

REPUBLIC OF CAMEROON

Ministry of Finance

Follow-up and Implementation Committee of the
Extractive Industries Transparency Initiative (EITI) in
Cameroon

Comparison of figures and volumes within the framework of the
Extractive Industries Transparency Initiative (EITI) in Cameroon
for the 2006, 2007 and 2008 fiscal years

Final Report

July 2010



TABLE OF CONTENTS

	PAGES
1 General Context of the assignment	3
2 Nature and extent of the work of the conciliator	6
3 Responsibilities of the parties and limitations of the scope of the assignment	8
4 DIAGRAMMATIC PRESENTATION OF THE DIFFERENT ACTORS OF THE PETROLEUM, GAS AND MINING SECTORS	10
5 Summary of the methodology put in place for the collection and the Reconciliation of data	13
6 STATISTIC PART: PRESENTATION OF RECONCILIATION RESULTS	14
7 FORMAL PART: DIFFICULTIES ENCOUNTERED DURING THE IMPLEMENTATION OF THIS STUDY AND RECOMMENDATIONS ON DISPOSITIONS TO BE PUT IN PLACE FOR FUTURE COLLECTION AND RECONCILIATION ASSIGNMENTS	26
8 DOCUMENTATION OF THE PROCESS	34
9 Annex	36

Follow-up and implementation Committee of the Extractive Industries Transparency Initiative in Cameroon

In executing the assignment of comparison of figures and volumes within the Extractive Industries Transparency Initiative in Cameroon for the years 2006, 2007 and 2008, awarded to us under contract n° C/MINFI/C.EITI/ST and service order number 08/OS/MINFI/SG/C-EITI/ST of 26th May 2008, we hereby present to you our detailed report of the assignment in conformity to the terms of reference.

1 General Context of the assignment

The Extractive Industries Transparency Initiative (EITI) has as its objective to ameliorate the transparency in the management of revenues from the extractive sector. It also aims at maximising the positive effects of this sector in order to raise the living standards of the population.

The Republic of Cameroon adhered to this initiative in March 2005 and put in place a Follow-up and Implementation Committee of the EITI principles which is the EITI decision and orientation body, and a Follow-up and Implementation Technical Secretariat of the EITI principles created by decision N°002328/MINEFI/CAB of 15 September 2005, which is the coordination body of the Follow-up Committee.

The consortium MAZARS CAMEROON/HART GROUP was recruited for development of the third report on the comparison of figures and volumes for the periods of 2006, 2007 and 2008.

➤ Comparison for the periods of 2001 to 2004

Cameroon published its first EITI report in 2006. This report was on the comparison of figures and volumes of petroleum companies in the production phase. These included four companies which were: Total E&P Cameroon, Pecten

Cameroon, Perenco Cameroon, Exxon Mobil Cameroon, to which Société Nationale des Hydrocarbures (SNH) should be added (its functional section).

➤ **Comparison for the period of 2005**

For the 2005 comparison report, published in 2007, the scope of the comparison was extended by the inclusion of petroleum companies in the exploration phase, on the one hand, and on the other hand the taking in to account of Société Nationale de Raffinage (SONARA). The number of companies included in the field of comparison also moved from 4 to 13, as follows:

- Total Exploration & Production (E & P) Cameroon ;
- Pecten Cameroon ;
- Perenco Cameroon ;
- Exxon Mobil Cameroon ;
- SNH Fonctionnement ;
- Euroil Ltd ;
- Addax Petroleum ;
- Noble ;
- Turnberry Ressources INC ;
- Tullow Cameroon LTD ;
- Sterling Cameroon LTD ;
- RSM Production Corporation ;
- Société Nationale de Raffinage (SONARA).

➤ **Comparison for the periods 2006, 2007 and 2008**

For its third report, Cameroon chose to make a significant evolution by the inclusion of mining companies in the field of comparison. Thus 9 mining companies and 12 petroleum companies were included in the scope of comparison. These include:

Mining Companies:

- African Aura Resources ;
- Sinosteel CAM SA ;

**MINFI – Follow-up
Committee**

*Comparison of figures
and volumes*

Final report

*Year 2006, 2007 and
2008*

- Cam Iron SA.
- Mega Uranium Corporation Cameroon PLC ;
- Hydromine Inc;
- Free Mining Company;
- Ets Rocaglia;
- Cimencam;
- Geovic.

Petroleum Companies:

- Total Exploration & Production ;
- Pecten Cameroon SA ;
- Perenco Cameroon and its subsidiary Perenco Oil and Gas ;
- Mobil Producing Cameroon Inc ;
- Euroil LTD ;
- Noble Energy Cameroon LTD ;
- Sterling Energy ;
- Addax Petroleum Cameroon ;
- Rodeo Development LTD ;
- Kosmos Energy ;
- Glencore Exploration Cameroon ;
- Société Nationale de Raffinage.

The terms of reference of the assignment required the consortium to submit to the EITI Follow-up Committee a report designed for the public with two major sections which includes on one part, statistics composed of aggregated comparative data and on the other hand, a formal part composed of analysis, comments, and recommendations on the statistical part.

2 Nature and extent of the work of the conciliator

2.1 Nature of the work

The assignment is focused on the realisation of the collection and reconciliation of physical and financial data on behalf of the Follow-up Committee of the Extractive Industries Transparency Initiative in Cameroon.

The physical data concern the volumes coming from the State within the framework of petroleum contracts. The portion belonging to private petroleum companies is excluded from the scope of this assignment.

2.2 Resources considered for the assignment

According to the terms of reference, the resources considered for the present assignment are crude oil, natural gas, cobalt, nickel, iron, bauxite and uranium. However, the interviews carried out during the preliminary phase of our assignment, shows that under the period concerned, no commercial production of gas has been carried out.

2.3 Revenues considered for EITI

The revenues considered (financial data) for the comparison of data for the periods 2006, 2007 and 2008 are the sole responsibility of the Follow-up Committee.

It should be noted however, that this study does not include financial commitments. In fact, in line with the recommendations of the EITI Source Book, only cash flows (inflows and outflows) have been compiled.

The different revenues, initially presented in the preliminary report, on the methodology approved by the Follow-up Committee meeting on June 04, 2009 are as follows:

Oil and gas companies

- Corporate tax;
- Flat fees;
- Proportional mining royalty;

**MINFI – Follow-up
Committee**

*Comparison of figures
and volumes*

Final report

*Year 2006, 2007 and
2008*

- Royalty Proportionate to production;
- Land royalty;
- Signature bonuses;
- Production bonuses;
- Dividends;
- Training fees.

Mining Companies

- Corporate tax ;
- Flat fees ;
- Land royalties ;
- ad valorem taxes on mining products ;
- Extraction taxes on quarry materials.

