

**KEBSON INTERNATIONAL OIL COMPANY  
REFINERY FEASIBILITY PROPOSAL  
AT QESHM ISLAND**



KIOC TECHNICAL SECTION

IN THE NAME OF GOD



## **CHAIRMAN'S MESSAGE**

The Kioc Authority Is Committed Toward The Commencement Of A Refinery With Total Investment Cost Of 5000.00 Million U.S. Dollars At Qeshm Island.

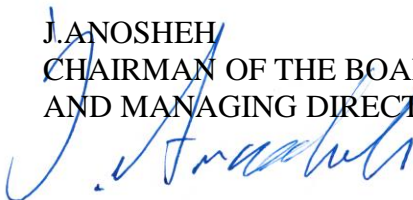
We Believe Investment Of Total Amount Anticipated For Kebson Refinery At Qeshm Island Is Only Procurable With Foreign Investors, Upon Discussion And Negotiation About Aspects Of Working Jointly.

We Welcome To Discuss Over Joint-Venture Partnership With An Individual Cooperation, Consortium And Or Any Capable Company(S). We Will Use The Opportunity To Meet To Review Your Proposal And To Negotiate In Good Faith A Joint-Venture Agreement, Upon Terms And Conditions Mutually Satisfactory To All Parties Concerned, Including Such Matters As Ownership Percentages To Be Vested In Each Co-Ventures, Construction. Scheduling And Logistics, Operations And Any Other Pertinent Issues.

Kioc Authority Also Is Ready To Discuss Other Alternatives Based On Investing Capital On Kebson Refinery At Qeshm Island Such As Buy Back Agreement, Borrowed Money And Any Other Proposals Which Could Meet Our Desires.

We Are Confident That, With Hard Work. And Wisdom, In Time We Can Materialize Our Objective

J. ANOSHEH  
CHAIRMAN OF THE BOARD  
AND MANAGING DIRECTOR



## ***INTRODUCTION***

Our Kebson Intl. Oil Company In Private Sector Has Principally Been Granted License For To Construct A Private Refinery In Qeshm Island Free Industrial Zone In An Area Of 400 Hectares, Which Has Already Been Assigned As A Kebson Property.

The Basis Design For Kebson Refinery Is To Refine 120,000 Barrels Per Calendar Day Of Iranian Heavy Crude Oil. The Finished Products Produced Would Be Primarily For The Export Market And Would Meet All Current And Proposed Specifications Premium Grades Of Gasoline, Kerosene, Gas Oil, Lpg, Fuel Oil, Bitumen And Sulfur.

The Refinery Process Line Anticipated Herein Would Benefit Kioc And Qeshm Island In Many Ways As:

- Anticipated Processing Described In Scope Of Process Section Will Permit The Units To Process 100% Of Iranian Heavy Crude Oil, While Maintaining A Charge Rate Of 120,000 B.P.C.D It Would Be Possible To Raise The Capacity Of Refinery Up To 200,000 Bpcd Upon Mutual Agreement Between Kioc Founders And Jointed Company Using The Methodology Presented In This Proposal Considered.

The Refinery Would Provide Employment For Over 600 Iranians, Would Local Whenever Possible. Purchase Supplies And Materials Locally, Using Constructors And Would Therefore Stimulate The Economy While

Also Enhancing Opportunities To Expand In The Area Of Petrochemical Feed Stocks And Eventually Petrochemical Products.

- Availability Oil In This Region And Natural Gas In The Qeshm Island Itself With Reasonable Price Are Of Important Factors To Commence A Refinery In This Area, And Other Factors Which Must Account For Establishing A Refinery At Qeshm Island Is Ease Of Access To The World Market, Labor Costs And Etc. Which All Would Benefited The Kioc Share Holders And Or Jointed Parties.
- The Refinery Anticipated In This Proposal Is Evaluated To Have An Investment Cost Of 35,833.00 U.S.Dollars Per Daily Barrel Or Total Fixed Cost Of 4.3 Billion U.S.D. These Costs Are Rough Estimated Cost And Was Extracted From Index Prices Of Chemical Engineering, Hydrocarbon Processing Magazine And Manufacturers Invoice Which May Be Little Higher Than True Values.
- The Proposed Refinery Project At Qeshm Island Free Area Would Certainly Insure To The Benefit Of Kioc Founders And Jointed Parties On A Most Profitable And Concerned Governmental, Citizens Basis.

