

Implementation of investment project «OIL REFINERY IN THE TOWN OF ALDAN»

(Pre-investment phase)

Project Initiator: «Туимаада-Нефт» Oil Company JSC

INTRODUCTION OF THE REPUBLIC OF SAKHA (YAKUTIA)



INFORMATION ABOUT THE COMPANY

Open joint-stock company "Tuymada-neft" Oil Company established in august 1998 for delivery and sale oil products in the Republic of Sakha (Yakutia) (the subject of the Russian Federation, covering 1/5 part of territory), working in a complex conditions of transport scheme of goods delivery and short navigation period.

Today the company occupies a leading position on the market and being one of the main suppliers of oil products in the following areas :

- In retail through a network of 35 owned and leased gas stations;
- Wholesale for the needs of the republic's survival system, energy, diamond, gold, vehicles, agricultural enterprises and other consumers.

OJSC "Tuymada-neft" Oil Company to ensure the needs of the customers of the Republic of Sakha (Yakutia) import more than 140 thousand tons of petroleum products every year.

We have our own petroleum depot capacity of 50 thousand tons in Nizhniy Bestyakh village

Average number of employees as of January 1, 2016 amounted to 312 people

At the end of 2005, 2007 and 2009 OJSC "Tuymada-neft" Oil Company awarded by titles of honor "Best supplier of production for the state needs and agricultural producers of the Republic of Sakha (Yakutia)". In 2006 company awarded by International prize "The leader of Russia's economic development" in nomination "Best taxpayer of Russia".

Indicator		2013	2014	2015
Incomes	thousand rub.	4 175 518	6 015 661	5 827 996
Volume of sales	tons	114 070	141 187	120 325
Clean profit	thousand rub.	15 210	125 155	120 441

As part of the diversification of activity started from 2008, company being license holder for the geological survey and mining of oil and gas. Currently company is providing geological survey on 4 license blocks: West-Anabarskiy, Biryukskiy, Mukhtinsky, Kederginsky, with total volume of undiscovered potential resources of hydrocarbons in oil equivalent 800-850 M tons.



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Prospect of sales of the end product

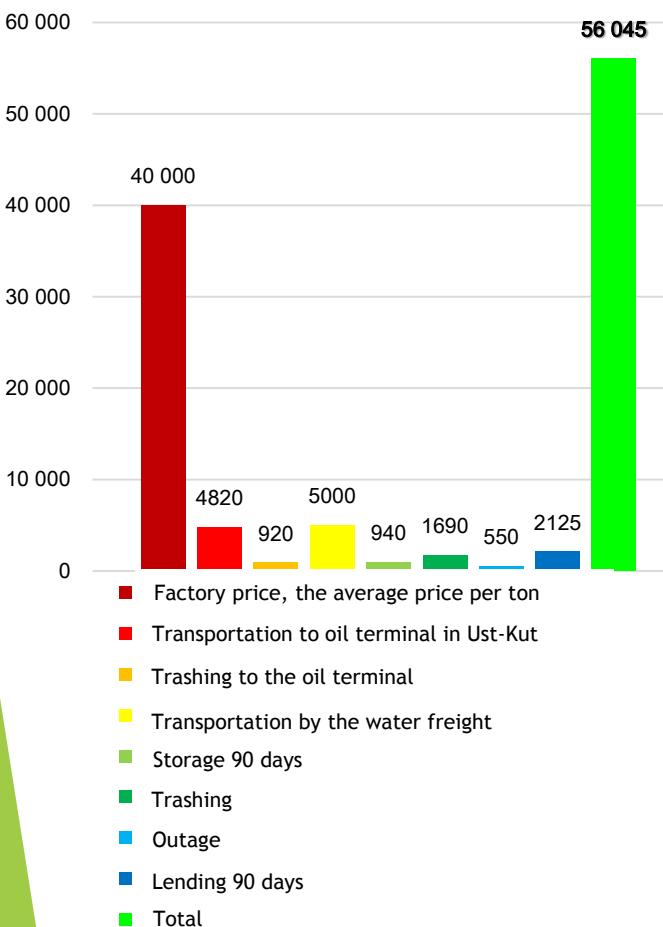
The demand for oil products in Yakutia is 850 thousand tons, and may increase to 1 200,00 thousand tons.



