

REPORT No. 0924.CAS.0991**UNDERWRITING INFORMATION ON THE MINI-
REFINERY PROJECT "TEMIRLAN" WITH REGARD TO
RISK MANAGEMENT AND INVESTMENT POTENTIAL.****Order Date**

The 23d of February 2021.

Applicant for Survey : Mr.Mukhit Orazbaev – General
Director of JSC "Temirlan" Bishkek(Kyrgyz Republic)**Instructions** : To carry out a survey and come up
with a package of underwriting information on the risk management
system and investment potential.**Surveyor** : N. Begaliev of "CASLAB" Crawford -
480100, Almaty , Ave. Dostyk 50- 25.**Location** : Kyrgyzstan, Talas Region, Free Economic Zone
"Maimak".**Main Contacts:**

Mr.Orazbaev M. - The General Director of the JSC "Temirlan"

Mr.Tinimbaev D. - Senior Financial Controller of the Company.



Central Asia Survey and Loss Adjusting Bureau

Republic of Kazakhstan, 480100, Almaty, 50, Dostyk Avenue
Apartment, 25, Post Box 88
Tel.: + 7 - 3272-91 36 18, 3272-91 60 94
Fax: + 7 - 3272-91 60 94
Mobile: 8-333 210 3585, E-mail:bnss@online.ru
<http://www.crawford-thg.com>

Background of the Company and the venture to be Insured

The Open Joint Stock Company was set up in the City of Tjumen(Russia) as the omnibus entity majoring in different areas of business. So far the Company has concentrated and focused on the processing and retailing crude oil product like petrol, fuel oil and other derivatives.

In May of 1988 the Company has been re-registered in the Free Economic Zone "Maimak"(Talas Region,Kyrgyzstan) with the idea to set up the Mini-Refinery facility with the capacity of 300 000(Three Hundred thousand) tons of the output of the finished product a year. The only holder of the 100% shares package is Mr.Orazbaev M. – The General Director of the Company.

Loss History

We can not talk of any Loss at all at the moment as the Mini-Refinery is non-existent yet. It will be installed on the base of the Oil Products Storage Facilities which has not had any loss so far(See Photo N. 1).

General Information

«CASLAB» of Crawford has been instructed by Heath Lambert Alatau to carry out a pre-risk-survey of the Facilities in Kyrgyzstan(Talas Region) and come up with the underwriting information on the risk-management situation and ideas of Investment.

Prior to the survey we had a couple of meetings with some senior people of the Region – The Governor of the Region Mr.Aidaraliev I. and the General Director of the Free Economic Zone "Maimak" Mr.Tursunkulov E.

The Project of the Company "Temirlan" is of top priority for the Republic of Kyrgyzstan with the final objective to narrow the gap between the demand and the production of the Oil products. That is the reason why the Government of Kyrgyzstan and local authorities



are supportive of the idea of setting up the Mini-Refinery. The development of the Refinery on the territory of the Free Economic Zone involves privileges with the issues of Taxation and other favours outcoming of the Legislature and the policy of the Government.

The Storage facility represents and looks like a full scale storage operation with the tanks of different capacity for a variety of oil products, pumping units, power station and filling units as well as the discharging ones for the crude and other items to be delivered by rail(See Photo 2,6,7,8,9,10). It can be put into effect as the storage facility after some fixing and renovation and is planned to be the base of the Mini-Refinery Complex.

All my findings are based on the visual survey and familiarization with some pieces of documentation that were allowed to look into as well as the comments of the people who were selected to be my contacts.

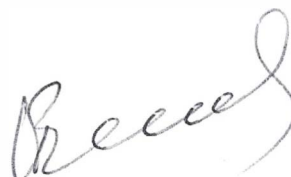
The survey was carried out on the 26,27 and 28th of February 2021 at Free Economic Zone "Maimak".

