The
TOR – Torentco Deal
Smoke & Mirrors

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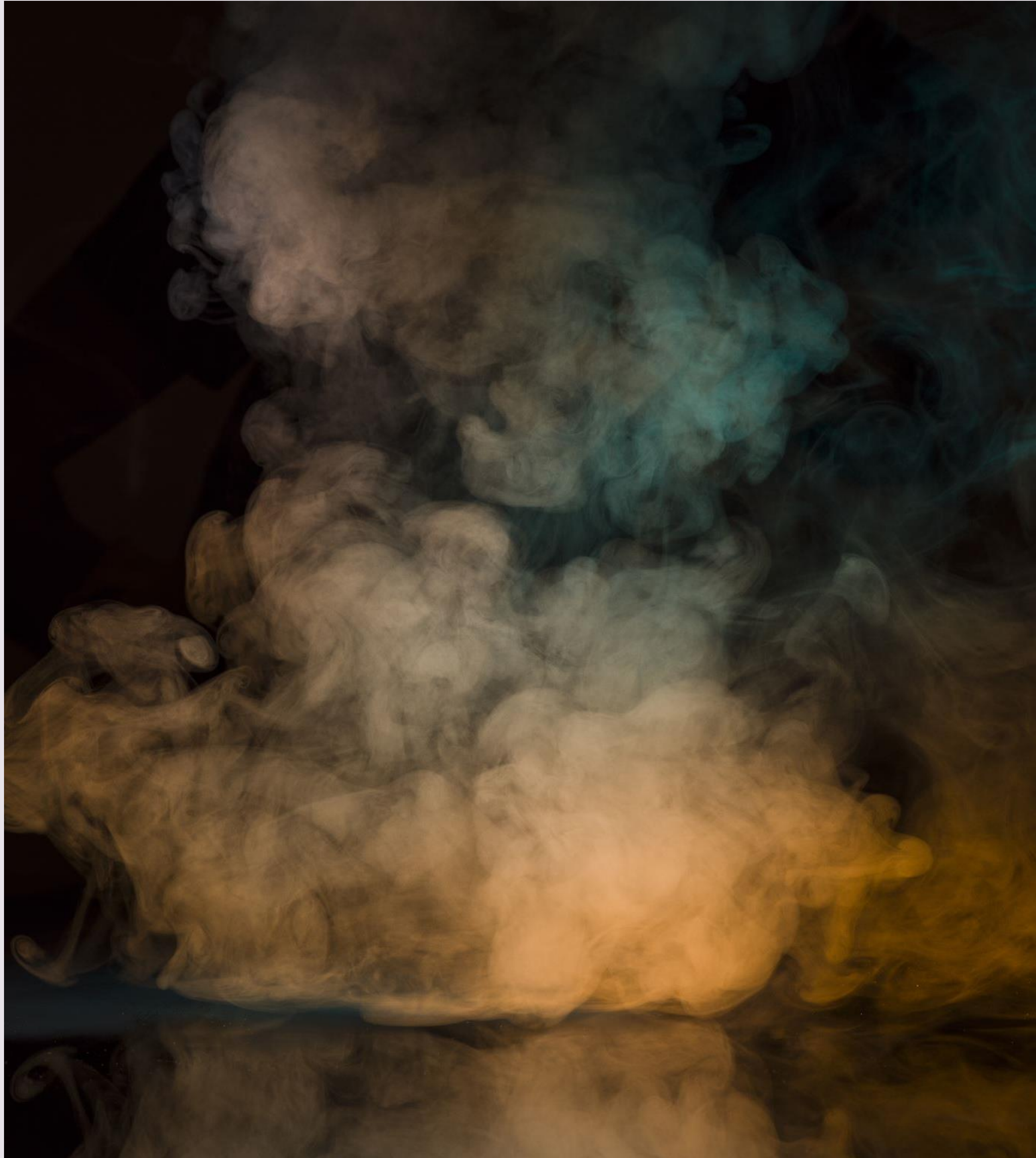


