



NATIONAL HYDROCARBONS CORPORATION
2016 ANNUAL REPORT



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Presentation of SNH

Created on 12th March 1980, SNH is a public industrial and commercial company with financial autonomy. Its share capital is 8 billion CFAF. It has the mission to promote and valorize the national mining domain and manage State interests in the hydrocarbons sector. To accomplish 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.

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

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

- demarcation, promotion and allocation of free blocks in the national mining domain;
- development and exploitation of oil and gas fields in association or sole risk, permitting the valorization of national hydrocarbon resources;
- monitoring of associations management in a bid to control oil costs, whose increase has an impact on State revenues;
- monitoring of crude oil lifting activities at terminals;

- 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 related to its missions in the oil, gas, para-petroleum, as well as related sectors.

Management based on managerial tools and principles of good governance

SNH conducts its missions on the basis of a five-year development plan, divided into annual action plans. Workers of the various Units of the company participate in the preparation of these action plans, which ensures that the entire staff are involved in the decision-making process. Moreover, they have the possibility to share their points of view within the framework of departmental meetings and discussions between the employer and staff representatives.

The company has adopted regulatory texts for its management, 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 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 computerized system comprised of an integrated management software. In addition, audits are conducted regularly by renowned external firms.

Oil activities conducted in accordance with industry standards

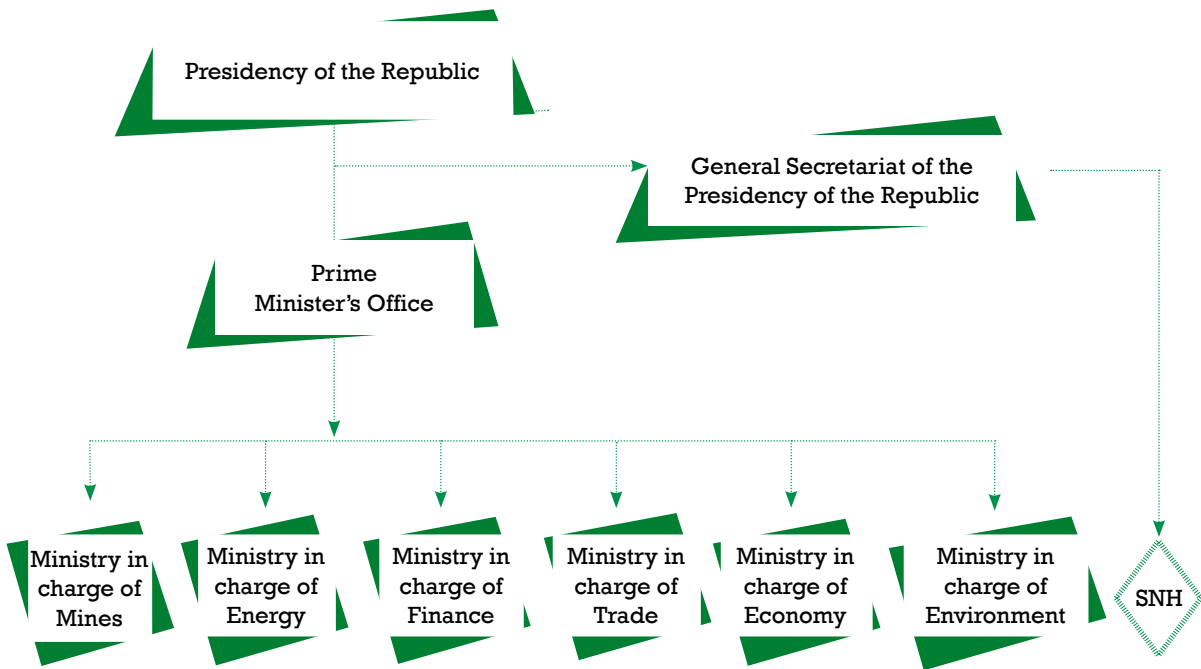
Contracts are negotiated in accordance with the Cameroon Petroleum and Gas Codes, based on the standard model contracts of the International Association of Petroleum Negotiators (IAPN). The Codes provide for two types of petroleum contracts: Concession Contracts (CC) and Production Sharing Contracts (PSC). The level of the State's 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, pro-

duction, turnover and transfers to the State) in its different external publications, and on the corporate website (www.snh.cm). These figures are closely monitored by donors of the Cameroon government, including the International Monetary Fund and the World Bank.

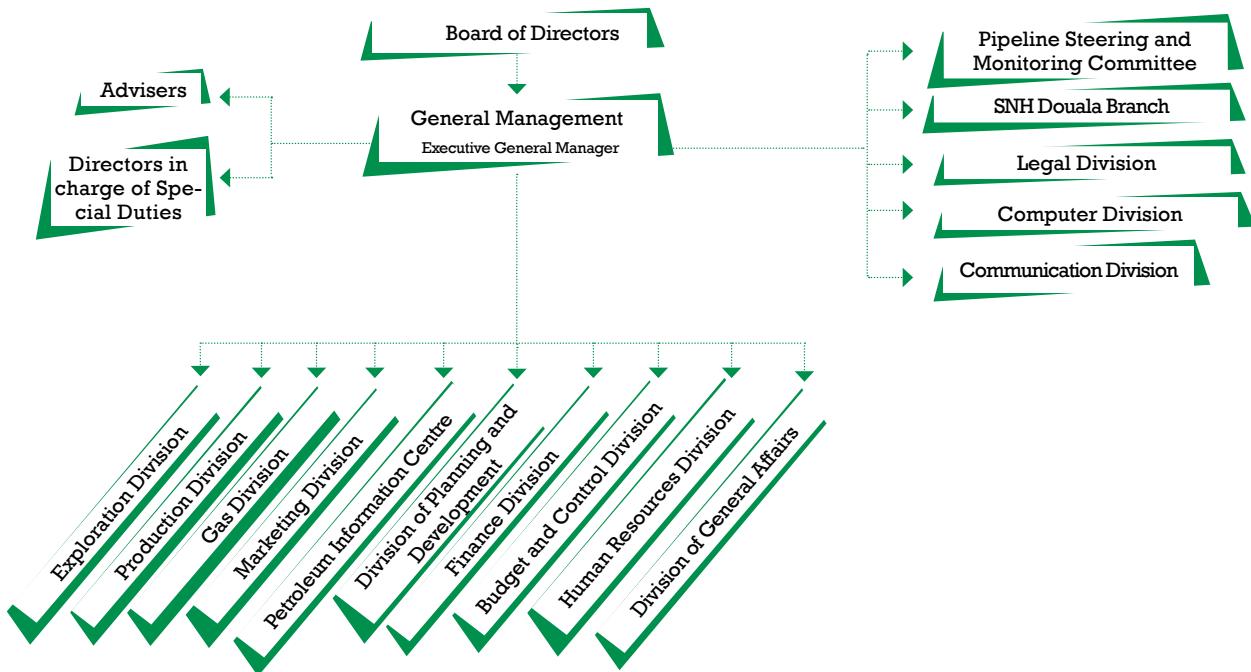
The publication of these figures is consistent with the principles of the Extractive Industries Transparency Initiative (EITI), which Cameroon joined in 2005. SNH is a member of the National Follow-up Committee of this initiative which aims at the judicious use of resources derived from extractive industries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

The institutional ties of SNH



The 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



Paul Elung Che
General Manager,
Hydrocarbons Prices Stabilization Fund



Modeste Mopa Fatoing
Director General of Taxation,
Ministry of Finance



Jean Kisito Mvogo
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 31 December 2016

Human resources : A headcount compatible with the volume of activities



As at 31st December 2016, SNH employs a total of 325 workers, of whom 255 are at the head office in Yaoundé, 39 at SNH Douala branch, 17 assigned to the Bipaga gas production site at Kribi, 08 at the Mvia oil production site near Edea and 06 on secondment or temporary transfer.

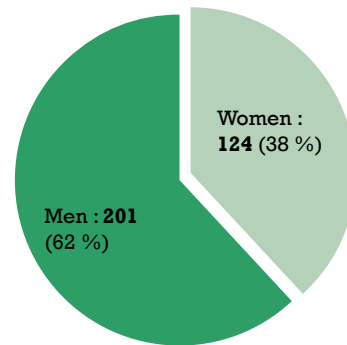
12 workers retired and 08 others were recruited during the year.

Continuous training to guarantee performance

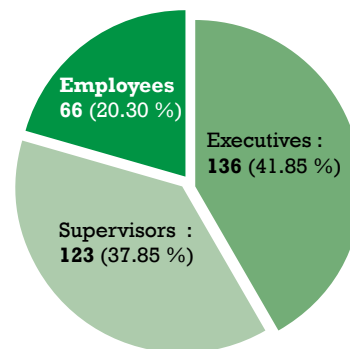
The implementation of the training plan prepared by the Division of Human Resources, in collaboration with all Units of the corporation, contributed to capacity building of SNH workers, thereby permitting them to increase their performance during the year 2016.

