

SIERRA LEONE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE-SLEITI



REPORT

ON

SLEITI SECOND RECONCILIATION REPORT (2008-2010)

(SEPTEMBER 2012)

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LIST OF ABBREVIATIONS/ACRONYMS

GoSL	Government of Sierra Leone
EITI	Extractive Industries Transparency Initiative
GGDO	Government Gold and Diamond Office
MMA	Mines and Minerals Act.
MMMR	Ministry of Mines and Mineral Resources
MoFED	Ministry of Finance and Economic Development
NRA	National Revenue Authority
SLEITI	Sierra Leone Extractive Industries Transparency Initiative
TPU / RTPD	Tax Policy Unit/Revenue & Tax Policy Division

EXECUTIVE SUMMARY

Sierra Leone signed on to the Extractive Industries’ Transparency Initiative (EITI) process in 2006 and achieved a candidate status in February 2008.

The EITI is an initiative which aims to enhance transparency around the generation and spending of revenues from the extractive sector so as to improve the development outcomes, reduce the potential for corruption or large scale embezzlement of funds by hosts’ governments, and to stimulate debate about the uses to which these revenues are put. The Initiative encourages governments, extractive companies (publicly and privately owned), International Agencies and NGOs to work together to develop a framework to promote transparency in payments in the extractive industries.

Member countries are required to produce annually, reports that provide the details of reconciliation of payments made by extractive companies and receipts by government revenue Agencies.

Sierra Leone has already produced its first EITI report which covered 2006 and 2007.

This submission provides details of the second EITI Sierra Leone Extractive Industries Transparency Initiative (SLEITI) report which covers 2008, 2009 and 2010 prepared by Messrs Boas & Associates, the reconciler hired to undertake the assignment.

Participating entities:

The extractive companies, Government Agencies , District Councils and Chiefdom Administrations that were engaged in the reconciliation assignment are shown below (see Table A).

Table A: Participating entities in reconciliation process

Extractive Companies	District Councils	Chiefdom Administrations	Government Agencies
African Minerals Ltd	Bonthe	Bagruwa	Ministry of Mines and Mineral Resources (the Cadastre Office);
Koidu Holdings, SA	Kono	Banta Mokele	The National Revenue Authority;
London Mining Co Ltd	Tonkolili	Imperi	The Government Gold and Diamond Office;
Sierra Minerals Ltd	Moyamba	Jong	Petroleum Directorate
Sierra Rutile Ltd	Koinadugu	Kafe Simiria	
Cluff Gold Resources	Port Loko	Kamara	
Nimini Mining Ltd	Bo	Nimikoro	
Kingho Investment Co Ltd.		Nimiyama	
Chang Feng		Sandor	
West African Zircon Ltd		Tankoro	
Anardako Petroleum		Valunia	
Prontinal Ltd		Marampa	
Oranto Ltd			
HM Diamonds			
Kasim Basma			

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The revenue streams that were considered for the reconciliation process were;

Table B	Revenue Stream
1	Reconnaissance
2	Exploration Licence
3	Mining Licence
4	Surface Rent(Mining)
5	Royalty
6	Corporate Tax
7	Agricultural Development Fund
8	Training Fees
9	Surface Rental(Petroleum)
10	Sale of Geophysical Data
11	Petroleum (Exploration) Licence
12	Diamond Exporter's Licence
13	Diamond Exporter's Agent Fee

Approach and Methodology:

The methodology involved two main phases:

i) Inception Phase

ii) Reconciliation Phase

INCEPTION PHASE

The inception phase which is the preliminary information gathering stage involved interactions with key stakeholders such as Extractive industry companies, Government Revenue Agencies, District Councils and the Chiefdom Administration by the Reconciler.

The main objectives for these meetings were:

- To gain a better understanding of the operations of stakeholders.
- To conduct situational analysis to help put the assignment in the best perspective.
- Collect data on payments made by the Extractive industry Companies, and the receipts by Chiefdom Administration and District Councils as well as the Revenue Agencies.

RECONCILIATION PHASE: This formed the main thrust of the assignment. The major activities that were undertaken under this phase included:

- Review of Documents
 - Data Collection and Analysis
 - Data Aggregation and Reconciliation

RESULTS AND RECOMMENDATIONS:

Total payments by Extractive Industry Companies and Government Entities including District Councils and Chiefdom Administrations receipts for the specified revenue streams are: (see Table C)

Table C				
Extractive Companies			Gov't Agencies/Chiefdoms	
Year	US\$	LE	US\$	LE
2008	7,329,438	640,166,431	3,758,645	5,531,299,760
2009	5,599,791	2,305,774,990	3,002,666	13,478,548,813
2010	7,591,762	3,628,254,356	5,423,835	11,511,909,049
Total	20,520,991	6,574,195,777	12,185,145	30,521,757,622
Source: Submitted templates/compiled by Boas & Associates				

Discrepancies

Unresolved discrepancies of US\$3,570,793, Le (2,109,570,187); US\$2,597,125, Le (10,336,658,513);

US\$2,167,928, Le 7,763,135,958 were obtained for 2008,2009 and 2010 respectively. Reasons for the discrepancies in Leones include the conversions made from the US\$ to Leones as reported by the NRA, and the fact that some payments of surface rent by companies were without corresponding receipts from the District Councils and Chiefdom Administrations.

Findings and recommendations:

These findings and recommendations include those that are associated with the reconciliation process. Other findings and recommendations deal generally with the payments and receipts of the revenue streams.

Duplication in reporting

Finding:

Both NRA and the Ministry of Mines and Mineral Resources (MMMR) reported on mineral right licences receipts and mineral royalty. It was observed that whereas MMMR reported in US dollars, the NRA reported in Leones.

This situation presents potential for duplication, and indeed some repetitive reporting were observed. For example in 2008, Koidu Holdings paid US\$400,000 as mining lease. This

payment was reported by MMMR as US\$ 400,000 whereas NRA captured it as Le 1,500,446,353.98

It is expected that where an NRA office is stationed in a Ministry or Agency to collect revenue the reporting may encounter such challenges.

Recommendation:

To avoid duplications as indicated above, future reconciliations should provide guidance on the revenue streams to be reported by each agency. It is recommended that mineral right licences be reported by the MMMR . The MMMR would be able to provide more details on the basis for collection. Mineral royalty may be reported by the NRA with some assistance from the MMMR.

Supporting documents

Finding:

Most of the extractive companies and Revenue Agencies completed the templates as expected however there were some material amounts that were not supported with documentation. For example the MMMR could not support the reported receipt of US1,000,000 as mining licence from African Minerals Ltd in 2010 with any documentation.

Some Chiefdom Administrations and District Councils had templates that were incomplete i.e. not properly authenticated, and amounts received by Chiefdom Administrations were generally without supporting documentation.

For example some District Councils and Chiefdom Administrations receive payments from companies as surface rent but failed to indicate receipts provided in return for these payments.

In some instances companies were unable to provide receipts or evidence of payment. While they were sometimes able to supply photocopies of cheques used for payment, these had only the names of the institutions that received them. The reason why the payments were made was not easily discerned.

Recommendations:

Payments made by extractive companies should be properly accounted for by the Chiefdom Administrations and District Councils. Extractive Companies should endeavour to file away evidence of material payments.

Mineral Royalty Payment

Finding:

The time for payment of royalty differs for different minerals. The regulations stipulate that for precious and special stones, royalty payments are made after valuation prior to shipment.

Payment of royalty shall be made on inventory of precious minerals (such as gold and silver) not sold after one month.

Holders of mineral rights for bulk minerals are required to pay royalty after the conclusion of transactions.

In practice extractive companies have royalty payment arrangements stipulated in their contracts.

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This makes checking the payment of royalty challenging, especially in situations where one is not privy to the contracts.

Recommendation:

To ensure transparency, it is suggested that mineral right holders should be made to pay royalty on regular basis, making it easier to know if payment has been made or not. If a company does not engage in any production and/or sale, then it must be declared as such. For example, it may be indicated that royalty is paid monthly and that companies have fifteen days after the expiry of the month to pay. For production made in January, a company may have up till 15th February to pay.

CONCLUSION:

The implementation of the recommendations in this report will enhance future reconciliation exercises.

As the extractive industry in Sierra Leone gradually moves into the production phase, it is imperative that legislations and regulations are streamlined to ensure optimum revenue generation.

1.0 BACKGROUND.

The Extractive Industries Transparency Initiative (EITI) was launched in 2002 at the World Summit for Sustainable Development in Johannesburg, South Africa and is now being implemented by over thirty countries and supported by governments, international organizations, companies and civil society.

The main objective of the Extractive Industry Transparency Initiative (EITI) is to enhance transparency around the generation and spending of revenues from the extractive sector so as to improve development outcomes, reduce the potential for corruption or large scale embezzlement of funds by hosts' governments, and to stimulate debate about the uses to which these revenues are put.

The initiative encourages governments, extractive companies (publicly and privately owned), International Agencies and NGOs to work together to develop a framework to promote transparency in payments in the extractive industries.

Sierra Leone acceded to the EITI process in 2006. It achieved a candidate status in February, 2008 and produced the First Reconciliation and Validation Reports in 2010. The report covered extractive payments and receipts in 2006 and 2007.

The Sierra Leone Extractive Industries Transparency Initiative (SLEITI) hired Messrs Boas & Associates to produce a reconciliation report covering the years 2008, 2009 and 2010, which covered both the mining and petroleum (oil and gas) sectors.

The reconciliation of payments by extractive industries (Mining and oil/gas) companies and receipts by government Agencies (including District Councils and Chiefdom Administrations) in Sierra Leone for 2008,2009 and 2010 are presented in this report.

1.1 The Extractive industry in Sierra Leone.¹

Sierra Leone's mineral resources include diamonds, rutile, bauxite, iron ore and gold. The mining sector accounts for about 80% of export revenues, with diamonds alone bringing in 60%. Mining is the country's second most important sector (after agriculture) in terms of employment and income generation. The mining sector has the potential to contribute more towards the economy than it is currently, as it has already attracted large investments.

Diamond productions are concentrated in Kono, Kenema and Bo Districts. Bauxite finds include those between Moyamba and Mano, Freetown Peninsular; Krim-Kpaka, and Port Loko. Rutile production is distributed around Gbangbama, Sembahun, Rotifunk and Kambia. Iron ore has historically been mined at Marampa but a recent discovery of about 12.1 billion tonnes has been found in Tonkolili. Gold is found in all greenstone belts but presently the only gold production comes from alluvial deposits.

Off-shore oil explorations started in the early 80s but were abandoned. Oil exploration however restarted in 2000/01 with the collection of seismic data by TGS-NOPEC which resulted in the discovery of oil by Anardarko in 2009.

1.2 EITI in Sierra Leone

The governing body of EITI in Sierra Leone, the Multi-Stakeholder Group (MSG) is made up of representatives from the following organizations:

Office of the Chief of Staff; Office of the Vice-President; The Ministry of Interior; Civil Society Organizations; Mining Companies; Association of dealers and exporters; The National Parliament; National Revenue Authority; The Ministry of Mines and Mineral Resources; The Ministry of Finance and Economic Development; The Ministry of Local Government and Rural Development; The Ministry of Fisheries and Marine Resources; Petroleum Directorate; Audit Service; Council of Paramount Chiefs; District/City Councils.

The Chief of Staff is the Champion of the Sierra Leone Extractive Industries Transparency Initiative.

2.0 TERMS OF REFERENCE.

The Terms of reference for the Reconciler clearly lays out the work to be done which includes reconciliation of payments and receipts at both national and sub-national levels (specific district and chiefdom councils) and also reporting templates indicating the revenue streams for government entities and companies (including dealers/exporters) to report on. The Reconciler will be required to produce a comprehensive and reliable reconciliation data in accordance with international auditing standards.

As for the companies, it will include all large-scale, small-scale and dealers/exporters that are actively involved in the sectors.

2.1 SCOPE OF SERVICES

The Terms of Reference for the Reconciler is as follows:

1. To review the Reporting Templates already prepared by the MSG and assist in making any and all modification(s) that are necessary to (1) accommodate disaggregated reporting of payments and revenues data, and (2) ensure that the SLEITI Report is both comprehensive and comprehensible.
2. To submit the Reporting Templates directly to the government entities and companies-mineral and oil/gas (including dealers/exporters).

3. To ensure that all data of material revenues received by government entities and of all material payments made by companies (including dealers/exporters) are reported on a disaggregated basis, through the Reporting Templates to be provided by the Reconciler. The report of each company shall be duly signed by the authorized officer of the company and attested to by the external auditor of the company stating that the report is fair and accurate. Similarly, the report of the government entities shall be signed by the head of the reporting entities and attested to by the Auditor-General. All Reporting Templates and other relevant documents/receipts of payments etc shall be directly sent to the Reconciler. The Reconciler shall disaggregate payments and revenues according to:
 - a) Financial data
 - b) company (including dealers/exporters)
 - c) government entity
 - d) Revenue streams.
4. To reconcile revenues received by government entities including relevant district and chiefdom councils with payments made by companies (including dealers/exporters) for the period 2008, 2009 and 2010.
5. To verify whether the companies' reports are based on accounts audited to international standards.
6. For a broader understanding of transparency and accountability in revenue collection, the Reconciler may utilize reports prepared by the World Bank, the International Monetary Fund, the African Development Bank, the UK Department for International Development and any other organization for comparative analysis during the period under review.
7. To conduct a preliminary examination of all Reporting Templates and other relevant documents/receipts of payments etc received from the reporting stakeholders to determine if (1) the report of the government entities and (2) the individual or consolidated reports of the companies (including dealers/exporters) are in agreement or have any inconsistency. The report of the Reconciler's preliminary examination (The "Reconciler's Initial Findings") shall clearly indicate those companies (including dealers/exporters) whose reports are in agreement with the reports of the government entities and also those companies (including dealers/exporters) whose reports are inconsistent with the reports of the government entities, and those whose reports are missing or incomplete.
8. Upon completion of the reconciliation of all reports, the Reconciler shall prepare a Final Report which shall comprise the reconciled and verified payments made to government entities by the companies (including dealers/exporters) and the reconciled and verified revenues received by the government entities from the companies

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(including dealers/exporters) for the period of the reconciliation. The Final Report shall provide the Reconciler's opinion and also include the following:

9.
 - a) The materiality or immateriality of inconsistencies found in, between or among the reports;
 - b) How, if any the inconsistencies occurred;
 - c) A summary of key findings and reconciled revenue totals;
 - d) The accuracy and comprehensiveness of all reports received;
 - e) A clear indication of what currencies and units of measurements were used;
 - f) An explanation of key findings;
 - g) A definition of terms
 - h) An indication of percentage reported over the total revenue for each year.
10. The Reconciler must reveal the discrepancies between what companies reported they paid and what government entities reported they received, identify and publish list of government entities or companies that failed to comply.
11. The Reconciler shall come up with recommendations on ways to improve on the SLEITI reconciliation, integrity of financial systems, record keeping, account practice and other legal issues that can enhance the process.
12. A separate Summary Report shall be submitted to the MSG; summarizing the key elements of the Final Report.
13. The Reconciler shall observe confidentiality towards all parties and their reported data, except as required to be disclosed in keeping with the terms of reference, and/or any other requirement of the SLEITI. The requirement of confidentiality shall survive the completion of the Reconciler's performance of its contract with the SLEITI.

2.2 ACCOUNTING:

The cash basis method of accounting is used for the reconciliation exercise. Payments actually made in the year are considered.

