

Deloitte.

Extractive Industries
Transparency Initiative in Albania
Report for the year 2012

November 2014

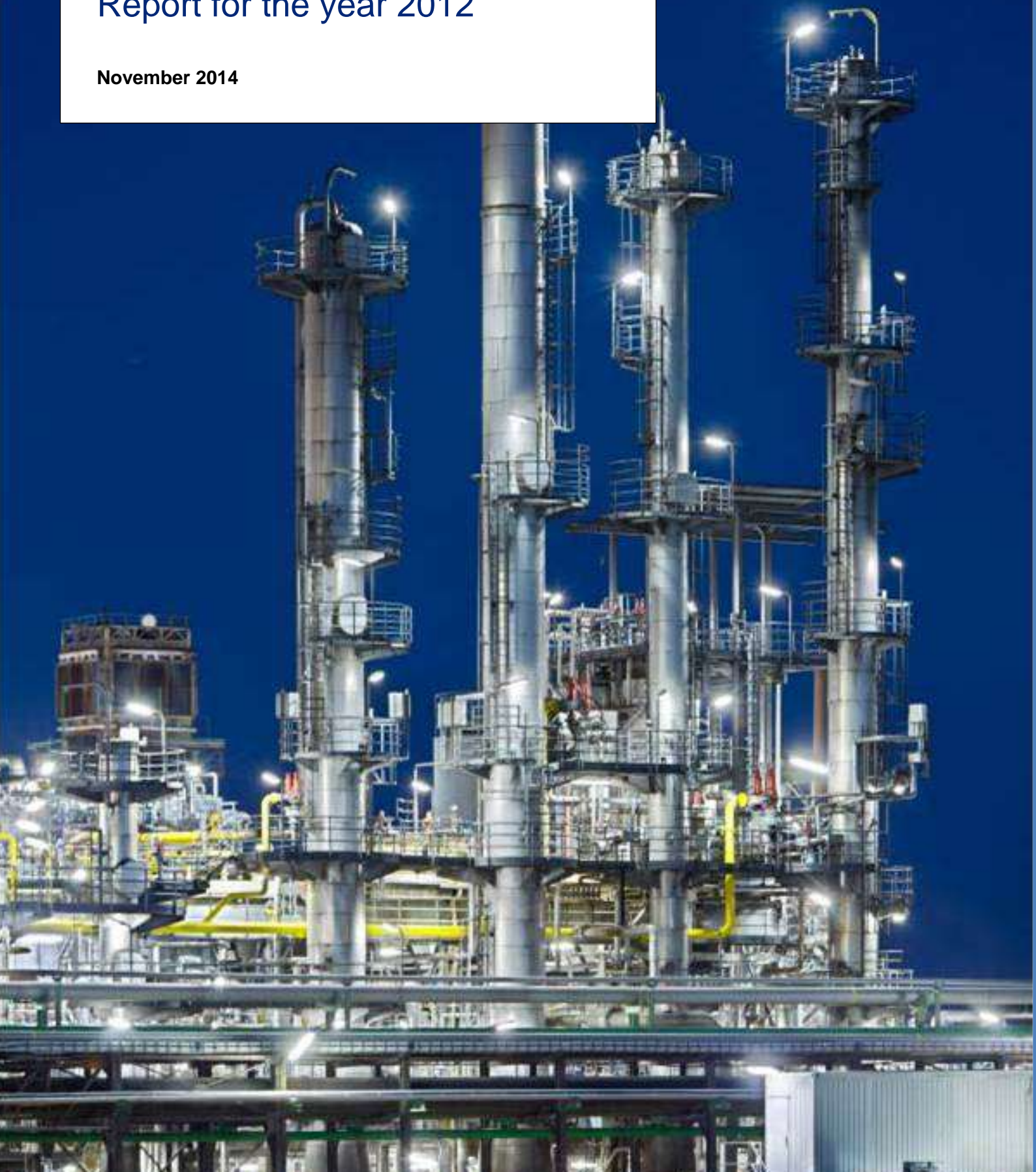


Table of contents

Executive Summary	4
1. Introduction	8
2. Overview of the extractive sector in Albania	11
3. Overview of flows reported and reporting entities	37
4. Approach, methodology and work done	38
5. Reconciliation summary	41
6. Results of the reconciliation	42
7. Lessons learned and recommendations	51
Glossary and abbreviations	55
Appendix 1: Disaggregated reconciliation from the oil and gas sector	56
Appendix 2: Disaggregated reconciliation from the mining sector	58

The Albanian Working Group
c/o Ministry of Energy and Industry
“Deshmoret e Kombit” Blv.
Tirana, Albania

Report of factual findings - assembly and reconciliation of cash flows

This report summarizes the result of the reconciliation of cash flows from the petroleum and mining activities as part of the implementation of the Extractive Industries Transparency Initiative (EITI) in Albania for the year 2012.

The report consists of seven chapters. Chapter 1 describes the background and objective of the reporting. Chapter 2 provides contextual information on the industry. The reporting, compilation, and reconciliation processes are presented in chapters 3 and 4. Chapter 5 provides a short summary of the reconciliation. In chapter 6, the compilation and reconciliation of payments is presented on an aggregated level. Lessons learned during this year’s reconciliation are summarized in chapter 7. Reported figures, disaggregated on a company-by-company level, are included as appendices to the report. The amounts in this report are stated in thousand Albanian Lek, unless otherwise stated.

We have performed our work in accordance with the International Auditing Standards on Related Services (“ISRS”) 4400 “Engagements to perform agreed upon procedures regarding Financial Information” published by the International Federation of Accountants (“IFAC”).

Our procedures are listed in section 4.5. Our findings are presented in chapter 6 of this report and in the appendices. Information presented in Chapter 1 and Chapter 2 is provided by EITI Albania in collaboration with the Ministry of Energy and Industry, Agency of Natural Resources in Albania, and the Albanian Geological Service. We did not carry audit procedures to validate the completeness and accuracy of the information presented in these chapters.

Because the agreed-upon procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the payments reported by the companies and government institutions. The information presented in our report, or information provided by licensees or government institutions, has not been subject to control or verification procedures unless otherwise stated in the report. Had we performed additional procedures, or had we performed an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported.

The objective of this report is to enhance transparency within the petroleum and mining industry. Our procedures are not designed to identify fraud or misstatements made by licensees and government bodies.

November 21, 2014

Tirana, Albania

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see <http://www.deloitte.com/al/about> for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Member of Deloitte Touche Tohmatsu Limited

Executive Summary

This summary sets out main facts over the extractive sector in Albania and findings from the exercise of reconciliation of the payments upstream oil, gas and mining companies and the receipts declared from the Government and the State-owned Company.

Albania stands among 31 countries complying with the Extractive Industry Transparency Initiative.

As part of the ongoing implementation of this initiative the Albanian Government publishes this informative report on the extraction of oil, gas and other minerals, contribution of this industry to the State budget and allocation and spending of these income. The final aim of this initiative is to promote transparency in order to prevent corruption, and raise awareness among citizens to demand from their Government proper use of the fiscal and non-fiscal income generated from the exploration and exploitation of natural resources in Albania.

I. Overview of the extractive industry

Table 1 – Key data facts on the extractive industries

in Lek billion, unless otherwise stated

	2012	2011
Oil and gas production	50.3	47.9
Mining production	15.5	22.8
Total sector production	65.8	70.7
Contribution to GDP	5.6%	4.3%
Contribution to the State Budget		
Oil and gas sector	7.1	4.7
Mining sector	1.3	1.4
Total contribution	8.3	6.0
Total contribution in %	2.5%	1.8%

AKBN reported total production of oil and mining at the amount of **Lek 65.8 billion in year 2012 and Lek 70.7 billion in year 2011**.

Oil comprised **76%** of the total extractive sector production **in 2012** and **68%** **in 2011**.

Approximately **85% of total oil produced** was extracted from the **Patos-Marinëza oilfields**.

Production of chromium comprised approximately **62% of total mining production in 2012** and **66% in 2011**.

About **58% of chromium produced in year 2012** and **70% of chromium produced in 2011** was extracted from the district of **Bulqiza**.

Based on data reported from INSTAT, production of oil, gas and mining represented about **5.6% of GDP in 2012** and **4.3% of GDP in 2011**.

Contribution of the extractive industry **to total employment in the country** is almost insignificant. AKBN reports that companies licensed in oil, gas and mining sector employee **less than 1%** of total employees in the country.

Figure 1 – Cash flows from the extractive industry

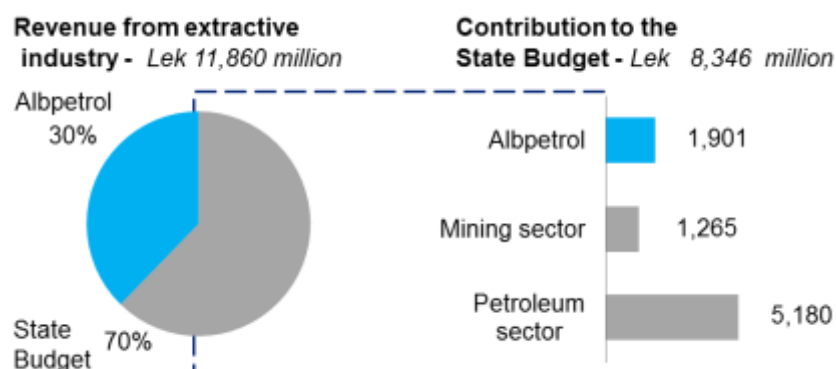


Figure 1 above presents an overview of the cash flows generated from the extractive industry and their allocation between the State Budget and Albpetrol.

Revenue generated from the extractive industry (from share of oil production, royalty, profit tax, and signature bonuses) amounts to **Lek 11,860 million in total**. This revenue includes oil production and bonuses amounting to **Lek 5,415 million collected by Albpetrol** for production licenses under its administration. As a licensee, **Albpetrol paid to the State budget** royalty, profit tax, and dividend amounting to **Lek 1,901 million**.

Payments amounting to **Lek 8,346 million** or 70% of total cash flows from the extractive industry were recorded in the **State budget**. These payments contribute to **2.5% of the total revenue** in the State budget in **2012** (2011: 1.8%). The largest share of this revenue is generated from the oil and gas sector, comprising Lek 5,180 million or 62%, followed by the Albpetrol and the mining sector contributing with 23% and 15%, respectively.

Payments made to Albpetrol from the oil, and gas licenses for the share of oil production and bonuses in accordance with the petroleum agreement were **Lek 5.4 billion in 2012** (2011: Lek 3.5 billion). **Had these payments flown directly to the State Budget, the contribution of the industry to the State Budget would be 4.1% in 2012 and 2.9% in 2011.**

Table 2 – Royalty collected from the extractive industry

in Lek billion, unless otherwise stated

	2012	2011
Oil and gas sector	6.5	4.3
Mining sector	0.7	0.6
Total royalty	7.2	4.9
Contribution to the Budget	2.2%	1.5%
Transfer of rent to the generating LGUs		
Oil and gas sector	0.04	-
Mining sector	-	-
Royalty transferred in %	0.6%	0%

The Ministry of Finance reported that no sub-national transfers were made to LGUs in 2011. In 2012, subnational transfers of Lek 41.7 million, which comprise 0.6% of total royalty levied or 2.3% of total royalty transferable in accordance with National law on taxes. According to the Ministry of Finance, in 2011 and 2012, revenues from the royalty payments were recorded in the State Budget in a pool and no accurate records were held on royalty generated out of each local government unit.

II. Reconciliation in 2012

Selection of reporting entities

All companies operating an exploration license in oil, gas, and mining and a production license in oil and gas were required to report under the EITI Standard. Thus, **cash flows reconciled for the oil and gas sector represent 100% of cash flows** contributed by the sector for the selected revenue streams.

Because of the large number of small-scale producers in the mining sector, certain materiality criteria based on annual turnover and production were applied to select the significant producers. The selection resulted in **69 mining companies**, which based on the data provided by AKBN, comprise **77.1% of the production value**.

The total **number of licensees** selected for the reconciliation process **was 78, comprising 8 oil companies, Albpetrol, and 69 mining companies**. By the date of this Report **74 out of 78 licensees reported payments** to the State and Albpetrol as per the required revenue streams.

Deloitte engaged in the reconciliation of the reporting from the licensees and the government institutions in order to identify and clarify any potential discrepancies in the reporting. All discrepancies initially identified were further analyzed in the attempt to reconcile and explain.

Most of the discrepancies were explained through reconciliation work. Discrepancies were in general due to amounts initially left out from the reporting, or errors in the reporting.

Licensees and recipient government institutions have been very cooperative in contributing to solving the discrepancies. However, we encountered a large number of discrepancies, which indicates a potential for improvement of related reports and establishment of a quality assurance process to ensure completeness and accuracy. Lessons learned and recommendations are presented in chapter 7 of this report.

By the date of this report **cash flows were reconciled to 99%** of cash flows reported from licensees and the Government or licenses and Albpetrol.

Section 5 and 6 present the reconciliation on an aggregated level. Company-by-company reconciliation is presented in the appendices to the report. Table 3 and 4 below present a summary of the cash flow reconciliation.

Table 3 Summary of reconciliation of cash flows to the State Budget

Aggregated payments	Adjusted amounts in <i>Lek million</i>			Adjusted amounts in <i>USD million</i>		
	Licensees	Government	Discrepancy	Licensees	Government	Discrepancy
Oil and gas sector	6,927	6,927	-	65.0	65.0	-
Mining sector	1,004	1,021	(17)	9.4	9.6	(0.2)
Albpetrol	1,889	1,901	(13)	17.7	17.8	(0.1)
Total	9,819	9,849	(29)	92.1	92.4	(0.3)

Table 4 Summary of reconciliation of cash flows to Albpetrol

Aggregated payments	Adjusted amounts in <i>Lek million</i>			Adjusted amounts in <i>USD million</i>		
	Licensees	Albpetrol	Discrepancy	Licensees	Albpetrol	Discrepancy
Oil and gas sector	5,478	5,415	63	51.4	50.8	0.6
Total	5,478	5,415	63	51.4	50.8	0.6

1. Introduction

This report is the 4th Albanian Extractive Industry Transparency Initiative Report and covers the period from 1 January to 31 December 2012.

1.1 What is EITI?

The Extractive Industries Transparency Initiative (“EITI”) is a voluntary international coalition of governments, extractive industry companies and civil society organizations engaged in management and use of natural resources, such as oil, gas and minerals (see also: www.eiti.org). EITI’s final aims, is to promote transparency in order to prevent corruption as well as provide citizens with a basis for demanding fair use of revenue. Transparency is also expected to positively contribute to growth of investments in the sector.

Alongside other efforts to improve transparency in government budget practice, the EITI begins a process whereby citizens can hold their governments to account for the use of those revenues.

A country’s natural resources belong to its citizens. Citizens should have the right to see what their government is receiving from these resources. However, in too many countries this information is not publicly available.

The transparency initiative is regulated through an international standard that ensures more transparency around countries’ oil, gas and mineral resources, the “EITI Standard”, which replaced the “EITI rules” on July 2013.

The EITI standard is developed and overseen by a coalition of governments, companies and civil society. It is based on the belief that prudent use of natural resources contributes to economic growth, sustainable development

and reduction of poverty in resource-rich countries.

Under this standard, companies declare what they pay and governments declare what they receive. These payments are disclosed in an annual EITI Report which shall be comprehensive and actively promoted to allow citizens to see for themselves how much their government is receiving from their country’s natural resources and demand for fair use of the revenue.

1.2 EITI in Albania

The Extractive Industries Transparency Initiative in Albania (ALBEITI, www.albeiti.org) was established in 2009 by the Government of Albania with the purpose of promoting good resource governance through the implementation of the international criteria and principles of the EITI. Albania joined EITI as a candidate in May 2009 and obtained the EITI compliant status in May 2013. Three annual reports were produced for the years 2009, 2010 and 2011. This is the 4th annual report covering a period from 1 January 2012 to 31 December 2012.

The process is overseen by the Albanian Multi-stakeholder Group (“MSG” or the “Albanian Working Group”), regulated by Public Order No. 71 dated 21 July 2011, chaired by the Deputy Minister of the Ministry of Energy and Industry and composed of various EITI stakeholders including the Government, extractive companies, civil society etc. The Albanian Working group is the decision-making body supervising the implementation of EITI in Albania. The Albanian MSG is supported in its work by the EITI Albania Secretariat (“ALBEITI”).

1.3 Albanian Working Group

Government of Albania

- | | |
|------------------------|---|
| ▪ Mr. Ilir Bejtja | Deputy Minister of Energy and Industry – Chairman |
| ▪ Mr. Dritan Spahiu | Ministry of Energy and Industry |
| ▪ Mr. Mehmet Hasalami | Ministry of Energy and Industry |
| ▪ Ms. Arjana Dyrmishi, | Ministry of Finance |
| ▪ Ms. Ermonela Xhafa | Ministry of Justice |
| ▪ Ms. Alketa Knuti | General Directorate of Tax |
| ▪ Mr. Bislim Boshnjaku | Albanian Geological Service |
| ▪ Mr. Jorgo Thanas | National Agency of Natural Resources |
| ▪ Mr. Pandi Duro | Albanian Custom Administrate |

Civil Society Organizations

- Mr. Ilir Aliaj Centre for Development and Democratization of Institutions
- Ms. Anila Hajnaj Albanian Centre for Development and Integration
- Mr. Sami Nezaj Centre for Transparency and Free Information
- Mr. Erald Kapri Youth Media Albania
- Mr. Fatbardh Zeneli Albanian Centre for International Rights

Interest Groups

- Mr. Omer Dashi Bankers Petroleum
- Mr. Saimir Boka Albchrome
- Mr. Perparim Alikaj FIAA
- Mr. Fatbardh Ademi Stream Oil and Gas
- Mr. Dritan Dervishaj Antea Cement
- Ms. Migela Xhani Beralb
- Ms. Andia Beluli Petromanas

1.4 Annual reporting

According to the EITI Standard, licensees and the Government bodies shall report payments made and revenues received annually and these shall be reconciled by an independent administrator. In this context, the MSG and ALBEITI requested the following parties to report all payments made to the Albanian Government:

- all licensees operating in exploration of oil, gas, and mining;
- all licensees operating in production of oil and gas; and
- the largest mineral producers with production over USD 750 thousands.

Additionally, the MSG and ALBEITI requested recipient Government institutions to report certain revenues received.

EITI Reporting in Albania for the mining sector is regulated through Law No.10304 “On the Mining sector in the Republic of Albania”, dated 15 July 2010, which compels all mining companies to implement the EITI. The Petroleum sector has voluntarily accepted EITI through memorandum of understandings signed between ALBEITI Secretariat and the companies operating in the petroleum sector.

In accordance with the new EITI standard requirements, EITI Albania compiled the contextual information over the extractive sector in Albania. For the purpose, the MSG and ALBEITI requested the National Institute of Statistics (INSTAT), the industry regulators, and fiscal Government agents to furnish ALBEITI with macroeconomic data, production, exports, and revenue collected from the extractive industry.

On May 2, 2014 the MSG appointed Deloitte Albania Sh.p.k as administrator according to a contract dated May 2, 2014. The administrator’s role is to:

- Receive reporting from licensees and governmental agencies
- Compile the reporting and seek to resolve discrepancies to the extent possible
- Prepare and publish a report comprising the reconciled payments and revenues, any discrepancies, and other information relevant, to understand the payments and revenues from the petroleum and mining activity.
- Provide recommendations for improving the process

1.5 Acknowledgements

We would like to express our sincere thanks to the Ministry of Energy and Industry, the Albanian Working Group and to the Albanian EITI Secretariat, who have assisted us in receiving timely replies from the Government and participating companies. Our special thanks go to Mr. Dritan Spahiu and Mr. Dael Dervishi for supporting preparation of the comprehensive contextual information on the extractive sector in Albania.

2. Overview of the extractive sector in Albania

Information for this section is provided by EITI Albania in collaboration with the Ministry of Energy and Industry, Agency of Natural Resources in Albania, and the Albanian Geological Service.

The independent administrator did not carry audit procedures to validate the completeness and accuracy of the information presented in this section.



2.1 Legal framework governing the extractive sector

The Ministry of Energy and Industry (“MEI”) is the Ministry responsible for establishing energy and resources public policies and monitoring of the implementation of the legislation in this sector. MEI is responsible for granting exploration and production licenses in the oil, gas and mining sector.

The National Agency for Natural resources (“AKBN”) and Albanian Geological Service (“AGS”) support MEI with the pre and post-licensing procedures, AKBN for production licenses and AGS for exploration licenses, respectively. Pre-licensing procedures include promotion of free sites, instruction of potential operators, technical verification of proposed production plan, and negotiation of investment plan and other terms. Post-licensing procedures include monitoring of licensees activity through periodical reports collected from the licensees and monitoring site visits.

2.1.1. Exploration, development, and production of oil and gas

Exploration, development, and production of oil and gas in Albania are regulated by Law no.7746 “On Petroleum (Exploration and Production)” dated 28 July 1993 (“Law on Petroleum”). Since the adoption of the Law, it has been amended by Laws No.7853 (29 July 1994), 7811 (12 April 1994), and 9975 (28 July 2008)¹.

Law on Petroleum expressly states that all petroleum deposits existing in their natural condition in strata lying within the jurisdiction of Albania are the exclusive property of the Albanian State. The law permits MEI to enter into a Petroleum Agreement, whereby grants exclusive rights to explore and produce oil and gas for a limited period to an oil company.

Government of Albania is currently revising the Law on petroleum. The draft revisions were not published by the date of this report.

2.1.2 Albpetrol – oil company owned by the Albanian Government

Albpetrol Sh. A. is the state-owned oil company engaged in the development, production and trade of crude oil and gas. Albpetrol was incorporated on 20 March 1993. The Albanian Government, represented by the Ministry of Economic Development, Trade and Entrepreneurship is its sole shareholder.

In 1993, the Law on petroleum granted Albpetrol sh.a. with the **administration of all existing oilfields in Albania and four exploration blocks in the area of Dumre, Panaja, Velçe and Delvine**. Extension of Albpetrol exploration and production rights were defined in a separate agreement approved on 26 July 1993 (“The Albpetrol Agreement”). In 12 April 2012, under the same terms, the Council of Minister Decision (VKM) 279 dated 12 April 2012 granted Albpetrol with **exploration blocks 1, 5, 6, 7 and 8**.

