAL FIXED ASSETS</i>	204,347.83
<i>SUB TOTAL FIXED ASSETS</i>	8,863,976.26
<i>CURENT ASSET</i>	
<i>PRE OPERATIONAL EXPENSES</i>	27,964.00
<i>WORKING CAPITAL</i>	14,799,226.00
<i>SUB TOTAL CURRENT ASSETS</i>	14,828,190.00
<i>TOTAL INVESTMENT</i>	23,691,166.26.26

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 shareholders 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: promoter will contribute 25% (5,923,091.38US\$) of capital investment while the remaining amount will be financed by local commercial banks at 8% bank interest rate

EQUITY + LOAN

<i>LOAN (75%)</i>	17,768,374.70
<i>EQUITY 25%)</i>	5,922,791.57
<i>TOTAL EQUITY</i>	23,691,166.26

2.7. Project economic life - Implementation

Currently the company is still in operational, according to business plan the project economic life is 5 years, whereas anticipated return of investment is anticipated between 6 to 7 years as payback period. Machineries and motor vehicles will be imported immediately upon financed.

2.8. Auxiliary Materials/ services

Falling under this category of construction and hiring 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

The proposed parking yard 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 Tanga 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 project has DAWASCO water network, the agency is major supplier of water to urban and peri urban area in the city. 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.

2.9. 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 taken into consideration of the proposed project.

3.0. MANPOWER AND PROPOSED SALARY BUDGET

3.0. Employment

The Company is looking at providing direct employment to at least 71 permanent jobs on full implementation and operation of the project. The project is divided into 5 Departments; Administration (3), Management (4), Maintenance (5), operation (53), store and logistic (6)

3.1. Recruitment

Recruitment of the 43 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.

3.2. 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	ADMINISTRATION AND FINANCE			
	HR Coordinator	1	1,957	23,478
	Office administrator	1	870	10,435
	asst. Accountant	1	783	9,999
	SUB TOTAL	3	12,674	43,912
B	MANAGEMENT			

	Project manager	2	1,957	46,957
	Store Manager	2	1,174	28,174
	SUB TOTAL	4	6,739	75,130
C	MAINTAINANCE			
	Civil or geologist	1	913	10,957
	Electrician	1	913	10,957
	Mechanics	1	783	9,391
	Maitainace Planners	1	761	9,130
	Senior ICT	1	1,348	16,174
D	SUB TOTAL	5	7,674	56,609
	OPERATION			
	Driller supervisors	2	1,043	25,043
	Drillers	4	861	41,322
	Drivers	35	696	292,174
	Production Engineers	1	1,087	13,043
	Project coordinators	1	1,174	14,087
	Underground wheel loader operator	2	1,174	28,174
	Utility worker	10	522	62,609
	SUB TOTAL	53	12,187	451,409
E	STORE AND LOGISTIC			
	Logistic Liaison	1	957	11,478
	Purchasing Coordinator	1	1087	13,043
	Store supervisor	2	652	15,652
	Store person	2	522	12,522
	SUB TOTAL	6	3,217	52,696
	GRAND TOTAL	71	42,491	679,756