2.3 AUDITING:

This is not an audit and assurance assignment. Boas and Associates is required to reconcile payments made by extractive industry companies and receipts by government /entities. That notwithstanding amounts stated on templates are checked for reliability, completion, reasonableness and conformity to EITI reporting standards.

For the years under consideration ie 2008, 2009 and 2010, financial statements of participating companies should be audited figures provided for EITI reconciliation must be consistent with the financial statements. The Independent Auditor is required to certify the consistency of the figures with the financial statements.

The Auditor General's office has audited public accounts for 2008, 2009 and 2010.

Figures provided by Government /entities, needed certification by the Auditor General's office.

2.4 REPORTING CURRENCIES:

The reporting currencies are the Leone and the United States dollar.

2.5 MATERIALITY:

- Extractive Companies, District Councils, Chiefdom Administrations and revenue streams were included in the EITI reconciliation exercise based on the following criteria. (see Appendix 1)

- Extractive Industries companies, diamond exporters that paid a minimum of four thousand United States dollars US\$ 4,000 per annum (of relevant payment) for the years under consideration i.e. 2008, 2009 and 2010.

- A Chiefdom Administration or District Council that received an amount of up to ten thousand US dollars (US\$10,000) or Ten Million Leones (Le 10m) in 2008,2009 or 2010.

- Revenue streams that contributed at least Le 30m (Thirty Million Leones) to the collections of NRA in the year.

2.6 REVENUE STREAMS

Table 2.6. 1 : Revenue streams for EITI reconciliation 2008, 2009, 2010.

Revenue Stream	Extractive Industry	Frequency of Payment	Agency Responsible for collection	Application of payment.
<i>Reconnaissance Licence</i>	<i>Mining</i>	<i>Annual</i>	<i>MMMR/NRA</i>	<i>Consolidated Fund</i>
<i>Exploration Licence</i>	<i>Mining</i>	<i>Annual</i>	<i>MMMR/NRA</i>	<i>Consolidated Fund</i>
<i>Mining Licence</i>	<i>Mining</i>	<i>Annual</i>	<i>MMMR/NRA</i>	<i>Consolidated Fund</i>
<i>Surface Rent</i>	<i>Large/Small Scale Mining</i>	<i>Annual</i>	<i>Chiefdom/District Council/Individuals</i>	<i>Disbursed according to formula.</i>
<i>Royalty</i>	<i>Mining</i>	<i>As stipulated in Agreement.</i>	<i>NRA</i>	<i>Consolidated Fund</i>
<i>Corporate tax</i>	<i>Mining</i>	<i>Annual(Depends on contract)</i>	<i>NRA</i>	<i>Consolidated Fund</i>
<i>Agricultural Development Fund</i>	<i>Mining</i>	<i>Annual</i>	<i>MMMR</i>	<i>Mining Community for Agriculture Development</i>
<i>Training fees</i>	<i>Petroleum</i>	<i>Annual</i>	<i>Petroleum Directorate</i>	<i>Petroleum Directorate</i>
<i>Surface Rental</i>	<i>Petroleum</i>	<i>Annual</i>	<i>Petroleum Directorate</i>	<i>Petroleum Directorate</i>
<i>Sale of geophysical data</i>	<i>Petroleum</i>	<i>Upon request</i>	<i>Petroleum Directorate</i>	<i>Petroleum Directorate</i>
<i>Petroleum (Exploration)Licence</i>	<i>Petroleum</i>	<i>Annual</i>	<i>Petroleum Directorate</i>	<i>Petroleum Directorate</i>
<i>Diamond Exporter's licence</i>	<i>Mining Exports</i>	<i>Annual</i>	<i>NRA</i>	<i>Consolidated Fund</i>
<i>Diamond Exporter' Agent fees</i>	<i>Mining Exports</i>	<i>Annual</i>	<i>NRA</i>	<i>Consolidated Fund</i>

2.6.1 MINING SECTOR:

The Mining Industry is governed by the Mines and Minerals Act, 2009 (MMA, 2009). The revenue streams from the sector considered for the EITI reconciliation include.

2.6.1.1 MINERAL RIGHT LICENCES:

These are Reconnaissance Licence, Exploration Licence for Small and Large scale Mining companies.

- **Reconnaissance Licence:**

A reconnaissance licence which is the first stage in the mining enterprise entitles the holder to search for all minerals by geological, geophysical and geochemical means.

A reconnaissance licence may be of any shape as defined by listing up to one hundred contiguous macro-blocks, giving a maximum area of ten thousand square kilometers. **(Mining and Mineral Regulations)**.

In general, reconnaissance licences do not permit drilling, excavation, or other physical activities on the land, except where such activity is specifically mentioned by the licence.

The reconnaissance licence is granted for one year and renewed for another year.

- **Exploration Licence:**

Exploration licence which covers the second stage of mining operations entitles the holder to search for stipulated minerals and to determine their extent and economic value.

This licence is granted initially for 4 years with a first extension for 3 years and a further extension for 2 years, making up a total of 9 years.

The size of concession granted for the first 4 years is a maximum of 250 (km)². This size is halved from the 4th year onwards i.e. 125km². If one holds more than 125km² then the licence fees required is increased.

- **Small Scale Mining Licence:**

The small scale mining licence is granted for a maximum concession size of 100 hectares. It is granted for an initial period of 3 years. The corporate body seeking the license should have at least a 25% Sierra Leonean ownership.

- **Large Scale Mining Licence:**

The large scale mining licence is granted for a period of 25 years. The licence is reviewed every 5 years. *A large-scale mining licence* may be of any shape as defined by listing

from one block up to one hundred and twenty five contiguous blocks giving an area of between one square kilometre and one hundred and twenty five square kilometres. In exceptional circumstances, a larger area of up to two hundred and fifty square kilometers may be granted. **(Mines and Minerals Regulations)**

- **Fees payable.**

All Mineral right licence fees are payable annually. The initial payment is also referred to as the **primary fees**.

-Reconnaissance fee is a US \$5,000 charge.

-Exploration fee is area based and is US\$100/sq km for the first 4 years. Beyond 4 years the fee is US\$400/sq km for the first 125 km². Anything in excess of 125km² attracts a fee of US\$800/sq km.

Whilst some payments are based on the size of the concession (i.e. per sq km) others are lump sum payments.

-Small scale mining licence attracts a fee of US\$600 per hectare.

-Large Scale mining licence fee is not area based and attracts a licence fee of US\$500,000.

❖ **SURFACE RENT:**

Surface rent (**MMA 2009, part 5 section 34**)

This is paid only by entities with mining licence. Surface rents are negotiated between the companies and the communities. There are basically three modes of payments.

a) Companies pay the total amount to the District council, which intend gives a portion to the relevant Chiefdom Councils.

b) The company pays surface rent to the Chiefdom Administration, which pays part to the District Council.

c) The company pays directly to district councils, chiefdom councils and individual landowners according to the formula prescribed by part 5 section 34 of the MMA,2009.

The basis of payment may either be on per km² basis or a lump sum per annum.

Frequency: Annual payment.

Disbursement. Since 2009, there has been a formula for the disbursement of surface rent.

Formula for distribution:

50% - Land owners

15% - Paramount chief.

15% - District Council

10% - Chiefdom Council

10% - Constituency development.

Payments made to and received by individual landowners were not considered in the reconciliation process.

❖ **AGRICULTURAL DEVELOPMENT FUND**

This is a payment of 0.01% of gross revenue or US\$75,000 whichever is higher, made by mining companies.

It is paid to the Ministry of Mines and Mineral Resources and used for the promotion of agriculture within the community affected by mining. The Agricultural Development Fund is being phased off.

❖ **COMMUNITY DEVELOPMENT FUND:** Not less than 1% of 1% of gross revenue amount earned by the mining operations in the previous year should be applied to implement the agreement reached with the community.(sections 138 and 139 MMA 2009). It is not paid in cash but used for projects which have been agreed between the communities and mining companies. The fund was not considered for the 2008-2010 reconciliation.

❖ **MINERAL ROYALTY**

Mineral royalty is a production based tax which is levied on the basis of section 148 of the Mines and Minerals Act 2009. Thus the holder of a mineral right shall pay to the government royalty in respect of any mineral obtained by him pursuant to his mineral right.

Royalty payable is a percentage of the market value.

The market value is defined for the purposes of computing the royalty as the sales value receivable in an arm's length transactions without discounts, commissions or deductions for the mineral or mineral products on disposal as defined in the regulations.

The royalty payable applicable is as follows:

- a) 15% for special stones defined as those stones whose market value is above five hundred thousand United States dollars.
- b) 6.5% for precious stones
- c) 5% for precious metals.
- d) 3% for all other minerals

❖ **CORPORATE (PROFIT) TAX**

This is tax on profit paid by entities in the extractive industry.
The income tax rate applying to mining companies is 30%ⁱⁱ.

The capital allowance regime provides for first year allowance of 40% on qualifying assets, and 20% for each succeeding year for the next three years.

Losses made in the current year shall be set off against profits of the succeeding year..

❖ **DIAMOND EXPORTERS FEES.**

Licence fees paid by Diamond Exporters without mining lease.

❖ **DIAMOND EXPORTERS' AGENT FEES:**

Fees paid by Agents of Diamond Exporters.

❖ **PRIMARY APPLICATION FEE.**

The initial fee paid towards obtaining an exploration licence.

2.6.2 PETROLEUM (OIL/GAS)INDUSTRY:

The petroleum industry in Sierra Leone is governed by the Petroleum Exploration and Production Act, 2011. The Industry is at the exploration stage. The revenue streams that were reconciled included:

❖ **TRAINING AND DEVELOPMENT FEES**

These are fees paid by Petroleum companies towards training and capacity building in the Oil/Gas industry.

❖ **SALE OF GEOPHYSICAL DATA**

Upon request from Petroleum companies and at a fee the petroleum Directorate provides geophysical data to the companies.

❖ **PETROLEUM EXPLORATION (OIL BLOCK) FEES.**

Fees paid to obtain the right to explore for petroleum.

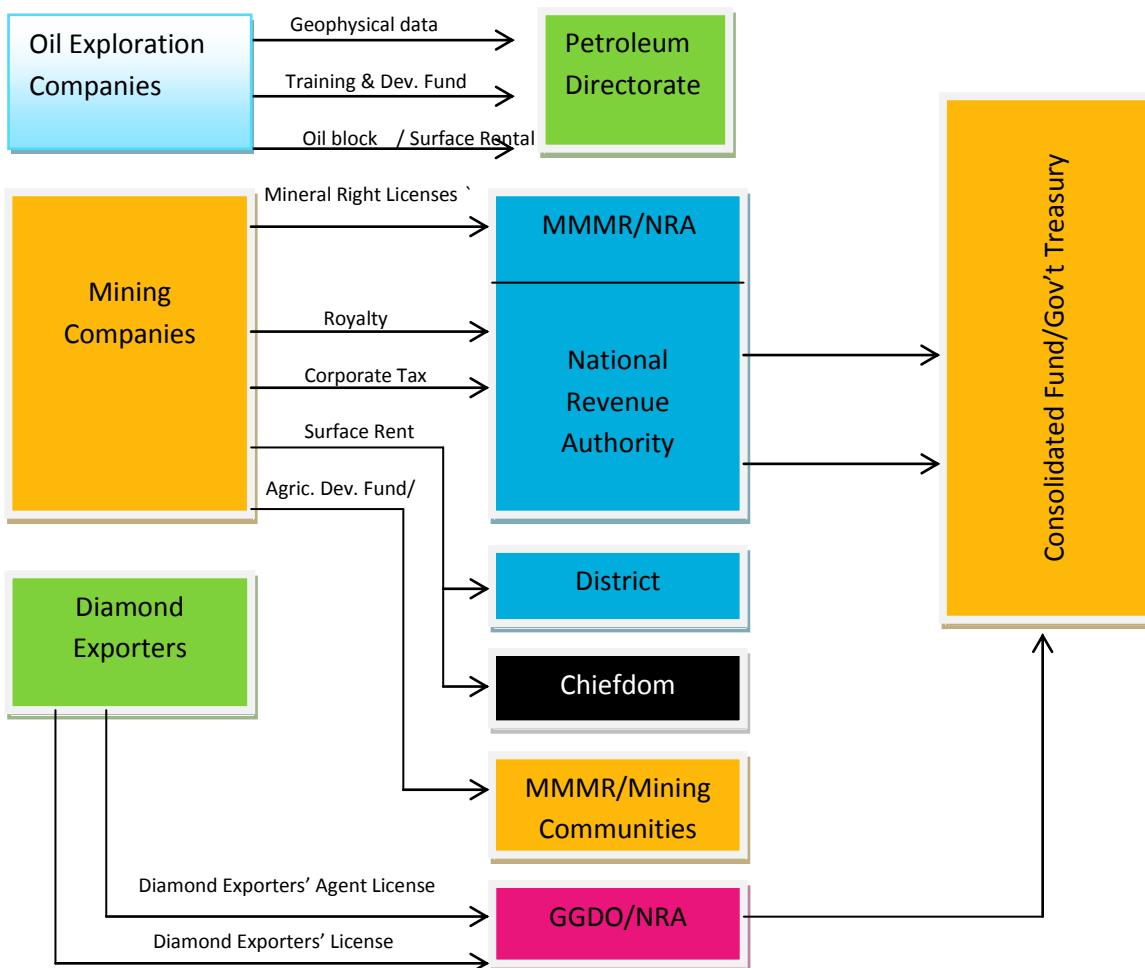
❖ **SURFACE RENT.**

Surface fees paid by petroleum companies.

2.7 Other Payments: Payments made by the extractive companies which were not considered in the reconciliation process included; Pay as you earn (PAYE), With-holding Tax, Social security payments and Goods and Services Tax.

These payments are indirect payments made by extractive companies on behalf of employees or service providers, whilst acting as collecting agents.

Fig 2.6.1: Revenue/Payment Flows in the Mining /Oil and Gas sectors in Sierra Leone.



2.8 REPORTING ENTITIES: The list of companies provided by the Multi Stakeholder Group that participated in the reconciliation assignment is shown below.

Table 2.8.1: List of companies/District and Chiefdom Administrations.

Name of company	Licence Type	Mineral	District Councils	Chiefdom Administrations
Koidu Holdings, SA	Large Scale Mining	Diamond	Kono Kenema	Tankoro Lower Bambara
Sierra Rutile Ltd	Large Scale Mining	Rutile	Moyamba, Bonthe	Kagboro; Imperi Bagruwa; Jong
Sierra Minerals Ltd	Large Scale Mining	Bauxite	Moyamba	Banta; Gbangdatoke Banta Mokele; Imperi
African Minerals Ltd	Large Scale Mining and Exploration Licences.	Iron (production): Gold(exploration)	Tonkolili Koinadugu	Kalansogia; Kafe Simira; Sambaia Bendugu; Diang
Marampa Iron ore				
Sierra Leone Gold				
Sierra Leone Hard Rock				
Tinkolili Iron Ore Ltd				
London Mining Company	Large Scale Mining	Iron ore	Port Loko	Marampa Masimera
Cluff Gold Resources	Exploration (large scale)	Gold	Bo	Valunia
Nimini Mining Ltd	Small (Scale Exploration)	Gold and base Metals	Kono	Nimiyama; Nimikoro
West Africa Zircon Ltd	Small (Scale Exploration)	Zircon		Tankoro
Chan Feng Company	Exploration (small scale)	Gold	Sanda Loko Bombali	Sela Lamba Bombali
Kingho Investment Company Ltd.	Exploration (small scale)	Iron ore	Kenema, Tonkolili	Pujehan
Anardako Petroleum	Exploration	Petroleum	Offshore	Offshore
Prontinal Ltd	Exploration	Petroleum	Offshore	Offshore
Oranto Ltd	Exploration	Petroleum	Offshore	Offshore
HM Diamonds	Exporter	Diamond	N/A	N/A
Kassim Basma Ltd	Exporter	Diamond	N/A	N/A

Source: SLEITI/COMPANIES/DISTRICT COUNCIL&CHIEFDOM ADMINISTRATIONS.

