

BANK OF GHANA
PETROLEUM HOLDING FUND & GHANA PETROLEUM FUNDS
SEMI ANNUAL REPORT: JANUARY 1 – JUNE 30, 2012



Jubilee Oil Field

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ABBREVIATIONS:

ABFA:	Annual Budget Funding Amount
bb/d:	barrels per day
bbls:	barrels of oil
Brent Crude:	Price Index for light sweet crude oil sourced from North sea
bopd.	barrels of oil per day
CAPI:	Carried and Participating Interest
CDS:	Credit Default Swaps
ECB:	European Central Bank
FOMC:	Federal Open Market Committee
GHAPET:	Ghana Petroleum Holding Fund Account at Federal Reserve Bank of New York
GHF:	Ghana Heritage Fund
GSF:	Ghana Stabilisation Fund
GNPC:	Ghana National Petroleum Corporation
mb/d:	Million barrels per day
MTAB:	Mahogany, Teak, Akasa and Banda oil wells
OPEC:	Organization of the Petroleum Exporting Countries
PBOC:	People's Bank of China
PHF:	Petroleum Holding Fund
PRMA:	Petroleum Revenue Management Act 2011 (815)
TEN:	Tweneboa, Enyenra, Ntomme oil wells
WTI:	West Texas Intermediate (Benchmark for light sweet crude oil from the Americas)

1. INTRODUCTION

The Petroleum Holding Fund (PHF) and the Ghana Petroleum Funds (GPFs) were established by the Petroleum Revenue Management Act (2011) (Act 815) (PRMA). In accordance with the PRMA Section 28(a), (b) the Bank of Ghana reports on the performance and activities of the PHF, and GPFs for the half year ended June 30, 2012.

2. OIL MARKET REVIEW

a) World Market Review

Figure 1: Spot Brent Crude Price Jan 1 – Jun 30, 2012



Source: Bloomberg

From figure 1, Brent crude traded above the simple moving average price for the first quarter of the half year. On February 24, 2012 the last price for the trading day was US\$128.10 versus an average price of US\$114.05. In the second quarter of the half year, prices dropped to trade below the average. The commodity closed June 21, 2012 at US\$88.99 versus an average of US\$109.01. Brent crude ended June 29, 2012 at US\$97.55, (7.85 per cent below the average price of US\$105.87).

Brent crude price movements largely mirrored the economic headwinds of the half year ended June 30, 2012. Relatively stronger global growth supported upside risks to the oil markets in quarter 1, while increased market volatility and weakened growth, underpinned by increased risks to financial stability, enhanced downside risks to push Brent crude down to US\$88.99 in June 2012.

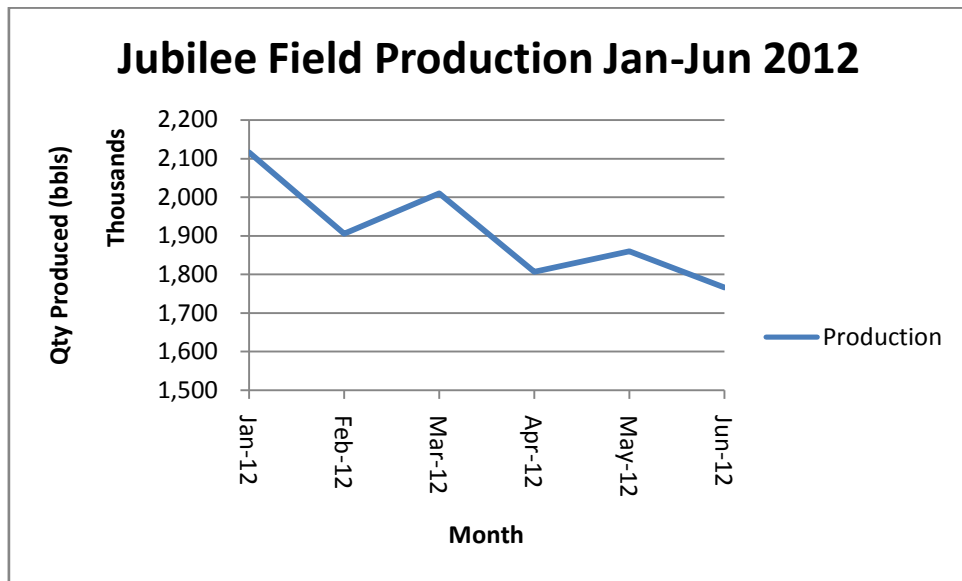
At the start of the half year, available survey indicators in the Euro area economy confirmed a low level stabilization in economic activity with inflation inching up to 2.7 per cent in February 2012 from 2.6 per cent recorded for January 2012. In quarter two of the half year, growth weakened to highlight prevailing uncertainty. The European Commission Economic Sentiment Indicator slipped from 94.65 in March to 89.90 in June 2012. The ECB cut key interest rate to 0.75 per cent from 1.00 per cent to stimulate growth. Growth weakened in China as well. The China Leading Index fell from 100.85 in January to 100.49 at the end of quarter one and declined further to finish the half year June 30, 2012 at 99.28. To reverse the slowing pace of growth, the PBOC cut key interest rates twice in one month; the benchmark one year deposit rate to 3.00 per cent from 3.25 per cent and the one year lending rate to 6.00 per cent from 6.31 per cent. The Bank of England (BOE) and Federal Open Market Committee also took expansionary measures to stimulate weakening growth. BOE held its key lending rate at 0.50 per cent but increased the level of quantitative easing by £50 billion to £375 billion. FOMC decided to keep the Federal funds rate at 0.00 to 0.25 per cent in June 2012.

