

**SIERRA LEONE EXTRACTIVE INDUSTRIES' TRANSPARENCY
INITIATIVE (SLEITI)**



FINAL REPORT

ON

SLEITI RECONCILIATION AUDIT (2013)

FEBURARY 2016

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LIST OF ABBREVIATIONS/ACRONYMS

<i>EITI</i>	<i>Extractive Industries Transparency Initiative</i>
<i>GGDO</i>	<i>Government Gold and Diamond Office</i>
<i>GoSL</i>	<i>Government of Sierra Leone</i>
<i>IPAU</i>	<i>Integrated Projects Administration Unit</i>
<i>MCO</i>	<i>Mining Cadastre Office</i>
<i>MLGRD</i>	<i>Ministry of Local Government and Rural Development</i>
<i>MMA</i>	<i>Mines and Minerals Act 2009</i>
<i>MMMR</i>	<i>Ministry of Mines and Mineral Resources</i>
<i>MOFED</i>	<i>Ministry of Finance and Economic Development</i>
<i>NMA</i>	<i>National Minerals Agency</i>
<i>PMT</i>	<i>Precious Minerals Trading</i>
<i>NRA</i>	<i>National Revenue Authority</i>
<i>SLEITI</i>	<i>Sierra Leone Extractive Industries Transparency Initiative</i>
<i>SLL</i>	<i>Sierra Leone Leone</i>

STATEMENT FROM THE INDEPENDENT ADMINISTRATOR

The Sierra Leone Extractive Industries' Transparency Initiative (SLEITI) through the Integrated Projects Administration Unit (IPAU) of the Ministry of Finance and Economic Development procured the services of Messrs Boas & Associates as the Independent Administrator for the 2013 SLEITI EITI reconciliation report.

The engagement was made in accordance with the International Standard on Related Services as applicable to agreed upon procedures. The assignment was conducted using procedures as set out in the Terms of Reference attached as Appendix 1 to this report, except where indicated otherwise in the report as well as its appendices.

The procedures undertaken were not designed to constitute an audit or review made in accordance with International Standards on Auditing Engagements, and as such we do not provide any assurances other than those expressed in this report. Had we performed additional procedures, other matters would have come to our attention that would have been reported to you.

The report is to inform SLEITI on the matters expressed in the Terms of Reference and not for any other purpose.



Kwaku Boa-Amponsem

Managing Partner

Boas & Associates

February 8, 2016

EXECUTIVE SUMMARY

The Extractive Industries Transparency Initiative (EITI) is a global standard that promotes transparency and accountability in the oil, gas and mining sectors.

Implementing countries are required to produce annual reports that reconcile extractive sector payments to government receipts. In addition to that the standards require the provision of contextual information on the extractive sector.

The summary below provides the key contextual information, results of reconciliation and some key findings and recommendations for 2013.

OVERVIEW

Sectors covered: Mining and Oil/Gas sectors.

Licensing Regime: First come first served for mining and competitive bidding/licensing rounds for Oil/Gas.

Regulation of the extractive sector: Mining: Mines and Mineral Act (MMA, 2009), National Minerals Agency Act (NMA Act 2012); Income Tax Act 2000, the Mines and Minerals Operational Regulations 2013(Statutory Instrument 12 of 2013) **Oil/Gas-**Petroleum Exploration and Production Act, 2011.

Contribution of Mining sector to GDP in 2013: 2.6%

Sustainability of extractive revenues

The reserve position of the largest mineral export, iron ore is highly prospective with over 1 billion tonnes including a Probable ore reserve of 539 million tons grading 31.1% Fe, sufficient for over 40 years of mine life. Iron-ore projects are seen as key contributors to Sierra Leone's GDP growth with over US\$ 1bn in exports in 2013 (Bank of Sierra Leone). Decline in international prices of iron ore resulted in slowed GDP Growth in 2014 of 7.1%.

Based on ore deposits and on-going mining and exploration activities, extractive revenues appear sustainable, however as witnessed recently commodity prices are very critical and low prices have the potential of undermining the sustainability of the extractive revenues.

RECONCILIATION

- **Participating companies:** Table A provides the list of participating companies.

Table A: Selected companies for 2013 SLEITI report.

Company/Extractive Entity	Mineral	Activity	Tax ID.
LONDON MINING (SL) LTD	IRON ORE	PRODUCTION	1001359-0
KOIDU HOLDINGS	DIAMONDS	PRODUCTION	1001358-5
AFRICAN MINERALS LTD	IRON ORE	PRODUCTION/ EXPLORATION	1001883-8
SIERRA RUTILE LTD	RUTILE	PRODUCTION	1000306-2
H M DIAMONDS	DIAMONDS	EXPORTER	1000351-9
SIERRA MINERALS HOLDINGS LTD	BAUXITE	PRODUCTION	1000672-9
NIMINI HOLDINGS LTD	GOLD	EXPLORATION	1012719-2
KASSIM BASMA	DIAMOND	EXPORTER	1025212-6
KINGHO INVESTMENT LTD	IRON ORE	EXPLORATION	1013683-0
SHAWKE B. SHOUR	DIAMOND	EXPORTER	1020041-5
CAPE LAMBERT RESOURCES LTD	IRON ORE	EXPLORATION	-
CLUFF GOLD S/L LTD	GOLD	EXPLORATION	1005704-8
WEST AFRICA ZIRCON EXPLORATION AND TRADING LICENSES	ZIRCON/RUTILE	PRODUCTION	1016411-2
RIMCO MINING SL LTD	GOLD/IRON ORE	EXPLORATION	1023345-0
ANADARKO SL CO. LTD	PETROLEUM	EXPLORATION	1005488-2
EUROPEAN HYDROCARBON LTD	PETROLEUM	EXPLORATION	1032487-0
LUKOIL OVERSEAS SL BV	PETROLEUM	EXPLORATION	1031863-0
TALISMAN SL BV	PETROLEUM	EXPLORATION	1031601-0
AFRICAN PETROLEUM(SL)LTD	PETROLEUM	EXPLORATION	1032191-0
MINEXCO(SL) LTD	PETROLEUM	EXPLORATION	1029169-4
SL EXPLORATION INVESTMENT & MANAGEMENT (SL) LTD	PETROLEUM	EXPLORATION	1031442-3
A-Z PETROLEUM LTD	PETROLEUM	EXPLORATION	1011141-0

REVENUE STREAMS

Revenue streams for the assignment included the following:

Mining Sector

- *Exploration License*
- *Mining License*
- *Surface Rent*
- *Mineral Royalty*
- *Corporate tax*
- *Environmental License Fees*
- *Environmental Monitoring fees*
- *Diamond Exporter's License fees*
- *3% duty on Diamond export*
- *Agriculture Development Fund*
- *Community Development Fund*

Oil and Gas sector

- *Surface rent*
- *Training Fund*
- *Signature bonus:*
- *Technology bonus.*
- *Extension Fees*
- *Environmental Impact Assessment License Fees*
- *Environmental Assessment Monitoring fees*

INITIAL RECONCILIATION

Initial company payments of US\$48,724,479 and government receipts of US\$ 52,358,759 were obtained.

RESOLUTION OF DISCREPANCIES

Discrepancies resolved included US\$ 231,337 involving extractive entities' payments and US\$8,007,658 on government receipts.

UNRESOLVED DISCREPANCIES

At the end of the reconciliation, unresolved discrepancies amounted to an absolute amount US\$13,803,520 and a net discrepancy of US\$-11,410,600. Lack or absence of reporting templates accounted for 91% of the unresolved discrepancy.

RECOMMENDATIONS

1. Extractive sector payments and nomenclature

In order to correctly associate payments to actual mineral right holders, government agencies should ensure that the payments are recorded against such names and not holding companies. This can assist in project level reporting.

2. Ring Fencing: The MMMR/NMA should make a policy determination as to the state of exploration and reconnaissance in the country. Thus if the MMMR considers that there still exists significant green fields, then section 155(4) of MMA,2009 on reconnaissance and exploration is pertinent.

However if it considers that there are enough brownfields for which substantial corporate taxes are realizable, then 155(4) may be replaced with appropriate clauses with intent on capitalizing all reconnaissance and exploration costs.

Some guidelines or rules should be developed in order to apply ring fencing for corporate tax purposes, before the expiration of initial investment recovery periods of mining projects in the country.

3. Fiscal terms and stability

Fiscal terms differ for different companies. The MMMR/NMA should endeavor to establish fiscal terms and legislation that will be applicable to all future mining contracts, especially with regards to corporate tax and royalty.

4. Surface Rent

Procedures for the payment and collection of surface rents need to be streamlined to ensure standardization and transparency.

For cash transactions to chiefdoms and other beneficiaries, channeling such payments through receipting government bodies with functional accounting units such as district

councils is recommended to ensure the maintenance of proper accounting records. This will enhance transparency and accountability.

1.0: BACKGROUND

The Extractive Industries Transparency Initiative (EITI) is a global standard that promotes transparency and accountability in the oil, gas and mining sectors. It has a robust yet flexible methodology for disclosing and reconciling company payments and government receipts in implementing countries.

EITI implementation has two core components

- **Transparency:** oil, gas and mining companies disclose their payments to the government, and the government discloses its receipts. The figures are reconciled by an Independent Administrator, and published in annual EITI Reports alongside contextual and other information about the extractive sector.
- **Accountability:** a multi-stakeholder group with representatives from government, companies and civil society is established to oversee the process and communicate the findings of the EITI Report, and promote the integration of EITI into broader transparency efforts in that country.

This enables citizens to make informed demands for fair and sustainable use of revenues generated through the exploitation of natural resources. It is expected that accountable governments and informed public will contribute to greater political stability and improved development outcomes.

EITI Implementation in Sierra Leone

The Government of Sierra Leone announced its intention to implement the EITI in 2006 and became a Candidate Country in February 2008. A Multi-Stakeholder Group (MSG) was subsequently established to act as the governing body of Sierra Leone Extractive Industries' Transparency Initiative (SLEITI). This is now made up of over 26 members representing various constituencies. Government representatives belong to different Ministries, Departments and Agencies (MDAs). The mining and oil/gas companies have representatives on the MSG and civil society members belong to a coalition called the National Advocacy Coalition on Extractives (NACE). The MSG is headed by the Chief of Staff in the Office of the President. The SLEITI Secretariat was established to implement the decisions of the MSG and is headed by a National Coordinator.

The Sierra Leone Multi-Stakeholder Group (MSG) is made up of representatives from the following Organisations:

Office of the President

Civil Society Organisations

Mining Companies

Petroleum Exploration Companies

The National Parliament

National Revenue Authority

The Ministry of Mines and Mineral Resources

The Ministry of Finance and Economic Development

The Ministry of Local Government

The Ministry of Fisheries and Marine Resources

Petroleum Resources Directorate

Audit Service of Sierra Leone

Council of Paramount Chiefs

District/City Councils

SLEITI has since February 2008 produced three (3) reconciliation reports covering extractive payments and receipts for 2006 and 2007; 2008 to 2010; and 2011 published consecutively in 2010, 2011 and 2013. Two Validation Reports have also been produced in 2010 and 2014 to evaluate their compliance with EITI requirements.

Sierra Leone became an EITI compliant country on 26th April, 2014.

This is the fourth reconciliation report for Sierra Leone Extractive Industries Transparency Initiative (SLEITI) and covers the activities of extractive industries in the country for the fiscal year of 2013.

On behalf of SLEITI, the MSG contracted Messrs Boas & Associates to provide Independent Administrator services in accordance with the EITI Standard.

1. OBJECTIVES AND CONTENTS OF THE REPORT

- a) To produce a report covering the 2013 financial year in accordance with the 2013 EITI Standard.
- b) Perform other related tasks outlined in the Terms of Reference (see Appendix 1) including a scoping study for the 2013 EITI reconciliation report.

Areas covered in the report include:

- i. Approach and Methodology
- ii. Overview of the extractive sector in Sierra Leone
- iii. Reconciliation scope and results.
- iv. Observations and Recommendations and
- v. Conclusions.

2.0: APPROACH AND METHODOLOGY

The assignment was composed of two main phases:

- The preliminary information gathering stage which included a scoping study.
- Reconciliation phase.

The preliminary information gathering stage involved interactions with stakeholders in order to put the assignment into the correct perspective and establish reporting timelines. A scoping study was undertaken to identify the reporting parameters.

Document review

In addition to information sourced from the world-wide-web and also data obtained from government, the following were reviewed.

- Mines & Minerals Act 2009/Regulations
- Petroleum (Exploration & Production Act) 2011 and others¹.

After the scoping study the parameters including the following were identified and agreed with the MSG.

- Threshold for reporting or materiality
- Reporting entities (Extractive and Government)
- Relevant revenue streams
- Reporting Template
- Necessary information required from participants in order to assure credibility in fulfillment of requirement 5.2(c) of the EITI standards.
- Guidelines for the completion of templates.

Document review and desk top study was undertaken throughout the duration of the assignment, and aided greatly in the provision of contextual information. An inception report was issued at the end of the preliminary information gathering stage.

¹ Sierra Leone Audit Manual ;EITI Standard ;Extractive Industries Revenue Draft Bill; Income Tax Act 2000, as amended; Environmental Protection Agency Act 2008;Final Value Chain Analysis Report; SLEITI 2006-2007 Report; SLEITI 2008-2010 Report; SLEITI 2011 Report;2011 scoping studies report; Commentary on previous EITI Reports; Civil society reports; Validation Reports; SLEITI 2010 Validation Report; SLEITI 2012 Validation Report

SLEITI 2013 RECONCILIATION

The reconciliation phase involved

- i. Data collection and Analysis;
- ii. Initial reconciliation
- iii. Draft reporting and
- iv. Final reporting

The activities undertaken at the reconciliation phase are detailed in section 4.0

3.0: THE EXTRACTIVE SECTOR IN SIERRA LEONE

3.1 MINING SECTOR

3.1.1 Overview of the Mining Sector

Sierra Leone has historically been a significant producer of iron ore and diamonds. The country's mineral resources also include rutile, bauxite, ilmenite, zircon, gold and coltan.

Diamond productions are concentrated in Kono, Kenema and Bo Districts. Bauxite deposits and production sites include those between Moyamba and Mano, Freetown Peninsular; Krim-Kpaka, and Port Loko.

Rutile production is distributed around Gbangbama, Sembahun, Rotifunk and Kambia.

Iron ore has long been mined at Marampa and recently mining activities have begun in Tonkolili.

Gold is mined artisanally and presently production comes from alluvial deposits.

Iron-ore projects are seen as key contributors to Sierra Leone's GDP growth with over US\$ 1bn in exports in 2013 (Bank of Sierra Leone).

Diamond is one of the country's largest exports. There is large scale mining operations in diamonds, rutile and bauxite and continued small-scale and artisanal mining of gold and diamonds.

Mining leases have recently being granted to two large-scale gold producers and an iron-ore producer. Current exploration activity also indicates the potential for commercially viable and large scale exploitation of natural rutile.

Some of the major operations/projects in the Sierra Leone mining industry are listed below:

Table 3.1: Major operations in the Mining Sector

NAME OF MINE/PROJECT	OWNER(S)	LOCATION	TYPE OF MINERAL	PROJECT PHASE
KOIDU DIAMOND MINE	OCTEA MINING (KOIDU LTD)	KONO	DIAMOND	PRODUCTION
TONKOLILI IRON ORE	1. AFRICAN MINERALS 2. SHANDONG IRON & STEEL GROUP (25%)	BUMBUNA, MABONTO & BENDUGU IN TONKOLILI DISTRICT	HEMATITE CONCENTRATE/IRON ORE	PRODUCTION
MARAMPA PROJECT	CAPE LAMBERT	LUNSAR	IRON ORE	EXPLORATION
KOMAHUN	NIMINI (90%) PLINIAN (10%)	KONO DISTRICT	GOLD	DEVELOPMENT
BAOMAHUN GOLD PROJECT	CLUFF /AMARA PLC	BAOMAHUN	GOLD	EXPLORATION
SIERRA RUTILE	SIERRA RUTILE	LANT,GANGAMA & SEMBEHUN	NATURAL RUTILE	PRODUCTION
VIMETCO SIERRA MINERALS HOLDING	SIERRA MINERALS/VIMETCO N.V	UPPER BANTA CHIEFDOM,LOWER BANTA,DASSE,BUMPE, KPANDA KEMOH	BAUXITE	PRODUCTION

Source: Corporate Annual Reports/Boas compilations

Some Exploration Activities

Gold Prospects

1. Nimini is 90% owned by Polo Resources (AIM and BSX:POL) and 10% Plinian Guernsey Ltd . The Nimini-Komahun Project has a 25-year license awarded in November 2012. Independent potentially mineable Mineral Resource Estimate as at June 2013 based on a minimum true width of 1 metre and 2.4 g/t gold cut-off grade was:
 - Indicated Mineral Resources of 0.55 Moz (million ounces)(3.6Mt at 4.69 g/t gold and
 - Inferred Mineral Resources of 3.4Moz (2.6 Mt at 4.08 g/t gold) (Website Nimini Ltd)
2. Feasibility Study for gold mining operation for Baomahun Gold Project completed to yield a mine life of 11.5 years. Maiden Reserve defined 1.21million ounces (23.3Mt at 1.65 g/t (<http://awoko.org> 2013/09/06)
3. Mano River Resources have three exploration licenses in Sierra Leone. Its Sonfon licenses considered to be the most significant and the highest potential gold structure in Sierra Leone. Phase 1 has identified a 3km by 0.3km wide gold anomaly which coincides with artisanal gold workings. Trenches across the zone have assayed up to 7.3m @ 7.4g/t.(Company feature on Mano River Resources website. (www.Nafinance.com/listed_co/English/manoe.htm)

Bauxite Prospects²

Sierramin Bauxite (SL) Ltd has licenses with a combined 321 million tons of proven reserve at a grade of 47% AL₂O₃ and 4.5% SiO₂ and probable reserve of 146 million tons of AL₂ O₃.

Diamonds Prospects

Sierra Diamonds is the local subsidiary of Stella Diamonds which is an AIM (Alternative Investment Market) traded company incorporated in the UK.

Bulk sampling on their license was aimed at extracting at least 2,000 tons of kimberlite diluted with country rock that will produce at least 1,000 carats of diamonds. A total of 1609.47 dry tons of kimberlite mixed with granite has been sampled.

Two resource grade and value models were determined. The first is 1.1 million carat resource at a grade of 120cpht and diamond value of \$270 per carat. The second is the higher resource model of 1.45 million carats at a grade of 165cpht, but with a diamond value of \$ 145 per carat.

² Source: NMA-Bauxite, Diamond and Iron Ore prospects

Allotropes Diamonds have three (3) licenses that are involved in bulk sampling activities. It applied for change of work program on the 10th December, 2013 for their licence **EL 15/2012**, and was granted approval on the 30th December, 2013.

Iron Ore Prospects

Four large-scale mining licenses for iron-ore production have been secured by Kingho Mining Investment Co.

Cape Lambert Resources (SL) Limited has received a mining lease based on their former exploration licenses acquired under Marampa Iron Ore Ltd (MIOL). As a result of MIOL's successful exploration activities a JORC Complaint mineral resource estimate of 681 million tonnes with an in-situ grade of 28.2% Fe has been defined. MIOL has been conducting technical studies in order to evaluate how the 15 Mtpa project could be economically developed. Metallurgical test-work undertaken on drill cores has shown that by using a wet high intensity magnetic separation beneficiation process, a high quality iron concentrate grading in excess of 65% Fe can be produced. Production is planned in three stages of 2.5, 10, and 15 Mtpa.

Legal Framework

Mining: The mining industry is regulated mainly by the Mines and Minerals Act, 2009 (MMA, 2009) and the Income Tax Act 2000 (ITA) and its amendments, the Mines and Minerals Operational Regulations 2013 (statutory Instrument 12 of 2013). The Environmental Protection Act (EPA, 2008) regulates the environmental activities in the sector.

Mines and Minerals ACT, 2009

The MMA, 2009 provides details on how mining is to be conducted in Sierra Leone.

On ownership of Minerals, the Act provides that all rights of ownership in and control of minerals in, under or upon any land in Sierra Leone and its continental shelf are vested in the Republic notwithstanding any right of ownership or otherwise that any person may possess in and to the soil on, in or under which minerals are found or suited. The Act also provides for the following as they relate to mining and minerals in Sierra Leone:

- Administration
- Acquisition of Mineral Rights
- Protection of the Environment
- Community Development
- Health and safety
- Financial

Development of the Regulatory Framework

Regulatory framework

Sierra Leone has adopted a number of laws and regulations over the past decade to promote transparency and stronger governance of the mining industry.

In 2003, the government issued a 'Core Minerals Policy' with 10 'strategic objectives', including 'attracting private investments' and 'ensuring that Sierra Leone's wealth supports national economic and social development.

Sierra Leone has been a founding member of the Kimberley Process, a multi-party initiative that has developed a system of rough-diamond certification aimed at assuring buyers that they are purchasing legitimate diamonds.

In 2004, Sierra Leone passed the Investment Promotion Act, which aims at giving foreign investors a number of guarantees in terms of expropriations, transfer of funds and dispute resolution.

In 2008, Sierra Leone adopted the Environment Protection Agency Act 2008 (**EPA Act**), which provides that mining projects can only be undertaken following the preparation and approval of an environmental impact assessment and the issuance of an environmental impact assessment license.

