

## SI EITI RECONCILIATION FOR 2015 FISCAL YEAR

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**Solomon Islands Extractive Industries Transparency Initiative, National Secretariat  
Office**

**May 2017**



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This report has been prepared at the request of the SI EITI MSG according to requirements set out in the contract of engagement. The views expressed in the report are those of the Independent Reconcilers and in no way reflect the official opinion of MSG.

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## LIST OF ABBREVIATIONS

CBSI	Central Bank of the Solomon Islands
CED	Customs and Exercise Division
EITI	Extractive Industries Transparency Initiative
GRML	Gold Ridge Mining Limited
MCIL	Ministry of Commerce, Industries, Labour and Immigration
MMA	Mines and Minerals Act
MPGIS	Ministry of Provincial Government & Institutional Strengthening
MMERE	Ministry of Mines, Energy and Rural Electrification
MoFT	Ministry of Finance & Treasury
MSG	Multi-Stakeholder Group
NSG	National-Stakeholder Working Group
Oz	Ounce
SBD	Solomon Islands Dollar
SI	Solomon Islands
SIEINSG	Solomon Islands Extractive Industries National Stakeholder Group
SIEITI	Solomon Islands Extractive Industries Transparency Initiative
SIG	Solomon Islands Government
SINPF	Solomon Islands National Provident Fund
ToR	Terms of Reference
USD	United States Dollar

# 1 INTRODUCTION

## 1.1 Background

The Solomon Islands Extractive Industries (SIEITI) first Reconciliation Reports was published in June 2014. This was 2 years after the Solomon Islands gained her candidacy status under the Extractive Industries Transparency Initiative (EITI) in 2012. The Report covers 2012 and 2013 fiscal years and was compiled by Moore Stephens-Independent Administrator. A Supplementary Report was done by GBusiness Consultancy Services Solomon Islands in 2015 to address some issues identified in the 2012 and 2013 Reports communicated to the NSG by the EITI International Secretariat. The GBusiness Consultancy Services was then re-engaged to compile the SI EITI Reconciliation Report for 2014 under the supervision of the Solomon Islands National Stakeholders Group (NSG) and in consultation with the Solomon Islands EITI National Secretariat Office in Honiara. The Report was published in October 2015.

The SI EITI Reconciliation Report for 2015 fiscal year is compile by SI EITI National Secretariat Office. This is in accordance to the NSG decision on the 1<sup>st</sup> July 2016 and the ToR endorse by the NSG. The Report will only reporting revenues received by the Government from Extractive Industries (unilateral reporting). The NSG has endorse five Government Ministries and Agents to participate in reporting. This Report contains data and information on revenue from extractive companies received by the government agencies including Provincial Governments for 2015 fiscal year.

The report also contains findings by the Solomon Islands EITI National Secretariat on data and information that form the basis of the processes and systems in companies, Government Agencies, and related entities that contribute to reporting and dialogue between all participants and players in the extractive sector in the country. Compilation of this report is supported by the Solomon Islands EITI National Stakeholders Groups under the leadership of the Undersecretary of Ministry of Finance & Treasury, and National Coordinator, Mckinnie P Dentana, and assistance of the Secretariat Officers.

This Report is prepared according to the EITI Standard (2016) and as agreed on by the NSG members on 1<sup>st</sup> July 2016. It is prepared for the Solomon Islands Extractive Industries Transparency Initiative National Stakeholders Initiative Group (SIEITINSG) the body mandated to oversee this initiative in Solomon Islands.

## 1.2 Objective

The purpose of the 2015 Reconciliation Report is to report revenues, data and information provided by companies in the extractive sector (hereafter referred to as ‘Companies’) to the relevant Government Ministries and Agencies (hereafter referred to as ‘Agencies’).

The overall objective is to help the Government of Solomon Islands to identify the contributions that mineral resources are making to economic and social development of the Country. This includes recognising the potential, and to realise their potential through improved resource governance and policy-making derived from the adoption and implementation of the principles and criteria of the Extractive Industries Transparency Initiative (EITI).

## 1.3 Nature and Extent of Work

The Reconciliation Report (‘Engagement’) was undertaken in accordance with the International Standard on Related Services and based upon approved procedures for the engagement. The procedures performed were those set out in the terms of reference as approved by the SIEITINSG on 1<sup>st</sup> July 2016.

The nature of this report requires us to do a full reconciliation report and report them in the findings. However, through the course of our work, we have uncovered that due to no mining production activities for Solomon Islands, we have agreed to report our findings unilaterally. Our work also does not include an audit of the Reconciliation Report, but where issues arise during data collection and interviews with companies, government agencies and related entities that are deemed relevant and necessary for inclusion in the reconciliation such information or data shall be included in this report.

The report provides a brief background, objective, nature and scope, methodology and approach to undertaking the review of the reconciliation report and related processes. It then provides details of our findings and recommendations for improvement and the way forward for the reconciliation process.

Our report incorporates data and information received up to 30<sup>th</sup> December 2015. Any information received after this date is not therefore included in our report. For the purpose of consistency, where necessary and relevant we will adopt data and extract information from the 2014 report for inclusion into parts of this report.

## 2. EXECUTIVE SUMMARY

This is the Solomon Islands 4<sup>th</sup> Extractive Industries Transparency Initiative (EITI) report after she gained the candidacy status of EITI in 2012. Solomon Islands has been validated in 2016 which the EITI Board overall assessment finds Solomon Islands made inadequate progress against the EITI implementation and recommended some corrective actions to be considered by March 2018.

As according the EITI standard and terms of reference the report was done with guidance of the guidance of the Solomon Islands EITI Multi- Stakeholders. The report covers calendar year of 2015, and encompasses small scale mining and prospecting companies.

### 2.1. Companies with Mining Leases.

Solomon Islands is highly prospective for a wide range of minerals including base and precious metals. Its mineral resources are found both on land and offshore.

Mining in Solomon Islands is believed to be commenced in 1930s. At the reporting period mineral explorations are active in many parts of the country, positive economic experiences has been gained with gold mining (at Gold Ridge), and the mineral sector shows a promising future in contributing to sustainable development of the Solomon Islands.

During the reporting period, there a 4 mining companies with valid mining licences in Solomon Islands. Table below shows mining production companies in in Solomon Islands.

*Fig 1. Companies with mining lease licences in Solomon Islands (source: Mines Division, MMERE)*

No.	Company Name	License number	Province	Project Area Name	Exploration Update	Total Surface (km <sup>2</sup> )	ML Issued Date	ML Expiry Date	Prospect ed/Mined Minerals	Exploration Status
1	Gold Ridge Mining Ltd (GRML)	ML 01/1997	Guadalcanal	Gold Ridge Area	Hard Rock mining	30	20 <sup>th</sup> February 2007	12 <sup>th</sup> March 2022	Gold, copper & other minerals	Under-going refurbishment.
2	Asia Pacific Investment Development Ltd	ML 01/14	Rennell	West Rennell	Mine Development		5th September 2014	5th September 2039	Bauxite	Valid
3	Worldlink Resources Ltd	ML 03/15	Rennell	Bughalimega Land	Mine Development	21	11th March 2015	11th March 2025	Bauxite	Valid
4	Solomon Bauxite Ltd	ML	Choiseul	Vaghena Island	Mine Development					Valid

The Government Ministry of Mines, Energy and Rural Electrification has informed us that Asia Pacific Investment Development is contracting the Bintan Mining Company to operate the bauxite extraction in the Rennell Island and the actual production commenced in 2015. The World Link Resource mining company has issued a mining licence by the Minister on the recommendation of the National mineral Board in 2015, however could not commenced exporting of the bauxite ore until 2016.

The mineral board has recommend issuing of the mining licences to the Solomon Bauxite Company in 2015 and the company is yet to the started operating in Choiseul Islands to

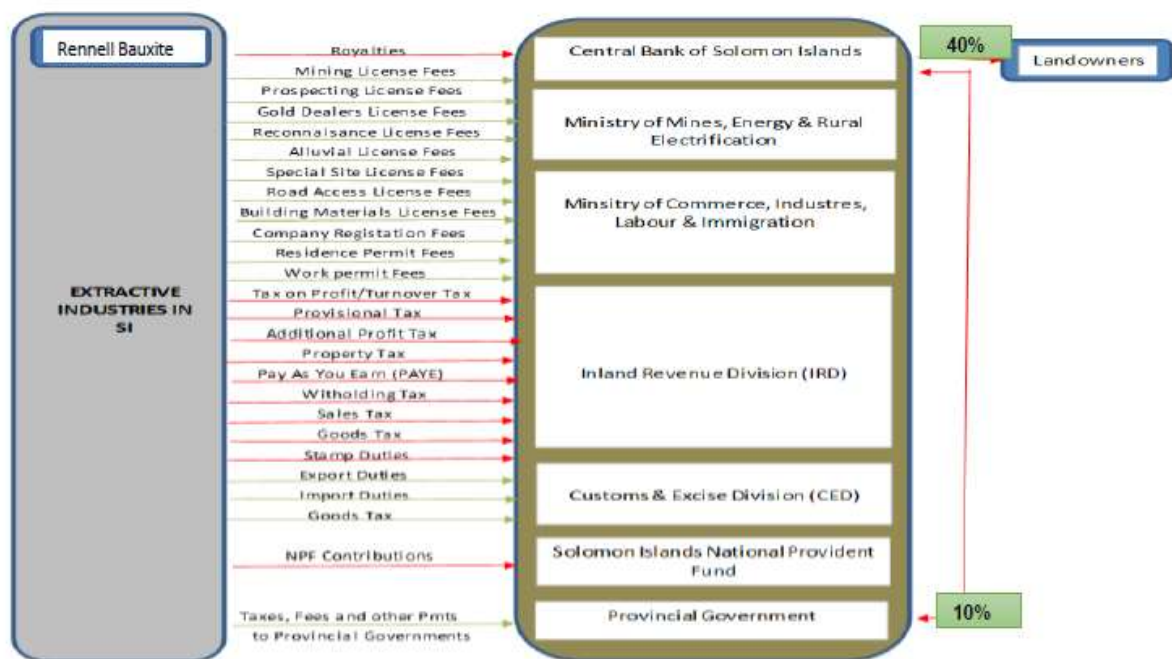
date. The Gold Ridge Mine has undergone a transitional stage and actual work may have started in 2018.

## 2.2. Companies with Prospecting Licence

There are a total of 22 prospecting mining companies. Two onshore and 20 offshore. Nautilus ceased operation in the Solomon Islands and left their tenement areas. Blues Water Metals is conducting prospecting activities in Temotu province including Choiseul seas. The prospecting activities in the Solomon Islands are estimated to be covering a total of land mass

The list of companies with prospecting licences is provided on pages 23-25 of this report.

FIG 2: Summary of the flow of the mining Revenue stream.