2.4 Production included in the EITI

The physical data included in the reconciliation are:

- Crude oil: production, liftings and stocks (mass balance).
- Gas: production of gas, volume of gas flared, volume of gas re-injected, volume of gas transmitted to other producers, volume of gas used in the production process, volume of gas sold.
- Mines: quantity of minerals produced.

2.5 Period covered by the study

The period covered by this study includes the financial years 2006, 2007 and 2008.

3 Responsibilities of the parties and limitations of the scope of the assignment

3.1 Presentation of the various stakeholders

Stakeholders in the process that we have identified in our preliminary report are presented as follows:

- Oil, gas and mining companies mentioned above;
- The Government and its departments, comprising (per the terms of reference):
 - The Taxation Department; the Public Treasury, both of them part of the Ministry of Finances;
 - the Hydrocarbons Department of the Ministry in charge of Mines;
 - the National Hydrocarbons Company within its mandate from the State;
 - The refinery (Société Nationale de Raffinage) for the crude oil coming from Cameroon;
 - The Central Bank (Banque des Etats d’Afrique Centrale – BEAC).

However, when finalising this report, the follow-up committee has specified the following concerning the role of the Central Bank and the Ministry in charge of mines:

- **Role of the Central Bank (BEAC):** BEAC, which is a regional financial institution, can not be considered as a State component. It should then, not be considered as party to the reconciliation assignment. Its role is limited as financial intermediary as the other commercial bank involved in the transactions of the other parties;
- **Role of the Ministry in charge of mines:** the Ministry in charge of mines is in charge of the technical supervision of the oil and mining sectors. Concerning the mining sector, according to the legal framework in force, the Mining Direction set up financial commitments on this basis, the different operators should made payments to the Government. For the effective encashment of these payments, an agent of the Public Treasury, of

the Ministry of Finances, is located in the Mining Direction, but this State component is not a party to the reconciliation of physical and financial flows. At the same, according to the representative of the ministry in charge of mines at the Follow-up committee, an important part of these emissions are not concluded by a payment to the Government.

3.2 Responsibilities of the declaring parties

The declaration of this data has been prepared under the respective responsibility of the State and its agencies, petroleum and mining companies. The quality of information as well as its availability within the deadline foreseen depends on the declaring parties. It is not our role to verify the exhaustiveness of the sources of revenues considered as well as the petroleum and mining companies considered in this present study.

3.3 Responsibilities of the conciliator

Our responsibilities included:

- Verifying that the definitions of the incomes and physical production taken into account for EITI are in accordance with those described in the Source Book of EITI and with the standard international definitions of the oil industry (referential coherence).
- Verifying that these definitions have been properly understood by oil and mining companies and the State, while filling up their declarations (shared understanding of references).
- Collecting and compiling the data of declared incomes flows, received by the government on one hand, and on another hand of declared financial flows, made by oil and mining companies and physical production under the basis of the terms of reference defined above.

The assignment on the comparison of financial and physical data of oil, gas and mining companies for the periods of 2006, 2007 and 2008 does **not** have as its objective:

- To carry out an audit, nor a limited review of petroleum, gas and mining revenues. Consequently, no assurance shall be given. The audit and the certification of the data are not within the scope of our work. However, the

information to be compared is based on the accounting and financial data audited and certified by an independent professional;

- To detect errors, illegal acts or other irregularities ;
- To verify the exhaustiveness of the sources of revenue of oil companies.

The study does not consider financial engagements. Only cashflows (inflows and outflows) will be compiled. *The compilation of data shall be carried out in accordance to the ISRS 4410 standard (ISA 930)*. This latter essentially states that the compilation of data is neither an audit nor a limited review; therefore, we will not give any opinion.

The scope of this study has been defined by the terms of reference.

4 DIAGRAMMATIC PRESENTATION OF THE DIFFERENT ACTORS OF THE PETROLEUM, GAS AND MINING SECTORS

4.1 Circulation pattern of flows

4.1.1 Circulation pattern of financial flows

The pattern below illustrates the movement of financial flows between the petroleum, gas and mining companies, the State and its departments, according to the regulatory and contractual framework at the time of our intervention.