In 2009, a new Mines and Minerals Act (**2009 Act**) replaced the 1994 Act. It has brought about the following major changes:

it clearly sets out that applications for mineral rights will be considered on a 'first come first served' basis and enables the government to award mineral rights on a public tender basis;

it provides for the establishment of a register of mineral rights recording all "grants, renewals, area enlargements and relinquishments, transfers, surrenders, revocations, forfeitures, attachments, pledges, encumbrances, fees paid, discoveries, reports submitted, changes of address, changes of name or any other matter materially affecting the status of or any interest" in any license.

Mining license holders enter into a community development agreement with the primary host local community.

The National Minerals Agency (**NMA**) was established in April 2013 by the National Minerals Agency Act 2012 to administer and enforce the Mines and Minerals Act, 2009 (MMA, 2009) and any other acts related to the trade in minerals.

The 2009 Act has been supplemented by the following regulations which contain key provisions for mining projects:

- The Mines and Minerals Operational Regulations of 11 July 2013, which provide for requirements in relation to surface, open pit and underground mining operations, reporting of mineral resources, health and safety standards and waste disposal.
- The Environment Protection (Mines and Minerals) Regulations of 4 July 2013, which provide for a number of obligations in relation to the environmental permitting process, environmental standards, grievance mechanisms and mine closure, as well as guidance on the contents of the environmental impact assessment reports and the environmental management.
- The Finance Act, 2015 amends Subsection (2) of Section 148 of the Mines and Minerals Act 2009 with new royalty rates for precious stones, metals etc.

Some clauses in the National Minerals Agency Act 2012 have been replaced under Finance Act 2015 with a new schedule of license fees³

- The upstream activities of the Petroleum sector are governed by the Petroleum (Exploration and Production) Act 2011. A Model Petroleum Agreement also exists for oil and gas companies.

Current Reforms

Revenue Management Bill

Revenue Management Bill seeks to commit the government to produce an annual public statement on its tax expenditure, the beneficiaries and the revenue losses and also mandates the Ministry of Finance and National Revenue Authority to provide cost-benefit analysis of all tax incentives granted is in the offing.

Overview of Fiscal Regime

According to the MMA 2009, mineral right license has been classified into reconnaissance and exploration licenses.

Mining is categorised into three types, namely artisanal, small scale and large scale mining licenses.

The main fiscal tools in the mining sector are **corporate income tax and mineral royalty** which are regulated by MMA, 2009 and the Income Tax Act 2000 as well as relevant regulations and

³. ([http://www.sierralii.org/sl/legislation/accelow t/2015/1](http://www.sierralii.org/sl/legislation/accelow%20t/2015/1))

amendments. The overview of the fiscal regime therefore revolved around these two revenue streams and other fiscal instruments that affect them.

In general the fiscal regime stated in MMA 2009 and ITA 2000, will apply in a contract unless there is a special agreement in place. See table 3.2 below on royalty.

Table 3.2: Royalty Rate for Categories of Mine Products

Type of License	Category of Mineral	Rate (%)	Remarks*
All	Special Stones	15	By Finance Act, 2015 rate reduced to 3%. Value of Stones above US\$ 500,000.
Large & Small Scale	Precious Stones	6.5	
Artisanal		3.0	Rate for Artisanal introduced by Finance Act, 2015
Large & Small Scale	Precious Metals	5.0	
Artisanal		3.0	Rate for Artisanal Sources introduced by Finance Act, 2015
All	Other Minerals	3.0	Rutile has royalty of 4% ⁴

- Corporate Income tax rate is 30% on corporate profits

Additional 3.5% is on turnover where chargeable income is below 7% of turnover in a year. This excludes acceptable audited account holders

Other legislations within the mining fiscal regime include the Customs Act and Tariffs, the Excise Act 1982 governing the excise duties including those on fuel as well as The Goods and Services Tax Act 2009 (GSTA).

Apart from corporate tax and mineral royalty other revenue streams for the mining sector include Exploration license, Mining license, Surface rental, Environmental Impact Assessment fees, Environmental Impact Assessment Monitoring Fees, Agricultural Development Fund/Community Development Fund and taxes levied on consumption such as value-added taxes, personal income taxes and sales taxes.

The relevant revenue streams for the assignment and their detailed definitions are provided under the section on reconciliation (See section 4.)

Other Fiscal characteristics

Large extractive companies have contracts with the government in which some fiscal terms are different from those enshrined in legislation (ie MMA, 2009)

⁴ Source:NMA

Once these contracts are ratified by parliament they become binding and revenue agencies will apply same.

Corporate Income Tax/stability

The rate of income tax varies among contracts. Most of the contracts stabilize the corporate income tax (CIT) rate at 30% with African Minerals Ltd having a fixed rate at 25% or the prevailing rate in the income tax Act 2000. London Mining Ltd has CIT rate of 6% for three years, 25% for the 4th to the 10th year and thereafter reverting to whatever pertains in law but not to exceed 30%.

Koidu Holdings has CIT rate of 35%.

There are clauses in some of the contracts that ensure that the companies will benefit from lower CIT rates when future legislation allows.

Tax Holidays

During the period between 2005 and 2014, Sierra Rutile enjoyed tax holidays for corporate income tax, import duties and Dividend withholding tax.

Deductible Expenses

The general rule for allowing the deduction of an expense for income tax purposes is if it is wholly, exclusively and necessary for the creation of the income. There are various deductibles in the contracts.

For example marketing costs for Koidu Ltd are not deductible for income tax purposes, however costs of food, drinks and other items provided to employees in job related accommodation as well as expenses for celebrating milestones are deductible without any capping in the case of Sierra Minerals Holdings Ltd.

Ring Fencing

The Mines and Minerals Act 2009, section 155(1) indicates that chargeable and assessments are ring fenced by mining lease. However section 155(4) also provides that with the approval of the Minister, the holder of a mining lease may deduct exploration or reconnaissance expenditure incurred in Sierra Leone from income of a mining lease before determining the chargeable income. Effectively, it means there is no ring fencing as only development and capital costs outside the lease area will not be deducted from income from mining activity.

Whilst this may have been intended to encourage reconnaissance and exploration activities, it also has the potential to reduce and or delay corporate tax payments. Again the NRA may require expert capacity to enforce the present regime.

The current arrangement may also give undue advantage to current producing companies in the acquisition of reconnaissance and exploration rights, especially as the licencing regime is on first come first served basis. The producing company has income to offset its exploration costs, and would therefore be encouraged to acquire more exploration licences.

Production and Export of Minerals⁵

Diamond production in 2013 was recorded at 604.74 thousand carats, according to the Government

Gold and Diamond Department (GGD), reflecting a 14.50 percent increase over 2012. This total was made up of 308.61 thousand carats of gem diamonds and 296.13 thousand carats of industrial diamonds.

The growth in diamond production during the year was largely driven by the strong performance of Koidu Holdings Company Limited, the country's main diamond producer, coupled with general expansion in diamond activities as world market prices of diamond improved in 2013.

Rutile production grew to 120 thousand metric tons; ilmenite to 32 thousand metric tons; iron ore grew to 10.6 million metric tons in 2013.

The significant increase in iron ore production was indicative of expansion in iron ore mining activity by the two main production companies – African Minerals Limited and London Mining Plc.

Bauxite and gold production declined during the year. Bauxite production fell to 654 thousand metric tons, while gold production fell to 3.1 thousand ounces.

The production from five major mining companies in 2013 and their individual contribution to the royalty payments in the year is shown in table below:

⁵ (<http://www.bsl.gov.sl/statistics.html>)

Table 3.3: Production and Export values of 5 major companies

No	COMPANY NAME		2013		
			EXPORT QUANTITY	EXPORT VALUE (USD)	ROYALTY PAYMENT MADE (USD)
1	AFRICAN MINERALS LTD		11,521,015.0	844,673,204.33	20,212,000.45
2	LONDON MINING/TIMIS MINING COMPANY		3,653,715.71	323,762,550.37	9,171,760.24
3	SIERRA RUTILE LTD	Rutile	118,834.56	133,034,694.85	1,442,820.16
		Ilmenite	35,980.53		
		Zircon	3,208.11		
4	SIERRA MINERALS HOLDINGS		548,739.71	16,785,421.63	364,281.67
5	KOIDU LIMITED (Carats)		354,880.66	99,849,941.04	6,490,246.17

Source: NMA

Bauxite and Alumina—Vimetco N.V.'s vertically integrated bauxite mining operation in Sierra Leone produced a total of 654,000 metric tons (mt) in 2013 compared to 734,000 metric tons (mt) in 2012.

Table 3.4: Production and Export Values⁶ of bauxite (2010 -2014)

YEAR	2010	2011	2012	2013	2014
Production(MT)	1,089,131	1,457,505	734,483	654,136	1,178,566
Export Vol.	1,254,742	1,421,765	715,525	447,848	1,145,332
Export Value('000 US \$)	31,061	38,998	17,084	13,815	38,831

Source: Bank of Sierra Leone

⁶ Export Volume and Value figures for gold, diamonds, bauxite, ilmenite, zircon, rutile quoted from (http://www.bsl.gov.sl/externalsector_data.html)

Gold: Gold has been on a decline from 2010 with production⁷ of 3,099 oz in 2013. Some major exploration projects include the Baomahun gold project, which is located about 180 kilometers (km) east of Freetown in Southern Province. Polo Resources Ltd. of South Africa, through its subsidiary Nimini Mining Ltd., was granted a 25-year mining license for the development of the Komahun Gold Project. Gold mining operations recorded the following: (See Table 3.5)

Table 3.5: Production and Export Values for Gold (2010-2014)

YEAR	2010	2011	2012	2013	2014
Production (oz)	8,690	5,284	4,534	3,099	1,136
Export (oz)	9,362	5,287	4,534	3,099	1,475
Export Value('000US\$)	9,295	7,280	5,740	3,677	1,696

Source: Bank of Sierra Leone

Iron Ore— Iron Ore production and export volumes and values from 2011 to 2014 are indicated on Table 3.6.

Table 3.6: Production and Export Values for Iron Ore (2010-2014)

YEAR	2011	2012	2013	2014
Production(MT)	339,327	5,203,498	10,642,497	17,688,987
Export Volume(MT)	339,327	5,203,492	13,581,075	18,859,571
Export Value('000 US\$)	14,863	357,002	1,064,385	742,060

Titanium and Zirconium — The Sierra Rutile Mine, which was operated by Sierra Rutile Ltd., was the country's sole producer of ilmenite, rutile, and zirconium concentrates. The Sierra Rutile Mine is located in southwestern Sierra Leone near the Imperri Hills, about 30 km from the Atlantic Ocean and 130 km from the capital city of Freetown. Tables 3.7 and 3.8 show the production of rutile and ilmenite in 2013.

⁷ (<http://www.bsl.gov.sl/statistics.html>)

Ilmenite

Table 3.7: Production and Export Values for Ilmenite (2010-2014)

YEAR	2010	2011	2012	2013	2014
Production	18,206	14,576	21,401	32,459	25,839
Export Volume	21,193	19,089	10,005	12,168	37,661
Export Value('000US\$)	2,653	4,441	3,751	2,920	6,779

Rutile

Table 3.8: Production and Export Values for Rutile (2010-2014)

YEAR	2010	2011	2012	2013	2014
Production	68,198	67,970	94,493	122,412	115,078
Export	70,131	44,619	84,889	149,535	117,904
Export Value('000US\$)	40,567	34,436	171,708	129,556	96,169

Zirconium

Table 3.9: Export Volumes and Values for Zircon (2011-2013)

YEAR	2011	2012	2013
Export (mt)	13,025	456,351	158,500
Export Value('000US\$)	10,454	4,605	723

Diamond—Diamond in Sierra Leone was mined mainly from alluvial deposits at Bo, Kenema, and Kono districts along the drainages of Bafi, Mano, Moa, Sewa, and Woyie Rivers. In 2013, the Bank

of Sierra Leone reported total rough diamond production to be 612,394 carats⁸ which represented a 13 % increase from production in 2012. All diamond output was exported.

Table 3.10: Production and Export Values for Diamonds (2010-2014)

YEAR	2010	2011	2012	2013	2014
Production	437,552	355,337	532,555	612,394	593,622
Export Vol.('000carat)	437	355	532	604	594
Export Value('000US\$)	113,514	129,766	161,719	185,667	207,789

❖ Exports Growth

There was substantial decline in exports in most commodities except iron ore and diamonds in 2013. Iron Ore exports values grew by 198% and diamonds by 14.8%.

Table 3.11: Percentage Growth in 2013 Exports over 2012 Exports

Mineral	2012 Export Value (US \$ 000m)	2013 Export Value (US \$ 000m)	% Growth
Iron Ore	357,002	1,064,385	198
Bauxite	17,084	13,815	(19.1)
Rutile	171,705	129,556	(24.5)
Illmente	3,751	2,920	(22.1)
Zircon	4,605	723	(84.2)
Gold	5,740	3,677	(35.9)
Diamonds	161,719	185,667	14.8

Source: Bank of Sierra Leone

❖ Contribution to Merchandise Export

The mining subsector contribution to the total merchandise exports increased from 77.6% in 2012 to 94.6% in 2013. Iron ore exports constituted 56.2% of the total exports in 2013 having grown from 33% in 2012.⁹

⁸ (<http://www.bsl.gov.sl/statistics.html>)

⁹ (<http://www.bsl.gov.sl/statistics.html>)

Table 3.12: Mining Contribution to National Exports (US\$000)

Item	2012	2013	2014
A. Total Exports	1,081,219	1,891,910	1,490,130
B. Minerals Export	839,679	1,790,999	1,389,937
C. Iron Ore	357,002	1,064,385	742,066
Mining % to Total Exports (B/A)	77.6	94.6	93.2
Iron Ore % (Total Exports) (C/A)	33.0	56.2	49.7

Source: Export Figures from Bank of Sierra Leone

❖ Contribution to Government Revenues

Mining contributions to NRA Revenue collections was 21.2% and represented 2.6% of Sierra Leone GDP¹⁰.)

Table 3.13: Contribution of 2013 Mining Revenues to Total NRA Collections ¹¹

Tax Streams	Amount in Million Leones	% Contribution to Total Mines Revenue	% Contribution to Total NRA Revenue
Non Tax Mines Revenue	235,041	50	10.6
Mining License o/w	68,910	14.7	3.1
Mines and Minerals Royalty o/w	162,373	34.5	7.3
GDDO Direct Collections	3,758	0.8	0.2
Income Tax Revenue	225,831	48.0	10.2
Customs and Excise o/w	9,235	2.0	0.4
Total Mines Revenue	470,107	100	21.2
2013 Total NRA Revenue	2,212,546		

❖ Contribution to Gross Domestic Product (GDP)

Economic expansion in Sierra Leone in 2013 resulted in a growth rate of 20.1 percent, compared to 15.2 percent in 2012.

¹⁰ (<http://mofed.gov.sl/publications/2013%20Mines%20Revenue%20i.pdf>)

¹¹ National Minerals Agency/MOFED

Table 3.14: Contribution of 2013 Mining Revenue to Total GDP

Tax Streams	Amount in Million Leones	% Contribution to GDP
Non Tax Mines Revenue	235,041	1.3
Mining License o/w	68,910	0.4
Mines and Minerals Royalty o/w	162,373	0.9
GDDO Direct Collections	3,758	0.0
Income Tax Revenue	225,831	1.3
Customs and Excise o/w	9,235	0.1
Total Mines Revenue	470,107	2.6

Source: NRA

❖ GDP Growth

Table 3.15: Comparison of Iron Ore to National GDP Growth¹²

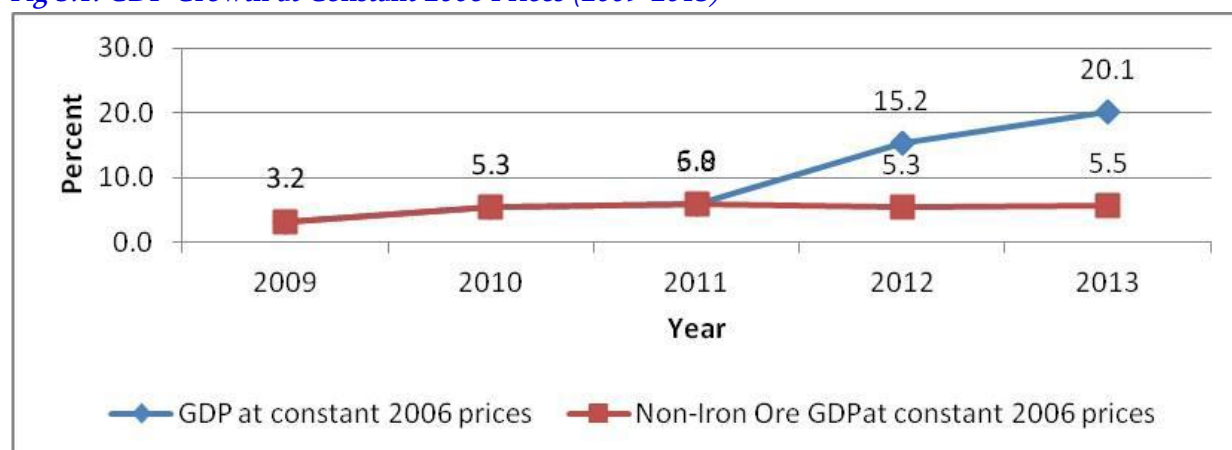
Year	2009	2010	2011	2012	2013
GDP Growth	3.2	5.3	5.8	15.2	20.1
Non Iron Ore GDP Growth	3.2	5.3	6.0	5.3	5.5

When Iron ore production was excluded from the mining industry, GDP growth rate recorded 5.3% and 5.5% in 2012 and 2013 respectively. The graph presents the Average Annual Rates of Growth of total GDP at 2006 prices from 2009 to 2013. The GDP in real terms grew by 3.2% in 2009 compared to 5.8% in 2011 and 20.1 in 2013.¹³

¹² Statistics Sierra Leone

¹³ http://www.statistics.sl/economics_statistics_reports_2013_2014/economic_and_financial_survey_2014.pdf

Fig 3.1: GDP Growth at Constant 2006 Prices (2009-2013)

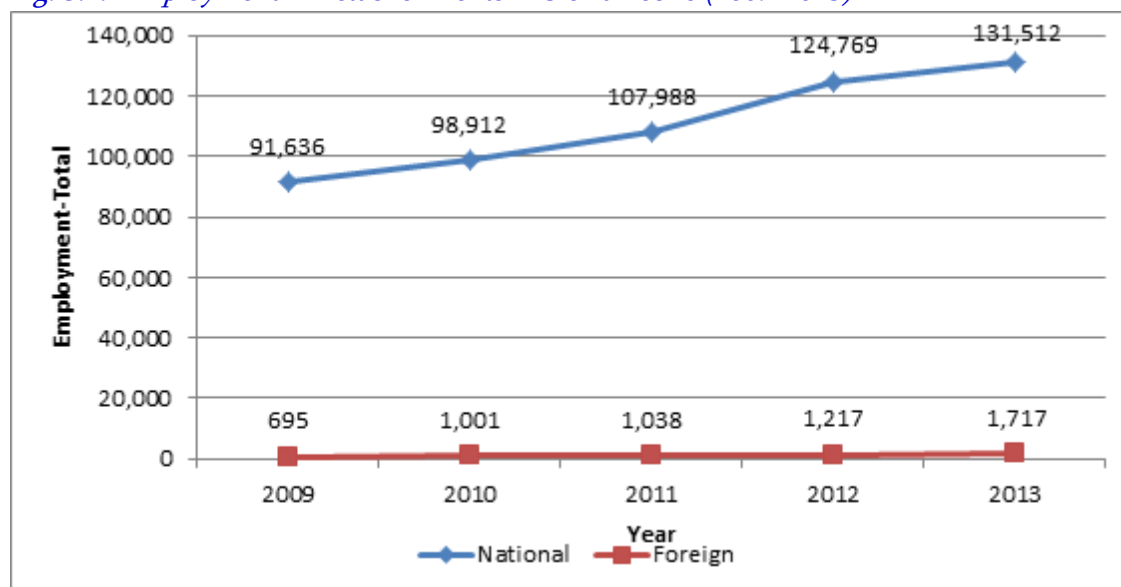


(http://www.statistics.sl/economics_statistics_reports_2013_2014/economic_and_financial_survey_2014.pdf)

❖ **Contribution to Employment**

Data from Statistics Sierra Leone shows that 131,512 were employed in 2013 in the various establishments, the number of nationals employed having increased steadily from 124,769 in 2012¹⁴

Fig 3.2: Employment in Establishments in Sierra Leone (2009-2013)



Source: Statistics Sierra Leone

The number of foreigners employed in these establishments rose from 1,217 in 2012 to 1,717 persons in 2013 due to improvement in business environment in agriculture, mining and services industries. Mining continues to attract substantial FDI with its attendant pool of foreigners into

¹⁴ http://www.statistics.sl/economics_statistics_reports_2013_2014/2013_employment_survey_report.pdf

the country. Total number of mining employment stood at 9,174 of which 718 were of foreign nationality. Mining commands about 7% of the total workforce in Sierra Leone.

