

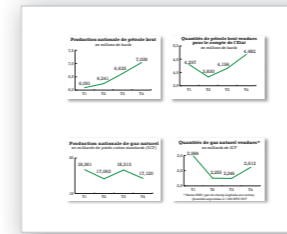


Annual report of the
National Hydrocarbons Corporation

2019: **A perceptible upturn**



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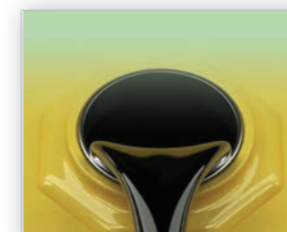
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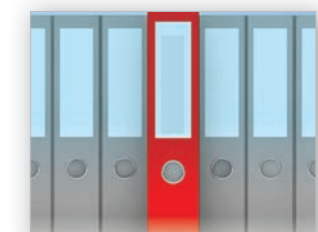
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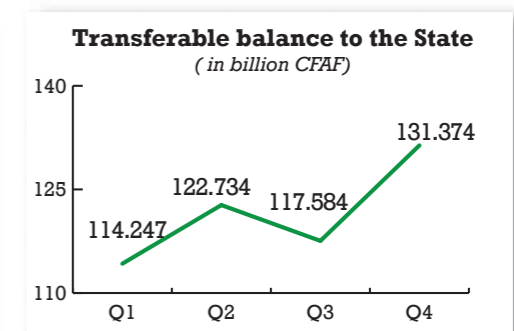
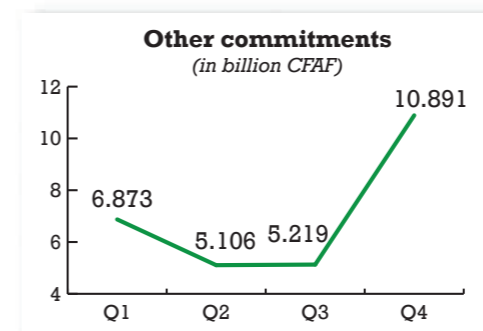
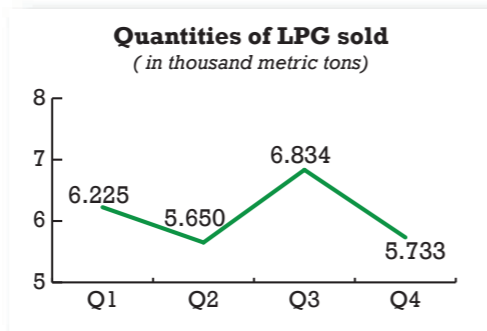
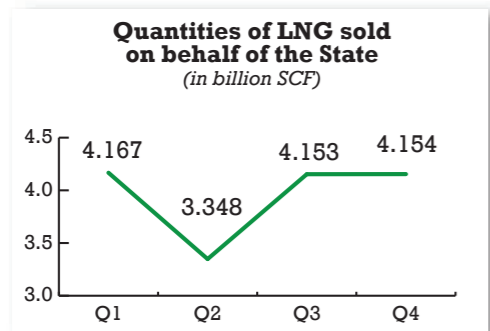
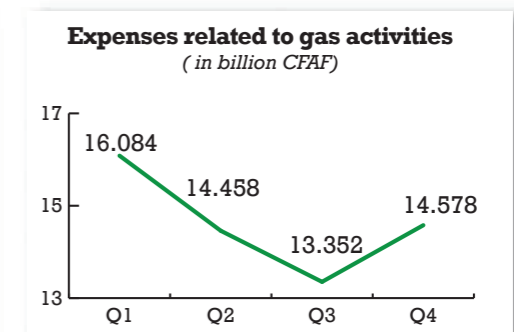
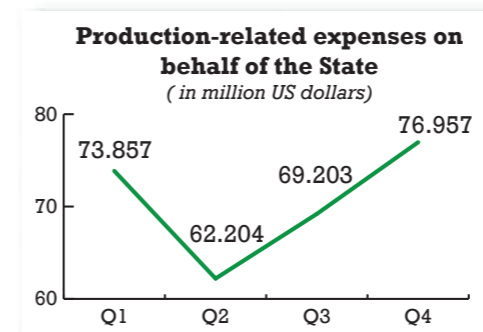
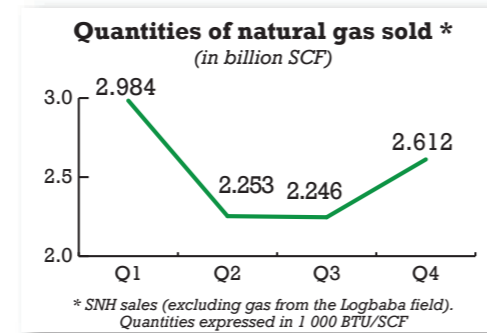
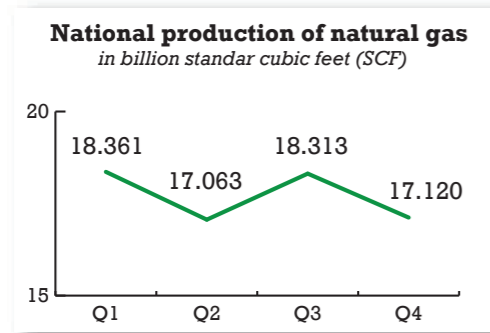
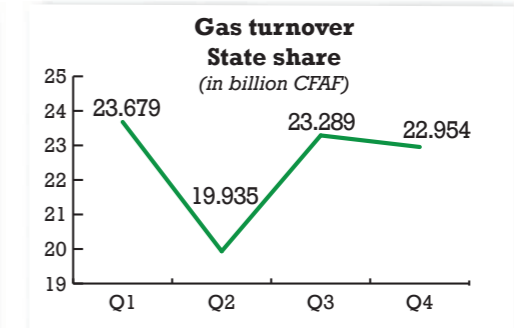
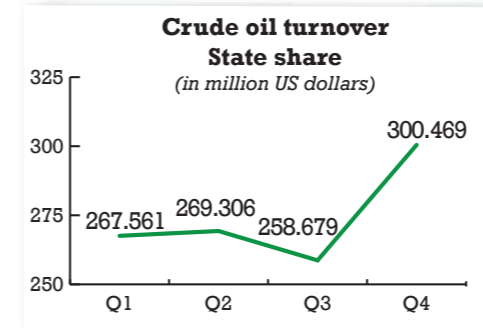
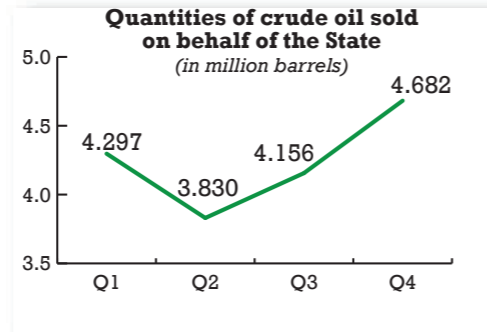
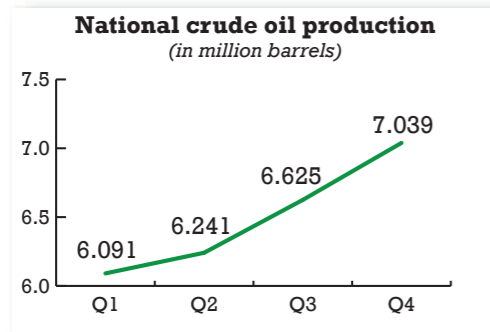


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Overview



Overview

Acronyms and abbreviations

APCC	:	Addax Petroleum Cameroon Company
APCL	:	Addax Petroleum Cameroon Limited
APPO	:	African Petroleum Producers' Organisation
BEAC	:	Bank of Central African States
BBL	:	Barrel
BCF	:	Billion Cubic Feet
BTU	:	British Thermal Unit
CEMAC	:	Central African Economic and Monetary Community
CEO	:	Chief Executive Officer
CSST	:	Occupational Health and Safety Committee
DKC	:	Douala-Kribi/Campo (Cameroonian sedimentary basin)
ECB	:	European Central Bank
EEA	:	Exclusive Exploration Authorisation
EITI	:	Extractive Industries Transparency Initiative
EXA	:	Exclusive Exploitation Authorisation
FED	:	Federal Reserve System
FLNG	:	Floating Liquefied Natural Gas
GDC	:	Gaz du Cameroun
HSE	:	Health, Safety and Environment
IOPC Funds	:	International Oil Pollution Compensation Funds
IPIECA	:	International Petroleum Industry Environmental Conservation Association
JKM	:	Japan Korean Marker (GNL spot market value in North-East Asia)
KPDC	:	Kribi Power Development Company
LNG	:	Liquefied Natural Gas
LPG	:	Liquefied Petroleum Gas
MT	:	Metric Ton
OHADA	:	Organisation for the Harmonisation of Business Law in Africa
PERCAM	:	Perenco Cameroon
PRDR	:	Perenco Rio Del Rey
PSC	:	Production Sharing Contract
PSMC	:	Pipeline Steering and Monitoring Committee
RDR	:	Rio Del Rey
SCF	:	Standard Cubic Feet
SCGPL	:	Storage and Loading of LPG tankers
TCF	:	Trillion Cubic Feet
USD (\$)	:	American dollar

PRESENTATION OF THE NATIONAL HYDROCARBONS CORPORATION



SNH: Representative of the State of Cameroon for the development of hydrocarbons

SNH is a public capital corporation with the State as its sole shareholder. It was created on March 12, 1980, to manage the interests of the State in the hydrocarbon sector. SNH has financial autonomy and is governed by Law No. 2017/011 of July 12, 2017 to lay down the general rules and regulations governing public corporations in Cameroon, in alignment with the OHADA law.

In carrying out its missions, SNH:

- conducts studies related to hydrocarbons;
- collects and stores related information;
- demarcates and promotes free blocks of the national mining domain;
- conducts negotiations of oil and gas contracts, in cooperation with the ministries in charge of Mines, Finance, Energy, Economy, Trade and Environment;
- concludes, as necessary, agreements with companies established in Cameroon, operating in the field of production, transport, distribution, processing or storage of hydrocarbons;
- monitors the implementation of oil and gas contracts signed between the State and companies operating in the hydrocarbon sector;



In addition to its core activities, SNH manages the security stocks of petroleum products, to guarantee the country's supply in case of major unforeseen events.

To carry out its missions, SNH can open branches, offices, agencies, counters and depots in Cameroon or abroad.

- develops and operates, in association or at its own risk (sole risk), oil and gas fields;
- oversees the management of associations, in a bid to control oil costs;
- promotes infrastructure creation for the production, transportation, processing and storage of hydrocarbons on the national territory;
- collects natural gas from producing companies and transports it to industries, electricity producers, other eligible customers, distribution companies and processing plants, where appropriate;
- contributes to the achievement of gas projects aiming, at the national level, at developing the gas market (power generation, supply of natural gas to industries and LPG production) and at the international level, the export of Cameroonian liquefied natural gas (LNG);
- monitors crude oil loading operations at terminals;
- markets the State's share of national hydrocarbon production;
- transfers to the Treasury, after deduction of charges, revenues from hydrocarbon sales, which contribute to funding of the State budget.

SNH is also empowered to conduct all financial operations.

Participatory management by objectives

SNH carries out its missions on the basis of a five-year development plan, broken down into annual action plans. They are developed with the participation of workers from the different Units of the company.

The company has adopted various regulations to govern its operations. Thus, procedures are codified and the related texts are gathered in a specific manual and a regulatory file. The system is completed by internal regulations, whose strict application ensures social harmony.

A Code of Ethics, which governs relations between employees, and between them and SNH's partners, service providers and any other public, completes this regulatory framework.

On another level, an internal management control system has been implemented, supported by a state-of-the-art IT tool. Concurrently, audits are regularly carried out by external firms of established reputation.



