



SOLOMON ISLANDS EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (SIEITI)

RECONCILIATION REPORT FOR THE YEAR 2012

June 2014



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LIST OF ABBREVIATIONS

| | |
|---------|--|
| CBSI | Central Bank of the Solomon Islands |
| CED | Customs & Excise Division |
| EITI | Extractive Industries Transparency Initiative |
| GRML | Gold Ridge Mining Limited |
| IMF | International Monetary Fund |
| IRD | Inland Revenue Division |
| MCIE | Ministry of Commerce, Industry and Employment |
| MMA | Mines and Minerals Act |
| MMERE | Ministry of Mines, Energy and Rural Electrification |
| MoFT | Ministry of Finance & Treasury |
| MSG | Multi-Stakeholder Group |
| NPF | National Provident Fund |
| NSG | National-Stakeholder Working Group |
| OPMC | Office of the Prime Minister and Cabinet |
| Oz | Once |
| SBD | Solomon Islands Dollar |
| SI | Solomon Islands |
| SIEINSG | Solomon Islands Extractive Industries National Stakeholder Group |
| SIEITI | Solomon Islands Extractive Industries Transparency Initiative |
| SIG | Solomon Islands Government |
| ToRs | Terms of Reference |
| US\$ | United States Dollar |

1. INTRODUCTION

1.1. Background

The Extractive Industries Transparency Initiative (EITI) is a global coalition of governments, companies and civil society working together to improve transparency and accountability in the management of revenues from natural resources.

The international EITI Board approved Solomon Islands' application for EITI Candidate status at its meeting in Lima 27 June 2012. Solomon Islands' next validation is due before 1st July 2015.

A National-Stakeholder Working Group (NSG) was established to lead the EITI implementation in the Solomon Islands in February 2012. NSG is composed of representatives from each of the following three groups: civil society organisations, extractive companies, and the Government. NSG is led by Mckinni Dentana the EITI National Coordinator and Under Secretary Economics (Ministry of Finance and Treasury). NSG is supported by a Secretariat to deal with its day-to-day operations.

This is the first Solomon Islands Extractive Industries Transparency Initiative (EITI) reconciliation report, which covers the period 1st January to 31st December 2012.

1.2. Objective

The purpose of the first Solomon Islands EITI Report is to reconcile data provided by companies in the extractive sector (hereafter referred to as "Companies") with data provided by the relevant Government Ministries and Agencies (hereafter referred to as "Agencies").

The overall objective of the reconciliation exercise is to help the Government of Solomon Islands to identify the positive contribution that mineral resources are making to economic and social development of the Country, and to realise their potential through improved resource governance that encompasses and fully implements the principles and criteria of the Extractive Industries Transparency Initiative.

1.3. Nature and extent of our work

The Reconciliation ('Engagement') was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures performed were those set out in the terms of reference as approved by the SIEINSG on 21 February 2014.

We set out our findings in this report including its appendices. Because the procedures carried out were not designed to constitute an audit or review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the transactions beyond the explicit statements set out in this report. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The report provides a brief background, scope and objectives, our methodology and approach to the reconciliation process. It then provides details of our findings, recommendations for improvement and the way forward for the reconciliation process.

Our report incorporates information received up to 23th June 2014. Any information received after this date is not therefore included in our report. The confirmations, which did not affect data or reconciliations, received subsequently to this date have been included

2. EXECUTIVE SUMMARY

2.1. Completeness and accuracy of data

- A schedule of payments made to Government Agencies, broken down by company, was used as the basis for our reconciliation. A total of 97.97% of payments have been selected and included in the reconciliation. This was achieved by including all companies making payments to the Government Agencies in excess of SBD 1 million. The revenues collected from the remaining companies have been included in this report through a unilateral disclosure by Government Agencies.

On 5 June 2014, the SIEINSG held a meeting and decided to exclude St Barbara Mining Ltd (GRML) and Pacific Porphyry (SI) Ltd from the reconciliation scope due to the following reasons:

- Due to the national disaster flooding events of 3 April 2014, St Barbara have indicated that they have not yet been able to access local records to complete the templates and are unable to participate to the EITI reporting process at this time. St Barbara returned to Solomon Islands during June 2014;
- Pacific Porphyry finalised its operations in 2013 and have no staff in Solomon Islands.

To address these exceptional circumstances, the EITI National Secretariat have consulted the EITI International Secretariat and EITI Reconciler to propose the following actions for the 2012 EITI Reports:

- the reconciliation report is submitted by 29 June 2014;
- the reconciliation report discloses payments received by SIG but does not reconcile payments made by St Barbara and Pacific Porphyry due to the exceptional circumstances outlined above;
- a supplementary report that reconciles payments made by St Barbara during 2012 and 2013 is prepared before the EITI validation date of 1 July 2015.

On 18 June 2014, St Barbara Mining Ltd sent a letter to confirm that the company is fully committed to meet its obligation under the SI EITI reporting requirements and that it will declare payments made to SIG during 2012 before the validation deadline.

- 16 Government Agencies were selected by SIEINSG for the 2012 reconciliation exercise. MoFT was removed from this list because it is only delegated to collect taxes on behalf of MMERE and MCIE. The latter will identify the type of tax and declare payments received from taxpayers.
- All companies (6) included in the reconciliation scope have returned their reporting templates, except SMM Solomon Limited and Axiom Mining Ltd who failed to deliver despite the positive assurances made by company representatives.. The receipts reported by Government Agencies in respect of these companies were, respectively, SBD 17,181,356 (36.71% of the total extractive sector revenues) and SBD 238,409 (0.51% of the total extractive sector revenues).
- All Government Agencies included in the reconciliation scope have submitted their reporting templates, except the following Provincial Government:

Provincial Government

| | | |
|--------------|----------|---------------------|
| Central | Choiseul | Isabel |
| Makira Ulawa | Malaita | Rennell and Bellona |
| Temotu | Western | |

- Although companies were requested to obtain confirmation that accounts were audited to international standards, and that there were no issues that came to the auditor's attention

which would lead the latter to believe that the information disclosed in the reporting template did not represent a true and fair summary of the payments made, we note that all companies did not comply with this requirement.

- All extractive companies have submitted reporting templates signed by a senior official, except Nautilus Minerals Solomon Islands and S.I Cement Products Limited. The SIEINSG decided to accept these declarations for the purpose of the preparation of this report.
- Although extractive companies were requested to submit a supporting schedule along with completed templates, we note that Solomon Sheet Steel Ltd did not comply with this requirement.
- With regard to Government Agencies, all reporting templates were not certified by the Auditor General. We were informed by the Auditor General's office that he will not be able to certify the reporting templates because of the lack of available human resources and the short deadline to meet do not allow him to provide the requested certification.
- Delays in the reconciliation exercise were caused by the time required for production of information by companies and Government Agencies. These delays complicated the collection of supporting documents to update the information provided in the original data collection templates.

2.2. Payment Reconciliation

- At the beginning of the reconciliation, the total amount reported by the Government of Solomon Islands from the extractive industry amounted to SBD 46,802,097 while the total net difference between the Companies' submissions and those of the Agencies amounted to SBD 22,569,522 (48.2%), as summarised in the table below:

| | Companies (SBD) | Agencies (SBD) | Difference (SBD) | % |
|--|--------------------|-------------------|---------------------|----------------|
| Total payments declared initially by reporting entities | 24,232,575 | 46,802,097 | (22,569,522) | (48.2%) |

- At the end of the reconciliation, the remaining net differences amounted to SBD 22,375,200 or 48.0% of the total payments declared by the Government. 78% of this difference is relating to reporting templates not submitted by extractive companies:

| | Companies (SBD) | Agencies (SBD) | Difference (SBD) | % |
|---|--------------------|-------------------|---------------------|----------------|
| Total payments declared after adjustment | 24,232,575 | 46,607,775 | (22,375,200) | (48.0%) |

Detail of adjustments made to the reporting entities' initial amounts are presented in Section 6.3 of this report.

- The final difference of SBD (22,375,200) relating to the 2012 reconciliation exercise is summarised in the tables below:

❖ *Unreconciled differences by origin*

| Origin | Total payments declared (SBD) | % |
|---|----------------------------------|-------------|
| Reporting Templates not submitted by extractive companies | (17,419,765) | 78% |
| Discrepancies in Templates submitted | (4,955,435) | 22% |
| Total differences | (22,375,200) | 100% |

❖ **Unreconciled differences by Company**

| N° | Entities | Extractive companies declared payments (SBD) | Government declared receipts (SBD) | Unreconciled Difference (SBD) | Positive Difference (SBD) | Negative Difference (SBD) |
|----|-----------------------------------|--|------------------------------------|-------------------------------|---------------------------|---------------------------|
| 1 | SMM Solomon Limited | - | 17,181,356 | (17,181,356) | - | (17,181,356) |
| 2 | Nautilus Minerals Solomon Islands | 1,996,550 | 1,996,550 | - | - | - |
| 3 | Bluewater Metals (SI) Ltd | 986,416 | 909,446 | 76,970 | 86,970 | (10,000) |
| 4 | Axiom Mining Ltd | - | 238,409 | (238,409) | - | (238,409) |
| 5 | Solomon Sheet Steel Ltd | 18,535,701 | 23,535,653 | (4,999,952) | 6,716,503 | (11,716,455) |
| 6 | S.I Cement Products Limited | 2,713,908 | 2,746,361 | (32,453) | 5,622 | (38,076) |
| | Total | 24,232,575 | 46,607,775 | (22,375,200) | 6,809,095 | (29,184,296) |

❖ **Unreconciled differences by Agency/Tax**

| N° | Tax | Extractive company (SBD) | Govt (SBD) | Unreconciled Difference (SBD) |
|----|--|--------------------------|-------------------|-------------------------------|
| | MMERE - MoFT- CBSI | 2,908,496 | 2,981,617 | (73,121) |
| 1 | Royalties | - | - | - |
| 2 | Mining License Fees | - | 30,000 | (30,000) |
| 3 | Prospecting Licence Fees | 2,905,996 | 2,928,517 | (22,521) |
| 4 | Gold Dealers License Fees | - | - | - |
| 5 | Reconnaissance License Fees | - | - | - |
| 6 | Alluvial License Fees | - | - | - |
| 7 | Special Site License Fees | - | - | - |
| 8 | Road Access License Fees | - | 15,600 | (15,600) |
| 9 | Building Material License Fees | 2,500 | 7,500 | (5,000) |
| | MCIE - MoFT | 25,398 | 41,910 | (16,512) |
| 10 | Registration Fees | 2,903 | 200 | 2,703 |
| 11 | Residence permits Fees | 22,495 | 18,220 | 4,275 |
| 12 | Work permits Fees | - | 23,490 | (23,490) |
| | IRD - MoFT | 11,720,277 | 36,535,952 | (24,815,675) |
| 13 | Tax on Profit/Turnover Tax | 4,862,292 | 16,121,018 | (11,258,726) |
| 14 | Provisional Tax | 3,572,491 | 3,572,822 | (331) |
| 15 | Additional Profit Tax | - | - | - |
| 16 | Property Taxes | - | - | - |
| 17 | Pay-As-You-Earn (PAYE) | 815,704 | 4,733,876 | (3,918,172) |
| 18 | Withholding Tax | - | 9,777,592 | (9,777,592) |
| 19 | Sales Tax | 139,846 | - | 139,846 |
| 20 | Goods Tax | 2,329,944 | 2,329,944 | - |
| 21 | Stamp Duties | - | 700 | (700) |
| | CED - MoFT | 8,755,681 | 5,329,500 | 3,426,181 |
| 22 | Export Duties | - | - | - |
| 23 | Import Duties | 8,755,681 | 3,109,656 | 5,646,025 |
| 24 | Goods Tax (CED) | - | 2,219,844 | (2,219,844) |
| | National Provident Fund | 745,754 | 1,718,797 | (973,043) |
| 25 | NPF | 745,754 | 1,718,797 | (973,043) |
| | Provincial Government | 76,970 | - | 76,970 |
| 26 | Taxes, Fees and other payments made to Provincial Government | 76,970 | - | 76,970 |
| | Government Agencies | - | - | - |
| 27 | Other Taxes, Fees and others payments made to Government | - | - | - |
| | Total payments | 24,232,575 | 46,607,775 | (22,375,200) |

After adjustments, the net difference of SBD (22,375,200) represents the aggregate of the positive differences amounting to SBD 6,809,095 and the negative differences of SBD (29,184,296) which are detailed in Section 6.4.

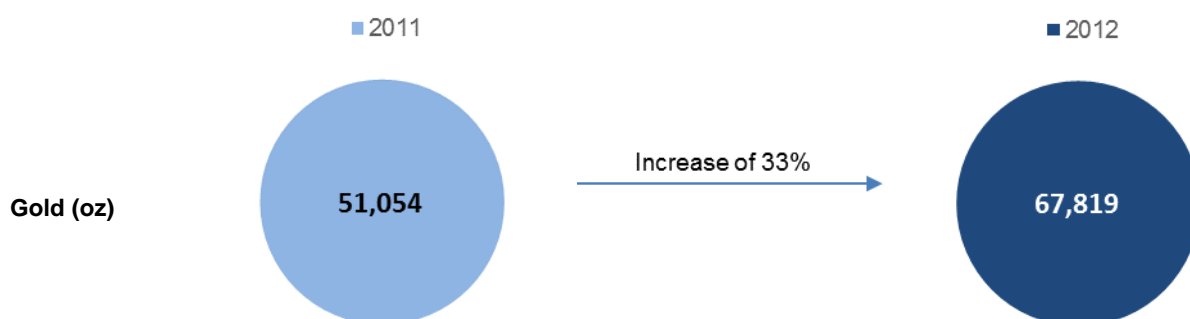
2.3. Government revenues

Overall receipts reported by government, after reconciliation, may be expressed as follow:

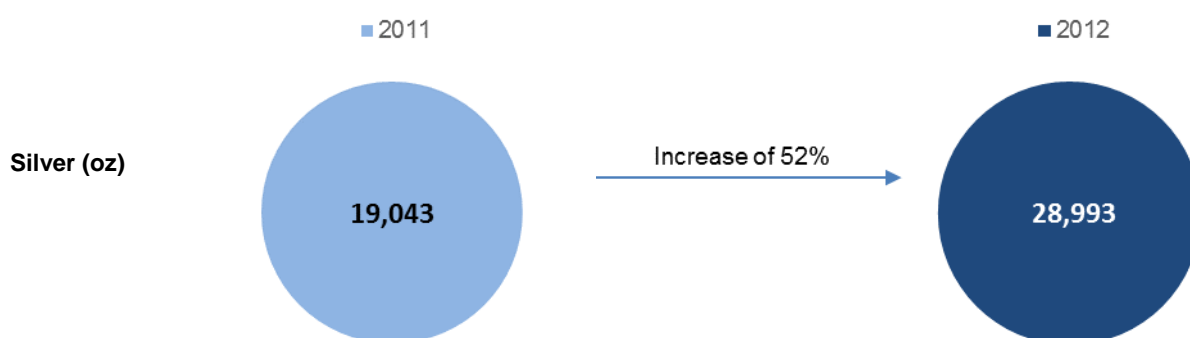
i. Key Macro-economic data

| Macro-economic data | 2011 | | 2012 | | Var / Value | | Variance | |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|----------|--|
| | million SBD | million USD | million SBD | million USD | million SBD | million USD | % | |
| Total Govt revenues ¹ | 2,199 | 288 | 2,535 | 344 | 336 | 56 | 15.3% | |
| Total fiscal revenues ¹ | 1,989 | 260 | 2,254 | 306 | 265 | 46 | 13.3% | |
| GDP ¹ | 6,637 | 869 | 7,355 | 999 | 718 | 130 | 10.8% | |
| Exports ² | 3,173 | 415 | 3,628 | 493 | 455 | 78 | 14.3% | |

ii. Gold and Silver Production Data²



| Total Gold production ² | 2011 | 2012 | Var / Value | Var / % |
|------------------------------------|---------------|---------------|---------------|------------|
| St Barbara Mining Ltd (GRML) | 51,054 | 67,819 | 16,765 | 33% |
| Total | 51,054 | 67,819 | 16,765 | 33% |



| Total Silver production ² | 2011 | 2012 | Var / Value | Var / % |
|--------------------------------------|---------------|---------------|--------------|------------|
| St Barbara Mining Ltd (GRML) | 19,043 | 28,993 | 9,950 | 52% |
| Total | 19,043 | 28,993 | 9,950 | 52% |

