

EALS LIMITED

EAST AFRICA CRUDE OIL PIPELINE

EACOP PROJECT

Prepared by:

E.A.L.S LIMITED
P.O. BOX 1683
DAR ES SALAAM

1.0 EXECUTIVE SUMMARY:

1.1 Introduction

This feasibility study report has been prepared by M/S E.A.L.S Limited of P.O. Box 1683, Dar es Salaam, Tanzania hereinafter referred as to the Company for submission to Tanzania Investment Centre for the purpose of facilitating obtaining of a Certificate of Incentive.

E.A.L.S Limited holds a certificate of incorporation no 135915440 dated 22nd February 2018 with the objective of operating as Lead Logistics Provider and other related logistics services. At the end of 2021 EALS was awarded a tender the Main Logistics Contractor in the East Africa Crude Oil Pipeline (EACOP) project .

The Company is local content compliant in terms of required Tanzania laws and regulation governing EACOP project. The Company has the licence for customs clearance as well as a general business licence for being an agent for cargo logistics.

The Company has following objectives under this project:

1. To coordinate all the cargo (pipes and related cargo) all over the world, and clear at the Port of Dar es Salaam and TANGA port. A total of approximately 1543 km of steel pipe will be imported into Dar Es Salaam port and a number of Heavy lifts or Out of Gauge cargo and containers through the port of TANGA.
2. Steel pipes which will be received in 18 meter joints will be transported by the Company to the Thermal Insulation System contractors Coating Plant near ISAKA in Tanzania. The Thermal Insulation System contractor will add various materials to the steel pipe in order to insulate the pipe, ready for installation by the pipe-laying contractor.
3. To transport the coated pipes from the Thermal Insulation System Contractors' plant to several identified main camp pipe yards along the pipe route.

1.2 The Project Promoters

The project is promoted and financed by the shareholders of the Company.

The Company's shareholding structure includes 40% owned by Super Star Forwarders Company Limited (100% owned by Tanzanian shareholders) and 60% owned Bolloré Transport & Logistics Tanzania Limited (an international logistics company with world -wide footprint and expertise).

The shareholders bring a synergy of international and local experience as far as logistics aspect is concerned and have joined forces to serve the EACOP Project and to develop future business for the benefit of the Tanzanian economy. More details of the shareholders are as per the below table:

Names of the shareholder Physical and Postal Address	Nationality	Number of Shares
Super Star Forwarders Limited Plot No. 4, Block A, Sinza Trading Area, P. O. Box 16541, Dar es Salaam, Tanzania	Tanzanian	9 000
Bolloré Transport & Logistics Tanzania Limited Plot No. 27, Nelson Mandela Road, P.O. Box 1683, Tabata, Dar es Salaam, Tanzania	French	13 500

1.3 Location

The Company has registered office at Plot 27, Nelson Mandela Road, Tabata.

1.4 Target Markets

The target market is EACOP Project which a lot of opportunities will be created in the course of rendering services to this historical project for the two countries, Tanzania and Uganda.

EALS Tanzania –

MLC DEPLOYMENT TIMELINE FROM ED

	ED-2	ED-1	ED (M)	M+1	M+2	M+3	M+4	M+5	M+6	M+7	M+8	M+9	M+10	M+11	M+12
FBE onshore transportation															
PUF onshore transportation															
IBM Trailers - Detailed final design - validation and certification															
IBM Trailers - Detailed financing in place															
IBM Trailers - Negotiation with Ugandan transporter finalized															
IBM Trailers - Production of prototype - validation															
IBM Trailers - Order confirmed with manufacturer															
IBM Trailers - Production of trailers															
IBM Trailers - Quality check															
IBM Trailers - Transport /import formalities/Registration with local authorities															
IBM Trailers - Assembling / Commissioning & Positioning															
IBM Trailers - Beginning of operations															
Prime Movers - Confirmation of order															
Prime Movers - Production of order															
Prime Movers - Transport to DAR or local Mobilisation															
Prime Movers - Commissioning & Positioning (inc. IVMS Installation)															
Prime Movers - Beginning of operations															
Dhatec System - Validation & Certification															
Dhatec System - Confirmation of order															
Dhatec System - Production															
Dhatec System - Transport /import formalities/Commissioning & Positioning															
PUF Support - Validation & Certification															
PUF Support - Confirmation of order															
PUF Support - Production															
PUF Support - Transport /import formalities/Commissioning & Positioning															
Vacuum lifting equipment - Validation & Certification															
Vacuum lifting equipment - Confirmation of order															
Vacuum lifting equipment - Production															
Vacuum lifting equipment - Transport /import formalities/Commissioning & Positioning															

