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Clean Environment.
Worldwide.

CAMWATER and Cardinal Resources – Update

Introduction and Background

As we've previously shared, Cardinal Resources original and still existing \$28.8 million contract with CAMWATER was put on-hold when the US Export Import Bank lost its authorization and then when reauthorized, has been limited to transactions under \$10.0 million. Initially Cardinal Resources pursued other financing including development banks and potential shifting production to a third country that could provide Export Credit Agency (ECA) support.

Concurrently, we began preparation of the newly required by Cameroon Dossier to cover all the sites under the original contract. This revenue generating activity, created a report which completed a Feasibility Study, Environmental Assessment, Economic Analysis, and Cost-Benefit Analysis on a community by community basis.

After much discussion with CAMWATER a decision was made to keep the existing contract in place and develop a new Supply Contract that could be funded by the US Export Import Bank under the current limits. Initially agreed upon in 2016, modifications were requested to the contract to incorporate new smartcard/token water payment technology, expand distribution and address tax issues.

In February of 2017, decisions were reached on the modifications to contract and the acceptance of the Dossier. Meetings were held in March and April concerning the financing of the contract which included the submission of term sheets from two banks to act as the mandated bank for the project. Trips in March and April to Cameroon were delayed based on travel schedules. At the first of May, we traveled to Cameroon based on the request of the Ministry of Water (MINEE) to meet and move the project forward.

Beginning May 2nd meetings were held with CAMWATER and the appropriate agencies to resolve the remaining tax issues based on changes to the Cameroon laws, and to lock in the Tax regime for the duration of the contract. On May 5th, the new Supply Contract was signed and endorsed by CAMWATER and Cardinal Resources. On May 8th the Contract, Dossier, and the financing Term Sheet was formally transmitted to the capital for final action.

The New Supply Contract

While similar to the original contract, the *U.S. Export Supply Contract, Five Communities, Providing Goods and Services to Assist CAMWATER in Providing Clean Drinking Water Throughout Cameroon* is separate from the original contract and different in some key areas. The contract with a value of \$9,417,615 covers the following communities in Cameroon.



Table 1

Proposed Community Water Treatment Systems

Community	Number of CRB-20 Systems	Number of Solar Pumping and Disinfection Systems	Number of Highland Tanks
<i>Sud Region</i>			
BENGBIS	1		1
BIWONG BANE	1	1	1
<i>Centre Region</i>			
ENDOM	2		1
NGOG MAPUBI & BOUMNYÉBEL	4		2

Under the contract, Cardinal Resources is providing the following goods and services to CAMWATER:

- 8 Community Red Bird Systems -20 (CRB-20) for water treatment, (US Origin)
- 1 Solar Powered Pumping and Disinfection System (US Origin)
- 5 HighDro potable water tanks (US Origin)
- 3 Solar powered booster pumps (US Content)
- 1 Mobile Laboratory (US Origin)
- 1 Field monitoring team vehicles (US Origin)
- 5 Water kiosk stations (US and Danish Origin)
- 50,000 meters of water distribution piping, and fittings (US origin)
- Installation of the water distribution system (US, and Local Content)
- Geotechnical sampling, environment survey, and site layout for 5 locations (US and Local Content)
- Site foundation, source development, and preparation work. (US and Local Content)
- Assist and supervise the construction and installation of the goods. (US and Local Content)
- Initial and on-going Operator training and support (US and Local Content)

Cardinal Resources is providing each community a water utility including the source supply, the treatment, the storage of clean water, the distribution of the water and the means to collect fees for the water based on usage. With the addition of a mobile laboratory, service vehicles and spare parts, we are helping give CAMWATER the additional infrastructure to support the local community.

The Dossier

The Dossier process, which came into being after the signing of the original contract, is a tool that Cameroon is using to focus their funding resources to projects that are feasible, address environmental impacts associated with the project, are strong economically and provide a positive Cost-Benefit Balance. Originally completed for the communities in the original contract, it was adjusted for the new communities. As shown in the report, this contract delivers to the people of Cameroon:

- Social-economics benefits ranging from \$27 million USD to \$270 million.
- Benefits that exceed the costs by year 3, and continue to grow reaching over 8 times the costs by year 15.
- Potential GDP growth through improved economic efficiency and business growth.
- Immediate jobs in the implementation of the system.

- Long-term jobs for system operators, maintenance, and financial managers.
- On-going training and technical support in sustainable water systems.
- A transparent and manageable system for water payments and rate recovery management.
- Progress in meeting the Kyoto Protocol through the use of solar energy.

Further, independent analysis of the Cardinal Resources approach by CAMWATER to more traditional approaches showed a much stronger benefit opening the door to more projects as this Supply Contract is underway.

Next Steps

With the new commercial contract, accepted Dossier, and the acceptance of the terms for the 100% financing our next steps in the process are:

- Development of the definitive finance documents between the Mandated Bank and the Republic of Cameroon.
- Approval of the loan guarantees by the U.S. Export Import Bank.

As the exporter of record Cardinal Resources is involved in the process but the main activity is now between the Mandated Bank, MINEPAT, and the U.S. Export Import Bank.

In June, a Cardinal Resources team will return to Cameroon with the objectives of:

- Issuing RFPs to pre-qualified local subcontractors for site preparation and distribution installation
- Begin the process of registering Cardinal Resources of Cameroon
- Meeting with local community officials to determine the final locations for the treatment systems and preliminary distribution plans
- Meeting with CAMWATER, MINEE, and MINEPAT.
- Filing the contract with the Department of Public Works.