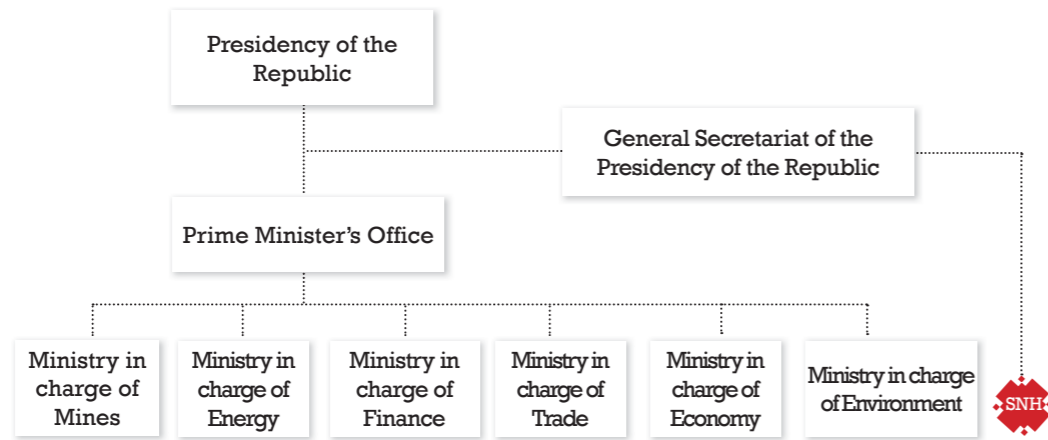
Traceability and transparency of operations

Contracts are negotiated in accordance with the Cameroonian Oil and Gas Codes, based on models aligned with the standards of the International Association of Petroleum Negotiators (IAPN). These Codes provide for three types of oil contracts: the Concession Contract (CC), the Production Sharing Contract (PSC) and the Risk Service Contract (RSC). The rate of State participation in the event of a commercial discovery is specified therein, as well as the work programs, the investments to be made and the provisions for the development of local skills.

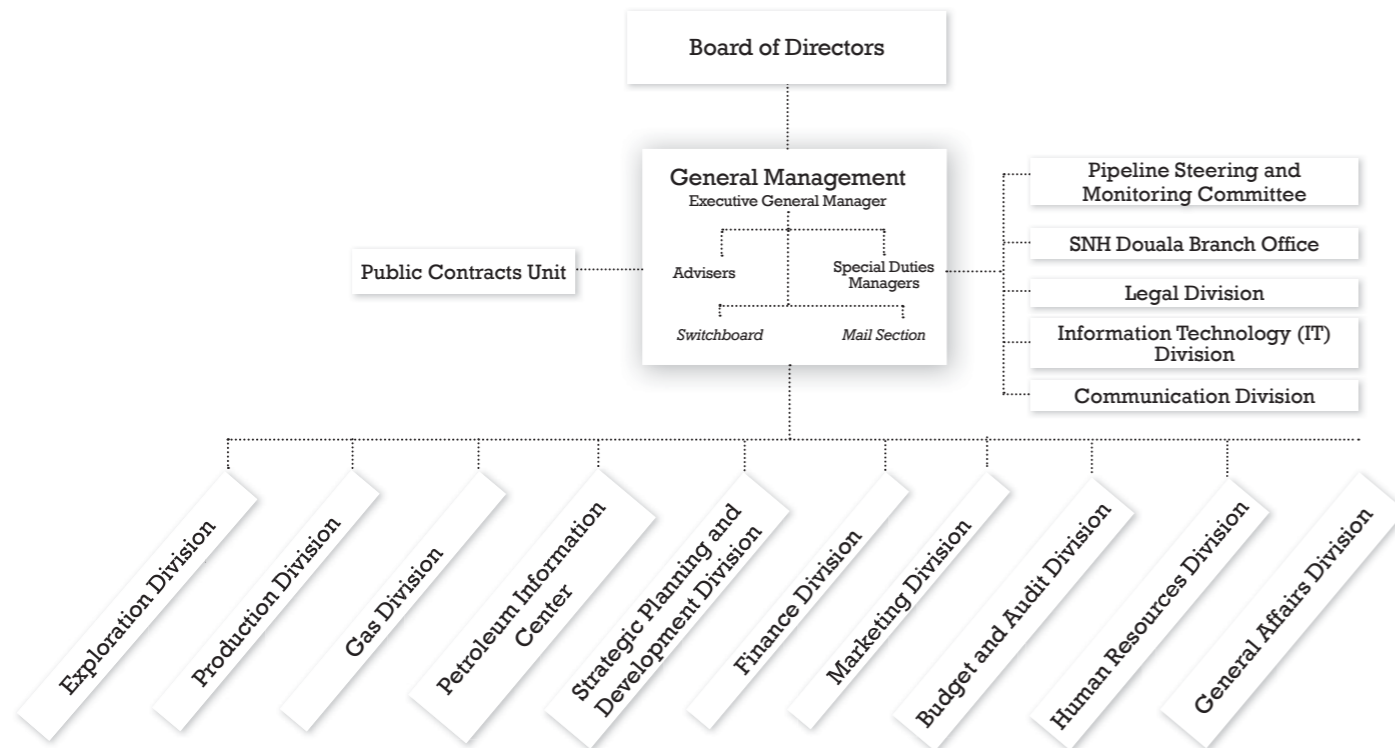
SNH publishes all key figures relating to its activities (investments, production, turnover, transfers to the State) in its external publications, including its website (www.snh.cm) and other mass media.

The publication of this data is in accordance with the principles of the Extractive Industries Transparency Initiative (EITI), which Cameroon joined in 2005. SNH is a member of the National Monitoring Committee of this initiative.

The institutional ties of SNH



Organisation chart of SNH



Members of the Board of Directors*



Ferdinand Ngoh Ngoh
Board Chairman
Minister of State, Secretary General of the Presidency of the Republic



Adolphe Moudiki
Executive General Manager



Okie Johnson Ndoh
General Manager
Hydrocarbons Prizes Stabilization Fund



Modeste Mopa Fatoing
Director General of Taxation
Ministry of Finance

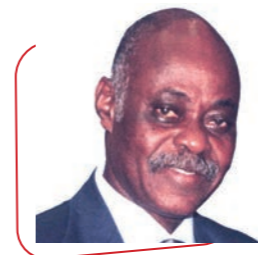


Serge Hervé Boyogueno
Director of Mines
Ministry of Mines, Industry and Technological Development



Lilian Nabola Efenge
Special Duties Director at the
Prime Minister's Office

Personalities appointed by the President of the Republic



Jules Mana Nschwangele
Elite of the Ocean Division
(South Region)



El Hadj Lawan Bako
Elite of the Boyo Division
(North-West Region)

* As at 31 December 2019

Human resources

Controlled staff levels

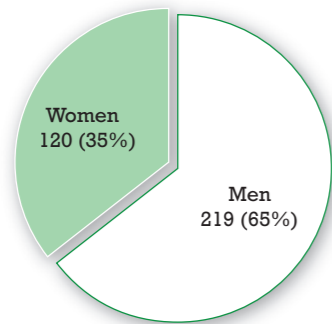
As at 31 December, SNH employed 339 workers, including 257 at the head office in Yaoundé, 38 at the SNH Douala Branch Office, 16 at the Bipaga/Mpolongwe gas pipeline site, 15 at the Bipaga liquefied petroleum gas (LPG) depot, four at the Mbanga Bakoko oil and gas drilling sample storage site, four at the Mvia oil production site and five workers on secondment.

In addition, 12 workers went on retirement.

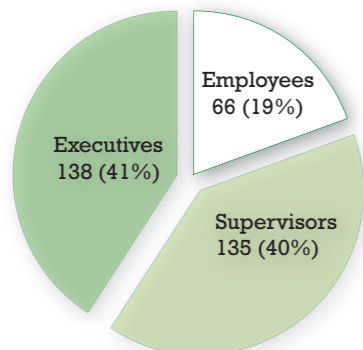
SNH recruited 21 new workers with the aim of replacing retired workers on the one hand, and meeting the needs induced by the development of its activities on the other hand.



Staff distribution according to gender



Staff distribution according to socio-professional categories



Continuous training, for better performance

The implementation of the company's training plan enabled in 2019, capacity building of 165 workers in various areas, including contract negotiation, cost management in exploration & production, business law, financial management and cyber security.

ECONOMIC SITUATION



An oil market impacted by the slowdown in economic growth

In 2019, the global economy was notably impacted by a trade dispute between the world's two largest economies (the United States and China), uncertainties related to Britain's exit from the European Union (Brexit) and U.S. sanctions on Iran and Venezuela.

Growth at its lowest in ten years

Global growth declined from 3.6% to 3%, its lowest level since the 2008-2009 crisis. The decline was almost universal, with the exception of sub-Saharan Africa, which was stable at 3.2%. China and India maintained, despite a decline, a growth of more than 6%. In contrast, Germany, Russia and Latin America were particularly affected by the recession.

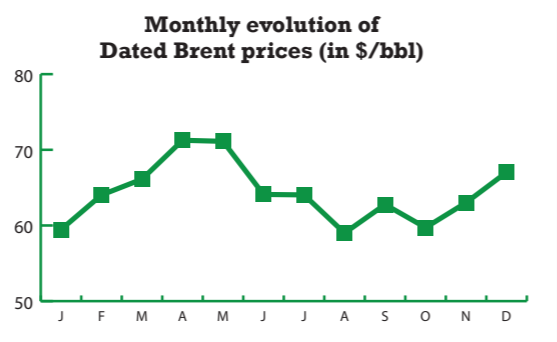
However, the services sector grew well, which is favourable for employment.

Concerning the manufacturing industry, the trade war between the world's two largest economies had a negative impact on energy demand.

In most developed countries, a decline in inflation was recorded (1.5% on average, as against 2% in 2018).

Evolution of Oil prices

The international crude oil market was marked by a continuous rise in the price of Dated Brent, benchmark for the North Sea and Cameroonian crude oils. It stood at 40.29% between 03 January and 16 May, when it reached its annual peak of 74.69 USD per barrel (\$/BBL), before falling by 35.19%, to \$55.25/BBL on 07 August. Thereafter, the global oil situation experienced a mixed evolution until 31 December.



Over the year, the average price quotation for Dated Brent reached \$64.21/BBL, i.e., \$7.10/BBL lower than in 2018. This annual decline is mainly attributable to a general increase in global crude oil supply, notably linked to the production level in the United States, which reached a record average level of 12.3 million barrels per day (MBD) in 2019. Weak demand, notably caused by the increase in custom fees between the United States and China,

whose hydrocarbon consumption represents 34% of the global volume, also impacted the oil market. The decline in the average Dated Brent price was also supported by the rise in the US dollar rate, which reached \$602.40/CFAF on 30 September, its highest level since 11 May 2017.



Fall in LNG prices

The Japan Korea Marker, Northeast Asia LNG spot trading index, recorded a 43.68% drop in prices, to an annual average of \$5.9495 per million British thermal units (mmBtu). This decline was notably due to mild winter weather, the resumption of activities of nuclear facilities in Japan and South Korea (the world's 1st and 3rd largest importers), and abundant supply.

Concerning global provision, supply averaged 46.74 billion cubic feet per day, i.e., about 357 million tons per year, up 12.04% compared with 2018. This upsurge was a result of the increase in liquefaction capacity in the United States and Australia, as well as the gradual resumption of activities of one of the two Egyptian liquefaction plants which had previously been shut down, due to the unavailability of raw materials.

As for demand, it grew by 12% to 46.37 billion cubic feet per day. It was notably driven by the increase of more than 70% in European imports and the continued rise in power of China, which since 2017, has overtaken Korea as the world's 2nd largest LNG importer.

Appreciation of the dollar

Financial activity was marked by the continued appreciation of the U.S. dollar against the euro, lowering of the U.S. Federal Reserve's (FED) key interest rate and maintenance of the European Central Bank's (ECB) key interest rate at zero.

