INTRODUCTION TO THE

UGANDA REFINERY PROJECT

MINISTRY OF ENERGY AND MINERAL DEVELOPMENT
GOVERNMENT OF UGANDA

OCTOBER 2013

EXECUTIVE SUMMARY

- Background:
  - East Africa's rapid economic progress is leading to growing demand for petroleum products.
  - Inadequate refining capacity and difficulties in transporting imported products inland raises cost and risks for petroleum product supply in the hinterland.
  - Oil resources discovered in Uganda is an adequate feed source for a local refinery.

- A greenfield refinery project (the "Project") will be ideally placed to capitalize on this opportunity:
  - The Government of Uganda (the "GoU") will invest up to 40% of Project equity and has appointed an Advisory Team to assist it in the procurement of a Lead Investor/Operator.
  - Refinery capacity: 60,000 BPD.
  - Significantly higher gross refining margin ("GRM") than global levels due to inland location, composition of crude oil, and the addressable market.
  - Project will have a dominant position in the target markets of East Africa.

- Timeline for Project development:
  - Release of the RFQ: October 2013.
  - Selection of Lead Investor/Operator: H1 2014.
  - Financial Close: H2 2015.
  - Commencement of Operations: 2017-18.

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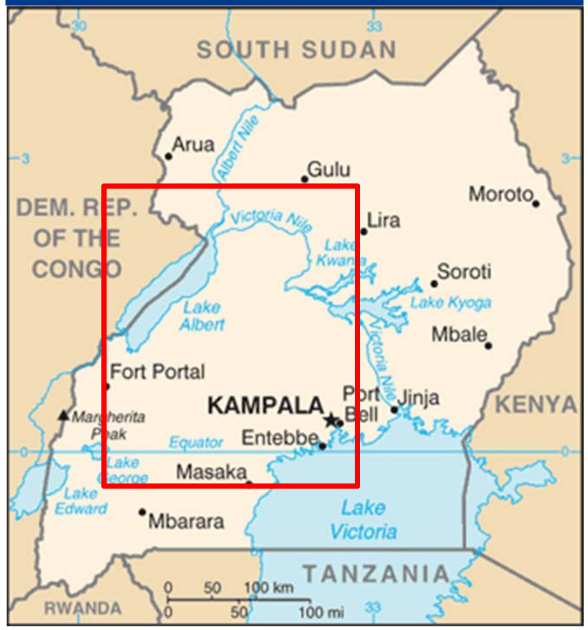
1. UGANDA OVERVIEW

