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KPMG GLOBAL MINING INSTITUTE

Cameroon

Country mining guide

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Strategy Series





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Executive summary¹

The Cameroonian economy has performed well below its potential in recent years as oil production decreased. Furthermore, infrastructure deficiencies and a difficult business environment, rife with corruption, obstructed growth in the non-oil sectors.

Cameroon has a relative abundance of natural resources. Besides oil and gas, minerals that are found in the country include aluminum, bauxite, cobalt, diamonds, gold, and iron ore. Cameroon has estimated bauxite reserves (the main source of aluminum) of more than one billion tons; however, because of the country's poor transport infrastructure, investor interest in this commodity has been subdued.

Infrastructure deficiencies have also been responsible for several other mining projects being delayed or for progress being slow. The Cameroonian authorities have started to address the infrastructure problems, with several road, port and power projects currently at different stages of construction. With specific interest to the mining sector are the plans to build railroads from iron ore and bauxite deposits in the south-eastern parts of the country to the new deep-sea port at Kribi. Furthermore, the country has commissioned several hydro and thermal power stations to increase power supply to the nation's grid. Cameroon has significant hydroelectricity potential, said to be the third highest on the continent. Although access to electricity is relatively adequate in the cities and industrial areas, some 85 percent of people living in rural areas are not connected to the electricity grid.

The mining industry in Cameroon is still in its infancy stage, with activity being predominantly artisan in nature. However, the Central African nation has significant potential, and large proportions of its landmass have yet to be explored. As the state of infrastructure improves, we expect mining in Cameroon, especially iron ore and bauxite extraction, will prosper.



Mobilong Diamond Mine

Only operating mine in Cameroon



1 Billion tons
Estimated Bauxite reserves



Artisanal Mining

Majority of mining activities in Cameroon are currently artisanal in nature



Significant unexplored mineral resources

Cobalt, iron ore and nickel are some of the key unexplored minerals in Cameroon

Source:

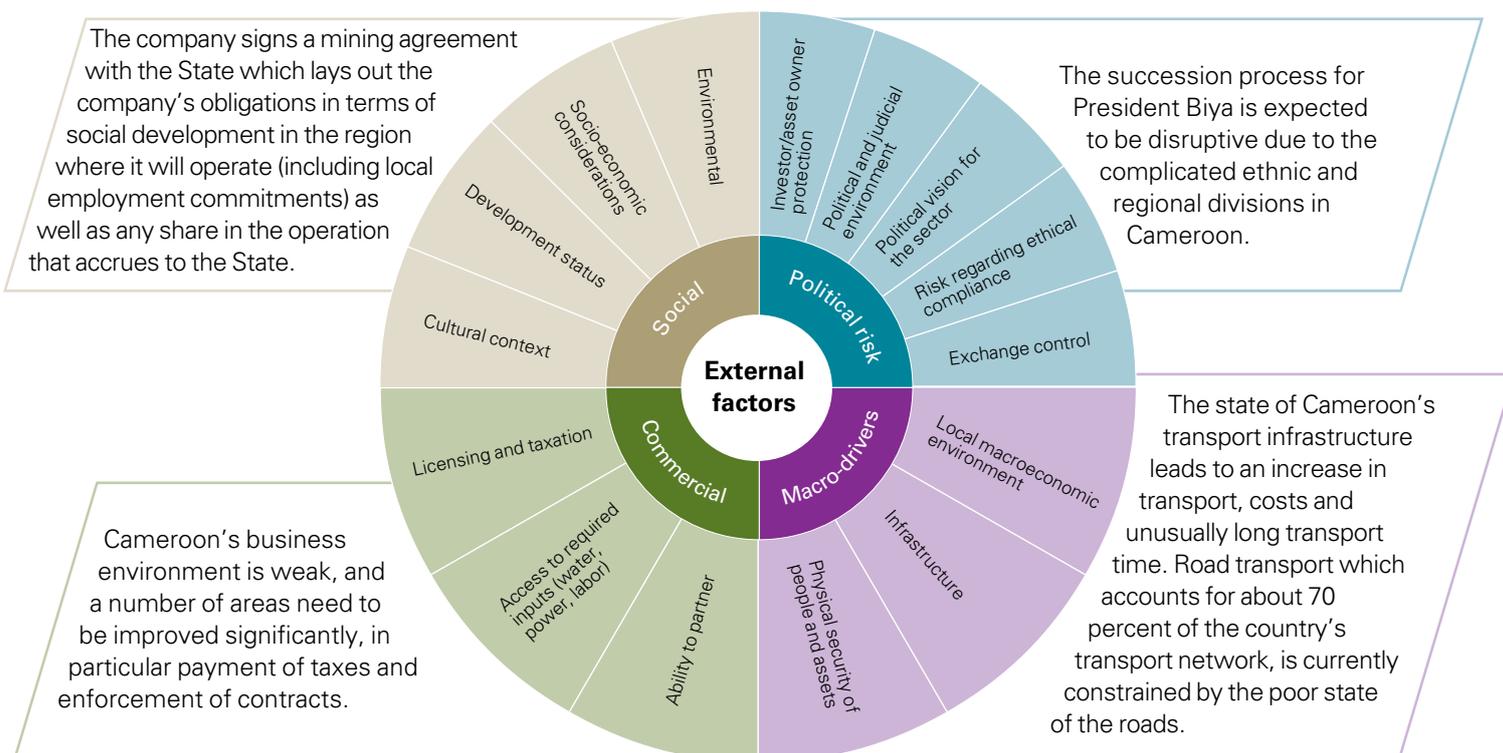
1. Republic of Cameroon: Cameroon Mining Code, 2001, Cameroon Mines, accessed 14 May 2013
2. Cameroon to launch first industrial diamond mine this month", Reuters, January 2013
3. Cameroon: 2011 Minerals Yearbook, US Geological Survey, p2

¹ NKC Cameroon Country Profile November 2013

New geographic expansion risk framework

Risk framework to assess new geographic expansion

KPMG in Cameroon's risk framework



Source: KPMG International 2012

Country snapshot

Cameroon ^{2,3}	
Geography 	<p>The Republic of Cameroon, commonly known as Cameroon, is a Central African nation, adjoining the Bight of Biafra, between Equatorial Guinea and Nigeria (6°00 N, 12°00 E). It shares its borders with Nigeria to the west; Chad to the northeast; the Central African Republic to the east; and Equatorial Guinea, Gabon, and the Republic of the Congo to the south. It covers a total area of 475,440 square kilometres (km²) and approximately 2,730km² of this is covered by water. The country is sometimes referred to as the hinge of Africa, as areas of thermal springs with indications of current or prior volcanic activity are spread across the country. Mount Cameroon, the highest mountain in sub-Saharan west Africa is an active volcano.</p>
Climate	<p>The climate in Cameroon varies as per the terrain, from tropical along, coast to semi-arid and hot in the north.</p> <ul style="list-style-type: none"> • The northern semi-arid regions of Cameroon are the hottest and driest part of the country. The region experiences average temperatures of 25 – 27°C in the cooler season (Sep – Feb) and 27 – 30°C in the warmer season (Mar – Aug). Temperatures in the southern regions depend primarily on altitude and range between 20°C and 25°C while varying little with season. • Highest levels of annual rainfall are recorded in the coastal and mountainous regions of Cameroon. The main wet season lasts from May to November for most of the country, brought on by the West African monsoon winds. The wettest regions receive average rainfall exceeding 400mm per month, but the semi-arid northern regions of Cameroon receive rainfall of less than 100mm per month. The southern plateau region experiences two short rainy seasons in May – June and October – November⁴.
Population	<p>The population of Cameroon is estimated to be 20 million (October 2012). The population is relatively young, with a median age of 19.7 years, while life expectancy at birth is 55.02 years⁵.</p>
Currency	<p>The official currency of the country is the Central African Franc (XAF).</p> <p>The following is the average exchange rate in 2013:⁶</p> <ul style="list-style-type: none"> • XAF 770.85: GBP 1 • XAF 655.96: EUR 1 • XAF 495.83: USD 1

² "CIA: The World Factbook", Central Intelligence Agency, accessed on 13 May 2013

³ "Country Profiles: Cameroon", UCLA African Studies Center, accessed on 13 May 2013

⁴ "Climate Change Country Profiles: Cameroon", United Nations Development Program, accessed on 13 May 2013