Thus, after reaching a low of 568.66 CFAF on 10 January and then a high of 602.40 CFAF on 30 September, the average US dollar rate stood at 586.03 CFAF on an annual average, up 5.41%.

As for the FED's key rate, it was lowered three times, from 2.5% to 2.2% on 31 July, then to 2% on 18 September and 1.75% on 30 October.

New foreign exchange regulations in the CEMAC zone

The Central African Economic and Monetary Community (CEMAC) recorded economic growth of 2.1%, as against 1.8% in 2018, thanks to a slight increase in oil sector activities and continued growth in non-oil sector activities. The inflation rate was reduced from 2.3 to 2%, remaining below the CEMAC target, set at 3%.

Financial activity was marked by the entry into force on 1st March of new foreign exchange regulations in this zone. These regulations, which are intended to offset the decline in foreign exchange reserves in the community, have an impact on the operations of oil companies, most of whose transactions are carried out in US dollars. Consultations were also held with the Bank of Central African States (BEAC), which is responsible for implementing the regulation, to take into account the specificities of the oil sector.

Cameroon: a weakened economy

Within a context marked by unstable commodity prices and the persistence of the security crisis, Cameroon's economy recorded an estimated growth rate of 5.2% in 2019, thanks to the dynamism of the tertiary sector and growth in consumption and investments.

However, the economy has been affected by security and socio-political crises affecting five of the country's ten regions. The cash crop, hotel, transport and telecommunications sectors were the most affected, with significant material and financial losses. Expenses related to these crises and the shutdown of the National Refining Company (SONARA) production facility, following a fire on May 31, have weakened budgetary positions and the current account situation.



INTERVIEW OF THE EXECUTIVE GENERAL MANAGER



“

Adolphe Moudiki
« We have shown proof of our resilience »

”



The oil sector was affected in 2019, by a decline in crude oil and natural gas prices. What was the impact on SNH's activities?

We have resisted and shown proof of our resilience, notably as regards the sales made by SNH. These sales generated a transferable sum of 485.939 billion CFAF as a contribution to the State budget, up 25.19% compared to 2018. SNH also paid a dividend of 8 billion CFAF to the Public Treasury and a Corporate Income Tax of 7.482 billion CFAF.

In addition to these sums, 36.59 billion CFAF were paid to the Public Treasury for the Transit Fee generated by the Chad/Cameroon pipeline.

2019 was marked by the promulgation, on 25 April, of a new law to institute the

Petroleum Code. What does this new law bring compared to the 1999 Petroleum Code?

This law brings improvements in terms of the legal regime of oil contracts, the local content regime and incentives for investment in the oil sector. It also introduces new fiscal provisions for oil companies interested in Cameroon's hydrocarbons, as well as a third type of oil contract, namely, the risk service contract.

An increased contribution to the state budget

Has SNH's promotion of the national oil and gas domain been fruitful?

Indeed! The campaign to promote the free blocks of the mining domain led to the signing of a new Production Sharing Contract, concluded on 21 February, for oil exploration and production on the Boman block. Other expressions of interest are being considered.

Investments in hydrocarbon production have also increased, recording a 26.79% increase compared to 2018.

One appraisal well and 20 development wells were drilled, that is, four more than in 2018.



Moreover, we received samples from 15 of these wells at our fully equipped Site for the storage of well samples.

What are the results as concerns national hydrocarbon production?

As far as production is concerned, the results are also encouraging. The national gas production, up by more than 28%, stood at about 2 237 million m³. Nearly 26 million barrels of crude oil were also produced, implying an increase of about 3.5% compared to 2018. This is an appreciable performance when one considers that oil production is mainly derived from mature fields.

On another level, the intense activity carried out with the contribution of oil operators has enabled to increase the remaining oil reserves by more than 50%.

Speaking of the Hilli Episeyo floating plant, it has completed its first year of full operation. What is its performance?

The performance of the Hilli Episeyo is satisfactory. Over the year, the floating plant has enabled the export of 19 cargoes of liquefied natural gas, corresponding to a volume of 2 729 882 m³. Since the commissioning of this plant in 2018, 31 LNG liftings have been made, testifying to the smooth running of operations.

Are these good results also reflected in marketing?

We can say so, since at the commercial level, 26 cargoes of crude oil were sold on behalf of the State, compared to 22 in 2018. The corresponding volumes are up by almost 27%.

Increase in gas production

However, in the wake of world oil prices, the average selling price of Cameroonian crude oil

grades fell to an average of \$64.60 per barrel over the year as against \$71,32 in 2018.

As regards natural gas, SNH delivered approximately 286 million m³ to the

Kribi thermal power plant for electricity generation. It also supplied about 24 442 metric tons of LPG to the national market. This contribution was particularly useful to make up for the shortage caused by the production stoppage at Sonara, due to the fire incident which occurred in its production unit on 31 May.

Attract more investors

In the mining sector, we will renegotiate several expiring contracts for the best interests of Cameroon.

In addition, in terms of exploration, new drillings are planned in the Douala/Kribi-Campo and Rio del Rey basins.

At the same time, we will be conducting studies with the aim of increasing the share of natural gas in Cameroon's energy mix through various projects.

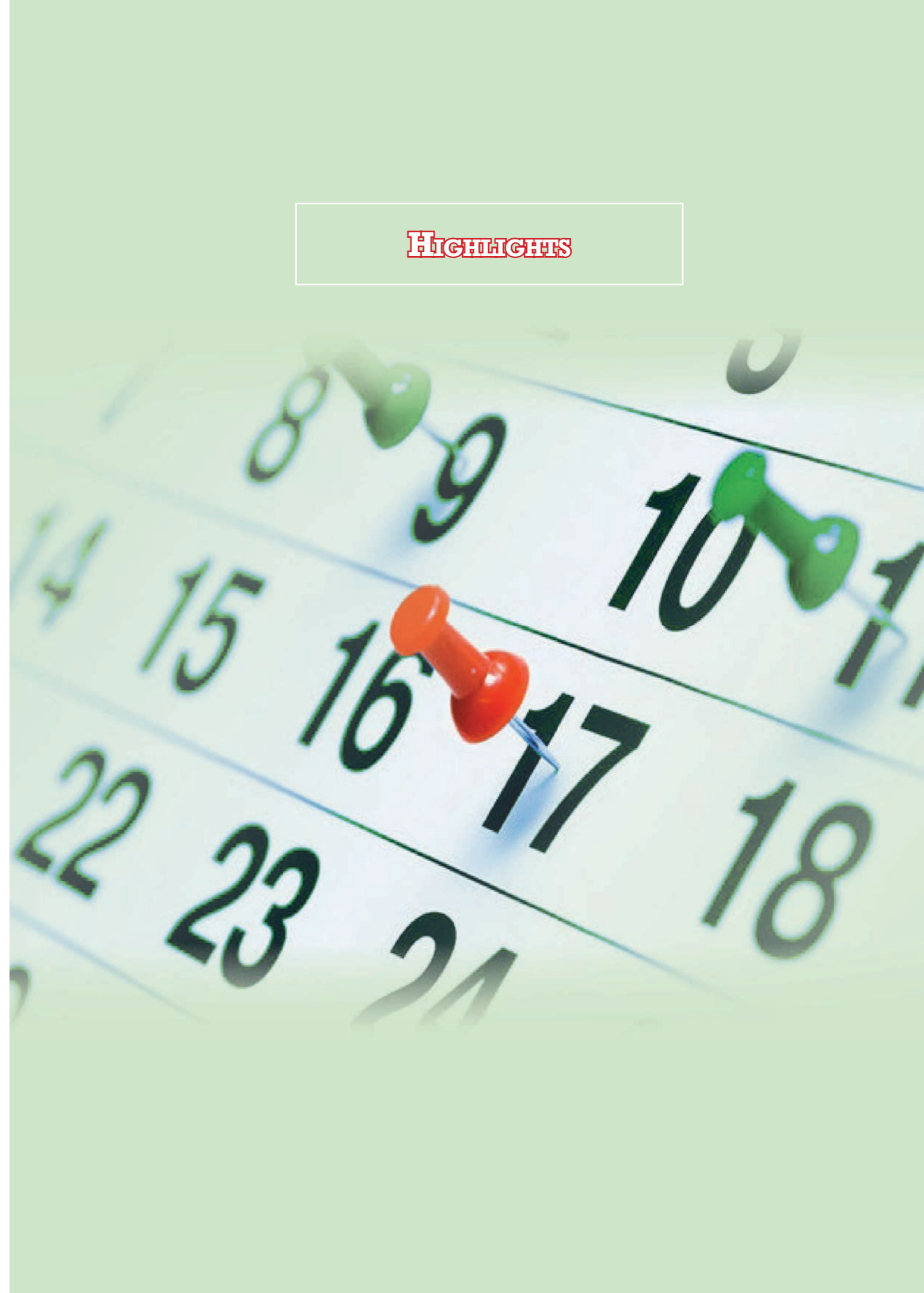
The Chad/Cameroon pipeline will welcome a new oil shipper from Chad, which will increase the quantities lifted and, in turn, the transit fee paid to the Public Treasury.

What are the perspectives for 2020?

As in the past, planned actions will aim at increasing the national reserves of hydrocarbons and optimising the oil and gas revenue, by taking full advantage of the relevant provisions of the new Petroleum Code.



HIGHLIGHTS



Legislation, contracts and agreements



21 February: Signing of a PSC between the Republic of Cameroon and Perenco Rio del Rey, for the exploration and exploitation of hydrocarbons in Bomana block. The reserves in this block are estimated at 68.1 million barrels of oil.

24 April: Signing of a pre-unitisation agreement for the Yoyo/Yolanda gas field. The agreement provides for the conduct of a study of joint development scenarios for this cross-border field.



25 April: Promulgation by the President of the Republic, of a new Petroleum Code, which repeals and replaces that of 1999.

09 July: Signing of presidential decree no. 2019/342, transforming SNH into a public capital company, with the State as sole shareholder.

Corporate life

09 January: Installation of members of the SNH Internal Tenders Board, appointed on 28 December 2018, in application of a resolution of the Board of Directors.

10 January: Farewell ceremony to the outgoing CEO of Perenco's Cameroonian subsidiaries, Eric d'Argenté, and welcome of the interim CEO, Nicolas Serre.

13 February: Visit of a delegation from Shell to SNH, within the scope of the promotion of investment opportunities in the oil and gas sector in Cameroon.

26 February: Presentation of the GesContentieux software, developed internally. It enables a pro-active, efficient and real time follow-up of the disputes managed by the Legal Division.

28 February: Visit to SNH by a Gabonese delegation led by the Adviser to the Minister of Oil, Gas and Hydrocarbons, who came to learn about Cameroon's experience in LNG production.

06 June: First annual session of the Board of Directors. The Board notably lauded the significant increase in production investments and welcomed a new member: Nabola Lilian Efenge, representative of the Prime Minister's Office.



03 - 05 July: A delegation of officials from the Port Authority of Kribi (PAK) visited SNH to learn about its management methods and the social measures put in place for the benefit of its personnel.

13 September: Audience granted by the Executive General Manager (EGM) to Carole Gall, CEO of the Chadian subsidiary of ExxonMobil. The prospects for the Cameroon Oil Transportation Company (COTCO), in which ExxonMobil is the majority shareholder, were discussed.

1st October SNH welcomed Adrien Broche, new CEO of Perenco in Cameroon and bid farewell to Nicolas Serre, acting CEO transferred to London, in the presence of the CEO of the Perenco group, Benoît de la Fouchardière.

14 October: Presentation of two new software programs developed internally: FilinS and Actio. They are used respectively to monitor the processing of administrative files and the follow-up of the company's action plans.