Table 3.16: Percentage of Mining Employment to National Employment ¹⁵

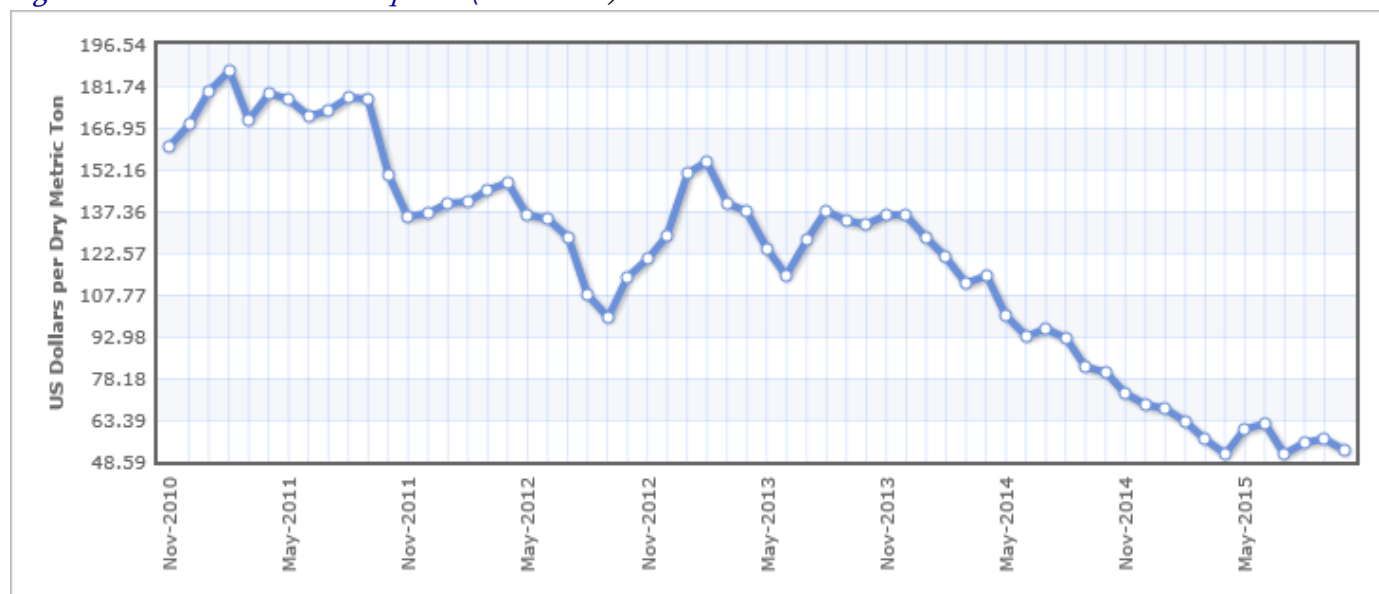
Employment	2011	%	2012	%	2013	%
Mining Total	5,824	5.4	8,661	6.9	9174	7.0
o/w Foreigners	351	0.3	478	0.3	718	0.5
National Total	107,988	100	124,769	100	131,512	100

Statistics Sierra Leone 2013

Iron Ore Price Development

Iron Ore prices plummeted to below US\$ 150 in 2013. Price recovery was short lived resulting in further slump to US\$ 70 by the end of 2013. Fig 3.3 shows iron price development in 2010-2015. Price dip adversely affected exports of the commodity in 2013.

Fig. 3.3 International Iron Ore prices (2010-2015)



Source: <http://www.indexmundi.com/commodities/?commodity=iron-ore>

¹⁵ http://www.statistics.sl/economics_statistics_reports_2013_2014/2013_employment_survey_report.pdf

Mining Sector Sustainability and Resource Dependence

According to United Nations Development Program (UNDP), Sierra Leone has per capita income of US\$ 788.4 and Human Development Index of 0.374¹⁶ Mining has significant contribution to make in improving human development indicators in Sierra Leone. London Mining for example produced 3.4Mwmt of sinter concentrate in 2013 and expanded production capacity to 5.4Mwmt/a in 2013 and are increasing production capacity further to 6.5Mwmt/a in the ensuing years. Marampa has a mineral resource of over 1 billion tonnes of iron ore including a Probable ore reserve of 539Mt grading 31.1% Fe, sufficient for over 40 years of mine life. Iron-ore projects are seen as key contributors to Sierra Leone's GDP growth with over US\$ 1bn in exports in 2013 (Bank of Sierra Leone).

Diamond is one of the country's largest exports. Mining leases have recently being granted to large-scale gold producers and an iron-ore producer. Current exploration activity also indicates the potential for commercially viable and large scale exploitation of natural rutile. In terms of resource reserve, prospects are high.

Real gross domestic product (GDP) was 7.1% in 2014 and 1.0% excluding iron ore production, compared to the pre-Ebola forecast of 11.3% and 6%. This is partly attributable to the closure of the mining sector **due to decline in international market prices.**¹⁷

Real GDP expected to contract by between 13% and 24%, depending on iron ore production, with the non-iron ore economy shrinking by 1 percent. The economy is now projected to contract by a very substantial 24% in 2015. The effects of iron ore related closures could have devastating consequences on jobs and by extension families. Sustainability of future extractive revenues is encouraging, with large ore deposits, on- going mines and exploration activities. Commodity prices are however critical and lower prices may undermine the sustainability of future revenues.

Licensing Regime

The Mining sector licensing regime operates on a first- come first- served system. The National Minerals Agency is the principal point of contact for the general public in all matters to do with mineral rights. It consists of the Mining Cadastre Office (MCO) and the Geographical Information System (GIS), which holds the cadastral survey map of Sierra Leone.

¹⁶ <http://www.sl.undp.org/content/sierraleone/en/home.html>

¹⁷ (<http://www.worldbank.org/en/country/sierraleone/overview>)

(<http://www.worldbank.org/en/country/sierraleone/overview>)

The licensing process is divided into three broad areas

Application Stage

- This commences with an applicant identifying a plot of land.
- Filling application forms (downloading on line) and submitting it to the cadastral office of the National Minerals Agency with the necessary attachments. These attachments include the audited financial statements of the corporate body, certificate of incorporation, technical and financial proposals.
- The details submitted are entered into the cadastral system.
- An application number is generated which is based on the sequence of arrival. This number is unique and automatically generated.

Validation Stage

- This process is to ensure that the same plot is not submitted for two applicants.
- The details of a plot in the system are sent to the Geological survey.
- The Geological survey superimposes the plot on the existing mineral right map of Sierra Leone, using coordinates.
- The result of the overlay above will indicate if the plot is available, requires some adjustment or is not available.

Approval Stage

- The approval of mineral rights is made by the Minister of Mines and Mineral Resources on the recommendation of the Minerals Advisory Board. However reconnaissance licenses do not go to the Minerals Advisory Board. After validation applications for reconnaissance licenses are sent to the Director of Mines for recommendation to the Minister.
- The cadastral office draws out a list of validated applications
- The Board makes a decision and communicates to the cadastral office on whether an application has been approved or rejected.
- After approval, the applicant is notified accordingly.
- Applicant has to write to accept the offer.
- The cadastral office is then directed by the Director of Mines to issue an instruction for payment.
- Applicant is informed of amount to pay.

- The payment which is computed by taken into consideration the size of the concession in square kilometers by the cadastral office is then paid to the National Revenue Authority office located at the Ministry of Mines and Mineral Resources,

The types of licenses that are issued include

❖ ***Reconnaissance***

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

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

A reconnaissance area shall not exceed 10,000(ten thousand) square kilometers.

The license is granted for one year and renewed for another year.

❖ ***Exploration License***

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

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

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

❖ ***Small Scale Mining License***

The small scale mining license is granted for a maximum of 100 hectares for an initial period of 3 years. There should be 25% Sierra Leonean ownership for license to be issued.

❖ ***Large Scale Mining License***

The large scale mining license is granted for a period of 25 years. The license is reviewed every 5 years.

3.2: OIL AND GAS

In Sierra Leone upstream oil activity is situated entirely in the exploration phase. All searching occurs off shore with the government parceling its ocean territory into 14 blocks

Oil was first discovered by Anadarko in 2009 (Venus), followed by another discovery by the company in 2010 (Mercury). Both Venus and Mercury are in the SL-7B block. In 2012, Tullow Oil found oil in the same block which it shares with Anadarko and Repsol. So far, these discoveries have not resulted in commercial production, however, each new find

creates greater interest in Sierra Leone's off shore holdings and more potential bidders for blocks.

3.2.1: Oil and Gas Exploration

In 2013, LUKOIL started drilling with the Eirik Raude semi-submersible drilling rig with spudding a deepwater well in the Savannah prospect. The water depth at the drilling location is more than 2,000 meters.

LUKOIL Overseas, operator of LUKOIL's international upstream projects, has entered into the PSA for exploration and development of block SL-5-11 in June 2011 as an operator with a 49% share. The other project partners are Oranto (30%) and Pan Atlantic (21%).

Block SL-5-11 covers an area of 4,022 square kilometers on the shelf and continental slope of the Atlantic Ocean with water depth ranging from 100 to 3,300 meters. 2D and 3D seismic data was acquired on 1,500 square kilometers leading to the identification of several prospects. From the geological point of view, the block belongs to the Sierra Leone-Liberia basin where a number of sizable oil discoveries have recently been made.

TGS commenced acquisition of a 2D multi-client survey offshore Sierra Leone in 2013. The survey, SL13, adds 9,191 km of new 2D data to infill the existing 5,784 km of 2D data acquired in 2001.

With the SL13 survey, TGS has approximately 15,000 km of contiguous 2D multi-client data and 6,268 km² of 3D data offshore Sierra Leone. The seismic data acquired by the M/V Geo Arctic. It was planned that data processing be performed by TGS and be available to clients in Q4 2013.

3.2.2 Legal Framework

- **Legal Regime**

The main legislation governing petroleum exploration and production activity in Sierra Leone is the Petroleum (Exploration and Production) Act 2011 (the "E&P Act").

Section (2)(1) of the E&P Act vests all rights of ownership in and control of petroleum (i.e. crude oil or natural gas or a combination of both) in its natural state in, under or upon any land of Sierra Leone in the Republic of Sierra Leone.

Licenses follow a standard format known to the industry internationally and are the product of negotiations between the licensee and the Government of Sierra Leone, but will

contain detailed provisions including regulatory, development and production provisions captured in clauses found within the model petroleum agreement.

The Principal Regulatory Body

Is the Petroleum Directorate, which is a creation of the 'E&P' Act .

Fiscal Regime

The upstream oil and gas sector has **the concession system of fiscal regime**. Under this system the ownership of oil produced is transferred to the companies.

The main fiscal instruments are royalty and income tax. Royalty payable for crude oil is as follows.

Royalty

- 10% for wells in water depth less than 200m
- 8% for wells in water depth more than 200metres.
For natural gas, the royalty rates are
- 5% for onshore wells and wells in water depth less than 200 metres
- 3% for wells in water with depths greater than 200 metres.

Corporate Income tax

The Income tax rate for corporate tax is pegged at 30%. For capital allowances, development and production expenses obtain 40% deduction in the year of the expenditure and 20% for three consecutive years, whilst exploration expenses are fully deductible when incurred.

- **Petroleum Resource Rent Tax (PRRT):** the fiscal regime includes Petroleum Resource Rent Tax (PRRT) as a progressive tax instrument. The PRRT has a legislative basis (both in the E&P Act and Income Tax Act).
- **Capital Gains Tax:** the Income Tax Act provides for taxation of the premium received by the assignor in the assignment of any participating interest in a License

Other Fiscal instruments and revenue streams include, surface rental and Training & technology fees (See section 4.0 and table 4.2).

Licencing Process

License shall be granted to an individual or a company registered or incorporated under the Companies Act 2009 of the Laws of Sierra Leone as a body corporate registered under the Companies Act 2009 or as a registered branch of an overseas company under the Companies Act 2009.

Applications for a License can be made in the following circumstances: (a) prequalification; or (b) through a call for tenders.

The details of licencing costs are not provided in the E&P Act but rather in the official tender document issued by the Petroleum Directorate.

In the call for tender for the third licensing bid round Application fees of US\$ 25,000.00 per oil block upon submission of application.

Section 89 of the E&P Act requires every licensee to pay into the Training, Research and Development Fund an annual training, research and development fee, as provided in the License.

In the tender document for third licensing bid round it was stated that all companies must pay a minimum annual training fee of US\$ 200,000.00 per annum.

A License granted under the E&P Act shall be valid for a maximum period of thirty years from the effective date, unless sooner cancelled or terminated as provided under the Act.

The License is comprised of an exploration period and production period. An exploration period shall last for a maximum of seven years, which shall be divided into an initial period of three years, a first extension period and a second extension period of up to two years each.

A License granted by the Minister responsible for the management of petroleum matters becomes valid and binding on the parties only after it is ratified by the Parliament of Sierra Leone.

Government Participation

The E&P Act makes provisions for the State National Oil Company (SNOC) to acquire a participation interest on a standalone and commercial basis and/or to hold a participation interest on behalf of the Government.

Government Disclosures on Contracts and Agreements

Currently the cadastre system does not publish any petroleum contract.

Assignment

A licensee is prohibited from directly or indirectly assigning its interest in a petroleum interest, whether in whole or in part, to a third party or affiliate without the prior written approval of the Minister.

The E&P Act makes it mandatory for a License to provide that a licensee wishing to assign, sell or transfer its interest, whether in part or in whole shall give the right of first refusal to the State of Sierra Leone to acquire the interest at the same price as agreed with a potential purchaser.

During any exploration period, if the licensee assigns in whole or in part its rights, privileges, duties and obligations to any assignee other than an Affiliate, the licensee shall pay to the Petroleum Directorate the sum equivalent to an assignment fee of US\$1,000,000.

During any development or production period, if the licensee assigns in whole or in part its rights, privileges, duties and obligations to any assignee other than an affiliate, the licensee shall pay to the Petroleum Directorate an assignment fee of US\$2,000,000.

If there is an assignment to an Affiliate of any of the entities constituting a licensee during any exploration or development phase, the licensee shall pay to the Petroleum Directorate an assignment fee of US\$500,000.

Abandonment and Decommissioning

The Petroleum Directorate is the body charged with regulating the decommissioning of oil and gas facilities. No security deposits are required in respect of future decommissioning liabilities. However, there shall be a fund to be used only for decommissioning (the "Decommissioning Fund"). The first contribution shall not be made prior to the commencement of production.

As indicated earlier, there is currently no production of oil in Sierra Leone. There were also no production activities in 2013. As a result royalty and corporate or income taxes were not available as revenue streams in 2013.

The revenue streams considered for reconciliation, were therefore based on those from the earlier parts of the value chain. (See section 4.0, table 4.2)

LICENSE REGISTRY

"Implementing countries are required to maintain a publicly available register or cadastre system(s) with the following timely and comprehensive information regarding each of the licenses pertaining to companies covered in the EITI Report:

- i. License holder(s).
- ii. Coordinates of the license area.
- iii. Date of application, date of award and duration of the license.
- iv. In the case of production licenses, the commodity being produced.”

Sierra Leone has one of the best web based cadastre systems in West Africa. Mining cadastre Administration System (MCAS) provides information on the above parameters, i.e. License holders, coordinates, application dates and duration of license in support of the NMA in the management of mineral rights. In addition to the MCAS an online repository also provides information on payments (license) made during the year.

¹ <http://sierraleone.revenuesystems.org/desktop/desktop?workSpaceId=781935>

According to information available on the on line Repository, there were 78 applications in 2013 and 46 applications in 2014 for mining right licenses.¹⁸ These are detailed below.

Table 3.17: 2013 License Applications and Status

Code	License	Applications	Holders/Companies	Active License	Pending
	Reconnaissance	1	1		1
EPL	Exploration	66	41	19	46
ML	Mining Lease	7	5	4	3
SM	Small Scale	4	n/a	n/a	n/a
	Trading ¹⁹	164	164	135	n/a

License Allocation

During the period under discussion there were changes in the ownership of some mineral rights. According to the NMA the following changes occurred.

Two Exploration Licenses (**EL 71/2012 & EL 72/2012**) which were previously held by **MABELEY MINING LIMITED** were both transferred to a new owner, **SINO DINGSHENG MINING INVESTMENT (SL) LIMITED**. Details of these licenses are provided as follows:

¹⁸ Government of Sierra Leone On line Repository

¹⁹ National Minerals Agency

Table 3.18: Changes in Mineral Right Ownership in 2013

License ID	Previous Owner	New Owner	Area (Km2)	Annual license fees
EL 71/2012	MABELEY MINING LIMITED	SINO DINGSHENG MINING INVESTMENT (SL) LIMITED	98.90	US\$ 9,890.
EL 72/2012	MABELEY MINING LIMITED	SINO DINGSHENG MINING INVESTMENT (SL) LIMITED	130.24	US\$ 13,024.

- Both licenses were originally granted on 13th November, 2013 for initial period of four years (14th November, 2016) subject to two renewals.
- The transfer occurred on 14th May, 2013 for the remainder period of both licenses.

Contract disclosure

The government of Sierra Leone does not have a contract disclosure policy. However both the Extractive Industries Revenue and SLEITI Bills have provisions and objectives which are intended to promote contract disclosure. The bills have not been passed into law at the time of this report. The SLEITI bill was suspended pending the formulation of an EITI policy.

That notwithstanding the NMA has on its website the contracts for six large producing mines. ([http:// www.nma.gov.sl/home/mining-agreements/](http://www.nma.gov.sl/home/mining-agreements/))

- Sierra Rutile Ltd
- African Minerals Ltd
- Koidu Ltd
- London Mining Co. Ltd (now Timis corporation)
- Sierra Minerals Ltd
- Tonguma Ltd

The MTEF /Budgeting Process in Sierra Leone

The Ministry of Finance and Economic Development (MoFED) develops the Macro-Fiscal Framework (Feb/March), reviews and updates Ministries, Departments and Agencies

(MDA)'s Strategic Plans (April /May). MoFED, Human Resources Management Office (HRMO), and MDAs engage MDAs in Manpower planning and budgeting consultative process in May. A Public Investment Plan (PIP) is finalized for the next budget year; cost of on-going projects with prioritized list of new ones (May/ June).

MoFED holds discussions with development partners and NGOs on program and project support in May, and finalizes the Budget Framework Paper (BFP) by mid-May. MoFED then submits a Draft Budget Framework Paper to IMF for review and comments by end of May. Budget Policy Hearings then begin May/early June. Resource envelop and indicative budget ceilings are then prepared by MoFED in June, preparing consolidated estimates of DP funded activity for next medium term by early June.

MoFED submits draft BFP, resource envelope, and expenditure ceilings to Cabinet for review and approval no later than end June. It then issues a Budget Call Circular (BCC) to MDAs and Local Councils (LCs) by early July. In July and August MoFED and the National Revenue Authority (NRA) prepare a Draft Finance Bill whilst MDAs prepare detailed Budget Submissions in accordance with BCC and ceilings. Budget Bureau (BB) reviews, analyses and preparation of briefing on MDA Budget submissions are done to inform Budget Discussions by early September.

MoFED holds Budget Discussions on MDA Strategic Plans and Budget Estimates in late September and the Minister submits a Cabinet Paper on the Budget to Cabinet by mid-October. MoFED, Law Officers' Dept., and GP, Gazette appropriation and Finance Bills by mid- October. A compilation and finalization of the Budget Speech and Estimates are done by end of October.

Budget is then presented to Parliament by the Minister. MoFED and other MDAs hold Pre-legislative discussions with the Public Accounts Committee (PAC), PFC and Transparency Committee in November. Parliament debates and approves the Budget and the Finance Bill by mid-December. By end of December, HE the President signs the Appropriation and Finance Bills into law.

Implementation

Parliament is responsible for approving the spending of Government funds. It discharges this authority through the passing of an Appropriation Bill, which authorizes the Minister of Finance and Economic Development to execute the budget. The bill once approved becomes an appropriation Act. Under this system, Medium Term Expenditure Framework/Public Expenditure Tracking Survey (MTEF/PETS) Forms I and II are prepared by MDAs when requesting the MoFED to release their quarterly allocations.

PETS Form I is to seek release of funding by major line item by program for the quarter. It will authorize the programme manager to plan expenditures up to that amount. However, funds must be committed (PETS Form 2) before expenditure. The PETS Form II is the entry point for transactions to the accounting system and triggers the recording of both commitment and payment in the system. Hence Programme managers initiate the expenditure transaction by specifying the Type of expenditure (i.e. whether recurrent or development), the objective to which the expenditure relates, A description of the activity for which expenditure is required, the inputs or items of expenditure required.

Audit/Budget Monitoring

Budget monitoring is carried out by conducting annual Public Expenditure Tracking Surveys (PETS). PETS in Sierra Leone are entirely home-grown. PETS has filled an “accountability vacuum” while other monitoring processes are being developed. The objectives of PETS are to: provide quantitative evidence on budget execution, provide quantitative evidence of leakages at the central ministry, district and facility levels, assess quality and efficiency of service delivery at facility level, provide information relating to compliance with accounting and financial rules, regulations, accountability and record keeping.

The Auditor General verifies whether funds have been judiciously spent and also verifies any under or over spending, misappropriation and theft.

The Report of The Auditor General on the accounts of Sierra Leone for the financial year ended 31 December 2013 is available on the (www.auditservice.gov.sl)

Annual Financial Report

Sierra Leone’s Annual Financial Report, includes information on revenues and other funds received and spent by the Government during the financial year. The 2013 Annual Financial Report is also on (www.mofed.gov.sl/annualbudgetrep.htm)

Revenues Recorded in State Budget (Consolidated Account)

The NRA is mandated for the collection of all taxes on mining. Once minerals are monetised, the revenues due to the State are paid to NRA which receives most of Sierra Leone’s taxes from the mining sector.

The other payments from the mining sector are made to local councils and Chiefdoms, where mining companies are based, to the Ministry of Mines and Mineral Development and the Petroleum Directorate in the case of Oil and Gas revenues.

Once payments are lodged at the Consolidated Fund/Treasury they lose their identity.

Petroleum Directorate

Funds are paid to the Treasury.

Ministry of Mines and Minerals Resources

Funds collected are paid to the Treasury.

