

November 27, 2023

**The Acting Managing Director,  
Tema Oil Refinery, Tema.  
Ghana.**

Dear Sir

**TERMINATION LETTER**

It is with great regret that we find ourselves in the position that we need to write this letter to set the record straight and to suspend our discussions with yourself.

We sadly became involved in this process mainly at the urging of the TOR union leadership approaching our colleague, the former MD, to please “assist them as the company was sinking”. The person who was most vocal in cajoling us to get involved was none other than the leadership of the GPTWU junior Union at TOR, Maame Serwa Duncan.

Once the current Board was put in place, we were aware that the Minister of Energy wanted to implement proposals from 2 companies. As much as we do not think it’s appropriate to discuss another company’s proposal even in this letter, given that all things at TOR have no respect for confidentiality, we have to give it context.

One of the companies, we recollect, wanted to borrow \$30-60 mil with a sovereign guarantee or LC backing to rehabilitate TOR and the other one was going to do a JV to invest some amount of \$300-400m after the rehabilitation. In our first discussion with the then MD and board Chairman, we pointed out based from our long experience in debt transactions, including running the DCM desk for Africa for one of the larger banks and once upon a time working as a lead structuring expert on Wall Street, there was no way anyone could place debt of Ghana at the prevailing climate then, given the elevated yields on the Eurobonds. We remember telling the board once the yields reached high double digits (as they were in Q1 of 2021, the market was pricing a sovereign default or forbearance (IMF). We also questioned given TOR’s existing debt how one could legally move its assets into a JV without being sued by existing creditors for engaging in “asset stripping”. We pointed out that there were two issues we believe were hindering TOR; the first being the high losses of yields on refining crude at 6-8 percent (worldwide .50 to 1.5 percent) made tolling contracts unprofitable. Secondly, we didn’t think anyone would invest into a bankrupt company which at that time could barely protect its own revenues from being garnished. We therefore set out the refinery paths to salvation (and it’s not a given that it can even be achieved) was to engage in a 3 step process:

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1. Establish that the refinery can operate on a consistent basis with product losses of 4 percent or less. Given that we had data from the last extended crude processing at the refinery, we could articulate steps on how that could be achieved.
2. Once you can establish that the place can run as a going concern, then management will have a basis to negotiate a final debt settlement/restructuring haircuts to allow the company to be able to operate without state intervention.
3. The final step is to then find a strategic options, to grow the company which by then would have a lean and sustainable balance sheet, including a stock listing.

It was from this that we proposed leasing the assets to a new entity on the basis that we felt a lease could survive a bankruptcy challenge by an existing creditor (yet to be tested in Ghana but has been accepted in other jurisdictions). The lease structure also incorporated some level of control over asset management mainly to ensure better decision making to reduce the aforementioned loss yields. In sizing the lease payments, we basically assumed the revenues that the company would have made, had it been able to sign a tolling agreement that allowed it to consistently process 8 million barrels a year plus a portion of the terminal revenues that would fall under the lease. We as promoters or promoters would only be compensated only if we achieve the feat of processing more than 8 million barrels a year, which is not trivial and rather looking back aggressive, given that the last 10 years the refinery had produced 20 million barrels from 2014 till date and they have not received any oil refining at TOR in the last 3 years.

Again to give context, the refinery at that time was making \$15 million in total revenues and had expenses of \$25 million. The asset was not being maintained and based on our current audit report the glorious workers of TOR did not even shut down the machines correctly in 2021 and has suffered a massive damage since closure. The \$15 million revenue flatters TOR. \$8 million of that comes from the good foresight of Mr. Awuah Darko bestowing on to them 35 percent shares of GPMS to subsidize TOR, a financial asset of the State which has nothing to do with TOR operations. This has effectively diverted tens of millions of Ghana revenues to pay bloated salaries of people, the majority who sit around doing nothing. The current expense line has improved at TOR a bit as the GHS devaluation against the USD has effectively (in dollar terms) halved workers' salaries which was 70 percent of their expenses.

With the table set, let's please discuss how we got here. We took our structure to a leading energy trader who had the last pleasure of tolling in TOR and had left with a \$30 million loss to boot, and pointed out how another go around based on what we thought could improve yields. They were receptive but skeptical but nonetheless willing to explore. Timing was also on our side because the market dislocation that erupted from the Russia-Ukraine conflict (or military operation as described) sent crude refining margins to an all-time high, creating a golden window to run subpar assets like TOR. Alas that window has closed based on the actions of the Minister of Energy and some TOR managers who felt threatened of our proposal.