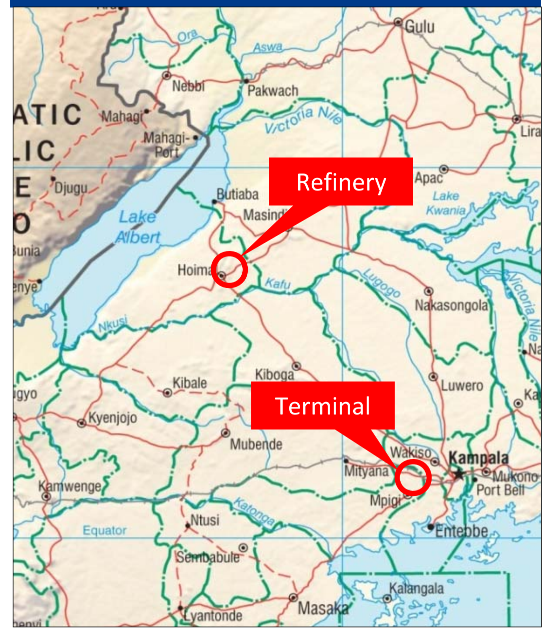
Overview of Uganda

East Africa

Uganda



Lake Albert and Kampala

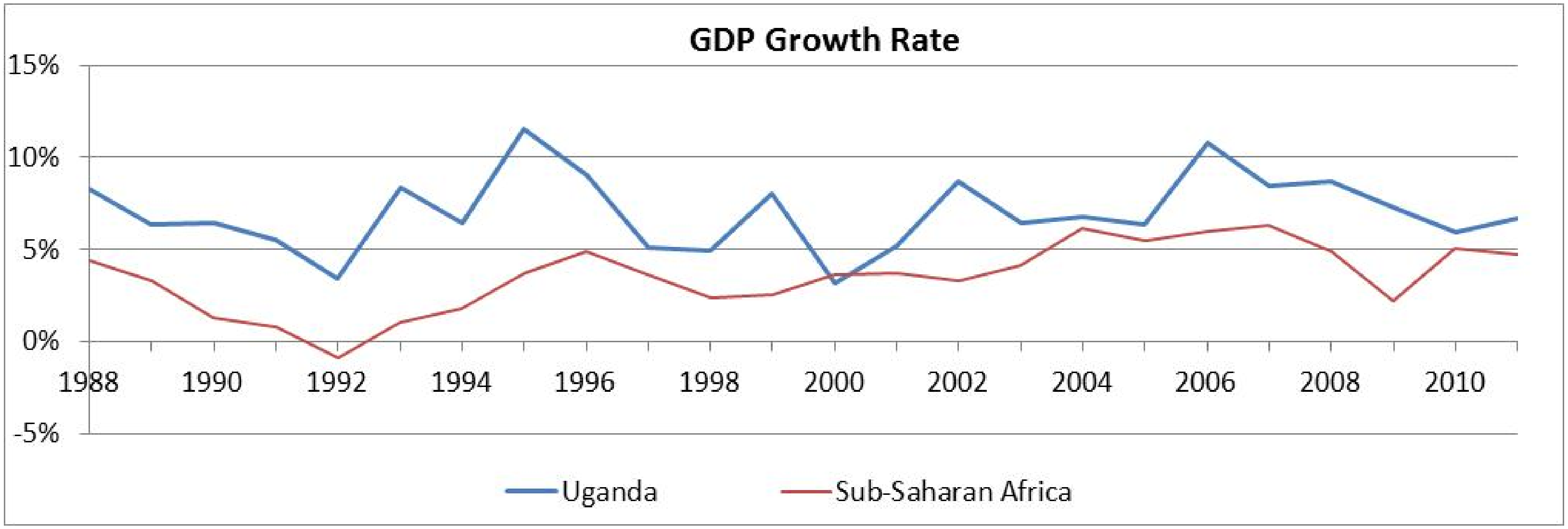


Location	East Africa	Uganda is a gateway to capitalize on opportunities in East Africa, including in the Democratic Republic of Congo (DRC), South Sudan, Rwanda and Burundi.
GDP per Capita	Current USD 1,345 (PPP)	• Uganda is East Africa's third largest economy after Kenya and Tanzania. • Uganda's GDP per capita rose from 0.6x Kenya's level in 2000 to 0.8x in 2011. • Uganda attracted most FDI in East Africa: USD 1.7 bn in 2012
Population	34.5 million	Young, fast-growing and literate population.
Economic Structure	Agriculture: 23% of GDP Industry: 25% Services: 51%	• Demand for petroleum products grew at a CAGR of 14.7% during 2007-2011 • Services grew rapidly since 1990, driven by telecom and financial services. Mobile penetration is one of the highest in Sub-Saharan Africa.

Source: World Bank. All data relates to 2011.

STRONG TRACK RECORD OF ECONOMIC GROWTH

- The Ugandan economy has a long track record of persistent economic growth: economy grew twice as fast as Sub-Saharan Africa during this period: 6.9% vs. 3.4%.



