



National Oil Company of Liberia

The National Oil Company of Liberia (NOCAL), for clarification and transparency purposes, respectfully takes this opportunity to address statements attributed to the Honorable Speaker of the House of Representative of the 53rd National Legislature on Key National issues on October 10, 2012 concerning the divestiture of Liberia off-shore petroleum Block LB #13 and the oil and gas sector reform process.

Serving as the corporate “caretaker” of a resource yet to be determined (there is yet to be found any commercial quantities of oil), NOCAL bears a great responsibility to the development of the potentiality of a resource that belongs solely to the people of Liberia. Each and every caretaker employed by or associated with the National Oil Company of Liberia wears that responsibility with great pride and our commitment to our shareholders, the Liberia people, is without compromise. It is the “without compromise” that demands transparency, inclusion, fiscal accountability and the dissemination of prompt and accurate information.

Legislative oversight serves a vital function in a Democracy, it is the check that ensures balance and as the Honorable Speaker rightly said, “effective oversight”. Effective oversight begins with accurate and transparent information and in that endeavor; NOCAL would like to offer clarification on key issues as addressed by the Honorable Speaker.

The Divestiture of Block LB #13:

January of 2011, during a Joint Operations Committee (JOC) meeting held in London with the Executive Members of Broadway, NOCAL - cited Broadway and its history of breach, documented financial and technical deficits and evident inability to fulfill its development obligations as stipulated by the terms of the PSC – announced “with immediate effect”, a “Mandatory Sale” Notice to Broadway for the divestiture of its sole petroleum Asset, LB Block #13 within the auspices of a 90 days performance period, under the following stipulations:

1. 100% Asset Sale,
2. Submission by Broadway to NOCAL of its pre-approved short list of companies and their respective offers,
3. NOCAL (Management, Board of Directors and Technical Committee) has “ Authority of Award” after Broadway submission and comprehensive vetting of financial, technical and organization competence of each offer internally by NOCAL,
4. 90 Days Performance Period to submit offers,



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5. Conclusion of the 90 day period – April 22, 2011; if no valid Offers of submission by Broadway to NOCAL for Award, Broadway divestiture of asset LB Block #13 automatically converts into a “Mandatory Relinquishment” Notice with immediate effect and the requisite arbitration as conditioned in the PSC.

March 7th & 8th 2011, during meetings held at the offices of NOCAL in Monrovia, Liberia; Broadway submitted the name and informal Offer of Canadian Oversea Petroleum Limited (COPL) as the company of PREFERENCE for consideration in the divestiture of Block LB #13. After an initial due diligence by NOCAL, COPL was informally rejected based on the following findings:

1. No recorded oil production history; no recorded history of revenue generated from petroleum operations,
2. Financial history based on equity financing and stock based compensation – financial proficiency is dependent on high risk external factors (volatility and competition in the capital and debt markets, jeopardizes its future abilities to fulfill financial obligations to asset development),
3. Proved capital availability for the Broadway asset purchase but not for future exploration and development of the Asset,
4. No recorded deepwater drilling history. Deep water exploration is specialized and requires technical expertise, especially deep water West Africa – COPL ‘s drilling inexperience would prove a liability, not an asset,
5. COPL offer was not a 100% Asset Purchase – issuing COPL’s common shares to Broadway allows Broadway retention of 22% - 25% equity interest.

April 22, 2011, Broadway returned to Liberia and formally submitted its list of 6 pre-approved companies in the order of their preference to NOCAL:

1. Canadian Overseas Petroleum Limited (COPL)
2. GPB Neftgaz Services on behalf of GAZPROM Bank
3. Simba Energy
4. Rialto Energy Limited
5. White Rose Ventures (WRV)
6. The CAMAC Group



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COMPANY COMPARISON CHART:

	COPL	GPB NEFT	Simba	Rialto	WRV	CAMAC
Original Offer	\$100M	\$90M	\$40M	\$21M	\$20M	\$125M
NOCAL Bonus	None	\$10M	None	None	None	\$10M
Capital	\$45M	Unknown	\$3M	(\$3.4M) Deficit	Unknown	\$2B
Capital Source	Private Placements	GAZPROM Bank	Private Placements	Unknown	Unknown	In House CAMAC
Deepwater W. Africa Assets	None	None	None	Cote D'ivoire	None	Nigeria
Deepwater W. Africa Production	None	None	None	None	None	Nigeria
Social Programs W. Africa	None	None	Sponsor Liberian School	Sponsor Ivorian School	None	\$50M Education Fund

* The above company statistics are from 2010, the fiscal year preceding the 2011 submission of offers

Upon receipt of the Broadway/Peppercoast Short list of six companies, NOCAL issued a 30 Days period for its internal review and verification process, after which an Award announcement would be made.

