



BELMET



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Strategic positioning

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Oil & Gas Outlook

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Message from the MD: Pieter Kroon

Despite continuing challenges within the manufacturing sector, Belmet has been successful in maintaining relationships with long-term clients and securing work for our yards in South Africa, Namibia and Ghana.

Our partnership with 3C Metal is generating opportunities. We are definitely stronger together and able to offer better solutions to our clients as we drive to provide a full turnkey solution. Although it is a difficult market, we are optimistic about the opportunities.

Although 2017 started off slowly we experienced an upturn in the third and fourth quarter – especially at our South African and Namibian facilities.

We are pleased to see enquiries for activations of rigs picking up indicating that offshore activity could resume off the coast of Africa in the future. Our Namibian facility in Walvis Bay is seeing enquiries in this respect and our team is growing steadily to ensure that we remain competitive within this market. In addition, we will continue to invest in infrastructure and capacity building where necessary.

We are excited about major gas projects that are due to come online around the southern African coast as well as further up the west coast. These are developments that we will follow keenly and actively pursue.

Closer to home, the water crisis in Cape Town has not directly impacted the company, but we are investigating rain water harvesting systems and educating our staff on the importance of water management.

Our management team is optimistic about the year ahead as we ready ourselves to mark another major milestone in the history of the company.

The fact that Belmet was launched 50 years ago and remains more than just a sustainable company within trying conditions, is something to be celebrated.

We have achieved this through reinvesting in the company; maintaining our service delivery to long-term clients and through seeking out new markets while ensuring that our team works efficiently and safely.

With this ethos in mind, Belmet South Africa was audited by DNV-GL and certified to the ISO 9001:2015 as well as re-certified to OHSAS 18001:2007 standards in September 2017.





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GHANA: Project Update

Belmet 7 in Ghana had a relatively full schedule of projects that commenced in 2017 with a number that are still ongoing.

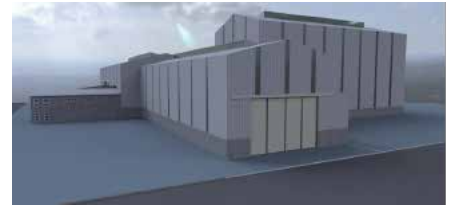
A project for one of ENI's FPSOs that was completed at the end of 2017 included onshore piping prefabrication followed by further offshore completion and installation.

Another project for ENI that was completed earlier in the year consisted of the fabrication of one mudmat and two sleepers.

Belmet 7 has also just completed piping for the Takoradi/Tema Interconnection Project that was initiated in January of this year.

Refurbishment work for Tullow SFL that is currently nearing completion included structural engineering, tubing welding engineering, cobra head structure fabrication and pre-commissioning.

In addition, the OCTP GES Project is also nearing completion. This included heads fabrication as well as the laydown of joints and transition joints.



NAMIBIA: Strategically positioned

Belmet's strategic presence in Namibia is aimed at positioning the company to not only take advantage of any increase in activity in the West African offshore market, but also to develop new markets for the company in the territory.

Building work is underway on our new facilities with the first phase due for completion by the end of April this year.

On the back of our recent expansion at our Walvis Bay facility, we are actively pursuing work within a number of industry sectors to help ensure continued improvement and business development.

The Walvis Bay team is growing steadily. We have employed and trained more fitters and welders in line with our needs to meet current contracts for some of our long-term clients in the marine and mining sectors. We are especially pleased that we have been able to impact on employment opportunities for local Namibians.

Apart from the shore-based manufacturing and engineering

projects that we are undertaking, we have also deployed a team offshore to complete works for De Beers Namibia.

Paint shop investment

Recent additional investment in the Walvis Bay facility includes the establishment of a paint shop that will allow us to undertake painting of steel work on our premises. Representing a significant investment, the venture aligns with our vision to create a full turnkey operation for our clients.

