



CHILLINGTON OIL

OUTLINE PROCEDURES

BUYING AND SELLING

CRUDE OILS

AND

PETROLEUM PRODUCTS

CHILLINGTON ASSOCIATES LTD.

Chairman's Office: 14 Havenvue Road, SEATON, Devon, EX12 2PF, United Kingdom

Trading Office: Quai Gustave-Ador, Geneva 1207, Switzerland

Tel: +44 (0) 1297 22177 Fax: +44 (0) 8701 345 812

E-mail: sales@chillingtonoil.com

Registered in Republic of the Seychelles.

Company Registration Number: IBC 013374

Registered Office: Suites 25 & 27, 2nd Floor, Ollaji Trade Centre, Francis Rachel Street, P.O.Box 1312, Victoria, Mahe, Republic of the Seychelles.



CHILLINGTON'S BUYING BASIS

This business works on a very simple basis when the **seller** does not know us, or is unknown to us:

The seller provides the following, unless they are an known oil major where they provide the last two only:

- a profile of the selling company with a short profile of the directors of the company (preferably with passport copies if not an oil major);
- audited financials;
- history of their recent trading levels (e.g. copies of B/Ls);
- Bank references;
- Simple letter of offer, with the draft of their proposed sales contract;
- a copy of the contract award letter from their supplier, or the instruction to offer on the seller's behalf;
- Some basic Proof of Product to show that they have something to sell (*the contract award letter would do, but for Russian supply please see details on page 5 below*).

Most companies are not capable of doing this, so one knows they cannot have crude or product for sale. They would have to be able to provide all of the above and more to any Oil Major or Refinery to get a supply of crude oil or a product.

In return we offer to supply to them upon receipt and verification of their information

- a profile of our company;
- financials;
- history of our recent trading levels;
- Banking references;
- Signed contract, if all is acceptable to us, or our proposed revisions to theirs.

PLEASE NOTE:

- We sign contracts, but only with Proof of Product made available before signing so we can have it verified, and with the full Proof of Product attached to the contract as an appendix to the contract.
- Proof of Product must be sent directly to us – i.e. no bank to bank Proof of Product; **NOTE:** BNP Paribas will refuse acceptance of any and all Proof of Product as they are not the Postal Service. However we will present the Proof of Product to our bank as part of the verification, so they are aware of all the details of the contract risk.
- We will have our bank, BNP Paribas, confirm our financial ability to perform the contract to the seller's bank **before** we sign the contract, but **after** the Proof of Product has been verified.



CHILLINGTON'S SELLING BASIS

This business works on a very simple basis when the **buyer** does not know us, or is unknown to us:

The buyer provides the following, unless they are an known oil major where they provide the last only:

- a profile of their company;
- audited financials;
- history of their recent trading levels (copies of a couple of B/Ls);
- Bank and trade references;
- Simple letter stating their requirements, including product grade, destination, quantity, storage, first delivery date, term of contract, and their price expectation and any other details that would be helpful.

Most companies are not capable of doing this, so one knows they cannot be in the business. They would have to be able to provide all of the above and more to any Oil Major or Refinery to get a supply of product.

- In return we offer to supply to them upon receipt and verification of their information
- a profile of our company;
- financials;
- history of our recent trading levels;
- Banking references;
- An offer, with a draft contract and some basic proof of product

PLEASE NOTE:

- We sign contracts, but only with the full Proof of Product attached to the contract as an appendix to the contract.
- Proof of Product will be sent directly to the buyer – i.e. no bank to bank Proof of Product; **Note:** BNP Paribas will refuse to issue of any and all Proof of Product to the buyer's bank as they are not the Postal Service. However we expect the seller to present the Proof of Product to their bank as part of the verification process, so that their bank is aware of all the details of the contract risk.
- We require that the buyer's bank confirm the buyer's financial ability to perform the contract to the our bank **before** we sign the contract, but **after** the Proof of Product has been verified by the buyer.