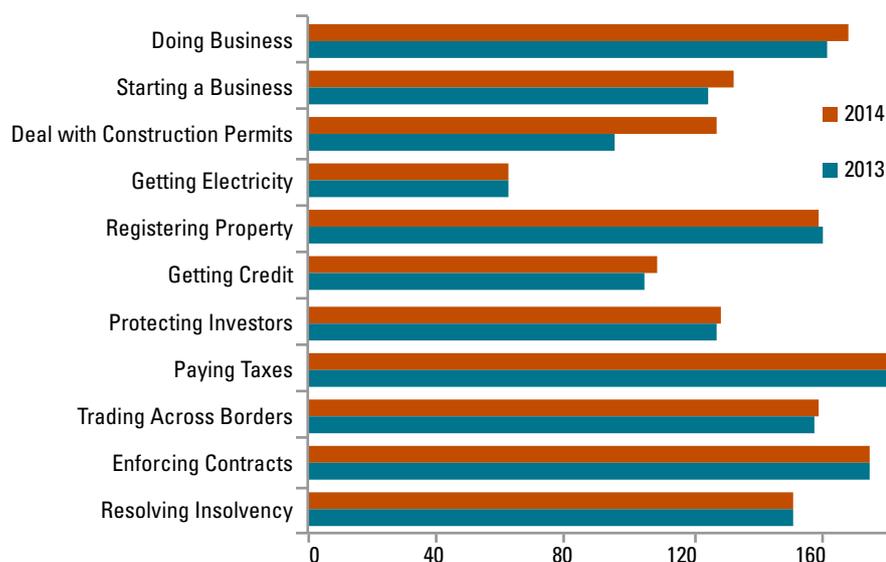
⁵ "International Human Development Indicators", United Nations Development Program; "CIA: The World Factbook", Central Intelligence Agency, accessed on 13 May 2013

⁶ Reuters data, compiled 13 November 2013

World Bank ranking: Ease of doing business⁷

The World Bank in its Doing Business in 2014 survey ranked Cameroon 168th of 189 countries, six places weaker than the 162nd ranking in the previous survey.

Cameroon's rank in doing business



Source: *Doing Business 2014 and 2013 report*, World Bank

As with many other franc zone countries, Cameroon's business environment is weak, and a number of areas need to be improved significantly. The country's worst rankings are paying taxes (180th) and enforcing contracts (175th). These are among the most important considerations for foreign investors looking to expand into Africa, and the Cameroonian government needs to address the situation if the Central African country is to attract more foreign interest in the future.

Cameroon's best category is getting electricity, where it is ranked 62nd. Cameroon's impressive performance can partially be ascribed to the semi-privatization of the state-owned utility in 2001, becoming AES Sonel. It must be said, however, that a large proportion of Cameroon's population still has no access to electricity and that this category in the doing business index focuses on getting electricity to a warehouse in the nation's largest city, which hides the dire situation in the rural areas of Cameroon where as much as 85 percent of people are not connected to the national power grid.

⁷ Ease of Doing Business in Cameroon", *Doing Business: Measuring Business Regulations*, accessed on 11 November 2013

Type of government and political environment⁸

Cameroon is formally a semi-presidential republic in that the prime minister is the head of government; however, the president names the prime minister (instead of the majority in the National Assembly), and has an effective monopoly on executive power. The president is Paul Biya, who has been in office since 1982, when his predecessor retired for health reasons. He turned 80 in February 2013. Mr Biya is a very autocratic president, quick to prosecute and imprison anyone who starts to look like a challenger to his power, with the result that Yaoundé's Kondengui jail boasts a well-populated 'VIP section' of influential former politicians. Controls over civil society and the press are also strict.

Prime Minister Philémon Yang is, in practice, an envoy of the president, delegated to be the bearer of bad news and to make public appearances when the head of state is indisposed. He was also appointed for reasons of inclusion: he is an English-speaker, and his nomination aimed (with some success) to soothe the historic grievances of the Anglophone population in the west. Mr Yang's reputation for integrity has also helped to pour oil on the waters after a number of high-profile corruption cases.

Legislative power rests mainly with the lower house of Parliament, the 180-member National Assembly, whose members are elected on a constituency system for five-year terms. The most recent National Assembly elections were held on 30 September 2013, and resulted in a landslide victory for the ruling party, President Paul Biya's Cameroon People's Democratic Movement (CPDM). The CPDM won 148 seats of 180, down from 153 in the 2008 election, but still enough to give the party an 82 percent majority in the legislative body. The main opposition party, the Social Democratic Front (SDF) of John Fru Ndi, improved its position, winning 18 seats, up from 16 in the outgoing Assembly, and five smaller parties accounted for the remaining seats. There were 40 challenges to the results submitted to the Supreme Court, but none were accepted.

There is also an upper house of Parliament: the 100-seat Senate. While provision was first made for this body in the Constitution adopted in 1996, it was only elected in 2013, so it will probably play only a minor role in law-making. Its real role is as a backup in case of the death or disability of the head of state; in terms of the Constitution, the Senate President takes over the executive role in such an event. Therefore, the election of the Senate and its nomination of a Senate President (Marcel Niat Njifenji, a loyal CPDM member who was certainly chosen by Mr Biya in person) is being seen more as the beginning of planning for the end of the long Biya era in Cameroon.

The 2013 elections for the National Assembly and the Senate have, to a degree, reduced the risk of a chaotic power vacuum in the event of the 80-year-old Mr Biya's death or incapacity, but only to a degree. Mr Biya held on to power for as long as he did by being exceptionally skilled at playing politics, knowing what to give out to which regional baron in order to maintain support. It will be very difficult indeed for a successor to negotiate Cameroon's very complicated ethnic and regional divisions with equal skill, and the end of the Biya era is certain to be disruptive. The actual depth of this disruption is unpredictable.

⁸ NKC Independent Economists

Economy and fiscal policy^{9,10,11}

As per the International Monetary Fund (IMF), Cameroon's Real Gross Domestic Product (GDP) is estimated at about CFAfr12,848 billion for 2012. Real GDP is estimated to have grown 4.4 percent in 2012, driven by the increase in exports of goods, services and oil.

Cameroon is well endowed with commodities required for a healthy primary sector; however, in recent years, the Cameroonian economy stagnated as oil production decreased and the non-extractive sectors struggled to grow, bogged down by severe infrastructure gaps and a difficult business environment. Cameroon's economic prospects rest on the recent revival of the hydrocarbons sector. In addition to the slight increase in oil output anticipated over the medium term, Cameroon's economic growth will be underpinned by infrastructure programs, support to the agricultural sector and accelerated growth in the services sector, most notably telecommunications and transport.

Currently, the country's mining sector is in its infancy stage. Gold and pozzolana mining occurs in Cameroon, however on a small scale. The country has considerable potential for mining with its large untapped reserves of bauxite, iron ore, sapphires, rubies, diamonds, cassiterite (tin), gold, molybdenum, rutile, uranium and natural gas. The government is now taking concrete steps to develop mining as a priority sector.

⁹ "Country profile: Cameroon", African Economic Outlook, 2012; "Introduction to Cameroon", Africanmining.com, accessed 13 May 2013

¹⁰ 2013 IMF Article IV Consultation

¹¹ NKC Cameroon Country Profile November 2013

Heritage Foundation of Economic Freedom

2013 Index of Economic Freedom ¹²

The Heritage Foundation, in its latest 2013 Index of Economic Freedom, scores Cameroon's economy as 52.3 percent free, which makes it the world's 133rd freest economy. Its overall score is 0.5 point better than in the previous report, reflecting notable gains in freedom from corruption and labor freedom. Cameroon ranks 27th out of 46 countries in the sub-Saharan Africa region, and its overall score is lower than the regional average. The 2013 index measures and ranks 177 countries across 10 specific freedoms. A score of 80 percent to 100 percent is seen as "free", while a score of between 0 percent and 49.9 percent is classified as "repressed".

Parameter	Score	Rank
Property Rates	30.0 percent	94th
Freedom from Corruption	25.0 percent	131st
Fiscal Freedom	69.3 percent	140th
Government Spending	87.1 percent	19th
Business Freedom	46.8 percent	149th
Labor Freedom	55.5 percent	110th
Monetary Freedom	69.9 percent	140th
Trade Freedom	54.9 percent	168th
Investment Freedom	35.0 percent	128th
Financial Freedom	50.0 percent	69th

Sources: 2013 Index of Economic Freedom, Heritage Foundation

¹² Heritage Foundation 2013 Index of Economic Freedom

Fraser Institute rankings

Economic Freedom of the World 2013 report ¹³

Among the 152 countries covered in the Fraser Institute's Economic Freedom of the World 2013 Report, Cameroon ranked 132nd, scoring 5.94 on a scale of 0 to 10, with 0 being the worst and 10 being the best.