¹ IMF Country Report No. 14/12 Solomon Islands

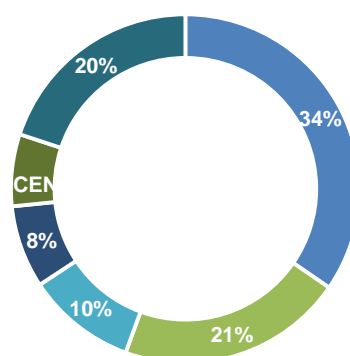
² CBSI Quarterly Review December 2012 and December 2011

iii. Government receipts from extractive sector

| EITI Data | 2012 | |
|--|--------------------|-------------------|
| Sector covered | Mining | |
| Number of companies reporting | 6 | |
| Materiality threshold (SBD million) | 1 | |
| | SBD | USD |
| Government receipts from extractive sector | 150,640,183 | 20,467,416 |
| Government receipts from reconciled companies | 46,607,775 | 6,332,578 |
| Government receipts from non-reconciled companies (SBD) | 104,032,407 | 197,077 |

2012

- Tax on Profit/Turnover Tax
- Withholdings Tax
- Pay- As-You-Earn (PAYE)
- Provisional Tax
- Import Duties
- Other payments to government



| EITI Data | 2012 | |
|--|--------------------|------------------|
| | SBD | USD |
| Government receipts from reconciled companies | 46,607,775 | 6,332,578 |
| <i>Tax on Profit/Turnover Tax</i> | 16,121,018 | 2,190,356 |
| <i>Withholdings Tax</i> | 9,777,592 | 1,328,477 |
| <i>Pay- As-You-Earn (PAYE)</i> | 4,733,876 | 643,190 |
| <i>Provisional Tax</i> | 3,572,822 | 485,438 |
| <i>Import Duties</i> | 3,109,656 | 422,508 |
| <i>Other payments to government</i> | 9,292,812 | 1,262,610 |
| Government receipts from non-reconciled companies | 104,032,407 | 197,077 |

iv. Social expenditures

| Social payment | 2012 | |
|-------------------|--------------|--------------|
| | SBD | USD |
| Cash contribution | 9,000 | 1,223 |
| Total | 9,000 | 1,852 |

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27 June 2014

3. APPROACH AND METHODOLOGY

Prior to collecting data for the 2012 reconciliation process, we carried out preliminary analysis for the purpose of ensuring that the scope of the EITI reporting process has been clearly defined, including the reporting templates, data collection procedures and the schedule for publishing the EITI Report. We also prepared written instructions explaining how to complete and submit these reporting templates.

3.1. Preliminary analysis

In accordance with our terms of reference, we carried out a preliminary analysis and reported to SIEINSG on matters which should be considered in determining the coverage of the 2012 reconciliation, including:

- materiality threshold for receipts and payments;
- taxes and revenues to be covered;
- companies and Government Agencies required to report; and
- assurances to be provided by reporting entities to ensure credibility of the data made available to us.

A fact-finding visit at the SIEITI Secretariat in Honiara was carried out between 12 and 16 May 2014 during which we:

- examined the structure of the extractive sector in Solomon Islands and sought to the number of taxpayers and the relevant Government Agencies involved;
- conducted a mapping exercise of the flow of revenue from the Extractive Industries/Companies to Government Agencies;
- designed a revenue tracking template for line Agencies at different stages of the value chain – flow of funds; and
- identified areas in which reconciliation is feasible, i.e. where there is perfect symmetry between the paying and receiving entities, and areas in which only a unilateral disclosure by the receiving or disbursing entity is necessary.

The results of the preliminary analysis submitted to SIEINSG for approval as described in Section 5 of this report.

3.2. Reconciliation process

3.2.1. Data Gathering

SIEINSG developed instructions, including reporting templates and reporting guidelines, requesting mining companies and Government Agencies to report all required data in accordance with SIEITI regulations. These reporting templates were sent electronically to the stakeholders. The companies and Government Agencies were required to report directly to the reconciler, to whom they were also requested to direct any questions on the reporting templates.

SIEINSG agreed that the deadline for submitting hard and soft copies of the reporting templates and supporting schedules would be 23 May 2014.

By 23 May 2014, we received only one template from Bluewater Metals Ltd and one template from NPF. The remaining templates were received after the deadline. We contacted the entities which failed to submit their templates and reminded them of the reporting requirements. We visited some of the Governments Agencies and extractive companies in order to provide further explanation of the reporting instructions and to assist them filling in the reporting templates.

We obtained supporting payment schedules for various payments made by the Companies, which included details such as date of payment, type of tax, and flag receipt numbers. The Government Agencies made a database of all amounts they received from extractive Companies for the 2012 financial year available to us.

3.2.2. Data compilation and resolution of discrepancies

The process of compiling the data and resolving or justifying discrepancies was carried out during May and June 2014. In carrying out the reconciliation, we performed the following procedures:

- figures reported by extractive companies were compared item-by-item figures to reported by the Government Agencies. As a result, all differences identified have been listed item-by-item in relation to each Government Agency and mining company;
- where data reported by mining companies agreed with the data reported by the agencies, the government figures were considered to be confirmed and no further action was undertaken; and
- the Government Agencies and the companies were asked to provide supporting documents and/or confirmation for any adjustment to the information provided on the original data collection templates.

In cases where we were unable to resolve discrepancies, we contacted the reporting entities and reviewed additional supporting documentation evidencing the payments declared. In certain cases, these differences remained unresolved, which we have summarised in Section 6.4 of this report.

3.3. Reliability and credibility of EITI data

In order to comply with point 5.2 of EITI standards and to ensure the credibility of data submitted, we proposed the following approach in the preparation of the 2012 EITI report:

- All companies and Government templates must be signed by a Senior Official;
- All figures reported in the template declaration should be detailed payment by payment and date by date in the supporting schedules;
- Private companies are required to appoint an auditor to audit their financial statements if requested by the companies' rules. In addition, during our working meetings held with the different companies, we were informed that their previous financial statements have been audited by an external auditor.

Accordingly, Mining companies: will be required to obtain confirmation from an external auditor that their 2012 financial statements have been audited under International Auditing Standards and that the transactions reported in the template are in accordance with instructions issued by SIEITI, are complete and are in agreement with the accounts for the year 2012

- The Public Finance and Audit Act requires the preparation of the SIG financial statements on a cash basis. Section 38 of this Act stipulates that within a period of six months after the end of each financial year, the Permanent Secretary shall prepare the financial statements and transmit them to the Auditor General. The existing legislation provides limited detail in terms of the adoption of an appropriate financial reporting framework. However, the Chapter 2 of the Interim Financial Instructions 2014 requires that the preparation and presentation of the annual accounts must be in accordance with the IPSAS accounting standards. The MoFT has started developing the framework and supporting arrangements to allow for moving towards the IPSAS Cash Standard, and being able to meet other international reporting obligations in the future.

The SIG annual accounts should be audited by the Auditor General who is mandated by the Solomon Islands Constitution and the Public Finance and Audit Act 1978. The Section 39 stipulates that the Auditor-General shall cause the annual accounts to be examined and audited and shall, within a period of twelve months after the end of the financial year to which the accounts relate, certify in respect of each account the result of the examination and audit.

Accordingly, Government Agencies: will be required to obtain confirmation from the Auditor General that the transactions reported in the template are in accordance with instructions issued by SIEITI, are complete and are in agreement with the accounts of government for the year 2012. The Auditor General will be required also to provide a letter confirming that the accounts of the Government Agencies were audited in accordance with international standards.

However, we were informed by the Auditor General that he will not be able to certify the reporting templates and to issue a letter to confirm that the Government Entities reporting were audited under International Standards. The Auditor General stated during our meeting that the lack of available human resources and the short deadline to meet do not allow him to provide the requested certification.

- For any change made to the original information reported, the companies and agencies were asked to provide supporting documents and/or confirmation before any adjustment were accepted.

3.4. Basis of reporting

The reconciliation has been carried out on a cash accounting basis. Accordingly, any payment made prior to 1 January 2012 was excluded. The same applies to any payments made after 31 December 2012.

For the payments made in foreign currency, the reporting entities were required to report in the currency of payment. The payments made in US Dollars have been converted to SBD at the rate of USD 1: SBD 7.36¹.

¹ CBSI Quarterly Review December 2013

4. OVERVIEW OF THE EXTRACTIVE SECTOR IN SOLOMON ISLANDS

4.1. Background and profile of the mining sector in the Solomon Islands

4.1.1. Background

The mining industry of the Solomon Islands is currently at an early stage of development but has the potential to become the single largest component of GDP in the future, contributing to government finances and foreign exchange earnings. The sector has experienced a turbulent history in recent years, as all production ceased in 2000 due to civil unrest. Gold, produced by the Gold Ridge mine in Guadalcanal, has been an important source of GDP for the country and production peaked at 110,000¹ ounces of gold and 66,900¹ ounces of silver in 1999.

Following the return of social and economic stability to the islands from 2003 and due to the decline of harvestable logs, mining is seen as the mainstay and one of the major sources of revenue for the country.

Gold Ridge mine resumed production in 2011 and is now the only operating mine in the Solomon Islands. Gold Ridge expected production is 135,000 ounces a year during the first five years and 120,000 ounces annually during the subsequent two years. Production so far has been disappointing as a result of ongoing disputes between St. Barbara Limited and landowners disrupting production, the quick depletion of the mine's most productive pits, and illegal mining. In 2013, output was 59 000 ounces, significantly short of the amount envisaged when the mine started operating. This and the impact of the near-30 percent fall in international gold prices from their 2012 peak throws into doubt the mine's profitability. Proved and probable reserves of the Gold Ridge mine are estimated to 905 koz².

In April 2014, Gold miner St Barbara evacuated some 200 personnel at its Gold Ridge operation, in the Solomon Islands, following torrential rains. The extreme rainfall, which had subsequently developed into Tropical Cyclone Ita, had forced the company to cease openpit operations and to stop processing at the Gold Ridge operations. The company has issued a second media release on 25th May 2014 assuring the Solomon Islands Government and stakeholders that it has not abandoned Gold Ridge and that it is planning for its personnel to return to site as soon as possible, to undertake site stabilisation works and an evaluation of what is required to resume mining operations

Other minerals prospected in the Solomon Islands include: bauxite, silver, lead, zinc, nickel and phosphate. The Mining Board oversees this industry and distributes mining leases to prospectors. The other potential mineral deposit sites have been identified in Guadalcanal, Isabel, Choiseul, and Western Province. To date three companies have been granted mining licenses and there are 16 companies prospecting in the country – two off shore and 14 on shore. These include Sumitomo Metals Mining, Newmont, Nautilus, and Allied Gold.

The Solomon Islands' most significant mining potential remains untapped pending the resolution of a license dispute between two foreign firms and clarification on land access regimes. If it were to go ahead, the Sumitomo nickel project, with a projected 30 year life, would be easily the country's largest mining project. Initial production would be by direct shipping of unprocessed ore worth USD 150-200 million (depending on prices) but development of a nickel refinery facility, involving \$1.25 billion of investment and exporting approximately 30,000 tons of nickel per year, could follow within a 10 year period after the start of mining. Exports could be worth US\$460 million per year and more than 1,000 jobs could be created. There are many factors that could forestall such investment, perhaps indefinitely. These include perennial contestation over land rights, ongoing absence of regulatory and policy certainty required for large investments, and price fluctuations in global

¹ CBSI 1999 Annual Report

² St Barbara 2013 Annual Report

commodity markets. But even if potential mining investment was to be fully realised, favourable economic outcomes for Solomon Islands are far from assured.

Mining could contribute significantly to the Solomon Islands' economic development if plans are put in place for investing the proceeds in basic services and community development. Even if the benefits of new mining projects are shared equitably with foreign investors, the direct benefits to the local economy would be spread unevenly, with some parts of the country benefitting greatly and others remaining untouched. However, even if mining revenue should increase substantially, it will still be important to broaden exports and production in order to create employment and income for a large number of Solomon Islanders.

4.1.2. Profile

a. Production

The Quarterly Reviews published by CBSI show the following production and average international minerals prices:

| Minerals Production ¹ | 2011 | 2012 | 2013 | Var % (2013-2012) |
|---|--------|--------|--------|-------------------|
| Gold (oz) | 51,054 | 67,819 | 58,690 | -13% |
| Average international price of gold (USD) | 1,568 | 1,669 | 1,412 | -15% |
| Silver production (oz) | 19,043 | 28,993 | 22,021 | -24% |
| Average international price of silver (USD) | 35 | 31 | 24 | -23% |

Gold and silver are produced by Gold Ridge mine. As the Quarterly Review of December 2013, the fall in production noted between 2012 and 2013 is due to bad weather conditions coupled with refurbishment works.

b. Contribution of the mining sector

(i) To the Solomon Islands Economy

The contribution of the mining industry, in percentage terms, to the Real Gross Domestic Product of Solomon Islands is shown in the table below:

| Industry ² | 2010 | 2011 | 2012 | In million SBD Period Average |
|--------------------------|---------|---------|---------|----------------------------------|
| GDP Mining & Exploration | 37.3 | 268.0 | 175.8 | 160.4 |
| Gross Domestic Product | 5,803.4 | 6,649.8 | 7,177.8 | 6,543.7 |
| % | 0.6% | 4.0% | 2.4% | 2.4% |

(ii) To the Government revenues

The Annual Financial Report published by CBSI does not include information on the contribution of the extractive sector to overall government revenue. Nevertheless, the Country Report No. 14/12 published by the International Monetary Fund includes some information highlighted in respect of the taxes contribution to the country revenues as detailed below:

| In million of SBD | 2011 | 2012 | 2013 |
|-------------------|-------|-------|-------|
| Total revenues | 2,199 | 2,535 | 2,636 |
| Tax revenues | 1,989 | 2,254 | 2,410 |
| Percentage | 90% | 89% | 91% |
| In percent of GDP | | | |
| Total revenues | 60.3 | 53.7 | 53.5 |
| Tax revenues | 30.0 | 30.6 | 30.1 |

¹ CBSI Quarterly Reviews December 2011, 2012 and 2013

² SIG Statistical Bulletin : 13/2013

4.2. Legal context

The mining industry in Solomon Islands is governed by the Mines and Minerals Act 1996 and the Mines and Minerals (Amendment) Regulation of 1999. They have been formulated with the aims of strengthening integration of the mineral sector with other sectors of the economy; improving economic environment for investment; maximising benefits from mining; improving the legal environment; strengthening capacity for administration of the mineral sector; developing small scale miners; promoting and facilitating value addition to minerals; and strengthening environmental management.

The Mines and Minerals Act creates a centralised regulatory framework for mining in the Solomon Islands, primarily consisting of three main stages: reconnaissance, prospecting and mining. The Act covers areas such as:

- administration;
- reconnaissance permits;
- prospecting licences;
- mining leases;
- alluvial mining;
- gold dealing;
- building materials; and
- miscellaneous.

The branch of government with primary responsibility for administration and regulation of the mineral sector is the Department of Mines and Energy, within the Ministry of Mines, Energy and Rural Electrification. Its fundamental role is the development of mining in Solomon Islands by prescribing appropriate procedures and granting tenements – primarily in the form of permits, licences, and leases. Statutorily, its basis is found in the MMA and the Mines and Minerals Regulations 1996 ('the Regulations'), as well as the Petroleum (Exploration) Act 1987.

The Ministry of Environment, Climate Change, Disaster Management and Meteorology also plays an important role in the mineral sector because of its role in overseeing mineral sector developers' compliance with the environmental components of the regulatory framework.

Although Solomon Islands has a regulatory system comprising of the Mines and Minerals Act and its various regulations, and environmental and other legislation, there is no policy to provide an overarching guide. In 2000, the South Pacific Geoscience Commission, SOPAC, assisted the government and drafted the 2000 Draft National Minerals Policy, but this has not been formally adopted by the Government. In 2013, with the assistance of the World Bank, and taking into account the provisions in the 2000 Draft, a new National Minerals Policy has been drafted. This also has not been adopted. Whilst formal mining policy alone is not determinative of a successful mining industry, it is a necessary administrative tool as it points the industry to the direction the country wants to proceed in terms of developing its mineral resources.