2.8.1 GOVERNMENT ENTITIES

The key government entities that were involved in the reconciliation exercise included:

- Ministry of Mines and Mineral Resources (the Cadastre Office);
- The National Revenue Authority;
- The Government Gold and Diamond Office;
- District Councils
- Petroleum Directorate

2.8.2 DISTRICT COUNCILS include:

- Bonthe District Council
- Kono District Council
- Tonkolili District Council
- Moyamba District Council
- Koinadugu District Council
- Port Loko District Council
- Bo District Council

3.0 CHIEFDOM ADMINISTRATIONS:

Chieftdom Administrations within the operational areas of the exploration and mining companies included the following.(Also see Table 2.8.1)

- Kamara Chieftdom
- Bagruwa Chieftdom
- Banta Mokele Chieftdom
- Valunia Chieftdom
- Kafe Simiria Chieftdom
- Imperi Chieftdom
- Jong Chieftdom
- Marampa Chieftdom
- Nimiya Chieftdom
- Nimikoro Chieftdom
- Sandor Chieftdom
- Tankoro Chieftdom

4.0 APPROACH AND METHODOLOGY.

The methodology involved two main phases:

I) INCEPTION PHASE

II) RECONCILIATION PHASE

4.1 INCEPTION PHASE

The inception phase which is the preliminary information gathering stage involved interactions with key stakeholders such as Mining companies, Government Revenue Agencies, District and Chiefdom Administrations by the Reconciler.

The main objectives for these meetings were:

- To gain a better understanding of the operations of stakeholders.
- To conduct situational analysis to help put the assignment in the best perspective.
- Collect data on payments made by the Mining Companies, and the receipts by Chiefdom/District Councils as well as the Revenue Agencies.

4.1.1 Field work

Reconciler formally explained assignment modalities to the template completing officers with the view to clearing any possible misunderstanding and misinterpretation.

One area of concern to the Reconciler for the completion of the template was the benefit stream indicated on the template as “annual payment” alongside others. The Reconciler felt that if this is not well explained and clarified it may lead to duplication of data reporting and therefore took time to deliberate this at length with template completing officers.

The Reconciler met with Chief Finance Officers or officers completing the templates at the head offices of Extractive Companies.

For state agencies these meetings were conducted in their offices with senior officers, who had key functional responsibility over schedules of revenue streams which are relevant for the reconciliation process.

Communication with Directors and Finance Officers of Sub-national Agencies such as Municipal and District Councils which were located outside Freetown, were substantially made on phone.

The Reconciler solicited information on extractive Companies’ capital and ownership structure; business operations and philosophy; mining and beneficiation; tax and audit

status, rate and frequency of payment of mineral royalty and the length of time that concessions have been held.

This was followed by the request of the reconciler for companies to complete the templates provided and support with documents.

With state agencies discussions were centered on the flow and receipt of benefit streams from extractive companies and the challenges posed by these transactions.

At the sub-national level discussions were mainly about mining companies operating in their catchment areas and the type of benefit stream accruing to them i.e. the participating councils and Chiefdom Administrations. The purpose of these discussions was to identify, sort out and match participating mining companies with the district councils and chiefdom areas they operate.

Thus the Chiefdoms Administrations and District Councils whose figures were involved in the reconciliation process were those found in the operational areas of participating mining companies.

An inception report encompassing completed aforementioned activities has since been submitted.

4.2 RECONCILIATION PHASE

Under this phase, which forms the main thrust of the assignment, the following activities were undertaken

- **Review of Documents**
- **Data Collection and Analysis**

4.2.1 Documents review

Reports and documents on Sierra Leone Extractive Industry activities, economy, mining/petroleum laws, mining/petroleum fiscal regime and EITI workshop/seminar activities collected at the inception phase and additional documents gathered at the aggregation/reconciliation phase were thoroughly researched and analyzed.

The documents included the following:

- The Mines and Minerals Act , 2009 (MMA2009)
- Mines and Minerals Regulations , 2009
- The Petroleum Exploration and Production Act 2001
- The Petroleum Exploration and Production Act, 2011

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- Income Tax Act, 2000
- First SLEITI Reconciliation Report of 2010
- Mining Lease Agreements Reviews from Non Governmental Organizations and Presentations from SLEITI Consultative workshop.

4.2.2 Data collection and analysis:

Templates received from participants as well as responses to questionnaires submitted at the inception stage were analysed.

The following procedures were also used to review and analyse data and supporting documents collected from the extractive companies and government agencies.

4.2.2.1 Data reliability check

Data collected was scrutinised to ensure that they fully meet the requirements set out for the completion of templates. As a result data reliability was checked against the following criteria:

- a) Completeness:- Templates submitted by participating candidates were checked to ensure that all requisite responses have been thoroughly completed.
- b) Relevance:- Attached documentations such as receipts and schedules were checked for their relevance to figures and periods provided on the templates.
- c) Correctness/accuracy:- Figures provided in the templates were checked for correctness against receipts or other documentations provided. Also figures on receipts were summed up to ensure they tally with the figures provided in the templates.
- d) Certification:- Templates were checked to ensure that they have been properly endorsed by completing officers with appropriate signatories and official stamps.

To ascertain the reliability, appropriateness and correctness of figures provided the following checks were undertaken.

- **Exploration licence**

In assessing the exploration licence fees payable:

- a) Details of chargeable fees/rate per concession size and for type of minerals explored by mining companies were obtained from the Cadastre Office of the Ministry of Mineral Resources.
- b) The concession sizes were obtained from details provided by companies on their templates.
- c) Comparison of concession sizes provided by the MMR was made to companies declarations in (b) above.

- c) Mining companies were required to indicate exploration fees payments on their templates.
- d) Mining companies were also requested to provide copies of receipts for payments on concessions granted for exploration activities for years 2008, 2009 and 2010.
- e) Request was made to the National Revenue Authority/MMMR to ascertain the amount paid by the companies in years 2008, 2009 and 2010.

- **Mining licence**

The following steps were used to assess the correctness of payments made by extractive industries for mining licence fees:

- a) Amounts payable as annual mining lease were obtained from the mining companies during the information gathering stage.
- b) Where the information was not obtained the amount payable according to the Mining fees schedule was assumed.
- c) Extractive companies were required to indicate mining licence fees payments as well as the relevant concession on which mining activities occur.
- d) Extractive companies were also requested to provide copies of receipts for payments on mining concessions and taxes paid for the years under review.
- d) Request was made to the National Revenue Authority and Petroleum Directorate to ascertain the amounts paid by the companies for years 2008, 2009 and 2010.

- **Surface rent.**

To assess the surface rent payable:

- a) Details of concessions held by the extractive companies were obtained from the Cadastral Office.
- b) Where payments are made according to concession size, the rate per km² was obtained from the templates of companies.
- c) Together with the sizes of the concessions obtained from the MMMR, the amounts payable were computed.
- d) Request was made to the NRA/MMMR for mining concessions and Petroleum Directorate for oil and gas concessions to ascertain the amount paid by the companies for the various years under review.
- e) Extractive companies were also required to indicate surface rent payments on their templates.
- f) The appropriateness of payments were ascertained by comparing c) and e)

- **Production/mineral royalty payment.**

- a) The companies who reported royalty payments for year 2008, 2009 and 2010 had their

payments assessed.

- b) Companies with mineral royalty figures were checked to ensure they possessed mining leases and were in production in the years concerned.
- c) Where available production details were requested from the NRA/MMMR.
- d) Payments made were verified to ascertain they conform to the MMA/Agreements.
- e) Based on rate levied for the type of mineral mined (since this varies for mineral mined) and production made, royalty payable for the years 2008, 2009 and 2010 were estimated.
- f) Request was made to the Revenue Authority for mining companies and to Government Gold and Diamond Office for Diamond Exporters to ascertain the amount paid by the companies in year 2008, 2009 and 2010.
- g) Extractive companies as well as Diamond Exporting Companies were also required to indicate royalty payments on their templates.
- h) Estimated royalty payables and actual payments on templates were compared taking into consideration payments that straddled earlier and later years.

- **Corporate taxes**

In assessing the tax on profits for the participating companies the following steps were adopted:

- a) The companies in production as well as diamond exporters who carried out diamond trade in years 2008, 2009 and 2010 had their templates examined for corporate tax payment.
- b) Where extractive companies which were not in production, had corporate tax payments on their templates, the NRA and companies were requested to offer explanations.
- c) In situations where companies paid the minimum tax (0.05% of gross revenue), the amount paid was checked against the gross revenues indicated on the financial statements and/or basis column on templates.
- d) Request was made to the NRA and the Government Gold and Diamond Office to provide amounts paid by the mining companies and diamond exporters respectively,
- e) Extractive and diamond exporting companies were also required to indicate corporate payments on their templates.

- **Agricultural development fund:**

This is a payment of 0.01% of gross revenue or US\$75,000 whichever is higher, made by mining companies.

The following steps were used to assess the correctness of payments made by mining companies towards their contributions to the development of agriculture in their catchment areas of operation:

- a) Mining companies who reported payments for agricultural development funds for year 2008, 2009 and 2010 had their payments thoroughly scrutinized.

- b) Basis for payments were checked on both the companies and Government Agencies templates.
- c) Companies were requested to provide details of Agricultural development Fund paid on their templates.
- d) Computed agricultural development fund payable and actual payments on templates were compared to ascertain the correctness of payments.

- **Training and development fees.**

In assessing training fees payable the following steps were employed:

- a) Request on training fees schedule was made to Petroleum Directorate.
- b) Petroleum companies were made to indicate payments for training fees on their templates
- c) Payments reported were compared with training fees schedule to ascertain the correctness of payments.

- **Sale of geophysical data.**

To assess payment for sale geophysical data the following approach was adopted:

- a) Petroleum companies making payments for purchase of geophysical data indicated this on their templates.
- b) Request was made to the Petroleum Directorate for purchases of geophysical data made by oil and gas companies.
- c) Reported payments were compared with payment request from The Directorate.

- **Diamond exporters licence /diamond agents licence.**

To assess the diamond exporters licence and agents licence fees payable:

- a) Request was made to the GGDO for payment fee schedules for diamond exporters and diamond agents' licences.
- b) Templates from the National Revenue Authority/GGDO were required to indicate amounts paid by the exporters and agents for the years under review.
- c) Diamond Exporters and Diamond Agents were required to indicate licence fee payments on their templates.
- d) The correctness of these payments were ascertained by comparing b) and c)

4.3 RECONCILIATION.

- a) Composite Mining Companies Template was prepared from individual templates submitted by mining companies/diamond dealers and agents
- b) Composite Oil and gas template was prepared from the individual templates submitted by oil and gas companies.
- c) A consolidated template involving all the extractive companies was prepared from a) and

- b)
- d) An Aggregated Government Template was also prepared from data provided by the National Revenue Authority, Ministry of Mining and Mineral Resources; Government Gold and Diamond Office, and sub-nationals (i.e. Municipal/District Councils and
- e) Chiefdom Administrations) for the various benefit streams

The two aggregated templates, the Composite Extractive Industries Template (c) and the Government Template (d) were reconciled.

The steps indicated above were undertaken for 2008, 2009 and 2010.

5.0 RESULTS OF RECONCILIATION

In this section details of the outcome of the reconciliation exercise for 2008, 2009 and 2010 are provided.

5.1 GENERAL COMMENTS

5.1.1 Participating entities.

- Out of the list of fifteen companies provided by the MSG (subsidiaries of African Minerals were all considered as a single company), only Chang Feng Mining failed to submit any template.
- All the Government Agencies listed in section 2.9 submitted templates.
- The following Chiefdom Administrations and District Councils submitted templates which related to the participating companies. The chiefdom councils are Nimikoro; Nimiya; Jong, Bagruwa, Imperri and Upper Banta. District Councils that provided templates for the reconciliation were Bonthe; Port Loko; Moyamba and Bo.(see Appendix 5)

5.1.2 Templates and supporting documents

- Most extractive companies provided relevant supporting documentation with the templates.
- Two companies Cluff Gold Resources and Koidu Holdings S.A had their templates certified by their external Auditors. (See Appendix 7)
- MMR provided supporting documents for most of the figures stated on their reported templates.

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- Mineral right licences (Reconnaissance, Exploration, Mining lease) as well as mineral royalty are paid in US dollars. The NRA converts the US dollar payments to Leones using the Bank of Sierra Leone rate ruling on the date of the transaction.
- Payment of surface rents to individual land owners were exempted from the reconciliation process.
- Most chiefdom Administrations could not support surface rents received with appropriate documentation.

5.1.3 Discrepancies:

- There were some discrepancies between the amounts reported by extractive companies and those received by government entities including Chiefdom Administrations and district councils.

Where for a particular company and revenue stream, the reported amounts paid by the company exceeds that reported as collected, the discrepancy is positive.

The discrepancy becomes negative when the reported receipt is bigger than the payment made by the company.

The discrepancies arose mainly from the following reasons:

a). For the United States dollar (US\$) denominated transactions, the discrepancies resulted from:

i) The inability of the revenue collection agencies to report and support with documents for the revenues received. Thus no indication is made on the templates of the receiving agencies of payments reported by companies.

ii) Another source of discrepancy for the US dollar denominated transactions is where the revenue agency converts a US dollar denominated payment into Leones. The agency therefore reports in Leones, without providing any information on the original US dollar amount converted and the rate used. This situation was very prevalent in transactions and reports made by the National Revenue Authority (NRA).

b) i) Some discrepancies involving the **Leones** also emanated from the situation discussed in ii) above. Since companies generally make payments involving Mineral Right Licences (Reconnaissance; Exploration; and Mining leases) and Mineral royalties in US dollars, any conversion into Leones by the revenue collecting agencies creates a negative discrepancy in Leones. This is due to the fact that there will be no corresponding payments in Leones on the companies' templates.

- ii) Discrepancies in Leones may also arise from the inability of district/Chiefdom Administrations to indicate on their templates the revenues received as surface rents and the specific companies that made the payments.
- iii) When companies are unable to indicate appropriately the surface rent paid and the Chiefdom Administrations /District Councils that received them, discrepancies normally in Leones result.
 - c) Another cause of discrepancy in both the US dollar and Leone denominated transactions is where the company or receiving agency inputs amounts based on the accrual concept (amount due) whilst the other (company or Government Agency) reports actual amount paid in the year.
 - d). Discrepancies also resulted from misclassification. For example in the 2008,2009 and 2010, some payments by Cluff Gold Resources were classified as royalty, despite the fact that the company has not commenced the production of minerals. (see Table 6A)
- ❖ Discrepancies have been expressed based on revenue streams. However details of their origins and the companies involved have been explained in accompanying tables for each year.

Areas of the discrepancies that have been resolved are clearly stated.

6.0: 2008 RECONCILIATION RESULTS.

6.1 REPORTED PAYMENTS AND RECEIPTS:

Payments reported by extractive companies and receipts by Government Entities /Chiefdom are shown in Tables 6.1 and 6.2 respectively.