4.0. FINANCIAL ANALYSIS

4.1. Production, Revenue and project viability

- ❑ The estimated revenue gain in providing 8,139,130 US\$ annually excluding Value Added Tax during the first year in operation of the Company,
- ❑ Percentage of gross contribution for the first year 85% second years and increases to 86% to the 5th year as shown in income statement,
- ❑ Net profit after tax and depreciation for the first years in operational is 2,982,667S\$ for the first year, and increases to second year to 3,316,897 S\$, and increases positively, the project is able to pay corporate tax 1,887,313US\$ which has positive contribution to GDP of the country,
- ❑ The expected sales increase annually is 5% while expenses increases by 3% which depends on inflation rate of the country
- ❑ Total investment cost of the project is 23,692,166US\$ whereas the own equity is 5,923,041.38 and loan-able amount 17,769,124.13US\$, project current assets for the first year is 2,982,667US\$, fixed asset 4,401,666US\$, Project liquidity is 6,895,024US\$
- ❑ 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 12.98%, which is well above the assumed cost of capital at 8% (estimated average interest to international financier - banks in Tanzania for US\$) of project is within 7 years. This confirms the financial viability of the proposed project.
- ❑ Return on Investment is anticipated to 50.5% 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 use 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 NSSF (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 10 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, 25 days a month or 240 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 company 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 purchase of chemicals for processing, transportation and price fluctuations. There is no assurance of enough supply of chemical 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 construction industries 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 TBS, Ministries and their bodies, OSHA, CRB, NSSF, NEMC etc, are 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 **ZHONGQUAN 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 ZHONGQUAN MINING COMPANY LIMITED		
Performance Area	Quantitative Indicator	Remarks
Investment Capital	Total investment capital, CAPEX and OPEX 23,692,166US\$	Substantial amount of capital invested into the domestic economy
Income Tax Annually	Indicative Annual audit report 1,887,513US\$	Increased GDP of the national
Job requirements	Job creation after establishment of the project is 71 DIRECT TANZANIAN JOBS	Reasonable number of direct jobs created to local Tanzanians with direct impact on poverty reduction through enhanced income Generation
Technology applied	High Tech Environmentally friendly machinery	Applied technology which is free from environmental Pollution
Other Implied Project Benefits		
<ul style="list-style-type: none"> ▪ Increased sales to the Utility Companies providing services of 		

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

ZHONGQUAN 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 Kg or Metric Tonnes. Anticipated price range between 26,000 to 30,000 per Kg in TZS. The promoters' own shares from Dolomite and Granite processing as source of capital gain in investments. The main source of revenues is from selling of Dolomite and Granite and revenues gained from selling USD 8,139,130.43

Table 7.1. Project investment inputs and revenue

<i>EXPECTED INPUTS</i>	
<i>DAY IN YEARS</i>	240
<i>PROCESSED DOLOMITE AND GRANITE PER DAY</i>	3,000
<i>SALES PER 1KG/LITRES PER YEAR</i>	26,000
	720,000
<i>TOTAL TZS</i>	18,720,000,000
<i>SALES IN USD</i>	8,139,130.43

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 ZHONGQUAN 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 analyse 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

Income Statement Projections

(all numbers in US\$)

Revenue

	<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>
<u>Year 0</u>											
sales of Dolomite and Granite per year	- 8,139,130	8,546,087	8,973,391	9,422,061	9,893,164	10,387,822	10,907,213	11,452,574	12,025,203	12,626,463	102,373,108
		-	-	-	-	-	-	-	-	-	-
Total Operating Revenue	- 8,139,130	8,546,087	8,973,391	9,422,061	9,893,164	10,387,822	10,907,213	11,452,574	12,025,203	12,626,463	102,373,108

Expected Expenses

	<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>
<u>Year 0</u>											
Salaries	679,756	700,148	721,153	742,787	742,787	765,071	765,071	788,023	788,023	811,664	7,504,482
Social Charges & Pension Payments	135,951	140,030	144,231	148,557	148,557	153,014	153,014	157,605	157,605	162,333	1,500,896
Consumable goods - raw materials	180,000	185,400	190,962	196,691	196,691	202,592	202,592	208,669	208,669	214,929	1,987,195
Administrative expences	48,000	49,440	50,923	52,451	52,451	54,024	54,024	55,645	55,645	57,315	529,919
Fuel and lubricants for machineries and generators	144,000	148,320	155,736	163,523	163,523	171,699	171,699	180,284	180,284	189,298	1,668,365
Security services	14,400	14,832	15,277	15,735	15,735	16,207	16,207	16,694	16,694	17,194	158,976