The TOR – Torentco Deal in Summary

- ▪ Tema Oil Refinery (TOR) has asked Ghana's Public Procurement Authority (PPA) to approve a deal to lease its main production assets to a company called Torentco Asset Management, which will take over TOR's core refining business for 6 years.
  ▪ Torentco is allowed to refine up to 8 million barrels of oil a year by paying $1 million every year as annual rent.
  ▪ There is also an "additional rent" amount of $1.067 million per month.
- ▪ If Torentco refines more than 8 million barrels, it pays $0.5 for each extra barrel.
  ▪ So, if Torentco stretches the refinery to its full limit and refines 16.5 million barrels, it pays $17.2 million in annual rent.
  ▪ Torentco will invest $22 million in capital expenditure to revamp the refinery. On top of that, it will assume responsibility for clearing provident fund arrears up to the tune of $2.5 million.
  ▪ Torentco will furthermore pay $800,000 into a reserve fund plus $0.4 to cover maintenance expenses for every barrel refined, while assuming responsibility for insurance and utility payments.
- At maximum production limit, Torentco's maintenance commitments will cost about $7.4 million and insurance expenses will hit about $6 million per annum.

TOR's *Real* Problems in a Nutshell

- **It keeps refusing to service its debts**. After collecting more than a $1 billion dollars in special taxes in recent years to fix TOR, the government has failed to clear the debts of almost $450 million.
- **It lacks scale**. Its own experts believe that it must be tripled in size to become viable. It also has outdated technology that has been poorly maintained. Detailed estimates suggest that between $500 million & $1 billion is needed for a serious redesign. In fact, its longest-serving CEO in recent years says $3.5 billion is needed to start afresh.
- **Political cronyism has destroyed management**, compliance and oversight and thus prevented these longstanding problems from being fixed.

THIS HAS LED TO BROKEN TRUST IN TOR.

Why the Torentco Deal is Misguided - 1

- **The deal is full of too much smoke and mirrors. Mr. Asante Berko, Mr. Darko and partners have sought to obscure their roles by using a string of shell companies.** Analysts believe that they are fronting for political interests.

Aug. 2022

TOR signs term sheet to lease its assets to Decimal Capital. Decimal is owned by Mr. Asante Berko, former CEO of TOR, who resigned after being sued by the US government for bribing government officials in Ghana whilst working for Goldman Sachs. Mr. Michael Darko is a Director of Decimal.

Sep. 2022

Right to enter lease agreement with TOR shifts from Decimal to Baybridge Asset Management Limited (BAML). Most likely to obscure Mr. Berko's role and his continued use of his political links to drive the transaction.

Nov. 2022

Mr. Asante Berko is arrested in the UK based on a request by the US. He is charged with corrupting Ghanaian officials in a Turkish power plant deal. He transfers his shares to Darko Investment Company owned by Mr. Michael Darko.

Jan. 2023

Torentco Asset Management is setup. It is owned by Mr. Michael Darko (with Mr. George Antwi as Director). TOR shifts relationship from Baybridge to Torentco for the same leasing deal.

None of these entities have any track record

Why the Torentco Deal is Misguided - 2

It worsens TOR's biggest issues: Lack of Trust

- The promoters and the deal process have been shrouded in opacity, shadiness & secrecy.
- Of the 5 members of the supposed Consortium, only Vitol has credibility. But by Vitol's own admission, it has made no commitment to Torentco. **There is no agreement between Vitol and Torentco and no subsisting business relationship.**
- 3 members of the consortium – Torentco, ENTTP & Litwin - have no track record, credit history or market credibility.
- One member of the consortium – Pontus – may be embroiled in Russian sanctions-busting, underhand dealings & other shady links.
- A company recently introduced by Jubilee House to TOR as a possible financier – Legacy Capital – has a founder who has been accused of connections with the Russian Mafia.