b) Developments in the Ghanaian Oil & Gas Sector

The Petroleum Commission established under the Petroleum Commission Act 2011 (Act 821) to regulate and monitor the management and the utilization of petroleum resources assumed its regulatory functions in Ghana's oil and gas industry in May 2012.

The work on the US\$850 million gas infrastructure project at Atuabo in the Western Region is expected to be completed in November 2012. The project will enable Ghana transport natural gas from the Jubilee fields for processing and the generation of power at the Aboadze Thermal Plant.

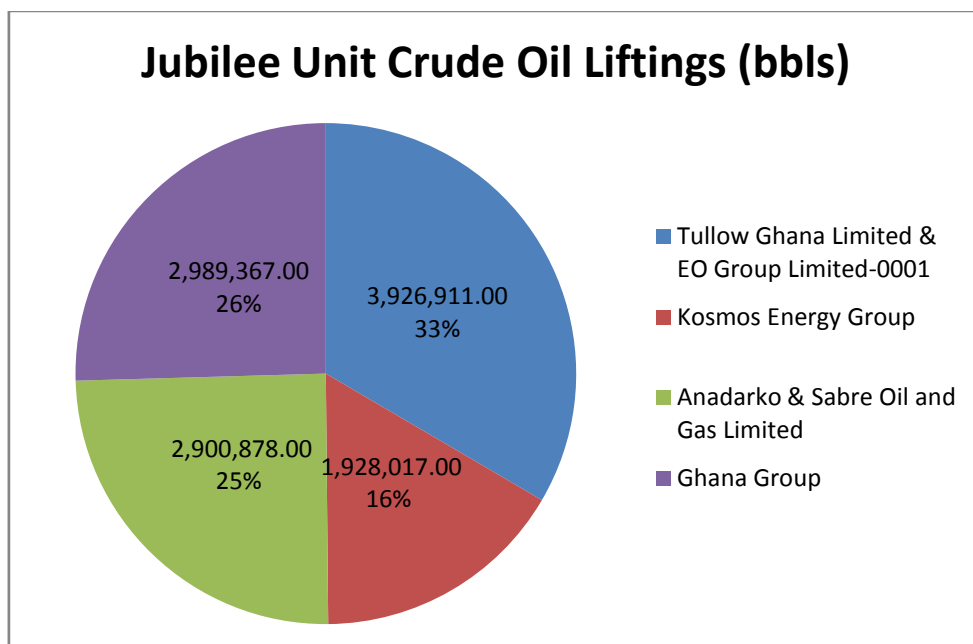
Figure 2. Jubilee Field Production Jan – Jun 2012



Source: Bank of Ghana

In half 1 2012, Jubilee field production averaged 62,985.44 bopd gross with 11.75 million bbls produced for the half year. As per figure 2 above production dropped from 2.11 million bbls for the month of January 2012 to 1.80 million bbls in April 2012 ending the half year at 1.77 million bbls. The drop in production was due to a temporary shut-down of some wells for acid stimulation activity. Jubilee field production is expected to average between 70,000 and 80,000 bopd gross in 2012 stemming from the successful acidisation programme. The field is expected to exit 2012 with a gross production rate in excess of 90,000 bopd as it ramps up to plateau production in 2013.