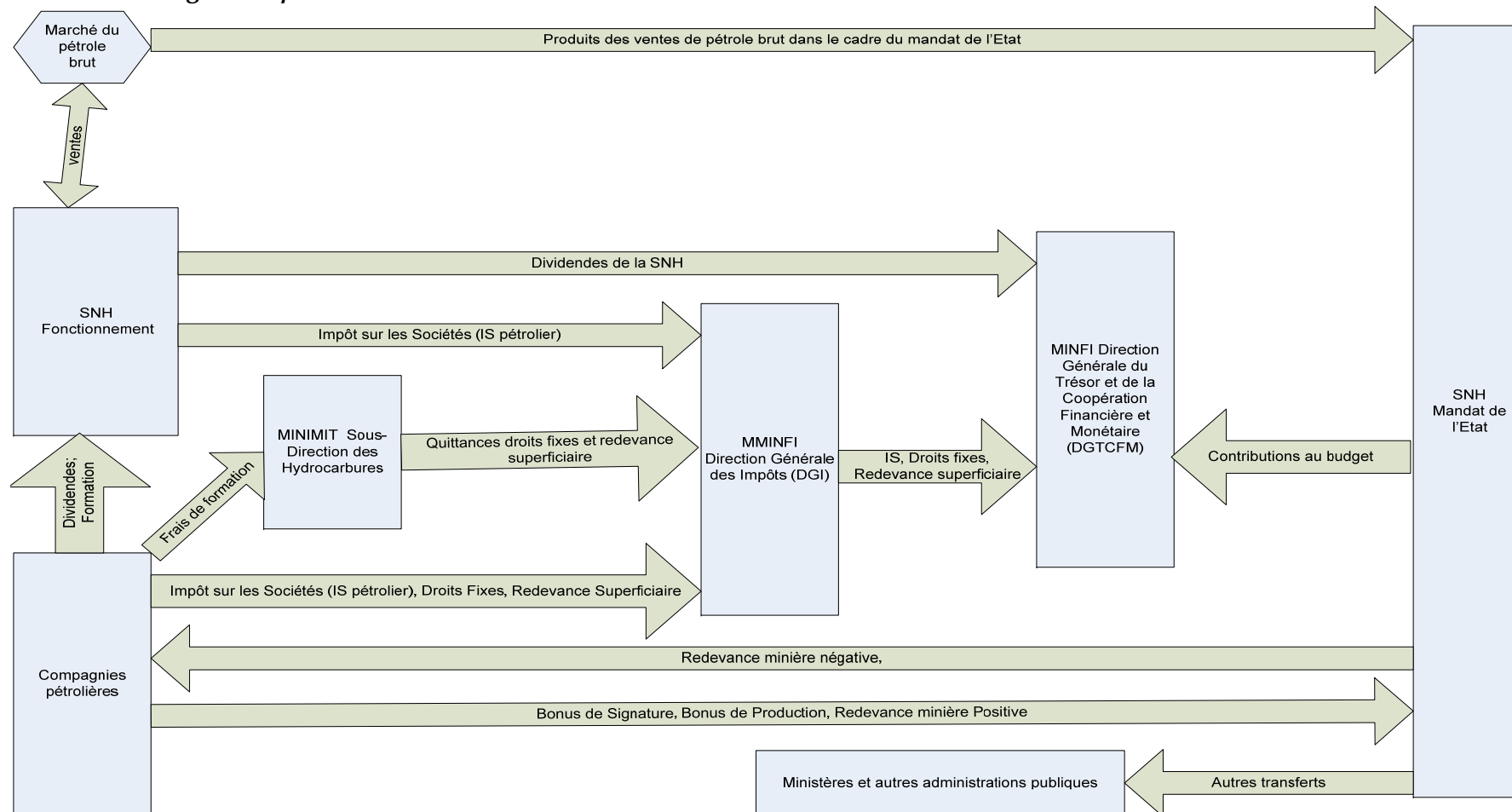
MINFI – Follow-up Committee

Comparison of figures and volumes

Final report

Year 2006, 2007 and 2008

Petroleum and gas companies



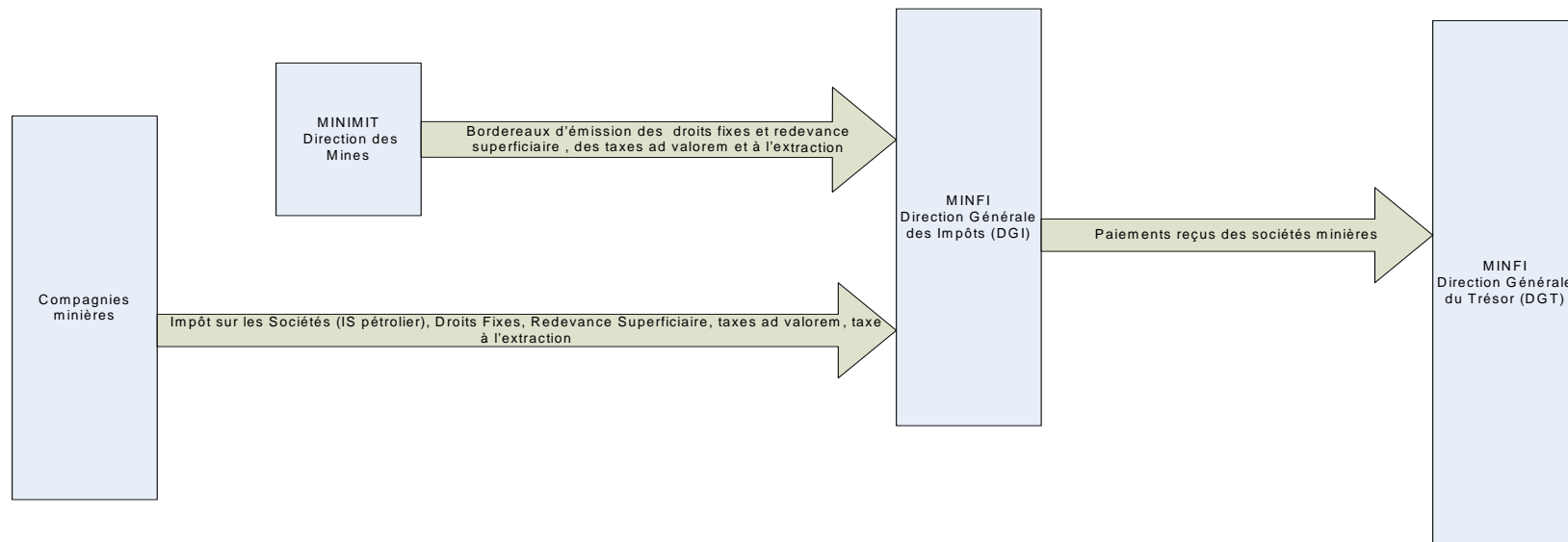
MINFI – Follow-up Committee

Comparison of figures and volumes

Final report

Year 2006, 2007 and 2008

Mining Companies



The flat fees and the land royalty paid by the companies are carried out on the basis of the slip issued by the Ministry of Mines.

5 Summary of the methodology put in place for the collection and the Reconciliation of data

5.1 Collection and comparison of data

We visited oil companies and the departments concerned, and we obtained the information necessary for the understanding of the petroleum and mining sectors. We then proposed accounting and financial definitions of the revenues concerned and devised the data collection templates detailing the financial and physical flows declared and paid by the petroleum, gas and mining companies to the State and its departments. These accounting definitions and data collection templates were approved by the Follow-up Committee in its meeting of 04 June 2009.

The data obtained have been reconciled and then presented to the different stakeholders.

5.2 Currency used for the comparison of the financial flows

The declarations of the petroleum companies were made in US dollars and in FCFA. On the contrary, certain declarations from State agencies were made only in FCFA.

However, the terms of reference foresees the possibility of the conciliator to use the franc CFA or every other currency retained. The American dollar (US\$) was chosen by the conciliator for the study of petroleum data and the local currency, i.e. FCFA was retained for mining companies.

The main reason for the choice of currency for the declaration and the comparison of data is due to the fact that the source book of the EITI recommends the US dollar (US\$) as the declaration currency of all the revenues related to hydrocarbon liquids and the local currencies for the payments made by mining companies.

**MINFI – Follow-up
Committee**

*Comparison of figures
and volumes*

Final report

*Year 2006, 2007 and
2008*

Furthermore, the average rates below obtained from the website http://www.developpement-durable.gouv.fr/energie/petrole/textes/se_dollar2.htm

were used for the conversion of the data.

	Rate dollar – Euro	Rate dollar - XAF
Average annual rate dollar - Euro 2006	1,25567	522,3960117
Average annual rate 1 dollar - Euro 2007	1,37064	478,577161
Average annual rate 1 dollar - Euro 2008	1,47059	446,050224

6 STATISTIC PART: PRESENTATION OF RECONCILIATION RESULTS

The presentation of the reconciliation of data from the State and from oil, gas and mining companies is realised on an aggregate basis and then individualised for each revenue considered for the EITI for the periods 2006, 2007 and 2008.