The MMERE issued on 16 July 2013 the Final Draft of the National Mineral Policy. This Draft introduced the following reforms projects that shall be considered:

- new Mines and Minerals Act;
- new Mines and Minerals (Mineral Title) Regulations;
- new Mines and Minerals (Community Development Agreement) Regulations;
- schedule of damage compensation, access fees and rental;
- guidelines for landowner identification and negotiating access agreements;
- model Prospecting Licence Land Access Agreement;
- model Mining Lease Access Agreement;

- Land and Titles Act amendment (on landowner identification);
- Environment Act regulations or guidelines for environmental impact assessment of mining projects;
- Environment Act regulations or guidelines for mining social impact assessment.

The Final Draft of the National Mineral Policy stated also that the mining tax policy is currently being reviewed and that the National Government has commissioned mineral sector fiscal studies with the assistance of the International Monetary Fund (IMF) and the World Bank to support its tax reform initiative. It is in the intent of the National Government to adopt new mining tax legislation that clearly identifies the government's position on key tax matters.

The Public Finance and Audit Act requires the preparation of the SIG financial statements on a cash basis. Section 38 of this Act stipulates that within a period of six months after the end of each financial year, the Permanent Secretary shall prepare the financial statements and transmit them to the Auditor General. The existing legislation provides limited detail in terms of the adoption of an appropriate financial reporting framework. However, the Chapter 2 of the Interim Financial Instructions 2014 requires that the preparation and presentation of the annual accounts must be in accordance with the IPSAS accounting standards. The MoFT has started developing the framework and supporting arrangements to allow for moving towards the IPSAS Cash Standard, and being able to meet other international reporting obligations in the future.

The SIG annual accounts should be audited by the Auditor General who is mandated by the Solomon Islands Constitution and the Public Finance and Audit Act 1978. The Section 39 stipulates that the Auditor-General shall cause the annual accounts to be examined and audited and shall, within a period of twelve months after the end of the financial year to which the accounts relate, certify in respect of each account the result of the examination and audit.

4.3. Licensing

Three types of licence are available to the large-scale operators:

- **Reconnaissance Permits:** Reconnaissance is the first stage in the mining process, for which a company must obtain a Reconnaissance Permit from the government. Reconnaissance is more straightforward than prospecting and mining. A company with a Reconnaissance Permit is only allowed to take photos and small samples from rocks on the surface of the ground. A Reconnaissance Permit does not allow the use of machinery to drill holes or dig trenches in the ground. Reconnaissance Permits can cover very large areas of land. If a company has a Reconnaissance Permit, this does not mean that it will definitely go ahead to the mining stage – it just means the company wants to look around and see if it can find any minerals worth examining further. A Reconnaissance Permit lasts for one year and can be renewed for one additional year.
- **Prospecting Licence:** Prospection is the second stage in the mining process. If a company wants to prospect it must first get a Prospecting Licence from the government. Prospecting can be more intensive than reconnaissance. A company with a Prospecting Licence is allowed to use machinery to drill holes and dig trenches. Prospecting may involve clearing large areas of vegetation to allow vehicles and drilling rigs onto the land. A Prospecting Licence can cover an area of up to 600 square kilometres, and is valid for three years. It can be renewed for two further two year periods. Companies do prospecting to learn about the amount and type of minerals in the area. If they find what they are looking for they may proceed to the next phase (mining). If they do not find what they are looking for, they will not do any further work.
- **Mining Lease:** Mining is the third and most important stage. A company will want to go ahead with mining if there are enough minerals in the ground to make mining worthwhile (the process used to decide this is known as a 'feasibility study'). If a company wants to carry out mining it must get a Mining Lease from the government. Mining Leases cover a smaller area of land than Reconnaissance Permits and Prospecting Licences, but a company with a Mining Lease is likely to do much more extensive work than during the other phases. This work includes constructing roads and site clearing, extracting ore from the ground, disposing of unwanted waste rock and soil ('overburden'), processing the ore

and disposing of the processing waste ('tailings'). A Mining Lease lasts for 25 years, with unlimited additional renewals for 10 years at a time.

Small scale mining in the Solomon Islands is centrally regulated through the MMA. Part VI of the MMA sets out a separate process for small-scale miners to obtain permits, referred to as 'alluvial miner's permits'. 'Alluvial mining' in this context refers specifically to small scale mining carried out by individuals or groups.

4.4. Environmental Framework

The Mines and Minerals Act does not contain extensive environmental protections. It empowers the Minister for Mines to make regulations for the disposal of waste and the protection of the environment. These regulations primarily require a mineral sector developer to 'carry out operations with due diligence, efficiency and economy and in accordance with good technical engineering practices generally used in the mining industry.

The Environment Act imposes two contingencies on mineral sector developments. First, the Environment Act requires a mineral sector developer to obtain a Development Consent from the Director of the Environment and Conservation Division before it is allowed to carry out a 'prescribed development'. The Environment Act sets up a second contingency for mineral sector developments which requires a mine to be licensed.

4.5. Taxation

The current mining tax regime comprises of a number of pieces of generic legislation. There is currently no sector-specific tax policy. The primary legislative instruments having a bearing on the sector: Income Tax Act, Sales Tax Act, Goods Tax Act, Customs and Excise Act and Stamp Duties Act

Income Tax: Income tax is charged by assessment on the total income (excluding exempt income) derived by any person (individuals, corporations or body of persons excluding partnership). In ascertaining the total income chargeable with tax, certain specific and general categories of expenditure are allowed as deductions.

Goods Tax: Goods tax is charged on the sale value of goods manufactured in the Solomon Islands and goods imported into the Solomon Islands for home consumption. The sale value of goods manufactured in the Solomon Islands is generally the wholesale price of the goods. The sale value of goods imported for home consumption in the Solomon Islands is 130% of the sum of the cost, insurance and freight (CIF value) plus customs duty payable.

Sales Tax: Sales tax is a tax on the supply of certain prescribed goods and services. Tax is charged on the goods and services by the vendor at the time of supply/sale and is subsequently remitted to the Commissioner.

Royalties: MMA requires mining lease holders to pay royalties, but does not prescribe specific royalty rates. Instead, MMA and the Customs and Excise Act provide that the Minister for Mines may set the royalty rate on a case-by-case basis, in consultation with the Minister for Finance. According to the Agreement signed with the Solomon Islands sole operational mine, Gold Ridge, the royalty rate was set at 1.5% of gross revenue from the sale of gold and silver. The MMA permits the Minister for Mines, on application from a mining lease holder, to defer or wholly or partly remit royalty payments.

Import duties: The Customs and Excise Act provides for the levy of import duties. Some imports capable of being classified as input to manufacturing are granted a generic partial exemption, while some specified imports receive a full exemption. The relevant Minister has discretion to grant ad hoc exemptions.

Export duties: Export duties are levied by virtue of the Customs and Excise Act, and apply to the export of natural resources. This can be contrasted with the export of manufactured goods, which instead are covered by the goods tax provisions set out in the Goods Tax Act. The Customs and Excise Act applies a 15% duty to the export of minerals. The MMA mandates that mining lease holders are liable to pay export duties. MMA states that the Comptroller of Customs and Excise

must take into consideration the royalties paid in respect of the minerals being exported in determining the applicable export duty in a given case.

5. DETERMINATION OF THE RECONCILIATION SCOPE

Our work included a general understanding of the extractive sector in the Solomon Islands. We visited Government Agencies and companies in order to collect relevant information on the size of the extractive sector in the Solomon Islands and its contribution to government revenues.

According to information made available by MMERE, there were no operational activities carried out by extractive companies during the reconciliation period in the oil and gas sector. The Solomon Islands has no indigenous sources of natural gas or oil and lacks oil refining facilities. Therefore only the mining sector is covered by this report.

We have taken into account all the available information presented to us during our fieldwork.

5.1. Payment flows

For the determination of significant payment streams, we consulted Government Agencies which received flows from the extractive sector. We present below details of these flows based on disclosures made by Government Agencies.

5.1.1. Specific payments related to the extractive sector

All specific payments related to the mining sector identified in the Mines and Minerals Act have been included in the scope of reconciliation irrespective of the materiality threshold.

The specific flows retained in the reconciliation scope are listed below:

| Type of Tax | Legal reference | Description |
|--------------------------------|------------------------|---|
| Royalties | GRML Agreement | The mining company shall pay to the Government a royalty equal to one and half percent (1.5%) of the Gross Value of all Gold and Silver produced from the Mining Area under the Mining Lease. |
| Mining License Fees | | |
| Prospecting Licence Fees | | |
| Gold Dealers License Fees | | |
| Reconnaissance License Fees | Mines and Minerals Act | Various fees paid by mining companies for application or renewal of licences. |
| Alluvial License Fees | | |
| Special Site License Fees | | |
| Road Access License Fees | | |
| Building Material License Fees | | |

The Mines and Minerals Act does not foresee any payments relating to production entitlement and signature, discovery or production bonuses.

5.1.2. Common law taxes

All payments identified in the primary legislative instruments which have a bearing on the mining sector have been included in the scope of reconciliation irrespective of the materiality threshold:

Inland Revenue Division/Ministry of Finance and Treasury

| Type of Tax | Legal reference | Description |
|----------------------------|-----------------|--|
| Tax on Profit/Turnover Tax | Income Tax Act | This tax is charged each year by assessment of the total income for that tax year (excluding exempt income). |

| Type of Tax | Legal reference | Description |
|------------------------|-----------------|---|
| Provisional Tax | Income Tax Act | Every taxpayer in business is liable to pre-pay quarterly instalments of tax for the current tax year under the provisional tax system. The tax is assessed on the profits of the business for the previous year and is due on the 20 th of March, June, September and December of the current year. |
| Additional Profit Tax | GRML Agreement | An additional Profit Tax shall be assessed and levied on the mining company. |
| Property Taxes | GRML Agreement | Mining Companies shall be subject to such taxes on real property as are generally in effect on a non-discriminatory basis. Real property shall be valued without taking into account minerals or improvements on or under land. |
| Pay-As-You-Earn (PAYE) | Income Tax Act | Every employer is required to deduct tax from payments made to employees under the PAYE system. The tax deducted is due for payment by the 15 th day of the month following the month of deduction. |
| Withholdings Tax | Income Tax Act | Withholding tax is deducted from a range of specified payments to residents and non-residents at varying rates. The payments subject to withholding tax and the rates of deduction include inter alia: <ul style="list-style-type: none"> - Contracting/Sub Contracting - Royalties - Interest - Professional Services - Management services - Rent/Lease |
| Sales Tax | Sales Tax Act | Sales tax is a tax on the supply of certain goods and services. It is charged on the goods and services by the vendor at the time of supply/sale. |
| Goods Tax | Goods Tax Act | Goods tax is charged on the sale value of goods manufactured in the Solomon Islands and goods imported into the Solomon Islands for home consumption. The sale value of goods manufactured in the Solomon Islands is generally the wholesale price of the goods. |
| Stamp Duties | Stamp Duty Act | Stamp duty is a tax levied on documents. Major forms of stamp duty include the duty on the sale or transfer of properties, businesses, shares and other forms of property mortgages; lease agreements, etc. |

Ministry of Commerce, Industry and Employment

| Type of Tax | Legal reference | Description |
|-----------------------|-----------------|---|
| Registration Fees | Companies Act | Fees paid by mining companies for registration |
| Residence Permit Fees | Immigration Act | Fees paid by mining companies for application for entry and residence permits |
| Work Permit Fees | Labour Act | Fees paid by mining companies for application for work permits |

Customs and Excise Division/Ministry of Finance and Treasury

| Type of Tax | Legal reference | Description |
|---------------|-----------------|--|
| Export Duties | Customs Act | Export duty is levied on specified goods exported from the Solomon Islands. |
| Import Duties | Customs Act | Import duty is levied on specified goods imported into the Solomon Islands. |
| Goods Tax | Goods Tax Act | Goods tax is charged on the sale value of goods manufactured in the Solomon Islands and goods imported into the Solomon Islands for home consumption. The sale value of goods imported for home consumption in the Solomon Islands is 130% of the sum of the cost, insurance and freight (CIF value) plus customs duty payable |

National Provident Fund

| Type of Tax | Legal reference | Description |
|-------------|-----------------------------|--|
| NPF | National Provident Fund Act | All employees or workers through their employers are obliged to pay contributions to the Fund. |

Provincial Governments

| Type of Tax | Legal reference | Description |
|--|---------------------------|---|
| Taxes, Fees and other payments made to Provincial Government | Provincial Government Act | Business Fees and other paid to Provincial Government |

5.1.3. Other payment flows and information

Were included in the reporting templates through a unilateral declaration of extractive companies the following categories of payments and other information:

- others taxes and fees; and
- social payments.

During our analysis of the extractive sector in the Solomon Islands we did not come across any other type of revenue streams collected by government entities such as the sale of the state’s share of production, in-kind payments, Infrastructure provisions and barter arrangements.

a. Others taxes and fees

This category includes all other taxes and fees not listed elsewhere on the SIETI reporting template. This category has been included in order to avoid any misunderstandings from the reporting entities and to facilitate the reconciliation work.

b. Social payments

These payments consist of all discretionary social contributions as well as those mandated by law or the contract with the government, made by mining companies to promote local development and to finance social projects in accordance with point 4.1 of EITI Standard. It encourages MSGs to apply a high standard of transparency to social payments and transfers, the parties involved in the transactions and the materiality of these payments and transfers to other benefit streams, including the recognition that these payments may be reported even though it is not possible to reconcile them.

These contributions can be made in cash or in-kind:

| Type of Tax | Legal reference | Description |
|--|-----------------|---|
| Social Payments | | |
| Corporate Social Responsibility cash payments | - | These are monetary payments relating to contributions made by extractive companies to promote local development and to finance social projects. They include, inter alia, health infrastructure, school infrastructure, road infrastructure and other projects and donations for local communities. |
| Corporate Social Responsibility in-kind payments | - | These are non-monetary payments relating to contributions made by extractive companies to promote local development and to finance social projects. They include, inter alia, health infrastructure, school infrastructure, road infrastructure and other projects and donations for local communities. |

We recommend including the social payments in the EITI scope through a unilateral disclosure of mining companies.

5.1.4. Volumes and value of produced and exported mining products

In order to comply with the new EITI Rules (May 2013), the volume and value of exports were disclosed by the extractive companies and Government Agencies for the current reconciliation exercise. As a result a separate section in the reporting template was purposed to be filled in by the reporting entities.

5.1.5. Sub-national transfers

According to the Agreement signed between the Government and the Solomon Islands' sole operational mine (Gold Ridge), the Government shall establish funds to receive payments of royalties for the benefit of the Gold Ridge landowners (80%) and the Provincial Government (20%).

As a result the reporting template included a separate section to be filled in by CBSI for the transfers made to the landowners and the Provincial Government.

| Type of Tax | Legal reference | Description |
|------------------------------------|-----------------|--|
| Sub-national Transfer | | |
| Transfers to Landowners | GRML Agreement | The Government shall establish funds to receive payments of royalties for the benefit of the Gold Ridge landowners (80% of royalties collected) |
| Transfers to Provincial Government | GRML Agreement | The Government shall establish funds to receive payments of royalties for the benefit of the Gold Ridge Provincial Government (20% of royalties collected) |

5.2. Extractive companies

5.2.1. Materiality threshold

The information provided to us during the inception phase was limited to the payments received by MoFT, MMERE, IRD and CED. We set out in the table below the tax collection per Government Agency from each company:

| Company | 2012 | | | 2013 | | | Total | % |
|-----------------------------|-------------------|------------------|-------------------|-------------------|------------------|-------------------|--------------------|-------------|
| | IRD (MoFT) | MoFT | CED (MoFT) | IRD (MoFT) | MoFT | CED (MoFT) | | |
| Gold Ridge Mining Limited | 42,137,501 | - | 20,650,610 | 39,882,980 | 4,500 | 22,901,199 | 125,576,791 | 72.73% |
| Pacific Porphyry (SI) Ltd | 7,946,756 | 114,830 | - | 6,073,885 | 114,006 | - | 14,249,477 | 8.25% |
| Solomon Sheet Steel Ltd | 4,290,007 | 5,000 | - | 5,484,632 | - | - | 9,779,639 | 5.66% |
| Smm Solomon Limited | 4,577,282 | 68,121 | - | 3,889,921 | 14,547 | - | 8,549,871 | 4.95% |
| Nautilus | - | 2,877,256 | - | - | 2,747,720 | - | 5,624,976 | 3.26% |
| S.I Cement Products Limited | 2,653,530 | - | - | 2,551,083 | - | - | 5,204,613 | 3.01% |
| Axiom | - | 73,470 | - | 44,472 | - | - | 117,942 | 0.07% |
| Bluewater Metals (SI) Ltd | 8,187 | 48,250 | - | 8,187 | - | - | 64,625 | 0.04% |
| Other companies | 689,524 | 66,344 | 675,885 | 521,200 | 128,578 | 1,421,346 | 3,502,877 | 2.03% |
| Total | 62,302,788 | 3,253,271 | 21,326,495 | 58,456,360 | 3,009,351 | 24,322,545 | 172,670,810 | 100% |

Amounts in SBD

According to the above table, the companies paying taxes of more than SBD one (1) million represent 97.87% of the total revenue collected by IRD, CED, and MoFT.