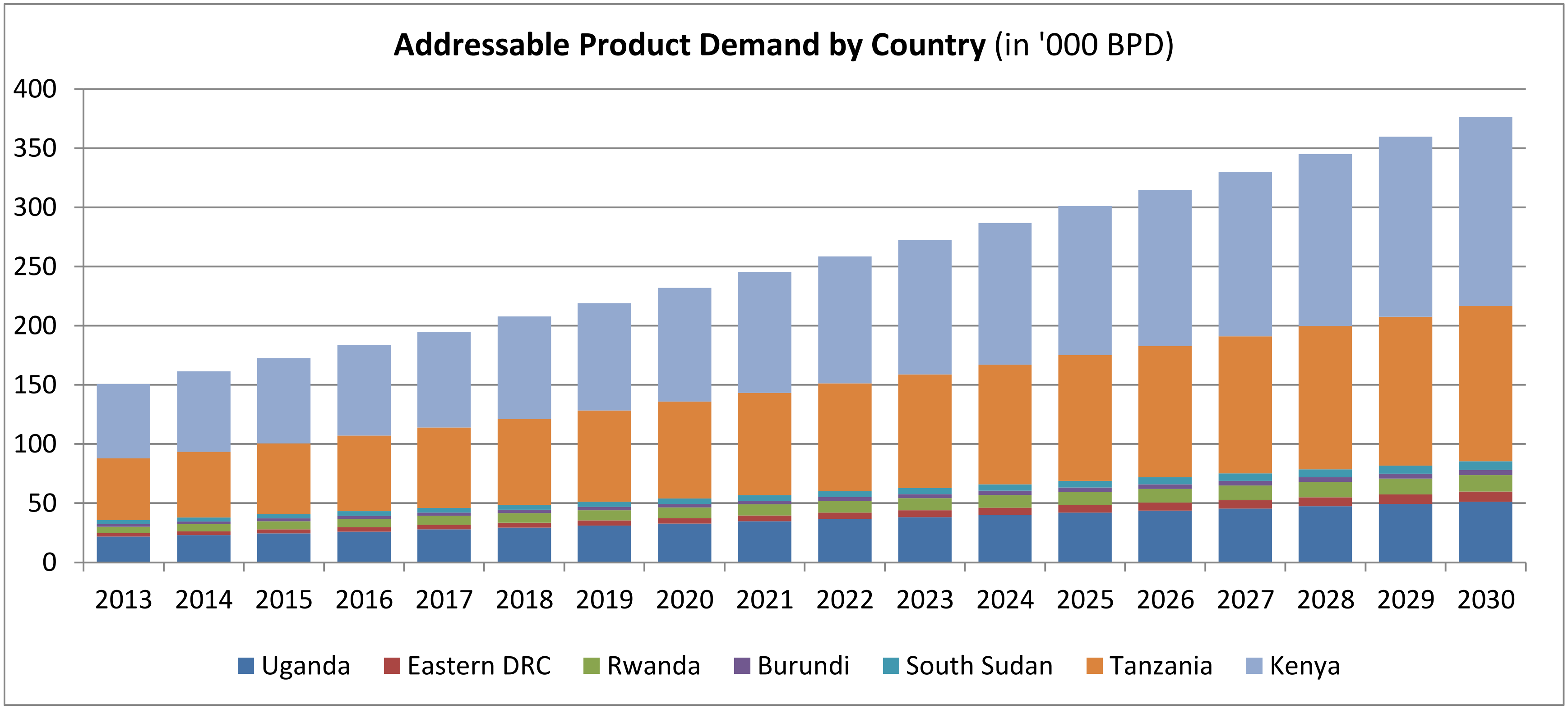
Source: World Bank

- Strong structural advantages drive the country's economy:
  - Stable political and macroeconomic environment.
  - Second-youngest population in the world, as measured by young dependency ratio.

- FDI inflow more than doubled to USD 1.72 billion in 2012 as compared to 2011 driven by investment in the oil & gas industry.

2. PROJECT RATIONALE

SUBSTANTIAL PRODUCT DEMAND ADDRESSABLE BY THE PROJECT



Source: Gaffney, Cline and Associates (2010)

- The Project will primarily serve the petroleum product markets in Uganda and its western neighbors.
- Additional outlets will be available within the larger product markets of Kenya and Tanzania.
- The refinery will serve a potential market of 232,000 BPD in its first year of operations.

CHALLENGES IN THE EAST AFRICAN DOWNSTREAM SECTOR INCREASE COST OF SUPPLY

- Entire East Africa has only one refinery at Mombasa, Kenya.
  - The 70,000 BPD refinery runs at less that half its capacity.
  - Commercial issues cause frequent disruptions in output.
- Ground transportation of imported products through Kenya is strained.
  - Products are mostly transported by road due to limited pipeline reach and capacity.
  - Uganda and its western neighbors can suffer serious supply disruptions in the event of logistical interruptions in Kenya.
- Product Prices in East Africa were 30-110% more expensive than in the US in November 2010.