6.1 Reconciliation of financial flows

6.1.1 *Reconciliation of financial data declared and paid by oil and gas companies and the financial flows declared as received by the State and its agencies*

**MINFI – Follow-up
Committee**

Comparison of figures
and volumes

Final report

Year 2006, 2007 and
2008

	TOTAL	2006	2007	2008
<u>Company Tax</u>				
Petroleum Companies	756 674,91	198 680,35	265 113,86	292 880,71
State - DGI	733 605,88	191 017,49	264 230,75	278 357,63
Difference	23 069,03	7 662,85	883,10	14 523,07
<u>Flat fees</u>				
Petroleum Companies	1 050,52	490,05	0,00	560,48
State - DGI	0,00	0,00	0,00	0,00
Difference	1 050,52	490,05	0,00	560,48
<u>Proportional Mining Royalty</u>				
Petroleum Companies	-194 834,19	-29 300,74	-57 438,73	-108 094,72
State - SNH	-180 416,55	-50 135,48	-84 148,92	-46 132,15
Difference	-14 417,64	20 834,74	26 710,19	-61 962,57
<u>Royalty Proportionate to production</u>				
Petroleum Companies	0,00	0	0	0
State - SNH	0,00	0	0	0
Difference	0,00	0,00	0,00	0,00
<u>Land Royalties</u>				
Petroleum Companies	1 745,88	552,12	554,83	638,93
State - DGI	1 476,49	301,07	585,77	589,65
Difference	269,40	251,05	-30,94	49,28
<u>Signature Bonus</u>				
Petroleum Companies	9 000,00	2 500,00	2 000,00	4 500,00
State - SNH	8 500,00	3 500,00	0,00	5 000,00
Difference	500,00	-1 000,00	2 000,00	-500,00
<u>Production Bonus</u>				
Petroleum Companies	0,00	0	0	0
State - SNH	0,00	0	0	0
State	0,00	0,00	0,00	0,00
<u>Dividends</u>				
Petroleum Companies	140 596,97	36 151,52	33 447,77	70 997,68
State - SNH	155 145,54	36 151,52	35 527,77	83 466,25
Difference	-14 548,57	0,00	-2 080,00	-12 468,57
<u>Training</u>				
Petroleum Companies	1 058,55	0,00	950,35	108,20
State – SNH / MINIMIT	945,91	0,00	945,91	0,00
Difference	112,64	0,00	4,44	108,20
<u>TOTAL</u>				
Petroleum Companies	715 292,64	209 073,30	244 628,08	261 591,28
State	719 257,27	180 834,59	217 141,28	321 281,37
Difference	-3 964,62	28 238,69	27 486,80	-59 690,11

**MINFI – Follow-up
Committee**

*Comparison of figures
and volumes*

Final report

*Year 2006, 2007 and
2008*

The differences realised from the first reconciliation have been submitted to the different stakeholders for analysis and explanations. The residual differences have been set out in this present report.

Besides that, it is important to notice that zero data represent revenues for which we have not received any declaration from the involved parties.

6.1.2 Reconciliation of financial data declared and paid by mining companies and the financial flows declared as received by State agencies

In thousands FCFA – Unaudited data

Heading	TOTAL	2006	2007	2008
<u>Company tax</u>				
Mining Companies	50 960,60	18 176,42	13 153,07	19 631,10
State - DGI	53 900,41	20 100,01	13 153,07	20 647,33
Differences	-2 939,82	-1 923,58	0,00	-1 016,24
<u>Flat fees</u>				
Mining Companies	0,00	0,00	0,00	0,00
State - DGI	11 166,04	0,00	6 604,04	4 562,00
Difference	-11 166,04	0,00	-6 604,04	-4 562,00
<u>Land Royalties</u>				
Mining Companies	314 585,80	137 680,66	103 187,28	73 717,86
State - DGI	260 529,04	62 500,00	126 685,42	71 343,52
Difference	54 056,76	75 180,66	-23 498,24	2 374,34
<u>Ad valorem Tax</u>				
Mining Companies	0,00	0	0	0
State - DGI	0,00	0	0	0
Difference	0,00	0,00	0,00	0,00
<u>Extraction Tax</u>				
Mining Companies	202 211,39	58 999,40	71 263,85	71 948,14
Difference - DGI	93 819,58	23 420,43	14 264,92	56 134,24
Difference	108 391,81	35 578,97	56 998,93	15 813,90
<u>TOTAL</u>				
Mining Companies	567 757,79	214 856,48	187 604,20	165 297,10
State - DGI	419 415,08	106 020,44	160 707,55	152 687,09
Difference	148 342,70	108 836,05	26 896,65	12 610,01

6.1.3 Summary tables of differences between SNH and the Directorate General of the Public Treasury and the Financial and Monetary Cooperation (DGTCFM)

6.1.3.1 Summary table of differences on the transfers made and declared by the SNH to the DGTCFM to the contribution of the budget of the State and the amounts declared by the public treasury

In thousands USD	<u>Total</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
DECLARATION DGTCFM	3 114 956,20	964 976,74	924 070,42	1 225 909,03
TRANSFERS FROM SNH TO TREASURY	3 166 519,90	964 976,74	924 070,42	1 277 472,73
Total Difference (1) - (2)	-51 563,70	0,00	0,00	-51 563,70

6.1.3.2 Summary table of differences on the transfers declared by the on direct intervention and the amounts declared by the public treasury

<i>In thousands USD</i>	<u>Total</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
DECLARATION DGTCFM	508 518,27	105 967,50	142 932,02	259 618,75
DIRECT INTERVENTIONS DECLARED BY SNH	508 522,48	105 979,76	141 509,20	261 033,52
Total Difference (1) - (2)	-4,21	-12,26	1 422,82	-1 414,77

6.1.3.3 Summary table of differences declared as paid by SNH as dividends and amount declared by the Public Treasury

<i>In thousands USD</i>	<u>Total</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
DECLARATION FROM DGCTM	0,00	0,00	0,00	0,00
DIVIDENDS PAID AND DECLARED BY SNH	28 986,52	9 571,28	10 447,64	8 967,60
Total difference (1) - (2)	-28 986,52	-9 571,28	-10 447,64	-8 967,60

We have not obtained from DGTCFM the declarations of dividend paid by SNH.

6.1.4 Summary table of differences on company taxes declared by the General Directorate of taxes and by the DGTCFM

We have been communicated the data from the General Directorate of Treasury and of the Financial and Monetary Cooperation (DGTCFM) relative to company taxes. From explanation obtained from this entity, the

data related to tax and duties paid by the different companies in the oil and mining sectors, except for SNH, can only be obtained from the Directorate General of Taxes who keeps the files of these tax payers. The accounting system of DGTCFM traces by imputation the nature of taxes and duties but not the identity of the debtor (tax payer).