Overall, 87 workers received individual and collective training both in Cameroon and abroad, in various domains, including technical processes for hydrocarbons, human resources management and information technology.

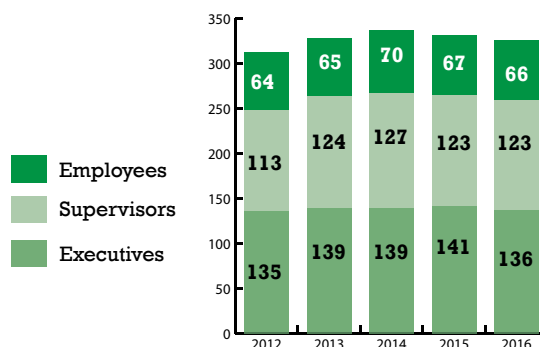
Staff distribution according to gender



Staff distribution according to socio-professional categories



Evolution of SNH workforce according to socio-professional categories





Economic outlook

2016: Global growth lower than expected

The international economic environment

The world economy grew at a rate of 3.1% in 2016, below the long term trend, but similar to the economic pace recorded since 2012.

In fact, the world economy showed resilience to shocks resulting from the Brexit, Donald Trump's election as President of the United States, re-

cession in the major emerging countries exporting raw materials, which were affected by the deterioration of the terms of trade and intrinsic factors, within a context of a relative shrinkage in global trade, slowdown of growth in China and economic stagnation in the major industrialised countries.

However, growth was stronger than expected in the second half of the year, which was characterized by a cyclical recovery in the manufacturing industry and global trade, as well as the end of disinflation, triggered by an improvement in oil prices.

Interest rates and evolution of the US dollar

The year 2016 saw a change in the United States' policy of lowering its interest rates. For instance, the US Federal Reserve (FED) raised its intervention rate from 0.50% to 0.75% on 14th December, for the second time since 2008. On the other hand, the European Central Bank (ECB) lowered its

rate from 0.05% to 0.0% on 10th March.

As far as the US dollar is concerned, its value increased relative to the euro. The increase was driven by the difference in economic prospects between the Euro zone, weakened by the Brexit, and conse-

quences of Greece's debt, as well as the slight slowdown of growth in the United States.

The average annual exchange rate for the US dollar was 592.95* CFAF, slightly up 0.26% compared to 2015.

Oil market

Overall, the year 2016 continued with the downward trend in crude oil prices which began in June 2014; for instance, Dated Brent stood at a low of 25.99 US \$ per barrel (\$/bbl) on 20th January.

(*) BEAC average rate

As of that date, following announcements of decreased drilling capacities in the United States, production shutdowns and drastic reductions in investment budgets of oil companies, prices rose gradually despite major fluctuations, and exceeded the 50 \$/bbl price set by producers.

Efforts aimed at regulating the oil market by controlling

supplies from OPEC countries and large independent exporters such as Russia were finally successful, with the signing of agreements to voluntarily reduce production by 1.8 million barrels per day on 30th November and 10th December 2016. The agreements led to a surge in oil prices, which reached their highest level for the year on 28th December, at 55.41 \$/bbl.

The average annual price of Dated Brent was 43.73 \$/bbl, as against 52.39 \$/bbl in 2015, representing a 16.53 % drop.

With respect to the fundamentals, world oil supply for the year stood at 96.9 million barrels per day (MMBPD), up 0.2 MMBPD compared to the preceding year, while demand increased by 1.6 MMBPD, to stand at 96.2 MMBPD*.

CEMAC Zone

In the CEMAC zone, economic growth stood at 0.2 %, as against 1.7 %** in 2015, according to the Bank of Central African States (BEAC). This setback was mainly due to the context of low oil prices which had a direct impact on four of the six countries in the CEMAC region. Moreover, in the case of Cameroon, Chad and CAR, the

economic cost of maintaining security and the fight against terrorism also contributed to this drop.

The evolution of the regional economy also resulted from an increased budget deficit (commitment basis, excluding grants) which stood at 5.6 % of the GDP, as against 3.3 %

of the GDP in 2015, despite a slight decrease in the current account deficit, which reduced to 11.7 % of the GDP in 2016, as against 12.2 % in 2015. On the other hand, there was a significant decline in the inflation rate, which stood at 1.1 % in 2016, as against 2.5 % in 2015.

Cameroon

Cameroon's economy demonstrated resilience to the challenges of declining crude oil prices and the cost of fighting Boko Haram, as public investments were maintained at high levels. Therefore, according to the World Bank, growth

stood at 5.6 %, as against 5.8 % in 2015.

The evolution of the national economy was also influenced by the bird flu outbreak, which severely affected the local poultry industry. However, the

continued implementation of the State's infrastructure program, as well as its actions aiming at boosting agriculture and forestry, contributed to maintaining solid growth in the sectors of public works and services.

(*) Reviewed figures
(**) BEAC rate



Message of the Executive General Manager

«We were able to keep the situation under control»

How would you describe the year 2016 for SNH?

Like the preceding year, 2016 was very difficult for SNH, and for the whole oil sector for that matter. We suffered the negative consequences of the low level of crude oil prices, but we were able to keep the situation under control.

Are there still any reasons for satisfaction?

Despite a 52.45% reduction in oil investments, which led to the postponement and even cancellation of several projects, we were able to keep oil production at about the same level as last year, at 33.69 million barrels. This was made possible by the drilling of 08 new oil-producing wells in the Rio Del Rey basin.

Gas production, on its part, stood at 12 612.52 million cubic feet, that is, 357.15 million m³. In spite of the slight decrease recorded at the national level, this production enabled a 24.38 % increase in the quantities of gas supplied to industrial companies and to two

Gas production :
12 612.52 million cubic feet, i.e.
357.15 million m³

Oil production :
33.69 million barrels

thermal plants located in Douala, which have a total capacity of 50 MW.

What about the commercial and financial results?

They were affected, of course, by the unfavorable economic situation. The quantities of crude oil sold fell by 3.65% compared to 2015 and our turnover decreased by 23.66%. As for the average selling price of our crude oil, it stood at 39.38 \$/bbl, down 20.76%. It is worth emphasizing that this decline reflects that of Dated Brent, which is the benchmark for Cameroonian crude oil.

Nevertheless, SNH was able to transfer 291.24 billion CFAF to the Public Treasury after deduction of production expenses, whereas the annual forecast was 247.20 billion CFAF.

Another important activity carried out by SNH is the Chad/Cameroon pipeline. What is the balance-sheet?

In 2016, 44 cargoes of crude oil were lifted at the Komé-Kribi 1 terminal, for a total volume of 41.77 million barrels. This activity generated a transit fee of 32.18 billion CFAF for the State, down 11.37 % compared to the year 2015. This

was as a result of a reduction in the quantities of oil exported from Chad.

And as regards the development of gas resources, has there been further progress?

Progress has been made, notably in the Floating Liquefied Natural Gas (FLNG) project, which will give Cameroon access to the global natural gas market. In this area, works to convert the *Hilli Episeyo* into a floating plant are 95% complete as at 31st December 2016. The vessel is expected in Cameroon's coastal waters in the 4th quarter of 2017.

Works to convert the Hilli Episeyo into a floating plant are 95% complete

Similarly, the expansion of the Bipaga Gas Processing Center, which will accommodate part of the project facilities, has evolved satisfactorily.

The finalisation of various internal projects was announced for 2016. What is the situation?

Equipping of the Center for the Storage of samples originating from oil and gas wells (CSEF) is almost completed. It should be noted that the CSEF is the main component of the national data bank generated by exploration & production activities in Cameroon. At the end of the repatriation process of historical data held by various oil companies abroad to this bank, our country will have full control over the management of this important national heritage.

Meanwhile, the extension of the head office building has been set up and partially equipped; finishing works are ongoing with focus on signposting and building compliance. If everything goes as planned, the building could be delivered by the end of 2017.

Actually, what are the prospects for 2017 and the short term outlook?

We are looking at the immediate future in terms of improvement of our results. Firstly, we intend to implement a new strategy to promote the national mining domain, in order to improve its rate of oc-

cupation, which stood at 52.79% as at 31st December 2016.

Secondly, we will intensify our prospection activities in the hope of achieving new discoveries and consequently, increasing our oil and gas reserves. To this end, we will step up the use of business software and continue work to improve the quality of data, which in turn is likely to increase the attractiveness of free blocks.

To achieve this, we will finalize the commissioning of a mapping portal which allows remote access to information concerning Cameroon's mining domain, both by our teams and interested investors.