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EALS Tanzania –

MLC DEPLOYMENT TIMELINE FROM ED

	ED-2	ED-1	ED (M)	M+1	M+2	M+3	M+4	M+5	M+6	M+7	M+8	M+9	M+10	M+11	M+12
Accelerometers - Validation & Certification															
Accelerometers - Production															
Accelerometers - Transport /import formalities/Commissioning & Positioning															
Accelerometers - Commissioning & Positioning															
Buffer yard - Evacuation of containers															
Buffer yard - Upgrade works/ sand berms /Servicing of lifting equipment															
Night stop for FBE (Marogoro/Dodoma/Singida) : infra upgrade /mobilisation															
Night stop For PUF (Muleba/Mutukula/Katesh/Miwanga) : infra upgrade /mobilisation															
MCPY Sand Berms - Financing in place / order confirmed															
MCPY Sand Berms - Equipment/material , mobilisation															
MCPY Sand Berms - Sand Berm deployment															
MCPY - HR : OPS Team mobilisation / training															
MCPY Material Handling - mobilisation (excavator/crane/forklift/various)															
MCPY Material Handling - operations															
Track and Trace - specifications analysis, clarifications and management final documents															
Track and Trace - development, testing															
Track and Trace - testing, training, deployment															
HR - strategic personal (project director, contract manager, finance manager, doc leader)															
HR - operational staff TZ															
HR - operational staff TZ															
Offices - Renovation of BTL TZ offices															

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3.0 PROPER, MODERN AND ADEQUATE EQUIPMENT

To be able to provide quality services that conforms to the demands of the highest standards, the Company envisages acquisitions of new equipment and develop various infrastructure as illustrated in the chart below on investment plan under paragraph 2.2.