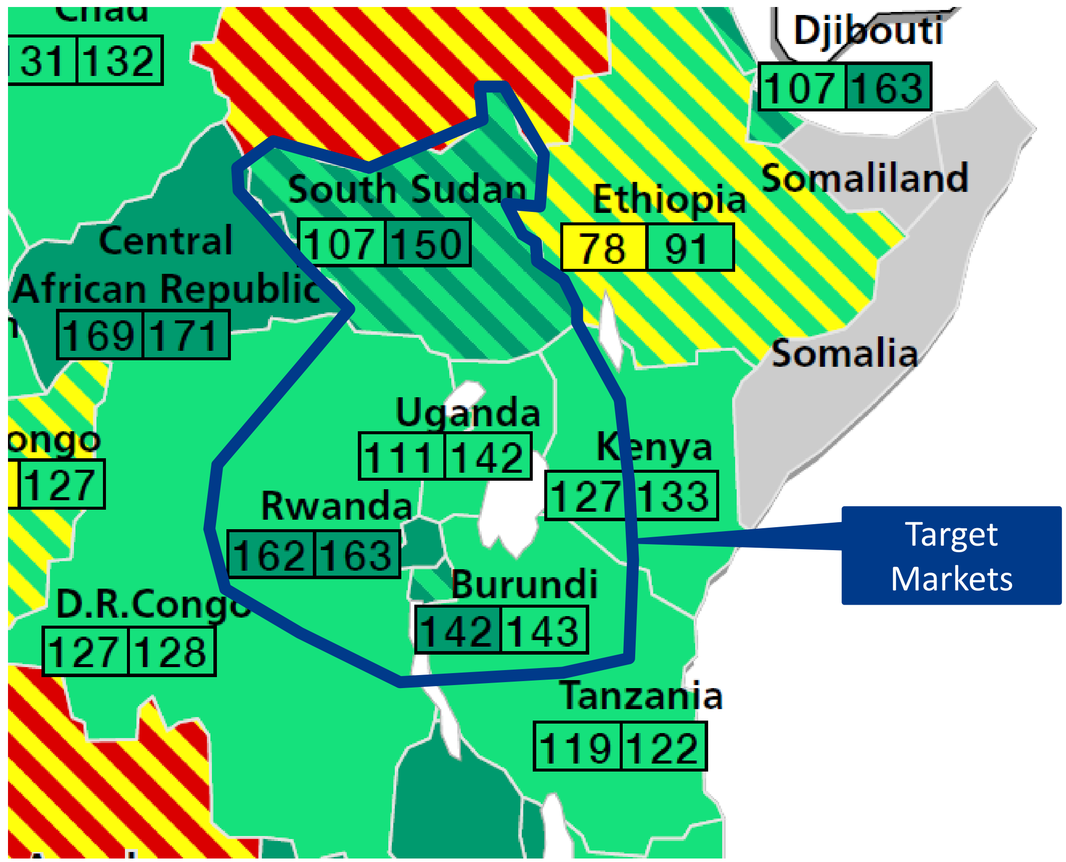
Retail Prices of Petroleum Products in East Africa (Nov 2010)