Mining Revenue Management

The contributions by mining companies therefore lose their identity once they are deposited into the consolidated fund. Their use cannot therefore be tracked to public investment/expenditure or to expenditure units/cost centers or project.

Mining Revenue Transfer to Sub National Government

The budget does not show expenditure by geographical locations but rather by line ministry, which means it is difficult to track where money is actually spent on host mining communities.

However, there are specific contributions such as surface rent by mining companies which are meant to be applied to certain district councils and chiefdoms for social development.

4.0 RECONCILIATION PHASE

4.1 SCOPE OF WORK

BASIS OF REPORTING/CURRENCY

The reporting currency for the assignment is the United States Dollars (US\$). The United States dollar (US\$) was chosen as it is the predominant currency used in transactions involving the revenue streams.

EXCHANGE RATE: For translating Leones into US dollars, average for the year has been applied. An exchange rate of 1US\$: Le 4,300 was applied.

Auditing

The 2013 financial statements of all the participating entities have been audited by the independent auditors of the companies employing auditing standards issued by the International Auditing and Assurance Standards board. The financial statements and data provided by government reporting entities were audited by the Audit Service of Sierra Leone. The Audit Service of Sierra Leone is a member of the International Organization of Supreme Audit Institutions (INTOSAI) and African Organization of Supreme Audit Institutions (AFROSAI) and applies the International Standards of Supreme Audit Institutions (ISSAI) issued by (INTOSAI) in its auditing work.

Materiality

The MSG's relevant scoping decisions are summarized as below:

Table 4.1: Summary of reporting parameters for SLEITI 2013 report

Parameter	Decision
Materiality Threshold (Mining Sector)	US\$150,000
Number of In Scope companies (Mining)	14
Number of In Scope companies (Oil and Gas)	8
Reporting Government Entities	MMMR (PMT), NMA, Petroleum Directorate, NRA, EPA, District Chiefdom Councils

Source: Scoping study for SLEITI 2013 Report

The materiality thresholds for the mining and Oil/Gas sectors were determined separately. The MSG agreed that for the mining sector, all entities that paid a minimum of US\$150,000 of the relevant revenue streams in 2013 were required to report.

This threshold ensured a 91.17% coverage of the relevant payments. Non material entities represented 8.83% of the total payments in 2013. This was arrived at after a scoping study has been undertaken using data provided by the National Revenue Authority (NRA) reconciled with the NMA, Precious Minerals Trading (PMT) and the Environmental Protection Agency (EPA).

All Oil/Gas companies that made payments in 2013 were required to report. Thus full company disclosure was adopted for the sector.

- Thus twenty two (22) entities were required to report, i.e. fourteen (14) companies from mining and eight (8) companies from the Oil and Gas sector.

Revenue Streams

After the scoping study the MSG selected the following revenue streams. Exploration license, Mining license, Surface rental, Agricultural Development Fund/Community Development Fund, Mineral Royalty, Corporate tax, Environmental Impact Assessment Licence Fees, Environmental Impact Assessment Monitoring Fees, Diamond Exporter's License fees and Export duty on Diamonds.

Taxes levied on consumption such as value-added taxes, personal income taxes and sales taxes and those regulated by GSTA 2009, Customs and Excise duties were excluded from the study. The MSG's decision was to include only direct taxes paid by the companies in the reconciliation exercise.

The following taxes and revenue streams were therefore excluded from the list of relevant revenue streams.

- Withholding taxes on contractors
- Withholding tax on rent
- Goods and Services Tax (GST)
- Import duty
- Ecowas duty
- Pay as you Earn (PAYE)
- Payroll Tax
- Customs processing Fee
- Road Charge

The definitions of the relevant revenue streams for reconciliation in the mining sector are indicated in table 4.2 below:

Table 4.2: Relevant revenue streams for SLEITI reconciliation report (2013)

No.	Revenue stream	Details
1	Exploration License	Exploration license fee is an area based and is US\$100/sq. km for the first 4 years. Beyond the fee is US\$400/ sq. km for the first 125km ² with anything in excess of 125km ² attracting a fee of US\$800/sq. km. Payment is made annually.
2	Mining License	Fees paid annually by holders of mining lease in accordance with section 152 of the mining and minerals Act 2009. Small scale mining license is granted for an initial period of 3 years. The large scale mining license is granted for a period of 25 years.
3	Royalty Payment	<p>Mineral royalty is a production based tax which is levied on the basis of section 148 of the Mines and Minerals Act 2009. Thus the holder of a mineral right shall pay to the government royalty in respect of any mineral obtained by him pursuant to his mineral right. Royalty payable is a percentage of the market value of mineral.</p> <p>The royalty payable applicable is as follows:</p> <ul style="list-style-type: none"> ii) 15% for special stones defined as those stones whose market value is above five hundred thousand United States dollars. <p>By Finance Act, 2015 the rate has been amended from 15% to 3%.</p> <ul style="list-style-type: none"> a) 6.5% for precious stones b) 5% for precious metals. c) 4% for Rutile and 3% for all other minerals.

		The regulations to MMA prescribe the basis for the calculations. Regulation 77 provides three (3) categories for the valuation of minerals. i) Precious and special stones are to be valued by GGDO/PMT; ii) precious metals are to be valued in reference to average weekly spot prices but in the case of gold, the weekly average of the London PM Fix; and iii) bulk minerals (rutile, bauxite and iron ore) shall be valued as the realized gross price for sale FOB in arm's length sale or equivalent. Royalty is payable at the 'conclusion of transaction' for bulk minerals.	
4.	Corporate tax	<p>This is tax on profit paid by entities in the extractive industry.</p> <p>The income tax rate applying to mining companies is 30%. It is levied in accordance with the provisions of the Income Tax Act 2000.</p> <p>Additionally there is a minimum tax of 3.5% of turnover where the chargeable income is below 7% of turnover in any year. The minimum tax does not apply when a company provides audited account which is acceptable to the Revenue Agency.</p> <p>The capital allowance regime provides for first year allowance of 40% on qualifying assets, and 20% for each succeeding year for the next three years.</p> <p>Losses made in the current year shall be set off against profits of the succeeding year.</p>	
5	Diamond Exporter's License fee	This is the annual fee paid by licensed exporters of diamonds.	
6.	Export duty for Diamonds	Tax paid on the export of diamonds by diamond exporter's license holders. The rate is 3% on the value of diamond to be exported.	
7	Surface Rental	Surface rent is paid in accordance with part 5, section 34 of the Mining and Minerals Act 2009 . This is paid only by entities with mining license.	

		<p>Surface rents are negotiated between the companies and the communities. There are basically three modes of payments.</p> <p>a) Companies pay the total amount to the District council, which in turn gives a portion to the relevant Chiefdom Councils.</p> <p>b) The company pays surface rent to the Chiefdom Administration, which pays part to the District Council.</p> <p>c) The company pays directly to district councils, chiefdom councils and individual landowners according to the formula prescribed by part 5 section 34 of the MMA, 2009.</p> <p>The basis of payment may either be on per km² basis or a lump sum per annum.</p> <p>Formula for distribution: 50% - Land owners 15% - Paramount chief. 15% - District Council 10% - Chiefdom Council 10% - Constituency development.</p>	
8	Environmental Impact Assessment License	License obtained after conducting Environmental impact studies. It is a pre-requisite for obtaining mining license. Its payment is based on the Environmental Protection Act 2008 and EIA Fees Regulations of 2010.	
9	Environmental Impact Assessment Monitoring Fees.	Amount levied to enable the EPA to ensure compliance with the environmental impact study. It is 20% of the EIA fees as provided for in the (EPA Act 2008 and the 2010 EIA fees Regulations).	
10	Agriculture Development Fund	Amount paid by Mining companies for agricultural development activities in their catchment areas.	
11	Community Development Fund	Amount paid by companies to assist in the development of communities affected by mining. Replaced the agricultural development fund. Paid in accordance with section 139 of MMA 2009. Amount is 0.01% of gross revenue of companies.	

Other revenue streams such as gold exporters' license, export duty on gold, diamond dealers agents license, reconnaissance license and small scale miners license, though direct payments were found to be immaterial.

For the Oil/Gas sector the revenue streams included

- Training fund,
 - Surface rental
 - Technology Bonus
 - Environmental Impact Assessment Licence
 - Environmental Impact Assessment Monitoring Fees
 - Signature Bonus
 - Extension fees
 - Sale of geophysical data²⁰
-
- **Surface rent:** This is amount levied for the use of the licensed area. Amount payable is based on the surface area of the concession or block. The surface rental fees per km² are as follow: US\$30, for the initial exploration period (3yrs), US\$50 for the first exploration extension period (2yrs), US\$75 for the second exploration extension period (2 years). The payment for the development and production period is US\$100.

Where the application is successful and this leads to the execution of a license agreement, surface rent per annum of:

1. Initial exploration phase US\$ 40.00 per Square Km:
 2. 1st Extension period US\$ 60.00 per Square Km:
 3. 2nd Extension period US\$ 85.00 per Square Km: and
 4. Development and production phase US\$ 110 per Square Km.
-
- **Training Fund:** This is annual fees paid by oil/gas companies towards training, research and development in the oil/gas sector. Although the model agreement includes the payment of US\$ 125,000, the amount payable is normally negotiated between the government and the companies. It is levied in accordance with section 89 of the Petroleum Act 2011.
 - **Signature bonus:** This is paid on the award of a block or concession to an operator. The amount paid is negotiated between the government and the company (see also section 110 of the Petroleum Act 2011).
 - **Sale of Geophysical data:** Amount paid to the Petroleum Directorate by the company (TGS Nopec) undertaking geophysical survey for Sierra Leone.

²⁰ Sale of geophysical data was excluded from the reconciliation as it is not a direct payment from oil companies to government.

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- **Technology bonus:** Amount paid by companies for the development and enhancement of technology in the oil/gas sector.
- **Extension Fees:** Amount payable on the extension of exploration rights

Table 4.3: Revenue streams for SLEITI 2013 Reconciliation Report.

Revenue Stream	Extractive Industry	Frequency of Payment	Agency Responsible for collection	Application of payment.
<i>Exploration License</i>	<i>Mining</i>	<i>Annual</i>	<i>NRA</i>	<i>Consolidated Fund</i>
<i>Mining License</i>	<i>Mining</i>	<i>Annual</i>	<i>NRA</i>	<i>Consolidated Fund</i>
<i>Surface Rent</i>	<i>Mining</i>	<i>Annual</i>	<i>Chiefdom/District Council</i>	<i>Disbursed according to formula.</i>
<i>Royalty</i>	<i>Large Scale Mining</i>	<i>Depends on Agreement.</i>	<i>NRA</i>	<i>Consolidated Fund</i>
<i>Royalty</i>	<i>Small scale Mining</i>	<i>When Minerals sold</i>	<i>NRA</i>	<i>Consolidated Fund</i>
<i>Corporate tax</i>	<i>Mining</i>	<i>Annual(Depends on contract)</i>	<i>NRA</i>	<i>Consolidated Fund</i>
<i>Agricultural Development Fund</i>	<i>Mining</i>	<i>Annual</i>	<i>MMMR</i>	<i>Mining Community for Agriculture Development</i>
<i>Community Development Fund</i>	<i>Mining</i>	<i>Annual</i>	<i>MMMR</i>	<i>Development of affected Mining communities</i>
<i>Diamond Exporter's license</i>	<i>Mining Exports</i>	<i>Annual</i>	<i>NRA</i>	<i>Consolidated Fund</i>
<i>Export Duty on Diamonds</i>	<i>Mining Exports</i>	<i>On export</i>	<i>PMT/MMMR</i>	<i>Disbursed according to formula</i>
<i>Training fees</i>	<i>Petroleum</i>	<i>Annual</i>	<i>Petroleum Directorate</i>	<i>Petroleum Directorate</i>
<i>Surface Rental</i>	<i>Petroleum</i>	<i>Annual</i>	<i>Petroleum Directorate</i>	<i>Consolidated Fund</i>
<i>Extension Fees</i>	<i>Petroleum</i>	<i>When required</i>	<i>Petroleum Directorate</i>	<i>Consolidated Fund</i>
<i>Sale of geophysical data</i>	<i>Petroleum</i>	<i>Upon request</i>	<i>Petroleum Directorate</i>	<i>Consolidated Fund</i>

REPORTING ENTITIES

Companies that made material payments and were required to report for the reconciliation exercise are listed in Table 4.4 below.

Table 4.4: Selected companies for 2013 SLEITI report

Company/Extractive Entity	Mineral	Activity	Tax ID.
LONDON MINING (SL) LTD	IRON ORE	PRODUCTION	1001359-0
KOIDU HOLDINGS	DIAMONDS	PRODUCTION	1001358-5
AFRICAN MINERALS LTD	IRON ORE	PRODUCTION/EXPLORATION	1001883-8
SIERRA RUTILE LTD	RUTILE	PRODUCTION	1000306-2
H M DIAMONDS LTD	DIAMONDS	EXPORTER	1000351-9
SIERRA MINERALS HOLDINGS LTD	BAUXITE	PRODUCTION	1000672-9
NIMINI HOLDINGS LTD	GOLD	EXPLORATION	1012719-2
KASSIM BASMA	DIAMOND	EXPORTER	1025212-6
KINGHO INVESTMENT LTD	IRON ORE	EXPLORATION	1013683-0
SHAWKE B. SHOUR	DIAMOND	EXPORTER	1020041-5
CAPE LAMBERT RESOURCES LTD	IRON ORE	EXPLORATION	-
CLUFF GOLD S/L	GOLD	EXPLORATION	1005704-8
WEST AFRICA ZIRCON MINING LTD	ZIRCON/RUTILE	PRODUCTION	1016411-2
RIMCO MINING SL LTD	GOLD/IRON ORE	EXPLORATION	1023345-0
ANADARKO (SL) LTD	PETROLEUM	EXPLORATION	1023345-0
EUROPEAN HYDROCARBON	PETROLEUM	EXPLORATION	1005488-2
LUKOIL LTD	PETROLEUM	EXPLORATION	1032487-0
TALISMAN LTD	PETROLEUM	EXPLORATION	1031863-0

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AFRICAN PETROLEUM LTD	PETROLEUM	EXPLORATION	1031601-0
MINEXCO LTD	PETROLEUM	EXPLORATION	1032191-0
SL EXPLORATION LTD	PETROLEUM	EXPLORATION	1029169-4
A-Z PETROLEUM LTD	PETROLEUM	EXPLORATION	1031442-3

Source: Scoping study for SLEITI 2013 Report

OTHER COMPANIES

Other extractive companies operating in Sierra Leone in 2013 which did not meet the materiality threshold and were therefore not required to report included, Lionstone Ltd, Danasha Gem (SL) Ltd, Universal Gold Mining & Exploration Ltd (See Appendix 3)

GOVERNMENT REPORTING ENTITIES AND CHIEFDOM COUNCILS

The following government entities were required to report for the reconciliation exercise.

- ***National Revenue Authority (NRA)***

Established in September 2002 , under an Act of Parliament, the National Revenue Authority Act, 2002 (Act No-11), the National Revenue Authority in Sierra Leone is charged with the responsibility of assessing and collecting domestic taxes, customs duties and other revenues specified by law, as well as administering and enforcing laws related to these revenues.(nra.gov.sl).

With regards to the EITI reconciliation assignment the NRA provided data on royalty, mining /exploration licenses, corporate income tax and diamond exporters' license.

- ***Environmental Protection Agency***

The Environmental Protection Agency (EPA) was established through the Environmental Protection Agency Act (2008). It has the goal of creating and enforcing a strict regulatory framework for environmental regulation in Sierra Leone. It has the mandate to coordinate, monitor and evaluate the implementation of national environmental policies, programmes and projects, including issuing Environmental Impact Assessment (EIA) licenses.

- ***Ministry of Mines, Mineral Resources***

MMMR oversees the issuance of all mineral rights and the administration and supervision of all activities under these rights and administers regulations on mining and marketing of precious minerals through the Precious Mineral Trading.

▪ *National Minerals Agency*

The National Minerals Agency was established in 2012 by the National Minerals Agency Act 2012. It is mandated to administer and enforce the Mines and Minerals Act, 2009 and any other acts related to the trade in minerals.

▪ *Ministry of Local Government & Rural Development*

Local government is provided for by the Local Government Act 2004. The Ministry of Local Government and Rural Development is responsible for local government, which comprises six urban councils (Freetown, Bo, Kenema, Makeni, Koidu and Bonthe) and 13 district councils. In the third sphere of government there are chiefdom councils.

The local authorities and chiefdom councils have revenue-raising powers, and they do levy property taxes and licence fees for mining activities in host communities.

▪ *Chiefdoms and District Councils*

The paramount chiefs and ruling families in the chiefdoms have been recognized and empowered by Sierra Leone's British Colonial Administration. The chiefs have the power to raise taxes, to some extent influence the judicial system and allocate land in the rural areas. Several chiefdoms have been constituted into a district council. These sub national government agencies receive surface rentals from mining companies. These include Kono District, Tonkolili District Council, Upper Banta and Tankoro Chiefdoms.

Petroleum Directorate

The Petroleum Directorate was established in 2011 within the amendment of the Petroleum Exploration and Production Act of 2011.

The Directorate's responsibilities include:

- Coordinating the award of licenses
- Negotiating the terms of licenses
- Monitoring, regulating and facilitating upstream activities on behalf of the state
- Developing regulations from the beginning of exploration to decommissioning

In managing the petroleum resources on behalf of the state, the Directorate reports directly to the President. iki.openoil.net/index.php?title=Petroleum_Directorate. The revenue streams reported by government entities in the 2013 report are indicated in table 4.5

Table 4.5: Government Entities and revenue streams for 2013 SLEITI report.

Benefit Stream	NRA	MMMR	NMA	EPA	DISTRICT/ CHIEFDOM COUNCILS	Petroleum Directorate
Royalty	✓					
Mining License	✓					
Exploration License	✓					
Corporate Tax	✓					
Environmental Assessment Monitoring fee				✓		
Environmental Assessment License				✓		
Export Duty on Diamonds			✓			
Diamond Exporter's License	✓					
Surface Rent(Mining)					✓	
Community Development Fund		✓				
Agricultural Development Fund		✓				
<i>Training fees</i>						✓
<i>Surface Rental(petroleum)</i>						✓
<i>Technology Bonus</i>						✓
<i>Extension Fees</i>						✓
<i>Signature Bonus</i>						✓

Project-level reporting

Requirement 5.2(e) of the EITI Standard states that the MSG is required to agree on the level of disaggregation for the publication of data and that EITI data must be presented by individual company, government entity, and revenue stream.

The MSG determined that the 2013 SLEITI Report follow the Requirement 5.2(e) of the EITI Standard. Specifically, that the data presented and reconciled by individual company, government entity and revenue stream, but that no definition be assigned for project level.

OTHER SCOPE DECISIONS

Transportation revenues

Subsection 4.1(f) of Requirement 4 of the EITI Standard states that where revenues from the transportation of oil, gas, and minerals constitute one of the largest revenue streams in the extractive sector the government and state-owned enterprises (SOEs) are expected to disclose the revenues received.

MSG determined that there are no transportation revenues from the extractive sector in Sierra Leone.

State Participation in Extractive Industries (SOE)

Currently there are no SOE's in the extractive sector in Sierra Leone.

Infrastructure provisions and barter arrangements

Subsection 4.1(d) of the EITI Standard, which refers to infrastructure provisions and barter arrangements by the national government, is not applicable in Sierra Leone.

Sale of Geophysical data

Due to the indirect mode of payment of this revenue stream, it was agreed that it will not be subject to reconciliation. However the total amount collected for 2013 was to be disclosed.

Aggregate Reporting materiality

The Independent Administrator conducted such investigatory work as may be necessary and possible to enable reporting the aggregate revenue and financial flows to the Government up to 1% of the annual total of all the financial flows.

Sub-national payments and transfers

Subsections 4.2(d) and (e) of Requirement 4 of the EITI Standard require implementing countries to report on sub-national revenues in two ways. Requirement 4.2 (d) requires reporting and reconciliation of material company payments to subnational government entities and the receipt of these payments. Surface rental is direct payment by companies to subnational entities. This has been reconciled in the 2013 report. However Koidu Holdings paid some surface rental directly to the Ministry of Local Government and Rural Development.

4.2 ACTIVITIES UNDERTAKEN AT RECONCILIATION

4.2.1 Data Collection and Analysis

Credibility of data

In order to assure the credibility of the data in accordance with requirement 5.2(c) of the 2013 EITI standard, the MSG agreed that the following should be provided as part of the completed templates by participants.

- Sign-off from a senior company or government official from each reporting entity attesting that the completed reporting template is a complete and accurate record.
- An endorsement on the template by the companies' external auditor that confirms that the information they have submitted is comprehensive and consistent with their audited financial statements.
- Government reporting entities obtain a certification of the accuracy of the government's disclosures from the Auditor General.
- Detailed schedule of payments and supporting documents.

The MSG had the view that the Auditors attestation will ensure the completeness and reliability of the data as they are professionally enjoined to provide true and fair view of financial statements. Again with the provision of supporting documents, the independent Administrator can also have the opportunity to comment on the reliability of the data.

The MSG collected the templates from the reporting entities between 20th September, 2015 and 30th October, 2015.

Data reliability check

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

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

To confirm the accuracy and reliability of data the following activities were undertaken.

For Royalty; A list of the payments of royalties made in 2013 were obtained from the NRA and NMA.