The materiality threshold of SBD 1 million mentioned above means that extractive companies making 97.87% of reported payments will be included in the reconciliation (6 companies).

However, according to MMERE, Axiom and Bluewater Metals (SI) Ltd are considered as companies having comparatively large activities despite their payments being immaterial. Consequently, these two companies were included in the reconciliation scope.

According to the above, 8 mining companies were selected for the 2012 reconciliation exercise.

For the extractive companies that have made payments falling below SBD one (1) million, they will be included in the EITI report through a unilateral disclosure of revenues streams collected by Government Agencies in accordance with the option 4.2 of EITI standard.

5.2.2. Extractive companies proposed for the 2012 reconciliation exercise

According to the previous section, Eight (8) mining companies will be selected for the reconciliation exercise. These companies are listed below:

| N° | Mining Companies |
|----|-----------------------------------|
| 1 | St Barbara Mining Ltd (GRML) |
| 2 | SMM Solomon Limited |
| 3 | Nautilus Minerals Solomon Islands |
| 4 | Bluewater Metals (SI) Ltd |
| 5 | Axiom Mining Ltd |
| 6 | Pacific Porphyry (SI) Ltd |
| 7 | Solomon Sheet Steel Ltd |
| 8 | S.I Cement Products Limited |

On 5 June 2014, the SIEINSG held a meeting and decided to exclude St Barbara Mining Ltd (GRML) and Pacific Porphyry (SI) Ltd from the reconciliation scope due to the following reasons:

- Due to the national disaster flooding events of 3 April 2014, St Barbara have indicated that they have not yet been able to access local records to complete the templates and are unable to participate to the EITI reporting process at this time. St Barbara resumed work in Solomon Islands during June 2014;
- Pacific Porphyry finalised its operations in 2013 and have no staff in Solomon Islands.

To address these exceptional circumstances, the EITI National Secretariat have consulted the EITI International Secretariat and EITI Reconciler to propose the following actions for the 2012 EITI Reports:

- the reconciliation report is submitted by 29 June 2014;
- the reconciliation report discloses payments received by SIG but does not reconcile payments made by St Barbara and Pacific Porphyry due to the exceptional circumstances outlined above;
- a supplementary report that reconciles payments made by the extractive companies during 2012 is prepared before the EITI validation date of 1 July 2015.

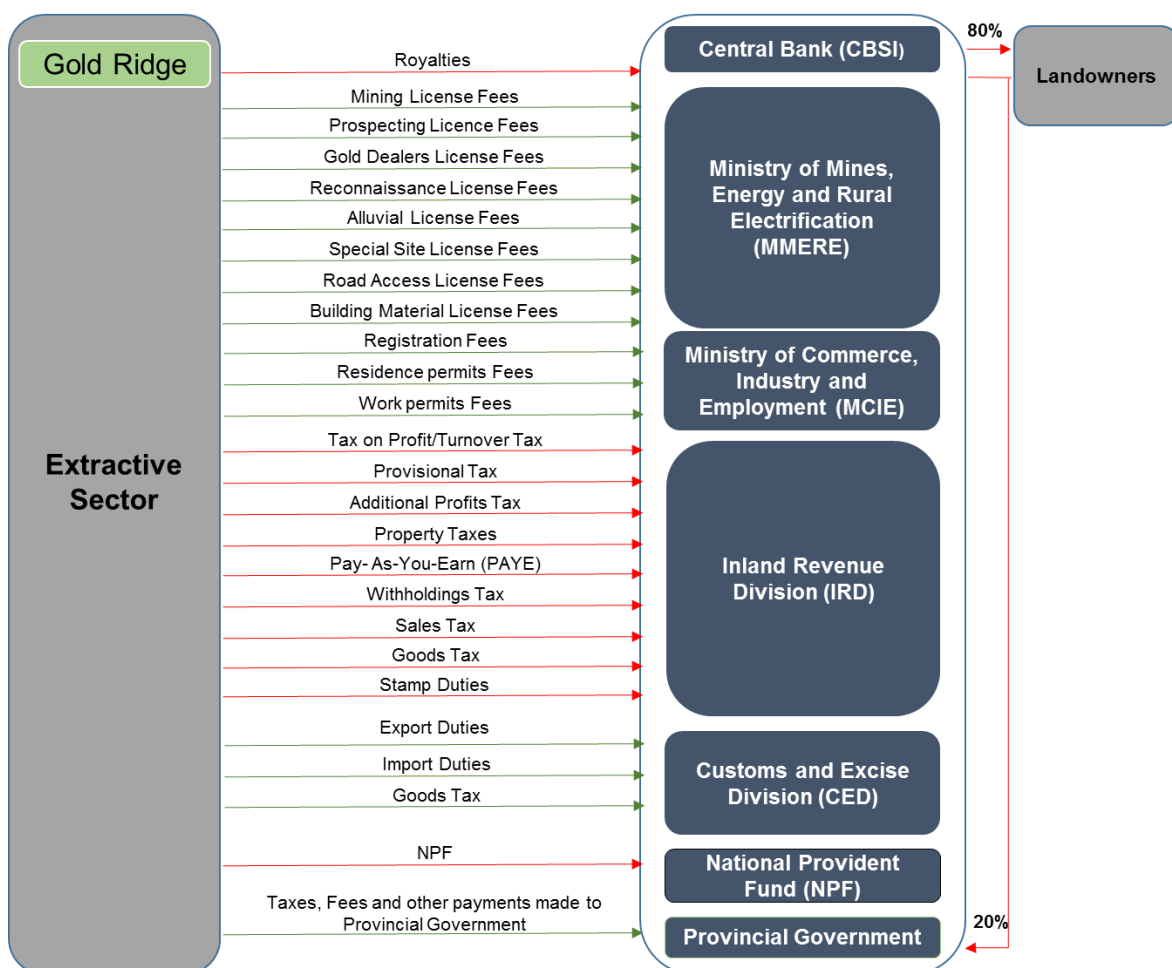
On 18 June 2014, St Barbara Mining Ltd sent a letter to confirm that the company is fully committed to meet its obligation under the SI EITI reporting requirements and that it will declare payments made to SIG during 2012 before the validation deadline.

5.3. Government Agencies

Based on the proposed list of extractive companies and payment streams, the Government Agencies which will be involved in the 2012 reconciliation exercise are detailed as follows:

| Central Agencies | |
|-----------------------|---|
| 1 | Ministry of Finance & Treasury (MoFT) |
| 2 | Inland Revenue Division (IRD) |
| 3 | Customs and Excise Division (CED) |
| 4 | Ministry of Mines, Energy and Rural Electrification (MMERE) |
| 5 | Ministry of Commerce, Industry and Employment (MCIE) |
| 6 | Central Bank of Solomon Islands (CBSI) |
| 7 | National Provident Fund (NPF) |
| Provincial Government | |
| 8 | Central |
| 9 | Choiseul |
| 10 | Guadalcanal |
| 11 | Isabel |
| 12 | Makira Ulawa |
| 13 | Malaita |
| 14 | Rennell and Bellona |
| 15 | Temotu |
| 16 | Western |

5.4. Flow chart of payment flows



6. RESULTS OF THE RECONCILIATION

We present below detailed results of our reconciliation exercise, as well as differences noted between amounts paid by extractive companies and amounts received by Government Agencies. We have highlighted the amounts initially reported and the adjustments made following our reconciliation work, as well as the final amounts and unreconciled differences.

6.1. Reporting by extractive companies and Government Agencies

The tables below summarise the differences between the payments reported by extractive companies and receipts reported by the various Government Agencies.

The tables include consolidated figures based on the reporting templates prepared by every extractive company and Government Agency, the adjustments made by us following our reconciliation work and the residual, unreconciled differences. In order to keep the report size reasonable, detailed reconciliation reports for each company are included in Annex 3 of this report.

| No. Company | Templates originally lodged | | | Adjustments | | | Final amounts | | |
|-------------------------------------|-----------------------------|-------------------|---------------------|--------------------|------------------|----------------|--------------------|-------------------|---------------------|
| | Extractive company | Govt | Difference | Extractive company | Govt | Difference | Extractive company | Govt | Difference |
| 1 SMM Solomon Limited | - | 17,181,356 | (17,181,356) | - | - | - | - | 17,181,356 | (17,181,356) |
| 2 Nautilus Minerals Solomon Islands | 1,996,550 | 1,971,800 | 24,750 | - | 24,750 | (24,750) | 1,996,550 | 1,996,550 | - |
| 3 Bluewater Metals (SI) Ltd | 986,416 | 909,446 | 76,970 | - | - | - | 986,416 | 909,446 | 76,970 |
| 4 Axiom Mining Ltd | - | 238,409 | (238,409) | - | - | - | - | 238,409 | (238,409) |
| 5 Solomon Sheet Steel Ltd | 18,535,701 | 23,535,653 | (4,999,952) | - | - | - | 18,535,701 | 23,535,653 | (4,999,952) |
| 6 S.I Cement Products Limited | 2,713,908 | 2,965,433 | (251,525) | - | (219,072) | 219,072 | 2,713,908 | 2,746,361 | (32,453) |
| Total | 24,232,575 | 46,802,097 | (22,569,522) | - | (194,322) | 194,322 | 24,232,575 | 46,607,775 | (22,375,200) |

6.2. Reconciliation by revenue stream

| No. Tax | Templates originally lodged | | | Adjustments | | | Final amounts | | |
|---|-----------------------------|-------------------|---------------------|-------------|------------------|-----------------|-------------------|-------------------|---------------------|
| | Company | Govt | Difference | Company | Govt | Difference | Company | Govt | Difference |
| MMERE - MoFT- CBSI | 2,908,496 | 2,956,867 | (48,371) | - | 24,750 | (24,750) | 2,908,496 | 2,981,617 | (73,121) |
| 1 Royalties | - | - | - | - | - | - | - | - | - |
| 2 Mining License Fees | - | 30,000 | (30,000) | - | - | - | - | 30,000 | (30,000) |
| 3 Prospecting Licence Fees | 2,905,996 | 2,903,767 | 2,229 | - | 24,750 | (24,750) | 2,905,996 | 2,928,517 | (22,521) |
| 4 Gold Dealers License Fees | - | - | - | - | - | - | - | - | - |
| 5 Reconnaissance License Fees | - | - | - | - | - | - | - | - | - |
| 6 Alluvial License Fees | - | - | - | - | - | - | - | - | - |
| 7 Special Site License Fees | - | - | - | - | - | - | - | - | - |
| 8 Road Access License Fees | - | 15,600 | (15,600) | - | - | - | - | 15,600 | (15,600) |
| 9 Building Material License Fees | 2,500 | 7,500 | (5,000) | - | - | - | 2,500 | 7,500 | (5,000) |
| MCIE - MoFT | 25,398 | 41,910 | (16,512) | - | - | - | 25,398 | 41,910 | (16,512) |
| 10 Registration Fees | 2,903 | 200 | 2,703 | - | - | - | 2,903 | 200 | 2,703 |
| 11 Residence permits Fees | 22,495 | 18,220 | 4,275 | - | - | - | 22,495 | 18,220 | 4,275 |
| 12 Work permits Fees | - | 23,490 | (23,490) | - | - | - | - | 23,490 | (23,490) |
| IRD - MoFT | 11,720,277 | 36,755,023 | (25,034,746) | - | (219,072) | 219,072 | 11,720,277 | 36,535,952 | (24,815,675) |
| 13 Tax on Profit/Turnover Tax | 4,862,292 | 16,234,199 | (11,371,907) | - | (113,181) | 113,181 | 4,862,292 | 16,121,018 | (11,258,726) |
| 14 Provisional Tax | 3,572,491 | 3,572,822 | (331) | - | - | - | 3,572,491 | 3,572,822 | (331) |
| 15 Additional Profits Tax | - | - | - | - | - | - | - | - | - |
| 16 Property Taxes | - | - | - | - | - | - | - | - | - |
| 17 Pay- As-You-Earn (PAYE) | 815,704 | 4,733,876 | (3,918,172) | - | - | - | 815,704 | 4,733,876 | (3,918,172) |
| 18 Withholdings Tax | - | 9,777,592 | (9,777,592) | - | - | - | - | 9,777,592 | (9,777,592) |
| 19 Sales Tax | 139,846 | - | 139,846 | - | - | - | 139,846 | - | 139,846 |
| 20 Goods Tax | 2,329,944 | 2,435,834 | (105,890) | - | (105,891) | 105,891 | 2,329,944 | 2,329,944 | - |
| 21 Stamp Duties | - | 700 | (700) | - | - | - | - | 700 | (700) |
| CED - MoFT | 8,755,681 | 5,329,500 | 3,426,181 | - | - | - | 8,755,681 | 5,329,500 | 3,426,181 |
| 22 Export Duties | - | - | - | - | - | - | - | - | - |
| 23 Import Duties | 8,755,681 | 3,109,656 | 5,646,025 | - | - | - | 8,755,681 | 3,109,656 | 5,646,025 |
| 24 Goods Tax (CED) | - | 2,219,844 | (2,219,844) | - | - | - | - | 2,219,844 | (2,219,844) |
| National Provident Fund | 745,754 | 1,718,797 | (973,043) | - | - | - | 745,754 | 1,718,797 | (973,043) |
| 25 NPF | 745,754 | 1,718,797 | (973,043) | - | - | - | 745,754 | 1,718,797 | (973,043) |
| Provincial Government | 76,970 | - | 76,970 | - | - | - | 76,970 | - | 76,970 |
| 26 Taxes, Fees and other payments made to Provincial Government | 76,970 | - | 76,970 | - | - | - | 76,970 | - | 76,970 |

| No. | Tax | Templates originally lodged | | | Adjustments | | | Final amounts | | |
|-----|--|-----------------------------|-------------------|---------------------|-------------|------------------|----------------|-------------------|-------------------|---------------------|
| | | Company | Govt | Difference | Company | Govt | Difference | Company | Govt | Difference |
| | Government Agencies | - | - | - | - | - | - | - | - | - |
| 27 | Other Taxes, Fees and others payments made to Government | - | - | - | - | - | - | - | - | - |
| | Total | 24,232,576 | 46,802,097 | (22,569,521) | - | (194,322) | 194,322 | 24,232,576 | 46,607,775 | (22,375,200) |

Unadjusted residual differences are detailed in Section 6.4 of this report.

6.3. Reconciliation adjustments

6.3.1. Adjustments to companies templates

No adjustments to companies' templates have been made.

6.3.2. Adjustments to Government Agencies templates

The adjustments made to the amounts reported by Government Agencies can be summarised as follows:

| Adjustments to Government receipts | SBD |
|--|----------------|
| Omission from template by Government Agency | 159,015 |
| Receipts reported but outside the reporting period (1 January to 31 December 2012) | 187,182 |
| Tax out of the reconciliation scope | 166,155 |
| Total added to amounts originally reported | 512,352 |

All adjustments made are relating to amounts incorrectly reported by IRD and MMERE. We made the requisite adjustments to declared receipts based on review of the supporting documents.