Legend

US-Cents per Litre

Diesel → 82 | 96 ← Super Gasoline

Comparison (U.S. cents/litre)		
Price of Crude	51	51
US	84	76

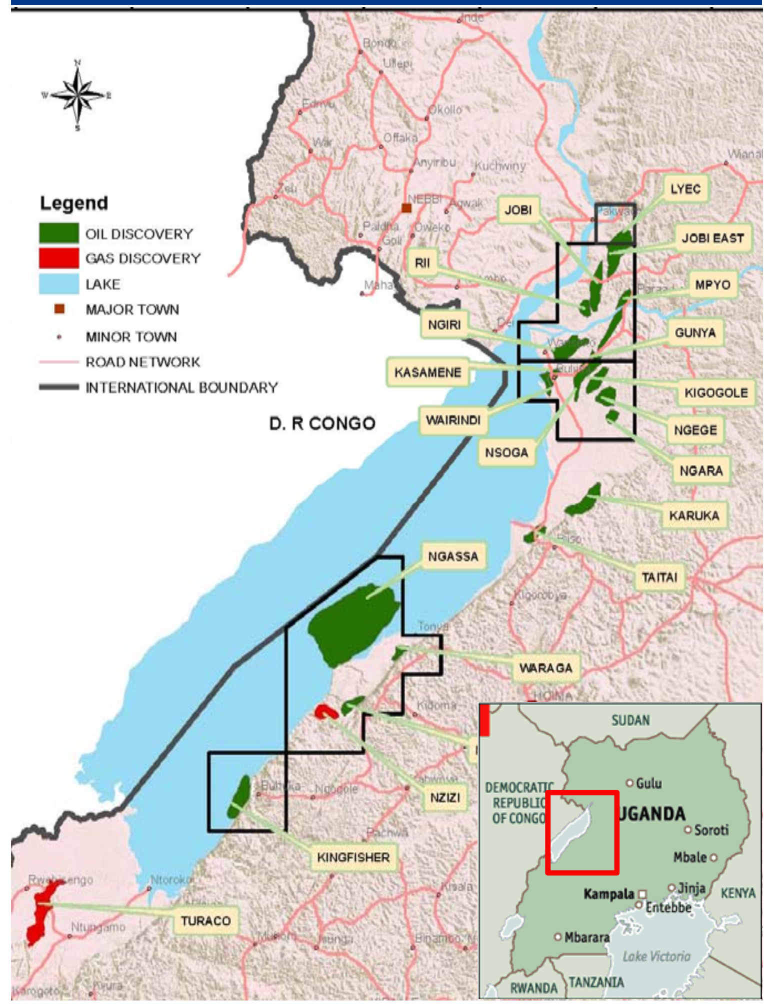


Source: GIZ

DISCOVERIES IN THE LAKE ALBERT REGION ARE PROMISING

- 3.5 billion barrels of oil in place has been discovered, of which 1.2-1.7 billion barrels are commercially recoverable.
  - Resource also contains 350 bcf of gas.
  - Plateau production of 170-200 kboepd within five years from final investment decision.
- CNOOC, Total SA and Tullow Oil are developing the hydrocarbon resources.
  - Expected to invest more than USD 13.8 billion in 20 years.
  - Submitted Field Development Plans for nine fields and are appraising 10 additional fields.
- 60% of the Albertine basin is yet to be explored.
- The Ugandan crude blend ranges between 23 – 33 API, 0.16 wt% sulfur crude with about 40% vacuum residue. It is paraffinic and waxy with a 40°C pour point.

Oil & Gas Discoveries near Lake Albert



Source: Government of Uganda

PROJECT GRM HIGHER THAN INTERNATIONAL LEVELS DUE TO INLAND LOCATION

- Lower crude procurement cost, which will be determined on netback basis.
  - Waxy and low-sulfur crude more suited to onsite refining than pipeline transportation; products are environment-friendly.
  - High tariff for heated crude export pipeline <u>lowers</u> crude feedstock cost for the Project.

- Higher product prices, which will be determined on import-parity basis.
  - High transportation cost of products reflected in product prices realized by the Project.

- Lower crude procurement cost and higher product prices result in significantly higher Project GRM relative to normal international levels.

Project Aligned with GoU's Objectives

- With the Project, the GoU expects to make use of the country's oil and gas resources to contribute to early achievement of poverty eradication and create lasting value to society by:
  - Enhancing energy security by reducing the need to import petroleum products;
  - Meeting Uganda's growing energy needs for petroleum products and power;
  - Improving the balance of payment; and
  - Creating investment opportunities in other sectors.

- Project is part of GoU's long-term commercialization strategy.
  - Short term plan:
    - Use of crude oil from Extended Well Testing in cement plants, thermal power plants, etc.
    - Until the refinery is operational, use of crude oil and gas produced for power generation.
  - Medium term plan:
    - Phased development of a 60,000 BPD refinery .
    - Commercialization of gas produced.
    - Development of a crude oil export pipeline.
  - Long term plan:
    - Potential expansion of the refinery.
    - Development of petrochemical and energy-based industry.

