

# **M/S GG DRILLING SOLUTIONS LIMITED**

## **BUSINESS PLAN FOR INVESTMENT FINANCING PROPOSED INVESTMENT IN MINES DRILLING OPERATIONS PROJECT**

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**SEPTEMBER, 2024**

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# **M/S GG DRILLING SOLUTIONS LIMITED**

## **PROPOSED INVESTMENT IN MINES DRILLING OPERATIONS PROJECT**

### **BUSINESS PLAN**

#### **1.0 THE PROJECT BACKGROUND:**

##### **1.1 The Company:**

**M/S GG Drilling Company Limited** is a private company incorporated in Tanzania under the Companies Act, 2022 vide Certificate of Incorporation Number **175605339** issued by the Registrar of Companies on 18<sup>th</sup> June, 2024. The main objects for which it was established include;

- (a) Support activities for other mining and quarrying.
- (b) 0910 – Support activities for petroleum and natural gas extraction.
- (c) 0729 – Mining of other non-ferrous metals mm
- (d) 0899 – Other mining and quarrying tec.

##### **1.2 Company Ownership:**

The authorized share capital of the company is T.Shs.40,000,000/= divided into 1000 ordinary shares of TShs. 40,000 each with such rights, privileges and conditions respectively attached there to as may be from time to time confirmed by the regulations of the company and with powers to increase and reduce as provided by the regulation of the company. It is owned by two (2) shareholders namely; ANWARY ABDALLAH ALLY (510 shares) and SULTAN NASSER SALIM AL SAADI (490 shares).

##### **1.3 The Project Proposal:**

The company is a new establishment which proposes to start business in Tanzania by investing in the establishment and operations of a **Mine Drilling Rig** to provide drilling services to investors in gold drilling works to mainly targeting to support the growth of Small Scale Gold Miners in the Lake Zone.

##### **1.4 General Overview:**

In Tanzania, it is estimated that more than one million people are directly involved in artisanal and small-scale gold mining (ASGM). Out of this, approximately 48.27 and 24.13% are men and children, respectively, while 27.60% are women. Artisanal and small-scale mining (ASM) is increasingly important for the development of Tanzania's economy, with **an estimated one million people** directly employed in ASM and many more dependent on it for their livelihood.

According to the World Gold Council, Tanzania has an estimated **45 million ounces of gold reserves**, making it one of the largest gold reserves in Africa. This means there is still significant potential for the country's gold mining industry to grow. Gold is mainly found in the Lake Victoria region and exploitation is done by both large and medium-scale miners as well as small-scale miners. Large scale miners in the Lake region include; Bulyanhulu, Geita, Buzwagi and North Mara Mines which contribute about 59% of production, 10% by medium scale miners and 31% by Small Scale Miners.

#### **1.4 Challenges Facing Small Scale Miners:**

Tanzania's government has taken steps to improve and formalize the sector but small-scale miners still face many challenges, including difficulty in obtaining mining land and licences; inadequate support to improve skills and protection of the environment; limited access to tools and technology etc. The major challenge however is **lack of capital and modern technology**. The government, through the State Mining Corporation (STAMICO), has taken steps to enable small-scale miners to obtain loans and capital in collaboration with financial institutions. The proposed project by the company is therefore a step in the right direction since it will assist the small scale gold miners to access to modern technology and improve production in gold mining.

#### **1.5 Purpose of the Business Plan:**

This document has therefore been prepared to serve the following purposes;

- 1.5.1** To determine the viability of the proposed project and serve as a Business Plan for the company's development program.
- 1.5.2** To facilitate the application for Certificate of Incentives from the Tanzania Investment Centre (TIC) so as to access to exemptions on duties, VAT deferrals and other benefits and protections as statutorily provided for under the Tanzania Investment Act (1997).
- 1.5.3** To utilize the document for possible mobilization of financial credits from local Banks / Financial Institutions or Business Partners for either term loan financing or equity participation when required.

## 2.0 TECHNICAL ASPECTS.

### 2.1 Location:

The project head office is to be located on Plot No....

SABASABA Area, Ilemela District

Mwanza City. The official address of the company is as given under;-

The Resident Director

GG Drilling Solutions Limited

P. O. Box 11615

MWANZA - TANZANIA.

**Mob: 0735 – 764 765**

**Email: [mselem2000@yahoo.com](mailto:mselem2000@yahoo.com)**

### 2.2 Services to be provided:

The Company shall offer the following services:

- Mine Drilling Works.
- Other Mining and Quarrying Activities.