SLEITI 2ND RECONCILIATION REPORT COMPANIES' TEMPLATES 2008																														
TABLE 6.1																														
	Recon. license		Explo Licences		Mining License		Surface Rent		Mineral Royalty		Corp. tax		Agri Dev Fund		Training & Dev fund		Sale/ Geophy s data		Petrol. (Eplo) License		Diam. Exp. License		Diam. Exp. agent License		Royalty (diam Exp.)		TOTAL			
	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE		
African Minerals Ltd																													0	
Marampa Iron ore			47,825																										47,825	-
Sierra Leone Gold Ore SL Ltd			45,800																										45,800	-
Sierra Leone Hard Rock Ltd			1,818,982		200,000																								2,018,982	-
Tinkolili Iron Ore Ltd			32,388																										32,388	-
Koidu Holdings, SA			14,500		400,000		29,568			110,359																			554,427	-
London Mining Company					50,000		40,000																						90,000	-
Sierra Minerals Ltd					56,183				304,882,106	634,043	151,350		30,000																871,576	304,882,106
Sierra Rutile Ltd					139,452				173,896	133,650	196,959,299	75,000																	521,998	196,959,299
Cluff Gold Resources			37,340		200,000																								237,340	-
Nimini Mining Ltd			42,250																										42,250	-
Chan Feng Company																													-	-
Kingho Investment Co.Ltd.																													-	-
West African Zircon																													-	-
Anardako Petroleum							228,725						250,000		3,145														481,870	-
Prontinal																													-	-
Oranto							119,980						125,000																244,980	-
HM Diamonds												95,125,026										41,500			4,800,000	1,314,563		1,356,063	99,925,026	
Kasim Basma												30,000,000										40,000			8,400,000	743,939		783,939	38,400,000	
TOTAL	0	0	2,039,085	-	1,045,635	-	418,273	304,882,106	918,298	-	285,000	322,084,325	105,000	-	375,000	-	3,145	-	-	-	81,500	-	-	13,200,000	2,058,502	-	7,329,438	640,166,431		
Source: Templates from Extractive companies/Government Agencies- compilation by Boas & Associates.																														
Recon. -	Reconaisan		Diam -		Diamond		Explo -		Exploration		Exp		Exporter's		Corp -		Corporate		Petrol -		Petroleum									

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SLEITI 2ND RECONCILIATION REPORT.																																											
TABLE 6.2																																											
2008																																											
Government Agencies reported Receipts																																											
MMMR/NRA				MMMR/NRA				MMMR/NRA				CHIEFDOM/DISTRICT				NRA				NRA				MMMR				PETROLEUM				DIRECTORATE				NRA				NRA			
Recon. Licence		Explo Licence		Mining Licence		Surface Rent		Mineral Royalty		Corp tax		Agric. Dev Fund		Training fund		Sale/ geophys data		Petrol Explo Licence		Diam. Exp. licence		Diam. Agent fees		Royalty (Diam. Exp.)		TOTAL																	
US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE												
African Minerals Ltd																																											
Marampa Iron ore																																											
Sierra Leone Gold Ore SL Ltd																																											
Sierra Leone Hard Rock Ltd																																											
Tinkolili Iron Ore Ltd																																											
Koidu Holdings, SA																																											
London Mining Company																																											
Sierra Minerals Ltd																																											
Sierra Rutile Ltd																																											
Cluff Gold Resources																																											
Nimimi Mining Ltd																																											
Chan Feng Company																																											
Kingho Investment Company Ltd.																																											
West African Zircon																																											
Anardako Petroleum																																											
Prontinal																																											
Oranto																																											
HM Diamonds																																											
Kasim Basma																																											
Total																																											
Source: Templates submitted by Government Agencies/Boas & Associates																																											

Reported payments amounted to US\$7,329,438 and 640,166,431 Leones.

Reported receipts amounted to US\$ 3,758,645 and 5,531,299,760 Leones.

- No report of payment or receipt was made on reconnaissance licence and petroleum exploration (oil block) fees.

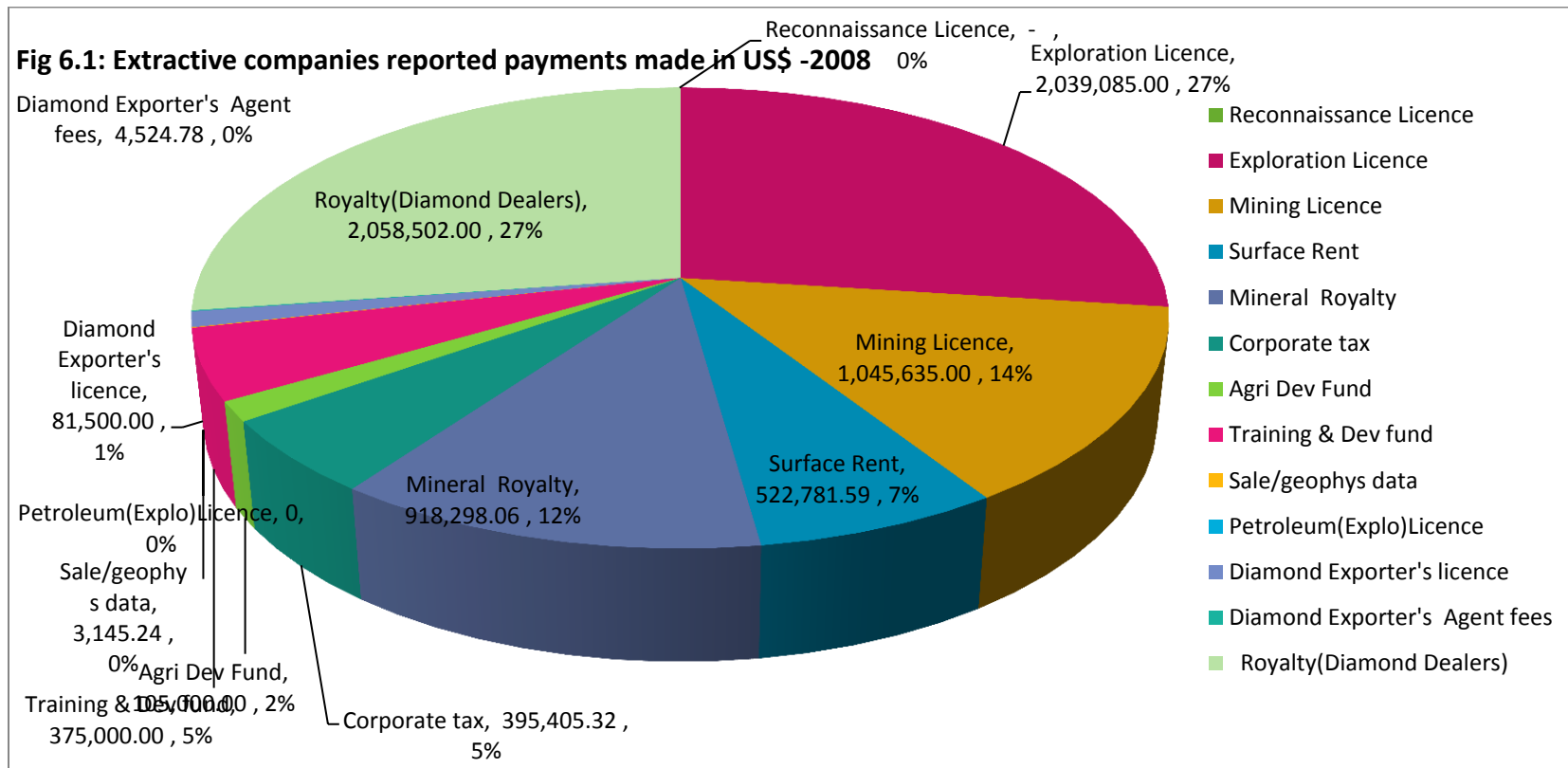
The pie chart below (Fig 6.1) shows amounts /percentages of the various revenue streams in US dollars ⁱⁱⁱ as reported by the extractive companies in 2008.

It indicates the following percentages for the various revenue streams.

Table 6.3: Extractive Industry reported payments in 2008	Amount in US \$	Percentage(%)
Royalty (Diamond Exporters')	2,058,502	27
Exploration Licence	2,039,085	27
Mining Lease	1,045,635	14
Mineral Royalty	918,298	12
Surface Rent	522,782	7
Corporate Tax	395,405	5
Training and Development Fund	375,000	5
Agricultural Development Fund	105,000	2
Others	89,170	1
Total	7,548,877	100

Source: Extractive company templates/Boas & Associates Analysis.

Note: There are discrepancies between company reported payments and Gov't Agency receipts.



6.2 :DISCREPANCIES

There are discrepancies between the reported companies' payments, and the reported receipts from government entities including and Chiefdom Administrations and District Councils.

The details of these discrepancies are indicated in (see Tables 6.2 and 6.2.1)

Total discrepancies of **US\$3,570,793** and **(4,891,133,329) Leones** were established.

The unresolved discrepancies amounted to **US\$ 3,570,793** , **(2,109,570,187) Leones**.

Table 6.3: 2008-Company reported payments/Government Agencies reported receipts/Discrepancies.

Revenue Stream	Company		Government		DISCREPANCY		Resolved		Unresolved	
	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE
	A	B	C	D	A-C	B-D				
<i>Exploration Licence</i>	2,039,085		-	544,602,788	2,039,085	(544,602,788)		544,602,788	2,039,085	-
<i>Mining Lease</i>	1,045,635	-	600,000	2,469,520,267	445,635	(2,469,520,267)		1,647,584,353	445,635	(821,935,914)
<i>Surface Rent</i>	418,273	304,882,106	524,379	581,946,720	(106,107)	(277,064,614)			(106,107)	(277,064,614)
<i>Mineral Royalty</i>	918,298	-	-	1,935,229,985	918,298	(1,935,229,985)		589,376,000	918,298	(1,345,853,985)
<i>Corporate tax</i>	285,000	322,084,325	-	-	285,000	322,084,325		0	285,000	322,084,325
<i>Agri Dev Fund</i>	105,000	-	-	-	105,000	-			105,000	-
<i>Training fund</i>	375,000	-	608,545	-	(233,545)	-			(233,545)	-
<i>Sale/geophysical data</i>	3,145	-	-	-	3,145	-			3,145	-
<i>Petroleum(Explo)Licence</i>	-	-	-	-	-	-			-	-
<i>Diamond Exporter's licence</i>	81,500	-	-	-	81,500	-			81,500	-
<i>Diamond Agent fees</i>	-	13,200,000	-	-	-	13,200,000			-	13,200,000.00
<i>Royalty(Diamond Dealers)</i>	2,058,502	-	2,025,720	-	32,782	-			32,782	-
				-						
Total	7,329,438	640,166,431	3,758,645	5,531,299,760	3,570,793	(4,891,133,329)	-	2,781,563,141	3,570,793	(2,109,570,187)

Source: Templates from Extractive companies/Government Agencies-compilation by Boas & Associates.

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TABLE 6.3.1		2008- Discrepancy Analysis					
Revenue Stream	Discrepancy (Total company reported payment - Total Government Receipt for a revenue stream.)		Details of Discrepancies	Resolved		Unresolved	
	US\$	LE		US\$	LE	US\$	LE
Exploration licence	2,039,085	-544,602,788	<ol style="list-style-type: none"> 1. African Minerals (US\$1,944,995)/Koidu Holdings (US\$ 14,500); Cluff Resources (US\$ 37,340) and Nimini (US\$ 42,250) payments of exploration licence were not collaborated by MMMR/NRA. 2. An amount of Le544,602,788.32 indicated as receipt from Sierra Rutile by NRA was not on the company's template. 3. Since Sierra Rutile did not indicate any payment of exploration licence. this is a mining lease payment US\$ 139,452 converted into Leones from dollars. 		544,602,788	2,039,085	0
Mining Lease	445,635	-2,469,520,267	<ol style="list-style-type: none"> 1. Mining lease payment of US\$ 200,000; US\$ 50,000; US\$ 56,183, US\$139,452 reported by African Minerals Ltd; London Mining Ltd; Sierra Mineral and Sierra Rutile Ltd respectively were not reported (in US\$) by the government agencies. 2. The total discrepancy in Leones included an amount of 1,500,446,353 which appears to be a conversation of US\$ 400,000 paid by Koidu Holdings Ltd. This amount was reported as US\$ 400,000 BY MMMR. However NRA also reported it in Leones. 3. An amount of Le147,138,000 appear to be the conversion of US\$ 50,000 paid by London Mining into Leones. 4. The unresolved discrepancy in Leones represents reported receipts in Leones supposedly from Cluff and Sierra Mineral which appear to represent direct conversion from US\$ to leones i.e. Le 110,046,499.20 and Le 711,889,413.61 		1,500,446,353 +147,138,000 <u>1,647,584,353+</u>	445,635	(242,324,085)

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Surface Rent	-106,107	-277,064,614	<p>1. The discrepancy in US\$ resulted from reported payments by Koidu Holdings Ltd and London Mining Ltd of 29,568 and 40,000 respectively without any acknowledgement from Chiefdom/District or Government Agency.</p> <p>2. US\$ 60,678 reported as a receipt from Sierra Rutile and the receipt of US\$ 114,996 from Protinal Ltd did not reflect on the companies' templates.</p>			-106,107	-277,064,614
Mineral Royalty	918,298	-1,935,229,985	<p>1. Reported payments made in US\$ amounted to US\$ 918,296.06 and since there are no amounts reported in US\$ by government agencies that amount constituted the discrepancy in dollars.</p> <p>2. There were no amounts reported by companies in US\$, therefore the total amounts in Leones reported by government agencies constituted discrepancy.</p> <p>3. An amount Le589,376,000 is a misclassification as Cluff was not required to pay royalty.</p>	-180,217	1,124,749,317	918,298	-1,935,229,985
Corporate Tax	285,000	322,084,325	<p>1. Corporate Tax payment by Sierra Minerals Ltd and Sierra Rutile Ltd made up the total of US\$ 285,000. No receipts by gov't was recorded.</p> <p>2. Sierra Rutile, HM Diamonds and Karim Basma recorded payments in Leones to the tune of LE322,084,325. No amount in Leones was reported by the Government Agencies.</p>			285,000	0
Agricultural Development Fund	105,000	0	Sierra Minerals and Sierra Rutile Ltd reported payments of US\$ 30,000 and US\$ 75,000 respectively. There was no receipt recorded on the Government templates.			105,000	0
Training and Development Fund	-233,545	0	Petroleum Directorate indicated the receipts of an amount of US\$ 233,545 from Protinal Ltd. There was no recording of training and development by Protinal Ltd.			-233,545	0
Sale/geophys data	3,145	0	This is the amount indicated by Andarko Co. Ltd on its template. The Petroleum Directorate did not indicate any amount for Andarko.			3,145	0
Petroleum Exploration/Oil Block	0	0				0	0
Diamond Exporter's Licence	81,500	0	HM Diamonds and Kasim Basma reported payments of US\$ 41,500 and used US\$ 40,000 respectively thereby creating a discrepancy of US\$ 81,500 as nothing was reported by the			81,500	0
Diamond Agent fees							
Royalty (Diamond) Exporters'	32,782	0	Discrepancy resulted from payment by Kasim Basma. The GGDO reported an amount of US\$ 711,157.87 whilst Kasim Basma had US\$ 743,939 on its template.			32,782	0
Total	3,570,793	(4,891,133,329)				3,570,793	(2,109,570,187)

7.0: 2009 RECONCILIATION RESULTS.

