



ZARUBEZHNEFT

JOINT STOCK COMPANY

Annex A Prepayment Facility and Commercial Contract Indicative Term Sheet

LOAN TERMS

Oil Seller:	“Zarnesteservice” LLC
Borrower / Oil producer:	LLC "JC "RUSVIETPETRO"
Buyer/Prepayor:	The winning Bidder
Financing Parties:	A financial institution(s) to be selected in consultation with the Borrower
Prepayment amount:	170M USD
Availability Period :	Until June 2017
Interest Rate:	To be determined as a result of the bidding procedure
Final maturity date:	18 months starting from the month following the Availability Period
Grace Period:	6 months after the end of the Availability Period
Repayment Profile:	Monthly equal instalment, starting on the last date of the month following the Grace Period. After the Grace Period the Buyer shall reduce each monthly invoice for the delivered oil by minimum 1/12 of the total loan amount to secure its repayment.
Interest Repayment Period:	Monthly
Warranties:	No suretyship
Additional Charges:	No charges or commissions applied.
Designated Use:	General corporate purposes (incl. repayments of shareholder loans)
Cost Cover Ratio	On any test date, the ratio of (a) the sales value for the interest period commencing on that test date to (b) the amount of the reimbursement obligations falling due during that interest period shall be equal to or greater than [120] per cent.
Top-up provision:	If the Cost Cover Ratio fall below the cover ratio requirements of the Prepayor, the Borrower shall procure that the volumes of crude oil to be purchased under the Export Contract shall be increased within a period of time (also to be agreed), or the Prepayment Facility shall be prepaid, or cash collateral shall be deposited in an account secured in favour of the Buyer in each case, by such amount as will ensure the Cost Cover Ratio would then be met if retested.
Prepayment	Documentation as usual for this type of facilities to be in form and substance acceptable to the Buyer and its Financing Parties and to include inter alia:

- Documentation**
- Export Contract;
 - Tripartite Prepayment Agreement between the Oil Seller, the Borrower and the Buyer;
 - Security Assignments;
 - Legal opinions
- Representations and Warranties:** As usual for transaction of such type, including but not limited to:
- (a) Status;
 - (b) Binding obligations;
 - (c) Non conflict with other obligations;
 - (d) Power and authority;
 - (e) Authorisations / validity and admissibility in evidence;
 - (f) Governing law and enforcement;
 - (g) No insolvency or other proceedings;
 - (h) Deduction of tax;
 - (i) No default;
 - (j) No misleading information;
 - (k) Pari passu ranking;
 - (l) Environmental provisions;
 - (m) No adverse consequences;
 - (n) Anti-corruption and sanctions.
- General undertakings:** As usual for transaction of such type, including but not limited to:
- (a) Authorisations;
 - (b) Compliance with laws;
 - (c) Compliance with the Export Contract;
 - (d) Taxation;
 - (e) Environmental compliance;
 - (f) Negative Pledge;
 - (g) No Disposals;
 - (h) Pari passu ranking;
 - (i) Arms length;
 - (j) Anti-corruption and sanctions.
- Termination Events:** As usual for transaction of such type, including but not limited to:
- (a) Non-delivery and non-payment;
 - (b) Breach of other obligations;
 - (c) Unlawfulness or invalidity of Seller's obligations under the Commercial Contract; or
 - (d) Repudiation by the Seller of the Contract.
 - (e) Misrepresentation;
 - (f) Cross default;
 - (g) Insolvency and Insolvency proceedings;
 - (h) Unlawfulness;
 - (i) Suspension of production/abandonment;
 - (j) Litigation;
 - (k) Sanctions;
 - (l) Creditors' process;
 - (m) Change of control;
 - (n) Material Adverse Change;
 - (o) Governmental action
- Conditions precedent:** As usual for a transaction of such type.

Assignments	Facility to be freely assignable by the Prepayor.
Costs	Each party shall bear own costs in relation to the drafting, negotiation and execution of the transaction.
Governing Law and Jurisdiction:	English Law. Arbitration – London Court of International Arbitration with 3 arbitrators.