21 November: Meeting granted by the EGM to François Perredo, Chairman of the Perenco Group. The projects envisaged by Perenco's Cameroonian subsidiaries for the development of national hydrocarbon resources were discussed.

03 December: Holding of the second annual session of the Board of Directors. The Board evaluated the 2015-2019 Development Plan, and commended its good execution.

International cooperation

03 – 05 April: SNH took part in the 7th edition of the African Petroleum Producers Organisation (APPO) Congress and Exhibition (CAPE VII) in Malabo, Equatorial Guinea. A special session on Cameroon was organised, to promote free blocks of the Cameroonian mining domain.

04 - 08 November: SNH participated in the International Africa Oil Week Conference in Cape Town, South Africa. The free blocks of the national mining domain were also promoted.



EXPLORATION/PRODUCTION



Situation of the national mining domain

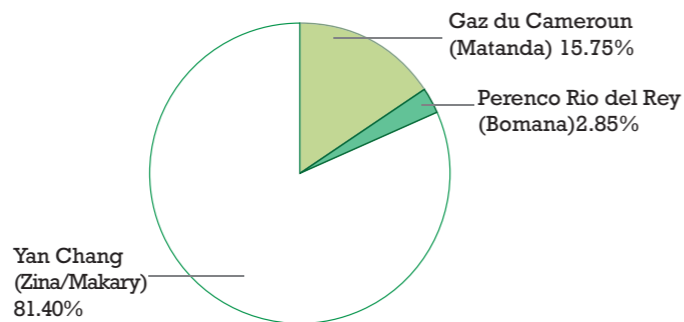
Oil activities continued in two of the three major sedimentary basins in Cameroon, namely the Rio del Rey basin (producing since 1977) and the Douala/Kribi-Campo basin (producing since 1997). There were no activities in the Logone Birni Basin during the year due to the security situation in the Far North of Cameroon.

Mining domain under contract

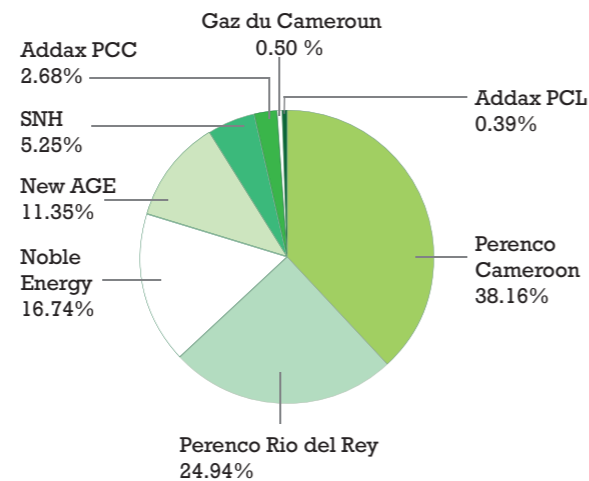
As at 31 December, the national mining domain had an occupancy rate of 37.36%, i.e. 11 894.64 km², for a total surface area of 31 839.30 km². It includes:

- 03 Exclusive Exploration Authorisations (EEA), covering a surface area of 7 836.88 km² (24.61% of the total area);
- 21 Concessions and/or Exclusive Exploitation Authorisations (EXA), covering 4 057.76 km² (12.74% of the total area).

Distribution of Exclusive Exploration Authorisations per Operator as at 31/12/19



Distribution of Exclusive Exploitation Authorisations per Operator as at 31/12/19

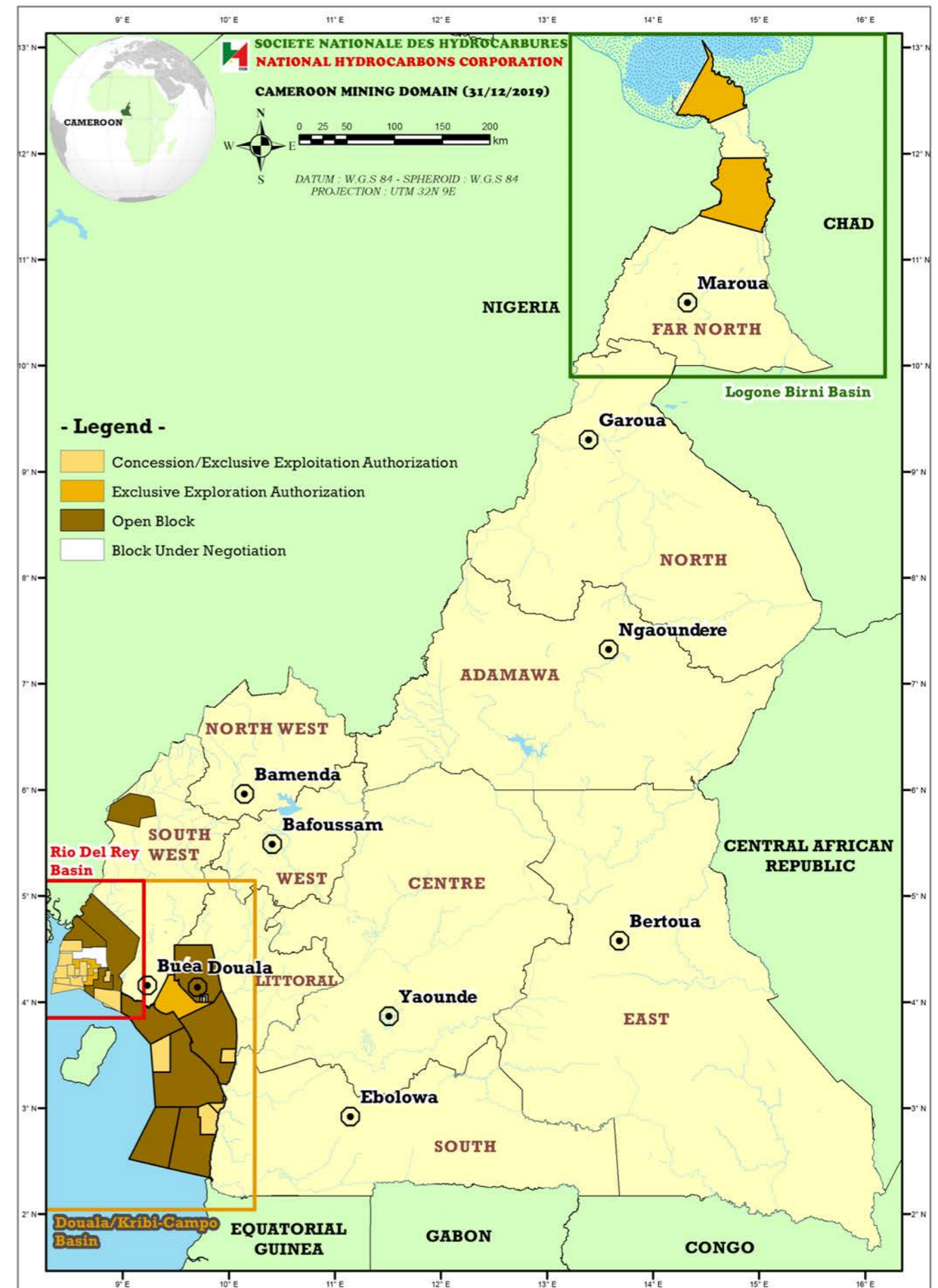


Free mining domain

As at 31 December, the National Mining Area comprises:

- 02 blocks under negotiation: Logbaba Exploration in the Douala/Kribi-Campo basin and Ngosso, in the Rio del Rey basin. They cover a surface area of 517.90km² or 1.63% of the total area.
- 10 free blocks (Bakassi, Bolongo Exploration, Ndian River and Thali in the Rio Del Rey Basin; Etinde Exploration, Elombo, Ntem, Tilapia, Bomono and Kombe-Nsepe in the Douala/Kribi-Campo basin). The surface area of the free mining is 19 426.76 km², i.e., 61.02% of the total area.

Overview of the mining domain as at 31/12/2019



Existing oil associations as at 31 December 2019

Concessions / Exclusive Exploitation Authorisations

Associations	Associates	Nationalities of parent companies	Shares
Douala/Kribi-Campo Basin			
Ebome Marine	SNH (State)	Cameroonian	50%
	Perenco Cameroon*	Franco-british	28.5%
	SNH	Cameroonian	21.5%
Mvia	SNH*	Cameroonian	100%
Yoyo	SNH (State)	Cameroonian	25%
	Noble Energy*	American	75%
Logbaba	SNH (State)	Cameroonian	5%
	Gaz du Cameroun*	British	57%
	RSM	American	38%
Sanaga Sud	SNH (State)	Cameroonian	25%
	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 - Ekundu Marine - Boa Bakassi - Bavo Asoma - Kita Edem - Sandy Gas	SNH (State)	Cameroonian	50%
	Perenco RDR*	Franco-british	25.50%
	Addax PCC	Chinese	24.50%
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%
Mokoko Abana	SNH (State)	Cameroonian	50%
	Addax PCC*	Chinese	40%
	Perenco RDR	Franco-british	10%
Moabi	SNH (State)	Cameroonian	25%
	Perenco Cameroon*	Franco-british	75%
Mondoni	SNH (State)	Cameroonian	50%
	Addax PCC*	Chinese	25%
	Perenco RDR	Franco-british	25%
Oak	SNH (State)	Cameroonian	25%
	Glencore Cameroon	British	37.5%
	Perenco Cameroon*	Franco-british	37.5%

Exclusive Exploitation Authorisations

Associations	Associates	Nationalities of parent companies	Shares
Douala/Kribi-Campo Basin			
Matanda	Gaz du Cameroun*	British	75%
	Afex	British	25%
Rio Del Rey Basin			
Bomana	Perenco Rio del Rey*	Franco-british	100%
Logone Birni Basin			
Zina - Makary	Yan Chang Logone Development Holding Co. Ltd*	Chinese	100%

*Operator

Mining titles



Awards, assignments and withdrawals

Rio del Rey Basin

- An Exclusive Exploitation Authorisation (EXA), valid for liquid hydrocarbons, named Moabi, was instituted on 8 January, by Presidential Decree no. 2019/005. The decree is valid for a period of 20 years, renewable once for 10 years, for the benefit of the Association constituted by Perenco Cameroon (75%), Operator, and SNH (25%).
- Authorisation on 8 January, by Presidential Decree no. 2019/006, of a transfer of 50% of the rights and obligations of Glencore Exploration Cameroon Limited (GECL), as well as the status of Operator, to Perenco Rio Del Rey, in the Bolongo PSC.
- A Production Sharing Contract was signed on 21 February, for oil exploration in Bomana block, between Perenco Rio Del Rey and the State of Cameroon, represented by the Minister of Mines, Industry and Technological Development and the EGM of SNH.
- Amendment on 11 March, by Presidential Decree no. 2019/124, of Decree no. 2019/006 of 8 January 2019, relating to a transfer of interest in the Bolongo Production Sharing Contract. At the end of this transfer, the parties' interests in the said PSC are 37.5% for Perenco Rio Del Rey, 37.5% for Glencore Exploration Cameroon Ltd and 25% for SNH.
- On 14 September, Thali block was returned to the free National Mining Domain, following Tower Resources' default.
- Ndian River block was returned to the free National Mining Domain on 10 December, following Orion Energy Holding/Heta Oil & Gas Limited consortium's default.

Douala/Kribi-Campo Basin

Bomono block was returned on 12 December 2019, to the National Mining Domain, following EurOil Limited's default.

Drilling activities

In the course of the year, 21 wells were drilled, including one appraisal well and 20 development wells. As at 31 December, drilling of five of these wells was ongoing.