### ***Business Environment***

Qeshm Free Area Offers The Security And Environment Generally Sought By The International Business Community.

Such Environment Takes The Form Of Incentives Consisting Of Availability Of Natural Gas At Very Competitive Prices, A Wide Range Of Tax

Concessions And Beneficial Financial And Currency Arrangements. The Free Area's Laws Formally

Contemplate Provision Of A Tax Holiday By The Authority And Unrestricted Circulation And Convertibility Of Amount Of Foreign Currency And Capital.

The Regulations Also Formally Prohibit All Forms Of Confiscation And Expropriation Of Property Rights And Provide For The Establishment Of Mutually Agreed Court Or An Independent Forum Possessing The Characteristics Expected Of An International Arbitration Tribunal To Consider Financial And Trade Disputes Arising Between The Free Area's Licensees. All Transactions ,Including Sales Of Goods And Services To Mainland Iran May Be Conducted On Convertible And Competitive Bases.

The Fiscal And Non Fiscal Incentive Package Which Has Been Put Together For Free Areas Are As Follows;

- A) 10 To 15 Years Tax-Free Holidays
- B) Exemption From Customs And Duties
- C) No Restriction On Repatriation Of Capital And Profit
- D) Freedom Of Foreign Exchange Movement
- E) Settlement Of Legal Disputes In Mutually Agreed Upon Courts

F) Easy Issuance Of Work Permits For Foreigners

G) Off-Shore Banking

### ***Processing***

Being Cognizant Of The Unique And Beneficial Properties Of Iranian Heavy Crude Oil, The Refinery Will Take Advantage Of These Properties Concerning Production Of Higher Motor Oil Gasoline And Lowest Possible Fuel Oil Product,By Using Solvent De-Asphalting Unit And Fluid Catalytic Cracking Unit For Lowering Fuel Oil Production And Increasing Motor Oil Gasoline Production.

While This Presentation Contemplates The Production Of Unleaded Gasoline , Lower Octane (And Leaded) Could Be Produced In Increased Volumes. Key Processing Units Include Distillation Vacuum Unit, Reformer, Fcc Unit And Solvent De- Asphalting Unit.

### ***Pricing***

For The Purpose Of This Presentation, Product Prices Are Based On Persian Gulf Platts, Low Average For 2021 And Crude Oil Price To The Refinery Are Based On Average Official Published Prices From National Iranian Oil Company And Also Based On 2021 Persian Gulf Platts.

In Spite That Nioc (National Iranian Oil Company) May Provide Good Discount On Crude Basis Price For Kioc Which Could Make A Great

Difference In Net Cash Flow Than, Was Calculated Basing On International Prices, The Discount Was Not Anticipated In Economic Evaluation Summary.

### ***Construction/ Development Scheduling***

The Construction Of The Plant Facilities Would Be Accomplished On A Fast Track Basis, It Is Estimated That All Units Would Go To Operation Within 48 Month, But Provision Could Be Made To Put In Operation The Atmospheric And Vacuum Units, Pre-Treater And Catalytic Reformer Units With Desalination Water System, Seawater Intake System And Power Plant Earlier Than 42 Month. Thus Cash Flow Will Start Accruing Mentioned Facilities Runs To Operation By Charging Crude Oil And Upon The End Of 48th Month, The Plant Will Be In Full And Total Operation. The Construction Schedule Shall Be Discussed And Negotiated Mutually. (Refer To Section Ii And Iii, Technical Information For Further Details

### ***Expected Profitability***

The Economic Evaluation Section Contained Here In, Indicates That Proposed Refinery Would Produce A Net Cash Flow (Before Taxes, Debt Service, And Capital Expenditures) Of U.S.D. \$19.16/ Bbl From Use Of Iranian Heavy Crude Oil.