Shortly after the submission of its short list candidates and during the notified period of review and verification; without prior written approval by NOCAL – Broadway, under its new name Peppercoast Petroleum, Plc. and Canadian Overseas Petroleum signed a “Sale and Purchase Agreement” (SPA) and released press statements to various trade publications on May 18, 2011 announcing the acquisition of Liberia Block LB # 13 by Canadian Overseas Petroleum pending NOCAL approval. The announcements highlighted the following:



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1. COPL's Offer and Broadway's acceptance of a proposed \$85 Million package,
2. COPL's initial cash payment between \$40 - \$50 Million issued directly to Broadway,
3. COPL's issuance of its common shares valued between \$35 - \$45 Million to Broadway as payout balance – giving Broadway 22 – 22% equity stake,
4. COPL issuance of a \$15 Million USD “secured Loan” on behalf of Broadway, paid directly to TGS on or before the May 22 2011 deadline as seismic debt compensation.

The Legal Decision

After receiving notification of the Sales and Purchase Agreement between Broadway/Peppercoast and COPL NOCAL initiated legal consultations to ascertain its position.

Three separate international law firms, along with legal assistance from the Scott Foundation, the United States and the British governments concluded that NOCAL effectively had only two choices:

1. Reject the Broadway/Peppercoast/COPL SPA and initiate Legal proceedings against Broadway/Peppercoast citing gross violations of the PSC as defined by the terms of the contract. Each consultation cautioned that once arbitration commenced between NOCAL and Broadway/Peppercoast; COPL could and would sue Broadway/Peppercoast. The terms of the “Secured Loan” for \$15Million dollars by COPL to Broadway/Peppercoast utilized Block LB #13 as collateral and any breach of repayment cited litigation as a remedy. Although NOCAL was not a party to the SPA or the loan agreement and both agreements were signed contrary to the Petroleum Laws of Liberia, the initiation of the breach litigation by COPL against Broadway/Peppercoast would allow the courts to “seize” LB Block #13 until the case concluded. All of the legal advisors were certain that it would take the courts years to cure.
2. Allow COPL to find a qualified partner who meets all of the pre-requisite conditions to partner in the development of Block LB #13 as the primary operator. Set conditions that the sale must be a 100% divestiture and Broadway/Peppercoast shall retain no ownership or percentage in Block LB #13. The partnership conditions should allow for NOCAL to make amendments to the original PSC and allow NOCAL to negotiate a signature compensation for Liberia.



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After deliberation and further consultation, NOCAL elected option two as being in the best interest of Liberia and its emerging oil and gas program.

The “GAZPROM” Offer

Converse to the Speaker’s assertions, GAZPROM has never submitted a letter of interest or a formal offer for the acquisition of any acreage offshore Liberia. As a State owned entity (50.01% owned by the Russian Federal), a GAZPROM offer would be considered a Government-to-Government (G2G) request and would be submitted to the Ministry of Foreign Affairs for its initial processing. A G2G transaction as accorded by the PPCA Laws of Liberia would exempt GAZPROM from having to participate in a bid and allows for direct negotiations.

In February of 2011, GPB Neftgaz Services (100% GAZPROM Bank subsidiary) submitted an initial \$90M offer to Broadway/Peppercoast for the acquisition of Block LB #13 stating that it was on behalf of GAZPROM Bank. GPB Neftgaz was informed by Broadway/Peppercoast of the bidding requirements, and that NOCAL had final approval of submitted offers associated with the divestiture of the block.

The purchase of petroleum assets, especially in a bid proceeding, are usually conducted by principles and not proxies and in the case of a proxy (i.e. Law Firm, Consultancy Company, subsidiary, etc.), a formal submission by the principle introducing its proxy (s) is initiated immediately. Neither Gazprom nor Gazprom Bank submitted documentation introducing or authorizing GPB Neftgaz to negotiate on its behalf. All documents and offers submitted by GPB Neftgaz were in the name of GPB Neftgaz Services and not GAZPROM.

The initial Offer submitted by GPB Neftgaz was \$90M paid exclusively to Broadway/Peppercoast. After its presentation to the Board of the National Oil Company, GPB amended its offer to reflect a \$10M signature bonus paid to the Government of Liberia. Although the Speaker questions the lost of a forecasted \$27M in the National Budget, the Speaker did not take into consideration or fully appreciate the nuances of the deal offered by GPB, nor is the Speaker correct in the “\$27M” figure he believes Liberia lost.

GPB offered \$90M to Broadway/Peppercoast and \$10M to NOCAL as a signature bonus. Broadway/Peppercoast would pay a 15% tax fee to Government of Liberia (\$13.5M) totaling \$23.5M for GOL.



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The terms offered by GPB required a 100% return of the GPB investment in acquiring Block LB #13 and the financial obligation placed on Liberia and its oil program once production commenced. NOCAL would have obligated Liberia to a \$100M tomorrow debt (in other words Liberia would have to pay GPB back the same \$100 million-if oil was found and could be produced before receiving any money) for a \$23M today gain, in a sale that would have benefited primarily Broadway/Peppercoast and not the resource owners, the people of Liberia.

Contrary to the Speaker's belief, the GPB offer was not the best Offer submitted but it reflects a mute point. Once Broadway/Peppercoast entangled Block LB #13 in its proposed marriage to COPL with a secured loan, it legally eliminated all of the five remaining bid offers and discontinued the conversation with each regarding Block LB #13.