Name of the well	Association	Operator	Final depth (mMD)	Start of drilling	End of drilling	Initial flow (bpd)		
KLM-038ST	Rio Del Rey	PRDR	1 743	05/01	22/01	340		
KLM-031ST			1 385	22/01	07/02	400		
KLM-023ST			1 690	07/02	28/02	1 000		
KLM-036ST1 - ST2			1 908	28/02	13/04	600		
KLM-039			1 991	13/04	19/05	470		
KLM-040			1 915	19/05	25/06	550		
EKM-051ST			1 793	21/07	14/08	1 200		
EKM-059ST1 - ST2			2 346	14/08	13/10	350		
EKM-065ST1 - ST2			2 359	13/10	13/11	1 250		
EKM-061ST			2 120	13/11	Ongoing as at 31/12			
EKM-063ST			2 350	26/11	24/12	341		
EKM-053ST			1 855	24/12	Ongoing as at 31/12			
Lima-04ST2			Lokele	APCC	1 635	29/01	18/02	350
Hotel-12PH + ST1 - ST2					3 126	19/02	25/09	624
Hotel-13PH + ST1	3 851	25/04			30/07	2 739		
Padouk-7LST1	Iroko	APCL	3 336	06/01	28/01	1 223		
SKM-003	Moabi	PERCAM	1 786	22/11	Ongoing as at 31/12			
SKM-004			2 662	24/11				
SKM-005			1 554	17/11				
OAK-S1A	Bolongo	PRDR	1 246	18/07	03/08	4400		
OCM-001 PH + ST1 - ST3			2 659	04/08	17/11	4500		

Investments in exploration, appraisal and development

Oil investments in 2019 amounted to US\$372.32 million, as against US\$293.65 million in 2018.

Unit costs

Unit exploitation cost:

The average unit operating cost in current currency, for all producing liquid hydrocarbon fields, is \$8.68/barrel, as against \$9.42/barrel in 2018.

The unit operating cost for the Sanaga Sud Association for gas production and exploitation, is \$1.31/barrel of oil equivalent (boe).

Unit production cost:

The average unit technical cost of production, in current currency, for all producing oil fields is \$24.13/barrel, as against \$24.72/barrel in 2018.

The unit production cost for the Sanaga Sud Association, for gas production and exploitation, is \$11.51/boe.

Production

Oil production

Crude oil production amounted to 25.995 million barrels (MB), up 3.43% compared to 2018.

The combined State and SNH share of liquid hydrocarbon production amounted to 16.323 MB, or 62.79% of the total production.

Gas Production

Gas production stood at 78 994.54 million cubic feet (mmscf), including a marketable share of 70 856.13 mmscf (2 006.42 million m³).

State and SNH share of gas production was 19.128 billion cubic feet, or 24.21% of the total production.



Reserves

Remaining oil reserves to be produced

As at 31 December, remaining oil reserves in concessions and Exclusive Exploitation Authorisations are estimated at 311.30 million barrels, up 58.06% compared to the same period in 2018.

This increase is mainly due to the inclusion of expected condensate reserves from the Yoyo/Yolanda and Etindé field development projects, operated respectively by New Age and Noble Energy, and the upward revision of oil reserves from the Iroko and Lokélé Associations, operated by Addax, thanks to the good performance of the new S1B0/S1C and S5D producing reservoirs, respectively.

Natural gas resources

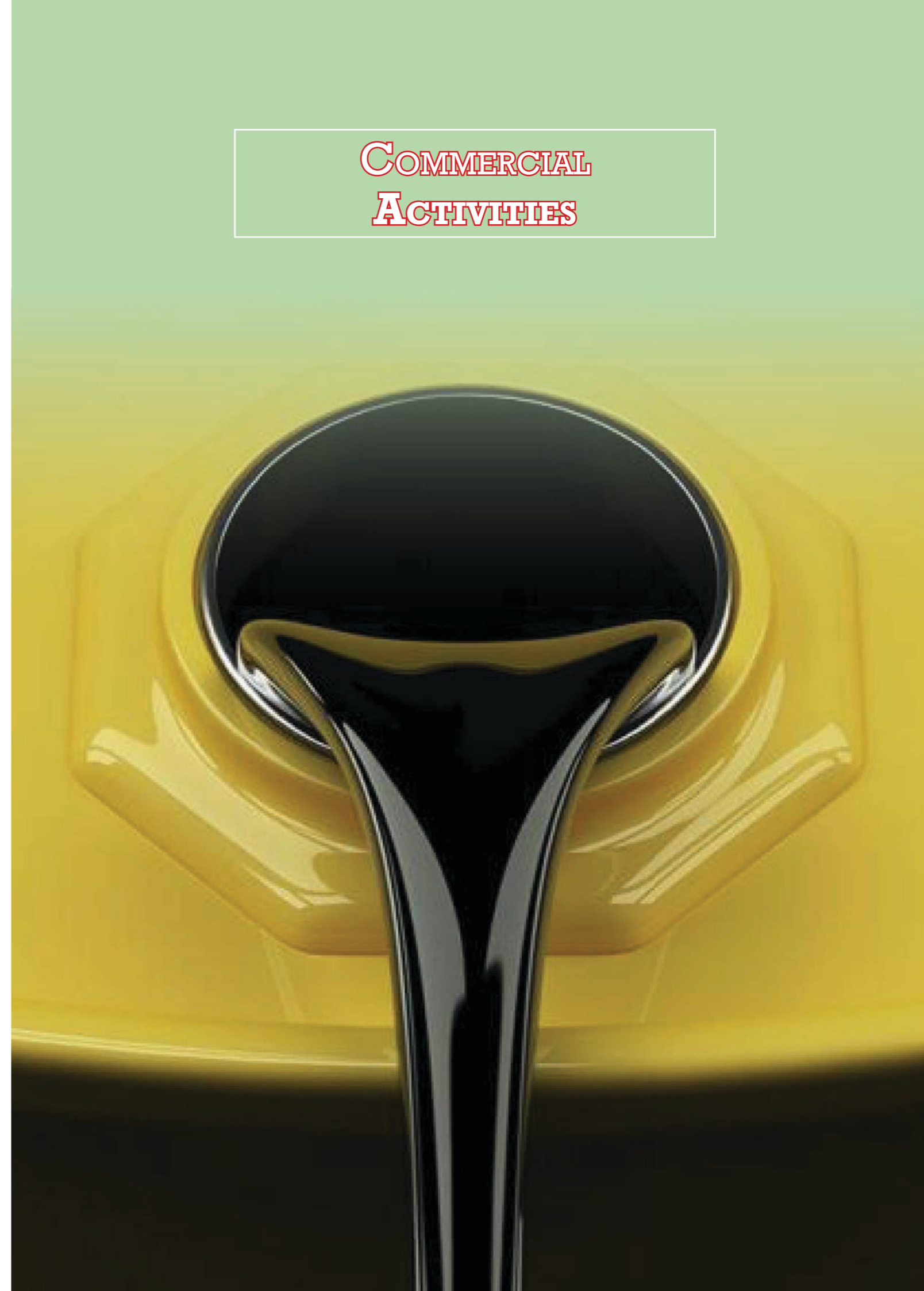
As at 31 December, natural gas resources are estimated at 6.43 TCF (182.08 billion cubic m³), up 7.17%. This increase is mainly due to a reassessment of the expected reserves of the Yoyo/Yolanda and Etindé development projects.



Safety and security of operating sites

No accidents or acts of piracy were recorded in the oil and gas operations sites. As regards the safety of facilities, the actions carried out notably included the continuation of the campaign to restore the integrity of platforms on operating sites and the annual certification of lifting equipment on the Lokélé Association platforms. In addition, refit works for the renewal of the Rio del Rey hotel barge class was carried out.

COMMERCIAL ACTIVITIES



Sales procedure

SNH sells the share of hydrocarbon production accruing to the State, its own share and that of a partner which so requests.

The market value of Cameroonian crude oil is determined in relation to North Sea Brent, as are the prices of the vast majority of crude oil produced in West Africa.

SNH's commercial policy is based on three pillars: direct sales to refiners located in its natural zone of export (comprising Europe and the Mediterranean region); sales to traders, which makes it possible to reach more distant

markets (the Far East and the Americas) as well as new markets; and finally, invitations to tender, to establish price references and boost the market.

Types of crude oil and sizes of cargoes

- **Kolé** (28.23° API)*, sold in cargoes of 950 000 barrels;
- **Lokélé** (24.52° API), sold in cargoes of 650 000 barrels;
- **Ebomé** (53.60° API), sold in cargoes of 400 000 barrels.

Crude oil sales

The quantities of crude oil sold on behalf of the State amounted to 16.965 million barrels, up 26.81%.

Compared to Dated Brent, the weighted average differential of Cameroonian crude oil grades stood at +0.37 US dollars per barrel (\$/bbl), implying a gain of \$1.33/bbl compared to 2018. Thus:

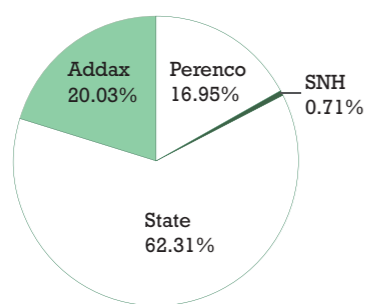
- the differential for Kolé stood at +0.58 \$/bbl, implying an improvement of 1.08 \$/bbl compared to 2018;
- the differential for Lokélé reached +0.83 \$/bbl, implying an increase of 2.53 \$/bbl;
- the differential for Ebomé was -\$7.65/bbl, a deterioration of \$5.96/bbl, due to the loss of the usual outlets for this crude oil grade, due to it being mixed with condensates from the Sanaga Sud field.

The average price of the State's share of crude oil stood at \$64.60/bbl, down by 9.42% (compared with a 9.96% drop for Dated Brent).

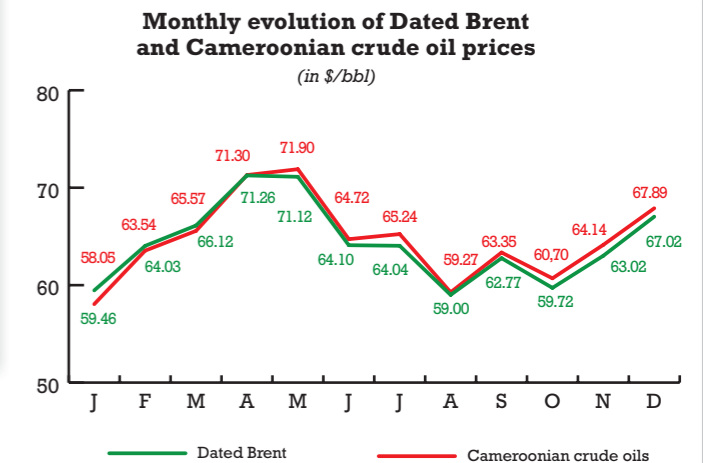
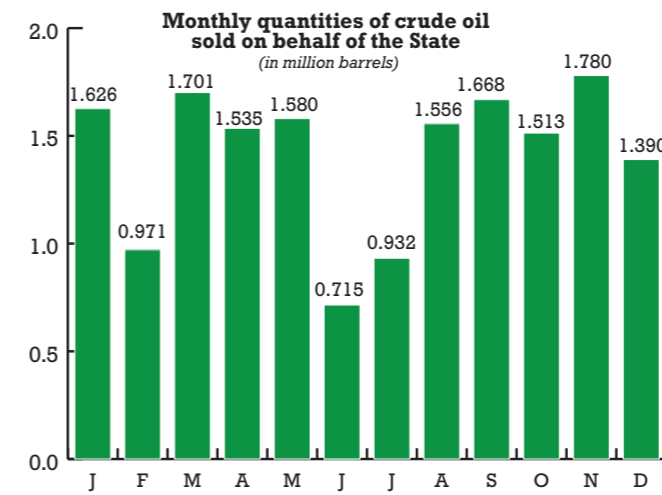
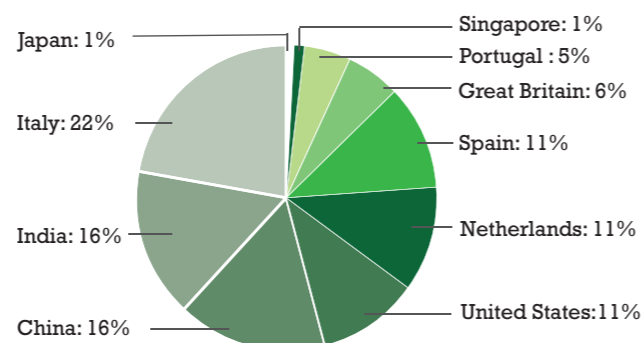
Turnover from oil sales for the year amounted to US\$1.096 billion (642.927 billion CFAF), implying an increase of 14.86% compared to 2018, which is notably due to the increase in global crude oil prices.