Work wear and other related facilities	12,000	12,360	12,731	13,113	13,113	13,506	13,506	13,911	13,911	14,329	132,480
Insurance/licensing/healthy premium/other charges	3,000	3,090	3,183	3,278	3,278	3,377	3,377	3,478	3,478	3,582	33,120
Utilities - Electricity and water services	6,000	6,180	6,365	6,556	6,556	6,753	6,753	6,956	6,956	7,164	66,240
Other Costs	21,000	21,630	22,279	22,947	22,947	23,636	23,636	24,345	24,345	25,075	231,839
Total Operating Costs	1,244,107	1,281,430	1,322,839	1,365,639	1,365,639	1,409,879	1,409,879	1,455,609	1,455,609	1,502,883	13,813,512
Operational Net Earnings before Depreciation, Interest & Tax	6,895,024	7,264,657	7,650,552	8,056,422	8,527,525	8,977,943	9,497,335	9,996,965	10,569,594	11,123,580	88,559,596
<i>%age Gross Contribution</i>	85	85	85	86	86	86	87	87	88	88	1
Depreciation at 12.5% (Machines, Equipt.)	603,315	635,657	669,423	704,937	746,158	785,570	831,017	874,734	924,839	973,313	7,970,364
Net Earnings before Tax & Interest	6,291,709	6,629,000	6,981,129	7,351,485	7,781,366	8,192,373	8,666,318	9,122,230	9,644,754	10,150,267	80,589,233
Interest Paid (Bank Loan)	1,421,530	1,323,402	1,217,425	1,102,969	979,356	845,855	701,674	545,958	377,784	196,157	8,712,111
Tax (30%)	1,887,513	1,988,700	2,094,339	2,205,445	2,334,410	2,457,712	2,599,895	2,736,669	2,893,426	3,045,080	24,243,189
Net Earnings	2,982,667	3,316,897	3,669,365	4,043,071	4,467,600	4,888,806	5,364,749	5,839,604	6,373,543	6,909,029	47,855,331

ANNEX II -CASH FLOW FROM OPERATING ACTIVITIES

Cash Flow statement from Investing										
Activities for ten years										
(all numbers in 000)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>										
Cash receipts from Sales	8,139,130	8,546,087	8,973,391	9,422,061	9,893,164	10,387,822	10,907,213	11,452,574	12,025,203	12,626,463
Cash paid to suppliers and employees	(1,244,107)	(1,281,430)	(1,322,839)	(1,365,639)	(1,365,639)	(1,409,879)	(1,409,879)	(1,455,609)	(1,455,609)	(1,502,883)
Cash generated from operations	6,895,024	7,264,657	7,650,552	8,056,422	8,527,525	8,977,943	9,497,335	9,996,965	10,569,594	11,123,580
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	(1,421,530)	(1,323,402)	(1,217,425)	(1,102,969)	(979,356)	(845,855)	(845,855)	(701,674)	(545,958)	(545,958)
Tax paid	(1,887,513)	(1,988,700)	(2,094,339)	(2,205,445)	(2,334,410)	(2,457,712)	(2,599,895)	(2,736,669)	(2,893,426)	(3,045,080)
Net cash flow from operating activities	3,585,981	3,952,555	4,338,789	4,748,008	5,213,758	5,674,376	6,051,584	6,558,622	7,130,210	7,532,542
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>										
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
Net cash flow from investing activities	0	0	0	0	0	0	0	0	0	0
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>										
Proceeds from capital contributed	5,923,041	0	0	0	0					0
Proceeds from loan	17,769,124	0	0	0	0					0
Payment of loan	(1,226,594)	(1,324,721)	(1,430,699)	(1,545,155)	(1,668,767)	(1,802,268)	(1,946,450)	(2,102,166)	(2,270,339)	(2,451,966)
Net cash flow from financing activities	22,465,572	(1,324,721)	(1,430,699)	(1,545,155)	(1,668,767)	(1,802,268)	(1,946,450)	(2,102,166)	(2,270,339)	(2,451,966)
<u>NET INCREASE/ DECREASE IN CASH</u>	26,051,553	2,627,834	2,908,090	3,202,853	3,544,991	3,872,108	4,105,134	4,456,456	4,859,871	5,080,576
Cash at the beginning of the period	2,982,667	3,316,897	3,669,365	4,043,071	4,467,600	4,888,806	5,364,749	5,839,604	6,373,543	6,909,029
Cash at the end of the period	29,034,220	5,944,731	6,577,455	7,245,923	8,012,592	8,760,914	9,469,883	10,296,060	11,233,414	11,989,605