Initial Alpertol’s activities included exploration, production, refining, marketing and sales, and petroleum services. In 1999, due to restructuring process, Albpetrol was divided into the following three State-owned companies:

- Albpetrol Sh.a. (“Albpetrol”) which retained exploration and production activity, and inherited administration of all licenses granted prior to this date;
- ARMO Sh.a. which retained refining, and marketing and sales of oil; and
- Servcom, wich retained petroleum services.

Under Law No.10490 dated 15 December 2011, the Albanian Parliament decided to privatize Albpetrol. Following this decision, the Law on Petroleum was subsequently amended in 2012 by Law No. 31/2012 to redefine the position of Albpetrol as a commercial enterprise in accordance with Law no. 9901 dated 14 April 2008 “On commercialists and commercial entities”, amended.

Accordingly, exploration and production rights granted to Albpetrol as primary licensee would be subject to the regular terms referred in the Law on petroleum for oil and gas economic operators. In pursuing better utilization of resources and production efficiency, the Law allows Albpetrol to sub-grant its exploration and production rights to oil and gas companies, subject to approval by the Ministry of Energy and Industry.

¹ Summary of the Albanian legal framework for petroleum exploration and production – www.akbn.gov.al.

Albpetrol's governance

The General Assembly (“the Assembly”) is the highest governing body of Albpetrol. The Assembly appoints the Supervisory Council (“the Council”) entrusted with monitoring of operating and financial activities and internal controls of the Company. The Assembly elects the administrator of the Company with a three year mandate, based in the criteria established by the Supervisory Council. In accordance with the Albpetrol's statute the administration and supervision of the Company are two separate functions, where the administrator reports to the Supervisory Council and may not be a member of the Council. Among other functions, the Council is also responsible for establishment of the administrator's remuneration.

The Supervisory council is composed of members with mixed backgrounds representing the Government of Albania. Currently, the Supervisory Council is chaired by **Mr. Koli Bele**, General Secretary of the Ministry of Energy and Industry and includes the following members:

- **Mr. Dritan Spahiu**, Member and Director of the Petroleum Policy and Development Directorate within the Ministry of Energy and Industry;
- **Mr. Artur Metani**, Member and Director of the National Bureau of Investigation. Previously served as legal advisory of the President of the Republic of Albania;
- **Mr. Ardit Çollaku**, Member and Advisor of the Minister of Economic Development, Trade and Entrepreneurship;
- **Ms. Etleva Kondi**, Member and Director of Concession, Procurement and Privatization at the Ministry of Energy and Industry; and
- **Mr. Andius Ollashi**, Member and Head of Socialist Party in Fier.

Setting oil prices

The annual financial statements of Albpetrol for 2012, disclose that Albpetrol's sale of oil in 2012 is regulated from the Minister of Economic Development, Trade and Entrepreneurship order no 83 dated 10 February 2012 “On rules and procedures regarding sale of petroleum” amended by order 635 dated 13 September 2012. Accordingly, the Administrator of Albpetrol sets the criteria for establishment of the oil price, which are approved by the Experts Committee a sub-committee of the Supervisory Council. Upon approval of oil price criteria the Company announces oil auctions.

However these financial statements do not disclose oil prices established or any information on oil contracts in force throughout the reporting period.

2.1.3 Petroleum Agreements

Petroleum agreements have all been developed as Production Sharing Agreements (PSAs), signed by the National Agency of Natural Resources (AKBN) on behalf of the Government of Albania and the licensee. **Albpetrol is party to the agreements when PSAs grant oil fields under Albpetrol administration.** PSAs for oil fields discovered are granted for an initial production period no longer than 25 years and can be extended further as provided for in the Petroleum Law.

The Law on Petroleum defines PSAs as agreements under which:

- the Licensee may recover costs incurred from the petroleum produced in the contract area or from a proportionate part thereof, and
- the stock of petroleum outstanding after the recovery of contract costs is divided between the Licensee and the State in accordance with a scale or formula specified in the petroleum agreement².

Detailed terms of Petroleum agreements are considered commercial secret and not currently disclosed for public access.

² Law No. 7746 on Petroleum (Exploration and Production), Article 2

Main terms and features of the Petroleum agreements³ are listed below:

1. Duration of Exploration Period

The duration of the exploration period is up to 5 years and can be extended up to 7 years in conformity with the "Petroleum Law". The exploration period is divided in three phases. Each phase has its work obligations and financial commitments, such that the contractor can't follow the subsequent phase without completion of work obligations and financial commitments of the prior phase. The duration of each phase of Exploration Period is subject to negotiations.

2. Duration of the Development and Production Period

In case of a commercial discovery, the period for development and production of the area shall be twenty-five years and can be further extended as provided for in the "Petroleum Law".

3. Minimum Work Obligations and Financial Commitments

These obligations will be defined by the Contractor in its application to AKBN and are subject to negotiations before entering the agreement.

4. Training and Administration Funds

The amount will be specified by the Contractor in its application and is subject to negotiations.

5. Cost Recovery and Petroleum Sharing

The terms for cost recovery and petroleum sharing will be specified by the contractor in its application, subject to negotiations with AKBN before the signing of the Agreement.

The Contractor shall have the right to receive and retain abroad the proceeds from its export sales to the extent that they are not required to meet on a current basis its local currency costs in Albania.

6. Bonus

Under the Petroleum Sharing Agreement, the bonus (including signature bonus) is payable in various stages. The production bonus and the signature bonus are calculated per square kilometer based on negotiations.

³ Petroleum exploration and production opportunities in Albania, published by AKBN – www.akbn.gov.al

2.1.4 Exploration, development, and production of mineral ores

The mining sector in Albania is regulated by Law No.10304 “On the Mining sector in the Republic of Albania”, dated 15 July 2010 (“Law on Mining”), which entered into force in August 2010 and abrogated the Mining Law No.7796, dated 17th February 1994. Despite the fact that the Law entered in force in 2010, its implementation effectively started in mid-2011 when accompanying instructions were approved and published.

According to the Law on mining, the initial term of a production license shall be for 25 years, subject to renewal for additional 10 years. The exploration licenses are initially granted for 3 years, and are subject to further extension. AKBN and Albanian Geological Service (“AGS”) support MEI with the pre and post-licensing procedures, AKBN for production licenses and AGS for exploration licenses, respectively.

Under the new Law on Mining, licensees in this sector are no longer required to pay surface tax. Instead, the new Law introduces the concept of incorporating an environmental rehabilitation plan and commitment toward the annual investment and work. AKBN and AGS approve these financial plans respectively for the licensees under their supervision. Afterwards, licensees shall deposit financial guarantees each year in favor of MEI, in accordance with the approved annual plans.

Detailed terms of mining concession agreements are considered commercial secret and not currently disclosed for public access.

2.1.5 EITI reporting regulation

Article 36 of Law on mining explicitly requires mining companies operating in Albania to disclose their tax payments in accordance with the Extractive Industries Transparency Initiative. Council of Minister Decision No. 233 dated 23 March 2011 provides EITI reporting instructions.

AKBN and MEI provide a summary of laws and regulations in force for the mining sector in their respective websites: www.akbn.gov.al and www.energija.gov.al.

2.1.6 Changes in legal framework

In October 2014, the Albanian Parliament approved several amendments to the Law on Mining. These amendments specify that AlBEITI has the right to request and receive information on tax payments from entities holding mining permits, tax and custom authorities and local government units and the publish this data in the EITI report.

Further, changes in the law establish criteria for dealing with the subcontracting, which is quite common in the mining activity. These changes require explicitly that the selection of the subcontractor for exploration and / or production operations shall be approved by the Minister of Energy and Industry upon fulfillment of technical and financial conditions.

The law changes also foresee the employment of technical staff for the duration of the exploration and / or production license.

Albanian Parliament constantly publishes draft laws and amendments to legislation in its official website www.parlament.al.

2.2 Oil and gas sector overview

2.2.1 Exploration activity and reserves⁴

Geological studies in Albania reveal oil exploration and production opportunities both onshore and offshore. Oil exploration in Albania began in 1918. Since then, oil bearing fields were discovered in the following 11 onshore areas: Drashovica (1918), Patos (1927), Kuçova (1928), Marinza (1957), Visoka (1963), Gorisht-Kočul (1965), Ballsh-Hekal (1966), Finiq-Krane (1973), Cakran-Mollaj (1977), Delvina (1989) and Sqepuri (2001). Gas exploration in Albania began in 1955³. The first gas bearing field was discovered in Divjaka (1963), followed by Frakulla (1965), Ballaj-Kryevidhi (1983), Povelça (1987), Panaja (1988). In 1994, the Italian company Agip discovered the first offshore block, Adriatiku-4.

Petroleum was the first industry to attract direct foreign investment after the communist economic system broke down. From 1991 to the present, petroleum agreements have been signed and the following foreign companies have been involved in petroleum operation for oil and gas exploration:

Offshore: Deminex, OMV, Agip, Hamilton Oil, Edison Gas, Occidental Petroleum, Chevron, BHP Petroleum, Svenska Petroleum Exploration, Premier Consolidated Oilfields, Lundin Petroleum, Capricorn Albania, San Leon Energy, Beach Petroleum and Emanuelle Adriatic Energy

Onshore: Shell, Occidental Petroleum, OMV, Ina Naftaplin, Coparex, Lundin Petroleum, Premier Consolidated Oilfields, Enterprise, Clyde Expro PLC, MOL, Hellenic Petroleum, Anschutz, IPC, Bankers Petroleum, Petromanas Albania GmbH and Albanides Energy.

The **first oil discovery onshore Albania** after 1990 was made by Occidental Petroleum in 2001, after the first drilling of Shpiragu-1 well situated in Block 2 Area (also called Sqepuri oil-field, see table 5).

A summary of the exploration history in Albania is presented in the table 5 below, while the oil and gas fields location is presented in the figure 2 in page 14.

Table 5 – Summary of exploration activity in Albania

Field	Discovery year	Reservoir type	Reservoir depth (m)	O/g gravity (api)	Sulphur content (%)
Drashovica	1918	Oligoc-flysch	100-200	Oil < 10 °	N/a
Patos	1927	Mess-clastics	Surf. To 1200	Oil (12-24° API)	2.5-6
Kuçova	1928	Mess-clastics	Surf. To 1500	Oil (13-16° API)	4
Marinza	1957	Mess-clastics	1200-1800	Oil (12-35° API)	4-6
Visoka	1963	Cret/Eoc.Carb	800-1000	Oil (5-16° API)	5-6
Gorisht- Kocul	1965	Cret/Eoc.Carb	1000-2500	Oil (17° API)	6
Ballsh-Hekal	1966	Cret/Eoc.Carb	1000-3000	Oil (12-24° API)	5.7-8.4
Cakran-Mollaj	1977	Cret/Eoc.Carb	3000-4500	Oil 14-37 ° API	0.9
Finiq- Krane	1973	Cret/Eoc.Carb	800-2000	Oil (<10° API)	3.7-4.3
Delvina	1989	Cret/Eoc.Carb	2800-3400	Oil (31° API)	0.7
Divjaka	1963	Tort/clastics	2400-3000	Cond, 52 ° API	N.a
Ballaj-Kryevidh	1983	Piloc/clastics	300-1700	Gas & Condens	N/a
Frakulla	1965	Mess-clastics	300-2500	Gas	N/a
Povelca	1987	Mess-clastics	1800-3500	Gas	N/a
Panaja	1988	Mess-clastics	2500	Gas & Condens	N/a
Adriatik-4 (offshore)	1994	Mess-clastics	2500-3100	Gas	N/a
Sqepuri	2001	Cret/Eoc.Carb	4950	Biogenic Gas & Cond, 54.3° API	2.3

N/a – not available

Detailed information on geological formation of Albania territory, including onshore and offshore opportunities is provided in “Petroleum exploration and production opportunities in Albania” published by AKBN at: www.akbn.gov.al.

⁴ Invest in Albanian Natural Resources – Mineral Resources, published in August 2010, at by the National Agency of Natural Resources (AKBN) website – www.akbn.gov.al

2. Oil and gas reserves⁵ 2012

Based on studies performed by foreign companies and Albpetrol between year 1985 and 1990, petroleum reserves at existing Albanian drill sites totaled about 437.6 million tons⁵, however recoverable stocks according to those estimations amounted to only 81 million tons⁵. Albania's petroleum reserves generally are located in the tertiary layers in south-western Albania, mainly in the triangle-shaped region delimited by Vlorë, Berat, and Durrës. Albania's known natural gas reserves have been estimated at 18,164 million Nm³⁴ and lie mainly in the Kuçova and Patos areas. Cumulative gas produced until the end of 2012 amounts to 12,504 million Nm³. The table below lists geological and recoverable reserves for the existing oil fields in *million tons*:

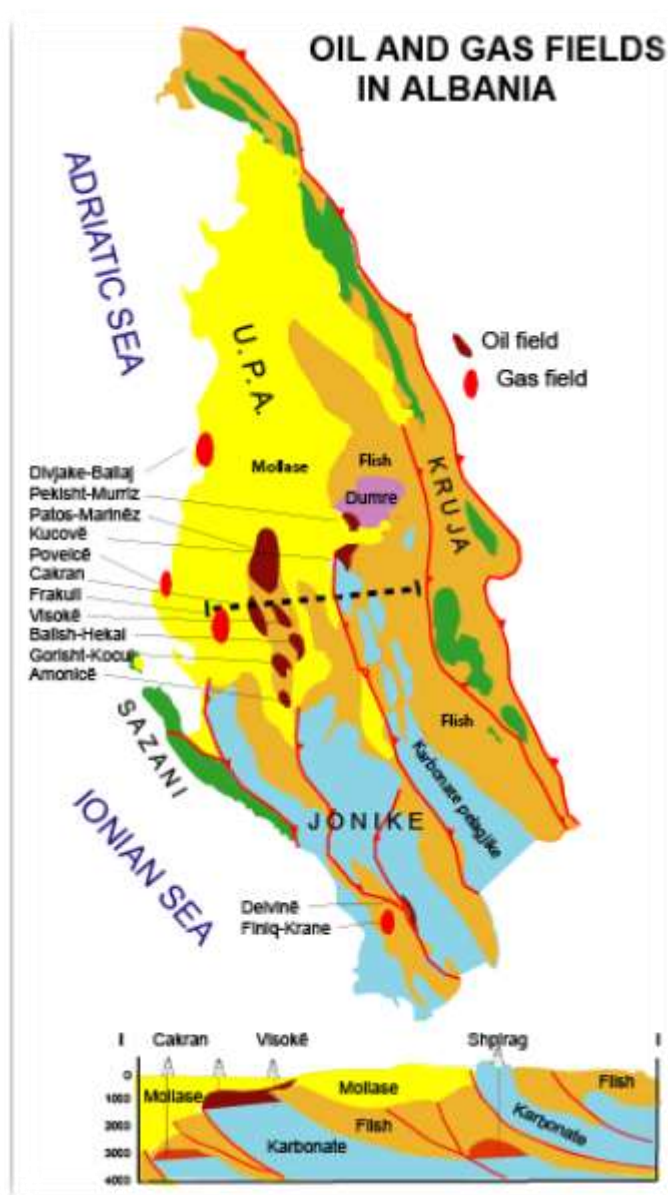
Table 6 - Geological and recoverable oil reserves in million tons

Oil Fields	Reserves in million ton		Cumulative production up to 2012
	Geological	Recovered	
Cakran –Mollaj	16.1	8.1	4.2
Ballsh-Hekal	19.7	6.5	5.1
Gorisht –Kocul	30.5	14.7	11.9
Amonice	2.8	1.5	0.7
Visoke	28.4	6.8	6.2
Delvine	0.3	0.1	-
Finiq –Krane	1	0.2	-
Drashovica	0.1	-	-
Total Limestone	98.9	37.9	28.1
Marineza	258.4	31.2	23.1
Kucova	80.3	12	4.2
Total Sandstone	338.7	43.2	27.3
Total	437.6	81.1	55.4

As shown above, the principal petroleum reserves (99% of total geological reserves) were located in:

- **2 sandstone areas:** Kuçova and Marinza, which collectively comprise 77% of total geological reserves and 53% of recoverable reserves; and
- **4 limestone areas:** Cakran –Mollaj, Ballsh-Hekal, Gorisht –Kocul and Visoka, which collectively comprise comprising 22% of total geological reserves and 45% of recoverable reserves.

Figure 2 – Oil and gas fields explored in Albania



⁵ Link: <http://www.albpetrol.al/rezervat-gjeologjike/>

The following petroleum agreements were in the **production phase** during 2012:

Group	Licensee	Date of Petroleum Agreements	Area of operations (onshore)	Website
Bankers Petroleum Ltd.	Bankers Petroleum Albania Ltd	July 2004	▪ Patos-Marinza,	www.bankerspetroleum.com
	Sherwood International Petroleum Ltd	September 2007	▪ Kuçova	www.bankerspetroleum.com
Stream Oil & Gas Ltd.	Dega ne Shqiperi e Stream Oil & Gas Ltd <i>(Now Transatlantic Petroleum Ltd)</i>	August 2007	▪ Gorisht-Kocul, ▪ Cakran-Mollaj, ▪ Ballsh-Hekalit ▪ Delvina	www.streamoilandgas.com
Transoilgroup AG	Transoil Group -Dega ne Shqiperi	February 2012	▪ Visoka	www.transoilgroup.com

All petroleum agreements for exploitation and production of oil and gas presented above, were signed with Albpetrol, in its capacity of primary licensee in the area. Accordingly, Albpetrol held a share of oil produced under these agreements. In addition, Albpetrol exclusively operated the following:

- oil and gas fields in 2012: Pekish-Murriz, Frakullë, Panaja, Povelce, Divjakë, Ballaj-Kryevidh, Finiq-Karne, Amonicë and Drashovicë (refer to **Figure 1**);
- the onshore exploration blocks: 1, 4-8, C, Dumre, Panaja, Velca (refer to **Figure 2**) and
- Rodoni North offshore block (refer to **Figure 2**).

In 2013, Albpetrol sublicensed exploitation and production rights on Pekish-Murriz, Frakullë, Panaja, Povelce, Divjakë, Ballaj-Kryevidh, Finiq-Karne, Amonicë and Drashovicë to Phoenix Petroleum Sh.a.⁶

In September 2014 Transatlantic Petroleum Ltd announced that reached agreement to purchase the operations of Stream Oil & Gas in Albania for an amount of USD 41 million.

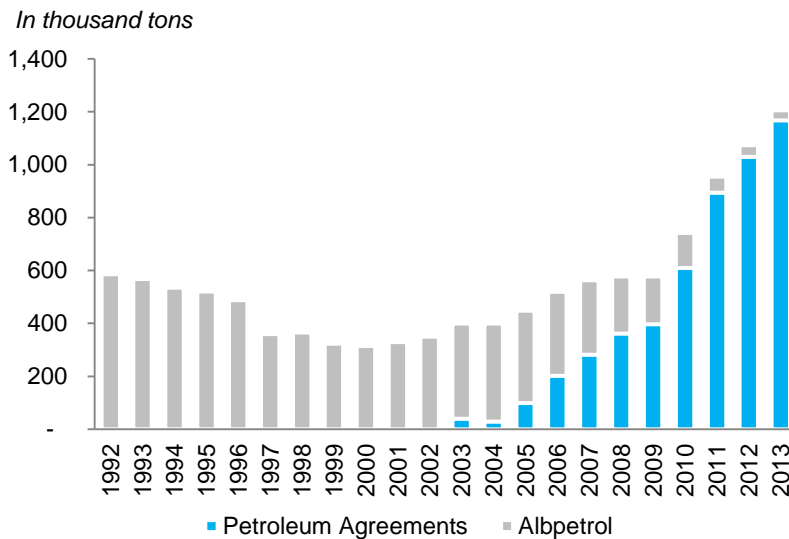
The following petroleum agreements were in the **exploration phase** during 2012:

Group	Licensee	Date of Petroleum Agreements	Area of operations	Website ^[1]
Bankers Petroleum Ltd.	Bankers Petroleum Albania Ltd	November 2010	▪ Block F onshore	www.bankerspetroleum.com
Petromanas Energy Inc.	Petromanas Albania GmbH.	December 2007	▪ Blocks A, B, D, E, onshore;	www.petromanas.com
Royal Dutch Shell plc & Petromanas Energy Inc.	Royal Dutch Shell plc & Petromanas Albania GmbH.	July 2009	▪ Blocks, 2, 3, onshore	www.royaldutchshellplc.com www.petromanas.com
San Leon Energy plc	San Leon Durresi B.V.	Aug-2007	▪ Durres block, offshore,	www.sanleonenergy.com
Cairn Energy PLC	Capricorn Albania Limited and Dyas Albania <i>(previously Orion Albania Limited)</i>	September 2007	▪ Joni 5 block offshore	www.cairnenergy.com
Sky Petroleum, Inc.	Sky Petroleum - Albanian Branch, <i>(Suspended its activity in 2012)</i>	June 2010	▪ Blocks 4, 5 Dumre, onshore	www.skypetroleum.com
The Israel Land Development Company Ltd (ILD).	Emanuelle Adriatic Energy Ltd	August 2004	▪ Offshore Blocks Adriatic 2 – 3 – 4	http://en.ildc.co.il/

⁶ Sourced from Company's website: <http://imc.al/p-oil-gas.html>

2.2.3 Oil and gas production

Chart 1 – Historical oil production in tons by Albpetrol and private sector

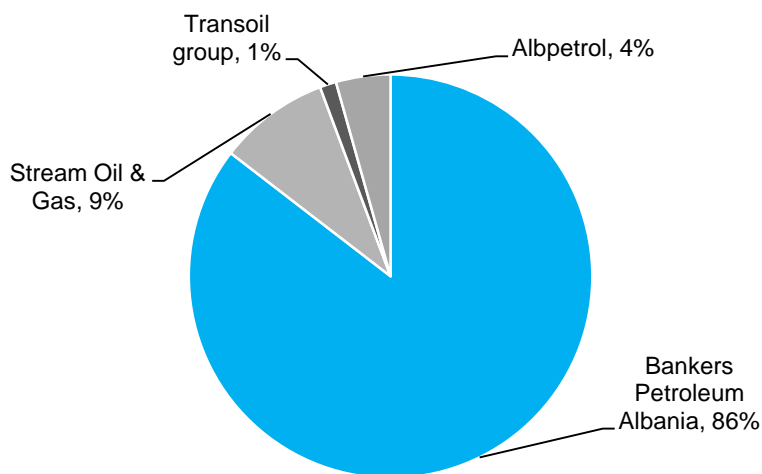


Crude oil production in Albania began in 1929 with 750 tons of crude oil. After World War II production increased steadily and recorded the highest pick in 1974 with an annual production of 2.25 million tons. In the 80s oil production fell under 1 million tons per year and did not pick up until 2012.

