HONGJI MINING LIMITED

BUSINESS PLAN

FOR

RARE EARTH ELEMENTS (REE) PROCESSING PLANT PROJECT IN LUDEWA DISTRICT, NJOMBE REGION, TANZANIA.

FIVE YEARS: 2026-2030

DECEMBER, 2025

CORPORATE INFORMATION

Date of Incorporation : 12 July 2024

Company Registration Number : 176240016

TIN : 176-240-016

Project Activity: Mining and Processing of rare earth and other Minerals for sale in Tanzania and foreign markets.

Shareholders:

Name	Address	Number of shares
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LIST OF ABBREVIATIONS

AfCFTA	-	African Continental Free Trade Area
CEO	-	Chief Executive Officer
CIF	-	Cost Insurance and Freight
EAC	-	East African Community
REE	-	Rare Earth Elements
SADC	-	Southern African Development Community
SWOT/SWOC	-	Strengths, Weaknesses, Opportunities and Threats/Challenges
TIN	-	Taxpayer Identification Number
US$	-	United Stated Doll

1.0 EXECUTIVE SUMMARY

Rare earth elements (REEs) are a group of 17 chemical elements that have unique physical and chemical properties, making them essential in a wide range of modern technologies. They include the 15 lanthanide elements plus Scandium and Yttrium. Despite their name, REEs are relatively abundant in the Earth's crust, but rarely found in economically exploitable concentrations. They play a critical role in energy, defense, and digital applications, particularly in permanent magnets used in electric vehicles (EVs) and wind turbines, as well as in catalysts, fiber optics, and high-precision electronics.

Hongji Mining Company Limited is a private company limited by shares registered in Tanzania with Certificate of Incorporation No. 176240016, issued 12 July 2024. The company's core business is to engage in the extraction, processing and marketing of rare earth and other minerals for the local as well as foreign markets. The company has already acquired 100 acres of land in Ludewa District, Njombe Region.

Hongji Mining Company Limited intends to establish a Rare Earth Elements (REE) Processing Plant in Ludewa District, Njombe Region, Tanzania. The project will beneficiate and process rare earth ore into rare earth oxides (REOs) for export to China and other international markets. This investment adds value locally, supports industrialization, and aligns with Tanzania's beneficiation policy.

The company is owned and managed by experienced persons in the extractive sector. The project is expected to be financed both through owners' equity and external financing through bank loans, where the total project requirement amounts to **US$10,000,000 (United States Dollar Ten Million only)**. External capital is expected to be 70% equivalent to USD 7 million, which shall come from Chinese-based investors; while 30% equivalent to USD 3 million, shall be contributed by Internal/local financing from commercial banks.

During the first year of operations, the project expects to employ at least 200 locals and 12 foreigners through direct employment, while indirect employment is expected to reach 5,000 by the end of the five-year duration. Production capacity is estimated

to be 3,000 tons of rare earth oxides in the first year; 5,000 tons in the second year; 7,000 tons in the third year; 9,000 tons in the fourth year, with anticipation of reaching 100 million tons in the fifth year.

1.1 Company Vision, Mission, and Core Values

Our Vision: Our vision is to emerge as the best practitioner in mining, processing and distribution of Rare Earth Elements (REE) and other minerals for the local and foreign markets.

Our Mission: Our mission is to responsibly mine, process, and distribute Rare Earth Elements (REE) and other minerals to both local and international markets. We are committed to applying the highest standards of professionalism, innovation, and sustainability to deliver consistent value to our stakeholders while supporting economic growth and environmental stewardship.

Our Belief: Is that, success depends entirely on our exceptional teamwork approach, while constantly striving to leave our clients with an everlasting positive customer experience.

Core Values: Through our dedicated, competent, professional and motivated organization, modernized, and experienced personnel, we are committed to the following principles:

- We ensure total continual customer satisfaction and optimum returns.
- We are committed to listening and responding to the needs of the community we serve;
- We are by international standards and a system that is uncompromised quality, achieved by individuals and as a team.
- To inspire and connect with our community to put their best selves forward every day.

1.2 Project Objectives

The main objective of our project is to engage in the operations of Rare Earth Elements in Tanzania. The project intends to invest heavily in the extractive sector in which we operate by providing of best practices for the production of high-quality products that will be mined and processed by the company. The project shall also support various community development aspects, including supporting education and health care.