ANNEX III – PROFOMA BALANCE SHEET

Pro forma balance sheet										
(all numbers inUS\$	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
ASSET										
Current asset	2,982,667	3,316,897	3,669,365	4,043,071	4,467,600	4,888,806	5,364,749	5,839,604	6,373,543	6,909,029
Fixed asset	4,401,666	3,798,351	3,162,694	2,493,271	1,788,334	1,042,175	256,605	574,412)	(1,449,146)	(2,373,985)
Liquidity	6,895,024	7,264,657	7,650,552	8,056,422	8,527,525	8,977,943	9,497,335	9,996,965	10,569,594	11,123,580
TOTAL ASSET	14,279,356	14,379,906	14,482,612	14,592,763	14,783,459	14,908,925	15,118,689	15,262,157	15,493,991	15,658,624
NET ASSET MINUS DEPRECIATION	13,676,042	13,744,248	13,813,188	13,887,826	14,037,300	14,123,355	14,287,672	14,387,423	14,569,152	14,685,310
EQUITY & LIABILITIES										
Equity	5,923,041	5,626,889	5,345,545	5,078,268	4,824,354	4,583,137	4,353,980	4,136,281	3,929,467	3,732,993
Reserves	0	0	0	0	0	0	0	0	0	0
Total Own Equity	5,923,041	5,626,889	5,345,545	5,078,268	4,824,354	4,583,137	4,353,980	4,136,281	3,929,467	3,732,993
Provisions	2,614,050	2,844,878	3,055,758	3,251,053	3,484,254	3,648,813	3,854,656	3,991,615	4,173,296	4,285,800
Long term loan	2,648,123	2,648,123	2,648,123	2,648,123	2,648,123	2,648,123	2,648,123	2,648,123	2,648,123	2,648,123
Short term Liabilities	2,490,827	2,624,357	2,763,762	2,910,382	3,080,568	3,243,282	3,430,912	3,611,404	3,818,266	4,018,393
Total Equity & Liabilities	13,676,042	13,744,248	13,813,188	13,887,826	14,037,300	14,123,355	14,287,672	14,387,423	14,569,152	14,685,310
NET FA/CL	1.66	1.43	1.19	0.94	0.68	0.39	0.10	-0.22	-0.55	-0.90
CL/CA	0.84	0.79	0.75	0.72	0.69	0.66	0.64	0.62	0.60	0.58
DEBIT/CAPITAL RATIOS	0.57	0.59	0.61	0.63	0.66	0.68	0.70	0.71	0.73	0.75
ROI	50.4	58.9	68.6	79.6	92.6	106.7	123.2	141.2	162.2	185.1
BREAK EVEN POINT	0.64	0.52	0.41	0.31	0.21	0.12	0.03	-0.06	-0.14	-0.21
BREAK EVEN RATIO	0.93	0.90	0.88	0.86	0.83	0.81	0.79	0.77	0.75	0.73
EQUITY/TOTAL LIABILITIES	43	41	39	37	34	32	30	29	27	25

ANNEX IV – LOAN PAYMENT SCHEDULE

Loan Information and Payment Schedule					
Loan Data	All number in US\$		Loan Summary		
Original Principal	17,768,374.70		Scheduled Payments		2,648,123.48
Loan Term (Years)	10.00		Scheduled number of payment		10.00
Annual Interest Rate	8%		Actual number of payment		10.00
Payments per Year	1.00		Total Early Payment		-
Payment	2,648,123.48		Total Interest		8,712,110.71