The annual report ranks 152 countries around the world, based on their policies across 42 different sub-categories in the following areas:

- Size of government — expenditures, taxes and enterprises
- Legal structure and security of property rights
- Access to sound money
- Freedom to trade internationally
- Regulation of credit, labor and business

Regulatory Environment^{14,15,16,17}

The Ministry of Industry, Mines and Technological Development (MIMTD) is responsible for the issuance of mineral exploration licenses. The Institute for Geological and Mining Research (IRGM) under the MIMTD is the agency responsible for all geologic and mining activities (including conducting geologic exploration programs, mechanized drilling operations, overseeing the mining of mineral deposits, and preventing unauthorized exploitation of mines and quarries) in the country.

Cameroon's mining industry is regulated by the 2001 Code Minier (No. 2001/001), which originally aimed to improve the country's attractiveness to foreign operators and was a shift away from too-intrusive legislation with a socialist flavor. The code reserves artisanal mining to Cameroonians, and provides that the attribution of an operating permit *"may give rise to the attribution to the State of a share at the greatest equal to 10 percent of shares in the operating company,"* in which case the shareholding and price are to be determined before operations begin. Reconnaissance permits (valid for one year and renewable) give a company the non-exclusive right to explore an area of up to 10,000 kilometers (km²). Then a prospecting license, which is exclusive, is awarded for a block of up to 1,000km², for an initial term of three years, renewable for 4 two-year periods i.e. up to a total of 11 years.

An operating permit is delivered by the president on recommendation from the mines minister, for a total of not more than 25 years. The company signs a mining agreement with the State which lays out the company's obligations in terms of social development in the region where it will operate (including local employment commitments), environmental considerations, tax agreements if applicable, and any share in the operation that accrues to the State. The license may be renewed if the company meets all its obligations in terms of the agreement. One amendment that has affected operations is a requirement that 15 percent of mining output be beneficiated locally, which has given rise to projects to build refineries that will produce iron, nickel and aluminum.

News about transparency in the sector is inconclusive. For example, the Extractive Industries Transparency Initiative (EITI) estimates that, in 2011, there was a difference of only \$100,000 between what companies in the extractive sector said they had paid to the government and what the government said it had received, a difference of less than 1 percent of revenues in the sector. While this was undeniably good news, a contrast is provided by recent news about the status of the Nkamouna nickel, cobalt and manganese deposit in Cameroon's east. Reportedly, there is very little to show for investments totalling \$60 million over 10 years.

¹³ "Fraser Institute: Economic Freedom of the World 2013 Annual Report", Free the World, accessed 13 November 2013

¹⁴ "Republic of Cameroon: Cameroon Mining Code, 2001", Cameroon Mines, accessed 14 May 2013

¹⁵ "2011 Minerals Yearbook: Cameroon and Cape Verde", US Geological Survey, February 2013, p2

¹⁶ "Cameroon Mining Report", Makongo Consulting, accessed 14 May 2013

¹⁷ NKC Independent Economists

Power supply^{18,19,20,21,22,23,24,25,26}

AES Société Nationale d'Electricité (AES-SONEL) — a public-private partnership model, 56 percent owned by Applied Energy Services (AES) and 44 percent by the Government of Cameroon — controls the generation, transmission and distribution of power in Cameroon. It has an installed power generation capacity of 929 MW (732 MW of hydroelectric capacity and 197-MW of thermal capacity) and an extensive transmission and distribution network in the country. It serves more than 780,000 customers, primarily catering to major electricity consumers such as aluminum smelting operations of ALUCAM and also serves household consumers. In November 2013, AES, announced that it had reached an agreement with UK-based Actis to sell its total share in AES-SONEL for \$220 million.

The country relies heavily on hydropower, with about 79 percent of total installed generation capacity being hydro power. According to Intpow, Cameroon has the third highest level of hydropower potential on the continent, with gross theoretical hydropower potential of 294,000-GWh/year. This is significantly lower than that of the Democratic Republic of Congo (DRC) and Ethiopia, where gross hydropower potential is estimated to be 1,397,000-GWh/year and 650,000-GWh/year, respectively. However, in terms of economically viable hydropower potential, Intpow reports that Cameroon could potentially generate 105,000-GWh/year (about 13.6 percent of Africa's total economically viable potential), compared to DRC with 145,000-GWh/year and Ethiopia with 162,000-GWh/year. That said, Cameroon's reliance on hydro-electricity makes its electricity sector highly vulnerable to droughts during the dry season, which runs from November to June. The energy utility is taking steps to improve this situation by installing more thermal based power generation units. AES-SONEL commissioned the 85-MW heavy-fuel-oil-fired Limbe thermal power plant in 2004. This was its first power project as a combined entity and was aimed at catering to the projected electricity shortfall in the southern region of Cameroon during the dry season. Construction of another project, the Kribi power station, was completed in December 2012, and commissioning was completed in June 2013.

The government, in collaboration with donors, is planning to spend \$13.7 billion to increase electricity output by around 5,000 MW by 2020 through the construction of hydroelectric dams and thermal power plants. Among the international organisations investing in Cameroon's energy sector are the World Bank, French Development Agency, African Development Bank, Central African Development Bank and European Investment Bank. With their investments and with assistance from the government of Cameroon, the Lom Pangar hydro power project is being built on the River Lom in Cameroon's Eastern Region at a cost of \$386 million. This project is expected to support the country's economic development and significantly improve the supply of electricity in the country.

In November 2013, Cameroon and Electricite de France reached agreement on the building of a new \$814 million hydroelectric plant with planned capacity of about 360-MW. Most of the additional power supply will be aimed at aluminum production at Edea. Reuters reported that the plant at Nachtigal Falls on the Sanaga River is due to start within six months from the completion of the Lom Pangar hydropower project.

Furthermore, the Korea International Cooperation Agency (KOICA) and Korea Water Resources Cooperation met with Cameroon's Ministry of Water Resources and Energy in October 2013. The parties signed a Memorandum of Understanding (MoU) on the implementation of a multi-year capacity development program.

¹⁸ "AES SONEL: Company website", AES SONEL, accessed 15 May 2013

¹⁹ "Success stories, Cameroon: Sonel", International Finance Corporation, p2

²⁰ "Cameroon's Lom Pangar hydropower project to receive EUR 30 million EIB funding", European Investment Bank, 7 September 2012

²¹ "Providing year-round, reliable electricity Aes-Sonel, Cameroon", Private Infrastructure Development Group, p1

²² "AES to Sell Businesses in Cameroon, Swings to 3rd-Quarter Profit", Wall Street Journal, accessed 13 November 2013

²³ "Korea Trains Cameroon's Hydro Infrastructure Developers", Business in Cameroon, accessed 13 November 2013

²⁴ "World Hydro Potential and Development", Intpow, accessed 13 November 2013

²⁵ "Cameroon, French utility EDF sign deal to build hydro plant", Reuters, accessed 13 November 2013

²⁶ NKC Cameroon Country Profile November 2013

Infrastructure development^{27,28,29,30,31}

The infrastructure development of Cameroon depends on the development of its key sectors, namely, transport, information and communication technology (ICT) and power generation. In this section we will discuss the transport and ICT sectors, as the current state of the country's power generation has already been covered in the preceding section on "Power supply".

Road transport which accounts for about 70 percent of the country's transport network, is currently constrained by the poor state of the roads. Cameroon is an important transit country among the landlocked countries in Central Africa. However, the dire state of its transport infrastructure leads to an increase in transport costs and unusually long transport time. For instance, the transit costs along the key cross country transit corridors to Chad and Central African Republic are among the highest in sub-Saharan Africa.

Road construction projects are being planned and are boosted by foreign investors who particularly intend to develop the country's mining sector. The government is investing in road development. For example, the Nigeria – Cameroon Multinational Highway and Transport Facilitation Project is being constructed with funds from the African Development Bank, the World Bank and Japan's Agency for International Development. China First Highway Engineering Company has also been awarded a contract to build a motorway between Douala and Yaounde. The six-lane motorway is expected to reduce the travelling time between the two cities. It is also expected to promote trade within the central African region, particularly within Cameroon, the Central African Republic and Chad.