3. PROJECT CHARACTERISTICS AND ENABLERS

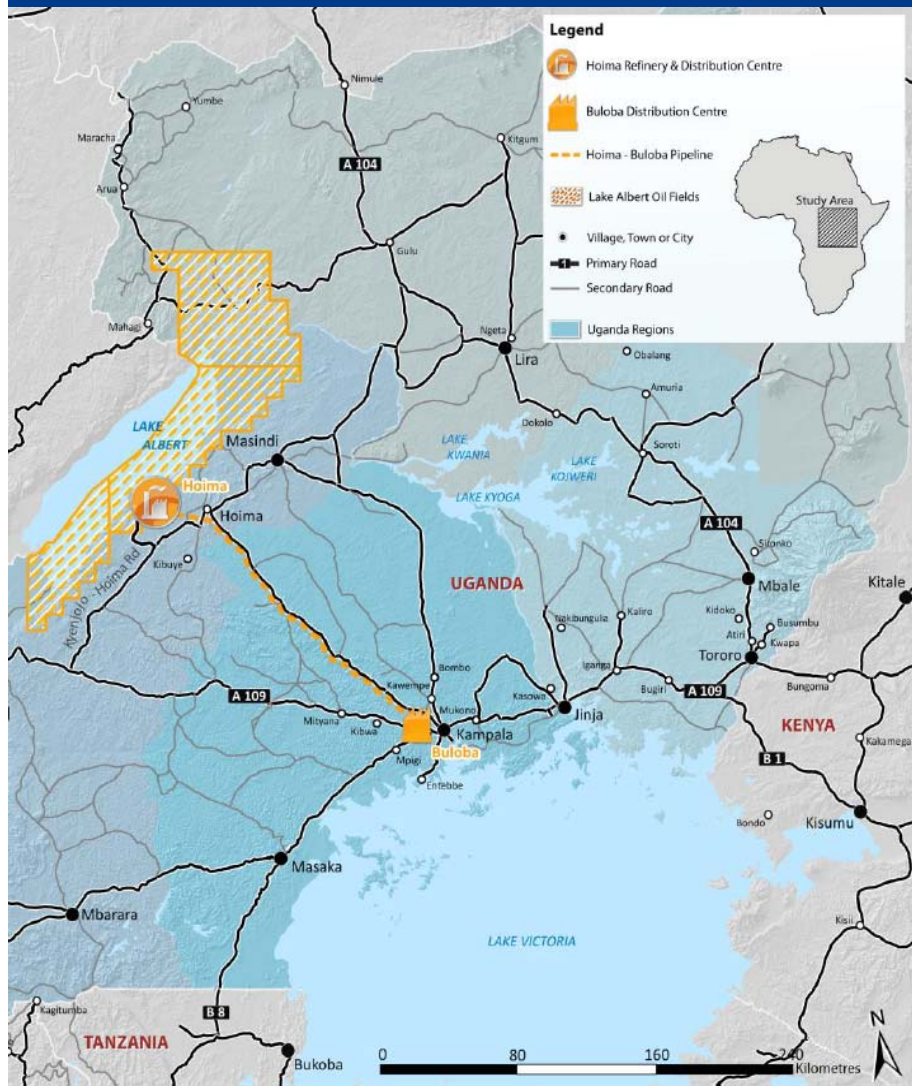
PROJECT OVERVIEW

- Project is composed of two facilities:
  - 60,000 BPD Refinery in Hoima;
  - crude oil and product storage facilities on site; and
  - a 205 km long product pipeline to a distribution terminal near Kampala (terminal is not part of the Project).

- Refinery is proposed to be developed in two phases of 30,000 BPD.
  - Reduces implementation risk and financial exposure.
  - Allows absorptive capacity of the market to be confirmed.
  - Enables earlier energy security.

- Developed under a public-private partnership:
  - GoU will hold 40% of Project equity.
  - A Lead Investor/Operator will contribute the balance of 60%.

Project Sites



Source: CPCS

SUBSTANTIAL PROGRESS ON PROJECT DEVELOPMENT

- Foster Wheeler ("FW") conducted a detailed feasibility study of the refinery in 2010.
  - FW studied the entire petroleum value chain and various refinery configurations.
  - FW concluded that Project investors would earn an attractive financial return.