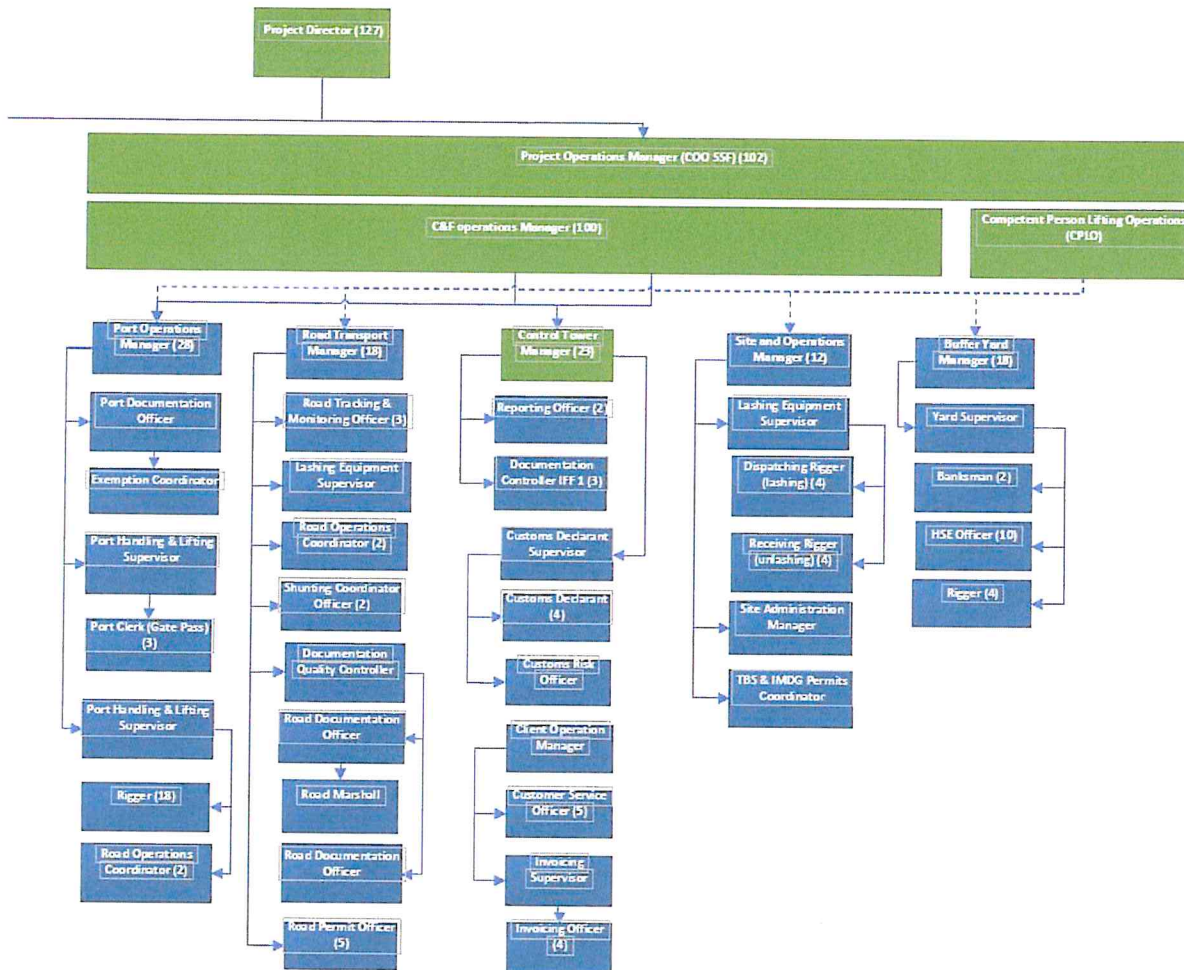
4.0 MANAGEMENT AND STAFF

To perform the services committed to deliver the Project in full and on time, the Company requires a team of very experienced, highly skilled and well-motivated personnel.

Motivation and retention scheme: Continuity being a vital element in any efficient operation, focus will be given to minimize frequent manpower turn over. In order to achieve this, very specific short term packages will be part of the program. The objective is to attract the best qualified personnel at the Company labor force and to retain them for a reasonable period of service in order to achieve continuity and harmony in the Company's operations.

Policies and critical decision-making including approval of the budget, approval for yearly action plans will be done by the board which shall be directly answerable to the General Members' meeting.

The Company shall be managed on the day to day basis by the Project Director, assisted by a core team of project experts. About 118 employees will be employed and full implementation is shown below:



5.0 CAPITAL INVESTMENT COST AND FINANCING PLAN

5.1 Investment costs

Company's investment cost are shown in the below chat:

EALS Tanzania – INVESTMENTS

INVESTMENT PLAN			
EALS			
Accountability	Entity	Category	Total in USD
		Installation of MCPY	
INVESTMENTS	EALS	- Sand Berms - Sand & Aggregates + HDPE Liner	-939,030
		- Fire Fighting Systems	
INVESTMENTS	EALS	MCPY Operations	-250,950
		- Vacuum Lifting Equipment - Excavator	
INVESTMENTS	EALS	Yard Operations	-757,557
		- Vacuum Lifting Equipment - Reachstacker	
INVESTMENTS	EALS	Handling & Transport Pipe 18m	-3,594,815
		- Transp Saddles POF	
		- Transp Saddles FBE	
INVESTMENTS	EALS	Light vehicles (4*4) / Motorbike	-503,569
INVESTMENTS	EALS	IT Laptop Desktop Mobile Phones	-187,971
INVESTMENTS	EALS	C&F Operations / Port Operations / Road Transport Operations / CT	-1,709,351
		- Night Stops - Sites Upgrades (Civil works)	
		- Multiple Pipe Spreader (Including Lifting Accessories)	
INVESTMENTS	EALS	Reefer containers / Utility containers	-120,000
INVESTMENTS	EALS	Others Equipments	-600,000
Sub-total EALS			-8,773,242
BTL UG			
Accountability	Entity	CATEGORY	Total Budget
INVESTMENTS	BTL UG	Installation of MCPY	-213,156
INVESTMENTS	BTL UG	MCPY Operations	-129,097
Sub-total BTL UG			-342,253
EACOP			-9,115,495

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5.2 Financing Plan

The project will be financed by the shareholders as well as by getting financial credit facility from local bank.