Figure 3. Jubilee Unit Crude Oil Liftings Jan 2012 – Jun 2012



Source: Bank of Ghana

During the period under review there were 12 liftings by the Jubilee Field lifting partners producing a total of 11.75 million bbls. From figure 3 above, Tullow Ghana Limited received the highest of four (4) liftings totaling 3.93 million bbls, followed by the Ghana Group with three (3) liftings totaling 2.99 million bbls. Anadarko and Sabre Oil & Gas Limited group also received three (3) liftings totaling 2.9 million bbls. Kosmos received two (2) liftings totaling 1.92 million bbls

New discoveries made during the period included the Tweneboa, Enyenra, Ntomme (TEN) in the Deepwater Tano block as well as other clusters such as Mahogany, Teak, Akasa and Banda (MTAB).

Development works on the TEN fields which include the FPSO design competition, subsea feed and associated tendering remains on track for the plan of development. The Ntomme 2A appraisal well was successfully completed with flow tests in both upper and lower reservoirs registering a combined rate of approximately 20,000 bopd. Commerciality declaration and development will be confirmed in quarter 3, 2012.

3. CRUDE OIL LIFTING & ALLOCATION

a) 2012 Lifting and Allocation

During the period under review, the Ghana Group (Ghana National Petroleum Corporation (GNPC) lifting on behalf of Government of Ghana) lifted three crude oil parcels (5th, 6th & 7th liftings) on January 4 2012, April 3 2012 and June 27, 2012 with total cargo value of US\$326,620,009.43. Table 1 below outlines the details of the three liftings.

TABLE 1. GHANA GROUP LIFTING AND ALLOCATION JAN 2012 - JUN 2012

NARRATION	Actual (US\$)	Actual (US\$)	Actual (US\$)	Total (US\$)
LIFTING	Fifth Lifting	Sixth Lifting	Seventh Lifting	
LIFTING DATE	January 4, 2012	April 3, 2012	June 27, 2012	June 30, 2012
PROCEEDS RECEIVED	111,157,790.20	125,598,381.86	89,863,837.37	326,620,009.43
ALLOCATION:				
ANNUAL BUDGET FUNDING AMOUNT	59,823,532.36	72,082,003.08	-	131,905,535.44
GNPC	51,334,257.84	53,516,378.74	-	104,850,636.58
GHANA STABILISATION FUND	-	-	-	-
GHANA HERITAGE FUND	-	-	-	-

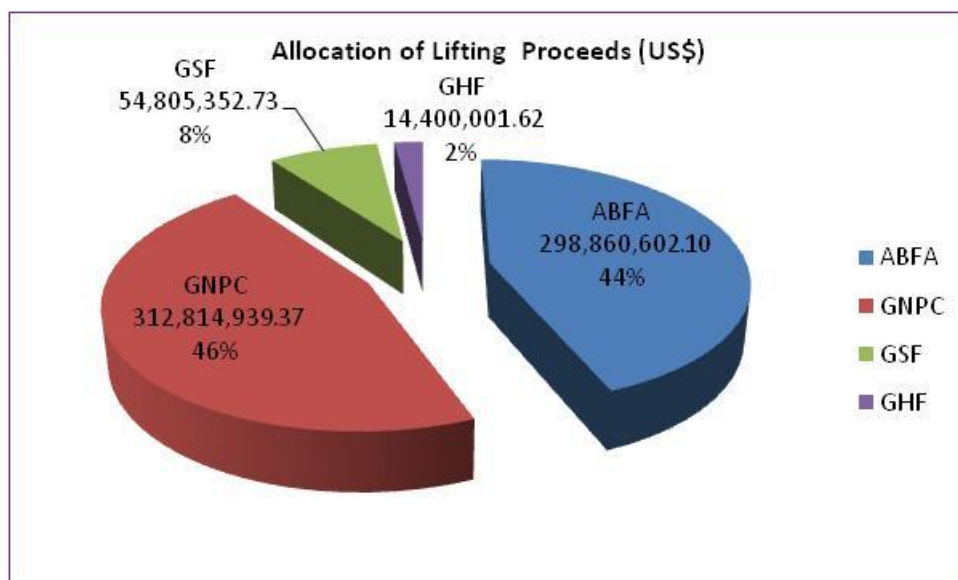
The proceeds of the liftings in half one 2012 was allocated as follows:

In support of the 2012 budget, the Annual Budget Fund Amount (ABFA) received US\$131,905,535.44. GNPC received US\$104,850,636.58 for equity finance and its 40 per cent share of the Carried and Participating Interest (CAPI). The proceeds of the seventh lift was not allocated at the time of this report.

b) Lifting and Allocation from inception

From inception to the half year ended June 30, 2012, the Ghana Group has lifted seven (7) parcels of crude oil with a net cargo value of US\$770,744,705.11. Figure 4 below outlines the allocation of six of the liftings:

Figure 4: ALLOCATION OF GHANA GROUP PROCEEDS FROM INCEPTION



Source: Bank of Ghana

Total proceeds from the six liftings amounted to US\$680,880,867.74. GNPC received 46 per cent, ABFA received 44 per cent, the GSF and GHF received 8 per cent and 2 per cent respectively.

No allocation was made to the GHF and GSF from the 4th, 5th and 6th liftings.

4. SURFACE RENTALS AND ROYALTIES

TABLE 2. SURFACE RENTALS & ROYALTIES RECEIVED JAN 2012 - JUN 2012

Value Date	Ordering Institution	Amount Paid (US\$)	Narration
19-Mar-12	Tullow Ghana Limited	63,866.95	Surface Rental
30-Mar-12	Tap Oil Limited	43,770.49	Surface Rental
16-Apr-12	Vanco Ghana Limited	154,398.60	Surface Rental
16-Apr-12	Kosmos Energy Ghana	35,438.56	Surface Rental
30-Apr-12	Hess Ghana Exploration	150,750.00	Surface Rental
	TOTAL	448,224.60	
3-Apr-12	Saltpond Offshore Co.	104,193.12	Royalty (3%)
	TOTAL	552,417.72	

In the first half of 2012, a total of US\$448,224.60 and US\$104,193.12 were received in the GHAPET account as Surface Rental and Royalties respectively. Details are as shown in Table 2 above.

The following Surface Rental invoices were outstanding and yet to be paid.