EXPORT CONTRACT TERMS

Nominated Oil Seller:	Zarnestservice LLC
Main Export Contract (Lot 1):	The Nominated Seller shall make an export contract with the Lender/Buyer for a total amount of 1,350 thousand tons +/- 15% in monthly consignments of 75 thousand tons +/- 15%.
Additional Export Contract (Lot 2):	In order to ensure the lifting of a full tanker consignment in the amount of 100 thousand tons each month, the Buyer shall make an additional export contract with Zarubezhneft JSC for total amount of 450 thousand tons +/- 15% in monthly consignments of 25 thousand tons +/- 15%.
Pricing formula:	Lot 1: pricing formula in accordance with the Addendum 1 to these terms; Lot 2: pricing formula in accordance with the Addendum 2 to these terms.
Premium to the pricing formula:	The premium is fixed in the following amount: <ul style="list-style-type: none"> ○ Lot 1: 0.30 USD per barrel; ○ Lot 2: 0.30 USD per barrel.

**ADDENDUM 1
TO THE INDICATIVE TERMS FOR RAISING PREPAYMENT FUNDING**

The price of oil under the main Oil Export Contract (Part No 1) shall be calculated according to the formula:

$$P = Q + S - FR + (+/- E) + X$$

Where,

P - Price of the crude oil, expressed in USD per net barrel.

Q - Basic component equal to the average of high and low means of quotations of BRENT (DTD) as published in Platt's Crude Oil Market for the whole month of delivery (USD/bbl).

S - Market differential equal to the average of high and low means of quotations of "SPREAD VS FWD DTD BRENT" as published in PLATT'S CRUDE OIL MARKET WIRE in line "URALS ROAM" (for deliveries via Primorsk) for three (3) consecutive quotations. Such three quotations to start on 15th calendar day prior to the first day of agreed loading date range (first day of agreed loading date range = day "zero").

FR - Freight calculated as follows: $FR = ((WSFlat * WS)/K) + PTC + RTC + I$

where:

WSFlat - Worldscale FLAT rate for the voyage Primorsk/Rotterdam, including SECA costs, which is based on Great Belt/Great Belt routing, Ladden and Ballast indicated in the New World-wide Tanker Nominal Freight Scale "Worldscale, and related to the year of the Goods' delivery.

WS - the average New World-wide Tanker Nominal Freight Scale "Worldscale" for three (3) consecutive quotations. Such three quotations to start on 15th calendar day prior to the first day of agreed Loading Date Range (first day of agreed Loading Date Range = day "zero") reported by Worldscale Rates - West of Suez for BALT 100kt /UKC routes as issued by Platt's Dirty Tankerwire.

K - conversion factor of metric tons to the US barrels.

For the purposes of metric tons conversion into US barrels, both Parties shall apply ASTM conversion tables (01250-80 53A, 51, 56 & 58, utilized by Nafta Moscow) for actual density of crude oil at 20°C, as per quality certificate issued for the lot of Goods by the port of loading oil terminal laboratory. The quantity in net US barrels shall be rounded off to three decimal places.

PTC - charges per item of Goods at Primorsk for Icebreaking dues, Water area transport security dues and tug and mooring winter surcharge in amount of 0.015 USD/bbl during summer time (01.05-30.11) and 0.05 USD/bbl during winter time (01.12-30.04).

RTC - Rotterdam port dues equals to 0.122 USD/bbl according to Worldscale official publication for year 2017.

I - insurance costs per barrel (such costs currently equal USD 0.02 per barrel). At the request of Seller, Buyers shall provide documents evidencing the average yearly cost of insurance.

E - Escalation / de-escalation

Should the actual density of the Goods be above or below the basic limits of density (31.00 - 31.09 degrees API), the price shall be increased by US Dollars 0.003 per barrel for each full tenth part of a degree API above 31.00 degrees API or shall be decreased by US Dollars 0.003 per barrel for each full tenth part of a degree API below 31.09.

X - Premium equal to 0.30 USD per barrel.