- Details of mineral production in 2013 was obtained from the NMA.
- Production figures were compared to export figures from the Bank of Sierra Leone.
- Royalty payable was computed based on rate levied (based on contract between the company and GoSL) and the value of production and export as provided by NMA/Bank of Sierra Leone.
- Computed royalty payable was compared to actual payment indicated on templates and any discrepancy resolved if any.

Surface Rentals:

Ensured that payments were made in accordance with the Minerals and Mining Act, 2009 part 5. (See section 4.4).

Similar reliability checks were made for all the remaining revenue streams applying the relevant laws and clauses in contracts between the companies and GoSL.

- d. **Certification:-** Templates were checked to ensure that they have been properly endorsed by completing officers with appropriate signatories and official stamps. Attestation from auditors and the Audit Service of Sierra Leone were checked for reporting companies and government entities respectively.

Initial Reconciliation

A database in Microsoft excel was set up for the reporting entities and populated with details from the templates.

Reconciliation was undertaken on company by company basis and at mining lease level.

All discrepancies were identified.

Investigation of Discrepancies

The following steps were undertaken to investigate discrepancies.

- i. Supporting documents were examined
- ii. Clarifications were sought from the reporting entities
- iii. Amendments to initial amounts provided by the entities were undertaken to obtain final figures.
- iv. Final figures are reconciled to obtain the final amounts.

4.3 RESULTS OF RECONCILIATION

COMPLETENESS, ACCURACY AND RELIABILITY OF DATA

In order to ensure the comprehensiveness, accuracy and reliability of data, the Independent Administrator undertook the following activities.

- Ascertained if the financial statements of the entities participating in the reconciliation exercise have been audited to international standards.(See section 4.1 on Auditing)
- Reported templates were also checked for completeness, relevance, correctness/accuracy and certification (see section 4.2.1).
- The Independent Administrator however could not evaluate the internal controls within any of the participating companies/government entities, and could therefore not place any reliance on them (internal controls).

The results are indicated below:

▪ Government Agencies

All the government Agencies required to report provided templates with the appropriate certification as requested by the MSG including attestation by the Audit Service of Sierra Leone. These included the NRA, NMA, PMT, EPA, Petroleum Directorate, MMMR and MLGRD. (See Section 4.2).

Some challenges encountered in collecting data from government entities resulted from Inter-Ministerial transfers of District Councils and Chiefdoms Finance Officers which is a government routine. Some of the newly transferred Officers found it difficult to retrieve the 2013 data from their archives. This however did not have any material effect on the data presented.

▪ Mining Companies

Two companies, London Mining Co. Ltd and Kingho Investments Ltd did not submit any template. At the time of reporting, London Mining Company (LMC) had gone into administration and no longer in operations. Timis Mining Corporation which acquired the assets of London Mining Co. was approached to report on behalf of LMC, but replied that they were not privy to documents relating to the operations and payments done by their predecessor.

The MSG made several efforts to ensure that all the companies submitted their templates. Letters of reminders were sent to Kingho Investment in addition to several visits to their office in an effort to get them to report. Indeed Kingho Investments' Ltd delivered a template that could not be included, as initial reconciliation has been completed and the deadline for the submission of templates was gone.

All the templates received from companies in the mining sector were authenticated by the independent auditors. The companies also submitted supporting documents.

Companies and Government Agencies submitted templates that met the data reliability tests. The authentication by companies and Agencies Finance Managers together with the certification by the Auditor General and Independent Auditors' of companies ensured that reliable data were provided by the entities.

Shandong Steel Ltd took over the operations of the African Minerals Ltd in 2015. Thus the new management and Accounts Department of Shandong Steel had to be given extra time to sort their books before reporting.

Revenues received from the companies that did not report in the Mining sector represented 16% of total receipts from the sector (See Table 14.3-2).

- **Oil and Gas Companies**

There were nine oil/gas companies operating in Sierra Leone in 2013. Chevron Ltd did not make any relevant payment in 2013 and was therefore excluded from reporting. According to the Petroleum Directorate the following companies have ceased operations and closed offices in Sierra Leone at the time of preparing the report; Anadarko Ltd, Lukoil Ltd, Talisman Ltd, and SL Exploration Ltd.

Thus out of the eight companies that made relevant payments in 2013, and were therefore required to report, only four were still operational in Sierra Leone, i.e. A-Z Petroleum Ltd, Minexco SL Ltd, European Hydrocarbons Ltd and African Petroleum Ltd.

Data collection for the 2013 reporting was quite an arduous task as even the active companies had closed their offices due to the combined effect of the Ebola crisis and liquidity problems. In an effort to get these companies to comply, several emails and reminders were sent to them by SLEITI and the Petroleum Directorate. SLEITI Secretariat staff also paid several visits to the physical addresses of the companies to check if they had resumed work.

The MSG however sought for an extension of the reporting deadline, in order to ensure that the companies that were operational in 2013, but absent at the time of reporting submitted templates.

The SLEITI multi-stakeholder group requested a 3 months extension from the 31st December 2015 deadline to submit the 2013 Report. However, the Report is expected to be published at an earlier date.

Some of these companies duly submitted templates during the period of extension.

A-Z Petroleum Ltd submitted a template that was properly certified by the External Auditor.

Minexco Ltd, European Hydrocarbons Ltd, Luke oil Overseas SL BV, Anadarko SL Ltd and African Petroleum Ltd submitted templates that were authenticated by the companies Finance Officers but without Auditors' certification.

The MSG however requested that data from Oil and Gas templates without Auditors certification should be reconciled. Supporting documents were however provided by all the companies.

SL Exploration Ltd and Talisman Ltd did not provide reporting templates.

Thus the oil/gas sector was comprehensively covered as six out of the eight companies required to report, provided templates. The revenues from companies that failed to submit data represented 21% of total revenues received in the oil and gas sector (see Table 14.3-2) Although some of the companies did not obtain auditors' certification , the provision of supporting documents enhanced the reliability of the data submitted.

The MSG is satisfied that reasonable and proportionate steps were taken to obtain the data from both the mining and oil/gas companies under the circumstances.

Revenues received from extractive companies that submitted templates amounted to 80% of total government receipts after reconciliation.

The data provided for the reconciliation exercise was comprehensive as government Agencies provided all the required templates/ data, whilst the companies provided templates/data covering up to eighty percent(80%) of total relevant government receipts.

- The coverage of the EITI reconciliation exercise is indicated in Table 4.12

The reconciliation of company payments and government receipts are presented in Tables 4.6 and Table 4.7 below. The details of reconciliation for participating companies are shown individually in Appendix 2

SLEITI 2013 RECONCILIATION

Table 4.6: Reconciliation by companies

2013	Initial Amounts			Initial Discrepancies		Resolved		Final Amounts		Unresolved	
	Company	Payments	Government Receipts	over	Under	Company	Government	Company	Government		under
Extractive Entities											
LONDON MINING COMPANY LIMITED		0	9,742,113		(9,742,113)	-	(27,229.00)	0	9,714,884		(9,714,884)
KOIDU LIMITED		8,230,003	7,646,973	583,030		(103,617)	(45,890.00)	8,126,386	7,601,083	525,304	
AFRICAN MINERALS LTD(CONSOLIDATED)		22,162,838	13,533,585	8,629,253		189,052	8,153,332.00	22,351,890	21,686,917	664,973	
SIERRA RUTILE LIMITED		3,342,458	2,907,712	434,746		(434,690)	-	2,907,768	2,907,712	57	-1
H M DIAMONDS LIMITED		1,749,685	1,749,684	2		-	-	1,749,685	1,749,684	2	
SIERRA MINERAL HOLDINGS 1 LIMITED		1,474,375	1,474,214	161		(42,555)	(42,555.00)	1,431,820	1,431,659	161	
NIMINI MINING LIMITED		755,985	755,985	-		(30,000)	(30,000.00)	725,985	725,985	-	
KASSIM BASMA		422,440	422,442		(2)	-	-	422,440	422,442	2	-4
CAPE LAMBERT RESOURCES LIMITED(CONSOLIDATED)		290,509	507,838		(217,329)	217,329	-	507,838	507,838	-	
CLUFF GOLD (SL) LIMITED		533,319	533,299	20		-	0	533,319	533,299	20	
KINGHO INVESTMENT COMPANY LIMITED		-	250,157		(250,157)	0	0	0	250,157		(250,157)
SHAWKE B. SHOUR		221,868	221,869		(1)	0	0	221,868	221,869		-1
WEST AFRICA ZIRCON MINING (SL) LIMITED		127,824	161,037		(33,213)	0	0	127,824	161,037	5,756	(38,969)
RIMCO MINING COMPANY (SL) LIMITED		126,271	156,844		(30,573)	30,573	0.00	156,844	156,844	-	
Total(Mining)		39,437,575	40,063,751	9,647,212	(10,273,388)	(173,908)	8,007,658	39,263,667	48,071,409	1,196,275	(10,004,016)
Anadarko		756,468	756,388	80		0	0	756,468	756,388	80	
European Hydrocarbon		47,801	47,706	95		0	0	47,801	47,706	95	
Lukoil		656,032	1,061,272		(405,240)	405,245	0	1,061,277	1,061,272	5	
Talisman		-	31,919		(31,919)	0	0	0	31,919		(31,919)
African Petroleum		779,800	779,795	5		0	0	779,800	779,795	5	
Minexco		489,683	489,783		(100)	0	0	489,683	489,783		-100
SL Exploration		-	2,571,025		(2,571,025)	0	0	0	2,571,025		(2,571,025)
A-Z Petroleum		6,557,120	6,557,120	0		0	0	6,557,120	6,557,120		0
Total(Oil/Gas)		9,286,904	12,295,008	180	(3,008,284)	405,245	0	9,692,149	12,295,008	185	(2,603,044)
Grand Total		48,724,479	52,358,759	9,647,392	(13,281,672)	231,337	8,007,658	48,955,816	60,366,417	1,196,460	(12,607,060)

Table 4.7: Reconciliation by Revenue streams

Revenue Stream	Company			Government			Final Amounts		Unresolved	
	Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	Over	Under
MINING										
Mining Licence	3,270,869.00	30,573	3,301,442.00	4,941,698.00	(1,391,669.00)	3,550,029.00	3,301,442	3,550,029	500,000	(748,587)
Exploration Licence	434,075.00	50,000	484,075.00	484,075.00	0	484,075.00	484,075	484,075	-	
Royalty	28,738,617.00	-	28,738,617.00	28,059,192.87	9,595,001.00	37,654,193.87	28,738,617	37,654,194		(8,915,576)
Export duty for Diamonds	2,089,826.00	-	2,089,826.00	2,089,829.00	0	2,089,829.00	2,089,826	2,089,829	1	(4.00)
Corporate Tax	1,255,967.44	-	1,255,967.44	1,250,180.29	0	1,250,180.29	1,255,967	1,250,180	5,788	-1
Diamond Exporter's License fee	105,000.00	-	105,000.00	105,000.00	0	105,000.00	105,000	105,000	-	
Environmental Impact Assessment License	1,144,973.00	481,730	1,626,703.00	1,889,881.00	0	1,889,881.00	1,626,703	1,889,881	25,352	(288,530)
Environmental Impact Assessment Monitoring Fees	111,462.00	26,765	138,227.00	156,205.00	0	156,205.00	138,227	156,205	24,263	(42,241)
Surface Rent	1,054,540.00	(762,976)	291,564.00	496,315.00	(195,674.00)	300,641.00	291,564	300,641		(9,077)
Agricultural Development Fund	179,094.00	-	179,094.00	179,094.00	0	179,094.00	179,094	179,094	-	
Community Development Fund	1,053,152.00	-	1,053,152.00	412,281.00	0	412,281.00	1,053,152	412,281	640,871	
TOTAL	39,437,575	(173,908)	39,263,667	40,063,751	8,007,658	48,071,409	39,263,667	48,071,409	1,196,275	(10,004,016)
OIL & GAS										
Surface Rent	857,226	255,246.00	1,112,472	1,315,321	-	1,315,321	1,112,472	1,315,321	150	(202,999)
Training Fund	1,206,115	10,585.00	1,216,700	1,616,735	-	1,616,735	1,216,700	1,616,735	10	(400,045)
Signature Bonus	6,000,000	-	6,000,000	8,000,000	-	8,000,000	6,000,000	8,000,000		(2,000,000)
Sale of Geophysical data	-	-	-	0	-	-	-	-	-	
Technology Bonus	650,000	-	650,000	650,000	-	650,000	650,000	650,000		-
Extension Fees	500,000	-	500,000	499,995	-	499,995	500,000	499,995	5	
Environmental Impact Assessment License	65,100	123,375.00	188,475	188,465	-	188,465	188,475	188,465	10	
Environmental Impact Assessment Monitoring Fees	8,463	16,038.75	24,502	24,492	-	24,492	24,502	24,492	10	
TOTAL	9,286,904	405,245	9,692,149	12,295,008	-	12,295,008	9,692,149	12,295,008	185	(2,603,044)
GRAND TOTAL	48,724,479	231,337	48,955,816	52,358,759	8,007,658	60,366,417	48,955,816	60,366,417	1,196,460	(12,607,060)

4.3.1 DISCREPANCIES

Discrepancies are designated positive if for a particular company and revenue stream, the reported paid amount by the company exceeds the reported receipt by an appropriate government Agency.

The discrepancy is deemed negative when the reported receipt is bigger than the payment made by the company for the same revenue stream.

There were some discrepancies between the amounts reported by extractive companies and those received by government entities including Chieftdom Administrations and District Councils.

There were initial discrepancies of some of which were resolved. A final absolute discrepancy of

US\$13,803,520(see Table 4.11) and a net discrepancy of –US\$11,410,600 were obtained. The net discrepancy represented about 19% of government receipts.

The discrepancies created by the failure of London Mining Ltd, Kingho Investments Ltd , SL Exploration Ltd and Talisman Ltd to submit reporting templates constituted about ninety one percent(91%) of the entire absolute discrepancy.

➤ **Unilateral declaration by Government Agencies:**

Although four companies’ did not provide templates for reconciliation, the government entities declare receiving the following amounts from them in 2013. (See Table 4.8)

Table 4.8:2013-Receipts from companies without reporting templates

Extractive Entity	Amount Received(US\$)
London Mining Company Ltd	9,714,884
Kingho Investment Company Ltd	250,157.00
Total(Mining)	9,965,041
Talisman Ltd	31,919
SL Exploration Ltd	2,571,025
Total(Oil/Gas)	2,602,944
Grand Total	12,567,985

4.3.1.1 RESOLUTION OF DISCREPANCIES

The resolution of discrepancies involved adjustments to.

- i. Revenue streams paid by companies to government.
- ii. Reported receipts by government Agencies.

i) RESOLUTION OF DISCREPANCIES ON PAYMENTS MADE BY EXTRACTIVE COMPANIES

The resolutions of the discrepancies emanating from company payments are indicated in Table 4.9.

Table 4.9: Resolutions of discrepancies on Extractive companies payments.

A. Company Resolutions (Adjusting for amounts received by government agencies but not reported by companies.)			
Company	Revenue Stream		Resolutions/Adjustments (US\$)
Koidu Ltd	Environmental Monitoring Fees		25,013
African Minerals	Environmental Licence Fees		264,401
Cape Lambert (consolidation)	Environmental Licence Fees		217,329
Rimco	Mining Licence		30,573
Sierra Minerals Ltd	Exploration Licence		50,000
Sierra Rutile	Environmental Licence		1,752
Lukeoil Overseas SL BV	Surface Rental		255,246
.....do.....	Training Fund		10,585
.....do.....	Environmental Licence Fees		123,375
.....do.....	Environmental Monitoring Fees		16,039
Total			994,313
B. Adjusting for Surface Rents reported by companies which are out of scope			
Company	Revenue Stream		Resolutions/Adjustments (US\$)
Koidu Holdings	Surface Rent		(128,630)
Sierra Rutile	Surface Rent		(436,442)
Sierra Minerals	Surface Rent		(92,555)
Nimini	Surface Rent		(30,000)
African Minerals	Surface Rent		(75,349)
Total			(762,976)
Total adjustments/resolutions on companies' payments.			231,337

ii) RESOLUTION OF DISCREPANCIES ON GOVERNMENT AGENCIES' RECEIPTS

Table 4.10: Resolution of discrepancies on government Agencies receipts

Government Agencies resolutions		
Adjusting for Surface Rents(out of scope)		
Company	Revenue Stream	Resolutions/Adjustments(US\$)
London Mining	Surface Rent	(27,229)
Koidu	Surface Rent	(45,890)
Sierra Minerals	Surface Rent	(92,555)
Nimini	Surface Rent	(30,000)
Total surface rent adjustments		(195,674)
Adjustments for payments made company but not reported by government agency		
African Minerals	Mineral Royalty	9,595,001
(NRA initially reporting less than received)		
Sierra Minerals	Mining Licence	50,000
Adjustments for payments wrongly classified by government agency		
African Minerals	Mining Licence	(1,441,669)
(NRA reported amount initially as mining licence)		
Total Government resolutions.		8,007,658

4.3.1.2 UNRESOLVED DISCREPANCIES

Unresolved net discrepancies amounted to US\$(11,410,600). Details of the discrepancies that were unresolved at the end of reconciliation are provided in Table 4.11 below.

Table 4.11: Categorization of unresolved discrepancies

EXTRACTIVE COMPANY	Lack of Reporting Template	Amounts reported by company but not confirmed by Gov't Agency	Amounts reported by government but not by company	TOTAL
LONDON MINING COMPANY LIMITED	(9,714,884)			(9,714,884)
KOIDU LIMITED		525,304		525,304
AFRICAN MINERALS LTD(CONSOLIDATED)		664,973		664,973
SIERRA RUTILE LIMITED		57	-1	56
H M DIAMONDS LIMITED		2		2
SIERRA MINERAL HOLDINGS 1 LIMITED		161		161
NIMINI MINING LIMITED	-			-
KASSIM BASMA		2	-4	(2)
CAPE LAMBERT RESOURCES LIMITED(CONSOLIDATED)	-			-
CLUFF GOLD (SL) LIMITED		20		20
KINGHO INVESTMENT COMPANY LIMITED	(250,157)			(250,157)
SHAWKE B. SHOUR			(1)	(1)
WEST AFRICA ZIRCON MINING (SL) LIMITED		5,756	(38,969)	(33,213)
RIMCO MINING COMPANY (SL) LIMITED				-
Total(Mining)	(9,965,041)	1,196,275	(38,975)	(8,807,741)
Anadarko		80		80
European Hydrocarbon		95		95
Lukoil		5		5
Talisman	-31919			(31,919)
African Petroleum		5		5
Minexco			(100)	(100)
SL Exploration Ltd	(2,571,025)			(2,571,025)
Total(Oil/Gas)	(2,602,944)	185	(100)	(2,602,859)
Grand Total	(12,567,985)	1,196,460	(39,075)	(11,410,600)

- As shown in Table 4.11, the discrepancy caused by the failure of the four companies, London Mining Co Ltd, Kingho Investment Co. Ltd, Talisman Ltd and SL Exploration Ltd to submit reporting templates contributed over ninety one percent (91%) of the total absolute discrepancy.

COVERAGE: Table 4.12 indicates the government receipts from participating companies as compared to total receipts by the Government of Sierra Leone of the various revenue streams in 2013.

It provides the coverage of the reconciliation exercise in the extractive sector. Details of revenues as they compare to total government receipts are in indicated in section 3 (Tables 3.13 and 3.14).

Table 4.12: Government receipts from participating companies compared to total extractive industries 'collections in 2013.

Revenue stream	EITI collection	Total Collection for 2013	EITI collection/Total Extractive Industry Collection
Mining /Exploration Licence	4,034,104	16,025,581	25.17
Royalty	37,654,194	37,761,162	99.72
Export duty for Diamonds	2,089,829	2,578,477	81.05
Corporate Tax	1,250,180	1,250,180	100.00
Diamond Exporter's License fee	105,000	1,002,098	10.48
Environmental License fees (Mining)	1,889,881	1,889,881	100.00
Environmental Monitoring Fees (Mining)	156,205	1,198,764	13.03
Surface Rent(Mining)	300,641	300,641	100.00
Agricultural Development Fund	179,094	179,094	100.00
Community Development Fund	412,281	412,281	100.00
Surface Rent(oil/gas)	1,315,321	1,315,321	100.00
Training Fund	1,616,735	1,616,735	100.00
Signature Bonus	8,000,000	8,000,000	100.00
Technology Bonus	650,000	650,000	100.00
Environmental(licence fees-oil/gas)	188,465	259,073	72.75
Environmental(Monitoring-oil/gas)	24,492	28,439	86.12
Extension Fees	499,995	499,995	100.00
Total	60,366,417	74,967,721.70	80.52

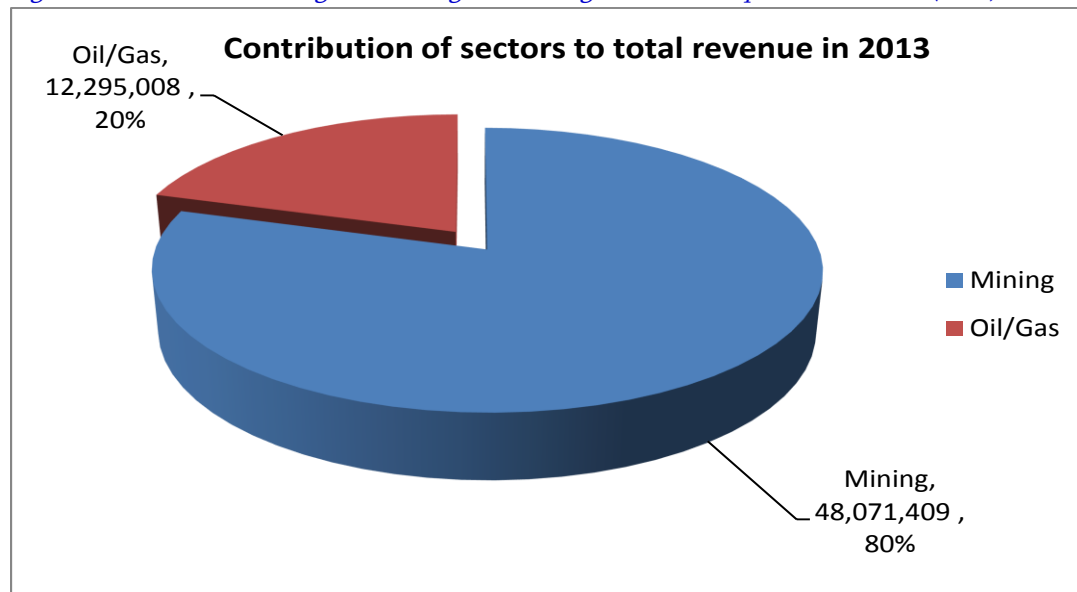
Source: NRA/PMT/EPA/MMMR/PETROLEUM DIRECTORATE

ANALYSIS OF RESULTS

Total revenues

The contribution of the mining and the oil and Gas sectors to total government receipts for the 2013 EITI report is shown in Fig 4.1 below.