The additional investment and new equipment has resulted in the need for additional training. The local team will step up to the challenge under the guidance of a supervisor from South Africa. "We are taking a similar approach to training in Namibia to that which we provided to the local workforce in Ghana and Port Nolloth," says Pieter Kroon.

"The general skills required in the paint workshop provide an ideal opportunity to train a team of people with just one supervisor," he adds.



Leveraging on oil and gas experience

Leveraging on the 30 plus years of experience that Yann Lepoutre has in the oil and gas industry, Belmet 7 contracted the former drilling engineer and business development director turned consultant to help the company pursue new opportunities within the oil and gas space.

Based in Paris, Yann previously worked for Pride International, Forasol-Foramer and Subsea 7 amongst others, filling a number of portfolios including drilling engineer, country manager, deepwater project director and joint ventures director.

"I have travelled throughout the world and lived in many countries. I decided to pursue my own interests a year ago when I started my own business aimed at assisting small companies and start-ups with their strategy and development," he says.

Outlook for the sector

Yann says that he is not risking being too optimistic for 2018, but that prospects do look better than they have done over the last three years. "A few projects should be sanctioned

this year that might provide some opportunities for 2019 and 2020," he says, explaining that positive expectations exist for Mozambique, Namibia, Equatorial Guinea, Ghana and Senegal-Mauritania.

"Oil companies who have not drilled much in the last three years have some obligations to keep their operating licences alive and rates for drilling rigs are at their lowest – hence we are starting to see more rigs that need to be reactivated and upgraded," he says.

Commenting on the outlook for the oil price, Yann believes that we can reasonably foresee a per barrel oil price in the region of \$60 - \$70. "I don't think it will go much higher unless there is a major disruption in the short to medium term supply," he says adding that OPEC and partners continue to retain 1.8 million barrels per day of production capacity. In addition, the United States is increasing their production by half a million barrels a day.

He adds that the good volumes of LNG that are becoming available will also place pressure on the oil price.

Yann says the continued challenge for the industry is to focus on lowering project costs. "Although,

at \$60 most of the world's oil production can remain profitable, productivity in the sector is still low as compared to other industries. The majority of the projects are still delivered over budget and late. We need to improve our productivity."

"This will not come from normal cost-cutting. We need to be innovative; introduce technology and think of different ways of contract while finding new business models. It is important to interface with all the players; brainstorm with clients; be curious about technology and be smart," he says.

Putting Belmet on the world stage

With an eye on a future that will include a renewed sector where more projects come online, Yann is focused on promoting Belmet 7 to be a player of tomorrow.

"We need to show our clients that we can provide them with the right competitive solution. We will focus on Mozambique, Equatorial Guinea, Namibia and eventually Angola depending on their consideration for local content," he says adding that they are aiming to be a part of Total's major project in Uganda. "We visited the country last year and will do so again this quarter."

Yann's work is cut out for him on the continent where local content is a major prerequisite, but he believes that the current trend

towards reactivating drilling rigs requires us to intensify our activity to improve the company's footprint.

"We need to be innovative; introduce technology and think of different ways of contract while finding new business models. It is important to interface with all the players; brainstorm with clients; be curious about technology and be smart."





Delivering diamond mining tools

Belmet's association with De Beers Marine goes back a number of years and the company has continued to focus on delivering reliable tools to ensure repeat business.



Having built two previous crawler mainframes for De Beers, Belmet is currently building a new one that is due for delivery in May 2018. "Apart from a few small tweaks, the primary structure has remained the same," says Jarcu Groenewald, General Manager of Belmet Cape Town.

"We have been fortunate to have been awarded a number of projects with De Beers," says Jarcu explaining the extent of some of the project work that includes some sensitive confidential designs that required some R&D engineering.

"After the products were tested and found to be successful we needed to ramp up quickly to build additional units," he says.