ADDENDUM 2
TO THE INDICATIVE TERMS FOR RAISING PREPAYMENT FUNDING

The price of oil under the additional Oil Export Contract (Part No 2) shall be calculated according to the formula:

$$P = U - F - I + (+/-) E + X,$$

where:

P - Price of the crude oil, expressed in USD per net barrel.

U - average high and low «Urals CIF (Rotterdam)» means of quotations as published in «Platt's Crude Oil Market Wire» over the whole calendar quarter.

$$F = ((Wf + Pr) * Ws + RTC + PTC) / Kf,$$

where:

Wf - the average New Worldwide Tanker Nominal Freight Scale «Worldscale» for the month of Delivery Date, reported by Worldscale Rates - West of Suez for BALT IOOkt/UKC routes, as issued by Platt's Dirty Tankerwire.

Pr - premium for the voyage Primorsk/UKC, reported by Worldscale Rates - West of Suez for BALT IOOkt/UKC routes, as issued by Platt's Dirty Tankerwire.

Ws - Worldscale FLAT rate per item of Goods for the voyage Primorsk/Rotterdam indicated in the New Worldwide Tanker Nominal Freight Scale «Worldscale», and effective on the Delivery Date.

RTC - charges per item of Goods at Rotterdam port not included into **Ws** and being at charterer's account on the Delivery Date as per the New Worldwide Tanker Nominal Freight Scale «Worldscale».

For avoidance of doubt these RTC charges shall be counted proportionally to the share equaling the lot of the Goods vs. a whole amount of cargo loaded on the vessel.

PTC - charges per item of Goods at Primorsk for Icebreaking dues, Water area transport security dues and tug and mooring winter surcharge in amount of 0.015 USD/bbl during summer time (01.05-30.11) and 0.05 USD/bbl during winter time (01.12-30.04).

Kf - conversion factor of metric tons to the US barrels.

For the purposes of metric tons conversion into US barrels, both Parties shall apply ASTM conversion tables (D1250-80 53A, 51, 56 & 58, utilized by Nafta Moscow) for actual density of crude oil at 20°C, as per quality certificate issued for the lot of Goods by the port of loading oil terminal laboratory. The quantity in net US barrels shall be rounded off to three decimal places.

I - insurance costs per barrel (such costs currently equal USD 0.02 per barrel). At the request of Seller, Buyers shall provide documents evidencing the average yearly cost of insurance.

E - Escalation / de-escalation.

Should the actual density of the Goods be above or below the basic limits of density (31.00-31.09 degrees API), the price shall be increased by US Dollars 0.003 per barrel for each full tenth part of a degree API above 31.00 degrees API or shall be decreased by US Dollars 0.003 per barrel for each full tenth part of a degree API below 31.09.

X - Premium equal to 0.30 USD per barrel.

**ADDENDUM 3
FORM OF QUATATION**

Borrower / Oil producer	LLC "JC "RUSVIETPETRO"
Prepayment amount	170M USD
Loan granting month	June 2017
Final maturity date	December 2018 - 18 months starting from the month following the Availability Period
Grace Period	6 months after the end of the Availability Period. During Grace Period Buyer shall pay 100% oil delivered.
Quantity, mt	Lot 1: 1 350 000, by monthly lot of 75 000 +/- 15%
	Lot 2: 450 000, by monthly lot of 25 000 +/- 15%
Nominated Oil Seller / Exporter	Lot 1: Zarnestservice LLC
	Lot 2: Zarubezhneft, JSC
Pricing Formula	Lot 1: pricing formula in accordance with the Addendum 1
	Lot 2: pricing formula in accordance with the Addendum 2
Premium to the pricing formula Premium is fixed for the entire duration of the contract	Lot 1: 0,30 USD per barrel;
	Lot 2: 0,30 USD per barrel.
Interest Rate	Please quote your lowest Interest rate.
Responsible representative of the company (contact person)	
Contact details	
E-mail	

Please fill all empty fields.

1)	Company ("Bidder")	
2)	Authorized Executor (signature)	
3)	Authorized Executor (print)	
4)	Title of Executor	
5)	Date	