Fig 4.1: Contribution of oil/gas & mining sectors to government reported revenues (EITI) in 2013



In 2011, the Oil and Gas sector²¹ contributed 56% of government reported receipts²². However in 2013, Mining sector’s contribution to government reported revenues amounted to 80% against Oil & Gas sector of 20%.

One of the major contributors to this situation is the significant increase in mineral royalty payment in 2013. (See fig 4.2)

Mineral royalty receipts increased by over 800 % between 2011 and 2013.

With the number of Oil and Gas companies having decreased from nine in 2013 to four at the time of the report, it appears revenues from the Oil and Gas sector will dwindle in the coming years.

Revenue Streams: The proportionate change in the value of revenue streams in the mining sector for 2011 and 2013 to the total government reported revenues are indicated in Fig 4.2 below.

²¹ Sale of Geophysical data has been excluded from the oil/gas revenues for consistency.

²² 2011 EITI REPORT

Fig 4.2: Comparison of Mining Revenue streams in 2011 and 2013.

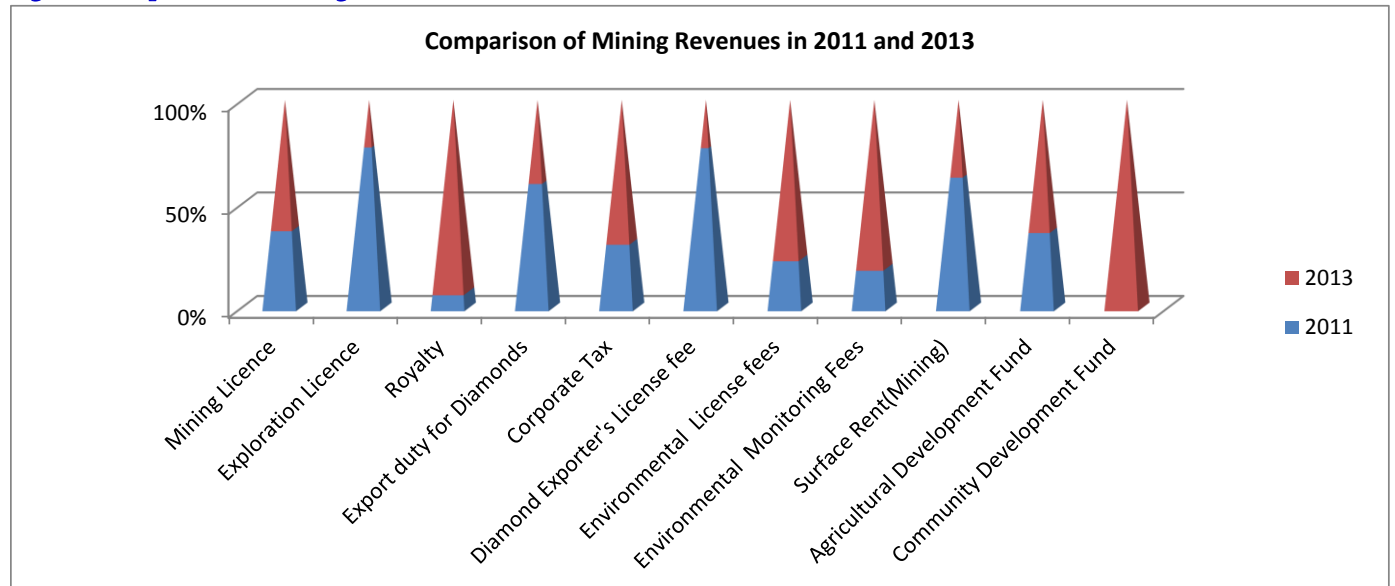


Fig 4.2 shows substantial increase in mineral royalty receipts between 2011 to 2013.

There was a significant drop in Diamond exporters’ license, suggesting challenges in the diamond export business in 2013 as shown also in the drop in export duty on diamonds.

Corporate tax payment also rose in 2013. Although, the analysis covers only two years, corporate tax has the potential of becoming a significant revenue stream, as mining companies exhaust their capital allowances beyond the initial investment recovery stage.

Surface rent and exploration license payments decreased between 2011 and 2013, whilst mining lease payments increased.

With mineral royalty and Mining license receipts increasing, even within this limited period for the analysis, the trend suggests that the extractive sector is moving in the direction of development and exploitation within the value chain.

Sale of geophysical data

Although sale of geophysical data was not reconciled as a revenue stream due to the fact that companies do not pay directly to government, the Petroleum Directorate reported receiving an amount of **US\$ 8,071,206.00** in 2013

- **CONTRIBUTION OF REVENUE STREAMS AND COMPANIES TO TOTAL RECEIPTS**

The percentage contributions of each revenue stream/company or extractive entity to the total revenues collected by the government in 2013 (in scope) are shown in Table 4.13-1 and Table 4.13-2, below.

Table 4.13-1: Percentage contribution of Revenue Streams to 2013 EITI government receipts

MINING	Government Receipt	% CONTRIBUTION
Mining Licence	3,550,029	5.88
Exploration Licence	484,075	0.80
Royalty	37,654,194	62.38
Export duty for Diamonds	2,089,829	3.46
Corporate Tax	1,250,180	2.07
Diamond Exporter's License fee	105,000	0.17
Environmental License fees	1,889,881	3.13
Environmental Monitoring Fees	156,205	0.26
Surface Rent(Mining)	300,641	0.50
Agricultural Development Fund	179,094	0.30
Community Development Fund	412,281	0.68
OIL & GAS	-	0
Surface Rent(oil/gas)	1,315,321	2.18
Training Fund	1,616,735	2.68
Signature Bonus	8,000,000	13.25
Sale of Geophysical data	-	0.00
Technology Bonus	650,000	1.08
Extension Fees	499,995	0.83
Environmental Impact Assessment License	188,465	0.31
Environmental Impact Assessment Monitoring Fees	24,492	0.04
Total	60,366,417	100

Table 14.3-2: Percentage contribution of Extractive Entities to 2013 (in-scope government receipts)

2013		
Extractive Entities	Government Receipts	Percentage of Total receipts(%)
LONDON MINING COMPANY LIMITED	9,714,884	16
KOIDU LIMITED	7,601,083	13
AFRICAN MINERALS LTD(CONSOLIDATED)	21,686,917	36
SIERRA RUTILE LIMITED	2,907,712	5
H M DIAMONDS LIMITED	1,749,684	3
SIERRA MINERAL HOLDINGS 1 LIMITED	1,431,659	2
NIMINI MINING LIMITED	725,985	1
KASSIM BASMA	422,442	1
CAPE LAMBERT RESOURCES LIMITED(CONSOLIDATED)	507,838	1
CLUFF GOLD (SL) LIMITED	533,299	1
KINGHO INVESTMENT COMPANY LIMITED	250,157	0
SHAWKE B. SHOUR	221,869	0
WEST AFRICA ZIRCON MINING (SL) LIMITED	161,037	0
RIMCO MINING COMPANY (SL) LIMITED	156,844	0
Total(Mining)	48,071,409	80
Anadarko SL Co. Ltd	756,388	1
European Hydrocarbon Ltd	47,706	0
Lukoil Overseas SL BV	1,061,272	2
Talisman Ltd	31,919	0
African Petroleum Ltd	779,795	1
Minexco SL Ltd	489,783	1
SL Exploration Ltd	2,571,025	4
A-Z Petroleum Ltd	6,557,120	11
Total(Oil/Gas)	12,295,008	20
Grand Total	60,366,417	100

- **Mineral royalty**

This was the largest contribution, covering over 62% of government receipts. Mineral Royalty was paid by Sierra Rutile Ltd, SIERRA Minerals, African Minerals Ltd, London Mining Ltd and Koidu Holdings Ltd.

- **Signature Bonus**

This was the second largest contributor to government receipts, accounting for over 13% of total receipts.

The contributions of the other revenue streams are indicated in Table 4.14-1

4.4 SUBNATIONAL PAYMENTS

Surface Rent

Surface rent is paid by companies and shared amongst five categories of recipients as follows:

- 50%-Land owners
- 15%-Paramount chief
- 15%-District councils
- 10%-Chieftom Council
- 10%-Constituency development

Only amounts received by District councils and Chieftoms were reconciled

Surface rentals paid by companies are categorized as in-scope and out of scope. The detailed in scope payments and receipts are also indicated.

Table 4.14: Sierra Minerals- Surface rent paid in 2013

Recipients	Amount Paid by company (US\$)	Amount received(US\$)	
		In-scope	Out of scope
Moyamba District Council	13,336	13,336	
Bonthe District Council	1,670	1,670	
Bo District Council	3,505	3,505	
Constituency Dev. Funds	12,340		12,340
Upper Banta Chieftom	7,211	7,211	
Lower Banta Chieftom	1,179	1,179	
Dasse Chieftom	500	500	
Kpanda Kemo Chieftom	1,114	1,114	
Bumpe Ngao Chieftom	2,337	2,337	
Paramount Chiefs	18,511		18,511
Landowners	61,704		61,704
Total	123,407	30,852	92,555

Table 4.15: Sierra Rutile- Surface rent payments in 2013

Recipients	Amount Paid by company(US\$)	Amount received(US\$)	
		In scope	Out of scope
Bonthe District Council	33,198	33,198	
Moyamba District Council	54,091	54,091	
Constituency Development Fund	58,192		58,192
Chiefdom Administration	58,192	58,192	
Land Owners	290,961		290,961
Paramount Chiefs	87,288		87,288
Total	581,922	145,481	436,441

Table 4.16: Nimini Ltd- Surface rent payment in 2013

Recipients	Amount paid(US\$)	Amount received(US\$)	
		In-scope	Out of scope
Nimikoro Chiefdom	33,953	8,488	25,465
Nimiyana Chiefdom	6,047	1,512	4,535
Total	40,000	10,000	30,000

Table 4.17: Cluff Mining- Cluff Surface rent payment in 2013

Recipient	Amount Amount paid(US\$)	Amount received(US\$)	
		In scope	Out of scope
Bo District Council	37,238	37,238	-
Total	37,238	37,238	-

Table 4.18: Koidu Holdings Ltd-Surface rent in 2013²³

Recipient	Amount paid(US\$)	Amounts received(US\$)	
		In scope	Out of scope
Tonguma District		16,548	128,630
Tonguma Chiefdom		11,032	
Koidu New Sembehen Council		6,119	
Kono District Council		6,119	
Kono District Council		3,059	
Total	171,507	42,877	128,630

Agricultural Development Fund

Only Sierra Rutile Ltd paid Agricultural development Fund in 2013. The payments made and recipients are detailed below.

Sierra Rutile

Company	Amount paid(US\$)	Received
Sierra Rutile	179,094	MMMR

Community Development fund

Community Development Fund was paid by Sierra Rutile Ltd, Sierra Minerals (Vimetco) and Nimini Ltd.

Table 4.19: Community Development und in 2013

Company	Amount paid
Sierra Rutile	223,918
Sierra Minerals Ltd	118,346
Nimini Ltd	70,017

²³ Koidu Holdings Ltd, also paid surface rent of US\$ 61,187 to the Ministry of Local Government on its kimberlite project.

4.5 SUB -NATIONAL TRANSFERS

4.5.1 Diamond Area Community Development Fund

The Diamond Area Community Development Fund (DACDF) was set up by the Government of Sierra Leone in the year 2001. Two key reasons for setting up the Fund were:

- (i) To give back some of the money it (government) gets from the sale of diamonds to chiefdoms in diamonds mining areas to carry out development projects in their towns and villages; and
- (ii) As a way, to encourage the chiefs and other local leaders in mining chiefdoms to help forms of illegal mining activities.

The Government levies 3 % tax on the export value of all diamonds mined by holders of artisanal mining and cedes this into the DACDF. The Fund is disbursed among the three local authorities in the mining areas namely: District/City Councils; Chiefdom Councils and Chiefdoms, based on Artisanal Mining Licenses receipts. The formula for the distribution of the fund is carried out in the following ratio: 20% to district/city councils, 20% to Chiefdom Councils and the remaining 60% to Chiefdoms where the mining operations are carried out. The district council funds are distributed equally among diamond mining district councils in the country. The chiefdom councils allocations are also shared equally among the chiefdom councils in the diamond mining areas. The chiefdom allocation is shared among chiefdoms based on the number of Artisanal Mining Licenses held by the Chiefdom.

Prior to 2008 the funds were paid direct to the chiefs. However, in 2008, the World Bank in consultation with Network Movement for Justice and Development developed guidelines for the utilization of the Fund. Under the 2008 guidelines, each chiefdom forms Chiefdom Committee, and, at least, a five member project committee. The five-member project committee in consultations with the people in the chiefdom identifies projects needed in the chiefdom. Based on the consultations, the Chiefdom Project Committee prepares project proposals for review by the Chiefdom Committee. After review by the Chiefdom Committee the proposals are submitted at the local level to be further appraised by the Local Review Committee which reviews all proposals received from the chiefdoms in the local area. The local review committee forwards approved project proposal to Directors of Mines and Local Government to develop a national DACDF project agenda for the approval by the two sector Ministers. Similar project identification and process is also in place for district/city councils in the diamond mining communities for approval by the Directors of Mine and Local Government. (See recommendations)

Source: <http://documents.worldbank.org/curated/en/2009/01/115600544/simplified-handbook-government-sierra-leone-operational-procedures-guidelines-diamond>

SLEITI 2013 RECONCILIATION

In 2013, the MMR paid 16 Chiefdom Councils and 3 district Assemblies various amounts totaling

Le 236,946,589 (about US\$55,104).

It does not appear these amounts were targeted at projects as recommended in the 2008 Guidelines developed by the World Bank in consultation with Network Movement for Justice and Development of Sierra Leone. (See Table 4.20)

Table 4.20:2013 DADCF payments by MMMR (All Amounts in SLL)

BO DISTRICT COUNCIL		
S/N	CHIEFDOM/DISTRICT COUNCIL	TOTAL AMOUNT
1	Baoma Chiefdom	58,452,156.60
2	Tinkonko Chiefdom	22,439,748.56
3	Lugbu Chiefdom	9,350,705.01
4	Jaiama Bongor Chiefdom	15,078,205.51
5	Badija Chiefdom	10,167,726.28
6	Valunia Chiefdom	3,767,375.89
7	Kalena Chiefdom	4,764,637.53
8	Komboya Chiefdom	10,986,417.87
9	Sielenga Chiefdom	4,764,637.53
10	Bumpeh Ngao Chiefdom	11,805,109.46
11	Barbor Chiefdom	8,532,013.42
12	Bo District Council	33,816,424.74
	Total	193,925,158.40
PUSHUN DISTRICT COUNCIL		
S/N	CHIEFDOM	
1	Makpele Chiefdom	10,495,478.66
2	Sorogbema Chiefdom	4,764,637.53
3	Galines Perri Chiefdom	13,770,245.01
4	Sowa Chiefdom	4,764,637.53
5	Pujehun District Council	6,003,738.32
	Total	39,798,737.05
BONTHE DISTRICT COUNCIL		
S/N		
1	Kpanda Kemo Chiefdom	2,950,354.61
2	Bonthe District Council	272,340.43
	Total	3,222,695.04

5.0 OBSERVATIONS AND RECOMMENDATIONS

5.1 EXTRACTIVE SECTOR PAYMENTS AND NOMENCLATURE

1. **Observation:** It was observed that in the making of extractive payments the names of companies reported are sometimes different from those maintained by the NMA. There were instances when holding companies names were captured as having made payments, without specifying which of the subsidiaries the payments were made for. For example both EPA and NRA captured payments made by Cape Lambert Ltd. Meanwhile Cape Lambert Ltd is not a mineral right holder in Sierra Leone.

Recommendation

In order to correctly associate payments to actual mineral right holders, government Agencies should ensure that the payments are recorded against such names and not holding companies.

This can also assist in project level reporting.

2. **RING FENCING BY MINING LEASE**

Observation: Section 155(1) of MMA, 2009 provides for separate accounting for all large-scale mining licenses. However section 155(4) of MMA,2009 also stipulates that the ‘holder of a large scale mining license may, with the Minister’s approval, deduct exploration expenditure in determining chargeable income attributable to any large scale mining license provided the expenditures were incurred by the license holder on reconnaissance and exploration licenses within Sierra Leone’.

Whilst this may have been intended to encourage and promote exploration, it has the potential of delaying corporate tax payment or reducing the quantum of payment significantly. As companies engage in mineral production, corporate tax payment can become a significant revenue stream for government. Again it also will grant undue advantage to existing companies with mining licenses.

Recommendation: The MMMR/NMA should make a policy determination as to the state of exploration and reconnaissance in the country. Thus if the MMMR considers that there still exists significant green fields, then section 155(4) of MMA,2009 on reconnaissance and exploration may be maintained.

However if it considers that there are enough brownfields and that corporate tax receipts are needed for development, then section 155(4) of MMA, 2009 may be replaced by a section capitalizing all reconnaissance and exploration costs.

Some guidelines or rules should be developed in order to apply ring fencing for corporate tax purposes, before the expiration of initial investment recovery periods.

3. SURFACE RENT

Observation

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

Whilst some companies make payments to District Councils and the Ministry of Local Government and Rural Development with cheques for onward distribution to recipients, however others also pay directly to chiefdoms, individuals, paramount chiefs and members of parliament. Reconciliation of payments made directly to Chiefdoms and District councils is often very challenging.

Recommendations

Payment and collection may be streamlined to ensure standardization and transparency.

For payments made in cash, bodies with functional accounting units such as district councils may receive payments from the companies. They will in turn pay the chiefdoms and other recipients and properly keep the accounting records.

This will enhance transparency and accountability.

4. FROM BULK MINERAL PRODUCERS

Observation

Payment of royalty is based on the revenues obtained from sales of minerals. For minerals such as gold the market prices can easily be obtained. For example the price of gold is quoted by the London Metal Exchange on AM and PM basis.

However this is not the same for bulk minerals, the regulations to MMA, 2009 prescribe that for bulk minerals namely, bauxite, rutile and iron ore, they are valued as the realized gross price for sale FOB in arm's length sale or equivalent. Royalty

payable for the bulk minerals is at the conclusion of the transaction”. This may mean after the conclusion of sales and settlement.

The value of sales and therefore royalty can be affected if there is any transfer mispricing. Again there could be unnecessary delays in the payment of royalties due to ‘the conclusion of transaction’.

Recommendation

In order to check transfer mispricing the NRA should work out a system of approving contracts that bulk mineral exporters have with their buyers. Build capacity to deal with valuation of bulk minerals and probably employ advanced pricing agreements where appropriate.

Dates for payment of royalty should also be firmly stipulated. Some of the Agreements however stipulate quarterly payments. This should probably be adopted for the general law. If companies have not made any sale by that period they will need to indicate same to the NRA.

5. FISCAL TERMS AND STABILITY

Observation

All the agreements reviewed had some stability clauses especially regarding royalty and corporate income tax rates and differ between companies.

Recommendation

The MMMR/NMA should endeavour to establish fiscal terms and legislation that will be applicable to all future mining contracts. In particular fiscal terms as they relate to mineral royalty and corporate tax should be made uniform for all contracts.

6. DIAMOND AREA COMMUNITY DEVELOPMENT FUND

It appears the 2008 Guidelines developed by the World Bank in consultation with Network Movement for Justice and Development of Sierra Leone has not seen any implementation by the Government since its development.

Recommendation

The MMMR should declare its position on the proposed 2008 guidelines to actualize the implementation of the proposal to enhance its benefit to the mining communities.

6.0: CONCLUSIONS

The 2013 reconciliation produced a net discrepancy of US\$-11,410,600. Over 91% of the absolute discrepancy was produced by the absence of reporting templates.

The mining sector contributed eighty percent (80%) towards total revenues with the Oil/Gas sector providing the remaining 20%. Compared to 2011ⁱ, the mining sector's contribution has progressed substantially. In 2011 the mining sector accounted for 44% of extractive revenuesⁱⁱ.

Mineral royalty came out as the highest revenue stream recording over 62%. Thus the exploitation of minerals rather than exploration provided a substantial portion of extractive revenues.

Signature bonus from the oil and gas sector contributed about thirteen percent (13%) of the extractive revenues, having contributed over fifty percent (50%) as the lead contributor in 2011. This illustrates the decreased importance of the Oil and Gas sector in 2013.