- In July 2013, the Ugandan Parliament enacted a law governing refineries and other petroleum infrastructure. Along with the Petroleum Supply Act of 2003, the law paves the way for the Project.

- A transaction Advisory Team has been retained by the GoU to provide ongoing assistance during the tendering process and subsequent financing.

- The GoU is in the process of acquiring 29 km^2 of land for the Refinery and related infrastructure.

- The GoU is currently developing the tendering documents, with the RFQ expected to be released in October 2013.

4. Status and Timeline

TENDERING THROUGH A TWO-STAGE RFQ-RFP PROCESS

Preparation and Issuance of RFQ

RFQ will present a clear and consistent value proposition to investors.

Selection of Qualified Bidders

GoU together with the Advisory Team will score Statements of Qualification submitted by bidders and recommend a shortlist of qualified bidders.

Issuance of RFP

RFP will provide additional details to qualified bidders, enabling them to submit detailed bids.

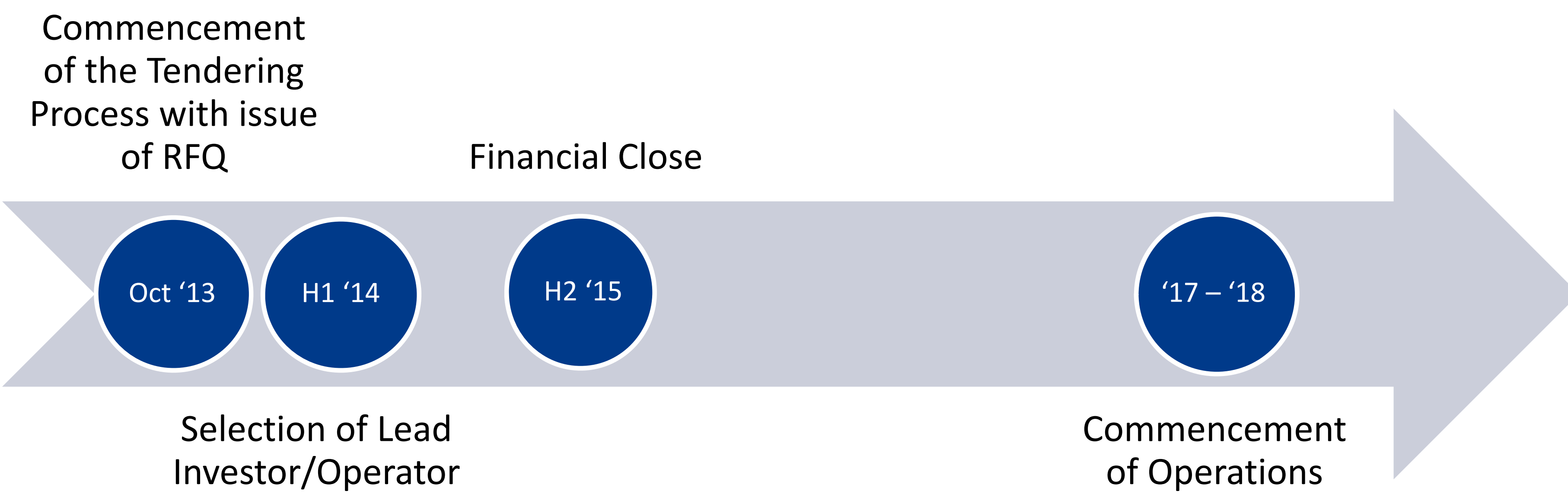
Evaluation of Bids and Selection of Shortlisted Bidders

GoU together with the Advisory Team will score bids received and present the GoU with Shortlisted Bidders.

Negotiation with Shortlisted Bidders

The GoU will negotiate and finalize technical, financial and legal details with Shortlisted Bidders to select the Lead Investor/Operator.

PROJECT DEVELOPMENT TIMELINE



COMMISSIONER

PETROLEUM EXPLORATION AND PRODUCTION DEPARTMENT

PEPDEBB@PETROLEUM.GO.UG

REFINING@PETROLEUM.GO.UG

WWW.PETROLEUM.GO.UG