6.0 ECONOMIC BENEFITS OF THE PROJECT

In total, the transportation of the pipes alone will require more than 27 million km of road transportation using 300x18 meters dedicated trailers capable of carrying the 18 m pipe-joints.

The fabricated materials for the Above Ground Installations and Load Out Facility and Marine Storage Terminal will require several thousand individual truck journeys, including many large and heavy abnormal loads.

Many additional opportunities will be generated by this transportation activity including lifting and handling, storage, inspection, road marshals, riggers, crane operators, etc.

Therefore successful operations of the Project will contribute significantly to the economy of Tanzania. In summary, some of the benefits which will be realized are as follows : -

- Employment opportunities for more than 100 employees
- Provision of income to other axillary service providers, thus contributing to the reduction of poverty. The income to be earned will help in improving standard of living of the workers and other communities around the area along the pipe route.
- Increase Government revenue through tax collection. The Government earns considerable revenue from the project in terms of tax collections
- This project will facilitate the increase of foreign exchange earnings as most of services will be offered in foreign currency.

7.0 FINANCIAL ANALYSIS

7.1 Revenue and profitability:

Project financial evaluation shows expected profits as shown in the below chat.

The below profit is based on the assumption that the Project will be granted tax exemptions on project capital and deemed capital goods as provided under Tanzania Investment Act, 1997 (and its amendments) for investors registered by the Tanzania Investment Centre.

EALS Tanzania –
P&L – EACOP PROJECT

PROJECT EACOP P&L						
<i>In USD</i>	PFA 2021	TOTAL Y1	TOTAL Y2	TOTAL Y3	TOTAL Y4	TOTAL PROJECT
<i>months</i>		12	12	12	7	43
TOTAL GROSS MARGIN	0	6,757,387	24,037,136	10,115,762	807,995	41,718,280
TOTAL OPERATING COSTS	-184,435	-6,816,698	-13,327,564	-9,096,052	-1,189,530	-30,614,279
OPERATING INCOME	-184,435	-59,311	10,709,572	1,019,710	-381,535	11,104,001
<i>profitability OI / GM</i>		-1%	45%	10%	-47%	27%
Financial costs	0	-1,287,913	-2,684,565	-499,523	0	-4,472,001
NET INCOME BEF. TAX	-184,435	-1,347,224	8,025,008	520,187	-381,535	6,632,000
Income tax	55,330	404,167	-2,407,502	-156,056	114,461	-1,989,600
NET INCOME	-129,104	-943,057	5,617,505	364,131	-267,075	4,642,400
<i>profitability NI / GM</i>		-14%	23%	4%	-33%	11%

7.2 Projected cash flows

The projected cash flow of the Project reveals a loss in the first year of operations but a healthy financial position from the second year of the project. The accumulated amounts would be available for re-investment into the project as may be found convenient by the directors.

8.0 CONCLUSION AND RECOMMENDATIONS

EACOP project is a historical project for Tanzania for getting the opportunity to use its geographical advantage support the neighboring country- Uganda to transport its crude oil through the Port in Tanga

A fast implementation of the project is highly recommended and called for the implementation of this beneficial project which its benefits as outlined above for both Government and Tanzania communities at large.

9.0 RECOMMENDATIONS

In view of the above it is further and strongly recommended that the project be approved by the Tanzania Investment Centre and be granted the TIC certificate of Incentive with its associated privileges and benefits as provided for under the Tanzania Investment Act, 1977 (and its amendments) to facilitate smooth implementation.