Further, many private investors are investing in infrastructure development themselves where public financing has not been forthcoming. For instance, Sundance Resources Limited, the largest foreign investor in Cameroon's mines is investing to develop the Mbalam Iron Ore Freight Railway and deep-sea port, which it will use to export its mine output from the eastern mines to the sea ports. To this end, the Australian miner reportedly opened a restricted tender process for the 510km rail line from the Mbalam mine in Cameroon and a 70km line from the Nabeba mine in the Republic of the Congo. Both of these railways will run to the Kribi deep-sea port, where an iron ore export terminal is to be built once construction of the port is completed. The Kribi deep-sea port is said to have its first berth in the middle of 2014, although final completion and the commencement of construction on the specialized terminals will likely only be in 2015. As of writing, the multi-billion CFA franc project was 70 percent complete.

In the World Economic Forum's (WEF) 2013 Global Competitive Index the country ranked 115th out of 148 countries. The accompanying graph highlights Cameroon's poor performance with regard to the quality of infrastructure. In this category, Cameroon placed 128th.

²⁷ "Cameroon's Infrastructure: A continental perspective", African infrastructure country diagnostic, June 2011

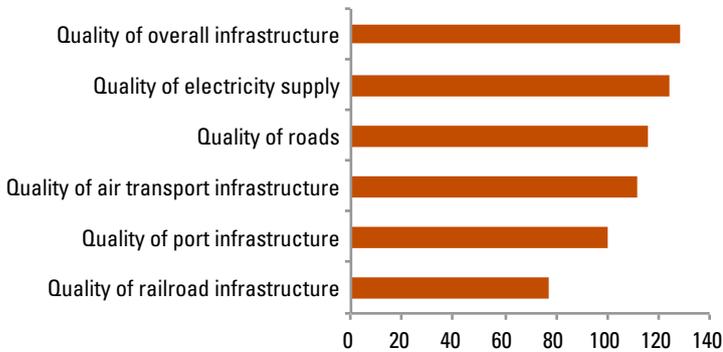
²⁸ "The AfDB and Cameroon 40 years of partnership", African Development Bank, 2010

²⁹ Business Monitor International — Industry forecast - Cameroon - Q3 2013, 7 May 2013 via Thomson Research/Investext, accessed May 2013

³⁰ "The Global Competitiveness Report 2013-2014", World Economic Forum, accessed 13 November 2013

³¹ NKC Cameroon Country Profile November 2013

Cameroon's rank in sub-categories of Infrastructure Pillar (out of 148 countries)



Source: World Economic Forum

Growth in Cameroon's telecommunications sector has historically lagged behind that of other countries on the continent, in line with a generally weaker economic growth performance. However, the Central African country's third mobile network, Vietnamese Viettel, was approved in June 2013. Viettel will also introduce the country's first 3G network. The other two mobile operators competing in Cameroon are South Africa's MTN and France-based Orange. As the market developed, average revenues per user receded, but telecommunication services are still relatively expensive. Due to the restrictive nature of the mobile market in Cameroon and the large degree of poverty, the Central African nation has a relatively low, but growing, mobile penetration rate. Figures from the International Telecommunication Union (ITU) indicate that there were 13.1 million mobile subscriptions in Cameroon at the end of 2012, up by a healthy 25 percent from the previous year. This is a penetration rate of 64 percent, from 52.4 percent in 2011, which BuddeComm estimates will increase to 69 percent by the end of 2013. At the end of 2012, MTN had a 54.1 percent market share, with Orange covering the remaining 45.9 percent of the market. *Le Quotidien de l'économie* of 25 January 2013 said Viettel plans to build 1,851 base transceiver stations in two years, compared to Orange and MTN, which each had about 1,000 stations at the time. The Vietnamese service provider is aiming for mobile coverage of 92 percent of Cameroon's surface area by 2015 and to increase the internet penetration rate to 50 percent in 15 years from now.

IHS, a major mobile infrastructure operator in Africa, has recently signed a \$143 million contract with Orange Cameroon (a subsidiary of France Telecom-Orange) for the operation of all the subsidiaries' towers in Cameroon, after having signed a similar contract in 2010 with MTN Cameroon. This is expected to improve the mobile network situation in the country. Under a more liberal regulatory regime, Cameroon's telecommunications market could catch up very quickly with its peers in the region.

Efforts to privatize the fixed-line monopoly operator Camtel has failed several times. At the end of 2012, the number of people subscribed to a fixed-line service was 737,445, according to ITU. This translates into a fixed-line penetration rate of only 3.6 percent, up from 3.3 percent in 2011. Similarly, internet access is still very limited. BuddeComm estimates that internet penetration will reach 6.6 percent at the end of 2013. Until recently, Camtel was allowed to monopolize access to the SAT-3/WASC international fiber optic submarine cable, which kept prices high and led to a 'gray' market where unlicensed operators offer internet services. This is set to change following the arrival of two new international cables last year. The Minister of Posts and Telecommunications, Jean-Pierre Biyiti bi Essam, attended the official handing over of a further 3,200km of fiber optic cables from Chinese Huawei on 3 May 2013. This brings the total network of fiber optic cables in Cameroon to 6,000km, with the government aiming for 10,000km. Cameroonian authorities plan to increase the internet penetration rate to 40 percent by 2015, a target that may be somewhat optimistic, despite the country's potential for expansion in the telecommunications sector.

Labor relations and employment situation^{32,33,34}

The lion's share of Cameroon's labor force operates in the informal sector, specifically the informal agricultural sector. Formal employment makes up a very small proportion of the employment structure of Cameroon, due to the fact that the economy is still undiversified and underdeveloped. As per Trading Economics.com, the Unemployment Rate in Cameroon decreased to 3.8 percent in 2011 from 5.6 percent in 2010. However, most of the population is employed by the informal sector, which has low productivity and generates very little income for workers. Thus, Cameroon needs to adopt a strategy to increase the number of jobs in the formal sector.

As per Figure 1, in 2010, the informal sector was the main provider of employment in Cameroon and employed about 90 percent of the overall labor force. The formal private sector represented only about 4 percent of the total labor force and mostly employed men in urban areas. Thus the country would need to reduce the informal employment levels to align it as per the vision 2035 of the Government of Cameroon (Figure 2).

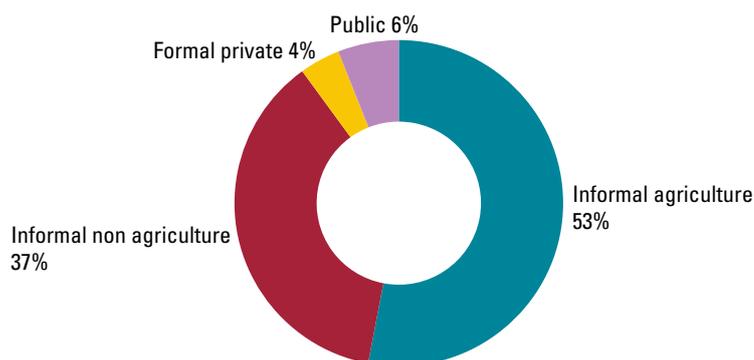
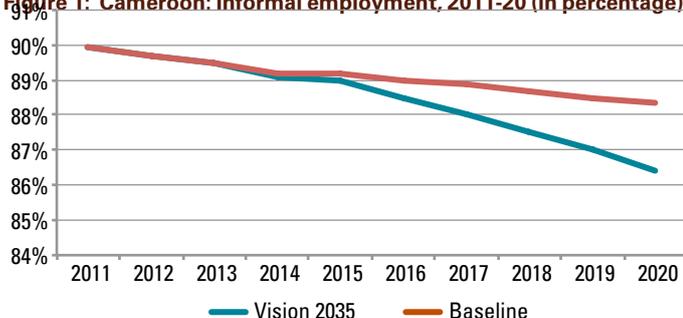


Figure 1: Employment structure of Cameroon, 2010 (in percentage)

Education is expected to play a crucial role in achieving this goal. The country is in need of a multipronged education and training system, which includes a solid basic education, as well as soft skills, to easily adapt to changing labor market conditions. Furthermore, quality technical and vocational training systems need to be put in place, providing practical skills that are directly applicable to the labor market. In addition, Cameroon also needs to attract higher levels of foreign direct investment so as to increase the formal employment level in the manufacturing and services industries.

Figure 1: Cameroon: Informal employment, 2011-20 (in percentage)



³² Cameroon Economic update, unlocking the labor force: An economic update on Cameroon", Cameroon country office, World Bank, January 2012

³³ Cameroon unemployment rate", TradingEconomics.com, accessed 17 May 2013

³⁴ Cameroon: Poverty reduction strategy paper", International Monetary Fund, August 2010

Key commodities – Production and reserves

Production level of key commodities in Cameroon

The only significant mining commodity produced in Cameroon in 2011 was pozzolana (siliceous volcanic ash used to produce hydraulic cement). The other commodities mined were gold, diamond, clay, sapphire (mostly through artisanal mining operations), sand, limestone and marble. Aluminum was produced as a metal through smelting, but the raw material (bauxite) was not mined in Cameroon, but imported from Guinea.