## 3. Mining production data

Based on the visits and consultation with relevant authorities, we find out that Bintan Mining Company is the only company exporting minerals out of Solomon Islands in 2015. The company has been exporting Bauxite ore from the Rennell & Bellona Province. According to the data obtained from the Ministry of Mines, Energy and Rural Electrification, the company has exported a total of 3,88,643 wet metric tonnes, and after processing, a total of 273,850 dry metric tonnes is produced.

FIG 3: The table below shows the Bintan Mining Company production for 2015.

BINTAN MINING SI LIMITED									
Export Duty (based on 20%)									
Shipments : BMC321 - BMC334									
Port of Loading:Rennel Islands									
Shipment	Name of Buyer	Date of Shipment	Mother Vessel	Proceeds	Port of Discharge	AL203 (%)	Wet Metric T on (WMT)	Moisture %	Dry Metric Ton (DMT)
BMC321	Chiping Xinfa Huaya Alumina Co. Ltd	22/12/2014	MV Shan Feng Hai	5,855,348.99	Huanghua Port, China	49.25%	51,120	26.33%	40,829
BMC322	Shandong Hongqiao New Material Co. Ltd	25/02/2015	MV Jia Cheng Shan	5,280,601.43	Longkou, China	48.12%	55,881.00	28.87%	39,748.16
BMC323	Shandong Weiqiao Pioneering Group Co. Ltd	1/04/2015	MV Jia Xin Shan	5,893,265.66	Longkou, China	49.02%	55,968.00	28.57%	39,978.64
BMC324	Shandong Binbei New Material Company Ltd.	8/05/2015	MV Jia Cheng Shan	5,702,830.88	Yantai, China	47.28%	56,907.00	30.88%	39,334.12
BMC325	Shandong Binbei New Material Company Ltd.	30/06/2015	MV Yuen Dian	5,165,922.60	Longkou, China	47.56%	50,756.00	31.12%	34,960.74
BMC326	Chalco Qingdao International Trading Co. Ltd.	24/11/2015	MV Bao He Ling	4,886,725.04	Lianyungang Port, China	47.43%	46,211.00	30.15%	32,278.80
BMC327	Yantai Jintai International Trade Co. Ltd.	31/08/2015	MV Shun Feng 9	5,241,086.78	Longkou, China	46.12%	71,800.00	29.98%	46,720.54
<b>Total</b>							<b>388,643.00</b>	<b>205.90%</b>	<b>273,850.19</b>

### 3.1. Government Revenue

The NSG have agreed that 2015 report shall be disaggregate therefore this report shall report a total amount received by the Government as summarised by the Government Agencies. The figures are those collected from the MoFT including IRD, Customs, ministry of Commerce, labour and employment and mining of mines.

The total payments made by the extractive companies as reported by the Government Agencies is reported in the table below:

Aggregate	2015				Amount (SBD'n
	IRD (MoFT)	MoFT	MCILI(MOFT)	CED (MoFT)	Total
Aggregate	1,751,468,006	2,004,124	1,050,865	5,100,094	1,759,623,089
		-		-	-
	-				-
<b>Total</b>					<b>1,759,623,089</b>

### 3.2. Contribution to the economy

	2014	2015
<b>Recurrent(SBD '000)</b>		
Tax	2509.9	2648.3
Non Tax	315.2	547.8
<b>Total Domestic Revenue</b>	<b>2,825.10</b>	<b>3196.2</b>
Extractive Industry	4317	1759.4
% of total Revenue		49%
% Tax Revenue/Total Revenue		66%
<b>Total revenue</b>	<b>3351.3</b>	<b>3615.1</b>



### 3.3. Contribution to the Employment

In terms of employment, the extractive industry appear be contributed insignificant to the formal employment sector in Solomon Islands in compare to others sectors. Of the total of 180,265 registered employees in 2015, 326 or 0.9% are employed in the extractive sector. The contributing factor to this is reflecting the closing down of Gold Ridge Mine in early 2014.

Employment in the extractive sector for the periods from 2015 was as stated below:

<b>Employment</b>	<b>2014</b>	<b>2015</b>
<b>Total Employment</b>		180,265
Extractive Industry		326
% of Total Employment		0.90%
Contribution Value (SBD)		2,348,859.67

### 3.4. Summary of reporting template

Nos	Tax	Templates Lodged (SBD'm)			Final Results *SBD'm)		
		Company	Gov't	Diff	Company	Gov't	Diff
	<b>MMERE/MoFT/CBSI</b>				2,004,124		
1	Royalties				-		-
2	Mining License fees		1,869,738		1,869,738		
3	Prospecting License fees		80385.85		80385.85		
4	Gold Dealers License		54,000.0		54,000.0		54,000.0
5	Reconnaissance License						
6	Alluvial license fees						
7	Special site license fee				2,004,124		
8	Road Access Fee						
9	License fees						
	<b>MCILI - MoFT</b>		<b>800,300.00</b>		<b>800,300.00</b>		<b>800,300.00</b>
10	Registration fees		3400				
11	Residence permit fee						
12	Work permit fees		796900				
	<b>IRD - MoFT</b>		<b>4,286,806</b>		<b>4,286,806</b>		<b>4,286,806</b>
13	Tax on profit/Turnover		99,364.80				
14	Provisional Tax		37,500.00				
15	Additional Profit Tax						
16	Property Taxes						
17	PAYE		2,176,247				-
18	Withholding		1,928,184		1,928,184		1,928,184
19	Sales Tax						
20	Goods Tax						
21	Stamp Duties		45,510.51				
	<b>CED - MoFT</b>		<b>5,100,094</b>		<b>5,100,094</b>		<b>5,100,094</b>
22	Export Duties		4,739,358				-
23	Import Duties		114,701.50				
24	Goods Tax		246,034.40				
	<b>SINPF</b>						
25	NPF Contributions		7,712,570		7,712,570		7,712,570
	<b>Provincial Gov't</b>		<b>300,000</b>				
26	Taxes, Fees, and other payments to Provincial Gov't		300,000				-
	<b>Gov't Agencies</b>						
27	Other taxes, fees, and other payments to Gov't						
	<b>Total</b>						

### 3.5. Sub-national Transfer (Royalties)

Mines and minerals (Amendment) Act 2014 provide for royalty payment to the National Government as the receiving trusteeship for provincial government and people who own the land in which the mining lease covered. Data obtain from the Central Bank of Solomon Islands shows a total six shipment was made in 2015 by the Bintan Mining Company. According to the amended Act, 3% of the gross production shall be royalty. Of the total, 40% shall be shared to the landowner and 10% to be provincial government of the tenement area. Table below shows the royalty distribution for 2015.

<b>BINTAN MINING SI LIMITED</b>												
<b>Export Duty (based on 20%)</b>												
<b>Shipments : BMC321 - BMC332</b>												

Port of Loading:

Shipment	Name of Buyer	Date of Shipment	Mother Vessel	Proceeds	Port of Discharge	AL203 (%)	Wet Metric Ton (WMT)	Moisture %	Dry Metric Ton (DMT)	40% LO Share (Based on 6.5%)	10% Provincial Fund Share	50% SIG revenue share	TOTAL ROYALTIES
BMC321	Chiping Xinfa Huaya Alumina Co. Ltd	22/12/2014	MV Shan Feng Hai	5,855,348.99	Huanghua Port, China	49.25%	51,120	26.33%	40,829	152,239.06	38,059.77	190,298.84	380,597.67
BMC322	Shandong Hongqiao New Material Co. Ltd	25/02/2015	MV Jia Cheng Shar	5,280,601.43	Longkou, China	48.12%	55,881.00	28.87%	39,748.16	137,295.62	34,323.91	171,619.54	343,239.07
BMC323	Shandong Weiqiao Pioneering Group Co. Ltd	1/04/2015	MV Jia Xin Shan	5,893,265.66	Longkou, China	49.02%	55,968.00	28.57%	39,978.64	153,224.89	38,306.22	191,531.12	383,062.23
BMC324	Shandong Binbei New Material Company Ltd.	8/05/2015	MV Jia Cheng Shar	5,702,830.88	Yantai, China	47.28%	56,907.00	30.88%	39,334.12	148,273.60	37,068.40	185,342.01	370,684.01
BMC325	Shandong Binbei New Material Company Ltd.	30/06/2015	MV Yuen Dian	5,165,922.60	Longkou, China	47.56%	50,756.00	31.12%	34,960.74	134,313.98	33,578.50	167,892.49	335,784.97
BMC326	Chalco Qingdao International Trading Co. Ltd.	24/11/2015	MV Bao He Ling	4,886,725.04	Jiayungang Port, China	47.43%	46,211.00	30.15%	32,278.80	58,640.69	14,660.17	73,300.86	146,601.72
BMC327	Yantai Jintai International Trade Co. Ltd.	31/08/2015	MV Shun Feng 9	5,241,086.78	Longkou, China	46.12%	71,800.00	29.98%	46,720.54	62,893.04	15,723.26	78,616.31	157,232.61

### 3.6. Reliability and Credibility of data.

In order to comply this EITI standards and to ensure the credibility of data submitted, we proposed the following approach in the preparation of the 2015 EITI report:

- All Government templates must be signed by a Senior Official;
- All figures reported in the template declaration should be detailed payment by payment and date by date in the supporting schedules;

The Public Finance and Audit Act requires the preparation of the SIG financial statements on a cash basis. Chapter 2 of the Interim Financial Instructions 2015 requires that the preparation and presentation of the annual accounts must be in accordance with the IPSAS accounting standards. We have checked to ensure that that this requirement is observed by the MoFT.

## 4.0. APPROACH AND METHODOLOGY

Prior to the collection of data for the 2015 Report, reconciliation process analysis was conducted with reporting government ministries and agents and consultation was done with NSG members. Following that, a meeting was organised to seek the member's decision on the scope of the EITI report. The NSG then reviewed the reporting templates, data collection procedures and the schedule for publishing the EITI Report. We also sent written instructions to government agencies explaining how to complete and submit these reporting templates. For Provincial Governments, visits were made to the provinces that has active mining/prospecting including Isabel, Choiseul, Western, Rennell/Bellona and Guadalcanal Provinces purposely to assist with the collection of data.

### 4.1 Preliminary Analysis

In accordance with our terms of reference, we carried out consultation and reported to NSG on matters which should be considered in determining the coverage of the 2015 reconciliation, including:

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

We made regular visits and consultations with the NSG members during the period of engagement (10 August - 30 October 2016) purposely to:

- sought the number of taxpayers and the relevant Government Agencies that will involve in the exercise;
- confirm the flow of revenue from the Extractive Industries/Companies to Government Agencies;
- review the template for line Agencies, and
- identified areas in which reconciliation is feasible, i.e. where there is perfect symmetry between the paying and receiving entities, and areas in which only a unilateral disclosure by the receiving or disbursing entity is necessary.