### 2.3 Drilling Machinery and Equipment:

The machinery and equipment to be imported for use by the project include the following;

- 2 Nos. Drilling Rigs
- 1 Nos. Wheel Loader
- 1 Nos. Tractor Head
- Workshop Equipment
- Supportive Office Equipment

The above investments are to support smooth and timely operations of the proposed business activity to serve gold mining clients in the lake region. The costs for the machinery and equipment are as summarized under;

S/No.	INVESTMENTS	Nos.	INVESTMENT COSTS	
			USD	TZS
1	Mine Drilling Rigs	2	900,00	2,430,000,000
2	Wheel Loader	1	90,000	243,000,000
3	Tractor Head	1	120,000	324,000,000
4	Office Furniture & Equipment	Lot	10,000	27,000,000
5	<b>Sub Total</b>			3,024,000,000
6	Working Capital			300,000,000
7	<b>Total Investment Costs</b>			<b>3,324,000,000</b>

### 3.0 MARKETS & MARKETING.

#### 3.1 Overview:

Tanzania is one of Africa's largest gold producers, with gold accounting for approximately 90% of the country's total mineral exports. The country's gold mining industry is primarily concentrated in three regions: the Lake Victoria Goldfields, the Handeni Goldfields, and the Mpanda Mineral Field. The Lake Victoria Goldfields, located in the northwestern part of Tanzania, are the most significant gold-producing region in the country. Tanzania's gold mining industry is dominated by large-scale mining companies, including Barrick Gold Corporation, AngloGold Ashanti, and Acacia Mining. These companies operate several mines in the country, including the Bulyanhulu, North Mara, and Geita mines. In addition to these large-scale mining companies, many small-scale miners work in the country's gold mining industry.

#### 3.2 Prospects for Gold Mining Industry

Despite the challenges facing Tanzania's gold mining industry, its future has several prospects. One of the most significant prospects is the country's vast, untapped gold reserves. According to the World Gold Council, Tanzania has an estimated 45 million ounces of gold reserves, making it one of the largest gold reserves in Africa. This means there is still significant potential for the country's gold mining industry to grow. Another prospect for Tanzania's gold mining industry is the government's efforts to attract foreign investment. The Tanzanian government has recently implemented several policies to attract foreign investment in the country's mining sector.

#### 3.3 Challenges

Despite the prospects for the mining sector, it also faces several challenges. One of the most significant challenges is **the country's regulatory environment**. In recent years, the Tanzanian government has implemented several policies to increase its control over the country's mining sector. These policies have included higher taxes, increased royalties, and stricter regulations on foreign investment. While these policies are intended to benefit the country, they have also made it more difficult for mining companies to operate in Tanzania. Another challenge facing the mining industry is **the issue of illegal mining**. Illegal mining is a significant problem in Tanzania, with many small-scale miners operating without proper licenses or permits. This has led to environmental damage, as well as social and economic problems in the communities where illegal mining is taking place. The government has taken steps to address this issue, including establishing a task

force to combat illegal mining. However, the problem persists and continues to be a significant challenge for the country's gold mining industry.

**Infrastructure** is another challenge facing gold mining. Many of the country's gold mines are located in remote areas, which makes it difficult to transport equipment and supplies to the mines. In addition, the country's infrastructure, including roads and power supply, is often inadequate, making it difficult for mining companies to operate efficiently. Another challenge facing the industry is the issue of [artisanal and small-scale mining](#) (ASM). ASM is a significant source of employment in Tanzania, with an estimated 1.5 million people involved in the sector. However, ASM is often associated with illegal mining, environmental degradation, and poor working conditions. Tanzania's gold mining industry has significant prospects for growth, but several challenges must be addressed. The government and mining companies must work together to address these challenges and ensure that the industry continues to contribute to the country's economic development sustainably and responsibly.

### **3.4 A Way Forward:**

Tanzania's gold mining has played a significant role in the country's economy for over a century. While the industry faces several challenges, including a complex regulatory environment, illegal mining, and inadequate infrastructure, there are also several prospects for its future. These prospects include the country's vast untapped gold reserves, the government's efforts to attract foreign investment, and the rising price of gold. As Tanzania's gold mining industry continues to evolve, it will be essential for the government and mining companies to work together to address the industry's challenges and take advantage of the prospects for its future.

#### **4.0 ORGANIZATION AND MANAGEMENT:**

##### **4.1 The Board of Directors:**

The proposed new Drilling Rig Operations will be a new investment for the company in Tanzania. It will be under direction of the Board of Directors of the company constituted by two shareholders and the company secretary as the Chief Authority Organ for all policy and business affairs of the company. The Board is led by its chairman who is also the principal shareholder in the company.

##### **4.2 Management:**

The Management of the project will be led by the Resident Director supported by requisite staff engaged from the open labor market. He will be reporting directly to the Board of the Directors of the company responsible for day to day running of the business supported by experienced technical personnel in all departments of the business units.

