



Craig McKune <craigm@amabhungane.org>

Re: amaBhungane query: Foxwhelp and Caprikat

Andy Donald <adonald@maitland.co.uk>

Thu, Apr 7, 2016 at 10:49 AM

To: Craig McKune <craigm@amabhungane.org>

Craig,

Please find below a statement in response, which is attributable to a Fleurette spokesperson.

I'd be grateful if you could confirm receipt.

Regards

Andy

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Fleurette is a significant investor in the DRC oil sector and on 5th May 2010, through Caprikat and Foxwhelp Ltd, two entities created for this specific project, entered into a Production Sharing Contract (PSC) with the DRC Government relating to oil exploration of Blocks I&II on Lake Albert. Presidential Approval was granted on 18th June 2010. Caprikat and Foxwhelp are 100% owned by Fleurette and they established Oil of DR Congo as operator of the Blocks.

Since receiving the license, Fleurette has invested approximately \$100m in the project with all commitments under the PSC being either met or exceeded.

In terms of exploration, the seismic activity carried out to date is double that required under the PSC. The seismic campaign (1st and 2nd phases) has covered approximately 700km offshore and 150km onshore.

In terms of social investment Oil of DR Congo has delivered an extensive programme, which is four times greater than required under the PSC. This has included refurbishment of the most critical sections of the Bunia-Kasenyi Road, working jointly with the Government of the Oriental Province; providing assistance to the medical/maternity centre in Kasenyi; and opening of new schools in Jiba and Roo-Voo, both for 400 students. All of this investment benefits local communities.

Previous comments attributed to Tullow need to be understood in context. Tullow did not have a valid contract with the DRC. Tullow took Fleurette to court over this issue and lost conclusively, resulting in them paying Fleurette \$300,000 in costs.

Furthermore, all the terms of the PSC negotiated by Fleurette are more favourable to the DRC state than those offered by other operators, Tullow and Heritage. The PSC involves Fleurette paying the DRC state multiples of the amounts being proposed by Tullow, including a signature bonus twelve times greater, an exploration permit payment ten times greater, an exploitation permit payment eight times greater and a renewal of exploration payment twenty times greater. Finally, Fleurette's PSC gives the DRC state a higher ownership percentage than proposed by Tullow: 15% compared to 12%.

The DRC state is therefore in a significantly better position financially as a result of its PSC with Fleurette and receives far more revenue. This video shows the important work Oil of DR Congo is undertaking and the significant benefits to the DRC of that work: <https://www.youtube.com/watch?v=XwX-8a4bWrM>

Mr Khulubuse Zuma does not and has never had direct or indirect interest or an ownership stake in this project. Mr Zuma did have some early involvement as a signatory for the companies at a time when it was expected that he would have a greater role to play; however, that role did not materialise and as such his involvement completely ceased.

In terms of ownership, Fleurette holds a number of its investments in special purpose vehicles (SPVs). It is structured such that each of its assets or business interests is owned through a separate SPV. These SPVs are fully-funded to the extent required for the relevant project, they also have the financial, operational and technical backing of the whole group and it is therefore incorrect to consider only Caprikat and Foxwhelp in terms of experience and expertise in the oil sector.

Businesses all over the world use SPVs in their corporate structures for a variety of reasons, including, to legally isolate high-risk projects/assets from other companies in the group and allow other investors to take a share of the risk; enabling separate single-purpose financing and structuring of investment and debt; and keeping assets together with all permits and licences required to operate them as a self-contained entity. Like other multi-national companies who work across a number of jurisdictions, Fleurette uses companies incorporated offshore to ensure tax efficiency.

Fleurette has taken significant steps, alongside other extractive companies, to increase the level of disclosure and transparency. It is proud to be a supporting member of the internationally recognised Extractive Industries Transparency Initiative (EITI), having joined in 2013. The DRC has been a particular area of focus for EITI where it recently conducted a pilot project on beneficial ownership. Fleurette fully participated in the pilot and was pleased to note the DRC received a Chair's Award at the EITI Lima Global Conference (February 2016) for "leading the way on beneficial ownership".

Fleurette is a committed and long-term partner to the DRC and its people and it is only through such investment that the DRC's economy will grow.

Through all its activities Fleurette has invested over \$1.5 billion into the DRC and successfully brought in other major investors who have injected more than \$7 billion to the country's economy, helping to generate revenue and jobs. As a result, Fleurette is one of the DRC's largest taxpayers and private investors and through its subsidiaries and partnerships supports around 30,000 jobs in the country.

From: Craig McKune [mailto:craigm@amabhungane.org]

Sent: 06 April 2016 15:20

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