## 4.2 Reconciliation Process

### 3.2.1. Data Gathering

The National Secretariat reviewed instructions, including reporting templates and reporting guidelines, requesting Government Agencies to report all required data in accordance with SIEITI regulations. These reporting templates were sent electronically and in hard copy to the stakeholders. The Government Agencies were required to report directly to the National Secretariat Office, to whom they were also requested to direct any questions on the reporting templates.

NSG agreed that the deadline for submitting hard and soft copies of the reporting templates and supporting schedules is 30<sup>th</sup> October 2016, however there were no submissions from some Government Ministries even after the latest deadline of 30<sup>th</sup> October 2016.

As part of our assistance we visited Isabel, Choiseul, Western, Rennell/Bellona and Guadalcanal Provinces to complete the templates. During the visits we explained the role and objectives of SIEITI and purpose of the reconciliations to the Provincial Secretaries, Treasurers and Other senior staff.

We also made several visits to the Governments Agencies in order to provide further explanation of the reporting instructions and the need and urgency to complete the templates.

### 3.2.2. Data compilation and resolution of discrepancies.

The process of compiling the data and resolving or justifying discrepancies was carried out during the months of August, September and October 2016. In carrying out the reconciliation, we performed the following procedures:

- figures reported by Government Agencies were carefully analysed item-by-item to identify and separate payments according to the different types of payment flows;
- the data reported by Government Agencies were compared to those provided by the MoFT; and
- the Government Agencies and the companies were asked to provide supporting documents and/or confirmation for any adjustment to the information provided on the original data collection templates.

For the Government Agencies, in cases where capturing data is difficult in one Ministry, we decided to take time to make comparisons of one Government Agency against another purposely to verify the figures, names of companies and type of payment flow.

### 4.3. Completeness and Accuracy of Data

A meeting on 1st August 2015, the NSG decided that due to less active mining companies operating in 2015, the report shall be unilateral-the report shall report only the revenue received by government from EI and no reconciliation on whatsoever will be done for 2015 report. The report will report revenue collected based on the list of active prospecting companies.

Due to closure of operations, St Barbara Mining Limited will not participate in the exercise, however, when necessary, data on its contributions to the economy may captured. For Provincial Governments, visits were made to Isabel, Choiseul, Western, Rennell & Bellona and Guadalcanal Provinces purposely to assist with the collection of data. The SI EITI, National Coordinator send letters and reminders to the IRD and CED to get the data for the

### 4.4. Basis of Reporting

Accordingly, any payment made prior to 1 January 2015 was excluded. The same applies to any payments made after 31 December 2015.

For the payments made in foreign currency, the reporting entities were required to report in the currency of payment. The payments made in US Dollars have been converted to SBD at the rate of USD 1: SBD 7.50<sup>1</sup>

### 4.5. Challenges and Limitations.

- i. We have made consultations with Government Agencies and few Extractive Companies and it was revealed that some companies and Provincial Governments are finding it difficult to complete the templates.

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- ii. For small mining companies and dealers who are required to provide unilateral disclosures, we were unable to contact most companies since we were unable to get their contact addresses or telephones from the MMERE.

## Introduction.

### 5.0. Solomon Islands Extractive Industries Transparency Initiative

The Solomon Islands Government through cabinet agreed to implement EITI in 2011. The then Minister for Finance and Treasury at that time was appointed as SI EITI Champion in July 2011. In January 2012, the Government publicly announced the formation of National-Stakeholder Group (NSG) (Government, Companies & Civil Societies) to oversee the implementation of EITI. The first NSG meeting was conducted in February 2012 and resolved that the NSG formulate the 2012-2015 work plan and budget, establish an MOU to govern the operation of the NSG. The NSG finalized the work plan, budget & MOU in May 2012. On 28 June 2012, Solomon Islands was admitted as EITI candidacy country

#### 5.1.1 Mining Sector of Solomon Islands

The mining industry in Solomon Islands is in its infant stage of development. While there is potential for the industry, the closure of Gold Ridge Mine Limited (GRML) has affected government finance and export earnings. The company has decided to suspend its operations in August 2014 as a result of ongoing dispute with landowners which disrupted operations. The closing down of company operations later in the year has resulted in a substantial decrease in minerals exports adversely affecting the country's economic export revenue, employment but most importantly advancement of the mineral sector in the country.

The lengthy litigation between Axiom Mining Limited and SMM Solomon Limited also affected the mining activities on Isabel. The extraction of nickel on Isabel by Axiom was halted in 2014 when the two companies fought a court battle for the rights to do exploration in San Jorge, Isabel Province. Axiom was given the legal rights to do exploration but an appeal to the high court casts doubt over any proposed mining activity in the future. Estimates put the life of any mining operations at around 30 years and would be the country's largest mining company, a big revenue earner for the country which should create more jobs for people in Solomon Islands.

At the time of reporting, Bintan mining company and the World link Resources are the mining production company in the Solomon Islands, However, World link Resources did not start production until 2016. Other potential mineral deposit sites have been identified in Guadalcanal, Isabel, Choiseul, Temotu and Western Provinces.



Mining could have contributed significantly to the Solomon Islands' economic development if plans are put in place for investing the proceeds in basic services and community development. This includes strengthening the current legislative framework and policies that govern management and regulation of the mineral sector.

## Chapter 1: MSG Oversight

### 1.1. Government engagement (#1.1)

The Government of Solomon Islands has agreed to implement EITI through a cabinet decision in 2011 and actual implementation of EITI commenced in 2012 with grant support from the World Bank. In 2015, Government has made the following commitments. That the Prime Minister, Hon. Manasseh Damukana Sogavare in a speech to celebrate our country national independence day in 2015 has announced the Government commitment to working on the Solomon Islands EITI chapter, appropriate budget for operation of SI EITI when the World Bank Grant supports ends in 2015 and inclusion of the EITI reporting requirements in the draft National Mineral Policy which currently before our Cabinet for endorsement.

The National Stakeholders Group is actively functioning with Companies (Axiom & Sumitomo) are actively engaging in EITI process by attend SI EITI meetings, workshops and other activities.

### 1.2. Industry engagement (#1.2)

Other Extractive Industries in the Solomon Islands did expressed support to participate on the EITI process, however requested more information about the EITI in order to make informed decision to participate. We have consulted production companies in 2015, they expressed as transparency and accountability is a priority responsibility of their company.

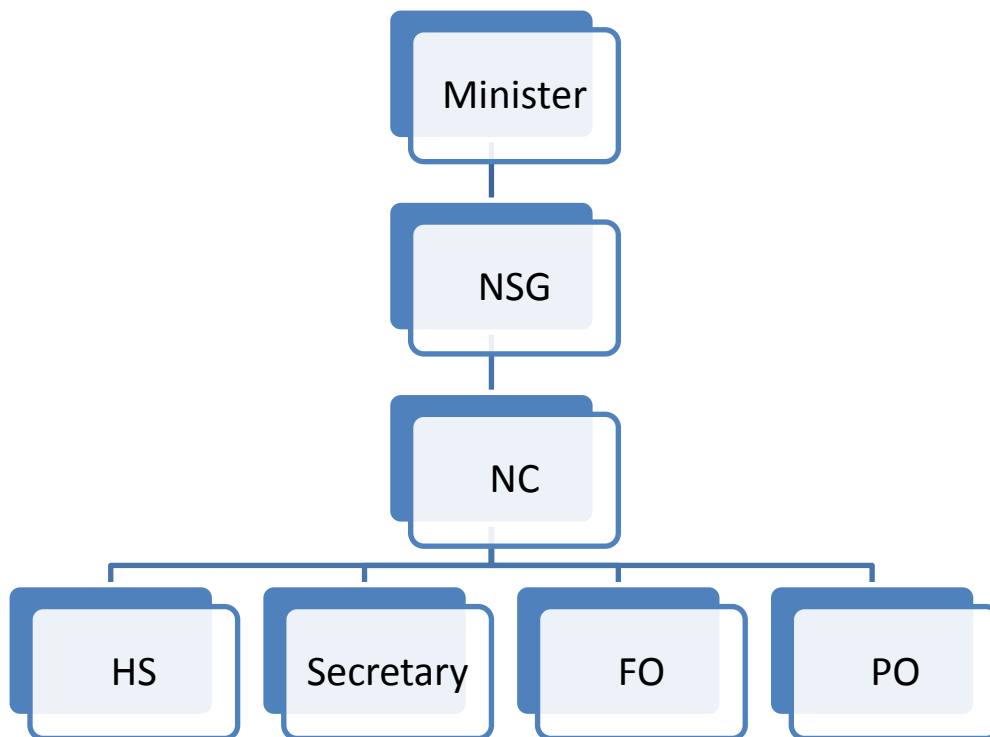
At the time of reporting, the Axiom KB Mining Limited and SMM Solomon Limited were only our active participants of SI EITI. Both have expressed a challenge with companies' decision makers whom base at companies Headquarters overseas from them not comply with data discloser as requested by the SI EITI and due mainly to them being prospecting companies.

### 1.3. Civil society engagement (#1.3)

Member of the CSOs groups are active in SI EITI process. In 2015 there are total of 6 CSOs member in the NSG and they are being active in the EITI process.

### 1.4. MSG governance (#1.4)

The Solomon Islands EITI governance is founded on the NSG MOU established in 2012. At the time of reporting it is unclear if the Minister for the Ministry of Finances & Treasury is the champion of EITI inheriting the role from his former colleague ministers. However, SI EITI has an active and senior government official as the National Coordinator and a NSG members. The NSG has lead the SI EITI to continue operating to date. Below is the Governance structure of the SI EITI.



SI EITI is active in both contribution and inputs to the new Solomon Islands National Mineral policy which result EITI reporting requirements is covered in the policy. This will resolved many challenges we faced. This year (2017) we aimed to support reform on the current Mining Laws here in Solomon Islands. The NSG has been holding continues consultation with various Government agencies to gain government support and aligned EITI to national priorities. We have published our Beneficiary Ownership Road Map, this will be followed by an Open Data Policy will followed later. We are conducting stakeholder consultations on that document.

#### 1.5. Work plan (#1.5)

The NSG members have held a meeting the 21 March 2015 which they endorsed the 2015 work plan .The work plan has the following goals that are related to the national priorities:

1. SI EITI implementation barriers removed and reporting entities comply with EITI reporting requirements and National Secretariat and NSG strengthen to implement EITI work plans
2. Solomon Islands meet EITI Standard to deliver sustainable, transparent and accountable natural resource management
3. . Increase awareness of stakeholders and the public by disseminating reports and holding community outreach campaign.

4. Build stakeholder capacity to implement, monitor and participate in EITI—including SIEITI governance capacity. Enhance government capacity to implement and civil society (including women) capacity to participate

## Chapter 2: Licences and Contract

### 2.0. Legal framework (#2.1)

#### 2.1. Legal Context

The country's Mineral Policy is subject to the Mines and Minerals Act 1996 and the Mines Mineral (Amendment) Regulation 1999. These legislations create a centralised regulatory framework for mining in the Solomon Islands. The three main stages of the mining sector are: reconnaissance, prospecting and mining. The Mines and Minerals Act and Regulations is aimed at making sure that mining is properly regulated in order to safeguard resources and ensure proper utilization of extractive resources to maximise revenue, and other benefits for the benefit of the country and people.