As regards trading activities, 25 crude cargoes were sold on behalf of a third party, compared to 20 in 2018. The total volume represented by these cargoes was 1 574 148 barrels, for revenues amounting to USD 256 657.20.

Associates' allocation of liftings



Main destinations of crude oil sold by SNH



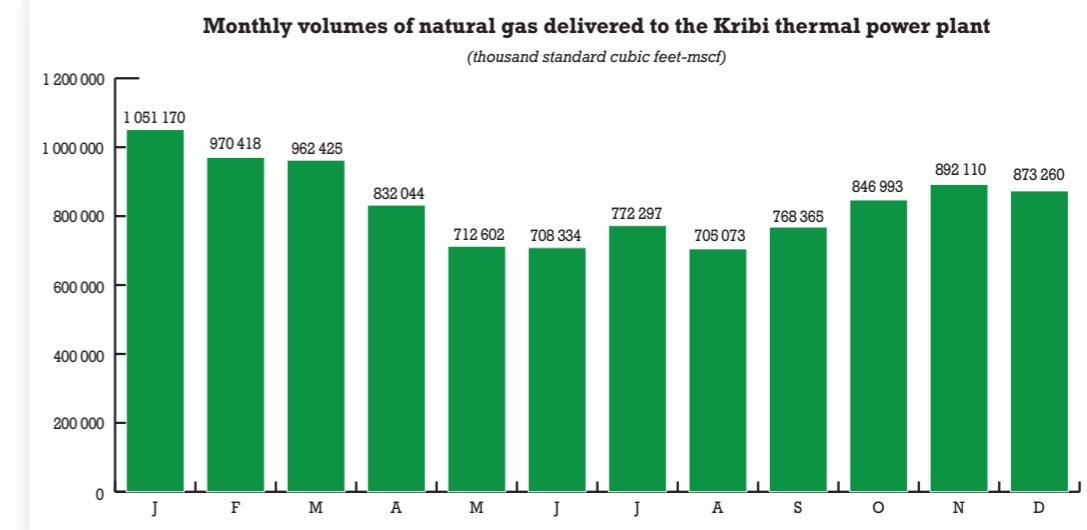
Natural gas sale

Supply to the Kribi thermal power plant

SNH delivered to the Kribi Thermal Power Plant, 10 095.09 million cubic feet (mmscf)* of natural gas, or 285.85 million m³. This volume is down by 15.69% compared to 2018, mainly due to the contribution of the Memve'ele hydroelectric dam, following its partial powering.

The turnover of natural gas sales to KPDC, operator of the plant, stood at 14.692 billion CFAF. Added to this was 3.343 billion CFAF from the sale of the State's share of upstream gas sales by the Sanaga Sud Association.

The weighted average selling price of the gas delivered to the plant was €2.218 (1 455.369 CFAF) per thousand cubic feet, down by 5.69%.



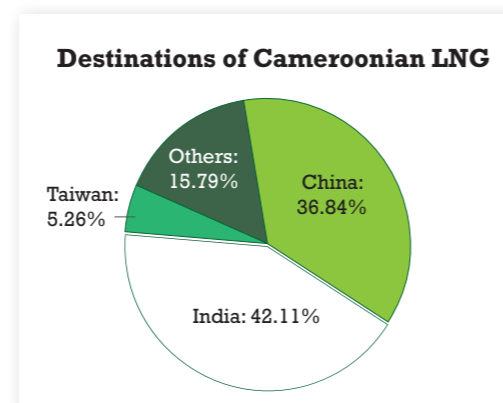
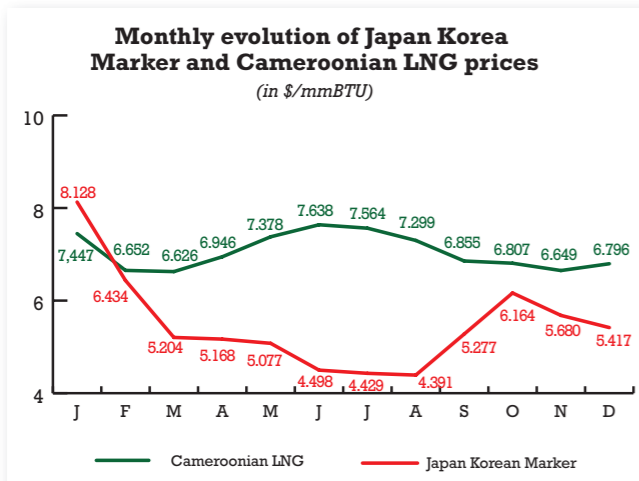
* At 1 000 BTU/scf

*API density is a scale expressing the density of crude oil in degrees, developed by the American Petroleum Institute.

LNG sales

19 LNG cargoes were sold (to Gazprom's Singapore subsidiary), equivalent to a volume of 63 288 960 million BTU (2 729 882 m³). The State's share is 15 822 240 million BTU (682 471 m³). The average selling price of this LNG is \$7.089/mmBTU. The revenue generated by the sale of the State share is US\$112.171 million.

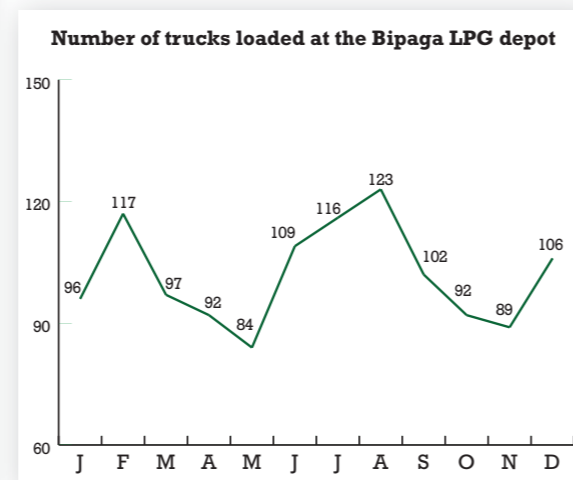
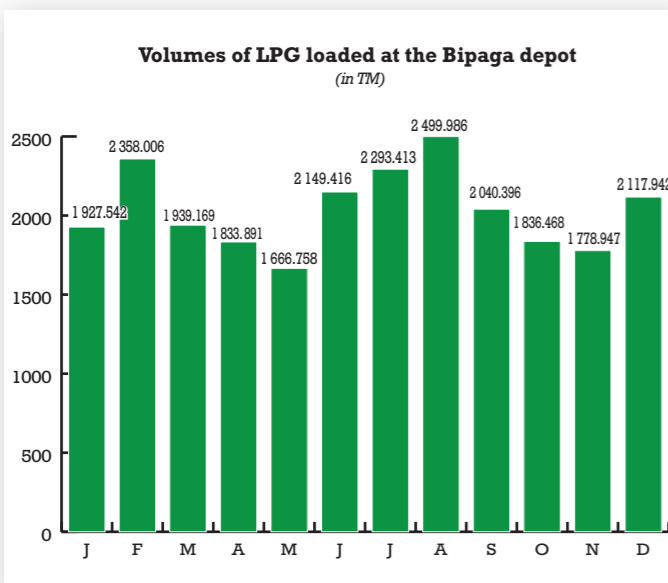
The selling price of Cameroonian LNG shows a premium of USD 1.594 over the Japan Korean Marker (JKM), the Asian reference for the marketing of LNG, which reassures SNH and its partner Perenco in their strategy of choosing Dated Brent as the reference for the valuation of Cameroonian LNG.



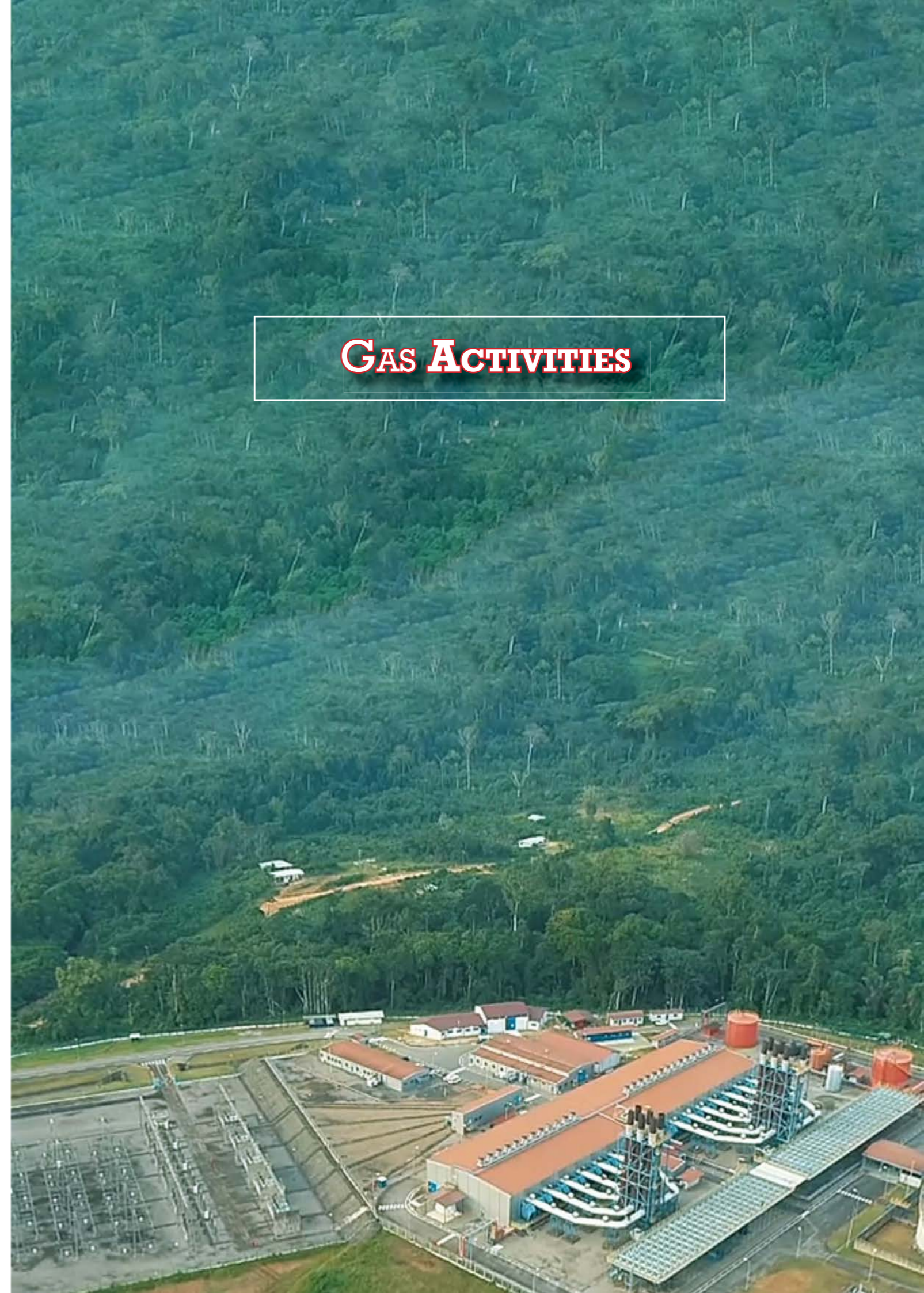
LPG Supply to the domestic market

SNH sold 24 441.934 MT of LPG at a price of 383 371.850 CFAF per MT. This volume is up 59.24% compared to 2018, a year in which production was carried out during nine months.