Specifically, the project aims to achieve the following objectives;

1) To undertake efficient and sustainable extraction of Rare Earth Elements (REE) and other strategic minerals, using modern technologies and best industry practices.
2) To establish high-quality mineral processing operations capable of producing refined products that meet both local and international market standards.
3) To build strong value chains for the distribution of REE and related mineral products, ensuring reliability, competitiveness, and timely delivery to customers.
4) To promote environmental stewardship by implementing responsible mining practices, minimizing environmental impact, and adhering to national and international environmental regulations.
5) To contribute to local socio-economic development through direct and indirect job creation within the communities where the project operates.
6) To support community development initiatives, including investments in education, healthcare, and other social services that enhance community well-being.

1.3 Project Location

The project will be located at Mkiu Village, in Ludewa District, Njombe Region. The area is covered by Prospecting License PL 13226/2025, License area size: 228.3954 square kilometers, Issued by the Ministry of Minerals – Mining Commission.

1.4 Project components and costs

The project is expected to commence its activities soon after all the preliminary arrangements and permits are obtained. Table 1.1 provides a summary of project requirements in Phase I.

Table 1.1: Project Requirements (Cost in US$)

Descriptions	Quantity	Value per unit (USD)	Total value (USD)
Land and Buildings:			
Land	100 acres	5,000	500,000
Buildings	Lampsum		300,000
Site Preparations	Lampsum		50,000
Sub-total Land & Buildings			**850,000**
Machinery & Equipment			
Multiple high-capacity production lines with full automation	Full set		7,000,000
Power generation transformer systems	2	500,000	1,000,000
Laboratory equipment	Lampsum		400,000
Sub-total Machinery			**8,400,000**
Motor vehicles	3	70,000	210,000
Furniture & Fixtures	Lampsum		40,000
Working Capital	Lampsum		500,000
TOTAL			**10,000,000**

The project requirement amounts to **US$10,000,000 (United States Dollar Ten Million only),** which covers the cost of land, buildings, plant and equipment, and working capital required at the commencement of the project.

1.4 Implementation Plan

The project is expected to commence its activities in March 2026 after all the preliminary arrangements and permits are obtained. The project office and some office equipment have already been prepared. The project shall be implemented in two phases. Phase one shall include preliminary stages such as site preparations, construction, office installation and procurement and installation of machinery and equipment for mining activities. Phase two shall include activities for project expansion, such as the construction of more production facilities, new equipment purchases and the installation of a new plant. The activities in phase two shall commence in January 2027 through the rest of the project. The implementation programme is well described in Table 1.2

Table 1.2: Implementation Schedule

	DESCRIPTION		**PHASE I**			**PHASE II**
No.	**Activities**	**March-June 2026**	**July-Sept, 2026**	**Oct-Dec 2026**	**Jan-Dec,2027**	**Jan 2028-Dec 2030**
1	Permits acquisition, Site preparations and mobilization of resources.					
2	Purchase of machineries, equipment					
3	Building Construction and Installation of the Plant					
4	Procurement of materials, Recruitments of Staff, engagements					
5	Commencement of Production					
6	Project Expansion, setting up the New Extraction Plant					

Upon completion of site preparations, construction, and installation of the Plant, machinery and equipment, and other facilities, the process of hiring and engaging qualified personnel shall follow. The project shall pay attention to expertise in the

sector. The project shall conduct a periodical assessment of its machinery and equipment and replace obsolete ones through the disposal and procurement of new equipment. Project monitoring and evaluation shall be maintained throughout the duration of five years.

1.5. Project Benefits

The Implementation of this project will have economic and social benefits to the community and the country at large, notably:

1. **Economic Growth and Revenue Generation:** The project will contribute significantly to national and local economic growth through increased mineral production, export earnings, taxes, royalties, and foreign exchange inflows.
2. **Employment Creation:** Direct and indirect employment opportunities will be created across mining, processing, logistics, and support services, improving livelihoods in host communities.
3. **Value Addition and Industrial Development:** By processing Rare Earth Elements locally, the project promotes value addition, reduces raw mineral exports, and supports the development of downstream industries.
4. **Technology Transfer and Skills Development:** The project will introduce modern mining and processing technologies, enhancing technical skills and building long-term capacity within the local workforce.
5. **Community Development and Social Impact:** Investments in education, healthcare, and social infrastructure will improve the quality of life in surrounding communities and strengthen social cohesion.
6. **Environmental Responsibility and Sustainability:** Adoption of best environmental management practices will minimize ecological impacts and ensure sustainable use of natural resources.

2.0 PROJECT DESCRIPTION

Rare earth elements (REE) are key enablers for the ongoing energy and environmental transition as they are critical raw materials in many low-carbon technologies. In the past few years, many new REE projects have been developed worldwide to replenish the market, and thus are changing the supply chains. The project intends to utilise the prevailing opportunity due to the availability of ample land that can be used for the extraction of REE. The project will also help to fill the gap in the local and foreign markets.