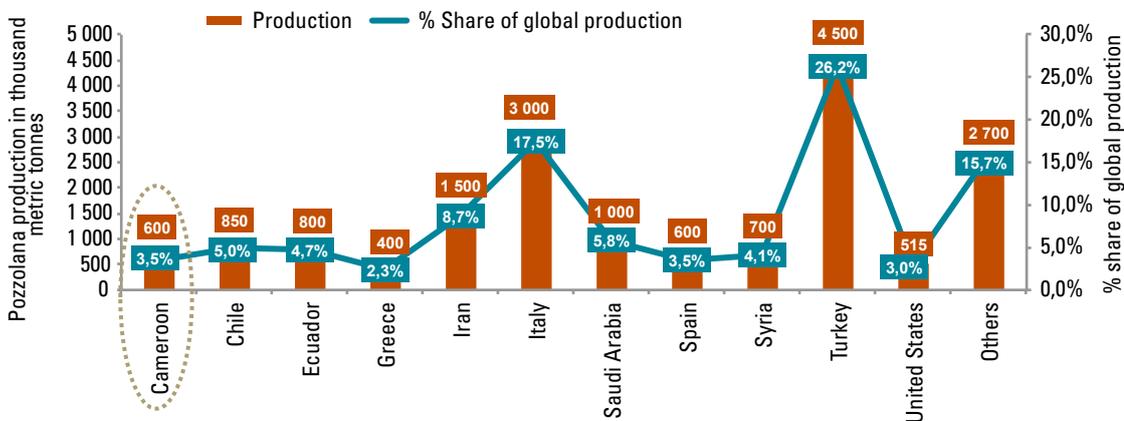
Cameroon is expected to have produced significant quantities of pozzolana in 2012. However, most of this production was for domestic consumption. Figure 3 represents the countrywide estimated production and percentage share of pozzolana pumice and pumicite in 2012. Figure 4 shows the historical production of pozzolana pumice and pumicite in Cameroon relative to the world.^{35,36}

Precious minerals such as gold, diamond and sapphire are mined in the country primarily through artisanal mining operations. Gold production is from elluvial and alluvial deposits. Artisanal mining accounted for production of 1,600 tons of gold, 10,000 carats of diamond, 1,000 carats of sapphire in 2011. Botswana Diamonds Ltd was awarded a 430km² exploration license to explore the AK8, the AK9, and the BK5 kimberlites. The company initiated a bulk sampling program in 2011 to examine the diamond potential in its license.^{37,38}

As per Business Monitor International (BMI), Cameroon is expected to become a significant center for iron ore production as several major mining projects are expected to come online over the coming years. However, the state of the country's infrastructure could hinder this development. The abundance of iron ore reserves is expected to attract foreign investments especially from Chinese investors interested in securing stable and long-term supply of iron ore. Although Hanlong Group's deal to acquire Sundance Resources for \$1.5 billion has fallen through, Chinese investors are expected to continue their investments in the future. The development of these projects would also help diversify Cameroon's economy and exports away from oil, towards a more diversified basket of goods.

Figure 3: Production level of pozzolana pumice and pumicite in Cameroon and the world, 2012E

Top pozzolana pumice and pumicite producing countries, 2012E



Source: US Geological Survey, Mineral Commodity Summaries

³⁵ "Cameroon: 2011 Minerals Yearbook", US Geological Survey, p2

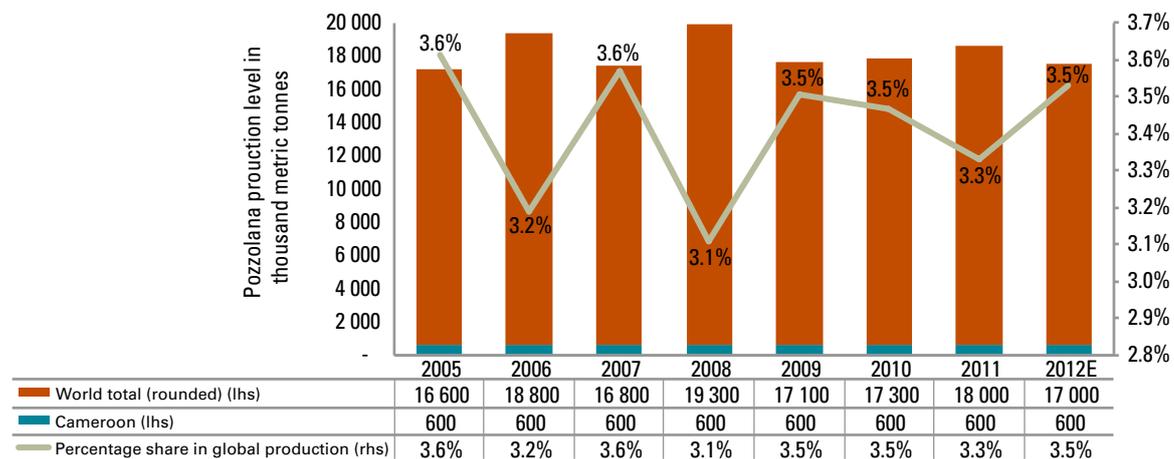
³⁶ "Mining in Cameroon — Overview", MBendi information services, accessed 22 May 2013

³⁷ "Cameroon: 2011 Minerals Yearbook", US Geological Survey, p2

³⁸ "Botswana Diamond Gets Exploration License in Cameroon", Diamonds.net, accessed 18 November 2013

Figure 4: Cameroon and world pozzolana pumice and pumicite production levels, 2005 – 12E

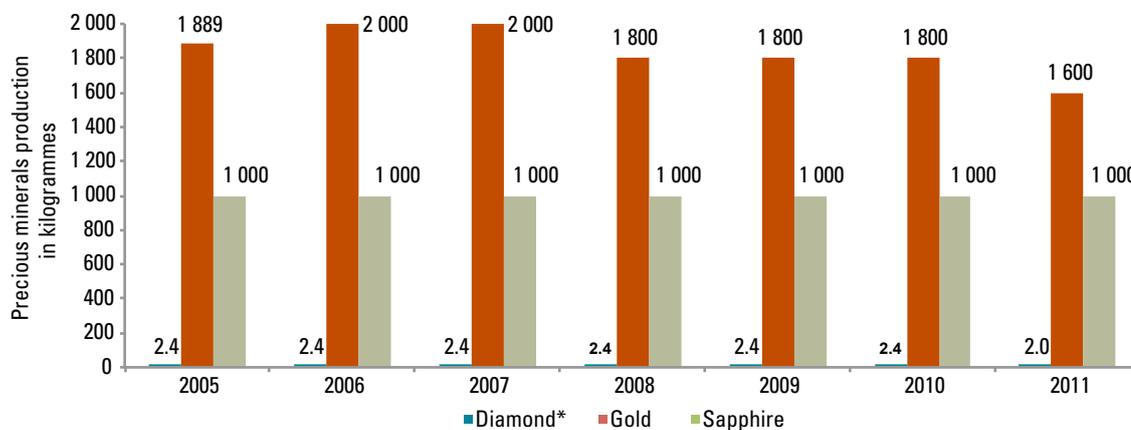
Pozzolana production levels, 2005 – 12E



Source: US Geological Survey, Mineral Commodity Summaries

Figure 5: Production level of precious minerals in Cameroon, 2005-11

Precious minerals production levels, 2005 -11



Source: US Geological Survey, Mineral Commodity Summaries

*Production reported by USGS in carats. Converted to kilogrammes with a conversion rate of 1 carat = 0.0002 kilogrammes

Cameroon's reserves of key commodities^{39,40,41}

Cameroon has undeveloped resources of bauxite, cobalt, cassiterite, gold, granite, iron ore, lignite, nepheline syenite, nickel, rutile, and uranium. However, most of the resources have yet not been exploited. Substantial infrastructure development would be required for their exploitation.

Potential bauxite reserves exist at the Minim-Martap and Ngaouanda deposits, located in the remote northern parts of Cameroon. As per estimates, these two deposits hold a combined resource base of about 1,100 million tons of bauxite. China's Gansu Corporation intends to develop a 2,000-million ton bauxite deposit in the country. The mine is expected to provide bauxite to Cameroon's largest aluminum smelter at Edea (owned by ALUCAM), which currently imports bauxite from Guinea.