The chart on the left presents oil production trend from 1992 to 2013.

Oil production through petroleum agreements increased 3 times in the last five years.

Chart 2- Oil produced in 2012 by licensees



In 2012, AKBN reported production of crude oil at 1,029,300 ton oil⁷ (2011: 894,500 ton) for an estimated value of USD 484 million (2011: USD 456.5 million).

Oil produced by private licensees operating in the petroleum sector represented 96% of total oil produced in 2012 (2011: 93%).

This production was extracted mainly from the Patos-Marinzha oil fields, operated by Bankers Petroleum, respectively 86% of production in 2012 and 85% in 2011.

Based on Albpetrol data, the total output of gas in 2012 was reported at 13.1 million Nm³,⁸ out of which 12.5 million Nm³ gas was extracted through petroleum production (2011: total production of 13.7 million Nm³, where 12.4 million Nm³ associated with petroleum).

⁷ This information is officially sent by AKBN to ALBEITI Secretariat and the latter shared in this report.

⁸ This information is officially sent by Albpetrol to ALBEITI Secretariat and the latter shared in this report.

2.2.4 Current licensing situation and free exploration blocks in October 2014

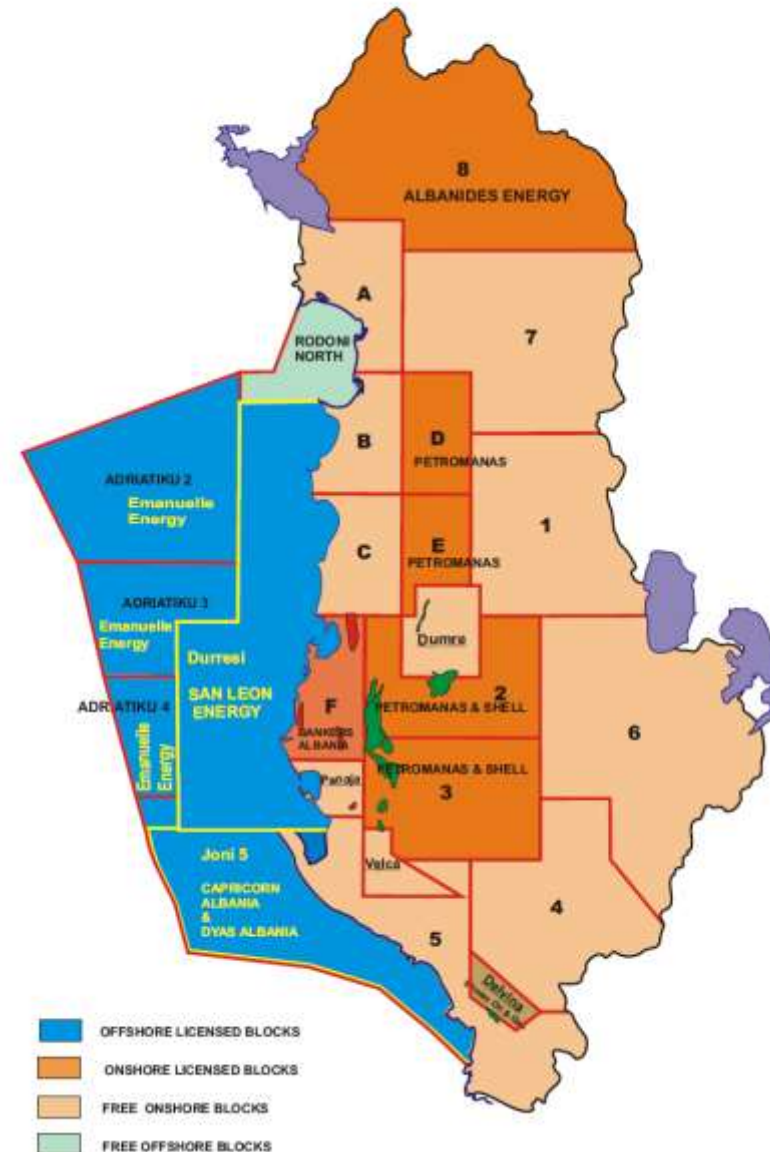
Table 7 below lists all exploration blocks in the onshore and offshore territory of Albania in October 2014, stating current licensing situation and free exploration blocks.

Table 7 – List of exploration blocks

No.	Location	Block	Currently operated by / Free	License administered by
1	Offshore	Block Rodoni North	Free	Albpetrol
2	Offshore	Block Adriatiku 2	Emanuelle Energy	AKBN
3	Offshore	Block Adriatiku 3	Emanuelle Energy	AKBN
4	Offshore	Block Adriatiku 4	Emanuelle Energy	AKBN
5	Offshore	Block Joni 5	Capricorn Albania & Dyas Albania	AKBN
6	Onshore	Block 1	Free	Albpetrol
7	Onshore	Block 2	Petromanas & Shell	AKBN
8	Onshore	Block 3	Petromanas & Shell	AKBN
9	Onshore	Block 4	Free	Albpetrol
10	Onshore	Block 5	Free	Albpetrol
11	Onshore	Block 6	Free	Albpetrol
12	Onshore	Block 7	Free	Albpetrol
13	Onshore	Block 8	Albanides Energy	AKBN
14	Onshore	Block A	Free	Albpetrol
15	Onshore	Block B	Free	Albpetrol
16	Onshore	Block C	Free	Albpetrol
17	Onshore	Block D	Petromanas	AKBN
18	Onshore	Block E	Petromanas	AKBN
19	Onshore	Block F	Bankers Petroleum	AKBN
20	Onshore	Block Dumre	Free	Albpetrol
21	Onshore	Block Panaja	Free	Albpetrol
22	Onshore	Block Velca	Free	Albpetrol
23	Onshore	Block Delvina	Stream oil and gas	AKBN

The Ministry Energy and Industry through AKBN promotes free onshore and offshore areas open for petroleum operation and invites applications for Production Sharing Agreements.

Figure 3 – Situation of exploration blocks in October 2014



2.2.5 Oil refining and transportation

ARMO Sh.a. ("ARMO") is the only oil refining company operating in Albania established as a spin off from the State-owned oil company Albpetrol Sh.a. in April 1999. In August 2008, the Albanian Government privatized 85% of the shares in ARMO to Anika Mercuria Refinery Associtaed Oil ("AMRA Oil"). In August 2013, Heaney Asset Corporation purchased 80% shares of AMRA Oil controlling 68% interest in ARMO.

ARMO is currently operating two oil refineries Ballsh and Fier, working at substantially low capacity due to outdated technology. ARMO's mission is to enhance refining technology and its position in the regional midstream oil market.

Currently, crude oil is mostly transported through oil tanks from oil fields to Port of Vlora from where exported to Italy, Spain, Malta etc.

Two crude oil pipelines connect the ARMO Vlorë oil terminal with the refineries of Fier and Ballsh and the two refineries. Both pipelines are out of operation due to poor condition. In total, the oil pipeline network is 188 km long and has a capacity of 2.5 million tons per year⁹.

La Petrolifera Italo-Albanese Sh.a. operates the costal terminal for oil, LPG and their derivatives in the port of Vlora serving the upstream oil and gas companies with the deposit of crude oil to be exported.. The Company offers deposit infrastructure possible for accommodation of more than two vessels simultaneously. There are no State-owned companies operating in this sector.

2.2.6 Gas and oil depositing

Oil and gas fields where all or part of recoverable reserves have been extracted, can be used as the storage site for the storage of natural gas because of suitable geological conditions. Saline in Dumre are also very suitable for storing natural gas during summer. These geological advantages combined with geopolitical position make Albania an attractive route for regional gas pipeline projects.

2.2.7 Trans Adriatic Pipeline Project (TAP project)

Trans Adriatic Pipeline (TAP) AG is a joint venture company established with the purpose of planning, developing and building the TAP natural gas pipeline. TAP's shareholding is comprised of BP (20%), SOCAR (20%), Statoil (20%), Fluxys (19%), Enagás (16%) and Axpo (5%).

TAP will transport natural gas from Shah Deniz II field in Azerbaijan to Europe. The approximately 870 km long pipeline will connect with the Trans Anatolian Pipeline (TANAP) near the Turkish-Greek border at Kipoi, cross Greece and Albania and the Adriatic Sea, before coming ashore in Southern Italy. Accordingly, Albania will become a central transit country for energy security of the European Union, but also for the diversification of gas supply sources, marking the opening of the Southern Gas Corridor (Power) for Europe. TAP is expected to promote the economic development and job creation along the pipeline route, including Albania. It will be a major source of foreign direct investment and it is not dependent on grants or subsidies. With the first gas sales to Georgia and Turkey targeted for late 2018, the first deliveries to Europe will follow approximately a year later.

Further information on TAP project can be found at: <http://www.tap-ag.al/> and www.energija.gov.al.

The Government of Albania is committed to supporting the TAP project through several steps of State authorisations and permits. In order to facilitate the process, the Government of Albania has established the "Commission on State Aid" chaired by the Minister of Economic Development, Trade and Entrepreneurship, operating conform to the provisions of law no. 9374, dated 21 April 2005 "On State aid", amended. TAP construction work in Albania is planned to start in 2015.

TAP agreement and any revenue stream expected from this project are not currently disclosed for public access. According to MEI, the agreement does not foresee any transition fee in accordance with the European Union regulations on free gas transit. However, apart the expected economic benefits, Albania is also expected to benefit 7 million EUR for capacity building and compensation for the community in the TAP route area.

⁹ Sourced from: Emergency Oil Stocks in the Energy Community Level, Petroleum Development Consultant Limited, Energetski Institut Hrvoje Požar, April 2011

2.3 Mining sector overview

Albania has a longstanding history in mining with significant mineral deposits of chromium, nickel, copper, limestone etc. Geological studies carried out from 1945 to 1995, revealed substantial deposits of chromium ore, ferronickel, copper, bitumen, and non-metallic minerals such as limestone and decorative stones etc.

Mining industry development in Albania has passed through three main stages. *The first stage* includes the period up to the end of World War II, which marked by two important events: compilation of the first Geological Map of Albania in 1922, and approval of the first Mining Law in 1929. In *the second stage* (1944-1994), the mining activity has been organized in state-owned enterprise. *The third stage* includes the period from 1994 up to date, when the sector opened to mining's operations privatization, after the approval of Albanian Mining Law.

As a traditional mining country, Albania contains an increasing number of medium, small-scale mining and quarry companies, and only a couple of large-scale industrial mining companies. In November 2011, AKBN reported 752 mining licenses, out of which 673 production licenses, operating mostly in Bulqiza (136), Kruja (65), Berat (45), Tirana (48) and Librazhd (40) districts.

Chromium ore

Geological studies estimated that Albania had more than 36.9 million tons¹⁰ of chromite reserves, located mainly near the towns of Bulqiza, Kukës, Has, Mat and Pogradec.

Albania is well-known for its higher potential chromium deposits compared to other countries of the Mediterranean and the Balkans.

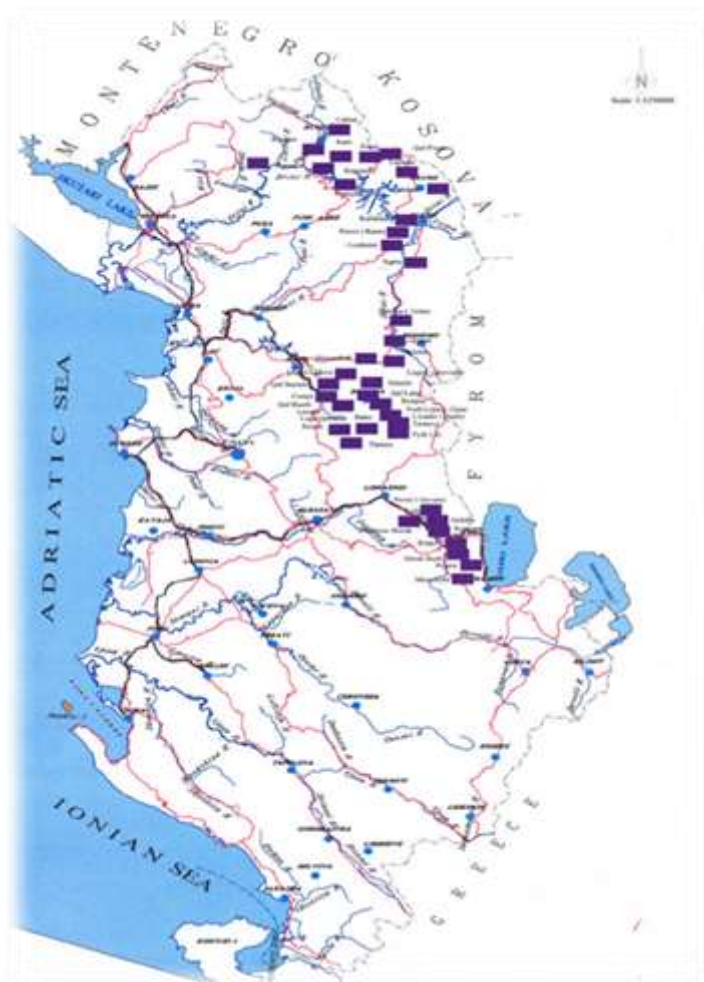
High quality chromium of 42-46% Cr₂O₃ comprises 7 million tons out of total explored chromium reserves.

Prior to the 90's, production estimates ranged up to 1.3 million tons of chromium per year. Out of this production 250,000 were of high quality 42-46% Cr₂O₃.

Export of chrome and chromium products provided one of Albania's most important sources of income. In the late 1980s, Albania exported its chrome products mainly to Sweden, the Federal Republic of Germany (West Germany), Yugoslavia, and other East European countries.

Currently, chromium is mainly exported to China.

Figure 4 - Chromium ore deposits map



¹⁰Invest in Albanian Natural Resources – Mineral Resources, published in August 2010, at by the National Agency of Natural Resources (AKBN) website – www.akbn.gov.al

Copper ore

The main copper deposits (which include zinc, pyrite, gold and silver) estimated at about 27 million tons⁹, are located near the northern towns of Pukë, Mirditë, Kukës, Has and Shkodër. During the 1980s, copper was the most successful industry in Albania's mineral-extraction sector.

Copper production substantially increased from 140 thousand ton in 2010 to 480 thousand ton in 2012 (see table 8).

Figure 5 - Copper ore deposits map

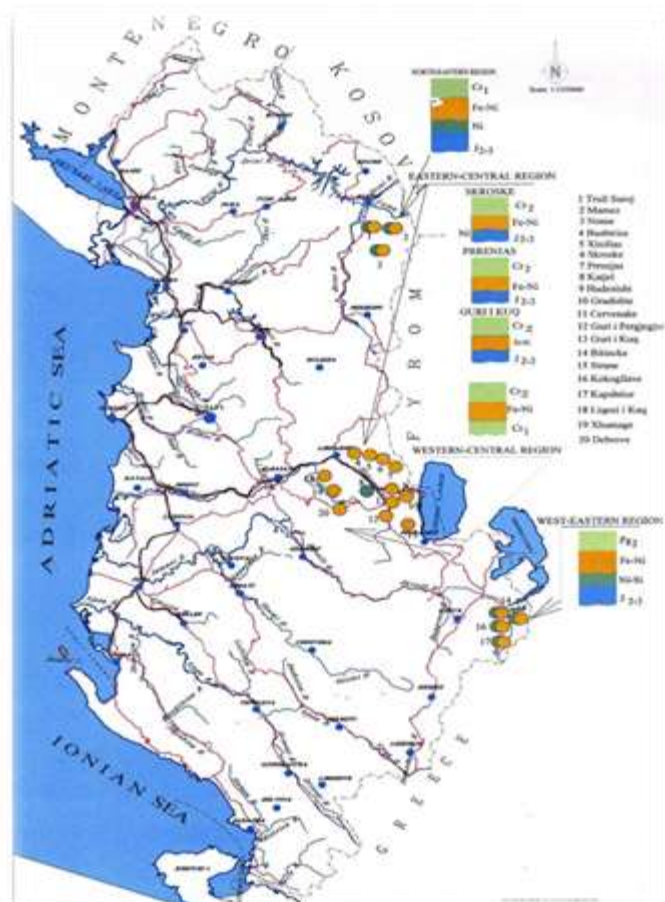


Iron-Nickel and Nickel-Silicate

Albania's deposits of iron-nickel and nickel-silicate estimated at 311⁹ million tons are located near Pogradec, Librazhd, Bilisht, Kukës and Peshkopi. The Elbasan Steel Combine was Albania's largest industrial complex.

The average annual production of iron-nickel and nickel-silicate ranged from 215 thousand ton to 370 thousand ton. In 2009 and 2012, production fell at the level of 69 thousand ton and 75 thousand ton as a result of market decrease (see table 8).

Figure 6 – Nikel ore deposits map



Albanian bitumen and asphalt deposits were located near Selenica and in the Vjosa River valley. Albania also possesses abundant deposits of salt, found near Kavajë and Vlorë.

Limestones and other minerals

Geological studies in Albania up to 1995 revealed approximately 32 different kinds of rocks and non-metalliferous industrial minerals, expanded all over the country, including: limestone, sandstones, dolomites, carbonate decorative stones, clay, granites, gypsum etc.

These minerals, which represent principal raw material for Albania's construction industry, were quarried throughout the country by small producers.

An overview of the Albanian mining potential is provided by the National Natural Resources Agency in its website: www.akbn.gov.al.

Mineral ore processing

The sector was previously dominated by state-owned enterprises and started to open up to private investment in 1994. The mining objects given in concession so far are:

- Bulqiza chromium mine, mines of Pojske and Katjel, chromium dressing plant in Bulqiza, chromium plant in Klos, ferrochrome combines in Elbasan and Burrel Cities;
- Chromium mines in Kalimash, Kukës district, Vlahnë, Has district and Kalimashi dressing plant;
- Munella, Lak Rosh, Karma copper mines and also the dressing plant in Fush Arrëz town;
- Selenica Bitum mine, Vlora district mine and its bitumen smelting furnace

Figure 7 - Deposits of rocks and non-metallic minerals

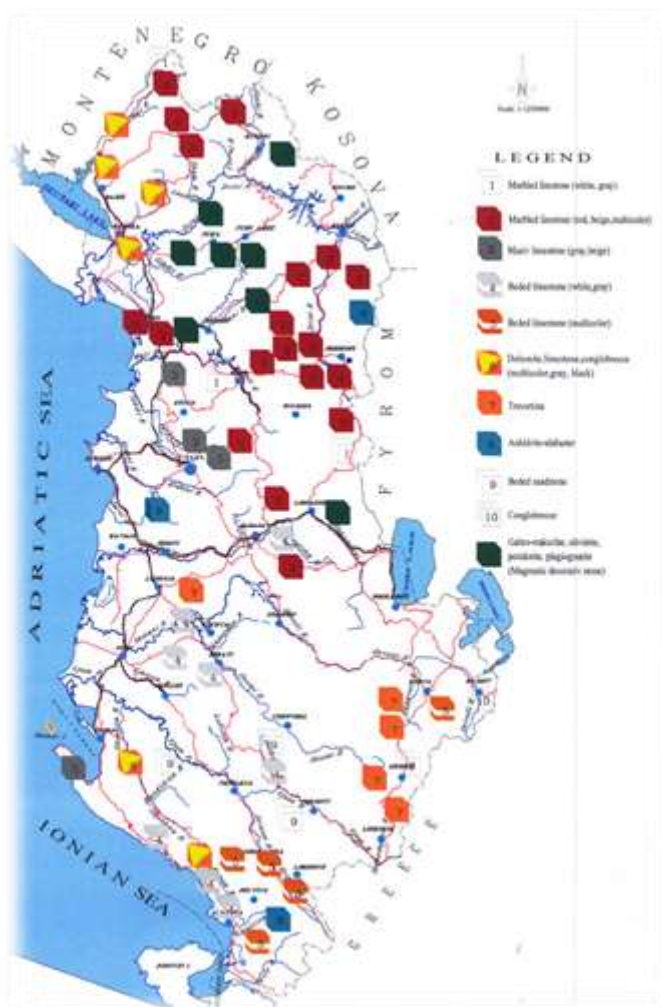


Table 8 below summarizes production of main minerals extracted in Albania from 2007 to 2013

Table 8 – Historical mineral production reported by AKBN¹¹

Mineral	Unit	2007	2008	2009	2010	2011	2012	2013
Chromium	in '000 ton	202	225	284	328	350	360	521
Copper	in '000 ton	98	105	114	140	305	480	508
Iron-Nickel & Nickel-Silicate	in '000 ton	370	353	69	269	364	75	215
Coal	in '000 ton	4	2	2	-	1	1	-
Limestone	in '000 m ³	1,716	3,838	3,272	2,363	2,446	2,727	1,811
Clay	in '000 ton	765	649	796	795	973	961	768
Gypsum	in '000 ton	54	87	71	77	93	91	112

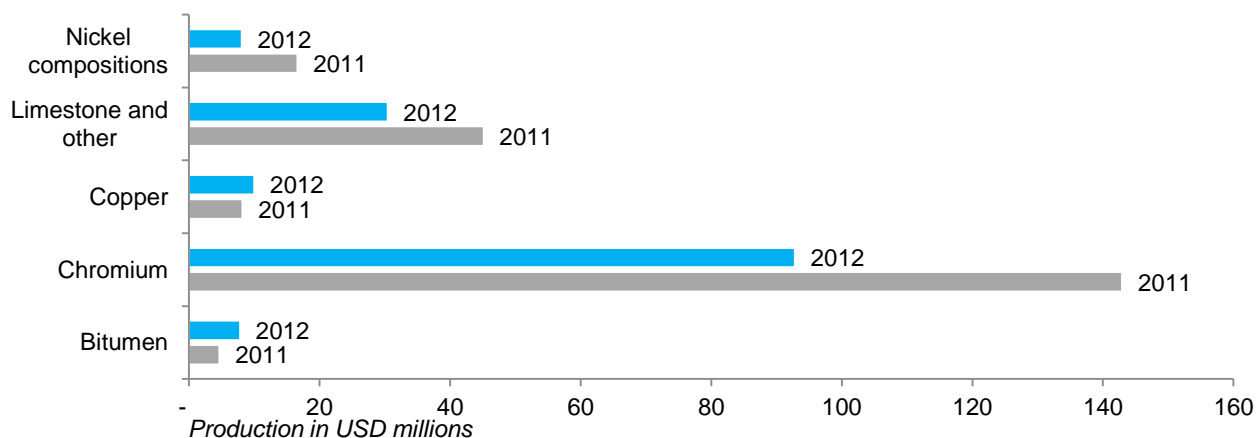
¹¹ This information is officially sent by AKBN to ALBEITI Secretariat and the latter shared in this report.