In addition, with the forthcoming commissioning of the CSEF in Douala, reliable samples and data will be made available to oil companies interested in our mining domain, with a view to analyzing the potential riches of our subsoil.

Concurrently, actions to maintain oil production at an appreciable level, as well as control of oil costs, will continue, through an even more rigorous monitoring of oil operations.





Highlights


Oil and gas activities

- | | | | |
|------------------------|---|-----------------|---|
| 08/01 | Putting on production of the BJM-004 well in Bojongo-Marine field in the Rio Del Rey basin, with an average flowrate of 3 500 barrels per day. | 25/03 | Putting on production of the Padouk 5L well in the Iroko EEA, with a flowrate of 1 800 barrels per day. |
| 31/01 | Putting on production of BJN-2 well in Bojongo North field, which has an average flow rate of 1 650 barrels per day. | 27/09 | End of drilling of the Padouk 2L-ST7 well. It was put on production, with a flowrate of 2 400 barrels per day. |
| 04/02 | Putting on production of Padouk 4L well in the Iroko Exclusive Exploitation Authorisation (EEA), with a flowrate of 6 000 barrels per day. | 01-12/11 | Works to drill the LA-107 and LA-108 development wells in the Logbaba gas field begin. Expected reserves after drilling these wells are 75 BCF for LA-108 and range between 28 BCF and 60 BCF for LA-107. |
| 05/02 | Official launching of the pilot project for the use of Natural Gas for Vehicles (NGV) and Compressed Natural Gas (CNG), during a meeting with partners, namely Perenco, Gaz du Cameroun, Tradex and Hydrac. | 11/11 | Works to drill the ENM-103 infill development well in the Erong Nord Marine field begin. Expected reserves are 2.5 million barrels of oil. |
| 29/02 | Putting on production of the LSM 105-ST2 well in the Lipenja North field, with a flowrate of 750 barrels per day. | | |
| 14/03
17/03 | Participation in the 6 th African Petroleum Congress and Exhibition (CAPE VI) held in Abuja, Nigeria, and promotion of the National Petroleum Data Bank on that occasion. | | |

Corporate social responsibility

- 12/03**
20/03 SNH, once again, sponsored the Yellow Jersey of the Cameroon International Cycling Tour.
-
- 10/06** Launching of the prize-award operation to deserving students of schools located near onshore oil operation sites and donations to public institutions of the 10 regions of Cameroon ranked among the best by the Office du Baccalauréat and the GCE Board.
-
- 16/10** *SNH Vélo Club* was crowned best team of the Grand Prix Chantal Biya International Cycling Tour. Teams from 06 countries competed over a total distance of 590 km.

Corporate life

- | | |
|--|--|
| <p>14/01 Ceremony to present New Year wishes to the Executive General Manager (EGM). He recommended that workers should continue and multiply actions to increase oil production and reduce costs.</p> | <p>07/06 The Board of Directors, which met in an ordinary session, commended the increase in oil production and SNH's resilience despite the persistently low crude oil prices.</p> |
| <p>1st/03 Simultaneous elections of Staff representatives at the head office and SNH Douala branch, in the presence of officials from the Ministry of Labour and Social Security.</p> | <p>12/10 Creation of an anti-corruption unit, notably responsible for ensuring, the application of the company's Code of Ethics.</p> |
| <p>08/03 Celebration of the International Women's Day, under the theme of gender equality and empowerment of women.</p> | <p>25/11 Inauguration of a reading room at the SNH Douala branch office.</p> |
| <p>12/03 SNH is 34 years old. On this occasion, the Hydrocarbons Sports and Cultural Association (ASCH) organized a fitness walk on an 11 km itinerary.</p> | <p>06/12 The Board of Directors, which met for its second ordinary session of the year, adopted the consolidated financial statements for 2015 and the 2017 budget.</p> |
| <p>29/03 SNH's Integrated Information and Management System (SIGIS) was put in service.</p> | <p>22/12 Organisation of the traditional Christmas tree ceremony, during which gifts meant for 478 workers' children were handed out to the parents.</p> |
| <p>05/04 28 staff recruited between 2013 and 2016 met the EGM, who exhorted them to contribute to the progress of the company.</p> |  |
| <p>1st/05 Workers from the head office, SNH Douala branch and Bipaga gas production site took part in the workers' march past organized respectively in Yaoundé, Douala and Kribi on the occasion of the celebration of Labour Day, under the theme « Social responsibility of enterprises and trade unions in the promotion of decent work ».</p> | |



Exploration/Production

Status of the national mining domain

Petroleum activities took place in two sedimentary basins, namely: Rio Del Rey (producing since 1977) and Douala/Kribi-Campo (producing since 1997). Activities are suspended in the Logone Birni basin (not yet producing), due to Boko Haram attacks in the area.

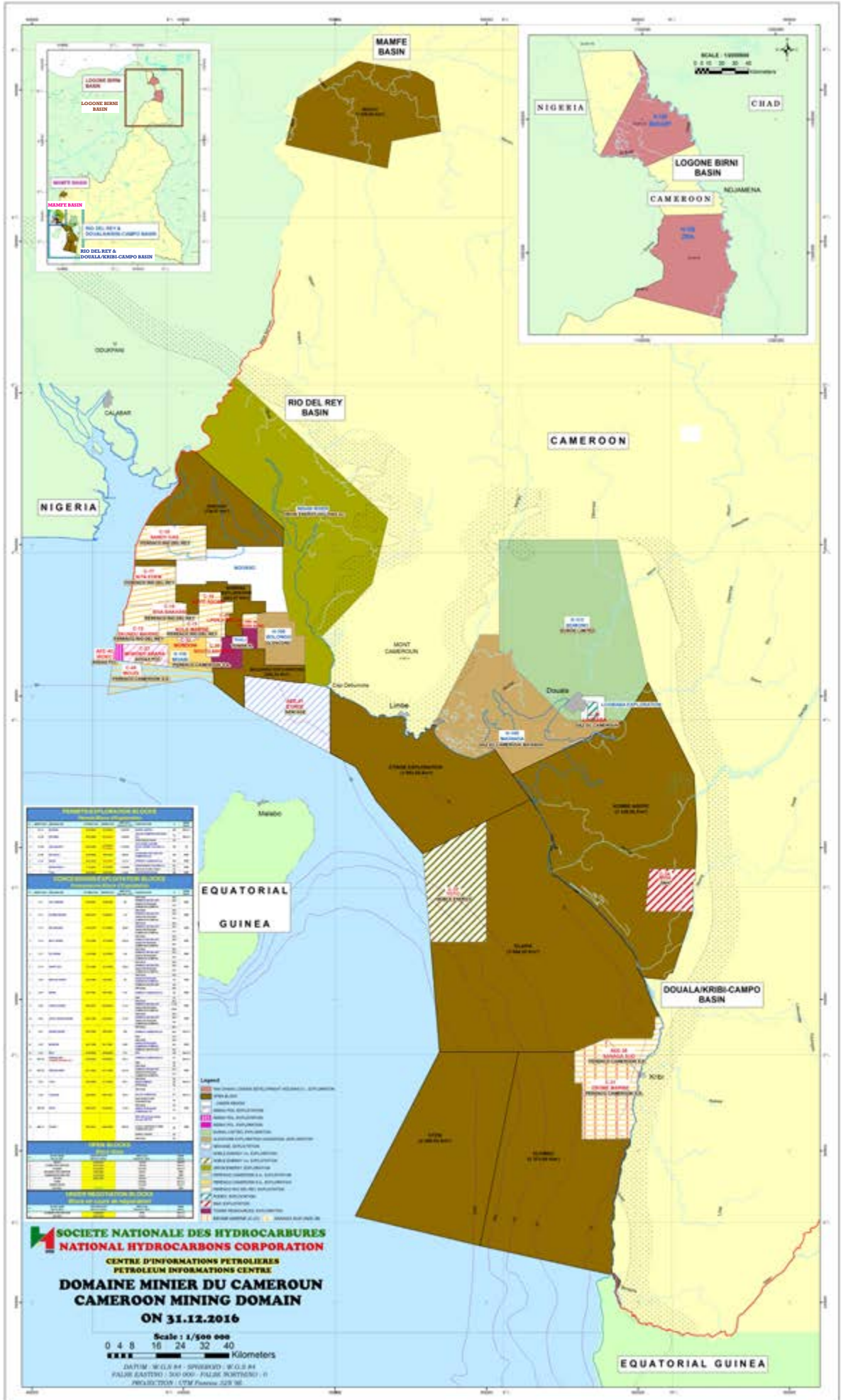


The national mining domain covers a total area of 31 839.82 km², with 16 808.58 km² allocated to various Operators, implying a rate of occupation of 52.79%.

