

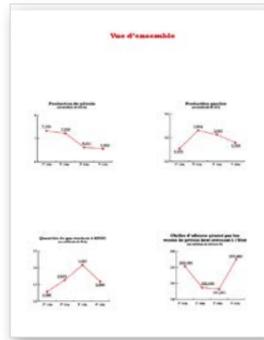


National Hydrocarbons
Corporation



ANNUAL REPORT 2017

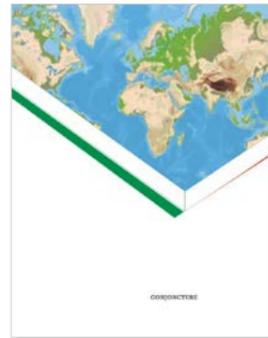
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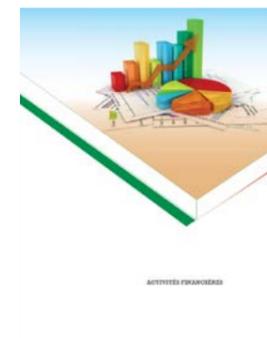
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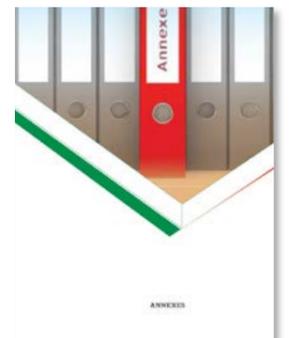
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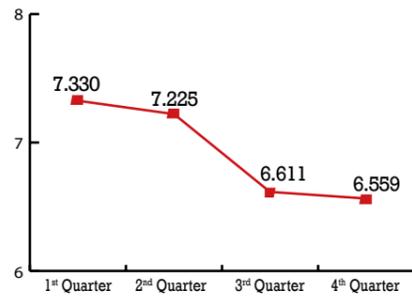
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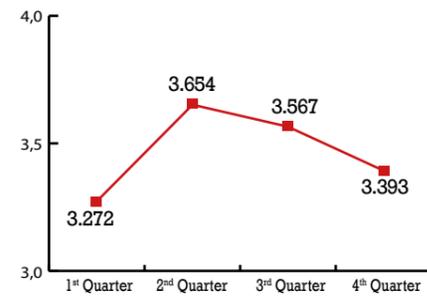
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Overview

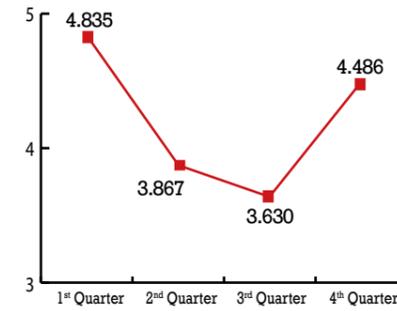
Oil production
(in million barrel)



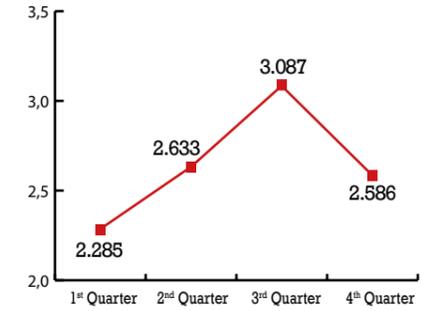
Gas production
(in billion SCF)



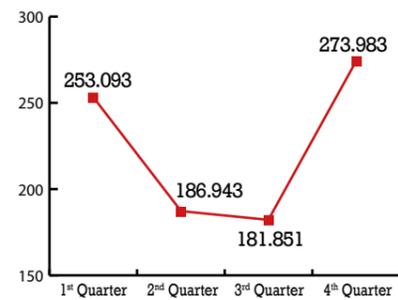
Quantities of oil sold on behalf of the State
(in million barrel)



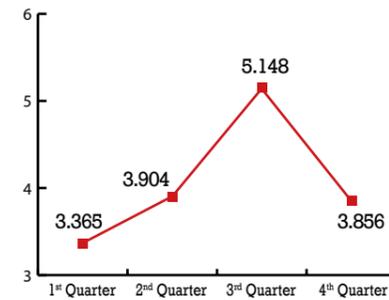
Gas sales on behalf of the State
(in billion SCF)



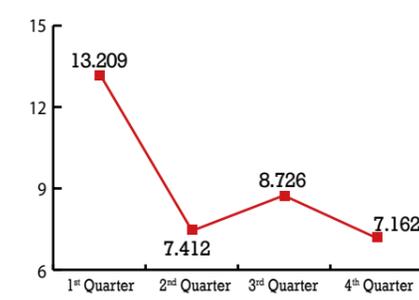
Turnover generated from sales of crude oil accruing to the State
(in million USD)



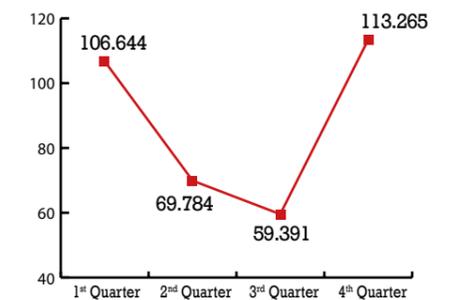
Turnover generated from sales of natural gas by SNH
(in billion Cfa)



Expenses within the framework of State mandated activities
(in billion Cfa)



Revenues transferred to the State
(in billion Cfa)



Acronyms and abbreviations

APPA	: African Petroleum Producers Association
APCC	: Addax Petroleum Cameroon Company
APCL	: Addax Petroleum Cameroon Limited
BBL/D	: Barrel per day
BCF	: Billion Cubic Feet
CT	: Corporate Tax
CNIC	: Cameroon Shipyard and Industrial Engineering
COTCO	: Cameroon Oil Transportation Company
CSEF	: Centre for Storage of Samples originating from Oil and Gas Wells
EITI	: Extractives Industries Transparency Initiative
FLNG	: Floating Liquefied Natural Gas
GDC	: Gaz Du Cameroun
HSE	: Health-Safety-Environment
HYDRAC	: Hydrocarbons- Analysis-Controls
IBC	: International Business Corporation
IPIECA	: International Petroleum Industry Environmental Conservation Association
KK1	: Kome-Kribi 1 Terminal
KPDC	: Kribi Power Development Company
LNG	: Liquefied Natural Gas
LPG	: Liquefied Petroleum gas
NOSCP	: National Oil Spill Contingency Plan
PSC	: Production Sharing Contract
PSMC	: Pipeline Steering and Monitoring Committee
RDR	: Rio Del Rey
SDR	: Special Drawing Rights
SCGPL	: Storage and Loading of LPG tankers in Bipaga
SIGIS	: Integrated Management Information System of SNH
TCF	: Trillion Cubic Feet (thousand billion cubic feet)



**PRESENTATION OF THE NATIONAL
HYDROCARBONS CORPORATION (SNH)**

A driving force for the development of the hydrocarbons sector and Cameroon's economy

Created on 12 March 1980, SNH is a public industrial and commercial company with a share capital of 8 billion CFAF. It has financial autonomy and is governed by Law no. 2017/011 of 12 July, 2017 to lay down the general rules and regulations governing public corporation, in line with the OHADA law.

SNH's missions are to promote and valorise the national mining domain as well as manage State interests in the hydrocarbons sector. To fulfil these missions, SNH is empowered to:

- conduct studies related to hydrocarbons;
- collect and store related information;
- conduct negotiations of oil and gas contracts, in cooperation with the ministries in charge of Mines, Finance, Energy, Economy, Trade and Environment;
- monitor the implementation of oil and gas contracts between the State and companies operating in the hydrocarbons sector;
- promote infrastructure creation for the production, transportation, processing and storage of hydrocarbons on the national territory;
- collect natural gas from producing companies and transport it to industries, power producers, other eligible customers, distribution companies and processing plants;
- sign, if need be, contracts with companies active in the field of production, transportation, distribution, processing or storage of hydrocarbons based in Cameroon;
- contribute to the formulation and implementation by the State, of its management policy for the downstream hydrocarbons sector;
- demarcate, promote and assign free blocks of the national mining domain;
- develop and exploit oil and gas fields, in association or sole risk, with the aim of valorising national hydrocarbons resources;
- oversee the management of associations, in a bid to control oil costs, whose increase has an impact on State revenues.



SNH carries out various actions and projects in line with its missions:

- conduct of gas projects which aim notably at increasing national electricity supply, in a bid to support the development of the industrial fabric and reduce the deficit in domestic gas supply;
- lifting and marketing the share of national hydrocarbons production accruing to the State, as allocated in the contracts;
- transfer to the Public Treasury, after deducting production costs, of income derived from the sale of hydrocarbons, which contributes to the funding of the State budget;
- management of security stocks of petroleum products to ensure supply in the country in the event of a major contingency;
- conduct of studies and execution of various projects in the oil, gas, para-petroleum, as well as related sectors.



Activities properly planned and conducted in accordance with principles of good governance

SNH carries out its missions on the basis of a five-year development plan, divided into annual action plans. These plans are prepared with the participation of workers of the different Units of the company; this ensures that the entire staff are involved in the decision-making process. Moreover, the workers have the possibility to express their points of view within the framework of departmental meetings and discussions between general management and staff representatives.

The company has adopted regulatory texts for its running, including internal rules and regulations whose strict

implementation ensures social harmony within the company, and a Code of Ethics governing relations among workers, as well as relations between the latter and partners, service providers of SNH and the public at large.

On another level, procedures are codified and the related texts compiled in a procedures manual and a regulatory file.

Moreover, internal management control is implemented and backed up by an advanced computerised system. In addition, audits are conducted regularly by renowned external firms.

Oil activities in line with industry standards

Contracts are negotiated in accordance with the Cameroon Petroleum and Gas Codes, based on the standard model contracts of the International Association of Petroleum Negotiators (IAPN). The Codes provide for two types of petroleum contracts: Concession Contracts (CC) and Production Sharing Contracts (PSC). The level of State participation in case of commercial hydrocarbons discovery is specified therein, as well as the work programmes to be conducted, investments to be made and provisions for the development of local expertise.