The table below provides an analysis of these adjustments by tax:

| | Taxes | Tax not reported by the Government | Tax received but outside the reconciliation period | Taxes unduly reported | Total |
|--------------|----------------------------|------------------------------------|--|-----------------------|----------------|
| MMERE | Prospecting Licence Fees | 24,750 | - | - | 24,750 |
| IRD | Tax on Profit/Turnover Tax | 52,974 | 166,155 | - | 219,129 |
| | Goods Tax | 81,291 | - | 187,182 | 268,473 |
| | Total | 159,015 | 166,155 | 187,182 | 512,352 |

6.4. Unreconciled discrepancies

Following our adjustments, the total unreconciled residual differences on payments amounted to SBD (22,375,200). The unreconciled differences can be analysed as follows:

| Company | Difference after adjustment | Reasons for differences | | | | |
|-----------------------------------|-----------------------------|-------------------------|--|--|----------------------------|---|
| | | Not Material < SBD 10 k | Reporting Template not submitted by taxpayer | Tax not reported by the extractive company | Tax not reported by the GA | Supporting schedule not submitted by taxpayer |
| SMM Solomon Limited | (17,181,356) | - | (17,181,356) | - | - | - |
| Nautilus Minerals Solomon Islands | - | - | - | - | - | - |
| Bluewater Metals (SI) Ltd | 76,970 | - | - | - | 76,970 | - |
| Axiom Mining Ltd | (238,409) | - | (238,409) | - | - | - |
| Solomon Sheet Steel Ltd | (4,999,952) | (1,671) | - | - | 22,495 | (5,020,776) |
| S.I Cement Products Limited | (32,454) | 5,622 | - | (38,076) | - | - |
| Total | (22,375,200) | 3,951 | (17,419,765) | (38,076) | 99,465 | (5,020,776) |

7. REPORTED DATA

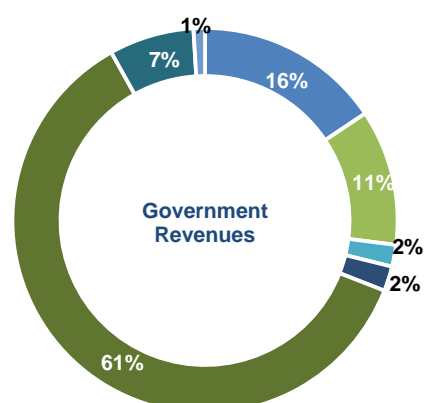
7.1. Analysis of Government revenues

7.1.1. Analyses of payments by companies' contribution

The analysis of Government revenues by companies' contribution indicates that 3 companies contributed approximately 28.9% of the total Government revenues in 2012, on the other hand, St Barbara Mining Ltd (GRML), which has not been included in the reconciliation scope, accounts for almost 61% of the country's extractive revenues for the same period.

TOP 3 Extractive Companies

- Solomon Sheet Steel Ltd
- SMM Solomon Limited
- S.I Cement Products Limited
- Other companies included in the scope of reconciliation
- St Barbara Mining (not reconciled)
- Pacific Porphyry (not reconciled)
- Other companies (not reconciled)



The list of payments by company's contribution is shown in the table below:

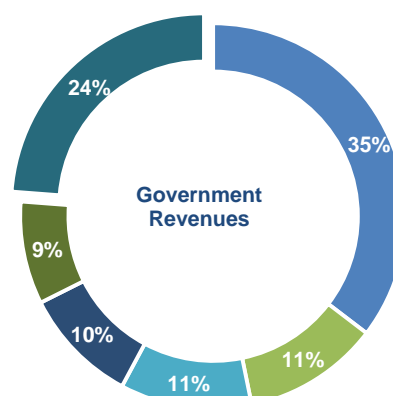
| Company | Amounts in SBD | |
|------------------------------------|---------------------|--------------------|
| | Government revenues | % of total payment |
| Solomon Sheet Steel Ltd | 23,535,653 | 15.6% |
| SMM Solomon Limited | 17,181,356 | 11.4% |
| S.I Cement Products Limited | 2,746,361 | 1.8% |
| Nautilus Minerals Solomon Islands | 1,996,550 | 1.3% |
| Bluewater Metals (SI) Ltd | 909,446 | 0.6% |
| Axiom Mining Ltd | 238,409 | 0.2% |
| St Barbara Mining (not reconciled) | 91,841,345 | 61.0% |
| Pacific Porphyry (not reconciled) | 10,740,577 | 7.1% |
| Other companies (not reconciled) | 1,450,485 | 1.0% |
| Total extractive sector | 150,640,183 | 100.0% |

7.1.2. Analyses of payments by flows contribution

The analysis of the payments by flow contribution show that the TOP 5 Taxes contributed towards 67% of the total Government extractive revenues. We also note that Pay- As-You-Earn (PAYE) accounts for a significant portion of total government revenue (36%).

TOP 5 Extractive Companies

- Pay- As-You-Earn (PAYE)
- Withholdings Tax
- Tax on Profit/Turnover Tax
- NPF
- Royalties
- Other taxes



The list of payments by flows contribution is shown in the table below:

| Tax | Amounts in SBD | |
|--|---------------------|--------------------|
| | Government revenues | % of total payment |
| Pay- As-You-Earn (PAYE) | 53,275,223 | 35.4% |
| Withholdings Tax | 17,206,800 | 11.4% |
| Tax on Profit/Turnover Tax | 16,637,501 | 11.0% |
| NPF | 14,726,061 | 9.8% |
| Royalties | 12,967,314 | 8.6% |
| Import Duties | 12,120,850 | 8.0% |
| Export Duties | 11,758,943 | 7.8% |
| Provisional Tax | 3,606,023 | 2.4% |
| Prospecting Licence Fees | 3,177,621 | 2.1% |
| Goods Tax (CED) | 2,441,845 | 1.6% |
| Goods Tax | 2,329,944 | 1.5% |
| Taxes, Fees and other payments made to Provincial Government | 150,000 | 0.1% |
| Residence permits Fees | 86,680 | 0.1% |
| Work permits Fees | 67,075 | 0.0% |
| Mining License Fees | 30,000 | 0.0% |
| Other Taxes, Fees and others payments made to Government | 16,003 | 0.0% |
| Road Access License Fees | 15,600 | 0.0% |
| Gold Dealers License Fees | 14,000 | 0.0% |
| Building Material License Fees | 10,000 | 0.0% |
| Registration Fees | 2,000 | 0.0% |
| Stamp Duties | 700 | 0.0% |
| Total extractive sector | 150,640,183 | 100.0% |

7.1.3. Analyses of revenues by Government Agencies

In 2012, IRD collected the largest value of receipts included in the reconciliation followed by the CED as shown in the table below:

| Government Agencies | Amounts in SBD | |
|---|---------------------|--------------------|
| | Government revenues | % of total payment |
| Inland Revenue Division (IRD) | 93,056,191 | 61.8% |
| Customs and Excise Division (CED) | 26,321,638 | 17.5% |
| National Provident Fund (NPF) | 14,726,061 | 9.8% |
| Central Bank of Solomon Islands (CBSI) | 12,967,314 | 8.6% |
| Ministry of Mines, Energy and Rural Electrification (MMERE) | 3,247,221 | 2.2% |
| Provincial Government | 150,000 | 0.1% |
| Ministry of Commerce, Industry and Employment (MCIE) | 171,758 | 0.1% |
| Total extractive sector | 150,640,183 | 100.0% |

7.1.4. Unilateral disclosure of revenues by Government Agencies

Government Agencies were requested to disclose unilaterally the revenue streams collected from companies not included in the scope of reconciliation in accordance with option of the EITI Standard. The contribution of the extractive companies, not included in the scope of reconciliation is shown in the table below:

| | <i>Amounts in SBD</i> |
|--|-----------------------|
| Tax | Government revenues |
| St Barbara Mining Ltd (GRML) | 91,841,345 |
| Pay- As-You-Earn (PAYE) | 42,042,798 |
| Royalties | 12,967,314 |
| Export Duties | 11,736,997 |
| NPF | 10,274,497 |
| Import Duties | 8,913,613 |
| Withholdings Tax | 5,707,006 |
| Taxes, Fees and other payments made to Provincial Government | 150,000 |
| Work permits Fees | 38,160 |
| Prospecting Licence Fees | 6,750 |
| Residence permits Fees | 4,210 |
| Pacific Porphyry (SI) Ltd | 10,740,577 |
| Pay- As-You-Earn (PAYE) | 6,384,491 |
| NPF | 2,401,641 |
| Withholdings Tax | 1,562,226 |
| Goods Tax (CED) | 222,000 |
| Import Duties | 97,582 |
| Prospecting Licence Fees | 42,433 |
| Tax on Profit/Turnover Tax | 19,500 |
| Residence permits Fees | 6,750 |
| Work permits Fees | 3,915 |
| Provisional Tax | 40 |
| Other companies disclosed unilaterally | 1,450,485 |
| Tax on Profit/Turnover Tax | 496,983 |
| NPF | 331,126 |
| Prospecting Licence Fees | 199,921 |
| Withholdings Tax | 159,976 |
| Pay- As-You-Earn (PAYE) | 114,058 |
| Residence permits Fees | 57,500 |
| Provisional Tax | 33,162 |
| Export Duties | 21,946 |
| Other Taxes, Fees and others payments made to Government | 16,003 |
| Gold Dealers License Fees | 14,000 |
| Building Material License Fees | 2,500 |
| Registration Fees | 1,800 |
| Work permits Fees | 1,510 |
| Total extractive sector | 104,032,407 |

7.2. Social payments

The companies were requested to report social payments and transfers made during 2012. We set out in the table below the amounts reported by the extractive companies:

| No. | Company | Cash Payments | In Kind Payments | Total |
|--------------|-----------------------|---------------|------------------|--------------|
| 1 | Bluewater Metals (SI) | 9,000 | - | 9,000 |
| Total | | 9,000 | - | 9,000 |

The social payments issued by Bluewater Metals (SI) Ltd during 2012 were related to Luncheon tickets to disabled children.

7.3. Production declared by CBSI

The companies and Governments Agencies were requested to report volumes of production and exports and annual amounts of products exported during 2012. We have only obtained the volumes of production from CBSI. We set out in the table below the volumes of produced Gold and Silver as reported by CBSI:

| Company | Gold (oz) | Silver(oz) |
|------------------------------|------------------|------------------|
| St Barbara Mining Ltd (GRML) | 67,839.49 | 28,045.42 |
| Total | 67,839.49 | 28,045.42 |

7.4. Subnational transfers

According to the Agreement signed between the Government and the Solomon Islands' sole operational mine (Gold Ridge), the Government shall establish funds to receive payments of royalties for the benefit of the Gold Ridge landowners (80%) and the Provincial Government (20%).

As a result the reporting template included a separate section to be filled in by CBSI for the transfers made to the landowners and the Provincial Government.

| Type of Tax | Legal reference | Description |
|------------------------------------|-----------------|--|
| Sub-national Transfer | | |
| Transfers to Landowners | GRML Agreement | The Government shall establish funds to receive payments of royalties for the benefit of the Gold Ridge landowners (80% of royalties collected) |
| Transfers to Provincial Government | GRML Agreement | The Government shall establish funds to receive payments of royalties for the benefit of the Gold Ridge Provincial Government (20% of royalties collected) |

The amount of royalties and subnational transfers reported by CBSI during 2012 is detailed in the following table:

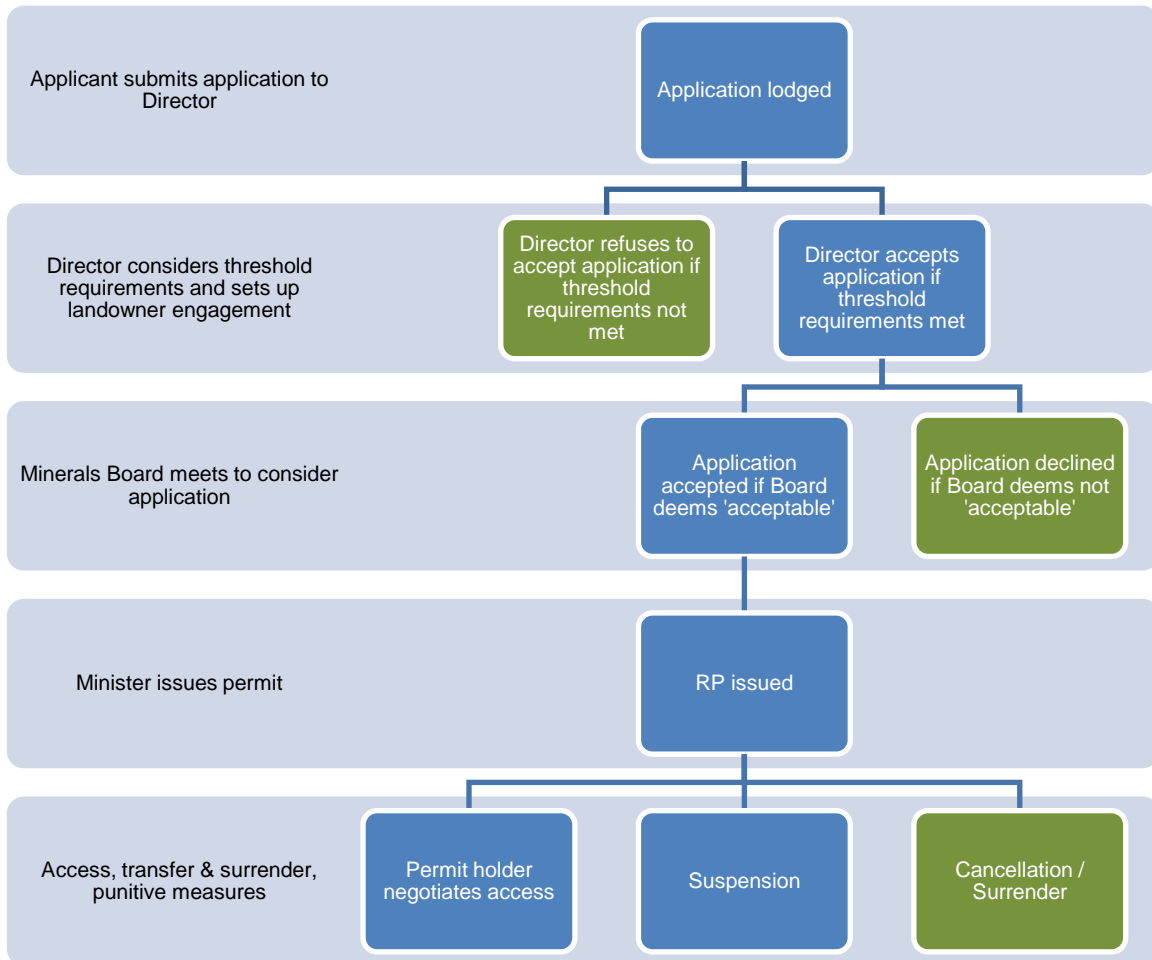
| Subnational transfers | SBD |
|------------------------------------|-------------------|
| Royalties submitted by CBSI | 12,967,314 |
| Transfers to Landowners | 419,781 |
| Transfers to Provincial Government | 8,159,459 |
| Total Subnational transfers | 8,579,240 |