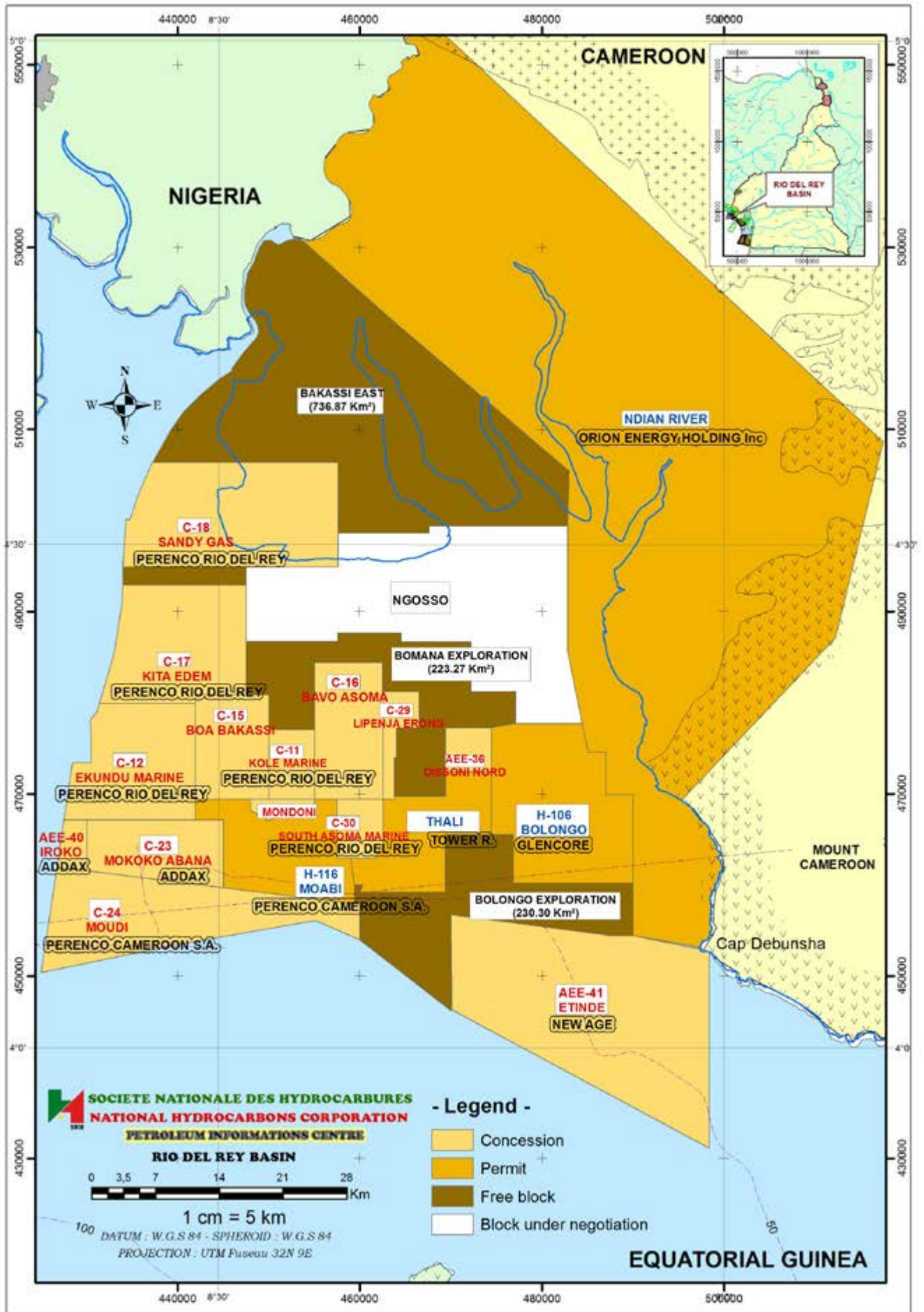
As at 31st December 2016, the national mining domain comprises:

- 07 Prospecting Permits and/or Exclusive Prospecting Authorizations (EPA) covering a total area of 12 958.26 km² (40.70% of the total area);
- 19 Concessions and/or Exclusive Exploitation Authorizations (EEA), covering a total area of 3 850.32 km² (12.09% of the total area);
- 02 blocks under negotiation, covering a total area of 517.90 km² (1.63% of the total area);
- 08 free blocks, covering a total area of 14 513.34 km² (45.58% of the total area).

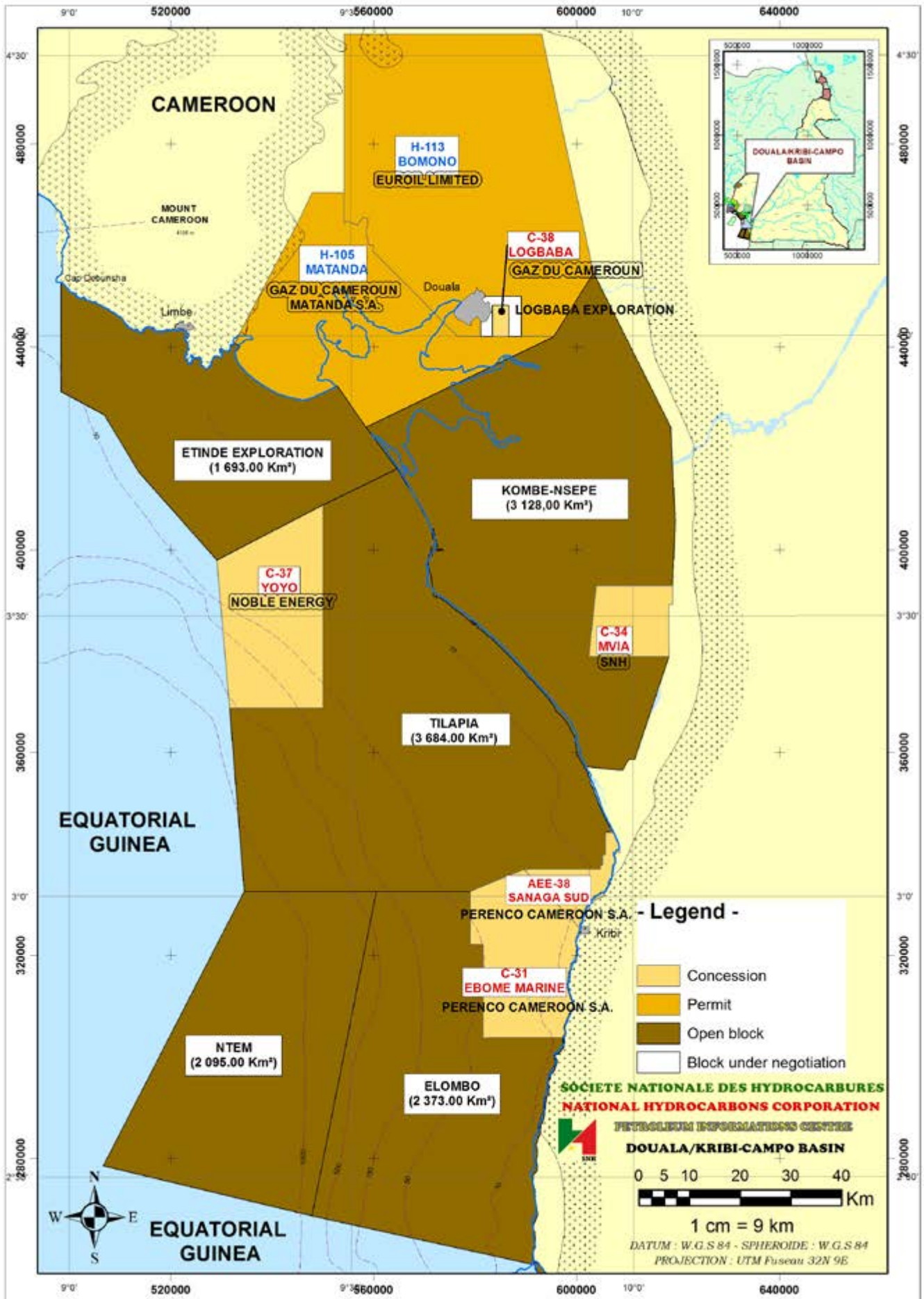
Occupation of the national mining domain as at 31st December 2016



Occupation of the Rio Del Rey basin as at 31st December 2016



Occupation of the Douala/Kribi-Campo basin as at 31st December 2016



Mining titles

Extensions and withdrawals

Rio Del Rey Basin

- Signing, on 3rd October, of Amendment No. 1 to the Moabi Production Sharing Contract (PSC) operated by Perenco Cameroon, aiming at amending article 6, related to the minimum work program of the initial period of the prospecting phase.
- The Bakassi West Block (Dana Petroleum, Operator), whose petroleum contract expired on 31st July, was reverted to the unlicensed mining domain.