The contribution of export duty on diamonds also decreased from 11.45% in 2011 to 3.46% in 2013.

Corporate tax payment in the mining sector is set to follow mineral royalty as a significant revenue stream with mining companies exhausting their initial recovery periods.

Regulations on mineral royalty and corporate tax payment should be updated to bring them in line with their current and future status.

ⁱ 2011 EITI Report

ⁱⁱ Oil sector revenues exclude sale of geophysical data. Sale of geophysical data was also excluded in the 2011 EITI report.

APPENDICES

APPENDIX 1: TERMS OF REFERENCE

The Independent Administrator is expected to undertake the following tasks:

- 1.1 Produce a scoping study. In doing so, the Independent Administrator shall undertake the following:
 - 1.1.1 Review the relevant background information, including the governance arrangements and tax policies in the extractive industries, and the conclusions and recommendations from previous EITI Reports and Validations. (A list of relevant documentation is provided as Annex 2).
 - 1.1.2 Undertake a comprehensive analysis of the payments and government revenue streams related to the extractive sector, noting in particular the revenues streams that must be covered in accordance with EITI Requirement 4.1 (b). The analysis should also cover revenues related to the state of the state's share of production or other revenues collected in-kind (4.1.c), infrastructure provisions and other barter arrangements (4.1.d), mandatory and voluntary social expenditures (4.1.e), and transportation payments (4.1.f).
 - 1.1.3 Review cadastre and revenue data for the year 2013 and make recommendations as to which of these tax payments and government revenues streams should be considered material, including suggesting materiality thresholds for company disclosure if appropriate (with reference to the guidance note' and EITI requirement 4.1).
 - 1.1.4 Based on the proposed materiality definition, develop a preliminary list of the companies that make material payments and should be covered in the EITI Report (EITI requirement 4.2.a). Where materiality thresholds are proposed, this should include an estimate of coverage of company payments that will be disclosed relative to total government revenues from the sector. It should also identify the total contribution of companies not required to report (i.e. those that fall below the materiality threshold), with a clear indication of the relative size of each company. (This information will inform the assessment of the comprehensiveness of the EITI Report as per Requirement 5.3.e.)
 - 1.1.5 For each company, identify where available: Company's Tax Payer Identification Number; Sector and phase of operation, i.e. exploration, production, oil, gas, mining, etc.; Type of

license(s) held and the license number {s}.

- 1.1.6 Based on the proposed materiality definition, Identify which government entities should be required to report. It should be noted that the government is required to disclose all revenues, regardless of the materiality (EITI Requirement 4.2.b). Thus where materiality thresholds for company disclosures are established, a reconciliation of the company payments and government revenues In accordance with the materiality threshold would be appropriate. Any additional government revenues (i.e. from companies below the materiality threshold) would also need to be disclosed in the EITI Report as per Requirement 4.2.b.
- 1.1.7 In considering which government entities should be disclosed, the consultant should identify whether sub-national government entities receive direct or indirect revenues from the extractive sector in accordance with Requirement 4.2(d) and Requirement 4.2(e).
- 1.1.8 Identify any legal, regulatory, administrative or practical barriers to comprehensive disclosure, and if necessary set out options and make and recommendations for addressing these barriers.
- 1.1.9 Prepare and present the draft scoping study to the MSG and the International Secretariat for review and comment;
- 1.1.10 Prepare a final scoping study to the MSG and provide recommendations for the 2013 EITI report; Recommend how future scoping reports can be improved.
- 1.2 The Independent Administrator should prepare a work plan and work with the MSG to agree on the procedures for incorporating and analysing contextual and other non-revenue information in the EITI Report. The procedures should ensure that information is clearly sourced and attributed. Additional information on the MSG's proposed approach to collating contextual information is attached in annex 1 of the Terms of Reference, including any specific tasks that the Independent Administrator is expected to undertake in this regard.
- 1.3 The Independent Administrator should review the payments and revenues to be covered in the EITI Report in accordance with EITI Requirement 4. The inception report should clearly indicate the MSG's decisions on:
 - The definition of materiality and thresholds, and the resulting revenue streams to be included in accordance with Requirement 4.1(b) and consistent with the scoping study report.
 - The sale of the state's share of production or other revenues collected in-kind in

accordance with Requirement 4.1(c).

- The coverage of infrastructure provisions and barter arrangements in accordance with Requirement 4.1(d).
- The coverage of social expenditure in accordance with Requirement 4.1(e).
- The coverage of transportation revenues in accordance with Requirement 4.1(f).
- The level and type of disaggregation of the EITI Report in accordance with Requirement 5.2(e).

1.4 The Independent Administrator should review the companies and government entities that are required to report in accordance with EITI Requirement 4.2. The inception report should:

- Identify and list the companies that make material payments to the state and will be required to report in accordance with Requirement 4.2(a) and consistent with the scoping study report.
- Identify and list the government entities that receive material payments and will be required to report in accordance with Requirement 4.2(a).
- Identify any barriers to full government disclosure of total revenues received from each of the benefit streams agreed in the scope of the EITI report, including revenues that fall below agreed materiality thresholds (Requirement 4.2(b)).
- Confirm the MSG's position on disclosure and reconciliation of payments to and from state owned enterprises in accordance with Requirement 4.2(c).
- Confirm the MSG's position of the materiality and inclusion of sub-national payments in accordance with Requirement 4.2(d).
- Confirm the MSG's position on the materiality and inclusion of sub-national transfers in accordance with Requirement 4.2(e).
- The Independent Administrator should draft the reporting templates (for companies and government agencies) that will take into account the agreed benefit streams and reporting entities and include a provision requiring companies to report 'any other material payments to government entities' above an agreed threshold. The final templates should be endorsed by the MSG.
- The Independent Administrator shall develop guidelines for completing the

reporting templates.

- 1.5 The Independent Administrator should provide advice to the MSG in examining the audit and assurance procedures in companies and government entities participating in the EITI reporting process in accordance with Requirement 5.2(b). This includes examining the relevant laws and regulations, any reforms that are planned or underway, and whether these procedures are in line with international standards.
- 1.6 The Independent Administrator should provide advice to the MSG on what information the MSG should require to be provided to the Independent Administrator by the participating companies and government entities to assure the credibility of the data in accordance with Requirement 5.2(c). The Independent Administrator should then employ his /her professional judgment to determine the extent to which reliance can be placed on the existing controls and audit frameworks of the companies and governments. The Independent Administrator should document the options considered and the rationale for the assurances to be provided. Where deemed necessary by the Independent Administrator and the multi-stakeholder group, assurances may include:
- Requesting sign-off from a senior company or government official from each reporting entity attesting that the completed reporting template is a complete and accurate record.
 - Requesting a confirmation letter from the companies' external auditor that confirms that the information they have submitted is comprehensive and consistent with their audited financial statements. The MSG may wish to phase in any such procedure so that the confirmation letter may be integrated into the usual work programme of the company's auditor. Where some companies are not required by law to have an external auditor and therefore cannot provide such assurance, this should be clearly identified, and any reforms that are planned or underway should be noted.
 - Requesting that government reporting entities obtain a certification of the accuracy of the government's disclosures from the Auditor General.

The Independent Administrator should exercise judgment and apply appropriate international professional standardsⁱⁱ in developing a procedure that provide a sufficient basis for a comprehensive and reliable EITI Report.

- 1.7 The Independent Administrator should provide advice to the MSG on agreeing appropriate provisions relating to safeguarding confidential information.
- 1.8 The Independent Administrator should document the results from the inception phase in

an inception report for consideration by the MSG addressing points 1.2 – 1.7 above. Where necessary the inception report should highlight any unresolved issues or potential barriers to effective implementation, and possible remedies for consideration by the MSG.

Phase 2 – Data Collection

- 2.1 The Independent Administrator is mandated by the MSG to distribute the reporting templates and collect the completed templates and associated supporting documentation, as well as any other contextual or other information requested to be collected by the MSG, directly from the participating reporting entities. The government typically provides contact details for the reporting entities and assists the Independent Administrator in ensuring that all reporting entities participate fully.
- 2.2 At the direction of the MSG, the Independent Administrator may be tasked to provide advice on ensuring that the request for data includes appropriate guidance to the reporting entities, and on where to seek additional information and support.
 - The Independent Administrator is to conduct workshop to train reporting entities in completing the reporting templates and to provide general guidance on the reconciliation process.
- 2.3 The Independent Administrator is mandated to contact the reporting entities directly to clarify any information gaps or discrepancies.

Phase 3 – Initial Reconciliation and Initial Reconciliation Report

- 3.1 The Independent Administrator should compile a database with the data provided by the reporting entities. The MSG should be privy to the information in the database.
- 3.2 The Independent Administrator should comprehensively reconcile the information disclosed by the reporting entities, identifying any discrepancies (including offsetting discrepancies) in accordance with the agreed scope.
- 3.3 The Independent Administrator should prepare an initial reconciliation report based on the reported (unadjusted) data for consideration by the MSG in accordance with the agreed scope.
- 3.4 The Independent Administrator should identify any discrepancies above the agreed margin of error established at a certain percentage of total revenues. (The MSG and Independent Administrator will agree an acceptable margin of error in determining which discrepancies should be further investigated.)
- 3.5 With respect to contextual information and other data collected by the Independent Administrator with MSG support; the Independent Administrator will compile the data provided by the government, MSG, or reporting entities and prepare an initial report based on the reported contextual and other information in the format agreed by the MSG for reporting this information.
- 3.6

Phase 4 – Investigation of Discrepancies and Draft Independent Administrator’s Report

- 4.1 The Independent Administrator is mandated to contact the reporting entities in seeking to clarify any discrepancies in the reported data.
- 4.2 The Independent Administrator should prepare a draft Independent Administrator’s Report that comprehensively reconciles the information disclosed by the reporting entities, identifying any discrepancies, and reports on contextual and other information requested by the MSG.
- 4.3 The draft Independent Administrator’s report should:
 - a) Describe the methodology adopted for the reconciliation of company payments and government revenues, and demonstrate the application of international professional standards.
 - b) Include a description of each revenue stream, related materiality definitions and thresholds (Requirement 4.1).
 - c) Include an assessment from the Independent Administrator on the comprehensiveness and reliability of the data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.
 - d) Based on the government's disclosure of total revenues as per Requirement 4.2(b), indicate the coverage of the reconciliation exercise.
 - e) Include an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness of the report (Requirement 5.3(d)).
 - f) Document whether the participating companies and government entities had their financial statements audited in the financial year(s) covered by the EITI Report. Any gaps or weaknesses must be disclosed. Where audited financial statements are publicly available, it is recommended that the EITI Report advises readers on how to access this information (Requirement 5.3(e)).
 - g) Include information on the flow of revenue streams and how transfers are handled between the different levels of government offices.
- 4.4 Where previous EITI Reports have recommended corrective actions and reforms, the Independent Administrator should comment on the progress in implementing those measures (Requirement 5.3(f)). The Independent Administrator should make recommendations for strengthening the reporting process in the future, including any recommendations regarding audit practices and reforms needed to bring them in line with international standards.

- 4.5 The Independent Administrator is encouraged to make recommendations on strengthening the template Terms of Reference for Independent Administrator services in accordance with the EITI Standard for the attention of the EITI Board.
- 4.6 The Independent Administrator should do a presentation on the first Draft Report and gather inputs from stakeholders. The final Draft Report should be adopted by the MSG before submitting the final Report.

Phase 5 – Final Independent Administrator’s Report

- 5.1 The Independent Administrator should produce electronic data files that can be published together with the final Report.
- 5.2 The Independent Administrator should produce a version of the EITI report that is machine readable, and to code or tag the report and data files for comparability with other publicly available data.
- 5.3 Following approval by the MSG, the Independent Administrator is mandated to submit summary data from the EITI Report electronically to the International Secretariat according to the standardized reporting format available from the International Secretariat (Requirement 5.3(b)).
- 5.4 The Independent Administrator will publish/make public their final report only upon the instruction of the MSG. The MSG will endorse the report prior to its publication. Where stakeholders other than the Independent Administrator wish to include additional comments in, or opinions on, the EITI Report, the authorship should be clearly indicated.

APPENDIX 2: DETAILS OF RECONCILIATION

DETAILS OF RECONCILIATION

COMPANY'S NAME: LONDON MINING COMPANY LIMITED
 TIN: 1001359-0
 REPORTING PERIOD: 2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved	
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	Over	under
MINING												
1	Mining Licence				0	518,670		518,670	0	518,670	(518,670)	(518,670)
2	Exploration Licence				0			-	0	-	-	-
3	Royalty				0	8,897,981		8,897,981	0	8,897,981	(8,897,981)	(8,897,981)
4	Export duty for Diamonds				0			-	0	-	-	-
5	Corporate Tax				0			-	0	-	-	-
6	Diamond Exporter's License fee				0			-	0	-	-	-
7	Environmental Impact Assessment License				0	255,890		255,890	0	255,890	(255,890)	(255,890)
8	Environmental Impact Assessment Monitoring Fees				0	33,266		33,266	0	33,266	(33,266)	(33,266)
9	Surface Rent				0	36,306	(27,229)	9,077	0	9,077	(9,077)	(9,077)
10	Agricultural Development Fund				0			-	0	-	-	-
11	Community Development Fund				0			-	0	-	-	-
	TOTAL				0	9,742,113	(27,229)	9,714,884	0	9,714,884	(9,714,884)	(9,714,884)
OIL & GAS												
1	Surface Rent											
2	Trading Fund											
3	Signature Bonus											
4	Sale of Geophysical data											
5	Technology Bonus											
6	Extension Fees											
	TOTAL											

DETAILS OF RECONCILIATION

COMPANY'S NAME: KOIDU LIMITED
 TIN: 1001358-5
 REPORTING PERIOD: 2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresol
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	Over
MINING											
1	Mining Licence		718,545		718,545	218,545		218,545	718,545	218,545	500,000
2	Exploration Licence				0			0	0	0	0
3	Royalty*		7,121,794		7,121,794	7,121,795		7,121,794.96	7,121,794	7,121,795	-1
4	Export duty for Diamonds				0			0	0	0	0
5	Corporate Tax				0			0	0	0	0
6	Diamond Exporter's License fee				0			0	0	0	0
7	Environmental Impact Assessment License		218,157		218,157	192,853		192,853	218,157	192,853	25,304
8	Environmental Impact Assessment Monitoring Fees			25,013	25,013	25,013		25,013	25,013	25,013	0
9	Surface Rent*		171,507	(128,630)	42,877	88,767	(45,890)	42,877.00	42,877.00	42,877	0
10	Agricultural Development Fund				0			0	0	0	0
11	Community Development Fund				0			0	0	0	0
	TOTAL		8,230,003.00	(103,617)	8,126,386	7,646,973	(45,890)	7,601,082.96	8,126,386	7,601,083	525,303
OIL & GAS											
1	Surface Rent										
2	Trading Fund										
3	Signature Bonus										
4	Sale of Geophysical data										
5	Technology Bonus										
6	Extension Fees										
	TOTAL										

SLEITI 2013 RECONCILIATION

DETAILS OF RECONCILIATION

COMPANY'S NAME:AFRICAN MINERALS(TONKOLILI IRON ORE (SL) LIMITED)
TIN: 1001889-0
REPORTING PERIOD: 2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved	
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	Over	under
MINING												
1	Mining Licence		1,000,000		1,000,000	2,441,669	(1,441,669)	1,000,000	1,000,000	1,000,000		0
2	Exploration Licence				0			0	0	0		0
3	Royalty		20,212,000		20,212,000	10,616,999	9,595,001	20212000	20212000	20,212,000		-
4	Export duty for Diamonds				0			0	0	0		0
5	Corporate Tax				0			0	0	0		0
6	Diamond Exporter's License fee				0			0	0	0		0
7	Environmental Impact Assessment License		185400	264,401	449,801	449,801		449801	449801	449,801		0
8	Environmental Impact Assessment Monitoring Fees		24102		24,102			0	24102	0		24,102
9	Surface Rent*		100,465	(75,349)	25,116	25,116		25116	25116	25,116		0
10	Agricultural Development Fund				0			0	0	0		0
11	Community Development Fund		640,871		640,871			0	640871	0		640,871
	TOTAL		22,162,838	189,052	22,351,890	13,533,585.00	8,153,332	21,686,917.00	22351890	21,686,917		664,973
OIL & GAS												
1	Surface Rent											
2	Trading Fund											
3	Signature Bonus											
4	Sale of Geophysical data											
5	Technology Bonus											
6	Extension Fees											
	TOTAL											

COMPANY'S NAME: SIERRA RUTILE LIMITED
TIN: 1000672-9
REPORTING PERIOD: 2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved	
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	(Over)	Under
MINING												
1	Mining Licence		170,797		170,797	170,797		170,797	170,797	170,797		-
2	Exploration Licence		39,466		39,466	39,466		39,466	39,466	39,466		-
3	Royalty		864,601		864,601	864,602		864,602	864,601	864,602		(1)
4	Export duty for Diamonds				-			-	-	-		-
5	Corporate Tax		1,051,044		1,051,044	1,051,015		1,051,015	1,051,044	1,051,015		29
6	Diamond Exporter's License fee				-			-	-	-		-
7	Environmental Impact Assessment License		204,970		204,970	204,942		204,942	204,970	204,942		28
8	Environmental Impact Assessment Monitoring Fees		26,646	1752	28,398	28,398		28,398	28,398	28,398		-
9	Surface Rent		581,922	(436,442)	145,480	145,480		145,480	145,480	145,480		-
10	Agricultural Development Fund		179,094		179,094	179,094		179,094	179,094	179,094		-
11	Community Development Fund		223,918		223,918	223,918		223,918	223,918	223,918		-
	TOTAL		3,342,458	(434,690)	2,907,768	2,907,712	-	2,907,712	2,907,768	2,907,712		56
OIL & GAS												
1	Surface Rent											
2	Trading Fund											
3	Signature Bonus											
4	Sale of Geophysical data											
5	Technology Bonus											
6	Extension Fees											
	TOTAL											

SLEITI 2013 RECONCILIATION

DETAILS OF RECONCILIATION

COMPANY'S NAME: H M DIAMOND
TIN: 1000351-9
REPORTING PERIOD: 2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved	
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	Over	under
MINING												
1	Mining Licence				0			0	0	0	0	0
2	Exploration Licence				0			0	0	0	0	0
3	Royalty				0			0	0	0	0	0
4	Export duty for Diamonds		1,567,729		1,567,729	1,567,728		1,567,728	1,567,729	1,567,728	1.00	1.00
5	Corporate Tax		146,956		146,956	146,956		146,956	146,956.44	146,956	0.78	0.78
6	Diamond Exporter's License fee		35,000		35,000	35,000		35,000	35000	35000	0	0
7	Environmental Impact Assessment License				0			0	0	0	0	0
8	Environmental Impact Assessment Monitoring Fees				0			0	0	0	0	0
9	Surface Rent				0			0	0	0	0	0
10	Agricultural Development Fund				0			0	0	0	0	0
11	Community Development Fund				0			0	0	0	0	0
	TOTAL		1,749,685	0	1,749,685	1,749,684	0	1,749,684	1,749,685	1,749,684	2	2
OIL & GAS												
1	Surface Rent											
2	Trading Fund											
3	Signature Bonus											
4	Sale of Geophysical data											
5	Technology Bonus											
6	Extension Fees											
	TOTAL											

DETAILS OF RECONCILIATION

COMPANY'S NAME: SIERRA MINERALS
TIN: 1000672-9
REPORTING PERIOD: 2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved	
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	Over	under
MINING												
1	Mining Licence		500,000		500,000	450,000	50,000	500,000	500,000	500,000	0	-
2	Exploration Licence		72,980	50,000	122,980	122,980		122,980	122,980	122,980	0	-
3	Royalty		487,565		487,565	487,565		487,565	487,565	487,565	0	0
4	Export duty for Diamonds				-			-	-	-	0	0
5	Corporate Tax				-			-	-	-	0	0
6	Diamond Exporter's License fee				-			-	-	-	0	0
7	Environmental Impact Assessment License		152,280		152,280	152,270		152,270	152,280	152,270	10	10
8	Environmental Impact Assessment Monitoring Fees		19,796		19,796	19,645		19,645	19,796	19,645	151	151
9	Surface Rent*		123,408	(92,555)	30,853	123,408	-92,555	30,853	30,853	30,853	0	-
10	Agricultural Development Fund				-			-	-	-	0	-
11	Community Development Fund*		118,346		118,346	118,346		118,346	118,346	118,346	0	-
	TOTAL		1,474,375	(42,555)	1,431,820	1,474,214	-42,555	1,431,659	1,431,820	1,431,659	161	161
OIL & GAS												
1	Surface Rent											
2	Trading Fund											
3	Signature Bonus											
4	Sale of Geophysical data											
5	Technology Bonus											
6	Extension Fees											
	TOTAL											