7.1 REPORTED PAYMENTS AND RECEIPTS.

The reported payments and receipts are shown in Table 7.1 and 7.2

The total reported payments and receipts for the relevant revenue streams are:

The reported companies payments for 2009 amounted to **US\$ 5,599,791 and Le 2,305,774,990.**

The reported receipts from Government Agencies and Chiefdom Administrations amounted to **US3,002,666 and Le 13,478,548,813**

The proportions of the revenue streams as reported by companies in US dollars are as follow

SLEITI second reconciliation report

SLEITI 2ND RECONCILIATION REPORT. COMPANIES' TEMPLATE 2009																													
TABLE 7.1	Recon. Licence		Explo Licence		Mining Licence		Surface Rent		Mineral Royalty		Corp. Tax		Agric Dev Fund		Training fees		Sale/geop hys		Petro l (Exp		Diam Exporter's Licence		Di a m		Royalty (Diam.Exp orters)		TOTAL		
	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	
African Minerals																												0	-
Marampa Iron ore																												0	-
Sierra Leone Gold			471,545																									471,545	-
Sierra Leone Hard			292,855	200,000																								492,855	-
Tinkolili Iron Ore Ltd			113,140																									113,140	-
Koindu Holdings, SA							29,568			878,829																		908,397	-
London Mining				50,000			59,242																					109,242	-
Sierra Minerals				61,802					322,470,350	634,043				17,000														712,845	322,470,350
Sierra Rutile Ltd				146,425					1,582,340,915	153,984			205,839,000	75,000														375,409	1,788,179,915
Cluff Gold			21,500	210,000																								231,500	-
Nimini Mining Ltd			24,250	20,250																								44,500	-
Chan Feng																												-	-
Kingho Investment Company Ltd.																												-	-
West African Zircon																												-	-
Anardako Petroleum							549,400																					549,400	-
Prontinal							81,542								125,000													206,542	-
Oranto							151,825							125,000														276,825	-
HM Diamonds												187,448,625									36,500			4,800,000	832,015		868,515	192,248,625	
Kasim Basma										6,164	2,876,100										36,500			-	196,411		239,075	2,876,100	
TOTAL	-	-	923,290	-	688,477	-	871,577	1,904,811,265	1,666,856	-	6,164	396,163,725	92,000	-	250,000	-	-	-	-	-	-	-	73,000	-	##	4,800,000	1,028,426	5,599,791	2,305,774,990

Source: Templates submitted by extractive companies/Boas & Associates

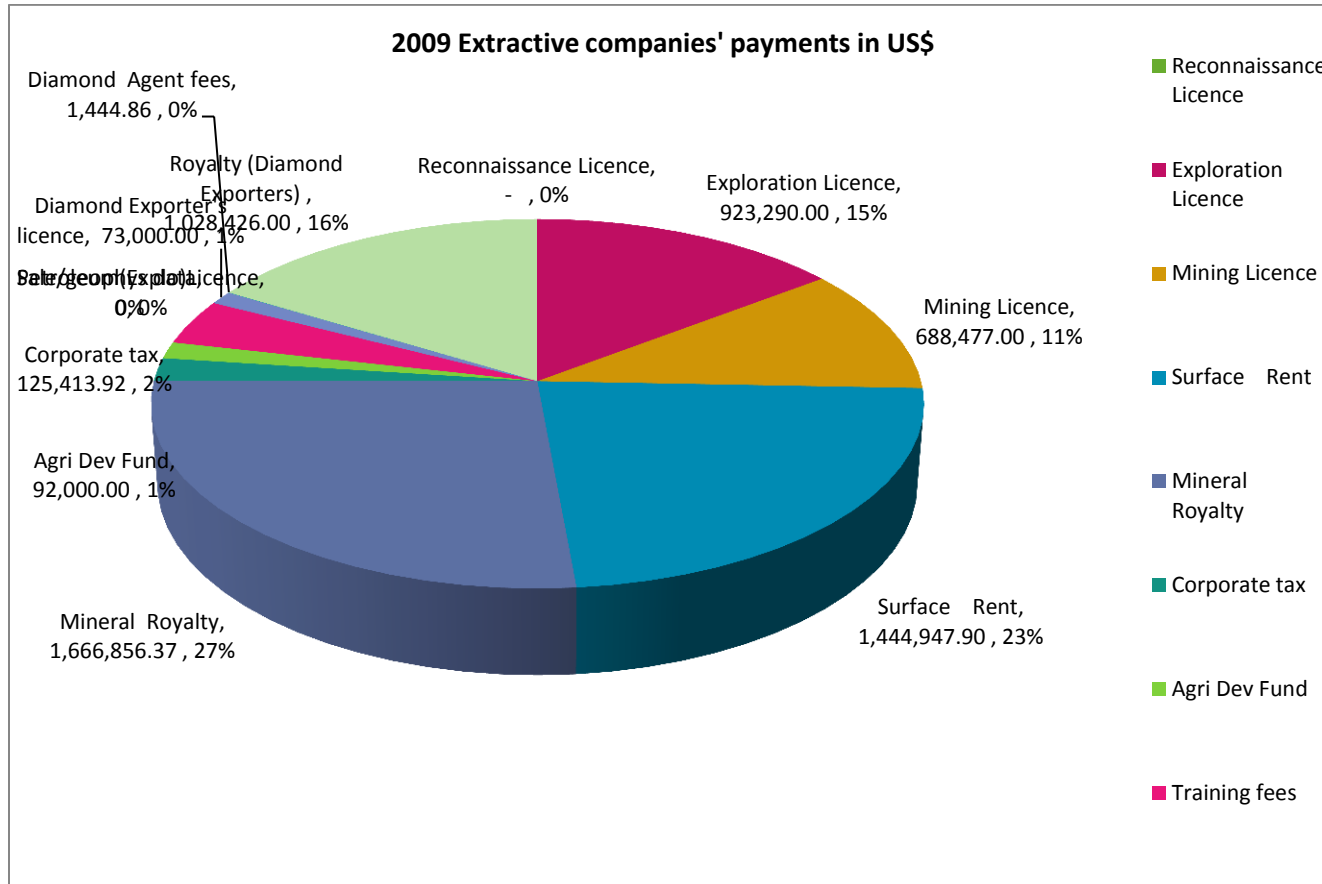
SLEITI second reconciliation report

SLEITI 2ND RECONCILIATION REPORT.																													
GOVERNMENT AGENCIES/CHIEFDOM TEMPLATE 2009																													
REVENUE STREAM		MMMR/NRA				CHIEFDOM/DISTRICT				NRA				MMMR				PETROLEUM				DIRECTORAT NRA				NRA			
COMPANY	Recon. Licenc	Explo Licenc	Mining Licenc		Surface Rent		Mineral Royalty		Corp. tax		Agric Dev Fund		Training fund		Sale/geophys data				Diam. Exp. licenc		ia m .		Royalty (Diam. Exp.)	TOTAL					
	US\$	LE	US\$	LE	US\$	LE(000)	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE			
African Minerals Ltd						5,255,046,974		184,800,000																		-	5439846974		
Marampa Iron ore																										-	0		
Sierra Leone Gold Ore SL Ltd																										-	0		
Sierra Leone Hard Rock Ltd																										-	0		
Tinkolili Iron Ore Ltd						250,000																				250,000	0		
Koindu Holdings, SA								152,459.12		2,759,541,400																152,459	2759541400		
London Mining Company										176,704,000																-	176704000		
Sierra Minerals Ltd						61,802				1,531,566,345																61,802	1531566345		
Sierra Rutile Ltd						146,425		62,509	722,056,795	1,562,106,199		273,551,770													208,934	2557714764			
Cluff Gold Resources						210,000			154,000,000	820,115,310																210,000	974115310		
Nimimi Mining Ltd																										-	0		
Chan Feng Company						16,000,000																				-	16000000		
Company Ltd.																										-	0		
West African Zircon																										-	0		
Anardako Petroleum								549,400																			549,400	0	
Prontinal								81,542						125,000													206,542	0	
Oranto								151,825						125,000													276,825	0	
HM Diamonds											52,114	20,125,020														832,014.43	884,128	20125020	
Kasim Basma											6,164	2,935,000														196,411.42	202,575	2935000	
Total	0	0	0	0	668,227	5,271,046,974	845,276	1,060,856,795	152,459.12	6,850,033,255	58,277	296,611,790	0	0	250,000	0	0	0	0	0	0	0	0	0	0	1,028,425.85	0	3,002,666	13,478,548,813
source:templates submitted by Government Agencies/Boas & Associates																													

Table 7.3

2009 Extractive companies reported payments	Amount in US \$	Percentage(%)
<i>Mineral Royalty</i>	1,666,856	27
<i>Surface Rent</i>	1,444,948	23
<i>Royalty(Diamond Exporters)</i>	1,028,426	16
<i>Exploration Licence</i>	923,290	15
<i>Mining Lease</i>	688,477	11
<i>Training fund</i>	250,000	4
<i>Corporate Tax</i>	125,414	2
<i>Agriculture Development Fund</i>	92,000	1
<i>Others</i>	74,445	1
Total	6,293,856	100

Fig 7



7.2 DISCREPANCY

Discrepancies of US\$ 2,597,125 and Le 11,172,773,823 resulted from the reconciliation process. There was a resolution of 820,115,310 Leones for NRA reporting the receipt of royalties from Cluff Gold Resources which is not producing gold at a moment.

The unresolved discrepancies recorded were US\$2,597,125 and (10,336,658,513) Leones.(see Tables 7.4 and 7.4.1)

Table 7.4 :2009 Company payments/government receipts/discrepancies										
Revenue Stream	Company		Government		Discrepancies		Resolved		Unresolved	
	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE
	A	B	C	D	A-C	B-D				
<i>Reconnaissance Licence</i>					0	0			0	0
<i>Exploration Licence</i>	923,290	-	-	-	923,290	0			923,290	0
<i>Mining Lease</i>	688,477	-	668,227	5,271,046,974	20,250	(5,271,046,974)		16,000,000.00	20,250	(5,255,046,974)
<i>Surface Rent</i>	871,577	1,904,811,265	845,276	1,060,856,795	26,301	843,954,470			26,301	843,954,470
<i>Mineral Royalty</i>	1,666,856	-	152,459	6,850,033,255	1,514,397	(6,850,033,255)	-	820,115,310.00	1,514,397	(6,029,917,945)
<i>Corporate tax</i>	6,164	396,163,725	58,277	296,611,790	(52,113)	99,551,935			(52,113)	99,551,935
<i>Agri Dev Fund</i>	92,000	-	-	-	92,000	-			92,000	0
<i>Training fund</i>	250,000	-	250,000	-	0	-			-	0
<i>Sale/geophys data</i>	-	-	-	-	0	-			-	0
<i>Petroleum(Explo)Licence</i>	-	-	-	-	0	-			-	0
<i>Diamond Exporter's licence</i>	73,000	-	-	-	73,000	-			73,000	0
<i>Diamond Agent fees</i>		4,800,000	-	-	-	4,800,000			-	4,800,000
<i>Royalty(Diamond Exporters)</i>	1,028,426	-	1,028,426	-	-	-			-	0
	5,599,791	2,305,774,990	3,002,666	13,478,548,813	2,597,125	(11,172,773,823)	-		2,597,125	(10,336,658,513)

Source: Templates from Extractive companies/Government Agencies-compilation by Boas & Associates.

SLEITI second reconciliation report

TABLE 7.4.1		DISCREPANCY ANALYSIS 2009					
Discrepancy		Details of Discrepancies		Resolved		Unsolved	
Discrepancy (Total company reported payment-Total government receipt of a revenue stream). See Appendix 3							
US\$	LE			US\$	LE	US\$	LE
Exploration License	923,290		African Mineral Ltd, Nimini Ltd and Cluff Mining Co. Ltd reported payments of US\$877,540; US\$24,250.00 and US\$ 21500. Government agencies did not report of any receipt			923,290	
Mining Licence	82,052	5,271,046,974	<p>1. Discrepancy created by payments reported by London Mining US\$50,000. Sierra Minerals US\$61,802 and Nimini Mining Ltd US\$20,250 without any report of receipts from GoSL entities and excess of receipt over payment US\$(50,000) on African Minerals Ltd.</p> <p>2. There was no report in Leones by a company. As such all the receipts in Leones reported by Gov't agencies on African Mineral Le 5,255,046,973.90 and Chang Feng Ltd Le 16,000,000 created the discrepancy</p>		16,000,000.00		1,703,451,137
Surface Rent	26,301	-843,954,470	<p>1. Koidu Holdings US\$59,242.42. These reported payments were not collaborated by government agencies. However gov't agencies reported receiving US\$ 62,509.26 from Sierra Rutiloe Ltd which was not reported by the company, resulting in discrepancy of 26301.16(29,569+59242)-62509.16</p> <p>2. Discrepancy resulted from differences between the reported payments and receipts reported by/on Sierra Rutile, Sierra Minerals and Cluff Gold Resource.</p>			26,301	-843,954,470
Royalty (Mining Companies)	1,514,397	-6,850,033,255	<p>1. US\$ Payment reported by</p> <p>Koidu Holdings - 878,829.00</p> <p>Sierra Minerals - 634,043.00</p> <p>Sierra Rutile - 153,984.37</p> <p>Reported by Gov't Agency:</p> <p>For Koidu Holdings (152,459.12)</p> <p>. 1,514,397.25</p> <p>2. Leones: No company reported in Leones. Discrepancy is total receipts converted into leones by NRA. An Amount of Le 820,115,310.00 wrongly attributed to cluff Gold Resources. Cluff is not a producing company and as such does not pay royalty</p> <p>.</p>		820,115,310	1,514,397	

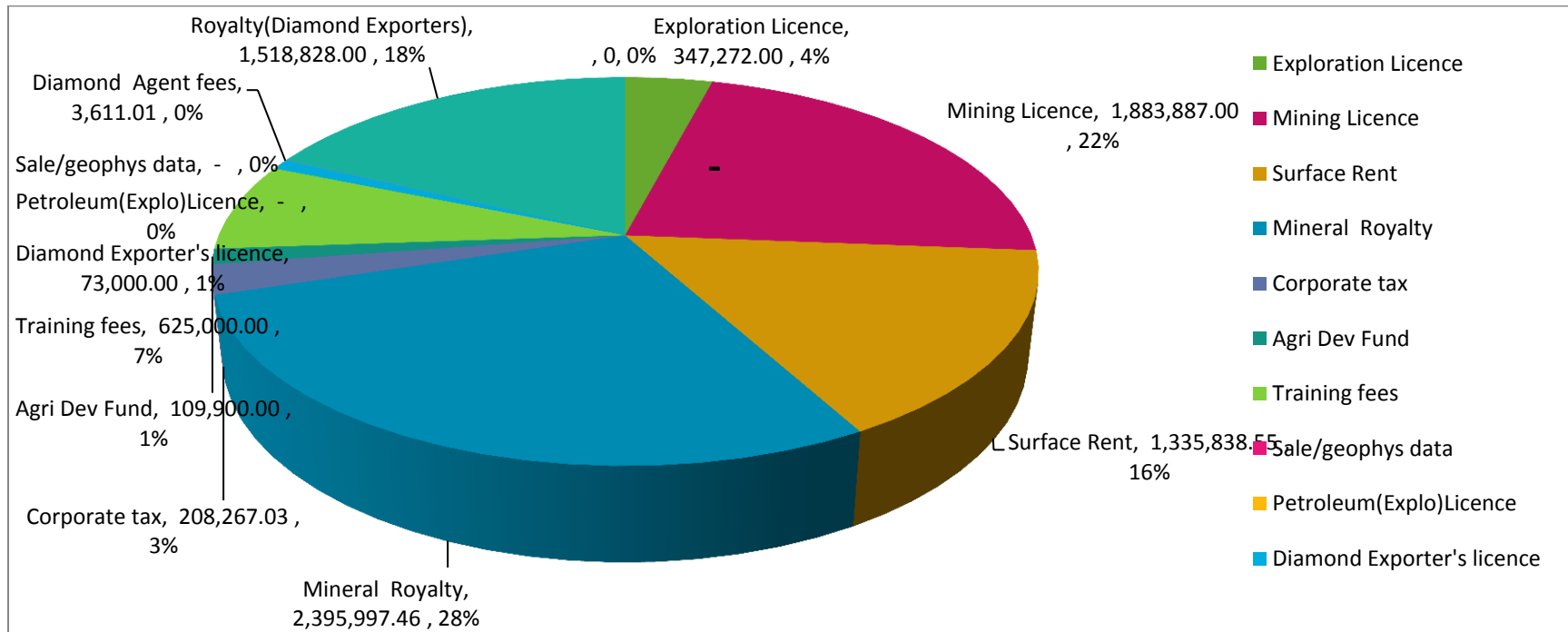
SLEITI second reconciliation report

Corporate Tax	-52,113	99,551,935	1. US\$ discrepancy created by Gov't agency report of US\$52,113.78 as receipt from HM Diamonds. This company did not report any amount in US\$. 2. Leones: Discrepancy in Leones resulted from payment and receipts regarding HM Diamonds, Kasim Basma and Sierra Rutile			-52,113	99,551,935
Agricultural Development Fund	92,000		Sierra Mineral and Sierra Rutile reported payments of US\$ 75,000 respectively. There was no report from any government agency.			92,000	
Training and Development Fund							
Sale of Geophysical							
Petroleum Exploration (Oil block)							
Diamond Exporter's Licence			Payment of US\$ 36,500 and each by HM Diamond and Kasim			73,000	
Diamond Exporter's Agent Licence		4,800,000	HM Diamond reported payment of 800,000. No report by gov't agency	Le			4,800,000
Royalty(Diamond Exporters)	0	0				0	0
Total						2,597,125	-10,336,658,513