Douala / Kribi-Campo Basin

- The Tilapia block (Noble Energy, Operator), whose petroleum contract expired on 6th July, was reverted to the unlicensed mining domain.
- Extension of the prospecting phase of the Bomono Exclusive Prospecting Authorization (EurOil, Operator) for a period of two years from 12th December, to enable finalization of the evaluation of the Mombe discovery made in 2015.

Existing petroleum associations as at 31st December 2016

Permits and Exclusive Prospecting Authorizations

No.	Associations	Associates	Nationalities	Shares
Douala/Kribi-Campo Basin				
1	Bomono	EurOil	British	100 %
2	Matanda	Glencore Afex	British British	90 % 10 %
Rio Del Rey Basin				
1	Bolongo	Glencore	British	100 %
2	Moabi	Perenco Cameroon	Franco-British	100 %
3	Ndian River II	Orion Energy Heta Oil & Gas Ltd	Chinese Cameroonian	90 % 10 %
4	Thali	Tower Resources Cameroun S.A.	British	100 %
Logone Birni Basin				
1	Zina-Makary	Yan Chang Logone Development Holding Co. Ltd	Chinese	100 %

Concessions and Exclusive Exploitation Authorizations

No.	Associations	Associates	Nationalities	Shares
Douala/Kribi-Campo Basin				
1	Mvia	SNH	Cameroonian	100 %
2	Yoyo	SNH (State) Noble Energy Petronas	Cameroonian American Malaysian	50 % 25 % 25 %
3	Logbaba	SNH (State) Gaz du Cameroun RSM	Cameroonian British American	5 % 57 % 38 %
4	Sanaga Sud	SNH (State) Perenco Cameroon	Cameroonian Franco-British	25 % 75 %
Rio Del Rey Basin				
1	Etinde	SNH (State) New Age Lukoil EurOil	Cameroonian British Russian British	20 % 30 % 30 % 20 %
2	Dissoni North	SNH (State) Perenco RDR Addax PCC	Cameroonian Franco-British Chinese	25 % 37,5 % 37,5 %
3	Iroko	SNH (State) Addax PCL	Cameroonian Chinese	30 % 70 %
4	Kole Marine			
5	Ekundu Marine			
6	Boa Bakassi	SNH (State) Perenco RDR	Cameroonian Franco-British	50 % 25,50 %
7	Bavo Asoma	Addax PCC	Chinese	24,50 %
8	Kita Edem			
9	Sandy Gas			
10	Lipenja Erong	SNH (State) Perenco RDR Addax PCC	Cameroonian Franco-British Chinese	50 % 17,75 % 32,25 %
11	South Asoma Marine	SNH (State) Perenco RDR Addax PCC	Cameroonian Franco-British Chinese	50 % 25 % 25 %
12	Akono	SNH (State) Perenco RDR Addax PCC	Cameroonaise Franco-British Chinese	50 % 25,15 % 24,85 %
13	Moudi	SNH (State) Perenco Cameroon SNH	Cameroonian Franco-British Cameroonian	50 % 40 % 10 %
14	Ebome Marine	SNH (State) Perenco Cameroon SNH	Cameroonian Franco-British Cameroonian	50 % 28,50 % 21,50 %
15	Mokoko Abana	SNH (State) Addax PCC Perenco RDR	Cameroonian Chinese Franco-British	50 % 40 % 10 %
16	Mondoni	SNH (State) Addax PCC Perenco RDR	Cameroonian Chinese Franco-British	50 % 25 % 25 %

Drilling activities

One exploration well and five development wells were drilled; drilling activities were not completed for six others.

Well	Block	Operator	Depth (MD)	Start of drilling activities	End of drilling activities/ Completion	Results
Exploration						
Manatee-1	Bakassi West	Kosmos	1447	09/03/2016	27/03/2016	Negative
Development						
LSM-105 ST	Mokoko West	Perenco RDR	2725	01/02/2016	29/02/2016	750 bbl/d
L-14 ST2-3	Mokoko West	Addax PCC	1832	25/03/2016	19/04/2016	401 bbl/d
L-5 ST	Mokoko West	Addax PCC	1930	20/04/2016	11/05/2016	482 bbl/d
PDK-5L	Iroko	Addax PCL	3260	01/02/2016	26/03/2016	1800 bbl/d
PDK-2L ST7	Iroko	Addax PCL	3942	12/05/2016	26/09/2016	2400 bbl/d
PDK-4L	Iroko	Addax PCL	4445	26/11/2015	04/02/2016	6000 bbl/d
LA-107	Logbaba	Gaz du Cameroun	ND	01/11/2016	Not ended as at 31/12	ND
LA-108	Logbaba	Gaz du Cameroun	ND	12/11/2016	Not ended as at 31/12	ND
BJM-004	Kita-Edem	Perenco RDR	2036	07/12/2015	08/01/2016	3500 bbl/d
BJN-2	Kita-Edem	Perenco RDR	2853	29/10/2015	31/01/2016	1650 bbl/d
ENM-103	Lipenja-Erong	Perenco RDR	ND	11/11/2016	Not ended as at 31/12	ND

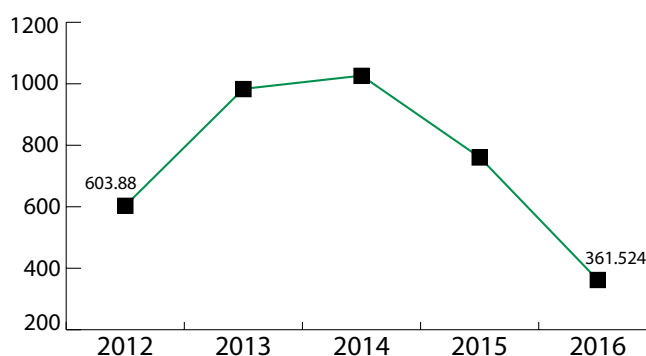
ND: Not determined

Investments

Oil investments, which had been increasing, are now impacted by falling crude oil prices

Evolution of investments

(In million dollars)





Audits of oil expenses

Two cost adjustments were made in 2016 for a total amount of 3 966 485.99 US\$ distributed as follows :

- Audit of the Mokoko Abana Association operated by Addax Petroleum Cameroon Company (APCC), during the 2007-2011 period: an adjustment of 2 409 307.10 US\$;
- Audit of the Bolongo Association operated by Glencore, between 16th July 2009 and 31st July 2013: an adjustment of 1 557 178.89 US\$.

Production

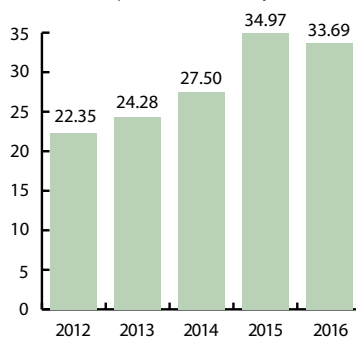
Oil production

Crude oil production stood at 33.69 million barrels, down 3.67% from 2015.

The decrease was due to the difficulties encountered during the drilling of the Padouk wells (2L-ST4 to ST7*) of the Iroko Association operated by Addax, lack of development of new fields and decline in the performance of some producing fields, notably those put on production in 2015 (Inter Inoua Barombi and Bojongo North fields).

State and SNH share of liquid hydrocarbon production stood at 20 402 813.9 barrels, equivalent to 60.56% of the total production.

Evolution of national crude oil production
(In million barrels)



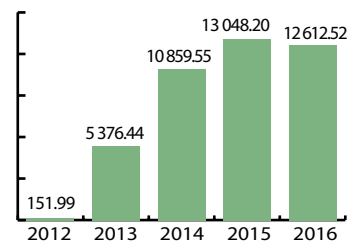
(*) ST: Sidetrack



Gas production

Gas production stood at 12 612.52 million cubic feet, down 3.34% compared to the preceding year. The decrease was mainly due to reduced gas demand from the operator of the Kribi Thermal Power Plant, for electricity generation.

National gas production
(In million standard cubic feet)



Remaining oil reserves

As at 31st December 2016, the remaining oil reserves in Concessions were reevaluated at 240.96 million barrels, as against 288.03 million barrels in 2015.

Natural gas resources

Natural gas resources were estimated at 6.064 TCF (171.71 billion m³) as at 31st December.



Commercial activities

SNH sells the share of national crude oil production accruing to the State, as well as its own production. It also sells Cameroonian crude oils on behalf of its partners, at their request.

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

SNH's commercial policy, which remains unchanged, consists in direct sales to refiners located in its usual zone of export (consisting of Europe and the Mediterranean region), as well as sales to traders, making it possible to reach more distant markets (Far East and the Americas) as well as new markets.

Types of crude oil produced in Cameroon and volumes of cargo

The three types of crude oil produced and marketed in Cameroon include:

- 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 volume of crude oil sold by SNH on behalf of the State was 20.510 million barrels, as against 21.288 million in 2015, implying a 3.65 % decrease.