2.3.1 Production of mineral ores in 2012

Production activity reported by licensees to AKBN for 2012 amounted to USD 149.2 million (2011: USD 217.5 million).

Chart 3 below presents an overview of the production value in USD by mineral:

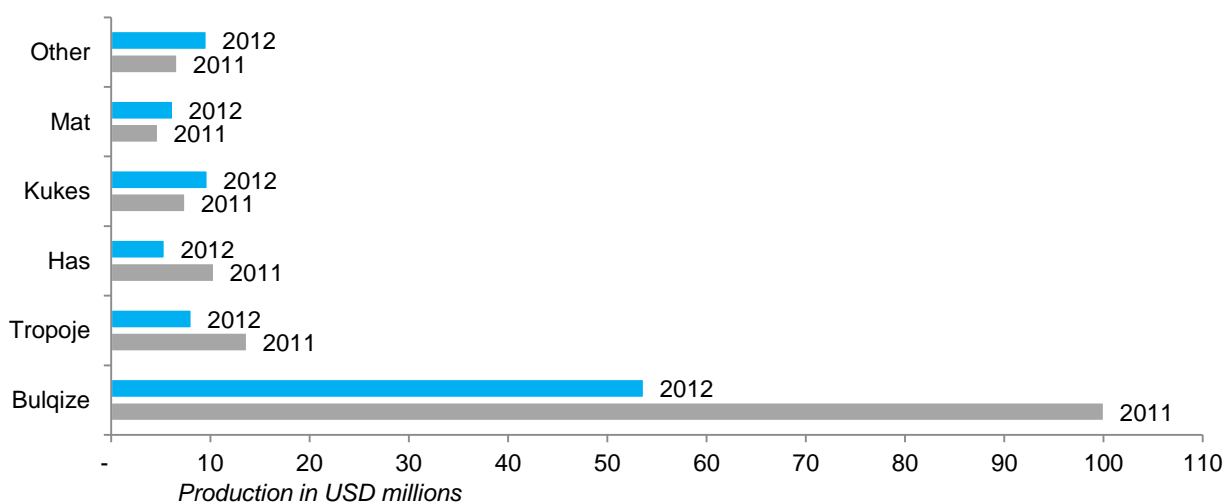
Chart 3 – Mineral production value in USD in 2012 and 2011



Production of chromium ore

Based on data presented by AKBN, production of chromium in 2012 amounted to USD 92 million comprising 62% of total mineral production (2012: USD 143 million, 66% of total mineral production). This production was mainly extracted from Bulqiza mines, which represents 58% of total chromium production in 2012 (2011: 70% of total chromium production).

Chart 4 – Regional production of chromium



Albchrome (ACR – previously Albanian Chrome), operating the Bulqiza mine, was the largest industrial company extracting chromium in Albania. In 2012, the Company's production counted about 7% of total chromium production (2011: 11%), while employing about 680 staff (2011: 690). Many medium and small-scale companies (more than 200 licenses) were extracting and collecting chromium production in Bulqiza, Tropoja, Has, Kukes, Mat etc.

Based on data provided by AKBN, chromium sector employed approximately 2,292 in 2012 (2011: 2,190). Chromium sector in Bulqiza employed 77% of total chromium employees in 2012 (2011: 75%). Albchrome contributed with 30% to total employment in the chromium sector.

Table 9 – Basic production and employment data

Districts	Production in tons			Persons employed			Production per person	
	2012	2011	Change %	2012	2011	Change %	2012	2011
Bulqize	244,011	433,053	-44%	1,776	1,651	8%	137 / 196(*)	262 / 385(*)
Tropoje	24,583	44,880	-45%	83	65	28%	296	690
Has	44,243	32,300	37%	25	36	-31%	1,770	897
Kukes	28,317	20,010	42%	136	162	-16%	208	124
Mat	36,918	59,200	-38%	121	115	5%	305	515
Other	43,373	28,900	50%	151	161	-6%	287	180
Total	421,445	618,343	-32%	2,292	2,190	5%	184 / 243(*)	282 / 370(*)*

* Figures restated after removal of Albchome from the data.

Despite chromium production fell by 32% in 2012 compared to 2011, employees in the chromium sector slightly increased by 5%. Changes in production and employment trend in the sector do not follow strong correlation and such correlation varies in different districts. This trend is partially linked to improved technology but also, with informality in the chromium production sector, where media often speak of unemployed inhabitants engaged in collection of chromium ores found in near the abandoned mines.

Production of copper ore

Beralb was the only industrial company extracting copper in 2012 and 2011, comprising 100% of copper production value in 2012 and 2011. Beralb holds production licences for the mines of Munelle, Lak Roshi, Karma and Fushe-Arres, all located in the province of Puke.

Production of nickel compositions

In 2012, nickel was mostly extracted in the form of iron-nickel and nickel silicate, in the regions of Librazhd 56% (2011: 17%), Pogradec 12% (2011: 28%), Kukes 12% (2011: Nil) etc. In 2011, nickel production was mainly reported from Elbasan at 56% of total production. In both years, production value was generated from medium and small-scale mining companies extracting this mineral, with few licensees collecting production of nickel from the medium and small-scale producers.

Production of limestone and other minerals

A large number of small-scale limestone mining companies operate throughout the country. Fushe-Kruja Cement Factory and Antea Cement operating in Kruja district was the largest producer of limestone in 2012 contributing respectively with 15% and 12% of total production value.

2.4 Transparency over licensing and license holders

An overview of the current license situation and the sites opened to oil and gas and mining exploration and production licensing is provided respectively in AKBN website: www.akbn.gov.al, and Albpetrol website: www.albpetrol.al for licenses administered by Albpetrol.

Licensees can consult AKBN and submit applications at any time. No application fees apply.

The Ministry of Energy and Industry published in its website: www.energija.gov.al a licensee register summarizing all production licenses granted up to July 2014. This register contains information on license holders, date of license award, commodity produced and surface area granted.

Currently, AKBN¹² is in the process of setting up the Geographic Information System ("GIS") that would provide an interactive licensee portal with updated information on current license holders, area in use and coordinates. This portal will show licenses granted in each area and free sites.

Detailed information on the licensees' shareholders and shareholding can be accessed at the National Registration Centre website: <http://www.qkr.gov.al/nrc/default1.aspx>.

¹² This information is officially sent by MEI to ALBEITI Secretariat and the latter shared in this report.

2.5 Audit requirements in Albania

In Albania, every limited liability company (“Ltd” or “Sh.p.k.”), except for small companies, is subject to statutory audit. Law on Audit no. 10091 “on Statutory audit, organization of the registered auditor and chartered accountant profession”, dated 5 March 2009 defines as small companies those that meet two of the following criteria:

- 1) Total assets are lower than Lek 40 million
- 2) An average of no more than 30 persons are employed, and
- 3) Annual revenue does not exceed Lek 30 million.

Limited liability companies electing to report under IFRS for statutory purposes are subject to audit requirements regardless the thresholds set above.

Joint stock companies (“JSC” or “Sh.a.”) are subject to statutory audit regardless of their size. The audit is based on laws, regulations, and auditing standards and practices generally accepted in Albania, including International Standards on Auditing. The Financial statements are submitted to the National Registration Centre (www.qkr.gov.al) within July 31 of the subsequent calendar year.

No special audit requirements were imposed with regard to the numbers reported under EITI.

The Supreme State Auditor in Albania performs audits on the State’s activities and accounts. The audit is performed in accordance with laws and regulations for the Office of the Supreme State Auditor, and with the standards and guidelines of the Office of the Supreme State Auditor in its website:

<http://www.klsh.org.al/>. The auditing standards and guidelines are based on the INTOSAI standards for government auditing.



2.6 Extractive sector and the Albanian economy

2.6.1. Contribution to Albanian Economy

Albanian economy is predominated by the service sector including trade, real estate services, financial services, transport, post and communication etc.

In the period 2008-2012, the service sector collectively comprised above 50% of the annual GDP. Contribution of the extractive sector to the GDP increased from 2.4% in 2008 to 5.6% in 2012. The chart 5 on the left and chart 6 below show contribution of economic sectors to GDP in 2012 and more specifically contribution of the extractive sector from 2008 to 2012.

Chart 5 – GDP by sector in 2012

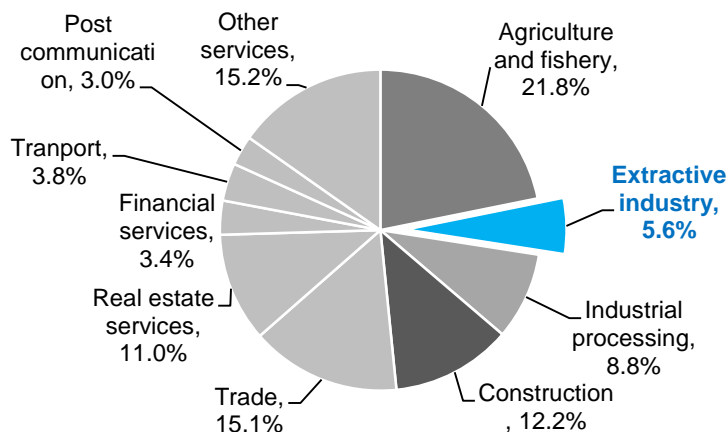
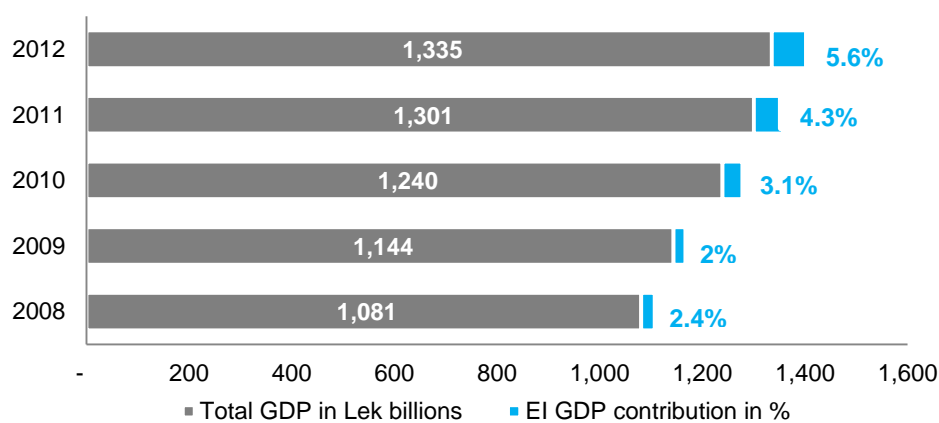


Chart 6 – GDP from extractive industry versus total GDP from 2008 to 2012



2.6.2. Government's revenue from the upstream oil, gas and mining sector

The Albanian Government receives its share of the value created from the extractive industry through:

- Taxation of petroleum and mining activities
- Charges / fees and
- Dividends from ownership in Albpetrol sh.a

Main revenue streams contributed by the upstream extractive sector are described briefly in the following:

Royalties

Royalties are payments made to the Government of Albania by the petroleum and mining companies for the use of natural resources. This stream represents the main revenue stream earned from the upstream sector. Royalty (also known as "ad-valorem" tax) is exclusively applied to the taxable value (or fiscal value) of revenues from extractive activity in accordance with Law No. 9975 "On national taxes", dated 28 July 2008, amended. Royalty for exports is collected by the Albanian Customs Administration and for domestic sales by the General Tax Directorate.

Under this law, royalty tax on petroleum extraction is applied at 10% while mining sector pays at 4-7% of revenue from extraction.

Profit tax

Profit tax is levied from the General Directorate of Taxes as a percentage of each company's net profit. Up to December 2013, in accordance with "Law on Income tax" No. 8438, dated 28 December 1998, amended, profit tax in Albania was charged at 10% on net profit. Starting from 1 January 2014 profit tax rate increased to 15% of the company's net profit. Full requirements of this Law apply to the mining sector.

Taxation on petroleum is regulated by Decree no. 782 "On fiscal system in petroleum sector" dated 22 December 1994 ("Law on petroleum taxation").

Up to December 2011, under this law, taxation was levied from each company at 30 - 55% on taxable profit based on the production level. In 2012, Law on petroleum taxation was amended to 50% flat tax on taxable profit. Under this law, taxable profit is equal to accumulated revenue less accumulated capital and operating expenses as specified in the terms of the Petroleum Agreement.

Because of accumulated expenses being larger than accumulated revenue, oil and gas, companies paid nil profit tax in 2011 and 2012.

Signature bonuses

Signature and training bonuses are typical features of Petroleum agreements. These are determined (based on contract negotiations) upon the granting of exploration permits or production licenses in oil and gas within the context of the specific contractual terms and conditions. Signature bonuses are recovered both by Albpetrol (for the signature of production licenses) or AKBN (for the signature of exploration permits).

Share of oil production

Albpetrol holds share in oil produced by the companies operating in areas under its administration. As such is entitled to a share of production, which is defined contractually, based on deemed production (pre-existing production) and incremental production (production issued from contractor's investment). The Share of Production allocated to Albpetrol may be paid in cash or in kind.

In compliance with the Petroleum Agreements signed, companies shall transfer to Albpetrol the Pre - Existing Production ('PEP' at 65-75%) and Albpetrol's Share on Production ('ASP/' at 1-5%).

Government interest in the extractive sector

Albpetrol is the only State-owned company in the extractive sector. Albpetrol is subject to taxes applicable to oil commercial entities such as profit tax, royalty, VAT etc. The Government is entitled to dividends and revenue from privatization of the company.

Table 10 – Albpetrol's basic financial indicators¹³

<i>In billion Lek, unless otherwise stated¹⁴</i>	2011	2012
Total assets	71.7	71.5
Trade receivables	13.4	14.7
Inventory	7.3	7.7
Total equity and reserves	62.5	58.4
Total liabilities	9.3	13.1
Net operating revenue	9.3	8
Profit before tax	1.4	3.9
Own production in '000 ton	44.4	59.9
Share of oil payments in kind ('000 ton)	109.5	34.7
Share of oil payments in cash	-	2.1
Total share of oil production	5.1	3.6
Royalty paid	0.98	0.4
Profit tax paid	0.5	0.2
Dividend paid	0.09	0.14

In 2012 Albpetrol reported total assets of Lek 71.5 billion (2011: Lek 71.7 billion), where trade receivable and inventory comprised respectively 21% and 11% of total assets (2011: 19% and 10% of total assets).

The Company reported net operating revenue at Lek 8.0 billion (2011: Lek 9.3 billion), where net profit before tax was at Lek 1.4 billion or 18% of net operating revenue (2011: Lek 3.9 billion or 42% of net operating revenue). Albpetrol's own production amounted at 44.4 thousand ton in 2012 and 59.9 thousand ton in 2011.

Share of oil production collected in 2012 amounted at Lek 5.1 billion comprising 55% of net operating revenue (2011: Lek

3.6 billion or 45% of net operating revenue).

¹³ This information is officially sent by Albpetrol to ALBEITI Secretariat and the latter shared in this report.

¹⁴ Figures presented in this table were based on Albpetrol submission may not agree with other figures presented by the Government in this report, because of outstanding differences between Albpetrol and the Government.

Royalty paid in 2012 was reported at Lek 0.98 billion or 11% of net operating revenue which approximates royalty tax rate applied at 10% on sales of crude oil (2011: Lek 0.4 billion or 5% of net operating revenue).

Apart from the distribution of dividend, there are no other transfer policies between the State and Albpetrol.

Government's revenue (2008-2012)

Government's statistics cannot retrieve information on total revenue generated by the extractive sector. However, if we consider revenue generated by main revenue streams (royalties, profit tax, share on oil production, signature bonuses, and other industry related payments) the extractive sector amounts to Lek 8.35 billion or 2.5% of total Government's revenue in 2012 (refer to table 5 below).

Table 11 – Statement of Governments revenue from the extractive sector

in Lek billions

Main revenue streams	2008	2009	2010	2011	2012
Royalty on export*	n/a	0.77	2.12	3.65	5.85
Royalty on internal sales	0.63	0.69	2.00	1.26	1.30
Signature bonuses	0.04	0.02	0.06	0.11	0.39
Dividend from Albpetrol	0.04	-	-	0.15	0.10
Profit tax from Albpetrol **	0.06	0.06	0.27	0.16	0.17
Profit tax from mining sector***	n/a	n/a	n/a	0.74	0.53
Total revenue from the extractive sector	0.77	1.54	4.44	6.06	8.35
<i>n/a – Not available</i>					
Total revenue in the State budget	290.90	299.00	319.60	330.40	337.20
Contribution to the State budget in %	0.3%	0.5%	1.4%	1.8%	2.5%

* The Albanian Custom Administrative informed that withheld royalty on exports in 2008, but could not produce accurate statistics for that year.

**Albpetrol was the only oil company paying profit tax during the period 2008 – 2012.

***General Directorate of Tax reported profit tax paid only by the companies selected to report in 2012. Management Information Systems of the GDT could not retrieve and produce statistical data on the sector. Hence, profit tax from the mining sector presented above is not complete.

Royalty comprises the main revenue stream levied from the industry at 86% of total revenue extracted from the sector in 2012 (2011: 81%).

Table 12 – Royalty versus production value

Amounts in billion Lek, unless otherwise stated	2011	2012
Total royalty levied	4.91	7.15
<i>petroleum sector</i>	4.30	6.42
<i>mining sector</i>	0.61	0.73
Total royalty levied	70.77	65.85
<i>petroleum sector</i>	47.93	50.34
<i>mining sector</i>	22.84	15.52
Royalty / Production	6.9%	10.9%
<i>petroleum sector</i>	9.0%	12.8%
<i>mining sector</i>	2.7%	4.7%

Total royalty levied in 2012 was reported at Lek 7.15 billion (2011: Lek 4.91 billion), where royalty at Lek 6.4 billion or 90% was levied from the petroleum sector (2011: Lek 4.3 billion or 88%).

Royalty paid by the petroleum sector amounted to 12.8% of total production value in 2012 (2011: 9%).

The mining sector contributed with royalty payments at Lek 0.73 billion or 10% of total royalty levied in 2012 (2011: Lek 0.61 billion or 12%). **Royalty paid by the mining sector amounted to 4.7% of total production value in 2012 (2011: 2.7%).**

2.6.3 Subnational transfers of Royalty

Royalty levied from taxable sales of oil, gas, and minerals is recorded in the State Budget. According to Law on National taxes no. 9975, dated 28 July 2008, amended, 25% of royalty tax shall be allocated to each local government unit ("LGU") in proportion with their contribution within the terms of the annual budget law. **In 2012, transferable royalty, calculated at 25% of total royalty amounts to Lek 1,788 million (2011: Lek 1,226 million).**

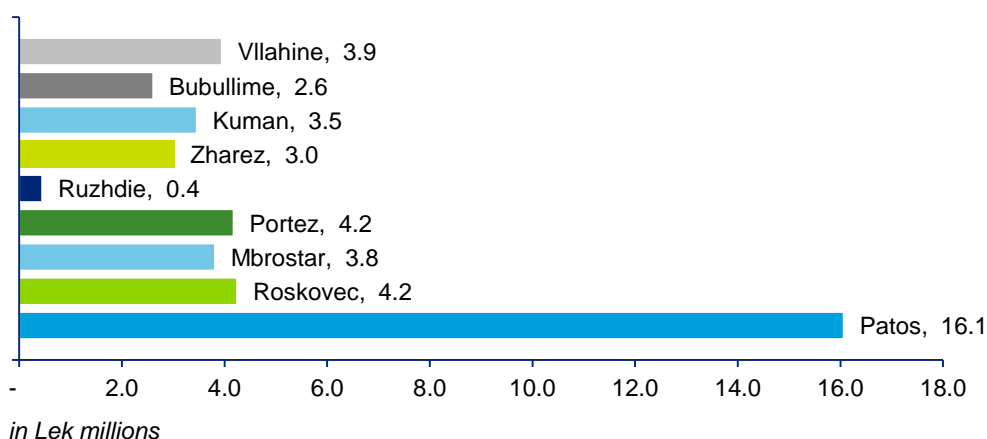
In 2012, the annual budget law limited royalty transfer to 20% of the unconditional grant. On such terms, LGUs could benefit, if their portion of royalty (calculated as 25% of royalty generated in their area) amounted from 101% up to 120% of the unconditional grant. Under this condition, the portion of royalty transferable could vary from 1% to 20% of the unconditional grant.

In 2013 the portion royalty transferable was increased up to 50% of the unconditional grant. In 2014, the regulation was amended to increase the transferable portion of the royalty generated from the mining sector up to 80% of the unconditional grant. On 4 November 2014, the Albanian Parliament published draft changes to the Law on National taxes on sub-national transfers of royalty. According to the proposed changes, the LGUs will be entitled to receive 5% of the royalty generated from companies operating in their area regardless any transfer foreseen in accordance with the annual budget law. The annual budget law is expected to accommodate this change in the following days.

According to the Ministry of Finance, in 2011 and 2012, revenues from the royalty payments were recorded in the State Budget in a pool and no accurate records were held on royalty generated out of each local government unit.