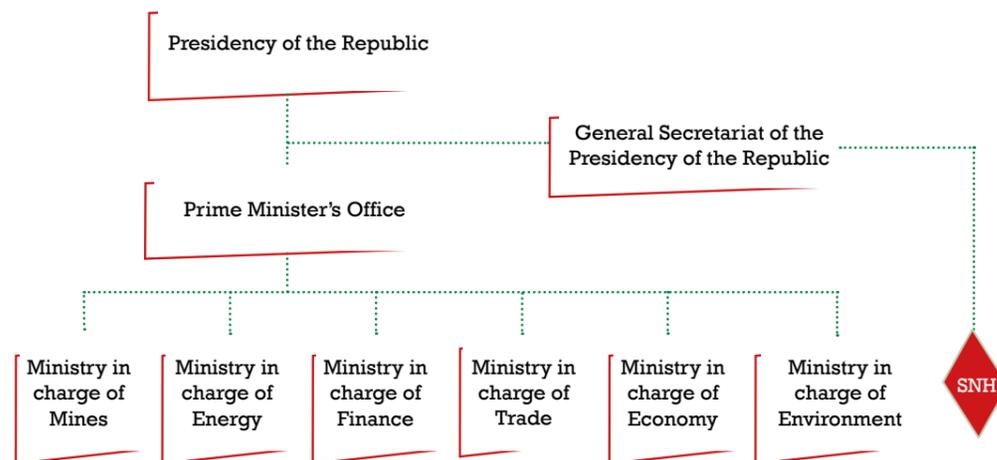
All of the above-mentioned measures are made known to the public through the mass media. In addition to such

information, SNH publishes figures related to its activities (investments, production, turnover and transfers to the State) in its external publications, including its website (www.snh.cm). These figures are closely monitored by donors of the Cameroon government, especially the International Monetary Fund and the World Bank.

The publication of these figures is consistent with the principles of the Extractive Industries Transparency Initiative (EITI), which Cameroon joined in 2005. SNH is a member of the National Follow-up Committee of this initiative which aims at the judicious use of extractive resources by governments.

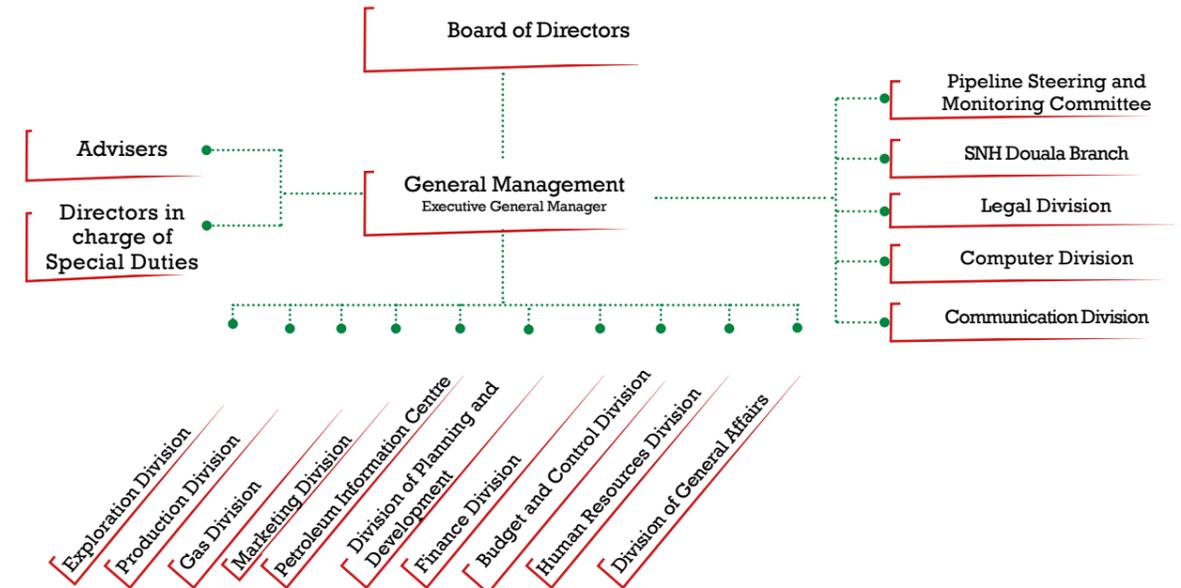


The institutional ties of SNH



Organisation of SNH

SNH falls under the supervision of the General Secretariat of the Presidency of the Republic and comprises two organs: a Board of Directors and a General Management.



Members of the Board of Directors*



Ferdinand Ngoh Ngoh
Board chairman,
Secretary General of the Presidency of the Republic



Adolphe Moudiki
Executive General Manager



Okie Johnson Ndoh
General Manager,
Hydrocarbons Prices
Stabilization Fund



Modeste Mopa Fatoing
Director General of Taxation,
Ministry of Finance

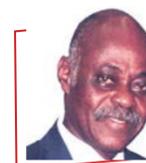


Serge Hervé Boyogueno
Director of Mines,
Ministry of Mines, Industry and
Technological Development



Philip Mkong
Research Officer
at the Prime Minister's Office

Personalities appointed by the President of the Republic



Jules Mana Nschwangele
Elite of the Ocean Division



Chief Daniel Anki Ambo**
Paramount Chief of Bakassi



El Hadj Lawan Bako
Elite of the North-West region

* as at 31st December 2017

** Chief Anki Ambo died on 29 april 2018

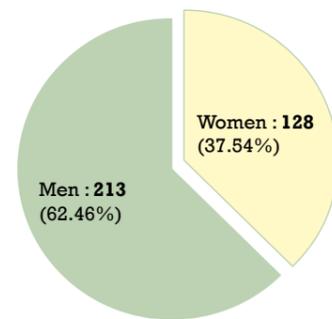
Human resources : A changing workforce

As at 31 December 2017, SNH employs a total of 341 workers, of whom 299 at the head office in Yaoundé, 38 at SNH Douala branch, 20 assigned to the Bipaga gas production site at Kribi, 06 at the Mvia oil production site, near Edea and 04 on secondment or leave of absence. 11 workers retired at the end of this year.

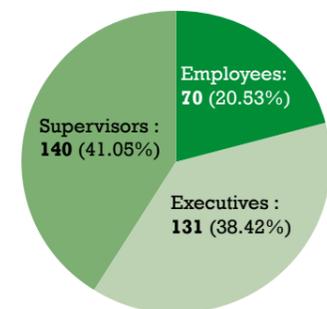
Within the framework of replacement of retired workers, and to meet the needs induced by the development of activities, especially in the domain of gas, SNH recruited 25 new workers in 2017.



Staff distribution according to gender



Staff distribution according to socio-professional categories

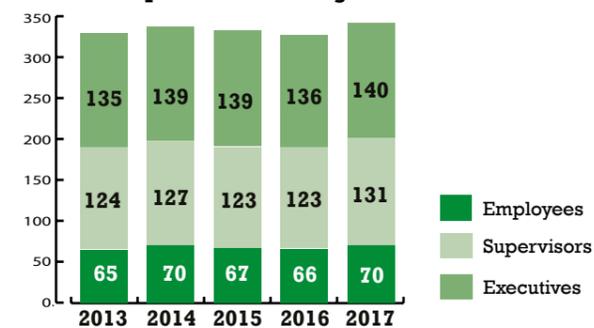


Continuous training to guarantee performance

The implementation of the corporate training plan continued in 2017, with training actions to build the capacities of 88 SNH workers.

Individual and collective training was provided in various domains, including finance, audit, law, data management, maritime management, information systems, software management, technical processes for hydrocarbons, human resources management and information technology, photo library management, electronic accreditation, non-destructive testing, quality management, secretaryship, and bilingual telephone reception.

Evolution of SNH workforce according to socio-professional categories



ECONOMIC OUTLOOK

2017: Mixed and fragile global growth

The International Economic Environment

The world economy grew at a rate of 3.6% as against 3.1 in 2016, showing an increase of 0.5 base point. The growth was mainly backed by a faster pace in the economic activity in industrialised countries, low volatility in the financial markets and the maintenance of low long rates which offer a favourable financial environment.

Another factor is the low inflation in the developed economies punctuated by an acceleration in the normalisation process of the monetary policy in the US and Europe. Nevertheless, the growth was weighted by a generalised reduction in commodity prices excluding hydrocarbons, and the low global crude oil prices.

Interest rates and evolution of the US dollar

The intervention rate of the US Federal Reserve (FED) was increased three consecutive times during the year from 1% on 16 March to 1.5% on 13 December 2017. The European Central Bank (ECB) maintained a zero rate throughout the year.

The average annual exchange rate for the US dollar was 581.86 CFAF, down by 1.88% from 2016.

Oil market

Overall, oil prices for the year, especially prices of Dated Brent, improved by 23.92%, to stand on average at 54.19 \$/bbl, as against 43.73 \$/bbl in 2016.

With regard to supply, the year 2017 was characterised by the continuation of efforts started in the fourth quarter of 2016, under the auspices of OPEC and Russia, by the leading exporting countries in a bid to absorb surpluses in the international market and reduce historically high global stock levels. Broad compliance with the agreement and its extension until year-end 2018 were strong signals for the rebalancing of the market, which resulted in lower inventories, especially a reduction of floating stocks at sea.

Crude oil supply was also influenced by climatic, technical or sociopolitical factors which entailed reductions and sometimes production disruptions in the North Sea, North Africa, the Middle East and Latin America.

Concerning oil demand for the period, it remained sustained thanks to the consolidation of recovery of the global economy, as emphasized by the raising of the IMF growth forecasts by 0.5 point to 3.5% for the year 2017. The main reason for this improvement is the resumption of growth in the OECD countries, the resilience of economies in the major emerging Asian countries (China and India) and the good performance in developing countries, fostered by the good standing of commodities prices.



Cameroon

Cameroon's economy was resilient to the challenges of low crude oil prices and the cost of fighting insecurity in the Far North, North West and South West regions, in particular by maintaining public investment at high levels. Consequently, according to the World Bank, growth stood at 3.2%.

This resilience is a result of the positive contribution to growth of all branches of economic activities excluding oil, with a dynamic private sector creating wealth. Specifically, the primary sector was characterised by the good performance of food, industrial and export agriculture, whereas the tertiary sector benefited from the economic activity created around major energy projects. The latter sector is in full growth, stimulated in particular by a good performance of non-market services by public administrations and the development of telecommunications and air traffic.

The improvement in economic growth is essentially backed by the public components of final consumption and investment.

CEMAC Zone

In real terms, growth was zero in the zone in 2017. Currency reserves for imports of goods and services stood at 3.1 months, as against 2.1 months in 2016.

According to the Committee in charge of Monetary Policy, the reason for improved economic perspectives is a start of macroeconomic balances following the implementation of programmes with the International Monetary Fund in Cameroon, Gabon, Chad and Central African Republic.