6.2 Physical reconciliation

6.2.1 Return of Information from Covered Entities

The current exercise requested both information previously collected during the ITIE exercises for 2000 – 2004 and 2005 and also information not included in the previous exercises.

Where information had previously been collected, returns from covered entities were generally complete, but where the process was new, the templates were generally not completed and returned.

We requested information from oil companies concerning production and usage of gas, including how they quantified or estimated volumes and what was done with the gas. None of the companies has returned any information in this area.

The Follow-up committee specified the oil and mineral companies which were included in the process and we requested from these companies details of the licences which have been issued.

We requested from the Ministry of Mines, Industries and Technological Development details of licences issued in respect of oil and mining exploration and operations, so that we could obtain confirmation from the State of the returns from the companies. The Ministry has not returned any information as at the date of this Report.

6.2.2 Measurement

The scope of work did not include a review of the measurement regime and methodology. However, in enquiring about the metering arrangements at the point of sale of crude oil, we were told that since 2007, exports from the largest producing association, Rio del Rey, have been measured using tank dips rather than the accurate fiscal meters normally used elsewhere for this purpose.

**MINFI – Follow-up
Committee**

*Comparison of figures
and volumes*

Final report

*Year 2006, 2007 and
2008*

Fiscal meters were in place on the tanker Serepca, from which the crude oil was exported. When the Serepca was replaced in April 2007 by another vessel, the Kingsway, fiscal meters were not in place on the new tanker. Fiscal meters are usually used at points where the ownership of crude oil changes and especially where the crude is exported, because of the requirement for accuracy at this point. The arrangement on the Kingsway is unusual and not in line with international good practice and it reduces the level of assurance that measurement of export volumes from the Rio del Rey Association is accurate.

The terms of reference for this work concern the comparison of physical quantity data between the records of the government and the records of the companies. Whilst this comparison has been made, the degree of agreement between the two sets of records cannot be construed as a confirmation that the quantities transferred were accurately recorded.

We recommend that fiscal meters are installed on the Kingsway and maintained on all export points for crude oil from Cameroon.

6.2.3 Aggregated physical data

6.2.3.1 Total production

The volumes declared for production, shown with volumes declared for previous ITIE reports for information on the overall production trend, is:-

Millions barrels

2001	39.40
2002	37.40
2003	35.60
2004	32.60
2005	30.08
2006	31.91
2007	31.24
2008	30.70

The state share, represented by SNH, rose during the period from 65.8% in 2006 to 66.4% in 2007 and to 66.8% in 2008.

**MINFI – Follow-up
Committee**

*Comparison of figures
and volumes*

Final report

*Year 2006, 2007 and
2008*

6.2.3.2 Statement of Stocks, Production and Liftings within the period

in thousands of barrels	2006	2007	2008
Opening Stock	1,158.9	1124.6	909
Production	31,911.0	31,244.9	30,695.5
Liftings	- 31,810.2	- 30,789.3	- 31,015.4
Difference	- 135.0	- 671.2	- 26.8
Closing Stock	1,124.6	909.0	562.3
(unaudited by the consortium)			

**6.2.3.3 Reconciliation of volumes declared by the SNH and the oil
companies**

6.2.3.4 Production

in thousands of barrels (unaudited by the consortium)	<u>2006</u>	<u>2007</u>	<u>2008</u>
Reported by SNH			
Moudi	7,786	7,190	6,897
Ebome	2,646	2,496	2,223
Rio del Rey	21,453	21,561	21,575
Total	31,885	31,247	30,695
Reported by companies			
Moudi	7,800	7,188	6,897
Ebome	2,659	2,496	2,223
Rio del Rey	21,453	21,561	21,575
Total	31,912	31,245	30,695
Difference			
Moudi	-14	2	0
Ebome	-13	0	0
Rio del Rey	0	0	0
Total	-27	2	0

**MINFI – Follow-up
Committee**

*Comparison of figures
and volumes*

Final report

*Year 2006, 2007 and
2008*

6.2.3.5 Liftings

in thousands of barrels (unaudited by the consortium)	<u>2006</u>	<u>2007</u>	<u>2008</u>
<i>Reported by SNH</i>			
Moudi	2,536	2,366	1,820
Ebome	1,326	944	906
Rio del Rey	6,976	6,755	7,549
Total	10,838	10,065	10,275
<i>Reported by companies</i>			
Moudi	2,336	1,816	1,820
Ebome	1,326	944	906
Rio del Rey	6,976	6,621	7,549
Total	10,638	9,381	10,275
<i>Difference</i>			
Moudi	200	550	0
Ebome	0	0	0
Rio del Rey	0	134	0
Total	200	684	0

**MINFI – Follow-up
Committee**

*Comparison of figures
and volumes*

Final report

*Year 2006, 2007 and
2008*

6.2.4 Mass balance

The mass balance is outlined as follows:

	Declared by companies			Differences		
	<u>Companies</u>	<u>SNH</u>	<u>TOTAL</u>	<u>Moudi</u>	<u>Rio del Rey</u>	<u>Ebome</u>
2005 closing stock	-97 447	1 256 318	1 158 871			
Production	10 924 081	20 986 934	31 911 015			
Liftings	-10 637 770	-21 172 470	-31 810 240			
Difference	-168 408	33 372	-135 036	-117 908	8	-17 136
2006 closing stock	20 455	1 104 154	1 124 609			
Production	10 494 407	20 750 458	31 244 865			
Liftings	-9 380 405	-21 408 864	-30 789 269			
Difference	-666 254	-4 995	-671 249	-530 940	-133 786	-6 523
2007 closing stock	468 202	440 753	908 956			
Production	10 183 843	20 511 695	30 695 538			
Liftings	-10 275 197	-20 740 204	-31 015 402			
Difference	-23 003	-3 833	-26 837	-19 076	-5	-7 756
2008 closing stock	353 845	208 411	562 255			

**MINFI – Follow-up
Committee**

*Comparison of figures
and volumes*

Final report

*Year 2006, 2007 and
2008*

6.2.5 Reconciliation of volumes delivered to / received at the Limbe refinery as reported by SNH and Sonara respectively

Receipts reported by Sonara			
Metric tonnes	<u>2006</u>	<u>2007</u>	<u>2008</u>
From			
Ebome	0	216,656	204,482
Moudi	174,447	196,941	188,662
Metric tonnes received	174,447	413,597	393,144
Conversion from tonnes to barrels - factor used	7.51	7.51	7.51
Ebome	-	1,627,961	1,536,484
Moudi	1,310,803	1,479,822	1,417,616
Barrels received	1,310,803	3,107,783	2,954,100
Deliveries reported by SNH			
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Ebome	-	1,619,527	1,536,855
Moudi	1,375,875	1,355,957	1,351,695
Barrels lifted to Sonara	1,375,875	2,975,484	2,888,550
			Difference
Total	- 65,072	132,299	65,550
% of SNH liftings	6.5%	13.9%	13.9%

Sonara did not complete the template format approved by the Follow-up Committee. Consequently, there is insufficient information to determine whether these differences arise due to the conversion between barrels and tonnes, or whether there are underlying volume differences. The percentage of crude oil lifted by SNH and send to the refinery Sonara represent 6.5% of liftings in 2006, 13,9% in 2007 and 13,9% in 2008.