#### 2.2. Licensing

The three types of licence available to large-scale operators are:

Reconnaissance Permits:

Reconnaissance is the first stage in the mining process, for which a company must obtain a Reconnaissance Permit from the government. A company with a Reconnaissance Permit is only allowed to take photos and small samples from rocks on the surface of the ground. A Reconnaissance Permit does not allow the use of machinery to drill holes or dig trenches in the ground. A Reconnaissance Permit lasts for one year and can be renewed for one additional year.

##### 2.2.1. Prospecting Licence

Prospection is the second stage in the mining process. A Prospecting Licence holder is allowed to use machinery to drill holes and dig trenches. Prospecting may involve clearing large areas of vegetation to allow vehicles and drilling rigs onto the land. A Prospecting Licence can cover an area of up to 600 square kilometres, and is valid for three years. It can be renewed for two further two year periods.

##### 2.2.2 Mining Lease:

Mining is the third and most important stage. Prospective mining companies must get a Mining Lease from the government. Mining Leases cover a smaller area of land than Reconnaissance Permits and Prospecting Licences, but a company with a Mining Lease is likely to do much more extensive work than during the other phases. This work includes constructing roads and site clearing, extracting ore from the ground, disposing of unwanted

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

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

### 2.3. Environmental

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

The Environment Act imposes two contingencies on mineral sector developments.

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

### 2.4. Taxation

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

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

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

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

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

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

**Export duties:** Export duties are levied by virtue of the Customs and Excise Act, and apply to the export of natural resources. This can be contrasted with the export of manufactured goods, which instead are covered by the goods tax provisions set out in the Goods Tax Act. The Customs and Excise Act applies a 15% duty to the export of minerals. The MMA mandates that mining lease holders are liable to pay export duties. MMA states that the Comptroller of Customs and Excise must take into consideration the royalties paid in respect of the minerals being exported in determining the applicable export duty in a given case.

## 2.5. License allocations (#2.2)

No.	Company Name	License number	Province	Project Area Name	Exploration Update	Total Surface (km <sup>2</sup> )	ML Issued Date	ML Expiry Date	Prospected/Mineral	Exploration Status
1	Gold Ridge Mining Ltd (GRML)	ML 01/1997	Guadalcanal	Gold Ridge Area	Hard Rock mining	30	20 <sup>th</sup> February 2007	12 <sup>th</sup> March 2022	Gold, copper & other minerals	Undergoing refurbishment.
2	Asia Pacific Investment Development Ltd	ML 01/14	Rennell	West Rennell	Mine Development		5th September 2014	5th September 2039	Bauxite	Valid
3	Worldlink Resources Ltd	ML 03/15	Rennell	Bughali mega Land	Mine Development	21	11th March 2015	11th March 2025	Bauxite	Valid
4	Solomon Bauxite Ltd	ML	Choiseul	Vaghena Island	Mine Development					Valid

## 2.6. License register (#2.3)

No.	Company Name	Project Area Name	Prospecting License number & Status	PL Issued Date	Current Expiry Date	Province	Exploration Update	Total Surface area (km <sup>2</sup> )	Date of 1st Renewal	Date of 2nd Renewal	Prospected/Mined Minerals	Exploration Status	
1	Bluewater Metals (SI) Ltd	Utupua	PL 06/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	569	valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature	
		Grover	PL 07/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	598	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature	
		Starfish	PL 08/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	598	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature	
		NBAT1	PL 09/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	569	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature	
		Grover East	PL 10/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	598	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature	
		NBAT2	PL 11/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	589	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature	
		Stanton	PL 12/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	502	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature	
		NBAT3	PL 13/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	599	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature	
		Vanikoro	PL 14/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	580	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature	
		Santa Cruz East	PL 15/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	540	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature	
		Santa Cruz	PL 16/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	567	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature	
		San Cristobal East	PL 17/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	540	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature	
		San Cristobal	PL 18/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	540	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature	
Kana Keoki	PL 19/14	10th September 2014	10th September 2017	Western	Offshore Prospecting	598	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature			
2	SMM Solomon Limited	Kumboro	PL 06/05 granted extension 10/12/08	6th December 2010	6th December 2012.	Choiseul	Sub-surface Prospecting (grid drilling)	185	10th December, 2008		Nickel & Cobalt	Expired. Mining Lease Application submitted expired	
		Tenement B	PL 59/07	6th December 2012	6th December 2014	Santa Isabel	Surface Prospecting						
		Tenement D	PL 48/07	12th July 2012	12th July 2014	Santa Isabel	Surface Prospecting	115				Nickel & Cobalt	Mining Lease Application submitted
		Tenement E	PL 49/07	12th July 2012	12th July 2014	Santa Isabel	Surface Prospecting	15				Nickel & Cobalt	Mining Lease Application submitted
		Tenement D and E	LOI	12th July 2012	12th January 2013	Santa Isabel						Nickel & Cobalt	Purposely for Road Access License and Special Site Right for Tenement D&E
		Jejevo (formerly Tended Area)	PL 11/12	22nd November 2012	22nd November 2015	Santa Isabel	Surface Prospecting	36.07				Nickel & Cobalt	Mining Lease Application submitted
							19.27						

3	Solomon Resources Ltd	Mbalesuna	PL 02/11	15th February 2011	14th February 2014	Guadalcanal Province	Surface Prospecting	152			All minerals	Valid
		Mbarade	PL 01/11	11th February 2011	11th January 2014	Guadalcanal Province	Surface Prospecting	438			All minerals	Valid
4	St Barbara Mining Ltd (GRML)	Mt Vunusa	PL 02/14	12th March 2014	12th March 2017	Guadalcanal Province	Surface Prospecting	130			Gold	Valid
		Lower Vunusa	LOI	25th November 2013	25th May 2014	Guadalcanal Province	Surface Prospecting	39			Au, Cu, Ag, Pb Zn	Expired (application for extension submitted)
		Sutakiki	LOI	11th April 2013	11th April 2014	Guadalcanal Province	Surface Prospecting	43.8			Au, Cu, Ag, Pb Zn	Expired
		Central	LOI	11th April 2013	11th April 2014	Guadalcanal Province	Surface Prospecting	82			Au, Cu, Ag, Pb Zn	Expired
5	Solomon Alluvial Mining Ltd	North/Eastern of ML area	PL 76/11	8th July 2011	8th July 2014	Guadalcanal	Alluvial prospecting	152	NA	NA	Gold	Renewal not approved
6	Guadalcanal Exploration Pty Ltd	Lower Koloula	PL01/10 (Renewed)	11th April 2013	11th April 2015	Guadalcanal Province	Surface Prospecting	20				Pending Minister's Signature
		Malakuna	PL02/10 (Renewed)	11th April 2013	11th April 2015	Guadalcanal Province	Surface Prospecting	36				Pending Minister's Signature
		Koloula Extension	LOI	11th April 2013	11th October 2013	Guadalcanal Province	Surface Prospecting					Pending Minister's Signature
		Kuma	LOI	3rd August 2015	3rd February 2016	Guadalcanal Province	Surface Prospecting	80				Pending Minister's Signature
7	Axiom Mining Ltd	Hoilava and Poha	PL 01/14									Renewal pending SAA
		Kolosori	PL 74/11									Cancelled by High Court Judgement
		San Jorge (Bungusule Land)	PL 01/15	13th March 2015	13th March 2018	Isabel Province	Surface Prospecting	35.9812			Nickel & Cobalt	Valid
8	Geodynamics Savo Ltd/ Kentor Energy Pty Ltd	Whole of Savo Island	PL 01/12	30th July 2015	30th July 2017	Central Province	Geothermal Energy Prospecting	49			Geothermal Energy	Relinquished
9	Solomon Commodities Ltd	Aola-Valasi	LOI	8th July 2016	8th Jan 2017	Guadalcanal Province	License	563			All minerals	Valid
10	AU Capital Mining Pty Ltd	North West Choiseul	PL 04/13	25th November 2013	25th November 2016	Choiseul Province	Surface Prospecting	600				Expired and cancelled
		Nende Island	PL 01/16	1st December 2015	1st December 2018	Temotu Province	Surface Prospecting	447				Valid
11	Linc Corporation Ltd	Bellona	PL 01/13	21st January 2013	21st January 2016	Rennell and Bellona Province	Surface Prospecting	26			Phosphate and other minerals	Valid
		Rendova	LOI	26th October 2015	26th April 2016	Western Province	Surface Prospecting	463.1			Bauxite	Expired, SAA submitted
		Khohingo	PL02/16	6th July 2016	6th July 2019	Western Province	Surface Prospecting	138.5			Bauxite	Valid
12	Worldlink Minerals Ltd	South West Guadalcanal (Gauale, Kusumba and Satona)	PL 10/12	11th December 2012	11th December 2015	Guadalcanal Province	Prospecting License	457			All Minerals	Cancelled
13	Worldlink Gold and Copper Ltd	Mbetilonga	PL02/13	1st November 2013	1st November 2016	Guadalcanal Province	Surface Prospecting	210			Gold and Copper	Expired and cancelled
		Tirua-Vahole	PL 06/14	13th November 2014	13th November 2017	Western Province	Surface Prospecting	413			All minerals	Valid
14	Worldlink Resources Ltd	West Rennell	PL05/14	9th September 2014	9th September 2017	Rennell and Bellona Province	Surface Prospecting	21			Bauxite Minerals	See mining lease tab
		Ziata Prospect	LOI	27th July 2015	27th January 2016	Western Province	Prospecting License	47			All minerals	Application cancelled
15	Solomon Mining Resources Ltd	Central West Guadalcanal	PL 03/13	5th November 2013	5th November 2016	Guadalcanal Province	Prospecting License	279			All minerals	Expired and cancelled



16	Solomon Islands Gold Pty Ltd	Cape Esperance	PL 04/14	12th June 2014	12th June 2017	Guadalcanal Province	Prospecting License	211.67		All Minerals	Valid
		East Isabel	LOI	27th July 2015	27th January 2016	Isabel Province	Prospecting License	442.2		All Minerals	Cancelled
		Vangunu	PL 03/16	15th August 2016	15th August 2019	Western Province	Prospecting License	38		All Minerals	Valid
17	SIPIC (Solomon Islands Property Investment Corporation)	Koloula Valley (Upper)	LOI	22nd August 2014	22nd February 2015	Guadalcanal Province	Prospecting License	35			Cancelled
18	PT Mega Bintang Borneo Ltd	Central Rennell	PL 03/14	12th June 2014	12th June 2017	Rennell and Bellona Province	Prospecting License				See Mining Lease Tab
19	Kustom Mining Company Ltd	Sutakama	PL 02/15	13th March 2015	13th March 2018	Guadalcanal Province	Prospecting License	52		Alluvial Gold	Valid
	Solomon Garnet Ltd	East Malaita	RP 01/16	12th December 2016	12th December 2017	Malaita Province	Reconnaissance Permit	233		all metallic minerals, heavy mineral and precious stones	Valid
20	New Asia Mining Ltd	Lower Tirua South New Georgia	PL 04/16	29th September 2016	29th September 2019	Western Province	Prospecting License	262		Bauxite and other minerals	Valid
21	Sunshine Minerals Ltd	Tausere Prospect	LOI	1st November 2016	1st May 2017	Choiseul Province	Prospecting License	510		Bauxite and other minerals	Pending Minister's signature
22	Win Win Investment Solomon Ltd	Tuararana are	LOI	9th December 2016	9th June 2017	Guadalcanal Province	Prospecting License	46		All minerals	Valid

## 2.7. Policy on contract disclosure (#2.4)

At the time of reporting, there is no specific policy on the contract disclosure from mining in the Solomon Islands, however, a new mines and mineral policy which is at the drafting stage holds clause on the contract disclosure. According to the Mines Division of the Ministry of Mines, Energy, and Rural Electrification, the policy is scheduled to be launched and implemented in 2017.