Why the Torentco Deal is Misguided - 3

It does not provide enough resources for TOR to even begin fixing its issues

- No Expert agrees that the $22 million being offered by Torentco for capital investments (capex) to fix TOR's issues will make any substantive improvements. In fact, the Residue Fluid Catalytic Cracking (RFCC) Unit is considered essential to bringing TOR to profitability since it is required to increase yields of valuable products like gasoline ("petrol"). Last time it was upgraded in 2002, it cost $230 million. The RFCC's issues are not even being tackled in the Torentco deal. The low capex being proposed by Torentco shows that they just want to stitch and patch the refinery and quickly milk it during the lease term.
- Despite repeated requests by TOR's technical advisors, Torentco's promoters have not been able to show any evidence of banking relationships to deliver working capital to import crude or operate the refinery. At least $300 million in working capital is believed to be required to prevent interrupted operations once the refinery is turned back on.
- The companies Torentco has proposed to handle the renovations – Litwin and ENTTP - have no technical capacity or track record in the refinery and energy plant maintenance industries.

Why the Torentco Deal is Misguided - 4

The Deal, as it stands, short-changes TOR and Ghana

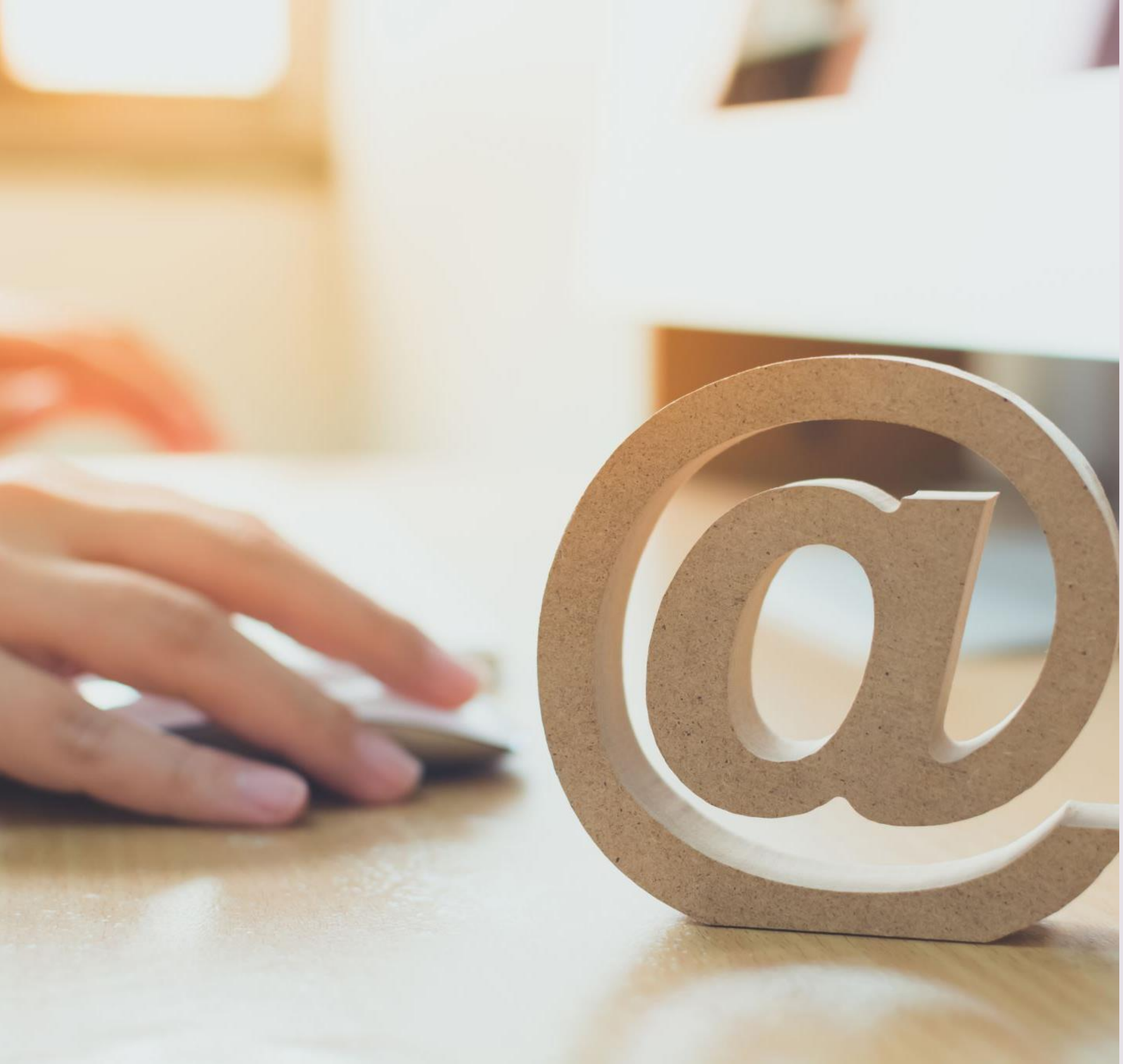
- At full TOR's full production limit, Torentco will be paying roughly $1 per barrel as rent to TOR for the lease. It has promised to also pay for utilities, clear workers' provident fund arrears, and cover insurance payments. But all this amounts to less than $1.5 per barrel.
- Even TOR's previous simple tolling contracts (with the likes of Total, Woodfields & Vitol), which were cancelled for being uneconomical and contributing to the buildup of more debts, generated $2.5 per barrel for TOR.
- TOR's previous management suggest that anything less than $4.5 will be bad foTOR. A proper deal, that clears TOR's debt and revamps its capacity, could generate as much as $15 per barrel or even more if current global supply uncertainties persist and as demand builds up again following the end of the pandemic.