The differentials of Cameroonian crude oil compared to Brent averaged -2.79 \$/bbl, as against -2.64 in 2015. Thus,

- ✓ the differential for Kole remained unchanged, at -1.78 \$/bbl;

- ✓ the differential for Lokélé improved to -5.62 \$/bbl, as against -6.03 for the 2015 financial year ;

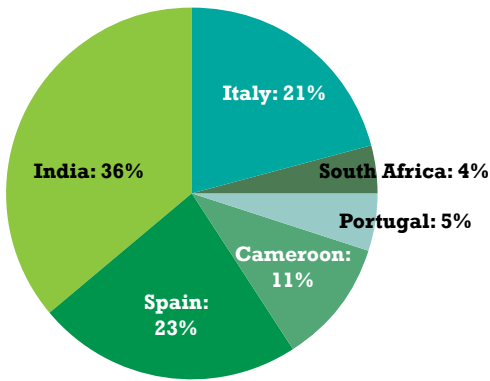
- ✓ the premium for Ebome decreased to 3.39 \$/bbl, as against 4.19 in 2015.

The average selling price of the share of crude oil accruing to the State stood at 39.38 \$/bbl, as against 49.70 in 2015.

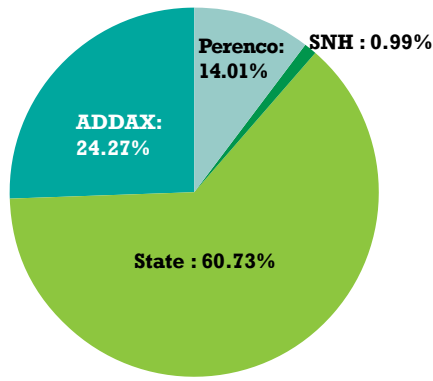
Reflecting both the decline in liftings and gloomy oil price environment, turnover on the sales for the year amounted to 807.693 million US dollars (478.180 billion CFAF), down 23.66% compared to 2015.

**Average selling price of cameroonian crude oil:
39.38 \$/bbl**

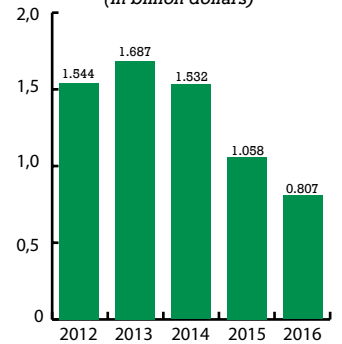
Main destinations of crude oil sold by SNH



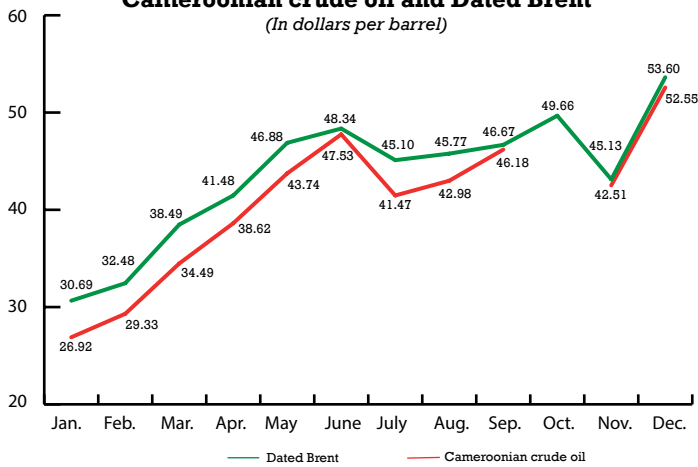
Associates' allocation of liftings



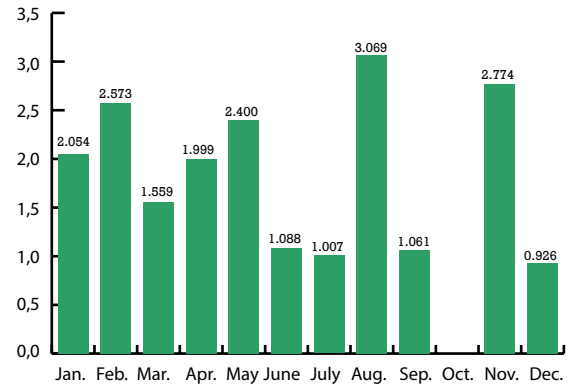
SNH turnover on behalf of the State
(In billion dollars)



Monthly evolution of average prices for Cameroonian crude oil and Dated Brent
(In dollars per barrel)



Monthly quantities of crude oil sold on behalf of the State
(In million bbl)



Marketing of natural gas

SNH sold 9 764 million* cubic feet of natural gas to the operator of the Kribi Thermal Power Plant, at an average price of 1 559.08 CFAF per thousand cubic feet (mscf).

The sales, combined with the state's share in the income of the Sanaga South Association, generated a total revenue of 19.096 billion CFAF, down 2.84% compared to 2015.



(*) Equivalent to 1000 BTU/scf



Gas Projects

Floating Liquefied Natural Gas (FLNG) Project: conversion of the Hilli Episeyo into a floating plant is 95% complete

The conversion of Golar's Hilli Episeyo vessel continued in the Keppel shipyard in Singapore and was 95% complete on 31st December.

Concurrently, works to expand the gas processing facilities in Bipaga near Kribi, which were entrusted to Friedlander by the operator of the Sanaga South Association, Perenco, were accelerated. As at 31st December, they reached an execution rate

of 53.6%. Therefore, at the end of the works, the processing capacity of the Bipaga facilities will be 320 million cubic feet of gas per day, as against 60 million before then.

The main objective is that the processing facilities and the floating plant should be operational in the fourth quarter of 2017. The flowrate of gas processed by the plant will be 180 million cubic feet per day,

for an annual production of 1.2 million tons of liquefied natural gas.

In addition, 30.000 tons of Liquefied Petroleum Gas (LPG), commonly called domestic gas and compliant with Cameroonian specifications (80% butane and 20% propane), will be extracted annually from the Bipaga facilities.

Generation of electricity from natural gas: gas supplies to the Kribi Thermal Power Plant continued without any incident



The operation of the Bipaga/Mpolongwe gas pipeline, which supplies gas to the Kribi Thermal Power Plant, continued without any incident, for a total 33 792 hours of incident-free operations since February 2013.

The average daily consumption of the plant was 26.68 million cubic feet of gas per day, which is 4.71% below the take-or-pay contractual obligation of 28 million cubic feet of gas per day. This corresponds to an average operational capacity of 125 MW for the plant, i.e. 58% of the total available capacity.

Distribution of natural gas to industries: two new companies were connected to the gas distribution network in Douala



Two new companies were connected to the gas pipeline distribution network, raising the total number of companies connected to 33 as at 31st December. The gas distribution network set up by *Gaz du Cameroun* (GDC), Operator of the Logbaba Association, which covers 49.6 km, now serves the Bassa and Bonaberi industrial areas.

A cumulative volume of 239.7 million cubic meters of natural gas has been supplied to industries since the network began operating in 2012. As at December 31st, the consumption is 53.13% for industrial needs and 46.87% for electricity generation needs. Two thermal power stations with a total capacity of 50 MW are thus supplied by GDC.

Project to construct LPG storage tanks and loading facilities for trucks : two spheres with a capacity of 500 tonnes to be constructed

French company Parlym completed the Preliminary Design Studies (PDS) and Preliminary Detailed Design (PDD) for the project to construct LPG storage tanks and loading facilities for trucks, on behalf of SNH. A call for tender has been launched for the selection of an Engineering Procurement and Construction (EPC) contractor to design, supply and build these facilities.

The project aims at constructing two LPG storage spheres with a capacity of 500 tons each, on the SNH estate in Bipaga, to accommodate LPG production from the FLNG project.



Project to build a gas-fired power plant in Limbe: a pre-feasibility study was conducted

Within the framework of Cameroon's electricity diversification policy, SNH carried out a pre-feasibility study in 2016 for a gas power plant with a capacity between 300 and 500 MW. Two options for the supply of natural gas were considered, namely, gas from the Etinde field and gas from the fields operated by Perenco Rio Del Rey.

Several international energy groups expressed interest in this project, namely CC Energy/General Electric, Siemens/Engie, Eranove, Poly Technologies, Globelec, Grenor SA, Aksa Energy, Hydrochina and Sphinx Energy.

Project for the use of Natural Gas for Vehicles (NGV) and Compressed Natural Gas (CNG) in Cameroon: multisectoral working groups were set up



After the successful testing of six natural gas vehicles at the Bipaga gas site, SNH designed a pilot project whose feasibility is being studied by a work group comprising SNH, Perenco, GDC, Tradex and Hydrac.