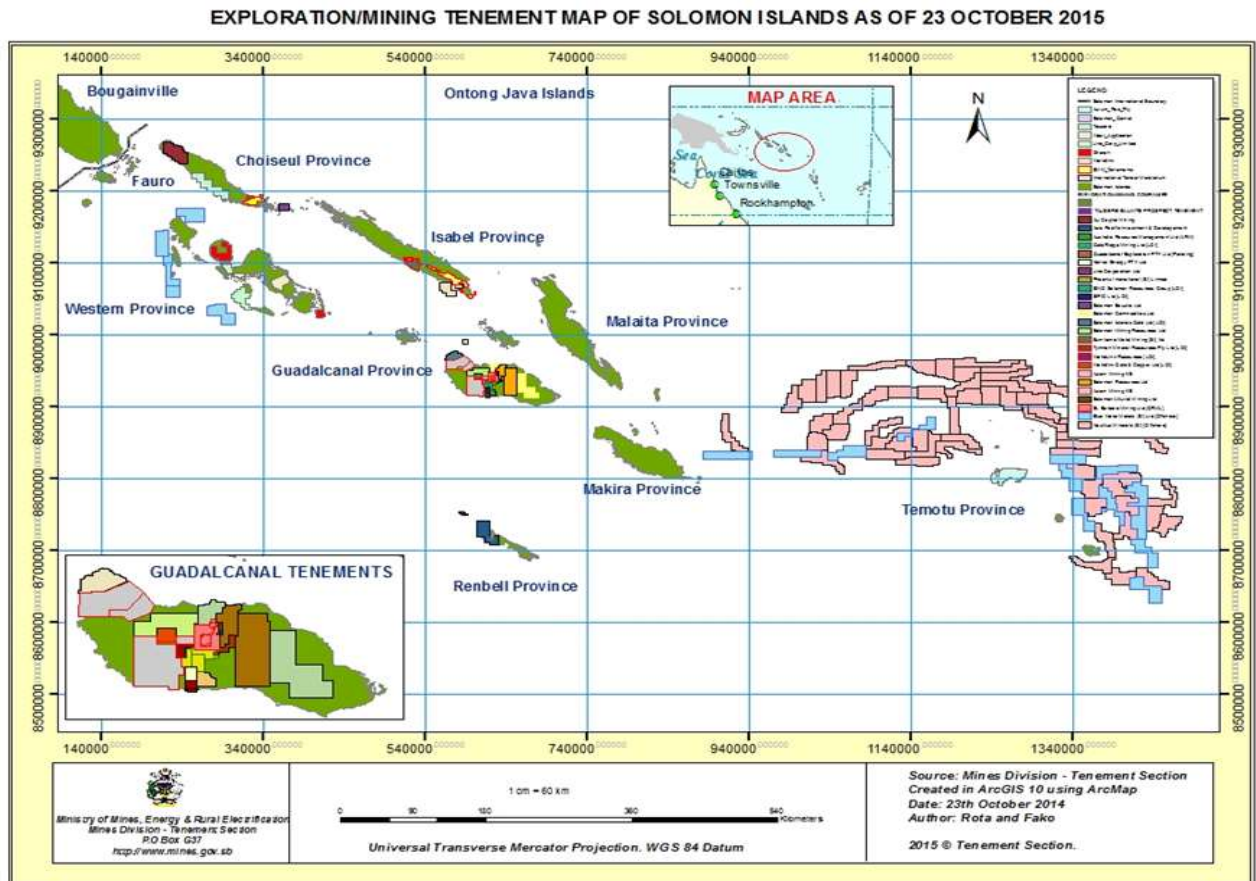
## 2.8. Beneficial ownership (#2.5)

The NSG is working towards publishing its beneficial ownership road map. Our plan shall be to finalise the policy in the end of 2016.

## Chapter 3: Monitoring Production

### 3.1. Exploration data (#3.1)

Below is an exploration map of the Solomon Islands obtain from the Mines Division, of the Ministry of Mines, Energy and Rural Electrification.



### 3.2. Production data (#3.2)

Whilst Gold Ridge Mine is suspended, the mining focus thereon is on Bauxite Mining in Rennell Bauxite ore deposits which have been commenced since the fourth quarter of calendar year 2014 and extended to 2015. Total of six (6) shipments has been exported to Shandong, China. Total of 388,644. WMT (wet metric ton) of which report obtain from the Mines Division explained that of the total wet metric tonne, 273,592,850.19 is dry metric tonne (DMT).

Table below summarise the Bauxite production in Rennell Island.

BINTAN MINING SI LIMITED									
Export Duty (based on 20%)									
Shipments : BMC321 - BMC334									
Port of Loading: Rennell Islands									
Shipment	Name of Buyer	Date of Shipment	Mother Vessel	Proceeds	Port of Discharge	AL203 (%)	Wet Metric Ton (WMT)	Moisture %	Dry Metric Ton (DMT)
BMC321	Chiping Xinfu Huaya Alumina Co. Ltd	22/12/2014	MV Shan Feng Hai	5,855,348.99	Huanghua Port, China	49.25%	51,120	26.33%	40,829
BMC322	Shandong Hongjiao New Material Co. Ltd	25/02/2015	MV Jia Cheng Shan	5,280,601.43	Longkou, China	48.12%	55,881.00	28.87%	39,748.16
BMC323	Shandong Weiqiao Pioneering Group Co. Ltd	1/04/2015	MV Jia Xin Shan	5,893,265.66	Longkou, China	49.02%	55,968.00	28.57%	39,978.64
BMC324	Shandong Binbei New Material Company Ltd	8/05/2015	MV Jia Cheng Shan	5,702,830.88	Yantai, China	47.28%	56,907.00	30.88%	39,334.12
BMC325	Shandong Binbei New Material Company Ltd	30/06/2015	MV Yuen Dian	5,165,922.60	Longkou, China	47.56%	50,756.00	31.12%	34,960.74
BMC326	Chalco Qingdao International Trading Co. Ltd	24/11/2015	MV Bao He Ling	4,886,725.04	Lianyungang Port, China	47.43%	46,211.00	30.15%	32,278.80
BMC327	Yantai Jintai International Trade Co. Ltd	31/08/2015	MV Shun Feng 9	5,241,086.78	Longkou, China	46.12%	71,800.00	29.98%	46,720.54
<b>Total</b>							<b>388,643.00</b>	<b>205.90%</b>	<b>273,850.19</b>

Above table shows the raw data of Bauxite production exported from Rennell Bauxite Mining by the APID mining company on various dates as denoted against in its shipment.

### 3.3. Export data (#3.3)

The extractive industry is also a major contributor to the economy. The closing down of the Gold Ridge Mine has affected exports in the mineral sector. The sector has recorded a decrease of around 197% from 626,600 ounces to only 210,000 ounces of gold exports in 2014. This has also affected the country's real GDP growth.

Exports (*000)	2012	2013	2014	2015
<b>Total Exports</b>	3658.6	3273.2	3353.0	3421.1
Mineral Export	855.1	623.6	210.0	20.0
Percentage of Total Exports	23.37%	19.05%	6.26%	0.58%
Real GDP (value) SBD millions	4141.9	4258.6	4344.7	4487.7
Real GDP growth (%)	2.30	2.82	2.02	3.29
Mineral Contribution to Growth	0.00	-0.69	-2.67	-0.73

## Chapter 4: Revenue Collection.

### 4.6. Direct subnational payments (#4.6)

SI EITI National Secretariat visited the provinces and conducted consultation with provincial Government on the direct subnational payments to comply with EITI requirement 4.6. For the provinces consulted including Choiseul, Western, Isabel and Rennell/Bellona provinces. Most provinces have business licences ordinances which prescribe fees based on types of licences. Choiseul Province Treasury reported no payment received for prospecting companies in 2015 due to licence expiry while Solomon Bauxite has not been issued a province business licence. Western province also reported no any payment in 2015. Isabel reported a total of 300,000 was paid by the Axiom KB Mining Limited for the San George Tenement. Sumitomo has launched a mining lease application for their tenement areas to the mineral Board and is still under consideration.

### 4.7. Disaggregation (#4.7)

Nos Tax	Templates Lodged (SBD'm)			Final Results *SBD'm)		
	Company	Gov't	Diff	Company	Gov't	Diff
<b>MMERE/MoFT/CBSI</b>					2,004,124	
1	Royalties				-	-
2	Mining License fees	1,869,738		1,869,738		
3	Prospecting License fees	80385.85		80385.85		
4	Gold Dealers License	54,000.0		54,000.0		54,000.0
5	Reconnaissance License					
6	Alluvial license fees					
7	Special site license fee				2,004,124	
8	Road Access Fee					
	Building Materials					
9	License fees					
<b>MCILU - MoFT</b>		800,300.00		800,300.00		800,300.00
10	Registration fees	3400				
11	Residence permit fee					
12	Work permit fees	796900				
<b>IRD - MoFT</b>		4,286,806		4,286,806		4,286,806
13	Tax on profit/Turnover	99,364.80				
14	Provisional Tax	37,500.00				
15	Additional Profit Tax					
16	Property Taxes					
17	PAYE	2,176,247				-
18	Withholding	1,928,184		1,928,184		1,928,184
19	Sales Tax					
20	Goods Tax					
21	Stamp Duties	45,510.51				
<b>CED - MoFT</b>		5,100,094		5,100,094		5,100,094
22	Export Duties	4,739,358				-
23	Import Duties	114,701.50				
24	Goods Tax	246,034.40				
<b>SINPF</b>						-
25	NPF Contributions	7,712,570		7,712,570		7,712,570
<b>Provincial Gov't</b>		300,000				
	Taxes, Fees, and other payments to Provincial Gov't					
26		300,000				-
<b>Gov't Agendes</b>						
	Other taxes, fees, and other payments to Gov't					
27						
<b>Total</b>					-	-

#### 4.8. Data timeliness (#4.8)

#### Data quality (#4.9)

A meeting on 1st August 2015, the NSG decided that due to no active mining companies operating in 2015, the report shall be unilateral-the report shall report only the revenue received by government from EI and no reconciliation on whatsoever will be done for 2015 report. The report will report revenue collected based on the list of active prospecting companies.