**MINFI – Follow-up
Committee**

*Comparison of figures
and volumes*

Final report

*Year 2006, 2007 and
2008*

Summary of physical templates received CAMEROON ITIE: Summary of Physical Templates Received from Companies Included in Scope								
Template reference	1.01	1.02	1.03	2.01	3.01	4.01	5.01	6.01
Template content	Crude production	Crude stocks	Crude liftings	Gas	Minerals	Refinery receipts	Licences - Ministry	Licences - company
<i>Oil companies</i>								
<i>Producing</i>								
Total E&P Cameroon	✓	✓	✓	x	n/a	n/a	x	x
Pecten Cameroon	✓	✓	✓	x	n/a	n/a	x	x
Perenco Cameroon	✓		✓	x	n/a	n/a	x	x
Perenco Oil & Gas								
<i>SNH</i>								
Combined		✓						
Rio del Rey	x		✓	x	n/a	n/a	x	x
Lokele	✓		✓	x	n/a	n/a	x	x
Moudi	✓		✓	x	n/a	n/a	x	x
Ebome	✓		✓	x	n/a	n/a	x	x
<i>Exploration</i>								
Euroil Ltd							x	✓
Noble Energy Cameroon Ltd							x	n/a
Sterling Energy							x	n/a
Addax Petroleum Cameroon							x	n/a
Rodeo Development Ltd							x	n/a
Kosmos Energy							x	✓
Glencore Exploration Cameroon							x	n/a
SONARA (Limbe refinery)	n/a	n/a	n/a	n/a	n/a	✓	n/a	n/a

**MINFI – Follow-up
Committee**

*Comparison of figures
and volumes*

Final report

*Year 2006, 2007 and
2008*

CAMEROON ITIE: Summary of Physical Templates Received from Companies Included in Scope								
Template reference	1.01	1.02	1.03	2.01	3.01	4.01	5.01	6.01
Template content	Crude production	Crude stocks	Crude liftings	Gas	Minerals	Refinery receipts	Licences - Ministry	Licences - company
Mining companies								
<i>Producing</i>								
Cimencam SA (mineral production not included)							x	x
Rocaglia (mineral production not included)							x	✓
<i>Exploration</i>								
African Aura Resources							x	x
Sinosteel Cameroon SA							x	x
Cam Iron SA							x	x
Mega Uranium Corporation Cameroon plc							x	x
Hydromine Inc							x	x
Free Mining Company							x	x
Geovic Cameroon plc							x	x
<hr/> Template P5.01 was requested from the Ministry of Mines, Industries and Technological Development, to provide details of all issued licences recorded by the State								

7 FORMAL PART: DIFFICULTIES ENCOUNTERED DURING THE IMPLEMENTATION OF THIS STUDY AND RECOMMENDATIONS ON DISPOSITIONS TO BE PUT IN PLACE FOR FUTURE COLLECTION AND RECONCILIATION ASSIGNMENTS

7.1 Difficulties encountered in the implementation of the study

7.1.1 Identification of the focal points of the different companies and State agencies

The comparison of data for the years 2006, 2007 and 2008 took into consideration 21 private companies comprising 9 mining companies and 12 oil companies. In the preliminary phase of this assignment and throughout its implementation, one of the major difficulties has been the identification of the focal points in the different companies and State agencies.

In fact, the list of companies was not accompanied by an exhaustive list of the contact details of the person(s) in charge of the EITI at the level of the different stakeholders. The same was the case for the State agencies taken into consideration. This situation created considerable delays in obtaining physical and financial data.

However, in case of absences of contacts in the companies selected for the EITI comparison, the data collection templates have been sent to the Technical Secretariat for transmission to these companies.

7.1.2 Lateness in the collection of financial and physical data

The data collection templates were validated by the 04th June 2009 Technical Committee session. These tables were sent to the different entities of which we had their contact addresses. Conforming to the preliminary report on the methodology of data collection and the presentation of these data collection templates, the different stakeholders had up to three weeks to return to us the filled templates, that is, 02nd July 2009. The table below present the dates on which the data were actually received:

**MINFI – Follow-up
Committee**

*Comparison of figures
and volumes*

Final report

*Year 2006, 2007 and
2008*

Entity	Nature of data received	Date of reception of Filled tables
<u>Mining Companies</u>		
Geovic Cameroon Plc	Figures	05/10/2009
Cimencam	Figures	18/01/2010
Ets Rocaglia	Figures	21/08/2009
<u>Petroleum Companies</u>		
Total E&P	Figures and volumes	02/07/2009
Pecten Cameroon	Figures and volumes	13/08/2009
Perenco Cameroon and its subsidiary Perenco Oil and Gas	Figures and volumes	01/10/2009
Euroil Ltd	Figures	11/11/2009
Sterling	Figures	13/11/2009
Kosmos Energy	Figures	11/11/2009
<u>State Agencies</u>		
Société Nationale des Hydrocarbures (SNH)	Figures and volumes	13/07/2009
Société Nationale de Raffinage (SONARA)	Volumes	13/01/2010
Ministry of Mines - Sub directorate of Hydrocarbons	Figures	08/01/2010
Ministry of Mines - Directorate of Mines	Figures	11/01/2010
Directorate General of Taxes	Figures	06/07/2009
Direction Générale du Trésor et de la Coopération financière et Monétaire	Figures	13/01/2010
Banque des Etats de l'Afrique Centrale	Figures	20/10/2010

The following table summarises the entities of which we have not yet received their data at the date of the elaboration of this present report.

Companies	Nature of data
<u>Mining Companies</u>	
African Aura Resources	Figures
Sinosteel CAM SA	Figures
Cam Iron SA	Figures
Mega Uranium Corporation Cameroon Plc	Figures
Hydromine Inc	Figures
Free Mining Company	Figures
<u>Petroleum Companies</u>	
Mobil Producing Cameroon / COTCO	Figures and volumes
Noble Energy Cameroon Ltd	Figures
Addax petroleum Cameroon	Figures
Rodeo Development Ltd	Figures
Glencore Exploration Cameroon	Figures

**MINFI – Follow-up
Committee**

*Comparison of figures
and volumes*

Final report

*Year 2006, 2007 and
2008*

The considerable delays registered in the production of the financial and accounting information has considerably slowed down our work and impacted the timetable initially defined.

