



Lynne L. Hackedorn
VP, Government and Public Affairs

Via E-mail

May 14, 2014

Mr. Barnaby Pace
Oil Campaign
Global Witness
bpace@globalwitness.org

RE: Inquiry dated April 14, 2014

Dear Mr. Pace:

Thank you for your April 14, 2014 letter to Cobalt requesting certain information regarding Cobalt's social contributions related to Block 20 offshore Angola and, specifically, the Sonangol Research and Technology Center. We value the input and opinions of NGOs such as Global Witness, and we take very seriously the points that you have raised regarding the funding of social contributions for the betterment of the country of Angola and its citizens. In response to your letter, we offer the following points of clarification:

First, you inquire in your April 14 letter whether the total amount of payments for social contributions made by the Block 20 consortium to Angola's national oil company, Sonangol E.P. ("Sonangol"), increased from \$550 million to \$607.5 million. To be clear, the total funding obligation has not changed. Cobalt has disclosed since its 2011 Form 10-K, which was Cobalt's first Annual Report following the execution of the Production Sharing Contract for Block 20 ("PSC"), the Block 20 consortium's aggregate funding obligation of \$607.5 million. *See* 2011 10-K Annual Report, p. 21. In addition to contributions for social projects and the Research and Technology Center, that figure includes the amounts required for the signature bonus and scholarship funding related to Block 20. Cobalt's pro rata share of these costs is 57.14%. Cobalt's 2012 and 2013 Form 10-Ks contain the same reference and thus make clear that neither the aggregate amount of the Block 20 obligation nor Cobalt's pro rata share has increased.¹

Second, with respect to the amount and manner of funding for the Research and Technology Center, in accordance with the PSC, the Block 20 consortium has to date made aggregate payments in the amount of \$175,000,000. The Block 20 consortium is further required to contribute \$75,000,000 on January 1, 2015 and \$100,000,000 on January 1, 2016. Cobalt makes payment of

¹ Cobalt's public filings also disclose the social obligations incurred in connection with Blocks 9 and 21 offshore Angola.

its pro rata share directly to Sonangol, consistent with its contractual obligations under the PSC and Angola's Petroleum Activities Law.

Finally, as to your remaining questions, Cobalt maintains a robust anti-corruption compliance program, led by two experienced and well-respected U.S.-based law firms, and it is committed to complying with all applicable laws and its Code of Business Conduct and Ethics. As part of our compliance efforts, we monitor the progress of our social contributions in Angola, including the Research and Technology Center. However, as the Research and Technology Center is Sonangol's project, these inquiries are more appropriately directed to Sonangol.

Thank you for the opportunity to provide the above comments and clarification.

Best regards,

A handwritten signature in cursive script that reads "Lynne L. Hackedorn".

Lynne L. Hackedorn
Vice President, Government and Public Affairs