Table 2 illustrates the commodity wise status of mineral exploration as available from the Cameroon High Commission in South Africa.

Table 2: Mineral exploration

Commodity	Target resources
Gold	<ul style="list-style-type: none"> About 140 targets discovered
Diamond	<ul style="list-style-type: none"> 17 targets documented out of which 9 are presently exploited by artisan industry About 26 small-scale mining sites exist Significant diamond occurrences discovered along 700km border with Central African Republic
Aluminum	<ul style="list-style-type: none"> 6 bauxites occurrences and deposits discovered Mini-Martap deposit with capacity of 1.116 billion tons with 43.7 percent of alumina and 1.8 percent of silica
Iron	<ul style="list-style-type: none"> 25 target deposits discovered Mbalam deposits contains reserves of 807 million tons of which 220 million tons are grade 60 percent iron ore and 587 million tons are grade 22 percent - 38 percent iron ore
Titanium	<ul style="list-style-type: none"> 3 million tons of alluvial titanium reserves found in the Akno Henji area Superior concentration found along the sea coast estimated at about 0.5 million tons of titaniferous iron ore
Cobalt	<ul style="list-style-type: none"> Occurrences and deposits found in the eastern provinces Deposits cover 240km and evaluated at close to 0.2 million tons of cobalt metal accompanied by an appreciable tonnage of nickel and manganese

Source: "Cameroon, the country", Cameroon High Commission South Africa

³⁹ "Mining in Cameroon — Overview", MBendi information services, accessed 22 May 2013

⁴⁰ "Cameroon: 2011 Minerals Yearbook", US Geological Survey, p2

⁴¹ "Cameroon, the country", Cameroon High Commission South Africa, accessed 23 May 2013

Mining prospects in Cameroon⁴²

Iron ore⁴³

- The Nkout mine was explored by Afferro Mining, but the company has been absorbed by the International Mining & Infrastructure Corporation (IMIC) in a deal worth \$190 million. As per preliminary economic assessment, the project contains potential iron ore reserves of 700 million tons. Nkout is situated 330km from the deep-water port near Kribi, which is currently under construction by the Cameroon government. The absence of a rail line to transport ore to the coast has thwarted operations from commencing, but IMAC told reporters that it can build the infrastructure necessary to transport the ore to the coast and begin production.
- The Mbalam Iron Ore Project is being developed by Cam Iron SA (90 percent Sundance Resources and 10 percent local Cameroonian investors). Cam Iron owns Exploration Permit No. 92 (EP92) and Exploration Permit No. 143 (EP143), giving it the rights to explore over 1,800km². Sundance Resources was set to be taken over by Chinese Hanlong, but the \$1.19 billion deal fell through in April 2013, when the Chinese company could not secure funding. Analysts feared for the life of the project, but Sundance Resources expects to bring its \$4.7 billion iron ore project online by early 2018, regardless of the setback. To this end, the Australian miner reportedly opened a restricted tender process for the 510km rail line from the Mbalam mine in Cameroon and a 70km line from the Nabeba mine in the Republic of the Congo. Both of these railways will run to the Kribi deep-sea port, where an iron ore export terminal is to be built once construction of the port is completed.

Bauxite⁴⁴

- Cameroon Alumina Limited (CAL) – a joint venture between Hydromine, Dubai Aluminum Company and Hindalco Industries – is developing an 8.5 million tons p.a. bauxite mine at Ngaoundal and Minim-Martap and a 3 million ton p.a. aluminum refinery. The project is expected to be implemented in two phases. The first phase involves setting up a 4.25 million tons p.a. bauxite mine and a 1.5 million tons p.a. alumina refinery, which would be expanded to 8.5 million tons p.a. and three million tons p.a. subsequently.
- The project cost for Ngaoundal and Minim-Martap is estimated at \$4 billion - \$6 billion and according to CAL, the project will create around 7,000 direct and 6,000 – 8,000 indirect jobs during the peak of the execution phase, and around 1,500 – 2,000 direct, and 4,000 indirect jobs during the operation phase.

⁴² Business Monitor International, — Industry forecast — Iron ore: Companies Plough Into Mineral Wealth, 27 March 2013, via Thomson Research/Investext, accessed 23 May 2013; "IN BRIEF: Cameroon's top mining projects", Worldfolio, accessed 23 May 2013

⁴³ "Iron ore mining in Cameroon — Introduction", Mbendi information services, accessed 23 May 2013

⁴⁴ "Project", Cameroon Alumina Limited, accessed 23 May 2013

Cobalt, Nickel and Manganese⁴⁵

- Toronto-listed Geovic Mining Corp completed the feasibility study of its 21-year nickel-cobalt-manganese project in the area surrounding Nkamouna, Cameroon, in April 2011. Geovic Mining Corp owns 60.5 percent of Geovic Cameroon, while the National Investment Corporation of Cameroon controls the remaining 39.5 percent (including 20 percent directly). Geovic Cameroon holds the permit for a 1,250km² stretch of land providing seven large cobalt, nickel and manganese deposits. Of these seven sites, Nkamouna and Mada are first in line to be mined. According to the company, the Nkamouna-Mada project holds the world's largest known primary cobalt deposit, with significant nickel and manganese credits. Nkamouna-Mada has 68.1 million tons of reserves with 0.26 percent cobalt content, 0.66 percent nickel content and 1.48 percent manganese content, according to Geovic. Furthermore, these two sites hold 120.8 million tons of measured and indicated resources with 0.23 percent cobalt content, 0.65 percent nickel content and 1.35 percent manganese content. As with most of Cameroon's sub-soil resources, only a small proportion of the permit area has been explored. Nkamouna-Mada deposits comprise only 22 percent of the total mineralized area within Geovic's mining permit boundary. The company expects average annual production for the first 11 years of full production of 6,115 tons of cobalt, 3,297 tons nickel and 62,800 tons of manganese carbonate. In July 2013, Geovic reached a definitive agreement with China's Jiangxi Rare Metals Tungsten Holdings Group Company Ltd (JXTC). The definitive agreement highlights JXTC's intent to acquire 60.5 percent of the existing shares of Geovic Cameroon, pursuant to the execution of a share purchase agreement between JXTC and Geovic. Geovic commented that JXTC's arrival paves the way toward construction and mineral extraction at the Nkamouna project.

Uranium⁴⁶

- Canada's Mega Uranium Ltd, through its subsidiary Nu Energy Corporation, is exploring for uranium in the north and south of Cameroon. In 2010, the company conducted a drilling program in the region, but intersected nothing of economic significance over a 300 m length of the projected mineralized area. Thus the program was terminated in order to reassess the merits of the 2010 targets and revise the 2011 drilling program consequently. The 2011 drilling program has been deferred until 2012 due to budgetary constraints.

Diamonds^{47,48}

- Cameroon begun production from its first-ever industrial diamond mine, the Mobilong diamond field, in January 2013. As per C&K Mining (JV between Cameroon and the South Korean state), which owns the mine, the Mobilong mine contains about 416 million carats of proven gem quality and industrial diamond reserves. The company expects to reach an eventual annual production of about 800,000 carats.⁴⁹
- Botswana Diamonds holds an 85 percent stake in a diamond reconnaissance license covering 8,087km², of which 430km² were recently converted to an exploration license, according to the miner. Botswana Diamonds undertook a diamond sampling project at Libongo during July 2012, and recovered a two, carat diamond. Libongo palaeoplacer project is a remote site located in the dense rainforest in eastern Cameroon and lies adjacent to the Mobilong diamond mine. Botswana Diamonds recovered two additional diamonds from the sampling project in September 2012. The sampling project was concluded in 2012, and currently, Botswana Diamonds is developing the mine.^{50,51}
- Emmanuel Bonde, Minister of Mines and Industrial Development, said so far only 40 percent of Cameroon's subsoil has been explored, which makes speculation on the country's exact potential troublesome. Cameroon was approved by the Kimberley Process (KP) diamond certification initiative in August 2012. The KP initiative is aimed at curbing trade in conflict diamonds. According to Mr Bonde, the certification "ensures that the country's diamond production can be sold in the international market where only certified diamonds are allowed."