**INTERVIEW OF THE
EXECUTIVE GENERAL MANAGER**

«International companies have shown an appreciable interest in the national mining domain in 2017»

What is your appreciation of the year 2017 in SNH?

The year 2017 in SNH went on in the contrasted international environment that characterised its branch of activity; a context marked both by the consolidation of the rise in oil prices and the persistence of the reduction in investment notably in exploration.

However, our company continued the implementation of its action plan, with globally positive results.

What are the results as far as exploration is concerned?

Exploration data of the national mining domain was improved in a bid to better understand its potential and hence, increase the interest of oil companies in Cameroon's subsoil. As a result, international oil companies have shown increased interest, by acquiring the data for close to 672 000 \$US.

Moreover, work to construct the Mbang-Bakoko Storage Center for Samples originating from Oil and Gas Wells was completed. The only aspect remaining is to install the equipment and put it into service.

There is also reason to be satisfied with the signing of a Production Sharing Contract with Noble Energy for the development of the Yoyo gas reserves.

On the field, two appraisal wells and eight development wells were drilled in 2017, with satisfactory results.

Did these wells bring about an increase in the national oil production?

To a certain extent. Natural gas production is approximately 393 million m³, up 10%.

Concerning oil production, it stood at around 28 million barrels, showing a reduction of close to 18% compared

to 2016. The reason for the decline is the natural ageing of fields as wells as the postponement, even cancellation of certain planned projects.

Did SNH nonetheless take advantage of the improved oil prices?

We sold 16.818 million barrels of oil, at an average price of 53.27 dollars per barrel. This price has risen by 35.27% compared to 2016. This reflects the firming of Dated Brent, the reference crude oil, but also of Cameroon's crude oil grades' differentials. The turnover for oil sales is 895.870 million \$US, up 10.92%. In addition, gas sales to the Kribi Power Development Company (KPDC), operator of the Kribi Thermal Plant, amounted to 16.273 billion CFAF, up 6.90%.

Quite naturally, this situation has benefited the Cameroon Government. As a result, after deducting production costs, SNH transferred slightly above 316 billion CFAF to the Public Treasury, just like in 2016.

A Production Sharing Contract was signed

Average price of Cameroon's crude oil: +35.27%

In addition to these revenues, 27 billion CFAF was collected as Transit Fee from the exploitation of the Chad/Cameroon Pipeline, for a volume of about 36 million barrels of crude oil lifted at the Kome-Kribi 1 Terminal.



What is the balance-sheet for gas activities?

The year 2017 was also characterised by progress in our efforts to valorise the national gas resources. In this respect, I wish to mention specifically, the installation of the floating liquefied natural gas plant called "Hilli Episeyo", on 20th November offshore Kribi.

Before then, extension work at the Bipaga Gas Processing Centre was completed, increasing its daily capacity to 9.06 million m³ of gas, as against 1.7 million hitherto. Moreover, work to construct Liquefied Petroleum Gas storage facilities at Kribi reached an execution rate of 94%. The team in charge for its operation was installed last 18th December.

Any reasons to be satisfied in the domain of internal management?

We are satisfied with the remarkable progress achieved in the extension of the head office building, with an overall completion rate of 99%. The building is now operational and will be occupied in 2018.

Actually, how do you look forward to the 2018 fiscal year?

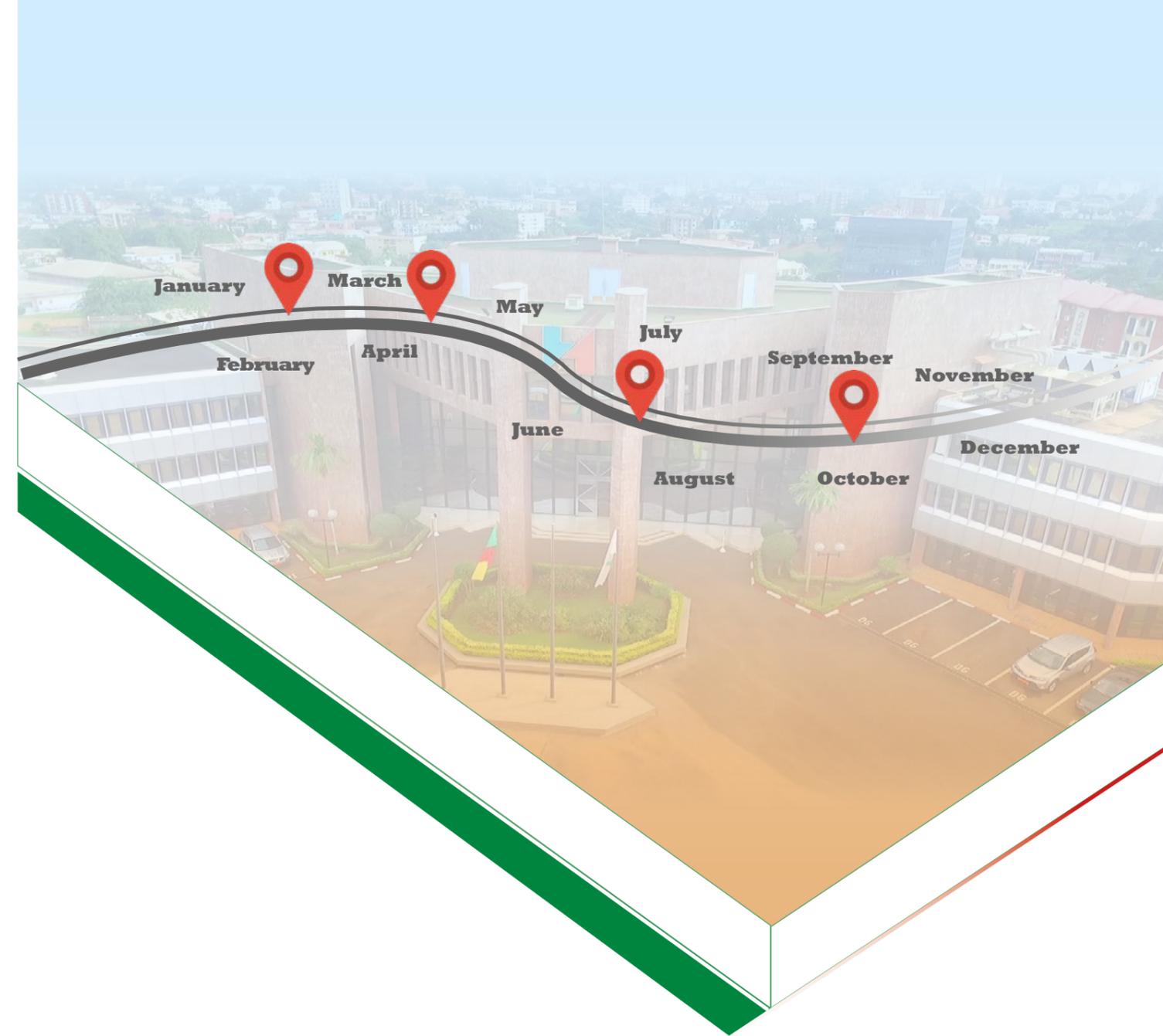
In 2018, we shall not relent in our efforts to meet new challenges. The first challenge is the commercial commissioning of the floating liquefied natural gas plant, in order to export the first cargoes of liquefied natural gas.

Concurrently, we shall launch the exploitation of the LPG storage and loading facilities constructed at Bipaga. This will contribute to a reduction in imports and State subsidies to this product.

Otherwise, facing the continuous decrease in oil production, we shall implement a customised policy of promoting free blocks, in a bid to improve the occupation rate of the national mining domain.

Meanwhile, we shall see to the effective drilling of the 20 appraisal and development wells planned within the different oil associations, with the aim of increasing the level of hydrocarbons reserves and consequently, production. This will go along with a more rigorous monitoring of oil operations and costs.

A 10% increase in gas production



HIGHLIGHTS



Legislation, contracts and agreements

1st June

A Production Sharing Contract (PSC) was signed with Noble Energy company, for the development of gas resources identified in Yoyo block, located in the Douala/Kribi-Campo basin.



Oil and gas activities

7th - 10th Feb.

The mapping portal of SNH, named "GeoSNH", was deployed. The portal permits registered users to have remote access to the geographic and cartographic data of SNH.

12th Feb.- 17 July

Activities to drill SSA-06, SSA-07, SSA-08 and SSA-09 wells on the Sanaga South field were launched by operator Perenco, with a view to supplying natural gas to the floating plant to be installed offshore Kribi.

9th May

A contract was signed with CGG Services UK Ltd for the improvement, integration and marketing of seismic, gravity, magnetic and wells data generated by exploration/production activities

1st July-25th Aug.

Drilling of TKM-3 well on Tiko field, in the Moabi Exclusive Prospecting Authorisation.

25th Aug.- 19th Nov.

Drilling of BJM-003ST well on Bojongo Marine field, in the Kita-Edem concession.

21st September

SNH approved the assignment to GDC, of 75% of 90% of Glencore Exploration Cameroon Ltd's rights and obligations in the Matanda Production Sharing Contract. The new partners of the Association are GDC (75%) and AFEX (25%).

20th November

The floating liquefied natural gas plant named "Hilli Episeyo" was installed offshore Kribi. The plant is expected to produce 1.2 million tons of LNG and 30 000 tons of domestic gas annually.

18th December

The team responsible for the management of the Bipaga-1 LPG depot was installed.

23rd December

The first transfers of dry gas to the Hilli Episeyo took place from the Bipaga-1 Gas Processing Center. The transfers were made as part of tests prior to commissioning of the floating plant.

Corporate social responsibility

16th-21st January

SNH participated in a training workshop on the protection of marine environment and setting up an emergency response in case of hydrocarbons pollution, organised by the Douala Port Authority.

12th February

The new building of the Bouli Gendarmerie Brigade and the Interconnection System between the Meiganga Gendarmerie Unit and the Ngaoundéré Gendarmerie Legion, completed with the financial assistance of the PSMC as part of measures taken to secure the pipeline, were finally accepted.

Corporate life



13th January

A ceremony was held to present New Year wishes to the Executive General Manager (EGM). Adolphe Moudiki commended the workers for having preserved State and SNH interests despite the unfavourable economic situation.

8th March

The International Women's Day was celebrated. The Head of the Communication Division, spokesperson for the female workers, hailed the EGM's will to spotlight the women, who represent close to one third of the SNH workforce.