Risk Exposure

The Fire and Explosion risk in all Crude Oil Processing Plants is the most probable cause as the processing of flammable and explosive materials is the potential for Fire and Explosion.

Surrounding Exposures

Free Economic Zone "Maimak" is located next to the Railway which is 650 metres away from the border of the Free Economic Zone. The Railway Station "Maimak" is some 5 kms away from the Free Economic Zone.



Earthquake

Earthquake is the factor to be considered as the potential Mini-Refinery is located in the high risk area and can be classified as Zone 1 on the Munich Re World Map of Natural Hazards.

The latest earthquake took place in the middle of 90-s (1994) that had some negative effects to the ground and measured as 4-5 points by Richter Scale. It did not cause any material damage but should be considered as an obvious risk.

Flood, Storm, Aircraft, Road Vehicle Impact

The area around is well developed with domestic housing. Rainfall does occur averaging between 100mm to 200mms and is most problematic with flooding.

The nearest airport is 50kms away and there are no airtracks over the prospective Mini-Refinery.

The sites of the potential Mini-Refinery Plant are serviced with asphalt paved roads in good conditions.

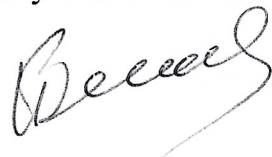
Soil has been investigated prior to construction. It is clay with almost no vegetation and salty water some 40metres down. There is no recorded evidence of possible subsidence or collapse to be expected.

The risk of theft and burglary is minimum as the sites are well protected. Very effective security system was set up based on the 24 hour armed service guarding. The people involved in guarding are professional well-trained servicemen.

Riots and Strikes

It is not the matter of some significant risk as the sites are well protected. It is not possible to enter the sites of the Plants without passing through a security checkpoint and the Plants are encircled by a 2metre high concrete wall topped with barbed wire.

In case of violent breakthrough the Refinery can be shut-down.



Terrorism

Kyrgyzstan has a common border with Tadjikistan which is not a stable state and far from being free of Extreme Islamic sentiments. Therefore the border is well protected and the Policy of the Government against extreme forces is very strong as well as against the smuggle of some heavy drugs sourced from Afghanistan.

Risk-management System

Since the Mini-Refinery is non-existent and Oil Products Facility is non-operational we can talk of the risk management system as a forward looking intention which is theoretical built in in the minds of its creators.

Fire Safety is the topic of great attention at the Project under consideration. We can not talk of some sophisticated means of fire fighting like smoke detectors, automatically driven showers and signal system. The available means of fire fighting are the manual distinguishers.

There are two tanks with water with the capacity of 350 cubic metres as the potential reserve base. There is also a laboratory for making anti-fire foam(See Photos No. 3,4,5).

Smoking will be restricted to some special points in the Office. As for the production site smoking will be prohibited and the penalties are very severe for violation.

The use of the mobile phones and cameras at the premises will be prohibited. The only vehicle of communication will be radio phones.

There are also hydrants for the connection with the supply of water.



The business plan provides for the installation and use of some sophisticated means of fire-fighting as the nearest Fire Depot is some 45 kms away and can not be of effective help in case of some intensive fire. Therefore the plan is to set up an effective self-standing fire fighting system with Depot with the complete package of the fire-fighting means.

Labour Safety System

Labour Safety System at any big enterprise in Kyrgyzstan especially like the Refinery as the prospective project is determined by the General Security System worked out by the Government of Country for Oil & Gas, Energy and Chemical Industry.

This administrative control drill is helpful for the entire operation as it helps to figure out the parts to be fixed and replaced. The installation of the computer control of the entire process will allow the use of sophisticated and more efficient and less labour intensive system of control. This will increase the labour safety and prevent from death cases and heavy traumatism and keep all the employees in compliance with the Labour Safety System.

Earthquake

The Surveyed section of the Free Economic Zone is located in the active seismic zone due to the extension of the existing mountain range.