SLEITI second reconciliation report

GOVERNMENT AGENCIES/CHIEFDOM TEMPLATE 2010																									
TABLE 8.2	MMMR/NRA		MMMR/NRA		MMMR/NRA		CHIEFDOM/DISTRICT		NRA		NRA		MMMR		PETROLEUM				GGDO/NRA				TOTAL		
	Recon. Licence	Explo Licence			Mining Licence		Surface Rent		Mineral Royalty		Corp. tax		Agri Dev Fund	Training fund	Sale / geop	Petrol (Eplo) Licenc	Diam. Exp licenc	iamond	Agent fees	Royalty (DiaM.Exp.)			US\$	LE	
	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	US\$	LE	
African Minerals Ltd						9,666,775		11,875															11,875	9,666,775	
Marampa Iron ore										19,459,650													0	19,459,650	
Sierra Leone Gold Ore SL Ltd																							0	-	
Sierra Leone Hard Rock Ltd																							0	-	
Tinkolili Iron Ore Ltd					1,025,000																		1,025,000	-	
Koidu Holdings, SA			56,452,415		501,685	778,654,000			203,370	3,653,589,200													705,055	4,488,695,615	
London Mining Company		50,000																					50,000	-	
Sierra Minerals Ltd						199,443,500				2,994,524,853													0	3,193,968,353	
Sierra Rutile Ltd					170,317		64340	200,927,000		1,261,409,656		116,412,124											234,657	1,578,748,780	
Cluff Gold Resources		43,000			220,000	879,545,835			200,916,326	120,518,735													263,000	1,200,980,896	
Nimini Mining Ltd		22,400																					22,400	-	
Chan Feng Company						23,000,000																	0	23,000,000	
Kingho Investment Company Ltd.		95,170																					95,170	-	
West African Zircon		176,945				716,670,680																	176,945	716,670,680	
Anardako Petroleum							466,875							499,970									966,845	-	
Prontinal							81,963							125,000									206,963	-	
Oranto																							0	-	
HM Diamonds									121,205	7,400,000													1,250,000	135,221,100	
Kasim Basma									25,892	2,876,100													268,828	135,221,100	
TOTAL		387,515	56,452,415	1,917,002	2,606,980,790	625,053	401,843,326	203,370	8,049,502,094	147,097	126,688,224	0	0	624,970	0	0	0	0	0	0	0	0	1,518,828	270,442,200	
SOURCE: Templates submitted by Government Agencies/Chiefdom Councils/Compilation by Boas & Associates.																									

FIG 8



Source: Templates submitted by companies/Boas & Associates.

1. In 2010 unresolved discrepancies of US\$ 2,167,928 and Le(7,763,135,957), resulted from reconciliation of the reported payments by extractive companies and reported receipts by Government revenue Agencies including Chiefdom councils. (seeTable 8.1)

2. An amount of Le 120,518,735.20 was resolved as improper classification.(see details of Discrepancy, Table 8.1.1) .However according to the International Monetary Fund country report number 11/195 July 2011, page 88, Cluff Gold (SL) Ltd paid mineral resource royalty of 121million Leones in 2010.
3. A larger proportion of the discrepancies in Leones were observed in the mineral right licences and mineral royalty categories, mainly due to the fact that the NRA reported by converting US dollar payments into Leones. The extractive companies however reported in US dollars, thereby creating an apparent negative discrepancies (government Agency reporting more receipts than payment) in Leone.

Table 8.1 :2010	Company reported Payments/Receipts /Discrepancies				Discrepancy		Resolved		Unresolved	
	Company		Government		US\$	LE	US\$	LE	US\$	LE
	US\$	LE	US\$	LE						
Reconnaissance Licence									0	0
Exploration Licence	347,272	-	387,515	56,452,415	(40,243)	(56,452,415)			(40,243)	(56,452,415)
Mining Lease	1,883,887	-	1,917,002	2,606,980,790	(33,115)	(2,606,980,790)			(33,115)	(2,606,980,790)
Surface Rent	611,986	2,886,579,200	625,053	401,843,326	(13,067)	2,484,735,874			(13,067)	2,484,735,874
Mineral Royalty	2,395,997	-	203,370	8,049,502,094	2,192,628	(8,049,502,094)		120,518,735	2,192,628	(7,928,983,359)
Corporate tax	25,892	727,275,156	147,097	126,688,224	(121,205)	600,586,932			(121,205)	600,586,932
Agri Dev Fund	109,900	-	-	-	109,900	-			109,900	-
Training fund	625,000	-	624,970	-	30	-			30	-
Sale/geophys data	-	-	-	-	-	-			-	-
Petroleum(Explo)Licence	-	-	-	-	-	-			-	-
Diamond Exporter's licence	73,000	-	-	-	73,000	-			73,000	-
Diamond Exporters' Agent fe	-	14,400,000	-	-	-	14,400,000			-	14,400,000
Royalty(Diamond Exporter)	1,518,828	-	1,518,828	270,442,200	-	(270,442,200)			-	(270,442,200)
Total	7,591,762	3,628,254,356	5,423,835	11,511,909,049	2,167,928	(7,883,654,693)	-	120,518,735	2,167,928	(7,763,135,958)
Source: Templates from Extractive companies/Government Agencies-compilation by Boas & Associates.										

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TABLE 8.1.1		DISCREPANCY ANALYSIS 2010					
	Discrepancy		Details of Discrepancy	Resolved		Unresolved	
	(Total company reported payment-Total Government)						
	US\$	LE		US\$	LE	US\$	
Reconnaissance Licence							0
Exploration Licence	(40,243)	(56,452,415)	Discrepancy resulted from differences between reported payment and government receipts in respect of Koidu Holdings Ltd; London Mining Ltd; Cluff Resources Ltd; Nimini Mining Ltd and Kingho Investments Ltd.			(40,243)	56,452,415
Mining Lease	(33,115)	- 2,606,980,790	<p>1. For the US dollars discrepancy resulted from the following. The MMR reported US\$1,025,000, on mining lease while African Minerals Limited reported US\$1,000,000. However there wasn't any supporting document for the payment or receipt. Other companies which reported and government receipts are shown below: Koidu Holdings US\$400,000; London Mining US\$50,000; Sierra Minerals Ltd US\$63,862; Sierra Rutile Ltd US\$149,525 and Cluff Gold Resources US\$220,500 summing up to US\$1,883,887. MMR/NRA receipts summed up to US\$1,917,002 resulting in discrepancy of US\$(1,883,667-1917002)=US\$(33,115).</p> <p>2. The discrepancy in Leones appears to be the result of converting US\$ into Leones. However without knowing the exact conversion rate or the dollar denominated amount there can be no resolution.</p>			(33,115)	2,606,980,790

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Surface Rent	(13,067)	2,484,735,874	<p>1. US\$ Koidu Holdings Ltd and London Minerals Ltd reported payments in US\$ of 29,568 and 33,500 respectively. There were no receipts in US\$ reported by the revenue Agencies on the two companies. There were however reports of receipts in US dollars from African Minerals and Sierra Rutile of US\$11,875 and US\$64,340.37 respectively. Sierra Rutile and African Minerals did not report any dollar payment on their templates.</p> <p>2. The discrepancy in Leones was caused by reported payments by Sierra Minerals; Sierra Rutile Ltd and Cluff Gold Resources of Le 424,416,000: Le 2,035,259,000 and Le 426,904,204 respectively. Government Agencies reported of Le 200,927,000 and Le 200,916,326 on Sierra Minerals and Sierra Rutile respectively.</p>			(13,067)	2,484,735,874
Mineral Royalty	2,192,628	(8,049,502,094)	<p>1. Differences between amounts reported by Koidu Holdings Ltd; Sierra Holdings Ltd; Sierra Rutile Ltd and Cluff Gold Resources on their templates and the reported amounts by NRA/MMR created the discrepancy Mis classification amount. Cluff Gold Resources could not have paid royalty as it was not in production.</p> <p>2. Mis classification of amount. Cluff Gold Resources could not have paid royalty as it was not in production.</p>			2,192,628	-7,928,983,358
					120,518,735		

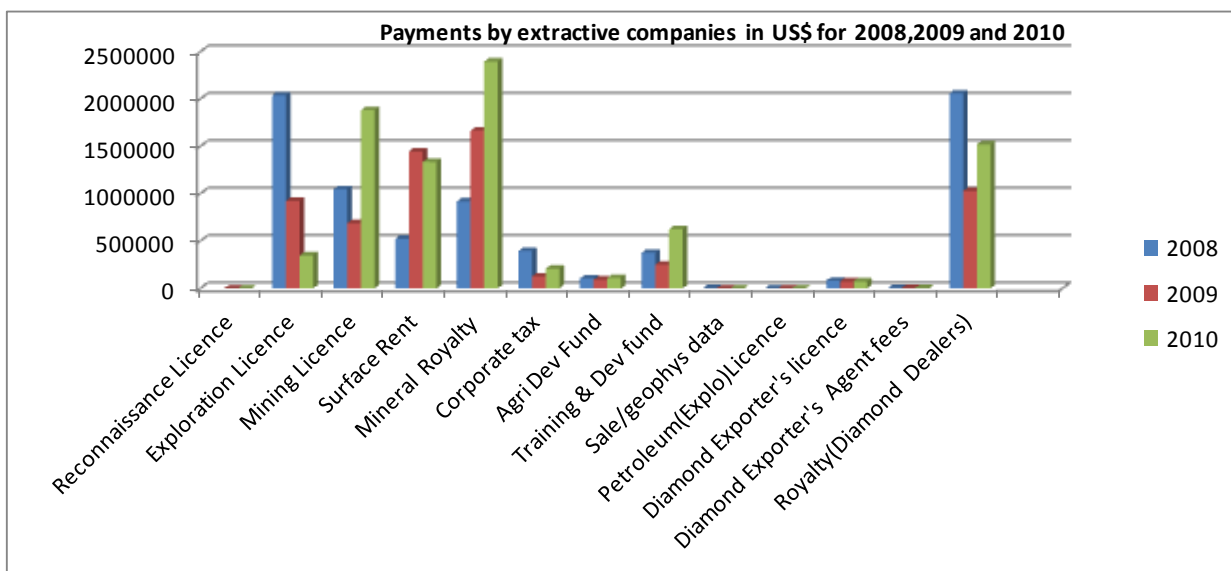
SLEITI second reconciliation report

<i>Corporate tax</i>	(121,205)	600,586,932	<p>1. Four companies reported on Corporate tax payments. These are Sierra Rutile Ltd;West Africa Zircon Ltd , HM Diamonds Ltd and Kassim Basma Ltd. Only Kassim Basma reported in US\$, an amount of US\$25,892. Govt Agencies reported an amount of US\$121,204.63 on HM Diamonds Ltd and US\$25,892 on Kassim Basma thus creating discrepancy of (US\$121,204.63).</p> <p>2. Amount in Leones reported by Sierra Rutile;West African Zircon and HM Diamonds were Le 238,756,077; Le16,800,000 and Le 471,719,079,summing up to Le 727,275,156. .</p> <p>3. Government Agencies reported Le 116,412,124; Le 7,400,000; and Le 2,876,100 on Sierra Rutile, HM Diamonds and Le 2,876,100 totalling Le 126,688,224 creating a discrepancy in Leones of Le 600,586,932.00 .</p>			(121,205)	600,586,932
<i>Agri Dev Fund</i>	109,900		Two companies reported on Agric Development Fund. Sierra Minerals US\$34,900; and Sierra Rutile US\$75,000. There were no report on Agricultural Development Fund from Government Agencies, thereby creating a discrepancy of US\$109,900.			109,900	600586932
<i>Training and Development fund</i>	0	0	Amounts reported by companies and Government Agencies were the same			0	0
<i>Sale/geophys data</i>	0	0	No report from Companies or Government Agencies.			0	0
<i>Petroleum(Explo)Licence</i>	0	0				0	0
<i>Diamond Exporter's licence</i>	73,000		Kassim Batsma and HM Diamonds reported payment of diamond exporters' Licence of US\$36,500 each. There were no report from Gov't Agencies on Diamond Exporters' licence.			73,000	0
			Kassim Batsma and HM Diamonds reported payment of diamond exporters' Licence of US\$36,500 each. There were no report from Gov't Agencies on Diamond Exporters' licence.				-
<i>Diamond Exporters' Agent fees</i>		14,400,000	Kassim Basma and HM Diamonds reported payments of Le7,200,000 each .				-
<i>Royalty-Diamond Exporters(3% GGDO duty)</i>		(270,442,200)	Discrepancy resulted from an amount of LE 135,221,100 reported by NRA as payment of royalty by Kassim Basma and HM Diamonds which were not reported by the companies.				-
Total	2,167,928	(7,883,654,693)				2,167,928	(7,763,135,958)

Source: Templates submitted by Companies/Government Agencies/Boas & Associates.

9.0 TRENDS IN PAYMENTS OF REVENUE STREAMS.

The reported payments of the various revenue streams over the three year period 2008-2010 are shown by the diagram in Fig 9.



Note: There existed discrepancies between companies' reported payments and government Agencies reported receipts.

- The diagram indicates the increasing prominence of mineral royalty. As more companies engage in production, royalty payment has been growing steadily.
- The growth in royalty, however has not been complimented by corporate tax payments. This may be due to the fact that a lot of the producing companies are still in the investment recovery period.
- Although West African Zircon made corporate tax payments, it was not clear what the reasons were, especially as it did not pay royalty.
- It appears exploration licence payment is decreasing. In 2008, it accounted for 27% of the total relevant payments, however in 2010 it formed only 4%.
- Mining licence payment has also increased, although it slowed in 2009, indicating that exploitation of minerals is on the ascendancy.
- Training and development funds increased between 2009 and 2010, however it was not accompanied by increased sale of geophysical data.
- Royalty paid by Diamond Exporters decreased between 2008 and 2009 in absolute terms. Although the values increased in 2009, in percentage terms it has experienced a lot of decline, dropping from 27% in 2008 to 18% in 2010.