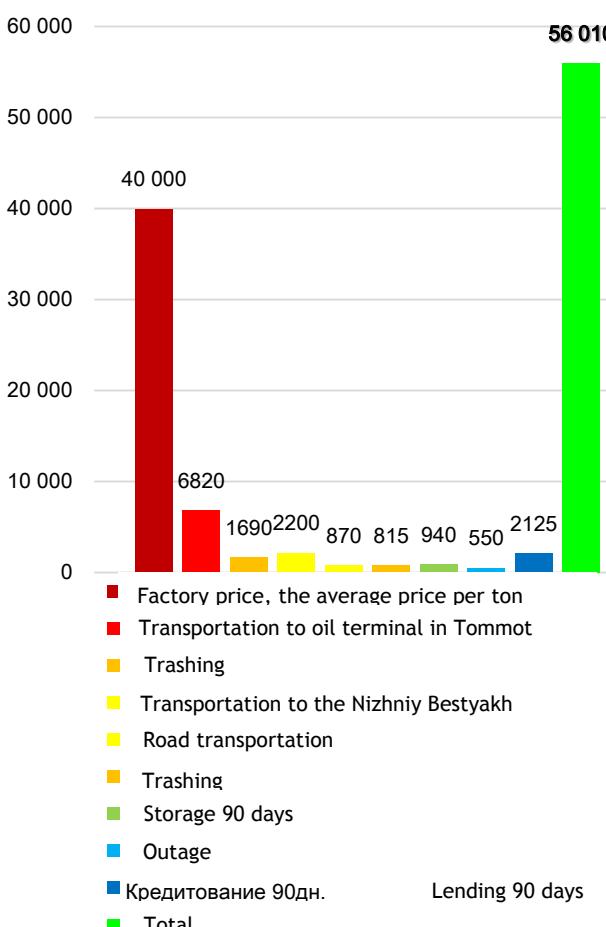
COST STRUCTURE OF PETROLEUM DERIVATIVES

The average price per ton of diesel fuel in 2015

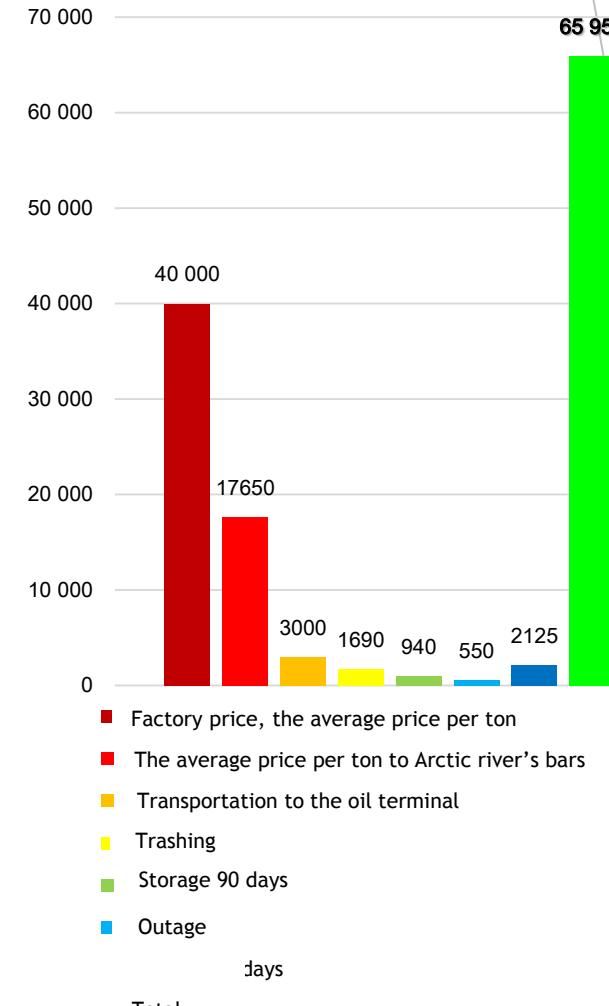
The cost of oil products transportation to Yakutsk by river transport