Due to closure of operations, St Barbara Mining Limited will not participate in the exercise, however, when necessary, data on its contributions to the economy may captured. For Provincial Governments, visits were made to Isabel, Choiseul, Western, Rennell & Bellona and Guadalcanal Provinces purposely to assist with the collection of data. The SI EITI, National Coordinator send letters and reminders to the IRD and CED to get the data for the

## Chapter 5: Revenue allocation

### 5.1. Distribution of revenues (#5.1)

Aggregate	2015				Amount (SBD'm)
	IRD (MoFT)	MoFT	MCILI(MOFT)	CED (MoFT)	Total
Aggregate	1,751,468,006	2,004,124	1,050,865	5,100,094	1,759,623,089
		-		-	-
	-				-
<b>Total</b>					<b>1,759,623,089</b>

### 5.2. Subnational transfers (#5.2)

According to the mines mineral (royalties) ordinance 2011, the Government shall establish funds to receive payments of royalties for the benefit of the landowners (80%) and the Provincial Government (20%).

BINTAN MINING SI LIMITED													
Export Duty (based on 20%)													
Shipments : BMC321 - BMC332													
Port of Loading:													
Shipment	Name of Buyer	Date of Shipment	Mother Vessel	Proceeds	Port of Discharge	AL203 (%)	Wet Metric Ton (WMT)	Moisture %	Dry Metric Ton (DMT)	40% LO Share (Based on 6.5%)	10% Provincial Fund Share	50% SIG revenue share	TOTAL ROYALTIES
BMC321	Chiping Xinfa Huaya Alumina Co. Ltd	22/12/2014	MV Shan Feng Hai	5,855,348.99	Huanghua Port, China	49.25%	51,120	26.33%	40,829	152,239.06	38,059.77	190,298.84	380,597.67
BMC322	Shandong Hongqiao New Material Co. Ltd	25/02/2015	MV Jia Cheng Shar	5,280,601.43	Longkou, China	48.12%	55,881.00	28.87%	39,748.16	137,295.62	34,323.91	171,619.54	343,239.07
BMC323	Shandong Weiqiao Pioneering Group Co. Ltd	1/04/2015	MV Jia Xin Shan	5,893,265.66	Longkou, China	49.02%	53,968.00	28.57%	39,978.64	153,224.89	38,306.22	191,531.12	383,062.23
BMC324	Shandong Binbei New Material Company Ltd	8/05/2015	MV Jia Cheng Shar	5,702,830.88	Yantai, China	47.28%	56,907.00	30.88%	39,334.12	148,273.60	37,068.40	185,342.01	370,684.01
BMC325	Shandong Binbei New Material Company Ltd	30/06/2015	MV Yuen Dian	5,165,922.60	Longkou, China	47.56%	50,756.00	31.12%	34,960.74	134,313.98	33,578.50	167,892.49	335,784.97
BMC326	Chalco Qingdao International Trading Co. Ltd	24/11/2015	MV Bao He Ling	4,886,725.04	Jiangyang Port, China	47.43%	46,211.00	30.15%	32,278.00	58,640.69	14,660.17	73,300.86	146,601.72
BMC327	Yantai Jintai International Trade Co. Ltd	31/08/2015	MV Shun Feng 9	5,241,086.78	Longkou, China	46.12%	71,800.00	29.98%	46,720.54	62,893.04	15,723.26	78,616.31	157,232.61

### Revenue management and expenditures (#5.3)

Mining Revenue is managed by numbers of government agencies as explained in chapter 2 of this report. At time of the reporting, we are unable to report on the government expenditure in relation to the mining revenue due to the revenue was in the government consolidate account.

## Chapter 6: Socio-economic Contribution

### 6.1. Mandatory social expenditures (#6.1.a)

Not relevant for this reporting.

### 6.2. Economic contribution (#6.3)

Industry	2012	2013	2014	2015
Gross Domestic Product (SBD million)	4141.9	4258.6	4344.7	4487.7
Mining and Exploration (SBD millions)	221.5	192.8	79.1	47.5

## Chapter 7: Outcomes and Impact

### 7.1. Public debate (#7.1)

To comply with the requirement 7.1, the Solomon Islands National Stakeholders Group (NSG) has hosted the SI EITI National conference in October 2015. There were total of 200 participants from across the country including Government, Companies, Landowners and communities gathered to discuss the futures of EITI. Resolutions was made following the event and notable one is for EITI to be a source of information for stakeholders. The EITI to be localise to the local situation and continue to be implemented.

The NSG participate at the International Transparency day boots showcase our work on the EITI. Private at the radio talk back show and media release soon the work of the EITI.

The website is being publishing and update report of the SI EITI

### 7.2. Data accessibility (#7.2)

Data access is notably with the extractive industries is challenge, to access the data, the NSG has review the reporting template and held number of the consultation with the industries. We have find out the decision was made the owners of the companies that base at the company's headquarters and that cause us to be at the limited space to proceed with accessing the. The NSG made decision the 2015 reporting shall be unilateral.

however the common reasons cited by companies for not giving data for SI EITI reporting is a challenge with companies' decision makers who base at their Headquarters simply because these companies are at the prospecting stage

### 7.3. Follow up on recommendations (#7.3)

No.	2014 Report RECOMMENDATION	Rating	Progress Update
1	<p><b>9.1 Lack of EITI Database</b></p> <p>It appeared that to date the SIEITI Secretariat is having problems with the collection of data from extractive companies. The lateness in the compilation of the Reconciliation Report for 2014 was the result of the delay in submission of data by extractive companies or the lack of available data to enable timely collection and compilation of data and report.</p> <p>31</p> <p>We recommend that the SIEITI Secretariat pursue installation of their database and system to allow the storage of data from extractive companies and Government Agencies to submit data of companies operating in the extractive sector this is intended to enable easy access to data for</p>		National secretariat is collecting the data and soon will make it available in their website as some data may require certain process before they are made public.



	<p>ease of easy data collection and timely compilation for future reconciliation work.</p> <p>.</p>		
2	<p><b>9.2 Lack of Commitment by Participating Companies</b></p> <p>There was lack of commitment by participating companies affecting the timely collection of data:</p> <p>Reporting Entities</p> <p>There was no preparation by the two selected companies of documents for the Administrator. They have not been able to furnish the required information to the Administrator even after reminders and consultations with the National Secretariat Office.</p> <p>We recommend that the SIEITI formally make recommendation to the Minister of Finance to consider making the submission of data and templates a compulsory exercise that must be done by the extractive companies each fiscal year. Such process should be supported by guidelines stating requirements including penalties for non-compliance</p>		<p>This is an ongoing challenges for SI EITI. We made numbers of consultation to the industries with a hope to increase access to data from the company side.</p>
3	<p><b>9.3 Lack of understanding and commitment on EITI principles by some stakeholders</b></p> <p>We note that some stakeholders that involved in the reconciliation process (extractive companies and Government Agencies) do not have a good understanding and knowledge of EITI, its international significance and Solomon Islands' membership. Certain stakeholders do not understand the SIEITI Reconciliation report for the year 2013.</p> <p>We recommend that as a matter of urgency, SIEITI look into hosting a conference/workshop for representatives from extractive companies, related government agencies and stakeholders to be informed of the roles of SIEITI in Solomon Islands. Maybe this will assist to provide information and understanding of the important role of SIEITI.</p>		<p>Training was conducted in 2015 through a visit to Timor-Leste</p>
4	<p><b>12.5 Communication enhancement</b></p> <p>The SIEITI Secretariat website is now ready for use but the delay in its launching will</p>		<p>Website was launched in October 2015.</p>

	<p>slow down the need to inform the public of the important role played by the EITI in Solomon Islands.</p> <p>32</p> <p>We recommend that the SIEITI prioritise the development of the website including a portal in which all data and documents are published in order to enable better dissemination and to a wider audience. It is worth noting that website is at its final stage of completion.</p>		
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We have follow the recommendation

#### 7.4. Outcomes and impact of implementation (#7.4)

It is quite early to achieve a major achievement, however, major outcome is the level of support offered by the Industries, Government nada CSOs.

## 8.0. DETERMINATION OF THE RECONCILIATION SCOPE

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

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

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

### 8.1 Payment Flows

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

#### 8.1.1 Specific payments related to extractive sector

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

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

Type of Tax	Legal Reference	Description
Royalties	GRML Agreement	GRML to pay the Government royalty equal to 1.5% of Gross Value of all gold and silver from mining area under the license
Mining License Fees		
Prospecting License Fees		
Gold Dealers License Fees		
Alluvial License Fees	Mines & Minerals Act	Various fees paid by mining companies for application or renewal of license
Special Site License Fees		
Road Access License Fees		
Building Materials License Fees		

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

#### 8.1.2 Common law taxes

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

### Inland Revenue Division/Ministry of Finance & Treasury

Type of Tax	Legal Reference	Description
Tax on profit/Turnover tax	Income Tax Act	Tax charged on profits earned each financial year
Provisional Tax	Income Tax Act	Tax pre-paid each quarter based on previous years profit
Additional Profit Tax	GRML Agreement	Tax levied on Mining Company
Property Tax	GRML Agreement	Tax charged on real property
PAYE	Income Tax Act	Tax deducted from employee salary
Withholding Tax	Income Tax Act	Tax on: contracting/subcontracting/royalties/interest/interest/professional services/mgt services/rent/lease
Sales Tax	Sales Tax Act	Tax charged on sale of good/services by vendor
Goods Tax	Goods Tax Act	Tax charged on sale value of goods manufactured in SI for home consumption. Sale value of goods is generally the wholesale price of the goods
Stamp Duties	Stamp Duty Act	Tax levied on documents. The major ones are: sale or transfer of properties, businesses, shares and other forms of property mortgages/lease agreements

### Ministry of Commerce, Industries, Labour and Immigration

Type of Tax	Legal Reference	Description
Company Registration Fees	Companies Act	Fees paid by mining companies for registration
Residence Permit Fees	Immigration Act	Fees paid by mining companies for entry & residence permits
Work Permit Fees	Labour Act	Fees paid by mining companies for application for work permits