⁴⁵ "Geovic Completes Feasibility Study on Nkamouna Cobalt Project, Commences Financing Phase", via Factiva, accessed 23 May 2013

⁴⁶ "Kitongo, Lolodorf and Teubang", Mega Uranium Ltd, accessed 23 May 2013

⁴⁷ Pius Lukong "Cameroon Joins Kimberley Process, Allowing Diamond-Mining Start", Bloomberg, June 2012

⁴⁸ NKC Cameroon Country Profile November 2013

⁴⁹ "Cameroon to launch first industrial diamond mine this month", Reuters, January 2013

⁵⁰ "Botswana Diamonds Recovers First Diamond in Cameroon", Diamonds.net, July 2012;

⁵¹ "Botswana Diamonds finds more gems in Cameroon", Mining.com, September 2012

Inbound and outbound investment

Cameroon is endowed with vast mineral deposits, and the government has now started to explore these resources with the help of foreign investors, including numerous companies from Asia, especially China, after the Cameroonian government identified the development of the mining industry as a priority as the country strives to achieve key economic goals by 2035.

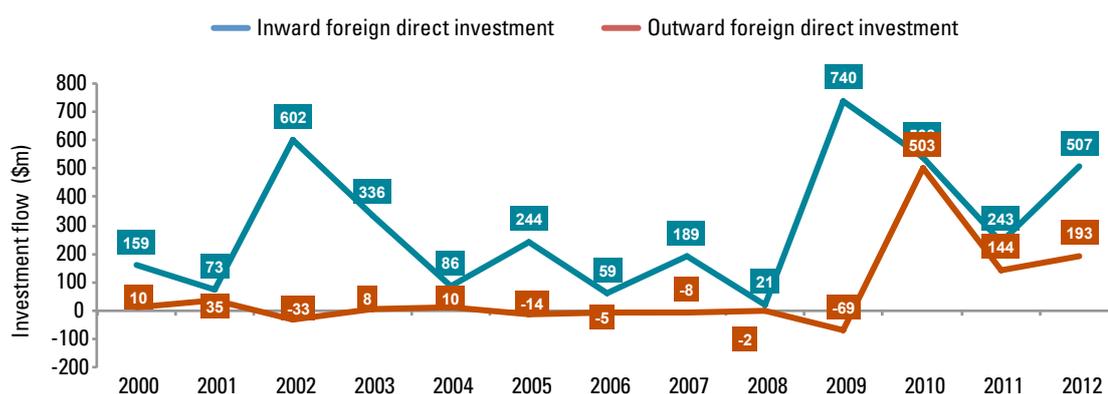
IMIC, which agreed to acquire Afferro Mining in a \$190 million cash-and-paper deal in 2013, had earlier acquired a 3.9 percent stake in the company for \$3.1 million in July 2012. Previously, Afferro Mining was also talks with Jindal Steel and Power (JSPL) for a similar acquisition, but negotiations ended in February 2013.⁵²

Korean steelmaker POSCO signed a Memorandum of Understanding (MoU) with Afferro Mining in February 2013. POSCO intends to make a project-level investment in Cameroon, through its 100 percent-owned subsidiary POSCO Africa. Under the MoU, POSCO would also facilitate funding for infrastructure and project development concerning Afferro's (now owned by IMIC) Nkout, Ntem and Akonolinga iron ore projects in Cameroon. POSCO also signed an agreement with the Cameroonian government to build a state-owned steel factory; however, this is still pending a feasibility study and further agreements. According to the Secretary of State, the factory will help Cameroon process 15 percent of all the ore mined in Cameroon, respecting the mining code.⁵³

Sundance Resources which is developing the Mbalam iron ore mine, had previously been approached by Hanlong Mining Investments Ltd with a 100 percent acquisition offer of about \$1.19 billion. However, the offer was terminated in April 2013.⁵⁴ Nevertheless, Sundance Resources seems intent on exploiting the vast potential at Mbalam and has opened up a tender process to build the railways in order to transport ore to the new deep-sea port at Kribi.

China's Sinosteel is expected to invest \$660 million at its Lobe iron ore deposit in Cameroon. As per the Secretary of State at the MMITD Sinosteel Cam, a unit of Sinosteel would sign a development deal with Cameroon under which it would construct a port at Kribi at a distance of 40km from the iron ore mining project. The project is expected to produce 4 million tons p.a. over a period of 25 years. Feasibility studies for the project have been conducted.⁵⁵

Figure 6: Trends for inward and outward net foreign direct investment in Cameroon



⁵² "IMIC to acquire Cameroon-focused ore miner Afferro Mining for \$190 mn"; "IMIC pays \$3m for 3.9 percent stake in Afferro Mining"; "Afferro Mining says ends talks with India's Jindal Steel", via Factiva, accessed 24 May 2013

⁵³ "Korean Steelmaker to Construct a State-Owned Factory", Business in Cameroon, accessed 13 November

⁵⁴ "Sundance Terminates Hanlong Agreement", via Factiva, accessed 24 May 2013

⁵⁵ Pius Lukong "Sinosteel to Spend \$660 Million at Cameroon's Lobe Iron-Ore Site", Bloomberg, 13 December 2012

Canada signed a foreign investment promotion and protection agreement (FIPA) with Cameroon in March 2013. FIPA is a treaty that aims to promote and protect Canadian investment overseas through legally binding provisions. According to the Minister of International Trade, Canada, there is major potential for Canadian investment in Cameroon, specifically in the mining, oil and gas, infrastructure, education and health care sectors. In 2011, Canadian mining assets in Cameroon were valued at above \$35 million.⁵⁶

Producing mines/companies in Cameroon⁵⁷

Currently, there is only one industrial grade diamond mine in Cameroon. The Mobilong diamond mine located at Yokadouma in East Province is expected to have produced its first industrial diamond from the mine in 2013. The country has significant mineral resources such as bauxite, cobalt, cassiterite, gold, granite, iron ore, lignite, nepheline syenite, nickel, rutile, and uranium, but most of them are yet to be explored.

Mine	Location details		Owners/companies (percentage stake)	Commodities mined
	Location	Province		
Mobilong Diamond Mine	Yokadouma	East Province	C&K Mining Inc (100 percent)	Diamond

Source: Intierra

Recent M&A activity in Cameroon⁵⁸

Deal announced date	Deal status	Target company	Bidder company	Deal value (USD m)
July 2013	Announced	Geovic Cameroon (60.5 percent stake)	JXTC	N/A
May 2013	Announced	Affero Mining PLC	International Mining and Infrastructure Corporation	190.0
July 2012	Completed	Affero Mining PLC (3.9 percent stake)	International Mining and Infrastructure Corporation	3.1
March 2012	Completed	CMC Guernsey Limited (34.51 percent stake)	West African Minerals Corporation	28.0
April 2008	Lapsed	Yekani Mining Company (Cameroon) S.A. (85 percent stake)	Whinnen Resources Limited	8.0

Source: Mergermarket

⁵⁶ "Harper Government Concludes Investment Agreements with Cameroon and Zambia / Protecting Canadian investments in high-growth markets around the world creates jobs, growth and prosperity for Canadians", via Factiva, accessed 24 May 2013

⁵⁷ Intierra database, accessed 24 May 2013

⁵⁸ Mergermarket, accessed 24 May 2013

Major mining companies in Cameroon⁵⁹

Key domestic players

- Alubassa SA
- C&K Mining Inc.
- Cam Iron SA
- Cameroon General Mining SA
- Camina SA
- Alucam (Compagnie Camerounaise de l'Aluminium)
- Compagnie Minière du Cameroun SA
- Geovic Cameroon PLC
- Icon Cameroon
- Steelcam Industries Limited
- Uranex SA