In short…

- **The shady background of the deal and the shadowy operators behind it will worsen TOR's reputational and trust issues, potentially getting the refinery embroiled in illegal or unethical crude oil supply and offtaker deals as reputable counter-parties stay away.**
- **The six-year lease period will only postpone and compound the problems. TOR's debt has increased by 30% in the last three years and may double by the time the deal is over as TOR won't be paid enough to clear them.**
- **The insurance premiums Torento has agreed to pay during the lease term only covers damage. They do not cover wear and tear. The amount proposed for maintenance (less than $8 million a year) is far lower than the tens of millions of dollars required given TOR's current state. So, the refinery will be returned after 6 years in a much worse state.**
- **The energy transition is accelerating. The electric car fleet is massively expanding globally. In about ten years, refinery overcapacity around the world will shrink margins. It is "now or never" to fix TOR and make some good money. Entangling TOR with a suboptimal deal will distract from the focus needed to address the issues properly and conclusively.**

IMANI's Proposals for the Way Forward

- The Public Procurement Authority (PPA) should not just refer the deal to the Ministry of Finance. **The PPA should reject the single-sourcing arrangement and call for open, competitive, bidding**. There is nothing that warrants sole-sourcing in this situation.
- Private participation will be essential to revive TOR. But only if the private investors have serious capacity. **Only a consortium with solid players that can supply working capital, crude and technical expertise must be brought on board**. The Bidding Terms of Reference/Memorandum should be clear on this.
- For investors to come on board, political risk and adverse legacy problems must be cleared. The government should strengthen the legal basis of price deregulation, ensure that all board and management appointments at TOR are on the basis of open, competitive, recruitment, and apply the special energy taxes and levies to their true objective, which include clearing TOR's debts. **TOR must ultimately be positioned for listing on the public markets to eliminate political cronyism once and for all**.
- TOR's senior management have been promised secondment contracts by Torentco to buy the support of their Union. **Any solution must look at the plight of all workers at TOR not just the senior management**.



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