The Ministry of Finance reported that no sub-national transfers were made to LGUs in 2011. In 2012, subnational transfers of **Lek 41.7 million, which comprise 0.6% of total royalty levied or 2.3% of total royalty transferable** in accordance with National law on taxes. Furthermore, only few oil producing LGUs benefited from the subnational transfers as follows:

Chart 7 - Subnational transfers of royalty in 2012



2.6.4 Government's expenditures

Table 13 – Statement of Governments expenses in Lek billion

Government total expenses in Lek billions	2008	2009	2010	2011	2012
Current expenses	253	282.9	299.9	305.6	316.7
Capital expenses	93.8	101.4	71.6	70.6	60.0
Total	346.8	384.3	371.5	376.2	376.7
Personnel costs	19%	16%	18%	18%	19%
Social insurance outlays	22%	26%	29%	30%	32%
Capital expenses	27%	26%	19%	19%	16%
Other	32%	32%	34%	33%	33%
Total	100%	100%	100%	100%	100%

Personnel costs and social insurance outlays represent the main expenses in the State budget. Social insurance outlays show an increasing trend, which attributed to pension benefit raises and increase in number of beneficiaries. Capital expenses have decreased from 27% to 16%.

The Ministry of Finance provided no information on allocation of revenue from the extractive sector to any specific expenses category of the State budget or program. However, known contribution from the sector is about 2.5% of the total revenue and does not represent a main finance contributor to the State budget.

2.6.5 Export from the extractive sector

Exports from the extractive sector have increased substantially by over 100% in the last three years.

In 2012 exports from the extractive sector amounted at Lek 75 billion or 34% of total exports (2011: Lek 49 billion or 25% of total exports).

Such substantial increase is attributed to the petroleum exports which have more than tripled in the last three years. In 2012, petroleum exports amounted to Lek 53 billion, representing 71% of total exports from the extractive sector (2011: Lek 32 billion, 64% of the extractive sector exports).

During the last five years petroleum was exported mainly to the Western Europe countries, where Italy appears to be the major importer of oil throughout the five years.

Spain and Malta in 2010 and Germany in 2012, emerged as major export destination countries for the Albanian oil.

In 2012, 53% of total petroleum exports were directed to Italy, followed by Spain (34%), Malta (7%) and Germany (4%).

Table 14 on the right presents basic data over cumulative oil exports and major destination countries from 2008 to 2012:

Chart 8 – Exports from extractive sector vs. total exports

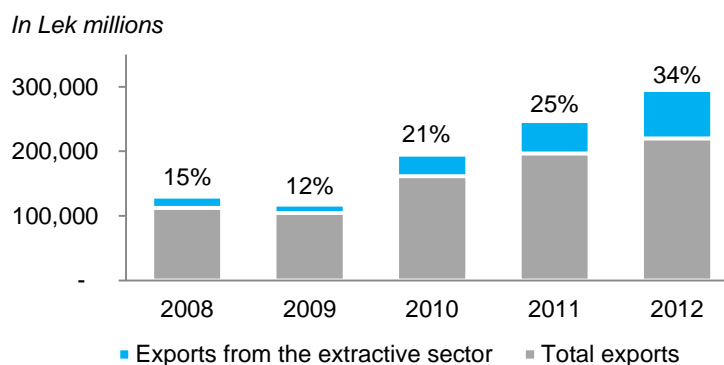


Chart 9 – Exports from extractive industry by minerals

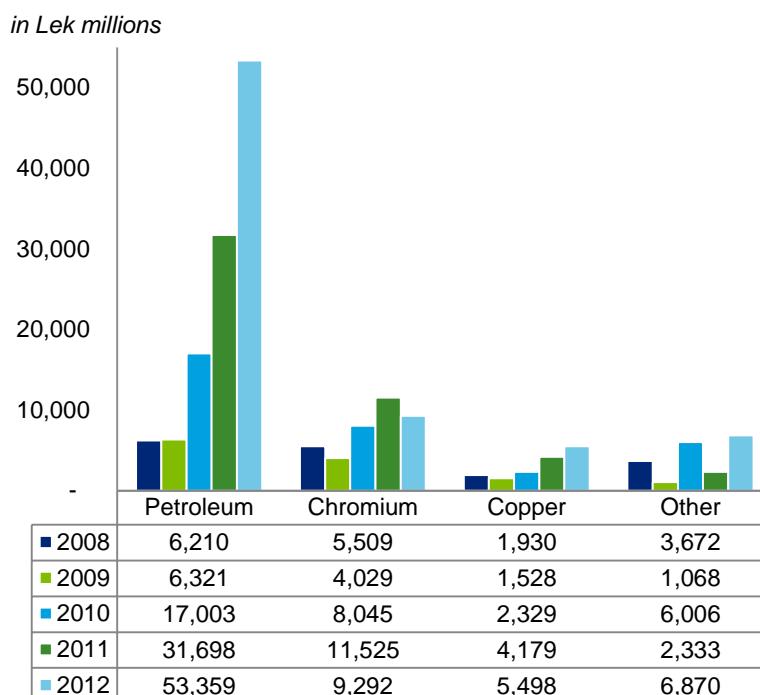


Table 14 – Cumulative exports value by major destination countries for the period 2008 - 2012

Countries	Cumulative oil exports in billion Lek (2008-2012)	Period of export
Italy	70	2008-2012
Spain	28	2010-2012
Malta	9	2010-2012
Germany	2	2012
Other	5	
Total	115	

Exports from the mining sector collectively amounted to Lek 21.7 billion in 2012, comprising 29% of total exports from the extractive sector (2011: Lek 18 billion, comprising 36% of total exports from the extractive sector).

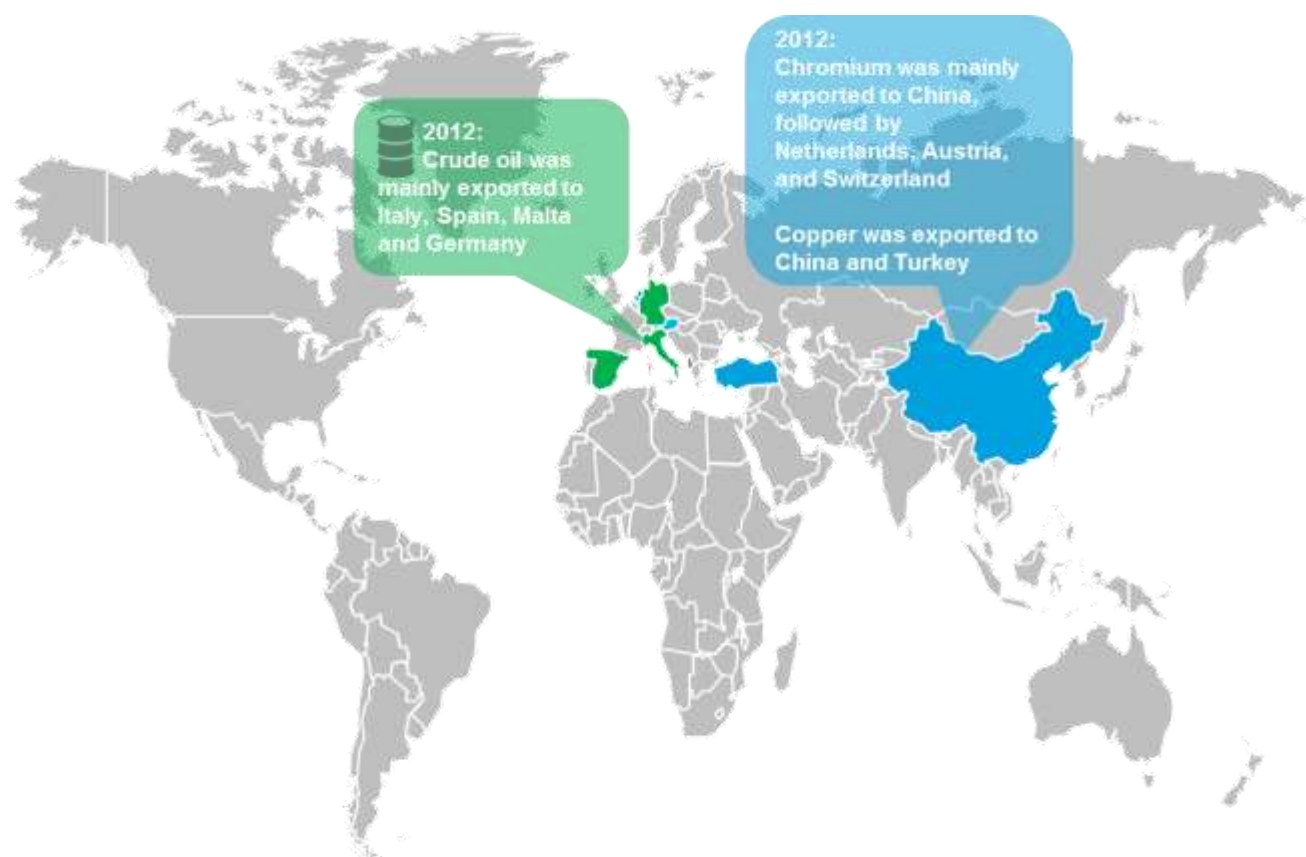
Chromium exports, including chromium ore, chromium concentrate and ferrochrome were about Lek 9.3 billion¹⁵ or 12% of total exports from the extractive sector (2011: Lek 11.5 billion or 23% of total exports from the extractive sector). Ferrochrome exports amounted at Lek 4 billion in 2012 (2011: Lek 6.3 billion). Albanian Custom Administrative reported total chromium exports were at 455 million tons in 2012 and 375 million tons in 2011.

In the last two years chromium was mainly exported to China, Netherlands, Austria, Switzerland etc. However, China represented a major export destination country throughout the five year period from 2008 up to 2012.

Copper exports, including copper concentrate amount to Lek 5.5 billion in 2012 or 8% of total exports extractive sector (2011: Lek 4.2 billion or 8% of total exports extractive sector). Albanian Custom Administrative reported total copper exports were at 90 million tons in 2012 and 36.5 million tons in 2011.

Copper exports were mainly directed to Turkey and China.

Figure 8 – Main destination countries for petroleum exports:



¹⁵ This information is officially sent by Albanian Custom Administrative to ALBEITI Secretariat and the latter shared in this report.

Oil trade balance

Table 15 below presents a summary of crude oil quantity produced and exported, and a comparison between the two and of crude oil produced with internal consumption of crude oil.

Table 15 – Oil independency ratio (2008 – 2012)

In thousands tons

Year	Crude Oil produced in Albania	Crude Oil exported	Exports vs. output	Crude Oil consumed in Albania ¹⁶	Output vs. consumption
2008	578	277	48%	1,325	44%
2009	577	370	64%	1,209	48%
2010	744	571	77%	1,207	62%
2011	895	751	84%	1,172	76%
2012	1,029	1,024	100%	1,044	99%

Source: INSTAT and Albanian Custom Directorate

Crude oil produced represented 44% of internal demands oil in 2012. Following to increased activity of private licensees in the sector, crude oil production increased substantially since 2008. In 2012, the crude oil produced approximates the internal consumption of crude oil at 99%. Had total crude oil output been refined in Albania, the country output would have been very close to fulfilling internal consumption demand.

2.6.6 Extractive sector Labor

The extractive sector is highly capital intensive and employees few workers as compared to other sectors, such as services. Based on the data provided by AKBN, the extractive sector (including Alpertol) employed about 7,800 labors in 2012 (2011: 8,500) comprising **0.78% of total employment** (2011: **0.82%**). The reduction of about 600 employees relates with the mining sector, where employment decreased by 19%.

Such decrease mainly appeared in the limestone and other non-metallic minerals which are major input to the construction industry. This is also explained by substantial drop in the construction industry trends in 2012.

¹⁶ This is a measure in terms of crude oil and includes refined oil internally consumed and crude oil refined in Albania. These data are provided by INSTAT to the AlbEITI Secretariat and the latter shared in this report.

3. Overview of flows reported and reporting entities

3.1 Payments reconciled

The MSG defines the payments to be included in the reporting, based on the substantial revenue that flows to the State budget from the extractive industry. Accordingly, licensees shall report these payments made in the year 2012 in relation to the oil, gas and mining activity. The MSG, through the terms of references for EITI reporting, specified revenue streams to be reconciled as follows:

Figure 9 - Cash flows to be reported by licensees and recipient government bodies

Licenseses	General Directorate of Taxes	Albanian Custom Administrate	Ministry of Energy and Industry	National Agency of Natural Resources	Albpetrol
Cash flow paid: All licensees (including Albpetrol) 1. Royalties 2. Profit tax 3. Tax on dividend 4. Tax penalties 5. Other material payments (if any) Oil and gas (only) 6. Signature bonuses 7. Share of production allocated to Albpetrol Albpetrol (only) 8. Dividend paid to MEI	Cash flow collected: 1. Royalties (internal sales) 2. Profit tax 3. Tax on dividend 4. Tax penalties 5. Other material payments (if any)	Cash flow collected: 1. Royalties (exports) 5. Other material payments (if any)	Cash flow collected: 8. Dividend from Albpetrol 5. Other material payments (if any)	Cash flow collected: 6. Signature Bonuses 5. Other material payments (if any)	Cash flow collected: 6. Signature Bonuses 7. Share of production allocated to State-owned oil company 5. Other material payments (if any)

In Albania, the MSG (through terms of references) have excluded payments that are not directly related to upstream oil, gas and mining activity or that are not made to the state. Accordingly, indirect taxes such as VAT or import duties are not required to be reported. VAT is a general consumer tax and applies to a wide variety of goods and services. Similarly, the import duties and local taxes are general in nature and apply to all industries. Such fees and taxes are similar for all industries and no special rates apply for oil, gas and mining companies.

Social payments

Companies were asked to declare details of social payments in excess of Lek 5 million per payment. The recipient of the payment was not required to confirm the receipt and accordingly, any payments declared were not reconciled between paying and receiving entities.

Payments in kind

Reporting entities were requested to report contributions in kind made to or received by Government or state owned entities.

Other payments

Companies were asked to declare other payments made if exceeding USD 50,000 (equivalent to Lek 5,000 thousand) for payments made to the State and 5,000 USD (equivalent to Lek 500 thousand) for payments made to the LGUs.

3.2 Selection of reporting licensees

The MSG and EITI Albania selected 78 reporting entities, including:

- all petroleum companies operating in 2012, represented by 8 private licensees and Albpetrol; and
- 69 mining and quarry companies out of 455 active licenses reported by AKBN in 2012.

In the mining sector, the EITI report included all companies operating an exploration license (5 in 2012) and the largest producers in terms of the following criteria:

1. Selection included all companies reporting revenue equal to or larger than 750,000 USD and
2. For each mineral the following sub-criteria were applied in selection of the reporting entities:
 - ✓ for the chromium sub-sector, selection included all companies that reported production more than 2.000 tons p.a.;
 - ✓ for the copper sub-sector, selection included all companies reporting production in excess of 100 tons p.a.;
 - ✓ for the nickel sub-sector, all companies that reported production above 5.000 tons per year;
 - ✓ for the bitumen and bitumen sands sub-sector, for limestone sub-sector that reported production above 50.000 tons per year;

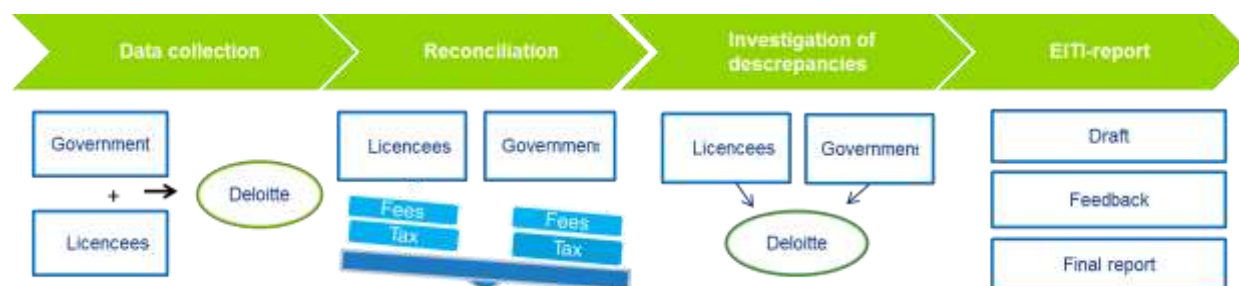
Apart from licensees, four governmental bodies and Albpetrol have declared cash flows received from the licensees.

4. Approach, methodology and work done

4.1 The overall process

The reconciliation process related to the EITI reporting consisted of the following steps:

- Collection of payment data from authorities and licensees that provide the basis for reconciliation;
- Comparison of amounts reported by the authorities and the licensee to determine if there is a discrepancy between what the authorities report as received and the licensees report to have paid in taxes;
- Contact with authorities and licensees to clarify the reason for the discrepancy;
- Reconciliation of reported figures against other publicly available information, including the State Budget accounts, where these provided at a disaggregated level;
- Preparation of draft report summarizing the results of the work and lessons learned including recommendations for improvement and follow up on prior year's recommendations;
- Input from stakeholder groups on the draft report;
- Final report



4.2 Data collection

On May 9, 2014 and July, 25 2014, EITI Albania arranged an orientation seminar for all the reporting companies participating in the EITI 2011 and 2012 reporting. Deloitte made a thorough presentation of the EITI reconciliation process and the revenue streams to be reconciled. Instructions for 2011 and 2012 reporting were attached to the formal request from the MEI asking participants to report within the deadline set forth and to collaborate with Deloitte during the reconciliation and investigation of discrepancies. The reporting templates were distributed through CDs to the participants in the seminar and also electronically available via email. The entities were required to report directly to the administrator, Deloitte, and also direct any questions regarding the reporting templates to Deloitte.

EITI Albania supported by the Ministry of Energy and Industry, issued official requests for participation in the EITI reporting process to all the reporting institutions and governmental agencies. In order to accelerate the compilation of the database and the reconciliation process, MEI asked the licensees and the recipient government institutions to submit the electronic declarations via email on 31 July 2014, and subsequently submit paper based official reporting until at the latest 8 August 2014.

Licensees reported their payments between 31 July and 15 October 2014. Government agencies reported payments collected between 10 September and 10 October 2014. Deloitte notified EITI Albania on the status of the reporting process on a daily basis. The entities and governmental agencies were contacted and reminded of the reporting requirement.

Government agencies and 78 licensees had to report in 2012, out of which 74 entities have reported by the date of this report.

4.3 Reporting templates

MSG and EITI Albania have developed standard reporting templates to facilitate the reporting from the licensees and governmental agencies. The templates have been tailored to include the most relevant cash flows as presented in figure 9.

4.4 Procedures performed

The process of compiling the reporting and resolving discrepancies was performed by Deloitte in the period from 10 September to 15 October 2014.

Deloitte has performed the following procedures on the reported figures:

- Reported figures per licensee were compiled item by item against reported figures from government. Based on this compilation, discrepancies were specified item by item for each licensee.
- If the reporting from governmental agencies agreed with the licensee's reporting, the government figures were considered to be confirmed by the licensee's reporting, and no further follow-up was necessary.
- In those cases where discrepancies appeared, licensees were contacted for further explanations. Deloitte gave information on whether discrepancies related to taxes or fees or amounts disclosed from the other party.
- The licensees were asked to provide details of the amounts (dates and figures). In most cases this enabled us to explain discrepancies.
- Prepared of draft report summarizing the results of the work and lessons learned including recommendations for improvement and follow up on prior year's recommendations; and
- Obtained and reflected on the draft report input from stakeholder groups;

The EITI Standard provides no materiality for explanation of discrepancies. Consequently, to the extent that we did not succeed in finding the reason for the discrepancy through contact with the licensees, we contacted the governmental agency and asked for details of the cash flows.

Due to lack of disaggregated information, we could not compare the reported cash flows under EITI with cash flows from the petroleum and mining industry as presented in the state accounts of 2012.

This process does not confirm that there were no other payments made to the government other than those that were reported, as such amounts may have been omitted in the reporting from licensees or governmental agencies.

The current regulations do not require us to perform detailed testing in order to uncover such omissions; and to uncover these omissions would be difficult even through detailed testing of all licensees.

The result of our procedures is presented in chapter 6.

5. Reconciliation summary

Table 16 - Summary of the cash flow reconciliation with the State budget

<i>Amounts in thousands Lek</i>	Initially reported amounts			Adjustments		Adjusted amounts		
	Licensees	Government	Discrepancy	Licensees	Government	Licensees	Government	Discrepancy
I. Oil and gas sector	6,944,703	5,842,180	1,102,523	(1,110,726)	(8,203)	5,833,977	5,833,977	-
II. Mining sector	1,003,227	990,753	12,474	(9,965)	(1,931)	993,262	988,822	4,440
III. Albpetrol	1,892,118	1,901,374	(9,257)	(3,376)	-	1,888,742	1,901,374	(12,633)
TOTAL	9,840,048	8,734,307	1,105,740	(1,124,067)	(10,134)	8,715,981	8,724,174	(8,193)

Table 17 - Summary of the cash flow reconciliation with Albpetrol

<i>Amounts in thousands Lek</i>	Initially reported amounts			Adjustments		Adjusted amounts		
	Licensees	Albpetrol	Discrepancy	Licensees	Albpetrol	Licensees	Albpetrol	Discrepancy
I. Oil and gas sector	5,478,496	5,142,769	335,727	-	272,268	5,478,496	5,415,037	63,459
TOTAL	5,478,496	5,142,769	335,727	-	272,268	5,478,496	5,415,037	63,459

6. Results of the reconciliation

This chapter presents reconciliation of cash flows to the State budget from the oil and gas licensees, the selected mining licensees and a reconciliation of payments collected from Albpetrol and contribution of the latter to the State budget.

6.1 Reconciliation of aggregated cash flows paid to the State budget from the oil and gas sector

Table 18 - Aggregated payments from the oil and gas sector to the State budget

Amounts in Lek thousands

Aggregated payments	Initial reporting	Discrepancy explained		Without counter-party	Adjusted amount
		Payer	Recipient		
Licenses	(1,110,725)	-	-	5,833,977	(1,110,725)
Government	-	(8,204)	-	5,833,977	-
Discrepancy	(1,110,725)	8,204	-	-	(1,110,725)

In total, 8 oil companies were asked to report payments to the State budget, respectively 4 production licensees and 5 exploration licensees. Bankers Petroleum holds both production and exploration licenses.