The turnover generated by these sales is 9.370 billion CFAF, plus 1.906 billion CFAF from the sale of the State's share of upstream LPG sales by the Sanaga Sud Association.



GAS ACTIVITIES



Storage and loading of LPG tankers

Over the year, the loading availability rate for tanker trucks received at the Bipaga LPG depot was 98.41%, due to a loading stoppage observed from 14 to 18 October for planned maintenance of the facilities.

A total of 1 233 tanker trucks were loaded, for a volume corresponding to 1 955 355 cylinders of 12.5 kg of domestic gas, the format most used by households.

The operation of this infrastructure enabled SNH to contribute by 19.36% to the domestic market supply, as Bipaga became the only local source

of domestic gas production following the fire that led to the suspension of SONARA's activities on 31 May.

According to SNH estimates, compared to imports, LPG production from Bipaga has enabled the State of Cameroon to save about 669 million CFAF in the subsidy granted to this product and save approximately 17.132 million US dollars in foreign exchange reserves.

As regards HSE, the Depot recorded, as at 31 December, 681 consecutive days without an accident or pollution report.

The LPG Depot is a facility operated by a 100% SNH team that started loading tanker trucks on 09 April 2018. This infrastructure which has a storage capacity of 1 000 MT, is supplied by a pipeline from the natural gas processing facilities operated by Perenco Cameroon. It can load tanker trucks with an average size of 20 MT.



Supply to industrial companies in Douala: Increase in gas volumes delivered



The natural gas distribution network to businesses in Douala extends to about 50 kilometres by the end of 2019, and supplies 44 companies based in the Bassa and Bonaberi industrial zones.

The total volume of gas produced and distributed in 2019 was 2.967 billion cubic feet (84.02 million m³), up 110.6% compared to 2018. This increase is related to the resumption of supply to the Logbaba thermal power plant.

Gas supply to the Kribi thermal power plant: A contribution of over 15% to the electricity mix



Gas supply to the Kribi thermal power plant by SNH for electricity generation continued following the quantities requested by the operator of the thermal power plant. The volume supplied amounted to a daily average of 27.68 million cubic feet*, or 783 328 m³. The contribution of the Kribi thermal power plant in the national electricity mix is 15.60%.

Concerning Health, Safety and Environment (HSE), the operating team of the Bipaga-1/Mpolongwe 2 gas pipeline recorded 2 503 consecutive days without incident as at 31 December. This 18 km long gas pipeline transports natural gas from the Bipaga 1 Gas Processing Center to the Kribi thermal power plant located in Mpolongwe. It is operated by SNH personnel.

* at 1 000 BTU/scf



**Floating natural gas liquefaction plant (FLNG):
Optimal operation**

The Hilli Episeyo FLNG produced 1.24 million tons of LNG during the year, as against 826 913 tons the previous year, with commercial operations having been launched on 31 May 2018.

Maintenance works on the floating plant facilities were carried out from 25 to 31 March and from 14 to 20 October. As at 31 December, 681 consecutive days without incident were recorded.

Conversion of oil and diesel power plants to gas: the project takes shape

SNH has discussed with the national electricity distributor, the terms of a contract for the sale of natural gas, with a view to converting some thermal power plants running on heavy

fuel oil and diesel. The meeting enabled to obtain the list of the power plants to be converted, the provisional schedule, the total capacity concerned (164 MW) and the related gas needs.

**CORPORATE SOCIAL
RESPONSIBILITY**



Supporting sustainable development

SNH's social responsibility and sustainable development policy is structured around five main areas:

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

Prevention of oil spills

- SNH participated, on 19 and 20 March, in an international drill on the management of oil spills, called Obangame Express 2019. It was organised by the Douala Naval Base, in collaboration with the US Navy.
- SNH also took part, on 28 and 29 October in Kribi, in a drill called Grand African Nemo, which notably centered on the simulation of the management of marine oil pollution. The drill was organised by the National Navy with the assistance of the French Navy.



Contribution to youth training



- SNH awarded prizes to the best public secondary schools in the 10 regions of the country according to the results of the Cameroon Baccalaureate Office. The operation took place from 16 to 26 April. Each of the ten schools received a donation of books worth at least one million CFAF.
- SNH rewarded the 30 best students of the Kribi Technical High School, Essazok High School, N'lohe Bilingual High School and Akono Bilingual High School on 22 and 23 June. The prizes consisted of school books and teaching materials. The teaching staff also received equipment.
- As part of the celebration of the International Days of the Francophonie and the Commonwealth, organised by the Ministry of External Relations, SNH offered tablets and USB flash drives, as well as books to the winners of various competitions organised within this framework.
- SNH took part in the *Salon de l'Orientation Académique et Professionnelle (SOAP)*, organised from 23 to 25 October in Ngaoundéré by the Ministry of Higher Education. It was under the theme: «the counselor's contribution to the socio-professional success of the learner».
- The company participated in the 8th edition of the *Salon pour la Promotion des Etudes Françaises (SAPEF)*, held from 29 to 31 October in Douala. This fair was organised at the initiative of the French Embassy, under the theme: «environment and sustainable development jobs».
- The company received between March and September, 123 pupils and students within the framework of academic and holiday internships. They were able to familiarise themselves with the corporate world.
- The company also offered a multifunction printer to the CETIC of Fifinda (Kribi) on 14 September. The institution expressed its gratitude to SNH for responding favorably to its request.

Support to sporting activities

SNH contributed to the organisation of major sporting events, namely:

- The 16th edition of the International Cycling Tour of Cameroon, held from 1 to 9 June;
- The 19th edition of the Chantal Biya International Cycling Grand Prix, held from 15 to 20 October.

The First Lady was present at the arrival of the riders in Yaoundé, during the last stage.

- SNH also organised the SNH Race golf tournament in Yaounde from 11 to 17 March and participated in the 2nd edition of the Inter-Petroleum Golf Tournament, held from 19 to 20 October in Kribi.



A special care for the staff

SNH ensures that its staff is provided with adequate professional, health, safety and infrastructure working conditions. In 2019, the company notably:

- renewed health insurance for all workers and their nuclear families; and
- organised the traditional annual medical check-up, including eye check-ups for all the staff, as well as an awareness session on malaria for the workers.

The company also organised various celebrations throughout the year, including a New Year's greeting ceremony, Labour Day, International Women's Day, Mother's Day and a Christmas tree ceremony for the children of the staff.

Two internal entities also continued to work for the wellbeing of the staff:

- The Solidarity Fund of SNH Group Personnel, which provides its members with multi forms of assistance during happy and unhappy events. On the occasion of the commemoration of the 15 years of existence of the Fund, celebrated

on 26 April, 28 members who served on its Steering Committee between 2004 and 2018 received Appreciation Certificates for their good management.

- The Hydrocarbons Sports and Cultural Association (ASCH), which provides a recreational framework through sports and cultural events. In that respect, an excursion was organised from August 02 to 04 August in the South region.



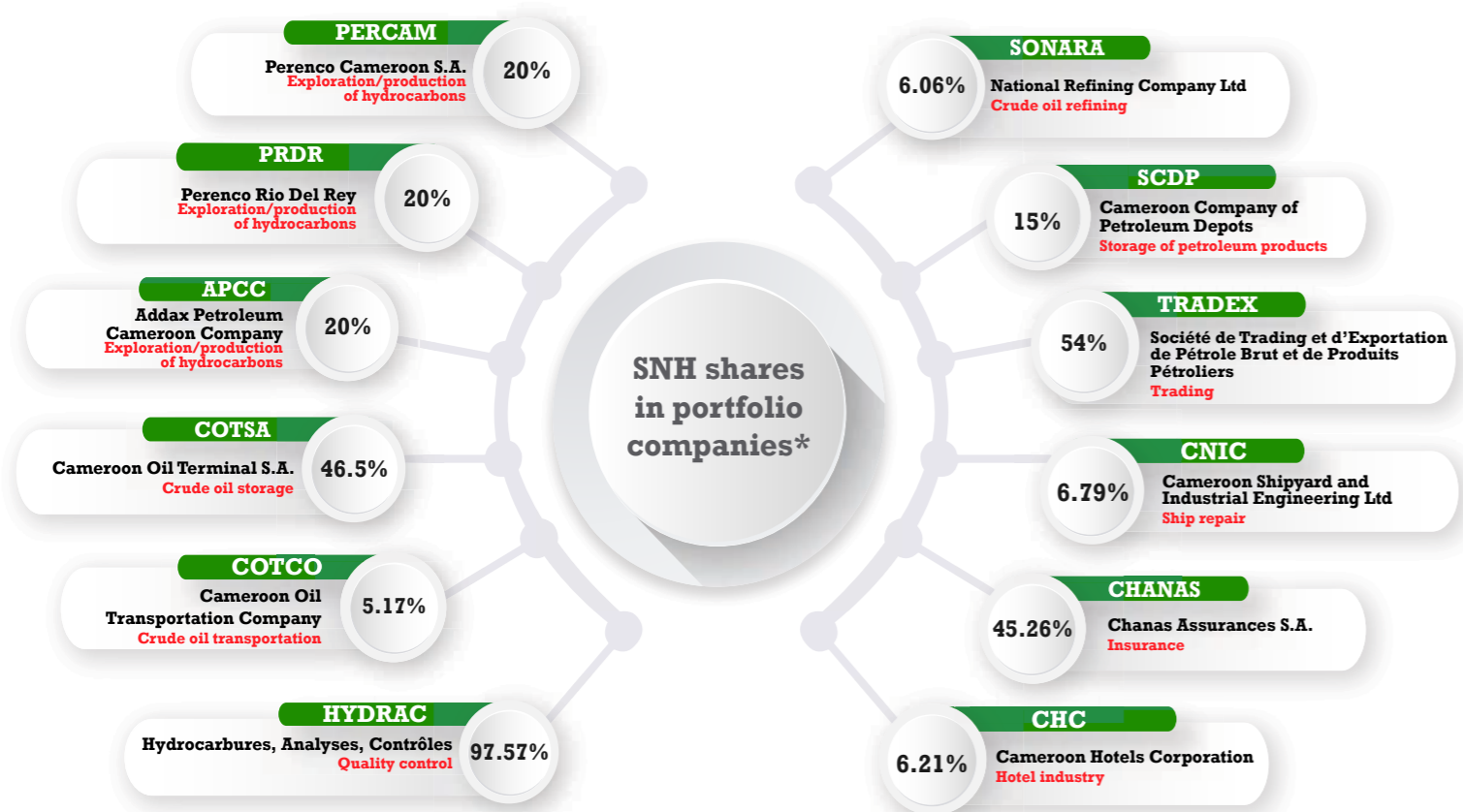
FINANCIAL ACTIVITIES



Management of share companies

SNH, a diversified group

SNH has been diversifying its activities since 1994. As at 31 December 2019, it holds interests in companies active in the petroleum, para-petroleum and related sectors.



In 2019, gross dividends received from share companies amounted to 43.393 billion CFAF, as against 31.597 billion CFAF in 2018, implying an increase of 37.33%.

Perenco Rio Del Rey (PRDR)

Results up 2.36%

The accounts closed on 31 December showed a net profit of USD 57.682 million, compared to USD 56.351 million in 2018.

A net dividend per share of USD 405 was paid to shareholders for the 2018 fiscal year.

Perenco Cameroon (PERCAM)

Results up 105.19 %

The accounts closed on 31 December showed a net profit of USD 68.362 million, compared to USD 33.316 million in 2018.

A net dividend per share of USD 25 600 was paid to shareholders for the 2018 fiscal year.