SLEITI 2013 RECONCILIATION

DETAILS OF RECONCILIATION

COMPANY'S NAME: NIMINI MINING

TIN: 1012719-2

REPORTING PERIOD: 2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved	
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	Over	under
MINING												
1	Mining Licence		500,000		500,000	500,000		500,000	500,000	500,000		0
2	Exploration Licence				-			0	0	0		0
3	Royalty				-			0	0	0		0
4	Export duty for Diamonds				-			0	0	0		0
5	Corporate Tax				-			0	0	0		0
6	Diamond Exporter's License fee				-			0	0	0		0
7	Environmental Impact Assessment License		129,175		129,175	129,175		129,175	129,175	129,175		0
8	Environmental Impact Assessment Monitoring Fees		16,793		16,793	16,793		16,793	16,793	16,793		0
9	Surface Rent*		40,000	(30,000)	10,000	40,000	(30,000)	10,000	10,000	10,000		0
10	Agricultural Development Fund				-			0	0	0		0
11	Community Development Fund*		70,017		70,017	70,017		70,017	70,017	70,017		0
TOTAL			755,985	(30,000)	725,985	755,985	(30,000)	725,985	725,985	725,985		0
OIL & GAS												
1	Surface Rent											
2	Trading Fund											
3	Signature Bonus											
4	Sale of Geophysical data											
5	Technology Bonus											
6	Extension Fees											
TOTAL												

DETAILS OF RECONCILIATION

COMPANY'S NAME: KASSIM BASMA

TIN: 1025212-6

REPORTING PERIOD: 2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresc
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	Over
MINING											
1	Mining Licence				0			0	0	0	0
2	Exploration Licence				0			0	0	0	0
3	Royalty				0			0	0	0	0
4	Export duty for Diamonds		352,216		352,216	352,220		352,220	352,216	352,220	-4
5	Corporate Tax		35,224		35,224	35,222.00		35,222	35,224	35,222	2
6	Diamond Exporter's License fee		35,000		35,000	35,000.00		35,000	35,000	35,000	0
7	Environmental Impact Assessment License				0			0	0	0	0
8	Environmental Impact Assessment Monitoring Fees				0			0	0	0	0
9	Surface Rent				0			0	0	0	0
10	Agricultural Development Fund				0			0	0	0	0
11	Community Development Fund				0			0	0	0	0
TOTAL			422,440	0	422,440	422,442.00	0	422,442.00	422,440	422,442	-2
OIL & GAS											
1	Surface Rent										
2	Trading Fund										
3	Signature Bonus										
4	Sale of Geophysical data										
5	Technology Bonus										
6	Extension Fees										
TOTAL											

SLEITI 2013 RECONCILIATION

DETAILS OF RECONCILIATION

COMPANY'S NAME: CAPE LAMBERT RESOURCES LIMITED

TIN:

REPORTING PERIOD: 2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved	
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	Over	under
MINING												
1	Mining Licence				0			0	-	-	-	-
2	Exploration Licence		290,509		290,509	290,509		290,509	290,509	290,509	-	-
3	Royalty				0			-	-	-	-	-
4	Export duty for Diamonds				0			-	-	-	-	-
5	Corporate Tax				0			-	-	-	-	-
6	Diamond Exporter's License fee				0			-	-	-	-	-
7	Environmental Impact Assessment License			217,329	217,329	217,329		217,329	217,329	217,329	-	-
8	Environmental Impact Assessment Monitoring Fees				0			-	-	-	-	-
9	Surface Rent				0			-	-	-	-	-
10	Agricultural Development Fund				0			-	-	-	-	-
11	Community Development Fund				0			-	-	-	-	-
	TOTAL		290,509	217,329	507,838	507,838	0	507,838	507,838	507,838	-	-
OIL & GAS												
1	Surface Rent											
2	Trading Fund											
3	Signature Bonus											
4	Sale of Geophysical data											
5	Technology Bonus											
6	Extension Fees											
	TOTAL											

DETAILS OF RECONCILIATION

COMPANY'S NAME: CLUFF GOLD (SL) LIMITED

TIN: 1005704-8

REPORTING PERIOD: 2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved	
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	Over	under
MINING												
1	Mining Licence		255,256		255,256	255,256		255,256	255,256.00	255,256	0.00	
2	Exploration Licence		31,120		31,120	31,120		31,120	31,120.00	31,120	0.00	
3	Royalty				0.00			0	0.00	0	0.00	
4	Export duty for Diamonds				0.00			0	0.00	0	0.00	
5	Corporate Tax				0.00			0	0.00	0	0.00	
6	Diamond Exporter's License fee				0.00			0	0.00	0	0.00	
7	Environmental Impact Assessment License		185,580		185,580	185,570		185,570.00	185,580.00	185,570	10.00	
8	Environmental Impact Assessment Monitoring Fees		24,125		24,125.00	24,115		24,115.00	24,125.00	24,115	10.00	
9	Surface Rent*		37,238		37,238.00	37,238		37,238	37,238.00	37,238	0.00	
10	Agricultural Development Fund				0.00			0	0.00	0	0.00	
11	Community Development Fund				0.00			0	0.00	0	0.00	
	TOTAL		533,319	0	533,319	533,299	0	533,299	533,319	533,299	20	
OIL & GAS												
1	Surface Rent											
2	Trading Fund											
3	Signature Bonus											
4	Sale of Geophysical data											
5	Technology Bonus											
6	Extension Fees											
	TOTAL											

SLEITI 2013 RECONCILIATION

DETAILS OF RECONCILIATION

COMPANY'S NAME: KINGHO INVESTMENT COMPANY LIMITED
TIN: 1013683-0
REPORTING PERIOD: 2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved	
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	Over	Under
	MINING											
1	Mining Licence				-	227,417		227,417	-	227,417	(227,417)	
2	Exploration Licence				-			-	-	-	-	
3	Royalty				-			-	-	-	-	
4	Export duty for Diamonds				-			-	-	-	-	
5	Corporate Tax				-			-	-	-	-	
6	Diamond Exporter's License fee				-			-	-	-	-	
7	Environmental Impact Assessment License				-	22,740		22,740	-	22,740	(22,740)	
8	Environmental Impact Assessment Monitoring Fees				-			-	-	-	-	
9	Surface Rent				-			-	-	-	-	
10	Agricultural Development Fund				-			-	-	-	-	
11	Community Development Fund				-			-	-	-	-	
	TOTAL				-	250,157	-	250,157	-	250,157	(250,157)	
	OIL & GAS											
1	Surface Rent											
2	Trading Fund											
3	Signature Bonus											
4	Sale of Geophysical data											
5	Technology Bonus											
6	Extension Fees											
	TOTAL											

DETAILS OF RECONCILIATION

COMPANY'S NAME: SHAWKE B. SHOUR
TIN: 1020041-5
REPORTING PERIOD: 2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unres
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	Over
	MINING										
1	Mining Licence				0			0	0	0	0
2	Exploration Licence				0			0	0	0	0
3	Royalty				0			0	0	0	0
4	Export duty for Diamonds		169,881		169,881	169,881		169,881	169,881	169,881	0
5	Corporate Tax		16,987		16,987	16,988		16,988	16,987	16,988	0
6	Diamond Exporter's License fee		35,000		35,000	35,000		35,000	35,000	35,000	0
7	Environmental Impact Assessment License				0			0	0	0	0
8	Environmental Impact Assessment Monitoring Fees				0			0	0	0	0
9	Surface Rent				0			0	0	0	0
10	Agricultural Development Fund				0			0	0	0	0
11	Community Development Fund				0			0	0	0	0
	TOTAL		221,868	0	221,868	221,869	0	221,869	221,868	221,869	0
	OIL & GAS										
1	Surface Rent										
2	Trading Fund										
3	Signature Bonus										
4	Sale of Geophysical data										
5	Technology Bonus										
6	Extension Fees										
	TOTAL										

SLEITI 2013 RECONCILIATION

DETAILS OF RECONCILIATION

COMPANY'S NAME: WEST AFRICA ZIRCON MINING (SL)LIMITED
1016411-2
REPORTING PERIOD: 2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved	
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	over	Under
MINING												
1	Mining Licence				0	2500		2500	0	2500	(2,500)	(2,500)
2	Exploration Licence				0			0	0	0	0	0
3	Royalty		52,657		52,657	70,251		70,251	52657	70,251	(17,594)	(17,594)
4	Export duty for Diamonds				0			0	0	0	0	0
5	Corporate Tax		5,756		5,756			0	5756	0	5,756	5,756
6	Diamond Exporter's License fee				0			0	0	0	0	0
7	Environmental Impact Assessment License		69,411		69,411	79,311		79311	69411	79311	(9,900)	(9,900)
8	Environmental Impact Assessment Monitoring Fees				0	8,975		8975	0	8975	(8,975)	(8,975)
9	Surface Rent				0			0	0	0	0	0
10	Agricultural Development Fund				0			0	0	0	0	0
11	Community Development Fund				0			0	0	0	0	0
	TOTAL		127,824	0	127,824	161,037	0	161,037	127,824	161,037	(33,213)	(33,213)
OIL & GAS												
1	Surface Rent				0							
2	Trading Fund				0							
3	Signature Bonus				0							
4	Sale of Geophysical data				0							
5	Technology Bonus				0							
6	Extension Fees				0							
	TOTAL											

DETAILS OF RECONCILIATION

COMPANY'S NAME: RIMCO MINING COMPANY(SL) LIMITED
1023345-0
REPORTING PERIOD: 2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved	Unresolved
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	Over	(under)
MINING												
1	Mining Licence		126,271	30,573	156,844	156,844		156,844	156,844	156,844		0.00
2	Exploration Licence				0			0	0	0		0.00
3	Royalty				0			0	0	0		0.00
4	Export duty for Diamonds				0			0	0	0		0.00
5	Corporate Tax				0			0	0	0		0.00
6	Diamond Exporter's License fee				0			0	0	0		0.00
7	Environmental Impact Assessment License				0			0	0	0		0.00
8	Environmental Impact Assessment Monitoring Fees				0			0	0	0		0.00
9	Surface Rent				0			0	0	0		0.00
10	Agricultural Development Fund				0			0	0	0		0.00
11	Community Development Fund				0			0	0	0		0.00
	TOTAL		126,271	30,573.00	156,844	156,844	0.00	156,844	156,844.00	156,844		0.00
OIL & GAS												
1	Surface Rent											
2	Trading Fund											
3	Signature Bonus											
4	Sale of Geophysical data											
5	Technology Bonus											
6	Extension Fees											
	TOTAL											

SLEITI 2013 RECONCILIATION

DETAILS OF RECONCILIATION

COMPANY'S NAME: ANADARKO

TIN:

REPORTING PERIOD: 2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved	
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	Over	under
MINING												
1	Mining Licence											
2	Exploration Licence											
3	Royalty											
4	Export duty for Diamonds											
5	Corporate Tax											
6	Diamond Exporter's License fee											
7	Environmental Impact Assessment License											
8	Environmental Impact Assessment Monitoring Fees											
9	Surface Rent											
10	Agricultural Development Fund											
11	Community Development Fund											
	TOTAL											
OIL & GAS												
1	Surface Rent		432,905		432,905	432,850		432,850	432,905	432,850	55	
2	Training Fund		250,000		250,000	249,995		249,995	250,000	249,995	5	
3	Signature Bonus				0			0	0	0	0	
4	Sale of Geophysical data				0			0	0	0	0	
5	Technology Bonus				0			0	0	0	0	
6	Extension Fees				0			0	0	0	0	
7	Environmental Impact Assessment License		65,100		65,100	65,090		65,090	65,100	65,090	10	
8	Environmental Impact Assessment Monitoring Fees		8,463		8,463	8,453		8,453	8,463	8,453	10	
	TOTAL		756,468	0	756,468	756,388	0	756,388	756,468	756,388	80	

DETAILS OF RECONCILIATION

COMPANY'S NAME: EUROPEAN HYDROCARBON

TIN:

REPORTING PERIOD: 2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved	
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	Over	(Under)
MINING												
1	Mining Licence											
2	Exploration Licence											
3	Royalty											
4	Export duty for Diamonds											
5	Corporate Tax											
6	Diamond Exporter's License fee											
7	Environmental Impact Assessment License											
8	Environmental Impact Assessment Monitoring Fees											
9	Surface Rent											
10	Agricultural Development Fund											
11	Community Development Fund											
	TOTAL											
OIL & GAS												
1	Surface Rent		47,801		47,801	47,706		47,706	47,801	47,706	95	
2	Training Fund				0			-	-	-	-	
3	Signature Bonus				0			-	-	-	-	
4	Sale of Geophysical data				0			-	-	-	-	
5	Technology Bonus				0			-	-	-	-	
6	Extension Fees				0			-	-	-	-	
7	Environmental Impact Assessment License				0			-	-	-	-	
8	Environmental Impact Assessment Monitoring Fees				0			-	-	-	-	
	TOTAL	-	47,801	-	47,801	47,706	-	47,706	47,801	47,706	95	-

SLEITI 2013 RECONCILIATION

DETAILS OF RECONCILIATION

COMPANY'S NAME: LUKOIL

TIN:

REPORTING PERIOD: 2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved	
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	Over	under
MINING												
1	Mining Licence											
2	Exploration Licence											
3	Royalty											
4	Export duty for Diamonds											
5	Corporate Tax											
6	Diamond Exporter's License fee											
7	Environmental Impact Assessment License											
8	Environmental Impact Assessment Monitoring Fees											
9	Surface Rent											
10	Agricultural Development Fund											
11	Community Development Fund											
	TOTAL		0	0	0	-	0	0	0	0	0	0
OIL & GAS												
1	Surface Rent			255,246	255,246	255,246		255,246	255,246	255,246	-	
2	Training Fund		156,032	10,585	166,617	166,617		166,617	166,617	166,617	-	
3	Signature Bonus				0			-	-	-	-	
4	Sale of Geophysical data				0			-	-	-	-	
5	Technology Bonus				0			-	-	-	-	
6	Extension Fees		500,000		500,000	499,995		499,995	500,000	499,995	5	
7	Environmental Impact Assessment License			123,375	123,375	123,375		123,375	123,375	123,375	-	
8	Environmental Impact Assessment Monitoring Fees			16,039	16,039	16,039		16,039	16,039	16,039	-	
	TOTAL	-	656,032	405,245	1,061,277	1,061,272	-	1,061,272	1,061,277	1,061,272	5	-

DETAILS OF RECONCILIATION

COMPANY'S NAME: TALISMAN

TIN:

REPORTING PERIOD:2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved	
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	Over	(Under)
MINING												
1	Mining Licence											
2	Exploration Licence											
3	Royalty											
4	Export duty for Diamonds											
5	Corporate Tax											
6	Diamond Exporter's License fee											
7	Environmental Impact Assessment License											
8	Environmental Impact Assessment Monitoring Fees											
9	Surface Rent											
10	Agricultural Development Fund											
11	Community Development Fund											
	TOTAL											
OIL & GAS												
1	Surface Rent				0	31,919		31,919	0	31,919	(31,919)	
2	Training Fund				0			-	0	-		
3	Signature Bonus				0			-	0	-		
4	Sale of Geophysical data				0			-	0	-		
5	Technology Bonus				0			-	0	-		
6	Extension Fees				0			-	0	-		
7	Environmental Impact Assessment License				0			-	0	-		
8	Environmental Impact Assessment Monitoring Fees				0			-	0	-		
	TOTAL		-	-	-	31,919	-	31,919	-	31,919	(31,919)	-

SLEITI 2013 RECONCILIATION

DETAILS OF RECONCILIATION

COMPANY'S NAME: AFRICAN PETROLEUM

TIN:

REPORTING PERIOD: 2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved	
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	Over	(Under)
MINING												
1	Mining Licence											
2	Exploration Licence											
3	Royalty											
4	Export duty for Diamonds											
5	Corporate Tax											
6	Diamond Exporter's License fee											
7	Environmental Impact Assessment License											
8	Environmental Impact Assessment Monitoring Fees											
9	Surface Rent											
10	Agricultural Development Fund											
11	Community Development Fund											
	TOTAL		0	0	0	0	0	0	0	0	0	0
OIL & GAS												
1	Surface Rent		79,800		79800	79,800		79,800	79800	79,800	-	
2	Training Fund		200,000		200,000	199,995		199,995	200000	199,995	5	
3	Signature Bonus				0			-	0	-	-	
4	Sale of Geophysical data				0			-	0	-	-	
5	Technology Bonus		500,000		500000	500,000		500,000	500000	500,000	-	
6	Extension Fees				0			-	0	-	-	
7	Environmental Impact Assessment License				0			-	0	-	-	
8	Environmental Impact Assessment Monitoring Fees				0			-	0	-	-	
	TOTAL		779,800	-	779,800	779,795	-	779,795	779,800	779,795	5	-

DETAILS OF RECONCILIATION

COMPANY'S NAME: MINEXCO

TIN:

REPORTING PERIOD: 2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved	
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	Over	(under)
MINING												
1	Mining Licence											
2	Exploration Licence											
3	Royalty											
4	Export duty for Diamonds											
5	Corporate Tax											
6	Diamond Exporter's License fee											
7	Environmental Impact Assessment License											
8	Environmental Impact Assessment Monitoring Fees											
9	Surface Rent											
10	Agricultural Development Fund											
11	Community Development Fund											
	TOTAL											
OIL & GAS												
1	Surface Rent		139,600		139,600	139,600		139,600	139600	139,600	-	
2	Training Fund		200,083		200,083	200,183		200,183	200083	200,183	(100)	
3	Signature Bonus				0			-	0	-	-	
4	Sale of Geophysical data				0			-	0	-	-	
5	Technology Bonus		150,000		150000	150,000		150,000	150000	150,000	-	
6	Extension Fees				0			-	0	-	-	
7	Environmental Impact Assessment License				0			-	0	-	-	
8	Environmental Impact Assessment Monitoring Fees				0			-	0	-	-	
	TOTAL		489,683	-	489,683	489,783	-	489,783	489,683	489,783	(100)	-

SLEITI 2013 RECONCILIATION

DETAILS OF RECONCILIATION

COMPANY'S NAME: SL EXPLORATION

TIN:

REPORTING PERIOD: 2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved	
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	Over	(under)
MINING												
1	Mining Licence											
2	Exploration Licence											
3	Royalty											
4	Export duty for Diamonds											
5	Corporate Tax											
6	Diamond Exporter's License fee											
7	Environmental Impact Assessment License											
8	Environmental Impact Assessment Monitoring Fees											
9	Surface Rent											
10	Agricultural Development Fund											
11	Community Development Fund											
	TOTAL		0	0	0	0	0	0	0	0	0	0
OIL & GAS												
1	Surface Rent				0	171,080		171,080	0	171,080	(171,080)	
2	Training Fund				0	399,945		399,945	0	399,945	(399,945)	
3	Signature Bonus				0	2,000,000		2,000,000	0	2,000,000	(2,000,000)	
4	Sale of Geophysical data				0			-	0	-	-	
5	Technology Bonus				0			-	0	-	-	
6	Extension Fees				0			-	0	-	-	
	Environmental Impact Assessment License				0			-	0	-	-	
	Environmental Impact Assessment Monitoring Fees				0			-	0	-	-	
	TOTAL		0	0	0	2,571,025	0	2,571,025	0	2,571,025	(2,571,025)	0

DETAILS OF RECONCILIATION

COMPANY'S NAME: A-Z PETROLEUM

TIN:

REPORTING PERIOD: 2013

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	Over
MINING											
1	Mining Licence										
2	Exploration Licence										
3	Royalty										
4	Export duty for Diamonds										
5	Corporate Tax										
6	Diamond Exporter's License fee										
7	Environmental Impact Assessment License										
8	Environmental Impact Assessment Monitoring Fees										
9	Surface Rent										
10	Agricultural Development Fund										
11	Community Development Fund										
	TOTAL										
OIL & GAS											
1	Surface Rent		157,120		157,120	157,120		157,120	157,120	157,120	-
2	Training Fund		400,000		400,000	400,000		400,000	400,000	400,000	
3	Signature Bonus		6,000,000		6,000,000	6,000,000		6,000,000	6,000,000	6,000,000	
4	Sale of Geophysical data				0			-	0	-	
5	Technology Bonus				0			-	0	-	
6	Extension Fees				0			-	0	-	
7	Environmental Impact Assessment License				0			-	0	-	
8	Environmental Impact Assessment Monitoring Fees				0			-	0	-	
	TOTAL		6,557,120	-	6,557,120	6,557,120	-	6,557,120	6,557,120	6,557,120	-

APPENDIX 3: DETAILS OF 2013 COMPANY PAYMENTS

Name of Company/Payee	Amount	% Total	Cumulative Wt
AFRICAN MINERALS LTD	13,509,036.19	30.30	30.3
London Mining (SL) Ltd	9,999,852.52	22.43	52.73
KOIDU HOLDINGS LTD.	7,340,326.81	16.46	69.19
SIERRA RUTILE LTD	4,965,211.40	11.14	80.32
HM DIAMONDS	1,485,967.70	3.33	83.65
Sierra Minerals Holding	735,293.85	1.65	85.30
Nimini Holding Ltd	646,231.41	1.45	86.75
KASSIM BASMA	422,163.64	0.95	87.70
METAL EXPLORATION(SL) LTD.	290,710.26	0.65	88.35
KINGHO INVESTMENT	250,173.15	0.56	88.91
SHAWKE B. SHOUR	246,350.86	0.55	89.47
Cape Lambert Resources Ltd	217,329.00	0.49	89.95
Cluff Gold S/L	209,685.04	0.47	90.42
West Africa Zircon Mining SL Ltd	179,092.10	0.40	90.82
RIMCO MINING CO. SL. LTD.	156,059.84	0.35	91.17
LION STONE SL. LTD.	148,379.65	0.33	91.51
DANASHA GEM (SL) LIMITED	136,324.25	0.31	91.81
UNIVERSAL GOLD MINING & EXPLORATION	136,077.26	0.31	92.12
Koidu Limited	126,437.00	0.28	92.40
MURRAY INVESTMENT CO. SL. LTD.	125,442.23	0.28	92.68
BADR JEWELLERY SL. LTD.	116,684.90	0.26	92.94