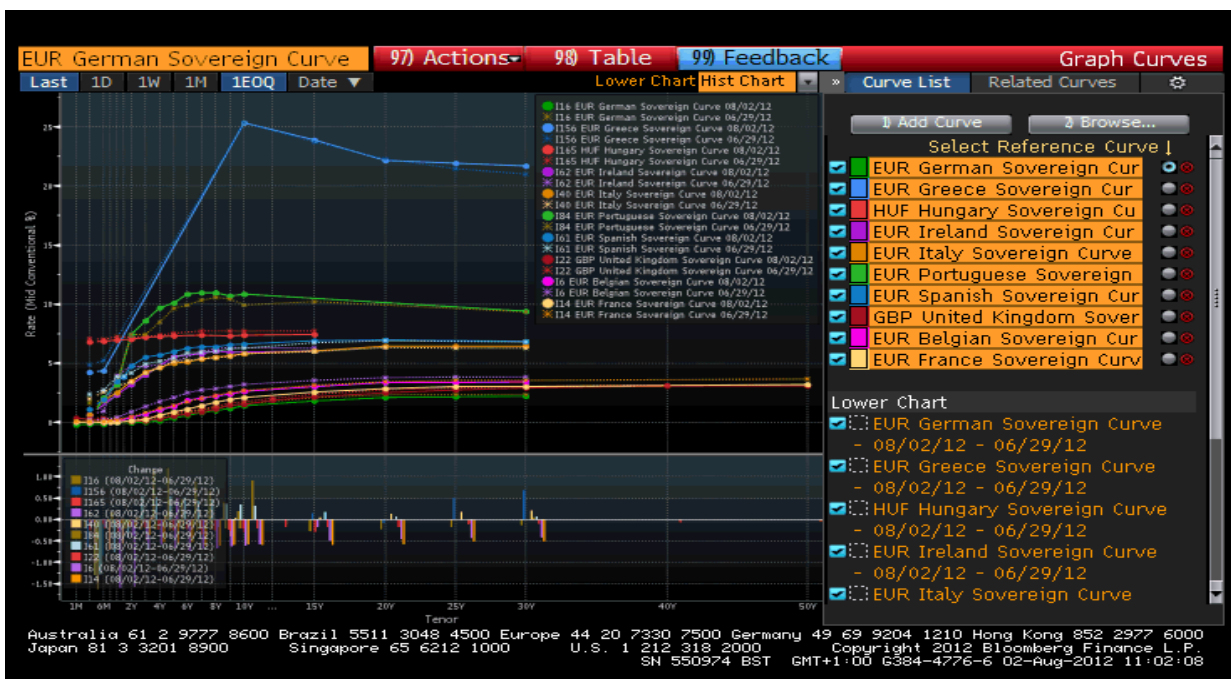
TABLE 3. OUTSTANDING INVOICES (SURFACE RENTALS) JAN 2012 - JUN 2012

DATE	NAME OF COMPANY	CONTRACT AREA	AMOUNT (US\$)
21/2/2012	INTEROIL LTD	SHALLOW WATER TANO BASIN	75,000.00
20/2/2012	ORANTO LTD	OFFSHORE SALTPOND CONTRACT AREA (1/1/12-2/7/12)	22,622.95
21/2/2012	SALTPOND OFFSHORE PRODUCING COMPANY LTD	SALTPOND FIELD	605.00
31/6/2012	TOTAL		98,227.95

5. PORTFOLIO PERFORMANCE

From January 1 to June 30, 2012, the European debt crisis continued to inject uncertainty into the financial markets. Average Eurozone credit default swaps (CDS) – a measure of an issuer’s default risk, rose 30% from US\$250.06 on January 27, 2012 to US\$325.50 on June 29, 2012, the rise impacted strongly by Spain and Italy. Eurozone sovereign bond yields moved in tandem with CDS showing higher yields along the curve in Portugal, Ireland, Italy, Greece and Spain, and lower levels in core Europe (see figure 5 below).

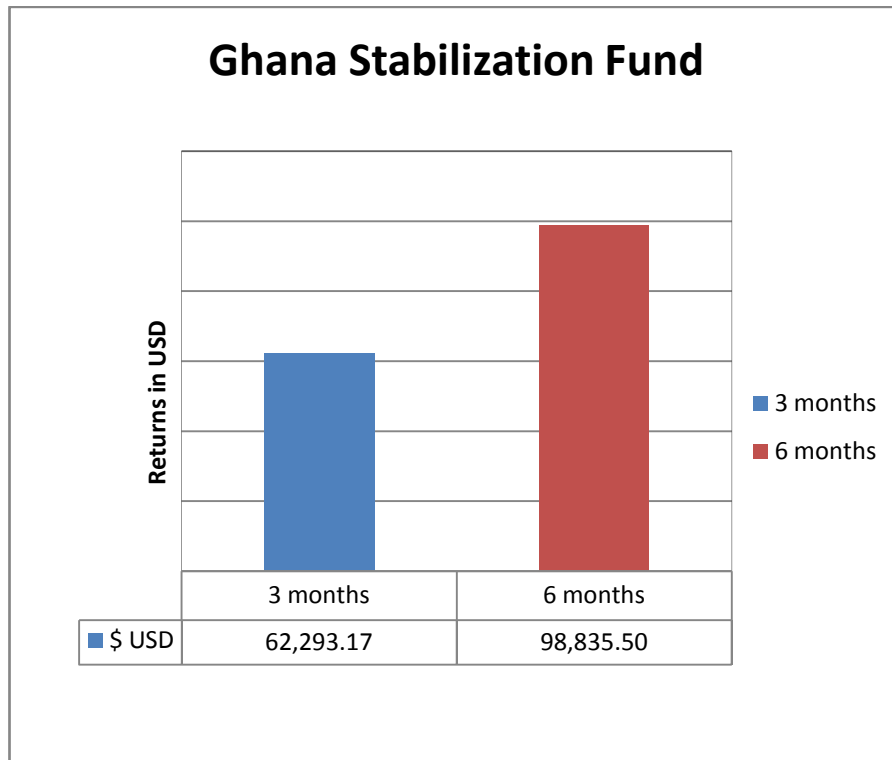
Figure 5: Eurozone bond yields



Source: Bloomberg

Amidst the volatility in the markets, the Ghana Petroleum Funds continued to deliver positive returns on investment (ROI). Over the half year, ROI was 0.18 per cent for GSF and 0.29 per cent for GHF. Net total ROI of the GPFs was US\$141,009.81, with GSF contributing US\$98,835.50 and GHF, US\$42,174.31.