Addax Petroleum Cameroon Company S.A. (APCC)

Results down by 20.30%

The accounts closed on 31 December resulted in a net profit of USD 53.189 million, as against USD 66.736 million in 2018.

A net dividend per share of USD 125 000 was paid to shareholders for the 2018 fiscal year.

Cameroon Oil Terminal S.A. (COTSA)

Results up 21.28%

The accounts closed on 31 December showed a net profit of USD 22.320 million, compared to USD 18.403 million in 2018.

A net dividend per share of USD 18.40 was paid to shareholders for the 2018 fiscal year.

Cameroon Oil Transportation Company (COTCO)

Results up 37.18 %

The accounts closed on 31 December showed a net profit of 60.575 million USD, compared to 44.157 million USD in 2018.

A net dividend per share of USD 65.10 was paid to shareholders for the 2018 fiscal year.

Hydrocarbures - Analyses - Contrôles (HYDRAC)

Results down by 83.34%

The accounts closed on 31 December showed a net profit of 123.925 million CFAF, as against 743.971 million CFAF in 2018.

* IBC (51%) is in liquidation

National Refining Company (SONARA)

Negative results, with a 3.99% decline

The accounts closed on 31 December showed a net loss of 107.331 billion CFAF, as against a loss of 79.91 billion CFAF in 2018.

Cameroon Company of Petroleum Depots (SCDP)

Results up 13.39%

The accounts closed on 31 December showed a net profit of 1 724.128 million CFAF, compared to 1 520.572 million CFAF in 2018.

A net dividend per share of 954.29 CFAF was paid to shareholders for the 2018 fiscal year.

Société de Trading et d'Exportation de Pétrole Brut et de Produits Pétroliers (TRADEX) S.A.

Results down by 20.60%

The accounts closed on 31 December showed a net profit of 7.130 billion CFAF, as against 8.930 billion CFAF in 2018. The company paid a net dividend per share of 9 948.35 CFAF to shareholders for the 2018 fiscal year.

Cameroon Shipyard and Industrial Engineering S.A. (CNIC)

Results declined by 3,99%

The accounts closed on 31 December showed a net loss of 3 940.96 million CFAF, as against a loss of 3 789.66 million CFAF in 2018.

Chanas Assurances S.A.

Results up 16.20 %

The accounts closed on 31 December showed a net profit of 683.364 million CFAF, compared to 588.116 million CFAF in 2018.

A net dividend per share of 5 445.65 CFAF was paid to shareholders for the 2018 fiscal year.

Cameroon Hotels Corporation (CHC-HILTON)

Results down by 6.50%

The accounts closed on 31 December showed a net profit of 303.259 million CFAF, compared to 324.340 million CFAF in 2018.

A net dividend per share of 108.55 CFAF was paid to shareholders for the 2018 fiscal year.

International Business Corporation (IBC) S.A.

In liquidation

The liquidation of the company, pronounced by the Wouri Regional Court (TGI) on 11 December 2017, is ongoing.

Financial Report



For accounting and financial purposes, 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 Corporate Management.** Income is derived from dividends paid by share companies, interest generated by investments of cash surplus as well as sales of the share of crude oil accruing to SNH.

SNH State-mandated activities

Highlight

There was an increase of 25.19% in the balance transferable to the State, which amounted to 485.939 billion CFAF in 2019, as against 388.147 billion CFAF the previous year.

Activities related to Associations

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

Item	Volumes/amounts
Share of oil production accruing to the State	16.092 million barrels
Share of gas production accruing to the State	19.128 billion cubic feet
Share of LPG production accruing to the State	6.123 thousand metric tons
Oil production sold on behalf of the State	16.965 million barrels
Gas production sold on behalf of the State	18.568 billion cubic feet
LPG production sold on behalf of the State	6.765 thousand metric tons
Average rate of the US dollar	586.604 CFAF/USD
Average official price of the crude oil barrel	US\$64.604
Total revenue (crude oil and natural gas sales)	US\$1,258.207 million (738.033 billion CFAF),
Expenditure on oil and gas activities borne by the State	252.095 billion CFAF
Transferable balance	485.939 billion CFAF

Synthesis of operations on State-mandated activities

Operations items	Quantities			Amount	
	Crude oil (in million barrels)	Natural gas (in billion cubic feet -Scf)	LPG (metric tons)	USD (millions)	CFAF (billions)
Details					
Share of production accruing to the State	16.092	19.128	6.123		
1. Production sold	16.965	18.568	6.765	1258.207	738.033
Average exchange rate	586.604 CFAF per 01 USD				
Average official price	64.604 USD/barrel (Bbl)				
Gas selling price to the State	1 217.710 XAF/thousand SCF				
Gas selling price to KPDC	1 455.369 XAF/thousand SCF				
LPG selling price to the State	281 780.710 XAF/MT				
LPG selling price to TRADEX	383 371.85 XAF/MT				
LNG selling price to Gazprom	7.089 USD/thousand SCF				
2. SNH Commitments				429.830	252.095
2.1 SNH Commitments/Associations				282.220	165.532
a) Operating costs				95.563	56.014
b) Sanaga Sud exploitation/development				26.246	15.400
c) Dissoni Nord exploitation/development				3.309	1.937
d) Appraisal/Development (Rio Del Rey + Lokele + Moudi + Ebome)				91.366	53.599
e) Iroko exploitation/development				11.672	6.812
f) Moabi exploitation/development				7.609	4.469
g) Bolongo exploitation/development				12.916	7.613
h) Royalties				33.539	19.689
2.2 Commitments on gas				99.767	58.473
a) Liquefaction costs				64.998	38.113
b) Gas purchase cost for the Kribi Thermal Plant				20.678	12.103
c) LPG purchase cost				11.784	6.912
d) Resumption provisions - LNG project				0.00	0.00
e) Interest on late payment of KPDC invoices				0.038	0.022
f) Reimbursement for gas oil consumed- FLNG project				- 0.064	- 0.038
g) Gas projects				2.333	1.360
2.3 Other SNH commitments				47.843	28.090
a) Inspection costs				0.312	0.183
b) Security stocks				0.586	0.343
c) African Petroleum Producers Organisation (APPO)				0.181	0.105
d) Securing of petroleum operations				12.869	7.548
e) Other decommissioning provisions				12.100	7.169
f) Chad/Cameroon pipeline				3.782	2.222
g) Other expenses				18.013	10.520
3. Transferable balance to the Public Treasury				828.378	485.939

SNH Management

Highlight

There was an increase of 37.33% in gross dividends collected in 2019 from share companies for the 2018 fiscal year, which amounted to 43.393 billion CFAF, as against 31.597 billion CFAF collected in 2018 for the 2017 fiscal year.

Income statement

The net income for the 2019 fiscal year (after corporate income tax) increased in absolute value by 5.982 billion CFAF and by 31.02% in relative value, amounting to 25.266 billion CFAF, as against 19.284 billion CFAF in 2018.

Dividend paid to the State

SNH paid a gross dividend of 8 billion CFAF in 2019, as against 6 billion CFAF in 2018.

Tax paid

SNH paid 11.271 billion CFAF in corporate income tax for the 2019 fiscal year, as against 7.482 billion CFAF for the 2018 fiscal year, implying an increase in absolute value of 3.789 billion CFAF and 50.64% in relative value.

Comparative consolidated balance-sheets (in million CFAF)

Assets	2018	2017	%	Liabilities	2018	2017	%
Net capital assets	195 480	286 556	-31.78	Stables resources	391 515	353 407	10.78
Current assets	199 127	290 516	-31.46	Current liabilities	125 037	334 856	-62.66
Assets account	158 723	171 925	-7.68	Funds liabilities	36 778	60 734	-39.44
Total	553 330	748 997	-26.12	Total	553 330	748 997	-26.12
				Result of group's share	13 415	8 355	60.56

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

Item	2018	2017
Operating result	18 975	17 150
Financial report	-4 424	153
Result of ordinary activities	14 551	17 303
Result excluding ordinary activities	941	273
Share and taxes	-13 987	-14 958
Net result of integrated companies	1 493	1 292
Result of companies equivalence	16 281	12 898
Consolidated net result	17 774	14 190
Minority interest/Result	4 358	5 835
Net result: group's share	13 415	8 355

Appendices

1. Procedures for awarding oil contracts
2. Accounting principles and standards applied
3. Accounting procedure
4. Fiscal procedure
5. Mandate of the State: Statutory auditor's report on financial statements
6. Portfolio management: Statutory Auditor's Report

Procedures for awarding Petroleum contracts

There are two methods of awarding a free block for the signing of a Petroleum Contract:

The procedure for awarding a block by invitation to tender, which is limited in time and follows several steps:

- publication of the Terms of Reference (TOR) of the blocks on promotion in specialised magazines and on SNH's website;
- organisation of consultation 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, who see 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 Invitation to Tender";
- 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.

N.B: Bids are received from oil companies. 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 2019 fiscal year are settled in accordance with generally accepted accounting standards and principles, and provisions of the new SYSCOHADA accounting standards in force in the CEMAC zone. The general presentation of these accounts also respects the specific features of SNH and the hydrocarbons sector.

Method of assessing 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 of amortising 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 19th 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 hydrocarbon prospection activities 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 immediately 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.

Hydrocarbon 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, Lokélé, Moudi, Ebomé Marine, Dissoni, Sanaga Sud, Iroko, Moabi and Bolongo Associations is based on a "call for funds" 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 exploration.

Remuneration of partners or Profit Oil

The remuneration of partners, which is determined pursuant to the provisions of the Production Sharing Contract (PSC), 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 (State-mandated operations)

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

Operations related to the management of SNH

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

that accrue to SNH as partner are subject to a tax rate of 38.5% for Ebomé 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 corporate tax rate of 38.5%.

As for the proceeds accruing from the management of share companies 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 2019

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 December 31st, 2019. 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 in accordance with 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	2019	2018
Balance sheet total	1 111 070	1 035 493
Sales revenue	745 876	594 883
Net profit (before transfers into the Public Treasury)	380 161	414 201
Net cash	390 216	401 275

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 Standards Board for Accountants (IESBA) and we have fulfilled every other ethical requirement by all relevant provisions.

2. Our methodology

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;
- Addressed confirmation letters to third parties in business with the corporation, mainly the banks, clients, suppliers, legal counsel, insurance companies, and partnerships;
- Performed our audit of 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.

*The documents referred to are those submitted to the members of the SNH Board of Directors

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 December 31st, 2019 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, 2019, 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
CAMEROUN AUDIT CONSEIL

Jérôme MINLEND
Douala, 14th July, 2020

Portfolio management



Statutory auditor's report Financial statements

Year ended December 31st, 2019

To shareholders of the National Hydrocarbons Corporation

In our capacity as statutory auditor, we present below our report for the period ended December 31st, 2019 on:

- the accompanying financial statements of NATIONAL HYDROCARBONS CORPORATION (NHC) and,
- the specific procedures and disclosures prescribed by law.

1. Financial statements audit

1.1. Opinion

We have audited the financial statements of NATIONAL HYDROCARBONS CORPORATION which comprise the balance sheet, the income statement, the cash flow statement and the annexes notes for the year ended December 31st, 2019.

In our opinion, the financial statements of NHC present fairly, in all material respects, the financial position of the company at December 31st, 2019, 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 in member states.

1.2. Basis for opinion

We have audited the financial statements in accordance with the International Professional Standards (ISAs) and, accordingly, performed such auditing procedures as we considered necessary in the circumstances in compliance with OHADA Act.

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 these matters.

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

The Board of Directors is responsible for the preparation of the financial statements.

The Board of Directors 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 the Board of Directors 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, the Board of Directors 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

1.5. Auditor's responsibilities for the audit of annual 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.

**The Statutory Auditor
CAMEROUN AUDIT CONSEIL**



Jérôme MINLEND

April 02nd, 2019



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