We received declarations from all the selected oil companies.

All discrepancies were explained through reconciliation work. A list of the discrepancies noted is presented in the reconciliations by revenue stream below.

The column “without reporting from counterparty”, TLEK 4, includes unilateral reporting of Tax authorities for profit tax collected by Stream Oil and Gas.

Table 19 - Aggregated payments from the oil and gas sector to the State budget – by revenue stream

Amounts in Lek thousands

Revenue Stream	Sum of Payer	Sum of Recipient	Discrepancy explained		Unidentified	Without counter-party
			Payer	Recipient		
Royalty – exports	5,115,989	5,104,242	(11,747)	-	-	-
Royalty – internal sales	130,673	347,363	(5,461)	(222,151)	-	-
Penalties	1,307,407	648	(1,092,811)	213,948	-	-
Signature Bonuses	390,634	389,927	(707)	-	-	-
Total	6,944,703	5,842,180	(1,110,726)	(8,203)		

Royalty stands out as the largest cash flow paid from the oil and gas sector to the State budget, with 93% of the total payments reported above in Table 19.

In case of exports, the licensees deposit in advance prepayments for royalty at the Custom’s account. Royalty is withheld out of this prepayment on the export date. The Government’s revenue is recorded on the export date and prior to this date the prepaid deposit pertains to the licensee. Therefore, prepayments are not considered as cash revenue, until used to pay royalty on export.

Two production licensees contributed the largest share of the cash flows to the State budget, respectively at 93% (Bankers Petroleum) and 6% (Stream oil and gas).

Bankers Petroleum reported social payments in 2012 at the amount of Lek 28 million made for the benefit of the community in the area surrounding the business. These payments were not reconciled to the recipient. None of the other licensees reported such payments for 2012.

Other reporting matters

As at the date of this report, all licenses submitted officially signed declarations and authorisations for publication of data, beside the electronic declarations submitted earlier via email.

6.1.1 Royalties – oil and gas sector

Royalties are applied at 10% of the taxable value (or fiscal value) of revenues from sales of oil and gas extracted. Royalty for exports is collected by the Albanian Customs Administrative and for domestic sales by the General Tax Directorate.

Table 20 - Aggregated reconciliation of Royalty on exports – oil and gas

Amounts in Lek thousands

Aggregated payments	Initial reporting	Discrepancy explained		Without counter-party	Adjusted amount
		Payer	Recipient		
Licenses	5,115,989	(11,747)	-	-	5,104,242
Albanian Custom Administrative	5,104,242	-	-	-	5,104,242
Discrepancy	11,747	(11,747)	-	-	-

Only 2 out of 4 production licensees reported Royalty payments on exports.

The discrepancy of TLEK 11,747 resulted because the licensee reported prepayments to the Custom, instead of royalty paid.

All discrepancies were identified through reconciliation work. A disaggregated overview company-by-company is presented in Appendix 1.

Table 21 - Aggregated reconciliation of Royalty on internal sales – oil and gas

Amounts in Lek thousands

Aggregated payments	Initial reporting	Discrepancy explained		Without counter-party	Adjusted amount
		Payer	Recipient		
Licenses	130,673	(5,461)	-	-	125,212
General Directorate of Tax	347,363	-	-	-	347,363
Discrepancy	(216,690)	(5,461)	-	-	(222,151)

Only 2 out of 4 production licensees reported Royalty payments on internal sales.

Tax authorities did not report the payment of Lek 5,461 for which the licensee provided a supporting payment slip showing Tax authorities as payment beneficiaries. On the other hand, Tax authorities informed us that due to limitations in their reporting systems, they cannot provide assurance on the completeness of royalty reported for each licensee.

All discrepancies were identified through reconciliation work. A disaggregated overview company-by-company is presented in Appendix 1.

6.1.2 Penalties – oil and gas sector

This year, the Licensees were required to report the amount of penalties paid related to taxes included in the reconciliation scope.

Table 22 - Reconciliation of penalties from oil and gas sector

Amounts in Lek thousands

Aggregated payments	Initial reporting	Discrepancy explained		Without counterparty	Adjusted amount
		Payer	Recipient		
Licensees	1,307,407	(1,092,811)	-	-	214,596
Tax Authorities	648	-	213,948	-	214,596
Discrepancy	1,306,759	(1,092,811)	(213,948)	-	-

Only 2 out of 8 licensees reported penalty payments. Based on the official reporting submitted discrepancies were identified in 2 cases. In both cases discrepancies were explained through reconciliation work. The main reasons and explanations discrepancies were that licensees reported penalties related to VAT and other taxes not within the scope of reconciliation;

6.1.3 Signature Bonuses

Signature bonuses are occasionally determined (based on contract negotiations) upon the granting of exploration permits or production licenses in oil and gas within the context of the specific contractual terms and conditions. Signature bonuses are recovered both by Albpetrol (for the signature of production licenses) or AKBN (for the signature of exploration permits).

Signature bonuses collected by AKBN are detailed as follows:

Table 23 - Reconciliation of Signature bonuses from petroleum sector

Amounts in Lek thousands

Aggregated payments	Initial reporting	Discrepancy explained		Without counterparty	Adjusted amount
		Payer	Recipient		
Licenses	390,634	(707)	-	-	389,927
AKBN	389,927	-	-	-	389,927
Discrepancy	707	(707)	-	-	-

Only 2 out of 5 exploration licensees reported payment of signature bonuses to AKBN. AKBN (the Government) reported receipt of signature bonuses for 2 out of 5 exploration licensees.

The discrepancy of TLEK 707 resulted from application of different foreign exchange rates in reporting. Payments for signature bonuses are set in USD.

A disaggregated overview company-by-company is presented in Appendix 1.

6.2 Reconciliation of aggregated cash flows paid to the State budget from the mining sector

In total, 69 mining licensees were asked to report payments to the State budget, 64 production licensees and 6 exploration licensees, respectively. Beralb holds both production and exploration licenses.

We received declarations for 65 out of 69 licensees. The four companies who failed to report until the date of this report were Bytyçi Sh.p.k., Minex Sh.p.k., Mineral Invest Sh.p.k. and Kurti Sh.p.k. Based on unilateral declarations from the government agencies, the cash flows from these four companies amount to 1.5% of total cash flows reported from the mining sector.

The table below presents the aggregated cash flows reported by mining companies.

Table 24 - Aggregated payments from the mining sector to the State budget

Amounts in Lek thousands

Aggregated payments	Initial reporting	Discrepancy explained		Without counterparty	Adjusted amount
		Payer	Recipient		
Licenses	1,003,230	(9,964)	-	15,159	1,008,425
Government	990,753	-	(1,931)	-	988,822
Discrepancy	12,477	(9,964)	1,931	15,159	19,603

The licensees initially reported payments of TLEK 1,003,230 to the Government, which were TLEK 12,477 above the payments reported by the Government.

The discrepancies of TLEK 9,964 and TLEK 1,931 were explained through the reconciliation work. A list of discrepancies noted is presented in the reconciliations by revenue stream below.

The column “without reporting from counterparty”, includes amounts reported unilaterally by the Government for four those licensees mentioned above, who failed to report by the date this report is published.

A disaggregated company-by-company overview is presented in Appendix 2. Reconciliation of cash flows from mining by revenue stream is presented as follows:

Table 25 - Aggregated payments from the mining sector to the State budget – by revenue stream

Amounts in Lek thousands

Revenue Stream	Sum of Payer	Sum of Recipient	Discrepancy explained		Unidentified	Without counterparty
			Payer	Recipient		
Profit Tax	555,518	532,143	(8,236)	(4,511)	20,843	1,195
Royalty – exports	337,479	343,845	(1,755)	-	(2,701)	5,417
Royalty – internal sales	92,450	95,962	346	2,580	(16)	5,731
Penalties	6,351	6,371	(320)	-	2,478	2,816
Dividend tax	11,429	12,432	-	-	(1,003)	-
Total	1,003,227	990,753	(9,965)	(1,931)	19,601	15,159

Profit tax and royalty comprise respectively 55% and 43% of total reported cash flows from the mining sector. Contributions from the two largest producers of chromium and copper comprise together 53% of the total cash flows reported from the mining sector. Respectively, Beralb (copper) contributed with payments TLEK 464,092 or 46% and Albchrome (chromium) contributed with TLEK 65,429 or 7%.

Other reporting matters

By the date of this report 48 out of 69 reporting licensees submitted officially signed declarations and authorisations for publication of data, beside the electronic declarations submitted earlier via email.

In the following three cases we received explicit non-authorization for publication of the payments at the disaggregated company level in the report:

- Selenice Bitumi Sh.p.k
- Mineral Bitumen Sh.p.k.
- Xhireton Sh.p.k.

Accordingly reported cash flows from these licensees have been aggregated. Their contribution amounts to 2.1% of the total reported payments from the mining sector.

6.2.1 Profit Tax – mining sector

In 2012, profit tax was levied at 10% of taxable profit. Profit tax is collected by the General Directorate of Tax.

Table 26 - Reconciliation of profit tax from mining sector

Amounts in Lek thousands

Aggregated payments	Initial reporting	Discrepancy explained		Without counterparty	Adjusted amount
		Payer	Recipient		
Licensees	555,518	(8,236)	-	1,195	548,477
General Directorate of Tax	532,143	-	(4,511)	-	527,632
Discrepancy	23,375	-8,236	4,511	1,195	20,845

In total, 53 out of 68 licensees have reported profit tax payments, while Tax authority reported receipt of profit tax from 54 out of 68 Licensees. Based on the official reporting submitted, discrepancies were identified in 18 cases. Out of these discrepancies, 8 were explained through reconciliation work. The main reasons and explanations for the resolved discrepancies were as follows:

- Profit tax payments were netted with VAT receivable balance and resulted in lower or nil net cash flows.
- Amounts not reported initially by Tax authority. These cash flows were reported from the Licensees payment documents showing the beneficiary entity.
- In some cases the Licensees had not reported payments, which were declared from the Tax authority.

Payments classified as “without counterparty” include the unilateral declaration from the Government for the amount of TLEK 1,195 paid by Bytyçi Sh.p.k..

There are still 11 unsolved discrepancies by the date of this report. In 4 cases, licensees reported payments higher than the Tax authority in total for TLEK 23,669. In 7 cases, the Tax authority reported payments higher than the Licensees in total for TLEK 2,826. The net discrepancies amount to TLEK 20,843.

A disaggregated overview company-by-company is presented in Appendix 2.

6.2.2 Royalties – mining sector

Royalties are applied at a rate that varies from 4-7% of the taxable value (or fiscal value) of revenues from sales of minerals extracted. Royalties for export are recovered by the Albanian Customs Administration and Royalties for domestic sales are recovered by the General Tax Directorate.

Table 27 - Reconciliation of royalty from mining sector – exports

Amounts in Lek thousands

Aggregated payments	Initial reporting	Discrepancy explained		Without counterparty	Adjusted amount
		Payer	Recipient		
Licensees	337,479	(1,755)	-	5,417	341,141
Albanian Custom Administration	343,845	-	-	-	343,845
Discrepancy	(6,366)	(1,755)	-	5,417	(2,704)

In total, 49 out of 64 producers have reported royalty payments for export sales, while Custom authority reported receipt of royalty from 52 out of 64 licensees. Based on the official reporting submitted, discrepancies were identified in 39 cases. Out of these discrepancies, 29 were explained through reconciliation work. The main reasons and explanations for the resolved discrepancies were as follows:

- Although otherwise instructed, almost all licensees reported prepayments to the Custom, instead of royalty held out of these prepayments. This caused a small timing difference.
- In few cases, licensees and government entities did not report or misclassified payments in their initial declarations.

There are still 10 unsolved discrepancies at the date of this report. In 3 cases, licensees reported payments higher than the Government in total for TLEK 715. In 8 cases, the Government reported payments higher than the Licensees in total for TLEK 3,419. The net discrepancies amount to TLEK 2,704.

6.2.2 Royalties – mining sector (continued)

Payments classified as “without counterparty” include the unilateral declaration from the Custom authority for the amount of TLEK 5,417 paid by Bytyçi Sh.p.k., Mineral Invest Sh.p.k. and Kurti Sh.p.k..

A disaggregated company-by-company overview is presented in Appendix 2.

Table 28 - Reconciliation of royalty from mining sector – internal sales

Amounts in Lek thousands

Aggregated payments	Initial reporting	Discrepancy explained		Without counterparty	Adjusted amount
		Payer	Recipient		
Licensees	92,450	346	-	5,731	98,527
General Directorate of Tax	95,962	-	2,580	-	98,542
Discrepancy	(3,512)	346	(2,580)	5,731	(15)

In total, 34 out of 64 producers have reported royalty payments for internal sales, while Tax authority reported receipt of royalty from 36 out of 64 licensees. Based on the official reporting submitted discrepancies were identified in 17 cases. Out of these discrepancies, 6 were explained through reconciliation work. The main reasons and explanations for the resolved discrepancies were as follows:

- Licensees and the Tax authority reported penalties which are not included.
- Licensee initially omitted payments reported by tax authority. When contacted, the licensee admitted these payments were made to the Tax authority.

There are still 11 unsolved discrepancies by the date of this report. In 7 cases Licensees reported payments higher than the Government in total for TLEK 1,567. In 4 cases the Government reported payments higher than the Licensees in total for TLEK 1,584. The net discrepancies amount to TLEK 15.

A disaggregated company-by-company overview is presented in Appendix 2.

Payments classified as “without counterparty” include the unilateral declaration from the General Directorate of Tax for the amount of TLEK 5,731 paid by Bytyçi Sh.p.k. and Mineral Invest Sh.p.k.

6.2.3 Penalties – mining sector

This year, the Licensees were required to report the amount of penalties paid related to profit tax.

Table 29 - Reconciliation of penalties from mining sector

Amounts in Lek thousands

Aggregated payments	Initial reporting	Discrepancy explained		Without counterparty	Adjusted amount
		Payer	Recipient		
Licensees	6,351	(320)	-	2,816	8,847
Tax Authorities	6,371	-	-	-	6,371
Discrepancy	(20)	(320)	-	2,816	2,476

Out of 69 reporting licensees, only 16 reported penalties. Tax authorities reported penalties received from 16 licensees. Based on the official reporting submitted discrepancies were identified in 12 cases. Out of these discrepancies, 5 were explained through reconciliation work. The main reasons and explanations for the resolved discrepancies were as follows:

- Licensees have reported fines related to VAT, which is not within the scope of reconciliation;
- Licensee reported penalties for local taxes, which is not within the scope of this reconciliation.

There are still 7 unsolved discrepancies by the date of this report. In 5 cases Licensees reported payments higher than the Government in total for TLEK 2,507. In 2 cases the Government reported payments higher than the Licensees in total for TLEK 29. The net discrepancies amount to TLEK 2,476.

A disaggregated company-by-company overview is presented in Appendix 2.

Payments classified as “without counterparty” include the unilateral declaration from the General Directorate of Tax for the amount of TLEK 2,816 paid by Bytyçi Sh.p.k. and Kurti Sh.p.k.

6.2.4 Tax on dividend – mining sector

In addition to the penalties, Licensees were required this year to report tax on dividend as well. This tax is charged on the dividend that the Licensees have paid to Ministry of Energy and Industry.

Table 30 - Reconciliation of tax on dividend

Amounts in Lek thousands

Aggregated payments	Initial reporting	Discrepancy explained		Without counterparty	Adjusted amount
		Payer	Recipient		
Licensees	11,429	-	-	-	11,429
General Directorate of Tax	12,432	-	-	-	12,432
Discrepancy	(1,003)	-	-	-	1,003

In total, 5 mining Licensees have reported tax on dividend paid. Discrepancies were identified only in one case where the licensee did not confirm payments reported by the Tax authorities.

A disaggregated company-by-company overview is presented in Appendix 2.

6.2.5 Summary of cases not reported by the Government

In the following, we summarise discrepancies that need to be further investigated by the reporting Government entities:

Table 31 – Cases to be investigated further by Government entities

Amounts in Lek thousands

Licensee	Sum of Payer	Sum of Recipient	Discrepancy explained		Unidentified	Without Counterparty	Comments
			Payer	Recipient			
Royalty paid on internal sales to the Tax Authorities							
Ral Sh.p.k.	406	-	-	-	-	406	Amount not declared by Tax Authority
“Ylberi” Sh.p.k.	208	-	-	-	-	208	Amount not declared by Tax Authority
Egi - K Sh.p.k.	5,097,566	2,773,926	2,323,640	-	-	-	Amount not declared by Tax, supported with payment documents
Alb - Canaj Sh.p.k.	165,103	119,224	45,879	-	-	-	Amount not declared by Tax, supported with payment documents
Stone Production Sh.p.k.	3,600,645	3,408,417	192,228	-	-	-	Amount not declared by Tax, supported with payment documents
Royalty paid on export to the Custom authority							
Prodhime Karbonike Sh.a.	161	-	-	-	-	161	Amount not declared by Custom authority, supported with payment documents
Profit tax paid to the Tax Authorities							
Koka Sh.p.k.	2,417,603	3,209,603	(792,000)	-	-	-	Amount not declared by Tax, supported with payment documents
Zasha Sh.p.k.	3,921,300	3,735,423	185,877	-	-	-	Amount not declared by Tax, supported with payment documents
KNAUF - Tirana Sh.p.k.	571,097	405,402	165,695	-	-	-	Amount not declared by Tax, supported with payment documents
Nika BL Sh.p.k.	890	-	-	-	-	890	Amount not declared by Tax Authority
Tili Inert Sh.p.k.	1,284	-	-	-	-	1,284	Amount not declared by Tax Authority

6.3 Reconciliation of cash flows collected from Albpetrol

Albpetrol holds share in oil produced by the license agreements under its administration. Licensees and Albpetrol reported the following cash flows for the share of oil production in 2012:

Table 32 - Aggregated cash flows from the petroleum sector on oil share of production – collected from Albpetrol

Amounts in Lek thousands

Licensee	Sum of Licensee	Quantity Licensee (in ton)	Sum of Albpetrol	Quantity Albpetrol (in ton)	Discrepancy explained		Unidentified	Comments
					Payer	Recipient		
Bankers Petroleum Albania L.t.d.	4,226,543	84,197	3,956,260	84,202	-	270,283	-	Difference of 5 tons results from conversion from barrels to ton. Albpetrol used a price different from the transfer price. This causes the difference in LEK
Dega në Shqipëri e Stream Oil & Gas L.t.d.	1,094,944	23,304	1,094,944	23,304	-	(1)	-	
Sherwood International Petroleum L.t.d.	9,287	158	7,301	155	-	1,986	-	Difference of 3 tons results from conversion from barrels to ton. Albpetrol used a price different from the transfer price, which caused a difference in value.
Trasoil Group	147,722	3,144	84,264	1,793	-	-	63,458	Difference of 1,351 tons
Total	5,478,496	111,705	5,142,769	109,455	-	272,268	-	

In 2012 Albpetrol received signature bonuses at the amount of USD 300,000 from Emanuelle Adriatic Energy Limited upon subscription. No signature bonuses were collected by Albpetrol in 2011.

Table 33 - Aggregated cash flows from the petroleum sector on signature bonuses – collected from the Albpetrol

Amounts in Lek thousands

Licensee	Sum of Licensee	Sum of Albpetrol	Discrepancy explained		Unidentified	Without counter-party	Comments
			Payer	Recipient			
Emanuelle Adriatic Energy Limited	31,701	31,701	-	-	-	-	
Total	31,701	31,701	-	-	-	-	

6.4 Reconciliation of cash flows paid by Albpetrol to the State budget

In 2012, Albpetrol contributed the following to the State budget:

Table 34 - Summary of cash flows collected and contributed by Albpetrol

Amounts in Lek thousands

Revenue Stream	Sum of Albpetrol	Sum of Government	Discrepancy explained		Unidentified	Comments
			Payer	Recipient		
Royalty on internal sales	742,637	735,622	-	-	7,015	
Royalty on exports	235,000	231,624	(3,376)	-	-	Licensee reported prepayments to the Custom
Profit Tax	561,234	172,231	389,003	-	-	Licensee reported penalties in profit tax stream
Tax penalties	-	434,030	(389,003)	-	45,027	Penalties are reported in other payment streams
Dividend paid to the State	99,951	99,951	-	-	-	
Dividend paid to the State – <i>tax on dividend</i>	253,296	227,916	-	-	(25,379)	
Total	1,892,118	1,901,374	(3,376)	-	(12,633)	

By the date of this report, we could not obtain an explanation for a total of discrepancies amounted TLEK 12,633.

7. Lessons learned and recommendations

The EITI reporting was completed in October 2014 and includes payments made in 2012. This is the fourth year that licensees and governmental bodies in Albania report payments from the petroleum and mining activities based on the EITI principles. The first reporting was completed in 2011 (the implementation year) for payments made in 2009.

During the course of this assignment, we noted areas as summarized below that could be further improved affecting the extent of EITI reporting process and the process itself. The determination of relative merits and timescale for implementation of the recommendations where accepted is the responsibility of the Albanian Working Group.

7.1 Strengthening access to quality and reliable information

Following to the recommendations from the former administrator in the EITI report for 2010, EITI Albania appointed a focal point in every concerned Government agency including MEI, AKBN, Albanian Geological Service, General Directorate of Taxes, Albanian Custom Administrate etc., but also within the major extractive companies operating oil, gas, and mining, in order to strengthen access to reliable and timely data.

Despite this fact, in 2011 and 2012 we noted that access to reliable and comprehensive data at the time required to compile this report, was hindered and limited by several barriers. Some of these barriers and suggested remedial actions are listed in the following points.

7.1.1 Regulatory aspects in the context of EITI reporting

Regulation of EITI for the mining sector is addressed by the Law on Mining and CMD no. 233 dated 23 March 2011. For the oil and gas sector, EITI reporting requirements are agreed upon through memorandum of understandings signed with each oil operator. Following to the requirements of the new EITI Standard and the recommendations in made in the EITI 2011 report, in October 2014 the Law on Mining was amended to establish the ALBEITI's rights to request and publish in the EITI report, information on tax payments from the mining companies and the concerned Government recipient institutions including the tax and custom authorities and local government units.