Figure 5: Return on Ghana Stabilisation Fund Jan – Jun 2012



Source: Bank of Ghana

Figure 6: Return on Ghana Heritage Fund Jan – Jun 2012

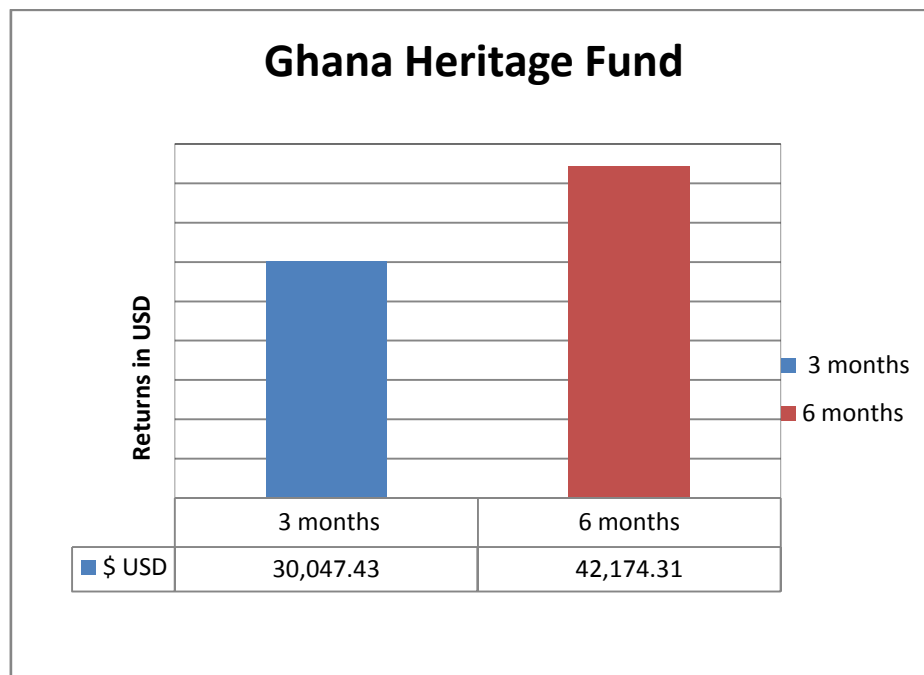


Table 5 Ghana Petroleum Funds- Semi Annual Report: Jan 1 - June 30 2012	
GHANA PETROLEUM FUNDS	
GHANA STABILISATION FUND ACCOUNT AT EUROCLEAR BANK	
	US\$
Opening book Value (1 January 2012)	54,805,352.73
Receipt during the period	-
Account Management Fees	(2,043.20)
Income from Investments	100,878.70
Closing book Value(30 June 2012)	54,904,188.23
Net Income Half 1 comprised the Following	
INCOME	US\$
Investment Income	100,878.70
Less:	
Account Management Fees	(2,043.20)
Net Return for the Period	98,835.50
GHANA HERITAGE FUND ACCOUNT AT EUROCLEAR BANK	
	US\$
Opening book Value (1 January 2012)	14,400,001.62
Receipt during the period	-
Account Management Fees	(1,281.42)
Income from Investments	43,455.73
Closing book Value(30 June 2012)	14,442,175.93
Net Income Half 1 comprised the Following:	
INCOME	US\$
Investment Income	43,455.73
Less:	
Account Management Fees	(1,281.42)
Net Return for the Period	42,174.31

6. PETROLEUM HOLDING FUND

The Petroleum Holding Fund held a balance of US\$ 599,114.82 (see Schedule 1 below) as at June 30 2012. This amount comprised interest earned since inception amounting to US\$46,697.09 and US\$552,417.73 representing Surface Rentals and Royalties.

7. CONCLUSION

Petroleum Revenue Management Regulations

In accordance to PRMA Section 60 (1) Sub-committees have been established by the Minister of Finance and Economic Planning to develop the Petroleum Revenue Management Regulations.

Audit of the Ghana Petroleum Fund and the Ghana Petroleum Funds

In compliance with the PRMA Section 44 (1) the internal Audit Department of the Bank of Ghana had performed an audit on the GPFs and the PHF for the period ended December 31, 2011.