The cost of oil products transportation to Yakutsk by railway



Shipping costs of oil products by sea to the Arctic districts - Nizhnekolymsk, Nizhneyansk



Additional costs for the supply of oil products to the factory price are as follows:

- By river and rail transport to Yakutsk on the order of 40 % per ton
- Sea transport to the Arctic districts (Nizhnekolymsk, Nizhneyansk) on the order of 65% per ton



ТУЙМААДА•НЕФТЬ

PROJECT GOAL

- **Purpose of the project:**

Organization of oil production to fully meet the demands of enterprises and the population of the Republic of Sakha (Yakutia)

- **Current project status:**

- Prepared Declaration of Intent to invest and build production complex for hydrocarbon refining in Aldan town of the Republic of Sakha (Yakutia) – Yakutia refinery
- Project registered in the Registry of designed, built and commissioned refineries of Russian Federation (RF Ministry of Energy)
- Held public hearings in Aldan town. Received positive conclusion.
- Administrative office of the Aldansky district allocated land to build Yakutian refinery.
- Between Irkutsk Oil Company and Tuymada-neft signed an agreement on oil supply for Yakutian refinery in volume above 2 M tons per year, starting from 2018 - 2019

- **Total amount of required investments:**

1 627 M \$



DOCUMENTS



О внесении сведений в реестр проектируемых, строящихся и введенных в эксплуатацию нефтеперерабатывающих заводов в Российской Федерации

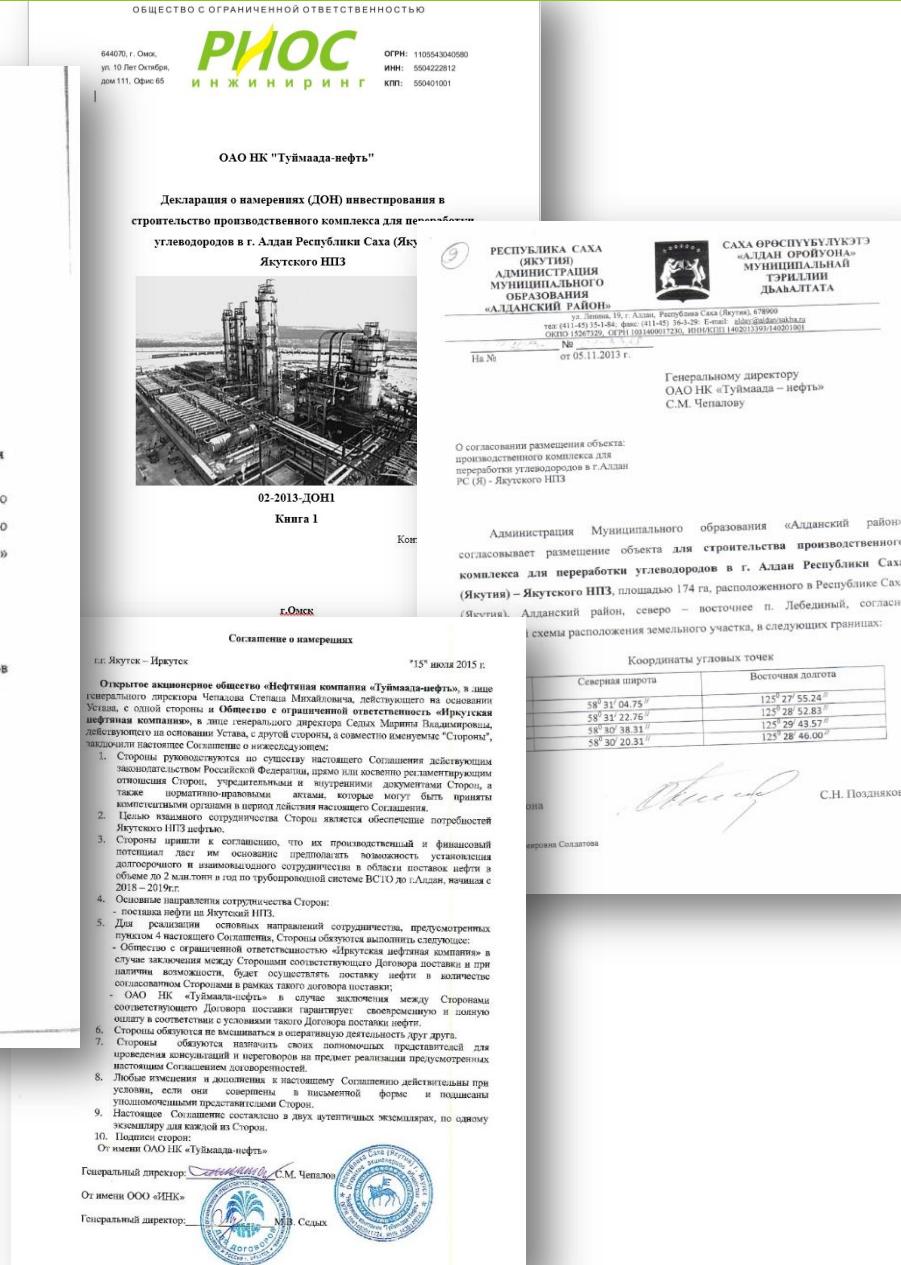
Внести в реестр проектируемых, строящихся и введенных в эксплуатацию нефтеперерабатывающих заводов в Российской Федерации сведения о проектируемом нефтеперерабатывающем заводе ОАО НК «Тымада-нефть» (Республика Саха (Якутия), Альданский р-н, п. Лебединый).