About CHILLINGTON OIL

- We have been in business, trading oil since 1987, with three name changes.
- We are registered in the Seychelles.
- We are ISO 9001 accredited, and follow the same basic buying and selling procedures as any other oil company or oil trader.
- Our turnover was about \$10 billion last year (2006).
- Our profitability was about 1.7% (\$170 million).
- Our current growth is on target.
- Our main markets are Sub-Saharan Africa and Southern Africa.
- Our trading bankers are **BNP Paribas** (*our prime trading bank*), Commerzbank, Credit Suisse and Deutschebank, all in Geneva; and ING in Amsterdam.
- We have offices in London, Geneva, Johannesburg, Cameroon, Ghana, Mozambique, and Nigeria.
- We have representative offices in Germany, Russia, Singapore and the USA.
- We employ about 100 staff worldwide.
- We only ever use DL/Cs to pay – BNP Paribas does no oil trading business with any other instrument.
- We expect about 30 days credit on FOB and 7 days on CIF deals (the industry norm).
- We expect a 2% **fully funded** operative Performance Guarantee, except from Majors, when we buy. We provide one when we sell.
- We expect realistic quantities to be offered – most offers are in the realms of fantasy due to overly large offerings as unrealistically large discounts.
- We do not issue LOIs and ICPOs as these are just joker broker talk – just the offer, POP, proof of funds, contract, instruments, and delivery.



Russian Proof of Product

- **Uplift or Purchase Contract** (Crude oils)
- **Refinery Resources Contract** (Gasoil and other refined products)
- **Transport Contract** or Graphic
- **Port Storage Contract** or Graphic
- **Port Loading Contract** or Graphic
- **Deal Passport** from the Exporter of Record's Russian bank, in the Exporter of Record's name
- **Export License** issued by the Russian Ministry of Energy

And when they have them

- **Marche Route Telegram or Graphic (the weigh bill)** showing that the crude or product is accepted for transport to the port. This means that they have paid the export tax and the uplifter or refinery and the transport company).
- **Port confirmed Laycan**, which will only be issued if they have crude/product in storage or the Marche Route Telegram or Graphic has been issued.