8. REVIEW OF THE MINING LICENCES' ISSUANCE PROCESS

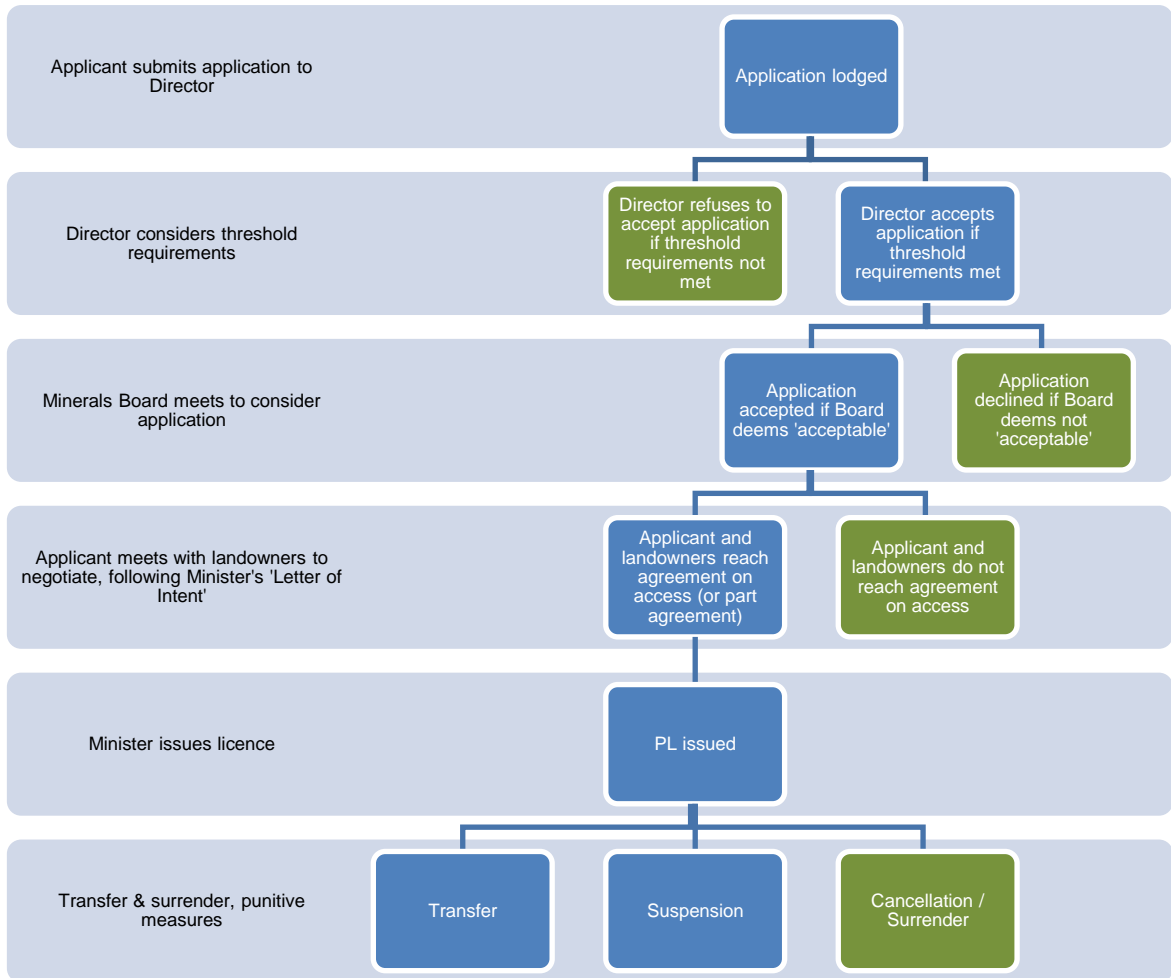
8.1. Issuance process

Three types of licence are available to the large-scale operators: Reconnaissance Permits, Prospecting Licence and Mining Lease. The issuance process for these three licences is dictated by the Mines and Minerals Act 1996 and the Mines and Minerals (Amendment) Regulation of 1999. The diagrams below summarise the issuance process for each type of licence:

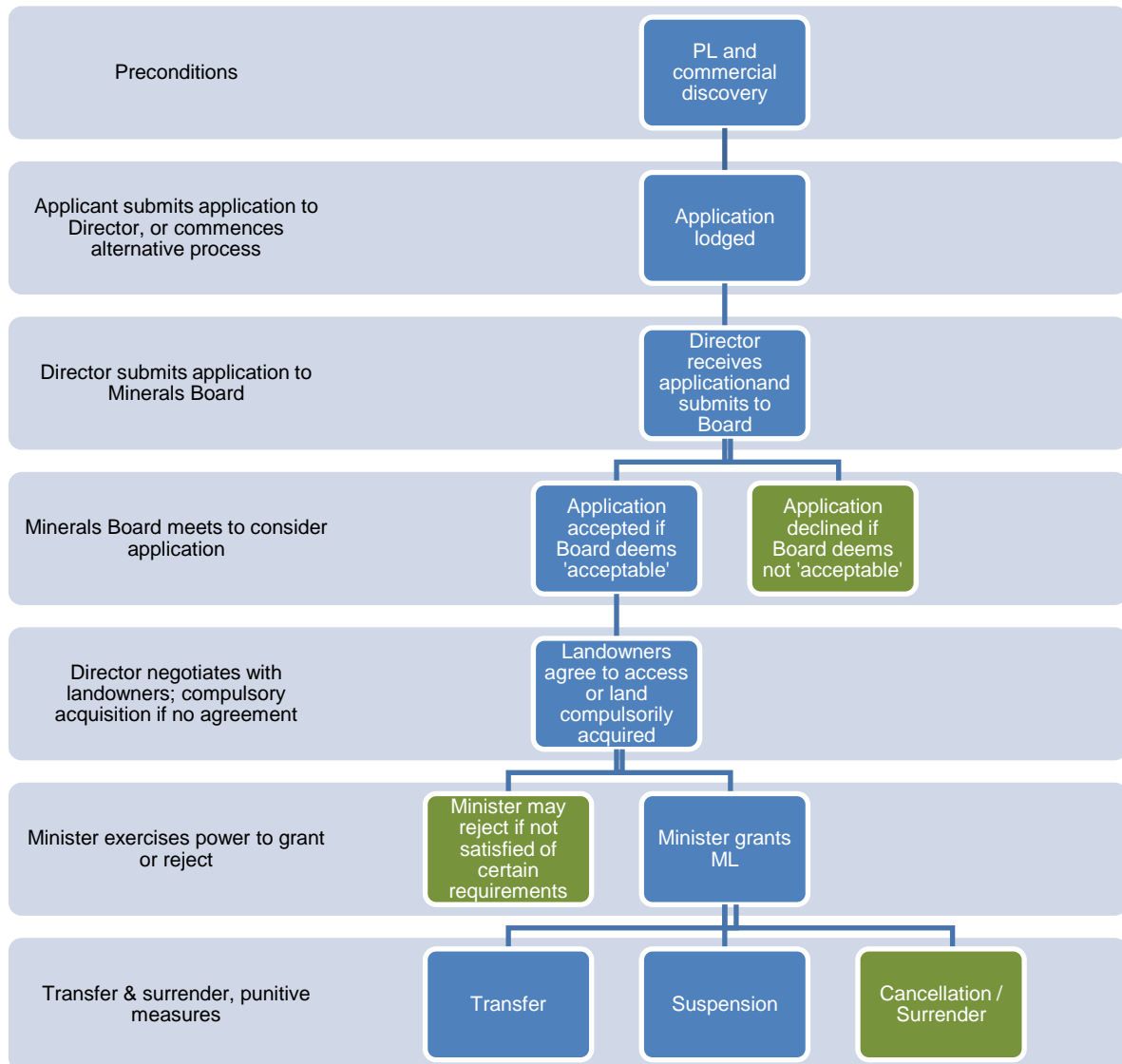
Reconnaissance Permits



Prospecting Licence



Mining Lease



8.2. Review of the issuance process

During the fieldwork, we conducted an interview with officials of the MMERE in order to have a clear understanding of the different steps undertaken during the issuance process of the different types of licences. We explained that this phase of our work is carried out to verify if the designed process operated effectively during 2012. For this purpose, we selected a sample of 10 Prospecting Licences awarded during 2012 and we requested the following documents in order to assess the compliance of the procedures applied with the terms and conditions of the Mines and Minerals Act 1996 and the Mines and Minerals (Amendment) Regulation of 1999:

- Application Form;
- Receipt of fee payment that should be accompanied to the Application Form;
- Minutes of the Board Meeting;
- Letter of Intent;
- Information to the applicant if Application refused;
- Agreement between the Applicant and the landowners;
- The Prospecting Licence Awarded; and

- Transmission of the Prospecting License by the Director to the Provincial Secretary of the Province.

After the review of the documents received, we raised the following findings:

- some requested documents were not provided by MMERE;
- all agreements between landowners and minutes of the board meeting were not provided by MMERE for confidentiality reasons; and
- some application forms were not signed and dated by the Director of Mines as requested by MMA Section 20.

As a result we were unable to verify if the issuance process is compliant to the MMA and MMR.

9. RECOMMENDATIONS

8.1 Lack of EITI Database

It appeared that to date the SIEITI Secretariat does not have a comprehensive database of all extractive companies operating in the extractive sector. This is due to the lack of formal communication procedures between the Secretariat and Government Agencies with regard to active extractive companies.

Accordingly, SIEITI did not have the list of active companies along with their TIN, activity status (exploration or production stage), active licenses and the type of minerals extracted.

We recommend that, in the first instance, each Government Agencies selected for the reconciliation work maintains an updated database of all extractive companies operating in the extractive sector. To this end, we believe it is vital that any new entrants to the extractive sector are registered before or at the same time as they obtain their operating licence.

The Secretariat should then liaise with the Government Agencies to ensure it obtains adequate information in real time and updates the database regularly. A quarterly review with the Government Agencies of the list of extractive companies licensed to operate in the sector is also recommended.

8.2 Weaknesses in the scoping study

We noted several weaknesses in the scoping study conducted in cooperation with the EITI National Secretariat and MSG as follows:

Reporting Entities

In accordance with the ToRs there are 35 companies registered in the mining sector. We are informed that the taxes collected from the 34 prospecting companies amounted to 0.01% of the total revenue collected in the mining sector. The MSG prepared the scoping study and included the only production company and 4 prospecting companies. We are informed that the 4 prospecting companies were selected on the basis that they were actively prospecting and thus participating in the mining sector. This basis of selection is somewhat biased as it is difficult to measure such activity and this method of selection could not necessarily give a representative sample for the reconciliation exercise.

We have requested the underlying figures from the Solomon Islands Inland Revenue as well as Customs and Excise Division and the Ministry of Mines Energy and Rural Electrification in order to ascertain that the amount of revenue collected by the government from these 34 prospecting companies are actually immaterial (0.01%). However, the figures received show that the sole production company (GRML) contributes only 72.73% of mining revenue.

We also note that the data compiled by MSG is based the total government revenue contribution in 2013 only, while 2012 has apparently been left out. This situation does not exclude the possibility that some companies could have paid more taxes in 2012. As a result, such companies would have been eliminated from the sample de facto.

The Ministry of Mines Energy and Rural Electrification provided a list of licences granted to companies in 2012 and 2013. We note that, with regard to one reporting company (Axiom), the licence presented in the scoping study related to 2014 but the Ministry of Mines subsequently informed us that this Reporting Company should be excluded from the scope. However, following discussions held with the company officials, we are informed that Axiom did pay taxes previously and they are in possession of others licences. As a result, we have reinstated Axiom as part of the reporting entities within our scope.

We recommend for the future, that all data regarding licences and fees are fully reviewed when preparing the scoping study in order to ensure the completeness of the list of payments which were received during the period covered by the reconciliation.

Revenue streams

The scoping study did not include payments to Provincial Governments. We note that there are nine provincial governments (Ministry of Provincial Government and Institutional Strengthening website) which are empowered (by the Provincial Government Act 1997) to pass ordinances at their level. One of the taxes charged at provincial level is the Business Licence Fee, which was not reported on the tax template.

We were unable to meet representatives of the Ministry of Provincial Government and Institutional Strengthening in order to assess the materiality of this revenue stream.

In view of the above, we recommend, for the future, that this income stream is reconciled, but rather reported unilaterally by the reporting companies and presented in the reconciliation report for information purposes only. Going forward, these must be reported by both parties and should be reconciled.

Reporting templates

The reporting template did not include payment details for each tax. It only showed annual figures.

Details of payments are vital data for completion of the reconciliation exercise. All companies and Government Agencies should be instructed to send their detailed schedules after the start of the reconciliation exercise. It would have been more efficient and would have saved time if all reporting entities were requested to send details of their payments along with their reporting templates.

In addition, we noted that templates lacked necessary information for the reconciliation exercise such as the tax identification number and the type of licences.

We further note that some taxes were included twice in the reporting template such as Withholdings of rent lease and professional services.

Detailed schedules should be requested with the templates and instructions for filling in the templates should be prepared and sent along with the templates. To ensure better efficiency of the reconciliation process, SIEITI could arrange for a workshop where all stakeholders are invited in order that the reconcilers are able to explain the contents of the templates provide to them with the instructions and explain their expectations.

8.3 Lack of audit certificates

Although it was clearly stated during in the Instructions for the preparation of Reporting Templates that extractive companies should submit their tax templates accompanied by an audit certificate, we note that all companies did not comply with this requirement.

Similarly, the Government Agencies' tax templates should have been certified by the Auditor General but we note that this was not done for all Government Agencies. However, we were informed by the Auditor General that he will not be able to certify the reporting templates and to issue a letter to confirm that the Government Entities reporting were audited under International Standards. The Auditor General stated during our meeting that the lack of available human resources and the short deadline to meet do not allow him to provide the requested certification.

We recommend for the forthcoming exercises that the extractive companies comply with this requirement, failing which SIEITI should apply sanctions against them. With regard to the Governmental Agencies, it is recommended that reliable and auditable data is presented to the Office of Auditor General before the Reconcilers start the 3rd verification exercise.

8.4 Lack of understanding and commitment on EITI principles by some stakeholders

We note that some stakeholders involved in the reconciliation process (extractive companies and Government Agencies) do not have a good understanding and knowledge of EITI, its international significance and Solomon Islands' membership. Certain stakeholders do not understand the

management structure of EITI in Solomon Islands, what the regulations governing the process are, what their own role and involvement is in the reconciliation exercise, and, most of all, the importance of the data they are providing. Considerable time was taken to explain the EITI process and reconciliation to management, accountants from extractive companies and some officials within Government Agencies.

At the beginning of the reconciliation work, IRD was unable to provide some of data requested to the Reconcilers, citing confidentiality reasons—this was later resolved after the required authority was provided by the relevant Minister. The company SMM Solomon Ltd, which is a member of SIEINSG refused to provide the Reporting Template. Requirement No. 8 of 2011 EITI Rules stipulates that Government should “remove obstacles to the implementation of the EITI” by issuing a waiver of confidentiality clauses in contracts with the companies to permit the disclosure of revenues

The success of a reconciliation exercise relies on the engagement of all stakeholders. Requirement No. 2 of 2011 EITI Rules stipulates that the Government is required to commit to work on the implementation of the EITI. As a result, all Government Agencies should be aware of the commitment of Solomon Islands with EITI. Requirement No. 7 of 2011 EITI Rules stipulates that the Government is required to engage companies in the implementation of the EITI. This means that all extractive companies should adhere to the EITI process and provide necessary assistance and cooperation when required.

Although the EITI Work Plan includes a communication strategy with community outreach and engagement, workshops, travel to provinces, etc, we recommend that SIEINSG improves the communication strategy and creates an awareness campaign in relation to EITI, its role and benefits in order to sensitise all stakeholders of the importance of the EITI process and more specifically the reporting entities (extractive companies and Government Agencies).

8.5 Timing of the reconciliation work

The reconciliation work started in May 2014 and the report has to be prepared by the administrator and approved by SIEINSG in June 2014. The duration between the beginning of the reconciliation works and the submission of the draft report only lasted one (1) month.

Although we noted that EITI stakeholders were committed to meet the deadlines, some information was not prepared in time due to the tight timeframe. Accordingly, some templates remained uncertified and some discrepancies remained unresolved. Had SIEINSG allowed more time for the reconciliation, these discrepancies could have been resolved.

We recommend for the future that the timing of the reconciliation exercise is better planned in the year in order to allow for more time for resolving discrepancies and the preparation of the Reconciler’s report.

8.6 Communication enhancement

It appeared that to date the SIEITI Secretariat does not have a website including a clear communication, data and information about the EITI in Solomon Islands.

We recommend that the SIEITI prepare a website including a portal in which all data and documents are published in order to enable better dissemination and to a wider audience. It is worth noting that a dedicated website is planned for construction in the Work Plan.