Заместитель Министра



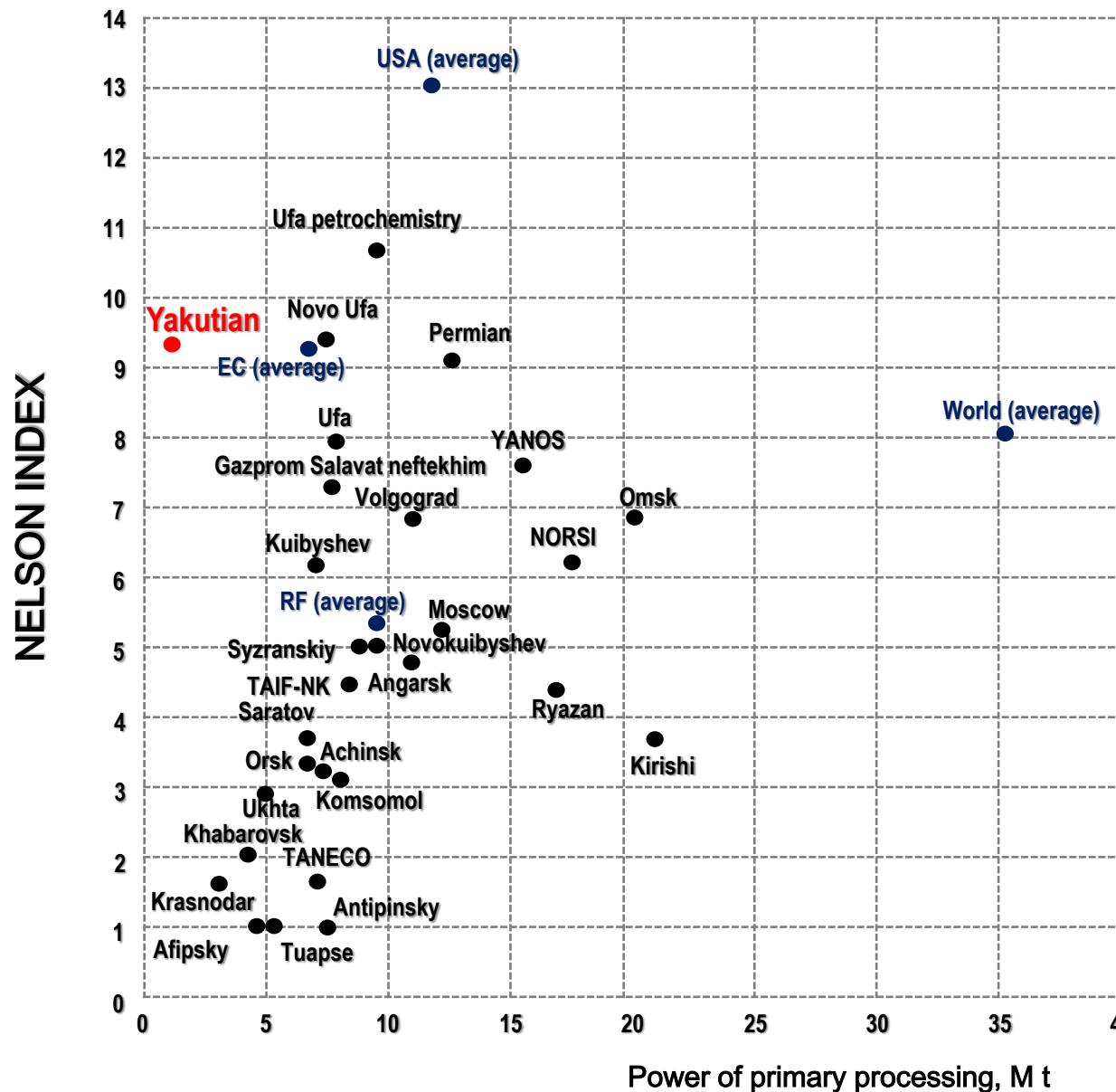
К.В. Молодцов

Департамент информации нефти и газа
Бюро Юрия Адамова
631-99-35

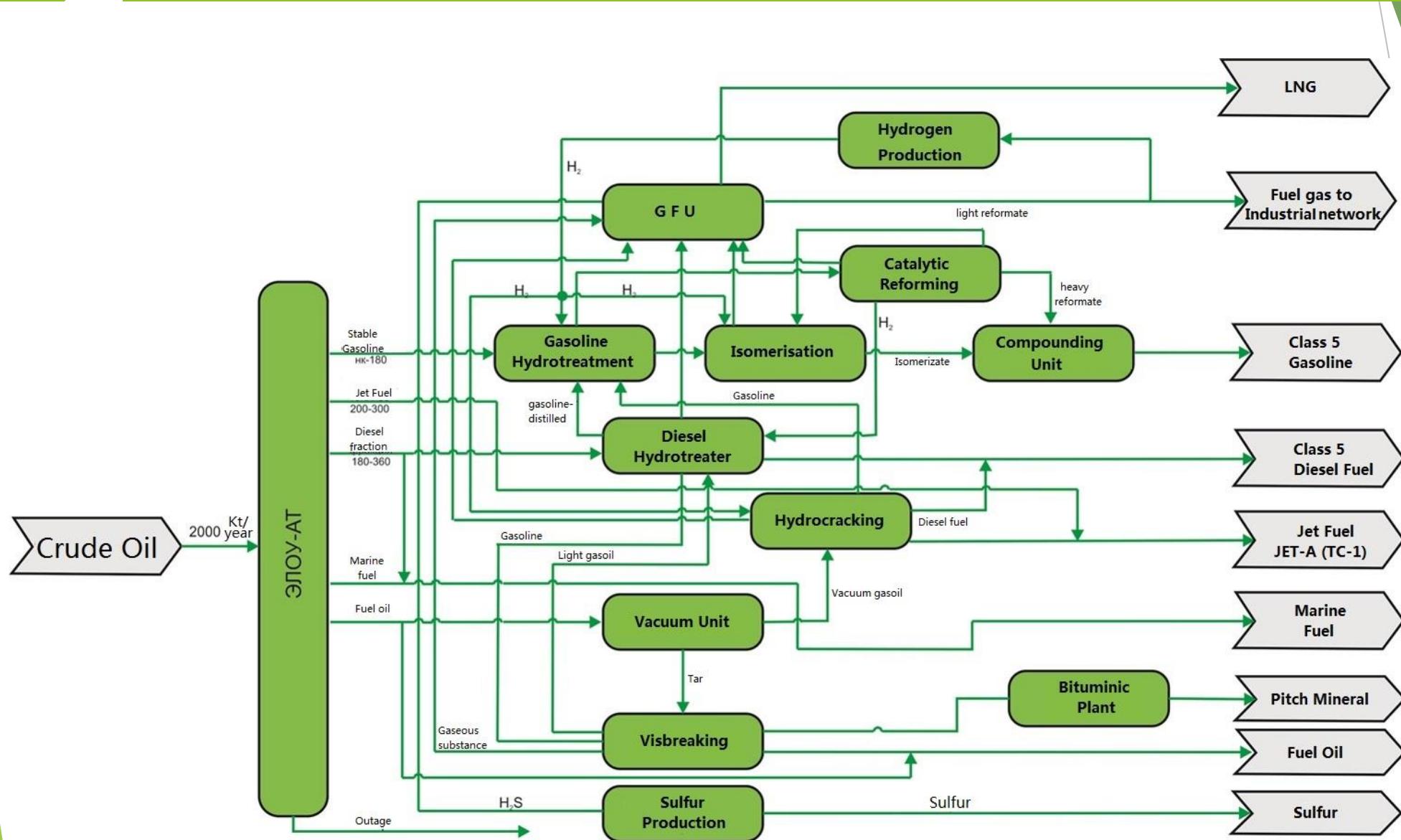


List of documents of the Yakutian Refinery project

No	Title of the document	Date of registration
1.	Disposal of forest relations department of the Republic of Sakha (Yakutia)	2013/11/8 № 01-13/1628
2.	The act of choosing forest land № 5	2014/1/9
3.	The act of technical on-site investigation of forest land № 5	2014/1/13
4.	Order of forest relations department of the Republic of Sakha (Yakutia) of approving the act of technical on-site investigation of forest land	2016/1/16 № 4
5.	Agreement of Administration of the municipality "Aldan District" of locating Yakutian Refinery	2013/11/18 № 01-3328
6.	Agreement of Nature Protection Ministry of the Republic of Sakha (Yakutia) of the land location	2013/11/17 № 07-00-6-3608