7th-11th March

The Hydrocarbons Sports and Cultural Association (ASCH) organised a Golf Open in Yaoundé. 74 golfers of different nationalities participated in the competition.

12th March

The 37th anniversary of SNH was commemorated, with a sports walk organised in Yaoundé. Some fifty workers took part in the event.

22nd April

ASCH defeated the SONARA team to win the Adolphe Moudiki trophy, within the framework of the ASCIP football Super Cup.

1st May

The International Labour Day was celebrated under the theme "Social dialogue, economic growth and social cohesion". Adolphe Moudiki invited the workers to be, anytime, everywhere, apostles of peace and dialogue to preserve Cameroon's living together.

26th May

The 16th edition of Mothers' Day at SNH was celebrated. The EGM congratulated the female workers on their sense of responsibility and sharing.

6th June

The first annual session of the Board of Directors was held. The Board expressed satisfaction with the significant increase in transfers to the Public Treasury.

Highlights

- 13th July** 42 intern officers of the Yaoundé War College were received at the head office of the corporation, within the framework of a study visit.
- 14th July** Serge Hervé Boyogueno, Director of Mines at the Ministry of Mines, Industry and Technological Development, was appointed to the Board of Directors.
- 27th-29th September** SNH participated in the Petromines forum organised by the Oil and Mines Training and Research Centre of the University of Douala. Two representatives of the corporation delivered a presentation on the future of hydrocarbons in Cameroon.
- 11th-12th October** The corporation participated in the Academic and Professional Guidance Forum held in Yaoundé. SNH seized that opportunity to present professions of the hydrocarbons sector to the youths.
- 13th October** 65 deserving workers of the 2015, 2016 and 2017 batches received Labour Medals of Honour.
- 15th October** The captain of SNH Cycling Club, Clovis Kamzong Abossolo, won the Chantal Biya International Cycling Grand Prix.
- 5th December** The second annual ordinary session of the Board of Directors was held. The Board expressed its “warm congratulations” to General Management for leading successfully the Floating LNG project, which is a world first.
- 23rd December** The Christmas Tree ceremony was organised for the workers’ children. 446 children aged not more than 15 years received gifts on that occasion.

International cooperation

31st March

SNH received the regional Director of the Extractive Industries Transparency Initiative (EITI) for Central Africa. The purpose of the meeting was to prepare the evaluation by an independent validator, of EITI principles implementation by Cameroon.

30th November

SNH participated in the statutory meetings of the International Oil Pollutions Compensation (IOPC) Funds. During these sessions, two officials were reappointed to their respective posts as 2nd Vice-President of the 1992 Fund Assembly and Member of the IOPC management control body.

**30th November
02nd October**

Some thirty members of EITI Committees from 13 Francophone African countries were received at the head office of the corporation, within the framework of a study meeting organised by the International Secretariat of the initiative.



EXPLORATION / PRODUCTION

Situation of the national mining domain

Petroleum activities went on actively in two of Cameroon's three major sedimentary basins, namely: Rio Del Rey (producing since 1977) and Douala/Kribi-Campo (producing since 1997). Due to force majeure resulting from the security situation in the Far North of Cameroon, there were no activities in the Logone Birni basin during the year.

National mining domain on contract

The national mining area covers a total area of 31 839.82 km², with 16 808.58 km² allocated to various Operators, implying a 52.79% rate of occupation.

As at 31st December, 2017, the national mining domain on contract comprises:

- 07 Prospecting Permits and/or Exclusive Prospecting Authorisations (EPA) covering a total area of 12 958.26 km² (40.70% of the total area);
- 19 Concessions and/or Exclusive Exploitation Authorisations (EEA), covering a total area of 3 850.32 km² (12.09% of the total area).

As at 31st December, 2017, 18 oil companies were active in oil prospecting or production in Cameroon, on their own or within the framework of consortiums formed for that purpose. They are presented in the table below.





Oil associations present in Cameroon as at 31st December 2017

Prospecting Permits/ Exclusive Prospecting Authorisations

Association	Associates	Nationalities	Participations
Douala/Kribi-Campo Basin			
Bomono	Euroil	British	100%
Matanda	Glencore	British	75%
	Afex	British	25%
Rio Del Rey Basin			
Bolongo	Glencore	British	100%
Moabi	Perenco Cameroon	Franco-British	100%
Ndian River II	Orion Energy	Chinese	90%
	Heta Oil & Gas Ltd	Cameroonian	10%
Thali	Tower Resources Cameroun S.A	British	100%
Logone Birni Basin			
Zina-Makary	Yan Chang Logone Development Holding Co. Ltd	Chinese	100%

Concessions and Exclusive Exploitation Authorisations

Association	Associates	Nationalities	Participations
Douala/Kribi-Campo Basin			
Mvia	SNH	Cameroonian	100%
Yoyo	SNH (State)	Cameroonian	50%
	Noble Energy	American	25%
Logbaba	Petronas	Malaysian	25%
	SNH (State)	Cameroonian	5%
	Gaz du Cameroun	British	57%
Sanaga Sud	RSM	American	38%
	SNH (State)	Cameroonian	25%
Perenco Cameroon	Perenco Cameroon	Franco-British	75%
	Rio Del Rey Basin		
Etinde	SNH (State)	Cameroonian	20%
	New Age	British	30%
	Lukoil	Russian	30%
	EurOil	British	20%
Dissoni Nord	SNH (State)	Cameroonian	25%
	Perenco RDR	Franco-British	37.5%
	Addax PCC	Chinese	37.5%
Iroko	SNH (State)	Cameroonian	30%
	Addax PCL	Chinese	70%
Kole Marine	SNH (State)	Cameroonian	50%
Ekundu Marine			
Boa Bakassi	Perenco RDR	Franco-British	25.50%
Bavo Asoma			
Kita Edem	Addax PCC	Chinese	24.50%
Sandy Gas			
Lipenja Erong	SNH (State)	Cameroonian	50%
	Perenco RDR	Franco-British	17.75%
	Addax PCC	Chinese	32.25%
South Asoma Marine	SNH (State)	Cameroonian	50%
	Perenco RDR	Franco-British	25%
	Addax PCC	Chinese	25%
Moudi	SNH (State)	Cameroonian	50%
	Perenco Cameroon	Franco-British	40%
	SNH	Cameroonian	10%
Ebome Marine	SNH (State)	Cameroonian	50%
	Perenco Cameroon	Franco-British	28.50%
	SNH	Cameroonian	21.50%
Mokoko Abana	SNH (State)	Cameroonian	50%
	Addax PCC	Chinese	40%
	Perenco RDR	Franco-British	10%
Mondoni	SNH (State)	Cameroonian	50%
	Addax PCC	Chinese	25%
	Perenco RDR	Franco-British	25%

Free national mining domain

As at 31st December, the free national mining domain comprises:

- 02 blocks in the process of negotiations, covering a total surface area of 517.90 km² (1.63% of the overall surface area);
- 08 free blocks, covering a total surface area of 14 513.88 km² (45.58% of the overall surface area).



Promotion of the national mining domain

Eight (8) free blocks of the national mining domain were put on promotion, namely: Bomana Exploration, Bolongo Exploration and Bakassi in the Rio Del Rey basin, Etinde Exploration, Elombo, Ntem, Tilapia and Kombe/Nsepe, in the Douala/Kribi-Campo basin.

As at 31st December 2017, no new block was placed, due to the international oil situation characterised by low crude oil prices, which caused a reduction in exploration investments.

Discussions were held between the Cameroon Party and Addax Petroleum Cameroon company to examine conditions for this Operator to carry on with prospecting activities in the domain of former Ngosso permit, subject to a Concession Contract which was signed on 3rd December 2002 and expired on 25th January 2016.

Mining titles

Awards, assignments and withdrawals Bassin Douala/Kribi-Campo

- The Yoyo Production Sharing Contract (PSC) was signed on 1st June between SNH and the Government of Cameroon on the one hand, and US company Noble Energy on the other hand. The Yoyo PSC is a result of the conversion of the Convention of Establishment and Contract of Association applicable to this Concession. The purpose of the Contract is to develop and put on production the gas resources in the Yoyo field which extends to Equatorial Guinea (Yolanda field).
- Glencore Exploration Cameroon Ltd company submitted an application to assign to Gaz du Cameroun (GDC) S.A, all its interests in the Matanda Exclusive Prospecting Authorisation (EPA), to the tune of 75%, AFEX International company being the holder of the remaining 25%. On 21st September, SNH gave a favourable opinion for the assignment, which must be materialised by a presidential decree, pursuant to the law.
- Glencore Exploration Cameroon Ltd company submitted an application to assign to Perenco Rio Del Rey (PRDR), 50% of its rights and obligations in the Bolongo EPA, and transfer of operatorship to PRDR, in view of the development and putting on production in 2018, of Oak field which was discovered 2012. An agreement was reached between the Cameroon Party and the two companies on the field's development plan, as well as the surface area (70.3 km²) of the aforementioned Oak Exclusive Exploitation Authorisation (EEA).

Extensions and renewals Bassin Douala/Kribi-Campo

- On 12th June, the Participation Agreement attached to the Logbaba Concession Contract of 31st May 2001 was signed in regularisation between SNH and the companies Gaz du Cameroun and RSM Production Corporation: SNH: 5%; RSM: 38%; GDC: 57%.
- On 19th June, Amendment no. 1 to the Logbaba Concession Contract of 31st May 2001 was signed in regularisation between SNH and the companies Gaz du Cameroun and RSM Production Corporation. The purpose of the Amendment is to change the names of the Parties to the Contract.



Drilling activities

In 2017, 10 wells were drilled including eight development wells, of which six producing natural gas and two producing oil, one appraisal well and one exploration well.

Name of well	Block	Operator	Measured depth (in m)	Start of drilling	End of drilling/Completion	Results/Initial rate
Appraisal						
PSM-1	Boa-Bakassi	PRDR	1 430	13/01/2017	12/02/2017	Negative
TKM-3	Moabi	PERCAM	1 070	01/07/2017	25/08/2017	1 549 bbl/d
Development						
LA-107	Logbaba	GDC	3 180	01/11/2016	23/09/2017	40-60 million cubic feet of gas/day
LA-108	Logbaba	GDC	2 865	12/11/2016	Suspended	Suspended
ENM103	Lipenja-Erong	PRDR	1 910	11/11/2016	13/01/2017	1500 bbl/d
SSA-6	Sanaga Sud	PERCAM	1 968	12/02/2017	10/05/2017	40 mmscf/d
SSA-7	Sanaga Sud	PERCAM	1 683	03/03/2017	29/04/2017	50 mmscf/d
SSA-8	Sanaga Sud	PERCAM	3 224	07/03/2017	21/06/2017	40 mmscf/d
SSA-9	Sanaga Sud	PERCAM	3 239	11/03/2017	17/07/2017	60 mmscf/d
BJM-03ST	Kita-Edem	PRDR	2 555	25/08/2017	19/11/2017	2 760 bbl/d

Exploration/production investments

In 2017, petroleum investments stood at 253.386* million US\$, of which 27.515 million for exploration in permits, 18.517 million for appraisal in concessions and 207.354 million for new and infill development.