The project shall be operated through the following model.

- Establishment of the REE processing plant for the production of REE products that will be sold locally and exported to various countries;
- The company will bring experts from best best-performing countries to train Tanzanians to understand how REEs are mined and processed to meet international standards.
- The project envisages having exchange programmes with counterparts in other countries for locals and those abroad for learning and sharing experiences.

2.1 Key Success Factors

Provision of high-quality products to meet the local and foreign markets' demands is our core competency. The project is designed to have modern, decent, well-managed facilities with immaculately humane services during service delivery. We will ensure we have enough materials and equipment that are operated by highly professional persons, who are ready to produce high-quality products of nearly any requirement.

2.2 Our Staff

Hongji Mining Limited is well placed to implement its policy of "safety-first" that guarantees safe handling and delivery of our clients' requirements. The project shall maintain its policy to hire staff who have years of experience in the extraction sectors. The hired staff shall comprise both Tanzanians and foreigners, creating opportunity for hundreds of jobs, providing fair pay in an excellent work environment. We will conduct periodical orientations and team building seminars so that our staff continue to be on the same page and properly trained to meet our objectives.

2.3 Machinery and Equipment

The project will ensure that appropriate machinery and equipment are installed and modern technology in place for REE manufacturing.

3.0 BUSINESS ENVIRONMENT AND SECTOR ANALYSIS

3.1 Business environment

Businesses may be affected by factors beyond the owner's control, and these need to be taken into account before making any investment decision. The company has considered many opportunities and challenges that may arise out of the expected changes. Thus, analysis of key business environment factors is paramount to this plan to determine external factors and how they are likely to affect the project.

Economically, Tanzania is now experiencing economic growth whereby the purchasing power of people is increasing and people's interactions is increasing as trade grows in the East African Region, SADC and AfCFTA. This has called for a lot of business opportunities in the regions. The burning issue currently is the rate of inflation and the continuous fall in domestic currency, which would lead to increased cost of operations as the price of materials is rising.

Politically, Tanzania has enjoyed political stability since it gained its independence in 1961, which has allowed for a degree of continuity and coherence in the organisation of both the state and the private sector. The country retains a strong national unit with an engaged civil society and private sector. The government of Tanzania is in support of investments through a number of policies and strategies that aim at making the business environment more conducive.

Social-Cultural: The social aspect focuses on the forces within the society. Family, friends, colleagues, neighbours and the media are social factors. These factors can affect our attitudes, opinions and interests. So, it can impact sales of products and revenues earned. There is no doubt that society is continually changing. The tastes and preferences are a great example of this change for the Tanzanian culture. Most of Tanzanians are currently willing to pay a premium price for a product that satisfies

their expectations. Demographically, the country is increasing in population, where currently the country is estimated to have over 61 million people. The increase in population necessitates an increase in demand for goods and services.

Technological factors: Technological factors are one of the various external environment factors that affect businesses greatly and are also an integral component of the environmental analysis. Our project considers technology as an integral part and an important tool for improving operations and functions. In the present scenario, utmost dependence on equipment, technological factors can have more effect on business operation and success globally than ever before. Furthermore, the development of technology has also introduced digital marketing strategies through which companies are able to sell their products and services. Even the research and development (R&D) divisions in most companies have changed their ways of functioning and more advanced techniques in the development of products and services have been introduced only through technological advancements. We will ensure we keep up the pace of technology to suit the needs of our customers.

4.0 MARKETING PLAN

The global market size for REEs, valued at USD 3.95 billion in 2024, is relatively small compared to other critical minerals. By comparison, the International Energy Agency (IEA) data show that in 2024, global demand for REEs equalled only 0.4 % of global copper demand and 2.7 % of nickel demand. Despite this modest share, REEs are expected to see strong demand growth over the next two decades. Under the IEA's Announced Pledges Scenario, total magnet REE demand could more than double by 2050, driven primarily by the expansion of electric and hybrid vehicle manufacturing, wind turbine deployment, industrial automation and robotics, and defense and aerospace technologies. Our motive is to cater for this need, especially through providing high-quality REE products that will be sold locally and at international markets.

4.1 Marketing Strategies

4.1.1 SWOT Analysis

The SWOT analysis is conducted to assess our internal strengths and weaknesses that we need to improve. We have also analyzed external factors that may provide opportunities or pose threats to our project. Finally, we have indicated how we can best utilize the available opportunities and mitigate potential threats, and overcome our weaknesses.