The petroleum sector, this consent can be expressed as an extension of current memorandum of understanding, signed between the oil and gas companies and EITI Albania. In order to comply with current tax and custom procedures, this extension in the MoU shall also include the recipient government entities.

We understand that such reporting requirement for the recipient Government institutions currently conflict with their statutory duty to maintain confidentiality over the information obtained in terms of their regulatory duties. This confidentiality provisions, referred to in the laws applicable to tax and custom procedures in Albania¹⁷, allow access to the data only upon explicit consent from the Licensee. In addition, Government bodies may exchange the data under strict confidentiality terms.

Recommendation

Under these terms we recommend that in order to proceed with the publishing of disaggregated data, MSG and EITI Albania request through the reporting templates that licensees explicitly consent disclosure of the information declared from the Licensees and the recipient Government institutions in the EITI report at a disaggregated level. This recommendation applies also to the reporting from the petroleum sector where companies have voluntarily accepted the EITI process.

Current status

We received explicit written consent from 55 out of 78 reporting licenses; 3 out of 78 reporting licensees explicitly refused granting their consent; while 19 out of 78 reporting licensees verbally agreed but did not submit their written consent by the date this report was finalized.

¹⁷ Law No. 9920, dated 19 May 2008 "On tax procedures in the Republic of Albania, amended" and Law No.8449, dated 27 January 1999 "Custom Code in the Republic of Albania, amended".

7.1.2 Access to timely and reliable data from the Government

Appointment of EITI focal points among the concerned Government institutions positively contributed to increase their awareness and coordination of EITI activities. However, further efforts need to be made to improve reporting and analysis of extractive industry activity and cash flows.

a) Improve access to reliable reporting on timely basis

Recipient government agencies' reporting came with significant delay and many discrepancies. Through inquiry and communications, we understood that their management information systems and structures did not support EITI reporting requirements.

Tax authorities reporting systems

We were informed that, in 2012 and 2011, Tax management information system accounted and reported only the following taxes and contributions: VAT, profit tax, social and health insurance contributions and personal income tax. For these taxes, the system could print a cash flow statement for each registered business based on the Tax identification number ("NUIS").

Payments for royalties, withholding tax, tax on dividend etc. were recorded in the accounting books maintained at each Regional tax office. These limitations increased manual search work, time required to report and chances of errors in reporting.

Current status

We were informed that the General Directorate of Taxes has invested into a new management information system that would account for and report comprehensive information for all taxpayers and cash flows starting from 2015.

Recommendation

We recommend EITI Albania collaborates with the Tax authorities to build in the new tax system, the EITI reporting requirements on contextual information and tax payments made from individual companies. This change requires cooperation from the Ministry of Finance and maintenance of an updated public licensees register for the extractive industry. Same register should be furnished in real-time to all government institutions receiving and administering taxes.

b) Disclosure of total government revenue

We could not obtain a full disclosure of Government revenue from the extractive sector for the years 2011 and 2012. We understand that the Government revenues and expenditures are recorded through a single cash management system: the Treasury system. This system can provide information on a monthly basis on revenue generated for each tax. The current public charter of accounts set up in the system, cannot identify and separately account the revenue generated from the extractive industry as a whole and disaggregated by taxes.

Recommendation

Collaboration with the General Directorate of Tax, presented above in point 7.1.2 (b), could overcome this barrier for taxes levied at Central Government level. Fiscal contribution collected from each municipality and commune from the extractive industry is recorded at local government level and no accurate records are maintained by Ministry of Finance. We recommend that the MSG and EITI Albania collaborate with the LGUs and discuss opportunity to build the EITI reporting requirements within their management information systems.

Updated information from the Government's reporting system will enhance statistics from the sector and can be compared with other information such as production levels, structure of the industry, number of licenses etc.

c) Publication of statistics and facts on the extractive industry

The new EITI standard imposes certain requirements on provision of contextual information for the activity and regulation in the extractive industry, including disclosure of:

- Overview of the extractive industry in terms of reserves, regions, current structure and size, significant exploration activities etc.;
- Contribution in the economy, employment and export levels;
- Total government revenue generated by the extractive industry and funds earmarked for specific programs / geographic regions and sub-national transfers;
- Public information on license allocations, register of licensees, beneficial owners, contract terms etc.

We noted progressive efforts made by MEI, AKBN and Albpetrol by publishing information on their website, however data is scattered across different sources and further improvements are still necessary to provide a comprehensive and consistent reporting on the extractive industry.

The contextual information in this report is referenced to different sources dispersed across public sector and often not publicly available. Certain analyses were limited due to unavailability of statistics on the sector. Where available national statistics included information for a wider sector.

Recommendation

In order to enhance completeness and accuracy, reliability and accessibility of the contextual information, we recommend that the Ministry of Energy and Industry publishes on a periodical basis (at least annually) contextual information including: the potential of the industry and current production, the contribution to the economy, the strategy on the sector, events and facts, current regulation, and forthcoming changes, etc.

We understand that the Government did not undertake studies of the oil and mining geological reserves in the last 20 years. In this case we suggest that the MEI publishes the results geological studies and maps from the 80s and 90s.

In the context of improving reporting and statistics on the extractive sector, we recommend the Ministry of Energy and Industry consider whether to implement similar reporting requirements as in the EU Directives on Accounting and Transparency¹⁸

Based on the requirements by the Ministry established licensees may disclose EITI payments and other information in an annex to the annual financial statements.

Disclosures can be further extended to include other information useful for statistics on the sector such as: production size, investments, environmental payments, employees, average salary and subcontracting, social expenses, etc. which can be collected and elaborated annually and provide the basis for reporting statistics and facts on the industry.

Furthermore, the Ministry should follow up on strict application of local legislation related to the financial reporting and auditing of financial statements of the companies in this sector. This will enable increase in the quality and quantity of the financial information produced in relation to the extraction activity in Albania.

d) Tests on completeness of revenue

We understood that the production data provided by AKBN was based on self-declarations submitted from the licensees.

Recommendation

In addition to declarations submitted, we suggest that AKBN provides a comparison of the production declared with the measurements made from AKBN throughout the year.

18 EU Accounting Directive 2013/34/EU

7.2 Setting annual time-schedule process for EITI reporting

In order to facilitate the reconciliation and reporting work, we suggest establishing an annual time-scheduled process including the following:

7.2.1 Updating and publishing forms and instructions and selection of the reporting entities

- Reporting templates and instructions shall be reviewed and updated for changes in EITI scope and requirements, regulation updates, and new facts affecting the extractive industry (i.e. new revenue streams, licensees etc.).
- Provided that the EITI Albania systems support this application, approved templates and instructions may be published on the ALBEITI website, where can be downloaded by the reporting entities, filled and uploaded through a dedicated portal on the website. Officially signed forms would be submitted thereafter by mail within the deadline set or be uploaded on the same web portal.
- Selection of the reporting entities should be planned and communicated months ahead of the reconciliation work schedule. We suggest requesting all licensees (where possible) to submit electronic declarations via web or email. Reconciliation work may focus on a sample based on the scope of EITI reporting and changes in the sector.

Declarations not selected for the reconciliation process may be presented unilaterally in the report, compared to production data and total cash flows reported by the government institutions etc.

7.2.2 Setting a deadline for submission of declarations and reconciliation work

The annual deadline for submission of declarations should be planned ahead and be included in the reporting entities schedule. As a result, the time required for collection of data is expected to be reduced and the accuracy of reporting would most likely be improved. The same deadline should be established for both licensees and recipient government entities.

In the beginning of May of the following calendar year might be considered as the deadline for submission of declarations with the reconciliation work performed in May and June.

Glossary and abbreviations

ALBEITI	The EITI secretariat in Albanian, established under the Ministry of Energy and Industry
Administrator	Independent company hired to perform the reconciliation of reported payments and revenues from the licensees and the government
Aggregation	Payments are combined so that the figures show totals per revenue stream
AGS	Albanian Geological Service
AKBN	National Agency of Natural Resources
Custom authorities	Albanian Custom Administration
Counterparty	In the report the Government is the counterparty to the licensee and the licensee is the counterparty to the Government
Disaggregation	Payments are detailed per revenue stream and/ or per licensee
EITI	Extractive Industry Transparency Initiative
EITI Albania	The EITI secretariat in Albanian, established under the Ministry of Energy and Industry
Government	Used in this report as a collective term comprising the General Directorate of Tax, the Ministry of Energy and industry, the Albanian Custom Administration, the National Agency of Natural Resources and Albpetrol, when not separately disclosed.
IFRS	International Financial Reporting Standards published by the International Federation of Accountants (IFAC).
INSTAT	National Institute of Statistics
Licensee	Company that has been awarded a license interest in a license production in the Albanian territory
License	License awarded by MEI to perform exploration and production in the Albanian territory
LGU	Local Government Unit
M³	Meter cube
MLEK	Million Albanian Lek
MEI	Ministry of Energy and Industry
MSG	Multi-stakeholder working Group
Nm³	Normal meter cube
Nickel compositions	Nickel compositions extracted in Albania include iron-nickel and nickel-silicate.
Licensee	Company appointed by MEI to operate the activity in accordance with the license permit
Albpetrol Sh.a. Petroleum	Oil company 100% owned by the Albanian Government. Collective term meaning oil and gas
Reconciliation	The process of comparing reported data from licensees and the Government, and explain any discrepancies
Tariff revenue	Revenue from transportation and processing of oil and gas
Tax authorities	General Directorate of Tax
TLEK	Thousand LEK
TUSD	Thousand US dollar
USD	US dollar
Without counterparty	Amount reported by either the Government or licensees but not by both parties

Appendix 1: Disaggregated reconciliation from the oil and gas sector

Table 35 - Payments per company

Amounts in Lek thousands

Licensee	Sum of Payer	Sum of Recipient	Discrepancy explained		Unidentified	Without counter-party
			Payer	Recipient		
Bankers Petroleum Albania Ltd.	6,485,926	5,406,872	(1,086,560)	(7,506)	-	-
Dega në Shqipëri e Stream Oil & Gas Ltd.	386,147	368,145	(18,700)	(698)	-	-
Sherwood International Petroleum Ltd.	-	-	-	-	-	-
Transoil Group - Dega në Shqipëri	51,495	46,034	(5,461)	-	-	-
Petromanas Albania GmbH	21,134	21,130	(4)	-	-	-
Capricorn Albania Limited	-	-	-	-	-	-
San Leon Durrësi B.V.	-	-	-	-	-	-
Emanuelle Adriatic Energy Limited	-	-	-	-	-	-
	6,944,702	5,842,181	(1,110,725)	(8,204)	-	-

Table 36 - Royalty on internal sales

Amounts in Lek thousands

Licensee	Sum of Payer	Sum of Recipient	Discrepancy explained		Unidentified	Without Counterparty	Comments
			Payer	Recipient			
Bankers Petroleum Albania Ltd.	-	221,454	-	(221,454)	-	-	Licensee exported all production in 2012 and was no liable for this payment. Licensee explains this amount relates to a tax re-assement for which case is won by the licensee at court.
Dega në Shqipëri e Stream Oil & Gas Ltd.	79,178	79,875	-	(697)	-	-	Licensee provided us with the payment slip.
Transoil Group Ltd	51,495	46,034	(5,461)	-	-	-	Licensee provided us with the payment slip.
	130,673	347,363	(5,461)	(222,151)	-	-	

Table 37 - Royalty on exports

Amounts in Lek thousands

Licensee	Sum of Payer	Sum of Recipient	Discrepancy resolved		Unidentified	Without Counterparty	Comments
			Payer	Recipient			
Bankers Petroleum Albania L.t.d.	4,815,989	4,815,989	-	-	-	-	
Dega në Shqipëri e Stream Oil & Gas L.t.d.	300,000	288,253	(11,747)	-	-	-	Licensee reported prepayments to the Custom
	5,115,989	5,104,242	(11,747)	-	-	-	

Table 38 - Tax penalties

Amounts in Lek thousands

Licensee	Sum of Payer	Sum of Recipient	Discrepancy resolved		Unidentified	Without Counterparty	Comments
			Payer	Recipient			
Bankers Petroleum Albania L.t.d.	1,300,438	632	(1,085,858)	213,948	-	-	Licensee reported payments of penalties for taxes not included in reconciliation. Adjustment of the recipient reporting was based on payments slips provided by the licensee.
Dega në Shqipëri e Stream Oil & Gas L.t.d.	6,969	16	(6,953)	-	-	-	Licensee reported payments of penalties for taxes not included in reconciliation.
	1,307,407	648	(1,092,811)	213,948	-	-	

Table 39 - Signature bonuses

Amounts in Lek thousands

Licensee	Sum of Payer	Sum of Recipient	Discrepancy resolved		Unidentified	Without counter-party	Comments
			Payer	Recipient			
Bankers Petroleum Albania L.t.d.	369,500	368,797	(703)	-	-	-	Licensee presented a payment which does not pertain to the stream.
Petromanas Albania G.m.b.H	21,134	21,130	(4)	-	-	-	Bank charges.
Total	390,634	389,927	(707)	-	-	-	

Appendix 2: Disaggregated reconciliation from the mining sector

Table 40 - Payments per company

Amounts in Lek thousands

Company	Sum of Payer	Sum of Recipient	Discrepancy explained		Unidentified	Without Counterparty
			Payer	Recipient		
Fushe Kruja Cement Factory Sh.p.k.	15,611	15,541	-	-	70	-
Antea Cement Sh.a.	37,002	34,822	(2,149)	-	30	-
Babasi COO Sh.p.k.	4,513	4,513	-	-	-	-
Beralb Sh.a.	464,092	440,661	37	-	23,467	-
United Quarries Sh.p.k.	3,695	3,723	-	-	(28)	-
Gerold Sh.p.k.	1,241	1,241	-	-	-	-
Miniera e Kromit Katjel Sh.p.k.	8,913	8,806	(36)	72	-	-
Bytyçi Sh.p.k.	-	10,768	-	-	-	10,768
Ernisi Sh.p.k.	9,854	9,854	-	-	-	-
Vëllazëria Sh.p.k.	3,930	3,971	42	-	1	-
Cahani Sh.p.k.	5,414	5,388	(25)	-	1	-
Leshnica Sh.p.k.	764	764	-	-	-	-
Nika BL Sh.p.k.	965	75	-	-	890	-
Lamnica Sh.p.k.	1,856	1,892	36	-	-	-
Albchrome Sh.p.k.	65,429	54,353	(11,075)	-	-	-
Koka Sh.p.k.	11,383	12,255	80	(792)	-	-
Egi - K Sh.p.k.	31,805	30,006	25	1,824	-	-
Zasha Sh.p.k.	16,672	16,402	(84)	186	-	-
Runja Sh.p.k.	9,949	9,949	-	-	-	-
Gjoni Sh.p.k.	3,754	4,748	(8)	-	(1,003)	-
Gentari Sh.p.k.	10,861	11,119	133	-	(125)	-
Fabrika e Pasurimit të Kromit Bulqizë Sh.p.k.	19,529	22,292	2,763	-	-	-
Isaku Sh.p.k.	9,856	9,801	(36)	-	20	-
Rier Sh.p.k.	3,002	2,955	(47)	-	-	-
Alb - Canaj Sh.p.k.	7,652	7,606	-	46	-	-
Herbi Sh.p.k.	10,817	11,134	317	-	-	-
Klosi Sh.p.k.	6,655	6,913	258	-	-	-
Krasta Sh.p.k.	778	772	(6)	-	-	-
Koxheri Sh.p.k.	65	65	-	-	-	-
Kuarci Blace Sh.p.k.	3,400	3,389	(11)	-	-	-
Neli Sh.p.k.	5,162	5,576	414	-	-	-
Lubima Sh.p.k.	3,931	3,874	-	-	57	-
Favina Sh.p.k.	3,886	3,886	-	-	-	-
Ral Sh.p.k.	3,626	3,239	19	-	406	-
Shkalla Sh.p.k.	20,441	24,189	(263)	(3,504)	(506)	-
Bledi Sh.p.k.	3,912	5,768	-	-	(1,856)	-
Aliaj Group Sh.p.k.	-	791	-	-	(791)	-
Romes Sh.p.k.	3,705	3,705	-	-	-	-
Tili Inert Sh.p.k.	7,065	5,104	-	-	1,961	-
Grenast Sh.p.k.	6,262	8,012	-	-	(1,749)	-
Minex Sh.p.k.	-	-	-	-	-	-
Brisel Sh.p.k.	5,367	5,826	-	-	(459)	-
Albanisa - Krypi Sh.p.k.	5,626	5,618	(8)	-	-	-
"Ylberi" Sh.p.k.	2,867	3,277	-	-	(410)	-
Ylberi Sh.p.k.	1,964	1,896	(67)	-	-	-
Mineral Invest Sh.p.k.	-	3,063	-	-	-	3,063
Kurti Sh.p.k.	-	1,328	-	-	-	1,328
Arkev Sh.p.k.	-	2	-	-	(2)	-
Lita Brothers Construction Sh.p.k.	2,276	2,568	-	-	(292)	-
Geris 2002 Sh.p.k.	3,824	3,824	-	-	-	-

Table 40 - Payments per company (continued)*Amounts in Lek thousands*

Company	Sum of Payer	Sum of Recipient	Discrepancy explained		Unidentified	Without Counterparty
			Payer	Recipient		
Info Metal Plast - Al Sh.p.k.	1,819	2,026	-	-	(207)	-
Ateani Sh.p.k.	9,820	10,092	-	-	(272)	-
Yzo Sh.p.k.	257	257	-	-	-	-
Platinum ALB Sh.p.k.	2,805	2,805	-	-	-	-
Vëllezërit Llupo Sh.p.k.	1,783	1,489	-	-	294	-
Heidorn & Binjaku Sh.p.k.	26,570	26,570	-	-	-	-
Kromex Sh.p.k.	1,736	1,790	-	(54)	-	-
Aris Albania Sh.p.k.	11,149	11,106	(110)	(67)	-	-
Drini Bulqizë Sh.p.k.	7,412	7,412	-	-	-	-
Prodhime Karbonike Sh.a.	4,343	4,183	-	-	161	-
Salillari Sh.p.k.	40,779	40,779	-	-	-	-
Stone Production Sh.p.k.	11,621	11,421	(8)	192	-	-
11 Heronjtë Bater Sh.p.k.	11,013	10,980	(33)	-	-	-
Rej Sh.a.	517	523	6	-	-	-
KNAUF - Tirana Sh.p.k.	737	571	-	166	-	-
Pula - X Sh.p.k.	-	-	-	-	-	-
Aggregated reporting	21,498	21,425	(128)	-	(56)	-
	1,003,230	990,753	(9,964)	(1,931)	19,602	15,159

* Aggregated reporting include cash flow reconciliation for the three licensees who explicitly disapproved publication of the payments at the disaggregated company level in the report

Appendix 2: Disaggregated reconciliation from the mining sector (continued)

Table 41 - Royalty – internal sales

Amounts in Lek thousands

Company	Sum of Payer	Sum of Recipient	Discrepancy explained		Un-identified	Without Counterparty	Comments
			Payer	Recipient			
Fushe Kruja Cement Factory Sh.p.k.	15,611	15,541	-	-	70	-	
Antea Cement Sh.a.	9,702	9,672	-	-	30	-	
Babasi COO Sh.p.k.	1,558	1,558	-	-	-	-	
Beralb Sh.a.	-	-	-	-	-	-	
United Quarries Sh.p.k.	3,391	3,419	-	-	(28)	-	
Gerold Sh.p.k.	1,106	1,106	-	-	-	-	
Miniera e Kromit Katjel Sh.p.k.	1,067	996	-	72	-	-	Licensee provided us with the payment slip.
Bytyçi Sh.p.k.	-	5,313	-	-	-	5,313	
Emisi Sh.p.k.	-	-	-	-	-	-	
Vëllazëria Sh.p.k.	29	28	-	-	1	-	
Cahani Sh.p.k.	-	-	-	-	-	-	
Leshnica Sh.p.k.	-	-	-	-	-	-	
Nika BL Sh.p.k.	75	75	-	-	-	-	
Lamnica Sh.p.k.	-	-	-	-	-	-	
Albchrome Sh.p.k.	-	-	-	-	-	-	
Koka Sh.p.k.	14	359	346	-	-	-	Licensee admitted this payment should be declared.
Egi - K Sh.p.k.	5,098	2,774	-	2,324	-	-	Licensee provided us with the payment slip.
Zasha Sh.p.k.	8,682	8,682	-	-	-	-	
Runja Sh.p.k.	4,216	4,216	-	-	-	-	
Gjoni Sh.p.k.	1,519	1,519	-	-	-	-	
Gentari Sh.p.k.	-	-	-	-	-	-	
Fabrika e Pasurimit të Kromit Bulqizë Sh.p.k.	-	-	-	-	-	-	
Isaku Sh.p.k.	-	-	-	-	-	-	
Rier Sh.p.k.	-	-	-	-	-	-	
Alb - Canaj Sh.p.k.	165	119	-	46	-	-	Licensee provided us with the payment slip.
Herbi Sh.p.k.	702	702	-	-	-	-	

Table 41 - Royalty – internal sales (continued)
Amounts in Lek thousands

Company	Sum of Payer	Sum of Recipient	Discrepancy explained		Un-identified	Without Counterparty	Comments
			Payer	Recipient			
Klosi Sh.p.k.	248	248	-	-	-	-	
Krasta Sh.p.k.	-	-	-	-	-	-	
Koxheri Sh.p.k.	-	-	-	-	-	-	
Kuarci Blace Sh.p.k.	511	511	-	-	-	-	
Neli Sh.p.k.	-	-	-	-	-	-	
Lubima Sh.p.k.	-	-	-	-	-	-	
Favina Sh.p.k.	1,169	1,169	-	-	-	-	
Ral Sh.p.k.	406	-	-	-	406	-	
Shkalla Sh.p.k.	-	-	-	-	-	-	
Bledi Sh.p.k.	186	1,558	-	-	(1,371)	-	
Aliaj Group Sh.p.k.	-	-	-	-	-	-	
Romes Sh.p.k.	2,372	2,372	-	-	-	-	
Tili Inert Sh.p.k.	5,488	5,104	-	-	384	-	
Grenast Sh.p.k.	-	-	-	-	-	-	
Minex Sh.p.k.	-	-	-	-	-	-	
Brisel Sh.p.k.	378	43	-	-	335	-	
Albanisa - Krypi Sh.p.k.	1,749	1,749	-	-	-	-	
"Ylberi" Sh.p.k.	208	-	-	-	208	-	
Ylberi Sh.p.k.	-	-	-	-	-	-	
Mineral Invest Sh.p.k.	-	418	-	-	-	418	
Kurti Sh.p.k.	-	-	-	-	-	-	
Arkev Sh.p.k.	-	-	-	-	-	-	
Lita Brothers Construction Sh.p.k.	1,209	1,209	-	-	-	-	
Geri's 2002 Sh.p.k.	-	-	-	-	-	-	
Info Metal Plast - Al Sh.p.k.	-	171	-	-	(171)	-	
Ateani Sh.p.k.	-	-	-	-	-	-	
Yzo Sh.p.k.	-	-	-	-	-	-	
Platinum ALB Sh.p.k.	-	-	-	-	-	-	
Vëllezërit Llupo Sh.p.k.	802	668	-	-	134	-	
Heidorn & Binjaku Sh.p.k.	-	-	-	-	-	-	
Kromex Sh.p.k.	1,736	1,790	-	(54)	-	-	Foreign exchange rate effect.
Aris Albania Sh.p.k.	2,280	2,280	-	-	-	-	
Drini Bulqizë Sh.p.k.	-	-	-	-	-	-	
Prodhime Karbonike Sh.a.	-	-	-	-	-	-	
Salillari Sh.p.k.	2,957	2,957	-	-	-	-	
Stone Production Sh.p.k.	3,601	3,408	-	192	-	-	Licensee provided us with the payment slip.