In addition to this Belmet has completed the fabrication and delivery of guide rails and lattice structure for one of the De Beers' vessels. These

were built and assembled on site in Bellville and transported to the quayside for final erection before being lifted onto the vessel at the Sturrock Drydock.

The project was initiated in September last year and delivered to the quayside in January 2018.

The Port Nolloth facility, established in 2016, is fully up and running. This facility maintains, inspects and repairs offshore baskets and an automated system tracks the movement of the baskets to monitor the repairs that are undertaken. The facility was established to mitigate the need to send baskets to Cape Town for repairs.

Belmet Namibia is also currently busy with work for the diamond miner. They are producing 196 DNV-certified baskets. "With the Manufacturing Survey Agreement in place with DNV-GL, we are able to eliminate delays in manufacturing and offer a faster production cycle," says Jarcu.

"This means we have accelerated timeframes for De Beers. We are supplying the steel from South Africa and trucking it up to Namibia for production," he adds.



The 33m high lattices each have a footprint of 8 x 10m.



A company-wide focus on health and safety has helped Belmet South Africa achieve the milestone of 4 million man hours with no lost time injury.



PROJECT UPDATES

Belmet has been involved in a number of projects through 3C Metal and looks forward to continued success in this regard during 2018.

ENSCO DS7 SPOOLER BRIDGES:

3C Metal Middle East requested Belmet (South Africa) to fabricate three Spooler Bridges for the Ensco drillship, the DS-7.

The project was executed efficiently and to the high standard required by the oilfield industry. The success can be attributed to the vast amount of experience within the company and our drive to provide a top-class product to our customers.

PURIFICATION UNIT:

Belmet (South Africa) was contracted by 3C Metal South Africa to complete the material supply, fabrication, and testing of a purification unit for the South African division of a global water and purification company. The unit is due to be commissioned as part of a new oil field operation in the Middle East.

Designed to remove non-generable salts and fine particulates that accumulate in a lean absorbent fluid, the purification unit allows

for the fluid to be recycled into the plant.

The frame was fabricated by Belmet South Africa, while 3C Metal South Africa completed the piping fabrication, installation and part commissioning of the unit.

The purification unit weighs more than 15 tons with outside dimensions of roughly 7900 x 4100 x 3700mm.

The fabrication and installation consisted of:

- the frame fabrication using structural steel; piping fabrication using stainless steel pipe ranging from 0.5 to 6 inches;
- installation of free issue equipment including pumps, pressure vessels, a heat exchanger, a filter, valves, and several types of instrumentation;
- and function testing of two-off process cycles.

Two-off contractors, subcontracted by 3C Metal, completed the instrumentation installation as well as the electrical installation.

MARACOF - ILANGA SOLAR PROJECT:

Belmet was responsible for the fabrication of large bore pipe spools for a solar project in Ilanga where we fabricated headers from 1 ½" to 28".

The four-month project included the blasting, painting, CNC pipe cutting, fitting, welding (1600 welds), NDT and load out of 17,000 inch equivalents on 950 spools.



Fine tuning our charity drive

A staggering amount of R170,335 for no less than eight different charities was raised during our annual auction at Kronendal Boutique Winery in Durbanville on 21 October 2017.

The motivation behind the event and projects is partly inspired by the fact that we believe music and sport activities help instil discipline and perseverance and encourages children to show commitment. Once again guests were entertained by Albert Frost, with guest violinist Hezron Chetty. A selected group of children from the Kronendal Music Academy in Hout Bay joined in the fun and had the opportunity to perform with Albert and Hezron. They also received a few pointers in a teaching session.

The kids each received a new guitar, sponsored by Hytec. We look forward to next year to see how their musical skills have developed.

The guest speakers were from Cape Town Multiservice Centre and Kronendal Music Academy. They represented some of the beneficiaries of donations made from the 2016 funds raised.

We identify projects with long-term growth possibilities and hope to continue to play an active role in the development and support in the lives of these children. 100% of all funds received will be allocated to various projects in and around the community.



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