Table 4.1: SWOT Analysis

STRENGTHS	**WEAKNESSES**
• Ability of the project implementers to solicit required funds for the project. • Modern equipment and facilities and safe environment for production of high-quality REE products from local resources. • Excellence in service from highly skilled management and staff. • Affordable prices will give options for customers to prefer our products.	• Sourcing of required resources including finances may cause delay in starting operations on time. • No appropriate data on the current and projected market demand.
OPPORTUNITIES	**THREATS/CHALLENGES**

• Growing demand of REE products due to increase in population and regional integration. • Government commitment to support industries. • Economic growth and rising in purchasing power of individuals provides opportunities for the project.	• High expectations of customers and changing customer preferences. • Ensuring punctuality, safety, health and hygiene of our products. • Stiff competition in the sector.

From the SWOT analysis, we have been able to identify our strengths, weaknesses, opportunities and threats. The project will capitalize on the key strengths to provide the best services to customers. The available opportunities create a room for business expansion and the company sees that this prevailing opportunity cannot be left in vain. The project shall make use of the marketing mix in making sure that high high-quality product is maintained in the market, our services reach high-demand locations (place), a reasonable price is charged to our clients and appropriate promotional tools are employed to increase awareness of our products and services.

Product: The modern equipment and facilities shall be an added advantage to compete in the market through determination to provide high-quality products and services. A sufficient budget shall be allocated for repair and maintenance to ensure that all machinery and equipment and facilities remain in good condition at all time so as to maintain products of high quality.

Pricing: The objectives of price strategy depend on a number of factors such as business, economic and marketing objectives. Price setting can be based on cost or market-based. With demand and completions orientation concepts, a fair price will be set that customers are willing to pay at the same time covers operational costs with some profit margin. In this regard, price setting shall be based on demand, and competition, but also cost of operation.

Place: The project shall invest in modern and sophisticated technology and facilities and a conducive environment. The project has arranged to start operations by looking at the most convenient market segment.

Promotion: Branding and Media advertisements, both digital and print media, shall be widely employed by the project. We will engage in positive promotion of the project through developing appropriate marketing strategies. The project will make an advertisement of the available services via a number of media such as local newspapers, leaflets, TV, radio, social media and the Internet. Different procedures of promotion will be applied, such as providing price discounts to regular customers.

4.2 Revenue collection

From pre-feasibility samples, the estimated 120,000–130,000 tons of ores processed per year, the project will be able to produce 3,024 tons of Rare Earth Carbonate/ Hydroxide per year. The Average selling price (blended REE basket) is estimated to be USD 6,000 per ton. Therefore, annual revenue from 3,024 tons is estimated to be USD18,144,000.

Revenue collections will be done on a cash basis and by bank transfers. Where there is a written agreement, the company will also provide services on a credit basis to institutional customers. The description of revenue projections is shown in the Table below.

Table 4.1: Description of Revenue Projections

S/N	Revenue Source	Qty/MT per month	Price/Ton (USD)	Amount per month (USD)	Amount per year (USD)
1	Blended REE basket	252	6,000	1,512,000	18,144,000
	Total	**252**		**1,512,000**	**18,144,000**

5.0 OPERATIONAL AND MANAGEMENT PLAN

5.1 In-Situ Leaching Process for Ion-Adsorption Rare Earth Ores

Core Features: It does not involve excavation of the mountain or moving ore. Instead, it involves directly injecting a chemical solution into the ore body in its natural, buried state, to in-situ displace, dissolve, and recover rare earth ions underground.

Applicable Ore Type: Ion-adsorption rare earth ores. In these ores, rare earth elements exist in an ionic state adsorbed onto the surfaces of clay minerals (such as kaolinite, halloysite), making them easily exchangeable and elutable by electrolyte solutions.

Brief Process Description:

1. Solution Injection: Injection wells are constructed on hilltops or slopes. A prepared leaching agent (typically an electrolyte solution like ammonium sulfate or magnesium sulfate) is slowly injected into the ore layer. The solution percolates downward through the entire ore body under gravity.

2. Exchange & Leaching: The cations in the leaching agent (e.g., ammonium ions, NH_4^+) undergo an ion exchange reaction with the rare earth ions (RE^{3+}) adsorbed on the clay minerals. This displaces the rare earth ions from the clay into the solution, forming a pregnant rare earth solution.

3. Solution Collection: Collection ditches are excavated or recovery wells are constructed at the foot of the mountain or the base of the ore body, lined with impermeable membranes, to comprehensively collect the pregnant solution seeping down from the ore body.