7.1.3 Non utilization by certain actors of the declaration models adopted by the committee

The declaration templates which were adopted by the committee during the 04th June 2009 session and sent to the different stakeholders were not systematically filled by the latter.

In fact, the following table presents in a detailed manner the entities who did not respond in the data collection template:

Entity	Format of data collection table used	Date of reception of filled table
<u>Mining Companies</u>		
Geovic Cameroon Plc	Yes	05/10/2009
Cimencam	Yes	18/01/2010
Ets Rocaglia	No	21/08/2009
<u>Petroleum Companies</u>		
Total E&P	Yes	02/07/2009
Pecten Cameroon	Yes	13/08/2009
Perenco Cameroon and its subsidiary Perenco Oil and Gas	Yes	01/10/2009
Euroil Ltd	Yes	11/11/2009
Sterling	Yes	13/11/2009
Kosmos Energy	Yes	11/11/2009
<u>State Agencies</u>		
Société Nationale des Hydrocarbures (SNH)	Yes	13/07/2009
Société Nationale de Raffinage (SONARA)	No	13/01/2010
Ministère des Mines - Sous direction des Hydrocarbures	No	08/01/2010
Ministère des Mines - Direction des Mines	No	11/01/2010
Direction Générale des Impôts	No	06/07/2009
Direction Générale du Trésor et de la Coopération financière et Monétaire	No	13/01/2010
Banque des Etats de l'Afrique Centrale	No	20/10/2010

This led to further treatment, in certain cases, in order to obtain the information in the desired form.

7.1.4 Basis of recording the declared data

The declaration models should be completed using the cash accounting basis. According to this system, a transaction is recorded at the date the financial transfer takes place, regardless of the period to which the financial transaction relates.

Certain actors, notably organs of the State, filled the declaration templates using the accrual basis; this necessitated additional reconciliations and additional adjustment work.

7.1.5 At the level of the currency used

Some payments are made in US Dollars, others, directly in FCFA. Likewise, all the oil companies' declarations are made in US Dollars and in FCFA. On the contrary, the declarations of the State agencies are only made in FCFA.

7.1.6 Concerning the verification of the quality of the information issued in the response templates and the audited and certified data

Our assignment neither constitutes an audit nor a limited review of oil or mining revenues.

We read the statutory audit reports which were available. Total E&P communicated to us the statutory audit reports for the periods of 2006 and 2007. Pecten Cameroon also furnished us with the statutory audit reports and the financial statements for the periods of 2006 and 2007. The other private companies did not provide us with their statutory audit reports.

Likewise, we have not received the report certifying the accounts of State agencies.

However, we required the management of each and every company concerned in this study, a signed management representation letter. At the date of the elaboration of this present report, Total E&P, Kosmos Energy, Sonara and SNH have sent this letter. We are waiting for letters of other entities.

7.1.7 Concerning the assessment of the margin of tolerable error

In the preliminary report of June 2009, we commented on the necessity to assess an acceptable margin of error in the declaration process related to the differences

notified between the contributions made by oil and mining companies and the income received by the State.

The definition of the materiality threshold is the sole responsibility of the Follow-up Committee.

7.2 Recommendations on the system to put in place for pursuing EITI

7.2.1 The recommended periodicity

On the basis of acquired experience, and considering the significant number of participants and taking in account the length of the process from the collection to the reconciliation of data, the EITI declaration should be prepared annually.

The publication date of the EITI report for the years to come can be fixed, each year on June 30

7.2.2 Dates of availability of data

The data necessary for the comparison of financial and physical data should be made available at the following dates for the different entities:

Heading	Date of availability of data	Sending dates of declaration models to the committee
Petroleum and mining companies	Latest on March 31, N+1, at the same time with statistical and fiscal declaration	April 5, N+1
National Hydrocarbons Corporation	Latest on March 31, N+1, at the same time with statistical and fiscal declaration	April 05, N+1
Ministry of Industries, Mines and Technological Development	February 28, N+1	March 05, N+1
Directorate General of Taxes	May 1, N+1	May 05, N+1
Directorate General of Treasury	May 1, N+1	May 05, N+1
Central Bank of African States	May 1, N+1	May 05, N+1

7.2.3 Data credibility

The credibility of the EITI process depends on the credibility of the data declared by the oil companies and by the State. According to the recommendations and the principles of EITI, the payments declared by oil companies and the incomes collected by the State and its components should be audited. The data will be considered as credible if they are certified by an independent professional.

Also, the statutory auditors of oil companies and of the NHC could be required to issue for EITI purposes, an appreciation of the reliability of the data declared as regards EITI. A specific study could then be “combined” to the statutory audits.

Concerning the data from the State and its agencies, it is equally necessary that the latter be audited by an independent organisation according to international standards.

7.2.4 Accounting principles

The declaration should be made by using the cash accounting basis to allow for the comparison of the information given by oil companies to those given by the State.

The payment date is judged to be the date on which the bank account of the payer is debited and the payments made within the limits of a given period and which should be declared for the period in question.

The encashment should be considered as encashed at the date on which the bank account of the payee is credited and should be declared during the related encashment period.

Consequently, the justification documents of these operations used as accounting and financial documents should constitute of the payments receipts, the transfer orders, cheques copies, bank operations tenders (at oil companies) and the double of receipts, operations tenders, cheques copies (from the State and its components).

7.2.5 Currency of the declaration

In accordance with the EITI Source Book, we suggest that the declaration currency of all the benefits related to hydrocarbon flows be done in US dollars while the payments from mining companies should be in the local currency.

7.2.6 The size and the profile of the teams to put in place for future studies

To ensure the collection and the reconciliation of the physical and the financial flows, the team to put in place should include the staff with the following profiles:

- An expert in oil tax system;
- An expert in production accounting for oil operations;
- An expert in financial reporting for oil companies;
- A specialist in public accounting;
- A computing specialist;
- A statistician;
- A legal expert;
- A petrochemicals engineer .

The coordination of work will be ensured by the Technical Secretariat of EITI which could put an assistant at the disposal of the team in charge of the permanent link between the different covered entities.

Concerning the plan of strengthening of the capacities necessary for the pursuit of the EITI process, it will be suitable to put in place a training plan in order to support the mastering of the concepts used, notably by the realization of training workshops, so that the representatives of the different parties understand the themes on oil economy and the public accounting in Cameroon.