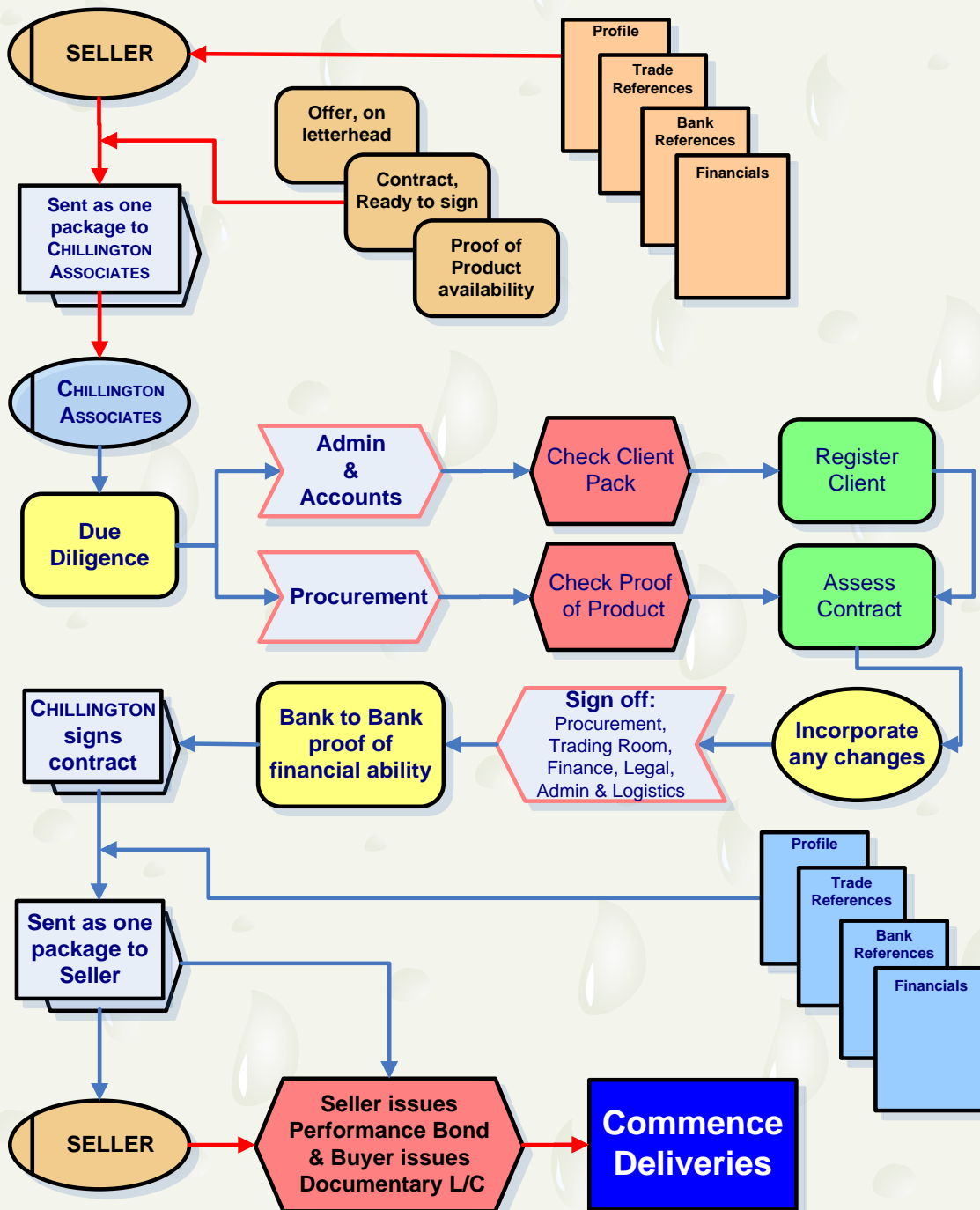
We expect the following terms:

- **Due Diligence:** We will have checked the Proof of Product documentation **before** contract signing and before bank to bank confirmation of our financial ability. Copies of the Proof of Product will be attached to the back of the contract and become part of the contract. We will have our bank contact the seller's bank and confirm our financial ability to perform the contract **after** checking the Proof of Product but **before** contract signing.
- **Performance Bond:** A fully funded 2% Performance Bond issued by the seller **before** we issue our Documentary Letter of Credit.
- **Letter of Credit:** to be issued by BNP Paribas - Geneva and shall be Documentary, Irrevocable, fully funded, 90 day validity, automatically divisible, normally issued on a cargo by cargo basis against the **Laycan Confirmation** (or the **Performance Bond** for the first lifting) but could be self renewing, can also be 'once transferable to a nominated party' acceptable to the issuing bank.
- **Payment documents:** Invoice, Bills of Lading, Independent Inspector's Certificate of Quantity loaded, Independent Inspector's Certificate of Quality loaded, Certificate of Origin, Transfer of Title, Samples Receipt, Documentation Receipt, Cargo Manifest, Ullage Certificate, Tanker Time Sheet.
- **Pricing:** to be FOB based on the relevant Platt with a suitable differential, e.g. a FOB Platt for FOB sales, (i.e. not on CIF Rotterdam or France/Italy nor Barges Platt). However we would consider pricing against **IPC/IPE Dtd Brent** for Urals crudes and **IPC/IPE Gasoil** for Gasoil GOST 305/82, with a suitable differential.
- **Payment:** to be made within 30 day from the Bill of Lading date, in US Dollars or Euros, seller's option.



Purchase contract steps for Crude Oil or Petroleum Products

5/17/2007



Dr John E L Fox

London, 26 Oct. '06