Exploitation and production costs in 2017

Unit exploitation cost:

The annual trend for the average unit exploitation cost for all producing fields is 9.21 US dollars per barrel, as against 7.20 US dollars as realisation in 2016. The main reason for the upward trend is the decrease in production (18%).

Unit production cost:

The projected annual trend of the average unit technical production cost for all producing fields is 25.62 US dollars per barrel. The cost was 20.52 US dollars in 2016. The upward trend is also due to the decrease in production.

* Including closing data for the Logbaba association

Production

Oil production

Crude oil production for the year 2017 stood at 27.726 million barrels, down by 17.69% from 2016.

The decrease was due to the cyclical slowdown in petroleum activities which led to the postponement, even the cancellation of certain projects planned in 2017.

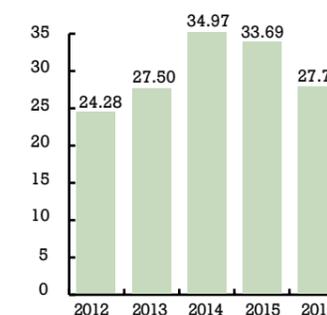
The State and SNH share of liquid hydrocarbons production is 16 376 922.10 barrels in 2017, being 59.06% of the overall production.

Gas production

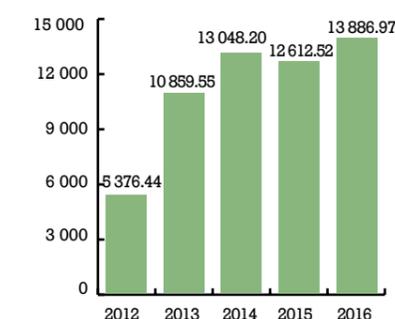
Gas production stood at 13 886.97 million cubic feet (393.24 million m³) in 2017. The production has risen by 10% compared to the preceding year.

The State and SNH share of gas production is 2 923 million cubic feet (82.77 million m³) in 2017, being 21.04% of the overall production.

Evolution of national crude oil production
(In million barrels)



National gas production
(In million standard cubic feet)



Remaining oil reserves

As at 31st December 2017, the remaining oil reserves were estimated at 210.62 million barrels, down by 12.59% compared to 2016. The reason for the drop is the slow-down in petroleum activities resulting from unfavourable international petroleum situation.

Natural gas resources

As at 31st December, natural gas resources were estimated at 6.05 TCF.

Security in operations sites

Actions carried out in this domain were related notably to annual certification of lift equipment by Bureau Veritas on the platforms of RDR, Moudi and Ebome Associations and the continuation of the campaign to restore the integrity of platforms on the exploitation sites.





COMMERCIAL ACTIVITIES

SNH sells the share of national crude oil production accruing to the State, pursuant to the oil contracts in force in Cameroon. It also sells its own share of Cameroonian crude oil grades as well as that of its partners who so request.

The market value of Cameroonian crude oils is determined in relation to the North Sea Brent, as is the case with the prices of most of West African crude oil grades.

The commercial policy implemented by SNH is based on three pillars: direct sales to refiners located in its natural zone of export (consisting of Europe and the Mediterranean region); sales to traders, which make it possible to reach more distant markets (Far East and the Americas) as well as new markets. Calls for tenders are also issued to establish price references and boost sales.

Types of crude oil produced in Cameroon and volumes of cargo

- Kole (30.70° API), sold in 950 000 barrel cargoes;
- Lokele (24.27° API), sold in 650 000 barrel cargoes;
- Ebome (37.86° API), sold in 400 000 barrel cargoes.

Crude oil sales

The quantities of crude oil sold by SNH on behalf of the State stood at 16.818 million barrels, as against 20.510 million barrels in 2016, implying a decrease of 18.00%.

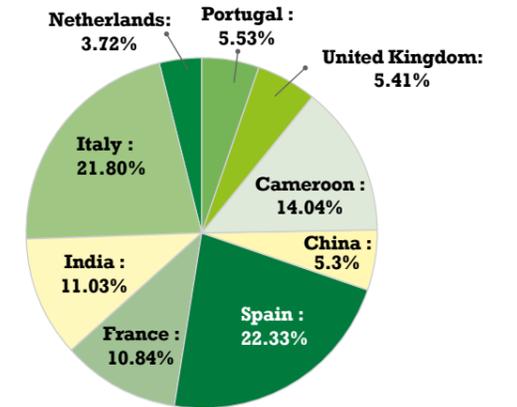
The differentials of Cameroonian crude oil grades stood on average at -0.90 \$US per barrel, as against -2.79 in 2016. Thus,

- ✓ the differential for Kole recorded -0.53 \$/bbl, as against -1.78 in 2016;
- ✓ the differential for Lokélé stood at -1.92 \$/bbl, as against -5.62 \$/bbl in 2016;
- ✓ the premium for Ebome rose to +3.80 \$/bbl, from +3.39 \$/bbl in 2016.

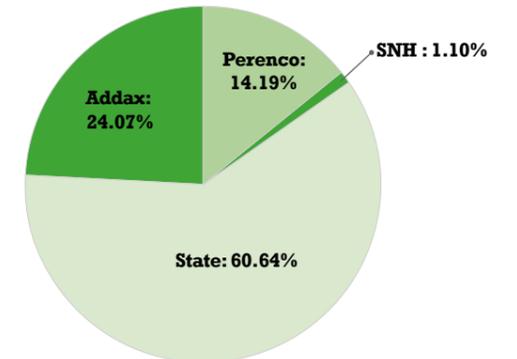
The average selling price of the share of crude oil accruing to the State stood at 53.27 \$/bbl, as against 39.38 in 2016.

The turnover on the crude oil sales for the year stood at 895.870 million US dollars (521.265 billion CFAF), implying an improvement of 10.92% compared to 2016. The reason for this increase is the rise in Dated Brent prices and differentials.

Associates' allocation of oil lifted

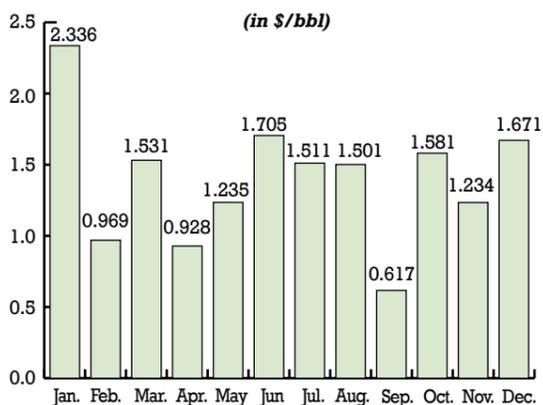


Associates' allocation of oil lifted

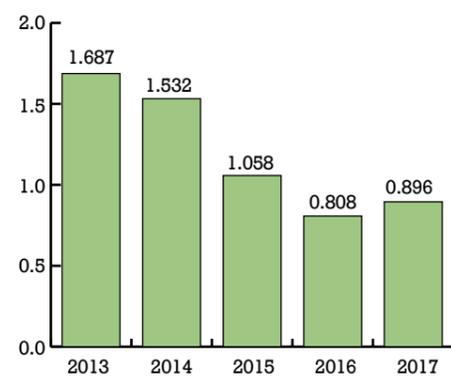




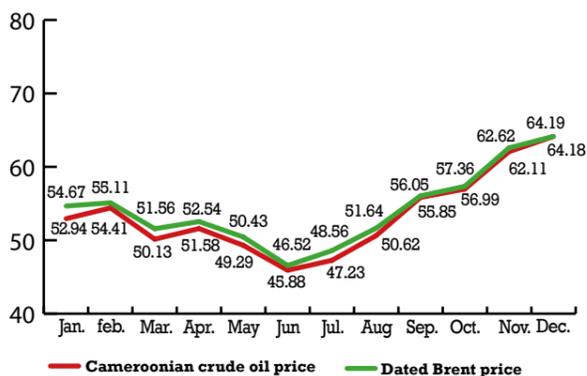
Monthly evolution of prices for Cameroonian crude oil and Dated Brent in 2017
(in \$/bbl)



Turnover of SNH on behalf of the State
(in billion dollars)



Monthly quantities of oil sold on behalf of the State in 2017
(in million barrels)



Natural gas sales

Sales of natural gas by SNH to KPDC recorded an increase of 8.46% to 10 590.830 million cubic feet (mmscf), equivalent to 299.939 million m³. The average price is 2 342.453 euros (1 536 549 CFAF) per million cubic feet.

The income generated for the State, including its quota in the Sanaga South PSC, is 20.373 billion CFAF, showing an increase of 6.69%.

GAS ACTIVITIES

Installation and operation of a floating natural gas liquefaction plant (FLNG): the Hilli Episeyo is moored offshore Kribi since 20th November 2017.

Works to convert the Hilli tanker into a floating liquefaction plant ended on 1st October. The plant was named "Hilli Episeyo", ("Episeyo" meaning "Hope" in the Batanga language), during a ceremony organised on 2nd July 2017 in the Keppel shipyard in Singapore.

Likewise, works to extend the Natural Gas Processing Facility (CPF) at Bipaga, which is operated by Perenco Cameroon, were completed at the end of September 2017, increasing its daily capacity from 60 to 320 million cubic feet.

In addition, the Ministry in charge of the environment issued Certificates of Environmental Compliance on 4th and 5th April 2017, respectively to Golar Cameroon for the operation of the Hilli Episeyo offshore Kribi, and Perenco Cameroon for the operation of new facilities of the Bipaga CPF.

Moreover, the Ministry of Water Resources and energy granted Golar Cameroon a natural gas liquefaction license on 27th April 2017. An LNG export license was also granted in co-ownership to SNH and Perenco Cameroon on 17th October.