4. Recovery & Processing: The collected pregnant solution is pumped to precipitation ponds. A precipitant like ammonium bicarbonate is added to precipitate the rare earths as rare earth carbonates. These are then filtered and calcined to obtain mixed rare earth oxides, which can be further separated and purified.

5. Solution Circulation & Environmental Treatment: The supernatant after precipitation (containing excess leaching agent) can be treated, replenished, and recirculated back into the system to reduce costs and minimize wastewater discharge. The final effluent must be treated to meet environmental standards.

Advantages:

- Environmentally Friendly: Dramatically reduces surface disturbance (no excavation, minimal tailings), soil erosion, and vegetation destruction.
- Low Cost: Eliminates the high costs associated with conventional ore mining, transportation, crushing, and heap leaching.
- High Resource Recovery: Effectively recovers low-grade and thin-layer ores that are difficult to process using traditional methods.

Key Technologies & Challenges:

- High Demands on Geological & Hydrogeological Conditions: The ore body must have suitable permeability, and the bedrock must have an effective impermeable layer to prevent solution loss and groundwater contamination.
- Seepage Prevention & Solution Collection: A comprehensive bottom impermeable layer and solution collection system is essential to ensure complete recovery and zero leakage of the pregnant solution, which is critical for environmental protection.
- Complex Process Control: Requires precise control of injection rate, concentration, and distribution to prevent "landslides" or the formation of "leaching dead zones."

Summary: In-situ leaching is a revolutionary green mining technology. It extracts rare earths from within the mountain like an "IV drip," achieving a high degree of unity between resource extraction and environmental protection. It is currently the most advanced and mainstream mining method for ion-adsorption rare earth ores.

5.1.1 Core Process Summary: From In-Situ Leaching of Rare Earth Ores to Refined Rare Earth Oxides

Step 1: Pregnant Solution Collection and Concentration

1. **Collecting the Leachate**: Pump the pregnant solution containing rare earth ions (RE^{3+}, NH_4^+, Cl^-/SO_4^{2-}) from the underground collection system to the processing plant.
2. **Precipitation and Concentration**: Add a precipitant such as ammonium bicarbonate or oxalic acid to the solution. This generates solid precipitates of

rare earth carbonates or oxalates, achieving efficient concentration of rare earths from a dilute solution into a solid form.

3. **Solid-Liquid Separation**: Use a filter press to separate the solid precipitates from the wastewater (supernatant), obtaining a rare earth filter cake.

Step 2: Initial Conversion to Mixed Rare Earth Oxides

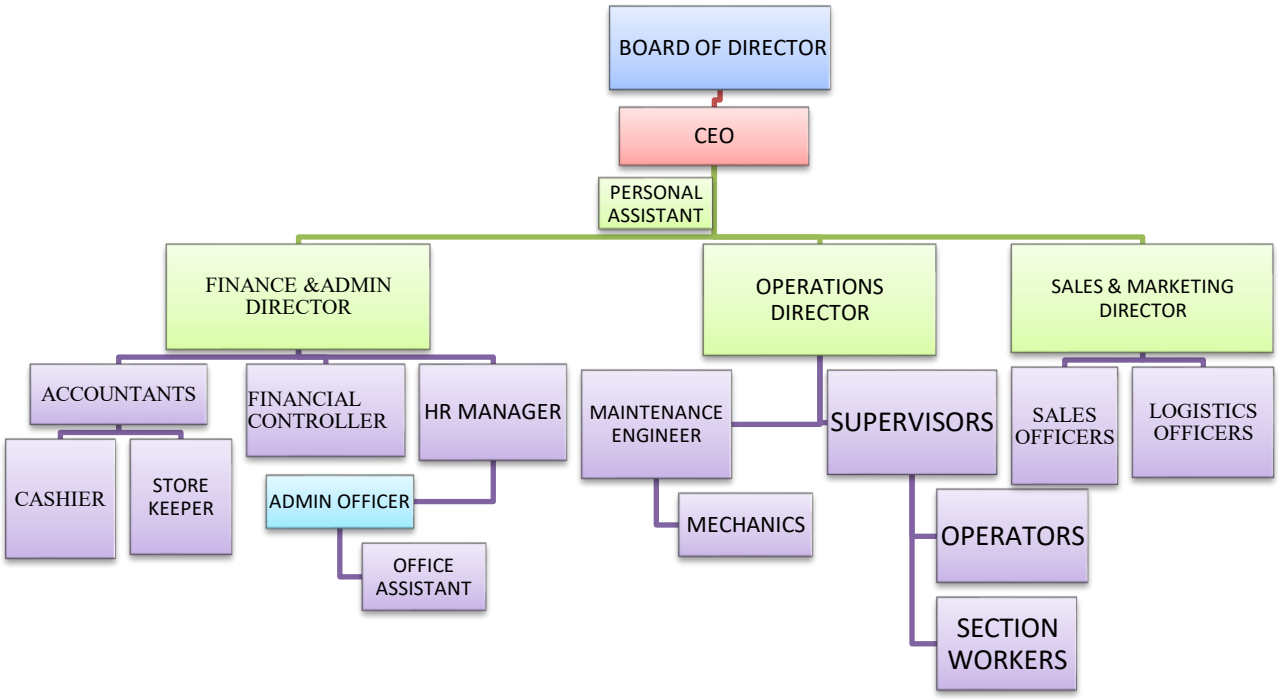
1. **High-Temperature Calcination**: Calcinate the rare earth carbonate/oxalate filter cake in a rotary kiln at 800–900°C. This decomposes the compounds into mixed rare earth oxides (REO), also known as rare earth concentrate.