Since the area of the site is located in the Seismic zone we should also consider the issue of this risk.

The architectural requirements of all the buildings erected in such zones of the Former Soviet Union are such that they all should be resistant quakes up to force 9 points by Richter Scale.

The construction of the units of the Mini-Refinery and Oil Products Storage Facilities was determined by the fact of being set up in the

Beeval

seismic zone. It concerned first of all the choice of the materials they have been made have been made of.

In other words all the preventive measures have been taken up. The building of the inspected warehouse can stand the pressure equal to 1,5 ton per each square metre of the constructed dwellings. The expert-opinion of the people involved in the construction is that the buildings and storage of the Plants have been designed and constructed to survive if the earthquake comes up to the force number 9 by Richter Scale.

We applied to the Institute of Seismology with the idea to get the seismoforecast for the near future. The verbal answer was nothing destructive is expected to happen in the near future.

The latest severest earthquake took place in 1994 which was up to force 4-5 points by Richter Scale.


Security

Security is given a top priority which is a part of the national Philosophy of the Government on this vital issue.

The Company "Temirlan" has signed the Draft Agreement with the Security Company of the Council of the National Security of the Republic of Kyrgyzstan which can perform the best service out of all the possible options under the current circumstances.

I have interviewed Colonel Maatov Duulan who will be in charge of the Security Issues. He came up with his ideas of the Security that will cover the whole set of measures:

1. Setting up of the entire Signal system sensitive to all the attempts of penetrating onto the territory of the Refinery equal to the Frontier
2. Security System;
3. Setting up of the observation desks with the armed officers;
4. Carrying of the swift-mail;
5. Bodyguarding of some senior people of the company and the visiting parties;
6. Escorting of the valuable commodities, papers and cash money.



There has been no record of property loss so far at the surveyed Premises.

The Security duty will be operated on the four shift basis run by the people who have the experience of more than 10 years of service and will be involved on a selective basis.

At night time they will use dogs for guarding duty.

The admission for the warehouse facilities will be limited to the authorized personnel and the visitors who should have special passes for each visit.

The performance of the Security of the plant will be tested by local Counsel of National Security (Former KGB office) by the underground attempts to get onto the site by using some false passes or penetrate into the premises some other discreet way.

Therefore the security issues will be well looked after by the authorities of the Refinery.

The risk of theft or burglary is minimum if even violence is involved. The security system has a direct link with the special forces (SpetsNaz) to be put into action if the worst scenario comes out.

Political Risks(Terrorism)

In summer of 2000 there were some abortive attempts of violating the border of Kyrgyzstan by some Islamic terrorists of the Extremist Organization called "Uzbekistan". The Free Economic Zone is miles away from the point of this risk – at the other end of the country. This risk is minimum as they never tried to resume the efforts of what they tried in the year 2000.



Kyrgyzstan is supportive of all the International efforts and initiatives against terrorism. It has signed all the treaties on the collective struggle against the International Terrorism.

The risk of some terrorist acts is minimum as the entire situation is under control and terrorism is being watched as the most probable threat to the National Security.

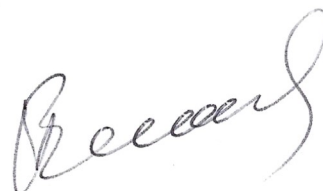
The Republic of Kyrgyzstan keeps up friendly relations with the neighboring countries and it is not expected to be alienated with the increase of tension.

The country is strong and quite self-standing security wise with strong Armed Forces and Preventive Security System. Besides it has a well developed Political Structure with the a Package of legal guarantees like Constitution and other related Laws and Edicts as democratically oriented pieces of documentation to keep the citizens of the country in peace.

The risk of political course with some degrading changes like nationalization is minimum and should not be considered as a possible major negative risk factor.

