

## **KILOMBERO EXPANSION REPORT**

December 2023

### **1.0 PROJECT SYNOPSIS**

The Kilombero Sugar 420 TCH Expansion project is being constructed under a Turnkey EPC (Engineer, Procure & Construct) contract by TSK a Spanish large EPC Contractor.

The approved project budget is USD 292million of which USD 154million (53% of the budget) has been spent.

The TSK contract price is USD 224million (77% of the overall approved budget) of which USD128million (57% of the TSK Contract Price) has been paid.

The project commenced in May 2021 but due to Covid-19 has been delayed by 12 months and is expected to be commissioned in late 2024.

The execution phase has been severely affected by the international impact of Covid-19 on steel, fabrication and shipping logistic prices. Nevertheless the project execution has recovered well since the pandemic and although the main EPC Contractor is facing enormous financial challenges the overall project completion is 68 %.

The overall standard of engineering, international procurement of machinery and equipment and site erection quality at site is pleasing and the final completed factory and warehouses is expected to be a flagship build for Kilombero Sugar and its shareholders.

Final Engineering is nearing completion and is 95% complete.

Procurement and logistics to site has recovered well and is 90% complete.

Site Execution has improved but is running late and is currently 40% complete

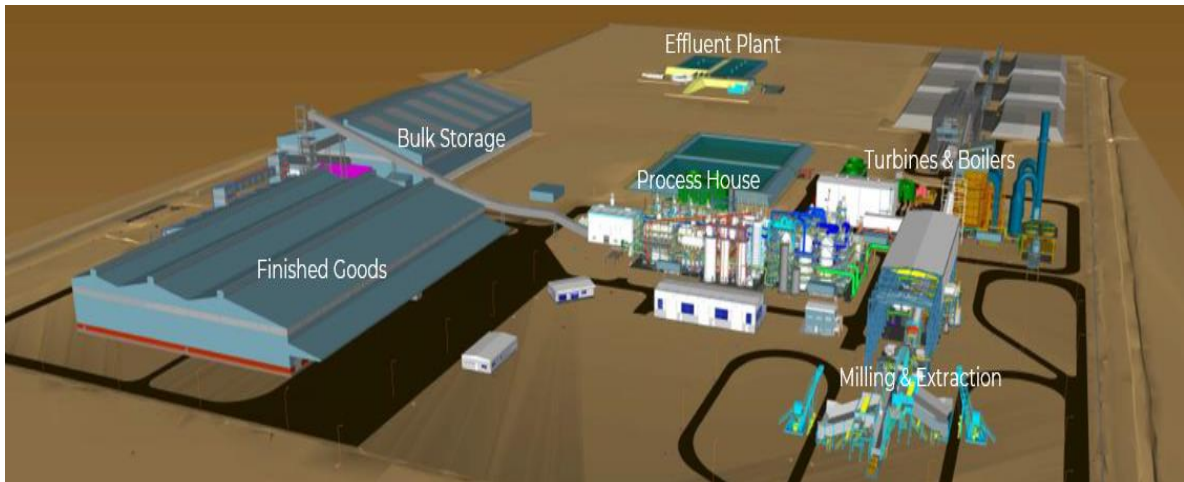
The factory is expected to produce 203 000 tons of sugar annually crushing about 1,8 million tons of sugarcane of which approximately 60% will be supplied from existing and new Tanzanian growers.

This expansion will make Kilombero Sugar the largest sugar producer in Tanzania and represent approximately 30% of the local sugar industry capacity.

The project 3D model of the completed factory and warehouses is presented below:



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The site compliment is gradually increasing as more contractors establish site and by the end December 2023 is projected to approach 800 people.

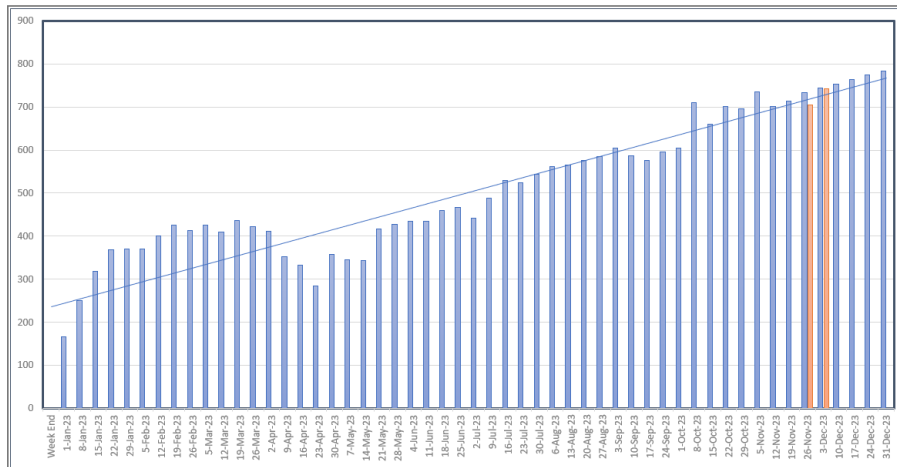
Site safety standards have also delivered very positive results with no major accidents or injuries in the 1.8 million manhours worked to date.