A second group comprising SNH and the relevant ministries was set up to reflect on the institutional aspects related to the implementation of the NGV/CNG project: legislation, regulation, safety, pricing, etc. The ministries include: the Ministry of Mines, Industry and Technological Development, Ministry of Transport, Ministry of Energy and Water Resources, Ministry of Environment, Nature Protection and Sustainable Development and the Ministry of Commerce.



Corporate social responsibility

Preserving our future

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



Promotion of the use of natural gas, which is less polluting and less expensive, as a replacement for liquid fuels such as diesel, heating oil and fuel oil.

Several projects are carried out within this framework, namely, the Supply of Gas to Douala-based Industries as well as the use of NGV and CNG. Regarding NGV/CNG, a pilot project was launched on 5th February.

As regards the project to supply gas to Douala industries, in 2016, it proved to be a project contributing towards the protection of the environment, thanks to the increased volume of natural gas used by industrial customers to replace fuel oil, diesel or other liquid fossil fuels.

Participation in oil pollution response initiatives.

Within this framework, the company took part in the International Oil Pollution Compensation Funds (IOPC) meetings held from 25th to 27th April and from 17th to 20th October in London. The company also fulfilled its obligations to the International Petroleum Industry Environmental Conservation Association (IPIECA), the International Gas Union (IGU) and Global Gas Flaring Reduction Partnership (GGFR).

Meanwhile, within the framework of the National Oil Spill Contingency Plan (NOSCP), inspections of the waste management sites at the Kome-Kribi 1 Terminal, the Belabo

and Dompta pumping stations and the Kribi pressure reduction station were carried out. In addition, the pollution control and information technology equipment of the Limbe, Douala and Kribi centers were inspected, as well as the Bipaga-Mpolongwe pipeline, which was subject to monthly environmental inspections.

Samuel Roger Minkeng, Permanent Secretary of the Pipeline Steering and Monitoring Committee (PSMC), was re-elected 2nd Vice-President of the 1992 Fund Assembly, during the statutory meetings of the IOPC. This is a recognition of Cameroon's expertise in the field of oil pollution control.

Contribution to youth training

10 public institutions ranked first in their respective regions by the *Office du Baccalauréat du Cameroun* and the GCE Board, at the end of the 2015/2016 school year, received donations from SNH, which enriched their libraries with school books. Students and teachers from six other schools located near onshore operations sites (Mvia, Bakassi and Kribi) received textbooks and teaching materials.

Moreover, SNH took part, from 26th to 28th October, in the 5th edition of the Student Forum, under the theme « Professionalization of higher education: a vehicle for self-employment and a harmonious socio-professional integration of graduates».

SNH also provided academic internships to 40 students from higher institutes of learning and universities, as well as holiday jobs to 80 students.



Support to the promotion of culture

SNH contributed to the promotion of the national cultural heritage through the sponsoring of cultural events such as the Ngondo, the Sawa coastal peoples' festival and the «*Semaine de la femme en diamant*» (SEFEDI) organized by singer Lady Ponce.

Support to sporting activities

SNH supported major sporting events such as:

- the 12th Cameroon International Cycling Tour, held from 12th to 20th March, and
- the 16th edition of the Grand Prix Chantal Biya International Cycling Tour, organised from 12th to 16th October.

Actions for the well-being of staff



Staff are a major concern for SNH. The company notably ensures that they have adequate working conditions at the professional, health, safety and infrastructural level, such as:

- company doctors and health insurance for all workers;
- organisation of annual medical check-ups, which were extended to cardiovascular examinations in 2016;
- organisation of educational talks on various topics, including overweight management and inheritance/heritage.

Various celebrations were also organised in the course of the year: New Year wishes ceremony, Labour Day, International Women's Day, Mother's Day, Christmas tree ceremony for workers' children.

On another level, the company contributes to the well-being of its staff through the Solidarity Fund for Personnel of the SNH Group and the Hydrocarbons Sports and Cultural Association (ASCH), which serve as a recreational and mutual assistance framework for workers and their families. In 2016, the Fund's membership grew by 3% to 717 members, as against 696 members in 2015, and that of ASCH increased by 4.6% to 528 full members, as against 519 in 2015.

The Solidarity Fund provides diverse forms of assistance to its members during happy and sad events.

ASCH, on the other hand, organizes sports and cultural events, as well as leisure activities throughout the year, such as the tourism excursion in West Cameroon, held from 19th to 21st August.



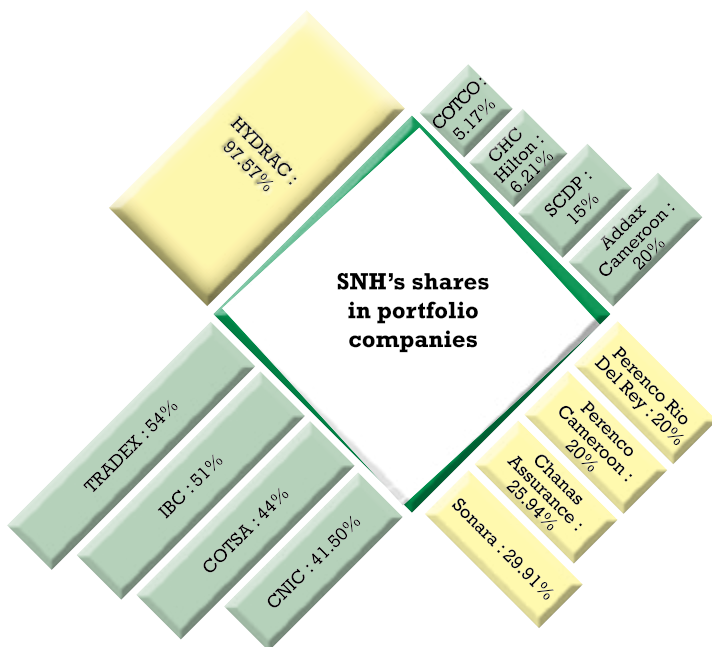
Financial activities



Management of share companies

An expanding group

Since 1994, SNH has diversified its activities. As at 31st December, 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)

Perenco Cameroon
Results down 150.47%

The accounts closed on 31st December show a loss of 2.216 million US dollars, as against a profit of 4.391 million US dollars in 2015.

No dividends were paid for the 2015 financial year.

Perenco Rio Del Rey
Results down 35.79%

The accounts closed on 31st December show a positive net result of 47.304 million US\$, as against 73.667 million US\$ in 2015.

Dividends of 300 US dollars per share were paid to shareholders for the 2015 fiscal year.

Addax Petroleum Cameroon
Company S.A. (ADDAX)
Result down 54.79%

The accounts closed on 31st December show a positive net result of 32.44 million US dollars, as against 71.761 million US dollars in 2015.

No dividends were paid for the 2015 financial year.

Otherwise, following the harmonization of the statutes, the following actions were carried out during the Extraordinary General Assembly Meeting of 28th December:

- relocation of the head office of the company, from the State of Delaware, USA, to Douala, Cameroon;
- change of the company's name, as a result of its conversion to a public limited company. Thus, «Addax Petroleum Cameroon Company LLC» became «Addax Petroleum Cameroon Company S.A.»;
- the change in the company's capital, from 1 000 000 CFAF to 10 000 000 CFAF. The new capital comprises 1 000 shares with a nominal value of 10 000 CFAF, divided into 200 Series A shares (SNH shares) and 800 Series B shares (Addax shares).

Cameroon Oil Transportation
Company (COTCO)
Results down 14.40%

The accounts closed on 31st December show a positive net result of 29.357 million US dollars, as against 34.296 million US dollars in 2015.

Net dividends of 52.13 US dollars per share were paid to shareholders for the 2015 fiscal year.

Cameroon Oil Terminal S. A. (COTSA)
Results up 81.22%

The accounts closed on 31st December show a positive net result of 25.646 million US dollars, as against 14.152 million US dollars in 2015.

Dividends of 25 US dollars per share were paid to shareholders for the 2015 fiscal year.

National Refining
Company Ltd (SONARA)

Negative results, but a 40.38%
rate of improvement

The accounts closed on 31st December show a loss of 31.024 billion CFAF, as against 52.036 billion CFAF in 2015.

International Business
Corporation (IBC) S.A.

Losses increased by 9.48%

The accounts closed on 31st December show a negative net result of 1.299 billion CFAF as against -1.186 billion CFAF in 2015. The company's equity was entirely absorbed and the company's net balance stood at -8.427 billion CFAF.

No dividends were paid for the 2015 financial year.

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

The accounts closed on 31st December show a loss of 5.82 billion CFAF, hence a cumulated loss of 18.24 billion CFAF.

Société Camerounaise des Dépôts Pétroliers (SCDP)

Results down 60.91%%

The accounts closed on 31st December show a positive net result of 319.729 million CFAF as against 817.943 billion CFAF in 2015.

