

TECHNICAL & FINANCIAL CRITERIA FOR EVALUATION OF APPLICATIONS FOR E&P RIGHTS

The Criteria for reviewing applications for E&P are divided into six (6) sections. These are Technical; Financial; Fiscals; Work Program; Environment, Health & Safety and Strategic Fit.

The factors considered under each section are not static but continue to change as and when the strategies of the State and GNPC change.

1. Technical Capabilities

The technical criteria seek to evaluate the competence of the applicant to establish if it possesses the requisite technical capability to execute the work program for pertinent to area applied for. In order to make the right or informed decisions, the factors listed below are taken into consideration during the evaluation process:

- i. Establish what the needs of the AOI are (to determine data available in terms of wells, seismic and what additional data needs to be collected.)
- ii. Applicant's operations worldwide (operator or partner)
It is essential to establish if the applicant or the intended operator of the block (partner) has previous experience of operations in similar environment to the one it is applying for, or the profile of its staff to be assigned to the project demonstrates similar capabilities as it's an important ingredient to the operational success or failure of the project.
- iii. Applicant's area of specialization (onshore, shallow or deepwater player) and compare to the area under consideration.
- iv. What stage are applicant's operations elsewhere (exploration/appraisal/developments or production? Indicate reserves or any production.
- v. Applicants work commitments elsewhere
- vi. Key technical Personnel with CVs for the Ghana Project.

2. Financial Capabilitie

Establishing financial capability can be considered as one of the most salient assignments to be undertaken under the due diligence process. Financial stagnation during a project's life can result in non-performance. For this fact the financial due diligence is as important as the technical evaluation.

The financial criteria indicate if the partner(s) has/have the financial resources to commit to the activities of the expensive and risky exploration business especially during the exploration and the appraisal phase. An informed decision is made taken into consideration these factors listed below:

i. Ownership Information.

It must be established beyond doubt the owners of the company applying for the acreage. All shareholders of interest above five (5) percent need to be disclosed and supported by legal documentations from the appropriate government institutions/agencies. Due diligence also involves checking the status of the company to verify if it is registered on the stock exchange of the country of registration. Due diligence must ensure that the applicant has included certified copies of certificates of incorporation and to commerce business. This is to check against fictitious entities and to authenticate the existence of the applicant. This should be done for both the applicant and its parent company where the parent company has indicated to guarantee the activities of its subsidiary. The company background checks could be accomplished through checks from the registrar of companies in Ghana as well as liaising with the Ghana's Mission abroad for the exercise.

ii. Cross-check financial statement with auditors

The financial statements submitted by applicant to support the application are to be audited by a credible auditing firm to give credence to information contain therein. Unaudited financial

statements should not be considered and provides enough justification for the rejection of the application. The diligence process requires that we check credentials of the audit firm and establish that it is in good standing and a member of an accredited association in the country of operation. In situations where the accounts presented raise issues of doubt, the auditor is contacted to establish the authenticity of the financial statements.

The financial capability checks are summarized below:

- iii. Analyze last three years of audited financial statements
- iv. Cross-check financial statement with auditors where necessary
- v. Public or listed company?
- vi. Pay attention to cash flows from operations
- vii. Applicants main financiers
- viii. Assets and overall financial commitments of applicant to other projects
- ix. Overall financial state of applicant (growing profits or making losses) and compare with minimum expenditure required for Initial Exploration Period (data acquisition and one well)