5.2 The Organization Structure

The project shall maintain the hierarchical mode of organization structure. The organization structure comprises of the Project Implementation Team led by the CEO and other supporting staff.

The organizational structure comprises three main departments, which shall report to the CEO: Finance and Admin Department, which shall include the Finance and Administrative Director, Accountants, Cashiers, revenue collectors and store keepers; HR Officers, Administrative Officers and Office Assistants, as well as watchmen/security guards and drivers. The Marketing and Sales Department shall include the Director of Sales and Marketing, Marketing Manager, Sales Officers and Logistics Officers. The Operations Department shall include the Director of Operations, Technical and Maintenance Manager, Mechanics, Machine Operators, Drivers and section workers. Figure 5.1 describes the organizational structure and the reporting lines for each category.

Figure 5.1 Organization Chart



5.3 Management

The Chief Executive Officer shall be responsible for the day-to-day running of the project and direct reports to the Board of Directors. The Director of Operations shall be responsible for the day-to-day operational activities of the project, including sourcing of materials, managing the personnel under him, repairing and maintenance and controlling the timetable for trucks. The Finance and Administrative Director shall be responsible for all financial and administrative issues. Accounting and Administrative officers shall be responsible for all financial and administrative issues, respectively. The financial controller shall ensure monitoring of resource allocation, especially funds and ensure that the fund is used in a desired manner.

6.0 PROJECT MONITORING AND EVALUATION

The project will be monitored and evaluated on a regular basis to track progress and identify any potential problems. The monitoring process will collect data on key indicators, such as the number of trucks added, the number of trucks per route, and the reduction in service delivery time and costs. The evaluation process will collect data on the benefits of the project, such as improvement in transport services, the creation of jobs, and the improvement of the economic activities of the Company.

The monitoring and evaluation plan will be tailored to the specific needs of the project. However, the following general principles will be followed:

i) Relevance: The monitoring and evaluation plan will be relevant to the objectives of the project.
ii) Accuracy: The monitoring and evaluation plan will be accurate and reliable.
iii) Timeliness: The monitoring and evaluation plan will be timely and up-to-date.
iv) Transparency: The monitoring and evaluation plan will be transparent and accessible to stakeholders.

7.0 RISK ASSESSMENT AND KEY ASSUMPTIONS

The project has the potential to significantly improve the efficiency of transport service in Dar es Salaam and hence promote an increase in economic activities and incomes of people. However, there are also a number of risks associated with the project. Some of the key risks may include:

i) **Competition:** There is relative competition due to the presence of other players in the industry. The majority of competitors have already covered a huge share in the market; the company intends to capitalize on a niche in which the company can best serve others. The project shall utilize the existing gaps in the local market and exploit export potential to various markets.

ii) **Price changes:** Due to inflation, the price of materials is expected to rise up particularly fuel and spare parts. In order to cater for this price increase, the project shall review the project planning, timelines and make price adjustments from time to time.

iii) **Accidents:** The Extractive industry is prone to accidents. One of the major causes of these accidents is the overworking of employees without being given enough time to rest. We intend to employ qualified staff and use modern technology to ensure labour gets enough rest. The company also intends to secure the machinery and equipment through a comprehensive insurance cover in case of any accident, theft or any other disaster.

Despite the likelihood of these risks, the project's potential to make a significant contribution to the economic development are inevitable. If the project is successful, it could help to improve the development of the sector and ensure the availability of high-quality products in the country and ultimately boost economic growth.