Table 41 - Royalty – internal sales (continued)*Amounts in Lek thousands*

Company	Sum of Payer	Sum of Recipient	Discrepancy explained		Un-identified	Without Counter-party	Comments
			Payer	Recipient			
11 Heronjtë Bater Sh.p.k.	5,958	5,958	-	-	-	-	
Rej Sh.a.	-	-	-	-	-	-	
KNAUF - Tirana Sh.p.k.	-	-	-	-	-	-	
Pula - X Sh.p.k.	-	-	-	-	-	-	
Aggregated reporting	8,257	8,270	-	-	(14)	-	
	92,450	95,962	346	2,580	(16)	5,731	

* Aggregated reporting include cash flow reconciliation for the three licensees who explicitly disapproved publication of the payments at the disaggregated company level in the report

Appendix 2: Disaggregated reconciliation from the mining sector (continued)

Table 42 - Royalty – exports

Amounts in Lek thousands

Company	Sum of Payer	Sum of Recipient	Discrepancy explained		Unidentified	Without Counter-party	Comments
			Payer	Recipient			
Fushe Kruja Cement Factory Sh.p.k.	-	-	-	-	-	-	
Antea Cement Sh.a.	27,300	25,150	(2,149)	-	-	-	The licensee reported prepayments to the Custom.
Babasi COO Sh.p.k.	-	-	-	-	-	-	
Beralb Sh.a.	92,398	92,435	37	-	-	-	Foreign exchange rate effect.
United Quarries Sh.p.k.	-	-	-	-	-	-	
Gerold Sh.p.k.	3	3	-	-	-	-	
Miniera e Kromit Katjel Sh.p.k.	4,127	4,091	(36)	-	-	-	The licensee reported prepayments to the Custom.
Bytyçi Sh.p.k.	-	1,749	-	-	-	1,749	
Ernisi Sh.p.k.	3,857	3,857	-	-	-	-	
Vëllazëria Sh.p.k.	2,029	2,072	42	-	-	-	Foreign exchange rate effect.
Cahani Sh.p.k.	4,402	4,401	-	-	1	-	
Leshnica Sh.p.k.	634	634	-	-	-	-	
Nika BL Sh.p.k.	-	-	-	-	-	-	
Lamnica Sh.p.k.	1,736	1,772	36	-	-	-	Foreign exchange rate effect.
Albchrome Sh.p.k.	36,734	36,124	(610)	-	-	-	Foreign exchange rate effect.
Koka Sh.p.k.	8,951	8,686	(265)	-	-	-	Foreign exchange rate effect.
Egi - K Sh.p.k.	10,875	10,900	25	-	-	-	Foreign exchange rate effect.
Zasha Sh.p.k.	3,942	3,899	(43)	-	-	-	Foreign exchange rate effect.
Runja Sh.p.k.	-	-	-	-	-	-	
Gjoni Sh.p.k.	1,455	1,525	70	-	-	-	The licensee reported prepayments to the Custom.
Gentari Sh.p.k.	7,243	7,453	210	-	-	-	The licensee reported prepayments to the Custom.

Table 42 - Royalty – exports (continued)
Amounts in Lek thousands

Company	Sum of Payer	Sum of Recipient	Discrepancy explained		Unidentified	Without Counter-party	Comments
			Payer	Recipient			
Fabrika e Pasurimit të Kromit Bulqizë Sh.p.k.	18,247	18,781	534	-	-	-	Foreign exchange rate effect. The licensee reported prepayments to the Custom.
Isaku Sh.p.k.	2,596	2,560	(36)	-	-	-	
Rier Sh.p.k.	2,537	2,491	(47)	-	-	-	Foreign exchange rate effect.
Alb - Canaj Sh.p.k.	6,387	6,387	-	-	-	-	
Herbi Sh.p.k.	9,715	10,032	317	-	-	-	Foreign exchange rate effect. Foreign exchange rate effect.
Klosi Sh.p.k.	5,707	5,965	258	-	-	-	Foreign exchange rate effect.
Krasta Sh.p.k.	582	576	(6)	-	-	-	The licensee reported prepayments to the Custom.
Koxheri Sh.p.k.	-	-	-	-	-	-	
Kuarci Blace Sh.p.k.	1,670	1,659	(11)	-	-	-	The licensee reported prepayments to the Custom. Foreign exchange rate effect.
Neli Sh.p.k.	4,762	5,176	414	-	-	-	
Lubima Sh.p.k.	3,057	3,057	-	-	-	-	
Favina Sh.p.k.	-	-	-	-	-	-	
Ral Sh.p.k.	2,602	2,621	19	-	-	-	Foreign exchange rate effect. The licensee reported prepayments to the Custom.
Shkalla Sh.p.k.	7,103	6,840	(263)	-	-	-	
Bledi Sh.p.k.	3,231	3,539	-	-	(308)	-	
Aliaj Group Sh.p.k.	-	791	-	-	(791)	-	
Romes Sh.p.k.	68	68	-	-	-	-	
Tili Inert Sh.p.k.	-	-	-	-	-	-	
Grenast Sh.p.k.	3,982	4,317	-	-	(335)	-	
Minex Sh.p.k.	-	-	-	-	-	-	
Brisel Sh.p.k.	4,989	5,784	-	-	(795)	-	
Albanisa - Krypi Sh.p.k.	857	849	(8)	-	-	-	The licensee reported prepayments to the Custom.
"Ylberi" Sh.p.k.	2,653	3,277	-	-	(624)	-	

Table 42 - Royalty – exports (continued)

Amounts in Lek thousands

Company	Sum of Payer	Sum of Recipient	Discrepancy explained		Unidentified	Without Counter-party	Comments
			Payer	Recipient			
Ylberi Sh.p.k.	882	815	(67)	-	-	-	The licensee reported prepayments to the Custom.
Mineral Invest Sh.p.k.	-	2,645	-	-	-	2,645	
Kurti Sh.p.k.	-	1,023	-	-	-	1,023	
Arkev Sh.p.k.	-	-	-	-	-	-	
Lita Brothers Construction Sh.p.k.	719	1,011	-	-	(292)	-	
Geris 2002 Sh.p.k.	3,083	3,083	-	-	-	-	
Info Metal Plast - Al Sh.p.k.	1,819	1,265	-	-	554	-	
Ateani Sh.p.k.	3,479	3,751	-	-	(272)	-	
Yzo Sh.p.k.	257	257	-	-	-	-	
Platinum ALB Sh.p.k.	70	70	-	-	-	-	
Vëllezërit Llupo Sh.p.k.	-	-	-	-	-	-	
Heidorn & Binjaku Sh.p.k.	7,529	7,529	-	-	-	-	
Kromex Sh.p.k.	-	-	-	-	-	-	
Aris Albania Sh.p.k.	6,726	6,713	(13)	-	-	-	
Drini Bulqizë Sh.p.k.	7,412	7,412	-	-	-	-	
Prodhime Karbonike Sh.a.	161	-	-	-	161	-	Licensee provided us with the payment slip.
Salillari Sh.p.k.	-	-	-	-	-	-	
Stone Production Sh.p.k.	6,546	6,539	(8)	-	-	-	Foreign exchange rate effect.
11 Heronjtë Bater Sh.p.k.	1,895	1,862	(33)	-	-	-	The licensee reported prepayments to the Custom.
Rej Sh.a.	517	523	6	-	-	-	The licensee reported prepayments to the Custom.
KNAUF - Tirana Sh.p.k.	-	-	-	-	-	-	
Pula - X Sh.p.k.	-	-	-	-	-	-	
Aggregated Reporting	9,953	9,826	(128)	-	-	-	
	337,479	343,845	(1,755)	-	(2,701)	5,417	

* Aggregated reporting include cash flow reconciliation for the three licensees who explicitly disapproved publication of the payments at the disaggregated company level in the report

Appendix 2: Disaggregated reconciliation from the mining sector (continued)

Table 43 - Profit tax

Amounts in Lek thousands

Company	Sum of Payer	Sum of Recipient	Discrepancy explained		Unidenti fied	Without counter-party	Comments
			Payer	Recipient			
Fushe Kruja Cement Factory Sh.p.k.	-	-	-	-	-	-	
Antea Cement Sh.a.	-	-	-	-	-	-	
Babasi COO Sh.p.k.	2,955	2,955	-	-	-	-	
Beralb Sh.a.	368,244	346,806	-	-	21,438	-	Licensee provided us with the payment slip.
United Quarries Sh.p.k.	303	303	-	-	-	-	
Gerold Sh.p.k.	132	132	-	-	-	-	
Miniera e Kromit Katjel Sh.p.k.	3,719	3,719	-	-	-	-	
Bytyçi Sh.p.k.	-	1,195	-	-	-	1,195	
Ernsi Sh.p.k.	5,197	5,197	-	-	-	-	
Vëllazëria Sh.p.k.	1,823	1,823	-	-	-	-	
Cahani Sh.p.k.	988	988	-	-	-	-	
Leshnica Sh.p.k.	130	130	-	-	-	-	
Nika BL Sh.p.k.	890	-	-	-	890	-	
Lamnica Sh.p.k.	120	120	-	-	-	-	
Albchrome Sh.p.k.	28,694	18,229	(10,465)	-	-	-	Licensee provided us with the payment slip.
Koka Sh.p.k.	2,418	3,210	-	(792)	-	-	Licensee provided us with the payment slip.
Egi - K Sh.p.k.	13,649	14,149	-	(500)	-	-	Licensee paid in 2011 and Tax recorded the payment in 2012.
Zasha Sh.p.k.	3,921	3,735	-	186	-	-	Licensee provided us with the payment slip.
Runja Sh.p.k.	5,733	5,733	-	-	-	-	
Gjoni Sh.p.k.	702	702	-	-	-	-	
Gentari Sh.p.k.	3,475	3,600	-	-	(125)	-	
Fabrika e Pasurimit të Kromit Bulqizë Sh.p.k.	1,282	3,510	2,229	-	-	-	Licensee admitted the additional payment.
Isaku Sh.p.k.	7,127	7,127	-	-	-	-	
Rier Sh.p.k.	464	464	-	-	-	-	
Alb - Canaj Sh.p.k.	1,100	1,100	-	-	-	-	
Herbi Sh.p.k.	400	400	-	-	-	-	

Table 43 - Profit tax (continued)
Amounts in Lek thousands

Company	Sum of Payer	Sum of Recipient	Discrepancy explained		Unidentified	Without counter-party	Comments
			Payer	Recipient			
Klosi Sh.p.k.	700	700	-	-	-	-	
Krasta Sh.p.k.	175	175	-	-	-	-	
Koxheri Sh.p.k.	65	65	-	-	-	-	
Kuarci Blace Sh.p.k.	1,220	1,220	-	-	-	-	
Neli Sh.p.k.	400	400	-	-	-	-	
Lubima Sh.p.k.	874	817	-	-	57	-	
Favina Sh.p.k.	2,717	2,717	-	-	-	-	
Ral Sh.p.k.	617	617	-	-	-	-	
Shkalla Sh.p.k.	11,338	15,349	-	(3,504)	(506)	-	Licensee paid in 2011 and Tax recorded the payment in 2012.
Bledi Sh.p.k.	495	671	-	-	(176)	-	
Aliaj Group Sh.p.k.	-	-	-	-	-	-	
Romes Sh.p.k.	1,265	1,265	-	-	-	-	
Tili Inert Sh.p.k.	1,284	-	-	-	1,284	-	
Grenast Sh.p.k.	2,281	3,684	-	-	(1,404)	-	
Minex Sh.p.k.	-	-	-	-	-	-	
Brisel Sh.p.k.	-	-	-	-	-	-	
Albanisa - Krypi Sh.p.k.	1,774	1,774	-	-	-	-	
"Ylberi" Sh.p.k.	-	-	-	-	-	-	
Ylberi Sh.p.k.	1,082	1,082	-	-	-	-	
Mineral Invest Sh.p.k.	-	-	-	-	-	-	
Kurti Sh.p.k.	-	-	-	-	-	-	
Arkev Sh.p.k.	-	2	-	-	(2)	-	
Lita Brothers Construction Sh.p.k.	348	348	-	-	-	-	
Geri's 2002 Sh.p.k.	741	741	-	-	-	-	
Info Metal Plast - Al Sh.p.k.	-	590	-	-	(590)	-	
Ateani Sh.p.k.	6,341	6,341	-	-	-	-	
Yzo Sh.p.k.	-	-	-	-	-	-	
Platinum ALB Sh.p.k.	2,685	2,685	-	-	-	-	
Vëllezërit Llupo Sh.p.k.	693	693	-	-	-	-	
Heidorn & Binjaku Sh.p.k.	19,040	19,040	-	-	-	-	
Kromex Sh.p.k.	-	-	-	-	-	-	
Aris Albania Sh.p.k.	1,740	1,807	-	(67)	-	-	Reported in other payments.
Drini Bulqizë Sh.p.k.	-	-	-	-	-	-	
Prodhime Karbonike Sh.a.	4,183	4,183	-	-	-	-	
Salillari Sh.p.k.	31,501	31,501	-	-	-	-	
Stone Production Sh.p.k.	1,474	1,474	-	-	-	-	
11 Heronjtë Bater Sh.p.k.	3,160	3,160	-	-	-	-	

Table 43 - Profit tax (continued)*Amounts in Lek thousands*

Company	Sum of Payer	Sum of Recipient	Discrepancy explained		Unidentified	Without counter-party	Comments
			Payer	Recipient			
Rej Sh.a.	-	-	-	-	-	-	
KNAUF - Tirana Sh.p.k.	571	405	-	166	-	-	Licensee provided us with the payment slip.
Pula - X Sh.p.k.	-	-	-	-	-	-	
Aggregated Reporting	3,288	3,310	-	-	(23)	-	
	555,518	532,143	(8,236)	(4,511)	20,843	1,195	

* Aggregated reporting include cash flow reconciliation for the three licensees who explicitly disapproved publication of the payments at the disaggregated company level in the report

Appendix 2: Disaggregated reconciliation from the mining sector

Table 44 - Penalties related to Profit tax

Amounts in Lek thousands

Licensee	Sum of Payer	Sum of Recipient	Discrepancy resolved		Unidentified	Without counterparty	Comments
			Payer	Recipient			
Fushe Kruja Cement Factory Sh.p.k.	-	-	-	-	-	-	
Antea Cement Sh.a.	-	-	-	-	-	-	
Babasi COO Sh.p.k.	-	-	-	-	-	-	
Beralb Sh.a.	3,449	1,421	-	-	2,029	-	
United Quarries Sh.p.k.	-	-	-	-	-	-	
Gerold Sh.p.k.	-	-	-	-	-	-	
Miniera e Kromit Katjel Sh.p.k.	-	-	-	-	-	-	
Bytyçi Sh.p.k.	-	2,511	-	-	-	2,511	
Ernisi Sh.p.k.	800	800	-	-	-	-	
Vëllazëria Sh.p.k.	49	49	-	-	-	-	
Cahani Sh.p.k.	25	-	(25)	-	-	-	Licensee reported penalties for VAT, not profit tax
Leshnica Sh.p.k.	-	-	-	-	-	-	
Nika BL Sh.p.k.	-	-	-	-	-	-	
Lamnica Sh.p.k.	-	-	-	-	-	-	
Albchrome Sh.p.k.	-	-	-	-	-	-	
Koka Sh.p.k.	-	-	-	-	-	-	
Egi - K Sh.p.k.	-	-	-	-	-	-	
Zasha Sh.p.k.	126	85	(41)	-	-	-	Licensee reported penalties for VAT, not profit tax
Runja Sh.p.k.	-	-	-	-	-	-	
Gjoni Sh.p.k.	79	-	(79)	-	-	-	Licensee reported penalties for VAT, not profit tax
Gentari Sh.p.k.	143	65	(78)	-	-	-	Licensee reported penalties for local taxes, not profit tax
Fabrika e Pasurimit të Kromit Bulqizë Sh.p.k.	-	-	-	-	-	-	
Isaku Sh.p.k.	133	114	-	-	20	-	
Rier Sh.p.k.	-	-	-	-	-	-	

Table 44 - Penalties related to Profit tax (continued)

Amounts in Lek thousands

Licensee	Sum of Payer	Sum of Recipient	Discrepancy resolved		Unidentified	Without counterparty	Comments
			Payer	Recipient			
Alb - Canaj Sh.p.k.	-	-	-	-	-	-	
Herbi Sh.p.k.	-	-	-	-	-	-	
Klosi Sh.p.k.	-	-	-	-	-	-	
Krasta Sh.p.k.	21	21	-	-	-	-	
Koxheri Sh.p.k.	-	-	-	-	-	-	
Kuarci Blace Sh.p.k.	-	-	-	-	-	-	
Neli Sh.p.k.	-	-	-	-	-	-	
Lubima Sh.p.k.	-	-	-	-	-	-	
Favina Sh.p.k.	-	-	-	-	-	-	
Ral Sh.p.k.	-	-	-	-	-	-	
Shkalla Sh.p.k.	-	-	-	-	-	-	
Bledi Sh.p.k.	-	-	-	-	-	-	
Aliaj Group Sh.p.k.	-	-	-	-	-	-	
Romes Sh.p.k.	-	-	-	-	-	-	
Tili Inert Sh.p.k.	293	-	-	-	293	-	
Grenast Sh.p.k.	-	11	-	-	(11)	-	
Minex Sh.p.k.	-	-	-	-	-	-	
Brisel Sh.p.k.	-	-	-	-	-	-	
Albanisa - Krypi Sh.p.k.	-	-	-	-	-	-	
"Ylberi" Sh.p.k.	6	-	-	-	6	-	
Ylberi Sh.p.k.	-	-	-	-	-	-	
Mineral Invest Sh.p.k.	-	-	-	-	-	-	
Kurti Sh.p.k.	-	305	-	-	-	305	
Arkev Sh.p.k.	-	-	-	-	-	-	
Lita Brothers Construction Sh.p.k.	-	-	-	-	-	-	
Geri's 2002 Sh.p.k.	-	-	-	-	-	-	
Info Metal Plast - Al Sh.p.k.	-	-	-	-	-	-	
Ateani Sh.p.k.	-	-	-	-	-	-	
Yzo Sh.p.k.	-	-	-	-	-	-	
Platinum ALB Sh.p.k.	50	50	-	-	-	-	
Vëllezërit Llupo Sh.p.k.	288	128	-	-	160	-	
Heidorn & Binjaku Sh.p.k.	-	-	-	-	-	-	
Kromex Sh.p.k.	-	-	-	-	-	-	
Aris Albania Sh.p.k.	403	306	(97)	-	-	-	Licensee reported penalties for VAT, not profit tax

Table 44 - Penalties related to Profit tax (continued)*Amounts in Lek thousands*

Licensee	Sum of Payer	Sum of Recipient	Discrepancy resolved		Unidentified	Without counter-party	Comments
			Payer	Recipient			
Drini Bulqizë Sh.p.k.	-	-	-	-	-	-	
Prodhime Karbonike Sh.a.	-	-	-	-	-	-	
Salillari Sh.p.k.	320	320	-	-	-	-	
Stone Production Sh.p.k.	-	-	-	-	-	-	
11 Heronjtë Bater Sh.p.k.	-	-	-	-	-	-	
Rej Sh.a.	-	-	-	-	-	-	
KNAUF - Tirana Sh.p.k.	166	166	-	-	-	-	
Pula - X Sh.p.k.	-	-	-	-	-	-	
Aggregated reporting *	-	19	-	-	(19)	-	
	6,351	6,352	(320)	-	2,497	2,816	

* Aggregated reporting include cash flow reconciliation for the three licensees who explicitly disapproved publication of the payments at the disaggregated company level in the report

Appendix 2: Disaggregated reconciliation from the mining sector (continued)

Table 44 - Tax on dividend

Amounts in Lek thousands

Company	Sum of Payer	Sum of Recipient	Discrepancy resolved		Unidentified	Without counter-party	Comments
			Payer	Recipient			
Egi - K Sh.p.k.	2,183	2,183	-	-	-	-	-
Gjoni Sh.p.k.	-	1,003	-	-	(1,003)	-	-
Shkalla Sh.p.k.	2,000	2,000	-	-	-	-	-
Albanisa - Krypi Sh.p.k.	1,246	1,246	-	-	-	-	-
Salillari Sh.p.k.	6,000	6,000	-	-	-	-	-
Total	11,429	12,432	-	-	(1,003)	-	-

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited , a UK private company limited by gurantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.al/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's with approximately 195,000 professionals are committed to becoming the standard of excellence.

© 2014 Deloitte Albania sh.p.k