From the moment we submitted our proposal, our lives have not been the same. The Minister of Energy who was expecting the other 2 proposals to be rubber stamped, formally wrote to the board to suspend looking at other proposals and bring everything to his office for approval. Journalists started calling to accuse us of doing a "bad deal" which after a minute of discussion realized that they knew nothing of what they spoke of. We advised the management and Board to treat our proposal as an academic exercise and do what the Minister

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wants but to the credit of Jerry Hinson he wanted to discharge his duties (then) with the level of seriousness that it deserved.

We will spare you the details but yourselves and the Management and Board are aware of our work and discussions that brought us to November 2022 when our Partner had flown to London to have a final discussion with the leading energy trading company, who the same week sent a group of engineers to Ghana to survey the asset to ensure its current state (report attached). Sadly, after 5 days in London and after what we believe was a promising meeting with the trading company, our partner was stopped and arrested on issues from a 2014 transaction. It should be noted that the head of GPTWU had been aware of the meeting and was the last person updated before leaving for the airport. So it was quite shocking to see her on TV lambasting the very deal she helped originate and which to her credit insisted on payment of \$2.5 million to cover the deficit in the workers provident fund and had even arranged meetings for us to explain our structure to the various union leadership at TOR.

We have continued to pursue this transaction because we believed it could work and partly to justify the personal sacrifices that we had been going through. As you well know we never sold this transaction on the basis that we are well established company with unlimited resources. We created a structure that works by forming a new company that could attract the following:

1. A credible source of crude supply from a trader or oil producer
2. Initial investments to fund the startup
3. Credible business plan that can sustain the new entities ability to pay its obligations
4. Most importantly assembling a technical team that will implement our loss reduction strategies and plant availability.

Having an equity interest with our investors was just a mechanism to allow us to be compensated if we over performed the production benchmark of 8 million barrels a year (note that we assume a processing fee of \$2.5 per barrel). Our operational strategy was never to import crude on our balance sheet as we do not have the capital to absorb the risks of doing so. We also agreed with you the following terms:

1. that we had only a 60 days window to put all the above in place after deal signature
2. Make the requisite advance payments before the transaction become effective
3. Accepted this was not an exclusive discussions and you had right to pursue other alternatives. A right you have exercised and sometimes abused by sending our documents to competitors
4. And lastly you have the right to terminate the deal at any time by returning our capital spent to date without any punitive charges or interest

Troubling as it was, your management approached transaction counsel to do a due diligence report on the shell company knowing very well and ignoring the deal structure was not complete and then passing out the draft report to unauthorized individuals for the sole aim of misrepresenting what our proposal was. If we did not have intimate knowledge of your balance sheet this among other breaches of the NDA we have signed and will warrant a lawsuit.

It was not lost on us that they moment we concluded in signing the key bloc of the transaction, which was a Processing Agreement, the first scale of media attacks started, with all sort of wild accusations.

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After enduring through that and signing the agreement in October despite massive resistance from the Minister of Energy and sections of Management we have proceeded to conduct a thorough technical audit with our team of 8 engineers (5 of them expat) and were in the process of funding the maintenance reserve account this past Friday pending final approvals from your shareholders, regulatory licenses and completion of your due diligence report. The pace at which we had moved we suspect has unnerved people and right on cue has led to a wave of recent attacks

We always suspected that the Minister of Energy was using the leadership of GTPWU as his “umkhonto ithiphu” but it is shocking that venerable institutions such as the Attorney General’s office and OSP can be pulled into it.

Fighting the state to do a complex transaction that revolves around reviving a moribund asset is tiring and unfortunately we are no longer interested. We wish you luck in pursuing the process with one of the many lucrative offers. As to the question of whether we lacked capacity, all one had to do was wait for us to perform within the 60 days windows and their fears would have been confirmed, alas, I suspect they were afraid of the answer and so could not take a chance

We wish you Godspeed on your project

Yours Sincerely,

## **TEPL Board**

Cc: Board Chairman, TOR  
Chairman, Board Project Implementation Committee

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