### Customs & Excise Division/Ministry of Finance & Treasury

Type of Tax	Legal Reference	Description
Export Duties	Customs Act	Export duty is levied on specified goods exported from Solomon Islands
Import Duties	Customs Act	Import duty is levied on specified goods imported into the Solomon Islands
Goods Tax	Goods Tax Act	Fees paid by mining companies for application for work permits

### Solomon Islands National Provident Fund

Type of Tax	Legal Reference	Description
NPF Contributions	SINPF Act	Employee through employer deduction from salary pay contributions to NPF

### Provincial Governments

Type of Tax	Legal Reference	Description
Taxes, Fees & other payments to Provincial Governments	Provincial Government Act/Ordinances	Business fees and other fees paid to Provincial Governments

#### 8.1.3 Other payment flows and information

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

- others taxes and fees; and
- social payments

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

##### i) Others taxes and fees

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

##### ii) Social payments

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

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

#### 8.1.4 Volume and Value of produced and exported minerals

In order to comply with the new EITI Rules, the volume and value of exports were disclosed by the extractive companies and Government Agencies for the current reconciliation

exercise. As a result a separate section in the reporting template was created to be filled in by the reporting entities

## 9.0. Extractive companies proposed for the 2015 reconciliation exercise

The Report will be unilateral reporting revenues received by the government from Extractive Industries (EI). The EIs which data around them were collected for 2015 are as follows:

### 9.1. Mining Production Companies.

No.	Company Name	License number	Province	Project Area Name	Exploration Update	Total Surface (km <sup>2</sup> )	ML Issued Date	ML Expiry Date	Prospected/Mined Minerals	Exploration Status
1	Gold Ridge Mining Ltd (GRML)	ML 01/1997	Guadalcanal	Gold Ridge Area	Hard Rock mining	30	20 <sup>th</sup> February 2007	12 <sup>th</sup> March 2022	Gold, copper & other minerals	Undergoing refurbishment.
2	Asia Pacific Investment Development Ltd	ML 01/14	Rennell	West Rennell	Mine Development		5th September 2014	5th September 2039	Bauxite	Valid
3	Worldlink Resources Ltd	ML 03/15	Rennell	Bughali mega Land	Mine Development	21	11th March 2015	11th March 2025	Bauxite	Valid
4	Solomon Bauxite Ltd	ML	Choiseul	Vaghena Island	Mine Development					Valid

### 9.2. Prospecting Companies

No.	Company Name	Project Area Name	Prospecting License number & Status	PL Issued Date	Current Expiry Date	Province	Exploration Update	Total Surface area (km <sup>2</sup> )	Date of 1st Renewal	Date of 2nd Renewal	Prospected/Mined Minerals	Exploration Status
1	Bluewater Metals (SI) Ltd	Utupua	PL 06/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	569	valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature
		Grover	PL 07/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	598	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature
		Starfish	PL 08/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	598	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature
		NBAT1	PL 09/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	569	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature
		Grover East	PL 10/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	598	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature
		NBAT2	PL 11/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	589	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature
		Stanton	PL 12/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	502	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature
		NBAT3	PL 13/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	599	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature

		Vanikoro	PL 14/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	580	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature
		Santa Cruz East	PL 15/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	540	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature
		Santa Cruz	PL 16/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	567	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature
		San Cristobal East	PL 17/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	540	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature
		San Cristobal	PL 18/14	10th September 2014	10th September 2017	Temotu	Offshore Prospecting	540	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature
		Kana Keoki	PL 19/14	10th September 2014	10th September 2017	Western	Offshore Prospecting	598	Valid	NA	Copper, gold, lead, zinc, silver, iron, manganese, cobalt, arsenic, antimony, tellurium, & molybdenum	Pending Minister's Signature
2	SMM Solomon Limited	Kumboro	PL 06/05 granted extension 10/12/08	6th December 2010	6th December 2012	Choiseul	Sub-surface Prospecting (grid drilling)	185	10th December, 2008		Nickel & Cobalt	Expired. Mining Lease Application submitted expired
		Tenement B	PL 59/07	6th December 2012	6th December 2014	Santa Isabel	Surface Prospecting					
		Tenement D	PL 48/07	12th July 2012	12th July 2014	Santa Isabel	Surface Prospecting	115			Nickel & Cobalt	Mining Lease Application submitted
		Tenement E	PL 49/07	12th July 2012	12th July 2014	Santa Isabel	Surface Prospecting	15			Nickel & Cobalt	Mining Lease Application submitted
		Tenement D and E	LOI	12th July 2012	12th January 2013	Santa Isabel		36.07			Nickel & Cobalt	Purposely for Road Access License and Special Site Right for Tenement D&E
		Jejevo (formerly Tendered Area)	PL 11/12	22nd November 2012	22nd November 2015	Santa Isabel	Surface Prospecting	19.27			Nickel & Cobalt	Mining Lease Application submitted
3	Solomon Resources Ltd	Mbalesuna	PL 02/11	15th February 2011	14th February 2014	Guadalcanal Province	Surface Prospecting	152			All minerals	Valid
		Mbarade	PL 01/11	11th February 2011	11th January 2014	Guadalcanal Province	Surface Prospecting	438			All minerals	Valid
4	St Barbara Mining Ltd (GRML)	Mt Vunusa	PL 02/14	12th March 2014	12th March 2017	Guadalcanal Province	Surface Prospecting	130			Gold	Valid
		Lower Vunusa	LOI	25th November 2013	25th May 2014	Guadalcanal Province	Surface Prospecting	39			Au, Cu, Ag, Pb Zn	Expired (application for extension submitted)
		Sutakiki	LOI	11th April 2013	11th April 2014	Guadalcanal Province	Surface Prospecting	43.8			Au, Cu, Ag, Pb Zn	Expired
		Central	LOI	11th April 2013	11th April 2014	Guadalcanal Province	Surface Prospecting	82			Au, Cu, Ag, Pb Zn	Expired
5	Solomon Alluvial Mining Ltd	North/Eastern of ML area	PL 76/11	8th July 2011	8th July 2014	Guadalcanal	Alluvial prospecting	152	NA	NA	Gold	Renewal not approved
6	Guadalcanal Exploration Pty Ltd	Lower Koloula	PL01/10 (Renewed)	11th April 2013	11th April 2015	Guadalcanal Province	Surface Prospecting	20				Pending Minister's Signature
		Malakuna	PL02/10 (Renewed)	11th April 2013	11th April 2015	Guadalcanal Province	Surface Prospecting	36				Pending Minister's Signature
		Koloula Extension	LOI	11th April 2013	11th October 2013	Guadalcanal Province	Surface Prospecting					Pending Minister's Signature
		Kuma	LOI	3rd August 2015	3rd February 2016	Guadalcanal Province	Surface Prospecting	80				Pending Minister's Signature
7	Axiom Mining Ltd	Hoilava and Poha	PL 01/14									Renewal pending SAA
		Kolosori	PL 74/11									Cancelled by High Court Judgement
		San Jorge (Bungusule Land)	PL 01/15	13th March 2015	13th March 2018	Isabel Province	Surface Prospecting	35.98	12		Nickel & Cobalt	Valid
8	Geodynamics Savo Ltd/	Whole of Savo Island	PL 01/12	30th July 2015	30th July 2017	Central Province	Geothermal Energy Prospecting	49			Geothermal Energy	Relinquished

	Kentor Energy Pty Ltd												
9	Solomon Commodities Ltd	Aola-Valasi	LOI	8th July 2016	8th Jan 2017	Guadalcanal Province	License	563				All minerals	Valid
10	AU Capital Mining Pty Ltd	North West Choiseul	PL 04/13	25th November 2013	25th November 2016	Choiseul Province	Surface Prospecting	600					Expired and cancelled
		Nende Island	PL 01/16	1st December 2015	1st December 2018	Temotu Province	Surface Prospecting	447					Valid
11	Linc Corporation Ltd	Bellona	PL 01/13	21st January 2013	21st January 2016	Rennell and Bellona Province	Surface Prospecting	26				Phosphate and other minerals	Valid
		Rendova	LOI	26th October 2015	26th April 2016	Western Province	Surface Prospecting	463.1				Bauxite	Expired, SAA submitted
		Khohingo	PL02/16	6th July 2016	6th July 2019	Western Province	Surface Prospecting	138.5				Bauxite	Valid
12	Worldlink Minerals Ltd	South West Guadalcanal (Gauale, Kusumba and Satona)	PL 10/12	11th December 2012	11th December 2015	Guadalcanal Province	Prospecting License	457				All Minerals	Cancelled
13	Worldlink Gold and Copper Ltd	Mbetilonga	PL02/13	1st November 2013	1st November 2016	Guadalcanal Province	Surface Prospecting	210				Gold and Copper	Expired and cancelled
		Tirua-Vahole	PL 06/14	13th November 2014	13th November 2017	Western Province	Surface Prospecting	413				All minerals	Valid
14	Worldlink Resources Ltd	West Rennell	PL05/14	9th September 2014	9th September 2017	Rennell and Bellona Province	Surface Prospecting	21				Bauxite Minerals	See mining lease tab
		Ziata Prospect	LOI	27th July 2015	27th January 2016	Western Province	Prospecting License	47				All minerals	Application cancelled
15	Solomon Mining Resources Ltd	Central West Guadalcanal	PL 03/13	5th November 2013	5th November 2016	Guadalcanal Province	Prospecting License	279				All minerals	Expired and cancelled
16	Solomon Islands Gold Pty Ltd	Cape Esperance	PL 04/14	12th June 2014	12th June 2017	Guadalcanal Province	Prospecting License	211.67				All Minerals	Valid
		East Isabel	LOI	27th July 2015	27th January 2016	Isabel Province	Prospecting License	442.2				All Minerals	Cancelled
		Vanguu	PL 03/16	15th August 2016	15th August 2019	Western Province	Prospecting License	38				All Minerals	Valid
17	SIPIC (Solomon Islands Property Investment Corporation)	Koloula Valley (Upper)	LOI	22nd August 2014	22nd February 2015	Guadalcanal Province	Prospecting License	35					Cancelled
18	PT Mega Bintang Borneo Ltd	Central Rennell	PL 03/14	12th June 2014	12th June 2017	Rennell and Bellona Province	Prospecting License						See Mining Lease Tab
19	Kustom Mining Company Ltd	Sutakama	PL 02/15	13th March 2015	13th March 2018	Guadalcanal Province	Prospecting License	52				Alluvial Gold	Valid
	Solomon Garnet Ltd	East Malaita	RP 01/16	12th December 2016	12th December 2017	Malaita Province	Reconnaissance Permit	233				all metallic minerals, heavy mineral and precious stones	Valid
20	New Asia Mining Ltd	Lower Tirua South New Georgia	PL 04/16	29th September 2016	29th September 2019	Western Province	Prospecting License	262				Bauxite and other minerals	Valid
21	Sunshine Minerals Ltd	Tausere Prospect	LOI	1st November 2016	1st May 2017	Choiseul Province	Prospecting License	510				Bauxite and other minerals	Pending Minister's signature
22	Win Win Investment Solomon Ltd	Tuararana are	LOI	9th December 2016	9th June 2017	Guadalcanal Province	Prospecting License	46				All minerals	Valid