Year	Payment	Interest	Cumulative Interest	Principal	Balance
-					17,769,124.13
1.00	2,648,123.48	1,421,529.93	1,421,529.93	1,226,593.55	16,542,530.58
2.00	2,648,123.48	1,323,402.45	2,744,932.38	1,324,721.04	15,217,809.54
3.00	2,648,123.48	1,217,424.76	3,962,357.14	1,430,698.72	13,787,110.82
4.00	2,648,123.48	1,102,968.87	5,065,326.01	1,545,154.62	12,241,956.20
5.00	2,648,123.48	979,356.50	6,044,682.50	1,668,766.99	10,573,189.21
6.00	2,648,123.48	845,855.14	6,890,537.64	1,802,268.35	8,770,920.87
7.00	2,648,123.48	701,673.67	7,592,211.31	1,946,449.81	6,824,471.05
8.00	2,648,123.48	545,957.68	8,138,168.99	2,102,165.80	4,722,305.25
9.00	2,648,123.48	377,784.42	8,515,953.41	2,270,339.06	2,451,966.19
10.00	2,648,123.48	196,157.30	8,712,110.71	2,451,966.19	-
		8,712,110.71			

ANNEX V- INTERNAL RATE OF RETURN

IRR for the Project

(all numbers in US\$)

	Initial Investment	-23,691,166
Year 1	Additional Annual Net Profit	2,982,667
Year 2	Additional Annual Net Profit	3,316,897
Year 3	Additional Annual Net Profit	3,669,365
Year 4	Additional Annual Net Profit	4,043,071
Year 5	Additional Annual Net Profit	4,467,600
Year 6	Additional Annual Net Profit	4,888,806
Year 7	Additional Annual Net Profit	5,364,749
Year 8	Additional Annual Net Profit	5,839,604
Year 9	Additional Annual Net Profit	6,373,543
Year 10	Additional Annual Net Profit	6,909,029
	IRR (in 10 years)	12.98%

The IRR above indicates that the expected return on the TZS 25,691,166 initial investment after 10 years is 12.98%.

ANNEX VI – PAYBACK PERIOD

	Year	Beginning Balance	Net Cash Flows	Ending Balance
Cost of investment	0.00	23,692,165.51	0.00	23,692,165.51
	1.00	23,692,165.51	2,982,666.53	20,709,498.98
	2.00	20,709,498.98	3,316,897.30	17,392,601.68
	3.00	17,392,601.68	3,669,365.44	13,723,236.24
	4.00	13,723,236.24	4,043,070.60	9,680,165.64
	5.00	9,680,165.64	4,467,600.03	5,212,565.61
	6.00	5,212,565.61	4,888,806.25	323,759.35
	7.00	323,759.35	5,364,748.79	5,040,989.44
	8.00	5,040,989.44	5,839,603.64	10,880,593.08
	9.00	10,880,593.08	6,373,543.49	17,254,136.57
	10.00	17,254,136.57	6,909,029.28	24,163,165.85

Payback Period	7.00	Years
=		

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, ZHONGQUAN MINING COMPANY LIMITED 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 Dolomite and Granite is processed by 25% a capital contribution by shareholder and 75% financed by international banks totaling to **23,691,166.26US\$**, in financial analysis the project it gives IRR of about 12.98%. The computed IRR is well above annual loan interest rate of 9% as ceiling rates to all local bank interest which is technically interpreted that the project is financially viable. The payback period for the project is estimated to 7 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 ZHONGQUAN 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 (2020-2025); 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. MKUKUTA III (2020-2025) identifies 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 Tanzanian'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 ZHONGQUAN MINING COMPANY LIMITED to ensure development of one among the ultra-modern Dolomite and Granite Company especially in Tanga 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 23,692,166US\$ and the amount will be raised from international commercial banks (75%) and

promoters own equity of 25%. The company will fund the development of the project for construction 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.