Source: Capital IQ

⁵⁹ Capital IQ, accessed 24 May 2013

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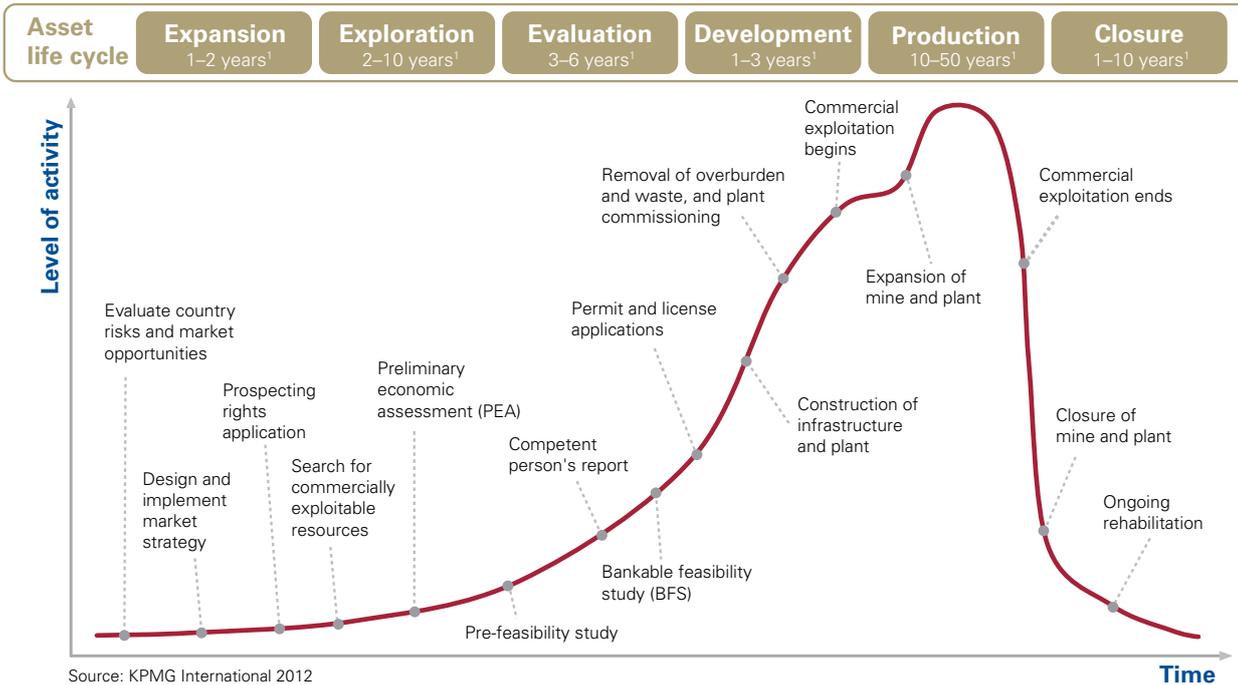
Commodity Insights Bulletins



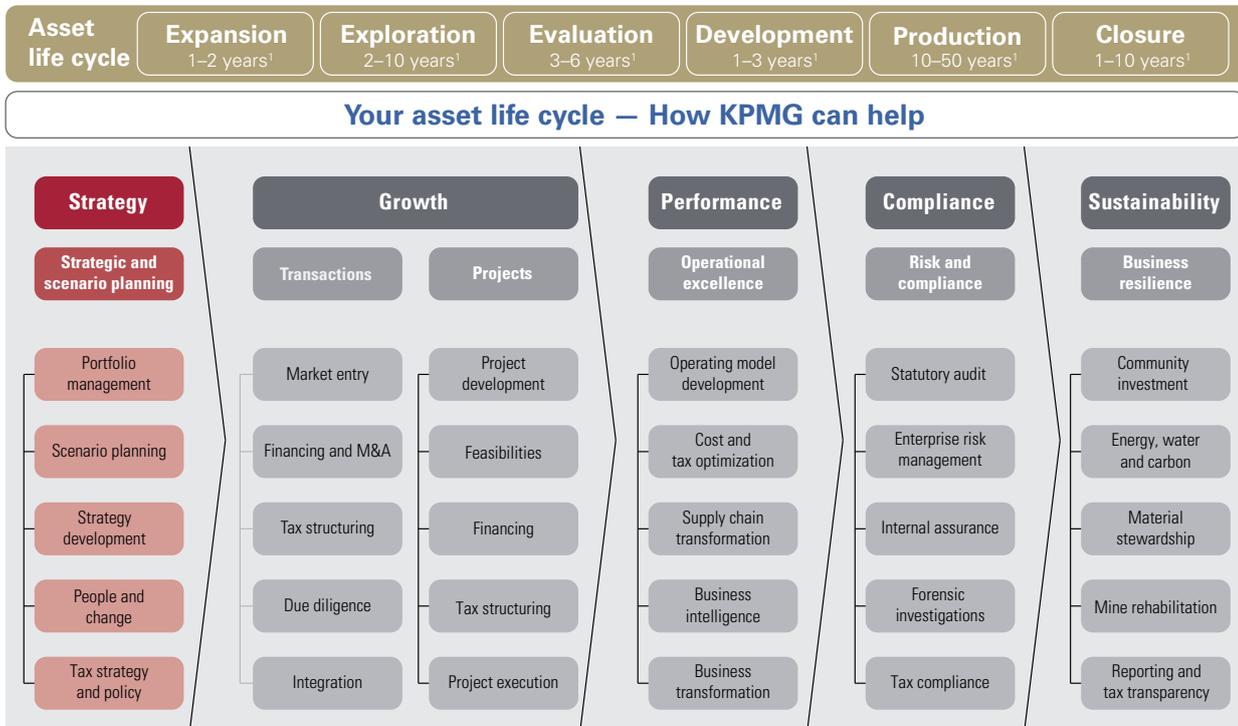
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Mining asset life cycle



KPMG’s mining strategy service offerings



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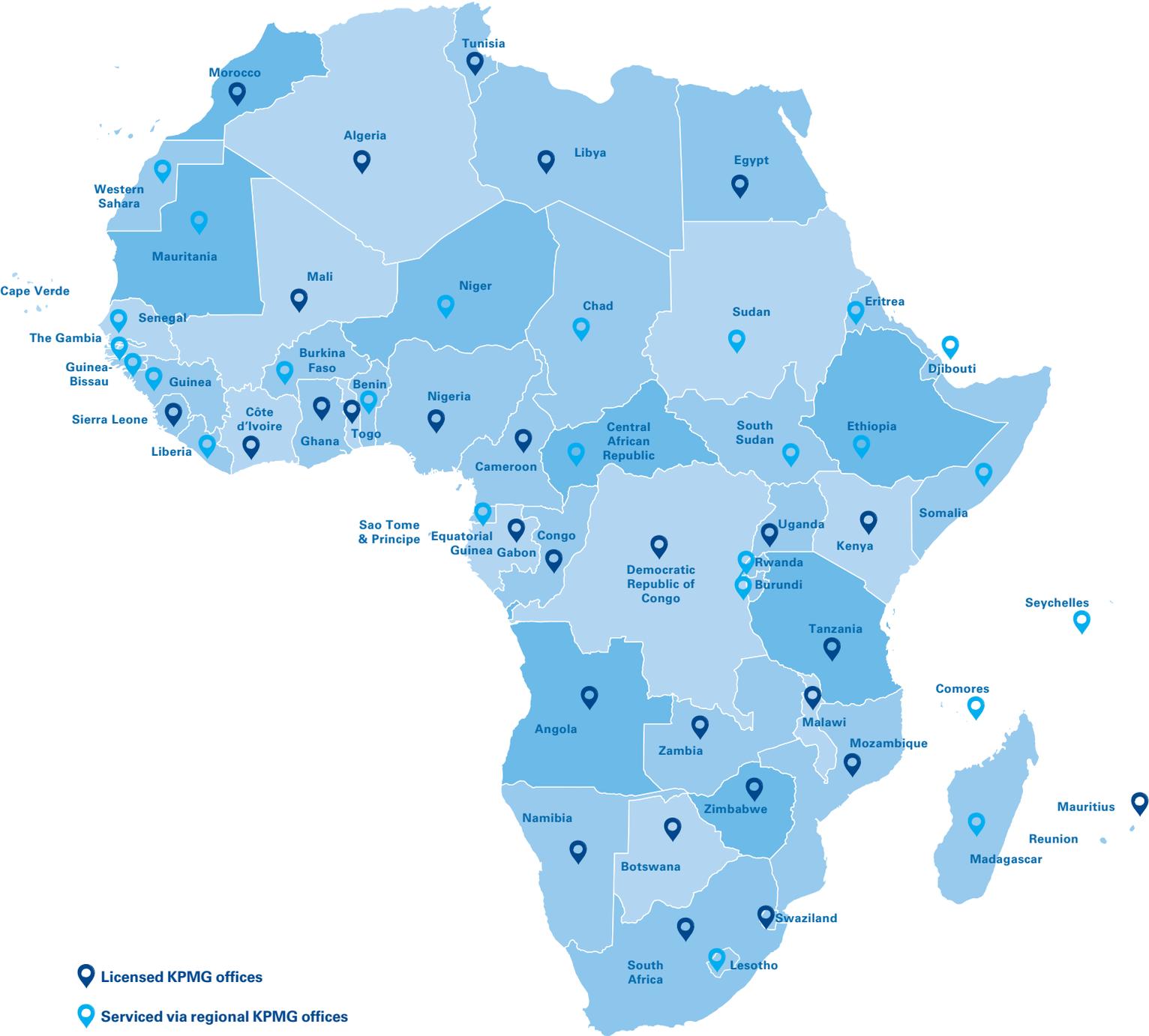
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KPMG's footprint in Africa



As of July 2013

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