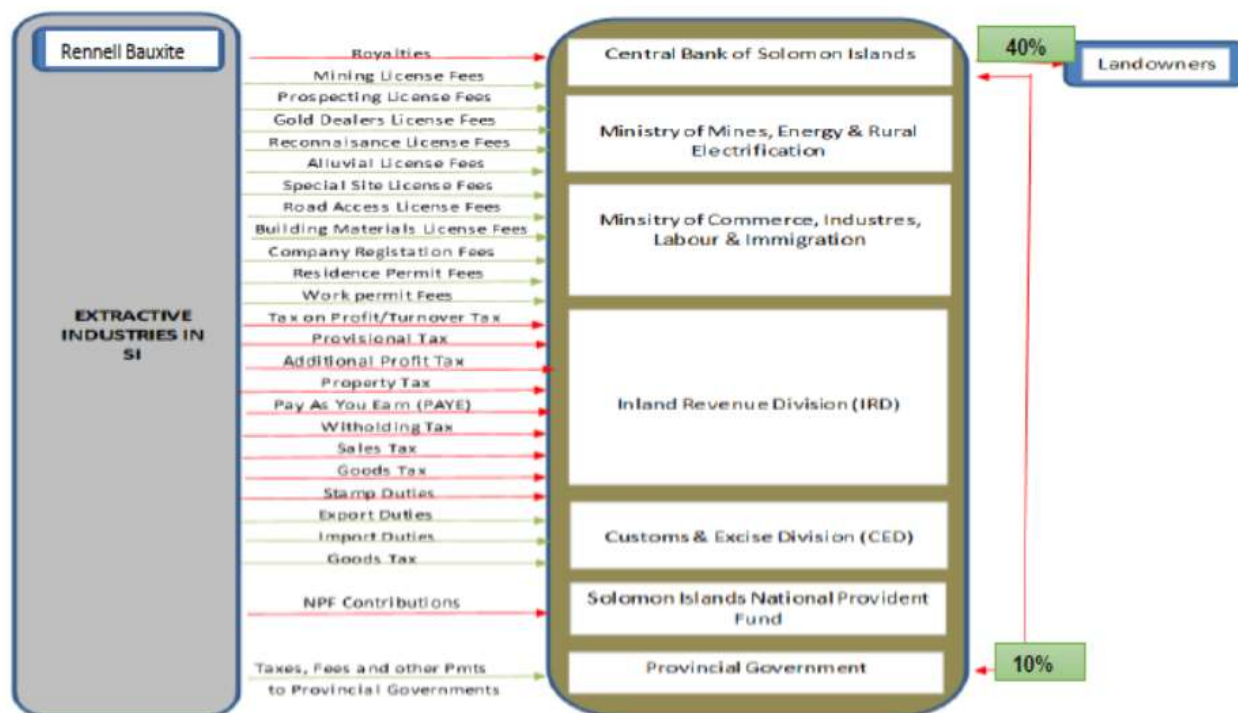


## 10.0 Government Agencies

The NSG has endorse five Government Ministries and Agents to participate in reporting. This Report contains data and information on revenue from extractive companies received the government agencies including Provincial Governments for 2015 fiscal year. The Government Agencies which involved in the reporting for 2015 are as follows:

<b>Central Agencies</b>	
1	Ministry of Finance & Treasury (MoFT)
2	Inland Revenue Division (IRD)
3	Customs and Excise Division (CED)
4	Ministry of Mines, Eenergy and Rural Electrification (MMERE)
5	Ministry of Commerce, Industries, Labour & Immigration (MCLI)
6	Central Bank of Solomon Islands
7	Solomon Islands National Provident Fund
<b>Provincial Government</b>	
9	Choiseul
10	Guadalcanal
11	Isabel
13	Renell & Bellona
15	Western

## 11. Flow Chart of Payment Flows



## 12. RECONCILIATION RESULTS

We present below detailed results of our reconciliation exercise, as well as differences noted between amounts paid by extractive companies and amounts received by Government Agencies. We have highlighted the amounts initially reported and the adjustments made following our reconciliation work, as well as the final amounts and unreconciled differences. However our reconciliation report was prepared based on unilateral disclosure by Government Agencies and related entities only and not from extractive companies.

## 13. REPORTED DATA

### 13.1. Unilateral disclosure of revenues by Government Agencies

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

Nos. Tax		Templates Lodged (SBD'm)			Final Results *SBD'm)		
		Company	Gov't	Diff	Company	Gov't	Diff
<b>MMERE/MoFT/CBSI</b>						<b>2,004,124</b>	
1	Royalties					-	-
2	Mining License fees		1,869,738			1,869,738	
3	Prospecting License fees		80385.85			80385.85	
4	Gold Dealers License		54,000.0			54,000.0	54,000.0
5	Reconnaissance License						
6	Alluvial license fees						
7	Special site license fee					2,004,124	
8	Road Access Fee						
9	Building Materials license fees						
<b>MCILI - MoFT</b>			<b>800,300.00</b>			<b>800,300.00</b>	<b>800,300.00</b>
10	Registration fees		3400				
11	Residence permit fee						
12	Work permit fees		796900				
<b>IRD - MoFT</b>			<b>4,286,806</b>			<b>4,286,806</b>	<b>4,286,806</b>
13	Tax on profit/Turnover		99,364.80				
14	Provisional Tax		37,500.00				
15	Additional Profit Tax						
16	Property Taxes						
17	PAYE		2,176,247				-
18	Withholding		1,928,184			1,928,184	1,928,184
19	Sales Tax						
20	Goods Tax						
21	Stamp Duties		45,510.51				
<b>CED - MoFT</b>			<b>5,100,094</b>			<b>5,100,094</b>	<b>5,100,094</b>
22	Export Duties		4,739,358				-
23	Import Duties		114,701.50				
24	Goods Tax		246,034.40				
<b>SINPF</b>						-	-
25	NPF Contributions		7,712,570			7,712,570	7,712,570
<b>Provincial Gov't</b>			<b>300,000</b>				
26	Taxes, Fees, and other payments to Provincial Gov't		300,000				-
<b>Gov't Agencies</b>							
27	Other taxes, fees, and other payments to Gov't						
<b>Total</b>						-	-

## 14. MINING LICENSE PROCESS

In 2014, there were no changes to any mining policies and the mining and licenses approval process was the same like it was in previous years. The three types of mining licenses available to the large-scale operators are: Reconnaissance Permits, Prospecting License and Mining License. The issuance process for the three licenses are as specified by the Mines and Minerals Act 1996 and Mines and Minerals (Amendment) Regulations 1999.

As part of field work we conducted interviews with various staff of the MMERE. This process includes interviews with the Deputy Director of Mines and the Inspectorate staff. We have also spent time to review applications forms, minutes of Board meeting, Agreement between Applicant and Landowners and Process of transmitting the license to the Provincial Secretary of the Province.

Below is a summary of some of the areas that we have raised with the MMERE.

- Some Agreements were not provided by MMERE for confidentiality reasons
- Some applications were not properly signed by the Director of Mines indicating poor administration of the Minerals application and approval process and system.

- The Approval Process is prone to political influence bypassing the Minerals Board as the body responsible for approval of licenses.

Physical review of some of the files and reports revealed that there are gaps in the mining license issuance process which needs to be addressed (see Annex 3 for Mining License Issuance Process).

## 15. RECOMMENDATION

There are some challenges encountered during the course of collection and compilation of this report. It was obvious that the extractive companies have been reluctantly to submit data and information to the National Secretariat Office affecting the timely collection, analysis and compilation of the Reconciliation Report for 2015. There is a need to consider implementing workable, applicable and relevant interventions to assist in improving the systems and process that form part of the data collection process, and reporting by companies, government authorities and related agencies that are part of the extractive industries sector.

The following are the recommendations:

### 15.1 Lack of EITI Database

It appeared that to date the SIEITI Secretariat is having problems with the collection of data from extractive companies. The lateness in the compilation of the Reconciliation Report for

2015 was the result of the delay in submission of data by extractive companies or the lack of available data to enable timely collection and compilation of data and report.

We recommend that the SIEITI Secretariat pursue installation of their database and system to allow the storage of data from extractive companies and Government Agencies to submit data of companies operating in the extractive sector this is intended to enable easy access to data for ease of easy data collection and timely compilation for future reconciliation work.

## **15.2 Lack of Commitment by Participating Companies**

There was lack of commitment by participating companies affecting the timely collection of data:

### **Reporting Entities**

There was no preparation by the two selected companies of documents for the Administrator. They have not been able to furnish the required information to the Administrator even after reminders and consultations with the National Secretariat Office.

We recommend that the SIEITI formally make recommendation to the Minister of Finance to consider making the submission of data and templates a compulsory exercise that must be done by the extractive companies each fiscal year. Such process should be supported by guidelines stating requirements including penalties for non-compliance.

## **15.3 Lack of understanding and commitment on EITI principles by some stakeholders**

We note that some stakeholders that involved in the reconciliation process (extractive companies and Government Agencies) do not have a good understanding and knowledge of EITI, its international significance and Solomon Islands' membership. Certain stakeholders do not understand the SIEITI Reconciliation report for the year 2013.

We recommend that as a matter of urgency, SIEITI look into hosting a conference/workshop for representatives from extractive companies, related government agencies and stakeholders to be informed of the roles of SIEITI in Solomon Islands. Maybe this will assist to provide information and understanding of the important role of SIEITI.

## 16. ANNEXES

### Annex 1: List of Organisations and Individuals Consulted

Name	Position	Organisation
<b>Government</b>		
IRD	Deputy Commissioner of IRD	Inland Revenue Division
Doudan Vunagi		Customs Excise Division
Nathan Kama	Comptroller of Customs	Customs Excise Division
Douglas Sade	Financial Analyst	MoFT
Anthony Kivolyn		IRD
Lisi		MOFT
Primula Mua		ERU
Mason Fugui	Director	Immigration,MCILI
Bridget Mazini	Data	
George Kosui	Permanenet Seretary	MCILI
Ishmael K		MMERE
Derick Aihari	Director	FID
<b>Government Agencies</b>		
Aluta Kakadi	Manager,operation	NPF
Judy Anii		CBSI
<b>Provincial Governments</b>		
Sam Kega	Provincial Treasury	Choiseul
Nemuel	Deputy Treasury	Rennell/Bellona
Jacob Ngelea	Deputy Treasury	Isabel
John	Treasury Officer	Guadalcanal
Joshua Simbe	Treasury Officer	Western Province

## Annex 2: Mineral Applications Procedure

### MINERAL APPLICATION PROCEDURES