Gas supply to industrial companies based in Douala: Three new companies connected to the network

The network to supply natural gas to enterprises based in Douala now extends over a linear 50 kilometers. A total of 36 enterprises are connected, as against 33 in 2016.

The total volume of gas produced and distributed from the start of exploitation of the Logbaba field to 31st December stands at 344 million m³, of which 51.90% was delivered to ENEO for power generation at the Bassa and Logbaba stations, which have a total capacity of 50 MW.



Gas supply to the Kribi thermal station: an increase of 8.46% in KPDC's demand. Gas supply by SNH to KPDC for power generation continued; the operation of the pipeline recorded a cumulative number of 1 773 days without incident. The total volume of gas delivered has risen by 8.46%.

Construction of facilities for the storage and loading of LPG tankers: two LPG storage spheres already 94% built at the Bipaga site. The two spheres, with a capacity of 500 tons each, are dedicated to the storage of LPG production originating from the Bipaga gas processing facilities. The LPG production, 30 000 tons annually, will contribute to reducing imports and the subsidy allocated to this product by the State.



CORPORATE SOCIAL RESPONSIBILITY

Supporting sustainable development

SNH implements a corporate social and sustainable development policy, which is structured around five main areas:

- environmental protection;
- contribution to youth training;
- promotion of Cameroonian culture;
- support to national sporting activities;
- upkeep of the company's human capital.

Environmental protection

- SNH participated from 16th to 21st January in Limbe, in a training session on hydrocarbons pollution organised by the Douala Port Authority. During the session, SNH presented the National Oil Spill Contingency Plan (NOSCP), of which it ensures coordination and implementation.
- The corporation took part from 30th October to 2nd November in London, in the statutory meetings of the International Oil Pollution Compensation Funds (IOPC). During the meetings, two officials of the corporation were reappointed to their respective posts: Samuel Roger Minkeng, Permanent Secretary of the PSMC, as 2nd Vice-President of the 1992 IOPC Fund General Assembly and Eugene Ngango, Assistant Finance Manager, as member of the management control body of IOPC Funds.



Contribution to youth training

- On 31st August, there was partial delivery of works to rehabilitate two classrooms of the Yawanda public school in the Yassoukou canton, where the Mvia onshore oilfield is located.
- The corporation took part in the first edition of Petromines organised from 27th to 29th September, by the Oil and Mines Training and Research Centre of the University of Douala. Two representatives of the corporation delivered presentations on the theme "The future of gas and oil resources in Cameroon".
- On 11th and 12th October, the corporation took part at the National Museum, in the Academic and Professional Guidance Forum (SOAP), known hitherto as "The student's forum". The event was organised by the Ministry of Higher Education under the theme "Guidance, counselling and practice of bilingualism: a strategic option for a successful professional project". The corporation hosted a stand at the event and distributed 1 400 leaflets vulgarizing SNH and its projects as well as oil and gas professions to meet the information needs of the numerous visitors.
- SNH received 40 academic and 80 holidays interns between the months of March and September. The corporation gave them the opportunity to discover and get familiar with the professional world.

Promotion of Cameroonian culture

As part of its contribution to the promotion of national cultural heritage, SNH sponsored events such as the Ngon-do, the Sawa coastal peoples' festival and supported the publishing of the socio-economic, touristic and cultural guidebook of the Bamoun kingdom in the West region of Cameroon. The company also supported the organisation of the 4th edition of the international fashion show named "The K-Walk", which highlights the creative genius of many African designers.



Support to sporting activities

SNH lent support to major sports events:

- the 14th International Cycling Tour of Cameroon, organised from 11th to 19th March; and
- the 17th edition of the Chantal Biya International Cycling Grand Prix, organised from 12th to 15th October and won by the Captain of SNH Cycling Club, Clovis Kamzong Abossolo.

Moreover, like every year, SNH organised the golf tournament named "SNH race" at the Yaoundé Golf Club.

Actions for the well-being of workers

Workers are a major concern for SNH. The corporation ensures that they have adequate working conditions at the professional, health, safety and infrastructural levels. In 2017, the corporation notably made available the following:

- company medical doctors and health insurance coverage for all workers;
- organisation of an annual medical check-up;
- organisation of educational talks on blood donation and investing.

Moreover, 65 deserving workers of the 2015, 2016 and 2017 batches received 70 Labour medals of honour on 13th October at the Yaoundé Conference Centre.



Various celebrations were also organised all along the year: New Year wishes ceremony, Labour Day, International Womens Day, Mother's Day, Christmas tree ceremony for workers' children.

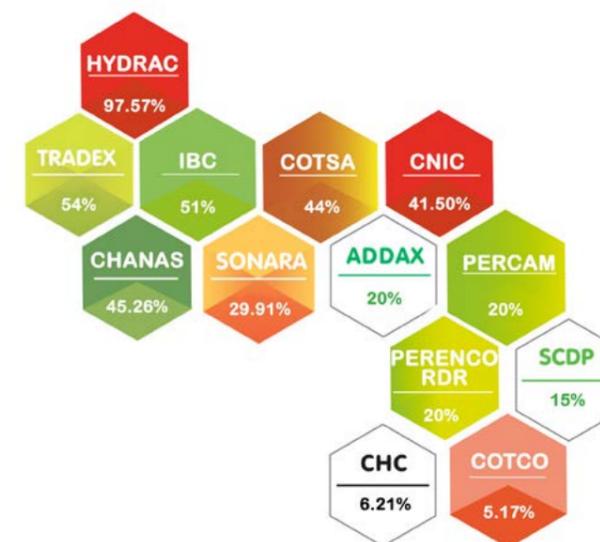
On another level, two corporate organisations contribute permanently to the well-being of workers:

- The Solidarity Fund of SNH Group Personnel gives different forms of assistance during happy and sad events.
- The Hydrocarbons Sports and Cultural Association (ASCH), serves as a recreational framework by organising sports, cultural, and leisure activities throughout the year, such as the tourism excursion in South Cameroon, held from 14th to 16th July.



**Portfolio management
SNH, a diversified group**

SNH has diversified its activities since 1994. As at 31st December, 2017, it holds shares in 13 companies operating in the petroleum, para-petroleum and related sectors.



Branch of activity	Company
Crude oil transportation	Cameroon Oil Transportation Company (COTCO)
Hotel industry	Cameroon Hotels Corporation (CHC-Hilton)
Storage of petroleum products	Cameroon Petroleum Depots Company (SCDP)
Exploration/production	Addax Cameroon Perenco Rio Del Rey Perenco Cameroon
Insurance	Chanas Assurances S.A.
Crude oil refining	National Refining Company (SONARA)
Ship repair	Cameroon Shipyard and Industrial Engineering (CNIC)
Storage of crude oil	Cameroon Oil Terminal (COTSA)
Steel and industrial metals	International Business Corporation (IBC)
Trading	Société de trading et d'exportation de pétrole brut et des produits pétroliers (TRADEX) S.A.
Quality control	Hydrocarbures-Analyses -Contrôles (HYDRAC)

In 2017, gross dividends received from share companies amounted to 25.509 billion CFAF, as against 15.867 billion CFAF in 2016, implying an increase of 60.77%. The dividends were paid by Addax, Perenco Rio Del Rey, Cotsa, Cotco, Tradex, Chanas Assurances S.A, Hydrac and CHC-Hilton.

**Perenco Cameroon (PERCAM)
Results up 255%**

The accounts closed on 31st December 2017 show a profit of 3.440 million US dollars, as against a loss of 2.216 million US dollars in 2016.

No dividend was paid for the 2016 financial year.

**Cameroon Oil Transportation Company S.A. (COTCO)
Results up 28.81%**

The accounts closed on 31st December 2017 show a net profit of 37.819 million US dollars, as against 29.360 million US dollars in 2016.

A net dividend of 79.30 US dollars per share was paid to the shareholders for the 2016 fiscal year.

International Business Corporation (IBC S.A)

In view of the negative financial situation of the company, the Wouri Court of High Instance pronounced its liquidation on 11th December 2017.

**Perenco Rio Del Rey (PRDR)
Results slightly up by 1.46%**

The accounts closed on 31st December 2017 show a net profit of 46.610 million US dollars, as against 47.304 million US dollars in 2016.

A net dividend of 300 US dollars per share was paid to the shareholders for the 2016 fiscal year.

**Cameroon Oil Terminal S.A. (COTSA)
Results down by 8.53%**

The accounts closed on 31st December 2017 show a net profit of 23.453 million US dollars, as against 25.640 million US dollars in 2016.

A net dividend of 27.80 US dollars per share was paid to the shareholders for the 2016 fiscal year.



FINANCIAL ACTIVITIES

Cameroon Hotels Corporation S.A (CHC-HILTON)

Results down by 29.49%.

The accounts closed on 31st December 2017 show a net profit of 511.120 million CFAF, as against 724.918 million CFAF in 2016.

A net dividend of 208.75 CFAF per share was paid to the shareholders for the 2016 financial year.

Chanas Assurances S.A

Results down by 24.55%

The accounts closed on 31st December 2017 show a net profit of 211.862 million CFAF, as against 280.806 million CFAF in 2016.

A net dividend of 6 680.13 CFAF per share was distributed to shareholders for the 2016 financial year.

Following the repurchase of shares owned by OGAR company, SNH's participation in the capital of Chanas has increased from 25.94% to 45.26%, implying an increase of 74.48%.

Hydrocarbures-Analyses-Contrôles (HYDRAC)

Results slightly up by 3.86%

The accounts closed on 31st December 2017 show a net profit of 423.520 million CFAF, as against 407.780 million CFAF in 2016.

A net dividend of 357.18 CFAF per share was paid to the shareholders for the 2016 financial year.

Société Camerounaise des Dépôts Pétroliers (SCDP)

Results up 67.70%

The accounts closed on 31st December 2017 show a profit of 536.180 million CFAF, as against 319.729 million CFAF in 2016.

As the company's financial situation does not permit it to raise the necessary funds for its investments, no dividend was distributed for the 2016 financial year.

Cameroon Shipyard and Industrial Engineering S.A (CNIC)

At the time of drafting of this report, the General Assembly session to approve the accounts closed on 31st December 2017 had not yet been held.

No dividend was paid for the 2016 fiscal year

National Refining Company Ltd (SONARA)

Negative result but improved by 5.54%

The accounts closed on 31st December 2017 show a loss of 29.300 billion CFA francs, as against 31.024 billion CFA francs in 2016.

No dividend was paid for the 2016 fiscal year

Société de Trading et d'Exportation de pétrole brut et des produits pétroliers (TRADEX) S.A.