7.	Agreement of Federal Agency for Veterinary and Phytosanitary Supervision in the Republic of Sakha (Yakutia)	2013/11/6 № 49-11A07/2636
8.	Agreement of land location of Federal Supervision Agency for Customer Protection and Human Welfare in the Republic of Sakha (Yakutia)	2013/11/19 № 03/8937-13-05
9.	Federal Agency for Subsurface Use in the Republic of Sakha (Yakutia) Sertificate of non-metallics	2013/11/15 № 1143-11-13
10.	Direction of biological resources and Special Protected Natural Area about availability of Special Protected Natural Areas	2013/11/18 № 01-1448
11.	Ministry of culture and intellectual development of the Republic of Sakha (Yakutia) agreement of land location	2013/11/18 № 04-4402
12.	Department of the nations of the Republic of Sakha (Yakutia) agreement of land location	2013/11/12 № 01-1399
13.	Lensk territorial administration of Federal Agency for Fishery agreement of land location	2014/01/28 № 01-04-275/T
14.	Chief administration of Ministry of Emergency Situation of Russia in the Republic of Sakha (Yakutia)	2014/01/28 № 169-2-2
15.	The Department of the Federal Service for State Registration, Cadastral Records and Cartography in the Republic of Sakha (Yakutia) agreement of land location	2014/01/30 № 18-12.1/00462-14
16.	Ministry of architecture and construction complex of the Republic of Sakha (Yakutia) agreement of land location	2014/01/03 № 05-41-68
17.	Ministry of Energy of Russian Federation about insertion in the Registry of designed, built and commissioned refineries of Russian Federation	2014/12/10 № 36-p
18.	Delimitation plan of land	2014/01/27
19.	Cadastral certificate of the land cadastral number 14:02:010503:23	2014/02/04 № 14/13-253935