10.0 CHALLENGES ENCOUNTERED IN EXECUTING THE ASSIGNMENT.

The major challenges encountered in the execution of the assignment include the following:

a) Delays in the submission of templates by both the Government Agencies and companies.

Most of the companies and government revenue Agencies could not submit their templates within the period specified during the stakeholders meeting of 7th May 2012. Many of the participants could not submit their templates within four weeks after the meeting.

The effect is delay in issuing the draft report.

b) Non inclusion of supporting documents by some companies and government Agencies.

Some templates were presented without any supporting documentation.

Apart from undermining the integrity of figures (especially in situations where there is no certification by the external auditor, or the Auditor General), reconciliation and particularly resolution of discrepancies is made difficult.

Thus in situations of misclassification of revenue streams on the templates, the Reconciler is unable to assign payments properly.

b) Lack of appreciation of the cash basis for EITI reporting, especially by the chieftom councils.

The fact that EITI reconciliation involves the use of figures on actual basis is sometimes not taking into account in the completion of templates. This normally creates discrepancies which are not easily resolved, especially where there are no supporting documents.

c) Response time for Queries issued: Queries raised during the reconciliation process take a long time to be responded to or are not answered at all. Many queries or request for clarifications normally go unanswered. Several promptings are required before some responses are rendered. This delay the process and also leave some discrepancies unresolved.

11.0 SIGNIFICANT FINDINGS AND RECOMMENDATIONS:

These findings and recommendations include those that are associated with the reconciliation process. Other findings and recommendations deal generally with the payments and receipts of the revenue streams.

11.1 Lack of supporting documents.

Finding:

Most of the extractive companies and Revenue Agencies completed the templates as expected however there were some material amounts that were not supported with documentation. For example the MMR could not support the reported receipt of US\$1,000,000 as mining licence from African Minerals Ltd in 2010 with any documentation.

Some Chiefdom Administrations and District Councils had templates that were incomplete ie not properly authenticated, and amounts received by chiefdoms were generally without supporting documentation.

For example some District and Chiefdoms received payments from companies as surface rent, but failed to indicate receipts provided in return for these payments.

In some instances companies were unable to provide receipts or evidence of payment. While they at times supply photocopies of cheques used for payment, these contained only names of the institutions that received them. The reason why the payments were made was not easily discerned.

11.1.1 Recommendations:

Payments made by extractive industries should be properly accounted for by the Chiefdom Administrations and District councils.. Companies should endeavour to file away evidence of material payments.

11.2: Appropriateness of supporting documents.

Finding:

- a) One major challenge in data reliability check was detected in the area of relevance of supporting documentations provided for data on the templates. There were instances that figures on templates differed from those on supporting documentation, thus creating a mismatch.

Dates on which some payments were made were not indicated thereby making it impossible to detect accrual accounting. For example Sierra Minerals reported US\$634,043 as payment for royalty in 2009, but the actual payment was US\$548,889.78

- b) In some instances payments through wire transfers and bank drafts had no attached receipts from either the companies or from state agencies. Coupled with this was the fact that wire transfers

captured as bulk payment was not matched to specific revenue streams. Also, such payments sometimes straddle over different periods but these are not indicated on the templates.

11.2.1 Recommendations;

Even though there were indications that MSG has organized training for reporting officers on template completion, there is still room for continuous training especially on cash accounting policy of EITI which is critical for template completion.

Company Officials making any form of payment to any state agencies officials should insist on the issuance of receipt. It should also be made mandatory for any state agency receiving payment of any kind from any entity to issue receipt to cover such payment whether cash, cheque, wire transfer or bank draft.

Proper system of recording and record keeping should be instituted on the part of state agencies without delay. The system should be automated, to ensure transparency in all transactional dealings with third parties.

Reporting officers from participating agencies would require some training in the processes involved in the mining and petroleum industries. This will improve their understanding of licencing regime and its relevance to revenue streams.

Holding companies with subsidiaries should be indicated before the commencement of the process to ensure effective reconciliation.

11.3 Duplication in reporting.

Finding:

Both NRA and the Ministry of Mines and Mineral Resources (MMMR) reported on mineral right licences receipts and mineral royalty. It was observed that whereas MMMR reported in US dollars, the NRA reported in Leones.

This situation presents potential for duplication, and indeed some repetitive reporting were observed. For example in 2008, Koidu Holdings paid US\$400,000 as mining lease(see Appendices 5 and 6). This payment was reported by MMMR as US\$ 400,000 whereas NRA captured it as Le 1,500,446,353.98.

It is expected that where an NRA office is stationed in a Ministry or Agency to collect revenue the reporting may encounter such challenge.

11.3.1 Recommendation:

To avoid duplications as indicated above, future reconciliations should provide guidance on the revenue streams to be reported by each agency. It is recommended that mineral right licences be reported by the MMMR. The MMMR would be able to provide more details on the basis for collection. Mineral royalty may be reported by the NRA with some assistance from the MMMR.

Such a directive coupled with the requirement that amounts collected or paid should be reported in the currency of the transaction, without any conversion will ensure that duplication is eliminated.

11.4 Mineral Royalty Payment

Finding:

The time for payment of royalty differs for different minerals. The regulations stipulate that for precious and special stones, royalty payments are made after valuation prior to shipment.

Payment of royalty shall be made on inventory of precious minerals (such as gold and silver) not sold after one month.

Holders of mineral rights for bulk minerals are required to pay royalty after the conclusion of transactions.

In practice companies have royalty payment arrangements stipulated in their contracts.

This makes checking the payment of royalty challenging, especially in situations where one is not privy to the contracts.

11.4.1 Recommendation:

To ensure transparency, it is suggested that mineral right holders should be made to pay royalty on regular basis, making it easier to know if payment has been made or not. If a company does not engage in any production and or sale then it must be declared as such. For example it may be indicated that royalty is paid monthly and that companies have fifteen days after the expiry of the month to pay. For production made in January, a company may have up till 15th February to pay.

11.5 Inter sectoral collaboration/Royalty payment.

Finding:

It appears royalty payments to the NRA were not accompanied with details of production.

Royalty payment is based on the value of mineral produced. By applying the appropriate rate of royalty payment to the gross value of minerals won, the appropriate royalty rate is computed. As the NRA assesses the payment of royalty without details of mineral production, there could be challenges in ensuring that the appropriate figures are paid.

11.5.1 Recommendation:

There should be an inter sect oral collaboration between the Customs Division, the Non Tax Revenue and the MMR in the payment of mineral royalty. The MMR and the Customs division of the NRA should assist the Non Tax Division by providing details of mineral production.

11.6 Surface Rent.

Finding:

The Mines and Minerals Act, 2009 (MMA2009) section 35 stipulates the payment of compensation or surface rent to owner of the land: Presently the amounts payable are determined by negotiations between the landowner and the company concerned.

Reconciliation is challenging as records are not properly kept by the District Councils and Chiefdom Administrations and payments are sometimes made in cash.

11.6.1 Recommendations:

Payment and collection may be streamlined to ensure standardization and transparency. The cost per square kilometre may be indicated in the mining lease agreements and paid to a single source. This will apply to community owned lands e.g. chiefdoms. For example an outfit within the District Council may be tasked to receive payment from the companies.

This will enhance transparency and accountability.

To ensure that payments in real terms stay constant, cost per square kilometre may be indexed to inflation.

11.7 Capital Gains Tax:

Finding:

It was observed that several concessions or oil blocks had changed ownership during the period under consideration, however capital gains tax was not reported as one of the revenue streams.

11.7.1 Recommendation:

Steps should be taken to ensure that the capital gains made as mineral rights/oil blocks change ownership are taxed.

Regulation 6(2) of MMA 2009, enjoins the holder of a mineral right to inform the Director of Mines through the cadastre office of any change in respect of his mineral right including change of names, addresses, contact persons and other pertinent issues. This requirement includes information on change in ownership. This information shall be shared with the NRA which shall ensure that the necessary taxes are imposed.

The ownership change is only then completed with the submission of evidence of tax payment.

12.0 CONCLUSIONS:

This report concludes the EITI assignment for 2008, 2009 and 2010.

Unresolved discrepancies of US\$3,570,793, Le(2,109,570,187) ;US\$2,597,125, Le10,336,658,513;

US\$2,167,928, Le7,763,135, 958 were obtained for 2008, 2009 and 2010 respectively. Reasons for the discrepancies in Leones include the reported conversions made from the US\$ to Leones by the NRA, and the fact that payments of surface rent by some companies were without corresponding receipts from the District Councils and Chiefdom Administrations.

Due to time constraints, all the discrepancies could not be resolved. It is recommended that the Multi Stakeholder Group engages the relevant entities in resolving the remaining discrepancies.

The trend in extractive sector payments especially for the mining sector indicates that Sierra Leone is gradually entering the production phase, as royalty payments have steadily grown in percentage terms since 2008.

Increased mineral production activities means royalty is likely to become an important revenue stream. It is necessary to streamline as quickly as possible its mode of payment and collection. Also the necessary legal regime and capacity for the collection of corporate taxes should be addressed before the extractive companies exhaust the investment recovery periods.

To improve the overall revenue in the sector it is important to examine other areas such as capital gains tax.

The implementation of the recommendations made, will ensure that subsequent reconciliations will have minimum discrepancies with improved extractive sector payments and receipts.

ⁱ 1. <http://www.slminerals.org/content/index.pdf?options=com>

2. [http://www.en.wikiedia.org/wiki/mining_in_sierra leone](http://www.en.wikiedia.org/wiki/mining_in_sierra_leone)

3. Sierra Leone oil report: Report produced by Association of Journalist on Mining and Extractives (AJME)

4. "The Mineral Industry of Sierra Leone" US Dept of Interior, US Geological Survey, January 201

ⁱⁱ Income Tax act (ITA 2000) specifies 37.5%, Statutory instrument by the minister of finance in 2003 reduced the rate to 30%

ⁱⁱⁱ The following average exchange rates of Leones to 1 US\$ were applied. 2008-2917.32; 2009-3322.13 and 2010-3987.80. Exchange rates figures were obtained from the Ministry of Finance and Economic Development. The averages were computed by Boas & Associates

APPENDICES

APPENDIX 1 NOTES ON MATERIALITY

DEFINING MATERIALITY (THRESHOLD/CUTOFF POINT)

The aspect of materiality is a crucial element that will guide the Multi-Stakeholder Group (MSG) in selecting revenue streams and companies for the reconciliation exercise. As Auditors and members of the MSG that would be requested to attest to figures provided by Ministry, Departments Agencies (MDAs) as we have the mandate to carry out periodic audit on all MDAs.

The aspect of materiality is not new as it is applied for most decisions involving economic activities when carrying out audit and applies to International Financial Reporting Standards. Revenue streams considered immaterial would not be reported in the templates and information considered immaterial will not be reported by extractive industries and MDAs.

Materiality involves two aspects “qualitative and quantitative”

Qualitative will be based on judgment that if a revenue stream or company is omitted or misstated it would be probable that the judgment of a reasonable person (user of Reconciliation Report) relying on the report would have been changed or influenced by the omission or misstatement based on judgement.

Quantitative will be based on the risk that if a revenue stream or company is omitted or misstated, there is the probability of an event to be different than expected based on historical data of financial and non-financial variables.

Limitations of Materiality

The main limitation to materiality is the amount of information needed to disclose on the face of the reconciliation templates. If the MSG wants to be comprehensive and include all economic events, the templates will contain huge and unnecessary information and this will mislead the users of the Reconciliation Report. On the other hand, if the MSG fails to capture an economic revenue stream this would mislead the users.

Auditing

The extractive industries that are selected for reconciliation process should have their financial statements audited by external auditors. The receipts by the government agencies (NRA, MMR, GGDO, District Councils and Chiefdom Administrations) are audited by the Auditor- General’s Department annually. Audit reports are then sent to Parliament. The 2008-2010 figures have already been audited.

Methodology

We have judged all revenue streams or transactions using both qualitative and quantitative methods in order to decide whether to disclose the information or not. Therefore, any extractive industry within the following categories below will be classified as material and would be contacted by the EITI Secretariat to complete and submit data for reconciliation:

- 3 % of each revenue stream to the National Revenue Authority that are above Le 30m
- 6 large companies
- 3 Oil companies
- 4 Small scale companies making payments of \$4000 dollars and above to MMR
- District Councils and Chiefdom Administrations with \$10,000 or Le 10m and above deviation

For reconciliation purposes taking materiality into consideration, the following should be reported this year;

1. 6 Large-Scale Companies (**See page 3**)
2. 3 Oil Companies (**See page 3**)
3. 2 Exporters/Dealers (**see page 3**)
4. 4 Small Scale (**see page 3**)
5. 7 District Councils (**see page 3**)
6. 12 Chiefdoms (**See page 4**)
7. 4 Ministries, Departments & Agencies (**See page 4**)
8. 13 revenue streams (**see page 5**)

SLEITI Second Reconciliation Exercise	Reporting Entities
Industrial or Large Companies	
	1-African Minerals Limited
	2-Cluff Gold-Sierra Leone
	3-Koidu Holdings S.A
	4-London Mining
	5-Sierra Minerals Holdings
	6-Sierra Rutile Limited
Small-Scale & Exclusive Licence Companies (\$4000 and above)	
	7- Chang Feng Company (SL) Limited
	8-Kingho Investment Company Limited
	9-Nimini Mining Company Limited
	10- West African Zircon Mining
Oil/Gas Companies	
	11-Anardako Petroleum (SL) Limited
	12-Oranto
	13-Prontinal
Exporters/Dealers	
	14-Kassim Basma
	15-Hashim Mackie Diamonds
District Councils	
16-Bonthe District Council	Within \$10,000 or Le 10m
17-Kono District council	Within \$10,000 or Le 10m
18-Tonkolili District Council	Within \$10,000 or Le10m
19-Moyamba District council	Within \$10,000 or Le 10m
20- Koinadugu District Council	Within \$10,000 or Le 10m
21- Port Loko District Council	Within \$10,000 or Le10m
22-Bo District Council	Within \$ 10,000 or Le10m
Chiefdom Administrations	
23-Kamara Chiefdom	Within \$10,000 or Le 10m
24-Marampa Chiefdom	Within \$10,000 or Le 10m
25-Nimiyama Chiefdom	Within \$10,000 or Le 10m
26-Nimikoro Chiefdom	Within \$10,000 or Le10m
27-Sandor Chiefdom	Within \$10,000 or Le 10m
28-Tankoro Chiefdom	Within \$10,000 or Le 10m

29-Bagruwa Chiefdom	Within \$10,000 or Le 10m
30-Banta Mokele Chiefdom	Within \$10,000 or Le10m
31-Valunia Chiefdom	Within \$10,000 or Le10m
32-Kafe Simiria Chiefdom	Within \$10,000 or Le10m
33-Imperri Chiefdom	Within \$10,000 or Le10m
34-Jong Chiefdom	Within \$10,000 or Le10m
Ministries, Departments and Agencies (MDAs)	
35- Ministry of Mines & Mineral Resources	
36- National Revenue Authority	
37- Government Gold and Diamond Office	
38- Petroleum Directorate	

Revenue Streams

1. Mining Lease
2. Exploration Licence
3. Royalty
4. Surface Rent
5. Agricultural Development Fund
6. Corporate Tax
7. Reconnaissance Licence
8. Alluvial Diamond Exporter's Agent
9. Diamond Exporter's Agent (Standard Assessment Tax)
10. Training Fund (Oil/Gas)
11. Sale of Geophysical Data (Oil/Gas)
12. Primary Application Fee
13. Payment for Oil Block

APPENDIX G: SLEITI REPORTING TEMPLATES

Template A: This template is to be filled by MINR, NRA & GGDO for revenue received from Companies (large or small) in the mineral sector.