The intervention areas can be the following:

- The strengthening of the technical capacities of civil society organizations for greater efficiency in their roles ;
- The strengthening of technical capacities of the declaring parties in order to ensure a better analysis of data declaration models ;

**MINFI – Follow-up
Committee**

*Comparison of figures
and volumes*

Final report

*Year 2006, 2007 and
2008*

- The strengthening of the logistical capacities of the State and its components, for the efficiency of executive systems ;
- The strengthening of the capacities of the State and its components for a better coordination of actions ;
- The strengthening of technical knowledge allowing the comprehension of mining and oil industry, the tax system and assessment basis of the extractive sector, the roles and the responsibilities.

8 DOCUMENTATION OF THE PROCESS

8.1 EITI correspondents in the structures

The correspondents in the various structures concerned with EITI, that we met are presented in the following table:

Companies	Function
<u>Mining Companies</u>	
African Aura Resources	Finance Director
Sinosteel CAM SA	Director General
Cam Iron SA	Finance Director
Geovic Cameroon Plc	Director General
Mega Uranium Corporation Cameroon Plc	Finance Director
Hydromine Inc	Director General
Free Mining Company	Person not met
Ets Rocaglia	Director General
Cimencam	Finance and Administrative Director
<u>Petroleum Companies</u>	
Total E&P	Director General
Pecten Cameroon	Chief accountant
Perenco Cameroon	Finance Director
Mobil Producing Cameroon / COTCO	Finance Director
Euroil Ltd	Finance Director
Noble Energy Cameroon Ltd	Director General
Sterling	Not specified
Addax petroleum Cameroon	Executive Assistant
Rodeo Development Ltd	Not specified
Kosmos Energy	Administrative Manager
Glencore Exploration Cameroon	Not specified
<u>State Agencies</u>	
Société Nationale des Hydrocarbures (SNH)	Finance Director
Société Nationale de Raffinage (SONARA)	Coordinator Finance Department
Ministère des Mines - Sous direction des Hydrocarbures	Sub Director of Hydrocarbons
Ministère des Mines - Direction des Mines	Director of Mines
Direction Générale des Impôts	Head of Litigation
Direction Générale du Trésor et de la Coopération financière et Monétaire	Not specified
Banque des Etats de l'Afrique Centrale	Not specified

8.2 Destination of flows

The circulation pattern of flows presented in the point 4.1, in a detailed manner the destination of each financial flow.

8.3 Justification of missing data

The absence of data for certain companies could be explained by several reasons, one of which was identified at our level was the inability to identify the focal points in the entity taken into consideration.

8.4 Detail of situation in which the reconciliation was not possible

The reconciliation of the data of the Directorate of Public Treasury and the Financial and Monetary Cooperation and that of the Bank of Central African States was not possible. This was because the document provided to us by BEAC is the bank statement of the 'Tax Collector' « compte spécial DGE Yaoundé » which does not present the revenues by source. Consequently, it was not possible to identify the source of the different encashments effected in to this account. Besides that, according to the Follow-up Committee, the Central Bank should not be considered as a State component within EITI assignment.

Douala July 08, 2010

Mazars Cameroon



Jules Alain NJALL BIKOK
Partner

Hart Group Ltd



Chris NURSE
Chartered Accountants

9 Annex

9.1 Accounting and financial definitions

9.2 Appropriation and validation of the accounting and financial definitions

The accounting and financial definitions of revenues remains the sole responsibility of the Follow-up Committee. It was validated by the committee during the adoption of the preliminary report on the 4th June 2009.

9.2.1 Oil and Gas companies

9.2.1.1 Land Royalties

An annual tax on the area, which is paid by the holders of oil contracts and oil operation permits.

9.2.1.2 Proportional mining Royalty

The amount that permits every partner in the process of oil production to benefit from a guaranteed percentage on the mining rent for each year as defined in the establishment convention and the contract of association. This royalty can be negative or positive.

When it is negative, it represents the amount due by the Government to the oil companies in order to ensure that they receive the guaranteed percentage of the mining rent for each year.

When it is positive, it is a payment made by the oil companies to the Government.

9.2.1.3 Royalty proportional to the production

The percentage of the total production available from the defined zone (area). It depends on the daily average of the total production of the defined zone for one civil month. It is due monthly. Its rate is specified in the concession contract. It is settled in kind or in cash

9.2.1.4 Flat Fees

The amount to be paid for any application, for allocation, renewal, transfer or transmission of oil contracts and or exploration permit. The amount is fixed by the Finance Act applying within the given year.

9.2.1.5 Signature bonus

Bonus paid to the State upon conclusion of an oil contract.

9.2.1.6 Production bonus

Bonus paid to the State in proportion to the quantity of hydrocarbon produced.

9.2.1.7 Company Tax

The company tax is due on the net profits drawn from all research and exploitation activities.

The net taxable result is formed by the difference between the values of the commercialised production, the quota share transferred to the State for the royalty proportional to the production and the incomes from the stocking, processing, hydrocarbons transportation and all the charges for the needs of oil operations.

The rate of company taxes applied to the incomes from research and exploitation operations is stated in the concession contract or the establishment convention.

9.2.1.8 Dividends paid from oil participations

These dividends are paid to NHC in return for its participation in the oil companies' capital. These dividends are not paid to the State; they serve for the financing of the functioning of the NHC.

The dividends paid by the NHC to the State as the single shareholder will be considered as payments made within the framework of the study.

9.2.1.9 Training Expenses

This relates to amounts actually spent by petroleum companies for the professional training of Cameroonians from all qualifications, who are not part of the staff of the said companies, in the petroleum sector.

9.2.2 Mining companies

9.2.2.1 Land Royalty

Tax paid by the holders of artisan and quarry exploitation authorisations, reconnaissance, research and exploitation permits. This royalty is fixed by regulation on an annual basis and is paid in advance from the date of attribution of the title.

9.2.2.2 Flat Fees

A fee paid to the Public Treasury for the attribution, renewal or transfer of a permit, mining or quarry title relative to the research or the exploitation of mined or quarried minerals.

9.2.2.3 Ad Valorem Tax

Minerals extracted from the soil or under the ground within the national territory within the frame work of exploitation or research are subject to a proportional tax on the value of product extracted, known as ad valorem tax.

9.2.2.4 Extraction tax

Tax paid on every extraction of materials quarried proportionate to the volume of materials extracted. It is fixed as follows:

- Marble materials (clay, pebbles, laterites, pouzzolana, sand, etc.) 150 FCFA/M³
- Hard materials (stones) 300 FCFA/ m³.

9.2.2.5 Company tax

This refer to tax on the net profit of companies from all exploitation activities, while noting that companies in the research and exploration phase are exonerated.