PROCESS FLOW DIAGRAM OF YAKUTIAN REFINERY



EXPECTED MATERIAL BALANCE OF OIL REFINERY ON YAKUTIAN REFINERY

Raw materials and products	Thousand tons	% mass
Taken:		
Oil	2000,0	100,0
Received:		
Class 5 gasoline	540,0	27,0
Class 5 diesel	915,0	45,8
Jet fuel JET-A (TC-1)	160,0	8,0
Pitch mineral	60,0	3,0
Boiler and marine fuel	176,0	8,8
Liquefied gases C ₃ -C ₄	88,0	4,4
Fuel gas	28,7	1,4
Sulfur	8,3	0,4
Outage	32,0	1,6
Total	2000,0	100,0
Bottom of the barrel, %		85
Configuration factor of finery (Nelson Index)		9,4



COSTS OF THE CONSTRUCTION OF YAKUTIAN REFINERY

Evaluation of the cost of construction is made in current prices as of 2014.

Estimation of capital expenditures in processing plants of Yakutian Refinery made on the basis of the model of the Kaiser-Gary and calculation for similar refinery throughput 2 M tons/year

Cost estimates showed in 2005 year prices and recalculate to the 2014 year prices.

Indicators	M \$
Investments in processing plants, including construction and assembling operation	481,6
The index for the calculation of the objects in the equipment and premises costs (Nelson index 8,5-9,0)	2,0
Costs in off-plot facilities	481,6
Cost of offsite facilities	23,0
Regional appreciation factor	1,5
Total costs	1479
(with value appreciation 10%)	(1627)

The construction cost is evaluative, the final cost should be verified at the subsequent stages of design.



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Projected budget of incomes and expenditures evidence of economic efficiency of production.

Title	The average value for the period of operation, thousand rub.
Revenue from sales	81 751 300
VAT (18%)	12 470 537
excise	7 291 800
Revenues (net)	61 988 963
Cost price	42 469 266
payments for credits	9 644 400
Profit before tax	9 875 297
Tax on profits (20%)	1 975 059
Net profit	7 900 238

* The figures for 2014 (oil price 13 500 rub. / ton) dollar exchange = 32,3

Characteristics and main indicators of the IP

- Amount of required investments : **1 627 M \$**
- Net Present Value of the project (NPV) : **28 516,7 M rub.**
- Project's internal rate of return (IRR): **15,3%**
- Payback period: **8 years**



Requirements of the Republic of Sakha (Yakutia) in light-oil products, at moderate estimation of increasing fuel consumption of 4% per year, in the long term could reach the value of 1 200 thousand tons per year.

Design capacity of the refinery could:

1. Warrant to provide most of the needs of the republic in diesel fuels, wherein at design of the refinery scheme the aim is to obtain the maximum component of commercial oil products, required at the market of the Republic of Sakha (Yakutia);
2. Reduce the cost of fuel for consumers;
3. Increase tax revenues to the republic;
4. Create new skilled working positions;
5. The multiplicative effect of industry