During the half year period ended June 30, 2012, crude oil prices dropped and lost gains made at the beginning of the half year. The fall in prices was primarily due to weakening global growth and heightened uncertainty in the financial markets that saw major central banks cut key interest rates and the International Monetary Fund revising downwards the global economy growth estimates by 0.1 percentage points to 3.5 per cent. The Ghana Petroleum Funds did not lose capital. The value of the Ghana Stabilisation Fund increased by US\$0.098 million to US\$54.90 million, and the Ghana Heritage Fund increased by US\$ 0.042 million to US\$14.44 million. We are of the opinion that additional allocations to the Ghana Petroleum Funds will enhance returns on investment.

August 7, 2012

Schedule 1				
PETROLEUM ACCOUNT AT FEDERAL RESERVE BANK OF NEW YORK				
(A) INFLOWS:	Volume Of Crude Shipped (BBLs)	Value of Shipment (US\$)	Notes	(US\$)
Date				
21st April 2011	995,259	112,269,196.24	1	112,189,575.66
24th June 2011	994,691	115,658,690.72	2	115,579,115.44
2nd September 2011	990,770	109,648,690.72	3	109,569,254.30
14th November 2011	949,469	106,862,735.95	4	106,786,778.43
4th January 2012	996,484	111,237,508.92	5	111,157,790.20
3rd May 2012	997,636	125,598,381.86	6	125,598,381.86
19th March 2012			7	63,866.95
30th March 2012			8	43,770.49
3rd April 2012			9	104,193.12
16th April 2012			10	35,438.56
16th April 2012			11	154,398.60
30th April 2012			12	150,750.00
	TOTAL			681,433,313.61
(B) DISBURSEMENTS				
23rd May 2011	GNPC Equity Financing Cost for first lifting			32,453,425.00
7th July 2011	GNPC Equity Financing Cost for second lifting			33,433,958.17
20th September 2011	GNPC Equity Financing Cost for third lifting			31,695,447.87
8th December 2011	GNPC Equity Financing Cost for fourth lifting			34,901,953.60
20th September 2011	GNPC Equity Financing Cost for fifth lifting			32,083,911.00
20th September 2011	GNPC Equity Financing Cost for sixth lifting			28,774,038.00
	Sub Total			193,342,733.64
22nd August 2011	GNPC 40% CAPI for first lifting			19,472,093.00
22nd August 2011	GNPC 40% CAPI for second lifting			20,060,395.00
20th September 2011	GNPC 40% CAPI for third lifting			19,017,268.75
8th December 2011	GNPC 40% CAPI for fourth lifting			16,929,770.77
2nd February 2012	GNPC 40% CAPI for fifth lifting			19,250,346.84
29th May 2012	GNPC 40% CAPI for sixth lifting			24,742,340.74
	Sub Total			119,472,215.10
21st April 2011	Annual Budget Funding Amount for first lifting			37,396,572.35
24th June 2011	Annual Budget Funding Amount for second lifting			37,376,021.35
2nd October 2012	Annual Budget Funding Amount for third lifting			37,227,409.56
22nd December 2011	Annual Budget Funding Amount for fourth lifting			54,955,054.06
2nd February 2012	Annual Budget Funding Amount for fifth lifting			59,823,532.36
29th May 2012	Annual Budget Funding Amount for sixth lifting			72,082,003.11
	Sub Total			298,860,592.79
4th November 2011	Transfer to Ghana Heritage Fund			14,400,001.62
4th November 2011	Transfer to Ghana Stabilisation Fund			54,805,352.73
	Sub Total			69,205,354.35
	TOTAL DISBURSEMENTS			680,880,895.88
	BALANCE ON ACCOUNT		13	552,417.73
	INTEREST EARNED		14	46,697.09
	TOTAL BALANCE ON ACCOUNT			599,114.82
Notes				
1. Proceeds for first oil lift				
2. Proceeds for second oil lift				
3. Proceeds for third oil lift				
4. Proceeds for fourth oil lift				
5. Proceeds for fifth oil lift				
6. Proceeds for sixth oil lift				
7. Surface Rental from Tullow				
8. Surface Rental from Tap Oil				
9. 3% Royalty paid by Saltpond Offshore Co.				
10. Surface Rental payment from Kosmos Energy Ghana				
11. Surface Rental payment from Vanco Ghana Limited				
12. Surface rental from HESS Ghana Exploration LTD				
13. Undistributed Surface Rental and Royalty (Saltpond Offshore Company)				
14. Interest as of 30/06/2012				