ANNEXES

Annex 1 Reporting template and Supporting Schedule



Data Sheet (*)

| | |
|---------------------------|--|
| Name of the Entity | |
|---------------------------|--|

| | |
|------------|--|
| TIN | |
|------------|--|

| Company Shareholding | Name | Amount (SBD) | % Interest |
|----------------------|--------------|--------------|------------|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | Total | - | 0% |

| | |
|----------------------|--|
| Core business | |
|----------------------|--|

| | |
|-----------------------------|--|
| Secondary activities | |
|-----------------------------|--|

| | |
|---|--|
| Please state if the last financial statements have been audited (yes/no) | |
|---|--|

| | |
|--|--|
| Name of the last financial statements Auditor | |
|--|--|

(*) This sheet must be filled in by extractive companies only

EITI PAYMENT/RECEIPT REPORT

(From 1 January 2012/2013 to 31 December 2012/2013)



A- Basic information

| | | | |
|--|----|-----------------|--|
| Name of the Entity (Extractive company / Government Entity) | | | |
| TIN | | | |
| Licence No. | 1. | Type of licence | |
| | 2. | Type of licence | |
| | 3. | Type of licence | |
| | 4. | Type of licence | |
| Reporting template prepared by | | Position | |
| Email address | | Tel. | |

B- Direct Payments/Revenues

| Ref. | Type of Tax | Paid/Received Amount | | Comments |
|--------------------------------|--|----------------------|-----|----------|
| | | SBD | USD | |
| MMERE - MoFT- CBSI | | | | |
| 1 | Royalties | | | |
| 2 | Mining License Fees | | | |
| 3 | Prospecting Licence Fees | | | |
| 4 | Gold Dealers License Fees | | | |
| 5 | Reconnaissance License Fees | | | |
| 6 | Alluvial License Fees | | | |
| 7 | Special Site License Fees | | | |
| 8 | Road Access License Fees | | | |
| 9 | Building Material License Fees | | | |
| MCIE - MoFT | | | | |
| 10 | Registration Fees | | | |
| 11 | Residence permits Fees | | | |
| 12 | Work permits Fees | | | |
| IRD - MoFT | | | | |
| 13 | Tax on Profit/Turnover Tax | | | |
| 14 | Provisional Tax | | | |
| 15 | Additional Profits Tax | | | |
| 16 | Property Taxes | | | |
| 17 | Pay- As-You-Earn (PAYE) | | | |
| 18 | Withholdings Tax | | | |
| 19 | Sales Tax | | | |
| 20 | Goods Tax | | | |
| 21 | Stamp Duties | | | |
| CED - MoFT | | | | |
| 22 | Export Duties | | | |
| 23 | Import Duties | | | |
| 24 | Goods Tax | | | |
| National Provident Fund | | | | |
| 25 | NPF | | | |
| Provincial Government | | | | |
| 26 | Taxes, Fees and other payments made to Provincial Government | | | |
| Government Entities | | | | |
| 27 | Other Taxes, Fees and others payments made to Government (*) | | | |
| Total payments | | - | - | |

C- Production

| MMERE - MoFT | | Qty | Comments |
|--------------|--|-----|----------|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | | | |

D- Export

| CED - MoFT | | Qty | Value SBD | Value USD | Comments |
|------------|--|-----|-----------|-----------|----------|
| 1 | | | | | |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |

E- Social responsibility (*)

| Social Payments | | SBD | USD | Comments |
|-----------------|--|-----|-----|----------|
| 28 | Corporate Social Responsibility cash payments | | | |
| 29 | Corporate Social Responsibility in-kind payments | | | |

F- Subnational Transfer ()**

| Subnational Transfer | | SBD | USD | Comments |
|----------------------|------------------------------------|-----|-----|----------|
| 30 | Transfers to Landowners | | | |
| 31 | Transfers to Provincial Government | | | |

(*) These sections should be filled in by extractive companies only

(**) These sections should be filled in by Government Entities only

Confidentiality - All information provided on this form shall be treated on a confidential basis and is only for the use of the Reconciler and Government solely for the purposes of EITI Reporting requirements. Other than information disclosed in the EITI Report, no information shall be disclosed to any third party without the disclosing party's written consent, unless disclosure is required by law.

Management sign-off

I acknowledge for and on behalf of the above Entity's responsibility for the truthful and fair presentation of the attached reporting template in accordance with the reporting instructions. Specifically, I confirm the following:

1. The information provided in respect of amounts paid/received is complete and has been faithfully extracted from the Entity accounting records;
2. All amounts paid/received are supported by genuine receipts and substantiated by documentary evidence;
3. The amounts paid/received exclude payments/income made before 1 January 2012/2013 and payments/income made after 31 December 2012/2013;
4. The classification of amounts paid/received on each line is accurate and does not include amounts due to be reported on other line;
5. The amounts paid/received do not include amounts paid/received on behalf of other Entities;
6. The amounts paid/received only include amounts paid/received by the Entity;
7. The accounts of the Entity on which the figures are based have been audited and an unqualified audit opinion issued.

_____ Name
 _____ Position
 _____ Signature and Stamp

Auditors Certification

I, (name), registered external auditor, have examined the foregoing SIEITI reporting template of (insert name of Mining Company/Government Agency) and can confirm that I have tested the completeness and accuracy of the extraction of the payments data included on the reporting template from the audited accounting records/financial statements of the Entity for the period(s) [stat dates] under International Auditing Standards.

Based on this examination, we confirm that the transactions reported therein are in accordance with instructions issued by TEITI, are complete and are in agreement with the books of account for the respective period.

_____ Name
 _____ Position within the Audit firm
 _____ Name of the Audit Firm (if applicable)
 _____ Address of the Audit Firm (or Auditor)
 _____ Signature and Stamp



**Template for payment flow details (*)
(From 1 January 2012/2013 to 31 December 2012/2013)**

| | |
|---|--|
| Name of the Entity (Extractive company / | |
|---|--|

| | |
|-----|--|
| TIN | |
|-----|--|

| | |
|-------------|--|
| Prepared by | |
|-------------|--|

| Date | Receipt No. | Payment description / tax name | Amount SBD | Amount USD |
|--------------|-------------|--------------------------------|------------|------------|
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| Total | | | - | - |

(*) If more convenient, the supporting schedules can be prepared in another format or be in the form of computer print outs or typed lists. However, they must contain the same information. Critical information that should be included is the official receipt number and payment date as without this, it will be very difficult to trace the payment/receipt in the records of the extractive company or Government Entity.



**Template for social payments details (*)
(From 1 January 2012/2013 to 31 December 2012/2013)**

Name of the Entity

TIN

Prepared by

| Date | Type/kind of contribution | Location of expenditure | Paid to | Amount SBD | Amount USD |
|--------------|---------------------------|-------------------------|---------|------------|------------|
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| Total | | | | - | - |

() This template must be filled in by extractive companies only*



**Template for exportation details
(From 1 January 2012/2013 to 31 December 2012/2013)**

| | |
|---------------------------|----------------------|
| Name of the Entity | <input type="text"/> |
|---------------------------|----------------------|

| | |
|------------|----------------------|
| TIN | <input type="text"/> |
|------------|----------------------|

| | |
|--------------------|----------------------|
| Prepared by | <input type="text"/> |
|--------------------|----------------------|

| Date/month of exportation | Type/Quality of Minerals | Field/licence | Unit | Quantity | Value (SBD) | Value (USD) |
|---------------------------|--------------------------|---------------|------|----------|-------------|-------------|
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| | | Total | - | - | - | - |



Template for Subnational Transfer details ()
(From 1 January 2012/2013 to 31 December 2012/2013)**

Name of the Entity

TIN

Prepared by

| Date | Type /kind of contribution | Paid to | Amount SBD | Amount USD |
|------|----------------------------|---------|------------|------------|
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| | | | | |
| | Total | - | - | - |

(**) These sections should be filled in by Governéent Entities only

Annex 2 List of mining companies paying taxes below the materiality threshold

| N° | Other Companies | N° | Exporters |
|----|--|----|-------------------------------|
| 1 | Honiara Holdings Ltd | 1 | Jennifer Sifoni |
| 2 | Australian Resource Management (ARM) Pty | 2 | Canada Sunny (SI) Co Ltd |
| 3 | Eastern Porphyry (SI) Ltd | 3 | Zheng Enterprises Ltd |
| 4 | Solomon Bauxite Limited | 4 | Wilfred Baetalua |
| 5 | Asia Pacific Investment Development Ltd | 5 | Micheal Bosa |
| 6 | Solomon Resources Ltd | 6 | Joe Hoasihau |
| 7 | Investment on Resources of Solomon Islands Co. | 7 | Island Gold |
| 8 | Guadalcanal Resources Pty Ltd | 8 | Mary Makau |
| 9 | Solomon Alluvial Mining Ltd | 9 | Chen Zhen Company Ltd |
| 10 | Guadalcanal Exploration Pty Ltd | 10 | Philip Neisa |
| 11 | Kentor Energy Pty Ltd | 11 | JUDITH SAKE |
| 12 | Solomon Commodities Ltd | 12 | MR MICHEAL TSINGOLIS |
| 13 | Tymnah Mineral Resources Pty Ltd | 13 | LSE Store |
| 14 | Global Ore Pty Ltd | 14 | Henry Matoku |
| 15 | Nepia and Wasara Mining Ltd | 15 | Japhet Fatai Olofia |
| 16 | Au Capital Mining | 16 | Nazar Gold (SI) Limited |
| 17 | Sol-Sing Marine Enterprises Ltd | 17 | Geoffery Hanaria |
| 18 | South Pacific Minerals Ltd | 18 | Landends Ltd |
| 19 | Omex Resources Ltd | 19 | Jackson Holosiui |
| 20 | Worldlink Minerals Ltd | 20 | Peter Likai |
| 21 | Minerva Investment Ltd | 21 | Mr Thomas Roubas |
| 22 | Linc Corporation Ltd | 22 | PAWEL MISIEC |
| 23 | Worldlink Gold and Copper Ltd | 23 | Maxi Hura |
| 24 | Solomon Mining Resources Ltd | 24 | Kingdom Jewellery Company Ltd |
| 25 | Oriental New Energy Group Co. Ltd | 25 | Fred Navi Koelua |
| 26 | Sino Solomon Resources Group Co. Ltd | 26 | Hon Bradley Tovosia |
| 27 | Solomon Islands Gold Pty Ltd | | |
| 28 | SIPIC (Solomon Islands Property Investment | | |
| 29 | PT Mega Bintang Borneo Ltd | | |
| 30 | Phoenix International (SI) Limited | | |
| 31 | Solomon Islands Cement Ltd | | |
| 32 | Red Devil | | |
| 33 | BJM International Ltd | | |

Annex 3 Reconciliation sheet by company

| | |
|---------------------------------------|---------------------|
| TAXPAYER NAME | SMM Solomon Limited |
| TAXPAYER IDENTIFICATION NUMBER (TPIN) | 1016790 |
| LICENCE NO/TYPE | |

| | |
|---------------------------------------|---------------------|
| TAXPAYER NAME | SMM Solomon Limited |
| TAXPAYER IDENTIFICATION NUMBER (TPIN) | 1016790 |
| LICENCE NO/TYPE | |

| | |
|-------------------|--|
| MINERAL EXTRACTED | |
| PRODUCTION | |
| | |
| | |

| Tax | Tax name | Per Company | | | Per Government | | | Govt Agency | Final Diff. |
|-----|--|---------------------|--------------------|---------------------|----------------------|---------------------|----------------------|---------------|------------------------|
| | | Original 1 Or CO | Adjust 2 Adj CO | Final 3 Final CO | Original 4 Or Gov | Adjust 5 Adj Gov | Final 6 Final Gov | 7 Govt Agency | |
| | MMERE - MoFT- CBSI | | | | | | | | |
| 1 | Royalties | | | - | | | - | | - |
| 2 | Mining License Fees | | | - | 20,000.00 | | 20,000.00 | MMERE | - 20,000.00 |
| 3 | Prospecting Licence Fees | | | - | 32,521.00 | | 32,521.00 | MMERE | - 32,521.00 |
| 4 | Gold Dealers License Fees | | | - | | | - | | - |
| 5 | Reconnaissance License Fees | | | - | | | - | | - |
| 6 | Alluvial License Fees | | | - | | | - | | - |
| 7 | Special Site License Fees | | | - | | | - | | - |
| 8 | Road Access License Fees | | | - | 15,600.00 | | 15,600.00 | | - 15,600.00 |
| 9 | Building Material License Fees | | | - | | | - | | - |
| | MCIE - MoFT | | | | | | | | |
| 10 | Registration Fees | | | - | | | - | | - |
| 11 | Residence permits Fees | | | - | 18,220.00 | | 18,220.00 | MCIE | - 18,220.00 |
| 12 | Work permits Fees | | | - | 23,490.00 | | 23,490.00 | MCIE | - 23,490.00 |
| | IRD - MoFT | | | | | | | | |
| 13 | Tax on Profit/Turnover Tax | | | - | | | - | | - |
| 14 | Provisional Tax | | | - | | | - | | - |
| 15 | Additional Profits Tax | | | - | | | - | | - |
| 16 | Property Taxes | | | - | | | - | | - |
| 17 | Pay-As-You-Earn (PAYE) | | | - | 3,634,509.14 | | 3,634,509.14 | IRD | - 3,634,509.14 |
| 18 | Withholdings Tax | | | - | 9,776,925.77 | | 9,776,925.77 | IRD | - 9,776,925.77 |
| 19 | Sales Tax | | | - | | | - | | - |
| 20 | Goods Tax | | | - | | | - | | - |
| 21 | Stamp Duties | | | - | 700.00 | | 700.00 | IRD | - 700.00 |
| | CED - MoFT | | | | | | | | |
| 22 | Export Duties | | | - | | | - | | - |
| 23 | Import Duties | | | - | 876,865.70 | | 876,865.70 | CED | - 876,865.70 |
| 24 | Goods Tax (CED) | | | - | 1,878,877.08 | | 1,878,877.08 | CED | - 1,878,877.08 |
| | National Provident Fund | | | | | | | | |
| 25 | NPF | | | - | 903,647.25 | | 903,647.25 | NPF | - 903,647.25 |
| | Provincial Government | | | | | | | | |
| 26 | Taxes, Fees and other payments made | | | - | | | - | | - |
| | Government Entities | | | | | | | | |
| 27 | Other Taxes, Fees and others payments made to Government | | | - | | | - | | - |
| | Total payments | | | - | 17,181,355.94 | | 17,181,355.94 | | - 17,181,355.94 |

| |
|--|
| TAXPAYER NAME |
| TAXPAYER IDENTIFICATION NUMBER (TPIN) |
| LICENCE NO/TYPE |

| |
|-----------------------------------|
| Nautilus Minerals Solomon Islands |
| 1035915 |
| |

| | |
|--------------------------|-------------------|
| MINERAL EXTRACTED | PRODUCTION |
| | |
| | |
| | |

| Tax | Tax name | Per Company | | | Per Government | | | Govt Agency | Final Diff. |
|-----|--|---------------------|--------------------|---------------------|----------------------|---------------------|----------------------|---------------|-------------|
| | | Original 1 Or CO | Adjust 2 Adj CO | Final 3 Final CO | Original 4 Or Gov | Adjust 5 Adj Gov | Final 6 Final Gov | 7 Govt Agency | |
| | MMERE - MoFT- CBSI | | | | | | | | |
| 1 | Royalties | | | - | | | | | - |
| 2 | Mining License Fees | | | - | | | | | - |
| 3 | Prospecting Licence Fees | 1,996,550.00 | | 1,996,550.00 | 1,971,800.00 | 24,750.00 | 1,996,550.00 | MMERE | - |
| 4 | Gold Dealers License Fees | | | - | | | | | - |
| 5 | Reconnaissance License Fees | | | - | | | | | - |
| 6 | Alluvial License Fees | | | - | | | | | - |
| 7 | Special Site License Fees | | | - | | | | | - |
| 8 | Road Access License Fees | | | - | | | | | - |
| 9 | Building Material License Fees | | | - | | | | | - |
| | MCIE - MoFT | | | | | | | | |
| 10 | Registration Fees | | | - | | | | | - |
| 11 | Residence permits Fees | | | - | | | | | - |
| 12 | Work permits Fees | | | - | | | | | - |
| | IRD - MoFT | | | | | | | | |
| 13 | Tax on Profit/Turnover Tax | | | - | | | | | - |
| 14 | Provisional Tax | | | - | | | | | - |
| 15 | Additional Profits Tax | | | - | | | | | - |
| 16 | Property Taxes | | | - | | | | | - |
| 17 | Pay- As-You-Earn (PAYE) | | | - | | | | | - |
| 18 | Withholdings Tax | | | - | | | | | - |
| 19 | Sales Tax | | | - | | | | | - |
| 20 | Goods Tax | | | - | | | | | - |
| 21 | Stamp Duties | | | - | | | | | - |
| | CED - MoFT | | | | | | | | |
| 22 | Export Duties | | | - | | | | | - |
| 23 | Import Duties | | | - | | | | | - |
| 24 | Goods Tax (CED) | | | - | | | | | - |
| | National Provident Fund | | | | | | | | |
| 25 | NPF | | | - | | | | | - |
| | Provincial Government | | | | | | | | |
| 26 | Taxes, Fees and other payments made | | | - | | | | | - |
| | Government Entities | | | | | | | | |
| 27 | Other Taxes, Fees and others payments made to Government | | | - | | | | | - |
| | Total payments | 1,996,550.00 | - | 1,996,550.00 | 1,971,800.00 | 24,750.00 | 1,996,550.00 | | - |

