

byco

By Facsimile and Courier

June 20th, 2011

Ref: BPPL/COR/KSE/062

Dear Sirs,

Re: Re-organisation of Loan and Capital Structure

Byco Petroleum Pakistan Limited (BPPL) intends to re-organize its loan and capital structure such that (i) Byco Oil Pakistan Limited (BOPL), which is an unlisted public company incorporated in Pakistan and is a 100% wholly owned subsidiary of Byco Industries Inc. (BII), becomes the major shareholder of BPPL instead of BII, which is a company incorporated under the laws of Mauritius and which currently owns approximately 67.52% shares of BPPL; and (ii) various inter-company loans given to BPPL are novated to BOPL and converted into equity of BPPL.

This process is being achieved through the following steps:

- A Various associated company loans (local and foreign currency) availed by BPPL are novated such that BOPL replaces BPPL as the borrower.
- B In consideration for the novation of loans, BOPL (as the lender) and BPPL (as the borrower) will, on a back to back basis, enter into a corresponding rupee loan agreement in terms of which BPPL will owe BOPL such rupee equivalent amounts which prior to the novation of loans were owed by BPPL to its inter-company lenders.
- C The payment obligations under the BOPL-BPPL loan agreement, and another rupee loan agreement of a similar nature already entered into by BOPL and BPPL, will be satisfied by BPPL through converting the loan (including accrued mark up thereon) into equity by issuing 585,754,341 new shares without a rights offering to BOPL.

The novation of the aforesaid associated company loans and the issue of ordinary shares at par value of Rs. 10.00 by BPPL without a rights issue pursuant to the first proviso to Sub-section 1 of Section 86 of the Companies Ordinance, 1984, have been approved by BPPL's Board of Directors and Shareholders at their meetings on 7th and 31st December 2010, respectively.

The proposed conversion of BOPL-BPPL loan into equity will significantly reduce the financial obligation of BPPL, which in turn will not only improve liquidity position of the Company, but will also ease lender pressure. This conversion of loans into equity also demonstrates exceptional commitment of the sponsor towards the Company.

(saa/byco/secserv/bppl/17062011)

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