This report is on revenues received from specific company (large or small) for the financial year ending 31st December of 2008, 2009 & 2010.

Name of the reporting entity: _____

Address:

Name of company (large or small) on which report is made: _____

Type of licence	Location of Leased Area	Amount	Licence No.	Duration of Licence	Expiration date of Licence	Taxpayer Identification Number (TIN)	Place where payment was made (specify name of office, bank etc)	Type(s) of mineral(s) mined or explored
Mining Lease	2008	US\$:						
		LE:						
		US\$:						
Mining Lease	2009	US\$:						
		LE:						
		US\$:						
Mining Lease	2010	US\$:						
		LE:						
		US\$:						
Exploration Licence	2008	US\$:						
		LE:						
		US\$:						
Exploration Licence	2009	US\$:						
		LE:						
		US\$:						
Exploration Licence	2010	US\$:						
		LE:						
		US\$:						
Royalty	2008	US\$:						
		LE:						
		US\$:						

	2009	IE							
		US\$							
	2010	IE							
		US\$							
Surface Rent	2008	US\$							
		IE							
		US\$							
	2009	US\$							
		IE							
		US\$							
	2010	US\$							
		IE							
		US\$							
Agricultural Development Fund	2008	US\$							
		IE							
		US\$							
	2009	US\$							
		IE							
		US\$							
	2010	US\$							
		IE							
		US\$							
Corporate Tax	2008	US\$							
		IE							
		US\$							
	2009	US\$							
		IE							
		US\$							
	2010	US\$							
		IE							
		US\$							
Diamond Exporter's Agent Fee	2008	US\$							
		IE							
		US\$							
	2009	US\$							
		IE							
		US\$							
	2010	US\$							
		IE							
		US\$							
Diamond Exporter's Licence	2008	US\$							
		IE							
		US\$							
	2009	US\$							
		IE							
		US\$							
	2010	US\$							
		IE							
		US\$							

	2010	LE:																
		US\$:																
Reconnaissance Licence	2008	US\$:																
		LE:																
	2009	US\$:																
		LE:																
	2010	US\$:																
		LE:																
Primary Application Fee	2008	US\$:																
		LE:																
	2009	US\$:																
		LE:																
	2010	US\$:																
		LE:																

TOTAL AMOUNT IN US\$:.....

TOTAL AMOUNT IN LEONES:.....

Management sign-off

I acknowledge on behalf of..... the need to supply fair and accurate information in accordance with the guidelines provided by SLEITI and have endeavoured to do so.

Name of authorizing officer

Position/Title

Signature & Date:.....

Contact phone number

E-mail address

APPENDIX 2d

Auditor's report

We have examined the SLEITI Reporting Template (s) from and have:

- (a) Tested the extraction of payment data in the Reporting Template(s), and
- (b) Reviewed that the has reconciled the cash based payment details included in the Reporting Template(s) to the accrual-based financial statements.

Based on this examination, we report that nothing has come to our attention that would lead us to believe that the information disclosed in the Reporting Template (s) does/do not represent a fair and accurate summary of payments made to the in accordance with the instruction in the Reporting Template(s).

Name and Address of Auditor:

Name of authorizing Auditor: Position/Title

Signature: Contact number

E-mail address:

APPENDIX 2e

SIERRA LEONE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (SLEITI)

Template B: This template is to be filled by Companies (large or small, dealers or exporters) for payment made to government entities in the mineral sector.

This report is on payment made to specific government entity (central or local level) for the financial year ending 31st December of 2008, 2009 & 2010.

Name of the reporting company: Address:

Name of government entity(central or local level) to which payment was made:

Type of Licence:	Location of Leased Area	Year	Amount	Basis of tax or fee paid (e.g. rate applied)	Duration of Licence	Method of payment (e.g. cheque, wire, transfer, cash etc)	Expiration date of Licence	No. (if amount represents multiple payments, attach list & breakdown)	Date of payment:	Taxpayer Identification Number (TIN):	Place where payment was made (specify name of office, bank etc):	Type(s) of mineral(s) mined or explored:	Provide comment(s) or additional information if any:		
Mining Lease		2008	US\$:												
			LE:												
		2009	US\$:												
			LE:												
		2010	US\$:												
			LE:												
Exploration Licence		2008	US\$:												
			LE:												
		2009	US\$:												
			LE:												
		2010	US\$:												
			LE:												

APPENDIX 24

Custom Duties	2009	LE:																		
		US\$:																		
	2010	LE:																		
		US\$:																		
Alluvial Diamond Exporter's Agent	2008	US\$:																		
		LE:																		
	2009	US\$:																		
		LE:																		
Diamond Exporter's Agent (Standard Assessment Tax)	2010	US\$:																		
		LE:																		
	2008	US\$:																		
		LE:																		
Reconnaissance Licence	2009	US\$:																		
		LE:																		
	2010	US\$:																		
		LE:																		
Goods & Services Tax on Contract Value	2008	US\$:																		
		LE:																		
	2009	US\$:																		
		LE:																		
Primary Licence Fee	2010	US\$:																		
		LE:																		
	2008	US\$:																		
		LE:																		
Primary Licence Fee	2009	US\$:																		
		LE:																		
	2009	US\$:																		
		LE:																		

APPENDIX 21

TOTAL AMOUNT IN US\$:.....

TOTAL AMOUNT IN LEONES:.....

Management Sign-off

I acknowledge on behalf of..... the need to supply fair and accurate information in accordance with the guidelines provided by SLEITI and I..... endeavoured to do so.

Name of authorizing officer:..... Position/Title:.....

Signature & Date:..... Contact phone number:.....

E-mail address:.....

Auditor's report

We have examined the SLEITI Reporting Template (s) from..... and have:

- (a) Tested the extraction of payment data in the Reporting Template(s), and
 - (b) Reviewed that the..... has reconciled the cash-based payment details included in the Reporting Template(s) to the accrual-based financial statements.
- Based on this examination, we report that nothing has come to our attention that would lead us to believe that the information disclosed in the Reporting Template (s) does/do not represent a fair and accurate summary of payments made to the..... in accordance with the instruction in the Reporting Template(s).

Name and Address of Auditor:.....

Name of authorizing Auditor:..... Position/Title:.....

Signature:..... Contact number:.....

E-mail address:.....

APPENDIX 3

ANALYSIS OF CHIEFDOM/DISTRICT COUNCILS RECEIPTS OF SURFACE RENT.

Company	District/ Chiefdom	2008		2009		2010	
		USD	Le	USD	Le	USD	Le
African Mineral	Port Loko Dist.				30,000,000	11,875.0	
					61,800,000		
	Nimiyama				93,000,000		
Total		0	0	0	184,800,000	11,875	
Sierra Rutile	Bonthe District		89,080,900		95,018,000		125,108,000
	Moyamba Dist.		186,024,600		196,469,000		193,935,000
	Bo District		10,565,000		11,670,000		12,775,000
	Jong Chiefdom		4,382,000		4,382,000		4,382,000
	Bagruwa Chiefdom		35,000,000		109,160,000		71,836,000
	Imperri		106,894,220		114,704,430		75,715,000
	Upper Banta	60,678.44		62,509.26	190,653,365	64,340.07	200,927,000
Total		60,678.44	431,946,720	62,509.26	722,056,795	64,340.07	200,927,000
Cluff Gold	Bo District		150,000,000		154,000,000		200,916,326
Total			150,000,000		154,000,000		200,916,326

SOURCE: SUBMITTED TEMPLATES FROM DISTRICT AND CHIEFDOM COUNCILS/BOAS & ASSOCIATES.

APPENDIX 4

Data for plotting Figures

	<i>Recon.L licence</i>	<i>Explo. Licence</i>	<i>Mining Licence</i>	<i>Surface Rent</i>	<i>Mineral Royalty</i>	<i>Corporate tax</i>	<i>Agri Dev Fund</i>	<i>Training & Dev fund</i>	<i>Sale/ geophys data</i>	<i>Diam. Exporter's licence</i>	<i>Diam. Exporter' s Agent fees</i>	<i>Royalty (Diamond Dealers)</i>
2008		2,039,085	1,045,635	522,782	918,298	395,405	105,000	375,000	3,145	81,500	4,525	2,058,502
2009	-	923,290	688,477	1,444,948	1,666,856	125,414	92,000	250,000	-	73,000	1,445	1,028,426
2010	-	347,272	1,883,887	1,335,839	2,395,997	208,267	109,900	625,000	-	73,000	3,611	1,518,828

Source: Templates submitted by Boas & Associates

SLEITI second reconciliation report

SIERRA LEONE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (SLEITI)

Name of reporting Company: KOILU INDUSTRIES SA

Address: 84 WILKINSON ROAD, FREETOWN

Type of Licence	Location of Leased Area		Licence No. ML 6/95, ML Tonga, EXPL	Duration of Licence:	Expiration date of Licence: 22/7/30	Taxpayer Identification Number: 1001558-5		Type of mineral mined or explored
	Year	Amount				Date of payment	Place where payment was made (specify name of office, bank, etc)	
		Basis of tax or fee paid (e.g. rate applied)		Method of payment (e.g. cheque, wire, transfer, cash etc)	Payment Ref. No. (if amount represents multiple payments attach list and breakdown)			Provide comment (s) or additional information if any
Mining Lease Koilu Kimberlite Project/Tongo Diamond Field Project	2008	USD: 400,000 LE:	/	Bank draft	RCB draft no. 003745/001887	11/7/08 & 22/7/08	Ministry of Mineral Resources	
	2009	USD: LE:						
	2010	USD: 400,000 LE:	/	Bank draft	RCB draft no. 004414/SLCB 003136	30/2/10 & 16/12/10	Ministry of Mineral Resources	
Exploration Licence Panguma Area	2008	USD: 14,500 LE:	/	Bank draft	RCB draft no. 003993	24th December 2008	Ministry of Mineral Resources	
	2009	USD: LE:						
	2010	USD: 14,500 LE:	/	Bank draft	RCB draft no. 004689	10th February 2010	Ministry of Mineral Resources	
Royalty	2008	USD: 130,359 LE:				January 2008	Ministry of Mineral Resources	
	2009	USD: 878,829 LE:				March to December 2009	Ministry of Mineral Resources	
	2010	USD: 1,242,854 LE:				February to December 2010	Ministry of Mineral Resources	
Agricultural Development Fund no payments were made for the period	2008	USD: LE:						
	2009	USD: LE:						
	2010	USD: LE:						
Corporate Tax Tax Loss 2008 to 2010	2008	USD: LE:						
	2009	USD: LE:						
	2010	USD: LE:						
Surface Rent	2008	USD: 28,568 LE:		Bank draft	RCB draft no. 003747	13th July 2008	Ministry of Local Government	

	2009	USD: 29,538	Bank draft	KCB draft no. 000060	17th July 2009	Ministry of Local Government
		LE				
	2010	USD: 29,538	Bank draft	KCB draft no. 000177	12th July 2010	Ministry of Local Government
		LE				

K.A.D. signature 2012

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28-5-12

KPMG.

APPENDIX G: SLEITI REPORTING TEMPLATES

Template A: This template is to be filled by MMR, NRA & GGDO for revenue received from Companies (large or small) in the mineral sector.

This report is on revenues received from specific company (large or small) for the financial year ending 31st December of 2008, 2009 & 2010.

Name of the reporting entity: NATIONAL REVENUE AUTHORITY

Address: 84 WILKINSON ROAD FREETOWN

Name of company (large or small) on which report is made: KOIDU HOLDINGS SA.

Type of Licence:	Location of Leased Area	Year	Amount	License No.	Basis of tax or fee paid (e.g. rate applied)	Duration of Licence	Method of payment (e.g. cheque, wire, transfer, cash etc)	Expiration date of Licence:	Payment Ref. No. (if amount represents multiple payments, attach list & breakdown)	Date of payment:	Taxpayer Identification Number (TIN)	Place where payment was made (specify name of office, bank etc):	Type(s) of mineral(s) mined or explored:	Provide comment(s) or additional information if any:
Mining Lease		2008	US\$: 1,500,446,353.98			CHEQUE		MULTIPLE PAYMENTS	2008	2008		NRA OFFICE		
		2009	US\$:											
		2010	US\$: 778,654,000.00			CHEQUE		SINGLE	7/8/2010					
Exploration Licence		2008	US\$: 56,452,415			CHEQUE		SINGLE		7/8/2010				
		2009	US\$:											
		2010	US\$:											

Diamond Exporter's Licence	2008	US\$							
	2009	US\$							
	2010	US\$							
Reconnaissance Licence	2008	US\$							
	2009	US\$							
	2010	US\$							
Primary Application Fee	2008	US\$							
	2009	US\$							
	2010	US\$							

TOTAL AMOUNT IN US\$.....

TOTAL AMOUNT IN LEONES: LE 8,791,562,614.10

Management Sign-off

I acknowledge on behalf of NRA-NTN
by SLEITI and have endeavoured to do so

the need to supply fair and accurate information in accordance with the guidelines provided

Name of authorizing officer: SE Cleared

Position/Title: Deputy Commissioner

Signature & Date: [Signature]

Contact phone number: 076653954

29/06/12

APPENDIX 7: 2 ND SLEITI RECONCILIATION REPORT			
DETAILS ON PARTICIPANTS REPORTING TEMPLATES			
No.	Name of Company	Status of Reporting Template	
Large Scale Companies			
1.	Koidu Holdings S.A	Signed by External Auditor.	
2.	Cluff Gold – SL	Signed by External Auditor.	
3.	Sierra Rutile Ltd	Template not Signed by external auditors – submitted Financial statements	
4.	London Mining Ltd	Template not Signed – submitted Financial statements	
5.	Sierra Mineral Holdings	Not signed – Financial submitted Statements	
6.	African Minerals Ltd	-Not signed by External Auditors -Submitted Financial Statements	
Small Scale Companies			
7.	Kingho Investment Co.	-Templates not signed by External Auditors & -No financial statements submitted	
8.	West African Zircon Mining Co.		
9.	Nimini Mining Co. Ltd		
10	Chang Feng Company (SL) Ltd	-Did not participate	
Oil & Gas Companies			

11.	Anardako Petroleum (SL) Ltd	-Template not yet signed by Ext. Auditor --- Submitted Financial statement	
11.	Anardako Petroleum (SL) Ltd	-Template not yet signed by Ext. Auditor --- Submitted Financial statement	
12.	Oranto Petroleum (SL) Ltd	Not signed by External Auditor: No Financial statements	
13.	Prontinal	Not signed by External Auditor: No Financial statements	
Exporters / Dealers			
14.	Kassim Basma	Template signed by External Auditor	
15.	H.M. Diamonds	Template signed by External Auditor	
GOVERNMENT REPORTING ENTITIES			
1.	National Revenue Authority NRA	Reporting templates from NTR & DTD certified by Auditor General	
2.	Ministry of Mines & Mineral Resources MMMR	Templates endorsed by Auditor General	
3.	Petroleum Directorate	Templates endorsed by Auditor General	
4.	Govt. Gold & Diamond Office GGDO	Templates endorsed by Auditor General	

Templates for chiefdoms and District Councils were not signed by the Auditor General