Dividends of 1 252.50 CFAF per share were paid to shareholders for the 2015 fiscal year.

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

Results up 285.63%

The accounts closed on 31st December show a positive net result of 7.923 billion CFAF, as against 2.055 billion CFAF in 2015.

Dividends of 3 043.16 CFAF per share were paid to shareholders for the 2015 fiscal year.

Cameroon Hotels Corporation (CHC-HILTON)

Results up 51.80%

The accounts closed on 31st December show a profit of 724.917 million CFAF, as against 477.517 million CFAF in 2015.

Dividends of 100.20 CFAF per share were paid to shareholders for the 2015 fiscal year.

Hydrocarbures-Analyses-Contrôles (HYDRAC)

Results up 10.04%

The accounts closed on 31st December show a positive net result of 407.780 million CFAF, as against 370.559 million CFAF in 2015.

Dividends of 649.15 CFAF per share were paid to shareholders for the 2015 fiscal year.

Chanas Assurances S.A.

The accounts closed on 31st December had not yet been approved at the date of printing of this report.

Net dividends of 6 679.22 CFAF per share were distributed to shareholders for the 2015 year.



Financial report

Summary

SNH-State mandated activities

- Highlight
- Activities related to associations
- Synthesis of operations on State mandated activities

SNH Management

- Highlight
- Income statement
- Dividends paid to the State
- Taxes paid
- Consolidated and comparative balance-sheets
- Consolidated and comparative profit and loss accounts

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** of the company. Income is derived from dividends paid by share companies, interest generated by investments of cash surpluses, as well as sales of the share of crude oil accruing to SNH.

SNH-State Mandated Activities

Highlight

There was a decrease of 23.06% in transfers to the State, which stood at 291.244 billion CFAF in 2016, as against 378.536 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: 20.034 million barrels;
- Share of gas production accruing to the State: 2.946 billion Scf;
- Oil production sold: 20.510 million barrels;
- Gas production sold: 2.656 billion scf;
- Average rate of the US dollar: 1 dollar = 592.032 CFAF*;
- Average official price of the crude oil barrel: 39.380 US dollars;
- Amount collected from crude oil and natural gas sales: 816.305 million USD, equivalent to 483.302 billion CFAF;
- Expenditure on oil and gas activities: 192.058 billion CFAF;
- Transferable balance: 291.244 billion CFAF.

(*) Upon receipt

Synthesis of operations on State-mandated activities

OPERATIONS ITEMS		QUANTITIES		AMOUNT	
Details		Bbls (million)	Scf (billion)	USD (million)	CFAF (billion)
Production share accruing to the State		20.034	2.946		
1) Production sold		20.510	2.656	816.305	483.302
Average exchange rate US\$/CFAF		592.032			
Average official oil price (USD/Bbls)		39.380			
Gas price (XAF/Thousand SCF)		1 559.081			
2) SNH commitments				323.456	192.058
2.1 SNH commitments/Associations				272.969	162.205
a) Operating costs				110.174	65.538
b) Sanaga South exploitation/development				17.853	10.566
c) Dissoni North exploitation/development				1.294	0.744
d) Appraisal/Development (Rio Del Rey + Lokele)				55.974	33.206
e) Iroko exploitation/development				36.719	21.728
f) Moudi and Ebome development				0	0.000
g) Royalties				50.957	30.423
2.2 Other SNH commitments				50.488	29.853
a) Gas projects				8.162	4.813
b) Inspection costs				0.485	0.286
c) Security stocks				3.897	2.267
d) African Petroleum Producers Association (APPA)				0.189	0.112
e) Securing of petroleum operations				9.651	5.723
f) Other decommissioning provisions				12.100	7.182
g) Chad/Cameroon pipeline				2.477	1.479
h) Other expenses				13.527	7.991
2.3 LNG Project				0.000	0.000
3) Transfers to the Public Treasury				492.848	291.244

Activities related to SNH Management

Highlight

There was a decrease of 16.93% in gross dividends collected from share companies on account of the 2015 fiscal year, which stood at 15.867 billion CFAF, as against 19.101 billion CFAF collected in 2015 on account of the 2014 fiscal year.

Income statement

The net result for the year (after corporate tax) recorded a decrease of 2.940 billion CFAF in absolute terms and 35.52 % in relative terms, to stand at 5.337 billion CFAF, as against 8.277 billion CFAF in 2015. This situation is due to the combined decline in crude oil prices, quantities produced and dividends received from share companies.

Dividends paid to the State

SNH paid a gross dividend of 5 billion CFAF to the State, just like in 2015.

Taxes paid

SNH paid 1.128 billion CFAF as corporate tax for the 2016 fiscal year.

Comparative consolidated balance-sheets

(in million CFAF)

Assets	2015	2014	%	Liabilities	2015	2014	%
Net capital assets	324 073	279 304	16.03	Stable resources	368 275	337 048	9.26
Current assets	296 328	352 194	-15.86	Current liabilities	307 321	345 941	-11.16
Assets account	146 153	150 440	-2.85	Funds liabilities	90 958	98 948	-8.07
Total	766 554	781 938	-1.97	Total	766 554	781 937	-1.97
				Result of group's share	-6 886	2 252	-405.77

Consolidated and comparative profit and loss accounts

(in million CFAF)

Item	2015	2014
Operating result	8 855	17 628
Financial result	-10 088	-13 561
Result of ordinary activities	-1 233	4 068
Result excluding ordinary activities	-131	285
Share and taxes	-14 857	-23 372
Net result of integrated companies	-15 212	-21 583
Result of companies equivalence	10 098	27 952
Consolidated net result	-5 114	6 369
Minority interest/Result	1 772	4 116
Net result: group's share	-6 886	2 252



Appendices

Summary

- Procedures for awarding oil contracts
- Accounting principles and standards applied
- Accounting procedure
- Fiscal procedure
- Mandate of the State :Auditor's report on financial statements
- Portfolio management: Statutory auditor's report on financial statements

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 specialized 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, 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 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 2016 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 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 amortizing 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, Lokele, Moudi, Ebome Marine, Dissoni, Sanaga South and Iroko 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 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 corporate 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 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

Auditor's report on financial statements

Year ended December 31st, 2016



In our capacity as auditor, we hereby present our report on the financial statement for year ended 31st December, 2016 which contains :

- The examination of the accompanying financial statements of NHC, Mandate of the State, presented in CFA Francs,
- Our conclusions and our opinion on the related financial statements for the year ended December 31st, 2016.

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-ANNUAL FINANCIAL STATEMENTS

Our audit engagement was carried out on the financial statements having the following significant figures (in million FCFA) as at December 31st, 2016:

- Total balance sheet	: 1 093 186
- Turnover	: 501 120
- Net profit (before transfers to states accounts):	150 920
- Bank and cash in hand	: 407 131

2-OUR AUDIT APPROACH

We conducted our audit in accordance with professional standards applicable in Cameroon. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements.

The performance of our diligences led us to :

- Assess the procedures and internal controls at the company's level in order to identify potential risk areas in the accounts and to define the schedule and scope of the samples to be tested substantively in the accounts;
- Make a direct confirmation request for the balances and information with third parties that conducted businesses with the company, including banks, customers, suppliers, lawyers, insurers and affiliated companies;

- Implement our audit procedures after defining the risk of material misstatements for each account or group of accounts.

3-CONCLUSIONS OF OUR ENGAGEMENT

3-1: Review of internal control procedures

As far as the significant processes are concerned, we have no significant internal control weaknesses to bring to your attention.

3-2: Assessment of accounts

We are not aware of any significant matters that need to be brought to your attention.

4- OPINION ON THE ANNUAL FINANCIAL STATEMENTS

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of the National Hydrocarbons Company, Mandate of the State, give, in conformity with generally accepted accounting principles applicable in Cameroon, a true and fair view of the assets and liabilities and of the financial position of the State's equity as at December 31st, 2016 and the results of its operations for the year then ended.

5- SPECIFIC AUDIT PROCEDURES AND INFORMATION

We have also carried out, in accordance with professional standards applicable in Cameroon, the specific verifications and procedures prescribed by law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given to the State with respect to the financial position and the financial statements.

CAMEROUN AUDIT CONSEIL

Jérôme MINLEND
Partner

July 6th, 2017

Portfolio management

Statutory auditor's report

Financial statements

Year ended December 31st, 2016



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, 2016.

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.

I. OPINION ON THE FINANCIAL STATEMENTS

We have audited the financial statements in accordance with professional standards applicable to Cameroon and, accordingly, performed such auditing procedures as we considered necessary in the circumstances in compliance with OHADA Act.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2016, and the results of its operations for the year then ended.

II. 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

May 12th, 2017

This is a free translation from the original document in French language.



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