



Tema Oil Refinery (TOR) Ltd.

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PRESS STATEMENT

FOR IMMEDIATE RELEASE

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STATEMENT FROM THE BOARD AND MANAGEMENT OF THE TEMA OIL REFINERY

Over the past week there has been a fair amount of commentary related to the rehabilitation project designed to bring the refinery back into operation on a sustainable basis. We do believe CSOs to be a vital part of the discourse on matters of national importance, and we welcome their sincere interest in ensuring that projects of this nature are bona fide in nature. We hope that this statement will assist in setting the record straight, in particular on the key criticisms that have been levelled on the proposed transaction.

It is important to place the current circumstances of TOR in context. April 2021 was the last time crude oil was refined at TOR. Since then, TOR has been utilised for the storage of various refined petroleum products for onward supply to its customers. The cessation in refining activity was not caused by an inability of the plant to process crude oil, but as a result of a voluntary termination of the existing tolling agreement by the counter party due to product accounting issues. The task at hand is to rehabilitate ageing infrastructure and to return to its core refining activity for the benefit of the domestic economy. When the current Board of TOR was inaugurated in March 2022 this rehabilitation project was the single most important and urgent priority. The dire straits of affairs at the refinery became clearly evident to the Board within the first week of its inauguration. TOR was saddled with enormous debt that extended beyond US\$400 million, there were ongoing reconciliation issues with customers related to product accounting and the company was unable to meet its ongoing operational expenses from internally generated cash flow. In addition to this, there was and continues to be, a low level of staff morale and job security causing many of our skilled engineers to reluctantly take up opportunities in refineries in various (sometimes very difficult) parts of the world.

The reality of the business of TOR is that its negative outflow presents a drain on the State (It needed support to pay its last 2 insurance premiums and has had its utilities cut by both ECG and GWCL). It is unable to meet the obligations of its retiring staff and has had several garnishments of its accounts by various creditors making it unattractive to investors. Urgent action needed to be taken, and the Board was presented with 2 proposals by the Interim Management Committee (IMC) that had been serving at the helm of TOR immediately prior to the introduction of the Board. Upon review of the proposed solution which at the time required government guarantees for debt to be assumed by TOR in relation to the rehabilitation of the refinery, the board sought to broaden the search for parties that could offer full solutions covering a sustainable supply of crude oil, rehabilitation of the ageing infrastructure, and financial stability for the refinery. Management was subsequently tasked to develop a list of parties that could be interested in such an exercise, including the party that had been in discussions with the IMC prior to the appointment of the board. Time was of the essence.

In this statement we will seek to clarify important concerns raised by a number of commentators. It is often the case that concerns left unanswered develop a narrative of their own.



Key concerns raised:

- Selection process opaque?
- Why single sourced?
- Is this a good deal for TOR?

Selection process opaque?

Management was able to present three interested parties with proposals for rehabilitation of the refinery. Following the submission of proposals and then physical presentations from the various parties the consensus decision of the board was to pursue the proposal made by Decimal Capital, a financial advisory firm established by Ghanaian professionals which set up a new special purpose vehicle (SPV) for the specific purpose of entering into the lease to allow its funding/crude oil supply partners to interact with TOR. Of the three proposals the Decimal proposal was the only one with a long term crude oil supply partner in the form of one of the world's leading oil & gas trading companies. The Decimal proposal was also the only structure that did not result in TOR taking on any more debt on its balance sheet – it is fair to state that TOR did not, and continues not, to have any capacity to raise debt without the support of government guarantees.

Sole Sourcing?

In November 2022 one of the Decimal partners was arrested on his way back from London in relation to an alleged offense that dated back to 2016. This civil case had been settled but unbeknownst to him a criminal case was unsealed during his visit to London. Such an occurrence caused the board of TOR to take a step back and to evaluate how best to proceed with a proposal that in substance was deemed to be the most solid and sustainable solution for TOR. After consultation with our stakeholders, and with a keen eye on compliance, it was determined that if we were to continue with the proposed solution, the Decimal principal in question would have to be withdrawn from any further involvement in the transaction, either as a director or a shareholder. The collective wisdom was that rather than withdraw the individual from Decimal, a new entity be established with no history of the individual's involvement. Torentco was the result of this decision, and it was advised that the mechanism for the replacement of Decimal with Torentco would have to be an application for sole sourcing approval.

It is important to note that throughout the period of negotiations with Decimal/Torentco, management has been attempting to develop alternative options to test against the proposed Torentco structure. The Board has not been presented with any other credible expressions of interest providing a solution for TOR. Despite the imminent completion of the Torentco transaction TOR has negotiated the option to, at any point, replace Torentco should a more attractive solution emerge. The Torentco structure must be viewed as an immediate opportunity to rehabilitate the plant and resuscitate TOR, a very much needed “injection of oxygen” to a distressed and ailing entity. The proposed transaction in fact provides TOR and the government the opportunity to review the longer term strategic options for TOR in an atmosphere of stability and continuous operation. It does not represent a sale of TOR or some



kind of irreversible commitment to anyone. In the process, TOR will once again become a going concern and a more attractive proposition to any long term strategic solution.

Is this a good deal for TOR?

Since April 2021, the last time TOR engaged in crude oil tolling activity, the company has been unable to attract a replacement counterparty despite several committed efforts to do so. TOR has had to rely on Government support to enable the company to remain as a going concern.

The proposed transaction serves to achieve the following:

- Allow TOR to move from being an annual loss making entity to sustained positive net cash flow during the term of lease.
- Demonstrate that crude oil can be processed at the refinery, achieving industry accepted yields if managed efficiently. A major problem engulfing the last two counterparties to have processed crude oil at TOR was the issue of product recoveries below the contractual yields, resulting in cash penalties against TOR that are currently outstanding
- Stem the tide of the continuous exodus of our valued engineering staff who leave every month for more secure opportunities in the Middle East and other parts of the world

As much as the clear preference would have been for TOR to deal directly with a major multinational company, none so far has been inclined to engage, and at the very least the Torentco proposal promises to pull the relevant pieces together in a structured consortium approach.

It should be noted that that the transaction is in its final stages of documentation (the lease agreement in circulation is several weeks outdated) and the company has an extensive list of “conditions precedent” which must be satisfied by Torentco to demonstrate their ability to deliver all that is required in the transaction. If at any point they are unable to do so, the transaction will not become effective and TOR will be left to continue with its ongoing efforts to find a solution.

SIGNED
Board & Management

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