##### **4.3 New Job Creation:**

The proposed project is expected to generate about 29 new jobs in total thereby supporting the government efforts to generate new jobs for a pool of unemployed youths in the country. The business would also create a number of indirect jobs who include; food vendors and other general suppliers.

##### **4.4 Training Requirement:**

The local mining industry enjoys a pool of trained and experienced manpower which is locally available given the long history of the sector in industrial development of the country. Nevertheless, on the job training by the machinery supplier will need to be undertaken during plant installation and commissioning of the new machinery and equipment.

##### **4.5 Brief Profile of the Investors:**

###### **5.5.1 Resident Director:**

Full Name	
Position	
Nationality	
Gender	
Permanent Residence	

Profession	
Business Experience	

**5.5.2 Director:**

Full Name	
Position	
Nationality	
Gender	
Permanent Residence	
Profession	
Business Experience	

## **6.0 FINANCIAL ANALYSIS:**

### **6.1 Assumptions and Consideration:**

The following assumptions and consideration have been used in preparing the financial evaluation of this business proposal.

**6.2** The business is a new concern. It has however been assumed that, it will continue running as a going concern.

**6.3** All costs and revenues have been taken at constant prices with the year 2024 as base year. Any increase in costs has been assumed to be compensated for by similar increase in revenue.

### **6.2 Business Investment Costs: -**

The capital investment of the project are estimated at USD 1,110,000 which has all been assumed to be contributed by the project investors as per details given in schedule I of this report.

### **6.3 Business Incomes:**

The project is expected to generate good income given the good number of small scale gold mining customers in the lake region. The total project business revenue are projected at Tshs. 888.7 Million in the first year increasing to Tshs. 1.137 Billion by the second year and to Tshs. 1.247 Billion from sales of the company.

### **6.4 Direct Costs:**

The direct costs for contract works have been assumed at 65% based on past experience of other operators in such business.

### **6.5 Operating Overheads:**

The operating overheads of the business have also been worked out based on experience of the Directors in such business operations.

### **6.6 Projected Income Statement:**

The Projected Incomes from operations are as given in schedule IX. Incomes have been projected for the next three years based on assumed drilling cost of Tshs 50 per meter. The workings indicate net income after tax of Tshs. 888.7 Million for the first year increasing to over Tshs. 1.137 Million by the second year and to Tshs. 1.247 Billion by the third year. The business proposal is therefore financially attractive.

## **6.7 Cash Flow Projections: -**

The cash flow projections indicate a positive net cash flow throughout the 3 years projected period. The net cash movement for the first year is estimated at Tshs. 1.305 Billion closing at Tshs. 1.664 Billion by the third year of the projected period. The cash flow therefore confirms that the business will be able to sustain its operations and meet all its financial commitments to its creditors. Details are as given in schedules X of this report.

## **6.8 Projected Balance Sheet:**

The Net Assets of the Company are projected at Tshs. 3.912 Billion in the first year of operations increasing to Tshs. 6.297 Billion by the third year of operation. Details are as shown in schedule XI.

## **6.9 Internal Rate of Return:-**

The internal Rate of return [IRR], after tax works out to 35% as shown in schedule XII. The proposed project is therefore financially viable when compared with the assumed cost of capital of 18% for current local borrowings.

## **7.0 SOCIAL ECONOMIC BENEFITS.**

The proposed project has the following social economic benefits;

- 7.1 It will provide requisite services required by a number of small gold miners in the lake region
- 7.2 I will serve to create new employment both permanent and casual workers and therefore impact positively on the employees' incomes and welfare.
- 7.3 It will support to provide quality services in execution of mining works for small scale holders and improve safety in their mining operations
- 7.3 The business will contribute towards boosting government revenue through payment of various taxes like income tax royalties etc.

## **8.0 RISKS ASSOCIATED WITH THE BUSINESS.**

The risks associated with the business include the following;

- Theft and pilferage of materials, tools and equipment
- Accidents [Normal]

The company will manage the risks by taking adequate insurance cover like burglary, and comprehensive Insurance for motor trucks and other equipment.

## **10.0 SECURITY FOR LOAN:**

No security cover is required in this regard since all investment costs will be contributed by the investors except for working capital.

## **11.0 CONCLUSIONS AND RECOMMENDATION.**

### **11.1 Conclusions:**

11.1.1 The business proposal under consideration is technically feasible, commercially attractive and economically sound.

11.1.2 The proposed purchase of additional investment in Mine Drilling Rig operations will go a long way towards improved performance of the small scale gold miners in the lake zone.

11.1.3 The company Investors are capable of implementing and managing the proposed project to a successful future.

### **11.1 Recommendation.**

Based on the above conclusions it is recommended that Project Investors to proceed and invest in the project as proposed.