Feasible Investment Prospects

For a number of decades Kyrgyzstan was and is dependent on the oil products supply from the neighbouring countries mainly Uzbekistan and Kazakhstan which is labour intensive and not economically reasonable. The demand for this sort of commodity is growing and therefore setting up a Mini-Refinery is the right move on the way to overcome the shortage and dependence on the importers.



The Government of Kyrgyzstan realizes all these problems and is looking for the change along the lines of implementing market oriented economy. Along these lines it welcomes the idea of the developing the project initiated by the company "Temirlan" with a strong team of experts in the Oil and Gas Industry. The General Director Orazbaev M. has gone through extensive managing experience in Russia as the coordinator of a number of projects.

With the view to the Investment prospective JSC Temirlan has achieved much to develop the project of the Mini-Refinery at the Free Economic Zone:

a)has concluded the contractual arrangements on the supply of the crude oil from the oil producing areas of Kazakhstan to be conducted by the national retailing operator "KazGerMunai" as well as of Russia and Turkmenistan. The chemical composition of the crude has been tested and adjusted to the technology to be developed at Free Economic Zone "Maimak"

b)has signed the Joint-Venture Partnership agreement with the Company PARVIZ ARIA(USA) with the detailed business-plan of actions to go ahead.

The American partner has developed similar projects for many companies in different parts of the world including some world leaders like Shevron, Texaco and others.

The technology of the Mini-Refinery to be installed is based on the flexible and variable capacity model with easy change and increase of the volume and variety of products.

c)The supposed technology is ecologically friendly and far below the contamination extremes accepted in the Kyrgyz Republic.

d)The enclosures to the business plan contain financial statement with the breakdown of the cost of the operation, sales, gross profit in its two possible outcomes = optimistic scenario when it performs to the absolute capacity and conservative figures when it is operated for 50% of its capacity.



Both the best and worst scenario tell us that the Refinery can work out as a profitable enterprise with the potential to pay off the loan.

e) The leader of the Company is in the process of the intensive negotiations with the Financial Institutions on the financial package of the project which show obvious interest.

Conclusion

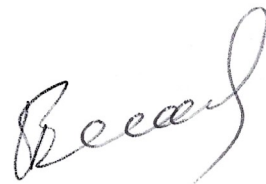
We have surveyed obviously a very safe operation with regard to the risk management with the right attitude of the personnel that should be rated as average.

The investment Plan will obviously provide for the implementation the Western Culture of Insurance and Risk Management and reinforce the resistance to all the possible accidents and natural hazards.

The surveyed Storage facility is insurable like any well-controlled and properly organized enterprise of the Former Soviet Union countries with the risk management fitting the requirements for proper insurance of the enterprises of this scale and caliber.

I should also make some comments on the Investment Prospects.

- 1) The Government of Kyrgyzstan is giving its full support as well as the local authorities of the region as the demand for petrol and other related oil products to the processing of crude oil is vital.
- 2) The team of senior managers of "Temirlan" has been working for a number of years in search of the right partners and suppliers.
- 3) All the major contractual arrangements have been discussed and agreed that resulted in signing of all the Drafts.
- 4) The JSC "Temirlan" has a good team of technical people with experience in crude processing and retailing. The general Director Orazbaev M. has good skills and experience in oil producing and retailing.
- 5) The Risks to be met will be properly managed.



Enclosures:

1. Photos - 10pcs.

The above findings are correct to the best of our knowledge and belief, but without prejudice as to the liability of the parties concerned.

Almaty, March, 07, 2021

CASLAB
Central Asia Survey and
Loss Adjusting Experts

N. Begaliev.





Photo № 1



Photo № 2



Photo № 3



Photo № 4



Photo № 5



Photo № 6



Photo № 7



Photo № 8

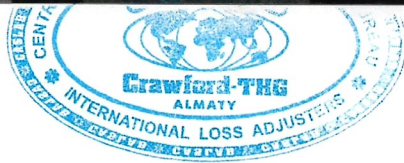


Photo № 9



Photo № 10