A Sinking Fund For The Retirement Of All Debt And Payment Of Interest On The Debt Will Be Established. It Will Be Funded With 60% Of The Cash Flow From Operation Before Taxes. Using This Arrangement The Debt Will

Be Fully Retired In End Of Eight Year (8<sup>th</sup> ) From The Date Of Completion Of Construction Required.

Further This Will Result In A Cumulative Net Cash Flow Available, Before Depreciation Or Applicable Taxes, During The Period Commencing With Operations And Through The Retirement Of Debt, Both As To Principal And Interest.

### *Summary*

The Construction Of Refinery In Qeshm Island In A Joint- Venture With Knowledgeable And Experienced Partners As Structuring Of Partnership With Kioc Will Be Negotiated Mutually Later, Should Most Beneficial For The Near Term And Long Term Economic, While Making Substantial Contribution To Qeshm Industrial Free Zone Growth.

The Profit Projected Herein, As And Shown In The Economic Evaluation Summary In Section Iv Of Reprehensibility Study Demonstrates That The Plant Proposed Should Be Extremely Profitable On A Per Barrel Basis Within Eight Years. After Full Completion Of The Project, The Plant Would Return Its Investment Cost, And Interest On The Debts (Principal And Working Capital) Used To Finance The Investment Cost, And Provides Cash For Distribution To Partners (Ventures).

Base Upon The Critical Path For Developing Constructing And Placing In Operation The Plant Facility Wherein Cash Flow Becomes Available For Debt Service From The Sinking Fund During The Fourth Quarter Of 2024 (End Of 42<sup>th</sup> Month). And In Full During The Second Quarter Of 2025 (End Of 48<sup>th</sup> Month).

Cumulative Or Distributable Cash Flow Before Any Applicable Taxes To The Shareholders Or Allowances For Depreciation, And Before All Debts And Interests Reduction Amounts To .804.85.. Million U.S.D. In Year 2026





And Accumulates Up To **2479.91** Million U.S.D. By The Year 2036 Through The Period Ending With The Retirement Of All Debt Service ; .And By The Year 2042 at The End Of Refinery Useful Life (16 Years Life After Debt Has Long Since Been Reduced To A Zero Balance , The Sum Of 10034.67 Million U.S.D Will Have Been The Total Accumulative Or Distributable Cash Flow (Before Taxes And Deprecation).In This Book About Port Facilities .

We Have Limited Our Knowledge Only On General Information. Up To This Position We Believe Qeshm Free Area Governmental Organization Has This Plan To Construct A Super Port At Suza In Near Future, Where Kioc Refinery Is Planned To Be Constructed. Of Course We Can Not Limit Our Self For Ever And Wait For Port Construction By Qeshm Island Organization. Our Engineers Have Anticipated For Arrangement Of A Temporary Moo Rage For Loading And Unloading Crude Oil And Refinery Products During Completion Of Super-Port By Qeshm Free Area Organization Otherwise Construction Of A Private Port Should Be Considered.