In spite of difficult site conditions due to the onset of higher than average rainfall during November and December the site continues to maintain the high standard of safety set.



**KILOMBERO SUGAR COMPANY**  
AN ILOVO SUGAR COMPANY

CONTRACTOR MANPOWER W/END 03 DECEMBER 2023



The construction teams on site include both Tanzanian and International contractors with approximately 77% of all persons on site being local Tanzanians. Of the 9 local Tanzanian contractors on the site have approximately 330 employees on site of which 95% are Tanzanian nationals. The 8 international contractors on the site have approximately 436 employees on site of which 64% are Tanzanian nationals.

Further contractors will be appointed in due course which will further boost the Tanzanian compliment on site.



77% Local On-Site  
766 on site  
590 are Tanzanians



## K4 FACTORY EXPANSION 420 TCH PROJECT COMPLEMENT

### LOCAL COMPANIES

TANZANIAN COMPANIES				
SN	Contractor Name	LOCAL	EXPATS	TOTAL
1	ADVENT	200	13	213
2	JEKC	15	0	15
3	BRIDGEMAN	12	0	12
4	ZULULAND	6	0	6
5	MOREKAZI	6	0	6
6	B.H LADWA	7	1	8
7	SCOPE	46	0	46
8	WAPO	0	4	4
9	BUILDSOL	20	0	20
	<b>TOTAL</b>	<b>312</b>	<b>18</b>	<b>330</b>
Percentage Composition				
	LOCAL	<b>95 %</b>		
	EXPATRIATES	5 %		

### INTERNATIONAL COMPANIES

INTERNATIONAL COMPANIES				
SN	Contractor Name	LOCAL	EXPATS	TOTAL
1	TSK TANZANIA	52	36	88
2	LUROD	3	1	4
3	JEL	0	16	16
4	EL TZ	19	18	36
5	IMI	5	11	16
6	THREE TIER	31	27	58
7	EPCM	165	49	214
8	JOHN THOMPSON	3	1	4
	<b>TOTAL</b>	<b>278</b>	<b>159</b>	<b>436</b>
Percentage Composition				
	LOCAL	<b>64 %</b>		
	EXPATRIATES	36 %		

The majority of major civil works have been completed in the dry season and this is significantly beneficial for the continued erection activity that will take place through the traditional Tanzanian rain season period [ November – May ].

Below are various pictures taken of progress on site on the 10<sup>th</sup> December 2023. These pictures clearly show the good progress being made.



FEEDTABLE 1 (Front right) / Workshop Steelwork (middle) & BULK STORAGE WAREHOUSE IN BACKGROUND ( Expect to start sheeting the roof within the next 2 weeks )



PREPARING TO LIFT 4<sup>th</sup> of 4 VERTICAL CRYSTALLISER TOP SECTION INTO POSITION  
STRUCTURAL STEEL FOR EVAPORATORS (right front)  
CRYSTALLISERS AND SEED RECEIVERS (installed within the structure)  
A&B MOLASSES TANKS INSTALLED (left in picture)

14



CONDENSING TA SET – EXHAUST PIPING TO PROCESS  
PIPE RACK STRUCTURES GOING UP

10

CONDENSING TA SET – SMALL BORE PIPING COMMENCEMENT



BULK STORAGE 1 TON BAG FACILITY AND DECANTATION STATION BUILDING





The equipment and machinery arriving at site was fabricated at geographies all around the world, namely Brazil, India, China, Dubai, Indonesia, Spain, Germany, Italy and South Africa.

To date 948 containers have been delivered with the final projection of 1200 containers at completion.

Port clearance has generally been very good however recently typical berth days has increased from 5 days to longer than 20 days. This is having an adverse effect on site erection activities with the EPC submitting frequent Extension of Time notices.

It is projected that commissioning of the new factory will begin in October 2024 and it is projected that the factory will be ready for commercial operation in January 2025.

Operational Readiness activities have commenced which includes skill development of operational staff, recruitment and training of maintenance teams and the identification and procurement of critical operational spares.

The resources identified and trained will assist with the commissioning processes which will commence in later 2024.

## **2.0 PROJECT INCENTIVES**

The project has and continues to suffer significant financial pressure with the increased international cost for materials and shipping logistics.

This has been mitigated by the award of the Certificate of Incentives which are considered essential to be continued through to the final completion of the project execution and if possible extended through the performance testing and defect correction periods which follow commissioning.

*David Stuart Watson*

**Stuart Watson**

Project Execution Director

Kilombero Sugar