CHEVRON

Repeatedly Chevron has been associated with the "GAZPROM" loss of Block LB #13, and it is simply not true.

In May of 2010 Chevron submitted an offer to Broadway for the acquisition of a majority share in its acreage, by June of that same year, the negotiations ceased. In December of 2010, Broadway attempted to re-engage Chevron with better terms, but Chevron decline the offer. Legally, NOCAL cannot divulge the details of the correspondence between two private companies, but verifiable evidence of Chevron's rejection exists. After the Chevron rejection, Broadway notified NOCAL of its financial defaults and NOCAL began assessing various methods of legal redress.

January 22, 2011, NOCAL mandated the Broadway relinquishment of Block LB #13, companies began submitting Bid Offers between February and April 2011, and Chevron was not among the Offers tendered.

EXXON MOBIL

The National Oil Company of Liberia is currently negotiating the final terms of sale for Block LB #13 with Broadway/Peppercoast, COPL and its future development



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partner, Exxon Mobil, under terms, once finalized, considered to be historic in benefits allotted to Host Government under a private sale.

In consideration of the numerous legal consultations surrounding the divestiture of Block LB #13, NOCAL in conjunction with COPL, actively pursued a potential development partner that exemplified the attractiveness of offshore Liberia and promote the application of like-minded companies.

Exxon Mobil is the largest and considered the best oil and gas Exploration Company in the World with revenues in excess of \$500B. Considered the largest of the “super majors”, the Exxon reputation is built on oil and gas development and proficiency in deep water exploration. They are not only the largest company in the United States, but the largest company in the World. Having a company of ExxonMobil status in Liberia would be a huge boost to NOCAL's program. The "rest" always follows the "best."

OIL and GAS SECTOR REFORM

In 2010, the President of the Republic of Liberia, Her Excellency Madame Ellen Johnson-Sirleaf commissioned various assessments of the oil and gas sector and remedies for areas with deficiencies. Aided by non-participating oil companies, petroleum lawyers and consultants, the President identified four key areas for reform:

1. The creation of a policy that incorporated Local Content and revenue Management;
2. Revisions to the existing Petroleum Laws and Model Production Sharing Contracts;
3. An Environmental Management Plan; and
4. Placing a moratorium on the Bid and Award of blocks 1 – 5 until the completion of the above reform

The President issued a mandate in early 2011 to NOCAL for the immediate implementation. NOCAL began employing assessments on local content standards, offshore environmental impact studies and building internal capacity through its scholarship fund and cancelled the bid submissions for Blocks 1 - 5.



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February of 2012, NOCAL issued press releases on its reform process outlining its direction and subsequently released its budget for public review and announced a pending audit to be conducted by GAC and an internationally recognized accounting firm. The new level of transparency and inclusion garnered praise from Global Witness (a first for Liberia).

The House began mandating regular appearances by either NOCAL Board or executive management members. NOCAL consistently complied with each House request, providing relevant documentation as legally permissible.

March 8 2012, the House issued its findings, which were almost identical to the mandate issued by President Sirleaf (circa 2011) and the February press statements released by NOCAL with the exception of cancelling the ten petroleum contracts ratified into Law by the 52nd Legislature.

NOCAL acknowledged that its new management inherited an organization with outdated policies and a laws inconsistent with awarded and ratified contracts, but cautioned the House on the repeal of existing contracts and the legal ramifications associated with a repeal action. NOCAL has conferred with domestic and international law firms, cross-government agencies, Revenue Watch, AGI, Norad and each current development partner on the effect of a potential repeal. Arbitration is the common consensus along with effectively derailing Liberia's emerging oil and gas sector.

The Speaker and several members of the 53rd were part of the 52nd that approved and ratified each of the ten original/existing contracts. The information available now to the 53rd was the same information available then to the 52nd during the review and subsequent ratification process; neither the Laws or the contracts have changed. NOCAL has consistently encouraged the House to employ external expertise (i.e. petroleum lawyer or consultant) to assist the House determine industry standards and best practices.

NOCAL has employed the services of petroleum experts as presenters of the industry for the edification of the three branches of government while promoting transparency and utilizing the successful examples of oil producing countries worldwide, developing its own citizen participation model that incorporated 75 regional consultation forums in the various towns and villages in each of Liberia's 15 Counties and 5 diaspora forums within the United States of America in an effort to ensure full stakeholder inclusion and participation prior to the drafting of Liberia's first Petroleum Policy.



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NOCAL is pleased that on a relative basis, Liberia possesses the best in class (Anadarko, Tullow, Repsol, African Petroleum, Chevron, ENI and ExxonMobil) in the region as its partners for oil exploration. All the companies whom represent total accountability, transparency and a commitment to health, safety and environmental protection of our country's natural resources and citizens.

NOCAL welcomes the engagement of the Legislature in the evolving governance of Liberia's oil sector. The constructive engagement and cooperation of all parties and stakeholders is essential to its successful reform and management.