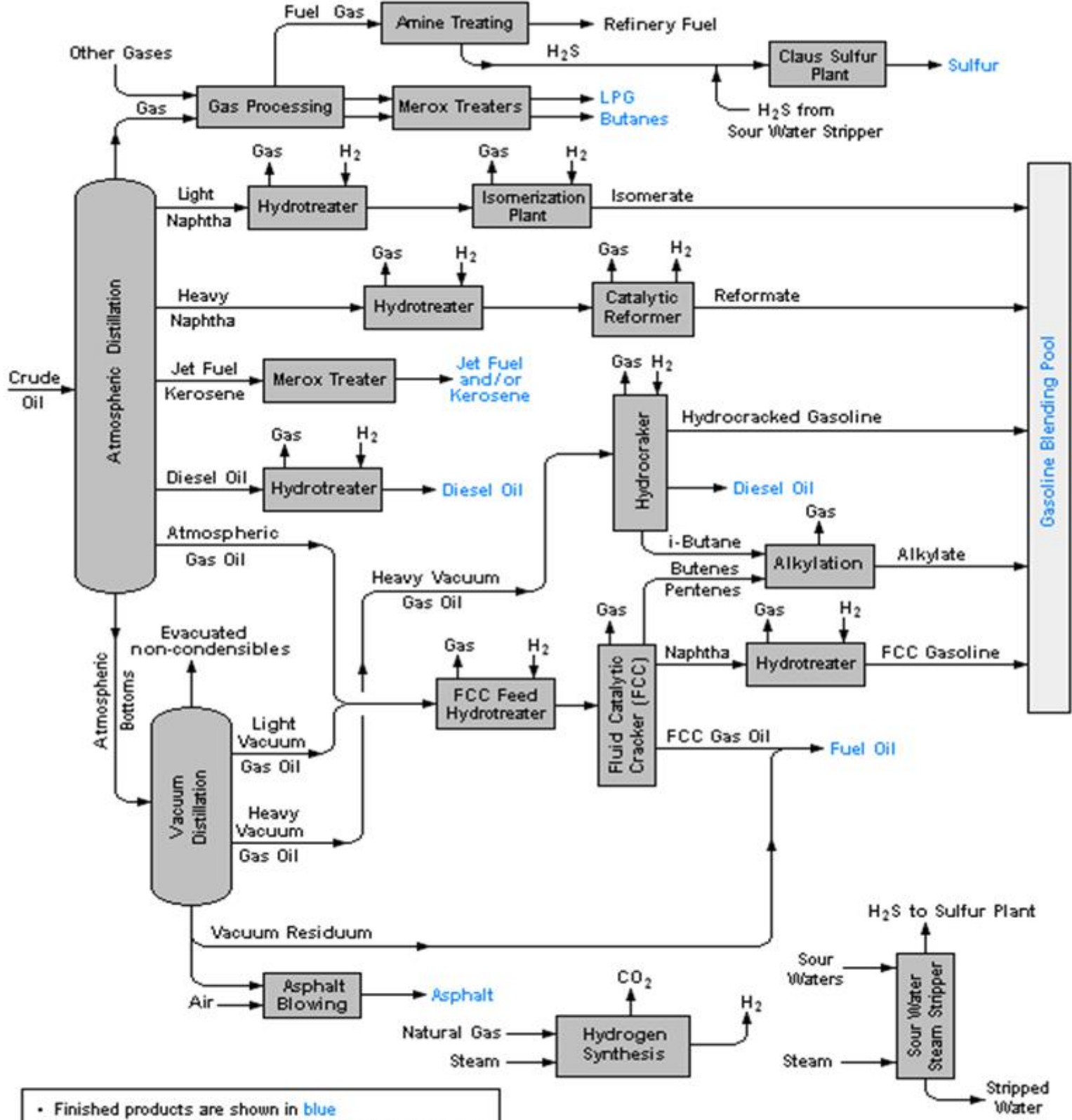
We Are Pleased To Submit This Proposal To Whom It May Concern And Look Forward To An Early Response So That The Investment In Time And Moneys Made By Undersigned Can Be Afforded The Opportunity Toward A Mutually Successful Conclusion. In Addition We Would Have A Sincere Desire To Reach An Agreement With Any Capable Groups, Consortium And Or Company Who Are Willing Finance And Construct Kebson Refinery At Qeshm Island.