8.0 FINANCIAL PLAN

8.1 Sources of Funds

The project financing is expected to be through both owners' equity and debt financing through both internal and external sources of financing. The amount of revenue shall be clearly allocated to the parties as per the profit calculations of the project. The project financing shall be in the following mode;

Table 8:1 Project Financing

S/N	Type of Financing	Source	Amount ($)
1	Equity	Foreign	500,000
2	Loan	Local	2,500,000
2	Loan	Foreign	7,000,000
TOTAL			**10,000,000**

8.2 Financial Assumptions

Several assumptions were made and considered in the preparation of this financial plan and projection. The assumptions are based on professional judgment, economic trends and the current financial market environment. These are as noted below;

(i) The focus market shall be both the domestic market and foreign markets, including EAC, SADC, ACFTA, and beyond the African Continent.

(ii) Investment shall be progressively made throughout the project.

(iii) The annual sales are projected to grow by 10% per annum, while operating expenses will rise at the rate of 5%. The revenue is expected to double in year 3 after having installed the additional plant.

(iv) Depreciation will be charged on straight line method to allocate the cost of each value over its estimated useful life. The rates to be used for vehicles and equipment are as follows;

(a) Buildings 5%

(b) Furniture & Fittings 10%

(c) Equipment 10%

(d) Motor vehicles 20%

The financial assumptions will also include issues on credit sales, payments of interest rates, taxes and other levies. From the beginning, we recognize that payment terms

and, hence, collection days are critical, but not a factor we can easily influence. At least we are planning on the problem and dealing with it. Interest rates, tax rates, and personnel burden are based on conservative assumptions. Some of the more important underlying assumptions are:

- We assume a strong economy without a major recession.
- We assume, of course, that there are no unforeseen changes in economic policy to make our service immediately obsolete or unwanted.
- We assume an inflation rate of 5% yearly.
- Maintenance costs 5% of Property, Plant and Equipment
- Corporate tax is 30% of Net Income

8.3 Projected Financial Statements

The projected financial statements for five years indicate that the company will be able to generate substantial amounts of profits, as detailed below.

Table 8.2: Projected Income Statements for Five Years

Description	**YEAR 1 (US$)**	**YEAR 2 (US$)**	**YEAR 3 (US$)**	**YEAR 4 (US$)**	**YEAR 5 (US$)**
Revenue	18,144,000	18,688,320	19,248,970	19,826,439	20,421,232
Less: Cost of sales	12,307,043	12,922,395	13,568,515	14,246,941	14,959,288
Operating Profit	**5,836,957**	**5,765,925**	**5,680,455**	**5,579,498**	**5,461,944**
Less: Op. expenses	*1,456,700*	1,466,071	1,577,129	1,595,985	1,615,785
Earnings Before Interest and Tax	4,380,257	4,299,854	4,103,326	3,983,513	3,846,159
Less: Charges					
Interest	1,425,000	1,140,000	855,000	570,000	285,000
Earnings/(Loss) Before Tax	**2,955,257**	**3,159,854**	**3,248,326**	**3,413,513**	**3,561,159**
Corporate Tax (30%)	*886,577*	*947,956*	*974,498*	*1,024,054*	*1,068,348*
Earnings After Tax (Loss)	**2,068,680**	**2,211,898**	**2,273,828**	**2,389,459**	**2,492,811**
Dividends (30%)	*620,604*	*663,569*	*682,148*	*716,838*	*747,843*
Retained Earnings	**1,448,076**	**1,548,328**	**1,591,680**	**1,672,621**	**1,744,968**

Table 8.3 Projected Balance Sheet for Five Years

DESCRIPTIONS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	US$	US$	US$	US$	US$
NON-CURRENT ASSETS					
Land &Buildings	807,500	765,000	722,500	3,680,000	3,637,500
Machinery & Equipment	7,560,000	6,716,000	5,872,000	5,028,000	4,184,000
Motor vehicles	189,000	168,000	147,000	126,000	105,000
Total Non-Current Assets	**8,556,500**	**7,649,000**	**6,741,500**	**8,834,000**	**7,926,500**
Stocks	3,238,968	2,965,606	2,738,246	522,500	533,100
Debtors & Prepayments	185,048	56,825	141,500	15,400	16,700
Cash and Bank balance	506,389	357,534	395,185	368,389	421,220
Total Current Assets	**3,930,405**	**3,379,965**	**3,274,931**	**906,289**	**971,020**
TOTAL ASSETS	**12,486,905**	**11,028,965**	**10,016,431**	**9,740,289**	**8,897,520**
Equity Capital	500,000	500,000	500,000	500,000	500,000
Retained Earnings	1,448,076	1,548,328	1,591,680	1,672,621	1,744,968
Total Equity	**1,948,076**	**2,048,328**	**2,091,680**	**2,172,621**	**2,244,968**
Bank loan	9,500,000	7,600,000	5,700,000	3,800,000	1,900,000
Total Non-Current Liability	**9,500,000**	**7,600,000**	**5,700,000**	**3,800,000**	**1,900,000**
Trade Creditors and Accruals	981,324	1,278,229	2,118,482	3,627,043	4,556,618
Taxation	57,505	102,408	106,269	140,624	195,934
Total Current Liabilities	**1,038,829**	**1,380,637**	**2,224,751**	**3,767,668**	**4,752,552**
TOTAL EQUITY & LIABILITIES	**12,486,905**	**11,028,965**	**10,016,431**	**9,740,289**	**8,897,520**