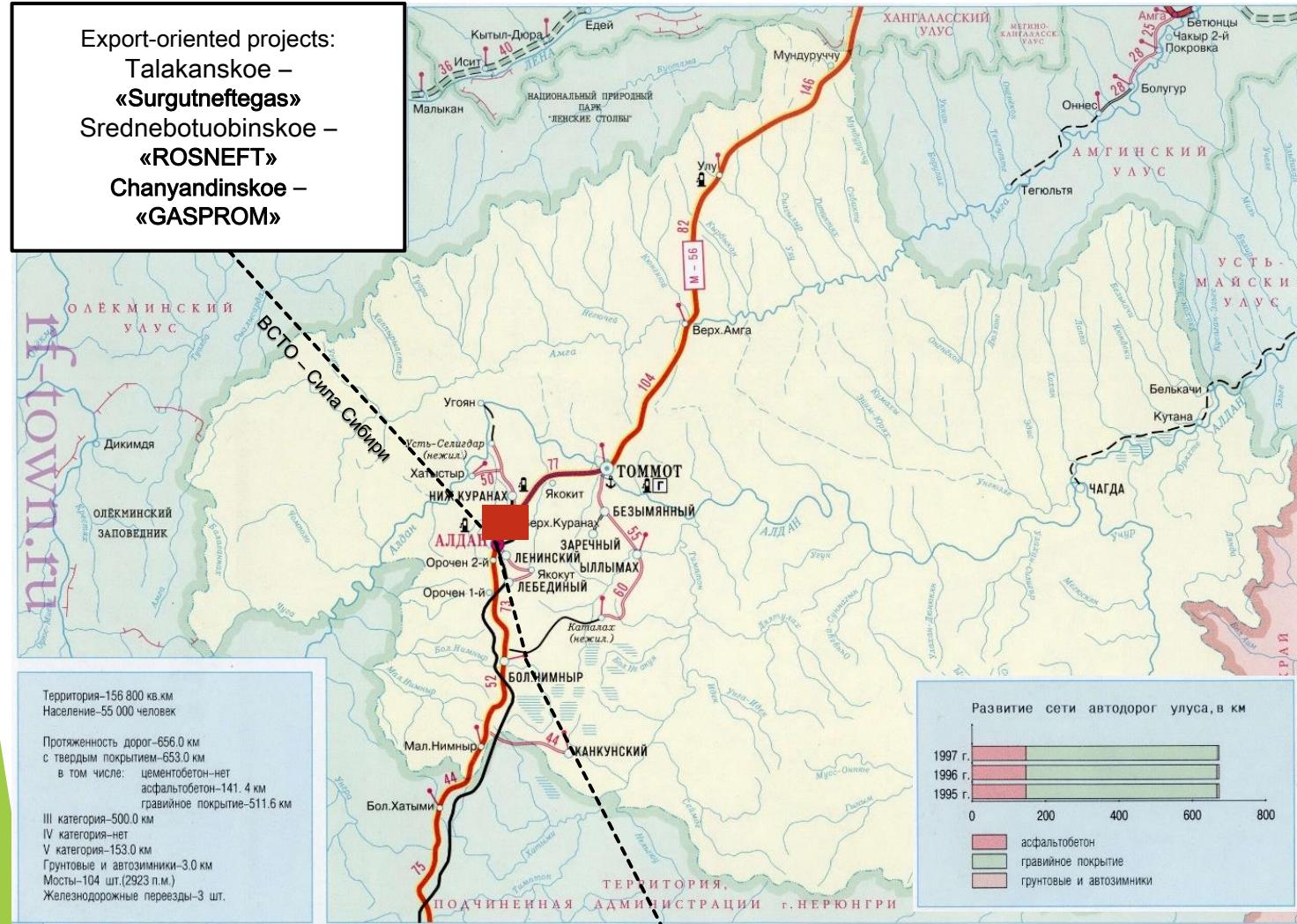


No	Restrictions and Risks	Probability
1.	Difficulties with supply of raw materials (oil)	Medium
2.	Uncertainty of funding sources	Medium
3.	Technical and logistics difficulties of the fuel oil transportation	Medium
4.	Nonavailability of skilled labour force	Medium



DESCRIPTION OF LOCATION OF THE YAKUTIAN REFINERY AVAILABILITY OF TRANSPORT AND OTHER INFRASTRUCTURE

Export-oriented projects:
 Talakanskoe – «Surgutneftegas»
 Srednebotuobinskoe – «ROSNEFT»
 Chanyandinskoe – «GASPROM»



Administratively construction site of new Refinery based in Aldan town of the Republic of Sakha (Yakutia) of the Far Eastern Federal District of Russia and has a key position in material-technical supply system for mining and oil-and-gas territories of the republic.

Infrastructure and location of Aldan town and its adjacent territories favors the construction of Refinery in this area, especially in the light of absence in the Republic of Sakha (Yakutia) its own oil refineries, with the exception of some local units of oil production, running unqualified primary processing of oilstocks.

Construction of oil pipe-lines and crude oil delivery and acceptance point (CODAP) with their location may be considered after reception of design requirements from organization - oil supplier.



ТУЙМААДА•НЕФТЬ

1. Participation in the share capital of the “Yakutian Refinery” project
2. Organization of various forms of financing for the construction and operation of the Yakutian Refinery



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