**Respectfully Submitted**

**Jahan Pour Anosheh**

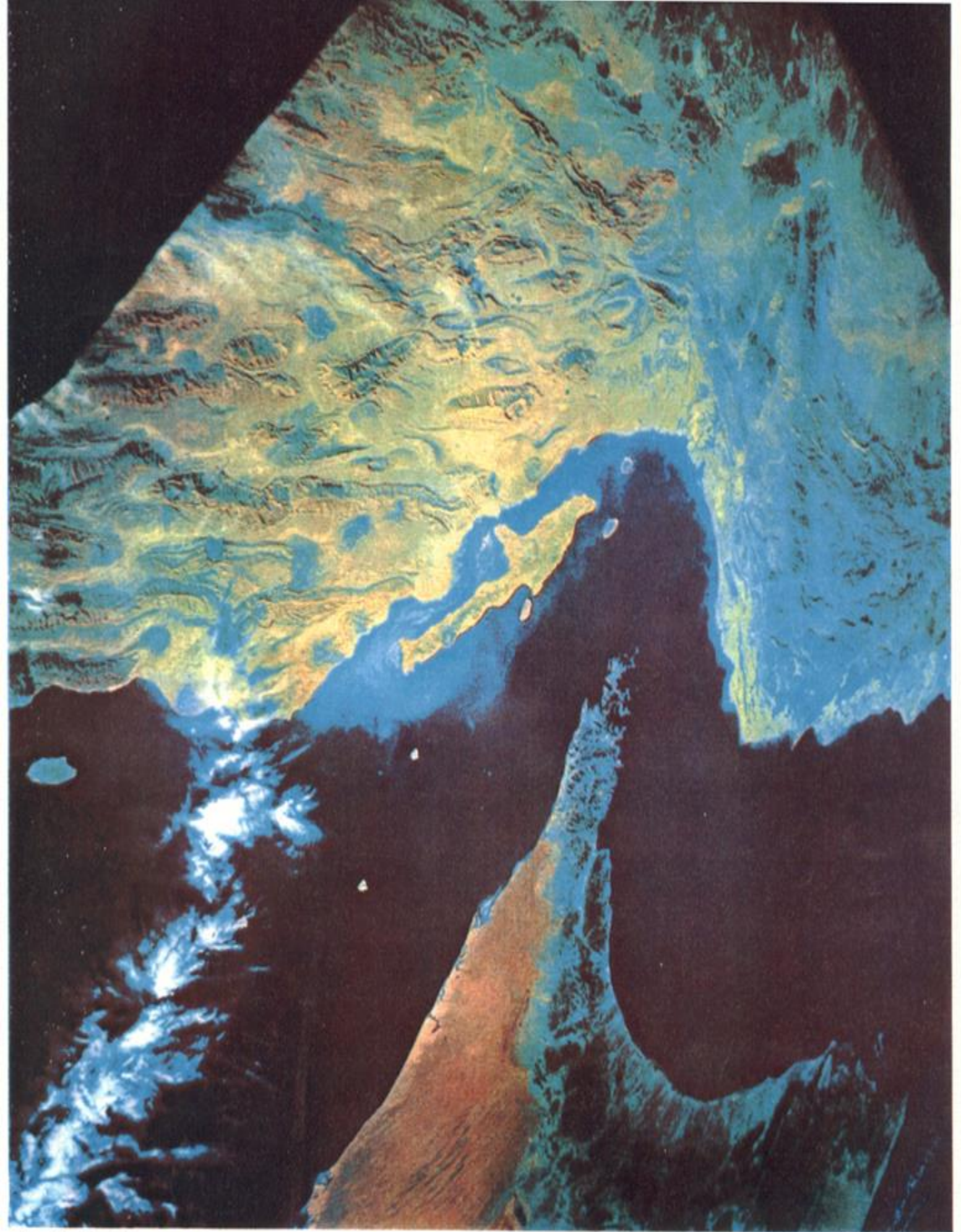
**Chairman Of The Board**

**Kebson Intl. Oil Company**



- Finished products are shown in blue
- Many refineries also include vacuum residuum cokers
- The "other gases" entering the gas processing unit includes all the gas streams from the various process units





The Strait of Hormuz, the gate to the Persian Gulf. NASA photo by GEMINI XII, 1966, Altitude of exposure: Approximately 250 Km