Table 8:4 Projected Cash Flow for Five Years

DESCRIPTIONS	Year 1	Year 2	Year 3	Year 4	Year 5
	US$	US$	US$	US$	US$
Receipts:					
Sales	18,144,000	18,688,320	19,248,970	19,826,439	20,421,232
Capital injection	500,000				
Bank Loan	9,500,000	-	-	-	-
Total Receipts:	**28,144,000**	**18,688,320**	**19,248,970**	**19,826,439**	**20,421,232**
Less: Payments					
Cost of sales	12,307,043	12,922,395	13,568,515	14,246,941	14,959,288
Operating Expenses	1,456,700	1,466,071	1,577,129	1,595,985	1,615,785
Tax Payments	886,577	947,956	974,498	1,024,054	1,068,348
Dividends	620,604	663,569	682,148	716,838	747,843
Purchase of assets	11,343,737	1,816,699	1,791,840	1,541,606	1,575,614
Other purchases	1,022,950	514,095	259,655	332,626	33,134
Total Payments	**27,637,611**	**18,330,786**	**18,853,785**	**19,458,050**	**20,000,012**
Beginning Cash Balance	-	*506,389*	*357,534*	*395,185*	*368,389*
Ending Cash Balance	***506,389***	***357,534***	***395,185***	***368,389***	***421,220***

9.0 ECONOMIC ASPECTS

9.1 National economic and social Benefits

The establishment of the proposed Rare Earth Processing Project is expected to generate significant positive economic and social impacts for the United Republic of Tanzania. These impacts will accrue at both direct and indirect levels, contributing to national development objectives, industrial growth, and improved livelihoods, as outlined below.

a) Direct Economic Impacts

The project will generate direct positive economic benefits through the following mechanisms:

1. **Increased Government Revenue:** The project will contribute to national and local government revenues through the payment of taxes, levies, royalties, and other statutory charges throughout the project life cycle.
2. **Improved Access to Rare Earth Products:** The project will enhance domestic and regional access to high-quality, reliable, and competitively priced rare earth element (REE) products, supporting industrial development, technology applications, and value addition within Tanzania and the region.
3. **Employment Creation:** The project is expected to create over 300 direct employment opportunities during construction and operational phases. These jobs will span skilled, semi-skilled, and unskilled categories, thereby contributing to income generation and poverty reduction.
4. **Technology and Skills Transfer:** Engagement of specialized technical experts from different parts of the world will facilitate knowledge, technology, and skills transfer to local employees, enhancing national human capital and long-term technical capacity in the mining and mineral processing sector.

b) Indirect Economic and Social Impacts

In addition to direct benefits, the project will generate broader indirect economic and social impacts, including:

- **Stimulation of Local and National Economies:** Increased demand for local goods and services such as transportation, catering, maintenance, and

accommodation will stimulate business growth and employment in surrounding communities.

- **Corporate Social Responsibility (CSR):** The project proponent intends to operate as a responsible corporate citizen by implementing CSR initiatives, including support for disadvantaged groups, education, healthcare, and community development projects, with priority given to communities located near the project area.
- **Contribution to National Development Goals:** By promoting industrialization, value addition, and export earnings, the project will support Tanzania's broader economic development strategies and regional integration efforts.

10.0 CONCLUSION

The proposed Rare Earth Processing Plant, operating at 16 metric tons per hour, is technically viable and scalable. With an annual processing capacity of 3,000 tons of rare earth oxides in the first year, with the anticipation of reaching 100 million tons by the end of five years. The facility is positioned to deliver consistent, high-quality rare earth intermediates while adhering to environmental and safety standards. The manufacturing plan supports sustainable operations, local employment, and long-term value addition in the rare earth value chain.