Results up 39.84%.

The accounts closed on 31st December 2017 show a net profit of 11.080 billion CFAF, as against 7.923 billion CFAF in 2016.

A net dividend of 4 683,80 CFAF per share was paid to the shareholders for the 2016 financial year.

Addax Petroleum Cameroon Company S.A. (ADDAX)

Results up 117.05%

The accounts closed on 31st December 2017 show a net profit of 70.412 million US dollars, as against 32.440 million US dollars in 2016.

A net dividend of 37 500 US dollars per share was paid to the shareholders for the 2016 financial year.



Synthesis of operations on State-mandated activities

Operations items	Quantities		Amount	
	Bbl (million)	Scf (billion)	USD (million)	Fcfa (billion)
Details				
Production share accruing to the State	16.385	2.922		
1) Production sold	16.818	2.872	905.582	526.886
Average exchange rate US\$/CFAF				581.853
Average official price (USD/Bbl)				53.268
Gas selling price (XAF/Thousand SCF)				1 536.549
2) SNH commitments			305.410	177.802
2.1 SNH commitments/Associations			243.035	141.293
a) Operating costs			95.827	55.614
b) Sanaga South exploitation/development			20.600	11.975
c) Dissoni North exploitation/development			2.555	1.472
d) Appraisal/development (Rio Del Rey + Lokele)			45.719	26,483
e) Iroko exploitation/development			13.918	8.010
f) Moudi and Ebome development			0.000	0.000
g) Royalties			64.416	37.739
2.2 Other SNH commitments			62.375	36.509
a) Gas projects			16.863	9.812
b) Inspection costs			0.327	0.191
c) Security stocks			0.769	0.451
d) African Petroleum Producers Association (APPA)			0.127	0.072
e) Securing of petroleum operations			9.019	5.217
f) Other decommissioning provisions			12.100	7.038
g) Chad/Cameroon pipeline			3.232	1.864
h) Other expenses			19.939	11.864
2.3 LNG Project			0.000	0.000
3) Transfers to the Public Treasury			600.172	349.084

In the accounting and financial aspects, SNH's activities are divided as follows:

- **Activities pertaining to the mandate given by the State, based on the management of the latter's interests in the hydrocarbons sector.** The funds are derived from the sales of crude oil and gas, expressed in US dollars and in Euros.
- **Activities pertaining to the management of the company.** Income is derived from dividends paid by subsidiaries, interest generated by investments of cash surpluses, as well as sales of the share of crude oil accruing to SNH.

State-mandated activities

Highlight

There was a decrease of 19.86% in transfers to the State, which stood at 349.084 billion CFAF in 2017, as against 291.244 billion CFAF in the preceding year.

Activities related to Associations

Indicators for the calculation of the balance transferable into the Public Treasury:

- Share of oil production accruing to the State: 16.385 million barrels, as against 20.034 million barrels in 2016;
- Share of gas production accruing to the State: 2.922 billion standard cubic feet (scf) as against 2.946 billion scf in the preceding year;
- Oil production sold accruing to the State: 16.818 million barrels as against 20.510 million barrels in 2016;
- Gas production sold accruing to the State: 2.872 billion scf, compared to 2.656 billion scf in the preceding year;
- Average rate of the US dollar: 1 dollar = 581.853 CFAF;
- Average official price of the crude oil barrel: 53.268 US dollars compared to 39.380 US dollars in 2016;
- Total revenue (crude oil and natural gas sales): 905.582 million US dollars, equivalent to 526.886 billion CFAF, compared to 816.305 million US dollars, being 483.302 billion CFAF in 2016;
- Expenditure on oil and gas activities borne by the State: 177.802 billion CFAF, compared to 192.058 billion CFA in the preceding year;
- Transferable balance: 349.084 billion CFAF, compared to 291.244 billion CFAF in 2016.

Activities related to SNH management

Highlight

There was an increase of 60.77% in gross dividends collected from share companies on account of the 2016 fiscal year, which stood at 25.509 billion CFAF, as against 15.867 billion CFAF collected in 2016 on account of the 2015 fiscal year.

Income statement

The net result for the year (after corporation tax) recorded an increase of 5.317 billion CFAF in absolute terms and 99.63% in relative terms, to stand at 10.654 billion CFAF, as against 5.337 billion CFAF in 2016. This situation is due to the strong increase in the dividends received from share companies and higher turnover.

Dividend paid to the State

SNH paid a gross dividend of 4 billion CFAF to the State in 2017.

Tax paid

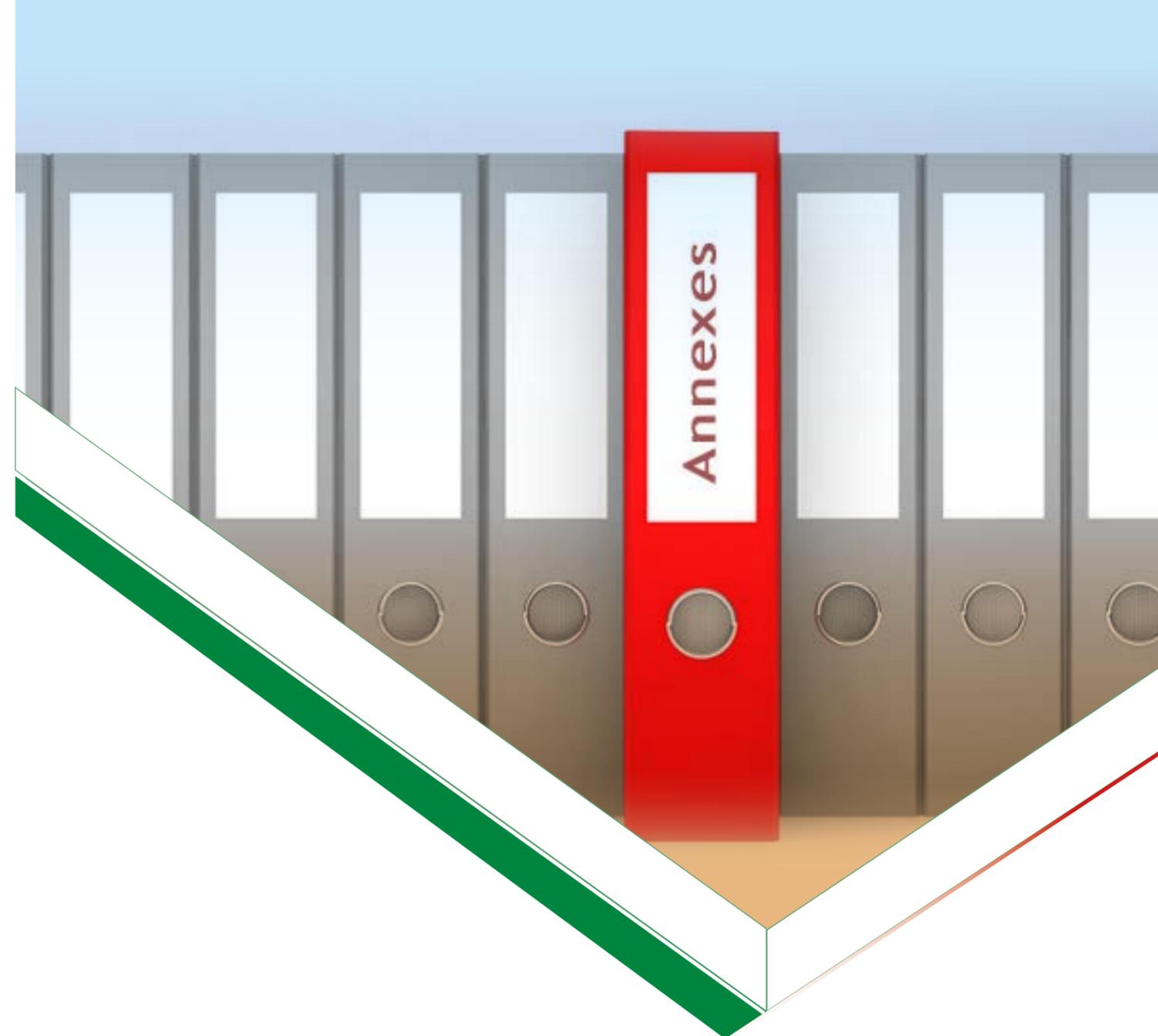
SNH paid 3.395 billion CFAF as corporation tax, compared to 1.128 billion CFAF for the 2016 fiscal year, implying an increase of 2.267 billion in absolute terms and 200.97% in relative terms.

Comparative consolidated balance-sheets (in million CFAF)

Assets	2016	2015	%	Liabilities	2016	2015	%
Net capital assets	316 625	324 073	-2.30	Stable resources	373 839	368 275	1.51
Current assets	265 660	296 328	-10.35	Current liabilities	282 385	307 321	-8.11
Assets account	146 507	146 153	0.24	Funds liabilities	72 568	90 958	-20.22
Total	728 792	766 554	-4.92	Total	728 792	766 554	-4.92
				Result of group's share	-712	-6 886	89.66

Consolidated and comparative profit and loss accounts (in million CFAF)

Item	2016	2015
Operating result	19 674	8 855
Financial result	-8 817	-10 088
Result of ordinary activities	10 857	-1 233
Result excluding ordinary activities	-283	-131
Share and taxes	-12 799	-14 857
Net result of integrated companies	-2 331	-15 212
Result of companies equivalence	5 207	10 098
Consolidated net result	2 876	-5 114
Minority interest/Result	3 588	1 772
Net result: group's share	-712	-6 886



APPENDICES

Procedures for awarding oil contracts

According to the provisions of article 5 of decree no. 2000/465 of 30th June 2000 setting conditions for implementing law no. 99/013 of 22nd December 1999 on the Petroleum Code, there are two methods of awarding a free block for the signing of a Petroleum Contract:

The **procedure for awarding a block by call for tenders**, which is limited in time and follows several steps.

- publication of Terms of Reference (TOR) of the blocks on promotion in specialised magazines as well as the website of SNH;
- organisation of sessions to review technical data on the prospectivity of the blocks (data rooms) at the SNH head office in Yaoundé as well as in the major petroleum capitals of Houston (USA) and London (UK);
- submission of bids;
- opening of bids at the SNH head office by the Permanent Commission for Checking and Evaluation of Bids, in the presence of bidders or their representatives;
- analysis of bids by the above-mentioned Permanent Commission, which sees to it that the bidding companies have the technical and financial capacities to conduct hydrocarbons prospecting and production activities in Cameroon;
- publication of results and notice to the bidders;
- negotiation of an oil contract between the preferred bidder and the Permanent Commission for the Negotiations of Oil and Gas Contracts, comprising a team of representatives of SNH and the Ministries in charge of Mines, Energy, Finance, Economy, Trade and Environment.