| |
|--|
| TAXPAYER NAME |
| TAXPAYER IDENTIFICATION NUMBER (TPIN) |
| LICENCE NO/TYPE |

| | |
|---------------------------|-------------|
| Bluewater Metals (SI) Ltd | |
| 1029831 | |
| Various | Prospecting |
| | Mining |

| | |
|--------------------------|-------------------|
| MINERAL EXTRACTED | PRODUCTION |
| | |
| | |
| | |

| Tax | Tax name | Per Company | | | Per Government | | | Govt Agency | Final Diff. |
|-----|---|---------------------|--------------------|---------------------|----------------------|---------------------|----------------------|---------------|------------------|
| | | Original 1 Or CO | Adjust 2 Adj CO | Final 3 Final CO | Original 4 Or Gov | Adjust 5 Adj Gov | Final 6 Final Gov | 7 Govt Agency | |
| | MMERE - MoFT- CBSI | | | | | | | | |
| 1 | Royalties | | | - | | | - | | - |
| 2 | Mining License Fees | | | - | 10,000.00 | | 10,000.00 | MMERE | - 10,000.00 |
| 3 | Prospecting Licence Fees | 909,446.00 | | 909,446.00 | 899,446.00 | | 899,446.00 | MMERE | 10,000.00 |
| 4 | Gold Dealers License Fees | | | - | | | - | | - |
| 5 | Reconnaissance License Fees | | | - | | | - | | - |
| 6 | Alluvial License Fees | | | - | | | - | | - |
| 7 | Special Site License Fees | | | - | | | - | | - |
| 8 | Road Access License Fees | | | - | | | - | | - |
| 9 | Building Material License Fees | | | - | | | - | | - |
| | MCIE - MoFT | | | | | | | | |
| 10 | Registration Fees | | | - | | | - | | - |
| 11 | Residence permits Fees | | | - | | | - | | - |
| 12 | Work permits Fees | | | - | | | - | | - |
| | IRD - MoFT | | | | | | | | |
| 13 | Tax on Profit/Turnover Tax | | | - | | | - | | - |
| 14 | Provisional Tax | | | - | | | - | | - |
| 15 | Additional Profits Tax | | | - | | | - | | - |
| 16 | Property Taxes | | | - | | | - | | - |
| 17 | Pay- As-You-Earn (PAYE) | | | - | | | - | | - |
| 18 | Withholdings Tax | | | - | | | - | | - |
| 19 | Sales Tax | | | - | | | - | | - |
| 20 | Goods Tax | | | - | | | - | | - |
| 21 | Stamp Duties | | | - | | | - | | - |
| | CED - MoFT | | | | | | | | |
| 22 | Export Duties | | | - | | | - | | - |
| 23 | Import Duties | | | - | | | - | | - |
| 24 | Goods Tax (CED) | | | - | | | - | | - |
| | National Provident Fund | | | | | | | | |
| 25 | NPF | | | - | | | - | | - |
| | Provincial Government | | | | | | | | |
| 26 | Taxes, Fees and other payments made Government Entities | 76,970.00 | | 76,970.00 | | | - | | 76,970.00 |
| 27 | Other Taxes, Fees and others payments made to Government | | | - | | | - | | - |
| | Total payments | 986,416.00 | - | 986,416.00 | 909,446.00 | - | 909,446.00 | | 76,970.00 |

| |
|--|
| TAXPAYER NAME |
| TAXPAYER IDENTIFICATION NUMBER (TPIN) |
| LICENCE NO/TYPE |

| |
|------------------|
| Axiom Mining Ltd |
| 1034848 |
| |

| MINERAL EXTRACTED | PRODUCTION |
|---------------------|------------|
| Copper concentrates | |
| | |
| | |

| Tax | Tax name | Per Company | | | Per Government | | | Govt Agency | Final Diff. |
|-----|---|---------------------|--------------------|---------------------|----------------------|---------------------|----------------------|---------------|---------------------|
| | | Original 1 Or CO | Adjust 2 Adj CO | Final 3 Final CO | Original 4 Or Gov | Adjust 5 Adj Gov | Final 6 Final Gov | 7 Govt Agency | |
| | MMERE - MoFT - CBSI | | | | | | | | |
| 1 | Royalties | | | - | | | - | | - |
| 2 | Mining License Fees | | | - | | | - | | - |
| 3 | Prospecting Licence Fees | | | - | | | - | | - |
| 4 | Gold Dealers License Fees | | | - | | | - | | - |
| 5 | Reconnaissance License Fees | | | - | | | - | | - |
| 6 | Alluvial License Fees | | | - | | | - | | - |
| 7 | Special Site License Fees | | | - | | | - | | - |
| 8 | Road Access License Fees | | | - | | | - | | - |
| 9 | Building Material License Fees | | | - | | | - | | - |
| | MCIE - MoFT | | | | | | | | |
| 10 | Registration Fees | | | - | 200.00 | | 200.00 | MCIE | - 200.00 |
| 11 | Residence permits Fees | | | - | | | - | | - |
| 12 | Work permits Fees | | | - | | | - | | - |
| | IRD - MoFT | | | | | | | | |
| 13 | Tax on Profit/Turnover Tax | | | - | | | - | | - |
| 14 | Provisional Tax | | | - | | | - | | - |
| 15 | Additional Profits Tax | | | - | | | - | | - |
| 16 | Property Taxes | | | - | | | - | | - |
| 17 | Pay- As-You-Earn (PAYE) | | | - | 164,485.36 | | 164,485.36 | IRD | - 164,485.36 |
| 18 | Withholdings Tax | | | - | 666.68 | | 666.68 | IRD | - 666.68 |
| 19 | Sales Tax | | | - | | | - | | - |
| 20 | Goods Tax | | | - | | | - | | - |
| 21 | Stamp Duties | | | - | | | - | | - |
| | CED - MoFT | | | | | | | | |
| 22 | Export Duties | | | - | | | - | | - |
| 23 | Import Duties | | | - | | | - | | - |
| 24 | Goods Tax (CED) | | | - | | | - | | - |
| | National Provident Fund | | | | | | | | |
| 25 | NPF | | | - | 73,056.84 | | 73,056.84 | NPF | - 73,056.84 |
| | Provincial Government | | | | | | | | |
| 26 | Taxes, Fees and other payments made Government Entities | | | - | | | - | | - |
| 27 | Other Taxes, Fees and others payments made to Government | | | - | | | - | | - |
| | Total payments | | | - | 238,408.88 | | 238,408.88 | | - 238,408.88 |

| | |
|---------------------------------------|-------------------------|
| TAXPAYER NAME | Solomon Sheet Steel Ltd |
| TAXPAYER IDENTIFICATION NUMBER (TPIN) | 1014556 |
| LICENCE NO/TYPE | |

| | |
|-------------------|------------|
| MINERAL EXTRACTED | PRODUCTION |
| | |
| | |
| | |

| Tax | Tax name | Per Company | | | Per Government | | | Govt Agency | Final Diff. |
|-----|--|----------------------|--------------------|----------------------|----------------------|---------------------|----------------------|---------------|-----------------------|
| | | Original 1 Or CO | Adjust 2 Adj CO | Final 3 Final CO | Original 4 Or Gov | Adjust 5 Adj Gov | Final 6 Final Gov | 7 Govt Agency | |
| | MMERE - MoFT - CBSI | | | | | | | | |
| 1 | Royalties | | | - | | | - | | - |
| 2 | Mining License Fees | | | - | | | - | | - |
| 3 | Prospecting Licence Fees | | | - | | | - | | - |
| 4 | Gold Dealers License Fees | | | - | | | - | | - |
| 5 | Reconnaissance License Fees | | | - | | | - | | - |
| 6 | Alluvial License Fees | | | - | | | - | | - |
| 7 | Special Site License Fees | | | - | | | - | | - |
| 8 | Road Access License Fees | | | - | | | - | | - |
| 9 | Building Material License Fees | | | - | 5,000.00 | | 5,000.00 | MMERE | - 5,000.00 |
| | MCIE - MoFT | | | | | | | | |
| 10 | Registration Fees | | | - | | | - | | - |
| 11 | Residence permits Fees | 22,495.00 | | 22,495.00 | | | - | | 22,495.00 |
| 12 | Work permits Fees | | | - | | | - | | - |
| | IRD - MoFT | | | | | | | | |
| 13 | Tax on Profit/Turnover Tax | 4,809,318.12 | | 4,809,318.12 | 16,068,044.00 | | 16,068,044.00 | IRD | - 11,258,725.88 |
| 14 | Provisional Tax | 3,426,905.50 | | 3,426,905.50 | 3,427,236.00 | | 3,427,236.00 | IRD | - 330.50 |
| 15 | Additional Profits Tax | | | - | | | - | | - |
| 16 | Property Taxes | | | - | | | - | | - |
| 17 | Pay- As-You-Earn (PAYE) | 740,875.25 | | 740,875.25 | 862,771.12 | | 862,771.12 | IRD | - 121,895.87 |
| 18 | Withholdings Tax | | | - | | | - | | - |
| 19 | Sales Tax | 139,846.10 | | 139,846.10 | | | - | | 139,846.10 |
| 20 | Goods Tax | | | - | | | - | | - |
| 21 | Stamp Duties | | | - | | | - | | - |
| | CED - MoFT | | | | | | | | |
| 22 | Export Duties | | | - | | | - | | - |
| 23 | Import Duties | 8,755,681.16 | | 8,755,681.16 | 2,205,178.61 | | 2,205,178.61 | CED | 6,550,502.55 |
| 24 | Goods Tax (CED) | | | - | 330,502.75 | | 330,502.75 | CED | - 330,502.75 |
| | National Provident Fund | | | | | | | | |
| 25 | NPF | 640,580.20 | | 640,580.20 | 636,920.52 | | 636,920.52 | NPF | 3,659.68 |
| | Provincial Government | | | | | | | | |
| 26 | Taxes, Fees and other payments made | | | - | | | - | | - |
| | Government Entities | | | | | | | | |
| 27 | Other Taxes, Fees and others payments made to Government | | | - | | | - | | - |
| | Total payments | 18,535,701.33 | - | 18,535,701.33 | 23,535,653.00 | - | 23,535,653.00 | | - 4,999,951.67 |

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|--|
| TAXPAYER NAME |
| TAXPAYER IDENTIFICATION NUMBER (TPIN) |
| LICENCE NO/TYPE |

| |
|-----------------------------|
| S.I Cement Products Limited |
| 1014396 |

| | |
|--------------------------|-------------------|
| MINERAL EXTRACTED | PRODUCTION |
| | |
| | |
| | |

| Tax | Tax name | Per Company | | | Per Government | | | Govt Agency | Final Diff. |
|-----|--|---------------------|--------------------|---------------------|----------------------|---------------------|----------------------|-------------|--------------------|
| | | Original 1 Or CO | Adjust 2 Adj CO | Final 3 Final CO | Original 4 Or Gov | Adjust 5 Adj Gov | Final 6 Final Gov | | |
| | MMERE - MoFT- CBSI | | | | | | | | |
| 1 | Royalties | | | - | | | - | | - |
| 2 | Mining License Fees | | | - | | | - | | - |
| 3 | Prospecting Licence Fees | | | - | | | - | | - |
| 4 | Gold Dealers License Fees | | | - | | | - | | - |
| 5 | Reconnaissance License Fees | | | - | | | - | | - |
| 6 | Alluvial License Fees | | | - | | | - | | - |
| 7 | Special Site License Fees | | | - | | | - | | - |
| 8 | Road Access License Fees | | | - | | | - | | - |
| 9 | Building Material License Fees | 2,500.00 | | 2,500.00 | 2,500.00 | | 2,500.00 | MMERE | - |
| | MCIE - MoFT | | | | | | | | |
| 10 | Registration Fees | 2,903.00 | | 2,903.00 | | | - | | 2,903.00 |
| 11 | Residence permits Fees | | | - | | | - | | - |
| 12 | Work permits Fees | | | - | | | - | | - |
| | IRD - MoFT | | | | | | | | |
| 13 | Tax on Profit/Turnover Tax | 52,973.70 | | 52,973.70 | 166,154.70 | - 113,181.00 | 52,973.70 | IRD | - |
| 14 | Provisional Tax | 145,585.50 | | 145,585.50 | 145,585.50 | | 145,585.50 | IRD | - |
| 15 | Additional Profits Tax | | | - | | | - | | - |
| 16 | Property Taxes | | | - | | | - | | - |
| 17 | Pay- As-You-Earn (PAYE) | 74,828.52 | | 74,828.52 | 72,110.28 | | 72,110.28 | IRD | 2,718.24 |
| 18 | Withholdings Tax | | | - | | | - | | - |
| 19 | Sales Tax | | | - | | | - | | - |
| 20 | Goods Tax | 2,329,943.51 | | 2,329,943.51 | 2,435,834.08 | - 105,890.57 | 2,329,943.51 | IRD | - |
| 21 | Stamp Duties | | | - | | | - | | - |
| | CED - MoFT | | | | | | | | |
| 22 | Export Duties | | | - | | | - | | - |
| 23 | Import Duties | | | - | 27,611.60 | | 27,611.60 | CED | - 27,611.60 |
| 24 | Goods Tax (CED) | | | - | 10,464.36 | | 10,464.36 | CED | - 10,464.36 |
| | National Provident Fund | | | | | | | | |
| 25 | NPF | 105,173.31 | | 105,173.31 | 105,172.31 | | 105,172.31 | NPF | 1.00 |
| | Provincial Government | | | | | | | | |
| 26 | Taxes, Fees and other payments made | | | - | | | - | | - |
| | Government Entities | | | | | | | | |
| 27 | Other Taxes, Fees and others payments made to Government | | | - | | | - | | - |
| | Total payments | 2,713,907.54 | - | 2,713,907.54 | 2,965,432.83 | - 219,071.57 | 2,746,361.26 | | - 32,453.72 |

Annex 4 Persons contacted and involved in the assignment

Moore Stephens - Independent Reconciler

| | |
|------------------|-----------------------------------|
| Tim Woodward | Partner |
| Ben Toorabally | Head of Office – Mission Director |
| Maher Ben Mbarek | Audit Senior |
| Elyes Kooli | Audit Senior |

Ministry of Finance & Treasury

| | |
|------------------|---------------------------|
| Mckinnie Dentana | EITI National Coordinator |
| Simon James | Program Support Advisor |
| Rockson Orelly | Head of EITI Secretariat |

Ministry of Mines, Energy and Rural Electrification

| | |
|------------------|---------------------------------------|
| Krista Tatapu | Principal Tenement Officer |
| Lilian Danitofea | Senior Tenement Officer (Exploration) |

Inland Revenue Division - Ministry of Finance & Treasury

| | |
|-------------|---------------------|
| George Tapo | Deputy Commissioner |
|-------------|---------------------|

Ministry of Commerce, Industry and Employment

| | |
|-------------|-----------------|
| James Apato | Under Secretary |
|-------------|-----------------|

Central Bank of Solomon Islands

| | |
|-----------------|---------------|
| Raynick Aquilla | Chief Manager |
|-----------------|---------------|

Customs and Excise Division

| | |
|--------------|--------------------|
| Peter Hughes | Deputy Comptroller |
|--------------|--------------------|

Axiom Company Ltd

| | |
|--------------------|-----------------|
| Francis Waleanisia | General Manager |
|--------------------|-----------------|

Bluewater Metals (Solomon Islands) Ltd

| | |
|--------------|----------------|
| Baoro Koraua | National Agent |
|--------------|----------------|