The **procedure by mutual agreement**, which is valid throughout the year and almost similar to the one by call for tenders, except for the following items :

- publication of TORs of the blocks on offer is labelled "Consultation by mutual agreement" instead of "Open International Call for Tenders";
- each bid received is immediately opened and evaluated by the Permanent Commission for Checking and Evaluation of Bids for the award of mining titles, and the results are made known to the bidder.

Note: Bids are received from oil companies (as defined by article 2p of law no. 99/013 of 22nd December 1999 on the Petroleum Code). Nevertheless, several companies, of which at least one must be an oil company as defined by the Petroleum Code, may come together within the framework of a consortium and bid for a given block. The consortium shall name one of the companies as operator, i.e. an oil company which is given the responsibility to lead and conduct oil operations.

The operator is bound to have proven experience in the conduct of petroleum operations, notably in zones and conditions similar to the solicited block and regarding environmental protection.

Accounting principles and standards applied

The accounts of the 2017 fiscal year are settled in accordance with generally accepted accounting standards and principles, and provisions of the OHADA Accounting Law. The general presentation of these accounts also respects the specific features of SNH and the hydrocarbons sector.

Method to assess share certificates

Share certificates held in subsidiaries are recorded as financial fixed assets, in the account "share certificates" and bear their value of acquisition. However, a provision for depreciation of securities is set up as soon as the mathematical value of a subsidiary's shares becomes lower than their value of acquisition.

Method to amortise investments

Investments appear on the balance sheet at their historic cost in CFA Francs or equivalent at the rate of the foreign currency concerned as of the date of acquisition; they are amortised following the straight-line amortisation method, pursuant to law No 2002/003 of 19 April 2002 on the General Tax Code of the Republic of Cameroon, which defined the amortisation rates to be applied for the different investments (capital expenditure), and to the provisions of Convention of Establishment signed between SNH and the State of Cameroon.

Research and Development Costs

The costs incurred in studies and hydrocarbons prospection works are recorded in the intangible fixed assets. Their accounting treatment is as follows:

Research expenses recorded under outstanding fixed assets are not subject to amortisation before the end of research work. Their depreciation is ascertained only when production begins in the related field;

Development expenses concerning producing fields, and which for this reason are subject to depreciation, are amortised at the end of each fiscal year.

Hydrocarbons stocks

Crude oil stocks are assessed and recorded at production cost.

Accounting procedure

Operations related to associations (or State-mandated operations)

The treatment of operations related to the Rio Del Rey, Lokele, Moudi, Ebome Marine, Dissoni, Sanaga South and Iroko associations is based on a call for fund system. The consolidated use of these funds in an invoice is allocated into capital expenses or capital costs, operating costs and variation of consumables stocks.

Funding of association expenses

Association expenses are funded by each partner based on a quota system and recorded in the accounts of the operator partner, against a cash account.

The outstanding debts are recorded in the accounting invoice which gives details of the use of funds originally called and their allocation into cost of capital, operating costs and variation of consumables stocks.

For permits under exploration, the funding method is the same and the related expenses, which are recorded as outstanding fixed assets, are subject to transfer either into tangible fixed assets accounts

or intangible fixed assets accounts at the end of works.

Moreover, the partners may decide to fund works by means of one or several loans; in this case, the repayment by each partner of its quota done through a debt service.

Remuneration of partners or Profit Oil

The remuneration of partners, which is determined pursuant to the provisions of the contract of association, is based on a right to oil (production share). The share received by SNH as the State's agent is recorded under "Sales of manufactured products".

Operations related to the management of SNH

In addition to its own interest in exploration/production activities, SNH also holds shares in companies with related activities and invests fund surpluses that yield dividends and interests. In addition, SNH is the operator of the Mvia field since the end of 2013.

Fiscal procedure

Operations related to associations (or State-mandated operations)

Income received from the sale of crude oil by SNH as the State's agent is not subject to corporation tax.

Operations related to the management of SNH

Pursuant to the provisions of the contract of association relating to Ebome Marine and Moudi concessions, the production

shares that accrue to SNH as partner are subject to a tax rate of 38.5% for Ebome and 57.5% for Moudi. The share of production accruing to SNH Management within the framework of the exploitation of Mvia field is subject to a corporation tax rate of 38.5%.

As for the proceeds accruing from the management of subsidiaries and remuneration of investment surpluses, which include dividends and interests received, they are subject to the common law regime and a tax rate of 33%.



Mandate of the State

Statutory auditor's report on financial statements

Year ended 31st december 2017

To the Board of Directors of the National Hydrocarbons Corporation

Dear Board Members,

In fulfilment of the assignment entrusted to us, we hereby present to you our audit report on the annual financial statements of the NHC – Mandate of the State component, for the financial year ended 31st December 2017. The annual financial statements comprise the balance sheet, the income statement, the cash flow statement, and the annexed statement. It is the responsibility of the management of NHC to prepare the financial statements. Our responsibility is to issue an opinion on these financial statements based on our audit.

Our audit was carried out according to the International Standards on Auditing (ISA) and the professional standards applicable in Cameroon. It involved tests of controls, sampling methods and other audit procedures we deemed necessary to express an opinion on the true and fair view of the annual financial statements.

The financial statements we audited present the following significant figures:

In million of CFA Francs	2017	2016
Balance-sheet total	976 225	1 093 186
Sales revenue	544 877	501 120
Net profit (before transfers into the public treasury)	275 328	150 920
Net cash	367 027	407 131

1. Confirmation of independence

We confirm that we are independent of the National Hydrocarbons Corporation (NHC – Mandate of the State component), in accordance with the code of ethics for professional accountants by the International Ethics Standard Board for Accountants (IESBA) and we have fulfilled every other ethical requirement by all relevant provisions.

2. Our methodological approach

We audited the accompanying financial statements of the National Hydrocarbons Corporation which present information on the operations under State Mandate. We performed our audit according to the generally accepted standards on audit which require the use of audit procedures that enable us to provide reasonable assurance that the financial statements do not present any material misstatements.

An audit consists in examining by sampling methods, evidence supporting the information contained in the financial statements. It also involves an assessment of the accounting principles applied, the validity of the significant estimates made, and the overall presentation of the financial statements.

We carried out the following audit procedures:

An assessment of the internal controls and procedures at the NHC with the aim of identifying potential risk areas and possible errors within the financial statements on the one hand, and on the other hand, to determine the timing and extent of the samplings to be carried out on the financial statements;



Portfolio Management

Statutory Auditor's Report Financial Statements

Year ended December 31st, 2017

Addressed confirmation letters to third parties in business with the corporation, mainly the banks, clients, suppliers, legal counsels, insurance companies, and partnerships;

Performed our audit of the financial statements after identifying and evaluating the risk of error in every account or group of accounts.

3. Conclusions of our engagement

3.1. Evaluation of the internal control procedures

We carried out an evaluation of the accounting procedures and the internal control system to assess the reliability of the accounting entries and financial information. This was done with the aim of determining the nature, extent and timing of the audit procedures required to issue our opinion on the annual financial statements. The assessment did not necessarily identify all the weaknesses that a specific and more detailed study would reveal.

Following our evaluation of the internal control system, we did not find any significant weakness.

3.2 Control of accounts

Our audit of the financial statements for the year ended 31st December 2017 did not reveal any material misstatements.

3.3 Opinion on the financial statements

We believe that the audit procedures we used provide a suitable basis for the opinion presented here below.

In our opinion, the annual financial statements present fairly, in all material respect, the financial position of the company at December 31st, 2017, and its financial performance and its cash flows for the year then ended in accordance with accounting principles prescribed by the OHADA Uniform Act on organization and harmonization of accounting systems of commercial companies member States and with accounting rules and methods generally applied by companies operating in oil and gas activities at the exploration/production stage.

**The Statutory Auditor
CAMEROON AUDIT CONSEIL**

Jérôme MINLEND

Douala, 11th July 2018

To the Board of Directors

In our capacity as statutory auditor, we present below our report on:

- The accompanying financial statements of NATIONAL HYDROCARBONS CORPORATION (NHC), Portfolio Management and,
- The specific procedures and disclosures prescribed by law, for the period ended December 31st, 2017.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. Audit of financial statements

1.1. Opinion

We have audited the financial statements of NATIONAL HYDROCARBONS CORPORATION (NHC) – Portfolio Management, which comprise the balance sheet, the income statement, the statement of cash flows and the annexed statement for the year ended December 31st, 2017.

In our opinion, the financial statements of NHC Portfolio management present fairly, in conformity with generally accepted accounting principles, the financial position of the company at December 31st, 2017, and the results of its operations for the year then ended.

1.2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cameroon, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

1.3. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matters.

1.4. Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and the fair presentation of the financial statements in accordance with rules and provisions as specified by the OHADA Uniform Act on Organization and Harmonization of accounting systems of commercial companies in member States, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

1.5. Auditor's responsibilities for the audit of financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

2. Specific audit procedures and disclosures

We have carried out specific audit procedures required by law in Cameroon. We do not have any special point to raise as for the truth and fair view, or the conformity of the information provided to the Board of Directors on the financial statements with the said financial statements.

OHADA Accounting System

The Council of Ministries of the Organization for the Harmonization of Business Law in Africa adopted on January 26th, 2017, the Uniform Act on Accounting Law and Financial Reporting (AUDCIF or SYSCOHADA, its commonly used acronym in French language).

The new SYSCOHADA aims at ensuring proper "collection, recording, control, presentation and communication by entities, of financial information prepared under fair, comprehensive and comparable conditions". The SYSCOHADA has entered into force on 1st January 2018 for personal accounts (both physical and moral entities), and on January 1st, 2019 for the consolidated financial statements, combined accounts and financial statements prepared in accordance with IFRS.

Note that the NHC, Portfolio Management is concerned with the provisions of the SYSCOHADA, and they apply to your company as from January 1st, 2018. The predictable effect will be the change in the method of recording certain transactions and the presentation of financial statements as at December 31st, 2018.

**The Statutory Auditor
CAMEROUN AUDIT CONSEIL**



Jérôme MINLEND
May 2nd, 2018



National Hydrocarbons Corporation (SNH)

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